

CORPORATE PROFILE

Board of Directors

Mr. Salim Abbas Jilani	Chairman
Mr. Azim Iqbal Siddiqui	Managing Director
Mr. Ahmed Bakhsh Lehri	
Mr. Aurangzeb Ali Naqvi	
Mr. Ayaz Dawood	
Mr. Azhar Maud	
Mr. Fazal-ur-Rehman Dittu	
Mr. Mirza Mahmood Ahmad	
Mr. Mohammad Arif Hameed	
Mr. Nessar Ahmed	
Mr. Saeed Ullah Shah	
Mr. Shahid Aziz Siddiqui	
Mr Wazir Ali Khoja	
Mr Zubair Habib	

Board of Directors' Committees

Audit Committee

Mr. Nessar Ahmed	Chairman
Mr. Aurangzeb Ali Naqvi	Member
Mr. Ayaz Dawood	Member
Mr. Azhar Maud	Member
Mr. Fazal-ur-Rehman Dittu	Member
Mr. Muhammad Arif Hameed	Member

Finance Committee

Mr. Shahid Aziz Siddiqui	Chairman
Mr. Azim Iqbal Siddiqui	Managing Director
Mr. Mirza Mahmood Ahmad	Member
Mr. Saeed Ullah Shah	Member
Mr Wazir Ali Khoja	Member
Mr. Zubair Habib	Member

Human Resource Committee

Mr. Salim Abbas Jilani	Chairman
Mr. Azim Iqbal Siddiqui	Managing Director
Mr. Ahmed Bakhsh Lehri	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
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REVIEW OF THE DIRECTORS

On behalf of the Board of Directors of Sui Southern Gas Company Limited, we are pleased to present the un-audited results for the first quarter ended 30 September 2011.

OPERATIONS REVIEW

GAS SUPPLY

The Company continues to face shortage of natural gas mainly due to decreased supplies from producers and increased gas demand. Despite increase in the number of gas producing fields from 16 to 17 compared to corresponding period last year, the supply of gas decreased by 4% to 98.8 BCF. The Company however endeavored maintaining sustained supplies to the customer base. The average well head purchase price increased by 12% and stood at Rs. 297.76 per MMBTU.

CUSTOMER BASE

During the period under review, Company's customer base increased to 2.384 million; the Company provided 30,678 domestic connections in the first three months of the current financial year.

GAS SALES

Due to continued supply constraints, year to date, gas sales decreased by 5% to 88.3 BCF as compared to 92.6 BCF in the corresponding period last year. The average sales price per MMBTU increased by 8% to Rs. 367.44 versus Rs. 341.51 due to increase in consumer prices by OGRA, thus Gas Sales revenue (net of GST) increased only 3%.

GAS DISTRIBUTION SYSTEM

The Gas Distribution System was extended by 470 km while another 42 km of distribution lines were laid under the rehabilitation projects to curtail leakages.

METER MANUFACTURING & SALES

The meter manufacturing plant produced 167,607 meters versus 168,250 meters in the corresponding period last year, i.e. a decrease of 643 meters or nearly 0.4%. The sale to SNGPL declined by 9% to 97,200 meters as compared to 107,100 meters in the corresponding period last year. The increase in cost of production by 14% resulted in decrease in profit to Rs. 17 million as compared to profit of Rs. 46 million for the corresponding period.

FINANCIAL & RISK MANAGEMENT REVIEW

DETERMINATION OF REVENUE REQUIREMENTS

The financial statements for the three months ended 30 September 2011 have been prepared based on the interim relief provided by Honorable High Court of Sindh as explained in more detail in note 1.3 to the financial statements, which is consistent with that of financial statements for the year ended 30 June 2011.

FINANCIAL PERFORMANCE

In the three months period, the Company has posted after tax profit of Rs. 796 million as compared to profit of Rs. 1,113 million for corresponding period in 2010. The basic earnings per share (EPS) decreased to Rs. 0.95 vs. Rs. 1.66, mainly due to excess UFG.

	First Quarter Ended 30 September	
	2011	2010
Operating results (Rs. millions)	725	542
Non-operating income (Rs. millions)	2,301	2,239
Profit after tax (Rs. millions)	796	1,114
Earnings per share (Rupees) – Basic	0.95	1.66
Earnings per share (Rupees) – Diluted	0.90	1.33

CONTROL OF UNACCOUNTED FOR GAS (UFG)

Despite efforts to control UFG it reached to the level of 10.22% as against a limit of 7% allowed by OGRA. Thus the Company suffered a reduction in revenue of Rs. 900 million in its tariff return (2011: 584 million) in the three months period on account of “excess Unaccounted for Gas (UFG)”. The Company plans to maintain its focus on UFG projects and is planning to initiate major capital expenditure project with primary objectives of UFG reduction.

TRADE RECEIVABLES FROM KESC

KESC is the single largest customer and debtor of the Company with over-due amount of Rs. 32.7 billion. Management has been proactively taking up the matter at all forums for an early resolution of this massive problem. Management is treating this outstanding amount from KESC as part of the inter-corporate circular debt. In addition, the management has pro-actively taken up the issue with Federal and Provincial Governments for resolution of the KESC dues and inter-corporate circular debt. KESC is liable to pay interest amount on the overdue amounts; therefore such interest has been recognized in the books of the Company.

REVIEW OF CAPITAL DEVELOPMENT PROJECTS

The capital expenditure during the current three months period was Rs. 1,398 million as compared to Rs. 2,784 million for the previous corresponding period. Addition to operating fixed assets was Rs. 224 million versus Rs. 929 million in the corresponding period last year.

POST BALANCE SHEET EVENT

SSGC LPG (Private) Limited (SLL), a fully owned subsidiary of the Company, has acquired property plant & equipment of Progas (Private) Limited. For this purpose the Company provided Rs. 2.3 billion to SLL as a short term loan until finalization of the SLL’s capital structure.

FUTURE PLANS & PROSPECTS

The Company is actively engaged with project developers for setting up LNG infrastructure in Pakistan for the purpose of importing natural gas, through a third party access regime on fast track bases. Implementation of LNG Project will usher a new era of sustainability while providing numerous advantages including fast track solutions to energy crises and a secured supply of natural gas.

The Directors place on record their appreciation of the valued customers and suppliers for the business, recognition is also due to the Ministry of Petroleum and Natural Resources, Regulatory and Tax Authorities for their cooperation and support and Company’s Executives and Staff for their devotion and hard work.



Salim Abbas Jilani
Chairman

Karachi
27 October 2011



Azim Iqbal Siddiqui
Managing Director

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 September 2011

		30 September 2011 (un-audited)	30 June 2011 (audited)
	Note	(Rupees in thousand)	
Non-current assets			
Property, plant and equipment	6	60,249,439	59,644,339
Intangible assets		14,358	15,973
Long-term investments	7	77,996	82,239
Net investment in finance lease		892,046	921,744
Long-term loans and advances		125,395	118,380
Long-term deposits		3,250	3,250
Total non-current assets		61,362,484	60,785,925
Current assets			
Stores, spares and loose tools		2,215,919	2,262,564
Stock-in-trade		613,618	702,720
Current portion of net investment in finance lease		118,795	118,795
Customers' installation work-in-progress		174,408	174,620
Trade debts	8	55,192,991	49,182,342
Loans and advances		228,162	110,837
Trade deposits and short term prepayments		243,738	209,841
Interest accrued		3,232,865	3,473,679
Other receivables	9	21,136,791	19,750,254
Taxation - net		2,242,545	2,306,105
Cash and bank balances		2,106,232	1,084,857
Total current assets		87,506,064	79,376,614
Current liabilities			
Current portion of long term financing		3,757,717	4,272,259
Trade and other payables	10	70,199,455	62,215,241
Interest and mark-up accrued		11,894,903	10,822,821
Total current liabilities		85,852,075	77,310,321
Net current assets		1,653,989	2,066,293
Total assets less current liabilities		63,016,473	62,852,218
Equity and non-current liabilities			
Share capital and reserves			
Authorised share capital		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,389,679	8,389,679
Reserves		3,107,401	3,107,401
Surplus on re-measurement of available for sale securities		64,367	68,610
Unappropriated profit		7,005,196	6,209,403
Total equity		18,566,643	17,775,093
Surplus on revaluation of fixed assets		10,251,946	10,251,946
Non-current liabilities			
Long term financing		13,653,071	14,471,126
Long term deposits		4,244,279	4,062,376
Deferred tax		7,651,284	7,651,284
Employee benefits		1,922,497	1,825,246
Deferred credit	11	5,406,613	5,518,634
Long term advances		1,320,140	1,296,513
Total non-current liabilities		34,197,884	34,825,179
Total shareholders' equity and non-current liabilities		63,016,473	62,852,218
Contingencies and commitments	12		

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



Salim Abbas Jilani
Chairman



Azim Iqbal Siddiqui
Managing Director

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

For the quarter ended 30 September 2011

		2011	2010
	Note	(Rupees in thousand)	
Sales		34,820,450	34,034,170
Sales tax		(4,292,194)	(4,407,376)
		<u>30,528,256</u>	<u>29,626,794</u>
Gas development surcharge		385,189	(1,103,122)
Net sales		<u>30,913,445</u>	<u>28,523,672</u>
Cost of sales	13	(30,177,776)	(28,341,031)
Gross profit		<u>735,669</u>	<u>182,641</u>
Administrative and selling expenses		(673,132)	(617,835)
Other operating expenses	14	(98,900)	(109,374)
		<u>(772,032)</u>	<u>(727,209)</u>
		(36,363)	(544,568)
Other operating income	15	<u>762,158</u>	<u>1,086,795</u>
Operating profit before finance cost		725,795	542,227
Other non-operating income	16	2,301,056	2,238,517
Finance cost	17	(1,802,554)	(1,067,250)
Profit before taxation		<u>1,224,297</u>	<u>1,713,494</u>
Taxation	18	(428,504)	(599,723)
Profit after taxation		<u>795,793</u>	<u>1,113,771</u>
			(Rupees)
Basic earnings per share		<u>0.95</u>	<u>1.66</u>
Diluted earnings per share		<u>0.90</u>	<u>1.33</u>

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



Salim Abbas Jilani
Chairman



Azim Iqbal Siddiqui
Managing Director

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

For the quarter ended 30 September 2011

	2011	2010
	(Rupees in thousand)	
Net profit for the period	795,793	1,113,771
Other comprehensive income		
Unrealised (loss) on re-measurement of available for sale securities	(4,243)	(1,011)
Total comprehensive income for the period	<u>791,550</u>	<u>1,112,760</u>

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



Salim Abbas Jilani
Chairman



Azim Iqbal Siddiqui
Managing Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the quarter ended 30 September 2011

	2011	2010
Note	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES :		
Profit before taxation	1,224,297	1,713,494
Adjustments for non-cash items		
Cash generated from operations	19 1,336,320	689,315
Service charges received from new customers	1,569	66,086
Security deposits received - net	181,903	131,544
Long term advances received from GoP	48,347	11,717
Long term loans and advances to staff - net	(7,015)	(4,971)
Changes in working capital	20 598,980	167,332
Income tax paid - net	(364,944)	(96,534)
Financial charges paid	(768,630)	(686,852)
Net cash flows from operating activities	2,250,827	1,991,131
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,398,376)	(2,784,467)
Proceeds from sale of fixed assets	1,578	4,636
Lease rental from net investment in finance lease	37,888	37,963
Profit / interest received on term deposits	1,508,180	742,015
Net cash flows from investing activities	149,270	(1,999,853)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from local currency loans	5,359	20,860
Repayments of local currency loans	(1,339,518)	(4,635,014)
Dividend paid	(44,563)	(24)
Net cash flows from financing activities	(1,378,722)	(4,614,178)
Net increase / (decrease) in cash and cash equivalents	1,021,375	(4,622,900)
Cash and cash equivalents at beginning of the period	1,084,857	(3,099,782)
Cash and cash equivalents at end of the period	21 2,106,232	(7,722,682)

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



Salim Abbas Jilani
Chairman



Azim Iqbal Siddiqui
Managing Director

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)**

For the quarter ended 30 September 2011

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus/(loss) on re-measurement of available for sale securities	Unappro- priated profit	Total
(Rupees in thousand)						
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>
Balance as at 01 July 2011	8,389,679	234,868	2,872,533	68,610	6,209,403	17,775,093
Changes in equity						
Total comprehensive income for the period	-	-	-	(4,243)	795,793	791,550
Balance as at 30 September 2011	<u>8,389,679</u>	<u>234,868</u>	<u>2,872,533</u>	<u>64,367</u>	<u>7,005,196</u>	<u>18,566,643</u>

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



Salim Abbas Jilani
Chairman



Azim Iqbal Siddiqui
Managing Director

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

For the quarter ended 30 September 2011

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 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 contracts for laying of pipelines.

1.2 Regulatory framework

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. 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 / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Determination of revenue requirements

The Oil and Gas Regulatory Authority (OGRA) in its decision dated December 02, 2010 treated Royalty Income from Jamsoro Joint Venture Limited, Late Payment Surcharge, Profit from Meter Manufacturing, and Sale of Gas Condensate as operating income which were previously allowed as non-operating income by OGRA in its decision dated September 24, 2010. OGRA also in its recent decision reduced benchmark of allowable Unaccounted for Gas (UFG) from 7% to 4.25% - 5%. The Company filed an appeal in the honorable High Court of Sindh (the Court) against the above decision of OGRA. The Court has provided interim relief and allowed the Company to follow the decision of OGRA dated September 24, 2010 till OGRA provides UFG impact assessment study to the Court. Thereafter, OGRA in its latest decision dated September 21, 2011 also allowed the above non-operating income and UFG subject to the final verdict of the aforesaid lawsuit and accordingly, the unconsolidated financial information has been prepared based on the interim relief provided by the Court. Management is confident that the final decision of the court would be in favour of the Company.

2 Basis of preparation

The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). This unconsolidated condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the unconsolidated financial statement of the Company for the year ended 30 June 2011.

These unconsolidated condensed interim financial information is un-audited and are being submitted to shareholders in accordance with section 245 of the Companies Ordinance, 1984.

The comparative balance sheet presented in the interim condensed financial information has been extracted from the audited financial statements of the Company for the year ended 30 June 2011, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statements and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the quarter ended 30 September 2010.

3 Accounting policies

The significant accounting policies and methods of computation applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual unconsolidated audited financial statements of the Company for the year ended 30 June 2011.

4 Accounting estimates and judgments

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 2011.

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2011.

6 Property, plant and equipment

	30 September 2011 (un-audited)	30 June 2011 (audited)
	(Rupees in thousand)	
Operating assets	53,347,889	53,980,664
Capital work-in-progress	6,901,550	5,663,675
	<u>60,249,439</u>	<u>59,644,339</u>

Additions to and disposals of fixed assets

Details of additions to and disposals of property, plant and equipment during the quarter ended 30 September 2011 are as follows:

	Note	Cost of additions (Rupees in thousand)	Written down value of disposals / (transfers)
Operating assets - owned			
Gas transmission and distribution system		122,735	-
Buildings		29,044	-
Plant, machinery and other equipment		49,770	-
Motor vehicles		22,876	1,578
		<u>224,425</u>	<u>1,578</u>
Capital work-in-progress			
Gas transmission and distribution system		1,364,570	(122,735)
Cost of building under construction		25,085	(29,044)
Plant, machinery and other equipment		49,770	(49,770)
Others		22,876	(22,876)
		<u>1,462,301</u>	<u>(224,425)</u>
		30 September 2011 (un-audited)	30 June 2011 (audited)
		(Rupees in thousand)	
7 Long-term investments			
Investments in related parties		41,804	46,738
Other investments		36,192	35,501
		<u>77,996</u>	<u>82,239</u>
8 Trade debts			
Considered good - secured		10,442,876	10,457,189
Considered good - un-secured		44,750,115	38,725,153
		55,192,991	49,182,342
Considered doubtful		2,804,844	2,797,394
		57,997,835	51,979,736
Provision against impaired debts		(2,804,844)	(2,797,394)
		<u>55,192,991</u>	<u>49,182,342</u>
9 Other receivables - considered good			
Gas development surcharge receivable from GoP		10,155,129	9,703,340
Receivable from Sui Northern Gas Pipelines Limited	9.1	4,961,970	4,103,105
Receivable from Jamshoro Joint Venture Limited		1,881,593	1,888,135
Sales tax receivable		3,950,318	3,840,241
Receivable from staff pension fund - non executives		82,733	82,733
Workers' profit participation fund		-	8,137
Balance receivable for sale of gas condensate		7,572	19,222
Pipeline rentals receivable		24,278	22,178
Claims receivable		2,021	901
Miscellaneous	9.2	72,662	83,747
		<u>21,138,276</u>	<u>19,751,739</u>
Provision against impaired receivables		(1,485)	(1,485)
		<u>21,136,791</u>	<u>19,750,254</u>

9.1 This includes pipeline rentals receivable Rs. 170.972 million (30 June 2011: Rs. 65.987 million) and Rs. 4,789.921 million (30 June 2011: Rs. 4,038.616 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited.

9.2 This includes Rs. 56.423 million (30 June 2011: Rs.75.230 million) recoverable from GoP under deferred tariff adjustment.

	30 September 2011 (un-audited)	30 June 2011 (audited)
(Rupees in thousand)		
10 Trade and other payables		
Creditors for:		
- gas	64,811,273	56,717,262
- supplies	624,908	216,412
Amount received from customers / GOP for laying of mains etc	2,182,346	2,173,502
Accrued liabilities	1,575,553	2,303,474
Provision for compensated absences - non executives	103,239	103,239
Deposits / retention money	228,306	239,618
Foreign bills payable	-	106,687
Advance for sharing right of way	18,088	18,088
Unclaimed dividend	47,968	92,531
Unclaimed TFC redemption profit	1,800	1,800
Workers' profit participation fund	56,345	-
Withholding tax payable	69,466	73,089
Inter State Gas Systems (Private) Limited (ISGSL)	7,574	4,939
Others	472,589	164,600
	<u>70,199,455</u>	<u>62,215,241</u>
11 Deferred credit		
Government contributions / grants		
Balance at 1 July	3,255,458	2,511,308
(Adjustment) additions during the period	(24,719)	711,629
	<u>3,230,739</u>	<u>3,222,937</u>
Transferred to profit and loss account	(35,842)	32,521
	<u>3,194,897</u>	<u>3,255,458</u>
Contribution from customers		
Balance at 1 July	2,263,176	2,478,078
Refund during the period	-	(3,454)
	<u>2,263,176</u>	<u>2,474,624</u>
Transferred to profit and loss account	(51,460)	(211,448)
	<u>2,211,716</u>	<u>2,263,176</u>
	<u>5,406,613</u>	<u>5,518,634</u>

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;

	Note	30 September 2011 (un-audited) (Rupees in thousand)	30 June 2011 (audited)
12.2 Claims against the Company not acknowledged as debt	12.6	139,082	318,467
12.3 Aggregate commitments for capital and other expenditure		3,730,363	1,172,103
12.4 Guarantees issued on behalf of the Company		1,788,223	1,788,023
12.5 Demand finance facilities to the Company's employees		6,616	6,503

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

	Quarter ended 30 September 2011 (un-audited) (Rupees in thousand)	2010
13 Cost of sales		
Cost of gas	27,952,841	26,243,344
Transmission and distribution costs	2,224,935	2,097,687
	<u>30,177,776</u>	<u>28,341,031</u>
14 Other operating expenses		
Auditors' remuneration	837	313
Workers' profit participation fund	64,482	90,902
Sports expenses	3,360	3,815
Corporate social responsibility	15,923	14,282
Provision for slow moving / obsolete stores	13,434	-
Others	864	62
	<u>98,900</u>	<u>109,374</u>
15 Other operating income		
- Income from other than financial assets		
Meter rentals	156,458	150,318
Recognition of income against deferred credit	87,301	53,271
Income from new service connection under IFRIC-18	60,319	66,086
Gas shrinkage - JJVL	375,782	756,843
Gas transportation	7,265	11,608
Income from LPG air mix distribution operations	19,786	5,378
Gain / (loss) on sale of fixed assets	-	(867)
Recoveries from customers	11,454	8,374
Liquidity damages recovered	3,060	1,280
Advertising income	1,662	1,508
Realised gain on foreign transactions	24,895	24,895
Miscellaneous	11,569	4,662
	<u>759,551</u>	<u>1,083,356</u>
- Income from investment in debts, loans, advances and recoveries from related party		
Contingent rental income - SNGPL	2,607	3,439
	<u>762,158</u>	<u>1,086,795</u>

Quarter ended 30 September
2011 2010
(un-audited)
(Rupees in thousand)

16 Other non-operating income

- Income from financial assets

Late payment surcharge	436,545	325,676
Income from net investment in finance lease	13,985	13,795
Interest / profit on bank deposits	49,490	17,403
Interest on staff loans	75	277
Interest income from KESC	1,132,127	748,924
Interest income from WAPDA (JPCL)	32,325	260,513
Interest income from SNGPL	42,433	72,028
Interest income from JJVL	10,916	7,634
Royalty income	525,234	602,674
Sale of gas condensate	7,335	108,783
Meter manufacturing profit - net	16,940	46,207
Dividend income	703	119
	<u>2,268,108</u>	<u>2,204,033</u>

**- Income from investment in debts, loans,
advances and recoveries from related parties**

Dividend Income	2,090	-
Income from net investment in finance lease - SNGPL	30,099	33,567
Income from net investment in finance lease - OGDCL	759	917
	<u>2,301,056</u>	<u>2,238,517</u>

17 Finance cost

Mark-up on :

Local currency financing	587,142	499,333
Short term financing	1	71,507
Consumers' deposits	36,445	28,863
Delayed payment of gas bills	1,216,253	507,867
Others	871	14,379
	<u>1,840,712</u>	<u>1,121,949</u>
Finance cost charged to projects	<u>(38,158)</u>	<u>(54,699)</u>
	<u>1,802,554</u>	<u>1,067,250</u>

18 Taxation

Current	428,504	599,723
Deferred	-	-
	<u>428,504</u>	<u>599,723</u>

Quarter ended 30 September
2011 (un-audited) 2010
(Rupees in thousand)

19 Cash generated from operations

Depreciation	885,716	772,501
Amortization of intangibles	1,615	3,378
Finance cost	1,802,554	1,067,250
Amortization of transaction cost	1,562	1,226
Provision against doubtful debts	7,451	47,631
Provision for employee benefits	97,251	70,877
Recognition of income against deferred credit	(147,620)	(119,357)
Profit / interest on term deposits	(1,267,366)	(1,106,779)
Income from net investment in finance lease	(44,843)	(48,279)
(Profit) / loss on disposal of fixed assets	-	867
Net cash generated from operations	1,336,320	689,315

20 Changes in working capital

Stores and spares	36,748	(55,276)
Stock-in-trade	89,102	(15,240)
Customers' installation work-in-progress	212	(446)
Trade debts	(6,018,100)	(3,339,273)
Loans and advances	(117,325)	(133,026)
Trade deposits and short term prepayments	(33,897)	38,940
Other receivables - net	(1,386,537)	(470,719)
Trade and other payables - net	8,028,777	4,142,372
	598,980	167,332

21 Cash and cash equivalents

Cash and bank balances	2,106,232	1,068,178
Short term borrowings	-	(8,790,860)
	2,106,232	(7,722,682)

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:

	Quarter ended 30 September	
	2011	2010
	(un-audited)	
	(Rupees in thousand)	
Sui Northern Gas Pipelines Limited		
- Pipeline rental income	104,984	102,121
- Sale of gas meters	333,137	292,580
- Gas purchases	138,035	102,430
- Uniform cost of gas	6,735,998	5,291,213
- Dividend Income	2,090	-
Oil and Gas Development Company Limited		
- Pipeline rental income	14,528	8,700
- Gas purchases	6,170,443	6,954,411
Mari Gas Company Limited*		
- Gas purchases	-	2,153
State Life Insurance Corporation Limited		
- Rent of premises	162	216
Liaquat National Hospital		
- Medical services	14,547	12,206
- Gas sales	18,695	16,345
Inter State Gas Systems (Private) Limited		
- Reimbursement of expenses on the basis of joint venture agreement	11,101	8,488
Petroleum Institute of Pakistan		
- Subscription	434	441
Siemens Pakistan Engineering Limited*		
- Supplies and maintenance	-	73
- Gas sales	-	1,417
U.G Foods Company (Pvt.) Limited		
- Gas sales	3,273	2,673
Artistic Denim Mills Limited*		
- Gas sales	-	58,193
Minto & Mirza		
- Profit on investments	-	3,400
Quality Aviation Pvt. Limited		
- Travelling services	5,488	4,219
Packages Limited		
- Gas sales	2,075	1,972
Askari Bank Limited		
- Profit on investment	13,425	-
Pak Suzuki Motor Company Limited		
- Motor Vehicle Purchases	28,520	-
- Gas Sales	8,640	-
Pakistan State Oil Company Limited		
- Purchase of fuel and lubricant	2,632	-

		Quarter ended 30 September	
	Note	2011 (un-audited)	2010
		(Rupees in thousand)	
Fauji Fertilizer Company Limited			
- Gas Sales		5,445	
International Industries Limited			
- Line Pipe Purchases		225,573	-
- Gas Sales		206,721	-
Staff retirement benefit plans			
- Contribution to provident fund	22.1	44,644	39,590
- Contribution to pension fund		39,264	-
- Contribution to gratuity fund		47,125	69,380
Remuneration of key management personnel	22.2	30,513	15,117
* no longer related party			

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:

	30 September 2011 (un-audited)	30 June 2011 (audited)
	(Rupees in thousand)	
Sui Northern Gas Pipelines Limited		
- Sale of gas meters	364,973	25,662
Oil and Gas Development Company Limited		
- Gas purchases	(28,722,189)	(26,583,482)
Liaquat National Hospital		
- Gas sales	6,456	6,279
U.G.Food Company (Pvt.) Limited		
- Gas sales	1,129	827
Packages Limited		
- Gas sales	711	623

23 **General**

- 23.1 These unconsolidated interim financial statements were authorized for issue on 27 October 2011 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



Azim Iqbal Siddiqui
Managing Director

Karachi
27 October 2011