



## Sui Southern Gas Company Limited

The Secretary  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
**KARACHI**

BS/HR/16  
20 June 2016

Dear Sir,

**CONFIDENTIAL**  
**Under Sealed Cover**

### **FINANCIAL RESULTS FOR THE HALF YEAR** **ENDED 31 DECEMBER 2015**

We have to inform you that the Board of Directors of Sui Southern Gas Company Limited in its Meeting held on 18 June 2016 at SSGC Head Office Building, Gulshan-e-Iqbal, Karachi, recommended the following :

1	Cash Dividend	NIL
2	Bonus Issue	NIL
3	Right Shares	NIL
4	Any Other Entitlement / Corporation Action	NIL
5	Any Other Price-Sensitive Information	NIL

The financial results as approved by the Board of Directors of the Company are enclosed as Annexure A & B.

#### **Significant information as disclosed in note 1.3.2**

In respect of determination of revenue requirement of the Company for the year ended June 30, 2016, OGRA in its decision dated December 18, 2015, treated certain incomes as operating income instead of non-operating income and allowed UFG benchmark at 4.5% provisionally subject to the finalisation of UFG study. Being aggrieved, the Company filed a petition in the Court against decision of OGRA dated December 18, 2015, and the Court granted stay order on May 16, 2016 on the lines of interim order passed for the year ended June 30, 2015 i.e., allowing UFG benchmark at 7% and royalty income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as non-operating income. The Company has applied to OGRA for revision of estimated revenue requirement for the year ended June 30, 2016 based on the decision of the Court but revised determination has not been received till the date of approval of this unconsolidated condensed interim financial information. Meanwhile, this unconsolidated condensed interim financial information for the half-year ended December 31, 2015 has been prepared based on

# Sui Southern Gas Company Limited

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OGRA decision dated December 18, 2015.

Despite stay from Court for current year income from LPG and NGL has been considered as operating income in this unconsolidated condensed interim financial information based on the reasons mentioned in paragraph 1.3.1.2.

Had OGRA revised the estimated revenue requirement and this unconsolidated condensed interim financial information been prepared in accordance with the OGRA's decisions dated September 24, 2010, the Company would have reported loss for the half-year amounting to Rs. 3,900 million.

## **The Auditors in their report to the members have stated:-**

### **Basis for Qualified Conclusion**

- (a) As described in notes 8.1 and 8.2 to the unconsolidated condensed interim financial information, trade debts includes receivable of Rs. 35,490 million (June 30, 2015: Rs. 40,073 million) and Rs. 21,354 million (June 30, 2015: Rs. 20,879 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. As described in the aforesaid notes, significant portion of such receivables include overdue amounts, which have been considered good by the management and classified as current assets in this unconsolidated condensed interim financial information. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances and the financial condition of PSML is such that it has not been able to pay its obligations, due to which management has decided to recognize LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

Due to the adverse financial condition of PSML, disputes by KE and PSML with the Company on LPS, and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the total amounts due from KE and PSML are likely to be recovered and the time frame over which such recovery will be made.

- (b) As described in note 9.1 and 9.1.1 to the unconsolidated condensed interim financial information, Rs. 6,360 million is receivable from Sui Northern Gas Pipelines Limited (SNGPL) which is being disputed by SNGPL for the reasons mentioned in note 9.1.1 due to which we were unable to determine the extent to which the receivable amount is likely to be recovered and time frame over which such recovery will be made.



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## **Qualified Conclusion**

Except for the adjustments, if any, to the unconsolidated condensed interim financial information described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## **Emphasis of matter paragraph**

We draw attention to the following matters:

- (i) Note 1.3.1 to the unconsolidated condensed interim financial information that describes that the revenue requirement for the years ended June 30, 2011, 2012, 2013, 2014 and 2015, have been determined provisionally on the basis of stay orders of the High Court of Sindh (the Court) which was considered by OGRA while determining revenue requirements, except for impact of the orders dated November 20, 2015, and March 29, 2016 whereby OGRA was directed to treat income from royalty (arrears) and income from Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as non-operating income which was not considered by OGRA while determining revenue requirements of the Company for the year ended June 30, 2013, 2014 and 2015; and
- (ii) Note 1.3.2 to the unconsolidated condensed interim financial information that explains that the revenue requirement of the Company for the half year ended December 31, 2015; because of the reasons as stated in the aforesaid note, has been determined on the basis of OGRA decision dated December 18, 2015 whereby certain incomes were treated as operating income instead of non-operating income and benchmark of the allowable Unaccounted for Gas (UFG) was also reduced



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Our conclusion is not qualified in respect of the above matters.

Thanking you.

Yours Sincerely, ✓

  
Shoaib Ahmed  
Company Secretary

Encl: a.a.

cc Head of Operations  
Central Depository Company of Pakistan Ltd.  
CDC House, 99-B, Block "B", S.M. C.H.S.  
Main Shahrah-e-Faisal, Karachi

cc: The Chairman  
Securities & Commission  
of Pakistan, 7-NIC Building  
Jinnah Avenue, Blue Area,  
Islamabad

Sui Southern Gas Company Limited  
 Unconsolidated condensed interim profit and loss account (Un-audited)  
 For the half year ended December 31, 2015

Annexure "A"

	Note	Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
(Rupees in '000)					
Sales		110,379,210	91,332,872	55,416,287	44,056,084
Sales tax		(15,971,473)	(12,058,401)	(8,147,214)	(5,307,391)
		<u>94,407,737</u>	<u>79,274,471</u>	<u>47,269,073</u>	<u>38,748,693</u>
Gas development surcharge		(14,055,726)	1,045,617	(10,753,280)	(239)
Net sales		<u>80,352,011</u>	<u>80,320,088</u>	<u>36,515,793</u>	<u>38,748,454</u>
Cost of sales	15	(85,781,922)	(85,029,203)	(39,869,096)	(42,923,621)
Gross loss		<u>(5,429,911)</u>	<u>(4,709,115)</u>	<u>(3,353,303)</u>	<u>(4,175,167)</u>
Administrative and selling expenses		(1,924,063)	(1,823,843)	(969,800)	(911,797)
Other operating expenses	16	(1,253,064)	(1,554,990)	(660,988)	(786,934)
		<u>(3,177,127)</u>	<u>(3,378,833)</u>	<u>(1,630,788)</u>	<u>(1,698,731)</u>
		<u>(8,607,038)</u>	<u>(8,087,948)</u>	<u>(4,984,091)</u>	<u>(5,873,898)</u>
Other operating income	17	970,912	1,312,741	590,122	568,725
Operating loss		<u>(7,636,126)</u>	<u>(6,775,207)</u>	<u>(4,393,969)</u>	<u>(5,305,173)</u>
Other non-operating income	18	4,309,271	6,565,643	2,000,233	4,707,958
Finance cost	19	(5,426,154)	(4,723,026)	(2,856,825)	(2,538,840)
Loss before taxation		<u>(8,753,009)</u>	<u>(4,932,590)</u>	<u>(5,250,561)</u>	<u>(3,136,055)</u>
Taxation	20	2,685,408	1,869,874	1,583,434	994,583
Loss for the period		<u>(6,067,601)</u>	<u>(3,062,716)</u>	<u>(3,667,127)</u>	<u>(2,141,472)</u>
Basic and diluted loss per share		<u>(6.89)</u>	<u>(3.48)</u>	<u>(4.16)</u>	<u>(2.43)</u>

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.

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**ANNEXURE 'B'**

**Sul Southern Gas Company Limited**  
**Consolidated condensed Interim profit and loss account (Un-audited)**  
**For the half year ended December 31, 2015**

	Note	Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		(Rupees in '000)			
Sales		110,379,210	91,332,872	55,416,287	44,056,085
Sales tax		(15,971,473)	(12,058,401)	(8,147,214)	(5,307,391)
		94,407,737	79,274,471	47,269,073	38,748,694
Gas development surcharge		(14,055,726)	1,045,617	(10,753,279)	(239)
Net sales		80,352,011	80,320,088	36,515,794	38,748,455
Cost of sales	15	(85,781,922)	(85,029,203)	(39,869,095)	(42,923,622)
Gross loss		(5,429,911)	(4,709,115)	(3,353,301)	(4,175,167)
Administrative and selling expenses		(1,961,171)	(1,872,495)	(987,934)	(936,902)
Other operating expenses	16	(1,253,064)	(1,554,990)	(660,988)	(786,763)
		(3,214,235)	(3,427,485)	(1,648,922)	(1,723,665)
		(8,644,146)	(8,136,600)	(5,002,223)	(5,898,832)
Other operating income	17	1,069,272	1,502,089	633,914	695,225
Operating loss		(7,574,874)	(6,634,511)	(4,368,309)	(5,203,607)
Other non-operating income	18	4,407,668	6,582,268	2,068,426	4,596,815
Finance cost	19	(5,426,438)	(4,722,953)	(2,857,109)	(2,539,536)
Loss before taxation		(8,593,644)	(4,775,196)	(5,156,992)	(3,146,328)
Taxation	20	2,675,714	1,864,633	1,578,112	1,004,153
Loss for the period		(5,917,930)	(2,910,564)	(3,578,880)	(2,142,175)
Basic and diluted loss per share		(6.72)	(3.30)	(4.06)	(2.43)

The annexed notes from 1 to 27 form an integral part of these Consolidated condensed interim financial information.