



# Delivery despite adversity

*1<sup>st</sup>*  
Quarter Accounts (Un-Audited)  
for the period ended  
September 30, 2011



Sui Northern Gas Pipelines Limited



# Corporate Information

## BOARD OF DIRECTORS

Mian Misbah-Ur-Rehman	Chairman
Mr. M. Arif Hameed	Managing Director
Mirza Mahmood Ahmad	Director
Mr. Nessar Ahmed	Director
Mr. Shabbir Ahmed	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. Saeed Ullah Shah	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. Muhammad Arif Hameed	Managing Director
Mr. Shabbir Ahmed	Member
Mr. Ahmad Aqeel	Member
Mr. Saeed Ullah Shah	Member
Mr. Azim Iqbal Siddiqui	Member
Mr. Shahid Aziz Siddiqui	Member

### HUMAN RESOURCE COMMITTEE

Mirza Mahmood Ahmad	Chairman
Mr. Muhammad Arif Hameed	Managing Director
Mr. Ahmad Aqeel	Member
Mr. Wazir Ali Khoja	Member
Mian Raza Mansha	Member
Mr. Saeed Ullah Shah	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
Mr. Ahmad Aqeel	Member
Mr. A. Samad Dawood	Member
Mr. Saeed Ullah Shah	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

Central Depository Company of Pakistan Limited  
2nd Floor, 307-Upper Mall,  
Opposite Lahore Gym Khana,  
Near Mian Mir Bridge, Lahore-54000  
Tel: +92-42-35789378-87  
Fax: +92-42-35789340  
Website: www.cdcpkakistan.com

## LEGAL ADVISORS

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

## REGISTERED OFFICE

Gas House,  
21-Kashmir Road,  
P.O. Box No. 56, Lahore-54000 (Pakistan)  
Ph: +92-42-99080000, 99082000, 99201419  
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Website: www.sngpl.com.pk

## DIRECTORS' REVIEW

The Board of Directors of SNGPL is pleased to present the un-audited financial statements for the 1st Quarter ended September 30, 2011. The gas sales for the period under review were 144,946 MMCF as against 145,507 MMCF during the same period last year. During the period under report, the Company has earned profit after tax amounting to Rs. 168 million (September 30, 2010: Rs. 461 million), giving an EPS of Re. 0.31 (September 30, 2010: Re. 0.84). The widening gap between demand and supply of gas and resultant decline in bulk sales vis a vis total sales, has increased the Unaccounted For Gas (UFG), which has reduced the profit of the period, as compared to corresponding period of last year. However, the Board has shown serious concern on the rising trend of UFG and is taking various steps to control it, including but not limited, to placing a remote monitoring and shut-off system to be installed on the connection of suspected consumers. The Board and Management of your Company are confident to control the rising trend of UFG with the concerted efforts and necessary support from the law enforcing agencies.

### DEVELOPMENT PROJECTS:

The Company commissioned 555 KM distribution lines during 1st quarter of FY 2011-12 while work on 85 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 is meeting its targets for various in-house and contractual projects.

Spade work on 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 for supply particularly to the power plants etc.

### FUTURE PROSPECTS OF BUSINESS DEVELOPMENT

The Company is engaged in various pipeline construction projects of 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 for a number of projects.

SNGPL has also maintained an excellent working relationship with OGDCL who awarded the Qadirpur Compression Project to SNGPL last year. SNGPL completed this project in a record minimum time, facilitating the injection of additional gas supply to SNGPL. Recently OGDCL has awarded another pipeline project at its Reti & Maru gas field to SNGPL.



## ACKNOWLEDGMENTS

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



**Muhammad Arif Hameed**  
Managing Director

Lahore.  
October 19, 2011.



# Balance Sheet

	Note	Un-audited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised share capital</b> <b>1,500,000,000 ordinary shares of Rs 10 each</b>		15,000,000	15,000,000
Issued, subscribed and paid up share capital 549,105,339( June 30,2011; 549,105,339) ordinary shares of Rs 10 each		5,491,053	5,491,053
Revenue reserves		13,406,018	13,237,836
<b>Shareholders' equity</b>		<b>18,897,071</b>	<b>18,728,889</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing:			
-Secured	4	9,500,000	9,500,000
-Unsecured	5	1,323,358	1,324,177
Security deposits		17,447,988	16,477,801
Deferred credit		32,520,295	32,768,270
Deferred taxation		8,203,413	8,369,991
Employee benefits		1,327,365	1,134,352
		<b>70,322,419</b>	<b>69,574,591</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	43,549,280	41,138,261
Sales tax payable		21,146	65,234
Interest and mark-up accrued on loans and payables		8,548,332	7,995,268
Short term borrowings-secured		595,780	1,000,000
Current portion of long term financing	7	234,150	232,651
		<b>52,948,688</b>	<b>50,431,414</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8	-	-
		<b>142,168,178</b>	<b>138,734,894</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



**Mian Misbah-ur-Rehman**  
Chairman



# As At September 30, 2011 (Un-Audited)

	Note	Un-audited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	88,462,841	89,498,248
Intangible assets		212,616	239,427
Long term investment		4,900	4,900
Long term loans		219,287	224,434
Employee benefits		1,337,868	1,294,002
Long term deposits and prepayments		6,525	6,519
		90,244,037	91,267,530
<b>CURRENT ASSETS</b>			
Stores and spares		1,666,527	1,620,200
Stock in trade - gas in pipelines		824,702	685,757
Trade debts	10	42,385,607	36,454,217
Loans and advances	11	550,267	176,417
Trade deposits and short term prepayments	12	356,406	143,561
Accrued interest		6,832	9,555
Other receivables	13	3,319,447	5,865,926
Taxation-net		334,493	557,671
Cash and bank balances	14	2,479,860	1,954,060
		51,924,141	47,467,364
		142,168,178	138,734,894

  
**Muhammad Arif Hameed**  
 Managing Director




# Profit and Loss Account (Un-Audited)

for the Period Ended September 30, 2011

	Note	Quarter ended	
		September 30, 2011	September 30, 2010
		(Rupees in thousand)	
<b>Gas sales</b>		51,062,816	47,867,981
<b>Add / (Less): Differential margin / (Gas development surcharge)</b>		(2,531,352)	(1,678,287)
		48,531,464	46,189,694
<b>Cost of gas sales</b>	15	47,814,321	45,376,896
<b>Gross profit/(loss)</b>		717,143	812,798
<b>Other Operating Income</b>	16	1,521,201	1,692,336
		2,238,344	2,505,134
<b>Operating expenses:</b>			
Selling cost		631,092	496,274
Administrative expenses		542,337	517,279
Other operating expenses	17	39,893	62,813
		1,213,322	1,076,366
<b>Operating profit</b>		1,025,022	1,428,768
Finance cost	18	766,555	719,451
<b>Profit before taxation</b>		258,467	709,317
<b>Taxation</b>	19	90,285	247,859
<b>Profit for the period</b>		168,182	461,458
<b>Earnings per share - basic and diluted (Rs)</b>		0.31	0.84

The annexed notes from 1 to 23 form an integral part of these financial statements.



**Mian Misbah-ur-Rehman**  
Chairman



**Muhammad Arif Hameed**  
Managing Director

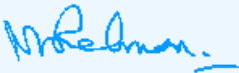




# Statement of other Comprehensive Income (Un-Audited) for the Period Ended September 30, 2011

	Quarter ended	
	September 30, 2011	September 30, 2010
Profit for the period	168,182	461,458
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>168,182</b>	<b>461,458</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



**Mian Misbah-ur-Rehman**  
Chairman



**Muhammad Arif Hameed**  
Managing Director



# Cash Flow Statement (Un-Audited)

for the Period Ended September 30, 2011

	Note	Quarter ended	
		September 30, 2011 (Rupees in thousand)	September 30, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	20	990,915	2,093,218
Finance cost paid		(202,793)	(77,784)
Income taxes paid		(33,681)	(27,378)
Employee benefits paid/contributions paid		(118,601)	(81,345)
Security deposits received		970,187	563,233
Receipts against government grants and consumer contributions		143,064	114,351
Long term loans to employees		7,431	18,892
Long term deposits and prepayments		(6)	1,343
<b>Net cash inflow from operating activities</b>		<b>1,756,516</b>	<b>2,604,530</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(923,198)	(2,535,452)
Capital expenditure on Intangible assets		(3,459)	(298)
Proceeds from sale of property, plant and equipment		6,845	3,426
Return on bank deposits		99,755	76,977
<b>Net cash used in investing activities</b>		<b>(820,057)</b>	<b>(2,455,347)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing - unsecured		(6,368)	(332,689)
Dividend paid		(71)	(81)
<b>Net cash used in financing activities</b>		<b>(6,439)</b>	<b>(332,770)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>930,020</b>	<b>(183,587)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>954,060</b>	<b>1,009,122</b>
<b>Cash and cash equivalents at the end of the period</b>	20.2	<b>1,884,080</b>	<b>825,535</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.



**Mian Misbah-ur-Rehman**  
Chairman



**Muhammad Arif Hameed**  
Managing Director




# Statement of Changes in Equity (Un-Audited)

for the Period Ended September 30, 2011

	Share Capital	Revenue Reserves			Total	Total Share holders' Equity
		General Reserve	Dividend Equalization Reserve	Un-appropriated Profit		
	(Rupees in thousand)					
<b>Balance as at July 01, 2010</b>	5,491,053	4,127,682	480,000	8,603,344	13,211,026	18,702,079
Net profit for the period from July 01, 2010 to September 30, 2010	-	-	-	461,458	461,458	461,458
<b>Balance as at September 30, 2010</b>	5,491,053	4,127,682	480,000	9,064,802	13,672,484	19,163,537
Final dividend for the year ended June 30, 2010 @ Rupees 2.00 per share	-	-	-	(1,098,211)	(1,098,211)	(1,098,211)
Net profit for the period from October 01, 2010 to June 30, 2011	-	-	-	663,563	663,563	663,563
<b>Balance as at 01 July 2011</b>	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
<b>Balance as at September 30, 2011</b>	5,491,053	4,127,682	480,000	8,798,336	13,406,018	18,897,071

The annexed notes from 1 to 23 form an integral part of these financial statements.



**Mian Misbah-ur-Rehman**  
Chairman



**Muhammad Arif Hameed**  
Managing Director



# Notes to the Accounts (Un-Audited)

for the Period Ended September 30, 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 These financial statements are presented in Pak Rupee, which is the company's functional and presentation currency.

## 2. BASIS OF PREPARATION

- 2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are un audited and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 2.2 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 take precedence.
- 2.3 These financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2011.
- 2.4 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 petition filed by the company for determination of estimated revenue requirement for the financial year 2011-12, OGRA in its decision dated May 24, 2011 revised the UFG benchmark from 7% to 4.5% and treated the late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by the OGRA's decision dated May 24, 2011, the company filed a petition with the Honorable Lahore High Court. The Court vide its order dated July 13, 2011 has accepted the petition with directions that the estimated revenue requirement of the petitioner for the financial year 2011-12 shall be determined in accordance with the Honorable Lahore High Court's order dated January 11, 2011 in OGRA petition No. 1068-2010 wherein the Court had 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 determined for the financial year 2009-10 till such time that a UFG impact assessment study is carried out and produced 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 quarter ended 30 September 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 decision dated May 24, 2011, the company for the period ended September 30, 2011 would have reported an after tax loss of Rs 927 million and a negative EPS of Rs 1.69.

### 3. ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2011.
- 3.2 Judgments and estimates used by the management in the preparation of these financial statements are same as those applied to the annual financial statements for the year ended June 30, 2011.

### 4. LONG TERM FINANCING - SECURED

From banking companies  
Askari Bank Syndicate (ABL)

Note	Un-audited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
4.1	7,000,000	7,000,000
	7,000,000	7,000,000
4.2	2,500,000	2,500,000
	9,500,000	9,500,000
Less: Current portion shown under current liabilities	9,500,000	9,500,000

Other loans  
Musharaka arrangement

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

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

#### 4.2 Islamic Finance under diminishing musharaka

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

Islamic Finance under diminishing Musharaka is secured by ranking charge created by way of hypothecation over all the present and future moveable fixed assets of the company.



	Un-audited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
<b>5. LONG TERM FINANCING - UNSECURED</b>		
From banking company/financial institution		
Other loans - Local currency:		
- Loans	1,557,508	1,556,828
	1,557,508	1,556,828
Less: Current portion shown under current liabilities		
Other loans - Local currency:		
- Loans	234,150	232,651
	234,150	232,651
	1,323,358	1,324,177

5.1 The loans carry mark-up at variable rates which range from 1.50% per annum to 15% per annum (June 30, 2011: 1.50% per annum to 14.88% per annum).

## 6. TRADE AND OTHER PAYABLES

Creditors for:		
Gas	37,454,174	34,006,332
Supplies	692,217	292,533
Accrued liabilities	3,144,788	4,442,368
Interest free deposits repayable on demand	54,795	49,187
Earnest money received from contractors	37,126	37,146
Mobilization and other advances	886,494	826,312
Advances from customers	1,029,500	1,271,687
Due to customers	7,388	7,388
Workers' profit participation fund	124,578	106,268
Workers' welfare fund	53,695	34,444
Unclaimed dividend	64,525	64,596
	43,549,280	41,138,261

## 7. CURRENT PORTION OF LONG TERM FINANCING

Long term financing - unsecured	234,150	232,651
	234,150	232,651



## 8. CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

There has been no significant change in the contingencies since the date of preceding annual audited financial statements of the company for the year ended June 30, 2011, except for the impact if any, of the outcome of the writ in the Honorable Lahore High Court against OGRA decision dated May 24, 2011 as described in Note 2.4 to the financial statements.

	Note	Un-audited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
<b>8.2 Commitments:</b>			
<b>a) Capital Commitments</b>			
Property, plant and equipment		1,803,799	1,779,824
Intangible assets		27,846	27,624
Others		1,956,650	1,263,467
		3,788,295	3,070,915
<b>b) Other Commitments</b>			
Others		398,674	177,172

## 9. Property, plant and equipment

### Operating fixed assets

#### Tangible

#### Opening book value

Additions during the period/year

73,909,766  
3,418,029

69,819,093  
11,732,076

77,327,795  
81,551,169

Book value of property, plant and  
equipment disposed off during the period/year

(507)

(3,058)

Depreciation charged during the period/year

(1,988,422)

(7,638,345)

(1,988,929)  
(7,641,403)

#### Closing book value

#### Capital work in progress

9.1

75,338,866  
13,123,975

73,909,766  
15,588,482

88,462,841  
89,498,248

### 9.1 CAPITAL WORK-IN-PROGRESS

Transmission system

2,177,160

1,941,047

Distribution system

4,856,044

7,410,465

Stores and spares including in  
transit Rs 109,461 thousand  
(June 2011: Rs 223,147 thousand)

5,802,624

5,951,491

Advances for land and other  
capital expenditure

288,147

285,479

13,123,975  
15,588,482



	Un-audited September 30, 2011	Audited June 30, 2011
	(Rupees in thousand)	
<b>10. TRADE DEBTS</b>		
<b>Considered good:</b>		
Secured	17,640,670	16,976,848
Unsecured	24,401,936	19,536,334
Accrued gas sales	343,001	(58,965)
	42,385,607	36,454,217
<b>Considered doubtful</b>	4,316,311	4,092,110
	46,701,918	40,546,327
Less: Provision made for doubtful debts	(4,316,311)	(4,092,110)
	42,385,607	36,454,217

10.1 Included in trade debts is an amount receivable from Government owned power generation companies of Rs. 5,976,596 thousand (June 2011: 1,016,969 thousand) along with interest of Rs 2,720,049 thousand (June 2011: Rs 2,655,225 thousand) on delayed payments. While trade and other payables referred to in note 5 include an amount of Rs 6,885,628 thousand ( June 2011: Rs 6,717,045 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 interest on delayed payments. The settlement of these amounts is dependent upon the resolution of inter-corporate debt by the Government of Pakistan.

	Un-audited September 30, 2011	Audited June 30, 2011
	(Rupees in thousand)	
<b>11. LOANS AND ADVANCES</b>		
Loans to employees - considered good	85,515	85,516
<b>Advances - considered good:</b>		
Other employees	205,246	6,330
Suppliers and Contractor	259,506	84,571
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	-	-
	550,267	176,417
<b>12. TRADE DEPOSITS AND PREPAYMENTS</b>		
Trade deposits and prepayments	251,099	111,786
Less: Provision for doubtful receivables	(22,290)	(22,290)
	228,809	89,496
Current portion of long term prepayments	127,597	54,065
	356,406	143,561





	Un-audited September 30, 2011 (Rupees in thousand)	Audited June 30, 2011
<b>13. OTHER RECEIVABLES</b>		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	-	-
Differential margin recoverable	2,504,354	5,035,705
Due from customers	280,573	280,573
Others	534,520	549,648
	3,319,447	5,865,926
<b>14. CASH AND BANK BALANCES</b>		
Deposit accounts	2,160,171	1,589,750
Current accounts	307,203	363,161
	2,467,374	1,952,911
Cash in hand	12,486	1,149
	2,479,860	1,954,060

	Note	Quarter ended	
		Un-audited September 30, 2011	Un-audited September 30, 2010
		(Rupees in thousand)	
<b>15. COST OF GAS SALES</b>			
Opening stock of gas in pipelines		685,757	741,128
Gas purchases			
- Southern system		28,085,414	26,998,678
- Northern system		11,067,508	9,833,930
- Gas purchase adjustment	15.1	6,032,790	5,973,178
		45,185,712	42,805,786
		45,871,469	43,546,914
Less: Gas internally consumed		460,234	500,050
Closing stock of gas in pipelines		824,702	830,402
		1,284,936	1,330,452
Distribution Cost		3,227,788	3,160,434
		47,814,321	45,376,896



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. 6,032,790 thousand (September 30, 2010: Rs. 5,973,178 thousand) as differential of cost for the equalization of cost of gas. It will have no effect on profit of the Company for the reason explained in Note 21 to the financial statements.

## 16. OTHER OPERATING INCOME

### Income from financial assets

Interest income on late payment of gas bills:

- Late payment surcharge	333,274	301,525
- Government Owned Power Generation Companies	64,824	329,807
- Others	191,679	41,278
Interest on staff loans and advances	8,358	7,878
Return on bank deposit	97,032	75,629

Quarter ended

Un-audited September 30, 2011	Un-audited September 30, 2010
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(Rupees in thousand)

695,167	756,117
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### Income from assets other than financial assets

Net gain on sale of fixed assets	8,229	2,283
Meter Rentals and service income	284,053	278,168
Amortization of deferred Credit	391,037	368,558
Insurance claim	133	113

683,452	649,122
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### Others

Sale of tender documents	82	147
Sale of scrap	25,200	29,276
Liquidated damages recovered	16,847	30,577
Bad debt recoveries	1,212	-
Take or pay income from industrial consumers	-	51,093
Exchange gains on gas purchases	98,729	175,456
Miscellaneous	512	548

142,582	287,097
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1,521,201	1,692,336
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## Quarter ended

Un-audited September 30, 2011	Un-audited September 30, 2010
(Rupees in thousand)	

**17. OTHER OPERATING EXPENSES**

Workers' Profit Participation Fund	14,808	38,594
Worker Welfare Fund	19,250	23,979
Loss on initial recognition of financial assets at fair value	3,335	140
Donations	2,500	100

39,893	62,813
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- 18.** Included in finance cost is an amount of Rs 168,583 thousand (September 30,2010: Rs 540,788 thousand) in respect of late payment surcharge on account of overdue payables for gas purchases as referred to in note 10.1

## Quarter ended

Un-audited September 30, 2011	Un-audited September 30, 2010
(Rupees in thousand)	

**19. TAXATION**

Current period		
Current tax	256,860	478,974
Deferred tax	(166,575)	(231,115)
	90,285	247,859
Prior period		
Current tax	-	-

90,285	247,859
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Note	Un-audited September 30, 2011 (Rupees in thousand)	Un-audited September 30, 2010
<b>20. CASH GENERATED FROM OPERATIONS</b>		
<b>Profit before taxation</b>	258,467	709,317
<b>Adjustment for non-cash charges and other items</b>		
Depreciation - Own assets	1,988,422	1,839,493
Amortization of intangible assets	30,270	29,868
Employee benefits	239,315	208,758
Amortisation of deferred credit	(391,037)	(368,558)
Finance cost	766,555	719,451
Return on bank deposits	(97,032)	(75,629)
Gain on sale of fixed assets	(8,229)	(2,283)
Provision for doubtful debts	224,200	115,237
Loss on initial recognition of financial assets at fair value	3,335	140
Amortization of difference between initial and maturity amount	(5,618)	(5,182)
Working capital changes	20.1 (2,017,733)	(1,077,394)
	990,915	2,093,218
<b>20.1 Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares parts	(46,327)	13,080
Stock-in-trade - gas in pipelines	(138,945)	(89,274)
Trade debts	(6,155,590)	(1,305,930)
Loans and advances	(373,853)	(368,176)
Trade deposits and prepayments	(212,847)	(279,675)
Other receivables	2,546,478	1,096,323
	(4,381,084)	(933,652)
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payables	2,363,351	(143,742)
	(2,017,733)	(1,077,394)
<b>20.2 Cash and cash equivalents</b>		
Cash and bank balances	2,479,860	1,790,206
Short term running finance	(595,780)	(964,671)
	1,884,080	825,535



## 21. INCORPORATION OF TARIFF REQUIREMENTS

- 21.1 Under the provisions of the license for transmission and distribution of natural gas granted to the Company by Oil and Gas Regulatory Authority (OGRA) , the Company is required to operate on an annual return of not less than 17.50% on the value of its fixed assets (net of deferred credit), before corporate income taxes, interest and other charges on debt after excluding interest, dividends and other non-operating income. Any deficit or surplus on account of this is recoverable from or payable to Government of Pakistan as differential margin or gas development surcharge respectively. The projected tariff from July 01, 2011 has been incorporated in the accounts for the period ended period ended September 30, 2011.
- 21.2 The Company has also incorporated the effect of Unaccounted For Gas (UFG) amounting to Rupees. 2,177,015 thousand (September 30, 2010: Rupees 1,712,505 thousand) which is in excess of the UFG limit allowed by the Oil and Gas Regulatory Authority (OGRA) in pursuance of the orders of Lahore High Court.

## 22. DATE OF AUTHORISATION

- i) These financial statements were authorised for issue by the Board of Directors of the company on October 19, 2011.

## 23. CORRESPONDING FIGURES

- i) Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant reclassification has been made.
- ii) Figures for the year ended June 30, 2011 are audited.

**Mian Misbah-ur-Rehman**  
Chairman

**Muhammad Arif Hameed**  
Managing Director





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