

Mr. Irfan Afzal
Joint Director
Corporate Supervision Department
Securities & Exchange Commission of Pakistan,
NIC Building, Jinnah Avenue, Blue Area,
Islamabad

**Subject: EXTENSION IN PERIOD OF HOLDING ANNUAL GENERAL MEETING
(AGM) FOR THE FY 2017-18 AND LAYING OF ACCOUNTS THEREIN
UNDER SECTION 132 & 223 READ WITH SECTION 147 OF THE
COMPANIES ACT, 2017**

Dear Sir,

This is with reference to your letter No. EMD/233/415/2002.26 dated 22 July 2019 (**Annexure A**) under which extension in holding of Annual General Meeting (AGM) for FY 2017-18 has been granted by the Competent Authority in terms of directions issued under section 147 of the Act; it was further directed to submit, within fifteen days of the date of the AGM so held, a compliance report along with attested copies of minutes of the said meetings to this office.

The extension was granted in view of SSGCs inability to finalize Financial Statements for FY 2017-18 in the absence of OGRA determination on Final Revenue Requirement for FY 2017-18 which will form the basis of finalization of Financial Statements. Detailed correspondence on the matter with SECP in terms of various letters is attached and marked as **Annexure B, C, D and E**. SSGC vide its letter SGM-F/SECP/19/01 dated June 27, 2019 (**Annexure F**) requested the SECP for Extension till October 31, 2019 due to the fact that OGRA raised various queries and through its letter dated 27 May 2019 requires Audit Report regarding implementation of KMIs on the SSGC's achievement / performance for Key Monitoring Indicators (KMIs) developed by the OGRA for Unaccounted for Gas (UFG) which was a new requirement and will take some time.

An update on the status of SSGC's Petition for Final Revenue Requirement FY 2017-18 pending with OGRA is as follows:

OGRA will conduct a formal hearing on the matter, meanwhile as part of their review process relevant case officers from their Finance and Gas Departments have raised

detailed queries which have been responded to them. Our external Auditors are at final stage of finalization of their report on implementation of KMLs as per the requirement of OGRA.

The management of the Company with support of its BoD is actively pursuing the matter of implementation of Policy Guidelines issued by the Economic Coordination Committee (ECC) to OGRA on RLNG Volumes Handling. In this regards several meetings have been held between SSGC, OGRA and Ministry of Energy-Petroleum Division (MoE-P) under the Chairmanship of Secretary MoE-P, Honorable Minister for Energy as well as Special Assistant to the Prime Minister (SAPM) on Petroleum. As per the directives of Minister / SAPM during the meeting on 30 May 2019, SSGC team had met OGRA on 13th and 25th June 2019 and Secretary MoE / Minister also convened meetings on 5th and 12th July 2019.

Detailed discussions were held at OGRA / MoE and following is the summary of discussions:

- It was acknowledged that the issue needs resolution, however in order to ascertain the magnitude of its impact OGRA intends to engage a third party technical consultant due to capacity issues at OGRA; cost of which shall be borne by SSGC. OGRA refused to provide any interim relief.
- As per OGRA officials, the matter cannot be considered in the Determination of Final Revenue Requirement for FY 2017-18 currently under review of the Authority.

SSGC team highlighted that:

- If the decision cannot be implemented taking its effect on the financial statements of FY 2017-18, SSGC will face adverse consequences in terms of loss, equity erosion, defeat of covenants agreed with the lenders. It means that the going concern assumption underlying in the preparation of financial statements will not remain valid. Accordingly SSGC's capacity to execute projects of capital / critical nature would seriously be compromised.
- Since RLNG operations still require swapping of indigenous gas in lieu of RLNG, sustainable operations of the Company / further continuation of swapping arrangements will become difficult and the Company will be forced to discontinue the same. This will eventually lead to energy crisis in the Country reflecting bad / mismanagement on part of Current Management of the Company, Ministry and Present Government.

Honorable Minister was kind enough and chaired a meeting on 12 July 2019 wherein the following way forward was decided:

- MoE-P to move a fresh ECC summary for issuance of policy guidelines to OGRA to allow an interim relief in the Determination of Final Revenue Requirement for FY 2017-18 (for the period March 2015 to June 2018) based on ECC's earlier decision vide case no ECC-37/09/2018 dated 11 May 2018 subject to the outcome of an independent technical study as required by OGRA; and
- OGRA to initiate the process of engagement of third party technical consultant on immediate basis.

In line with the decision referred above, a formal request has been sent to the MoE-P on 16 July 2019 (**Annexure G**). A draft of the summary has already been prepared and under approval at MoE-P prior to its circulation for comments of other stakeholders including OGRA.

As part of the follow-up strategy on behalf of the Board of Directors, a formal request addressed to the Minister for Energy and SAPM has been sent on 26 August 2019 (**Annexure H**) requesting them to intervene in the matter and advise the concerned to expedite.

We reiterate that impacts arising out of the above Policy Guidelines have huge financial implications on the financial position of the Company without which the huge projects of national importance may be jeopardized due to breach of covenants of financing arrangement/agreements with various banks as also explained at length in SSGC's previous communication.

It is pertinent to mention that the last AGM of SSGC was held on 15th February 2019 in which the Audited Financial Statements for the year ended 30 June 2017 were presented and considered by the shareholders. Since then, the Management with the assistance of the Board and MOE-P, is striving its best to resolve the issues having material financial impact on the Annual Financial Statements for the year ended 30 June 2018.

Keeping in view of the above background and the fact that the circumstances are beyond the control of SSGC, it is apparent that the finalization of Annual Financial Statements for the period ended 30 June 2018 will be delayed, however, we would like to ensure that the Financial Statements for FY 2017-18 will be finalized and

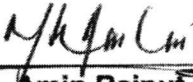
circulated to the shareholders within 60 days from the date of the decision by OGRA in terms that the matter of implementation of ECC Policy Guidelines by OGRA is resolved as mentioned above.

Accordingly SSGC is seeking further extension in period of holding Annual General Meeting (AGM) for the FY 2017-18 and laying of accounts therein under section 132 & 223 read with section 147 of the Companies Act, 2017 till the time of implementation of Policy Guidelines by OGRA, as mentioned above.


The above is submitted for the favorable consideration of the Commission with the request not to initiate any regulatory proceedings in this regard.

With regards,

Yours sincerely,



M. Amin Rajput
DMD (F&A) / Chief Financial Officer



Mohammad Wasim
Acting Managing Director

CC:

- Registrar of Companies
Securities and Exchange Commission
of Pakistan
State Life Building No. 2,
Wallace Road,
Karachi
- President Pakistan Stock Exchange
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Off I. I. Chundrigar Road
Karachi

NOCC:

ASGM (F) / Company Secretary / GM (Accounts)

Encl.: As above