

1st Quarter Accounts  
September 30, 2010 (Un- Audited)



Sui Northern Gas Pipelines Limited



Conserve Energy  
Save National Wealth



Sui Northern Gas Pipelines Limited

## CONTENTS

<i>Corporate Information</i>	3
<i>Directors' Review</i>	4
<i>Balance Sheet</i>	6
<i>Profit and Loss Account</i>	8
<i>Statement of Other Comprehensive Income</i>	9
<i>Cash Flow Statement</i>	10
<i>Statement of Changes in Equity</i>	11
<i>Notes to the Accounts</i>	12



## 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. Sher Muhammad 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

### COMMITTEES OF THE BOARD OF DIRECTORS

#### AUDIT COMMITTEE

Mr. S. M. Asghar	Chairman
Mr. M. Iqbal Awan	Member
Mr. Sher Muhammad Khan	Member
Mr. A. Samad Dawood	Member
Mr. Abdul Bari Khan	Member
Mian Raza Mansha	Member
Malik Tahir Sarfraz	Member

#### FINANCE COMMITTEE

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

#### HUMAN RESOURCE COMMITTEE

Syed Zahir Ali Shah	Chairman
Mr. A. Rashid Lone	Managing Director
Mr. A. Samad Dawood	Member
Mr. Sher Muhammad Khan	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. S. M. Asghar	Member
Mr. Sher Muhammad Khan	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: +92-42-99201451-60, 99201419  
Fax: +92-42-99201302, 99201317  
E-mail: info@sngpl.com.pk  
Website: www.sngpl.com.pk



Sui Northern Gas Pipelines Limited

## DIRECTORS' REVIEW

We are pleased to present the un-audited Accounts of the Company for the first quarter ended September 30, 2010. The performance of the Company as compared to the corresponding period last year is highlighted below.

	(Un-audited) July - September	
	2010	2009
Gas sales (MMCF)	145,507	140,853
Gas sales net of GDS (Million Rs)	46,190	33,715
Cost of gas sales (Million Rs)	45,377	32,733
Profit before tax (Million Rs)	709	809
Profit after tax (Million Rs)	461	518
Earnings per share (Rupee)	0.84	0.94

The Company operates under a guaranteed 17.5% rate of return covenant. After making all adjustments in-line with the parameters set by Oil and Gas Regulatory Authority (OGRA), the total rate of return reduced from 17.5% to 4.57% by Rs. 1,783 million (Rs. 1,243 million Sep-2009) for expenses and UFG exceeding the prescribed targets. These deductions resulted in reduction of earnings per share by Rs. 2.11. The above results have been based on parameters set by the OGRA for FY 2009-10.

Despite all economic challenges and financial constraints the Company is maintaining its pace and the Board of Directors, Management and staff are confident that the Company will improve its performance.

### DEVELOPMENT PROJECTS

139 km transmission and distribution pipelines were completed during the period under review and 42 km were commissioned during first quarter of FY 2010-11 thus extending natural gas facility to various localities/towns and industrial units across Punjab and Khyber Pakhtoonkhwa. SNGPL also constructed and commissioned lines for M/s MOL. Qadirpur Interim Compression project of national importance was completed for Oil and Gas Development Company Limited (OGDCL) as an Engineer, Procurement and Construction (EPC) contractor, only finishing works remain pending. This project will help to boost depleting pressure of gas from Qadirpur Gas Field and after commissioning, 100 MMCFD gas will be re-claimed and injected into SNGPL's transmission network.



Currently, laying of various transmission spurs to extend natural gas supply to several localities is underway. Pipeline construction project in order to extend gas supply to Talash area in Lower Dir has commenced. Moreover, construction activities for laying distribution mains under Annual Distribution Development Program for various localities/villages across Punjab and Khyber Pakhtoonkhwa, are being carried out.

Pipeline jobs for removing operational constraints in transmission network are expected to be started in near future, after approval of the Regulator to rectify diminishing gas supplies to Murree from Pothohar gas fields and low gas pressures in winter seasons, in areas like Lala Musa /Jehlum.

#### **ACKNOWLEDGEMENTS**

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

On behalf of the Board



LAHORE:  
October 25, 2010

**(A. Rashid Lone)**  
Managing Director



## Balance Sheet

	Note	Un-audited September 2010 (Rupees in thousand)	Audited June 2010
<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		13,672,484	13,211,026
Shareholders' equity		19,163,537	18,702,079
<b>NON-CURRENT LIABILITIES</b>			
Long term financing:			
-Unsecured	4	1,252,991	1,251,220
Security deposits		15,462,477	14,899,244
Deferred credit		32,763,584	33,017,791
Deferred taxation		8,527,116	8,758,231
Employee benefits		559,016	453,628
		58,565,184	58,380,114
<b>CURRENT LIABILITIES</b>			
Short-term running finances-secured		964,671	1,000,000
Trade and other payables	5	54,584,911	54,886,749
Sales tax payable		302,540	152,708
Accrued mark up/ interest		5,195,714	4,560,734
Current portion of long term financing	6	419,961	739,553
		61,467,797	61,339,744
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	-	-
		139,196,518	138,421,937

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



**Mian Misbah-ur-Rehman**  
Chairman



## As At September 30, 2010

	Note	Un-audited September 2010 (Rupees in thousand)	Audited June 2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	87,090,719	86,373,079
Intangible assets		325,720	355,290
Investment in an associate company		4,900	4,900
Long term loans		213,128	227,848
Employee Benefits		447,263	492,112
Long term deposits and prepayments		7,663	9,006
		88,089,393	87,462,235
<b>CURRENT ASSETS</b>			
Stores and spares		1,656,041	1,669,121
Stock in trade- gas in pipelines		830,402	741,128
Trade debts	9	44,065,252	42,874,560
Loans and advances	10	598,447	229,401
Trade deposits and prepayments	11	345,668	65,993
Accrued interest		5,941	7,289
Other receivables	12	1,080,521	2,176,846
Taxation-net		734,647	1,186,242
Cash and bank balances	13	1,790,206	2,009,122
		51,107,125	50,959,702
		139,196,518	138,421,937



**A. Rashid Lone**  
Managing Director





## Profit and Loss Account (Un-Audited)

for the Period ended September 30, 2010

	Note	Quarter ended Sep 2010      Sep 2009 (Rupees in thousand)	
<b>GAS SALES</b>		47,867,981	37,410,881
<b>Add/ (Less): Differential margin/(Gas development surcharge)</b>		(1,678,287)	(3,695,528)
		46,189,694	33,715,353
<b>LESS: COST OF GAS SALES</b>	14	45,376,896	32,733,090
<b>GROSS PROFIT</b>		812,798	982,263
Other operating income	15	1,692,336	995,261
		2,505,134	1,977,524
<b>LESS: OPERATING EXPENSES</b>			
Selling cost		496,274	484,933
Administrative expenses		517,279	415,045
		1,013,553	899,978
<b>Operating Profit</b>		1,491,581	1,077,546
<b>LESS: Finance cost</b>	16	719,451	192,114
Other operating expenses	17	62,813	76,804
		782,264	268,918
<b>PROFIT BEFORE TAXATION</b>		709,317	808,628
<b>TAXATION</b>	18	247,859	290,549
<b>PROFIT AFTER TAXATION</b>		461,458	518,079
<b>BASIC EARNING PER SHARE (RUPEES)</b>		0.84	0.94

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 September 30, 2010

	Quarter ended Sep 2010 (Rupees in thousand)	Quarter ended Sep 2009
Profit for the period	461,458	518,079
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>461,458</b>	<b>518,079</b>

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



**Mian Misbah-ur-Rehman**  
Chairman



Sui Northern Gas Pipelines Limited



**A. Rashid Lone**  
Managing Director

## Cash Flow Statement (Un-Audited)

for the Period ended September 30, 2010

	Note	Quarter ended Sep 2010 (Rupees in thousand)	Quarter ended Sep 2009 (Rupees in thousand)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	19	2,093,218	3,308,986
Finance cost paid		(77,784)	(170,104)
Income taxes paid		(27,378)	(46,479)
Employee benefits paid/contributions paid		(81,345)	(87,220)
Security deposits received		563,233	1,285,920
Receipts against government grants and consumer contributions		114,351	231,639
Long term loans to employees		18,892	3,292
Long term deposits and prepayments		1,343	1,229
<b>Net cash inflow from operating activities</b>		2,604,530	4,527,263
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(2,535,452)	(3,622,899)
Capital expenditure on Intangible assets		(298)	-
Proceeds from sale of property, plant and equipment		3,426	2,189
Return on bank deposits		76,977	63,221
<b>Net cash used in investing activities</b>		(2,455,347)	(3,557,489)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing- unsecured		-	27,361
Repayment of long term financing- unsecured		(332,689)	(302,551)
Repayment of long term financing - secured		-	(62,500)
Dividend paid		(81)	(168)
<b>Net cash used in financing activities</b>		(332,770)	(337,858)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(183,587)	631,916
<b>Cash and cash equivalents at the beginning of the period</b>		1,009,122	366,019
<b>Cash and cash equivalents at the end of the period</b>	19.2	825,535	997,935

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 September 30, 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 )			
<b>Balance as at 01 July 2009</b>	<b>5,491,053</b>	<b>4,127,682</b>	<b>480,000</b>	<b>6,048,781</b>	<b>10,656,463</b>	<b>16,147,516</b>
Net profit for the period from July 01, 2009 to September 30, 2009	-	-	-	518,079	518,079	518,079
<b>Balance as at 30 September 2009</b>	<b>5,491,053</b>	<b>4,127,682</b>	<b>480,000</b>	<b>6,566,860</b>	<b>11,174,542</b>	<b>16,665,595</b>
Net profit for the period from October 01, 2009 to June 30, 2010	-	-	-	2,036,484	2,036,484	2,036,484
<b>Balance as at 01 July 2010</b>	<b>5,491,053</b>	<b>4,127,682</b>	<b>480,000</b>	<b>8,603,344</b>	<b>13,211,026</b>	<b>18,702,079</b>
Net profit for the period from July 01, 2010 to September 30, 2010	-	-	-	461,458	461,458	461,458
<b>Balance as at 30 September 2010</b>	<b>5,491,053</b>	<b>4,127,682</b>	<b>480,000</b>	<b>9,064,802</b>	<b>13,672,484</b>	<b>19,163,537</b>

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 September 30, 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 financial statements of the Company for the year ended June 30, 2010.
- 2.3 The following amendment to standards are for the first time applicable for the financial year beginning July 01, 2010.

IFRS 2 (amendment), 'Share-based payment -Group Cash-settled Share-based payment Transactions' effective from annual period beginning on or after January 01, 2010.

The Government of Pakistan on August 14, 2009 introduced Benazir Employees Stocks Option Scheme (BESOS), under which all employees of the state owned entities (SOEs) were given free of cost 12% shares from the Government's holding in SOEs. 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 management is of the opinion that keeping in view the spirit of the IFRS 2, it is not applicable to BESOS due to its unique nature and as such the terms of the scheme are not based on normal stock option scheme. Consequently, the Company has sought opinion from the Technical Advisory Committee of The Institute of Chartered Accountants of Pakistan (ICAP) regarding accounting and reporting implication of BESOS, under the applicable framework including the implication under IFRS2 (Share based payment). No adjustment has been made in the Company's financial statements as opinion from ICAP's Technical Advisory Committee is still awaited.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

- 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 financial statements of the company for the year ended June 30, 2010.
- 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, 2010.



	Un-audited Sep 2010 (Rupees in thousand)	Audited Jun 2010 (Rupees in thousand)
<b>4. LONG TERM FINANCING- UNSECURED</b>		
From banking company/financial institution		
World bank loans - Foreign currency	-	326,653
Other loans - Local currency:		
- Loans	1,448,612	1,446,841
- Other liabilities	224,340	217,279
	1,672,952	1,664,120
	1,672,952	1,990,773
Less: Current portion shown under current liabilities		
World bank loans - Foreign currency	-	326,653
Other loans - Local currency:		
- Loans	195,621	195,621
- Other liabilities	224,340	217,279
	419,961	739,553
	1,252,991	1,251,220
<b>4.1</b>	The loans carry mark-up at variable rates which range from 1.50% per annum to 15.21% per annum (June 30, 2010: 1.50% per annum to 15.21% per annum).	
<b>5. TRADE AND OTHER PAYABLES</b>	Un-audited Sep 2010 (Rupees in thousand)	Audited Jun 2010 (Rupees in thousand)
Creditors for:		
gas	43,911,315	46,064,977
supplies	1,024,835	891,669
Accrued liabilities	3,018,282	3,365,702
Interest free deposits repayable on demand	41,163	37,585
Earnest money received from contractors	30,139	31,365
Mobilization and other advances	833,836	740,710
Advances from customers	2,907,368	2,079,964
Gas development surcharge	2,395,726	1,306,926
Exchange risk and guarantee fees payable to the Government of Pakistan	-	8,181
Workers' profit participation fund	263,465	224,786
Workers' welfare fund	100,608	76,629
Unclaimed dividend	58,174	58,255
	54,584,911	54,886,749
<b>6. CURRENT PORTION OF LONG TERM FINANCING</b>		
Long term financing - unsecured	419,961	739,553
	419,961	739,553
<b>7. CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1 Contingencies</b>		
There has been no significant change in contingencies since the date of preceding annual financial statements .		



		Un-audited Sep 2010 (Rupees in thousand)	Audited Jun 2010
<b>7.2 Commitments:</b>			
a) <b>Capital Commitments</b>			
Property, plant and equipment		192,721	255,586
Intangible assets		27,550	30,906
Others		2,784,179	1,901,066
		3,004,450	2,187,558
b) <b>Other Commitments</b>			
Others		1,306,520	146,386
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets			
Tangible			
Opening book value		69,819,093	63,395,893
Additions during the period/year		3,662,554	13,469,912
		73,481,647	76,865,805
Book value of property, plant and equipment disposed off during the period/year		(1,143)	(128,762)
Depreciation charged during the period/year		(1,839,493)	(6,917,950)
		(1,840,636)	(7,046,712)
Closing book value		71,641,011	69,819,093
Capital work in progress	8.1	15,449,708	16,553,986
		87,090,719	86,373,079
<b>8.1 CAPITAL WORK-IN-PROGRESS</b>			
Transmission system		1,618,641	1,872,914
Distribution system		5,797,325	7,391,769
Stores and spares including in transit Rs 401,359 thousand (June 2010: Rs 292,522 thousand)		7,674,342	7,010,355
Advances for land and other capital expenditure		359,400	278,948
		15,449,708	16,553,986
<b>9. TRADE DEBTS</b>			
Considered good:			
Secured		18,849,644	24,146,283
Unsecured	9.1	25,258,707	18,771,376
Accrued gas sales		(43,099)	(43,099)
		44,065,252	42,874,560
Considered doubtful		2,560,540	2,452,890
		46,625,792	45,327,450
Less: Provision for doubtful debts		(2,560,540)	(2,452,890)
		44,065,252	42,874,560



9.1 Included in trade debts is an amount receivable from Government owned power generation companies of Rs. 7,081,776 thousand (June 2010: 6,871,252 thousand) along with interest of Rs 2,203,949 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 32,694,189 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 account of gas purchases along with interest of Rs 4,405,775 thousand (June 2010: Rs 3,864,987 thousand) on delayed payments. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

	Un-audited Sep 2010 (Rupees in thousand)	Audited Jun 2010
<b>10. LOANS AND ADVANCES</b>		
Loans to employees - considered good	80,116	79,246
Advances - considered good:		
Other employees	212,582	5,821
Suppliers and Contractor	305,749	144,334
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	3,227	3,227
	-	-
	598,447	229,401
<b>11. TRADE DEPOSITS AND PREPAYMENTS</b>		
Trade deposits and prepayments	189,871	51,776
Less: Provision for doubtful receivables	22,290	22,290
	167,581	29,486
Current portion of long term prepayments	178,087	36,507
	345,668	65,993
<b>12. OTHER RECEIVABLES</b>		
Exchange differences on long term loans recoverable from the Government of Pakistan	694,097	1,788,767
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	108,945	108,945
	-	-
Due from customers	314,538	314,538
Others	71,886	73,541
	1,080,521	2,176,846





	Un-audited Sep 2010 (Rupees in thousand)	Audited Jun 2010
<b>13. CASH AND BANK BALANCES</b>		
Deposit accounts	1,443,746	1,726,292
Current accounts	334,083	281,633
	1,777,829	2,007,925
Cash in hand	12,377	1,197
	1,790,206	2,009,122
	Un-audited Sep 2010 (Rupees in thousand)	Un-audited Sep 2009
<b>14. COST OF GAS SALES</b>		
Opening stock of gas in pipelines	741,128	783,362
Gas purchases		
- Southern system	26,998,678	23,845,173
- Northern system	9,833,930	3,308,154
- Gas purchase adjustment 14.1	5,973,178	2,849,851
	42,805,786	30,003,178
	43,546,914	30,786,540
Less: Gas internally consumed	500,050	577,296
Closing stock of gas in pipelines	830,402	582,935
	1,330,452	1,160,231
Distribution Cost	3,160,434	3,106,781
	45,376,896	32,733,090
<b>14.1</b>	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.5,973,178 thousand (September 30, 2009: Rs. 2,849,851 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 financial statements.	
	Un-audited Sep 2010 (Rupees in thousand)	Un-audited Sep 2009
<b>15. OTHER INCOME</b>		
Income from financial assets		
Interest income on late payment of gas bills		
- Late payment surcharge	301,525	265,368
- Government owned power generation companies	329,807	-
- Others	41,278	-
Interest on staff loans and advances	7,878	7,387
Return on bank deposit	75,629	63,482
Income from assets other than financial assets	936,219	659,024
	1,692,336	995,261



**16. FINANCE COST**

Included in finance cost is an amount of Rs 540,788 thousand (September 30,2009: Nil )in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 9.1

	Un-audited Sep 2010 (Rupees in thousand)	Un-audited Sep 2009
<b>17. OTHER OPERATING EXPENSES</b>		
Workers' Profit Participation Fund	38,594	44,223
Worker Welfare Fund	23,979	28,020
Loss on initial recognition of financial assets at fair value	140	4,561
Donations	100	-
	62,813	76,804
<b>18. TAXATION</b>		
Current period		
Current tax	478,974	188,574
Deferred tax	(231,115)	101,975
	247,859	290,549
<b>19. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	709,317	808,628
Adjustment for non-cash charges and other items		
Depreciation - Own assets	1,839,493	1,674,614
Amortization of intangible assets	29,868	4,943
Employee benefits	208,758	170,415
Amortisation of deferred credit	(368,558)	(317,297)
Finance cost	719,451	192,114
Return on bank deposits	(75,629)	(63,482)
Gain on sale of fixed assets	(2,283)	(2,170)
Provision for doubtful debts	115,237	121,599
Loss on initial recognition of financial assets at fair value	140	4,561
Amortisation of difference between initial and maturity amount	(5,182)	(4,755)
Working capital changes (Note 19.1)	(1,077,394)	719,816
	2,093,218	3,308,986
<b>19.1 Working capital changes</b>		
(Increase) / decrease in current assets		
Stores and spares parts	13,080	452,656
Stock-in-trade - gas in pipelines	(89,274)	200,427
Trade debts	(1,305,930)	1,812,683
Loans and advances	(368,176)	(389,893)
Trade deposits and prepayments	(279,675)	(233,231)
Other receivables	1,096,323	3,312,575
	(933,652)	5,155,217
Increase/(decrease) in current liabilities		
Trade and other payables	(143,742)	(4,435,401)
	(1,077,394)	719,816



	Un-audited Sep 2010 (Rupees in thousand)	Un-audited Sep 2009 (Rupees in thousand)
<b>19.2 Cash and cash equivalents</b>		
Cash and bank balances	1,790,206	1,888,071
Short term running finance	(964,671)	(890,136)
	825,535	997,935

## 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 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, 2010 has been incorporated in the accounts for the period ended September 30, 2010.

20.2 The Company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rupees.1,712,505 thousand (September 30, 2009: Rupees 1,135,161 thousand) which is in excess of the UFG limit allowed by the Oil and Gas Regulatory Authority (OGRA).

## 21. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the company on October 25, 2010.

## 22. 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-classification are as follows.

From	To	Reason	Amount (Rs in thousand)
Distribution cost	Selling cost	For better presentation	484,933
Distribution cost	Cost of Gas sales	For better presentation	3,106,781
Distribution cost	Administrative expenses	For better presentation	7,293

ii) Figures for the year ended June 30, 2010 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 54000, Pakistan.  
Tel: (+92-42) 99201451-60 & 99082000  
Fax: (+92-42) 99201317 & 99201302  
Email: [info@sngpl.com.pk](mailto:info@sngpl.com.pk)

Sahartech  
Tel: 36103223

[www.sngpl.com.pk](http://www.sngpl.com.pk)  
Helpline: 1199