

3rd Quarter Accounts March 31, 2010 (Un-Audited)



Sui Northern Gas Pipelines Limited

## 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. Muhammad 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. Muhammad 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. Muhammad 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. Muhammad 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

Sui Northern Gas Pipelines Limited

## DIRECTORS' REVIEW

It gives me pleasure to present, on behalf of the Board of Directors, the financial statement of the Company for the third quarter ended March 31, 2010.

The gas sales for the period under review was Rs 115,949 million (Rs 124,639 million, March 31, 2009). The profit after tax as on March 31, 2010 was Rs 445 million (Rs 976 million, March 31, 2009).

The operational / financial highlights are as follows:-

	(Un-audited)			
	July - March		January - March	
	2010	2009	2010	2009
Gas sales (MMCF)	439,000	438,562	154,056	148,826
Gas sales net of GDS (Million Rs)	115,949	124,639	40,519	43,605
Cost of gas sold (Million Rs)	104,624	111,905	37,336	39,872
Profit before tax (Million Rs)	510	1,777	69	514
Profit after tax (Million Rs)	445	976	171	326
Earnings per share (Rupees )	0.81	1.78	0.31	0.59

During the period under review, Un-accounted For Gas (UFG) was higher than the benchmark set by the Regulator which seriously affected the profitability of the Company. However the Board of Directors have directed the executives and staff members of the Company to strive hard and make serious efforts to control UFG, so as to minimize its effect on the profitability of the Company.

### DEVELOPMENT PROJECTS

Transmission and Distribution pipeline projects of 667 Km were laid during the period under review. 274 Km lines were commissioned during the third quarter ended March 31, 2010. Enhancement of the network is aimed at extending gas facilities to new areas.

### PRESENT AND FUTURE PROJECTS

Project-IX undertaken for supply of gas from Manzalai gas field in Karak region is being concluded and all the work is expected to be completed by June 2010. In addition, a 8"x 156 Km Gas Transmission pipeline is due to be completed by the end of the current fiscal year in order to supply gas to various localities like Lower Dir in Khyber Pakhtoonkhwa & Kot Addu, Sammundri , Piplan etc. in Punjab.

SNGPL, as contractor has won jobs of national importance like Qadirpur Interim Compression Project involving installation of 14 Compressors at OGDCL's Qadirpur gas field. This project would be instrumental in enhancing our gas supply by 100 MMCFD. SNGPL has already mobilized its teams for execution of the project and milestone of completion of compressor foundations has already been reached ahead of schedule.

Oil and Gas Development Company Limited (OGDCL) has also awarded SNGPL a contract for laying 8" Diameter pipeline from NASHPA (Karak) well to Extended Well Test (EWT) facilities. The work is scheduled to be finished by the end of this fiscal year.

Contract with M/s MOL is in the process of finalization for a Blanket Service Order for Engineering & Construction works for future Oil & Gas Discoveries in TAL Block. Meanwhile work on Mamikhel-1 & Maramzai-1 flow lines is well underway and expected to be completed by June 2010. With the completion of gas well and gathering networks in the TAL Block, the total volume of gas added by M/s MOL to SNGPL's system would be between 250-300 MMCFD.

#### OVERSEAS PROJECTS

In order to expand SNGPL's business horizon and explore new business avenues beyond national borders, the Company has submitted a technical bid to Algerian National Oil & Gas Company SONATRACH against 24"/20" diameter, 502 Km International pipelines construction tender. Evaluation of technical bid is awaited.

The Managing Director visited Libya and met with leading oil & gas companies like National Gas Company (NGS), National Oil Corporation (NOC) and presented the Company's profile and services offered by its expertise. SNGPL has also offered to help in establishing an independent gas distribution company for Libya.

#### 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 to the same in future.

On behalf of the Board



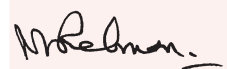
A. Rashid Lone  
Managing Director

LAHORE:  
April 20, 2010

## Balance Sheet

	Note	Un-audited March 2010 (Rupees in thousand)	Audited June 2009
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 1,500,000,000 ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital		5,491,053	5,491,053
Revenue reserves		11,101,790	10,656,463
Shareholders' equity		16,592,843	16,147,516
<b>NON-CURRENT LIABILITIES</b>			
Long term financing:			
-Secured	4	-	-
-Unsecured	5	1,489,444	1,798,312
Security deposits		13,156,412	11,439,969
Deferred credit		32,498,687	32,000,133
Deferred taxation		7,752,664	8,178,211
Employee benefits		685,919	392,249
		55,583,126	53,808,874
<b>CURRENT LIABILITIES</b>			
Short-term running finances-secured		995,214	950,858
Trade and other payables	6	57,197,764	49,950,241
Accrued mark up/ interest		3,857,922	552,160
Current portion of long term financing	7	796,778	1,102,980
		62,847,678	52,556,239
		135,023,647	122,512,629
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	-	-

The annexed notes form an integral part of these financial statements.



Mian Misbah-ur-Rehman  
Chairman

## As At March 31, 2010

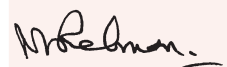
	Note	Un-audited March 2010 (Rupees in thousand)	Audited June 2009 (Rupees in thousand)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	82,828,465	78,345,432
Intangible assets		288,182	270,845
Investment in an associate		4,900	4,900
Long term loans		231,836	235,060
Employee benefits		389,499	347,547
Long term deposits and prepayments		7,015	7,482
		83,749,897	79,211,266
<b>CURRENT ASSETS</b>			
Stores and spare parts		1,373,254	2,171,953
Stock in trade- gas in pipelines		702,223	783,362
Trade debts	10	37,496,959	25,706,362
Loans and advances	11	442,002	136,766
Trade deposits and prepayments	12	152,079	93,573
Accrued interest		6,045	13,634
Other receivables	13	5,162,914	11,341,492
Sales tax recoverable		1,490,796	434,915
Taxation-net		1,363,294	1,302,429
Cash and bank balances	14	3,084,184	1,316,877
		51,273,750	43,301,363
		135,023,647	122,512,629

  
**A. Rashid Lone**  
 Managing Director

## Profit and Loss Account (Un-Audited) for the Period ended March 31, 2010

	Note	Quarter ended		Nine Months ended	
		March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
		( R u p e e s i n t h o u s a n d )			
Gas sales		47,594,973	42,094,533	122,943,351	119,105,250
Add / (Less): Differential margin / (Gas development surcharge)		(7,075,843)	1,510,207	(6,994,099)	5,533,736
Cost of gas sold	15	40,519,130 37,335,897	43,604,740 39,872,047	115,949,252 104,624,219	124,638,986 111,904,775
Gross profit		3,183,233	3,732,693	11,325,033	12,734,211
Rental and service income		374,465	234,679	923,411	719,437
Amortization of deferred credit		339,172	256,439	981,142	739,941
		3,896,870	4,223,811	13,229,586	14,193,589
Operating expenses:					
Distribution cost	16	3,799,201	3,778,373	11,054,277	10,485,061
Administrative expenses		533,155	371,601	1,432,065	1,154,537
Other operating expenses		(171,192)	52,369	109,102	1,799,342
		4,161,164	4,202,343	12,595,444	13,438,940
Other income	17	(264,294) 1,004,079	21,468 646,895	634,142 3,520,463	754,649 1,528,944
Operating profit		739,785	668,363	4,154,605	2,283,593
Finance cost	18	671,064	154,646	3,643,953	506,770
Profit before taxation		68,721	513,717	510,652	1,776,823
Taxation	19	(102,609)	187,820	65,325	801,142
Profit for the period		171,330	325,897	445,327	975,681
Earnings per share - basic and diluted (Rs)		0.31	0.59	0.81	1.78

The annexed notes form an integral part of these financial statements.



Mian Misbah-ur-Rehman  
Chairman

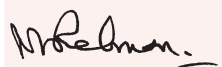


A. Rashid Lone  
Managing Director

**Statement of Other Comprehensive Income (Un-Audited)**  
for the Period ended March 31, 2010

	Quarter ended		Nine months ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	( R u p e e s i n t h o u s a n d )			
Profit for the period	171,330	325,897	445,327	975,681
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	171,330	325,897	445,327	975,681

The annexed notes form an integral part of these financial statements.



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director

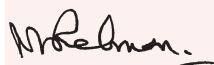


## Cash Flow Statement (Un-Audited)

for the Period ended March 31, 2010

	Note	Un-audited	
		Mar 2010	Mar 2009
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	20	9,905,455	7,860,128
Finance cost paid		(285,269)	(389,734)
Income taxes paid		(587,048)	(658,515)
Employee benefits paid/contributions paid		(416,761)	(289,854)
Security deposits received		1,716,444	1,636,929
Receipts against government grants and consumer contributions		1,501,697	4,709,118
Long term loans to employees		(24,416)	(25,574)
Long term deposits and prepayments		467	832
Net cash inflow from operating activities		11,810,569	12,843,330
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(9,551,618)	(14,683,236)
Capital expenditure on Intangible assets		(25,625)	(1,875)
Proceeds from sale of property, plant and equipment		14,434	26,358
Proceeds from sale of short term investments		-	524,228
Return on bank deposits		177,644	315,307
Net cash used in investing activities		(9,385,165)	(13,819,218)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing- unsecured		42,361	81,588
Repayment of long term financing- unsecured		(681,528)	(693,269)
Repayment of long term financing - secured		(62,500)	(537,500)
Dividend paid		(786)	(1,911,305)
Net cash used in financing activities		(702,453)	(3,060,486)
Net increase/(decrease) in cash and cash equivalents		1,722,951	(4,036,374)
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	2,088,970	4,100,774

The annexed notes form an integral part of these financial statements.



Mian Misbah-ur-Rehman  
Chairman

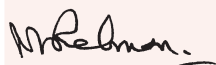


A. Rashid Lone  
Managing Director

## Statement of Changes in Equity (Un-Audited) for the Period ended March 31, 2010

	Share Capital	Revenue Reserves			Total	Total Share Holders' 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 01, 2008	5,491,053	4,127,682	480,000	7,040,114	11,647,796	17,138,849
Net profit for the period from July 01, 2008 to March 31, 2009	-	-	-	975,681	975,681	975,681
Final dividend for the year ended 30 June 2008 @ Rupees 3.00 per share	-	-	-	(1,921,869)	(1,921,869)	(1,921,869)
Balance as at March 31, 2009	5,491,053	4,127,682	480,000	6,093,926	10,701,608	16,192,661
Net profit for the period from April 01, 2009 to June 30, 2009	-	-	-	(45,145)	(45,145)	(45,145)
Balance as at July 01, 2009	5,491,053	4,127,682	480,000	6,048,781	10,656,463	16,147,516
Net profit for the period from July 01, 2009 to March 31, 2010	-	-	-	445,327	445,327	445,327
Balance as at March 31, 2010	5,491,053	4,127,682	480,000	6,494,108	11,101,790	16,592,843

The annexed notes form an integral part of these financial statements.



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director

## Notes to the Accounts (Un-Audited) for the Period ended March 31, 2010

### 1. THE COMPANY AND ITS OPERATIONS

- 1.1 Sui Northern Gas pipelines Limited is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.
- 1.2 These financial statements are presented in Pak Rupee, which is the company's functional and presentation currency.

### 2. BASIS OF PREPARATION

- 2.1 These financial statements have 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.
- 2.2 The accounting policies and methods of computation adopted for the preparation of these financial statements 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.
- 2.3 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. These financial statements have 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 these financial statements.

- 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 these financial statements of the company.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 3.1 The accounting policies, except for those mentioned in note 2.3 above, adopted for the preparation of these financial statements 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 Judgments and estimates used by the management in the preparation of these financial statements are same as those applied to the annual financial statements 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

	Un-audited Mar 2010 (Rupees in thousand)	Audited Jun 2009
From banking companies		
Standard Chartered Bank Syndicate (SCB-2) (b)	-	62,500
Less: Current portion shown under current liabilities	-	(62,500)
	-	-

	Un-audited Mar 2010 (Rupees in thousand)	Audited Jun 2009
<b>5 LONG TERM FINANCING - UNSECURED</b>		
From banking company/financial institution		
World bank loans - Foreign currency	326,653	943,532
Other loans - Local currency:		
- Loans	1,510,076	1,485,699
- Other liabilities	449,493	409,561
	1,959,569	1,895,260
Less: Current portion shown under current liabilities	2,286,222	2,838,792
World bank loans - Foreign currency	326,653	616,879
Other loans - Local currency:		
- Loans	224,600	178,076
- Other liabilities	245,525	245,525
	796,778	1,040,480
	1,489,444	1,798,312
5.1 The 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	53,970,381	45,225,670
Supplies	504,975	484,980
Accrued liabilities	1,670,675	2,944,785
Interest free deposits repayable on demand	34,164	25,708
Earnest money received from contractors	27,535	25,336
Mobilization and other advances	869,034	1,006,194
Exchange risk and guarantee fees payable to the Government of Pakistan	2,145	24,592
Workers' profit participation fund	46,744	118,559
Workers' welfare fund	13,791	35,311
Unclaimed dividend	58,320	59,106
	57,197,764	49,950,241
<b>7 CURRENT PORTION OF LONG TERM FINANCING</b>		
Long term financing - secured	-	62,500
Long term financing - unsecured	796,778	1,040,480
	796,778	1,102,980
<b>8. CONTINGENCIES AND COMMITMENTS</b>		
8.1 Contingencies		
There has been no significant change in contingencies since the date of		

preceding annual published financial statements except for the matter 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 these financial statements 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 back benefits, where applicable, will be paid to them on receipt of funds from Government of Pakistan (GoP). Out of 1,196 employees only 806 employees have joined the Company. No provision for back benefits have been made in these financial statements 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 off 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 these financial statements for the amount of bonus, as the company, based on 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.

	Note	Un-audited Mar 2010 (Rupees in thousand)	Audited Jun 2009
<b>8.2 Commitments:</b>			
a) Capital Commitments		3,464,036	4,379,275
b) Other Commitments		49,268	1,142,633
<b>9. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets			
Tangible			
Opening book value		63,395,893	51,895,290
Additions during the period/year		7,890,955	17,473,310
		71,286,848	69,368,600
Book value of property, plant and equipment disposed off during the period/year		(1,352)	(1,602)
Depreciation charged during the period/year		(5,110,572)	(5,971,105)
		(5,111,924)	(5,972,707)
Closing book value		66,174,924	63,395,893
Capital work in progress	9.1	16,653,541	14,949,539
		82,828,465	78,345,432
<b>9.1 Capital work-in-progress</b>			
Transmission system		2,074,619	2,333,874
Distribution system		7,471,424	6,127,208
Stores and spares including in transit Rs 504,037 thousand (June 2009: Rs 636,836 thousand)		6,808,652	6,304,123
Advances for land and other capital expenditure		298,846	184,334
		16,653,541	14,949,539

	Note	Un-audited Mar 2010 (Rupees in thousand)	Audited Jun 2009 (Rupees in thousand)
<b>10 TRADE DEBTS</b>			
Considered good:			
Secured		15,792,926	15,840,226
Unsecured	10.1	21,735,691	9,857,342
Accrued gas sales		(31,658)	8,794
		37,496,959	25,706,362
Considered doubtful		2,441,238	1,996,970
		39,938,197	27,703,332
Less: Provision made for doubtful debts		(2,441,238)	(1,996,970)
		37,496,959	25,706,362
<p>10.1 Included in trade debts is an amount receivable from Water and Power Development Authority of Rs 5,233,532 thousand along with interest of Rs 1,644,854 thousand on delayed payments. While trade and other payables referred to in note 6 include an amount of Rs 42,625,316 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 2,972,002 thousand on delayed payments. In addition, Rs 3,063,792 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.</p>			
<b>11 LOANS AND ADVANCES</b>			
Loans to employees - considered good		89,381	74,574
Advances - considered good:			
Other employees		7,891	3,783
Suppliers and Contractor		344,730	58,409
Advances to suppliers and contractors - considered doubtful		1,412	3,227
Less: Provision for doubtful receivables		1,412	3,227
		-	-
		442,002	136,766
<b>12 TRADE DEPOSITS AND PREPAYMENTS</b>			
Trade deposits and prepayments		91,452	100,977
Less: Provision for doubtful receivables		22,290	22,290
		69,162	78,687
Current portion of long term prepayments		82,917	14,886
		152,079	93,573



		Un-audited Mar 2010 (Rupees in thousand)	Audited Jun 2009	
13	OTHER RECEIVABLES	Note		
	Exchange differences on long term loans recoverable from the Government of Pakistan	1,863,088	1,080,249	
	Excise duty recoverable	108,945	108,945	
	Less: Provision for doubtful recoverable	108,945	108,945	
		-	-	
	Differential margin recoverable	3,063,792	10,057,891	
	Others	236,034	203,352	
		5,162,914	11,341,492	
13.1	This primarily represents deficit on account of tariff requirement determined under the provisions of the World Bank loan and licence issued to the Company.			
14	CASH AND BANK BALANCES			
	Deposit accounts	2,527,328	1,123,277	
	Current accounts	541,878	191,120	
		3,069,206	1,314,397	
	Cash in hand	14,978	2,480	
		3,084,184	1,316,877	
15.	COST OF GAS SOLD			
	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.7,853,662 thousand (March 31, 2009: Rs 20,929,689 thousand) as differential of cost for the equalization of cost of gas. It will have no effect on profit of the Company for the reason explained in Note 21 to the financial statements.			
16.	OTHER OPERATING EXPENSES			
	Quarter ended		Nine Months ended	
	Un-audited March 2010	Un-audited March 2009	Un-audited March 2010	
	Un-audited March 2009			
	( R u p e e s i n t h o u s a n d )			
Workers' Profit Participation Fund	3,503	27,427	28,169	94,685
Worker Welfare Fund	(5,741)	9,112	13,791	36,172
Exchange loss on gas purchases	(172,137)	2,117	39,993	1,614,112
Loss on initial recognition of financial assets at fair value	3,133	13,613	27,099	20,790
Donations	50	100	50	402
Others	-	-	-	33,181
	(171,192)	52,369	109,102	1,799,342

	Quarter ended		Nine Months ended	
	Un-audited March 31, 2010	Un-audited March 31, 2009	Un-audited March 31, 2010	Un-audited March 31, 2009
<b>17. OTHER INCOME</b>	( R u p e e s i n t h o u s a n d )			
Income from financial assets				
Late payment surcharge	567,733	525,048	1,173,023	977,718
Interest income on late payment of gas bills from WAPDA	92,955	-	1,644,854	-
Others	69,484	60,196	193,036	308,336
Income from assets other than financial assets	273,907	61,651	509,550	242,890
	1,004,079	646,895	3,520,463	1,528,944
<b>18. FINANCE COST</b>	Included in finance cost is an amount of Rs 2,972,002 thousand in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 10.1.			
<b>19. TAXATION</b>				
Current period				
Current tax	239,848	(119,715)	619,595	17,867
Deferred tax	(213,734)	307,535	(425,547)	599,370
Prior period				
Current tax	(128,723)	-	(128,723)	183,905
	(102,609)	187,820	65,325	801,142
<b>20. CASH GENERATED FROM OPERATIONS</b>		Un-audited Mar 2010 (Rupees in thousand)	Un-audited Mar 2009	
Profit before taxation		510,652	1,776,823	
Adjustment for non-cash charges and other items				
Depreciation - Own assets		5,110,572	4,317,374	
Amortization of intangible assets		8,288	14,830	
Employee benefits		622,880	515,462	
Net gain on sale of investments		-	(13,132)	
Amortization of deferred credit		(981,142)	(739,941)	
Finance cost		3,643,953	506,770	
Return on bank deposits		(170,055)	(287,888)	
Gain on sale of fixed assets		(13,083)	(25,544)	
Provision for doubtful debts		439,238	228,909	
Stores and spare parts written off		2,261	21,737	
Loss on initial recognition of financial assets at fair value		27,099	20,790	
Gain on initial recognition of financial liabilities at fair value		-	(7,615)	
Amortization of difference between initial and maturity amount		(14,266)	(12,446)	
Working capital changes (Note 20.1)		719,058	1,543,999	
		9,905,455	7,860,128	

	Un-audited Mar 2010 (Rupees in thousand)	Un-audited Mar 2009
<b>20.1 Working capital changes</b>		
(Increase) / decrease in current assets		
Stores and spare parts	798,699	417,994
Stock-in-trade - gas in pipelines	81,139	(209,310)
Trade debts	(12,229,835)	(13,335,477)
Loans and advances	(290,429)	(255,164)
Trade deposits and prepayments	(58,506)	(84,265)
Other receivables	5,122,697	(5,089,256)
	(6,576,235)	(18,555,478)
Increase / (decrease) in current liabilities		
Trade and other payables	7,295,293	20,099,477
	719,058	1,543,999
<b>20.2 Cash and cash equivalents</b>		
Cash and bank balances	3,084,184	5,100,774
Short term running finance	(995,214)	(1,000,000)
	2,088,970	4,100,774

## 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 (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, 2009 has been incorporated in the accounts for the period ended March 31, 2010.
- 21.2 The Company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rupees 4,139,654 thousand (March 31, 2009: Rupees 3,818,224 thousand) which is in excess of the UFG limit allowed by the Oil and Gas Regulatory Authority (OGRA).

## 22. DATE OF AUTHORISATION

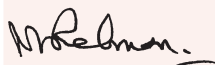
These financial statements were authorised for issue by the Board of Directors of the company on April 20, 2010.

### 23. CORRESPONDING FIGURES

- i) 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	161,489
Creditors for supplies	Accrued liabilities	For better presentation	101,285
Mobilization advance	Other receivables	For better presentation	(164,505)
Mobilization advance	Due to customers	For better presentation	1,006,194

- ii) Figures for the year ended June 30, 2009 are audited.



Mian Misbah-ur-Rehman  
Chairman



A. Rashid Lone  
Managing Director



### **Sui Northern Gas Pipelines Limited**

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](mailto:info@sngpl.com.pk)  
Website: [www.sngpl.com.pk](http://www.sngpl.com.pk)