

SUI SOUTHERN GAS COMPANY LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)
For the nine month period ended 31 March 2010

1. Status and nature of business

Sui Southern Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the company is transmission and distribution of natural gas in Sindh and Balochistan. The company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

2. Basis of preparation

These unconsolidated condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan and the requirements of Companies Ordinance, 1984, the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges and directives issued by the Securities and Exchange Commission of Pakistan (SECP)

These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to shareholders in accordance with section 245 of the Companies Ordinance, 1984

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the audited financial statements of the Company for the year ended June 30, 2009, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statements are stated from the unaudited condensed interim financial statements for the nine month period ended 31 March 2009.

3. Significant accounting policies

The significant accounting policies applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the company as at and for the year ended June 30, 2009, except for the adoption of new standards noted below:

IAS 1 (Revised) - 'Presentation of Financial Statements'

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the unconsolidated condensed interim statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the unconsolidated condensed interim statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the profit for the period and earnings per share.

IFRIC 18 - 'Transfer of Assets from Customers'

International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC - Interpretation 18 (IFRIC -18) "Transfers of Assets from Customers". This Interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Further, it also applies to the accounting by recipients for transfer of cash from customers when that amount of cash must be used only to construct or acquire an item of property, plant and equipment recognized as an asset by the entity and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to supply of goods or services, or to do both.

The Company in the normal course of business receives cash from customers as contributions for providing service connections, extension of gas mains, laying of distribution lines. Previously, such amounts were deferred and recognized in the profit and loss account over the useful lives of the related assets starting from the commissioning of such assets. Under the revised policy, revenue from such transaction is recognized when the connection to the network is completed. The aforementioned change has been accounted for as per the guidance provided under the interpretation for identification of separately identifiable service and recognition of revenue thereon.

The company has accounted for the change in policy prospectively from July 1, 2009 on assets which were connected to network on or after the said date, when the connection to network is completed.

Had there been no change in accounting policy the loss for the period ended December 31, 2009 would have been higher by and the deferred credit amount in the non-current liabilities would have been lower by Rs. 232.708 million.

IAS 23 - 'Borrowing Costs'

The revised standard removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company already has the policy to capitalize all the borrowing cost on qualifying assets.

4. Accounting estimates and judgements

The preparation of unconsolidated condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing this unconsolidated condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key source of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2009.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2009.

6. Property, plant and equipment

	31 March 2010 (Un-audited)	30 June 2009 (Audited)
	(Rupees in '000)	
Operating assets	35,605,230	34,557,963
Capital work-in-progress	4,318,025	3,537,669
	<u>39,923,255</u>	<u>38,095,632</u>

Details of additions to and disposals of property, plant and equipment during the nine month period ended 31 March 2010 are as follows:

	Cost of additions / transfers	Written down value of (disposals / transfers)
	(Un-audited)	
	(Rupees in '000)	
Operating assets owned		
Gas transmission & distribution pipeline system	3,030,192	(53,700)
Buildings on leasehold land	84,735	-
Plant, machinery and other equipment	135,191	-
Motor vehicles	36,531	(10,569)
	<u>3,286,649</u>	<u>(64,269)</u>
Capital work-in-progress		
Projects:		
- Gas transmission and distribution system	3,645,130	(3,030,192)
- Cost of buildings under construction	68,173	(84,735)
- Plant, machinery and other equipment	317,171	(135,191)
- Others	36,531	(36,531)
	<u>4,067,005</u>	<u>(3,286,649)</u>

7. Long-term investments

Investment in related parties	77,275	71,883
Other investments	44,034	35,559
	<u>121,309</u>	<u>107,442</u>

8. Trade debts

	31 March 2010 (Un-audited)	30 June 2009 (Audited)
	(Rupees in '000)	
Considered good - secured	9,248,598	6,909,685
Considered good - un-secured	31,178,222	25,658,520
	<u>40,426,820</u>	<u>32,568,205</u>
Considered doubtful	2,517,699	2,163,753
	<u>42,944,519</u>	<u>34,731,958</u>
Provision against impaired debts	(2,517,699)	(2,163,753)
	<u>40,426,820</u>	<u>32,568,205</u>

- 8.1 Trade debts due from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) aggregated to Rs. 29,806 million as at 31 March 2010 (June 30, 2009: Rs. 29,077 million). These include overdue amounts of Rs. 22,954 million (June 30, 2009: Rs. 17,491 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables and amounts to Rs. 3,621 million (June 30, 2009: Rs. 7,940 million) (refer note no. 9.1), which includes overdue uniform cost of gas invoices of Rs. 759 million (June 30, 2009: Rs. 2,468 million). Interest accrued amounting to Rs. 1,959 million (June 30, 2009: Rs. 1,167 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.

During the period, the Company received a total of Rs. 7,032 million from SNGPL and JPCL under inter circular corporate debt settlement arrangements. This amount was paid by the Company to Oil and Gas Development Company Limited (OGDCL) and Government Holding (Private) Limited as agreed under the arrangement. As at March 31, 2010, an amount of Rs. 32,333 million (included in creditors for gas in note 10) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 5,881 million on their balances. In view of the arrangement being made by the Committee of Cabinet Division - GoP to adjust inter circular corporate debt of the government entities and KESC, the management is confident that the entire amount receivable from KESC, JPCL and SNGPL would be recovered / adjusted.

9. **Other receivables - considered good**

Gas development surcharge receivable from GoP		-	5,326,217
Receivable from Sui Northern Gas Pipeline Limited (SNGPL) - a related party	9.1	3,693,227	8,019,730
Receivable from Jamshoro Joint Venture Limited (JJVL)		754,183	303,506
Receivable from staff pension fund - executive		82,733	361
Receivable from GoP on account of Ziarat		89,094	37,607
Pipeline rental		11,070	20,221
Workers' Profit Participation Fund		12,447	17,943
Sales tax receivable	9.2	9,018,867	8,683,445
Receivable from staff pension fund - non executive		-	168,733
Receivable from staff gratuity fund - executive		7,622	91
Receivable from staff provident fund - executive		17,763	-
Balance receivable for sale of gas condensate		102,247	155,480
Insurance claim receivable		545	509
Claim receivable		757	757
Miscellaneous receivable	9.3	179,415	237,014
		<u>13,969,970</u>	<u>22,971,614</u>
Provision against impaired receivables		<u>(1,485)</u>	<u>(1,485)</u>
		<u>13,968,485</u>	<u>22,970,129</u>

- 9.1 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 72.312 million (June 30, 2009: Rs. 79.842 million) and Rs. 3,620.818 million (June 30, 2009: Rs. 7,939.768 million) under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (SNGPL).

- 9.2 This represent sales tax refundable amount which mainly arose due to excess of input sales tax over output sales tax as prices of natural gas purchased were substantially high and the company charged zero rate on gas supply to a large number of industrial customers. Major issue, hindering the release of refund, is the cross matching problem between the supplier's physical data and the system of FBR. To expedite the recovery, various meetings have been held between representatives of the Company and FBR as well as Large Taxpayers' Unit (LTU) wherein the Company has been assured by the officials of FBR for resolving the matter on a priority basis. Subsequent to the period end, the Company has received refund of Rs. 100.721 million.

Based on the advice of its legal counsel and meetings with the concerned officials, the management is confident about recovery of the refund amount.

- 9.3 This includes Rs. 169.270 million (June 30, 2009: Rs. 225.694 million) recoverable from GoP under deferred tariff adjustment.

	31 March 2010 (Un-audited)	30 June 2009 (Audited)
	(Rupees in '000)	
10. Trade and other payables		
Creditors for:		
- gas	46,929,972	45,490,188
-supplies	241,228	122,111
	<u>47,171,200</u>	<u>45,612,299</u>
Amount received from customers/ GoP for laying of mains, etc.	3,132,870	2,806,125
Accrued liabilities	1,055,077	1,117,300
Gas development surcharge payable to GoP	2,384,353	-
Provision for compensated absences - non executives	83,791	83,791
Payable to provident fund - non executives	-	6
Deposits / retention money	172,602	194,589
Bills payable	-	23,521
Advance for sharing right of way	18,088	18,088
Unclaimed dividend	39,986	40,187
Withholding tax payable	55,792	51,685
Unclaimed term finance certificate redemption profit	1,800	1,975
Inter State Gas System (private) Limited (ISGSL)	15,556	8,628
Others	154,216	141,552
	<u>54,285,331</u>	<u>50,099,746</u>

11. This represent facilities for running finance available from various banks amounting to Rs. 10,000 million (June 30, 2009: 9,000 million). These are subject to mark-up ranging from 0.45% to 2.5% (June 30, 2009: 0.5% to 3%) above the average one month KIBOR. Facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the Company.

12. Long Term Financing

Secured

- Loans from banking companies and financial institutions			
Local currency loans	12.1	5,000,000	8,716,700
- Other Loans			
Musharaka arrangements	12.2	4,913,362	7,644,678
		<u>9,913,362</u>	<u>16,361,378</u>

Unsecured

Consumer Financing	12.3	179,245	186,757
Government of Sindh	12.4	1,448,640	948,640
		<u>11,541,247</u>	<u>17,496,775</u>

					31 March 2010 (Un-audited)	30 June 2009 (Audited)
					(Rupees in '000)	
12.1 Local currency loans	Instalment Payable	Repayment Period	Mark-up Rate			
UBL - term loan-II	on maturity	2009	0.2% above 3 months average Kibor	12.1.1	-	1,500,000
CCB - term loan	quarterly	2010-2012	0.2% above 3 months average Kibor	12.1.1	1,000,000	1,000,000
MCB - term loan - I	quarterly	2010	0.2% above 3 months average Kibor	12.1.2	1,500,000	2,000,000
MCB - term loan - II	quarterly	2009	0.2% above 3 months average Kibor	12.1.2	-	1,333,400
MCB - term loan - III	quarterly	2009	0.2% above 3 months average Kibor	12.1.2	-	1,000,000
HBL - term loan	on maturity	2009	2% above 3 months average Kibor	12.1.3	-	500,000
Faysal Bank Limited - Term Loan	quarterly	2011-2013	2% above 3 months average Kibor	12.1.4	1,500,000	1,500,000
					<u>4,000,000</u>	<u>8,833,400</u>
<u>Syndicated term loans</u>						
Standard Chartered Bank (as Syndicate's "A	quarterly	2011-2012	1.95% above 3 months average Kibor	12.1.4	2,500,000	2,500,000
JS Bank Limited (as Syndicate's "Agent")	quarterly	2011-2012	1.95% above 3 months average Kibor	12.1.4	800,000	800,000
					<u>3,300,000</u>	<u>3,300,000</u>
					<u>7,300,000</u>	<u>12,133,400</u>
Less: Current portion shown under current liabilities						
UBL - term loan - II					-	(1,500,000)
MCB - term loan - I					(1,500,000)	(1,000,000)
MCB - term loan - II					-	(666,700)
MCB - term loan - III					-	(250,000)
CCB - term loan					(300,000)	-
Faysal Bank Limited - Term Loan					(500,000)	-
					<u>(2,300,000)</u>	<u>(3,416,700)</u>
					<u>5,000,000</u>	<u>8,716,700</u>

12.1.1 These loans are secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

12.1.2 These loans are secured by a first pari passu fixed charge created by way of hypothecation over moveable fixed assets comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. During the year these loans were paid.

12.1.3 These loans are secured by a ranking charge created by way of hypothecation over moveable fixed assets of the company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. During the year these loans were prepaid.

12.1.4 These loans are secured by a ranking charge created by way of hypothecation over moveable fixed assets of the company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

				Note	31 March 2010 (Un-audited)	30 June 2009 (Audited)	
(Rupees in '000)							
12.2 Musharaka arrangements - secured							
	Instalment payable	Repayment period	Mark-up rate				
<u>Islamic Sukuk bonds under musharaka agreements</u>							
	Dubai Islamic Bank (the "Investor's Agent")	quarterly	2009 - 2012	0.40% above 3 months average KIBOR	12.2.1	600,000	825,000
	Meezan Bank Limited (the "Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	12.2.1	1,500,002	2,000,000
	Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	12.2.1	4,700,000	4,700,000
<u>Islamic Finance under diminishing musharaka</u>							
	Meezan Bank Limited	Two Instalments	2009 & 2011	0.45% above 3 months average KIBOR	12.2.2	500,000	1,000,000
	Bank Islami Pakistan Limited	bullet	2010	0.20% above 3 months average KIBOR	12.2.3	600,000	600,000
	Unamortised Transaction Cost					7,900,002	9,125,000
						(9,976)	(13,655)
						7,890,026	9,111,345
Less: Current portion shown under current liabilities							
	Dubai Islamic Bank (the "Investor's Agent")					(300,000)	(300,000)
	Meezan Bank Limited (the "Investor's Agent")					(666,664)	(666,667)
	Meezan Bank Limited					-	(500,000)
	Bank Islami Pakistan Limited (the "Trustee")					(1,410,000)	-
	Bank Islami Pakistan Limited					(600,000)	-
						(2,976,664)	(1,466,667)
						4,913,362	7,644,678

12.2.1 Islamic Sukuk Bonds under Musharaka arrangements are secured by a first pari passu fixed charge created by way of hypothecation over movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

12.2.2 Islamic Finance under diminishing Musharaka is secured by a first pari passu fixed charge created by way of hypothecation over all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

12.2.3 Islamic Finance under diminishing Musharaka is secured by a ranking charge created by way of hypothecation over all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

12.3 Consumer financing

Consumer financing	12.3.1	269,916	265,321
Less: Current portion shown under current liabilities		(90,670)	(78,564)
		179,246	186,757

12.3.1 This represents contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at 25% of 3 years average ask side KIBOR prevailing at the time of preparation of feasibility study for laying of distribution mains less 2% per annum. Principal and interest are adjustable in 48 equal installments through credits in the monthly gas bills of the consumers.

12.4 Government of Sindh loans

Government of Sindh loan - I	12.4.1	56,199	56,199
Government of Sindh loan - II	12.4.2	900,000	900,000
Government of Sindh loan - III	12.4.3	500,000	-
Government grant	12.4.4	(317,924)	(317,924)
		1,082,076	582,076
Government grant	12.4.4	317,924	317,924
		1,456,199	956,199
Less: Current portion shown under current liabilities		(7,559)	(7,559)
		1,448,640	948,640

- 12.4.1 This represents an unsecured development loan from Government of Sindh for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 % per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from year ended 30 June 2007.
- 12.4.2 This represents an unsecured development loan from Government of Sindh for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 4 % per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from year ending 30 June 2011. The loan has been stated at fair value.
- 12.4.3 An unsecured development loan was availed in 2010 from Government of Sindh for supply of gas to various districts in areas of Sindh. The facility carries mark-up at 4 percent per annum. The loan together with markup shall be repaid in 10 equal yearly instalments with grace period of 2 years commencing from 01 July 2012.
- 12.4.4 This represents the benefit of lower interest rate on Government of Sindh loan - II and is calculated as difference between the proceed received in respect of Government of Sindh loan - II amounting to Rs 900 million and its initial fair value amounting to Rs. 582.076 million calculated at KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

	31 March 2010 (Un-audited)	30 June 2009 (Audited)
	(Rupees in '000)	
13. Deferred Credit		
<i>- Government contributions / grants</i>		
Balance at July 01	2,161,269	1,444,501
Addition during the period	<u>225,115</u>	<u>810,526</u>
	2,386,384	2,255,027
Transferred to profit and loss account	<u>(93,827)</u>	<u>(93,758)</u>
Balance as at December 31	2,292,557	2,161,269
<i>- Contribution from customers</i>		
Balance at July 01	2,685,259	2,375,430
Addition / (Reversal) during the period	<u>(4,396)</u>	<u>514,002</u>
	2,680,863	2,889,432
Transferred to profit and loss account	<u>(144,317)</u>	<u>(204,173)</u>
Balance as at December 31	<u>2,536,546</u>	<u>2,685,259</u>
	<u>4,829,103</u>	<u>4,846,528</u>

14 CONTINGENCIES AND COMMITMENTS

31 March 2010 30 June 2009
(Un-audited) (Audited)
(Rupees in '000)

There has been no change in the status of other contingencies as disclosed note 15 of annual financial statements of the Company for the year ended June 30, 2009, except for the following:

	14.9	<u>444,663</u>	<u>518,163</u>
14.1 Claims against the company not acknowledged as debt		<u>444,663</u>	<u>518,163</u>
14.2 Commitments for capital and other expenditure		<u>1,732,338</u>	<u>1,051,609</u>
14.3 Guarantees issued on behalf of the company		<u>1,791,013</u>	<u>1,792,153</u>
<p>14.4 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicle against the Company's guarantee and hypothecation of the Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (June 30, 2009: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2009: Rs. 0.5 million). Loan outstanding at the period end was Rs. 12.542 million (June 30, 2009: Rs. 16.797 million).</p>			
<p>14.5 During the period the Tax department has amended the assesment order for the Tax year 2005 under section 122(1) (9) of the income Tax Ordinance, 2001, disallowing certain expenses. SSGC has files Appeal to commissioner of Income Tax (Appeal) zone refusing to amend assesment order u/s 122(1) (9). No provision has been made in the financial statement as the management is confident that no further tax liability would arise in this respect.</p>			
<p>14.6 During the period the Tax department has amended the assesment order for the Tax year 2007 under sub-section (5A) of section 122 of the income Tax Ordinance, 2001, disallowing certain expenses. SSGC has files Appeal to commissioner of Income Tax (Appeal) zone refusing to amend assesment order U/S 122 (5A). No provision has been made in the financial statement as the management is confident that no further tax liability would arise in this respect.</p>			
<p>14.7 During the period the Tax department has amended the assesment order for the Tax year 2008 under section 221 of the income Tax Ordinance, 2001, disallowing certain expenses. SSGC has files Appeal to commissioner of Income Tax (Appeal) zone refusing to amend assesment order U/S 221 (5A). No provision has been made in the financial statement as the management is confident that no further tax liability would arise in this respect.</p>			
<p>14.8 President of Pakistan on February 14, 2009 promulgated the Sacked Employees (Reinstatement) Ordinance 2009, ("the Ordinance") for providing relief to persons who were appointed during the period from November 1, 1993 to November 30, 1996 (both days inclusive) and were dismissed, removed or terminated or given forced golden hand shake from service during November 1, 1996 to December 31 1998 (both days inclusive). Under the requirements of the Ordinance, total number of employees to be reinstated was determined a 2,994 employees, with the condition that their remuneration upto December 31, 2009 and back benefits will be paid to them on receipt of funds from Government of Pakistan (GoP). Out of 2,994 employees only 2,500 (June 30, 2009: 2,435) employees have joined the Company up to December 31, 2009. During the year, Rs. 258 million was received from GoP. Out of which, Rs. 232.79 million has been paid to employees.</p> <p>Upto December 31, 2009, no provision has been made against current salaries costs and back benefits payable to reinstated employees amounting to Rs. 377.811 million and Rs. 2,345.679 million respectively as the management is of the view that as per negotiations with the Sub-committee established by the Cabinet Division - GoP, the same would be payable when the funds are received from the</p>			
<p>14.9 The management is confident that ultimately these claims would not be payable.</p>			

	Nine month period ended		Quarter ended	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
			(Un-audited)	
			(Rupees in '000)	
15. Other operating expenses				
Auditors' remuneration	1,281	1,289	375	375
Workers' profit participation fund	5,509	31,774	(19,484)	13,046
Sports expenses	14,059	12,837	5,782	4,901
Corporate social responsibility	305	15,416	(62)	7,642
Exchange loss on payment of gas purchases	198,837	1,338,506	(39,329)	79,493
Provision for liquidity damages	-	265,513	-	(6,662)
	<u>219,991</u>	<u>1,665,335</u>	<u>(52,718)</u>	<u>98,795</u>
16. Other operating income				
- Income from other than financial assets				
Meter rentals	425,021	423,452	145,725	143,593
Recognition of income against deferred credit	238,144	193,385	68,715	53,555
Income from new service connections	232,708	-	59,550	-
Sale of gas condensate	385,870	400,406	137,252	89,981
Gas shrinkage to JJVL	1,717,920	2,179,340	485,023	650,832
Income from gas transportation	36,795	37,199	11,086	11,570
Royalty income from JJVL	2,016,728	1,359,989	720,069	362,594
Meter manufacturing division profit - net	74,345	46,637	(28,315)	6,427
Income from LPG air mix distribution Gwadar op	27,811	24,352	10,100	7,873
Recoveries from customers	24,452	21,590	9,626	3,788
Gain / (loss) on sale of fixed assets	(7,917)	(7,592)	(24,631)	(14,769)
Liquidity damages recovered	12,025	6,567	1,752	3,627
Advertising income	4,605	3,833	2,179	1,153
Miscellaneous	11,789	13,463	4,515	3,093
	<u>5,200,296</u>	<u>4,702,621</u>	<u>1,602,646</u>	<u>1,323,317</u>
- Income from investment in debts, loans, advances and receivable from related party				
Income from gas transportation - SNGPL	28,447	11,927	8,987	3,609
	<u>5,228,743</u>	<u>4,714,548</u>	<u>1,611,633</u>	<u>1,326,926</u>

	Nine month period ended		Quarter ended	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	(Un-audited) (Rupees in '000)			
17. Other non operating income				
- Income from financial assets				
Late payment surcharge	763,101	425,503	289,023	182,216
Income from net investment in finance lease	40,466	37,890	13,615	12,867
Return on:				
- term deposits and profit and loss bank account:	99,155	176,311	21,080	64,258
- interest on staff loans	1,184	1,672	374	523
	903,906	641,376	324,092	259,864
Interest Income on late payments of gas bills and others	2,524,865	1,793,905	899,989	798,482
Interest income on Sales Tax refund	487,739	-	49,113	-
Dividend income	-	647	-	-
	3,916,510	2,435,928	1,273,194	1,058,346
- Income from investment in debts, loans, advances and receivables from related party				
Dividend income - SNGPL	-	7,316	-	-
Income from net investment in finance lease	103,537	124,314	37,497	41,438
	103,537	131,630	37,497	41,438
	4,020,047	2,567,558	1,310,691	1,099,784
18. Finance Cost				
Mark-up on				
Redeemable capital	833,772	964,800	256,069	337,211
Local currency financing	1,082,812	805,424	272,646	294,324
Short term financing	101,982	162,066	32,611	64,788
Consumers' deposits	92,264	57,349	54,716	20,173
Workers' profit participation fund	-	1,066	-	-
Discount on gas bills	317	76	195	50
Interest on delayed payment to gas suppliers	1,922,662	1,705,610	668,440	768,627
Financial charges capitalized	(256,855)	(296,402)	(126,998)	(142,335)
Others	2,900	5,610	203	5,203
	3,779,854	3,405,599	1,157,882	1,348,041
19. Taxation				
Current	411,171	-	155,763	-
Deferred	-	210,925	-	83,832
	411,171	210,925	155,763	83,832

19.1. During the period, section 113 of the Income Tax Ordinance, 2001, for charge of minimum tax has been re-introduced through Finance Act, 2009, due to which the Company will be liable for minimum tax at the rate of 0.5% of revenue. Accordingly, minimum tax has been provided for in these unconsolidated condensed interim financial information.

20 **Transactions with related parties**

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefit plans and the Company's directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by Ministry of Petroleum & Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company (comparable uncontrolled price

The detail of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Note	Nine month period ended		Quarter Ended	
		31 March	31 March	31 March	31 March
		2010	2009	2010	2009
(Un-audited) (Rupees in '000)					
Sui Northern Gas Pipeline Limited					
- Lease rental		49,031	51,627	16,318	17,209
- Pipeline rental income		109,079	119,361	36,341	39,787
- Recovery of lease service cost		28,447	11,922	(54,923)	(72,009)
- Contingent rent in respect of finance lease		127,776	125,895	108,316	117,577
- Sale of gas meters	20.1	1,021,516	725,174	368,722	222,758
- Gas Purchases		260,585	86,954	124,761	33,134
- Cost of gas levelisation		(8,030,884)	(21,144,202)	(15,608,313)	(34,426,338)
Oil and Gas Development Company Limited					
- Lease rental		(849)	11,428	(4,735)	7,111
- Pipeline rental income		(5,542)	-	(7,854)	(3,302)
- Recovery of lease service cost		4,656	18,020	(7,228)	6,007
- Gas Purchases		13,994,091	18,091,634	4,936,965	6,549,446
Inter State Gas System (Private) Limited					
- Reimbursement of expenses on the basis of joint venture agreement		32,352	22,432	14,989	8,458
Mari Gas Company Limited					
- Gas Purchases		68,075	5,980	63,386	2,407
State Life Insurance Corporation Limited					
- Rent of Premises		2,389	1,978	1,087	792
Liaquat National Hospital					
- Medical Services		23,959	16,187	13,184	5,421
Staff retirement benefit plans					
- Contribution to provident fund	20.2	86,901	71,093	34,190	21,221
- Contribution to pension fund	20.2	(75,840)	(11,894)	(25,151)	(3,183)
- Contribution to gratuity fund	20.2	89,045	79,968	147,747	62,100
Petroleum Institute of Pakistan					
- Subscription		503	420	-	-
Dawood Islamic Bank Ltd.					
- Profit on investments		32,670	9,154	1,001	3,458
- Mark-up on Sukuk		59,852	68,637	22,547	21,259
Minto and Mirza					
- Professional charges		4,275	-	1,775	-
Artistic Denim Mills Limited					
- Gas Sales		154,556	128,987	59,171	39,884
Siemens Pakistan Limited					
- Gas Sales		4,414	3,907	1,808	1,456
- Supply and services		123	-	123	-
PERAC Reserch and Development Foundation					
- Energy conservation study charges		51	109	51	109
Quality aviation (Pvt.) Ltd.					
- Services		1,354	-	1,354	-
Remuneration o Key management personnel (executive staff)	20.3	53,351	46,222	16,338	16,820

20.1 Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.

20.2 Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and actuarial advice.

20.3 Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance with the terms of their employment.

20.4

Amount (due to) / receivable from related parties


The details of amount (due to) / receivable from related parties are as follows:


	31 March 2010 (un-audited)	30 June 2009 (audited)
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Lease rental	72,312	79,842
- Sale of gas meters	91,782	15,258
- Gas purchases	(125,592)	(26,683)
- Cost of gas levelisation	3,620,818	7,939,768
Oil and Gas Development Company Limited		
- Gas purchases	(17,214,812)	(12,924,481)
Inter State Gas System (Private) Limited		
- Reimbursement of expenses on the basis of joint venture agreement	(15,556)	(8,628)
Mari Gas Company Limited		
- Gas purchases	(49,309)	(3,478)
Dawood Islamic Bank Ltd.		
- Bank balances	115,471	51,134
- Interest receivable	1,001	8,800

21 **General**

21.1 These unconsolidated condensed interim financial statements were authorised for issue on 27 April 2010 by the Board of Directors of the company.

21.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.


Salim Abbas Jilani
Chairman


Dr. Faizullah Abbasi
Managing Director

