

Notes to the Financial Statements (un-audited)

for the quarter ended 30 September 2006

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 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 contract for laying of pipelines.

2. Basis of presentation

These financial statements have been prepared in accordance with the requirements of International Accounting Standard No. 34 "Interim Financial Reporting" and are 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.

The financial statements comprise of the balance sheet as at 30 September 2006 and the profit and loss account, statement of changes in equity and the cash flow statement for the quarter ended 30 September 2006 which are unaudited.

The comparative balance sheet presented in these financial statements as at 30 June 2006 has been extracted from the audited financial statements of the company for the year ended 30 June 2006, whereas the comparative profit and loss account, statement of changes in equity and the cash flow statement are stated from the unaudited financial statements for the quarter ended 30 September 2005.

3. Accounting policies

The accounting policies adopted in the preparation of these quarterly financial statements are the same as those applied in preparation of the annual audited financial statements of the company for the year ended 30 June 2006.

	Note	30 September 2006	30 June 2006
(Rupees in million)			
4. Property, plant and equipment			
Fixed assets at cost	4.1	47,242.9	46,572.0
Accumulated depreciation		(24,828.9)	(24,347.1)
		22,414.0	22,224.9
Capital work-in-progress	4.2	4,136.2	2,675.0
		<u>26,550.2</u>	<u>24,899.9</u>

4.1 Additions to and disposal of fixed assets

Details of addition to and disposal of fixed assets during the quarter ended 30 September 2006 are as follows:

	Cost of additions	Written down value of disposals
(Rupees in million)		
Owned		
Buildings on leasehold land	0.8	-
Gas transmission and distribution pipeline system	526.9	-
Plant, machinery and other equipment	125.8	-
Motor vehicles	32.7	-
	<u>686.2</u>	<u>-</u>

	Note	30 September 2006 (Rupees in million)	30 June 2006
4.2 Capital work-in-progress			
Projects:			
- Gas distribution system		624.1	497.3
- Cost of buildings under construction		120.3	108.1
- Gas infrastructure rehabilitation and expansion project		508.7	123.5
		<u>1,253.1</u>	<u>728.9</u>
Stores and spares held for capital projects		2,804.7	1,878.1
Advances for land acquisition		68.4	67.6
Others		10.0	0.4
		<u>4,136.2</u>	<u>2,675.0</u>
5. Long-term investments			
- Investments in related parties		170.5	195.1
- Other investments		75.9	62.1
		<u>246.4</u>	<u>257.2</u>
6. Trade debts			
Considered good		15,409.0	12,204.6
Less: Provision for doubtful debts		(1,385.3)	(1,306.2)
		<u>14,023.7</u>	<u>10,898.4</u>
7. Other receivables - considered good			
Government of Pakistan (GoP):			
- Under exchange risk coverage scheme		841.5	1,170.9
- Gas development surcharge		-	710.3
- Under deferred tariff adjustment		408.5	376.2
Sale of gas condensate		67.1	106.3
Staff retirement funds		47.6	30.9
Sui Northern Gas Pipeline Limited (SNGPL)	7.1	1,931.9	351.3
Jamshoro Joint Venture Limited (JJVL)		253.3	403.0
Sales tax		2,003.1	1,622.8
Miscellaneous		31.7	17.4
		<u>5,584.7</u>	<u>4,789.1</u>

7.1 This includes pipeline rental receivable of Rs. 196.4 million (30th June 2006: Rs. 100 million) and Rs. 1,734.7 million (30th June 2006: Rs. 250.6 million) receivable under the uniform cost of gas agreement.

	Note	30 September 2006 (Rupees in million)	30 June 2006
8. Trade and other payables			
Creditors		15,403.8	12,654.3
Amount received from customers / GoP for laying of mains etc.		2,448.8	2,217.2
Gas development surcharge		1,449.4	-
Accrued liabilities		886.3	974.5
Provision for compensated absences - non executives		57.0	57.0
Gratuity fund - non executive		31.1	30.9
Worker's profit participation fund		49.9	20.6
Deposits / retention money		108.9	109.7
Advance for sharing right of way		18.1	18.1
Others		140.3	127.9
		<u>20,593.6</u>	<u>16,210.2</u>

9 CONTINGENCIES AND COMMITMENTS

9.1 There have been no significant change in contingencies since the date of preceding annual published financial statements except for the matter stated as under;

9.2	Claims against the company not acknowledged as debt	9.5	<u>742.1</u>	<u>747.1</u>
9.3	Aggregate commitments for capital and other expenditure		<u>2,771.5</u>	<u>3,354.2</u>
9.4	Guarantees issued on behalf of the company		<u>6.9</u>	<u>4.8</u>

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

	Quarter ended 30 September 2006 (Rupees in million)	2005
10 Other operating expenses		
Auditors' remuneration	0.3	0.3
Workers' profit participation fund	29.3	27.7
Exchange loss on payment of gas purchases	17.3	-
Others	6.8	-
	<u>53.7</u>	<u>28.0</u>

		Quarter ended 30 September	
		2006	2005
		(Rupees in million)	
11	Other operating income		
	- Income from financial assets		
	Late payment surcharge	74.3	57.3
	Return on term deposits	9.9	6.4
	Return on staff loans	0.9	0.9
	Interest income - others	87.7	-
		<u>172.8</u>	<u>64.6</u>
	- Income from investment in debts, loans, advances and receivables from related party		
	Income from gas transportation	96.4	34.2
	- Income from other than financial assets		
	Meter rentals	123.0	115.7
	Recognition of income against deferred credit	42.1	33.3
	Sale of gas condensate	84.8	93.4
	Royalty income	167.9	70.4
	Gas transportation	42.4	102.1
	Meter manufacturing profit - net	25.9	18.6
	Recoveries from customers	6.7	19.8
	Gain on sale of fixed assets	4.0	5.0
	Liquidated damages	16.6	18.9
	Advertising income	3.2	-
	Miscellaneous	4.7	14.5
		<u>790.5</u>	<u>590.5</u>

12 Transactions with related parties

Details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

Pipeline rental income	96.4	93.2
Sale of gas meters	126.2	77.6
Sale of pipes	-	0.2
Contribution to Provident Fund	17.9	16.4
Accrual in respect of obligation to defined benefit plans	-	52.3
	<u>240.5</u>	<u>239.7</u>

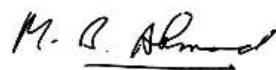
		30 September 2006	30 June 2006
		(Rupees in million)	
13	Cash and Cash equivalents		
	Cash and bank balances	4,263.0	3,814.6
	Short term borrowings	(1,970.0)	(1,164.8)
		<u>2,293.0</u>	<u>2,649.8</u>

14 General

14.1 These interim financial statements were authorised for issue by the Board of Directors on 28th October 2006.

14.2 Previous period's figures have been rearranged wherever necessary, for the purpose of comparison.


Aitzaz Shahbaz
Chairman


Munawar B. Ahmad. P.E.
Managing Director