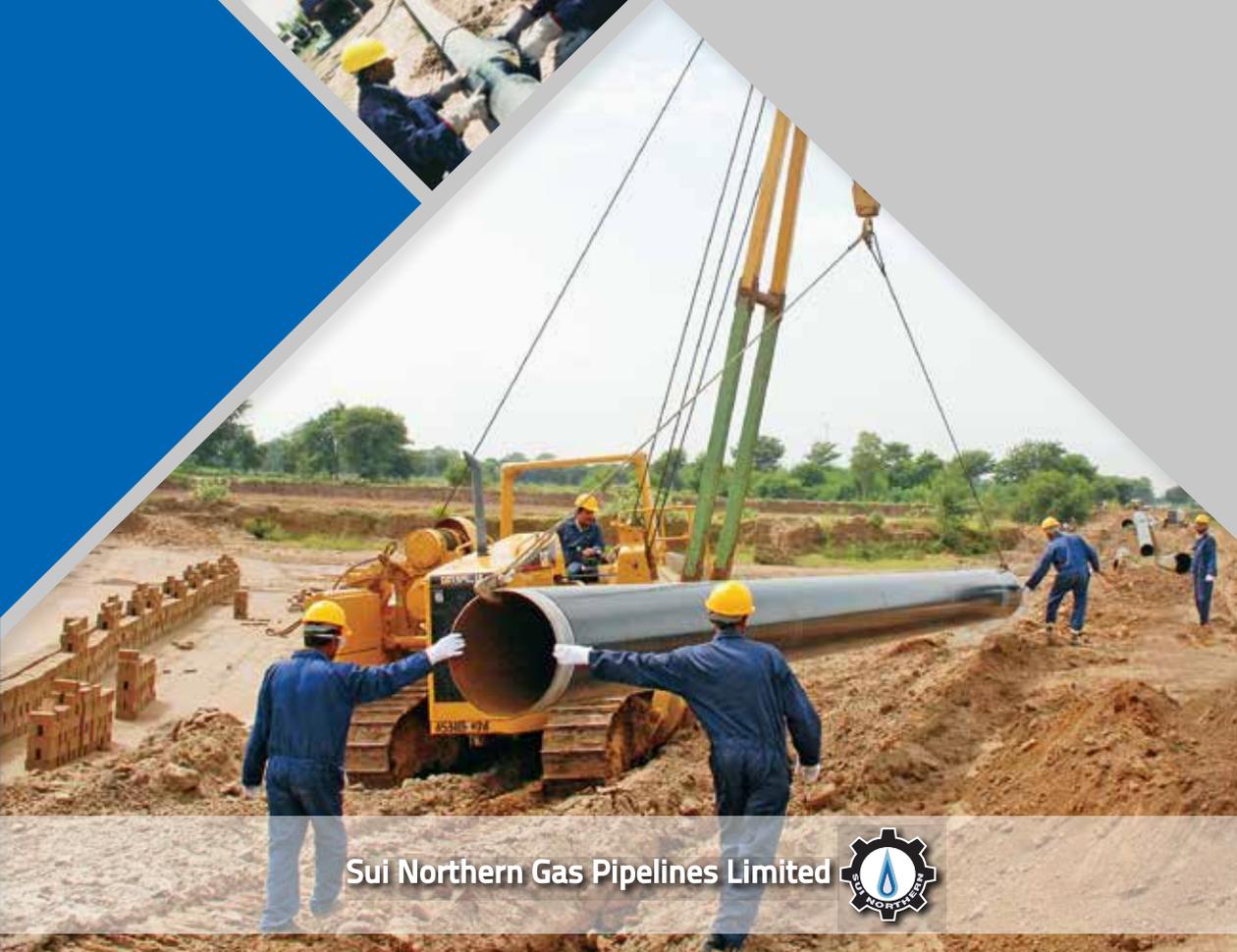


2nd Quarter Accounts (Un-Audited)
for the period ended December 31, 2014

**When Hard Times Hit;
We Work Harder.**



Sui Northern Gas Pipelines Limited





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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 stakeholders 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

Mr. Muhammad Saeed Mehdi	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Abid Saeed	Director
Mr. Ahmad Aqeel	Director
Mirza Mahmood Ahmad	Director
Mr. Manzoor Ahmed	Director
Mian Misbah-ur-Rehman	Director
Mr. Muhammad Arif Habib	Director
Mr. Mustafa Ahmad Khan	Director
Ms. Nargis Ghaloo	Director
Mr. Nauman Wazir	Director
Mr. Raza Mansha	Director
Mr. Rizwanullah Khan	Director
Mr. Shoaib Warsi	Director

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Mr. Manzoor Ahmed	Chairman
Mr. Ahmad Aqeel	Member
Mr. Muhammad Arif Habib	Member
Mr. Nauman Wazir	Member
Ms. Nargis Ghaloo	Member
Mr. Raza Mansha	Member
Mr. Rizwanullah Khan	Member

FINANCE / PROCUREMENT COMMITTEE

Mirza Mahmood Ahmad	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Ahmad Aqeel	Member
Mian Misbah-ur-Rehman	Member
Mr. Mustafa Ahmad Khan	Member
Ms. Nargis Ghaloo	Member
Mr. Shoaib Warsi	Member

HR & NOMINATION COMMITTEE

Mr. Abid Saeed	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Ahmad Aqeel	Member
Mirza Mahmood Ahmad	Member
Mr. Nauman Wazir	Member
Mr. Raza Mansha	Member
Mr. Shoaib Warsi	Member

UNACCOUNTED FOR GAS (UFG) CONTROL COMMITTEE

Mr. Muhammad Arif Habib	Chairman
Mr. Ahmad Aqeel	Member
Mirza Mahmood Ahmad	Member
Mr. Mustafa Ahmad Khan	Member
Mr. Nauman Wazir	Member
Mr. Rizwanullah Khan	Member

RISK MANAGEMENT COMMITTEE

Mr. Ahmad Aqeel	Chairman
Mr. Abid Saeed	Member
Mirza Mahmood Ahmad	Member
Mian Misbah-ur-Rehman	Member
Mr. Mustafa Ahmad Khan	Member
Mr. Raza Mansha	Member
Mr. Rizwanullah Khan	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

SHARES REGISTRAR

Central Depository Company of Pakistan Limited
2nd Floor, 307-Upper Mall,
Opposite Lahore Gym Khana,
Near Mian Mir Bridge, Lahore-54000
Tel: +92-42-35789378-87
Fax: +92-42-35789340
Website: www.cdc-pakistan.com

LEGAL ADVISORS

M/s. Surridge & Beecheno
M/s. Salim Baig & Associates

REGISTERED OFFICE

Gas House,
21-Kashmir Road,
P.O. Box No. 56, Lahore-54000, Pakistan
Tel: +92-42-99201451-60, 99201490-99
Fax: +92-42-99201302, 99201369
Website: www.sngpl.com.pk

Directors' Review

The Board of Directors presents the un-audited financial statements for the 2nd quarter and half year ended December 31, 2014 of the Company. The gas sales for the period under review were 225,902 MMCF as against 267,371 MMCF during the corresponding period in the last year. During the period under review, the Company incurred a net loss after tax of Rs 1,422 million as against loss of Rs 1,925 million during the corresponding period of last year. The loss per share for the period was to Rs 2.24 as against loss per share of Rs 3.04 for the period ended December 31, 2013.

Your Company is using all its resources to control the Unaccounted for Gas (UFG) to a manageable position and the volumetric loss (UFG) of the Company reduced from 32.5 BCF during 2013-14 to 27.6 BCF during the period under review. Disallowance of UFG over and above the UFG benchmark imposed by the Oil and Gas Regulatory Authority (OGRA) also reduced from Rs 6,442 million to Rs 5,550 million which fact has duly been reflected in reduction of loss for the period under review.

Though your Company has been able to considerably reduce the loss for period under review as compared with corresponding period last year, yet it is imperative to note that the Company's efforts to control the UFG are being hampered by the factors, which are beyond its control, like lopsided change in bulk retail ratio due to continuous decline in gas supplies, supply of gas to uneconomical areas due to socio economic priorities of Government of Pakistan, deterioration of law and order troubled areas of the Company's area of operation and increase in gas theft due to scarcity of this natural resource.

While the Management of the Company is fully committed in reducing the UFG losses as far as possible, it has been continuously following up with concerned quarters including OGRA that a realistic UFG benchmark may be made applicable keeping in view the factual constraints under which the Company is forced to operate. The determination of the realistic UFG benchmark is detrimental for Company's financial performance as well as in meeting service standards for which considerable amount of financial resources are required. We hope that with the support of all stakeholders, the Company will be able to get a fair UFG benchmark applicable as against the current arbitrary benchmark which is being followed by OGRA in complete contradiction with factual position on ground.

DEVELOPMENT PROJECTS

The Company commissioned 9.85 KM transmission lines and 81.25 KM distribution lines during 2nd quarter of FY 2014-15 while work on 104 KM transmission lines and 297 KM distribution lines is in progress. Thus gas facility was extended to various localities / towns and industrial units across Punjab and Khyber Pakhtunkhwa. In order to transport future indigenous and imported gases from downstream of Sawan to specified delivery points / consumption centers, sizeable augmentation of pipeline network downstream of Sawan would be required. As an advance action plan of the augmentation project, laying of 42" dia x 21.92 KM loop line segment along with existing 24" dia x 131 KM Sawan - Qadirpur natural gas pipeline from valve assembly SV4 (Rehmat Injection point) near Subhanpur to valve assembly SV5 near Lakhu Lanjari at the cost of Rs 1.863 billion was approved. At present work on this project is on full swing.

Government of Pakistan, due to the ongoing energy crisis, is aggressively pursuing the import of LNG into the country to meet the shortfall in gas supplies and have advised to proceed with augmentation of our transmission system. In compliance with directive of Government of Pakistan to plan infrastructure for the receipt of 400 MMCFD LNG in addition to already available / anticipated indigenous gases, Company has, planned to augment its system downstream Sawan. According to the plan, 42" dia x 111 KM pipeline would be laid between



Sawan-Qadirpur segment along with installation of 5000 HP compression at AC1(X) Bhong at the estimated capital cost of Rs 18,543 million. Work on the engineering and procurement activities are in progress and pipeline construction activities shall be commenced shortly.

In order to comply with Government of Pakistan Plan for bridging 1.2 BCFD LNG into SNGPL's System, Company has planned another system augmentation project i.e. 16" – 42" dia x 762 KM pipeline and 25,000 HP Compression downstream QadirPur upto Lahore under the title LNG Project-2. The estimates cost of this Project is Rs 58 Billion. The execution of this project shall be commenced shortly.

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.

ACKNOWLEDGEMENT

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

(Amer Tufail)

Managing Director/CEO

(Muhammad Saeed Mehdi)

Chairman-BOD

Lahore.

February 11, 2016

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, 2014 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, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

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, 2014 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 10.1 to the attached condensed interim financial information which explains that the settlement of amounts receivable from and payable to certain government owned and other entities is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan. Our conclusion is not qualified in respect of this matter.

A handwritten signature in blue ink, appearing to read 'Amer Raza Mir', is positioned above the printed name of the engagement partner.

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: Amer Raza Mir

Lahore
February 11, 2016

Condensed Interim Balance Sheet

As at December 31, 2014 (Un-Audited)

	Note	Un-Audited	Audited
		31 December 2014	30 June 2014
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,500,000,000 ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital			
634,216,665 (June 30, 2014: 634,216,665) ordinary shares of Rs 10 each		6,342,167	6,342,167
Revenue reserves		(1,696,013)	(274,130)
Shareholders' equity		4,646,154	6,068,037
NON-CURRENT LIABILITIES			
Long term financing:			
Secured	4	5,750,000	5,500,000
Unsecured	5	848,663	932,097
Security deposits		30,671,782	29,782,655
Deferred credit		30,475,262	31,168,532
Deferred taxation		-	107,968
Employee benefits		6,506,461	6,469,389
		74,252,168	73,960,641
CURRENT LIABILITIES			
Trade and other payables	6	67,498,569	65,833,495
Sales tax payable		6,887,653	5,737,380
Interest and mark-up accrued on loans and other payables		16,869,079	16,570,251
Short-term borrowings -secured		998,682	977,143
Current portion of long term financing	7	2,910,592	2,843,991
		95,164,575	91,962,260
CONTINGENCIES AND COMMITMENTS			
	8		
		174,062,897	171,990,938

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



(Amer Tufail)

Managing Director/CEO



	Note	Un-Audited	Audited
		31 December 2014	30 June 2014
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	104,007,956	104,543,542
Intangible assets		52,982	58,061
Long term investment		4,900	4,900
Long term loans		384,206	320,492
Employee benefits		2,029,164	1,898,278
Deferred taxation		980,984	-
Long term deposits and prepayments		6,421	6,966
		107,466,613	106,832,239
CURRENT ASSETS			
Stores and spares		2,966,306	2,875,132
Stock in trade- gas in pipelines		994,810	947,899
Trade debts	10	56,715,844	56,571,635
Loans and advances	11	1,103,902	1,011,144
Trade deposits and short term prepayments	12	248,438	232,634
Accrued interest		17,217	18,495
Other receivables	13	1,347,494	42,699
Taxation-net		2,763,919	2,979,083
Cash and bank balances	14	438,354	479,978
		66,596,284	65,158,699
		174,062,897	171,990,938


(Muhammad Saeed Mehdi)
 Chairman-BOD

Condensed Interim Profit & Loss Account

For the half year ended December 31, 2014 (Un-Audited)

	Note	Quarter ended		Half year ended	
		Un-Audited 31 December 2014	Un-Audited 31 December 2013	Un-Audited 31 December 2014	Un-Audited 31 December 2013
		(Rupees in thousand)			
Gas sales		45,683,853	53,287,116	94,869,485	110,795,229
Add: Differential margin		4,505,533	4,060,629	5,777,715	3,013,484
		50,189,386	57,347,745	100,647,200	113,808,713
Less: Cost of gas sales	15	49,279,186	56,732,110	99,590,062	113,677,544
Gross profit		910,200	615,635	1,057,138	131,169
Add: Other operating income	16	2,691,943	2,132,129	5,081,509	4,608,520
		3,602,143	2,747,764	6,138,647	4,739,689
Less:					
Selling cost		2,558,349	1,935,507	4,510,914	3,257,346
Administrative expenses		926,375	803,817	1,766,722	1,567,791
Other operating expenses	17	105,303	490,662	301,402	704,619
		3,590,027	3,229,986	6,579,038	5,529,756
Operating profit / (loss)		12,116	(482,222)	(440,391)	(790,067)
Less: Finance cost	18	873,863	1,012,644	1,591,332	1,960,777
Loss before taxation		(861,747)	(1,494,866)	(2,031,723)	(2,750,844)
Taxation	19	(258,783)	(453,190)	(609,840)	(825,848)
Loss for the period		(602,964)	(1,041,676)	(1,421,883)	(1,924,996)
Loss per share - basic and diluted (Rs)		(0.95)	(1.64)	(2.24)	(3.04)

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



(Amer Tufail)

Managing Director/CEO



(Muhammad Saeed Mehdi)

Chairman-BOD



Condensed Interim Statement of Comprehensive Income

For the half year ended December 31, 2014 (Un-Audited)

	Quarter ended		Half year ended	
	Un-Audited 31 December 2014	Un-Audited 31 December 2013	Un-Audited 31 December 2014	Un-Audited 31 December 2013
	(Rupees in thousand)			
Loss for the period	(602,964)	(1,041,676)	(1,421,883)	(1,924,996)
Other comprehensive income for the period:				
Items that will not be reclassified to profit and loss	-	-	-	-
Items that may be reclassified subsequently to profit and loss	-	-	-	-
Total comprehensive loss for the period	(602,964)	(1,041,676)	(1,421,883)	(1,924,996)

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.


(Amer Tufail)
Managing Director/CEO


(Muhammad Saeed Mehdi)
Chairman-BOD

Condensed Interim Cash Flow Statement

For the half year ended December 31, 2014 (Un-Audited)

Note	Half year ended Un-Audited	
	31 December 2014	31 December 2013
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	20 5,111,430	1,162,290
Finance cost paid	(1,474,399)	(522,334)
Income taxes paid	(263,948)	(221,277)
Employee benefits paid/contributions paid	(918,727)	(525,427)
Security deposits received	889,127	4,219,428
Receipts against government grants and consumer contributions	224,923	149,024
(Increase) / Decrease in loans to employees	(106,691)	35,850
Decrease / (Increase) in long term deposits and prepayments	545	(843)
Net cash inflow from operating activities	3,462,260	4,296,711
CASH FLOW FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(3,962,122)	(3,932,859)
Purchase of intangible assets	(7,201)	(5,914)
Proceeds from sale of property, plant and equipment	17,174	22,768
Profit received on bank deposits	214,238	214,112
Net cash used in investing activities	(3,737,911)	(3,701,893)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term financing- unsecured	-	10,160
Repayment of long term finances - unsecured	(37,231)	(32,854)
Proceeds from long term financing- secured	1,500,000	-
Repayment of long term financing - secured	(1,250,000)	(1,250,000)
Dividend paid	(281)	(3,243)
Net cash from / (used in) financing activities	212,488	(1,275,937)
Net decrease in cash and cash equivalents	(63,163)	(681,119)
Cash and cash equivalents at the beginning of the period	(497,165)	(32,634)
Cash and cash equivalents at the end of the period	20.2 (560,328)	(713,753)

The annexed notes from 1 to 24 form an integral part of these financial statements.



(Amer Tufail)

Managing Director/CEO



(Muhammad Saeed Mehdi)

Chairman-BOD



Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2014 (Un-Audited)

	Share capital	General reserve	Revenue reserves		Total	Total share holders' equity
			Dividend equalization reserve	Unappropriated profit		
(Rupees in thousand)						
Balance as at 01 July 2013 (Audited)	6,342,167	4,127,682	480,000	(917,237)	3,690,445	10,032,612
Loss for the half year ended December 31, 2013	-	-	-	(1,924,996)	(1,924,996)	(1,924,996)
Other comprehensive income for the half year ended December 31, 2013	-	-	-	-	-	-
Balance as at 31 December 2013 (Un-audited)	6,342,167	4,127,682	480,000	(2,842,233)	1,765,449	8,107,616
Loss for the half year ended June 30, 2014	-	-	-	(2,039,579)	(2,039,579)	(2,039,579)
Other comprehensive income for the half year ended June 30, 2014	-	-	-	-	-	-
Balance as at 01 July 2014 (Audited)	6,342,167	4,127,682	480,000	(4,881,812)	(274,130)	6,068,037
Loss for the half year ended December 31, 2014	-	-	-	(1,421,883)	(1,421,883)	(1,421,883)
Other comprehensive income for the half year ended December 31, 2014	-	-	-	-	-	-
Balance as at 31 December 2014 (Un-audited)	6,342,167	4,127,682	480,000	(6,303,695)	(1,696,013)	4,646,154

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.


(Amer Tufail)
Managing Director/CEO


(Muhammad Saeed Mehdi)
Chairman-BOD

Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2014 (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 (now merged as Pakistan Stock Exchange Limited). 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 interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are un-audited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges (now merged as Pakistan Stock Exchange Limited).
- 2.2 This interim financial information have 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.
- 2.3 This condensed interim financial information does not include all the information required for annual financial statements including financial risk management information and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2014.

3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies adopted for the preparation of this 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, 2014.

3.1.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to approved accounting standards are effective for the accounting periods beginning on or after January 01, 2014 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

3.1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 01, 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

- 3.2 Judgments and estimates used by the management in the preparation of this interim financial information are same as those applied to the annual financial statements for the year ended June 30, 2014.

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



	Note	Un-Audited	Audited
		31 December 2014	30 June 2014
(Rupees in thousand)			
4 LONG TERM FINANCING - SECURED			
From banking companies:			
Local currency-Syndicate term finance	4.1	2,250,000	3,500,000
Other loans		2,250,000	3,500,000
Islamic finance under musharaka arrangement	4.2	1,500,000	1,500,000
Islamic finance under musharaka arrangement	4.2	4,500,000	3,000,000
		8,250,000	8,000,000
Less: Current portion shown under current liabilities	7	(2,500,000)	(2,500,000)
		5,750,000	5,500,000

4.1 Local currency - Syndicate term finance

Lender	Mark-up rate	No. of installments outstanding	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	3 half yearly installments	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 (June 30, 2014: Rs 10,823,789 thousands).

4.2 Islamic finance under musharaka arrangement

Lender	Mark-up rate	No. of installments outstanding	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	3 half yearly installments	June 30, 2016

Assets under musharaka agreement are secured by a first parri passu created by way of hypothecation over movable fixed assets of the company (excluding land and building) to the extent of Rs 4,615,385 thousand (June 30, 2014: Rs 4,560,827) in respect of assets held under musharaka arrangement.

Lender	Mark-up rate	No. of installments outstanding	Maturity date
Albaraka Bank (Pakistan) Limited (Investment agent)	Six month KIBOR + 0.55% per annum	8 half yearly installments	June 30, 2020

Assets under musharaka agreement are secured by a ranking charge created by way of hypothecation over movable fixed assets of the company (excluding land and building) to the extent of Rs 7,333,333 thousand (June 30, 2014: Rs 7,333,333 thousand) in respect of assets held under musharaka arrangement.

	Note	Un-Audited	Audited
		31 December 2014	30 June 2014
(Rupees in thousand)			
5 LONG TERM FINANCING - UNSECURED			
Other loans - Local currency:		1,259,255	1,276,088
Less: Current portion shown under current liabilities	7	(410,592)	(343,991)
		848,663	932,097

5.1 These loans carry mark-up at variable rates which range from 1.50% per annum to 13.14% per annum (June 30, 2014: 1.50% per annum to 15.00% per annum).

Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2014 (Un-Audited)

Note	Un-Audited	Audited
	31 December 2014	30 June 2014
(Rupees in thousand)		
6	TRADE AND OTHER PAYABLES	
	Creditors for:	
	Gas	49,012,962
	Supplies	1,503,033
	Accrued liabilities	6,496,072
	Gas infrastructure development cess payable	2,099,077
6.1	Interest free deposits repayable on demand	101,627
	Earnest money received from contractors	34,762
	Mobilization and other advances	1,435,690
	Advances from customers	-
	Due to customers	87,121
	Gas development surcharge	4,569,948
	Workers' profit participation fund	418,155
	Unclaimed dividend	75,048
	67,498,569	65,833,495

6.1 During the year ended June 30, 2013, 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. However, the Honorable Islamabad High Court vide its decision dated March 18, 2013, directed that neither the appellant shall recover the disputed amount from the respondents, nor the amount which has become payable to the respondents on the basis of impugned judgment shall be paid back to the respondents.

An order on the subject matter was also passed by the Peshawar High Court vide its judgment dated June 13, 2013 whereby the Court declared the GIDC Act 2011 as ultra vires to the Constitution. An appeal was filed in the Supreme Court of Pakistan, which by its order dated December 30, 2013 suspended the judgment of Peshawar High Court. On December 31, 2013, OGRA issued a notification directing levy of GIDC at revised rates.

In September 2014, a GIDC Ordinance was issued by President of Pakistan, pursuant to which, on directions of OGRA, the Company charged GIDC from its consumers with effect from September 2014. The Ordinance was superseded by GIDC Act 2015 passed by Parliament of Pakistan. The Act ratified the preceding GIDC Act 2011 and Ordinance 2014 and its provisions. However, a special Committee has been constituted by the Parliament to decide on previous arrears of GIDC due from customers and to make recommendations for removal of any anomalies in the GIDC Act. The Committee is yet to submit its report on the matter. Subsequently, a number of consumers of the Company contested have obtained stay order from various Courts against recovery of GIDC.

Furthermore, GIDC amounting to Rs 53,873,583 thousand as at December 31, 2014 (June 30, 2014: Rs 39,799,830 thousand) is recoverable from consumers and payable to Government of Pakistan. These financial statements do not reflect the said amounts since the provisions of the GIDC Act require the Company to pay GIDC as and when the same is collected from consumers. Consequently, the same will be shown as payable as and when the balance is collected from consumers.

Note	Un-Audited	Audited
	31 December 2014	30 June 2014
(Rupees in thousand)		
7	CURRENT PORTION OF LONG TERM FINANCING	
	Long term financing - secured	2,500,000
	Long term financing - unsecured	343,991
	2,910,592	2,843,991



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, 2014, except for the matter stated below:

As at June 30, 2012, the company had contested the UFG Benchmark and the treatment of LPS imposed by OGRA in the Honorable Lahore High Court with regards to financial years 2010-11 and 2011-12. Subsequently on February 15, 2013, the Honorable Lahore High Court dismissed the petition filed by the company and OGRA vide its Final Revenue Requirement (FRR) Order dated November 05, 2015, incorporated the adverse impact of the above decision resulting in an increase in Gas Development Surcharge (GDS) for the year ended June 30, 2013 by Rs 12,743,000 thousand. Furthermore, OGRA vide its FRR for the year 2014-15 dated November 27, 2015 adopted the same benchmarks and parameters as laid down in its FRR order for the year 2012-13. The Company filed review petitions against FRR Orders for the financial years 2012-2013, 2013-2014 and 2014-15 with OGRA. OGRA is yet to adjudicate on the review petitions filed by the Company.

	Note	Un-Audited	Audited
		31 December 2014	30 June 2014
(Rupees in thousand)			
8.2 Commitments:			
a) Capital Commitments			
Property, plant and equipment		400,291	388,419
Intangible assets		-	24,299
Stores and spares		6,581,437	2,632,237
		6,981,728	3,044,955
b) Other Commitments			
Others		228,158	554,825
9 PROPERTY, PLANT AND EQUIPMENT			
Opening book value		83,881,031	79,535,830
Additions during the period	9.1	3,238,656	13,260,038
		87,119,687	92,795,868
Less:			
Disposals during the period (at book value)	9.2	1,074	8,294
Depreciation charged during the period/year		4,679,361	8,906,543
		4,680,435	8,914,837
Closing book value		82,439,252	83,881,031
Capital work in progress	9.3	21,568,704	20,662,511
		104,007,956	104,543,542
9.1 Additions during the period			
Buildings and civil construction on freehold land		15,250	56,547
Compressor stations and equipment		3,196	693,611
Computers and ancillary equipment		100,078	48,668
Furniture and equipment		12,469	58,694
Freehold land		18,846	124,864
Consumer meter and town border stations		1,207,396	3,936,372
Transport Vehicle		37,909	214,161
Office Equipments		4,074	-
Plant And Machinery		181,090	270,187
Telecommunication system and facilities		12,043	22,551
Tools and accessories		6,404	35,074
Distribution and Transmission Systems		1,639,901	7,799,309
		3,238,656	13,260,038

Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2014 (Un-Audited)

	Note	Un-Audited	Audited
		31 December 2014	30 June 2014
(Rupees in thousand)			
9.2 Disposals during the period			
Motor Vehicles		891	8,227
Plant And Machinery		183	-
Computer Hardware		-	67
		1,074	8,294
9.3 Capital work-in-progress			
Transmission system		4,599,984	1,866,298
Distribution system		6,691,839	7,658,437
Stores and spares including in-transit Rs 580, 919 thousand (June 30, 2014: 1,160,318 thousand)		9,965,811	10,873,578
Advances for land and other capital expenditure		311,070	264,198
		21,568,704	20,662,511
10 TRADE DEBTS			
Considered good			
Secured		29,337,456	28,912,782
Unsecured	10.1	27,867,941	27,840,730
Accrued gas sales		(489,553)	(181,877)
		56,715,844	56,571,635
Considered doubtful		16,197,275	13,071,227
		72,913,119	69,642,862
Less: Provision for doubtful debts		(16,197,275)	(13,071,227)
		56,715,844	56,571,635

- 10.1** Included in trade debts are amounts receivable from Government owned power generation companies and independent power producers of Rs 16,797,992 thousand (2014: Rs 19,391,135 thousand) along with interest of Rs 13,071,468 thousand (2014: Rs 13,524,205 thousand) on delayed payments. While trade and other payables referred to in note 6 include an amount of Rs 46,398,589 thousand (2014: Rs 33,673,595) due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holding (Private) Limited on account of gas purchases along with interest on delayed payments of Rs 11,780,920 thousand (2014: Rs 10,883,965 thousand). Further, an amount of Rs 1,207,766 thousand (2014:Rs Nil) is receivable from Government of Pakistan on account of differential margin and an amount of Rs Nil (2014: Rs 4,569,948 thousand) and Rs. 4,101,598 thousand (2014: Rs 4,235,007 thousand) is payable to Government of Pakistan on account of Gas Development Surcharge (GDS) and interest thereon respectively. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.



	Un-Audited	Audited
	31 December 2014	30 June 2014
	(Rupees in thousand)	
11 LOANS AND ADVANCES		
Loans due from employees - considered good	101,875	93,068
Advances - considered good:		
Employees	853,388	726,394
Suppliers and contractors	148,639	191,682
	1,103,902	1,011,144
Advances to suppliers and contractors - considered doubtful	3,227 (3,227)	3,227 (3,227)
Less: Provision for doubtful receivables	-	-
	1,103,902	1,011,144
12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits and short term prepayments	169,166	123,253
Less: Provision for doubtful deposits	22,290	22,290
	146,876	100,963
Current portion of long term prepayments	101,562	131,671
	248,438	232,634
13 OTHER RECEIVABLES		
Other receivables - Considered good		
Differential margin receivable	1,207,766	-
Due from customers	103,903	6,986
Current account with Sui Southern Gas Company Limited	15,828	15,717
Others	19,997	19,996
	1,347,494	42,699
Other receivables - Considered Doubtful		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	-	-
	1,347,494	42,699
14 CASH AND BANK BALANCES		
Cash at banks:		
- Deposit accounts	139,301	177,705
- Current accounts	284,575	300,631
	423,876	478,336
Cash in hand	14,478	1,642
	438,354	479,978

Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2014 (Un-Audited)

	Quarter ended		Half year ended	
	Un-Audited 31 December 2014	Un-Audited 31 December 2013	Un-Audited 31 December 2014	Un-Audited 31 December 2013
Note	(Rupees in thousand)			
15 COST OF GAS SALES				
Opening stock of gas in pipelines	1,048,137	968,095	947,899	1,075,236
Gas purchases				
Southern system	24,798,882	31,272,442	50,572,663	62,702,981
Northern system	11,061,182	12,231,613	21,899,310	24,508,065
Cost equalization adjustment	15.1 9,540,034	9,725,419	19,640,652	19,294,693
	45,400,098	53,229,474	92,112,625	106,505,739
	46,448,235	54,197,569	93,060,524	107,580,975
Less: Gas internally consumed	367,647	553,040	748,516	1,099,344
Closing stock of gas in pipelines	994,810	1,000,996	994,810	1,000,996
	(1,362,457)	(1,554,036)	(1,743,326)	(2,100,340)
Distribution Cost	4,193,408	4,088,577	8,272,864	8,196,909
	49,279,186	56,732,110	99,590,062	113,677,544

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 the 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 19,640,652 thousand (December 2013: Rs. 19,294,693 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 financial statements.

	Quarter ended		Half year ended	
	Un-Audited 31 December 2014	Un-Audited 31 December 2013	Un-Audited 31 December 2014	Un-Audited 31 December 2013
16 OTHER OPERATING INCOME				
Income from financial assets				
Interest income on late payment of gas bills				
- Late payment surcharge	579,917	709,930	1,418,137	1,543,291
- Government owned and other power generation Companies	190,958	338,373	496,994	1,038,738
- Others	315,525	-	330,788	17,201
Gain on initial recognition of financial liabilities at fair value	1,843	1,555	3,687	3,110
Interest on staff loans and advances	3,233	11,273	25,058	22,329
Return on bank deposit	106,992	119,520	212,960	214,685
	1,198,468	1,180,651	2,487,624	2,839,354
Income from assets other than financial assets				
Net gain on sale of fixed assets	246	13,524	16,100	20,780
Meter Rentals and service income	458,327	366,386	839,506	746,564
Amortization of deferred Credit	487,303	523,884	914,505	938,863
Insurance claim	12	1,145	379	2,219
	945,888	904,939	1,770,490	1,708,426



	Quarter ended		Half year ended	
	Un-Audited 31 December 2014	Un-Audited 31 December 2013	Un-Audited 31 December 2014	Un-Audited 31 December 2013
	(Rupees in thousand)			
Others				
Sale of tender documents	608	533	919	2,225
Sale of scrap	1,682	24	29,400	3,160
Credit balances written back	-	15,098	-	15,098
Liquidated damages recovered	11,778	25,599	101,587	32,024
Gain on construction contracts	16,640	-	16,640	-
Bad debt recoveries	5,103	4,582	6,454	6,663
Urgent Fee	510,905	-	666,160	-
Miscellaneous	871	703	2,235	1,570
	547,587	46,539	823,395	60,740
	2,691,943	2,132,129	5,081,509	4,608,520
17 OTHER OPERATING EXPENSES				
Exchange loss on gas purchases	69,316	459,732	230,838	673,434
Loss on initial recognition of financial assets at fair value	35,987	2,245	50,564	2,500
Donations	-	-	20,000	-
Loss on construction contracts	-	28,685	-	28,685
	105,303	490,662	301,402	704,619

18 FINANCE COST

Included in finance cost is an amount of Rs 763,956 thousand (December 2013 :Rs 1,064,374 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 31 December 2014	Un-Audited 31 December 2013	Un-Audited 31 December 2014	Un-Audited 31 December 2013
	(Rupees in thousand)			
19 TAXATION				
Current Tax:				
Current period	231,134	273,503	479,107	559,012
Prior period	-	-	-	-
	231,134	273,503	479,107	559,012
Deferred Tax	(489,917)	(726,693)	(1,088,947)	(1,384,860)
	(258,783)	(453,190)	(609,840)	(825,848)

Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2014 (Un-Audited)

	Half year ended	
	Un-Audited	Un-Audited
Note	31 December 2014	31 December 2013
	(Rupees in thousand)	
20 CASH GENERATED FROM OPERATIONS		
Loss before taxation	(2,031,723)	(2,750,844)
Adjustment for non-cash charges and other items:		
Depreciation - Own assets	4,679,361	4,443,243
Amortization of intangible assets	12,280	4,179
Employee benefits	844,479	664,843
Amortisation of deferred credit	(914,506)	(938,863)
Finance cost	1,591,332	1,960,777
Return on bank deposits	(212,960)	(214,685)
Gain on sale of fixed assets	(16,100)	(20,780)
Provision for doubtful debts	3,126,048	2,046,035
Loss on initial recognition of financial assets at fair value	50,564	2,500
Gain on initial recognition of financial liabilities at fair value	(3,687)	(3,110)
Interest income due to the impact of IAS-39	(16,394)	(14,968)
Credit Balances written back	-	(15,098)
Working capital changes	20.1 (1,997,264)	(4,000,939)
	5,111,430	1,162,290
20.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares parts	(91,174)	(454,290)
Stock-in-trade - gas in pipelines	(46,911)	74,240
Trade debts	(3,270,257)	(14,986,234)
Loans and advances	(83,951)	(771,017)
Trade deposits and prepayments	(15,804)	(167,413)
Other receivables	(1,304,795)	218,559
	(4,812,892)	(16,086,155)
Increase in current liabilities		
Trade and other payables	2,815,628	12,085,216
	(1,997,264)	(4,000,939)
20.2 Cash and cash equivalents		
Cash and bank balances	438,354	283,411
Short term running finance	(998,682)	(997,164)
	(560,328)	(713,753)



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 tariff from July 01, 2014 has been incorporated in the accounts for the period ended December 31, 2014 on the basis of Final Revenue Requirement for the financial year 2014-15.
- 21.2** For the Half year ended December 31, 2013, the Company has also incorporated the negative effect of Unaccounted For Gas (UFG) disallowance benchmark determined by OGRA amounting to Rupees 5,549,894 thousand (December 2013: Rupees 6,442,187 thousand).
- 21.3** The Company has taken up the matter with the Economic Coordination Committee through Ministry of Petroleum and Natural Resources for revision of UFG benchmark on account of certain factors beyond Company's control such as ratio of gas sold to bulk and retail consumers, provision of gas in law affected areas and pilferage by non-consumers. The ECC recommended OGRA to provide certain allowances to the Company and to conduct a detailed UFG study on expeditious basis. OGRA partially accepted recommendations of ECC vide its FRR for the financial year 2014-2015, the impact of which has been incorporated in these interim financial information. However, the Company intends to approach the Ministry for implementation of remaining matters already recommended by the ECC and for conducting a UFG Study on expeditious basis for determining an appropriate benchmark.

	Half year ended	
	Un-Audited	Un-Audited
	31 December 2014	31 December 2013

(Rupees in thousand)

22 TRANSACTIONS WITH ASSOCIATES AND RELATED PARTIES

22.1 Transactions during the period

Gas sales	7,079,193	11,973,644
Purchase of materials	105,360	1,087,209
Purchase of gas	70,577,363	78,793,960
Service charges	47,231	50,077
Profit received on bank deposits	53,611	69,690
Contribution to defined contribution plans	123,231	118,824
Contribution to defined benefits plans	824,913	722,304
Insurance expenses	138,871	118,449
Insurance claims received	16,945	34,427
Transportation charges	50,747	411,635
Transmission charges	1,330	2,240
Key management personnel	797,433	735,865

Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2014 (Un-Audited)

	Un-Audited	Audited
	31 December 2014	30 June 2014
	(Rupees in thousand)	
22.2 Period end balances		
Receivable from related parties	20,866,895	20,279,128
Payable to related parties	46,447,871	33,684,805

23 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 11, 2016 by the Board of Directors of the company.

24 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.



(Amer Tufail)

Managing Director/CEO



(Muhammad Saeed Mehdi)

Chairman-BOD



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REGISTERED FIRM



URS is a member of Registrar of Standards (Holdings) Ltd.



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