



Delivery despite adversity

2nd
Quarter Accounts (Un-Audited)
for the period ended
December 31, 2011



Sui Northern Gas Pipelines Limited

Condensed Interim Financial Information (Un-Audited) for the Half Year Ended December 31, 2011

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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

SHARES REGISTRAR

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Tel: +92-42-35789378-87
Fax: +92-42-35789340
Website: www.cdcpakistan.com

LEGAL ADVISORS

M/s. SurrIDGE & 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 2nd quarter and half year ended December 31, 2011 of the Company. During the period under review, the Company earned a net profit of Rs. 648.415 million as against Rs. 468.457 million during the corresponding period last year. The earnings per share has also increased to Rs. 1.12 (Re. 0.81, December 31, 2010). 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 which resulted in reduction of Un-accounted 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. The Company is not complacent and concerted efforts are being made to further reduce UFG losses with the necessary support from the law enforcement agencies.

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 1476 KM distribution lines during the period under review while work on 90 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, Reti & Maru Field Development project worth Rs. 110 million and Mari Deep Pipeline project worth Rs. 53 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.

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 flow line, Maramzai-1 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.

SNGPL has also got fine working relationship with OGDCL who had 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 excellent relationship 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.

ACKNOWLEDGMENTS

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

On behalf of the Board



Mohammad Arif Hameed
Managing Director

Lahore.



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of Sui Northern Gas Pipelines Limited ("the company") as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of other comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with explanatory notes forming part thereof, for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to following matters, in respect of which our report is not qualified:

- a. As explained in note 8.1 to the attached condensed interim financial information, the revenue requirements for the financial years 2010-11 and 2011-12 are dependent upon the outcome of the case filed at the Lahore High Court by the company against Oil and Gas Regulatory Authority's decision in respect of provisional tariff determination.
- b. As explained in note 10.1 to the attached condensed interim financial information, the settlement of amounts receivable along with interest on delayed payments from government owned and independent power generation companies and amounts due to government owned entities on account of gas purchase along with interest on delayed payments is dependent upon the resolution on inter-corporate circular debt by the government of Pakistan.



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



M. Yousaf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Talat Javed
Lahore

Date: February 27, 2012



Condensed Interim Balance Sheet

	Note	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011 (Rupees in thousand)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 1,500,000,000 (June 30, 2011: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up capital 576,560,606 (June 30, 2011; 549,105,339) ordinary shares of Rs 10 each		5,765,606	5,491,053
Revenue reserves		13,062,593	13,237,836
Shareholders' equity		18,828,199	18,728,889
NON-CURRENT LIABILITIES			
Long term financing:			
-Secured	4	8,750,000	9,500,000
-Unsecured	5	1,241,311	1,324,177
Security deposits		17,841,799	16,477,801
Deferred credit		32,613,638	32,768,270
Deferred taxation		8,247,548	8,369,991
Employee benefits		1,441,399	1,134,352
		70,135,695	69,574,591
CURRENT LIABILITIES			
Trade and other payables	6	49,432,993	41,138,261
Sales tax payable		486,880	65,234
Interest and mark-up accrued on loans and other payables		8,618,999	7,995,268
Short term borrowings-secured		801,220	1,000,000
Current portion of long term financing	7	1,550,586	232,651
		60,890,678	50,431,414
CONTINGENCIES AND COMMITMENTS	8	-	-
		149,854,572	138,734,894

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



As At December 31, 2011 (Un-Audited)

	Note	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011 (Rupees in thousand)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	89,630,303	89,498,248
Intangible assets		198,112	239,427
Long term investment		4,900	4,900
Long term loans		217,915	224,434
Employee benefits		1,415,483	1,294,002
Long term deposits and prepayments		6,782	6,519
		91,473,495	91,267,530
CURRENT ASSETS			
Stores and spare parts		1,715,082	1,620,200
Stock in trade- gas in pipelines		835,734	685,757
Trade debts	10	50,525,073	36,454,217
Loans and advances	11	274,294	176,417
Trade deposits and short term prepayments	12	282,695	143,561
Accrued interest		11,324	9,555
Other receivables	13	3,092,837	5,865,926
Taxation-net		165,754	557,671
Cash and bank balances	14	1,478,284	1,954,060
		58,381,077	47,467,364
		149,854,572	138,734,894


Mohammad Arif Hameed
 Managing Director



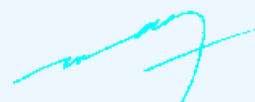
Condensed Interim Profit and Loss Account (Un-Audited) for the Half Year Ended December 31, 2011

	Note	Quarter ended		Half year ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Rupees in thousand)		(Rupees in thousand)	
Gas sales		53,616,783	46,539,035	104,679,599	94,407,016
Add / (Less): Differential margin / (Gas development surcharge)		76,352	1,563,698	(2,455,000)	(114,589)
		53,693,135	48,102,733	102,224,599	94,292,427
Cost of gas sold	15	52,027,435	47,451,484	99,841,756	92,828,380
Gross profit		1,665,700	651,249	2,382,843	1,464,047
Other Operating Income	16	1,841,457	2,063,598	3,263,929	3,580,660
		3,507,157	2,714,847	5,646,772	5,044,707
Less:					
Selling cost		872,015	822,678	1,503,107	1,318,952
Administrative expenses		659,280	631,485	1,201,617	1,148,764
Other operating expenses	17	369,554	227,870	310,718	115,409
		1,900,849	1,682,033	3,015,442	2,583,125
Operating profit		1,606,308	1,032,814	2,631,330	2,461,582
Less:					
Finance cost	18	849,119	1,058,182	1,615,674	1,777,633
Profit/ (loss) before taxation		757,189	(25,368)	1,015,656	683,949
Taxation	19	276,956	(32,367)	367,241	215,492
Profit for the period		480,233	6,999	648,415	468,457
Earnings per share - basic and diluted (Rs)		0.83	0.01	1.12	0.81

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director

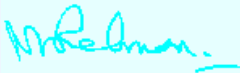


Condensed Interim Statement of other Comprehensive Income (Un-Audited)

for the Half Year Ended December 31, 2011

	Quarter ended		Half year ended	
	December 31, 2011 (Rupees in thousand)	December 31, 2010 (Rupees in thousand)	December 31, 2011 (Rupees in thousand)	December 31, 2010 (Rupees in thousand)
Profit for the period	480,233	6,999	648,415	468,457
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	480,233	6,999	648,415	468,457

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Condensed Interim Cash Flow Statement (Un-Audited)

for the Half Year Ended December 31, 2011

	Note	Half year ended	
		December 31, 2011 (Rupees in thousand)	December 31, 2010 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	3,089,706	6,263,795
Finance cost paid		(970,295)	(265,937)
Income taxes paid		(97,767)	(190,396)
Employee benefits / contributions paid		(349,930)	(222,892)
Security deposits received		1,363,998	943,575
Receipts against government grants and consumer contributions		664,101	372,724
Decrease in loans to employees		5,780	37,022
(Increase) / decrease in long term deposits and prepayments		(263)	1,571
Net cash generated from operating activities		3,705,330	6,939,462
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,098,335)	(4,520,274)
Purchase of intangible assets		(3,459)	(667)
Proceeds from sale of property, plant and equipment		9,615	8,530
Profit received on bank deposits		181,223	145,440
Net cash used in investing activities		(3,910,956)	(4,366,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing- unsecured		3,690	-
Proceeds from long term finances - secured		500,000	-
Repayment of long term finances - unsecured		(32,855)	(359,175)
Dividend paid		(542,205)	(965,736)
Net cash used in financing activities		(71,370)	(1,324,911)
Net (decrease)/increase in cash and cash equivalents		(276,996)	1,247,580
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	677,064	2,256,702

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Condensed Interim Statement of Changes in Equity (Un-Audited) for the Half Year Ended December 31, 2011

	Share Capital	Revenue Reserves			Total	Total Share holders' Equity
		General Reserve	Dividend Equalization Reserve	Un-appropriated 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
Profit for the half year ended December 31, 2010	-	-	-	468,457	468,457	468,457
Other comprehensive income for the half year ended December 31, 2010	-	-	-	-	-	-
Final dividend for the year ended June 30, 2010 @ Rupees 2.00 per share	-	-	-	(1,098,211)	(1,098,211)	(1,098,211)
Balance as at December 31, 2010 (Un-audited)	5,491,053	4,127,682	480,000	7,973,590	12,581,272	18,072,325
Profit for the half year ended June 30, 2011	-	-	-	656,564	656,564	656,564
Other comprehensive income for the half year ended June 30, 2011	-	-	-	-	-	-
Balance as at 01 July 2011 (Audited)	5,491,053	4,127,682	480,000	8,630,154	13,237,836	18,728,889
Profit for the half year ended December 31, 2011	-	-	-	648,415	648,415	648,415
Other comprehensive income for the half year ended December 31, 2011	-	-	-	-	-	-
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 December 31, 2011 (Un-audited)	5,765,606	4,127,682	480,000	8,454,911	13,062,593	18,828,199

The annexed notes from 1 to 24 form an integral part of the condensed interim financial information.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Selected Notes to the Condensed Interim Financial Information (Un-Audited)

for the Half Year Ended December 31, 2011

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information is unaudited and is being submitted to shareholders, as required under section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 2.2 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 take precedence. This condensed interim financial information has been reviewed by the auditors of the company as required by the Code of Corporate Governance.
- 2.3 The condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2011.
- 2.4 The following amendments to standards are mandatory for the first time for the financial year beginning July 1, 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, except for those mentioned in note 2.4 above, adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2011.
- 3.2 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual published financial statements of the company for the year ended June 30, 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 December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
4 LONG TERM FINANCING- SECURED			
From banking companies:			
Local currency - Syndicate term finance	4.1	7,000,000	7,000,000
Other loans:		7,000,000	7,000,000
Musharaka arrangement	4.2	3,000,000	2,500,000
Less: Current portion shown under current liabilities		1,250,000	-
		8,750,000	9,500,000



4.1 Local currency - syndicate term finance

Lender	Mark-up rate p.a. (%)	No of installments outstanding	Maturity date
Askari bank Ltd (the Investment Agent)	Six month KIBOR+ 1.25% p.a.	8 Half yearly installments	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 musharaka arrangement

Lender	Mark-up rate p.a. (%)	No of installments outstanding	Maturity date
Askari bank Ltd (the Investment Agent)	Six month KIBOR+ 1.25% p.a.	8 Half yearly installments	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 December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
5 LONG TERM FINANCING- UNSECURED			
Other loans - Local currency:		1,541,897	1,556,828
Less: Current portion shown under current liabilities	7	(300,586)	(232,651)
		1,241,311	1,324,177

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).

6 TRADE AND OTHER PAYABLES

Creditors for:		
Gas	45,974,032	34,006,332
Supplies	629,787	292,533
Accrued liabilities	1,522,890	4,442,368
Interest free deposits repayable on demand	61,944	49,187
Earnest money received from contractors	33,792	37,146
Mobilization and other advances	850,886	826,312
Advances from customers	109,992	1,271,687
Due to customers	10,821	7,388
Workers' profit participation fund	167,353	106,268
Workers' welfare fund	-	34,444
Unclaimed dividend	71,496	64,596
	49,432,993	41,138,261



	Note	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
7			
CURRENT PORTION OF LONG TERM FINANCING			
Long term financing - secured	5	1,250,000	-
Long term financing - unsecured		300,586	232,651
		1,550,586	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 half year ended December 31, 2011 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 half year ended December 31, 2011 would have reported an after tax loss of Rs 1,395 million, a decrease in opening retained earnings by Rs 3,620 million, and a negative EPS of Rs 2.42.



	Note	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
9. Property, plant and equipment			
Opening book value		73,909,766	69,819,093
Additions during the period	9.1	5,018,189	11,732,076
		78,927,955	81,551,169
Disposals during the period (at book value)	9.2	(1,300)	(3,058)
Depreciation charged during the period		(3,967,534)	(7,638,345)
		(3,968,834)	(7,641,403)
Closing book value		74,959,121	73,909,766
Capital work in progress	9.3	14,671,182	15,588,482
		89,630,303	89,498,248
9.1 ADDITIONS DURING THE PERIOD			
Freehold land		19,462	171,389
Building and construction on leasehold land		-	22,000
Building on freehold land		96,950	-
Transmission system		255,034	1,739,044
Distribution system		3,180,775	6,598,350
Consumer meter and town border stations		780,718	2,329,178
Telecommunication system and facilities		31,611	33,387
Compressor stations and equipment		378,685	360,701
Plant and machinery		149,211	316,056
Computers and ancillary equipment		36,424	84,641
Furniture and equipment		4,162	15,212
Tools and accessories		4,223	14,292
Transport vehicles		80,934	47,826
		5,018,189	11,732,076
9.2 DISPOSALS DURING THE PERIOD			
Telecommunication system and facilities		-	112
Plant and machinery		-	9
Furniture and equipment		235	285
Transport vehicles		1,065	2,652
		1,300	3,058
9.3 CAPITAL WORK-IN-PROGRESS			
Transmission system		1,930,768	1,941,047
Distribution system		5,706,215	7,410,465
Stores and spares including in-transit Rs. 252,807 thousand (June 2011: Rs. 223,147 thousand)		6,724,196	5,951,491
Advances for land and other capital expenditure		310,003	285,479
		14,671,182	15,588,482



	Note	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
10. TRADE DEBTS			
Considered good:			
Secured		18,169,166	16,976,848
Unsecured	10.1	32,779,536	19,536,334
Accrued gas sales		(423,629)	(58,965)
		50,525,073	36,454,217
Considered doubtful		4,677,546	4,092,110
Less: Provision made for doubtful debts		55,202,619 (4,677,546)	40,546,327 (4,092,110)
		50,525,073	36,454,217

10.1 Included in trade debts is an amount receivable from Government owned power generation companies and independent power producers of Rs. 16,206,008 thousand (June 2011: 6,322,394 thousand) along with interest of Rs 3,267,465 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 32,874,313 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 interest of Rs 7,108,112 thousand (June 2011 Rs 6,717,045 thousand) on delayed payments. The settlement of these amounts is dependent upon the resolution of inter-corporate debt by the Government of Pakistan.

	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
11 LOANS AND ADVANCES		
Loans due from employees - considered good	86,236	85,516
Advances - considered good:		
Employees	20,296	6,330
Suppliers and Contractor	167,762	84,571
	274,294	176,417
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	-	-
	274,294	176,417



	Note	Un-audited December 31, 2011 (Rupees in thousand)	Audited June 30, 2011
12	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Trade deposits and prepayments	217,174	111,786
	Less: Provision for doubtful receivables	(22,290)	(22,290)
		194,884	89,496
	Current portion of long term prepayments	87,811	54,065
		282,695	143,561
13	OTHER RECEIVABLES		
	Excise duty recoverable	108,945	108,945
	Less: Provision for doubtful recoverable	(108,945)	(108,945)
		-	-
	Differential margin receivable	2,580,705	5,035,705
	Due from customers	237,417	280,573
	Current account with Sui Southern Gas Company Limited	151,883	415,826
	Others	122,832	133,822
		3,092,837	5,865,926
14	CASH AND BANK BALANCES		
	Cash at banks:		
	Deposit accounts	1,277,272	1,432,225
	Current accounts	191,023	520,686
		1,468,295	1,952,911
	Cash in hand	9,989	1,149
		1,478,284	1,954,060



	Note	Quarter ended		Half year ended	
		Un-audited December 31, 2011	Un-audited December 31, 2010	Un-audited December 31, 2011	Un-audited December 31, 2010
15. COST OF GAS SOLD		(Rupees in thousand)		(Rupees in thousand)	
Opening stock of gas in pipelines		824,702	830,402	685,757	741,128
Gas purchases					
- Southern system		29,706,713	27,447,466	57,792,127	54,446,144
- Northern system		10,501,184	10,350,405	21,568,692	20,184,335
- Cost equalization adjustment	15.1	8,846,395	6,922,004	14,879,185	12,895,182
		49,054,292	44,719,875	94,240,004	87,525,661
		49,878,994	45,550,277	94,925,761	88,266,789
Less: Gas internally consumed		521,711	599,817	981,945	1,099,867
Closing stock of gas in pipelines		835,734	751,167	835,734	751,167
		1,357,445	1,350,984	1,817,679	1,851,034
Distribution Cost		3,505,886	3,252,191	6,733,674	6,412,625
		52,027,435	47,451,484	99,841,756	92,828,380

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. 14,879,185 thousand (December 31, 2010: Rs.12,895,182 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 condensed interim financial information.



	Quarter ended		Half year ended	
	Un-audited December 31, 2011 (Rupees in thousand)	Un-audited December 31, 2010 (Rupees in thousand)	Un-audited December 31, 2011 (Rupees in thousand)	Un-audited December 31, 2010 (Rupees in thousand)
16 OTHER OPERATING INCOME				
Income from financial assets				
Interest income on late payment of gas bills:				
Late payment surcharge	479,451	211,320	812,725	512,845
Government owned and other power generation companies	410,912	256,213	615,241	586,020
Others	4,500	3,948	56,674	45,226
Interest on staff loans and advances	8,440	7,870	16,798	15,748
Return on bank deposit	85,960	72,424	182,992	148,053
	989,263	551,775	1,684,430	1,307,892
Income from assets other than financial assets				
Net gain on sale of fixed assets	86	3,818	8,315	6,101
Net gain on coating of pipelines for SSGCL	-	274,537	-	274,537
Meter rentals and service income	365,215	282,513	649,268	560,681
Amortization of deferred credit	427,696	357,713	818,733	726,271
Insurance claim	517	767	650	880
	793,514	919,348	1,476,966	1,568,470
Others				
Sale of tender documents	587	436	669	583
Sale of scrap	1,892	165	27,092	29,441
Credit balances written back	34,445	-	34,445	-
Liquidated damages recovered	9,571	14,778	26,418	45,355
Gain on construction contracts	8,869	108,698	8,869	108,698
Bad debt recoveries	2,099	3,455	3,311	3,455
Take or pay income from industrial consumer	-	464,338	-	515,431
Miscellaneous	1,217	605	1,729	1,335
	58,680	592,475	102,533	704,298
	1,841,457	2,063,598	3,263,929	3,580,660

Interest approximating to Rs 182,181 thousand on gas sales arrears principally in respect of installments receivable from certain consumers has not been recognised in this condensed interim financial information as the recoverability of such amounts is not virtually certain and it is considered prudent not to recognise such interest as income until such time its recoverability is virtually certain.



	Quarter ended		Half year ended	
	Un-audited December 31, 2011 (Rupees in thousand)	Un-audited December 31, 2010	Un-audited December 31, 2011 (Rupees in thousand)	Un-audited December 31, 2010
17. OTHER OPERATING EXPENSES				
Workers' Profit Participation Fund	39,038	(457)	53,846	38,137
Worker Welfare Fund	(19,250)	9,257	-	33,236
Exchange loss on gas purchases	341,746	218,701	243,017	43,427
Loss on initial recognition of financial assets at fair value	7,920	369	11,255	509
Donations	100	-	2,600	100
	369,554	227,870	310,718	115,409

18. FINANCE COST

Included in finance cost is an amount of Rs 407,561 thousand (December 31, 2010: Rs 1,304,166 thousand) in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 10.1.

19. TAXATION

Current period				
Current tax	269,919	74,426	526,779	553,400
Deferred tax	(5,183)	(86,405)	(171,758)	(317,520)
	264,736	(11,979)	355,021	235,880
Prior period	12,220	(20,388)	12,220	(20,388)
	276,956	(32,367)	367,241	215,492



	Note	Half year ended	
		Un-audited December 31, 2011 (Rupees in thousand)	Un-audited December 31, 2010
20. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,015,656	683,949
Adjustment for:			
Depreciation on property, plant and equipment		3,967,534	3,666,365
Amortization of intangible assets		76,084	59,625
Amortization of deferred credit		(818,733)	(726,271)
Provision for employees' retirement benefits and other obligations		501,632	389,463
Gain on disposal of property, plant and equipment		(8,315)	(6,101)
Finance cost		1,615,674	1,777,633
Return on bank deposits		(182,992)	(148,053)
Provision for doubtful debts		585,436	489,112
Stores and spare parts written off		-	2,569
Loss on initial recognition of financial assets at fair value		11,255	509
Interest income due to the impact of IAS 39		(11,236)	(10,364)
Working capital changes	20.1	(3,662,289)	85,359
		3,089,706	6,263,795
20.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares parts		(94,882)	176,127
Stock-in-trade		(149,977)	(10,039)
Trade debts		(14,656,292)	(2,414,225)
Loans and advances		(97,157)	56,544
Other receivables		2,773,089	(730,379)
Trade deposits and short term prepayments		(139,134)	(171,050)
		(12,364,353)	(3,093,022)
Increase in current liabilities			
Trade and other payables		8,702,064	3,178,381
		(3,662,289)	85,359
20.2 Cash and cash equivalents			
Cash and bank balances		1,478,284	2,932,898
Short term running finance		(801,220)	(676,196)
		677,064	2,256,702



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 OGRA, the company is required to operate on an annual return of not less than 17.50% on the value of its fixed assets (net of deferred credit), before corporate income taxes, interest and other charges on debt after excluding interest, dividends and other non-operating income. Any deficit or surplus on account of this is recoverable from or payable to Government of Pakistan as differential margin or gas development surcharge respectively. The projected tariff from July 1, 2011 has been incorporated in the accounts for the period ended December 31, 2011 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 3,793,887 thousand (December 31, 2010: Rs 4,041,169 thousand) which is in excess of the UFG limit allowed by OGRA.

	Half year ended	
	Un-audited December 31, 2011 (Rupees in thousand)	Un-audited December 31, 2010
Gas sales	2,293,541	3,745,267
Purchase of materials	578,603	780,963
Purchase of Gas	68,231,043	63,222,030
Service charges	30,945	20,468
Profit received on bank deposits	123,839	10,113
Contribution to defined contribution plans	228,178	135,337
Contribution to defined benefits plans	535,496	395,819
Insurance expenses	186,314	210,193
Insurance claims received	14,875	12,725
Dividend paid	134,918	294,681
Transportation charges	211,351	201,858
Transmission charges	1,648	1,388

22. TRANSACTIONS WITH ASSOCIATES AND RELATED PARTIES

Gas sales	2,293,541	3,745,267
Purchase of materials	578,603	780,963
Purchase of Gas	68,231,043	63,222,030
Service charges	30,945	20,468
Profit received on bank deposits	123,839	10,113
Contribution to defined contribution plans	228,178	135,337
Contribution to defined benefits plans	535,496	395,819
Insurance expenses	186,314	210,193
Insurance claims received	14,875	12,725
Dividend paid	134,918	294,681
Transportation charges	211,351	201,858
Transmission charges	1,648	1,388

23. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 27, 2012 by the Board of Directors of the company.

24. CORRESPONDING FIGURES

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.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director





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