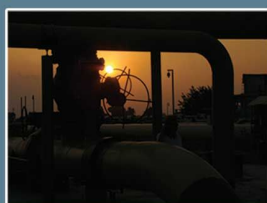


2nd Quarter Accounts December 31, 2009 (Un-Audited)



Sui Northern Gas Pipelines Limited



Conserve Energy  
Save National Wealth



Sui Northern Gas Pipelines Limited



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## Corporate Information

### BOARD OF DIRECTORS

Mian Misbah-ur-Rehman	Chairman
Mr. A. Rashid Lone	Managing Director
Dr. Faizullah Abbasi	Director
Mr. Mansoor Muzaffar Ali	Director
Syed Muhammad Asghar	Director
Mr. M. Iqbal Awan	Director
Mr. A. Samad Dawood	Director
Mr. Abdul Bari Khan	Director
Mr. Tariq Iqbal Khan	Director
Mian Raza Mansha	Director
Mr. Inam-ur-Rahman	Director
Malik Tahir Sarfraz	Director
Syed Zahir Ali Shah	Director

### COMMITTEES OF THE BOARD OF DIRECTORS

#### AUDIT COMMITTEE

Syed Muhammad Asghar	Chairman
Mr. Mansoor Muzaffar Ali	Member
Mr. M. Iqbal Awan	Member
Mr. A. Samad Dawood	Member
Mr. Abdul Bari Khan	Member
Mian Raza Mansha	Member
Malik Tahir Sarfraz	Member

#### FINANCE COMMITTEE

Mr. Tariq Iqbal Khan	Chairman
Mr. A. Rashid Lone	Managing Director
Dr. Faizullah Abbasi	Member
Mr. M. Iqbal Awan	Member
Mr. A. Samad Dawood	Member
Mr. Abdul Bari Khan	Member
Malik Tahir Sarfraz	Member

#### HUMAN RESOURCE COMMITTEE

Syed Zahir Ali Shah	Chairman
Mr. A. Rashid Lone	Managing Director
Mr. Mansoor Muzaffar Ali	Member
Mr. A. Samad Dawood	Member
Mian Raza Mansha	Member
Mr. Inam-ur-Rahman	Member
Malik Tahir Sarfraz	Member

#### UNACCOUNTED FOR GAS (UFG) CONTROL COMMITTEE

Mr. M. Iqbal Awan	Chairman
Mr. Mansoor Muzaffar Ali	Member
Syed Muhammad Asghar	Member
Mr. Inam-ur-Rahman	Member

#### CHIEF FINANCIAL OFFICER

Mr. Amer Tufail FCA

#### COMPANY SECRETARY / SECRETARY TO SUB COMMITTEES OF THE BOARD

Mrs. Uzma Adil Khan FCA

#### JOINT AUDITORS

A.F. Ferguson & Co. Chartered Accountants  
M. Yousuf Adil Saleem & Co. Chartered Accountants

#### SHARES REGISTRAR

M/s. Hameed Majeed Associates (Pvt) Ltd.  
H. M. House, 7-Bank Square, Lahore  
Ph: (+92-42) 37235081-82  
Fax: (+92-42) 37358817

#### LEGAL ADVISORS

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

#### REGISTERED OFFICE

Gas House,  
21-Kashmir Road,  
P.O. Box No. 56, Lahore (Pakistan)  
Ph: (+92-42) 99082000, 99080000  
Fax: (+92-42) 99201302, 99201369  
E-mail: info@sngpl.com.pk  
Website: www.sngpl.com.pk



## DIRECTORS' REVIEW

On behalf of the Board of Directors of SNGPL, we are pleased to present the un-audited results for the 2nd Quarter ended December 31, 2009. The operational / financial highlights are as follows:-

	(Un-audited) (July - December)	
	2009	2008
Gas sales (MMCF)	284,944	289,736
Gas sales net of GDS (Million Rs)	75,430	81,034
Cost of gas sold (Million Rs)	67,288	72,033
Profit before tax (Million Rs)	442	1,263
Profit after tax (Million Rs)	274	650
Earnings per share (Rupees )	0.50	1.18

During the period under review, un-accounted for gas (UFG) was higher than the bench mark set by the Regulator which seriously affected the profitability of the Company. However the Board of Directors, executives and staff members of the Company are striving hard and making serious efforts to control UFG so as to minimize its effect on the profitability of the Company.

### DEVELOPMENT PROJECTS

Transmission and distribution pipeline construction projects of 373 Km were commissioned during the first & second quarters of FY 2009-10. Natural gas supply was extended to various localities/towns in NWFP and Punjab. Gas supply to Independent Power Producer (IPP), M/s Halmore Power Generation at Bhiki and Sapphire at Mureedke have successfully been commissioned during October and December 2009 respectively, which will help alleviate power shortage in the country.

A 25 Km segment of 24" dia Kohat-Nowshera pipeline involving 18 Km in Darra Adam Khel was commissioned in July 2009. It was an extremely difficult part of Project-9 because of the rugged and hilly terrain and hostile working conditions prevalent in the area.

### PRESENT PROJECTS

Currently, execution of final segments of Project-9 is underway. Laying of various transmission spurs to extend natural gas supply to new towns like Sindhelianwali and Shahwali (Kashmore) have successfully been commissioned in October & November 2009. During first and second quarters of FY 2009-10, gas supply to 7 villages of Faisalabad region, 13 villages of Gujranwala, 2 villages of Islamabad, 14 villages of Lahore, 3 villages of Multan and 17 villages of Peshawar region have been made.

### EPC PROJECTS

Your Company has recently completed 42 KM Manzalai Field Development – Gas Gathering System Trunk / Flowlines in assorted diameters during Nov-09 – Jan-10. With the completion / commissioning of this gas gathering network, additional 210 MMCFD gas was added to the system.



Recently MOL has awarded two Engineering & Construction projects to the Company viz 8" dia x 14 Km Mamikhel-1 Flowline and 12" dia x 23 Km Marazzai-1 Flowline. In this regard the Company has mobilized its workforce at site and started execution of the job. Furthermore, MOL is also inclined to enter into an agreement for undertaking future field development plans for numerous oil & gas discoveries in TAL block i.e. Manzalai, Makori, Mamikhel, Maramzai, Tolanj, Mardankhel etc. For this purpose, contract finalization is underway. On completion of 7 gas wells and this gathering network, 250-300 MMCFD gas will be available to the Company.

Construction of 16" dia 3.3 Km pipeline for M/s Engro Permeate Energy has been commissioned in November 2009 and 28" dia, 11.46 Km water pipeline for M/s Fatima Fertilizer has been successfully commissioned in October 2009.

#### NASHPA FIELD DEVELOPMENT PROJECT

Your Company has recently received a Letter of Intent (LOI) from OGDCL for the engineering & construction services for 8" dia pipeline from Nashpa well to Extended Well Test (EWT) facilities. The Company has accepted the LOI and contract finalization is in process.

#### ERRA GAS SUPPLY PROJECTS

Your Company is actively involved in planning the supply of gas to earthquake hit areas and in this respect interacting with Earthquake Reconstruction and Rehabilitation Authority (ERRA).

#### QADIRPUR INTERIM COMPRESSION PROJECT (QICP)

Your Company has recently signed an agreement with OGDCL for the installation of fourteen compressor stations at Qadirpur against QICP. In this regard the Company has mobilized its resources at site and has started execution of work. The Company's goal is to complete the job at the earliest so that additional 100 MMCFD natural gas can be taken into our system which is much needed at the moment.

#### OVERSEAS PROJECTS

In order to diversify the operations of the Company, the Management has explored the possibility of providing services of pipeline construction to local as well as overseas projects. In this connection the Company has been prequalified for the EPC contractor related to high pressure pipelines in Algeria. The Company submitted a technical bid to the Algerian National Oil and Gas Company SONARTACH against 24"/20" diameter 502 Km international pipeline construction tender in Algeria. Evaluation of the technical bid is awaited.

#### ACKNOWLEDGEMENTS

The Directors place on record their thanks to the employees, Government of Pakistan, Ministry of Petroleum and Natural Resources, Oil and Gas Regulatory Authority and other Government and Non-Government Institutions related to the Company for their sustained support in the period under report and look forward for the same in future.

LAHORE:  
February 19, 2010

On behalf of the Board



A. Rashid Lone  
Managing Director



## Review Report to the Members

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Sui Northern Gas Pipelines Limited ("the company") as at December 31, 2009 and the related condensed interim profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity 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 for the quarters ended December 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2009.

### 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, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our review, we draw attention to note 10.1 to the attached condensed interim financial information, which states that included in trade debts is an amount receivable from Water and Power Development Authority of Rs 3,369,540 thousand along with interest of Rs 1,551,898 thousand on delayed payments. While trade and other payables referred to in note 6 includes an amount of Rs 37,899,734 thousand 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 of Rs 2,538,524 thousand on delayed payments. In addition, Rs 10,139,636 thousand is recoverable from the Government of Pakistan being the Gas Development Surcharge / Differential Margin recoverable as referred to in note 13.1. The settlement of these amounts is dependent upon the resolution of inter circular debt and appropriate adjustment in tariff requirement by the Government of Pakistan.

### Other Matters

The condensed interim financial information for the half year ended December 31, 2008 and financial statements for the year ended June 30, 2009 were reviewed and audited respectively by Ford Rhodes Sidat Hyder & Co. and Riaz Ahmad & Co. Chartered Accountants; jointly.



A.F. Ferguson & Co.  
Chartered Accountants  
Engagement Partner: Imran Farooq Mian



M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Engagement Partner: Hafiz Muhammad Yousaf

Lahore  
Date: February 19, 2010



Sui Northern Gas Pipelines Limited



## Condensed Interim Balance Sheet

	Note	Un-audited December 31, 2009 (Rupees in thousand)	Audited June 30, 2009
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 1,500,000,000 (June 30, 2009: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up capital 549,105,339 (June 30, 2009: 549,105,339) ordinary shares of Rs 10 each		5,491,053	5,491,053
Revenue reserves		10,930,459	10,656,463
		16,421,512	16,147,516
<b>NON-CURRENT LIABILITIES</b>			
Long term financing:			
-Secured	4	-	-
-Unsecured	5	1,495,275	1,798,312
Security deposits		13,591,152	11,439,969
Deferred credit		32,008,924	32,000,133
Deferred taxation		7,966,399	8,178,211
Employee benefits		608,791	392,249
		55,670,541	53,808,874
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	52,200,197	49,950,241
Interest / mark up accrued		3,274,416	552,160
Short-term running finance -secured		995,214	950,858
Current portion of long term financing	7	1,111,106	1,102,980
		57,580,933	52,556,239
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
		129,672,986	122,512,629

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



Mian Misbah-ur-Rehman  
Chairman



## As At December 31, 2009

	Note	Un-audited December 31, 2009 (Rupees in thousand)	Audited June 30, 2009
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	80,678,073	78,345,432
Intangible assets		283,342	270,845
Investment in associate		4,900	4,900
Long term loans		244,135	235,060
Employee benefits		383,538	347,547
Long term deposits and prepayments		7,314	7,482
		81,601,302	79,211,266
<b>CURRENT ASSETS</b>			
Stores and spare parts		1,630,110	2,171,953
Stock-in-trade - gas in pipelines		581,482	783,362
Trade debts	10	30,073,652	25,706,362
Loans and advances	11	319,578	136,766
Trade deposits and short term prepayments	12	245,516	93,573
Interest accrued		4,832	13,634
Other receivables	13	11,620,671	11,341,492
Taxation - net		1,166,760	1,302,429
Sales tax recoverable		44,103	434,915
Cash and bank balances	14	2,384,980	1,316,877
		48,071,684	43,301,363
		129,672,986	122,512,629



A. Rashid Lone  
Managing Director



## Condensed Interim Profit and Loss Account (Un-Audited)

### for the Half Year ended December 31, 2009

	Note	Quarter ended		Half Year ended	
		December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
		( Rupees in thousands )			
Gas sales		37,937,497	37,259,248	75,348,378	77,010,717
Add / (Less): Differential margin / (Gas development surcharge)		3,777,272	3,912,203	81,744	4,023,529
Cost of gas sold	15	41,714,769 37,662,014	41,171,451 36,624,209	75,430,122 67,288,323	81,034,246 72,032,728
Gross profit		4,052,755	4,547,242	8,141,799	9,001,518
Rental and service income		281,401	246,201	548,946	484,758
Amortisation of deferred credit		324,673	249,189	641,970	483,502
		4,658,829	5,042,632	9,332,715	9,969,778
Operating expenses:					
Distribution cost	16	3,656,069	3,473,980	7,255,076	6,706,688
Administrative expenses		491,158	384,220	898,910	782,936
Other operating expenses		203,491	1,213,268	280,295	1,746,973
		4,350,718	5,071,468	8,434,281	9,236,597
Other income	17	308,111 2,105,965	(28,836) 566,353	898,434 2,516,384	733,181 882,049
Operating profit		2,414,076	537,517	3,414,818	1,615,230
Finance cost	18	2,780,774	186,240	2,972,888	352,124
(Loss)/profit before taxation		(366,698)	351,277	441,930	1,263,106
Taxation	19	(122,615)	104,561	167,934	613,322
(Loss)/profit for the period		(244,083)	246,716	273,996	649,784
Earnings per share - Basic and diluted (Rs)		(0.44)	0.45	0.50	1.18

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



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director



**Condensed Interim Statement of other  
Comprehensive Income (Un-Audited)**  
for the Half Year ended December 31, 2009

	Quarter ended		Half Year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	( Rupees in thousands )			
(Loss)/profit for the period	(244,083)	246,716	273,996	649,784
Other comprehensive income or the period	-	-	-	-
Total comprehensive (loss)/income for the period	(244,083)	246,716	273,996	649,784

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



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director



Sui Northern Gas Pipelines Limited

## Condensed Interim Cash Flow Statement (Un-Audited)

### for the Half Year ended December 31, 2009

	Note	Half year ended December 31, 2009 (Rupees in thousand)	Half year ended December 31, 2008 (Rupees in thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	20	4,914,803	6,922,710
Finance cost paid		(208,407)	(174,809)
Income tax paid		(279,388)	(621,504)
Employee benefits / contributions paid		(265,102)	(183,502)
Security deposits received		2,151,183	705,500
Receipts against Government grants and consumer contributions		672,761	2,941,608
(Increase) / decrease in loans to employees		(35,995)	9,476
Decrease / (increase) in long term deposits and prepayments		168	(161)
<b>Net cash generated from operating activities</b>		<b>6,950,023</b>	<b>9,599,318</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5,670,676)	(11,519,853)
Purchase of intangible assets		(25,624)	(1,875)
Proceeds from sale of property, plant and equipment		13,397	14,561
Proceeds from sale of short term investment		-	524,228
Profit received on bank deposits		117,227	231,528
<b>Net cash used in investing activities</b>		<b>(5,565,676)</b>	<b>(10,751,411)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term finances - unsecured		31,561	27,273
Repayment of long term finances - unsecured		(329,037)	(363,570)
Repayment of long term financing - secured		(62,500)	(300,000)
Dividend paid		(624)	(1,903,582)
<b>Net cash used in financing activities</b>		<b>(360,600)</b>	<b>(2,539,879)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,023,747</b>	<b>(3,691,972)</b>
Cash and cash equivalents at the beginning of the period		366,019	8,137,148
Cash and cash equivalents at the end of the period	20.2	1,389,766	4,445,176

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



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director



## Condensed Interim Statement of Changes in Equity for the Half Year ended December 31, 2009

	Share Capital	Revenue Reserves				Total Equity
		General Reserve	Dividend Equalization Reserve	Un-approp- riated Profit	Total	
		( R u p e e s i n t h o u s a n d )				
Balance as at July 1, 2008 (Audited)	5,491,053	4,127,682	480,000	7,040,114	11,647,796	17,138,849
Dividend for the year ended June 30, 2008 at Rs 3.50 per ordinary share	-	-	-	(1,921,869)	(1,921,869)	(1,921,869)
Total comprehensive income for the half year ended December 31, 2008	-	-	-	649,784	649,784	649,784
Balance as at December 31, 2008 (Un-audited)	5,491,053	4,127,682	480,000	5,768,029	10,375,711	15,866,764
Total comprehensive income for the half year ended June 30, 2009	-	-	-	280,752	280,752	280,752
Balance as at July 1, 2009 (Audited)	5,491,053	4,127,682	480,000	6,048,781	10,656,463	16,147,516
Total comprehensive income for the half year ended December 31, 2009	-	-	-	273,996	273,996	273,996
Balance as at December 31, 2009 (Un-audited)	5,491,053	4,127,682	480,000	6,322,777	10,930,459	16,421,512

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



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director



Sui Northern Gas Pipelines Limited

## Selected Notes to the Condensed Interim Financial Information (Un-Audited) for the Half Year ended December 31, 2009

### 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 by 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 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, 2009.
- 2.4 The following amendments to standards are mandatory for the first time for the financial year beginning July 1, 2009:
  - IAS 1 (Revised), 'Presentation of financial statements': The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of other comprehensive income). The company has preferred to present two statements; a profit and loss account and a statement of other comprehensive income. The condensed interim financial information has been prepared under revised disclosure requirements.
  - International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) has issued IFRIC Interpretation 18 (IFRIC 18) -Transfers of Assets from Customers. This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Further, it also applies to the accounting by recipients for transfer of cash from customers when that amount of cash must be used only to construct or acquire an item of property, plant and equipment



recognized as an asset by the entity and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to supply of goods or services, or to do both.

The company in the normal course of business receives cash from customers as contributions for providing service connections, extension of gas mains, laying of distribution lines. Previously, such amounts were deferred and recognized in the profit and loss account over the useful lives of the related assets starting from the commissioning of such assets. Under the revised policy, revenue from such transaction is recognized when the connection to the network is completed. The aforementioned change has been accounted for as per the guidance provided under the interpretation for identification of separately identifiable service agreements and recognition of revenue thereon.

The company has accounted for the change in policy prospectively from July 1, 2009 for consumer contributions received on or after this date, where the property, plant and equipment is also commissioned by the period end date. However, during the current period, no such assets were commissioned for which the consumer contributions were received during the same period. There is, therefore, no impact on this condensed interim financial information.

- In addition to above, IAS 23 'Borrowing Costs' is mandatory for the first time for the financial year beginning July 1, 2009; however, its adoption did not have any significant impact on the interim financial information of the company.

### 3. ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies, except for those mentioned in note 2.4 above, 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, 2009.
- 3.2 Judgements 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, 2009.
- 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.

4. LONG TERM FINANCING - SECURED	Note	Un-audited December 31 2009 (Rupees in thousand)	Audited June 30, 2009
From banking companies:			
Standard Chartered Bank (Pakistan)			
Limited Syndicate [SCBL-2 (b)]		-	62,500
Less: Current portion shown under current liabilities	7	-	(62,500)
		-	-





	Note	Un-audited December 31 2009 (Rupees in thousand)	Audited June 30, 2009
<b>5. LONG TERM FINANCING - UNSECURED</b>			
From banking company / financial institution:			
World Bank loans - Foreign currency		640,981	943,532
Other loans - Local currency:			
- Loans		1,529,218	1,485,699
- Overdue interest on medium term loan		436,182	409,561
		1,965,400	1,895,260
		2,606,381	2,838,792
Less: Current portion shown under current liabilities			
World Bank loans - Foreign currency		(640,981)	(616,879)
Other loans - Local currency:			
- Loans		(224,600)	(178,076)
- Overdue interest on medium term loan		(245,525)	(245,525)
	7	(1,111,106)	(1,040,480)
		1,495,275	1,798,312
5.1	These loans carry mark-up at variable rates which range from 1.50% per annum to 15.21% per annum (June 30, 2009: 1.50% per annum to 14.24% per annum).		
<b>6. TRADE AND OTHER PAYABLES</b>			
Creditors for:			
Gas		49,600,280	45,225,670
Supplies		248,562	484,980
Accrued liabilities		1,324,471	2,944,785
Interest-free deposits repayable on demand		30,342	25,708
Earnest money received from contractors		27,952	25,336
Due to customers		723,856	1,006,194
Exchange risk and guarantee fees payable to the Government of Pakistan		16,569	24,592
Workers' Profit Participation Fund		150,151	118,559
Workers' Welfare Fund		19,532	35,311
Unclaimed dividend		58,482	59,106
		52,200,197	49,950,241
<b>7. CURRENT PORTION OF LONG TERM FINANCING</b>			
Long term financing:			
secured	4	-	62,500
unsecured	5	1,111,106	1,040,480
		1,111,106	1,102,980
<b>8. CONTINGENCIES AND COMMITMENTS</b>			
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, 2009, except for the matters stated below:

#### 8.1.1 Taxation

During the period, amendment proceedings in respect of tax year 2008, taken up in consequence of audit of the company's tax affairs conducted under section 177 of the Income Tax Ordinance, 2001, were concluded and a tax demand of Rs 2,891,639 thousand was raised against the company. Such demand has reduced to Rs 2,208,203 thousand in consequence of rectification carried out by the concerned tax official through order dated January 30, 2010. Company's appeal against the amendment order is pending before Commissioner Inland Revenue, Appeals and under the instructions from Lahore High Court, such appeal will be disposed off in the light of ratio to be decided by Appellate Tribunal Inland Revenue in respect of tax year 2007 as primarily the issues in respect of both the years are same. No liability on this account has been provided for in this condensed interim financial information as management, based on favourable decisions in respect of earlier years on similar issues, is confident that amendment order will not sustain the appellate review and the demand will eventually vitiate.

#### 8.1.2 Others

Claims against the company not acknowledged as debts amount to Rs 391,395 thousand (June 30, 2009: Rs 391,395 thousand).

- a) Pursuant to the directions of the sub committee of the cabinet for reinstatement of sacked employees, total number of employees to be reinstated was determined at 1,196 employees, with the condition that their remuneration and back benefits, where applicable, will be paid to them on receipt of funds from Government of Pakistan (GoP). Out of 1,196 employees only 1,078 employees have joined the Company subsequent to December 31, 2009. No provision for back benefits have been made in the condensed interim financial information and will be accrued and paid on receipt of funds from GoP.
- b) Included in claims against the company not acknowledged as debt is the claim of employees union for bonus amounting to Rupees 255,200 thousand (June 30, 2009: Rupees 255,200 thousand), approximately, which was decided by National Industrial Relations Commission (NIRC) against the company. The company filed an appeal in the Honourable Lahore High Court of Pakistan (LHC) on the grounds that order of NIRC is without jurisdiction and is void due to changes in Services Tribunal Act. The Lahore High Court while admitting company's writ petition for regular hearing suspended the order of the NIRC, subject to company's furnishing of an undertaking in respect of the bonus amount. Due to changes in Services Tribunal Act, jurisdiction of all cases in respect of NIRC was changed from LHC to the Honourable Supreme Court of Pakistan. Therefore, the company filed an appeal with the Honourable Supreme Court of Pakistan on September 19, 2001 on the same grounds.

During the current period, appeal in the Honourable Supreme Court was disposed of on the grounds that above mentioned



amendment in Services Tribunal Act has become void due to deletion of section 2A of Services Tribunal Act. However, based on other judgements of the Honourable Supreme Court of Pakistan, the company has filed review petition that appeal may be restored and be decided on merits. The company has also filed application before NIRC that as appeal before the Honourable Supreme Court of Pakistan stands abated. Therefore, appeal filed before NIRC before insertion of section 2A of Services Tribunal Act may be restored as per dictum laid down by the Honourable Supreme Court of Pakistan. No provision has been made in this condensed interim financial information for the amount of bonus, as the company, based the opinion of their legal advisor, is of the view that has a very good case on merits as well as on legal points; therefore, it is likely that the case will be decided in company's favour.

		Un-audited December 31 2009 (Rupees in thousand)	Audited June 30, 2009
<b>8.2 Commitments</b>	Note		
Commitments in respect of			
a) Capital		2,039,493	4,379,275
b) Other		32,838	1,142,633
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening book value		63,395,893	51,895,290
Additions during the period	9.1	5,655,846	17,473,310
		69,051,739	69,368,600
Disposals during the period (at book value)	9.2	(509)	(1,602)
Depreciation charged during the period		(3,366,196)	(5,971,105)
		(3,366,705)	(5,972,707)
Closing book value		65,685,034	63,395,893
Capital work-in-progress	9.3	14,993,039	14,949,539
		80,678,073	78,345,432
<b>9.1 Additions during the period</b>			
Freehold land		26,709	234,108
Building on freehold land		-	232,235
Transmission system		930,795	5,158,453
Distribution system		3,303,337	5,960,659
Consumer meter and town border stations		714,285	2,807,439
Telecommunication system and facilities		888	66,936
Compressor stations and equipment		421,269	2,210,944
Plant and machinery		180,628	395,418
Computers and ancillary equipment		61,399	112,907
Furniture and equipment		4,277	39,784
Tools and accessories		8,456	39,751
Transport vehicles		3,803	214,676
		5,655,846	17,473,310



	Note	Un-audited December 31 2009 (Rupees in thousand)	Audited June 30, 2009
<b>9.2 Disposals during the period</b>			
Plant and machinery		3	-
Furniture and equipment		229	218
Transport vehicles		277	1,384
		509	1,602
<b>9.3 Capital work-in-progress</b>			
Transmission system		1,918,249	2,333,874
Distribution system		6,062,854	6,127,208
Stores and spares including in transit Rs 603,836 thousand (June 30, 2009: Rs 636,653 thousand)		6,804,381	6,304,123
Advances for land		207,555	184,334
		14,993,039	14,949,539
<b>10. TRADE DEBTS</b>			
Considered good			
Secured		14,874,077	15,840,226
Unsecured	10.1	15,231,233	9,857,342
Accrued gas sales		(31,658)	8,794
		30,073,652	25,706,362
Considered doubtful		2,314,610	1,996,970
		32,388,262	27,703,332
Less: Provision for doubtful debts		(2,314,610)	(1,996,970)
		30,073,652	25,706,362

10.1 Included in trade debts is an amount receivable from Water and Power Development Authority of Rs. 3,369,540 thousand along with interest of Rs 1,551,899 thousand on delayed payments. While trade and other payables referred to in note 6 include an amount of Rs 37,899,734 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 along with interest of Rs 2,538,524 thousand on delayed payments. In addition, Rs 10,139,636 thousand is recoverable from the Government of Pakistan being the Gas Development Surcharge / Differential Margin recoverable as referred to in note 13.1. The settlement of these amounts is dependent upon the resolution of inter circular debt and appropriate adjustment in tariff requirement by the Government of Pakistan.



	Note	Un-audited December 31 2009 (Rupees in thousand)	Audited June 30, 2009
<b>11. LOANS AND ADVANCES</b>			
Loans due from employees - considered good		87,038	74,574
Advances - considered good			
Employees		8,616	3,783
Suppliers and contractors		223,924	58,409
		319,578	136,766
Advances to suppliers and contractors - considered doubtful		1,412	3,227
Less: Provision for doubtful receivables		(1,412)	(3,227)
		-	-
		319,578	136,766
<b>12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Trade deposits and prepayments		177,718	100,977
Less: Provision for doubtful receivables		(22,290)	(22,290)
		155,428	78,687
Current portion of long term prepayments		90,088	14,886
		245,516	93,573
<b>13. OTHER RECEIVABLES</b>			
Exchange differences on long term loans recoverable from the Government of Pakistan		1,244,999	1,080,249
Excise duty recoverable		108,945	108,945
Less: Provision for doubtful recoverable		(108,945)	(108,945)
		-	-
Differential margin recoverable	13.1	10,139,636	10,057,891
Others		236,036	203,352
		11,620,671	11,341,492
13.1 This primarily represents deficit on account of tariff requirement determined under the provisions of the World Bank loan covenant and licence issued to the company.			
<b>14. CASH AND BANK BALANCES</b>			
Cash at banks:			
-Deposit accounts		2,224,144	1,123,277
-Current accounts		145,640	191,120
		2,369,784	1,314,397
Cash in hand		15,196	2,480
		2,384,980	1,316,877



#### 15. COST OF GAS SOLD

In accordance with the policy guidelines issued by the 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 2,834,545 thousand (December 31, 2008: Rs 13,330,104 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 21.1 to this condensed interim financial information.

#### 16. OTHER OPERATING EXPENSES

	Quarter ended		Half Year ended	
	Un-audited December 31, 2009	Un-audited December 31, 2008	Un-audited December 31, 2009	Un-audited December 31, 2008
	(Rupees in thousand)			
Workers' Profit Participation Fund	(19,557)	19,267	24,666	67,258
Workers' Welfare Fund	(8,488)	27,060	19,532	27,060
Exchange loss on gas purchases	212,130	1,127,886	212,130	1,611,995
Loss on initial recognition of financial assets at fair value	19,406	5,622	23,967	7,177
Donations	-	252	-	302
Others	-	33,181	-	33,181
	203,491	1,213,268	280,295	1,746,973
<b>17. OTHER INCOME</b>				
Income from financial assets				
Late payment surcharge	339,922	286,092	605,290	452,670
Interest income on late payment of gas bills from WAPDA	1,551,889	-	1,551,899	-
Others	52,683	108,703	123,552	248,140
Income from assets other than financial assets	161,461	171,558	235,643	181,239
	2,105,965	566,353	2,516,384	882,049

#### 18. FINANCE COST

Included in finance cost is an amount of Rs 2,538,524 thousand in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 10.1.

#### 19. TAXATION

Current period				
-Current tax	191,173	(22,425)	379,747	137,582
-Deferred tax	(313,788)	126,986	(211,813)	291,835
	(122,615)	104,561	167,934	429,417
Prior period - Current tax	-	-	-	183,905
	(122,615)	104,561	167,934	613,322



	Note	Half year ended Un-audited December 31 2009 (Rupees in thousand)	Half year ended Un-audited December 31 2008 (Rupees in thousand)
<b>20. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		441,930	1,263,106
Adjustment for:			
- Depreciation on property, plant and equipment		3,366,196	2,826,750
- Amortization of intangible assets		13,127	9,678
- Amortization of deferred credit		(641,970)	(483,502)
- Provision for employees' retirement benefits and other obligations		414,715	371,293
- Gain on disposal of property, plant and equipment		(12,889)	(13,971)
- Gain on sale of short term investments		-	(13,132)
- Finance cost		2,972,888	352,124
- Profit on bank deposits, loans to employees and advances to suppliers		(108,425)	(213,928)
- Provision for doubtful debts		317,639	129,927
- Stores and spare parts written off		2,269	21,737
- Gain on initial recognition of financial liabilities at fair value		-	(7,615)
- Loss on initial recognition of financial assets at fair value		23,967	7,177
- Amortization of difference between initial and maturity amount		(9,511)	(8,297)
Working capital changes	20.1	(1,865,133)	2,681,363
		4,914,803	6,922,710
<b>20.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stores and spare parts		541,843	511,824
Stock-in-trade		201,880	(187,205)
Trade debts		(4,684,929)	(7,830,824)
Loans and advances		(170,348)	(135,156)
Other receivables		111,633	(3,455,362)
Trade deposits and short term prepayments		(151,943)	(113,120)
		(4,151,864)	(11,209,843)
(Decrease) / increase in current liabilities			
Trade and other payables		2,286,731	13,891,206
		(1,865,133)	2,681,363
<b>20.2 Cash and cash equivalents</b>			
Cash and bank balances		2,384,980	4,445,176
Short term running finance		(995,214)	-
		1,389,766	4,445,176



## 21. INCORPORATION OF TARIFF REQUIREMENTS

21.1 Under the provisions of the World Bank Loan 3252-PAK, the company is required to operate on an annual return of not less than 17.50% on the value of its fixed assets (comprising operating fixed assets and intangible 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 1, 2009 has been incorporated in the condensed interim financial information for the period ended December 31, 2009.

21.2 The company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rs 2,443,566 thousand (December 31, 2008: Rs 2,467,236 thousand) which is in excess of the UFG limit allowed by the Oil and Gas Regulatory Authority (OGRA).

## 22. TRANSACTIONS WITH ASSOCIATES AND RELATED PARTIES

	Half year ended Un-audited December 31 2009 (Rupees in thousand)	Half year ended Un-audited December 31 2008 (Rupees in thousand)
Gas sales	3,510,406	3,243,389
Purchase of materials	690,200	524,772
Purchase of gas	8,276,519	34,300,494
Service charges	16,780	14,618
Profit received on bank deposits	42,663	35,112
Contribution to defined contribution plans	82,107	91,813
Contribution to defined benefits plans	273,584	133,153
Insurance expenses	157,304	137,207
Insurance claims received	9,741	6,192
Dividend paid	-	655,624

## 23. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 19, 2010 by the Board of Directors of the company.

## 24. CORRESPONDING FIGURES

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-classifications are as following:

From	To	Reason	Rs in thousand
Creditors for supplies	Accrued liabilities	For better presentation	161,488,991
Creditors for supplies	Accrued liabilities	For better presentation	101,284,502
Mobilization advance	Other receivables	For better presentation	(164,504,597)
Mobilization advance	Due to customers	For better presentation	1,006,194,018



Mian Misbah-ur-Rehman  
Chairman



Sui Northern Gas Pipelines Limited



A. Rashid Lone  
Managing Director





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