

## CORPORATE PROFILE

### Board of Directors

Mr. Salim Abbas Jilani	Chairman
Dr. Faizullah Abbasi	Managing Director
Mr. Abbas Ali Mehkri	
Mr. Abdul Rashid Lone	
Mr. Ahmed Bakhsh Lehari	
Mr. Ayaz Dawood	
Mr. Faisal Ahmed	
Mr. Fazal-ur-Rehman Dittu	
Engr. M. A. Jabbar	
Mr. Mirza Mahmood Ahmad	
Mr. Nessar Ahmed	
Mr. Sher Muhammad Khan	
Mr. Shahid Aziz Siddiqui	
Mr Wazir Ali Khoja	

### Board of Directors' Committees

#### Audit Committee

Mr. Nessar Ahmed	Chairman
Mr. Abdul Rashid Lone	Member
Mr. Ayaz Dawood	Member
Mr. Faisal Ahmed	Member
Mr. Fazal-ur-Rehman Dittu	Member
Engr. M. A. Jabbar	Member

#### Finance Committee

Mr. Shahid Aziz Siddiqui	Chairman
Dr. Faizullah Abbasi	Managing Director
Mr. Mirza Mahmood Ahmad	Member
Mr. Sher Muhammad Khan	Member
Mr Wazir Ali Khoja	Member

#### Human Resource Committee

Mr. Salim Abbas Jilani	Chairman
Dr. Faizullah Abbasi	Managing Director
Mr. Abbas Ali Mehkri	Member
Mr. Ahmed Bakhsh Lehari	Member
Mr. Ayaz Dawood	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Shahid Aziz Siddiqui	Member

### Company Secretary

Mr. Yusuf J. Ansari

### Chief Financial Officer

Mr. S. Shahid H. Jafri

### Auditors

M/s. M. Yousuf Adil Saleem & Co.  
Chartered Accountants

### Legal Advisors

M/s. Haidermota & Co.  
Barrister-at-Law & Corporate Counsels

### Registered Office

SSGC House  
ST - 4/B, Block 14,  
Sir Shah Muhammad Suleman Road,  
Gulshan-e-Iqbal, Karachi - 75300  
Ph: 92-21-99021000  
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### Website

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### E-mail

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## DIRECTORS REPORT

On behalf of the Board of Directors of Sui Southern Gas Company Limited, we are pleased to present the un-audited financial statements of the Company for the quarter ended 30 September 2010. Important performance benchmarks achieved are recounted below.

The Company sold 92.6 bcf gas in the quarter under review depicting a drop of 8% compared to corresponding period of last year which was due to reduced supplies from the gas producing companies. Value wise, the sales registered a growth of 7% rising from Rs. 27.6 billion to Rs. 29.6 billion as the average selling price increased by 16% at Rs. 341.51 per mmbtu. On the other hand the average increase in purchase price was 23% to Rs. 266 per mmbtu. However gas price increase or decrease does not have any impact on Company profitability due to the existing pricing formula.

The meter manufacturing plant of the Company produced 168,250 meters during the quarter as compared to 138,840 meters produced in the corresponding period of last year depicting an increase of 21%.

The "non operating income," brought in for the Company a total of Rs. 1,184 million from sale of condensate, royalty on LPG extracted by JJVL, late payment surcharge and the meter manufacturing unit. As alluded to in Note 3 to the Accounts, the treatment allowed in revenue determination for 2009-10 for both non-operating income and UFG benchmark of 7% is assumed to be retained in the subsequent period and accounts are based accordingly. The "excess UFG" i.e. beyond permissible limit of 7% caused a dent of Rs. 584 million in the bottom line. There was a decline of 29% in financial charges compared to corresponding period of preceding financial year and these now stand at Rs. 1.1 billion. The profit before tax thus worked out to Rs. 1.7 billion. A tax provision of Rs. 600 million has been made resulting in PAT of Rs. 1.1 billion and basic EPS of Rs. 1.66 for the quarter (diluted EPS Rs. 1.33).

Under the provisions of license given by Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. However, the effective return on incremental investment financed through borrowings at current interest rates comes to around 1% as per the above formula.

The Company continues to be affected by poor payment performance of KESC which has yet to show any signs of improvement. The Company also has significant overdues against gas sales receivable balance from WAPDA and Pakistan Steel, Sales Tax Refund Claims and Gas Development Surcharge adjustments for overpaid amounts.

## DEVELOPMENT PROJECTS

In the 3 months period, your Company extended 52 new industrial connections, 378 commercial and 23,319 domestic connections. Gas Distribution System was extended by 497 KM while another 74 KM were laid under rehabilitation projects. The total capex incurred in the three months period was Rs. 2.78 billion and transfer to fixed assets amounted to Rs. 929 million.

Your Company is negotiating with the World Bank for a loan of US \$ 125 million mainly to fund major capital expenditure on rehabilitation of gas network to control and curb gas line losses.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

# UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 September 2010

		30 September 2010 (un-audited)	30 June 2010 (audited)
	Note	(Rupees in thousand)	
<b>Non-current assets</b>			
Property, plant and equipment	6	43,765,536	41,665,603
Intangible assets		1,132	4,510
Long-term investments	7	96,107	97,118
Net investment in finance lease		1,010,858	1,040,539
Long-term loans and advances		118,787	113,816
Long-term deposits		3,250	3,250
<b>Total non-current assets</b>		<b>44,995,670</b>	<b>42,924,836</b>
<b>Current assets</b>			
Stores, spares and loose tools		2,092,635	2,037,359
Stock-in-trade		470,655	455,415
Current portion of net investment in finance lease		118,795	118,795
Customers' installation work-in-progress		158,834	158,388
Trade debts	8	47,107,309	43,815,667
Loans and advances		225,984	92,958
Trade deposits and short term prepayments		144,004	182,944
Interest accrued		3,199,059	2,834,295
Other receivables	9	17,898,630	17,427,911
Taxation - net		-	90,170
Cash and bank balances		1,068,178	620,884
<b>Total current assets</b>		<b>72,484,083</b>	<b>67,834,786</b>
<b>Less: Current liabilities</b>			
Current portion of long term financing		5,038,791	5,034,670
Short term borrowings		8,790,860	3,720,666
Trade and other payables	10	55,188,832	51,046,484
Interest and mark-up accrued		7,264,574	6,829,477
Taxation - net		413,019	-
<b>Total current liabilities</b>		<b>76,696,076</b>	<b>66,631,297</b>
<b>Net current (liabilities) / assets</b>		<b>(4,211,993)</b>	<b>1,203,489</b>
<b>Total assets less current liabilities</b>		<b>40,783,677</b>	<b>44,128,325</b>
<b>Equity and non-current liabilities</b>			
<b>Share capital and reserves</b>			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid-up capital		6,711,743	6,711,743
Reserves		3,107,401	3,107,401
Surplus on re-measurement of available for sale securities		82,478	83,489
Unappropriated profit		5,283,483	4,169,712
<b>Total equity</b>		<b>15,185,105</b>	<b>14,072,345</b>
<b>Non-current liabilities</b>			
Long term financing		7,026,505	11,644,780
Long term deposits		3,544,586	3,413,042
Deferred tax		7,018,283	7,018,283
Employee benefits		1,601,139	1,530,262
Deferred credit	11	4,936,115	4,989,386
Long term advances		1,471,944	1,460,227
<b>Total non-current liabilities</b>		<b>25,598,572</b>	<b>30,055,980</b>
<b>Total shareholders' equity and non-current liabilities</b>		<b>40,783,677</b>	<b>44,128,325</b>
<b>Contingencies and commitments</b>	12		

The annexed notes form an integral part of these unconsolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

## UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the quarter ended 30 September 2010

		2010	2009
	Note	(Rupees in thousand)	
Sales		34,034,170	31,471,574
Sales tax		(4,407,376)	(3,863,174)
		29,626,794	27,608,400
Gas development surcharge		(1,103,122)	(4,230,243)
Net sales		28,523,672	23,378,157
Cost of sales	13	(28,341,031)	(23,886,124)
Gross profit / (loss)		182,641	(507,967)
Administrative and selling expenses		(617,835)	(517,696)
Other operating expenses	14	(109,374)	(121,188)
		(727,209)	(638,884)
		(544,568)	(1,146,851)
Other operating income	15	1,086,795	1,057,855
Operating profit / (loss) before finance cost		542,227	(88,996)
Other non-operating income	16	2,238,517	1,794,802
Finance cost	17	(1,067,250)	(1,509,558)
<b>Profit before taxation</b>		1,713,494	196,248
Taxation	18	(599,723)	(130,936)
<b>Profit after taxation</b>		1,113,771	65,312
			(Rupees)
<b>Basic earning per share</b>		1.66	0.10
<b>Diluted earning per share</b>		1.33	0.10

The annexed notes form an integral part of these unconsolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

For the quarter ended 30 September 2010

The annexed notes form an integral part of these unconsolidated interim financial statements.

**Salim Abbas Jilani**  
Chairman

**Dr. Faizullah Abbasi**  
Managing Director

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
(UN-AUDITED)**

For the quarter ended 30 September 2010

	2010	2009
	(Rupees in thousand)	
<b>Net profit for the period</b>	<b>1,113,771</b>	65,312
<b>Other comprehensive income</b>		
Unrealised (loss) / surplus on re-measurement of available for sale securities	<b>(1,011)</b>	3,654
<b>Total comprehensive income for the period</b>	<b><u>1,112,760</u></b>	<b><u>68,966</u></b>

The annexed notes form an integral part of these unconsolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

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

For the quarter ended 30 September 2010

		2010	2009
	Note	(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>			
Profit before taxation		1,713,494	196,248
<b>Adjustments for non-cash items</b>			
Cash generated from operations	19	689,315	1,315,684
Service charges received from new customers		66,086	86,895
Security deposits received - net		131,544	78,519
Long term advances received from GoP		11,717	-
Long term loans and advances to staff - net		(4,971)	3,919
Changes in working capital	20	167,332	(1,802,669)
Income tax paid - net		(96,534)	(43,551)
Financial charges paid		(686,852)	(853,602)
Net cash from/(used in) operating activities		1,991,131	(1,018,557)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(2,784,467)	(908,200)
Proceeds from sale of fixed assets		4,636	4,652
Lease rental from net investment in finance lease		37,963	81,932
Profit / interest received on term deposits		742,015	561,204
Net cash (used in) investing activities		(1,999,853)	(260,412)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from local currency loans		20,860	15,337
Repayments of local currency loans		(4,635,014)	(763,263)
Dividend paid		(24)	(91)
Net cash (used in) financing activities		(4,614,178)	(748,017)
<b>Net decrease in cash and cash equivalents</b>		(4,622,900)	(2,026,986)
<b>Cash and cash equivalents at beginning of the period</b>		(3,099,782)	1,477,155
<b>Cash and cash equivalents at end of the period</b>	21	(7,722,682)	(549,831)

The annexed notes form an integral part of these unconsolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director



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

For the quarter ended 30 September 2010

### 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

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. These financial statements do 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 2010.

The financial statements comprise of the balance sheet as at 30 September 2010 and the profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement for the three months period ended 30 September 2010 which are unaudited.

The comparative balance sheet presented in these financial statements as at 30 June 2010 has been extracted from the audited financial statements of the Company for the year ended 30 June 2010, 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 first quarter ended 30 September 2009.

### 3 Accounting policies

The accounting policies adopted in the preparation of these 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 2010. Accordingly treatment allowed in revenue determination for 2009-10 for both non-operating income and UFG benchmark of 7% is assumed to be retained in the subsequent period. Changes made by OGRA, if any, in any of these items in revenue determination exercise for 2010-11 can affect the reported profit either side and will be incorporated as soon as these are known.

### 4 Estimates

The preparation of financial statements 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 estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2010.

### 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 2010.

		30 September 2010 (un-audited) (Rupees in thousand)	30 June 2010 (audited)
	Note		
<b>6 Property, plant and equipment</b>			
Operating assets	6.1	37,066,527	36,915,188
Capital work-in-progress	6.2	6,699,009	4,750,415
		<b>43,765,536</b>	<b>41,665,603</b>

## 6.1 Additions to and disposals of fixed assets

Details of additions to and disposals of operating fixed assets during the quarter ended 30 September 2010 are as follows:

	Note	Cost of additions (Rupees in thousand)	Written down value of disposals / (transfers)
<b>Operating assets - owned</b>			
Gas transmission and distribution system		775,271	-
Buildings		14,485	-
Plant, machinery and other equipment		132,538	-
Motor vehicles		7,049	5,503
		<u>929,343</u>	<u>5,503</u>
<b>6.2 Capital work-in-progress</b>			
Projects:			
Gas transmission and distribution system		2,707,451	(775,271)
Cost of building under construction		63,532	(14,485)
Plant, machinery and other equipment		99,905	(132,538)
Motor vehicles		7,049	(7,049)
		<u>2,877,937</u>	<u>(929,343)</u>
		<b>30 September 2010</b>	<b>30 June 2010</b>
		<b>(un-audited)</b>	<b>(audited)</b>
		(Rupees in thousand)	
<b>7 Long-term investments</b>			
Investments in related parties		69,604	63,187
Other investments		26,503	33,931
		<u>96,107</u>	<u>97,118</u>
<b>8 Trade debts</b>			
Considered good - secured		12,000,000	12,003,014
Considered good - un-secured		35,107,309	31,812,653
		<u>47,107,309</u>	<u>43,815,667</u>
Considered doubtful		2,343,961	2,296,330
		<u>49,451,270</u>	<u>46,111,997</u>
Provision against impaired debts		(2,343,961)	(2,296,330)
		<u>47,107,309</u>	<u>43,815,667</u>
<b>9 Other receivables - considered good</b>			
Gas development surcharge receivable from GoP		4,221,100	5,290,758
Receivable from Sui Northern Gas Pipelines Limited	9.1	6,211,460	4,198,192
Receivable from Jamshoro Joint Venture Limited		1,049,919	1,009,090
Sales tax receivable		6,044,174	6,558,456
Receivable from staff pension fund - non executives		82,733	82,733
Receivable from staff provident fund - executives		19,567	-
Receivable from staff gratuity fund - non executives		-	10,247
Balance receivable for sale of gas condensate		70,844	46,869
Pipeline rentals receivable		22,607	13,236
Claims receivable		4,722	1,462
Miscellaneous	9.2	172,989	218,353
		<u>17,900,115</u>	<u>17,429,396</u>
Provision against impaired receivables		(1,485)	(1,485)
		<u>17,898,630</u>	<u>17,427,911</u>

**9.1** This includes pipeline rentals receivable Rs. 67.312 million (30 June 2010: Rs. 67.745 million) and Rs. 6,143.674 million (30 June 2010: Rs. 4,130.197 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited.

**9.2** This includes Rs. 131.655 million (30 June 2010: Rs.150.462 million) recoverable from GoP under deferred tariff adjustment.

	<b>30 September 2010 (un-audited)</b>	30 June 2010 (audited)
	(Rupees in thousand)	
<b>10 Trade and other payables</b>		
Creditors for:		
- gas	<b>49,641,829</b>	44,560,429
- supplies	<b>335,868</b>	316,332
Amount received from customers	<b>2,042,950</b>	1,831,427
Accrued liabilities	<b>2,440,911</b>	3,235,422
Provision for compensated absences - non executives	<b>137,646</b>	137,646
Payable to provident fund - non executives	<b>5,069</b>	30
Deposits / retention money	<b>191,632</b>	203,042
Foreign bills payable	<b>-</b>	121,908
Advance for sharing right of way	<b>18,088</b>	18,088
Unclaimed dividend	<b>39,911</b>	39,935
Unclaimed TFC redemption profit	<b>1,800</b>	1,800
Workers' profit participation fund	<b>104,587</b>	369,184
Withholding tax payable	<b>70,686</b>	54,496
Inter State Gas System (Private) Limited (ISGSL)	<b>5,261</b>	2,864
Others	<b>152,594</b>	153,881
	<b><u>55,188,832</u></b>	<b><u>51,046,484</u></b>
<b>11 Deferred credit</b>		
- <b>Government contributions / grants</b>		
Balance at 1 July	<b>2,511,308</b>	2,161,269
Additions during the period	<b>-</b>	478,473
	<b>2,511,308</b>	2,639,742
Transferred to profit and loss account	<b>(181)</b>	(128,434)
	<b>2,511,127</b>	2,511,308
- <b>Contribution from customers</b>		
Balance at 1 July	<b>2,478,078</b>	2,685,259
Refund during the period	<b>-</b>	(8,782)
	<b>2,478,078</b>	2,676,477
Transferred to profit and loss account	<b>(53,090)</b>	(198,399)
	<b>2,424,988</b>	2,478,078
	<b><u>4,936,115</u></b>	<b><u>4,989,386</u></b>

## 12 Contingencies and commitments

12.1 There has been no significant change in contingencies since the preceding annual published financial statements except for the matter stated as under;

	30 September 2010 (un-audited) Note	30 June 2010 (audited)
	(Rupees in thousand)	
12.2 Claims against the Company not acknowledged as debt	12.6 298,260	396,083
12.3 Commitments for capital and other expenditure	1,880,599	2,558,094
12.4 Guarantees issued on behalf of the Company	1,790,523	1,790,483
12.5 Demand finance facilities to the Company's employees	10,233	11,434

12.6 The management is confident that ultimately these claims (note 12.2) would not be payable.

	Quarter ended 30 September 2010 (un-audited) (Rupees in thousand)	2009
<b>13 Cost of sales</b>		
Cost of gas	26,243,344	22,390,215
Transmission and distribution costs	2,097,687	1,495,909
	<u>28,341,031</u>	<u>23,886,124</u>
<b>14 Other operating expenses</b>		
Auditors' remuneration	313	313
Workers' Profit Participation Fund	90,902	10,329
Sports expenses	3,815	4,613
Corporate social responsibility	14,282	15
Exchange loss on foreign transactions	-	105,771
Others	62	147
	<u>109,374</u>	<u>121,188</u>
<b>15 Other operating income</b>		
<b>- Income from other than financial assets</b>		
Meter rentals	150,318	134,200
Recognition of income against deferred credit	53,271	72,515
Income from new service connection under IFRIC-18	66,086	-
Gas shrinkage - JJVL	756,843	806,355
Gas transportation	11,608	13,256
Income from LPG distribution operation in Gwadar	5,378	3,386
Gain / (loss) on sale of fixed assets	(867)	3,813
Recoveries from customers	8,374	6,933
Liquidity damages recovered	1,280	6,120
Advertising income	1,508	1,415
Realised gain on foreign transactions	24,895	-
Miscellaneous	4,662	4,242
	<u>1,083,356</u>	<u>1,052,235</u>
<b>- Income from investment in debts, loans, advances and recoveries from related party</b>		
Contingent rental income - SNGPL	3,439	5,620
	<u>1,086,795</u>	<u>1,057,855</u>

**Quarter ended 30 September**  
**2010**                      **2009**  
**(un-audited)**  
(Rupees in thousand)

<b>16 Other non-operating income</b>		
<b>- Income from financial assets</b>		
Late payment surcharge	325,676	196,617
Income from net investment in finance lease	13,795	13,365
Interest / profit on bank deposits	17,403	40,629
Interest on staff loans	277	405
Interest income from KESC	748,924	514,721
Interest income from WAPDA (JPCL)	260,513	134,488
Interest income from SNGPL	72,028	144,280
Interest income from JJVL	7,634	26,004
Royalty income	602,674	539,104
Sale of gas condensate	108,783	110,033
Meter manufacturing profit - net	46,207	39,778
Dividend income	119	-
	<u>2,204,033</u>	<u>1,759,424</u>
<b>- Income from investment in debts, loans, advances and recoveries from related parties</b>		
Income from net investment in finance lease - SNGPL	33,567	34,222
Income from net investment in finance lease - OGDCL	917	1,156
	<u>2,238,517</u>	<u>1,794,802</u>
<b>17 Finance cost</b>		
Mark-up on :		
- musharaka	244,779	303,375
- local currency financing	254,554	430,548
- short term financing	71,507	51,216
- consumers' deposits	28,863	23,854
- delayed payment of gas bills	507,867	771,603
- others	14,379	2,291
	<u>1,121,949</u>	<u>1,582,887</u>
Finance cost charged to projects	<u>(54,699)</u>	<u>(73,329)</u>
	<u>1,067,250</u>	<u>1,509,558</u>
<b>18 Taxation</b>		
Current	599,723	130,936*
Deferred	-	-
	<u>599,723</u>	<u>130,936</u>

\*Current tax has been provided under Section 113 of the Income Tax Ordinance, 2001

**Quarter ended 30 September**  
**2010**                      **2009**  
**(un-audited)**  
(Rupees in thousand)

**19 Cash generated from operations**

Depreciation	772,501	658,020
Amortization of intangibles	3,378	10,953
Finance cost	1,067,250	1,509,558
Amortization of transaction cost	1,226	1,226
Provision against doubtful debts	47,631	65,743
Provision for employee benefits	70,877	55,782
Recognition of income against deferred credit	(119,357)	(72,515)
Profit / interest on term deposits	(1,106,779)	(860,527)
Income from net investment in finance lease	(48,279)	(48,743)
(Profit) / loss on disposal of fixed assets	867	(3,813)
Net cash generated from operations	<u>689,315</u>	<u>1,315,684</u>

**20 Changes in working capital**

Stores and spares	(55,276)	44,250
Stock-in-trade	(15,240)	14,746
Customers' installation work-in-progress	(446)	2,098
Trade debts	(3,339,273)	(1,403,761)
Loans and advances	(133,026)	(107,515)
Trade deposits and short term prepayments	38,940	(24,731)
Other receivables - net	(470,719)	6,032,395
Trade and other payables - net	4,142,372	(6,360,151)
	<u>167,332</u>	<u>(1,802,669)</u>

**21 Cash and cash equivalents**

Cash and bank balances	1,068,178	1,363,831
Short term borrowings	(8,790,860)	(1,913,662)
	<u>(7,722,682)</u>	<u>(549,831)</u>

**22 Transactions with related parties**

The related parties comprise of subsidiary companies, associated companies, Joint venture companies, state controlled entities, staff retirement benefits 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 these financial statements are as follows:

		<b>Quarter ended 30 September</b>	
		<b>2010</b>	<b>2009</b>
		<b>(un-audited)</b>	
	Note	<b>(Rupees in thousand)</b>	
<b>Sui Northern Gas Pipelines Limited</b>			
- Pipeline rental income		102,121	97,377
- Sale of gas meters		292,580	257,705
- Gas purchases		102,430	61,425
- Uniform cost of gas		5,291,213	4,307,479
<b>Oil and Gas Development Company Limited</b>			
- Pipeline rental income		8,700	9,041
- Gas purchases		6,954,411	4,798,370
<b>Mari Gas Company Limited</b>			
- Gas purchases		2,153	2,036
<b>State Life Insurance Corporation Limited</b>			
- Rent of premises		216	131
<b>Liaquat National Hospital</b>			
- Medical services		12,206	4,790
- Gas sales		16,345	12,689
<b>Inter State Gas Systems (Private) Limited</b>			
- Reimbursement of expenses on the basis of joint venture agreement		8,488	8,224
<b>Petroleum Institute of Pakistan</b>			
- Subscription		441	243
<b>Siemens Pakistan Engineering Limited</b>			
- Supplies and maintenance		73	-
- Gas sales		1,417	1,204
<b>U.G Foods Company (Pvt.) Limited</b>			
- Gas sales		2,673	1,426
<b>Artistic Denim Mills Limited</b>			
- Gas sales		58,193	48,149
<b>Dawood Islamic Bank Limited</b>			
- Profit on investments		-	22,431
<b>Minto &amp; Mirza</b>			
- Professional charges		3,400	-
<b>Quality Aviation Pvt. Limited</b>			
- Travelling services		4,219	-
<b>Packages Limited</b>			
- Gas sales		1,972	1,551
<b>Staff retirement benefit plans</b>			
- Contribution to provident fund	22.1	39,590	25,990
- Contribution to pension fund		-	(25,354)
- Contribution to gratuity fund		69,380	29,284
<b>Remuneration of key management personnel</b>	22.2	15,117	8,911

- 22.1** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and actuarial advice.
- 22.2** Remuneration to the key management personnel are as per the terms of employment.
- 22.3** 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.
- 22.4** Banking relationship maintained with the related parties (common directorship) at normal commercial terms.
- 22.5** Gas purchases figures reported above and sale of gas meters to SNGPL are exclusive of GST.
- 22.6** 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.
- 22.7 Amount (due to) / receivable from related parties**  
The details of amount (due to) / receivable from related parties not disclosed elsewhere in these financial statements are as follows:

	<b>30 September 2010 (un-audited)</b>	<b>30 June 2010 (audited)</b>
	(Rupees in thousand)	
<b>Sui Northern Gas Pipelines Limited</b>		
- Lease rentals	<u>67,312</u>	<u>67,745</u>
- Sale of gas meters	<u>125,879</u>	<u>30,970</u>
- Cost of gas levelisation	<u>6,143,674</u>	<u>4,130,197</u>
<b>Oil and Gas Development Company Limited</b>		
- Gas purchases	<u>(18,598,588)</u>	<u>(16,415,395)</u>
<b>Mari Gas Company Limited</b>		
- Gas purchases	<u>(60,034)</u>	<u>(72,829)</u>
<b>Liaquat National Hospital</b>		
- Gas sales	<u>5,070</u>	<u>3,708</u>
<b>Siemens Pakistan Engineering Limited</b>		
- Gas sales	<u>134</u>	<u>561</u>
<b>U.G.Food Company (Pvt.) Limited</b>		
- Gas sales	<u>833</u>	<u>797</u>
<b>Artistic Denim Mills Limited</b>		
- Gas sales	<u>12,913</u>	<u>22,048</u>
<b>Packages Limited</b>		
- Gas sales	<u>643</u>	<u>577</u>
<b>Inter State Gas Systems (Private) Limited</b>		
- Reimbursement of expenses on the basis of joint venture agreement	<u>(5,261)</u>	<u>(2,864)</u>



**23 General**

- 23.1** These unconsolidated interim financial statements were authorized for issue on 28 October 2010 by the Board of Directors of the Company.
- 23.2** Previous period's figures have been rearranged wherever necessary, for the purpose of comparison.
- 23.3** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

Karachi  
28 October 2010

# CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 September 2010

		30 September 2010 (un-audited) (Rupees in thousand)	30 June 2010 (audited)
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	6	43,765,536	41,665,603
Intangible assets		1,132	4,510
Long-term investments	7	91,007	92,018
Share of investment in jointly controlled entity	8	5,100	5,100
Net investment in finance lease		1,010,858	1,040,539
Long-term loans and advances		118,787	113,816
Long-term deposits		3,250	3,250
<b>Total non-current assets</b>		<b>44,995,670</b>	<b>42,924,836</b>
<b>Current assets</b>			
Stores, spares and loose tools		2,092,635	2,037,359
Stock-in-trade		470,655	455,415
Current portion of net investment in finance lease		118,795	118,795
Customers' installation work-in-progress		158,834	158,388
Trade debts	9	47,107,309	43,815,667
Loans and advances		225,984	92,958
Trade deposits and short term prepayments		144,004	182,944
Interest accrued		3,199,059	2,834,295
Other receivables	10	17,898,630	17,427,911
Taxation - net		-	90,170
Cash and bank balances		1,068,178	620,884
<b>Total current assets</b>		<b>72,484,083</b>	<b>67,834,786</b>
<b>Less: Current liabilities</b>			
Current portion of long term financing		5,038,791	5,034,670
Short term borrowings		8,790,860	3,720,666
Trade and other payables	11	55,188,832	51,046,484
Interest and mark-up accrued		7,264,574	6,829,477
Taxation - net		413,019	-
<b>Total current liabilities</b>		<b>76,696,076</b>	<b>66,631,297</b>
<b>Net current (liabilities) / assets</b>		<b>(4,211,993)</b>	<b>1,203,489</b>
<b>Total assets less current liabilities</b>		<b>40,783,677</b>	<b>44,128,325</b>
<b>Equity and non-current liabilities</b>			
<b>Share capital and reserves</b>			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid-up capital		6,711,743	6,711,743
Reserves		3,107,401	3,107,401
Surplus on re-measurement of available for sale securities		82,478	83,489
Unappropriated profit		5,283,483	4,169,712
<b>Total equity</b>		<b>15,185,105</b>	<b>14,072,345</b>
<b>Non-current liabilities</b>			
Long term financing		7,026,505	11,644,780
Long term deposits		3,544,586	3,413,042
Deferred tax		7,018,283	7,018,283
Employee benefits		1,601,139	1,530,262
Deferred credit	12	4,936,115	4,989,386
Long term advances		1,471,944	1,460,227
<b>Total non-current liabilities</b>		<b>25,598,572</b>	<b>30,055,980</b>
<b>Total shareholders' equity and non-current liabilities</b>		<b>40,783,677</b>	<b>44,128,325</b>
<b>Contingencies and commitments</b>	13		

The annexed notes form an integral part of these consolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman




**Dr. Faizullah Abbasi**  
Managing Director

## CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the quarter ended 30 September 2010

	Note	2010 (Rupees in thousand)	2009
Sales		34,034,170	31,471,574
Sales tax		(4,407,376)	(3,863,174)
		<u>29,626,794</u>	<u>27,608,400</u>
Gas development surcharge		(1,103,122)	(4,230,243)
Net sales		28,523,672	23,378,157
Cost of sales	14	(28,341,031)	(23,886,124)
Gross profit / (loss)		<u>182,641</u>	<u>(507,967)</u>
Administrative and selling expenses		(617,835)	(517,696)
Other operating expenses	15	(109,374)	(121,188)
		<u>(727,209)</u>	<u>(638,884)</u>
		<u>(544,568)</u>	<u>(1,146,851)</u>
Other operating income	16	1,086,795	1,057,855
Operating profit / (loss) before finance cost		<u>542,227</u>	<u>(88,996)</u>
Other non-operating income	17	2,238,517	1,794,802
Finance cost	18	(1,067,250)	(1,509,558)
<b>Profit before taxation</b>		<u>1,713,494</u>	<u>196,248</u>
Taxation	19	(599,723)	(130,936)
<b>Profit after taxation</b>		<u><u>1,113,771</u></u>	<u><u>65,312</u></u>
(Rupees)			
<b>Basic earning per share</b>		<u><u>1.66</u></u>	<u><u>0.10</u></u>
<b>Diluted earning per share</b>		<u><u>1.33</u></u>	<u><u>0.10</u></u>

The annexed notes form an integral part of these consolidated interim financial statements.

  
Salim Abbas Jilani  
Chairman

  
Dr. Faizullah Abbasi  
Managing Director

## CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the quarter ended 30 September 2010

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus/(loss) on revaluation of investment securities	Unappro- priated profit	Total
(Rupees in thousand)						
Balance as at 01 July 2009	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Changes in equity						
Total comprehensive income for the period	-	-	-	3,654	65,312	68,966
Balance as at 30 September 2009	<u>6,711,743</u>	<u>234,868</u>	<u>2,384,794</u>	<u>97,467</u>	<u>323,618</u>	<u>9,752,490</u>
Balance as at 01 July 2010	6,711,743	234,868	2,872,533	83,489	4,169,712	14,072,345
Changes in equity						
Total comprehensive income for the period	-	-	-	(1,011)	1,113,771	1,112,760
Balance as at 30 September 2010	<u>6,711,743</u>	<u>234,868</u>	<u>2,872,533</u>	<u>82,478</u>	<u>5,283,483</u>	<u>15,185,105</u>

The annexed notes form an integral part of these consolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

# **CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME** **(UN-AUDITED)**

For the quarter ended 30 September 2010

	2010	2009
	(Rupees in thousand)	
<b>Net profit for the period</b>	<b>1,113,771</b>	65,312
<b>Other comprehensive income</b>		
Unrealised (loss) / Surplus on re-measurement of available for sale securities	(1,011)	3,654
<b>Total comprehensive income for the period</b>	<b><u>1,112,760</u></b>	<u>68,966</u>

The annexed notes form an integral part of these consolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

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

For the quarter ended 30 September 2010

	Note	2010 (Rupees in thousand)	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>			
Profit before taxation		1,713,494	196,248
<b>Adjustments for non-cash items</b>			
Cash generated from operations	20	689,315	1,315,684
Service charges received from new customers		66,086	86,895
Security deposits received - net		131,544	78,519
Long term advances received from GoP		11,717	-
Long term loans and advances to staff - net		(4,971)	3,919
Changes in working capital	21	167,332	(1,802,669)
Income tax paid - net		(96,534)	(43,551)
Financial charges paid		(686,852)	(853,602)
Net cash from/(used in) operating activities		1,991,131	(1,018,557)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(2,784,467)	(908,200)
Proceeds from sale of fixed assets		4,636	4,652
Lease rental from net investment in finance lease		37,963	81,932
Profit / interest received on term deposits		742,015	561,204
Net cash (used in) investing activities		(1,999,853)	(260,412)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from local currency loans		20,860	15,337
Repayments of local currency loans		(4,635,014)	(763,263)
Dividend paid		(24)	(91)
Net cash (used in) financing activities		(4,614,178)	(748,017)
<b>Net decrease in cash and cash equivalents</b>		<b>(4,622,900)</b>	<b>(2,026,986)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(3,099,782)</b>	<b>1,477,155</b>
<b>Cash and cash equivalents at end of the period</b>	22	<b>(7,722,682)</b>	<b>(549,831)</b>

The annexed notes form an integral part of these consolidated interim financial statements.



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

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

For the quarter ended 30 September 2010

### 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.

Sui Southern Gas Provident Fund Trust (Pvt.) Limited is wholly owned subsidiary of Sui Southern Gas Company Limited (the holding company). The company's registered office is situated at ST-4/B, Block-14, Sir Shah Muhammad Suleman Road, Gulshan-e-Iqbal, Karachi. The company was formed to facilitate administration of employees' retirement funds.

Inter State Gas Systems (Pvt.) Limited ("The Jointly Controlled Entity") is incorporated in Pakistan as a private limited company and is a joint venture between Sui Southern Gas Company Limited (SSGCL) and Sui Northern Gas Pipelines Limited (SNGPL). ISGS has been established to explore and make arrangements for import of natural gas from neighbouring countries. The controlling interest of holding company in Inter State Gas Systems (Pvt.) Limited is 51%.

#### 1.1 Basis of consolidation

The group consists of:

- Sui Southern Gas Company Limited (SSGCL)
- Sui Southern Gas Provident Fund Trust (Pvt.) Limited

The consolidated financial statements include the financial statements of SSGCL - Holding Company and its subsidiary company - "The Group".:

The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary's share holder's equity in the consolidated financial statements.

Intra-group balances and transactions have been eliminated.

### 2 Basis of preparation

These consolidated 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. These financial statements do 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 2010.

The consolidated financial statements comprise of the consolidated balance sheet as at 30 September 2010 and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the three months period ended 30 September 2010 which are unaudited.

The comparative balance sheet presented in these consolidated financial statements as at 30 June 2010 has been extracted from the audited consolidated financial statements of the Company for the year ended 30 June 2010, whereas the comparative profit and loss account, statement of changes in equity and the cash flow statement are stated from the unaudited consolidated financial statements for the first quarter ended 30 September 2009.

### 3 Accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in preparation of the annual audited consolidated financial statements of the Company for the year ended 30 June 2010. Accordingly treatment allowed in revenue determination for 2009-10 for both non-operating income and UFG benchmark of 7% is assumed to be retained in the subsequent period. Changes made by OGRA, if any, in any of these items in revenue determination exercise for 2010-11 can affect the reported profit either side and will be incorporated as soon as these are known.

### 4 Estimates

The preparation of consolidated financial statements 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 estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2010.

### 5 Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 30 June 2010.

	Note	30 September 2010 (un-audited) (Rupees in thousand)	30 June 2010 (audited)
<b>6 Property, plant and equipment</b>			
Operating assets	6.1	37,066,527	36,915,188
Capital work-in-progress	6.2	6,699,009	4,750,415
		<u>43,765,536</u>	<u>41,665,603</u>

#### 6.1 Additions to and disposals of fixed assets

Details of additions to and disposals of operating fixed assets during the quarter ended 30 September 2010 are as follows:

	Cost of additions	Written down value of disposals / (transfers)
	(Rupees in thousand)	
<b>Operating asstes - owned</b>		
Gas transmission and distribution system	775,271	-
Buildings	14,485	-
Plant, machinery and other equipment	132,538	-
Motor vehicles	7,049	5,503
	<u>929,343</u>	<u>5,503</u>
<b>6.2 Capital work-in-progress</b>		
Projects:		
Gas transmission and distribution system	2,707,451	(775,271)
Cost of building under construction	63,532	(14,485)
Plant, machinery and other equipment	99,905	(132,538)
Motor vehicles	7,049	(7,049)
	<u>2,877,937</u>	<u>(929,343)</u>



		30 September 2010 (un-audited) (Rupees in thousand)	30 June 2010 (audited)
	Note		
<b>7 Long-term investments</b>			
Investments in related parties		64,504	58,087
Other investments		26,503	33,931
		<u>91,007</u>	<u>92,018</u>
<b>8 Share of investment in jointly controlled entity</b>			
Inter State Gas System (Private) Limited			
510,000 ordinary shares of Rs. 10 each	8.1	5,100	5,100
8.1	This represents a 51% (30 June 2010: 51%) interest of SSGCL share in Inter State Gas Systems (Private) Limited (the jointly controlled entity).		
<b>9 Trade debts</b>			
Considered good - secured		12,000,000	12,003,014
Considered good - un-secured		35,107,309	31,812,653
		<u>47,107,309</u>	<u>43,815,667</u>
Considered doubtful		2,343,961	2,296,330
		<u>49,451,270</u>	<u>46,111,997</u>
Provision against impaired debts		(2,343,961)	(2,296,330)
		<u>47,107,309</u>	<u>43,815,667</u>
<b>10 Other receivables - considered good</b>			
Gas development surcharge receivable from GoP		4,221,100	5,290,758
Receivable from Sui Northern Gas Pipelines Limited	10.1	6,211,460	4,198,192
Receivable from Jamshoro Joint Venture Limited		1,049,919	1,009,090
Sales tax receivable		6,044,174	6,558,456
Receivable from staff pension fund - non executives		82,733	82,733
Receivable from staff provident fund - executives		19,567	-
Receivable from staff gratuity fund - non executives		-	10,247
Balance receivable for sale of gas condensate		70,844	46,869
Pipeline rentals receivable		22,607	13,236
Claims receivable		4,722	1,462
Miscellaneous	10.2	172,989	218,353
		<u>17,900,115</u>	<u>17,429,396</u>
Provision against impaired receivables		(1,485)	(1,485)
		<u>17,898,630</u>	<u>17,427,911</u>
10.1	This includes pipeline rentals receivable Rs. 67.312 million (30 June 2010: Rs. 67.745 million) and Rs. 6,143.674 million (30 June 2010: Rs. 4,130.197 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited.		
10.2	This includes Rs. 131.655 million (30 June 2010: Rs.150.462 million) recoverable from GoP under deferred tariff adjustment.		

		30 September 2010 (un-audited) (Rupees in thousand)	30 June 2010 (audited)
<b>11</b>	<b>Trade and other payables</b>	Note	
	Creditors for:		
	- gas	49,641,829	44,560,429
	- supplies	335,868	316,332
	Amount received from customers	2,042,950	1,831,427
	Accrued liabilities	2,440,911	3,235,422
	Provision for compensated absences - non executives	137,646	137,646
	Payable to provident fund - non executives	5,069	30
	Deposits / retention money	191,632	203,042
	Foreign bills payable	-	121,908
	Advance for sharing right of way	18,088	18,088
	Unclaimed dividend	39,911	39,935
	Unclaimed TFC redemption profit	1,800	1,800
	Workers' profit participation fund	104,587	369,184
	Withholding tax payable	70,686	54,496
	Inter State Gas System (Private) Limited (ISGSL)	5,261	2,864
	Others	152,594	153,881
		<u>55,188,832</u>	<u>51,046,484</u>
<b>12</b>	<b>Deferred credit</b>		
	- <b>Government contributions / grants</b>		
	Balance at 1 July	2,511,308	2,161,269
	Additions during the period	-	478,473
		<u>2,511,308</u>	<u>2,639,742</u>
	Transferred to profit and loss account	(181)	(128,434)
		<u>2,511,127</u>	<u>2,511,308</u>
	- <b>Contribution from customers</b>		
	Balance at 1 July	2,478,078	2,685,259
	Refund during the period	-	(8,782)
		<u>2,478,078</u>	<u>2,676,477</u>
	Transferred to profit and loss account	(53,090)	(198,399)
		<u>2,424,988</u>	<u>2,478,078</u>
		<u>4,936,115</u>	<u>4,989,386</u>
<b>13</b>	<b>Contingencies and commitments</b>		
<b>13.1</b>	There has been no significant change in contingencies since the preceding annual published financial statements except for the matter stated as under;		
<b>13.2</b>	Claims against the Company not acknowledged as debt	13.6	298,260
<b>13.3</b>	Commitments for capital and other expenditure		1,880,599
<b>13.4</b>	Guarantees issued on behalf of the Company		1,790,523
<b>13.5</b>	Demand finance facilities to the Company's employees		10,233
<b>13.6</b>	The management is confident that ultimately these claims (note 13.2) would not be payable.		

		Quarter ended 30 September	
		2010	2009
		(un-audited)	
		(Rupees in thousand)	
<b>14</b>	<b>Cost of sales</b>		
	Cost of gas	26,243,344	22,390,215
	Transmission and distribution costs	2,097,687	1,495,909
		<u>28,341,031</u>	<u>23,886,124</u>
<b>15</b>	<b>Other operating expenses</b>		
	Auditors' remuneration	313	313
	Workers' Profit Participation Fund	90,902	10,329
	Sports expenses	3,815	4,613
	Corporate social responsibility	14,282	15
	Exchange loss on foreign transactions	-	105,771
	Others	62	147
		<u>109,374</u>	<u>121,188</u>
<b>16</b>	<b>Other operating income</b>		
	<b>- Income from other than financial assets</b>		
	Meter rentals	150,318	134,200
	Recognition of income against deferred credit	53,271	72,515
	Income from new service connection under IFRIC-18	66,086	-
	Gas shrinkage - JJVL	756,843	806,355
	Gas transportation	11,608	13,256
	Income from LPG distribution operation in Gwadar	5,378	3,386
	Gain / (loss) on sale of fixed assets	(867)	3,813
	Recoveries from customers	8,374	6,933
	Liquidity damages recovered	1,280	6,120
	Advertising income	1,508	1,415
	Realised gain on foreign transactions	24,895	-
	Miscellaneous	4,662	4,242
		<u>1,083,356</u>	<u>1,052,235</u>
	<b>- Income from investment in debts, loans, advances and recoveries from related party</b>		
	Contingent rental income - SNGPL	3,439	5,620
		<u>1,086,795</u>	<u>1,057,855</u>
<b>17</b>	<b>Other non-operating income</b>		
	<b>- Income from financial assets</b>		
	Late payment surcharge	325,676	196,617
	Income from net investment in finance lease	13,795	13,365
	Interest / profit on bank deposits	17,403	40,629
	Interest on staff loans	277	405
	Interest income from KESC	748,924	514,721
	Interest income from WAPDA (JPCL)	260,513	134,488
	Interest income from SNGPL	72,028	144,280
	Interest income from JJVL	7,634	26,004
	Royalty income	602,674	539,104
	Sale of gas condensate	108,783	110,033
	Meter manufacturing profit - net	46,207	39,778
	Dividend income	119	-
		<u>2,204,033</u>	<u>1,759,424</u>
	<b>- Income from investment in debts, loans, advances and recoveries from related parties</b>		
	Income from net investment in finance lease - SNGPL	33,567	34,222
	Income from net investment in finance lease - OGDCL	917	1,156
		<u>2,238,517</u>	<u>1,794,802</u>

**Quarter ended 30 September**  
**2010**                      **2009**  
**(un-audited)**  
(Rupees in thousand)

<b>18</b>	<b>Finance cost</b>		
	Mark-up on :		
	- musharaka	244,779	303,375
	- local currency financing	254,554	430,548
	- short term financing	71,507	51,216
	- consumers' deposits	28,863	23,854
	- delayed payment of gas bills	507,867	771,603
	- others	14,379	2,291
		<u>1,121,949</u>	<u>1,582,887</u>
	Finance cost charged to projects	(54,699)	(73,329)
		<u>1,067,250</u>	<u>1,509,558</u>
<b>19</b>	<b>Taxation</b>		
	Current	599,723	130,936 *
	Deferred	-	-
		<u>599,723</u>	<u>130,936</u>
*Current tax has been provided under Section 113 of the Income Tax Ordinance, 2001			
<b>20</b>	<b>Cash generated from operations</b>		
	Depreciation	772,501	658,020
	Amortization of intangibles	3,378	10,953
	Finance cost	1,067,250	1,509,558
	Amortization of transaction cost	1,226	1,226
	Provision against doubtful debts	47,631	65,743
	Provision for employee benefits	70,877	55,782
	Recognition of income against deferred credit	(119,357)	(72,515)
	Profit / interest on term deposits	(1,106,779)	(860,527)
	Income from net investment in finance lease	(48,279)	(48,743)
	(Profit) / loss on disposal of fixed assets	867	(3,813)
	Net cash generated from operations	<u>689,315</u>	<u>1,315,684</u>
<b>21</b>	<b>Changes in working capital</b>		
	Stores and spares	(55,276)	44,250
	Stock-in-trade	(15,240)	14,746
	Customers' installation work-in-progress	(446)	2,098
	Trade debts	(3,339,273)	(1,403,761)
	Loans and advances	(133,026)	(107,515)
	Trade deposits and short term prepayments	38,940	(24,731)
	Other receivables - net	(470,719)	6,032,395
	Trade and other payables - net	4,142,372	(6,360,151)
		<u>167,332</u>	<u>(1,802,669)</u>
<b>22</b>	<b>Cash and cash equivalents</b>		
	Cash and bank balances	1,068,178	1,363,831
	Short term borrowings	(8,790,860)	(1,913,662)
		<u>(7,722,682)</u>	<u>(549,831)</u>

## 23 Transactions with related parties

The related parties comprise of subsidiary companies, associated companies, Joint venture companies, state controlled entities, staff retirement benefits 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 these financial statements are as follows:

	<b>Quarter ended 30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>(un-audited)</b>	
	<b>(Rupees in thousand)</b>	
<b>Sui Northern Gas Pipelines Limited</b>		
- Pipeline rental income	<u>102,121</u>	<u>97,377</u>
- Sale of gas meters	<u>292,580</u>	<u>257,705</u>
- Gas purchases	<u>102,430</u>	<u>61,425</u>
- Uniform cost of gas	<u>5,291,213</u>	<u>4,307,479</u>
<b>Oil and Gas Development Company Limited</b>		
- Pipeline rental income	<u>8,700</u>	<u>9,041</u>
- Gas purchases	<u>6,954,411</u>	<u>4,798,370</u>
<b>Mari Gas Company Limited</b>		
- Gas purchases	<u>2,153</u>	<u>2,036</u>
<b>State Life Insurance Corporation Limited</b>		
- Rent of premises	<u>216</u>	<u>131</u>
<b>Liaquat National Hospital</b>		
- Medical services	<u>12,206</u>	<u>4,790</u>
- Gas sales	<u>16,345</u>	<u>12,689</u>
<b>Inter State Gas Systems (Private) Limited</b>		
- Reimbursement of expenses on the basis of joint venture agreement	<u>8,488</u>	<u>8,224</u>
<b>Petroleum Institute of Pakistan</b>		
- Subscription	<u>441</u>	<u>243</u>
<b>Siemens Pakistan Engineering Limited</b>		
- Supplies and maintenance	<u>73</u>	<u>-</u>
- Gas sales	<u>1,417</u>	<u>1,204</u>
<b>U.G Foods Company (Pvt.) Limited</b>		
- Gas sales	<u>2,673</u>	<u>1,426</u>

		Quarter ended 30 September 2010 (un-audited) (Rupees in thousand)	2009
	Note		
<b>Artistic Denim Mills Limited</b>			
- Gas sales		<u>58,193</u>	<u>48,149</u>
<b>Dawood Islamic Bank Limited</b>			
- Profit on investments		<u>-</u>	<u>22,431</u>
<b>Minto &amp; Mirza</b>			
- Professional charges		<u>3,400</u>	<u>-</u>
<b>Quality Aviation Pvt. Limited</b>			
- Travelling services		<u>4,219</u>	<u>-</u>
<b>Packages Limited</b>			
- Gas sales		<u>1,972</u>	<u>1,551</u>
<b>Staff retirement benefit plans</b>			
- Contribution to provident fund	23.1	<u>39,590</u>	<u>25,990</u>
- Contribution to pension fund		<u>-</u>	<u>(25,354)</u>
- Contribution to gratuity fund		<u>69,380</u>	<u>29,284</u>
<b>Remuneration of key management personnel</b>	23.2	<u>15,117</u>	<u>8,911</u>

- 23.1** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and actuarial advice.
- 23.2** Remuneration to the key management personnel are as per the terms of employment.
- 23.3** 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.
- 23.4** Banking relationship maintained with the related parties (common directorship) at normal commercial terms.
- 23.5** Gas purchases figures reported above and sale of gas meters to SNGPL are exclusive of GST.
- 23.6** 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.

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

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

	<b>30 September 2010 (un-audited)</b>	<b>30 June 2010 (audited)</b>
	(Rupees in thousand)	
<b>Sui Northern Gas Pipelines Limited</b>		
- Lease rentals	<u>67,312</u>	<u>67,745</u>
- Sale of gas meters	<u>125,879</u>	<u>30,970</u>
- Cost of gas levelisation	<u>6,143,674</u>	<u>4,130,197</u>
<b>Oil and Gas Development Company Limited</b>		
- Gas purchases	<u>(18,598,588)</u>	<u>(16,415,395)</u>
<b>Mari Gas Company Limited</b>		
- Gas purchases	<u>(60,034)</u>	<u>(72,829)</u>
<b>Liaquat National Hospital</b>		
- Gas sales	<u>5,070</u>	<u>3,708</u>
<b>Siemens Pakistan Engineering Limited</b>		
- Gas sales	<u>134</u>	<u>561</u>
<b>U.G.Food Company (Pvt.) Limited</b>		
- Gas sales	<u>833</u>	<u>797</u>
<b>Artistic Denim Mills Limited</b>		
- Gas sales	<u>12,913</u>	<u>22,048</u>
<b>Packages Limited</b>		
- Gas sales	<u>643</u>	<u>577</u>
<b>Inter State Gas Systems (Private) Limited</b>		
- Reimbursement of expenses on the basis of joint venture agreement	<u>(5,261)</u>	<u>(2,864)</u>

**24 General**

**24.1** These consolidated interim financial statements were authorized for issue on 28 October 2010 by the Board of Directors of the Company.

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

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



**Salim Abbas Jilani**  
Chairman

Karachi  
28 October 2010



**Dr. Faizullah Abbasi**  
Managing Director

## KEY DATA

-	FRANCHISE AREA	SINDH AND BALOCHISTAN	
		Quarter ended 30 September	
		2010	2009
-	NATURAL GAS SALES VOLUME (MMCF)	92,599	100,677
-	NUMBER OF CUSTOMERS (CUMULATIVE)		
	INDUSTRIAL	3,920	3,759
	COMMERCIAL	24,055	23,302
	DOMESTIC	2,232,494	2,147,689
		2,260,469	2,174,750
-	GAS METERS MANUFACTURED (NOS.)		
	(SSGC MEETS 100% REQUIREMENT OF DOMESTIC GAS METERS IN PAKISTAN)	168,250	138,840
-	TRANSMISSION NETWORK - CUMULATIVE (KM)		
	DIAMETER		
	12"	344	344
	16"	558	558
	18"	933	933
	20"	852	852
	24"	624	624
	30"	9	9
		3,320	3,320
-	DISTRIBUTION NETWORK - CUMULATIVE (KM)		
	MAINS (1" - 30" DIAMETER)	29,586	27,571
	SERVICES	7,696	7,306
		37,282	34,877