



Delivery despite adversity

3rd

Quarter Accounts (Un-Audited)
for the period ended
March 31, 2012



Sui Northern Gas Pipelines Limited

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Our Vision & Mission

VISION

To be the leading integrated natural gas provider in the region seeking to improve the quality of life of our customers and achieve maximum benefit for our stakeholders by providing an uninterrupted and environment friendly energy resource.

MISSION

A commitment to deliver natural gas to all doorsteps in our chosen areas through continuous expansion of our network, by optimally employing technological, human and organizational resources, best practices and high ethical standards.



Corporate Information

BOARD OF DIRECTORS

Mian Misbah-Ur-Rehman	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mirza Mahmood Ahmad	Director
Mr. Nessar Ahmed	Director
Mr. Shabbir Ahmed	Director
Dr. Shahab Alam	Director
Mr. Ahmad Aqeel	Director
Mr. A. Samad Dawood	Director
Mr. Muhammad Arif Habib	Director
Mr. Muhammad Azam Khan	Director
Mr. Wazir Ali Khoja	Director
Mian Raza Mansha	Director
Mr. Azim Iqbal Siddiqui	Director
Mr. Shahid Aziz Siddiqui	Director

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Mr. Nessar Ahmed	Chairman
Mirza Mahmood Ahmad	Member
Mr. Ahmad Aqeel	Member
Mr. A. Samad Dawood	Member
Mr. Wazir Ali Khoja	Member
Mian Raza Mansha	Member
Mr. Shahid Aziz Siddiqui	Member

FINANCE COMMITTEE

Mr. Muhammad Azam Khan	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Shabbir Ahmed	Member
Dr. Shahab Alam	Member
Mr. Ahmad Aqeel	Member
Mr. Azim Iqbal Siddiqui	Member
Mr. Shahid Aziz Siddiqui	Member

HUMAN RESOURCE COMMITTEE

Mirza Mahmood Ahmad	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Dr. Shahab Alam	Member
Mr. Ahmad Aqeel	Member
Mr. Wazir Ali Khoja	Member
Mian Raza Mansha	Member
Mr. Azim Iqbal Siddiqui	Member

UNACCOUNTED FOR GAS (UFG) CONTROL COMMITTEE

Mr. Muhammad Arif Habib	Chairman
Mirza Mahmood Ahmad	Member
Mr. Nessar Ahmed	Member
Mr. Shabbir Ahmed	Member
Dr. Shahab Alam	Member
Mr. Ahmad Aqeel	Member
Mr. A. Samad Dawood	Member

DEPUTY MANAGING DIRECTOR (SERVICES)/ 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

SHARE REGISTRAR

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2nd Floor, 307-Upper Mall,
Opposite Lahore Gym Khana,
Near Mian Mir Bridge, Lahore-54000
Tel: +92-42-35789378-87
Fax: +92-42-35789340
Website: www.cdcPakistan.com

LEGAL ADVISORS

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

REGISTERED OFFICE

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P.O. Box No. 56, Lahore-54000 (Pakistan)
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Directors' Review

The Board of Directors is pleased to present the un-audited financial statements for the 3rd quarter and nine months ended March 31, 2012 of the Company. During the period under review, the Company earned a net profit of Rs. 1,014 million as against Rs. 415 million during the corresponding period last year. The earnings per share has also increased to Rs. 1.76 (Re. 0.72, March 31, 2011). The increase in net profit and subsequent increase in earnings per share is the reflection of concerted efforts of the Management and all staff members under the guidance of the Board of Directors, who put in their best endeavors to curb the increasing trend of Unaccounted For Gas (UFG). Several steps including, but not limited to, increased vigilance, leakage rectification and minimization of measurement errors etc. were taken, during the period under review. During the third quarter, due to adverse weather conditions, gas load management and shifting of gas supply from bulk to domestic sector, the Company observed a slight increase in UFG loss. However, the Management and the Board of the Company are not complacent and concerted efforts are being made to reduce the same.

As described in Note No. 8.1 of the Notes to the Accounts, 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, pending final decision by the Honorable Lahore High Court in this regard.

DEVELOPMENT PROJECT

Your Company commissioned 3,268 Km distribution lines and 10 Km transmission lines during the period under review while work on 80 Km transmission lines is in progress. Thus gas facility was extended to various localities / towns and industrial units across Punjab and Khyber Pukhtoonkhwa.

The Company carried out construction activities for Manzalai Field Development Project and Reti & Maru Field Development project worth Rs. 110 million.

FUTURE PROSPECTS

- In order to transport future indigenous and imported gases (1165-1290 MMCFD) from downstream of Sawan to specified delivery points, your Company has conceived an augmentation of existing 24" dia Sawan–Qadirpur section (SV4-SV5) with a 42" dia x 21.92 Km loopline at the cost of Rs. 1.863 billion on which the detailed design and material procurement work has been initiated. The project is likely to be completed by December 2012.
- The Company is also pursuing to undertake supply of Synthetic Natural Gas (LPG-Air Mix) as replacement of natural gas to help ease the prevailing energy crisis in the country. Company is also working to bottle and market LPG cylinders to the prospective areas to supplement the demand for energy.
- Detailed design of Iran Pakistan (IP) Gas pipeline project is underway and it is hoped that your Company would be able to get additional gas supply of 500 MMCFD in the years ahead.
- As mentioned above, due to the efforts made by the management and historical trend, UFG is expected to further reduce in the fourth quarter.



FUTURE PROSPECTS OF BUSINESS DEVELOPMENT

The Company is engaged in various pipeline construction projects for national and multinational companies. The relations with these companies have remained exemplary especially with M/s MOL Pakistan who after their first working interaction with SNGPL at Manzalai gas gathering system awarded the Company with jobs of Mamikhel-1 flowline, Maramzai-I flow line, Makori Feed line, Manzalai-8 flow line and recently Makori East Flow line. Besides this, MOL Pakistan has further desired to enter into five year contractual relationship with SNGPL and has suggested to sign blanket service order in this respect. Their future projects include Tolanj-1, Mamikhel-2, Manzalai-9, Maramzai-2, Manzalai-10, Manzalai-11, Mardankheil-1, Manzalai-12, Mardankheil-south etc.

In future, MOL Pakistan plan to initiate the working on Manzalai-9 flow line for which they have requested us to conduct preliminary survey work and prepare cost estimate. In this respect, SNGPL is quite hopeful in getting this job as well.

OGDCL awarded the Qadirpur compression project to the Company last year. SNGPL completed this project in record time facilitating the injection of additional gas supply to your Company. Recently OGDCL has awarded another pipeline project at its Reti & Maru gas field to SNGPL.

Having productive business relationships with both M/s MOL Pakistan & M/s OGDCL, it is expected that your Company would maintain the legacy of this business relationship which would be strengthened more in future.

ACKNOWLEDGEMENTS

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

On behalf of the Board



(MOHAMMAD ARIF HAMEED)

Managing Director

Lahore
April 27, 2012

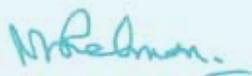


Balance Sheet (Un-Audited)

As at March 31, 2012

	Note	Un-audited	Audited
		March 2012	June 2011
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
1,500,000,000 ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital			
576,560,606 (June 30,2011: 549,105,339)			
ordinary shares of Rs 10 each		5,765,606	5,491,053
Revenue reserves		13,428,237	13,237,836
Shareholders' equity		19,193,843	18,728,889
NON-CURRENT LIABILITIES			
Long term financing:			
- Secured	4	8,750,000	9,500,000
- Unsecured	5	1,172,582	1,324,177
Security deposits		18,413,735	16,477,801
Deferred credit		32,158,802	32,768,270
Deferred taxation		8,140,713	8,369,991
Employee benefits		1,461,697	1,134,352
		70,097,529	69,574,591
CURRENT LIABILITIES			
Trade and other payables	6	61,192,350	41,138,261
Sales tax payable		1,221,243	65,234
Interest and mark-up accrued on loans			
and other payables		9,510,563	7,995,268
Short term borrowings-secured		607,162	1,000,000
Current portion of long term financing	7	1,581,234	232,651
		74,112,552	50,431,414
CONTINGENCIES AND COMMITMENTS	8	-	-
		163,403,924	138,734,894

The annexed notes from 1 to 25 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



	Note	Un-audited March 2012	Audited June 2011
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	89,728,648	89,498,248
Intangible assets		165,517	239,427
Long term Investment		4,900	4,900
Long term loans		251,925	224,434
Employee Benefits		1,473,211	1,294,002
Long term deposits and prepayments		6,573	6,519
		91,630,774	91,267,530
CURRENT ASSETS			
Stores and spares		1,918,686	1,620,200
Stock in trade- gas in pipelines		932,618	685,757
Trade debts	10	64,294,332	36,454,217
Loans and advances	11	427,735	176,417
Trade deposits and short term prepayments	12	245,246	143,561
Accrued interest		6,350	9,555
Other receivables	13	511,406	5,865,926
Taxation-net		496,283	557,671
Cash and bank balances	14	2,940,494	1,954,060
		71,773,150	47,467,364
		163,403,924	138,734,894



Mohammad Arif Hameed
Managing Director



Profit & Loss Account (Un-Audited)

For the period ended March 31, 2012

	Note	Quarter ended March 31		Nine months ended March 31	
		2012	2011	2012	2011
(Rupees in thousand)					
Gas sales		60,432,275	44,515,109	165,111,874	138,922,125
Add / (Less): Differential margin / (Gas development surcharge)		(6,152,202)	1,583,370	(8,607,202)	1,468,781
		54,280,073	46,098,479	156,504,672	140,390,906
Cost of gas sales	15	53,532,371	46,160,935	153,374,127	138,989,315
Gross profit/(loss)		747,702	(62,456)	3,130,545	1,401,591
Other Operating Income	16	2,069,087	2,321,523	5,333,016	5,902,181
		2,816,789	2,259,067	8,463,561	7,303,772
Operating expenses:					
Selling cost		575,071	697,621	2,078,178	2,016,573
Administrative expenses		691,413	631,905	1,893,030	1,780,669
Other operating expenses	17	56,046	(32,291)	366,764	83,118
		1,322,530	1,297,235	4,337,972	3,880,360
Operating profit		1,494,259	961,832	4,125,589	3,423,412
Finance cost	18	931,736	1,040,784	2,547,410	2,818,417
Profit before taxation		562,523	(78,952)	1,578,179	604,995
Taxation	19	196,879	(25,722)	564,120	189,771
Profit for the period		365,644	(53,230)	1,014,059	415,224
Earnings per share – basic and diluted (Rs)		0.64	(0.09)	1.76	0.72

The annexed notes from 1 to 25 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Statement of Other Comprehensive Income (Un-Audited)

For the period ended March 31, 2012

	Quarter ended March 31		Nine months ended March 31	
	2012	2011	2012	2011
	(Rupees in thousand)			
Profit for the period	365,644	(53,230)	1,014,059	415,224
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	365,644	(53,230)	1,014,059	415,224

The annexed notes from 1 to 25 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Cash Flow Statement (Un-Audited)

For the period ended March 31, 2012

	Note	Un-audited	Un-audited
		March 2012	March 2011
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	20	7,286,255	6,102,337
Finance cost paid		(999,643)	(294,687)
Income taxes paid		(713,732)	(258,132)
Employee benefits paid/contributions paid		(655,111)	(328,323)
Security deposits received		1,935,934	1,688,993
Receipts against government grants and consumer contributions		636,820	563,700
Long term loans to employees		(51,257)	17,643
Long term deposits and prepayments		(54)	2,006
Net cash inflow from operating activities		7,439,212	7,493,537
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(6,220,897)	(6,508,873)
Capital expenditure on Intangible assets		(3,459)	(666)
Proceeds from sale of property, plant and equipment		12,122	12,446
Return on bank deposits		272,252	247,900
Net cash used in investing activities		(5,939,982)	(6,249,193)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing – unsecured		3,690	20,000
Repayment of long term financing – unsecured		(78,053)	(396,849)
Proceed from long term financing – secured		500,000	–
Dividend paid		(545,595)	(1,091,186)
Net cash used in financing activities		(119,958)	(1,468,035)
Net increase/(decrease) in cash and cash equivalents		1,379,272	(223,691)
Cash and cash equivalents at the beginning of the period		954,060	1,009,122
Cash and cash equivalents at the end of the period	20.2	2,333,332	785,431

The annexed notes from 1 to 25 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Statement of Changes in Equity (Un-Audited)

For the period ended March 31, 2012

	Share capital	Revenue reserves				Total share holders' equity
		General reserve	Dividend		Total	
			equalization reserve	Unappropriated profit		
(Rupees in thousand)						
Balance as at July 01, 2010 (Audited)	5,491,053	4,127,682	480,000	8,603,344	13,211,026	18,702,079
Net profit for the period from July 01, 2010 to March 31, 2011	–	–	–	415,224	415,224	415,224
Final dividend for the year ended June 30, 2010 @ Rupees 2.00 per share	–	–	–	(1,098,211)	(1,098,211)	(1,098,211)
Bonus shares @ 10%	–	–	–	–	–	–
Balance as at March 31, 2011 (Un-audited)	5,491,053	4,127,682	480,000	7,920,357	12,528,039	18,019,092
Net profit for the period from April 01, 2011 to June 30, 2011	–	–	–	709,797	709,797	709,797
Balance as at July 01, 2011 (Audited)	5,491,053	4,127,682	480,000	8,630,154	13,237,836	18,728,889
Net profit for the period from July 01, 2011 to March 31, 2012	–	–	–	1,014,059	1,014,059	1,014,059
Bonus shares @ 5% for the year ended June 30, 2011	274,553	–	–	(274,553)	(274,553)	–
Final dividend for the year ended June 30, 2011 @ Rupees 1.00 per share	–	–	–	(549,105)	(549,105)	(549,105)
Balance as at March 31, 2012 (Un-audited)	5,765,606	4,127,682	480,000	8,820,555	13,428,237	19,193,843

The annexed notes from 1 to 25 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Notes to the Accounts (Un-Audited)

For the period ended March 31, 2012

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 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 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 2.2 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 take precedence.
- 2.3 These financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2011.
- 2.4 The following amendments to standards are mandatory for the first time for the financial year beginning July 01, 2011:
- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is not expected to have a material impact on the company's financial statements.
 - IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the company's financial statements.
 - IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment does not have a material impact on the company's financial statements.
 - IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment is not expected to have a material impact on the company's financial statements.
 - IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after July 1, 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) or where financial assets are not derecognised in their entirety. This amendment is not expected to have a material impact on the company's financial statements.
 - IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement', is effective for annual periods beginning on or after January 1, 2011. IFRIC 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. This amendment is not expected to have a material impact on the company's financial statements.



3. ACCOUNTING POLICIES AND ESTIMATES

- 3.1** The accounting policies 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, 2011.
- 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, 2011.
- 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 March 2012	Audited June 2011
(Rupees in thousand)			
4. LONG TERM FINANCING - SECURED			
From banking companies			
Local currency - syndicate term finance	4.1	7,000,000	7,000,000
		7,000,000	7,000,000
Other loans			
Musharaka arrangement	4.2	3,000,000	2,500,000
		10,000,000	9,500,000
Less: Current portion shown under current liabilities	7	1,250,000	–
		8,750,000	9,500,000

4.1

Lender	Mark-up rate p.a. (%)	No of instalments outstanding	Maturity date
		Half yearly	
Askari Bank Limited	Six month KIBOR+ 1.25% p.a.	8	June 30, 2016

This loan is secured by first parri passu created by way of hypothecation over all the present and future moveable fixed assets of the company.

4.2 Islamic Finance under diminishing musharaka

Lender	Mark-up rate p.a. (%)	No of instalments outstanding	Maturity date
		Half yearly	
Askari Bank Limited (the Investment Agent)	Six month KIBOR+ 1.25% p.a.	8	June 30, 2016

Assets under musharaka agreement are secured by a first parri passu created by way of hypothecation over movable fixed assets of the company.

	Note	Un-audited March 2012	Audited June 2011
(Rupees in thousand)			
5. LONG TERM FINANCING – UNSECURED			
Other loans - Local currency:			
– Loans		1,503,816	1,556,828
– Other liabilities		–	–
		1,503,816	1,556,828
Less: Current portion shown under current liabilities			
Other loans - Local currency:			
– Loans	7	331,234	232,651
– Other liabilities		–	–
		331,234	232,651
		1,172,582	1,324,177



Notes to the Accounts (Un-Audited)

For the period ended March 31, 2012

5.1 These loans carry mark-up at variable rates which range from 1.50% per annum to 15.00% per annum (June 30, 2011: 1.50% per annum to 14.88% per annum).

Note	Un-audited March 2012	Audited June 2011
(Rupees in thousand)		
6. TRADE AND OTHER PAYABLES		
Creditors for:		
Gas	51,321,143	34,006,332
Supplies	429,264	292,533
Accrued liabilities	4,417,246	4,442,368
Interest free deposits repayable on demand	66,466	49,187
Earnest money received from contractors	30,354	37,146
Mobilization and other advances	1,040,707	826,312
Advances from customers	35,884	1,271,687
Due to customers	10,821	7,388
Gas development surcharge	3,571,497	–
Workers' profit participation fund	200,862	106,268
Workers' welfare fund	–	34,444
Unclaimed dividend	68,106	64,596
	61,192,350	41,138,261

7. CURRENT PORTION OF LONG TERM FINANCING			
Long term financing - secured	4	1,250,000	–
Long term financing - unsecured	5	331,234	232,651
		1,581,234	232,651

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in contingencies from the preceding audited financial statements of the company for the year ended June 30, 2011, 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 and 2011-2012, OGRA in its decisions dated December 2, 2010 and May 24, 2011 respectively revised the UFG benchmark from 7% to 4.625% and 7% to 4.5% respectively and treated the late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by the OGRA's decisions dated December 2, 2010 and May 24, 2011, the company filed petitions with the Honorable Lahore High Court. The Court vide orders dated January 17, 2011 and July 13, 2011 respectively 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. The UFG impact assessment study has not been presented before the court. In view of the interim stay given by the Lahore High court, OGRA in its order dated September 21, 2011 has determined the revenue requirement of the company for the year 2010-11 on the basis of parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009-10 dated October 15, 2010. Accordingly, the profit for the period ended 31 March 2012 has been calculated on the basis of parameters applied by OGRA in determining the final revenue requirement for the financial year 2009-10.

Had these financial statements been prepared in accordance with the OGRA's decisions dated December 2, 2010 and May 24, 2011, the company for the period ended March 31, 2012 would have reported an after tax loss of Rs 2,112 million, a decrease in opening retained earnings by Rs 3,620 million, and a negative EPS of Rs 3.66.



	Note	Un-audited March 2012	Audited June 2011
(Rupees in thousand)			
8.2 Commitments:			
a) Capital Commitments			
Property, plant and equipment		119,368	1,779,824
Intangible assets		23,638	27,624
Others		1,629,972	1,263,467
		1,772,978	3,070,915
b) Other Commitments			
Others		562,217	177,172
9. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Tangible			
Opening book value		73,909,766	69,819,093
Additions during the period/year		7,099,053	11,732,076
		81,008,819	81,551,169
Book value of property, plant and equipment disposed off during the period/year		(1,310)	(3,058)
Depreciation charged during the period/year		(5,984,477)	(7,638,345)
		(5,985,787)	(7,641,403)
Closing book value		75,023,032	73,909,766
Capital work in progress	9.1	14,705,616	15,588,482
		89,728,648	89,498,248
9.1 Capital work-in-progress			
Transmission system		2,119,624	1,941,047
Distribution system		6,423,676	7,410,465
Stores and spares including in transit Rs 137,298 thousand (June 2011: Rs 223,147 thousand)		5,872,630	5,951,491
Advances for land and other capital expenditure		289,686	285,479
		14,705,616	15,588,482
10. TRADE DEBTS			
Considered good:			
Secured		20,000,120	16,976,848
Unsecured	10.1	44,702,337	19,536,334
Accrued gas sales		(408,125)	(58,965)
		64,294,332	36,454,217
Considered doubtful		4,712,889	4,092,110
		69,007,221	40,546,327
Less: Provision made for doubtful debts		(4,712,889)	(4,092,110)
		64,294,332	36,454,217



Notes to the Accounts (Un-Audited)

For the period ended March 31, 2012

10.1 Included in trade debts is an amount receivable from Government owned power generation companies and IPPs of Rs. 21,913,399 thousand (June 2011: 6,332,394 thousand) along with interest of Rs 4,094,156 thousand (June 2011: Rs 2,951,848 thousand) on delayed payments. While trade and other payables referred to in note 6 include an amount of Rs 38,259,749 thousand (June 2011: Rs 22,876,112 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 the interest on delayed payments of Rs 7,475,373 thousand (June 2011 Rs 6,717,045 thousand). The settlement of these amounts is dependent upon the resolution of inter-corporate debt by the Government of Pakistan.

Note	Un-audited March 2012	Audited June 2011
(Rupees in thousand)		
11. LOANS AND ADVANCES		
Loans to employees - considered good	86,236	85,516
Advances - considered good:		
Other employees	13,093	6,330
Suppliers and Contractor	328,406	84,571
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	3,227	3,227
	-	-
	427,735	176,417
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits and prepayments	170,334	111,786
Less: Provision for doubtful receivables	22,290	22,290
	148,044	89,496
Current portion of long term prepayments	97,202	54,065
	245,246	143,561
13. OTHER RECEIVABLES		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	108,945	108,945
	-	-
Differential margin recoverable	-	5,035,705
Due from customers	237,417	280,573
Current account with SSGC	152,026	415,826
Others	121,963	133,822
	511,406	5,865,926



	Note	Un-audited March 2012	Audited June 2011
		(Rupees in thousand)	
14. CASH AND BANK BALANCES			
Deposit accounts		2,476,245	1,432,225
Current accounts		453,622	520,686
		2,929,867	1,952,911
Cash in hand		10,627	1,149
		2,940,494	1,954,060

	Note	Quarter ended		Nine months ended	
		Un-Audited March 2012	Un-Audited March 2011	Un-Audited March 2012	Un-Audited March 2011
		(Rupees in thousand)			
15. COST OF GAS SALES					
Opening stock of gas in pipelines		835,734	751,167	685,757	741,128
Gas purchases					
– Southern system		31,646,210	27,198,775	89,438,337	81,644,919
– Northern system		11,220,283	10,588,888	32,788,975	30,773,223
– Gas purchase adjustment	15.1	7,727,956	5,570,651	22,607,141	18,465,833
		50,594,449	43,358,314	144,834,453	130,883,975
		51,430,183	44,109,481	145,520,210	131,625,103
Less: Gas internally consumed		593,139	536,554	1,575,084	1,636,421
Closing stock of gas in pipelines		932,618	770,251	932,618	770,251
		1,525,757	1,306,805	2,507,702	2,406,672
Distribution Cost		3,627,945	3,358,259	10,361,619	9,770,884
		53,532,371	46,160,935	153,374,127	138,989,315

- 15.1** In accordance with the policy guidelines issued by Government of Pakistan under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Company has entered into an agreement with Sui Southern Gas Company Limited (SSGCL) for uniform pricing of gas. Under this agreement, the company with a higher weighted average cost of gas will raise a demand to the other company of the amount necessary to equalize the cost of gas for both companies. As a consequence of this agreement SSGCL has raised a demand amounting to Rs. 22,607,141 thousand (March 31, 2011: Rs. 18,465,833 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.



Notes to the Accounts (Un-Audited)

For the period ended March 31, 2012

	Quarter ended		Nine months ended	
	Un-Audited March 2012	Un-Audited March 2011	Un-Audited March 2012	Un-Audited March 2011
(Rupees in thousand)				
16. OTHER OPERATING INCOME				
Income from financial assets				
Interest income on late payment of gas bills				
Late payment surcharge	421,512	495,437	1,234,237	1,008,282
Government owned power generation Companies	227,508	251,881	377,469	685,590
Others	559,292	563,972	1,081,246	761,509
Interest on staff loans and advances	8,943	7,966	25,741	23,714
Return on bank deposit	86,055	98,510	269,047	246,563
	1,303,310	1,417,766	2,987,740	2,725,658
Income from assets other than financial assets				
Net gain on sale of fixed assets	2,497	3,539	10,812	9,640
Net gain on coating of pipelines for SSGC	–	–	–	274,537
Meter Rentals and service income	289,447	263,983	938,716	824,664
Amortization of deferred Credit	427,554	381,323	1,246,287	1,107,594
Insurance claim	682	588	1,332	1,468
	720,180	649,433	2,197,147	2,217,903
Others				
Sale of tender documents	459	485	1,128	1,068
Sale of scrap	20,616	30,234	47,708	59,674
Credit balances written back	–	–	34,445	–
Liquidated damages recovered	20,863	63,278	47,281	108,633
Gain on construction contracts	–	–	8,869	108,698
Bad debt recoveries	3,157	1,511	6,468	4,966
Take or pay income from industrial consumers	–	(11,060)	–	504,371
Exchange gains on gas purchases	–	168,687	–	168,687
Miscellaneous	502	1,189	2,230	2,523
	45,597	254,324	148,129	958,620
	2,069,087	2,321,523	5,333,016	5,902,181

	Quarter ended		Nine months ended	
	Un-Audited March 2012	Un-Audited March 2011	Un-Audited March 2012	Un-Audited March 2011
(Rupees in thousand)				
17. OTHER OPERATING EXPENSES				
Workers' Profit Participation Fund	29,801	(3,960)	83,647	34,177
Worker Welfare Fund	–	3,710	–	36,946
Exchange loss on gas purchases	(2,400)	(43,427)	240,617	–
Loss on initial recognition of financial assets at fair value	28,645	11,286	39,900	11,795
Donations	–	100	2,600	200
	56,046	(32,291)	366,764	83,118

18. Included in finance cost is an amount of Rs 774,822 thousand (March 31, 2011: Rs 2,115,581 thousand) in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 10.1.



	Quarter ended		Nine months ended	
	Un-Audited March 2012	Un-Audited March 2011	Un-Audited March 2012	Un-Audited March 2011
(Rupees in thousand)				
19. TAXATION				
Current period				
Current tax	303,711	147,602	830,490	701,002
Deferred tax	(106,832)	(173,324)	(278,590)	(490,844)
	196,879	(25,722)	551,900	210,158
Prior period				
Current tax	–	–	12,220	(20,387)
	196,879	(25,722)	564,120	189,771

	Note	Un-audited March 2012	Un-audited March 2011
		(Rupees in thousand)	
20. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,578,179	604,995
Adjustment for non-cash charges and other items			
Depreciation - Own assets		5,984,477	5,528,168
Amortization of intangible assets		108,679	89,681
Employee benefits		776,642	633,564
Amortization of deferred credit		(1,246,287)	(1,107,594)
Finance cost		2,547,410	2,818,417
Return on bank deposits		(269,047)	(246,563)
Gain on sale of fixed assets		(10,812)	(9,640)
Provision for doubtful debts		620,779	746,767
Stores and spare parts written off		1	8,402
Loss on initial recognition of financial assets at fair value		39,900	11,795
Amortization of difference between initial and maturity amount		(16,854)	(15,547)
Working capital changes	20.1	(2,826,812)	(2,960,108)
		7,286,255	6,102,337
20.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares parts		(298,486)	127,808
Stock-in-trade - gas in pipelines		(246,861)	(29,123)
Trade debts		(28,460,895)	(4,370,073)
Loans and advances		(250,598)	(119,001)
Trade deposits and prepayments		(101,685)	(115,475)
Other receivables		5,354,519	(2,532,315)
		(24,004,006)	(7,038,179)
Increase/(decrease) in current liabilities			
Trade and other payables		21,177,194	4,078,071
		(2,826,812)	(2,960,108)
20.2 Cash and cash equivalents			
Cash and bank balances		2,940,494	1,783,317
Short term running finance		(607,162)	(997,886)
		2,333,332	785,431



Notes to the Accounts (Un-Audited)

For the period ended March 31, 2012

21. INCORPORATION OF TARIFF REQUIREMENTS

- 21.1 Under the provisions of the license for transmission and distribution of natural gas granted to the Company by Oil and Gas Regulatory Authority (OGRA), the Company is required to operate on an annual return of not less than 17.50% on the value of its fixed assets (net of deferred credit), before corporate income taxes, interest and other charges on debt after excluding interest, dividends and other non-operating income. Any deficit or surplus on account of this is recoverable from or payable to Government of Pakistan as differential margin or gas development surcharge respectively. The projected tariff from July 01, 2011 has been incorporated in the accounts for the period ended March 31, 2012 on the basis of final revenue requirement for the financial year 2009-10 due to the reason explained in note 8.1.
- 21.2 The Company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rupees. 6,078,565 thousand (March 31, 2011: Rupees 6,584,394 thousand).

22. TRANSACTIONS WITH RELATED ASSOCIATES AND RELATED PARTIES

Relationship with the Group	Nature of Transactions	Un-audited	Un-audited
		March 2012	March 2011
(Rupees in thousand)			
i) Related parties by virtue of common directorship and Govt. of Pakistan holdings			
	Gas sales	15,456,408	11,680,247
	Purchase of materials	1,631,098	2,209,420
	Purchase of gas	83,269,569	94,196,631
	Service charges	63,266	67,799
	Profit received on bank deposits	162,087	152,724
	Transportation charges	316,188	302,159
	Transmission charges	2,066	1,782
	Insurance expenses	139,735	161,722
	Insurance claims received	11,755	19,107
	Dividend paid	282,505	544,430
ii) Post employment benefit plans			
	Contribution to defined contribution plans	158,050	100,342
	Contribution to defined benefit plans	803,244	694,746
iii) Key management personnel			
	Salaries and other employee benefit	800,563	629,997
– Key management personnel comprises chief executive and any employee whose basic salary exceeds Rs 500,000 per annum.			

	Un-audited	Audited
	March 2012	June 2011
(Rupees in thousand)		
PERIOD END BALANCES		
Receivable from related parties	12,361,741	5,741,862
Payable to related parties	38,308,457	22,908,547

23. MATERIAL EVENT OCCURRING AFTER BALANCE SHEET DATE

After March 31, 2012, i.e., the balance sheet date, Tax authorities raised demands of Rs 11,199,403 thousand and Rs 8,314,252 thousand for tax year 2011 and 2010, respectively mainly by disallowing Cost Equalization Adjustment, Gas Development Surcharge while also adding back consumers contribution and government grants. Company has filed appeals against these demands with Commissioner Inland Revenue (Appeals). No provision has been made in these financial statements as management, based on opinion of the tax consultant, is confident of favourable outcome of the appeals.

24. DATE OF AUTHORISATION

- i) These financial statements were authorised for issue by the Board of Directors of the company on April 27, 2012.

25. 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. However no significant reclassification has been made.
- ii) Figures for the year ended June 30, 2011 are audited.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director





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