Resolute
amid challenges

2nd
Quarter Accounts (Un-Audited)
for the period ended
December 31, 2012

Sui Northern Gas Pipelines Limited

Contents

Our Vision & Mission

VISION

To be the leading integrated natural gas provider in the region seeking to improve the quality of life of our customers and achieve maximum benefit for our statekholders by providing an uninterrupted and environment friendly energy resource.

MISSION

A commitment to deliver natural gas to all doorsteps in our chosen areas through continuous expansion of our network, by optimally employing technological, human and organizational resources, best practices and high ethical standards.

Corporate Information

BOARD OF DIRECTORS

Mian Misbah-Ur-Rehman	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mirza Mahmood Ahmad	Director
Mr. Manzoor Ahmed	Director
Mr. Nessar Ahmed	Director
Mr. Shabbir Ahmed	Director
Mr. Ahmad Aqeel	Director
Mr. Muhammad Arif Habib	Director
Mr. Muhammad Azam Khan	Director
Mian Raza Mansha	Director
Qazi Mohammad Saleem Siddiqui	Director
Mr. Shahid Aziz Siddiqui	Director
Mr. Zuhair Siddiqui	Director

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Mr. Nessar Ahmed	Chairman
Mirza Mahmood Ahmad	Member
Mr. Ahmad Aqeel	Member
Mr. Muhammad Arif Habib	Member
Mian Raza Mansha	Member
Mr. Shahid Aziz Siddiqui	Member

FINANCE COMMITTEE

Mr. Muhammad Azam Khan	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Shabbir Ahmed	Member
Mr. Ahmad Aqeel	Member
Mr. Shahid Aziz Siddiqui	Member
Mr. Zuhair Siddiqui	Member

HUMAN RESOURCE COMMITTEE

Mirza Mahmood Ahmad	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Ahmad Aqeel	Member
Mian Raza Mansha	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Zuhair Siddiqui	Member

UNACCOUNTED FOR GAS (UFG) CONTROL COMMITTEE

Mr. Muhammad Arif Habib	Chairman
Mirza Mahmood Ahmad	Member
Mr. Nessar Ahmed	Member
Mr. Shabbir Ahmed	Member
Mr. Ahmad Aqeel	Member

CHIEF FINANCIAL OFFICER
Mrs. Uzma Adil Khan

COMPANY SECRETARY / SECRETARY TO SUB COMMITTEES OF THE BOARD
Miss Wajiha Anwar

AUDITORS
A.F. Ferguson & Co.
Chartered Accountants

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M/s. Salim Baig & Associates

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Directors' Review

The Board of Directors present the un-audited financial statements for the 2nd quarter and half year ended December 31, 2012 of the Company. During the period under review, the Company incurred a net loss of Rs 575 million as against profit of Rs 648 million during the corresponding period last year. The loss per share for the period was Re. 1 as against earnings per share of Rs. 1.12 for the period ended December 31, 2011. These financial results are based on UFG benchmark of 4.5% and treatment of Late Payment Surcharge (LPS), as operating income as compared to previous base of UFG benchmark @ 7% and treating LPS as non-operating income during the corresponding period last year.

For the period under review, the UFG loss has been reduced by the Company from 11.07 % in six month period ended December 2011 to 10.93% for the period under review, due to concerted efforts by the Company. However, the UFG loss in value terms has increased to Rs. 6.7 Billion for the period under review as compared to Rs. 3.8 Billion for the corresponding period, primarily due to unrealistic and stringent benchmark imposed by the Regulator. While the management of the Company is fully committed in reducing the UFG losses to a manageable position, the following factors beyond the control of the Company are in fact contributing towards the higher UFG loss:

a) Cost of gas which is beyond the control of the Company has gradually increased from Rs. 159/ MMBTU in FY 05-06 to Rs. 343/ MMBTU in FY 12-13. This has resulted in increase in cost of UFG disallowance of 1.0% in 2005-06 from Rs 917 Million to Rs 2,047 Million in 2012-13. As a result the amount of UFG disallowance has increased significantly and it is likely that the Company would incur a loss in the ensuing year for the first time since its inception. It is pertinent to mention that the Rate of Return allowed to the Company is based on historical cost of the net operating assets of the Company while the UFG disallowance is being calculated by the Regulator on current average cost of the gas.

b) The Company gas supplies have been declining on an ongoing basis which has led to a lopsided change in bulk retail ratio. Unprecedented extension in distribution network, on the basis of GOP priorities, duly approved by OGRA, has also contributed to the same. Bulk retail ratio in FY 05-06 was 40:60 the year in which the UFG benchmarks were fixed in advance for 7 years has gradually changed to 24:76 in 2012-13, contributing to exceedingly high percentage of UFG. The UFG in bulk sector (Power, Cement, Fertilizer etc.) has historically been less than 0.5% while it tends to exceed above 15% in case of domestic consumers.

c) The Company is unable to disconnect gas supplies to far flung, high UFG areas, where supply of gas is totally uneconomical. The Regulator has also failed to compensate the Company for uneconomic gas supply to remote areas, despite repeated requests.

d) Deterioration of law and order in the troubled areas of the Company's area of operation and unprecedented increase in gas pilferage has also increased the UFG losses considerably.

In February 2013, Lahore High Court, Lahore dismissed Company's petitions for the year ended 2010-11 and 2011-12 through which Company had challenged OGRA's determinations dated December 2, 2010 and May 24, 2011 respectively. The Company has filed an appeal before the Honorable Supreme Court of Pakistan against this order of the Honorable Lahore High Court. While details of the matter are more fully explained in note 8.1 of the enclosed financial statements, the Company has not incorporated any adjustment in these financial statements which may arise in case the Final Revenue Requirements of the Company for these years are revised by OGRA. Had these financial statements been prepared in accordance with OGRA's decisions dated December 2, 2010 and May 24, 2011 in respect of FY 2010-11 and FY 2011-12, the loss before tax would have been higher by Rs 12.8 billion (after tax Rs 8.361 billion) in these financial statements for the six months ended December 31, 2012 and would have a negative EPS of Rs 15.51 as at that date.

DEVELOPMENT PROJECT

The Company commissioned 1,426 KM distribution lines during 2nd quarter of FY 2012-13 while work on 7 KM transmission lines and 2,459 KM distribution lines is in progress. Thus gas facility was extended to various localities / towns and industrial units across Punjab and Khyber Pukhtoonkhwa.

The Company is also pursuing to undertake supply of Synthetic Natural Gas (LPG-Air Mix) as replacement of natural gas to help ease the prevailing energy crisis in the country. Government of Pakistan is pursuing number of opportunities for bringing additional gases; into the system these include but are not limited to Iran-Pakistan (IP) Gas pipeline project, Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project, import of LNG and it is hoped that the Company would be able to get additional gas supply in the years ahead. The Company is an economical energy transporter in the Country.

FUTURE PROSPECTS

The Company is engaged in various pipeline construction projects of national and multinational companies. The relations with the companies for which the Company rendered services have remained exemplary especially with M/s MOL Pakistan who after their first working interaction with SNGPL at Manzalai gas gathering system awarded the Company with jobs of Mamikhel-1 flow line, Maramzai-1 flow line, Makori Feed line, Manzalai-8 flow line, Makori East Flow line, Manzalai-9 flow line and recently Maramzai Extension flow line. Besides this, MOL Pakistan has further desired to enter into five year contractual relationship with SNGPL and has suggested to sign blanket service order in this respect. Their future projects include Tolanj-1, Mamikkel-2, Maramzai-2, Manzalai-11. Mardankheil-1, Manzalai-12, Mardankheil-south etc. Lately, MOL Pakistan plan to initiate the working on Manzalai-l0 flow line for which they have requested us to conduct preliminary survey work and prepare cost estimate. In this respect, SNGPL is quite hopeful in getting this job as well.

SNGPL has also got excellent working relationship with OGDCL who has awarded the Qadirpur compression project to SNGPL two years ago which involved the installation of 14 Nos. compressor packages including civil works, piping work and electrical & instrument work. SNGPL completed this project in minimum record time facilitating the injection of additional gas supply to SNGPL. Recently OGDCL has awarded the Company another pipeline project at its Reti & Maru gas field involving construction of 18 KM gathering mains of diameter 4”/ 6”/ 8” on which the work is nearing completion.

Having excellent relationship with both M/s MOL Pakistan & M/s OGDCL, it is expected that the Company would maintain the legacy of this business relationship which would strengthen in future.

OMV (Pakistan) Exploration GmbH, oil & gas exploration & production Austrian Company has recently awarded SNGPL with job of construction of 16” dia x 23 KM pipeline from Sawan gas central processing plant to mid valve assembly located towards Latif Gas Field along with laying of Fiber Optic Cable (FOC) at a total cost of Rs. 312 million. This project is to be completed on fast track basis and after completion of this project additional 100 MMCFD gas, shall be injected in the national grid. It is pertinent to mention here that prior to award of this contract, OMV pre-qualified SNGPL after scrutiny of its qualifications and technical credentials in the field of pipeline construction.

ACKNOWLEDGEMENTS

The Directors place on record their thanks to the employees of the Company, Government of Pakistan, Ministry of Petroleum and Natural Resources, Oil and Gas regulatory Authority, other Government & Non-government Institutions related to the Company, its consumers and the company’s establishment for their sustained support during the period under review.

On behalf of the Board

(MOHAMMAD ARIF HAMEED)
Managing Director

Lahore.
August 19, 2013

Auditors' Report to the Members
on Review of Interim Financial Information

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of Sui Northern Gas Pipelines Limited ("the company") as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes forming part thereof, for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

EMPHASIS OF MATTER

We draw attention to note 8.1 to the condensed interim information which describes the conditions relating to the finalization of revenue requirement for the financial years 2010-11 and 2011-12. Our conclusion is not qualified in respect of this matter.

We draw attention to note 10.1 to the condensed interim financial information which describes the matters on which the settlement of amounts receivable from and payable to certain government owned and other entities is dependent upon. Our conclusion is not qualified in respect of this matter.

AFerguson & Co

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: Amer Raza Mir

Lahore
August 19, 2013

Condensed Interim Balance Sheet

As at December 31, 2012 (Un-Audited)

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
1,500,000,000 (June 30, 2012: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital 576,560,606 (June 30, 2012: 576,560,606) ordinary shares of Rs 10 each		5,765,606	5,765,606
Revenue reserves		14,882,978	15,458,174
Shareholders' equity		20,648,584	21,223,780
NON-CURRENT LIABILITIES			
Long term financing:			
– Secured	4	6,250,000	7,500,000
– Unsecured	5	1,180,292	1,086,313
Security deposits		21,240,164	20,227,669
Deferred credit		32,719,353	33,315,790
Deferred taxation		8,203,908	9,066,835
Employee benefits		1,397,671	1,009,794
		70,991,388	72,206,401
CURRENT LIABILITIES			
Trade and other payables	6	89,395,401	65,288,560
Sales tax payable		1,347,682	1,070,339
Interest and mark-up accrued on loans and other payables		11,127,439	9,683,085
Short term borrowings-secured		751,646	1,000,000
Current portion of long term financing	7	2,893,373	2,853,581
		105,515,541	79,895,565
CONTINGENCIES AND COMMITMENTS	8	–	–
		197,155,513	173,325,746

The annexed notes from 1 to 25 form an integral part of the condensed interim financial information.

Mian Misbah-ur-Rehman
Chairman

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	93,451,822	92,769,426
Intangible assets		74,901	133,591
Long term Investment		4,900	4,900
Long term loans		213,734	245,067
Employee benefits		1,256,056	1,205,267
Long term deposits and prepayments		6,246	13,330
		95,007,659	94,371,581
CURRENT ASSETS			
Stores and spare parts		1,865,587	1,839,194
Stock-in-trade - gas in pipelines		945,291	848,671
Trade debts	10	93,307,176	73,330,850
Loans and advances	11	334,567	153,926
Trade deposits and short term prepayments	12	257,266	123,375
Accrued interest		5,857	15,814
Other receivables	13	66,114	82,424
Taxation - net		1,944,214	1,434,647
Cash and bank balances	14	3,421,782	1,125,264
		102,147,854	78,954,165
		197,155,513	173,325,746

Mohammad Arif Hameed
Managing Director

Condensed Interim Profit & Loss Account

For the half year ended December 31, 2012 (Un-Audited)

	Note	Quarter ended		Half year ended	
		Un-Audited December 2012	Un-Audited December 2011	Un-Audited December 2012	Un-Audited December 2011
		(Rupees in thousand)			
Gas sales		57,186,812	53,616,783	119,440,638	104,679,599
(Less) / Add: (Gas development surcharge) / Differential margin		(2,233,133)	76,352	(9,470,574)	(2,455,000)
		54,953,679	53,693,135	109,970,064	102,224,599
Cost of gas sold	15	55,858,867	52,027,435	111,485,614	99,841,756
Gross (loss) / profit		(905,188)	1,665,700	(1,515,550)	2,382,843
Other Operating Income	16	3,710,311	1,841,457	7,203,758	3,263,929
		2,805,123	3,507,157	5,688,208	5,646,772
Less:					
Selling cost		1,264,465	872,015	2,392,697	1,503,107
Administrative expenses		866,977	659,280	1,623,878	1,201,617
Other operating expenses	17	326,206	369,554	285,144	310,718
		2,457,648	1,900,849	4,301,719	3,015,442
Operating profit		347,475	1,606,308	1,386,489	2,631,330
Less:					
Finance cost	18	1,280,905	849,119	2,271,407	1,615,674
(Loss) / profit before taxation		(933,430)	757,189	(884,918)	1,015,656
Taxation	19	(326,700)	276,956	(309,722)	367,241
(Loss) / profit for the period		(606,730)	480,233	(575,196)	648,415
Earnings per share - basic and diluted (Rs)		(1.05)	0.83	(1.00)	1.12

The annexed notes from 1 to 25 form an integral part of the condensed interim financial information.

Mian Misbah-ur-Rehman
Chairman

Mohammad Arif Hameed
Managing Director

Condensed Interim Statement of Comprehensive Income

For the half year ended December 31, 2012 (Un-Audited)

	Quarter ended		Half year ended	
	Un-Audited December 2012	Un-Audited December 2011	Un-Audited December 2012	Un-Audited December 2011
	(Rupees in thousand)			
(Loss) / Profit for the period	(606,730)	480,233	(575,196)	648,415
Other comprehensive income for the period	–	–	–	–
Total comprehensive (loss) / income for the period	(606,730)	480,233	(575,196)	648,415

The annexed notes from 1 to 25 form an integral part of the condensed interim financial information.

Mian Misbah-ur-Rehman
Chairman

Mohammad Arif Hameed
Managing Director

Condensed Interim Cash Flow Statement

For the half year ended December 31, 2012 (Un-Audited)

	Note	Half year ended December 2012	Half year ended December 2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	8,845,222	3,089,706
Finance cost paid		(802,013)	(970,295)
Income tax paid		(1,062,772)	(97,767)
Employee benefits / contributions paid		(311,227)	(349,930)
Security deposits received		1,012,495	1,363,998
Receipts against government grants and consumer contributions		608,815	664,101
Decrease in loans to employees		32,443	5,780
Decrease / (Increase) in long term deposits and prepayments		7,084	(263)
Net cash generated from operating activities		8,330,047	3,705,330
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		(4,864,002)	(4,098,335)
Purchase of intangible assets		(1,415)	(3,459)
Proceeds from sale of property, plant and equipment		12,102	9,615
Profit received on bank deposits		253,318	181,223
Net cash used in investing activities		(4,599,997)	(3,910,956)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finances - unsecured		100,004	3,690
Proceeds from long term finances - secured		-	500,000
Repayment of long term finances - unsecured		(32,854)	(32,855)
Repayment of long term financing - secured		(1,250,000)	–
Dividend paid		(2,328)	(542,205)
Net cash used in financing activities		(1,185,178)	(71,370)
Net increase / (decrease) in cash and cash equivalents		2,544,872	(276,996)
Cash and cash equivalents at the beginning of the period		125,264	954,060
Cash and cash equivalents at the end of the period	20.2	2,670,136	677,064

The annexed notes from 1 to 25 form an integral part of the condensed interim financial information.

Mian Misbah-ur-Rehman
Chairman

Mohammad Arif Hameed
Managing Director

Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2012 (Un-Audited)

	Share capital	Revenue reserves				Total equity
		General reserve	Dividend equalization reserve	Un-appropriated profit	Total	
	(Rupees in thousand)					
Balance as at 01 July 2011 (Audited)	5,491,053	4,127,682	480,000	8,630,154	13,237,836	18,728,889
Profit for the half year ended December 31, 2011	–	–	–	648,415	648,415	648,415
Other comprehensive income for the half year ended December 31, 2011	–	–	–	–	–	–
Final dividend for the year ended June 30, 2011 @ Rupees 1.00 per share	–	–	–	(549,105)	(549,105)	(549,105)
Bonus shares @ 5% for the year ended June 30, 2011	274,553	–	–	(274,553)	(274,553)	–
Balance as at December 31, 2011 (Un–Audited)	5,765,606	4,127,682	480,000	8,454,911	13,062,593	18,828,199
Profit for the half year ended June 30, 2012	–	–	–	2,395,581	2,395,581	2,395,581
Other comprehensive income for the half year ended June 30, 2012	–	–	–	–	–	–
Balance as at July 1, 2012 (Audited)	5,765,606	4,127,682	480,000	10,850,492	15,458,174	21,223,780
Loss for the half year ended December 31, 2012	–	–	–	(575,196)	(575,196)	(575,196)
Other comprehensive income for the half year ended December 31, 2012	–	–	–	–	–	–
Balance as at December 31, 2012 (Un–Audited)	5,765,606	4,127,682	480,000	10,275,296	14,882,978	20,648,584

The annexed notes from 1 to 25 form an integral part of the condensed interim financial information.

Mian Misbah-ur-Rehman
Chairman

Mohammad Arif Hameed
Managing Director

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2012 (Un-Audited)

1. THE COMPANY AND ITS OPERATIONS

1.1 Sui Northern Gas Pipelines Limited (the company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 21-Kashmir Road, Lahore. The principal activity of the company is the purchase, transmission, distribution and supply of natural gas.

1.2 This interim financial information is presented in Pak Rupee, which is the company's functional and presentation currency.

2. BASIS OF PREPARATION

2.1 This condensed interim financial information is unaudited and is being submitted to shareholders, as required under section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

2.2 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 take precedence. This condensed interim financial information has been reviewed by the auditors of the company as required by the Code of Corporate Governance.

2.3 The condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2012.

2.4 The following amendments to standards are mandatory for the first time for the financial year beginning July 1, 2012:

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income is effective for periods starting from or on July 1 2012. It requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This does not have a material impact on company's financial statements.

- IAS 12 (amendment), 'Income taxes' previously IAS 12 required an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. This does not have a material impact on the financial information.

3. ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies, except for those mentioned in note 2.4 and 8.1 , adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2012.

3.2 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual published financial statements of the company for the year ended June 30, 2012.

3.3 Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
4. LONG TERM FINANCING - SECURED			
From banking companies:			
Local currency - syndicate term finance	4.1	6,125,000	7,000,000
		6,125,000	7,000,000
Other loans:			
Musharaka arrangement	4.2	2,625,000	3,000,000
Less: Current portion shown under current liabilities		2,500,000	2,500,000
		6,250,000	7,500,000

4.1 Local currency - Syndicate term finance

Lender	Mark-up rate	No of instalments outstanding Half yearly	Maturity date
Askari Bank Limited (the Investment Agent)	Six month KIBOR + 1.25% p.a.	7	June 30, 2016

This loan is secured by first parri passu created by way of hypothecation over all the present and future moveable fixed assets of the company (excluding land and building) to the extent of Rs. 10,769,231 thousands.

4.2 Islamic finance under musharaka arrangement

Lender	Mark-up rate	No of instalments outstanding Half yearly	Maturity date
Askari Bank Limited (the Investment Agent)	Six month KIBOR + 1.25% p.a.	7	June 30, 2016

Assets under musharaka agreement are secured by a first parri passu created by way of hypothecation over moveable fixed assets of the company (excluding Land and building) to the extent of Rs 4,615,385 thousands, in respect of assets held under musharaka arrangement.

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
5. LONG TERM FINANCING – UNSECURED			
Other loans - Local currency:		1,573,665	1,439,894
Less: Current portion shown under current liabilities	7	(393,373)	(353,581)
		1,180,292	1,086,313

5.1 These loans carry mark-up at variable rates which range from 1.50% per annum to 15.00% per annum (June 30, 2012: 1.50% per annum to 15.00% per annum).

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
6. TRADE AND OTHER PAYABLES			
Creditors for:			
Gas		55,437,923	45,280,900
Supplies		508,361	580,076
Accrued liabilities		3,163,336	4,794,404
Gas infrastructure development cess payable	6.1	10,784,743	4,409,324
Interest-free deposits repayable on demand		74,033	68,819
Earnest money received from contractors		24,590	27,537
Mobilization and other advances		888,884	1,089,462
Due to customers		26,533	19,313
Gas development surcharge		18,050,021	8,579,446
Workers' Profit Participation Fund		371,689	371,663
Unclaimed dividend		65,288	67,616
		89,395,401	65,288,560

6.1 Subsequent to the period end, the Honorable Islamabad High Court vide its decision dated January 31, 2013, declared Gas Infrastructure Development Cess Act, 2011 as Ultra Vires to the Constitution and directed the company to adjust the amount already received on this account in the future bills of the petitioners.

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
7. CURRENT PORTION OF LONG TERM FINANCING			
Long term financing - secured	4	2,500,000	2,500,000
Long term financing - unsecured	5	393,373	353,581
		2,893,373	2,853,581

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in contingencies from the preceding audited financial statements of the company for the year ended June 30, 2012, except for the matter stated below:

For the purpose of determining the final revenue requirement for the financial year 2009-10, Oil and Gas Regulatory Authority (OGRA) increased the Unaccounted For Gas (UFG) benchmark from 5% to 7% and also allowed late payment surcharge and interest on gas sales arrears to be treated as non-operating income. However, in response to the review petition filed by the Company for revision of estimated revenue requirement for the financial years 2010-11 and 2011-12, OGRA in its decisions dated December 2, 2010 and May 24, 2011 respectively revised the UFG benchmark from 7% to 4.625% and 7% to 4.5% respectively and treated late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by OGRA's decisions dated December 2, 2010 and May 24, 2011, the Company filed petitions with the Honourable Lahore High Court against OGRA decisions. The Court vide orders dated January 17, 2011 and July 13, 2011 respectively granted interim relief for the purposes of calculating the prescribed price, UFG benchmark and the treatment of non-operating income of the Company. It was further held the OGRA shall continue to determine such amounts in accordance with the Final Revenue Requirement (FRR) for the financial year 2009-10 till such time that an UFG impact assessment study is carried out and produced before the Court.

In view of the aforementioned interim relief given by the Lahore High Court, OGRA in its orders dated September 21, 2011 and February 01, 2013 has determined the revenue requirement of the Company for the financial years 2010-11 and 2011-12 on the basis of the same parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009-10 dated October 15, 2010. The Company's financial statements for these years were prepared accordingly.

On February 15, 2013, the Company's petitions were dismissed by Honourable Lahore High Court, Lahore that has also vacated the interim relief granted referred above. The Company has filed appeal before the Supreme Court of Pakistan against this order of the Lahore High Court which is pending adjudication.

Subsequent to the decision, inspite of repeated requests the revised FRRs for financial years 2010-11 and 2011-12 have not yet been issued by OGRA. These condensed interim financial information have been finalized on the basis of the FRRs for Financial years 2010-11 and 2011-12 issued by OGRA without incorporating the financial impact of the matter referred above. It is one of the company's contentions, based on statutory framework and legal opinions obtained, that the financial statements can only be amended after the revised FRRs are issued.

The Company has not incorporated the effect of revision of UFG framework as well as treatment of LPS as operating income. This decision is based on the manner of operation of the statutory framework for revenue determination and the opinion of the Company's legal counsel, that inter alia the technical aspects and grounds raised by the Company in its challenge before the Honourable Supreme Court are sufficient in resulting in a likelihood of obtaining an order setting aside the matter to be decided on the basis of technical study and evaluation of the facts of the matter. It is also the company's further contention that:

- OGRA could not have set the UFG benchmark of SNGPL, without holding meaningful, purposive and consensus based consultation with SNGPL which it has not done.
- OGRA does not have the jurisdiction to treat incomes of SNGPL not arising out of the regulated / licensed activity of SNGPL as operating incomes for the purposes of tariff determination. LPS being income which does not form part of the regulated activity of SNGPL are therefore beyond OGRA's jurisdiction.

The company has not incorporated any adjustment in the financial statements which may arise in case the FRR orders for financial years 2010-11 and 2011-12 are revised on the basis of earlier decisions of OGRA.

Had these condensed interim financial information been prepared in accordance with OGRA's decisions dated December 2 ,2010 and May 24, 2011 in respect of FY 2010-11 and FY 2011-12, the loss after tax in these condensed interim financial information for the six months ended December 31, 2012 would have been higher by Rs 8,361 million and would have a negative EPS of Rs 15.51 as at that date.

	Note	Un-Audited December 2012	Audited June 2012
		(Rupees in thousand)	
9. PROPERTY, PLANT AND EQUIPMENT			
Opening book value		78,788,091	73,909,766
Additions during the period	9.1	5,150,825	13,089,631
		83,938,916	86,999,397
Disposals during the period (at book value)	9.2	–	1,624
Depreciation charged during the period		4,241,560	8,209,682
		4,241,560	8,211,306
Closing book value		79,697,356	78,788,091
Capital work-in-progress	9.3	13,754,466	13,981,335
		93,451,822	92,769,426

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2012 (Un-Audited)

		Note	Un-Audited December 2012	Audited June 2012
			(Rupees in thousand)	
9.1	**Additions during the period**			
	Freehold land		33,504	70,588
	Building on freehold land		11,133	257,041
	Transmission system		119,591	712,374
	Distribution system		3,395,572	7,710,856
	Consumer meter and town border stations		1,220,280	2,687,204
	Telecommunication system and facilities		23,244	49,450
	Compressor stations and equipment		57,452	793,409
	Plant and machinery		125,487	386,284
	Computers and ancillary equipment		16,541	138,235
	Furniture and equipment		8,447	15,145
	Tools and accessories		9,029	8,751
	Transport vehicles		130,545	260,294
			5,150,825	13,089,631
9.2	**Disposals during the period**			
	Furniture and equipment		–	245
	Transport vehicles		–	1,379
			–	1,624
9.3	**Capital work-in-progress**			
	Transmission system		828,583	406,780
	Distribution system		5,080,265	6,285,508
	Stores and spares including in-transit Rs 415,654 thousand (June 2012: Rs 282,672 thousand)		7,537,934	7,015,147
	Advances for land and other capital expenditure		307,684	273,900
			13,754,466	13,981,335
10.	**TRADE DEBTS**			
	Considered good:			
	Secured		22,873,309	25,286,222
	Unsecured	10.1	70,810,004	48,169,362
	Accrued gas sales		(376,137)	(124,734)
			93,307,176	73,330,850
	Considered doubtful		7,127,545	5,830,472
			100,434,721	79,161,322
	Less: Provision for doubtful debts		(7,127,545)	(5,830,472)
			93,307,176	73,330,850

10.1 Included in trade debts is an amount receivable from Government owned power generation companies and independent power producers of Rs. 43,754,870 thousand (June 2012: Rs. 31,360,209 thousand) along with interest of Rs.8,180,350 thousand (June 2012: Rs 5,156,218 thousand) on delayed payments. While trade and other payables referred to in note 6 include an amount of Rs 58,740,519 thousand (June 2012: Rs 40,248,300 thousand) due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holdings (Private) Limited on accounts of gas purchases and Government of Pakistan on account of Gas Development Surcharge along with the interest on delayed payments of Rs 8,983,224 thousand (June 2012: Rs 7,918,264 thousand). The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

	Un-Audited December 2012	Audited June 2012
	(Rupees in thousand)	
11. LOANS AND ADVANCES		
Loans due from employees - considered good	94,721	88,030
Advances - considered good		
Employees	80,853	3,621
Suppliers and contractors	158,993	62,275
	334,567	153,926
Advances to suppliers and contractors – considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	–	–
	334,567	153,926
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits and prepayments	165,452	100,208
Less: Provision for doubtful receivables	(22,290)	(22,290)
	143,162	77,918
Current portion of long term prepayments	114,104	45,457
	257,266	123,375
13. OTHER RECEIVABLES		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	–	–
Due from customers	36,835	56,466
Current account with Sui Southern Gas Company Limited	15,133	14,232
Others	14,146	11,726
	66,114	82,424
14. CASH AND BANK BALANCES		
Cash at banks:		
– Deposit accounts	2,881,426	766,653
– Current accounts	528,157	356,276
	3,409,583	1,122,929
Cash in hand	12,199	2,335
	3,421,782	1,125,264

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2012 (Un-Audited)

	Note	Quarter ended Un-Audited December 2012	Quarter ended Un-Audited December 2011	Half year ended Un-Audited December 2012	Half year ended Un-Audited December 2011
		(Rupees in thousand)			
15. COST OF GAS SOLD					
Opening stock of gas in pipelines		814,695	824,702	848,671	685,757
Gas purchases:					
– Southern system		32,230,974	29,706,713	64,664,805	57,792,127
– Northern system		11,048,095	10,501,184	21,955,910	21,568,692
– Cost equalization adjustment	15.1	9,546,335	8,846,395	18,565,264	14,879,185
		52,825,404	49,054,292	105,185,979	94,240,004
		53,640,099	49,878,994	106,034,650	94,925,761
Less: Gas internally consumed		624,460	521,711	1,224,923	981,945
Closing stock of gas in pipelines		945,291	835,734	945,291	835,734
		(1,569,751)	(1,357,445)	(2,170,214)	(1,817,679)
Distribution cost		3,788,519	3,505,886	7,621,178	6,733,674
		55,858,867	52,027,435	111,485,614	99,841,756

15.1 In accordance with the policy guidelines issued by Government of Pakistan under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the company has entered into an agreement with Sui Southern Gas Company Limited (SSGCL) for uniform pricing of gas. Under this agreement, the company with a higher weighted average cost of gas will raise a demand to the other company of the amount necessary to equalize the cost of gas for both companies. As a consequence of this agreement, SSGCL has raised a demand amounting to Rs 18,565,264 thousand (December 2011: Rs. 14,879,185 thousand) as differential of cost for the equalization of cost of gas. It will have no effect on profit of the company for the reason explained in note 21 to the condensed interim financial statements.

	Quarter ended Un-Audited December 2012	Quarter ended Un-Audited December 2011	Half year ended Un-Audited December 2012	Half year ended Un-Audited December 2011
	(Rupees in thousand)			
16. OTHER OPERATING INCOME				
Income from financial assets				
Interest income on late payment of gas bills				
– Late payment surcharge	748,246	479,451	1,431,142	812,725
– Government owned and other power generation companies	1,710,217	410,912	3,209,100	615,241
– Others	5,631	4,500	82,495	56,674
Interest on staff loans and advances	10,018	8,440	19,914	16,798
Return on bank deposits	119,940	85,960	243,361	182,992
	2,594,052	989,263	4,986,012	1,684,430
Income from assets other than financial assets				
Net gain on sale of fixed assets	12,060	86	12,102	8,315
Net gain on coating of pipelines for SSGCL	5,313	–	5,313	–
Meter rentals and service income	336,650	365,215	669,975	649,268
Amortization of deferred credit	590,585	427,696	1,163,671	818,733
Insurance claim	401	517	560	650
	945,009	793,514	1,851,621	1,476,966

	Quarter ended		Half year ended	
	Un-Audited December 2012	Un-Audited December 2011	Un-Audited December 2012	Un-Audited December 2011
	(Rupees in thousand)			
Others				
Sale of tender documents	382	587	737	669
Sale of scrap	525	1,892	525	27,092
Credit balances written back	–	34,445	–	34,445
Liquidated damages recovered	4,458	9,571	19,481	26,418
Gain on construction contracts	162,523	8,869	337,230	8,869
Bad debt recoveries	3,049	2,099	7,720	3,311
Miscellaneous	313	1,217	432	1,729
	171,250	58,680	366,125	102,533
	3,710,311	1,841,457	7,203,758	3,263,929

17. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	(2,553)	39,038	–	53,846
Workers' Welfare Fund	–	(19,250)	–	–
Exchange loss on gas purchases	323,370	341,746	277,586	243,017
Loss on initial recognition of financial assets at fair value	3,389	7,920	5,523	11,255
Donations	2,000	100	2,035	2,600
	326,206	369,554	285,144	310,718

18. FINANCE COST

Included in finance cost is an amount of Rs 1,078,965 thousand (December 2011 : Rs 407,561 thousand)in respect of late payment surcharge on account of overdue payables for gas purchases and GDS as referred to in note 10.1

	Quarter ended		Half year ended	
	Un-Audited December 2012	Un-Audited December 2011	Un-Audited December 2012	Un-Audited December 2011
	(Rupees in thousand)			
19. TAXATION				
Current period				
– Current tax	276,454	269,919	553,202	526,779
– Deferred tax	(603,154)	(5,183)	(862,924)	(171,758)
	(326,700)	264,736	(309,722)	355,021
Prior period	–	12,220	–	12,220
	(326,700)	276,956	(309,722)	367,241

Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2012 (Un-Audited)

		Note	Half year ended Un-Audited December 2012	Half year ended Un-Audited December 2011
			(Rupees in thousand)	
20.	**CASH GENERATED FROM OPERATIONS**			
	(Loss) / profit before taxation		(884,918)	1,015,656
	Adjustment for:			
	Depreciation on property, plant and equipment		4,241,560	3,967,534
	– Amortization of intangible assets		64,866	76,084
	– Amortization of deferred credit		(1,163,671)	(818,733)
	– Provision for employees' retirement benefits and other obligations		583,600	501,632
	– Gain on disposal of property, plant and equipment		(12,102)	(8,315)
	– Finance cost		2,271,407	1,615,674
	– Return on bank deposits		(243,361)	(182,992)
	– Provision for doubtful debts		1,297,073	585,436
	– Loss on initial recognition of financial assets at fair value		5,523	11,255
	– Interest income due to the impact of IAS 39		(13,324)	(11,236)
	Working capital changes	20.1	2,698,569	(3,662,289)
			8,845,222	3,089,706
20.1	**Working capital changes**			
	(Increase) / decrease in current assets:			
	Stores and spare parts		(26,393)	(94,882)
	Stock-in-trade		(96,620)	(149,977)
	Trade debts		(21,273,399)	(14,656,292)
	Loans and advances		(173,950)	(97,157)
	Other receivables		16,310	2,773,089
	Trade deposits and short term prepayments		(133,891)	(139,134)
			(21,687,943)	(12,364,353)
	Increase in current liabilities:			
	Trade and other payables		24,386,512	8,702,064
			2,698,569	(3,662,289)
20.2	**Cash and cash equivalents**			
	Cash and bank balances		3,421,782	1,478,284
	Short term running finance		(751,646)	(801,220)
			2,670,136	677,064

21. INCORPORATION OF TARIFF REQUIREMENTS

21.1 Under the provisions of the license for transmission and distribution of natural gas granted to the Company by Oil and Gas Regulatory Authority (OGRA) , the Company is required to operate on an annual return of not less than 17.50% on the value of its fixed assets (net of deferred credit), before corporate income taxes, interest and other charges on debt after excluding interest, dividends and other non-operating income. Any deficit or surplus on account of this is recoverable from or payable to Government of Pakistan as differential margin or gas development surcharge respectively. The projected tariff from July 01, 2012 has been incorporated in the accounts for the period ended December 31, 2012 on the basis of estimated revenue requirement for the financial year 2012-13.

21.2 The Company has also incorporated the financial effect of Unaccounted For Gas (UFG) benchmark determined by OGRA amounting to Rs 6,690,886 thousand (December 2011: Rs 3,793,887 thousand).

21.3 The Company's petition against OGRA's above determination is pending for adjudication in Honourable Supreme Court of Pakistan.

22. TRANSACTIONS WITH ASSOCIATES AND RELATED PARTIES

22.1 Transactions during the year

	Half year ended	
	Un-Audited	Un-Audited
	December 2012	December 2011
	(Rupees in thousand)	
Gas sales	11,732,901	2,293,541
Purchase of materials	1,098,367	578,603
Purchase of gas	77,240,131	68,231,043
Service charges	35,109	30,945
Profit received on bank deposits	148,880	123,839
Contribution to defined contribution plans	182,357	228,178
Contribution to defined benefits plans	648,315	535,496
Insurance expenses	213,104	186,314
Insurance claims received	37,090	14,875
Dividend paid	–	134,918
Transportation charges	222,368	211,351
Transmission charges	1,336	1,648
Key management personnel	722,592	588,864

22.2 Period end balances

	Un-Audited	Audited
	December 2012	June 2012
	(Rupees in thousand)	
Receivable from related parties	22,595,752	15,821,657
Payable to related parties	40,697,935	31,679,126

23. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 19, 2013 by the Board of Directors of the company.

24. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on February 13, 2013 has proposed a cash dividend in respect of the year ended June 30, 2012 of Rs 2.5 per share (2011: Rs 1 per share), amounting to Rs 1,441,401,515 (2011: Rs 549,105,339) and 10% bonus share (2011: 5%) in respect of the year ended June 30, 2012. The appropriation will be approved by the members in the forth coming Annual General Meeting. The condensed interim financial information do not include the effect of these appropriations which will be accounted for subsequent to the period end.

25. CORRESPONDING FIGURES

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. However no significant reclassification has been made.

Mian Misbah-ur-Rehman
Chairman

Mohammad Arif Hameed
Managing Director

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