

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

SSGC/CS/2020-15
09 November 2020

FINANCIAL RESULTS FOR THE QUARTER ENDED 31 DECEMBER, 2018

Dear Sir,

We have to inform you that the Board of Directors in its meeting held on 07 November, 2020 at 09:00 am, at SSGC Board Room, Head Office Building, Gulshan-e-Iqbal, Karachi recommended the following:

I.	Cash Dividend	Nil
II.	Bonus Shares	Nil
III.	Right Shares	Nil
IV.	Any Other Entitlement / Corporate Action	Nil
V.	Any Other Price-Sensitive Information	Nil

The financial results of the Company for the Quarter ended 31 December, 2018 approved by the Board of Directors are attached as Annexure **A and B**.

The Auditors in their review report on the Financial Statements for half year ended 31 December, 2018 to the members have stated:

“Basis for Qualified Conclusion

- a) As disclosed in notes 8.1 and 8.2 to the unconsolidated condensed interim financial information, trade debts include receivables of Rs. 30,929 million (June 30, 2018: Rs. 31,948 million) and Rs. 23,275 million (June 30, 2018: Rs. 22,924 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. Significant portion of such receivables include overdue amounts, which have been considered good by management and classified as current assets in the unconsolidated interim financial information. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances due to which management has decided to recognise LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

Due to the adverse operational and financial conditions 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 were likely to be recovered and the timeframe over which such recovery will be made;

- b) As disclosed in note 9 to the unconsolidated condensed interim financial information, interest accrued includes interest receivable of Rs. 6,983 million and Rs. 3,530 million (June 30, 2018:



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Rs. 6,416 million and Rs. 3,421 million) from Sui Northern Gas Pipeline Limited (SNGPL) and Water and Power Development Authority (WAPDA) respectively. These have been accounted for in line with Company's practice of charging LPS on overdue amounts, but have not been acknowledged by the counter-party. Due to dispute with WAPDA, and large accumulation of their respective overdue amounts of interest, we were unable to determine the extent to which the interest accrued amounts due from SNGPL and WAPDA are likely to be recovered and the timeframe over which such recovery will be made;

- c) We refer to note 10.2 of the unconsolidated condensed interim financial information which includes amount of Rs. 3,845 million receivable from Habibullah Coastal Private Company Limited (HCPCL) in respect of liquidated damages imposed in arbitration on April 30, 2018 by The International Court of Arbitration. Prior to the decision, the Economic Coordination Committee (ECC) through its meeting held on February 07, 2018 had proposed waiver of liquidated damages and directed Ministry of Energy – Petroleum Division to work out modalities in consultation with all stakeholders. However, to date, no agreement has been finalized between the relevant stakeholders. In the absence of the agreement, there is no contractual right to receive cash or financial asset from HCPCL and the requirements of IAS 39 – Financial Instruments are not met. Had management not recognised this receivable, the loss before tax would have increased by Rs. 3,845 million and net assets would have reduced by Rs. 2,730 million.

Qualified Conclusion

Except for the adjustments, if any, to the unconsolidated condensed interim financial information due to matters described in (a), (b) and (c) 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, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter Paragraphs

We draw attention to the following matters:

- 1) Note 1.3 of the unconsolidated condensed interim financial information, which indicates that the Company has incurred net loss after tax of Rs. 7,524 million during the period ended December 31, 2018, and as of that date, the Company's current liabilities exceed current assets by Rs. 50,242 million. Further, staggering of losses and matters discussed in the Basis of Qualified Conclusion Section of the report along with other conditions as set forth in Note 1.3, indicate that material uncertainty exists that may cast significant doubt on the Company ability to continue as a going concern; however, the Company has obtained a support letter from Government of Pakistan Finance Division dated July 06, 2020 that commits support to maintain the going concern status of the Company. Our opinion is not modified in respect of this matter.



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- 2) Note 2.3 to the unconsolidated condensed interim financial information that describes the reasons why the Company has staggered the effect of Sindh High Court decision over a period of five financial years from 2017 to 2021 based on the permission received from the ECC, Securities and Exchange Commission of Pakistan (SECP) and the OGRA;
- 3) Note 17 to the unconsolidated condensed interim financial information that describe that the Company is subject to various material litigations and claims involving different courts. The outcome of these cases is uncertain and beyond management's control.
- 4) note 16.1 to the unconsolidated condensed interim financial information that describes that the Company has reversed the late payment surcharge (LPS) expense of Rs. 26,222 million on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2016 and not recorded LPS expense for the year ended June 30, 2017, for the year ended June 30, 2018 and for the half year ended December 31, 2018 amounting to Rs. 7,569 million, Rs. 7,477 million and Rs. 4,288 million respectively for reasons described in the said note.

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

Thanking you,

Yours Sincerely,



Shoaib Ahmed

Company Secretary

Cc: The Commissioner
Securities and Exchange Commission of Pakistan (SECP)
Company Law Division / Corporate Supervision Department
& Technology Division
Islamabad.

Annexure - A

Sui Southern Gas Company Limited

Unconsolidated condensed interim statement of profit or loss (Un-audited)

For the half year ended December 31, 2018

		Half year ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note		(Rupees in '000)			
Sales		123,433,876	66,835,629	67,625,232	41,148,952
Sales tax		(16,009,423)	(11,969,468)	(8,881,667)	(6,175,290)
	18	107,424,453	74,866,161	58,743,565	37,384,642
Gas development surcharge	10	34,423,083	10,924,249	18,935,847	8,869,509
RLNG differential margins	20	(7,086,092)	-	(2,873,240)	-
Net sales		134,761,444	85,790,410	74,806,172	46,254,151
Cost of sales	21	(135,689,381)	(89,798,543)	(73,989,573)	(50,012,321)
Gross (loss) / profit		(927,937)	(4,008,133)	316,599	(3,758,170)
Administrative and selling expenses		(2,275,277)	(2,156,969)	(1,151,957)	(1,079,654)
Other operating expenses	22	(7,069,672)	(2,105,469)	(5,659,075)	(1,140,470)
		(9,344,949)	(4,262,438)	(6,811,032)	(2,220,124)
		(10,272,886)	(8,270,571)	(5,994,433)	(5,978,294)
Other income	23	6,858,312	6,009,203	3,734,145	3,577,513
Operating loss		(3,414,574)	(2,261,368)	(2,260,288)	(2,400,781)
Finance cost		(3,390,073)	(2,342,538)	(1,633,123)	(1,254,278)
Loss before taxation		(6,804,647)	(4,603,906)	(3,893,411)	(3,655,059)
Taxation	24	(718,923)	(3,088,025)	(406,435)	(322,419)
Loss for the period		(7,523,570)	(7,691,931)	(4,299,846)	(3,977,478)
Basic and diluted loss per share		(8.54)	(8.73)	(4.88)	(4.52)

The annexed notes from 1 to 32 form an integral part of this unconsolidated condensed interim financial information.

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Annexure - B

Sul Southern Gas Company Limited
Consolidated condensed interim statement profit or loss (Un-audited)
For the half year ended December 31, 2018

		Half year ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note		(Rupees in '000)			
Sales		123,433,876	86,835,629	67,625,232	43,559,932
Sales tax		(16,009,423)	(11,969,468)	(8,881,667)	(6,175,290)
	18	107,424,453	74,866,161	58,743,565	37,384,642
Gas development surcharge	19	34,423,083	10,924,249	18,935,846	8,869,510
RLNG differential margins	20	(7,086,092)	-	(2,873,240)	-
Net sales		134,761,444	85,790,410	74,806,171	46,254,152
Cost of sales	21	(135,696,212)	(89,804,304)	(73,992,449)	(50,015,006)
Gross (loss) / profit		(934,768)	(4,013,894)	813,722	(3,760,854)
Administrative and selling expenses		(2,335,450)	(2,208,643)	(1,186,277)	(1,106,443)
Other operating expenses	22	(7,070,128)	(2,105,914)	(5,659,306)	(1,140,786)
		(9,405,579)	(4,314,557)	(6,845,584)	(2,247,229)
		(10,340,347)	(8,328,451)	(6,031,861)	(6,008,083)
Other operating income	23	6,926,321	6,168,906	3,789,757	3,639,119
Operating loss		(3,414,026)	(2,159,545)	(2,242,104)	(2,368,964)
Finance cost		(3,390,692)	(2,343,334)	(1,633,223)	(1,254,344)
Loss before taxation		(6,804,717)	(4,502,879)	(3,875,327)	(3,623,308)
Taxation	24	(714,072)	(3,110,862)	(398,672)	(333,553)
Loss for the period		(7,518,789)	(7,613,741)	(4,273,999)	(3,956,861)
Basic and diluted loss per share		(8.54)	(8.64)	(4.85)	(4.49)

The annexed notes from 1 to 32 form an integral part of this consolidated condensed interim financial information.

