



Resolute

amid challenges

1st
Quarter Accounts (Un-Audited)
for the period ended
September 30, 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. Manzoor Ahmed	Director
Mr. Nessar Ahmed	Director
Mr. Shabbir Ahmed	Director
Mr. Ahmad Aqeel	Director
Mr. Muhammad Arif Habib	Director
Mr. Muhammad Azam Khan	Director
Mian Raza Mansha	Director
Qazi Mohammad Saleem Siddiqui	Director
Mr. Shahid Aziz Siddiqui	Director
Mr. Zuhair Siddiqui	Director

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Mr. Nessar Ahmed	Chairman
Mirza Mahmood Ahmad	Member
Mr. Ahmad Aqeel	Member
Mr. Muhammad Arif Habib	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
Mr. Ahmad Aqeel	Member
Mr. Shahid Aziz Siddiqui	Member
Mr. Zuhair Siddiqui	Member

HUMAN RESOURCE COMMITTEE

Mirza Mahmood Ahmad	Chairman
Mr. Mohammad Arif Hameed	Managing Director
Mr. Ahmad Aqeel	Member
Mian Raza Mansha	Member
Qazi Mohammad Saleem Siddiqui	Member
Mr. Zuhair 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
Mr. Ahmad Aqeel	Member

CHIEF FINANCIAL OFFICER

Mrs. Uzma Adil Khan

COMPANY SECRETARY / SECRETARY TO SUB COMMITTEES OF THE BOARD

Miss Wajiha Anwar

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

SHARE REGISTRAR

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Website: www.cdcpakistan.com

LEGAL ADVISORS

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

REGISTERED OFFICE

Gas House,
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P.O. Box No. 56, Lahore-54000 (Pakistan)
Ph: +92-42-99080000, 99082000
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Directors' Review

The Board of Directors of SNGPL is pleased to present the un-audited financial statements for the 1st Quarter ended September 30, 2012. The gas sales for the period under review were 148,455 MMCF as against 144,946 MMCF during the same period last year. During the period under report, the Company has earned a profit after tax amounting to Rs 32 million (September 30, 2011: Rs 168 million), giving an EPS of Re. 0.05 (September 30, 2011: Re. 0.29).

Several steps including, but not limited to, increased vigilance, leakage rectification and minimization of measurement errors etc. were taken, therefore, the UFG percentage has decreased by 1.15% during the period under review from 11.88% in September 2011 to 10.73% in September 2012. However, the reduction in profit is attributable to the reduction in UFG bench mark from 7% to 4.5% by the OGRA in addition to treating the Late Payment Surcharge (LPS) as operating income.

While the Management of the Company is fully committed in reducing the UFG losses to a manageable position, the following factors beyond the control of the Company are in fact contributing towards the higher UFG loss:

- a) Cost of gas which is beyond the control of the Company has gradually increased from Rs. 159/ MMBTU in FY 05-06 to Rs. 343/ MMBTU in FY 12-13. This has resulted in increase in cost of UFG disallowance of 1.0% in 2005-06 from Rs 917 Million to Rs 2,047 Million in 2012-13. As a result the amount of UFG disallowance has increased significantly and it is likely that the Company would incur a loss during ensuing year for the first time since its inception. It is pertinent to mention that the Rate of Return allowed to the Company is based on historical cost of the net operating assets of the Company while the UFG disallowance is being calculated by the Regulator on current average cost of the gas.
- b) The Company gas supplies have been declining on an ongoing basis which has led to a lopsided change in bulk retail ratio. Unprecedented extension in distribution network, on the basis of GOP priorities, duly approved by OGRA, has also contributed to the same. Bulk retail ratio in FY 05-06 was 40:60 the year in which the UFG benchmarks were fixed in advance for 7 years has gradually changed to 24:76 in 2012-13, contributing to exceedingly high percentage of UFG. The UFG in bulk sector (Power, Cement, Fertilizer etc.) has historically been less than 0.5% while it tends to exceed above 15% in case of domestic consumers.
- c) The Company is unable to disconnect gas supplies to far flung, high UFG areas, where supply of gas is totally uneconomical. The Regulator has also failed to compensate the Company for uneconomic gas supply to remote areas, despite repeated requests.
- d) Deterioration of law and order in the troubled areas of the Company's area of operation and unprecedented increase in gas pilferage has also increased the UFG losses considerably.

In February 2013, Lahore High Court, Lahore dismissed Company's petitions for the year ended 2010-11 and 2011-12 through which Company had challenged OGRA's determinations dated December 2, 2010 and May 24, 2011 respectively. The Company has filed an appeal before the Honorable Supreme Court of Pakistan against this order of the Honorable Lahore High Court which is pending adjudication. While details of the matter are more fully explained in note 8.1 to the enclosed financial statements, the Company has not incorporated any adjustment in these financial statements which may arise in case the Final Revenue Requirements of the Company for these years are revised by OGRA. Had these financial statements been prepared in accordance with OGRA's decisions dated December 2, 2010 and May 24, 2011 in respect of FY 2010-11 and FY 2011-12, the profit before tax in these financial statements for the quarter ended September 30, 2012 would have been lower by Rs 12.8 billion (After tax Rs 8.361 billion) and would have a negative EPS of Rs 14.46 as at that date.

DEVELOPMENT PROJECT

The Company commissioned 494 KM distribution lines during 1st quarter of FY 2012-13 while work on 13 KM transmission lines and 935 KM distribution lines is in progress. Thus gas facility was extended to various localities / towns and industrial units across Punjab and Khyber Pukhtoonkhwa.

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. Government of Pakistan is pursuing number of



opportunities for bringing additional gases; into the system these include but are not limited to Iran-Pakistan (IP) Gas pipeline project, Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project, import of LNG and it is hoped that the Company would be able to get additional gas supply in the years ahead. The Company is an economical energy transporter in the Country.

FUTURE PROSPECTS

The Company is engaged in various pipeline construction projects of national and multinational companies. The relations with the companies for whom the Company rendered services 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 flow line, Maramzai-1 flow line, Makori Feed line, Manzalai-8 flow line, Makori East Flow line and recently Manzalai-9 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, Mamikkel-2, Maramzai-2, Manzalai-11, Mardankheil-1, Manzalai-12, Mardankheil-south etc. Lately, MOL Pakistan plan to initiate the working on Manzalai-10 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.

SNGPL has also got excellent working relationship with OGDCL who has awarded the Qadirpur compression project to SNGPL last year which involved the installation of 14 Nos. compressor packages including civil works, piping work and electrical & instrument work. SNGPL completed this project in minimum record time facilitating the injection of additional gas supply to SNGPL. Recently OGDCL has awarded the Company another pipeline project at its Reti & Maru gas field involving construction of 18 KM gathering mains of diameter 4"/6"/8" on which the work is nearing completion.

Having excellent relationship with both M/s MOL Pakistan & M/s OGDCL, it is expected that the Company would maintain the legacy of this business relationship which would further strengthen in future.

Recently, OMV Pakistan has floated tender documents for the construction of 16" NPS carbon steel flow line (approximately 45 KM long) to be laid from Latif North to Central Processing Plant at Sawan which will bring 120 MMCFD gas to the national grid. They have desired SNGPL, to participate in the tender. Furthermore, OMV Pakistan has included SNGPL in their list of pre-qualified pipeline construction contractors after scrutiny of our qualifications and technical credentials. SNGPL hopes to get this project by virtue of its qualification and technical expertise.

ACKNOWLEDGEMENT

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 during the period under review.

On behalf of the Board

(MOHAMMAD ARIF HAMEED)
Managing Director

Lahore.
August 19, 2013

Balance Sheet

As at September 30, 2012

	Note	Un-audited	Audited
		September 2012	June 2012
(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
<hr/>			
Issued, subscribed and paid up share capital 576,560,606 (June 30,2012: 576,560,606) ordinary shares of Rs 10 each		5,765,606	5,765,606
Revenue reserves		15,489,708	15,458,174
Shareholders' equity		21,255,314	21,223,780
NON-CURRENT LIABILITIES			
Long term financing:			
– Secured	4	7,500,000	7,500,000
– Unsecured	5	1,241,640	1,086,313
Security deposits		20,720,359	20,227,669
Deferred credit		32,824,209	33,315,790
Deferred taxation		8,807,063	9,066,835
Employee benefits		1,183,907	1,009,794
		72,277,178	72,206,401
CURRENT LIABILITIES			
Trade and other payables	6	75,676,375	65,288,560
Sales tax payable		1,412,333	1,070,339
Interest and mark-up accrued on loans and other payables		10,550,426	9,683,085
Short term borrowings-secured		855,174	1,000,000
Current portion of long term financing	7	2,848,932	2,853,581
		91,343,240	79,895,565
CONTINGENCIES AND COMMITMENTS			
	8	–	–
		184,875,732	173,325,746

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



Mian Misbah-ur-Rehman
Chairman



	Note	Un-audited	Audited
		September 2012	June 2012
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	92,083,242	92,769,426
Intangible assets		101,319	133,591
Long term investment		4,900	4,900
Long term loans		235,020	245,067
Employee Benefits		1,225,921	1,205,267
Long term deposits and prepayments		8,356	13,330
		93,658,758	94,371,581
CURRENT ASSETS			
Stores and spares		1,999,852	1,839,194
Stock in trade- gas in pipelines		814,695	848,671
Trade debts	10	82,960,620	73,330,850
Loans and advances	11	539,798	153,926
Trade deposits and short term prepayments	12	388,172	123,375
Accrued interest		15,497	15,814
Other receivables	13	145,985	82,424
Taxation-net		1,485,603	1,434,647
Cash and bank balances	14	2,866,752	1,125,264
		91,216,974	78,954,165
		184,875,732	173,325,746

Mohammad Arif Hameed
Managing Director

Profit & Loss Account (Un-Audited)

For the period ended September 30, 2012

	Note	Quarter ended September 30	
		2012	2011
		(Rupees in thousand)	
Gas sales		62,253,826	51,062,816
Add / (Less): Differential margin / (Gas development surcharge)		(7,237,441)	(2,531,352)
		55,016,385	48,531,464
Cost of gas sales	15	55,626,747	47,814,321
Gross profit/(loss)		(610,362)	717,143
Other Operating Income	16	3,539,231	1,521,201
		2,928,869	2,238,344
Operating expenses:			
Selling cost		1,128,232	631,092
Administrative expenses		756,901	542,337
Other operating expenses	17	4,722	39,893
		1,889,855	1,213,322
Operating profit		1,039,014	1,025,022
Finance cost	18	990,502	766,555
Profit before taxation		48,512	258,467
Taxation	19	16,978	90,285
Profit for the period		31,534	168,182
Earnings per share - basic and diluted (Rs)		0.05	0.29

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 September 30, 2012

	Quarter ended September 30	
	2012	2011
	(Rupees in thousand)	
Profit for the period	31,534	168,182
Other comprehensive income for the period	–	–
Total comprehensive income for the period	31,534	168,182

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 September 30, 2012

	Note	Quarter ended September 30	
		2012	2011
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	20	3,067,831	990,915
Finance cost paid		(107,700)	(202,793)
Income taxes paid		(327,704)	(33,681)
Employee benefits paid/contributions paid		(170,698)	(118,601)
Security deposits received		492,690	970,187
Receipts against government grants and consumer contributions		123,086	143,064
Long term loans to employees		14,575	7,431
Long term deposits and prepayments		4,974	(6)
Net cash inflow from operating activities		3,097,054	1,756,516
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(1,426,039)	(923,198)
Capital expenditure on Intangible assets		–	(3,459)
Proceeds from sale of property, plant and equipment		42	6,845
Return on bank deposits		123,738	99,755
Net cash used in investing activities		(1,302,259)	(820,057)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing- unsecured		100,004	–
Repayment of long term financing- unsecured		(6,369)	(6,368)
Dividend paid		(2,116)	(71)
Net cash used in financing activities		91,519	(6,439)
Net increase/(decrease) in cash and cash equivalents		1,886,314	930,020
Cash and cash equivalents at the beginning of the period		125,264	954,060
Cash and cash equivalents at the end of the period	20.2	2,011,578	1,884,080

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 September 30, 2012

	Share capital	General reserve	Revenue reserves			Total share holders' equity
			Dividend equalization reserve	Unappropriated profit	Total	
(Rupees in thousand)						
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 September 30, 2011	–	–	–	168,182	168,182	168,182
Balance as at September 30, 2011 (Un-audited)	5,491,053	4,127,682	480,000	8,798,336	13,406,018	18,897,071
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)
Net profit for the period from October 01, 2011 to June 30, 2012	–	–	–	2,875,814	2,875,814	2,875,814
Balance as at July 01, 2012 (Audited)	5,765,606	4,127,682	480,000	10,850,492	15,458,174	21,223,780
Net profit for the period from July 01, 2012 to September 30, 2012	–	–	–	31,534	31,534	31,534
Balance as at September 30, 2012 (Un-audited)	5,765,606	4,127,682	480,000	10,882,026	15,489,708	21,255,314

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 September 30, 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, 2012.

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, 2012.
- 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, 2012.

	Note	Un-audited	Audited
		September 2012	June 2012
(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			
Islamic Finance under Musharaka arrangement	4.2	3,000,000	3,000,000
		10,000,000	10,000,000
Less: Current portion shown under current liabilities	7	2,500,000	2,500,000
		7,500,000	7,500,000

4.1	Lender	Mark-up rate p.a. (%)	No of instalments outstanding	Maturity date
	Askari Bank Limited (the Investment Agent)	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 (excluding land and building) to the extent of PKR 10,769,231 thousands.



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 moveable fixed assets of the company (excluding land and building) to the extent of PKR 4,615,385 thousands.

	Un-audited	Audited
	September 2012	June 2012
(Rupees in thousand)		
5. LONG TERM FINANCING – UNSECURED		
Other loans – Local currency:		
– Loans	1,590,572	1,439,894
	1,590,572	1,439,894
Less: Current portion shown under current liabilities		
Other loans – Local currency:		
– Loans	348,932	353,581
	1,241,640	1,086,313

5.1 These loans carry mark-up at variable rates which range from 1.50% per annum to 15.00% per annum (June 30, 2012 : 1.50% per annum to 15.00% per annum).

	Un-audited	Audited
	September 2012	June 2012
(Rupees in thousand)		
6. TRADE AND OTHER PAYABLES		
Creditors for:		
Gas	44,961,265	45,280,900
Supplies	827,315	580,076
Accrued liabilities	3,603,179	4,794,404
Gas infrastructure development cess payable	9,013,867	4,409,324
Interest free deposits repayable on demand	71,382	68,819
Earnest money received from contractors	25,827	27,537
Mobilization and other advances	897,623	1,089,462
Due to customers	19,313	19,313
Gas development surcharge	15,816,888	8,579,446
Workers' profit participation fund	374,216	371,663
Unclaimed dividend	65,500	67,616
	75,676,375	65,288,560
7. CURRENT PORTION OF LONG TERM FINANCING		
Long term financing - secured	2,500,000	2,500,000
Long term financing - unsecured	348,932	353,581
	2,848,932	2,853,581

Notes to the Accounts (Un-Audited)

For the period ended September 30, 2012

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, 2012, 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 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 late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by OGRA's decisions dated December 2, 2010 and May 24, 2011, the Company filed petitions with the Honourable Lahore High Court against OGRA decisions. The Court vide orders dated January 17, 2011 and July 13, 2011 respectively granted interim relief for the purposes of calculating the prescribed price, UFG benchmark and the treatment of non-operating income of the Company. It was further held the OGRA shall continue to determine such amounts in accordance with the Final Revenue Requirement for the financial year 2009-10 till such time that an UFG impact assessment study is carried out and produced before the Court.

In view of the aforementioned interim relief given by the Lahore High Court, OGRA in its orders dated September 21, 2011 and February 01, 2013 has determined the revenue requirement of the Company for the year 2010-11 and FY 2011-12 on the basis of the same parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009-10 dated October 15, 2010. The Company's financial statements for these years were prepared accordingly.

On February 15, 2013, the Company's petitions were dismissed by Honourable Lahore High Court, Lahore that has also vacated the interim relief granted referred above. The Company has filed appeal before the Supreme Court of Pakistan against this order of the Lahore High Court which is pending adjudication.

Subsequent to the decision, inspite of repeated requests the revised FRRs for FY 2010-11 and FY 2011-12 have not yet been issued by OGRA. These condensed interim financial information have been finalized on the basis of the FRRs for FY 2010-11 and 2011-12 issued by OGRA without incorporating the financial impact of the matter referred above. It is one of the company's contentions, based on statutory framework and legal opinions obtained, that the financial statements can only be amended after the revised FRRs are issued.

The Company has not incorporated the effect of revision of UFG framework as well as treatment of LPS as operating income. This decision is based on the manner of operation of the statutory framework for revenue determination and the opinion of the Company's legal counsel, that inter alia the technical aspects and grounds raised by the Company in its challenge before the Honourable Supreme Court are sufficient in resulting in a likelihood of obtaining an order setting aside the matter to be decided on the basis of technical study and evaluation of the facts of the matter. It is also the company's further contention that:

- OGRA could not have set the UFG benchmark of SNGPL, without holding meaningful, purposive and consensus based consultation with SNGPL which it has not done.
- OGRA does not have the jurisdiction to treat incomes of SNGPL not arising out of the regulated / licensed activity of SNGPL as operating incomes for the purposes of tariff determination. LPS being income which does not form part of the regulated activity of SNGPL are therefore beyond OGRA's jurisdiction.

The company has not incorporated any adjustment in the financial statements which may arise in case the FRR orders for financial years 2010-11 and 2011-12 are revised on the basis of earlier decisions of OGRA.

Had these financial statements been prepared in accordance with OGRA's decisions dated December 2, 2010 and May 24, 2011 in respect of FY 2010-11 and FY 2011-12, the profit after tax in these financial statements for the period ended September 30, 2012 would have been lower by Rs 8,361 million and would have a negative EPS of Rs 14.46 as at that date.



	Note	Un-audited	Audited
		September 2012	June 2012
(Rupees in thousand)			
8.2 Commitments:			
a) Capital Commitments			
Property, plant and equipment		312,884	209,892
Intangible assets		24,296	24,214
Stores and Spares		3,110,658	2,577,912
		3,447,838	2,812,018
b) Other Commitments			
Others		528,499	313,848
9. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Tangible			
Opening book value		78,788,091	73,909,766
Additions during the period/year		3,692,849	13,089,631
		82,480,940	86,999,397
Book value of property, plant and equipment disposed off during the period/year		-	(1,624)
Depreciation charged during the period/year		(2,141,950)	(8,209,682)
		(2,141,950)	(8,211,306)
Closing book value		80,338,990	78,788,091
Capital work in progress	9.1	11,744,252	13,981,335
		92,083,242	92,769,426
9.1 Capital work-in-progress			
Transmission system		1,185,602	406,780
Distribution system		3,492,831	6,285,508
Stores and spares including in transit Rs 151,467 thousand (June 2012: Rs 282,672 thousand)		6,748,668	7,015,147
Advances for land and other capital expenditure		317,151	273,900
		11,744,252	13,981,335
10. TRADE DEBTS			
Considered good:			
Secured		25,142,239	25,286,222
Unsecured	10.1	57,906,789	48,169,362
Accrued gas sales		(88,408)	(124,734)
		82,960,620	73,330,850
Considered doubtful		6,429,987	5,830,472
		89,390,607	79,161,322
Less: Provision made for doubtful debts		(6,429,987)	(5,830,472)
		82,960,620	73,330,850

Notes to the Accounts (Un-Audited)

For the period ended September 30, 2012

- 10.1** Included in trade debts is an amount receivable from Government owned power generation companies and independent power producers of Rs. 38,786,595 thousand (June 2012: Rs. 31,360,209 thousand) along with interest of Rs.6,478,369 thousand (June 2012: Rs 5,156,218 thousand) on delayed payments. While trade and other payables referred to in note 6 include an amount of Rs 46,070,895 thousand (June 2012: Rs 40,248,300 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 and to Government of Pakistan on account of Gas development surcharge along with the interest on delayed payments of Rs 8,313,079 thousand (June 2012 Rs 7,918,264 thousand). The settlement of these amounts is dependent upon the resolution of inter-corporate debt by the Government of Pakistan.

	Un-audited September 2012	Audited June 2012
	(Rupees in thousand)	
11. LOANS AND ADVANCES		
Loans to employees - considered good	88,030	88,030
Advances - considered good:		
Other employees	276,879	3,621
Suppliers and Contractor	174,889	62,275
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	-	-
	539,798	153,926
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits and short term prepayments	263,059	100,208
Less: Provision for doubtful deposit	(22,290)	(22,290)
	240,769	77,918
Current portion of long term prepayments	147,403	45,457
	388,172	123,375
13. OTHER RECEIVABLES		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	-	-
Due from customers	56,466	56,466
Current account with SSGC	15,422	14,232
Others	74,097	11,726
	145,985	82,424
14. CASH AND BANK BALANCES		
Deposit accounts	2,639,247	766,653
Current accounts	216,942	356,276
	2,856,189	1,122,929
Cash in hand	10,563	2,335
	2,866,752	1,125,264



	Note	Quarter ended	
		Un-audited	Un-audited
		September 2012	September 2011
(Rupees in thousand)			
15. COST OF GAS SALES			
Opening stock of gas in pipelines		848,671	685,757
Gas purchases			
– Southern system		32,041,969	28,085,414
– Northern system		11,299,677	11,067,508
– Gas purchase adjustment	15.1	9,018,929	6,032,790
		52,360,575	45,185,712
		53,209,246	45,871,469
Less: Gas internally consumed		600,463	460,234
Closing stock of gas in pipelines		814,695	824,702
		1,415,158	1,284,936
Distribution Cost		3,832,659	3,227,788
		55,626,747	47,814,321

- 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.9,018,929 thousand (September 2011: Rs. 6,032,790 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.

	Quarter ended	
	Un-audited	Un-audited
	September 2012	September 2011
(Rupees in thousand)		
16. OTHER OPERATING INCOME		
Income from financial assets		
Interest income on late payment of gas bills		
Late payment surcharge	682,896	333,274
Government owned and other power generation Companies	1,498,883	64,824
Others	76,864	191,679
Interest on staff loans and advances	9,896	8,358
Return on bank deposit	123,421	97,032
	2,391,960	695,167
Income from assets other than financial assets		
Net gain on sale of fixed assets	42	8,229
Meter Rentals and service income	333,325	284,053
Amortization of deferred Credit	573,086	391,037
Insurance claim	159	133
	906,612	683,452

Notes to the Accounts (Un-Audited)

For the period ended September 30, 2012

	Quarter ended	
	Un-audited	Un-audited
	September 2012	September 2011
	(Rupees in thousand)	
Others		
Sale of tender documents	355	82
Sale of scrap	-	25,200
Liquidated damages recovered	15,023	16,847
Gain on construction contracts	174,707	-
Bad debt recoveries	4,671	1,212
Exchange gains on gas purchases	45,784	98,729
Miscellaneous	119	512
	240,659	142,582
	3,539,231	1,521,201
17. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund	2,553	14,808
Worker Welfare Fund	-	19,250
Loss on initial recognition of financial assets at fair value	2,134	3,335
Donations	35	2,500
	4,722	39,893
18.	Included in finance cost is an amount of Rs 394,947 thousand (September 2011 :Rs 168,583 thousand)in respect of late payment surcharge on account of overdue payables for gas purchases and GDS as referred to in note 10.1.	
	Note	
		Quarter ended
		Un-audited Un-audited
		September 2012 September 2011
		(Rupees in thousand)
19. TAXATION		
Current period		
Current tax	276,748	256,860
Deferred tax	(259,770)	(166,575)
	16,978	90,285
20. CASH GENERATED FROM OPERATIONS		
Profit before taxation	48,512	258,467
Adjustment for non-cash charges and other items		
Depreciation - Own assets	2,141,950	1,988,422
Amortization of intangible assets	32,273	30,270
Employee benefits	294,430	239,315
Amortization of deferred credit	(573,086)	(391,037)
Finance cost	990,502	766,555
Return on bank deposits	(123,421)	(97,032)
Gain on sale of fixed assets	(42)	(8,229)
Provision for doubtful debts	599,515	224,200
Loss on initial recognition of financial assets at fair value	2,134	3,335
Amortization of difference between initial and maturity amount	(6,662)	(5,618)
Working capital changes	20.1 (338,274)	(2,017,733)
	3,067,831	990,915



	Quarter ended	
	Un-audited	Un-audited
	September 2012	September 2011
	(Rupees in thousand)	
20.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares parts	(160,658)	(46,327)
Stock-in-trade - gas in pipelines	33,976	(138,945)
Trade debts	(10,229,286)	(6,155,590)
Loans and advances	(385,872)	(373,853)
Trade deposits and prepayments	(264,797)	(212,847)
Other receivables	(63,562)	2,546,478
	(11,070,199)	(4,381,084)
Increase/(decrease) in current liabilities		
Trade and other payables	10,731,925	2,363,351
	(338,274)	(2,017,733)
20.2 Cash and cash equivalents		
Cash and bank balances	2,866,752	2,479,860
Short term running finance	(855,174)	(595,780)
	2,011,578	1,884,080

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, 2012 has been incorporated in the accounts for the period ended September 31, 2012 on the basis of estimated revenue requirement for the financial year 2012-13.
- 21.2** The Company has also incorporated the financial effect of Unaccounted For Gas (UFG) benchmark limit determined by OGRA amounting to Rupees 3,102,849 thousand (September 2011: Rupees 2,177,015 thousand).
- 21.3** The Company's petition against OGRA's above determination is pending for adjudication in Honorable Supreme Court of Pakistan.

Notes to the Accounts (Un-Audited)

For the period ended September 30, 2012

22. TRANSACTIONS WITH RELATED ASSOCIATES AND RELATED PARTIES

Relationship with the Group	Nature of Transactions	Un-audited	Un-audited
		September 2012	September 2011
(Rupees in thousand)			
i) Related parties by virtue of common directorship and Govt. of Pakistan holdings	Gas sales	6,145,417	5,539,669
	Purchase of materials	361,387	310,442
	Purchase of gas	38,392,367	33,754,620
	Service charges	36,602	16,037
	Profit received on bank deposits	80,012	65,869
	Transportation charges	106,848	104,493
	Transmission charges	466	571
	Insurance expenses	52,868	46,578
	Insurance claims received	29,020	27,603
ii) Post employment benefit plans	Contribution to defined contribution plans	43,794	38,471
	Contribution to defined benefit plans	324,157	267,748
iii) Key management personnel	Salaries and other employee benefit	311,589	291,020

– Key management personnel comprises chief executive and any employee whose basic salary exceeds Rs 500,000 per annum.

PERIOD END BALANCES	Un-audited	Audited
	September 2012	June 2012
(Rupees in thousand)		
Receivable from related parties	18,918,667	15,821,657
Payable to related parties	30,261,182	31,679,126

23. DATE OF AUTHORISATION

- i) These financial statements were authorised for issue by the Board of Directors of the company on August 19, 2013.

24. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on February 13, 2013 has proposed a cash dividend in respect of the year ended June 30, 2012 of Rs 2.50 per share (2011: Rs 1 per share), amounting to Rs 1,441,401,515 (2011: Rs 549,105,339) and 10% bonus share (2011: 5%) in respect of the year ended June 30, 2012. The appropriation will be approved by the members in the forth coming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the period end.

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, 2012 are audited.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



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