

**3rd Quarter Accounts** (Un-Audited)  
for the period ended March 31, 2015

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



**Sui Northern Gas Pipelines Limited**





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# Corporate Information

## BOARD OF DIRECTORS

Mr. Muhammad Saeed Mehdi	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Abid Saeed	Director
Mr. Ahmad Aqeel	Director
Mr. Khalid Rahman	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

## 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

### HR & NOMINATION COMMITTEE

Mr. Muhammad Saeed Mehdi	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Abid Saeed	Member
Mr. Ahmad Aqeel	Member
Mirza Mahmood Ahmad	Member
Mr. Nauman Wazir	Member
Mr. Raza Mansha	Member
Mr. Khalid Rahman	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
Ms. Nargis Ghaloo	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

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Website: [www.cdc-pakistan.com](http://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  
Ph: +92-42-99201451-60, 99201490-99  
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## Directors' Review

The Board of Directors presents the un-audited financial statements for the 3rd quarter and nine months ended March 31, 2015 of the Company. The gas sales for the period under review were 338,604 MMCF as against 388,067 MMCF during the same period in the last year. During the period under review, your Company has incurred a net loss after tax of Rs 1,841 million (March 2014: Rs 2,921 million) translating into net loss per share of Rs 2.90 (March 2014: Rs 4.61). The loss is mainly attributable to unrealistic Unaccounted for Gas (UFG) benchmark of 4.5% set unilaterally by Oil and Gas Regulatory Authority (OGRA) and continued financial cost being incurred by the Company on late payments to its gas creditors in view of absence of due increase in gas prices.

Management of your Company is fully alive to the situation and is taking number of steps to address the situation. Volumetric loss (UFG) of the Company reduced from 47.6 BCF during 2013-14 to 41.1 BCF during the period under review. Management of your Company considers that the situation is improving and the steps taken by your Company have started yielding results. There has already been reduction in loss for the period and with concerted efforts and continuity it will be able to bring UFG loss to an acceptable level. It is expected that your Company will be able to declare profitability in the next financial year.

### DEVELOPMENT PROJECTS

The Company commissioned 14.26 KM transmission lines and 125.33 KM distribution lines in the 3rd quarter of FY 2014-15 while work on 90 KM transmission lines and 171 KM distribution lines is in progress. Thus, gas facility was extended to various localities / towns and industrial units across Punjab and Khyber Pakhtunkhwa.

Highlights of the In-house and contract projects completed / in progress include as under:-

#### 1. In-house Projects

- Laying of 10" dia x 32.47 KM transmission line from Soan crossing to Pindori is in progress and will be commissioned shortly. Commissioning of this line will address the complaints of low pressure in the localities of Islamabad, Rawalpindi, Gujjar Khan, Barakoh and Murree.
- Gas supply project for Lower Dir / Talash is also under way where 8" dia x 32 KM transmission spur has already been laid while work on distribution network is in progress.
- In order to transport future indigenous and imported gases (1165-1290 MMCFD) from downstream of Sawan to specified delivery points the Company has conceived an augmentation of existing 24" dia Sawan - Qadirpur section (SV4-SV5) with a 42" dia x 21.92 KM loopline at the cost of Rs 1.863 billion on which the detailed design and material procurement work has been initiated. At present pipeline construction activities are nearing completion.

Company has already started LNG Phase I of the project involving 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.

Further in order to enhance RLNG supplies to 1.2 BCFD into SNGPL system, Company has planned LNG Phase II of the project involving system augmentation project i.e. 16" – 42" dia x 762 KM pipeline and 25,000 HP Compression downstream Qadir Pur upto Lahore. The estimated cost of the Project is Rs 58 Billion. Work against LNG Project-I is in full swing and shall be completed in stipulated time frame. Engineering and Procurement activities of LNG Project-II are in progress.

- 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.

## **2. Contract Projects**

### **Manzalai Field Development Project**

The Company has recently completed 6" dia x 5 KM Manzalai-9 flow line and 12" dia x 14 KM Makori- East flow lines for M/s MOL Pakistan (oil / gas exploration Hungarian Company) bringing in an additional supply of 25 MMCFD to our system. The Company had also completed 12" dia x 20 KM Maramzai Flow line and 8" dia x 14.7 KM Mamikhel-1 flow line for M/s MOL Pakistan in the year 2011. With the completion / commissioning of this gas gathering network additional 80 MMCFD has been added to our system. Formerly, the 52 KM long network in assorted diameters of 8" to 18" at Manzalai field was laid in January 2010 which facilitated an additional intake of 210 MMCFD gas in to our system. MOL has also awarded the 12" dia x 15 KM Maramzai Extension pipeline construction work to SNGPL to be laid from Mamikhel - 1 well to Central Processing Facility (CPF) where work has already been started by SNGPL which is likely to bring in 70-75 MMCFD gas to our system. On the completion of all wells approximately 350-400 MMCFD will be available to the Company.

### **Reti & Maru Field Development Project**

The Company has been awarded a job at Reti & Maru field by OGDCL which involves construction of 18 Kms gathering system of assorted diameters ranging from 4-8 inches. This project carries national importance as the country is already facing energy crises. Work on this project has been completed. By the completion of this project 12-14 MMCFD gas has been made available for consumption.

## **3. Additional Gases**

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.

## ACKNOWLEDGEMENTS

The Directors place on record their appreciation for the Government of Pakistan, Ministry of Petroleum and Natural Resources, Oil and Gas Regulatory Authority, other Government & Non-Government Institutions related to the Company and the Company's employees 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

# Condensed Interim Balance Sheet

As at March 31, 2015

Note	Un-Audited	Audited
	March 2015	June 2014
(Rupees in thousand)		
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
<b>Authorised share capital</b>		
1,500,000,000 ordinary shares of Rs 10 each	15,000,000	15,000,000
<b>Issued, subscribed and paid up share capital</b>		
634,216,665 (June 30, 2014: 634,216,665) ordinary shares of Rs 10 each	6,342,167	6,342,167
Revenue reserves	(2,116,204)	(274,130)
<b>Shareholders' equity</b>	<b>4,225,963</b>	<b>6,068,037</b>
<b>NON-CURRENT LIABILITIES</b>		
Long term financing:		
Secured	4	5,500,000
Unsecured	5	815,633
Security deposits		31,330,813
Deferred credit		30,031,797
Deferred taxation		-
Employee benefits		6,318,749
		74,246,992
		73,960,641
<b>CURRENT LIABILITIES</b>		
Trade and other payables	6	73,705,192
Sales tax payable		6,916,175
Interest and mark-up accrued on loans and other payables		18,161,465
Short-term borrowings -secured		998,936
Current portion of long term financing	7	2,910,592
		102,692,360
		91,962,260
<b>CONTINGENCIES AND COMMITMENTS</b>		
	8	
		181,165,315
		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
		March 2015	June 2014
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	104,586,728	104,543,542
Intangible assets		46,842	58,061
Long term investment		4,900	4,900
Long term loans		374,376	320,492
Employee benefits		2,089,666	1,898,278
Deferred taxation		1,280,730	-
Long term deposits and prepayments		6,218	6,966
		108,389,460	106,832,239
<b>CURRENT ASSETS</b>			
Stores and spares		2,281,947	2,875,132
Stock in trade- gas in pipelines		1,060,074	947,899
Trade debts	10	55,848,261	56,571,635
Loans and advances	11	1,580,608	1,011,144
Trade deposits and short term prepayments	12	185,799	232,634
Accrued interest		6,492	18,495
Other receivables	13	8,936,335	42,699
Taxation-net		2,640,717	2,979,083
Cash and bank balances	14	235,622	479,978
		72,775,855	65,158,699
		181,165,315	171,990,938

  
**(Muhammad Saeed Mehdi)**  
 Chairman-BOD



# Condensed Interim Profit & Loss Account

For the nine months ended March 31, 2015 (Un-Audited)

	Note	Quarter ended		Nine months ended	
		Un-Audited March 2015	Un-Audited March 2014	Un-Audited March 2015	Un-Audited March 2014
		(Rupees in thousand)			
Gas sales		41,273,119	44,360,434	136,142,604	155,155,663
Add: Differential margin		7,588,811	8,485,340	13,366,526	11,498,824
Less: Cost of gas sales	15	48,861,930 49,025,494	52,845,774 53,401,005	149,509,130 148,615,556	166,654,487 167,078,549
<b>Gross (loss)/profit</b>		(163,564)	(555,231)	893,574	(424,062)
Other operating income	16	3,356,711	2,487,344	8,438,220	7,095,864
		3,193,147	1,932,113	9,331,794	6,671,802
Less:					
Selling cost		1,519,230	1,931,829	6,030,144	5,189,175
Administrative expenses		948,194	783,011	2,714,916	2,350,802
Other operating expenses	17	(30,079)	(421,249)	271,323	283,370
		2,437,345	2,293,591	9,016,383	7,823,347
<b>Operating profit/(loss)</b>		755,802	(361,478)	315,411	(1,151,545)
Less: finance cost	18	1,267,330	1,069,140	2,858,662	3,029,917
<b>Loss before taxation</b>		(511,528)	(1,430,618)	(2,543,251)	(4,181,462)
Taxation	19	(91,337)	(434,396)	(701,177)	(1,260,244)
<b>Loss for the period</b>		(420,191)	(996,222)	(1,842,074)	(2,921,218)
Loss per share - basic and diluted (Rs)		(0.66)	(1.57)	(2.90)	(4.61)

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 nine months ended March 31, 2015 (Un-Audited)

	Quarter ended		Nine months ended	
	Un-Audited March 2015	Un-Audited March 2014	Un-Audited March 2015	Un-Audited March 2014
	(Rupees in thousand)			
Loss for the period	(420,191)	(996,222)	(1,842,074)	(2,921,218)
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	-	-	-	-
	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(420,191)</b>	<b>(996,222)</b>	<b>(1,842,074)</b>	<b>(2,921,218)</b>

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 nine months ended March 31, 2015 (Un-Audited)

	Note	Un-Audited	
		31 March 2015	31 March 2014
(Rupees in thousand)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	20	7,798,747	3,871,393
Finance cost paid		(1,492,483)	(643,786)
Income taxes paid		(349,154)	(311,813)
Employee benefits paid/contributions paid		(1,579,398)	(769,804)
Security deposits received		1,548,158	6,393,283
Receipts against government grants and consumer contributions		342,204	278,181
Long term loans to employees		(93,769)	(60,685)
Long term deposits and prepayments		748	(13,170)
<b>Net cash inflow from operating activities</b>		<b>6,175,053</b>	<b>8,743,599</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(6,926,752)	(7,408,251)
Capital expenditure on intangible assets		(7,201)	(5,913)
Proceeds from sale of property, plant and equipment		19,886	40,131
Return on bank deposits		303,695	316,280
<b>Net cash used in investing activities</b>		<b>(6,610,372)</b>	<b>(7,057,753)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing- unsecured		-	10,160
Repayment of long term financing- unsecured		(80,460)	(81,130)
Proceeds from long term financing- secured		1,500,000	-
Repayment of long term financing - secured		(1,250,000)	(1,250,000)
Dividend paid		(370)	(3,658)
<b>Net cash from/(used in) financing activities</b>		<b>169,170</b>	<b>(1,324,628)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(266,149)</b>	<b>361,218</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>(497,165)</b>	<b>(32,634)</b>
<b>Cash and cash equivalents at the end of the period</b>	20.2	<b>(763,314)</b>	<b>328,584</b>

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 Changes in Equity

For the nine months ended March 31, 2015 (Un-Audited)

	Share capital	General reserve	Revenue reserves		Total	Total share holders' equity
			Dividend equalization reserve	Unappropriated profit		
(Rupees in thousand)						
<b>Balance as at 01 July 2013 (Audited)</b>	6,342,167	4,127,682	480,000	(917,237)	3,690,445	10,032,612
Loss for the period from July 01, 2013 to March 31, 2014	-	-	-	(2,921,218)	(2,921,218)	(2,921,218)
Other comprehensive income July 01, 2013 to March 31, 2014	-	-	-	-	-	-
<b>Balance as at 31 March 2014 (Un-audited)</b>	6,342,167	4,127,682	480,000	(3,838,455)	769,227	7,111,394
Loss for the period from April 01, 2014 to June 30, 2014	-	-	-	(1,043,357)	(1,043,357)	(1,043,357)
Other comprehensive income for the period from April 01, 2014 to June 30, 2014	-	-	-	-	-	-
<b>Balance as at 01 July 2014 (Audited)</b>	6,342,167	4,127,682	480,000	(4,881,812)	(274,130)	6,068,037
Loss for the period from July 01, 2014 to March 31, 2015	-	-	-	(1,842,074)	(1,842,074)	(1,842,074)
Other comprehensive income July 01, 2014 to March 31, 2015	-	-	-	-	-	-
<b>Balance as at 31 March 2015 (Un-audited)</b>	6,342,167	4,127,682	480,000	(6,723,886)	(2,116,204)	4,225,963

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 nine months ended March 31, 2015 (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 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.
- 2.3 This interim financial information should be read in conjunction with annual audited 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.
- 3.2 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.

	Note	Un-Audited	Audited
		March 2015	June 2014
(Rupees in thousand)			
<b>4 LONG TERM FINANCING - SECURED</b>			
From banking companies:			
Local currency - Syndicate term finance	4.1	2,250,000	3,500,000
		2,250,000	3,500,000
Other loans			
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 outstanding installments	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 PKR 10,769,231 thousand.



#### 4.2 Islamic finance under musharaka arrangement

Lender	Mark-up rate	No. of outstanding installments	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% p.a	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 PKR 4,615,385 thousand, in respect of assets held under musharaka arrangement.

Lender	Mark-up rate	No. of outstanding installments	Maturity date
Albaraka Bank (Pakistan) Limited (Investment agent)	Six month KIBOR + 0.55% p.a	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 PKR 7,333,334 thousand, in respect of assets held under musharaka arrangement.

	Note	Un-Audited	Audited
		March 2015	June 2014
(Rupees in thousand)			
<b>5 LONG TERM FINANCING - UNSECURED</b>			
Other loans - Local currency:		1,226,225	1,276,088
Less: Current portion shown under current liabilities	7	(410,592)	(343,991)
		815,633	932,097
<b>5.1</b>	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).		
<b>6 TRADE AND OTHER PAYABLES</b>			
Creditors for:			
Gas		64,927,473	49,012,962
Supplies		1,365,146	1,503,033
Accrued liabilities		5,219,721	6,496,072
Gas infrastructure development cess payable	6.1	-	2,099,077
Interest free deposits repayable on demand		119,598	101,627
Earnest money received from contractors		36,439	34,762
Mobilization and other advances		1,443,350	1,435,690
Advances from customers		12,120	-
Due to customers		88,512	87,121
Gas development surcharge		-	4,569,948
Workers' profit participation fund		418,155	418,155
Unclaimed dividend		74,678	75,048
		73,705,192	65,833,495

# Notes to the Condensed Interim Financial Information

For the nine months ended March 31, 2015 (Un-Audited)

- 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 59,644,640 thousand as at March 31, 2015 (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
		March 2015	June 2014
(Rupees in thousand)			
<b>7</b>	<b>CURRENT PORTION OF LONG TERM FINANCING</b>		
Long term financing - secured	4	2,500,000	2,500,000
Long term financing - unsecured	5	410,592	343,991
		<b>2,910,592</b>	<b>2,843,991</b>

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

There has been no significant change in contingencies since the date of preceding financial statements of the company for the year ended June 30, 2014.



	Note	Un-Audited	Audited
		March 2015	June 2014
(Rupees in thousand)			
<b>8.2 Commitments:</b>			
<b>a) Capital Commitments</b>			
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>b) Other Commitments</b>		228,158	554,825
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Operating fixed assets</b>			
<b>Tangible</b>			
Opening book value		83,881,031	79,535,830
Additions during the period/year		6,402,773	13,260,038
		90,283,804	92,795,868
Book value of property, plant and equipment disposed off during the period/year		(2,344)	(8,294)
Depreciation charged during the period/year		(7,080,732)	(8,906,543)
		(7,083,076)	(8,914,837)
Closing book value		83,200,728	83,881,031
Capital work in progress	9.1	21,386,000	20,662,511
		104,586,728	104,543,542
<b>9.1 Capital work-in-progress</b>			
Transmission system		4,647,745	1,866,298
Distribution system		6,971,047	7,658,437
Stores and spares including in transit			
Rs 580,919 thousand			
(June 2014: Rs 1,160,318 thousand)		9,451,652	10,873,578
Advances for land and other capital expenditure		315,556	264,198
		21,386,000	20,662,511



# Notes to the Condensed Interim Financial Information

For the nine months ended March 31, 2015 (Un-Audited)

	Note	Un-Audited	Audited
		March 2015	June 2014
(Rupees in thousand)			
<b>10 TRADE DEBTS</b>			
Considered good:			
Secured		29,337,456	28,912,782
Unsecured	10.1	26,979,911	27,840,730
Accrued gas sales		(469,106)	(181,877)
		55,848,261	56,571,635
Considered doubtful		17,009,489	13,071,227
		72,857,750	69,642,862
Less: Provision for doubtful debts		(17,009,489)	(13,071,227)
		55,848,261	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: 10,883,965 thousand). Further, an amount of Rs 8,796,577 thousand (2014:Rs Nil) is receivable from Government of Pakistan on account of differential margin. Furthermore, 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
	March 2015	June 2014
(Rupees in thousand)		
<b>11 LOANS AND ADVANCES</b>		
Loans to employees - considered good	103,857	93,068
Advances - considered good:		
Other employees	751,231	726,394
Suppliers and Contractor	725,520	191,682
	1,580,608	1,011,144
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	-	-
	1,580,608	1,011,144
<b>12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
Trade deposits and short term prepayments	109,292	123,253
Less: Provision for doubtful deposits	(22,290)	(22,290)
	87,002	100,963
Current portion of long term prepayments	98,797	131,671
	185,799	232,634



	Un-Audited March 2015	Audited June 2014
	(Rupees in thousand)	
<b>13 OTHER RECEIVABLES</b>		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	-	-
Differential margin recoverable	8,796,578	-
Due from customers	103,903	6,986
Current account with SSGC	15,872	15,717
Others	19,982	19,996
	8,936,335	42,699
<b>14 CASH AND BANK BALANCES</b>		
Deposit accounts	154,179	177,705
Current accounts	67,126	300,631
	221,305	478,336
Cash in hand	14,317	1,642
	235,622	479,978

	Quarter ended		Nine months ended	
	Un-Audited March 2015	Un-Audited March 2014	Un-Audited March 2015	Un-Audited March 2014
Note	(Rupees in thousand)			
<b>15 COST OF GAS SALES</b>				
Opening stock of gas in pipelines	994,810	1,000,996	947,899	1,075,236
Gas purchases:				
Southern system	25,367,260	28,974,953	75,939,923	91,677,934
Northern system	10,869,080	11,937,661	32,768,390	36,445,726
Cost equalization adjustment	8,994,466	8,854,830	28,635,118	28,149,523
	45,230,806	49,767,444	137,343,431	156,273,183
	46,225,616	50,768,440	138,291,330	157,348,419
Less: Gas internally consumed	334,744	515,957	1,083,260	1,615,301
Closing stock of gas in pipelines	1,060,074	1,059,700	1,060,074	1,059,700
	1,394,818	1,575,657	2,143,334	2,675,001
Distribution cost	4,194,696	4,208,222	12,467,560	12,405,131
	49,025,494	53,401,005	148,615,556	167,078,549

- 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 28,635,118 thousand (March 2014: Rs 28,149,523 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 information.

# Notes to the Condensed Interim Financial Information

For the nine months ended March 31, 2015 (Un-Audited)

	Quarter ended		Nine months ended	
	Un-Audited March 2015	Un-Audited March 2014	Un-Audited March 2015	Un-Audited March 2014
	(Rupees in thousand)			
<b>16 OTHER OPERATING INCOME</b>				
<b>Income from financial assets</b>				
Interest income on late payment of gas bills				
- Late payment surcharge	1,251,123	1,158,123	2,669,260	2,701,414
- Government owned and other power generation Companies	1,020,973	534,276	1,517,967	1,573,014
- Others	(166,732)	893	164,056	18,094
Gain on initial recognition of financial liabilities at fair value	1,844	(3,110)	5,531	-
Interest on staff loans and advances	13,145	16,311	38,203	38,640
Return on bank deposit	78,732	97,602	291,692	312,287
	2,199,085	1,804,095	4,686,709	4,643,449
<b>Income from assets other than financial assets</b>				
Net gain on sale of fixed assets	1,441	13,472	17,541	34,252
Meter Rentals and service income	409,613	445,513	1,249,118	1,192,077
Amortization of deferred Credit	558,902	122,825	1,473,408	1,061,688
Insurance claim	867	679	1,246	2,898
	970,823	582,489	2,741,313	2,290,915
<b>Others</b>				
Sale of tender documents	871	358	1,790	2,583
Sale of scrap	-	63,456	29,400	66,616
Credit balances written back	-	-	-	15,098
Liquidated damages recovered	36,053	22,364	137,640	54,388
Gain on construction contracts	-	-	16,640	-
Bad debt recoveries	5,103	6,597	11,557	13,260
Urgent Fee	144,185	7,647	810,345	7,647
Miscellaneous	591	338	2,826	1,908
	186,803	100,760	1,010,198	161,500
	3,356,711	2,487,344	8,438,220	7,095,864
<b>17 OTHER OPERATING EXPENSES</b>				
Exchange loss on gas purchases	(33,203)	(486,936)	197,636	186,498
Loss on Construction Contracts	-	-	-	28,685
Loss on initial recognition of financial assets at fair value	3,124	65,687	53,687	68,187
Donations	-	-	20,000	-
	(30,079)	(421,249)	271,323	283,370



- 18 Included in finance cost is an amount of Rs 1,602,860 thousand (March 2014 :Rs 1,720,297 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		Nine months ended	
	Un-Audited March 2015	Un-Audited March 2014	Un-Audited March 2015	Un-Audited March 2014
<b>19 TAXATION</b>	(Rupees in thousand)			
Current Period:				
Current tax	208,413	224,347	687,520	783,358
Deferred tax	(299,750)	(658,742)	(1,388,697)	(2,043,602)
	(91,337)	(434,395)	(701,177)	(1,260,244)
Prior period				
Current tax	-	-	-	-
	(91,337)	(434,395)	(701,177)	(1,260,244)

	Note	Un-Audited	Un-Audited
		March 2015	March 2014
(Rupees in thousand)			
<b>20 CASH GENERATED FROM OPERATIONS</b>			
<b>Loss before taxation</b>		(2,543,251)	(4,181,462)
Adjustment for non-cash charges and other items			
Depreciation - Own assets		7,080,732	6,660,006
Amortization of intangible assets		18,420	6,741
Employee benefits		1,293,490	1,003,971
Amortisation of deferred credit		(1,473,408)	(1,061,688)
Finance cost		2,858,662	3,029,917
Return on bank deposits		(291,692)	(312,287)
Gain on sale of fixed assets		(17,541)	(34,252)
Provision for doubtful debts		3,938,262	3,251,227
Loss on initial recognition of financial assets at fair value		53,687	68,187
Gain on initial recognition of financial liabilities at fair value		(5,531)	-
Amortisation of difference between initial and maturity amount		(24,591)	(22,453)
Working capital changes	20.1	(3,088,492)	(4,536,514)
		7,798,747	3,871,393
<b>20.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stores and spares parts		593,186	242,836
Stock-in-trade - gas in pipelines		(112,175)	15,536
Trade debts		(3,214,888)	(14,887,280)
Loans and advances		(558,677)	(2,169,802)
Trade deposits and prepayments		46,835	(115,504)
Other receivables		(8,893,635)	559,159
		(12,139,354)	(16,355,055)
Increase in current liabilities			
Trade and other payables		9,050,862	11,818,541
		(3,088,492)	(4,536,514)

# Notes to the Condensed Interim Financial Information

For the nine months ended March 31, 2015 (Un-Audited)

	Un-Audited March 2015	Un-Audited March 2014
	(Rupees in thousand)	
<b>20.2 Cash and cash equivalents</b>		
Cash and bank balances	235,622	374,084
Short term running finance	(998,936)	(45,500)
	(763,314)	328,584

## 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, 2014 has been incorporated in the accounts for the period ended March 31, 2015 on the basis of final revenue requirement for the financial year 2014-15.

**21.2** The Company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rupees 8,802,308 thousand (March 2014: Rupees 9,474,647 thousand).

## 22 TRANSACTIONS WITH ASSOCIATES AND RELATED PARTIES

		Un-Audited March 2015	Un-Audited March 2014
		(Rupees in thousand)	
<b>i)</b>	<b>Relationship with the Group</b>		
	<b>Nature of Transactions</b>		
	Related parties by virtue of common directorship and Govt. of Pakistan holdings		
	Gas sales	10,777,580	16,135,471
	Purchase of materials	106,562	2,247,560
	Purchase of gas	105,128,406	115,847,945
	Service charges	59,185	60,276
	Profit received on bank deposits	77,783	31,925
	Transportation charges	154,868	553,529
	Transmission charges	1,787	2,594
	Insurance expenses	208,307	177,180
	Insurance claims received	25,214	24,865
<b>ii)</b>	<b>Post employment benefit plans</b>		
	Contribution to defined contribution plans	184,484	180,337
	Contribution to defined benefit plans	1,237,369	1,083,455
<b>iii)</b>	<b>Key management personnel</b>		
	Salaries and other employee benefit	1,204,161	954,375

- Key management personnel comprises chief executive and any employee whose basic salary exceeds Rs 500,000 per annum.



	Un-Audited March 2015	Audited June 2014
	(Rupees in thousand)	
<b>Period end balances</b>		
Receivable from related parties	19,656,596	20,279,128
Payable to related parties	51,893,787	33,684,805

### 23 DATE OF AUTHORISATION FOR ISSUE


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

### 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



**ISO 14001**  
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