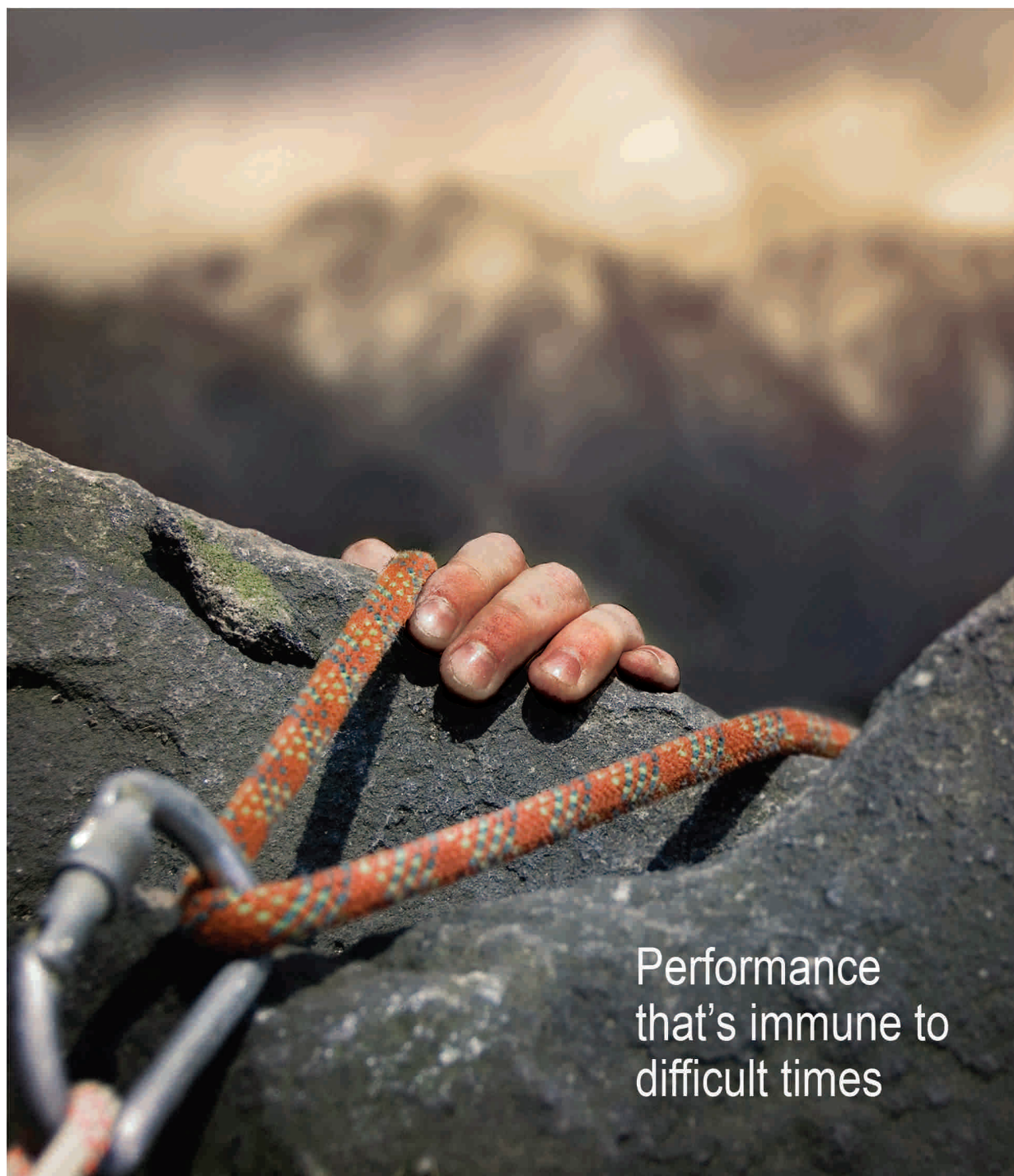


Condensed Interim Financial Information (Un-Audited)
For the Half Year ended December 31, 2010

Sui Northern Gas Pipelines Limited



Performance
that's immune to
difficult times

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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. S. M. Asghar	Director
Mr. M. Iqbal Awan	Director
Mr. A. Samad Dawood	Director
Mr. Abdul Bari Khan	Director
Mr. Tariq Iqbal Khan	Director
Mr. Wazir Ali Khoja	Director
Mian Raza Mansha	Director
Mr. Inam-ur-Rahman	Director
Malik Tahir Sarfraz	Director
Syed Zahir Ali Shah	Director
Mr. Saeed Ullah Shah	Director

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Mr. S. M. Asghar	Chairman
Mr. M. Iqbal Awan	Member
Mr. A. Samad Dawood	Member
Mr. Abdul Bari Khan	Member
Mian Raza Mansha	Member
Malik Tahir Sarfraz	Member
Mr. Saeed Ullah Shah	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. A. Samad Dawood	Member
Mian Raza Mansha	Member
Mr. Inam-ur-Rahman	Member
Malik Tahir Sarfraz	Member
Mr. Saeed Ullah Shah	Member

UNACCOUNTED FOR GAS (UFG)

CONTROL COMMITTEE

Mr. Muhammad Iqbal Awan	Chairman
Dr. Faizullah Abbasi	Member
Mr. S. M. Asghar	Member
Mr. Tariq Iqbal Khan	Member
Mr. Inam-ur-Rahman	Member
Mr. Saeed Ullah Shah	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

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21-Kashmir Road,
P.O. Box No. 56, Lahore (Pakistan)
Ph: +92-42-99201451-60, 99201419
Fax: +92-42-99201302, 99201317
E-mail: info@sngpl.com.pk
Website: www.sngpl.com.pk



DIRECTORS' REVIEW

The Board of Directors of SNGPL, is pleased to present the un-audited financial statements for the 2nd quarter and half year ended December 31, 2010. The gas sales for the half year ended December 31, 2010 were 292,997 MMCF as against 284,944 MMCF during the same period last year. During the half year under report, the Company has earned after tax profit of Rs. 468 million (December 31, 2009 : Rs.274 million), giving an EPS of Re. 0.85 (December 31, 2009 : Re. 0.50). Pending final decision by the honorable Lahore High Court in this regard, these financial statements have been prepared on the basis of parameters applied by Oil and Gas Regulatory Authority (OGRA) in determining the final revenue requirement of the Company for the year ended June 30, 2010.

DEVELOPMENT PROJECTS:

In-House Projects

Your Company commissioned 62 km transmission pipelines (including 14.7 km MOL Line) and 1,509 km distribution lines during 1st and 2nd quarter of FY 2010-11. Although the Company remains committed to extending gas facility to various localities/towns and industrial units across Punjab and Khyber Pakhtoonkhawa, however, it is being recommended to the Government of Pakistan that the expansion of gas infrastructure be restricted keeping in view the gas supply limitations as well as financial constraints of the Company.

Currently laying of transmission lines and distribution mains under Annual Distribution Development Program for various localities/villages across Punjab and Khyber Pakhtoonkhawa is being carried out. Pipeline project to extend gas supply to Talash area in Lower Dir is underway. 12" dia 47 km Mandi Bahaudin transmission pipeline is also being constructed. After completion of this line, gas pressure in SNGPL's network from Lala-Musa towards Jehlum will be improved. Similar plans aimed at removing operational constraints in transmission network are expected to be started in near future after approval of OGRA to rectify diminishing gas supplies to Murree from Pothohar gas fields.

EPC CONTRACT PROJECTS:

Manzalai Field Development - Client M/s MOL Pakistan

Your Company has recently completed 12" dia x 19.7 km Maramzai Flow line and 8" dia x 14.7 km Mamikhel-1 flow line. With the completion/commissioning of this gas gathering network additional 65 Million Cubic Feet per day (MMCFD) has been added to our system. Formerly the 52 KM long network in assorted diameters 18" to 8" at Manzalai field was laid in January 2010 which facilitated an additional intake of 210 MMCFD gas in to SNGPL's system.

Besides this Manzalai-8 flow line of diameter 8" x 6 km long is in progress which would bring an additional supply of 20 MMCFD into our system. Moreover, M/s MOL have shown their strong desire to award the pipeline construction work to SNGPL for their new gas discoveries at Makori-East and Tolanj. On the completion of all wells, approximately a total of 300-350 MMCFD will be available to the Company.

Qadirpur Compression Project - Client M/s OGDCL

The completion of Qadirpur compression project is another milestone which your Company has crossed thereby enhancing the overall capacity of the Qadirpur field by 100 MMCFD. The



magnanimity of the project envisaged the installation of 14 compressor package along with allied facilities. SNGPL takes pride for completing this project in a record time by putting best efforts.

Overseas Projects

In order to diversify the operations of the Company, the Management has explored the possibility of providing pipeline engineering and construction services to local as well as overseas clients. In this connection Company has already taken part in the bidding process of a pipeline project in Algeria. Presently we are working out the possibility of forming a subsidiary to work in joint venture (JV) for undertaking pipeline projects in Libya.

Future Prospects

The Company has recently submitted bids for the pipeline projects / plant erection jobs to M/s OGDCL, PPL, MOL for their upcoming projects. Your Company is also looking forward to form a JV with an engineering & design Company to participate in major EPC tenders of gas processing / chemical plants / facilities. In this connection a meeting with ENAR Petro Tech Services (Pvt) Limited has proved very successful and JV will bring about positive prospects in future.

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.

On behalf of the Board



A. Rashid Lone
Managing Director

LAHORE:
February 23, 2011



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, 2010 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 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, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

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, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our review report, we draw attention to note 7.1 to the attached condensed interim financial information, which states that the revenue requirement for the financial year 2010-11 is dependent upon the outcome of the case filed at the Lahore High Court by the company against Oil and Gas Regulatory Authority's decision in respect of provisional tariff determination as fully explained in note 7.1 to the condensed interim financial information.

Without qualifying our review report, we draw attention to note 9.1 to the attached condensed interim financial information, which states that settlement of amounts receivable along with interest on delayed payments from government owned power generation companies and amounts due to government owned entities on account of gas purchases along with interest on delayed payments is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.



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



M. Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Talat Javed
Multan

Date: February 23, 2011



Sui Northern Gas Pipelines Limited

Condensed Interim Balance Sheet

	Note	Un-audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 1,500,000,000 (June 30, 2010: 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, 2010: 549,105,339) ordinary shares of Rs 10 each		5,491,053	5,491,053
Revenue reserves		12,581,272	13,211,026
Shareholders' equity		18,072,325	18,702,079
NON-CURRENT LIABILITIES			
Long term financing -Unsecured	4	1,227,219	1,251,220
Security deposits		15,842,819	14,899,244
Deferred credit		32,664,244	33,017,791
Deferred taxation		8,440,711	8,758,231
Employee benefits		1,507,259	1,238,786
		59,682,252	59,165,272
CURRENT LIABILITIES			
Trade and other payables	5	57,991,619	54,886,749
Sales tax payable		274,430	152,708
Interest and mark-up accrued on loans and other payables		6,050,875	4,560,734
Short-term borrowings -secured		676,196	1,000,000
Current portion of long term financing	6	434,115	739,553
		65,427,235	61,339,744
CONTINGENCIES AND COMMITMENTS	7		
		143,181,812	139,207,095

The annexed notes from 1 to 23 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



As At December 31, 2010 (Un-Audited)

	Note	Un-audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	87,228,343	86,373,079
Intangible assets		296,332	355,290
Investment in an associated company		4,900	4,900
Long term loans		201,765	227,848
Employee benefits		1,372,817	1,277,270
Long term deposits and prepayments		7,435	9,006
		89,111,592	88,247,393
CURRENT ASSETS			
Stores and spare parts		1,492,994	1,669,121
Stock-in-trade - gas in pipelines		751,167	741,128
Trade debts	9	44,799,673	42,874,560
Loans and advances	10	171,774	229,401
Trade deposits and short term prepayments	11	237,043	65,993
Accrued interest		9,903	7,289
Other receivables	12	2,907,225	2,176,846
Taxation - net		767,543	1,186,242
Cash and bank balances	13	2,932,898	2,009,122
		54,070,220	50,959,702
		143,181,812	139,207,095



A. Rashid Lone
Chief Executive Officer



Condensed Interim Profit and Loss Account for the Half Year ended December 31, 2010 (Un-Audited)

	Note	Quarter ended		Half Year ended	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
		(R u p e e s i n t h o u s a n d)			
Gas sales		46,539,035	37,937,497	94,407,016	75,348,378
Add / (Less): Differential margin / (Gas development surcharge)		1,563,698	3,777,272	(114,589)	81,744
		48,102,733	41,714,769	94,292,427	75,430,122
Cost of gas sold	14	47,451,484	40,687,170	92,828,380	73,420,260
Gross profit		651,249	1,027,599	1,464,047	2,009,862
Other operating income	15	2,063,598	2,756,287	3,580,660	3,707,300
		2,714,847	3,783,886	5,044,707	5,717,162
Less:					
Selling cost		822,678	621,426	1,318,952	1,106,359
Administrative expenses		631,485	500,645	1,148,764	915,690
Other operating expenses	16	227,870	247,739	115,409	280,295
		1,682,033	1,369,810	2,583,125	2,302,344
Operating profit		1,032,814	2,414,076	2,461,582	3,414,818
Less:					
Finance cost	17	1,058,182	2,780,774	1,777,633	2,972,888
Profit / (loss) before taxation		(25,368)	(366,698)	683,949	441,930
Taxation	18	(32,367)	(122,615)	215,492	167,934
Profit / (loss) for the period		6,999	(244,083)	468,457	273,996
Earnings per share - basic and diluted (Rs)		0.01	(0.44)	0.85	0.50

The annexed notes from 1 to 23 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



A. Rashid Lone
Chief Executive Officer



Condensed Interim Statement of other Comprehensive Income for the Half Year ended December 31, 2010 (Un-Audited)

	Quarter ended		Half Year ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(Rupees in thousand)			
Profit / (loss) for the period	6,999	(244,083)	468,457	273,996
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	6,999	(244,083)	468,457	273,996

The annexed notes from 1 to 23 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



A. Rashid Lone
Chief Executive Officer



Sui Northern Gas Pipelines Limited

Condensed Interim Cash Flow Statement

for the Half Year ended December 31, 2010 (Un-Audited)

		Half year ended	Half year ended
	Note	Un-audited December 31, 2010	Un-audited December 31, 2009 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	6,263,795	4,914,803
Finance cost paid		(265,937)	(208,407)
Income tax paid		(190,396)	(279,388)
Employee benefits / contributions paid		(222,892)	(265,102)
Security deposits received		943,575	2,151,183
Receipts against government grants and consumer contributions		372,724	672,761
Decrease / (increase) in loans to employees		37,022	(35,995)
Decrease in long term deposits and prepayments		1,571	168
Net cash generated from operating activities		6,939,462	6,950,023
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,520,274)	(5,670,676)
Purchase of intangible assets		(667)	(25,624)
Proceeds from sale of property, plant and equipment		8,530	13,397
Profit received on bank deposits		145,440	117,227
Net cash used in investing activities		(4,366,971)	(5,565,676)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finances - unsecured		-	31,561
Repayment of long term finances - unsecured		(359,175)	(329,037)
Repayment of long term financing - secured		-	(62,500)
Dividend paid		(965,736)	(624)
Net cash used in financing activities		(1,324,911)	(360,600)
Net increase in cash and cash equivalents		1,247,580	1,023,747
Cash and cash equivalents at the beginning of the period		1,009,122	366,019
Cash and cash equivalents at the end of the period	19.2	2,256,702	1,389,766

The annexed notes from 1 to 23 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



A. Rashid Lone
Chief Executive Officer



Condensed Interim Statement of Changes in Equity

for the Half Year ended December 31, 2010 (Un-Audited)

	Share Capital	Revenue Reserves			Total	Total Equity
		General Reserve	Dividend Equalization Reserve	Un-approp- riated Profit		
	(R	u	p	e	e
	s	i	n	t	h	o
	u	s	a	n	d)
Balance as at July 1, 2009 (Audited)	5,491,053	4,127,682	480,000	6,048,781	10,656,463	16,147,516
Profit for the half year ended December 31, 2009	-	-	-	273,996	273,996	273,996
Other comprehensive income for the half year ended December 31, 2009	-	-	-	-	-	-
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
Profit for the half year ended June 30, 2010	-	-	-	2,280,567	2,280,567	2,280,567
Other comprehensive income for the half year ended June 30, 2010	-	-	-	-	-	-
Balance as at July 1, 2010 (Audited)	5,491,053	4,127,682	480,000	8,603,344	13,211,026	18,702,079
Profit for the half year ended December 31, 2010	-	-	-	468,457	468,457	468,457
Other comprehensive income for the half year ended December 31, 2010	-	-	-	-	-	-
Final dividend for the year ended June 30, 2010 @ Rs 2.00 per share	-	-	-	(1,098,211)	(1,098,211)	(1,098,211)
Balance as at December 31, 2010 (Un-audited)	5,491,053	4,127,682	480,000	7,973,590	12,581,272	18,072,325

The annexed notes from 1 to 23 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



A. Rashid Lone
Chief Executive Officer



Selected Notes to the Condensed Interim Financial Information

for the Half Year ended December 31, 2010 (Un-Audited)

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Sui Northern Gas Pipelines Limited (the company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 21-Kashmir Road, Lahore. The principal activity of the company is the purchase, transmission, distribution and supply of natural gas.
- 1.2 This interim financial information is presented in Pak Rupee, which is the company's functional and presentation currency.

2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information is unaudited and is being submitted to shareholders, as required under section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 2.2 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 take precedence. This condensed interim financial information has been reviewed by the auditors of the company as required by the Code of Corporate Governance.
- 2.3 The condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2010.
- 2.4 The following amendments to standards are mandatory for the first time for the financial year beginning July 1, 2010:
 - IAS 1 (amendment), 'Presentation of financial statements.' The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
 - IAS 36 (amendment), 'Impairment of assets,' effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).



- IAS 38 (amendment), 'Intangible assets', effective January 1, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.
- IFRS 2, 'Share-based Payment-Group Cash-settled Share-based Payment Transactions' was amended by the International Accounting Standards Board (IASB) whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction. This amended IFRS is effective for the annual periods beginning on or after January 1, 2010.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investment (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and permanent employees in certain instances. For this purpose, SNGPL Employees Empowerment Trust (the Trust) was created on October 21, 2009. The Government of Pakistan transferred 12% shares from its holding (23,722,693 shares) in SNGPL to the Trust.

The Scheme provides for cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer the Scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or break-up value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, need to be accounted for by the covered



entities, including the company under the provisions of amended IFRS 2 - Shared Based Payment. Keeping in view the difficulties that may be faced under the Scheme, the company requested the Institute of Chartered Accountants of Pakistan (ICAP) to provide further guidance on the issue. ICAP has forwarded the issue to the Securities and Exchange Commission of Pakistan (SECP) for notification of exemption from application of IFRS 2. Pending the directive of SECP the company has not accounted for these transactions in this condensed interim financial information.

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, 2010.
- 3.2 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual published financial statements of the company for the year ended June 30, 2010.
- 3.3 Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

	Note	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees in thousand)			
4. Long term financing - Unsecured			
From financial institutions:			
World Bank loans - Foreign currency		-	326,653
Other loans - Local currency:			
- Loans		1,429,932	1,446,841
- Overdue interest on medium term loan		231,402	217,279
		1,661,334	1,664,120
		1,661,334	1,990,773
Less: Current portion shown under current liabilities			
World Bank loans - Foreign currency		-	326,653
Other loans - Local currency:			
- Loans		202,713	195,621
- Overdue interest on medium term loan		231,402	217,279
	6	434,115	739,553
		1,227,219	1,251,220

- 4.1 These loans carry mark-up at variable rates which range from 1.50% per annum to 14.66% per annum (June 30, 2010: 1.50% per annum to 15.21% per annum).



	Note	Un-audited December 31, 2010	Audited June 30, 2010
(Rupees in thousand)			
5. Trade and other payables			
Creditors for:			
Gas		51,601,280	46,064,977
Supplies		603,505	891,669
Accrued liabilities		1,663,570	3,365,702
Interest-free deposits repayable on demand		40,967	37,585
Earnest money received from contractors		29,491	31,365
Mobilization and other advances		874,138	740,710
Advance from customers		2,841,316	2,079,964
Gas development surcharge		-	1,306,926
Exchange risk and guarantee fees payable to the Government of Pakistan		-	8,181
Workers' Profit Participation Fund		114,351	224,786
Workers' Welfare Fund		32,271	76,629
Unclaimed dividend		190,730	58,255
		57,991,619	54,886,749
6. Current portion of long term financing			
Long term financing - unsecured	4	434,115	739,553

7 Contingencies and commitments

7.1 Contingencies

There is no significant change in contingencies from the preceding audited financial statements of the company for the year ended June 30, 2010, except for the matter stated below:

For the purpose of determining the final revenue requirement for the financial year 2009-10, Oil and Gas Regulatory Authority (OGRA) increased the Unaccounted For Gas (UFG) benchmark from 5% to 7% and also allowed the late payment surcharge and interest on gas sales arrears to be treated as non-operating income. However, in response to the review petition filed by the company for revision of estimated revenue requirement for the financial year 2010-11, OGRA in its decision dated December 2, 2010 revised the UFG benchmark from 7% to 4.625% and treated the late payment surcharge and interest on gas sales arrears as operating income. Had these financial statements been prepared in accordance with this decision of OGRA, the Company would have declared an after tax loss of Rs 1,587,382 thousand and a negative earning per share of Rs 2.89 for the half year ended December 31, 2010.

Aggrieved by the OGRA decision dated Dec 2, 2010, the Company filed a petition with the Honorable Lahore High Court. The Court vide its order dated January 17, 2011 has allowed the petition of the company in terms that for the purpose of calculating the prescribed price, UFG benchmark and the treatment of non-operating income of the company shall continue to be determined in accordance with the final revenue requirement for the financial year 2009-10 till such time that the UFG impact assessment study is carried out and produced before the court. Accordingly, the profit for the interim period ended December 31, 2010 has been calculated on the basis of the parameters applied by OGRA in determining the final revenue requirement for the financial year 2009-10.

The management of the company is of the view that since the ultimate decision



depends upon the results of the UFG impact assessment study which is yet to be carried out, it is not possible to determine the financial impact of the eventual outcome of the case at this stage as the parameters used to determine the revenue requirement are highly subjective.

7.2 Commitments

a) Capital commitments

Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:

	Note	Un-audited December 31, 2010 (Rupees in thousand)	Audited June 30, 2010
Property, plant and equipment		145,124	255,586
Intangible assets		27,599	30,906
Others		2,023,829	1,901,066
		2,196,552	2,187,558
b) Other commitments		221,034	146,386
8. Property, plant and equipment			
Opening book value		69,819,093	63,395,893
Additions during the period	8.1	5,292,946	13,469,912
		75,112,039	76,865,805
Disposals during the period (at book value)	8.2	(2,429)	(128,762)
Depreciation charged during the period		(3,666,365)	(6,917,950)
		(3,668,794)	(7,046,712)
Closing book value		71,443,245	69,819,093
Capital work-in-progress	8.3	15,785,098	16,553,986
		87,228,343	86,373,079
8.1 Additions during the period			
Freehold land		52,227	79,811
Building on freehold land		-	381
Transmission system		539,795	2,971,684
Distribution system		3,372,472	6,734,635
Consumer meter and town border stations		888,860	2,655,222
Telecommunication system and facilities		9,670	15,490
Compressor stations and equipment		133,317	490,230
Plant and machinery		220,254	270,263
Computers and ancillary equipment		47,975	12,411
Furniture and equipment		8,224	8,303
Tools and accessories		8,304	20,481
Transport vehicles		11,848	211,001
		5,292,946	13,469,912



	Note	Un-audited December 31, 2010	Audited June 30, 2010 (Rupees in thousand)
8.2 Disposals during the period			
Transmission system		-	127,423
Plant and machinery		-	2
Furniture and equipment		215	777
Transport vehicles		2,214	560
		2,429	128,762
8.3 Capital work-in-progress			
Transmission system		1,882,830	1,872,914
Distribution system		6,091,644	7,391,769
Stores and spares including in-transit Rs 462,119 thousand (June 30, 2010: Rs 292,522 thousand)		7,445,613	7,010,355
Advances for land		365,011	278,948
		15,785,098	16,553,986
9. Trade debts			
Considered good			
Secured		18,682,058	24,146,283
Unsecured	9.1	26,442,120	18,771,376
Accrued gas sales		(324,505)	(43,099)
		44,799,673	42,874,560
Considered doubtful		2,942,002	2,452,890
		47,741,675	45,327,450
Less: Provision for doubtful debts		(2,942,002)	(2,452,890)
		44,799,673	42,874,560

9.1 Included in trade debts is an amount receivable from Government owned power generation companies of Rs 6,460,380 thousand (June 2010: Rs 6,871,252 thousand) along with interest of Rs 2,307,851 thousand (June 2010: Rs 1,874,142 thousand) on delayed payments. While trade and other payables referred to in note 5 include an amount of Rs 40,464,319 thousand (June 2010: Rs 34,902,344 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 5,205,149 thousand (June 2010: Rs 3,864,987 thousand) on delayed payments. The settlement of these amounts is dependent upon the resolution of inter-corporate debt by the Government of Pakistan.



	Un-audited December 31, 2010	Audited June 30, 2010 (Rupees in thousand)
10. Loans and advances		
Loans due from employees - considered good	78,163	79,246
Advances - considered good		
Employees	11,369	5,821
Suppliers and contractors	82,242	144,334
	171,774	229,401
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	-	-
	171,774	229,401
11. Trade deposits and short term prepayments		
Trade deposits and prepayments	142,625	51,776
Less: Provision for doubtful receivables	(22,290)	(22,290)
	120,335	29,486
Current portion of long term prepayments	116,708	36,507
	237,043	65,993
12. Other receivables		
Exchange differences on long term loans recoverable from the Government of Pakistan	-	1,788,767
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	-	-
Differential margin receivable	2,144,298	-
Due from customers	379,512	314,538
Others	383,415	73,541
	2,907,225	2,176,846
13. Cash and bank balances		
Cash at banks:		
-Deposit accounts	2,628,048	1,696,263
-Current accounts	293,077	311,662
	2,921,125	2,007,925
Cash in hand	11,773	1,197
	2,932,898	2,009,122



	Quarter ended		Half Year ended	
	Un-audited December 31, 2010	Un-audited December 31, 2009	Un-audited December 31, 2010	Un-audited December 31, 2009
	(Rupees in thousand)			
14. Cost of gas sold				
Opening stock of gas in pipelines	830,402	582,935	741,128	783,362
Gas purchases:				
- Southern system	27,447,466	34,820,736	54,446,144	58,665,909
- Northern system	10,350,405	3,426,499	20,184,335	6,734,653
- Cost equalization adjustment	6,922,004	(15,305)	12,895,182	2,834,546
	44,719,875	38,231,930	87,525,661	68,235,108
	45,550,277	38,814,865	88,266,789	69,018,470
Less: Gas internally consumed	599,817	571,369	1,099,867	1,148,665
Closing stock of gas in pipelines	751,167	581,482	751,167	581,482
	1,350,984	1,152,851	1,851,034	1,730,147
Distribution cost	3,252,191	3,025,156	6,412,625	6,131,937
	47,451,484	40,687,170	92,828,380	73,420,260

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 12,895,182 thousand (December 31, 2009: Rs 2,834,546 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 20 to the condensed interim financial information.



	Quarter ended		Half Year ended	
	Un-audited December 31, 2010	Un-audited December 31, 2009	Un-audited December 31, 2010	Un-audited December 31, 2009
15. Other income	(Rupees in thousand)			
Income from financial assets				
Interest income on late payment of gas bills				
- Late payment surcharge	211,320	317,672	512,845	583,040
- Government owned power generation companies	103,902	1,551,899	433,709	1,551,899
- Others	156,259	22,250	197,537	22,250
Interest on staff loans and advances	7,870	7,740	15,748	15,127
Return on bank deposits	72,424	44,943	148,053	108,425
	551,775	1,944,504	1,307,892	2,280,741
Income from assets other than financial assets				
Net gain on sale of fixed assets	3,818	10,719	6,101	12,889
Net gain on coating of pipelines for SSGCL	274,537	-	274,537	-
Meter rentals and service income	282,513	281,401	560,681	548,946
Amortization of deferred credit	357,713	324,673	726,271	641,970
Insurance claim	767	78	880	94
	919,348	616,871	1,568,470	1,203,899
Others				
Sale of tender documents	436	694	583	1,160
Sale of scrap	165	8,549	29,441	8,549
Liquidated damages recovered	14,778	15,674	45,355	32,623
Gain on construction contracts	108,698	54,841	108,698	54,841
Bad debt recoveries	3,455	14,534	3,455	23,560
Take or pay income from industrial consumers	464,338	97,636	515,431	97,636
Miscellaneous	605	2,984	1,335	4,291
	592,475	194,912	704,298	222,660
	2,063,598	2,756,287	3,580,660	3,707,300

Interest approximating to Rs 618,583 thousand on gas sales arrears principally in respect of installments receivable from certain consumers has not been recognised in this condensed interim financial information as the recoverability of such amounts is not virtually certain and it is considered prudent not to recognise such interest as income until such time its recoverability is virtually certain.



		Quarter ended		Half Year ended	
		Un-audited December 31, 2010	Un-audited December 31, 2009	Un-audited December 31, 2010	Un-audited December 31, 2009
16. Other operating expenses		(Rupees in thousand)			
Workers' Profit Participation Fund	(457)	(19,557)	38,137	24,666	
Workers' Welfare Fund	9,257	(8,488)	33,236	19,532	
Exchange loss on gas purchases	218,701	256,378	43,427	212,130	
Loss on initial recognition of financial assets at fair value	369	19,406	509	23,967	
Donations	-	-	100	-	
	227,870	247,739	115,409	280,295	
17. Finance cost					
Included in finance cost is an amount of Rs 1,304,166 thousand (December 31, 2009 : Rs 2,538,524 thousand) in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 9.1.					
		Quarter ended		Half Year ended	
		Un-audited December 31, 2010	Un-audited December 31, 2009	Un-audited December 31, 2010	Un-audited December 31, 2009
18. Taxation		(Rupees in thousand)			
Current period					
-Current tax	74,426	191,173	553,400	379,747	
-Deferred tax	(86,405)	(313,788)	(317,520)	(211,813)	
	(11,979)	(122,615)	235,880	167,934	
Prior period - Current tax	(20,388)	-	(20,388)	-	
	(32,367)	(122,615)	215,492	167,934	
			Un-audited December 31, 2010	Un-audited December 31, 2009	
19. Cash generated from operations		Note	(Rupees in thousand)		
Profit before taxation			683,949	441,930	
Adjustment for:					
- Depreciation on property, plant and equipment			3,666,365	3,366,196	
- Amortization of intangible assets			59,625	13,127	
- Amortization of deferred credit			(726,271)	(641,970)	
- Provision for employees' retirement benefits and other obligations			389,463	414,715	
- Gain on disposal of property, plant and equipment			(6,101)	(12,889)	
- Finance cost			1,777,633	2,972,888	
- Return on bank deposits			(148,053)	(108,425)	
- Provision for doubtful debts			489,112	317,639	
- Stores and spare parts written off			2,569	2,269	
- Loss on initial recognition of financial assets at fair value			509	23,967	
- Interest income due to the impact of IAS 39			(10,364)	(9,511)	
Working capital changes	19.1		85,359	(1,865,133)	
			6,263,795	4,914,803	



	Half year ended	Half year ended
	Un-audited December 31, 2010	Un-audited December 31, 2009 (Rupees in thousand)
19.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	176,127	541,843
Stock-in-trade	(10,039)	201,880
Trade debts	(2,414,225)	(4,684,929)
Loans and advances	56,544	(170,348)
Other receivables	(730,379)	111,633
Trade deposits and short term prepayments	(171,050)	(151,943)
	(3,093,022)	(4,151,864)
(Decrease) / increase in current liabilities		
Trade and other payables	3,178,381	2,286,731
	85,359	(1,865,133)
19.2 Cash and cash equivalents		
Cash and bank balances	2,932,898	2,384,980
Short term running finance	(676,196)	(995,214)
	2,256,702	1,389,766

20. Incorporation of tariff requirements

- 20.1 Under the provisions of the license for transmission and distribution of natural gas granted to the company by 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 1, 2010 has been incorporated in the accounts for the period ended December 31, 2010 on the basis of final revenue requirement for the financial year 2009-10 due to the reason explained in note 7.1.
- 20.2 The company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rs 4,041,169 thousand (December 31, 2009: Rs 2,443,566 thousand) which is in excess of the UFG limit allowed by OGRA.



	Half year ended	Half year ended
	Un-audited December 31, 2010	Un-audited December 31, 2009 (Rupees in thousand)
21. Transactions with associates and related parties		
Gas sales	3,745,267	3,510,406
Purchase of materials	780,963	690,200
Purchase of gas	63,222,030	48,475,790
Service charges	20,468	16,780
Profit received on bank deposits	10,113	42,663
Contribution to defined contribution plans	135,337	82,107
Contribution to defined benefits plans	395,819	273,584
Insurance expenses	210,193	157,304
Insurance claims received	12,725	9,741
Dividend paid	294,681	-

22. Date of authorisation for issue

This condensed interim financial information was authorised for issue on February 23, 2011 by the Board of Directors of the company.

23. 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
For half year ended December 31, 2009			
Distribution cost	Selling cost	For better presentation	1,106,359
Distribution cost	Cost of gas sold	For better presentation	6,131,937
Distribution cost	Administrative expenses	For better presentation	16,780
For quarter ended December 31, 2009			
Distribution cost	Selling cost	For better presentation	621,426
Distribution cost	Cost of gas sold	For better presentation	3,025,156
Distribution cost	Administrative expenses	For better presentation	9,487
As at June 30, 2010			
Employee benefit-Non Current Assets	Employee benefit-Non Current Liabilities	For better presentation	785,158



Mian Misbah-ur-Rehman
Chairman



A. Rashid Lone
Chief Executive Officer



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