



Resolute

amid challenges

3rd Quarter Accounts (Un-Audited)
for the period ended
March 31, 2013

Sui Northern Gas Pipelines Limited





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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. 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

M/s 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.cdcpakistan.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
Fax: +92-42-99201302, 99201369
E-mail: info@sngpl.com.pk
Website: www.sngpl.com.pk



Directors' Review

The Board of Directors presents the un-audited financial statements for the 3rd quarter and nine months ended March 31, 2013 of the Company. During the period under review, the Company incurred a net loss of Rs. 2,152 million as against profit of Rs.1,014 million during the corresponding period last year. The loss per share for the period was Rs. 3.39 as against earnings per share of Rs.1.60 for the period ended March 31, 2012. The loss 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. During the period under review, the UFG of the Company increased marginally to 11.79% as compared to 11.25% during the corresponding period of last year. Several steps including, but not limited to, increased vigilance, leakage rectification and minimization of measurement errors etc. are being taken to reduce the loss. Management of the Company is confident that with concerted efforts, the UFG for the year ending June 30, 2013 would show improvement.

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 in the 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 loss before tax in these financial statements for the third quarter ended March 31, 2013 would have been higher by Rs 12.8 billion (After tax Rs 8.361 billion) and would have a negative EPS of Rs 16.58 as at that date.

DEVELOPMENT PROJECTS

The Company commissioned 2,499 KM distribution lines up to 3rd quarter of FY 2012-13 while work on 60 KM transmission lines and 3,500 KM distribution lines is in progress. Thus, gas facility was extended to various localities / towns and industrial units across Punjab and Khyber Pakhtunkhwa.

Directors' Review

Highlights of the In-house and contract projects completed / in progress include as under:-

1. In-house Projects

- Laying of 10" dia x 32.47 KM transmission line from Soan crossing to Pindori is in progress and will be commissioned shortly. Commissioning of this line will address the complaints of low pressure in the localities of Islamabad, Rawalpindi, Gujjar Khan, Barakoh and Murree.
- Gas supply project for Lower Dir / Talash is also under way where 8" dia x 32 KM transmission spur has already been laid while work on distribution network is in progress.
- In order to transport future indigenous and imported gases (1165-1290 MMCFD) from downstream of sawan to specified delivery points the 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 2013.

2. Contract Projects

Manzalai Field Development Project

The Company has recently completed 6" dia x 5 KM Manzalai-9 flow line and 12" dia x 14 KM Makori- East flow lines for M/s MOL Pakistan (oil / gas exploration Hungarian Company) bringing in an additional supply of 25 MMCFD to our system. The company had also completed 12" dia x 20 KM Maramzai Flow line and 8" diameter x 14.7 KM Mamikhel-1 flow line for M/s MOL Pakistan in the year 2011. With the completion / commissioning of this gas gathering network additional 80 MMCFD has been added to our system. Formerly, the 52 KM long network in assorted diameters of 8" to 18" at Manzalai field was laid in January 2010 which facilitated an additional intake of 210 MMCFD gas in to our system. MOL has also awarded the 12" dia x 15 KM Maramzai Extension pipeline construction work to SNGPL to be laid from Mamikhel - 1 well to Central Processing Facility (CPF) where work has already been started by SNGPL which is likely to bring in 70-75 MMCFD gas to our system. On the completion of all wells approximately 350-400 MMCFD will be available to the Company.

Reti & Maru Field Development Project

The Company has been awarded a job at Reti & Maru field by OGDCL which involves construction of 18 Km gathering system of assorted diameters ranging from 4-8 inches. This project carries national importance as the country is already facing energy crises. Work on this project is nearing completion. By the completion of this project 12-14 MMCFD gas would be available for consumption.

3. Additional Gases

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 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, Makori East Flow line, Manzalai-9 flow line



and recently Maramzai Extension flow line. Besides this, MOL Pakistan has further desired to enter into five year contractual relationship with SNGPL and has suggested signing blanket service order in this respect. Their future projects include Tolanj-1, Mamikhel-2, Maramzai-2, Manzalai-11, Mardankheil-1, Manzalai-12, Mardankheil-south etc. Lately, MOL Pakistan plan to initiate the working on Makori East Extension, Makori East-3 and 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 two years ago which involved the installation of 14 Nos. compressor packages including civil works, piping fabrication 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 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.

OMV (Pakistan) Exploration GmbH (oil & gas exploration & production Austrian Company) has recently awarded SNGPL with job of construction of 16" dia x 20 KM pipeline from Sawan gas Central Processing Plant to mid valve assembly located towards Latif Gas Field along with laying of Fiber Optic Cable (FOC) at a total cost of Rs. 312 million. This project is to be completed on fast track basis and after completion of this project additional 100 MMCFD gas shall be injected in the national grid. It is pertinent to mention here that prior to award of this contract, OMV pre-qualified SNGPL after scrutiny of its qualifications and technical credentials in the field of pipeline construction.

ACKNOWLEDGEMENTS

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

On behalf of the Board

(MOHAMMAD ARIF HAMEED)
Managing Director

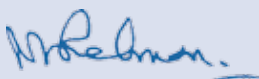
Lahore.
August 19, 2013

Balance Sheet

As at March 31, 2013

	Note	Un-Audited	Audited
		March 2013	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 634,216,665 (June 30,2012: 576,560,606) ordinary shares of Rs 10 each		6,342,167	5,765,606
Revenue reserves		11,288,153	15,458,174
Shareholders' equity		17,630,320	21,223,780
NON-CURRENT LIABILITIES			
Long term financing:			
– Secured	4	6,250,000	7,500,000
– Unsecured	5	992,780	1,086,313
Security deposits		21,724,569	20,227,669
Deferred credit		32,858,503	33,315,790
Deferred taxation		7,160,794	9,066,835
Employee benefits		1,570,773	1,009,794
		70,557,419	72,206,401
CURRENT LIABILITIES			
Trade and other payables	6	100,365,826	65,288,560
Sales tax payable		–	1,070,339
Interest and mark-up accrued on loans and other payables		12,543,287	9,683,085
Short term borrowings-secured		648,053	1,000,000
Current portion of long term financing	7	2,893,373	2,853,581
		116,450,539	79,895,565
CONTINGENCIES AND COMMITMENTS			
	8	–	–
		204,638,278	173,325,746

The annexed notes from 1 to 24 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



	Note	Un-Audited	Audited
		March 2013	June 2012
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	93,925,194	92,769,426
Intangible assets		41,931	133,591
Long term Investment		4,900	4,900
Long term loans		264,851	245,067
Employee benefits		1,287,797	1,205,267
Long term deposits and prepayments		4,316	13,330
		95,528,989	94,371,581
CURRENT ASSETS			
Stores and spares		2,276,738	1,839,194
Stock in trade- gas in pipelines		997,795	848,671
Trade debts	10	99,810,766	73,330,850
Loans and advances	11	894,778	153,926
Trade deposits and short term prepayments	12	161,118	123,375
Accrued interest		6,092	15,814
Other receivables	13	171,780	82,424
Sales tax recoverable		176,067	–
Taxation-net		1,920,217	1,434,647
Cash and bank balances	14	2,693,938	1,125,264
		109,109,289	78,954,165
		204,638,278	173,325,746

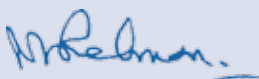
Mohammad Arif Hameed
Managing Director

Profit & Loss Account (Un-Audited)

For the period ended March 31, 2013

Note	Quarter ended		Nine months ended		
	Un-Audited March 2013	Un-Audited March 2012	Un-Audited March 2013	Un-Audited March 2012	
	(Rupees in thousand)				
Gas sales	52,423,285	60,432,275	171,863,923	165,111,874	
Add / (Less): Differential margin / (Gas development surcharge)	782,384	(6,152,202)	(8,688,190)	(8,607,202)	
	53,205,669	54,280,073	163,175,733	156,504,672	
Cost of gas sold	15	56,012,634	53,532,371	167,498,248	153,374,127
Gross profit/(loss)		(2,806,965)	747,702	(4,322,515)	3,130,545
Other Operating Income	16	4,548,710	2,069,087	11,752,468	5,333,016
		1,741,745	2,816,789	7,429,953	8,463,561
Operating expenses:					
Selling cost		1,583,106	575,071	3,975,803	2,078,178
Administrative expenses		781,683	691,413	2,405,561	1,893,030
Other operating expenses	17	47,992	56,046	333,137	366,764
		2,412,781	1,322,530	6,714,501	4,337,972
Operating profit/(loss)		(671,036)	1,494,259	715,452	4,125,589
Finance cost	18	1,680,752	931,736	3,952,158	2,547,410
Profit/(Loss) before taxation		(2,351,788)	562,523	(3,236,706)	1,578,179
Taxation	19	(774,926)	196,879	(1,084,648)	564,120
Profit/(Loss) for the period		(1,576,862)	365,644	(2,152,058)	1,014,059
Earnings per share - basic and diluted (Rs)		(2.49)	0.59	(3.39)	1.60

The annexed notes from 1 to 24 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Statement of Other Comprehensive Income (Un-Audited)

For the period ended March 31, 2013

	Quarter ended		Nine months ended	
	Un-Audited March 2013	Un-Audited March 2012	Un-Audited March 2013	Un-Audited March 2012
	(Rupees in thousand)			
Profit/(Loss) for the period	(1,576,862)	365,644	(2,152,058)	1,014,059
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	(1,576,862)	365,644	(2,152,058)	1,014,059

The annexed notes from 1 to 24 form an integral part of these financial statements.

Mian Misbah-ur-Rehman
Chairman

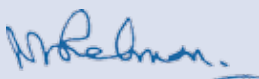
Mohammad Arif Hameed
Managing Director

Cash Flow Statement (Un-Audited)

For the period ended March 31, 2013

	Note	Un-Audited March 31	
		2013	2012
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	20	10,816,682	7,286,255
Finance cost paid		(1,010,159)	(999,643)
Income taxes paid		(1,306,961)	(713,732)
Employee benefits paid/contributions paid		(494,023)	(655,111)
Security deposits received		1,496,900	1,935,934
Receipts against government grants and consumer contributions		1,375,740	636,820
Long term loans to employees		(43,565)	(51,257)
Long term deposits and prepayments		9,014	(54)
Net cash inflow from operating activities		10,843,628	7,439,212
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(7,432,365)	(6,220,897)
Capital expenditure on Intangible assets		(1,414)	(3,459)
Proceeds from sale of property, plant and equipment		13,662	12,122
Return on bank deposits		336,959	272,252
Net cash used in investing activities		(7,083,158)	(5,939,982)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing- unsecured		100,004	3,690
Repayment of long term financing- unsecured		(230,800)	(78,053)
Proceeds from long term financing- secured		-	500,000
Repayment of long term financing - secured		(1,250,000)	-
Dividend paid		(459,053)	(545,595)
Net cash used in financing activities		(1,839,849)	(119,958)
Net increase/(decrease) in cash and cash equivalents		1,920,621	1,379,272
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	2,045,885	2,333,332

The annexed notes from 1 to 24 form an integral part of these financial statements.



Mian Misbah-ur-Rehman
Chairman



Mohammad Arif Hameed
Managing Director



Statement of Changes in Equity (Un-Audited)

For the period ended March 31, 2013

	Share capital	General reserve	Revenue reserves		Total	Total share holders' equity
			Dividend equalization reserve	Unappropriated profit		
(Rupees in thousand)						
Balance as at 01 July 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	–	–	–	1,014,059	1,014,059	1,014,059
Final dividend for the year ended June 30, 2011 @ Rupees 1.00 per share	–	–	–	(549,105)	(549,105)	(549,105)
Bonus shares @ 10 %	274,553	–	–	(274,553)	(274,553)	–
Balance as at March 31, 2012 (Un-audited)	5,765,606	4,127,682	480,000	8,820,555	13,428,237	19,193,843
Net profit for the period from April 01, 2012 to June 30, 2012	–	–	–	2,029,937	2,029,937	2,029,937
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 March 31, 2013	–	–	–	(2,152,058)	(2,152,058)	(2,152,058)
Bonus shares @ 10% for the year ended June 30, 2012	576,561	–	–	(576,561)	(576,561)	–
Final dividend for the year ended June 30, 2012 @ Rupees 2.50 per share	–	–	–	(1,441,402)	(1,441,402)	(1,441,402)
Balance as at March 31, 2013 (Un-audited)	6,342,167	4,127,682	480,000	6,680,471	11,288,153	17,630,320

The annexed notes from 1 to 24 form an integral part of these financial statements.

Mian Misbah-ur-Rehman
Chairman

Mohammad Arif Hameed
Managing Director

Notes to the Accounts (Un-Audited)

For the period ended March 31, 2013

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
		March 2013	June 2012
(Rupees in thousand)			
4. LONG TERM FINANCING - SECURED			
From banking companies			
Local currency - syndicate term finance	4.1	6,125,000	7,000,000
		6,125,000	7,000,000
Other loans			
Islamic Finance under Musharaka arrangement	4.2	2,625,000	3,000,000
		8,750,000	10,000,000
Less: Current portion shown under current liabilities	7	2,500,000	2,500,000
		6,250,000	7,500,000

4.1	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.	7	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.	7	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, in respect of assets held under musharika arrangement.

Note	Un-Audited	Audited
	March 2013	June 2012
	(Rupees in thousand)	
5. LONG TERM FINANCING – UNSECURED		
Other loans – Local currency:		
– Loans	1,386,153	1,439,894
	1,386,153	1,439,894
Less: Current portion shown under current liabilities		
Other loans – Local currency:		
– Loans	7 393,373	353,581
	992,780	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).

Note	Un-Audited	Audited
	March 2013	June 2012
	(Rupees in thousand)	
6. TRADE AND OTHER PAYABLES		
Creditors for:		
Gas	67,453,345	45,280,900
Supplies	885,598	580,076
Accrued liabilities	3,877,608	4,794,404
Gas infrastructure development cess payable	8,342,870	4,409,324
Interest free deposits repayable on demand	73,806	68,819
Earnest money received from contractors	26,859	27,537
Mobilization and other advances	943,593	1,089,462
Due to customers	26,533	19,313
Gas development surcharge	17,267,637	8,579,446
Workers' profit participation fund	418,012	371,663
Unclaimed dividend	1,049,965	67,616
	100,365,826	65,288,560
7. CURRENT PORTION OF LONG TERM FINANCING		
Long term financing - secured	4 2,500,000	2,500,000
Long term financing - unsecured	5 393,373	353,581
	2,893,373	2,853,581

Notes to the Accounts (Un-Audited)

For the period ended March 31, 2013

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 statement 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 loss after tax in these financial statements for the period ended March 31, 2013 would have been higher by Rs 8,361 million and would have a negative EPS of Rs 16.58 as at that date.



	Note	Un-Audited	Audited
		March 2013	June 2012
(Rupees in thousand)			
8.2 Commitments:			
a) Capital Commitments			
Property, plant and equipment		577,408	209,892
Intangible assets		30,225	24,214
Stores and Spares		3,578,723	2,577,912
		4,186,356	2,812,018
b) Other Commitments			
Others		527,613	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		6,549,888	13,089,631
		85,337,979	86,999,397
Book value of property, plant and equipment disposed off during the period/year		-	(1,624)
Depreciation charged during the period/year		(6,363,386)	(8,209,682)
		(6,363,386)	(8,211,306)
Closing book value		78,974,593	78,788,091
Capital work in progress	9.1	14,950,601	13,981,335
		93,925,194	92,769,426
9.1 Capital work-in-progress			
Transmission system		1,086,906	406,780
Distribution system		5,913,482	6,285,508
Stores and spares including in transit Rs 368,885 thousand (June 2012: Rs 282,672 thousand)		7,601,307	7,015,147
Advances for land and other capital expenditure		348,906	273,900
		14,950,601	13,981,335
10. TRADE DEBTS			
Considered good:			
Secured		21,721,774	25,286,222
Unsecured	10.1	78,502,015	48,169,362
Accrued gas sales		(413,023)	(124,734)
		99,810,766	73,330,850
Considered doubtful		8,036,144	5,830,472
		107,846,910	79,161,322
Less: Provision made for doubtful debts		(8,036,144)	(5,830,472)
		99,810,766	73,330,850

Notes to the Accounts (Un-Audited)

For the period ended March 31, 2013

- 10.1** Included in trade debts is an amount receivable from Government owned power generation companies and independent power producers of Rs. 46,620,324 thousand (June 2012 : Rs. 31,360,209 thousand) along with interest of Rs.10,197,759 thousand (June 2012: Rs 5,156,218 thousand) on delayed payments. While trade and other payables referred to in note 12 include an amount of Rs 71,228,012 thousand (June 2012: Rs 31,668,854 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 Government of Pakistan on account of gas development surcharge along with the interest on delayed payments of Rs 10,167,434 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 March 2013	Audited June 2012
	(Rupees in thousand)	
11. LOANS AND ADVANCES		
Loans to employees - considered good	94,721	88,030
Advances - considered good:		
Other employees	520,962	3,621
Suppliers and Contractor	279,095	62,275
Advances to suppliers and contractors - considered doubtful	3,227	3,227
Less: Provision for doubtful receivables	(3,227)	(3,227)
	-	-
	894,778	153,926
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits and short term prepayments	112,384	100,208
Less: Provision for doubtful deposit	(22,290)	(22,290)
	90,094	77,918
Current portion of long term prepayments	71,024	45,457
	161,118	123,375
13. OTHER RECEIVABLES		
Excise duty recoverable	108,945	108,945
Less: Provision for doubtful recoverable	(108,945)	(108,945)
	-	-
Due from customers	36,835	56,466
Current account with SSGC	15,133	14,232
Others	119,812	11,726
	171,780	82,424
14. CASH AND BANK BALANCES		
Deposit accounts	2,113,508	766,653
Current accounts	569,682	356,276
	2,683,190	1,122,929
Cash in hand	10,748	2,335
	2,693,938	1,125,264



Note	Quarter ended		Nine months ended	
	Un-Audited March 2013	Un-Audited March 2012	Un-Audited March 2013	Un-Audited March 2012
(Rupees in thousand)				
15. COST OF GAS SOLD				
Opening stock of gas in pipelines	945,291	835,734	848,671	685,757
Gas purchases				
– Southern system	32,171,636	31,646,210	96,836,441	89,438,337
– Northern system	10,449,100	11,220,283	32,405,010	32,788,975
– Gas purchase adjustment	10,024,549	7,727,956	28,589,813	22,607,141
	52,645,285	50,594,449	157,831,264	144,834,453
	53,590,576	51,430,183	158,679,935	145,520,210
Less: Gas internally consumed	580,961	593,139	1,805,884	1,575,084
Closing stock of gas in pipelines	997,795	932,618	997,795	932,618
	1,578,756	1,525,757	2,803,679	2,507,702
Distribution Cost	4,000,814	3,627,945	11,621,992	10,361,619
	56,012,634	53,532,371	167,498,248	153,374,127

- 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 28,589,813 thousand (March 2012: Rs. 22,607,141 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		Nine months ended	
	Un-Audited March 2013	Un-Audited March 2012	Un-Audited March 2013	Un-Audited March 2012
(Rupees in thousand)				
16. OTHER OPERATING INCOME				
Income from financial assets				
Interest income on late payment of gas bills				
Late payment surcharge	1,264,416	1,208,312	2,695,558	2,021,037
Government owned and other power generation Companies	2,101,833	(139,505)	5,310,933	615,241
Others	9,506	139,505	92,001	56,674
Interest on staff loans and advances	10,243	8,943	30,157	25,741
Return on bank deposit	83,876	86,055	327,237	269,047
	3,469,874	1,303,310	8,455,886	2,987,740
Income from assets other than financial assets				
Net gain on sale of fixed assets	1,560	2,497	13,662	10,812
Net gain on coating of pipelines for SSGC	–	–	5,312	–
Meter Rentals and service income	392,409	289,448	1,062,383	938,716
Amortization of deferred Credit	627,776	427,554	1,791,447	1,246,287
Insurance claim	–	682	560	1,332
	1,021,745	720,181	2,873,364	2,197,147

Notes to the Accounts (Un-Audited)

For the period ended March 31, 2013

	Quarter ended		Nine months ended	
	Un-Audited March 2013	Un-Audited March 2012	Un-Audited March 2013	Un-Audited March 2012
	(Rupees in thousand)			
Others				
Sale of tender documents	558	459	1,295	1,128
Sale of scrap	39,502	20,616	40,027	47,708
Credit balances written back	–	–	–	34,445
Liquidated damages recovered	10,503	20,863	29,984	47,281
Gain on construction contracts	–	–	337,230	8,869
Bad debt recoveries	5,601	3,157	13,321	6,468
Miscellaneous	927	501	1,361	2,230
	57,091	45,596	423,218	148,129
	4,548,710	2,069,087	11,752,468	5,333,016

17. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	–	29,801	–	83,647
Exchange loss on gas purchases	18,440	(2,400)	296,027	240,617
Loss on initial recognition of financial assets at fair value	31,552	28,645	37,075	39,900
Donations	(2,000)	–	35	2,600
	47,992	56,046	333,137	366,764

18. Included in finance cost is an amount of Rs 2,263,175 thousand (March 2012 :Rs 774,822 thousand)in respect of late payment surcharge on account of overdue payables for gas purchases and GDS as referred to in note 10.1

	Quarter ended		Nine months ended	
	Un-Audited March 2013	Un-Audited March 2012	Un-Audited March 2013	Un-Audited March 2012
	(Rupees in thousand)			
19. TAXATION				
Current period				
Current tax	268,188	303,711	821,391	830,490
Deferred tax	(1,043,114)	(106,832)	(1,906,039)	(278,590)
	(774,926)	196,879	(1,084,648)	551,900
Prior period				
Current tax	–	–	–	12,220
	(774,926)	196,879	(1,084,648)	564,120



	Note	Un-Audited	Un-Audited
		March 2013	March 2012
(Rupees in thousand)			
20. CASH GENERATED FROM OPERATIONS			
Profit/(Loss) before taxation		(3,236,706)	1,578,179
Adjustment for non-cash charges and other items			
Depreciation - Own assets		6,363,386	5,984,477
Amortization of intangible assets		97,836	108,679
Employee benefits		880,921	776,642
Amortisation of deferred credit		(1,791,447)	(1,246,287)
Finance cost		3,952,158	2,547,410
Return on bank deposits		(327,237)	(269,047)
Gain on sale of fixed assets		(13,662)	(10,812)
Provision for doubtful debts		2,205,672	620,779
Stores and spare parts written off		-	1
Loss on initial recognition of financial assets at fair value		37,075	39,900
Amortisation of difference between initial and maturity amount		(19,985)	(16,854)
Working capital changes	20.1	2,668,671	(2,826,812)
		10,816,682	7,286,255
20.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares parts		(437,544)	(298,486)
Stock-in-trade - gas in pipelines		(149,124)	(246,861)
Trade debts		(28,685,588)	(28,460,895)
Loans and advances		(734,161)	(250,598)
Trade deposits and prepayments		(37,743)	(101,685)
Other receivables		(265,424)	5,354,519
		(30,309,584)	(24,004,006)
Increase/(decrease) in current liabilities			
Trade and other payables		32,978,255	21,177,194
		2,668,671	(2,826,812)
20.2 Cash and cash equivalents			
Cash and bank balances		2,693,938	2,940,494
Short term running finance		(648,053)	(607,162)
		2,045,885	2,333,332

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 March 31, 2013 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 11,295,882 thousand (March 2012: Rupees 6,078,565 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 March 31, 2013

22. TRANSACTIONS WITH RELATED ASSOCIATES AND RELATED PARTIES

Relationship with the Group	Nature of Transactions	Un-Audited	Un-Audited
		March 2013	March 2012
(Rupees in thousand)			
i)	Related parties by virtue of common directorship and Govt. of Pakistan holdings		
	Gas sales	17,413,642	15,456,408
	Purchase of materials	1,608,248	1,631,098
	Purchase of gas	116,099,127	83,269,569
	Service charges	64,204	63,266
	Profit received on bank deposits	32,823	162,087
	Transportation charges	333,111	316,188
	Transmission charges	1,723	2,066
	Insurance expenses	159,823	139,735
	Insurance claims received	38,898	11,755
	Dividend paid	456,662	282,505
ii)	Post employment benefit plans		
	Contribution to defined contribution plans	230,794	158,050
	Contribution to defined benefit plans	972,472	803,244
iii)	Key management personnel		
	Salaries and other employee benefit	891,292	800,563

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

	Un-audited	Audited
	March 2013	June 2012
(Rupees in thousand)		
PERIOD END BALANCES		
Receivable from related parties	22,595,752	15,821,657
Payable to related parties	40,697,935	31,679,126

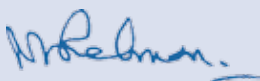
23. DATE OF AUTHORISATION

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

24. 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



Sui Northern Gas Pipelines Limited

Gas House, 21-Kashmir Road,
P.O. Box No. 56, Lahore 54000, Pakistan.
Tel : (+92-42) 99080000 & 99082000
Fax : (+92-42) 99201369 & 99201302
Email : info@sngpl.com.pk

