

CORPORATE PROFILE

Board of Directors

Mr. Salim Abbas Jilani	Chairman
Dr. Faizullah Abbasi	Managing Director
Mr. Abbas Ali Mehkri	
Mr. Abdul Rashid Lone	
Mr. Ahmed Bakhsh Lehri	
Mr. Aurangzeb Ali Naqvi	
Mr. Ayaz Dawood	
Mr. Fazal-ur-Rehman Dittu	
Engr. M.A.Jabbar	
Mr. Mirza Mahmood Ahmad	
Mr. Nessar Ahmed	
Mr. Saeed Ullah Shah	
Mr. Shahid Aziz Siddiqui	
Mr. Wazir Ali Khoja	

Board of Directors' Committees

Audit Committee

Mr. Nessar Ahmed	Chairman
Mr. Abbas Ali Mehkri	Member
Mr. Abdul Rashid Lone	Member
Mr. Ayaz Dawood	Member
Mr. Fazal-ur-Rehman Dittu	Member
Engr. M.A.Jabbar	Member

Finance Committee

Mr. Shahid Aziz Siddiqui	Chairman
Dr. Faizullah Abbasi	Managing Director
Mr. Aurangzeb Ali Naqvi	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Saeed Ullah Shah	Member
Mr. Wazir Ali Khoja	Member

Human Resource Committee

Mr. Salim Abbas Jilani	Chairman
Dr. Faizullah Abbasi	Managing Director
Mr. Abbas Ali Mehkri	Member
Mr. Ahmed Bakhsh Lehri	Member
Mr. Ayaz Dawood	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Saeed Ullah Shah	Member
Mr. Shahid Aziz Siddiqui	Member

Company Secretary

Mr. Yusuf J. Ansari

Chief Financial Officer

Mr. S. Shahid H. Jafri

Auditors

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

M/s. Haidermota & Co.
Barristers-at-Law & Corporate Counsels

Registered Office

SSGC House
ST - 4/B, Block 14,
Sir Shah Muhammad Suleman Road,
Gulshan-e-Iqbal, Karachi. 75300
Ph: 92-21-99021000
Fax: 92-21-99231702

Web Site

<http://www.ssgc.com.pk>

E-mail

info@ssgc.com.pk

REPORT OF THE DIRECTORS' TO THE SHAREHOLDERS

For the nine month period ended 31 March 2011

On behalf of the Board of Directors of Sui Southern Gas Company Limited, we are pleased to present the unaudited results for the third quarter and nine months ended 31 March 2011.

OPERATIONS REVIEW

GAS SUPPLY

To date, the fiscal year 2010-11 has seen national energy shortage take a turn for the worse. The Company is facing acute shortage of natural gas mainly due to decreased supplies from producers and increased gas demand; the situation has been made worse by the temporary closure of Bhit gas field. Despite increase in the number of gas producing fields giving their supplies into the SSGC transmission and distribution system from 17 to 18 compare to the corresponding period last year, the supply of gas decreased by 6.6% to 300 BCF. However, we have been maintaining supplies to the customer base and gas has been allocated according to GOP's Gas Load Management Policy. The average well-head purchase price increased by 18.3% and stood at Rs.271.96 per MMBTU.

CUSTOMER BASE

During the period under review, Company's customer base increased to 2.324 million; Company extended 176 new industrial connections, 1,429 commercial and 79,955 domestic connections in the first nine months of the current financial year.

GAS SALES

Due to continued supply constraints, year to date, gas sales decreased by 8% to 268.0 BCF as compared to volume of 290.7 BCF in the corresponding period last year. The average sales price per MMBTU increased by 10% to Rs. 326.85 versus Rs. 298.60 due to increase in consumer prices by OGRA, thus Gas Sales revenue (net of GST) increased only 2%.

GAS DISTRIBUTION SYSTEM

The Gas Distribution System was extended by 1,846 km while another 359 km of distribution lines were laid under the rehabilitation projects to curtail leakages and resulting lines losses.

METER MANUFACTURING & SALES

The meter manufacturing plant produced 479,050 meters versus 541,250 meters in the corresponding period last year, i.e. a decrease of 62,200 meters or nearly 11%; this was due to decline in sale by 21% to 319,400 meters as compared to 404,400 meters in the corresponding Period last year. The increase in prices of both type of meters resulted in increase in profit to Rs. 141 million as compared to profit of Rs. 74 million for the corresponding period.

FINANCIAL & RISK MANAGEMENT REVIEW

DETERMINATION OF REVENUE REQUIREMENTS

The financial statements for the nine months ended 31 March, 2011 have been prepared based on the final decision of OGRA dated 24 September, 2010 as explained in more detail in note 2.4 to the financial statements.

PROFITABILITY

In the nine months period, the company has posted after tax profit of Rs. 2,231 million as compared to loss of Rs. 306 million for corresponding period in 2010. As a result, the earnings per share (EPS) improved to Rs. 2.66 vs. negative Rs. 0.37, mainly due to reclassification by OGRA of operating income components as non-operating income and higher asset base and reduction in effective tax rate.

CONTROL OF UNACCOUNTED FOR GAS (UFG)

Despite efforts to control the UFG it reached a level of 9.81% as against a limit of 7% allowed by OGRA. Thus the company suffered a reduction in revenue of Rs. 2,236 million in its tariff return (2010: 2,547 million) in the nine months period on account of "excess Unaccounted for Gas (UFG)". The company plans to maintain its focus on UFG projects and is planning to initiate major capital expenditure project with primary objectives of UFG reduction. For this purpose, the World Bank Mission has offered a loan of \$200 Million to SSGC for rehabilitation and leak rectification of pipelines, automation of pressure management system and up gradation of the metering system by employing advanced technology. The project is in the final stages of internal and government approvals.

TRADE RECEIVABLES FROM KESC

As detailed in note 8.1 of the accompanying financial statement, KESC is the Single largest customer and debtor of the Company with over-dues of Rs. 25 billion. Management has been proactively negotiating with KESC. As a result, since November 2010, KESC has been paying an amount equivalent to its monthly bill. Management has treated the outstanding amount from KESC as part of the inter-corporate circular debt. An agreement is also being finalized between KESC and the Company. In addition, the management has pro-actively taken up the issue with Federal and Provincial Government for resolution of the KESC dues and inter-corporate circular debt. On June 30, 2009, the Company had entered into an agreement to gradually bring down and ultimately clear the accumulated dues by December, 2010. KESC is liable to pay interest amount as per the terms of the aforesaid agreement; therefore such interest has been recognized in the books of the Company. Company has set up a Remedial Management Unit (RMU) to deal with overdue receivable and payables of large industrial customers such as KESC.

RECEIVABLES AGAINST SALES TAX

The management has successfully obtained sales tax refunds of Rs.6.4 billion, this amount includes sales tax refund orders of Rs.1.2 billion received after 31 March 2011, when the amount outstanding was Rs. 5.8 billion.


REVIEW OF CAPITAL DEVELOPMENT PROJECTS

The capital expenditure during the current nine months period was Rs. 6.9 billion as compared to Rs. 3.7 billion for the previous corresponding period. Addition to operating fixed assets was Rs. 5.4 billion versus Rs.3.3 billion in the corresponding period last year. The capital expenditure is proceeding as per plan and higher level of capitalization of up to Rs. 8.0 billion is likely to be achieved by the year-end which should also favorably impact on Company's profit. LPG-Air Mix Plant, at Kot Ghulam Mohammad, District Mirpurkhas, Sindh, was inaugurated at a total cost of Rs. 297 million. Along with Kot Ghulam Muhammad Plant, Noshki and Sorab facilities have also been commissioned.

FUTURE PLANS & PROSPECTS

The Company is actively engaged with international investors and project developers to explore the prospects of setting up LNG infrastructure in Pakistan for the purpose of importing natural gas, through a fully integrated solution. Implementation of LNG Project will usher in a new era of sustainability while providing numerous advantages including fast track solutions to energy crises, secured supply of natural gas.

The Directors place on record their appreciation of the valued customers and suppliers for the business, recognition is also due to regulatory and tax authorities for their cooperation and support and Company's Executives and Staff for their devotion and hard work.


Salim Abbas Jilani
Chairman


Dr. Faizullah Abbasi
Managing Director

Karachi
April 26, 2011


UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET


(UN-AUDITED)

As at 31 March 2011

		31 March 2011 (Un-audited)	30 June 2010 (Audited)
	Note	(Rupees in '000)	
Non current assets			
Property, plant and equipment	6	46,659,619	41,665,603
Intangible assets		18,442	4,510
Long-term investments	7	86,612	97,118
Net investment in finance lease		939,210	1,040,539
Long-term loans and advances		128,654	113,816
Long-term deposits		3,250	3,250
Total non-current assets		47,835,787	42,924,836
Current assets			
Stores, spares and loose tools		2,614,206	2,037,359
Stock in trade		595,518	455,415
Current maturity of net investment in finance lease		118,796	118,795
Customers' installation work in progress		193,246	158,388
Trade debts	8	50,771,255	43,815,667
Loans and advances		198,537	92,958
Trade deposits and short term prepayments		256,273	182,944
Interest accrued		3,037,267	2,834,295
Other receivables	9	26,936,699	17,427,911
Taxation - net		553,727	90,170
Cash and bank balances		812,102	620,884
Total current assets		86,087,626	67,834,786
Current liabilities			
Current portion of long term financing		4,211,851	5,034,670
Short term borrowings		4,871,668	3,720,666
Trade and other payables	10	68,504,446	51,046,484
Interest and mark-up accrued		9,580,180	6,829,477
Total current liabilities		87,168,145	66,631,297
Net current (liabilities) / assets		(1,080,519)	1,203,489
Total assets less current liabilities		46,755,268	44,128,325
Equity and non-current liabilities			
Share capital and reserves			
Authorised share capital		10,000,000	10,000,000
1,000,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		8,389,679	6,711,743
Reserves		3,107,401	3,107,401
Surplus on remeasurement of available for sale securities		72,982	83,489
Unappropriated profit		3,715,717	4,169,712
Total equity		15,285,779	14,072,345
Non current liabilities			
Long term financing	11	12,425,328	11,644,780
Long term deposits		3,854,896	3,413,042
Deferred tax		7,018,283	7,018,283
Employee benefits		1,742,369	1,530,262
Deferred credit	12	5,122,447	4,989,386
Long term advances		1,306,166	1,460,227
Total non-current liabilities		31,469,489	30,055,980
Total equity and non current liabilities		46,755,268	44,128,325
Contingencies and commitments			
	13		

The annexed notes from 1 to 20 form an integral part of these interim financial information.


Salim Abbas Jilani
Chairman


Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the nine month period ended 31 March 2011

Note	Nine month period ended		Three month period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
(Rupees in '000)				
Sales	94,808,420	92,004,087	29,589,104	31,635,922
Sales tax	(11,999,796)	(11,089,142)	(3,732,291)	(3,742,880)
	82,808,624	80,914,945	25,856,813	27,893,042
Gas development surcharge	2,901,610	(8,643,503)	1,487,784	312,230
Net sales	85,710,234	72,271,442	27,344,597	28,205,272
Cost of sales	(84,935,832)	(75,492,857)	(27,662,799)	(29,727,134)
Gross profit / (loss)	774,402	(3,221,415)	(318,202)	(1,521,862)
Administrative and selling expenses	(2,275,132)	(1,905,048)	(760,256)	(647,704)
Other operating expenses	(1,241,689)	(219,991)	(525,263)	52,718
	(3,516,821)	(2,125,039)	(1,285,519)	(594,986)
	(2,742,419)	(5,346,454)	(1,603,721)	(2,116,848)
Other operating income	2,767,726	2,733,995	757,924	764,822
Operating profit / (loss) before finance cost	25,307	(2,612,459)	(845,797)	(1,352,026)
Other non-operating income	7,494,533	6,496,990	2,703,087	2,139,697
Finance cost	(4,087,257)	(3,779,854)	(1,676,862)	(1,157,881)
Profit / (loss) before taxation	3,432,583	104,677	180,428	(370,210)
Taxation	(1,201,881)	(411,171)	(62,844)	(155,763)
Profit / (loss) for the period	2,230,702	(306,494)	117,584	(525,973)
(Rupees)				
Basic / diluted earnings per share	2.66	(0.37)	0.14	(0.63)

The annexed notes from 1 to 20 form an integral part of these interim financial information.


Salim Abbas Jilani
Chairman


Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the nine month period ended 31 March 2011

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus / (deficit) on remeasurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at 01 July 2009	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Changes in equity for nine months ended March 31, 2010						
Loss for the period	-	-	-	-	(306,494)	(306,494)
Unrealised loss on remeasurement of available for sale securities				13,866	-	13,866
Total comprehensive income for the period	-	-	-	13,866	(306,494)	(292,628)
Transfer from unappropriated profit to capital reserves		438,626	-	-	(438,626)	-
Balance as at 31 March 2010	<u>6,711,743</u>	<u>673,494</u>	<u>2,384,794</u>	<u>107,679</u>	<u>(486,814)</u>	<u>9,390,896</u>
Balance as at 01 July 2010	6,711,743	234,868	2,872,533	83,489	4,169,712	14,072,345
Changes in equity for nine months ended March 31, 2010						
Profit for the period	-	-	-	-	2,230,702	2,230,702
Unrealised loss on remeasurement of available for sale securities	-	-	-	(10,507)	-	(10,507)
Total comprehensive income for the period	-	-	-	(10,507)	2,230,702	2,220,195
Transactions with owners						
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Final dividend at Rs. 1.50 per share for the year ended 30 June 2010	-	-	-	-	(1,006,761)	(1,006,761)
Balance as at 31 March 2011	<u>8,389,679</u>	<u>234,868</u>	<u>2,872,533</u>	<u>72,982</u>	<u>3,715,717</u>	<u>15,285,779</u>



Salim Abbas Jilani
Chairman



Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the nine month period ended 31 March 2011

	Nine month period ended		Three month period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	(Rupees in '000)			
Net profit / (loss) for the period	2,230,702	(306,494)	117,584	(525,973)
Other comprehensive income				
Unrealised gain / (loss) on re-measurement of available for sale securities - net of tax	(10,507)	13,866	(20,177)	15,822
Total comprehensive income / (loss) for the period	2,220,195	(292,628)	97,407	(510,151)

The annexed notes from 1 to 20 form an integral part of these interim financial information.



Salim Abbas Jilani
Chairman



Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the nine month period ended 31 March 2011

31 March 2011 31 March 2010
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES :

Profit before taxation
Adjustments for non cash items:
Depreciation
Amortization of intangibles
Finance cost
Amortization of transaction cost
Provision against impaired debts
Provision for obsolete stores
Provision for compensated absences - non executives
Provision for post retirement medical and free gas supply facilities
Provision for impaired financial income
Recognition of income against deferred credit
Dividend income
Profit / interest income
Income from net investment in finance lease
Loss on disposal of property, plant & equipment

Net cash generated from operations

(Increase) / decrease in operating assets :

Stores and spares
Stock-in-trade
Customers' installation work-in-progress
Trade debts
Loans and advances
Trade deposits and short term prepayments
Other receivables
Long term loans and advances to staff - net

Increase / (decrease) in operating liabilities:

Trade and other payables
Service charges received from new customers
Security deposits received

Cash generated from operations
Financial charges paid
Income tax (paid) - net

Net cash from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure
Proceeds from sale of property, plant & equipment
Lease rental from investment in finance lease
Dividend received
Profit / interest received

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from local currency loans
Repayments of local currency loans
Dividend paid

Net cash (used in) financing activities


Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period

Cash and cash equivalents comprises :

Cash & bank balances
Short term borrowings

3,432,583	104,677
2,291,880	2,056,138
16,822	31,159
4,087,257	3,779,854
3,693	3,678
374,286	353,946
17,079	-
26,925	-
212,107	165,434
1,000,000	-
(504,796)	(238,144)
(4,773)	-
(3,836,064)	(3,112,943)
(144,762)	(144,003)
1,831	7,917
6,974,068	3,007,713
(593,084)	(20,504)
(140,103)	141,376
(34,858)	(37,495)
(7,329,874)	(8,212,561)
(105,579)	(55,593)
(73,329)	(2,256)
(9,508,788)	9,001,644
(14,838)	(6,653)
(17,800,453)	807,958
17,355,236	4,185,786
483,796	220,719
441,854	251,728
18,280,886	4,658,233
7,454,501	8,473,904
(1,712,725)	(2,158,781)
(1,665,438)	(418,823)
4,076,338	5,896,300
(6,949,501)	(3,691,926)
6,348	56,352
246,090	237,147
4,773	-
2,633,092	1,783,539
(4,059,198)	(1,614,888)
8,068,061	575,415
(8,114,025)	(6,129,217)
(930,960)	(201)
(976,924)	(5,554,003)
(959,784)	(1,272,591)
(3,099,782)	1,477,155
(4,059,566)	204,564
812,102	654,564
(4,871,668)	(450,000)
(4,059,566)	204,564

The annexed notes from 1 to 20 form an integral part of these interim financial information.


Salim Abbas Jilani
Chairman


Dr. Faizullah Abbasi
Managing Director

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the nine month period ended 31 March 2011

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 the provinces of 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

2.1 The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). This unconsolidated condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the unconsolidated financial statement of the Company for the year ended June 30, 2010.

2.2 These unconsolidated condensed interim financial information is un-audited and are being submitted to shareholders in accordance with section 245 of the Companies Ordinance, 1984.

2.3 The comparative balance sheet presented in the interim condensed financial information has been extracted from the audited financial statements of the Company for the year ended June 30, 2010, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statements and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the nine month period ended March 31, 2010.

2.4 Determination of Revenue requirements

The Oil and Gas Authority (OGRA) in its decision dated December 02, 2010 treated Royalty Income from Jamshoro Joint Venture Limited, Late Payment Surcharge, Profit from Meter Manufacturing and Sale of Gas Condensate as operating income which were previously allowed as non-operating income by OGRA in its decision dated September 24, 2010. OGRA also in its recent decision reduced benchmark of allowable Unaccounted for Gas (UFG) from 7% to 4.25% - 5%. The Company filed an appeal in the honorable High Court of Sindh (the Court) against the above decision of OGRA. The Court has provided interim relief and allowed the Company to follow the decision of OGRA dated September 24, 2010 till OGRA provides UFG impact assessment study to the Court. Accordingly, the profit for the period ended March 31, 2011 has been calculated on the basis of parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009-10 dated September 24, 2010.

Based on the interim relief provided by the Court, management is confident that the final decision will be in favor of the company, and accordingly, the unconsolidated financial information has been prepared based on the revenue requirements determined by OGRA through its decision dated September 24, 2010 and in accordance with the interim relief allowed by the High Court of Sindh.

3. Significant accounting policies

The significant accounting policies and methods of computation applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual unconsolidated audited financial statement of the Company for the year ended 30 June, 2010.

4. Accounting estimates and judgements

The preparation of unconsolidated 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 expense. 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 recognized prospectively commencing from the period of the 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 30 June, 2010.

5. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

6. Property, plant and equipment

	31 March 2011 (Un-audited)	30 June 2010 (Audited)
	(Rupees in '000)	
Operating assets	39,823,001	36,915,188
Capital work-in-progress	6,836,618	4,750,415
	<u>46,659,619</u>	<u>41,665,603</u>

Details of additions to and disposals of property, plant and equipment during the nine month period ended 31 March 2011 are as follows:

	31 March 2011		31 March 2010	
	Cost of additions / transfers	Written down value of (disposals / transfers)	Cost of additions / transfers	Written down value of (disposals / transfers)
	(Un-audited) (Rupees in '000)			
Operating assets - owned				
Gas transmission and distribution system	4,685,513	-	3,030,192	(53,700)
Buildings on leasehold land	314,270	-	84,735	-
Plant, machinery and other equipment	288,301	-	135,191	-
Motor vehicles	47,675	(8,179)	36,531	(10,569)
	<u>5,335,759</u>	<u>(8,179)</u>	<u>3,286,649</u>	<u>(64,269)</u>
Capital work-in-progress				
Projects:				
Gas transmission and distribution system	6,950,709	(4,685,513)	3,645,130	(3,030,192)
Cost of buildings under construction	238,364	(314,270)	68,173	(84,735)
Plant, machinery and other equipment	185,214	(288,301)	317,171	(135,191)
Software	17,075	(17,075)	-	-
Others	47,675	(47,675)	36,531	(36,531)
	<u>7,439,037</u>	<u>(5,352,834)</u>	<u>4,067,005</u>	<u>(3,286,649)</u>

7. Long-term investments

	Note	31 March 2011 (Un-audited) (Rupees in '000)	30 June 2010 (Audited)
Investment in shares of related parties		46,570	63,187
Other investments		40,042	33,931
		86,612	97,118

8. Trade debts

Considered good - secured		12,023,934	12,003,014
Considered good - un-secured		38,747,321	31,812,653
		50,771,255	43,815,667
Considered doubtful	8.1	2,670,616	2,296,330
		53,441,871	46,111,997
Provision against impaired debts		(2,670,616)	(2,296,330)
		50,771,255	43,815,667

- 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. 43,317 million as at 31 March 2011 (June 30, 2010: Rs. 33,667 million). These include overdue amounts of Rs. 37,226 million (June 30, 2010: Rs. 26,474 million). Receivable from SNGPL against uniform cost of gas is as lease rental under other receivables amounts to Rs. 10,930 million (June 30, 2010: Rs. 4,198 million) (refer note no. 9.1), which includes overdue uniform cost of gas invoices of Rs. 7,230 million (June 30, 2010: Rs. 2,297 million). Interest accrued amounting to Rs. 3,510 million (June 30, 2010: Rs. 2,245 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.

9. Other receivables - considered good

Gas development surcharge receivable from GoP		8,414,255	5,290,758
Receivable from Sui Northern Gas Pipeline Limited (SNGPL) - a related party	9.1	10,929,714	4,198,192
Receivables from Jamshoro Joint Venture Limited (JJVL)		1,506,859	1,009,090
Receivable from staff pension fund - executives		82,733	82,733
Pipeline rentals receivables		27,404	13,236
Sales tax receivable		5,835,081	6,558,456
Receivable from staff gratuity fund - executives		-	10,247
Balance receivable for sale of gas condensate		36,144	46,869
Insurance claim receivable		3,396	705
Claim receivable		757	757
Miscellaneous receivables	9.2	101,841	218,353
		26,938,184	17,429,396
Provision against impaired receivables		(1,485)	(1,485)
		26,936,699	17,427,911

9.1 This includes pipeline rentals receivable Rs. 65.987 million (30 June 2010: Rs. 67.745 million) and Rs. 10,863.449 million (30 June 2010: Rs. 4,130.197 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited.

9.2 This includes Rs. 94.039 million (30 June 2010: Rs.150.462 million) recoverable from GoP under deferred tariff adjustment.

10. Trade and other payables

	Note	31 March 2011 (Un-audited)	30 June 2010 (Audited)
		(Rupees in '000)	
Creditors for:			
- gas		62,503,949	44,560,429
-supplies		1,137,082	316,332
		63,641,031	44,876,761
Amount received from customers for laying of mains, etc.		2,306,871	1,831,427
Accrued liabilities		1,602,822	3,235,422
Provision for compensated absences - non executives		178,034	137,646
Payable to provident fund - non executives		47	30
Workers' Profit Participation Fund		182,009	369,184
Deposits / retention money		230,808	203,042
Bills payable		-	121,908
Advance for sharing right of way		18,088	18,088
Unclaimed dividend		115,736	39,935
Withholding tax payable		59,487	54,496
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		14,557	2,864
Others		153,156	153,881
		68,504,446	51,046,484

11. Long term financing

Secured

- Loans from banking companies and financial institutions			
Local currency loans	11.1	5,833,334	5,400,000
- Other Loans			
Musharaka arrangements	11.2	4,562,215	4,202,921
		10,395,549	9,602,921

Unsecured

Consumer financing	11.3	178,850	190,930
Government of Sindh loans	11.4	1,850,929	1,850,929
		12,425,328	11,644,780

11.1. Local currency loans

31 March 2011 30 June 2010
(Un-audited) (Audited)
(Rupees in '000)

	Installment payable	Repayment period	Mark-up rate			
Samba Bank - term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	11.1.1	700,000	1,000,000
MCB - term loan	quarterly	2010	0.2% above 3 months average KIBOR	11.1.1	-	1,000,000
Faysal Bank Ltd - term loan	quarterly	2011-2013	1% above 3 months average KIBOR	11.1.1	800,000	1,500,000
Standard Chatered Bank - term loan	quarterly	2012-2015	1% above 3 months average KIBOR	11.1.1	2,000,000	-
Askari Bank Ltd - term loan	quarterly	2013-2015	1% above 3 months average KIBOR	11.1.1	1,000,000	-
Bank Alfalah Ltd - term loan	quarterly	2013-2016	1% above 3 months average KIBOR	11.1.2	1,000,000	-
Allied Bank Limited - term loan	quarterly	2013-2016	1% above 3 months average KIBOR	11.1.2	1,000,000	-
					6,500,000	3,500,000
<u>Syndicated term loans:</u>						
Standard Chartered Bank (as "Syndicates Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	11.1.3	-	2,500,000
JS Bank Limited (as "Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	11.1.3	-	800,000
					-	3,300,000
					6,500,000	6,800,000
Less: Current portion shown under current liabilities						
MCB - term loan					-	(1,000,000)
Samba Bank Ltd - term loan					(400,000)	-
Faysal Bank Limited - Term Loan					(266,666)	(400,000)
					(666,666)	(1,400,000)
					5,833,334	5,400,000

11.1.1 These loans are secured by a first pari passu fixed 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 period, the Company repaid Faysal Bank Loan amounting to Rs. 700 million and the remaining amount of loan was repriced from 200 bps to 100 bps.

11.1.2 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.

11.1.3 These loans were secured by a first pari passu fixed 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 period, the Company repaid these loans.

11.2 Musharaka arrangements - secured

31 March 2011 30 June 2010
(Un-audited) (Audited)
(Rupees in '000)

	Installment payable	Repayment period	Mark-up rate	Note		
<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	11.2.1	300,000	525,000
Meezan Bank Limited (the “Investor’s Agent”)	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	11.2.1	833,338	1,333,336
Bank Islami Pakistan Limited (the “Trustee”)	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	11.2.1	3,290,000	4,700,000
<u>Islamic Finance under diminishing musharaka:</u>						
Meezan Bank Limited	Two Installments	2009 & 2011	0.45% above 3 months average KIBOR	11.2.2	500,000	500,000
Bank Islami Pakistan Limited	on maturity	2011	0.20% above 3 months average KIBOR	11.2.2	-	600,000
Meezan Bank Limited (the “Investor’s Agent”)	quarterly	2013-2015	1% above 3 months average KIBOR	11.2.2	3,000,000	-
					7,923,338	7,658,336
Unamortised transaction cost					(14,459)	(8,751)
					7,908,879	7,649,585
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)	(666,664)
Meezan Bank Limited					(500,000)	-
Bank Islami Pakistan Limited (the “Trustee”)					(1,880,000)	(1,880,000)
Bank Islami Pakistan Limited					-	(600,000)
					(3,346,664)	(3,446,664)
					4,562,215	4,202,921

11.2.1 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.

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

		31 March 2011 (Un-audited) (Rupees in '000)	30 June 2010 (Audited)
11.3 Consumer financing	Note		
Consumer financing	11.3.1	279,660	281,225
Less: Current portion shown under current liabilities		(100,810)	(90,295)
		<u>178,850</u>	<u>190,930</u>

11.3.1 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 instalments through credits in the monthly gas bills of the consumers.

11.4 Government of Sindh loans

Government of Sindh loan - I	11.4.1	48,640	48,640
Government of Sindh loan - II	11.4.2	900,000	900,000
Government of Sindh loan - III	11.4.3	1,000,000	1,000,000
Government grant	11.4.4	(657,036)	(657,036)
		<u>1,242,964</u>	<u>1,242,964</u>
Government grant	11.4.4	657,036	657,036
		<u>1,948,640</u>	<u>1,948,640</u>
Less: Current portion shown under current liabilities		(97,711)	(97,711)
		<u>1,850,929</u>	<u>1,850,929</u>

11.4.1 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 is repayable in 10 yearly installments with grace period of 2 years commencing from year ended 30 June 2007.

11.4.2 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 is repayable 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.

11.4.3 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 is repayable in 10 yearly installments with grace period of 2 years commencing from year ending 30 June 2013. The loan has been stated at fair value.

11.4.4 This represents the benefit of lower interest rate on Government of Sindh loan - II & III and is calculated as difference between the proceed received in respect of Government of Sindh loan - II & III amounting to Rs 900 million & Rs. 1000 million and its initial fair value amounting to Rs. 582.076 million and Rs. 660.888 million of Gos loan II and III respectively. These are calculated at KIBOR prevailing at year end of the year in which the loans were disbursed. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

12. Deferred Credit

31 March 2011
(Un-audited)
Note (Rupees in '000)

30 June 2010
(Audited)

- Government contributions / grants

Balance at July 01	2,511,308	2,161,269
Addition during the period	410,682	478,473
	2,921,990	2,639,742
Transferred to profit and loss account	(116,439)	(128,434)
Balance as at	2,805,551	2,511,308

- Contribution from customers

Balance at July 01	2,478,078	2,685,259
Addition / (reversal) during the period	(2,508)	(8,782)
	2,475,570	2,676,477
Transferred to profit and loss account	(158,674)	(198,399)
Balance as at	2,316,896	2,478,078
	5,122,447	4,989,386

13 CONTINGENCIES AND COMMITMENTS

There has been no change in the status of other contingencies as disclosed note 17 of annual financial statements of the Company for the year ended June 30, 2010, except for the following:

13.1	Claims against the company not acknowledged as debt	13.7	298,260	396,082
13.2	Commitments for capital and other expenditure		1,539,562	2,558,094
13.3	Guarantees issued on behalf of the company		1,787,923	1,790,483
13.4	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, 2010: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2010: Rs. 0.5 million). Loan outstanding at the period end was Rs. 7.570 million (June 30, 2010: Rs. 11.434 million).			
13.5	The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order making the input tax adjustments inadmissible in respect of exempt supplies made to Agha Khan University. The resulting alleged liability is Rs. 16.278 million. In the same order the Additional Collector (Adjudication) held the Company responsible for not depositing the amount of sale tax withheld under SRO 660(1) / 2007 as withholding agent. The alleged liability is of Rs. 1,248.322 million along with default surcharge (to be calculated at the time of final payment). The company has paid Rs. 1,312.6 million against demand of the authority till March 31, 2011. The Company has defending the case in High Court of Sindh. No provision has been made in these financial statements as the Company based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.			

- 13.6** Income Tax Authorities have passed an amended assessment order under Section 122(1) of the Income Tax Ordinance, 2001 in pursuance of the audit proceedings initiated by the tax department under Section 177 of the said Ordinance for the tax year 2005. This amended assessment has been passed by adding / disallowing certain expenses/deductions resulting in additional tax liability amounting to Rs. 103.745 million, which has been adjusted from the sales tax refund of the Company. The Company has filed appeal before Commissioner Income Tax (Appeals) against the above order.

A process has been started to transfer this case to the appellate tribunal (ITAT). Pending the resolution of above matter, no provision has been made by the Company in these financial statements and management is confident that the outcome of the this appeal will be in favour of the Company.

- 13.7** The management is confident that ultimately these claims would not be payable.

	<u>Nine month period ended</u>		<u>Three month period ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(Un-audited)			
	(Rupees in '000)			
14. Other operating expenses				
Auditors' remuneration	2,512	1,281	1,237	375
Workers' profit participation fund	182,009	5,509	10,215	(19,484)
Sports expenses	13,019	14,059	5,726	5,782
Corporate social responsibility	25,239	305	598	(62)
Provision against impaired financial income	1,000,000	-	500,000	-
Exchange loss on payment of gas purchases	-	198,837	-	(39,329)
Loss on sale of fixed assets	1,831	-	425	-
Provision for slow moving obsolete stores	17,079	-	7,062	-
	<u>1,241,689</u>	<u>219,991</u>	<u>525,263</u>	<u>(52,718)</u>
15. Other operating income				
- Income from other than financial assets				
Meter rentals	456,439	425,021	153,691	145,725
Recognition of income against deferred credit	275,113	238,144	95,226	68,715
Income from new service connections under IFRIC-18	229,683	232,708	86,439	59,550
Gas shrinkage to JJVL	1,624,544	1,717,920	384,531	485,023
Income from gas transportation	28,424	36,795	7,506	11,086
Income from LPG air mix distribution				
Gwadar operation - net	37,036	10,006	13,397	(7,705)
Recoveries from customers	31,615	24,452	12,800	9,626
Liquidated damages recovered	4,627	12,025	3,129	1,752
Advertising income	3,630	4,605	1,067	2,179
Income from sale of tender documents	1,047	994	1,047	-
Realised gain / (loss) on foreign transaction	55,356	-	(7,665)	-
Miscellaneous	14,099	2,878	5,137	(20,116)
	<u>2,761,613</u>	<u>2,705,548</u>	<u>756,305</u>	<u>755,835</u>
- Income from investment in debts, loans, advances and receivable from related party				
Income from gas transportation - SNGPL	6,113	28,447	1,619	8,987
	<u>2,767,726</u>	<u>2,733,995</u>	<u>757,924</u>	<u>764,822</u>

	Nine month period ended		Three month period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
(Un-audited) (Rupees in '000)				
16. Other non operating income				
- Income from financial assets				
Late payment surcharge	1,175,696	763,101	473,111	289,023
Income from net investment in finance lease	41,310	40,466	13,741	13,615
Return on:				
- term deposits and profit and loss bank accounts	58,007	99,155	23,457	21,080
- interest on staff loans	760	1,184	233	374
Royalty income from JJVL	1,988,620	2,016,728	664,816	720,069
Sale of gas condensate	203,302	385,870	47,500	137,252
Meter manufacturing division profit - net	141,316	74,345	28,272	(28,315)
	3,609,011	3,380,849	1,251,130	1,153,098
Interest Income on late payments of gas bills and others	3,730,622	2,474,096	1,391,430	849,220
Interest Income on late settlement of dues	46,675	50,769	25,569	50,769
Interest income on Sales Tax refund	-	487,739	-	49,113
Dividend income	593	-	474	-
	7,386,901	6,393,453	2,668,603	2,102,200
- Income from investment in debts, loans, advances and receivables from related party				
Dividend income - SNGPL	4,180	-	-	-
Income from net investment in finance lease	103,452	103,537	34,484	37,497
	107,632	103,537	34,484	37,497
	7,494,533	6,496,990	2,703,087	2,139,697
17. Finance cost				
Mark-up on				
Redeemable capital	770,792	833,772	292,180	256,069
Local currency financing	675,648	1,082,812	217,898	272,646
Short term financing	298,269	101,982	80,902	32,611
Consumers' deposits	91,197	92,264	30,263	54,716
Workers' profit participation fund	25,579	-	25,579	-
Discount on gas bills	534	317	534	317
Interest on delayed payment to gas suppliers	2,584,070	1,922,662	1,215,889	668,440
Financial charges capitalized	(376,171)	(256,855)	(179,233)	(126,998)
Others	17,339	2,900	(7,150)	80
	4,087,257	3,779,854	1,676,862	1,157,881
18. Taxation				
Current	1,201,881	411,171	(68,645)	155,763
Deferred	-	-	131,489	-
	1,201,881	411,171	62,844	155,763

- 18.1.** During the last period, the Company paid minimum tax under section 113 of the Income Tax Ordinance, 2001.

19 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 method).

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

		Nine month period ended		Three month period ended	
	Note	31 March 2011	31 March 2010	31 March 2011	31 March 2010
		(Un-audited) (Rupees in '000)			
Sui Northern Gas Pipeline Limited					
- Lease rental		48,954	4,903	16,318	(27,810)
- Pipeline rental income		100,701	109,079	33,567	36,341
- Recovery of lease service cost		146,391	127,776	48,797	44,406
- Contingent rent in respect of finance lease		6,113	28,447	1,619	8,987
- Sale of gas meters	19.1	885,985	1,021,516	224,747	368,722
- Gas Purchases		349,370	260,585	130,290	124,761
- Cost of gas levelisation		(18,736,719)	(8,030,884)	(5,717,101)	(453,455)
- Dividend Income		4,180	-	-	-
Oil and Gas Development Company Limited					
- Lease rental		6,477	(849)	(4,735)	1,943
- Pipeline rental income		2,751	(5,542)	(7,854)	1,156
- Recovery of lease service cost		16,872	4,656	(7,228)	5,942
- Gas purchases		23,403,309	13,994,091	6,710,609	4,936,965
Inter State Gas System (Private) Limited					
- Reimbursement of expenses on the basis of joint venture agreement		42,240	32,352	23,355	14,989
Mari Gas Company Limited					
- Gas purchases		2,153	68,075	-	63,386
State Life Insurance Corporation Limited					
- Rent of premisses		2,095	2,389	1,731	1,087

		Nine month period ended		Three month period ended	
	Note	31 March 2011	31 March 2010	31 March 2011	31 March 2010
		(Un-audited) (Rupees in '000)			
Liaquat National Hospital					
- Medical Services		27,852	23,959	8,859	13,184
- Gas Sales		40,634	33,436	11,244	10,738
Staff retirement benefit plans					
- Contribution to provident fund	19.2	121,029	86,901	38,616	34,190
- Contribution to pension fund	19.2	-	(75,840)	-	(25,151)
- Contribution to gratuity fund	19.2	215,370	89,045	68,930	147,747
Petroleum Institute of Pakistan					
- Subscription		1,800	503	1,000	-
Dawood Islamic Bank Ltd.					
- Profit on investments		-	32,670	-	1,001
- Mark-up on Sukuk		-	59,852	-	22,547
Minto and Mirza					
- Professional charges		7,400	4,275	-	1,775
Artistic Denim Mills Limited					
- Gas Sales		58,193	154,556	-	59,171
Siemens Pakistan Limited					
- Supplies and maintenance		73	4,414	-	4,414
- Gas Sales		1,417	123	1,417	-
U.G Foods Company (Pvt.) Limited					
- Gas Sales		7,226	4,312	1,803	1,774
Packages Limited					
- Gas Sales		6,041	4,339	1,961	1,313
Askari Bank Limited					
- Profit on investment		1,842	2,129	1,654	2,129
Pak Suzuki Motor Company Ltd.					
- Motor Vehicle Purchases		69,638	-	41,457	-
- Gas sales		18,690	-	9,880	-
Pakistan State Oil Company Ltd.					
- Purchase of fuel and lubricant		32,158	-	16,137	-

Note	<u>Nine month period ended</u>		<u>Three month period ended</u>	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
			(Un-audited)	
			(Rupees in '000)	
Fauji Fertilizer Company Ltd.				
- Gas sales	5	-	-	-
International Industries Ltd.				
- Line Pipe Purchases	1,200,049	-	152,594	-
- Gas sales	540,904	-	173,519	-
PERAC Reserch and Development Foundation				
- Energy conservation study charges	-	51	-	51
Quality aviation (Pvt.) Ltd.				
- Travelling Services	18,518	1,354	8,231	1,354
Remuneration to key management personnel (executive staff) 19.3	75,972	53,351	29,369	16,338

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

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

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

19.4 Amount (due to) / receivable from related parties

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

	31 March 2011 (Un-audited)	30 June 2010 (Audited)
	(Rupees in '000)	
Sui Northern Gas Pipelines Limited		
- Lease rental	65,987	67,745
- Sale of gas meters	73,725	30,970
- Cost of gas levelisation	10,863,449	4,130,197
Oil and Gas Development Company Limited		
- Gas purchases	(31,108,818)	(16,415,395)
Inter State Gas System (Private) Limited		
- Reimbursement of expenses on the basis of joint venture agreement	(14,991)	(2,864)

31 March 2011
(Un-audited)
(Rupees in '000)

30 June 2010
(Audited)

Mari Gas Company Limited

- Gas purchases

(78,902)

(72,829)

Liaquat National Hospital

- Gas sales

3,341

83

Siemens Pakistan Engineering Ltd.

- Gas sales

455

561

U.G Foods Company (Private) Ltd.

- Gas sales

911

797

Artistic Denim Mills Ltd.

- Gas sales

21,013

22,048

Packages Limited

- Gas sales

697

577

Pak Suzuki Motor Company Ltd.

- Gas sales

3,549

-

International Industries Ltd.

- Gas sales

64,766

-

20 General

20.1 These unconsolidated condensed interim financial statements were authorised for issue on 26 April 2011 by the Board of Directors of the Company.

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



Salim Abbas Jilani
Chairman



Dr. Faizullah Abbasi
Managing Director

Karachi
April 26, 2011


CONSOLIDATED CONDENSED INTERIM BALANCE SHEET


(UN-AUDITED)

As at 31 March 2011

		March 31 2011 (Un-audited)	June 30 2010 (Audited)
	Note	(Rupees in '000)	
Non current assets			
Property, plant and equipment	6	46,659,619	41,665,603
Intangible assets		18,442	4,510
Long-term investments	7	81,511	92,017
Share of investment in jointly controlled entity	8	5,100	5,100
Net investment in finance lease		939,210	1,040,539
Long-term loans and advances		128,654	113,816
Long-term deposits		3,250	3,250
Total non-current assets		47,835,786	42,924,835
Current assets			
Stores, spares and loose tools		2,614,206	2,037,359
Stock in trade		595,518	455,415
Current maturity of net investment in finance lease		118,796	118,795
Customers' installation work in progress		193,246	158,388
Trade debts	9	50,771,255	43,815,667
Loans and advances		198,537	92,958
Trade deposits and short term prepayments		256,273	182,944
Interest accrued		3,037,270	2,834,297
Other receivables	10	26,936,699	17,427,911
Taxation - net		553,727	90,170
Cash and bank balances		812,176	620,956
Total current assets		86,087,703	67,834,860
Current liabilities			
Current portion of long term financing		4,211,851	5,034,670
Short term borrowings		4,871,668	3,720,666
Trade and other payables	11	68,504,446	51,046,484
Interest and mark-up accrued		9,580,180	6,829,477
Total current liabilities		87,168,145	66,631,297
Net current (liabilities) / assets		(1,080,442)	1,203,563
Total assets less current liabilities		46,755,344	44,128,398
Equity and non-current liabilities			
Share capital and reserves			
Authorised share capital		10,000,000	10,000,000
1,000,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		8,389,679	6,711,743
Reserves		3,107,401	3,107,401
Surplus on remeasurement of available for sale securities		72,982	83,489
Unappropriated profit		3,715,793	4,169,785
Total equity		15,285,855	14,072,418
Non current liabilities			
Long term financing	12	12,425,328	11,644,780
Long term deposits		3,854,896	3,413,042
Deferred tax		7,018,283	7,018,283
Employee benefits		1,742,369	1,530,262
Deferred credit	13	5,122,447	4,989,386
Long term advances		1,306,166	1,460,227
Total non-current liabilities		31,469,489	30,055,980
Total shareholders' equity and non current liabilities		46,755,344	44,128,398
Contingencies and Commitments	14		

The annexed notes from 1 to 21 form an integral part of these interim financial information.


Salim Abbas Jilani
Chairman



Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the nine month period ended 31 March 2011

Note	Nine months period ended		Three months period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
(Rupees in '000)				
Sales	94,808,420	92,004,087	29,589,104	31,635,922
Sales tax	(11,999,796)	(11,089,142)	(3,732,291)	(3,742,880)
	82,808,624	80,914,945	25,856,813	27,893,042
Gas development surcharge	2,901,610	(8,643,503)	1,487,784	312,230
Net sales	85,710,234	72,271,442	27,344,597	28,205,272
Cost of sales	(84,935,832)	(75,492,857)	(27,662,799)	(29,727,134)
Gross profit / (loss)	774,402	(3,221,415)	(318,202)	(1,521,862)
Administrative and selling expenses	(2,275,132)	(1,905,048)	(760,256)	(647,704)
Other operating expenses	15 (1,241,689)	(219,991)	(525,263)	52,718
	(3,516,821)	(2,125,039)	(1,285,519)	(594,986)
	(2,742,419)	(5,346,454)	(1,603,721)	(2,116,848)
Other operating income	16 2,767,726	2,733,995	757,924	764,822
Operating profit / (loss) before finance cost	25,307	(2,612,459)	(845,797)	(1,352,026)
Other non-operating income	17 7,494,534	6,496,990	2,703,087	2,139,697
Finance cost	18 (4,087,257)	(3,779,854)	(1,676,862)	(1,157,881)
Profit / (loss) before taxation	3,432,584	104,677	180,428	(370,210)
Taxation	19 (1,201,881)	(411,171)	(62,844)	(155,763)
Profit / (loss) for the period	2,230,703	(306,494)	117,584	(525,973)
(Rupees)				
Basic / diluted earnings per share	2.66	(0.37)	0.14	(0.63)

The annexed notes from 1 to 21 form an integral part of these interim financial information.


Salim Abbas Jilani
Chairman

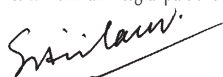

Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the nine month period ended 31 March 2011

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus / (deficit) on remeasurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at 01 July 2009	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Changes in equity for nine months ended March 31, 2010						
Loss for the period	-	-	-	-	(306,494)	(306,494)
Unrealised loss on remeasurement of available for sale securities				13,866	-	13,866
Total comprehensive income for the period	-	-	-	13,866	(306,494)	(292,628)
Transfer from unappropriated profit to capital reserves		438,626	-	-	(438,626)	-
Balance as at 31 March 2010	6,711,743	673,494	2,384,794	107,679	(486,814)	9,390,896
Balance as at 01 July 2010	6,711,743	234,868	2,872,533	83,489	4,169,785	14,072,418
Changes in equity for nine months ended March 31, 2010						
Profit for the period	-	-	-	-	2,230,703	2,230,703
Unrealised loss on remeasurement of available for sale securities	-	-	-	(10,507)	-	(10,507)
Total comprehensive income for the period	-	-	-	(10,507)	2,230,703	2,220,196
Transactions with owners						
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Final dividend at Rs. 1.50 per share for the year ended 30 June 2010	-	-	-	-	(1,006,759)	(1,006,759)
Balance as at 31 March 2011	8,389,679	234,868	2,872,533	72,982	3,715,793	15,285,855

The annexed notes from 1 to 21 form an integral part of these interim financial information.



Salim Abbas Jilani
Chairman



Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the nine month period ended 31 March 2011

	nine month period ended		Three month period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	(Rupees in '000)			
Net profit / (loss) for the period	2,230,703	(306,494)	117,584	(525,973)
Other comprehensive income				
Unrealised gain / (loss) on re-measurement of available for sale securities - net of tax	(10,507)	13,866	(20,177)	15,822
Total comprehensive income / (loss) for the period	<u>2,220,196</u>	<u>(292,628)</u>	<u>97,407</u>	<u>(510,151)</u>

The annexed notes from 1 to 21 form an integral part of these interim financial information.



Salim Abbas Jilani
Chairman




Dr. Faizullah Abbasi
Managing Director


CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the nine month period ended 31 March 2011

	31 March 2011	31 March 2010
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES :		
Profit before taxation	3,432,583	104,677
Adjustments for non cash items:		
Depreciation	2,291,880	2,056,138
Amortization of intangibles	16,822	31,159
Finance cost	4,087,257	3,779,854
Amortization of transaction cost	3,693	3,678
Provision against impaired debts	374,286	353,946
Provision for obsolete stores	17,079	-
Provision for compensated absences - non executives	26,925	-
Provision for post retirement medical and free gas supply facilities	212,107	165,434
Provision for impaired financial income	1,000,000	-
Recognition of income against deferred credit	(504,796)	(238,144)
Dividend income	(4,773)	-
Profit / interest income	(3,836,064)	(3,112,943)
Income from net investment in finance lease	(144,762)	(144,003)
Gain on sale of property plant & equipment	1,831	7,917
	6,974,068	3,007,713
(Increase) / decrease in operating assets :		
Stores and spares	(593,084)	(20,504)
Stock-in-trade	(140,103)	141,376
Customers' installation work-in-progress	(34,858)	(37,495)
Trade debts	(7,329,874)	(8,212,561)
Loans and advances	(105,579)	(55,593)
Trade deposits and short term prepayments	(73,329)	(2,256)
Other receivables	(9,508,788)	9,001,644
Long term loans and advances to staff - net	(14,838)	(6,653)
	(17,800,453)	807,958
Increase / (decrease) in operating liabilities:		
Trade and other payables	17,355,236	4,185,786
Service charges received from new customers	483,796	220,719
Security deposits received	441,854	251,728
	18,280,886	4,658,233
Cash generated from operations	7,454,501	8,473,904
Financial charges paid	(1,712,725)	(2,158,781)
Income tax (paid) - net	(1,665,438)	(418,823)
Net cash from / operating activities	4,076,338	5,896,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(6,949,501)	(3,691,926)
Proceeds from sale of property, plant & equipment	6,348	56,352
Lease rental from investment in finance lease	246,090	237,147
Dividend received	4,773	-
Profit / interest received	2,633,092	1,783,539
Net cash used in investing activities	(4,059,198)	(1,614,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from local currency loans	8,068,061	575,415
Repayments of local currency loans	(8,114,025)	(6,129,217)
Dividend paid	(930,960)	(201)
Net cash (used in) financing activities	(976,924)	(5,554,003)
Net decrease in cash and cash equivalents	(959,784)	(1,272,591)
Cash and cash equivalents at beginning of the period	(3,099,782)	1,477,155
Cash and cash equivalents at end of the period	(4,059,566)	204,564
Cash and cash equivalents comprises :		
Cash & bank balances	812,102	654,564
Short term borrowings	(4,871,668)	(450,000)
	(4,059,566)	204,564

The annexed notes from 1 to 21 form an integral part of these interim financial information.


Salim Abbas Jilani
Chairman


Dr. Faizullah Abbasi
Managing Director

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

for the nine month period ended 31 March 2011

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of: Holding Company

	Percentage Holding	
	2011	2010
	%	%
- Sui Southern Gas Company Limited		
Subsidiary Company		
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	100.00	100.00

The Group is principally engaged in transmission and distribution of natural gas in Sindh and Balochistan. Brief profiles of the Holding Company, subsidiary company and jointly controlled company are as follows:

Sui Southern Gas Company Limited

Sui Southern Gas Company Limited ("the Holding 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 Holding Company is transmission and distribution of natural gas in Sindh and Balochistan. The Holding 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.

Sui Southern Gas Provident Fund Trust Company (Private) Limited

Sui Southern Gas Provident Fund Trust Company (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. The Subsidiary Company's registered office is situated at ST-4/B, Block-14, Sir Shah Muhammad Suleman Road, Gulshan-e-Iqbal, Karachi. The Subsidiary Company was formed to facilitate administration of employees's retirement funds of the Holding Company.

Inter state Gas systems (Private) Limited

Inter State Gas Systems (Private) Limited ("The Jointly Controlled Entity") is incorporated in Pakistan as a Private Limited Company and is joint venture between Sui Southern Gas Company Limited (SSGCL) and Sui Northern Gas Pipelines Limited (SNGPL). Inter State Gas Systems (Private) Limited has been established to explore and make arrangement for import of natural gas from neighbouring countries. The controlling interest of Holding Company in Inter State Gas Systems (Private) Limited is 51%.

1.2 Basis of consolidation

- The consolidated financial statements include the financial statements of the Holding Company and its subsidiary company together "the Group".
- The financial statements of the subsidiary company are prepared for the same reporting year as the Holding Company for the purpose of consolidation, using consistent accounting policies.

- The assets, liabilities, income and expenses of subsidiary company have been consolidated on a line by line basis.
- Minority interest represents the portion of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Holding Company.
- Material intra-group balances and transactions have been eliminated.

2 Basis of preparation

2.1 The consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). This consolidated condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statement of the Company for the year ended June 30, 2010.

2.2 These consolidated condensed interim financial information is un-audited and are being submitted to shareholders in accordance with section 245 of the Companies Ordinance, 1984.

2.3 The comparative balance sheet presented in the interim condensed financial information has been extracted from the audited financial statements of the Company for the year ended June 30, 2010, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statements and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the nine month period ended March 31, 2010.

2.4 Determination of Revenue requirements

The Oil and Gas Authority (OGRA) in its decision dated December 02, 2010 treated Royalty Income from Jamshoro Joint Venture Limited, Late Payment Surcharge, Profit from Meter Manufacturing and Sale of Gas Condensate as operating income which were previously allowed as non-operating income by OGRA in its decision dated September 24, 2010. OGRA also in its recent decision reduced benchmark of allowable Unaccounted for Gas (UFG) from 7% to 4.25% - 5%. The Company filed an appeal in the honorable High Court of Sindh (the Court) against the above decision of OGRA. The Court has provided interim relief and allowed the Company to follow the decision of OGRA dated September 24, 2010 till OGRA provides UFG impact assessment study to the Court. Accordingly, the profit for the period ended March 31, 2011 has been calculated on the basis of parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009-10 dated September 24, 2010.

Based on the interim relief provided by the Court, management is confident that the final decision will be in favor of the company, and accordingly, the consolidated financial information has been prepared based on the revenue requirements determined by OGRA through its decision dated September 24, 2010 and in accordance with the interim relief allowed by the High Court of Sindh.

3 Significant accounting policies

The significant accounting policies and methods of computation applied for the preparation of this consolidated condensed interim financial information are the same as those applied in preparation of the annual consolidated audited financial statement of the Company for the year ended June 30, 2010.

4 Accounting estimates and judgements

The preparation of consolidated 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 expense. 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 recognized prospectively commencing from the period of the revision.

In preparing this consolidated 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 30 June, 2010.

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June, 2010.

6 Property, plant and equipment

31 March 2011 30 June 2010
(Un-audited) (Audited)
(Rupees in '000)

Operating assets	39,823,001	36,915,188
Capital work-in-progress	6,836,618	4,750,415
	<u>46,659,619</u>	<u>41,665,603</u>

Details of additions to and disposals of property, plant and equipment during the nine months ended 31 March 2011 are as follows:

	31 March 2011		31 March 2010	
	Cost of additions / transfers	Written down value of (disposals) / transfers	Cost of additions / transfers	Written down value of (disposals) / transfers
	(Un-audited)			
	(Rupees in '000)			
Operating assets - owned				
Gas transmission and distribution system	4,685,513		3,030,192	(53,700)
Buildings on leasehold land	314,270	-	84,735	-
Plant, machinery and other equipment	288,301	-	135,191	-
Motor vehicles	47,675	(8,179)	36,531	(10,569)
	<u>5,335,759</u>	<u>(8,179)</u>	<u>3,286,649</u>	<u>(64,269)</u>
Capital work-in-progress				
Projects:				
Gas transmission and distribution system	6,950,709	(4,685,513)	3,645,130	(3,030,192)
Cost of buildings under construction	238,364	(314,270)	68,173	(84,735)
Plant, machinery and other equipment	185,214	(288,301)	317,171	(135,191)
Software	17,075	(17,075)	-	-
Others	47,675	(47,675)	36,531	(36,531)
	<u>7,439,037</u>	<u>(5,352,834)</u>	<u>4,067,005</u>	<u>(3,286,649)</u>

7	Long-term investments	Note	31 March 2011 (Un-audited)	30 June 2010 (Audited)
			(Rupees in '000)	
	Investment in shares of related parties		41,469	58,086
	Other investments		40,042	33,931
			<u>81,511</u>	<u>92,017</u>
8	Share of investment in jointly controlled entity			
	Inter State Gas System (Private) Limited			
	510,000 ordinary shares of Rs. 10 each	8.1	5,100	5,100
8.1	This represents a 51% (June 2010: 51%) interest of SSGCL share in Inter State Gas Systems (Private) Limited (the jointly controlled entity).			
9.	Trade debts			
	Considered good - secured		12,023,934	12,003,014
	Considered good - un-secured		38,747,321	31,812,653
		9.1	50,771,255	43,815,667
	Considered doubtful		2,670,616	2,296,330
			53,441,871	46,111,997
	Provision against impaired debts		(2,670,616)	(2,296,330)
			<u>50,771,255</u>	<u>43,815,667</u>
9.1.	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. 43,317 million as at 31 March 2011 (June 30, 2010: Rs. 33,667 million). These include overdue amounts of Rs. 37,226 million (June 30, 2010: Rs. 26,474 million). Receivable from SNGPL against uniform cost of gas is as lease rental under other receivables amounts to Rs. 10,930 million (June 30, 2010: Rs. 4,198 million) (refer note no. 10.1), which includes overdue uniform cost of gas invoices of Rs. 7,230 million (June 30, 2010: Rs. 2,297 million). Interest accrued amounting to Rs. 3,510 million (June 30, 2010: Rs. 2,245 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.			
10	Other receivables - considered good			
	Gas development surcharge receivable from GoP		8,414,255	5,290,758
	Receivable from Sui Northern Gas Pipelines Limited (SNGPL) - a related party	10.1	10,929,714	4,198,192
	Receivable from Jamshoro Joint Venture Limited (JJVL)		1,506,859	1,009,090
	Receivable from staff pension fund - executives		82,733	82,733
	Pipeline rental receivables		27,404	13,236
	Sales tax receivable		5,835,081	6,558,456
	Receivable from staff gratuity fund - executives		-	10,247
	Balance receivable for sale of gas condensate		36,144	46,869
	Insurance claim receivable		3,396	705
	Claim receivable		757	757
	Miscellaneous receivables	10.2	101,841	218,353
			26,938,184	17,429,396
	Provision against impaired receivables		(1,485)	(1,485)
			<u>26,936,699</u>	<u>17,427,911</u>

10.1 This includes pipeline rentals receivable Rs. 65.987 million (30 June 2010: Rs. 67.745 million) and Rs. 10,863.449 million (30 June 2010: Rs. 4,130.197 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited.

10.2 This includes Rs. 94.039 million (30 June 2010: Rs.150.462 million) recoverable from GoP under deferred tariff adjustment.

31 March 2011 **30 June 2010**
(Un-audited) **(Audited)**
(Rupees in '000)

11 Trade and other payables

Creditors for:

- gas	62,503,949	44,560,429
-supplies	1,137,082	316,332
	63,641,031	44,876,761

Amount received from customers

for laying of mains, etc. **2,306,871** 1,831,427

Accrued liabilities **1,602,822** 3,235,422

Provision for compensated absences - non executives **178,034** 137,646

Payable to provident fund - non executives **47** 30

Workers' Profit Participation Fund **182,009** 369,184

Deposits / retention money **230,808** 203,042

Bills payable **-** 121,908

Advance for sharing right of way **18,088** 18,088

Unclaimed dividend **115,736** 39,935

Withholding tax payable **59,487** 54,496

Unclaimed term finance certificate redemption profit **1,800** 1,800

Inter State Gas System (Private) Limited (ISGSL) **14,557** 2,864

Others **153,156** 153,881

68,504,446 **51,046,484**

12 Long term financing

Secured

- Loans from banking companies and financial institutions
Local currency loans 12.1 **5,833,334** 5,400,000

- Other Loans
Musharaka arrangements 12.2 **4,562,215** 4,202,921

10,395,549 9,602,921

Unsecured

Consumer financing 12.3 **178,850** 190,930

Government of Sindh loans 12.4 **1,850,929** 1,850,929

2,029,779 2,041,859

12,425,328 **11,644,780**

12.1 Local currency loans

31 March 2011 30 June 2010
(Un-audited) (Audited)
(Rupees in '000)

	Installment Payable	Repayment Period	Mark-up Rate			
Samba Bank - term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	12.1.1	700,000	1,000,000
MCB - term loan	quarterly	2010	0.2% above 3 months average KIBOR	12.1.1	-	1,000,000
Faysal Bank Ltd - term loan	quarterly	2011-2013	1% above 3 months average KIBOR	12.1.1	800,000	1,500,000
Standard Chatered Bank - term loan	quarterly	2012-2015	1% above 3 months average KIBOR	12.1.1	2,000,000	-
Askari Bank Ltd - term loan	quarterly	2013-2015	1% above 3 months average KIBOR	12.1.1	1,000,000	-
Bank Alfalah Ltd - term loan	quarterly	2013-2016	1% above 3 months average KIBOR	12.1.2	1,000,000	-
Allied Bank Limited - term loan	quarterly	2013-2016	1% above 3 months average KIBOR	12.1.2	1,000,000	-
					6,500,000	3,500,000
<u>Syndicated term loans</u>						
Standard Chartered Bank (as "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	12.1.3	-	2,500,000
JS Bank Limited (as "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months	12.1.3	-	800,000
					-	3,300,000
					6,500,000	6,800,000
Less: Current portion shown under current liabilities						
MCB - term loan					-	(1,000,000)
Samba Bank Limited - term loan					(400,000)	-
Faysal Bank Limited - Term Loan					(266,666)	(400,000)
					(666,666)	(14,00,000)
					5,833,334	5,400,000

12.1.1 These loans are secured by a first pari passu fixed 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 period, the Company repaid Faysal Bank Loan amounting to Rs. 700 million and the remaining amount of loan was repriced from 200 bps to 100 bps.

12.1.2 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.

12.1.3 These loans were secured by a first pari passu fixed 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 period, the Company repaid these loans.

12.2 Musharaka arrangements - secured

31 March 2011 30 June 2010
(Un-audited) (Audited)
(Rupees in '000)

	Installment Payable	Repayment Period	Mark-up Rate	Note		
<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	13.2.1	300,000	525,000
Meezan Bank Limited (the "Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	13.2.1	833,338	1,333,336
Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	13.2.1	3,290,000	4,700,000
Islamic Finance under diminishing musharaka Meezan Bank Limited	Two Installments	2009 & 2011	0.45% above 3 months average KIBOR	13.2.2	500,000	500,000
Bank Islami Pakistan Limited	on maturity	2011	0.20% above 3 months	13.2.2	-	600,000
Meezan Bank Limited (the "Investor's Agent")	quarterly	2013-2015	1% above 3 months average KIBOR	13.2.2	3,000,000	-
					7,923,338	7,658,336
Unamortised Transaction Cost					(14,459)	(8,751)
					7,908,879	7,649,585
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)	(666,664)
Meezan Bank Limited					(500,000)	-
Bank Islami Pakistan Limited (the "Trustee")					(1,880,000)	(1,880,000)
Bank Islami Pakistan Limited					-	(600,000)
					(3,346,664)	(3,446,664)
					4,562,215	4,202,921

13.2.1 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.

13.2.2 Islamic Finance under diminishing Musharaka is secured by a first pari passu fixed charge created by way of hypothecation over all future and present 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	279,660	281,225
Less: Current portion shown under current liabilities		(100,810)	(90,295)
		178,850	190,930

- 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 instalments through credits in the monthly gas bills of the consumers.

		31 March 2011 (Un-audited)	30 June 2010 (Audited)
12.4 Government of Sindh loans	Note	(Rupees in '000)	
Government of Sindh loan - I	12.4.1	48,640	48,640
Government of Sindh loan - II	12.4.2	900,000	900,000
Government of Sindh loan - III	12.4.3	1,000,000	1,000,000
Government grant	12.4.4	(657,036)	(657,036)
		1,242,964	1,242,964
Government grant	12.4.4	657,036	657,036
		1,948,640	1,948,640
Less: Current portion shown under current liabilities		(97,711)	(97,711)
		1,850,929	1,850,929

- 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 is repayable 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 is repayable 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** 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 is repayable in 10 yearly installments with grace period of 2 years commencing from year ending 30 June 2013. The loan has been stated at fair value.

- 12.4.4** This represents the benefit of lower interest rate on Government of Sindh loan - II & III and is calculated as difference between the proceed received in respect of Government of Sindh loan - II & III amounting to Rs 900 million and Rs. 1000 million and its initial fair value amounting to Rs. 582.076 million and Rs. 660.888 million of Gos loan II and III respectively. These are calculated at KIBOR prevailing at year end of the year in which the loans were disbursed. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

	31 March 2011 (Un-audited)	30 June 2010 (Audited)
Note	(Rupees in '000)	
13	Deferred credit	
	- Government contributions / grants	
Balance at July 01	2,511,308	2,161,269
Addition during the period	410,682	478,473
	2,921,990	2,639,742
Transferred to profit and loss account	(116,439)	(128,434)
Balance as at	2,805,551	2,511,308
	- Contribution from customers	
Balance at July 01	2,478,078	2,685,259
Addition / (Reversal) during the period	(2,508)	(8,782)
	2,475,570	2,676,477
Transferred to profit and loss account	(158,674)	(198,399)
Balance as at	2,316,896	2,478,078
	5,122,447	4,989,386

14 CONTINGENCIES AND COMMITMENTS

There has been no change in the status of other contingencies as disclosed note 17 of annual financial statements of the Company for the year ended June 30, 2010, except for the following:

14.1	Claims against the company not acknowledged as debt	14.7	298,260	396,082
14.2	Commitments for capital and other expenditure		1,539,562	2,558,094
14.3	Guarantees issued on behalf of the company		1,787,923	1,790,483
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, 2010: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2010: Rs. 0.5 million). Loan outstanding at the period end was Rs. 7.570 million (June 30, 2010: Rs. 11.434 million).			
14.5	The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order making the input tax adjustments inadmissible in respect of exempt supplies made to Agha Khan University. The resulting alleged liability is Rs. 16.278 million. In the same order the Additional Collector (Adjudication) held the Company responsible for not depositing the amount of sale tax withheld under SRO 660(1) / 2007 as withholding agent. The alleged liability is of Rs. 1,248.322 million along with default surcharge (to be calculated at the time of final payment). The company has paid Rs. 1,312.6 million against demand of the authority till March 31, 2011. The Company has defending the case in High Court of Sindh. No provision has been made in these financial statements as the Company based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.			

- 14.6 Income Tax Authorities have passed an amended assessment order under Section 122(1) of the Income Tax Ordinance, 2001 in pursuance of the audit proceedings initiated by the tax department under Section 177 of the said Ordinance for the tax year 2005. This amended assessment has been passed by adding / disallowing certain expenses/deductions resulting in additional tax liability amounting to Rs. 103.745 million, which has been adjusted from the sales tax refund of the Company. The Company has filed appeal before Commissioner Income Tax (Appeals) against the above order.
- A process has been started to transfer this case to the appellate tribunal (ITAT). Pending the resolution of above matter, no provision has been made by the Company in these financial statements and management is confident that the outcome of the this appeal will be in favour of the Company.

- 14.7 The management is confident that ultimately these claims would not be payable.

	Nine month period ended		Three month period ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	(Un-audited)			
	(Rupees in '000)			
15. Other operating expenses				
Auditors' remuneration	2,512	1,281	1,237	375
Workers' profit participation fund	182,009	5,509	10,215	(19,484)
Sports expenses	13,019	14,059	5,726	5,782
Corporate social responsibility	25,239	305	598	(62)
Provision against impaired financial income	1,000,000		500,000	
Exchange loss on payment of gas purchases	-	198,837	-	(39,329)
Loss on sale of fixed assets	1,831	-	425	-
Provision for slow moving obsolete stores	17,079	-	7,062	-
	<u>1,241,689</u>	<u>219,991</u>	<u>525,263</u>	<u>(52,718)</u>
16. Other operating income				
- Income from other than financial assets				
Meter rentals	456,439	425,021	153,691	145,725
Recognition of income against deferred credit	275,113	238,144	95,226	68,715
Income from new service connections under IFRIC-18	229,683	232,708	86,439	59,550
Gas shrinkage to JJVL	1,624,544	1,717,920	384,531	485,023
Income from gas transportation	28,424	36,795	7,506	11,086
Income from LPG air mix distribution				
Gwadar operation - net	37,036	10,006	13,397	(7,705)
Recoveries from customers	31,615	24,452	12,800	9,626
Liquidated damages recovered	4,627	12,025	3,129	1,752
Advertising income	3,630	4,605	1,067	2,179
Income from sale of tender documents	1,047	994	1,047	-
Realised gain on foreign transaction	55,356	-	(7,665)	-
Miscellaneous	14,099	2,878	5,137	(20,116)
	<u>2,761,613</u>	<u>2,705,548</u>	<u>756,305</u>	<u>755,835</u>
- Income from investment in debts, loans, advances and receivable from related party				
Income from gas transportation - SNGPL	6,113	28,447	1,619	8,987
	<u>2,767,726</u>	<u>2,733,995</u>	<u>757,924</u>	<u>764,822</u>

	Nine month period ended		Three month period ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	(Un-audited) (Rupees in '000)			
17. Other non operating income				
- Income from financial assets				
Late payment surcharge	1,175,696	763,101	473,111	289,023
Income from net investment in finance lease	41,310	40,466	13,741	13,615
Return on:				
- term deposits and profit and loss bank accounts	58,008	99,155	23,458	21,080
- interest on staff loans	760	1,184	233	374
Royalty income from JJVL	1,988,620	2,016,728	664,816	720,069
Sale of gas condensate	203,302	385,870	47,500	137,252
Meter manufacturing division profit - net	141,316	74,345	28,272	(28,315)
	3,609,012	3,380,849	1,251,131	1,153,098
 Interest Income on late payments of gas bills and others	3,730,622	2,474,096	1,391,430	849,220
Interest Income on late settlement of dues	46,675	50,769	25,569	50,769
Interest income on Sales Tax refund	-	487,739	-	49,113
Dividend income	593	-	474	-
	7,386,902	6,393,453	2,668,604	2,102,200
 - Income from investment in debts, loans, advances and receivables from related party				
Dividend income - SNGPL	4,180	-	-	-
Income from net investment in finance lease	103,452	103,537	34,484	37,497
	107,632	103,537	34,484	37,497
	7,494,534	6,496,990	2,703,088	2,139,697
18. Finance Cost				
Mark-up on				
Redeemable capital	770,792	833,772	292,180	256,069
Local currency financing	675,648	1,082,812	217,898	272,646
Short term financing	298,269	101,982	80,902	32,611
Consumers' deposits	91,197	92,264	30,263	54,716
Workers' profit participation fund	25,579	-	25,579	-
Discount on gas bills	534	317	534	317
Interest on delayed payment to gas suppliers	2,584,070	1,922,662	1,215,889	668,440
Financial charges capitalized	(376,171)	(256,855)	(179,233)	(126,998)
Others	17,339	2,900	(7,150)	80
	4,087,257	3,779,854	1,676,862	1,157,881
19. Taxation				
Current	1,201,881	411,171	(68,645)	155,763
Deferred	-	-	131,489	-
	1,201,881	411,171	62,844	155,763

- 19.1.** During the last period, the Company paid minimum tax under section 113 of the Income Tax Ordinance, 2001.

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 method).

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

	Nine month period ended		Three month period ended	
	31 March	31 March	31 March	31 March
Note	2011	2010	2011	2010
	(Un-audited)			
	(Rupees in '000)			
Sui Northern Gas Pipeline Limited				
- Lease rental	48,954	4,903	16,318	(27,810)
- Pipeline rental income	100,701	109,079	33,567	36,341
- Recovery of lease service cost	146,391	127,776	48,797	44,406
- Contingent rent in respect of finance lease	6,113	28,447	1,619	8,987
- Sale of gas meters 20.1	885,985	1,021,516	224,747	368,722
- Gas Purchases	349,370	260,585	130,290	124,761
- Cost of gas levelisation	(18,736,719)	(8,030,884)	(5,717,101)	(453,455)
- Dividend Income	4,180	-	-	-
Oil and Gas Development Company Limited				
- Lease rental	6,477	(849)	(4,735)	1,943
- Pipeline rental income	2,751	(5,542)	(7,854)	1,156
- Recovery of lease service cost	16,872	4,656	(7,228)	5,942
- Gas Purchases	23,403,309	13,994,091	6,710,609	4,936,965
Inter State Gas System (Private) Limited				
- Reimbursement of expenses on the basis of joint venture agreement	42,240	32,352	23,355	14,989
Mari Gas Company Limited				
- Gas Purchases	2,153	68,075	-	63,386
State Life Insurance Corporation Limited				
- Rent of Premises	2,095	2,389	1,731	1,087
Liaquat National Hospital				
- Medical Services	27,852	23,959	8,859	13,184
- Gas Sales	40,634	33,436	11,244	10,738

		Nine month period ended		Three month period ended	
		31 March	31 March	31 March	31 March
	Note	2011	2010	2011	2010
		(Un-audited)			
		(Rupees in '000)			
Staff retirement benefit plans					
- Contribution to provident fund	20.2	121,029	86,901	38,616	34,190
- Contribution to pension fund	20.2	-	(75,840)	-	(25,151)
- Contribution to gratuity fund	20.2	215,370	89,045	68,930	147,747
Petroleum Institute of Pakistan					
- Subscription		1,800	503	1,000	-
Dawood Islamic Bank Ltd.					
- Profit on investments		-	32,670	-	1,001
- Mark-up on Sukuk		-	59,852	-	22,547
Minto and Mirza					
- Professional charges		7,400	4,275	-	1,775
Artistic Denim Mills Limited					
- Gas Sales		58,193	154,556	-	59,171
Siemens Pakistan Limited					
- Supplies and maintenance		73	4,414	-	4,414
- Gas Sales		1,417	123	1,417	-
U.G Foods Company (Pvt.) Limited					
- Gas Sales		7,226	4,312	1,803	1,774
Packages Limited					
- Gas Sales		6,041	4,339	1,961	1,313
Askari Bank Limited					
- Profit on investment		1,842	2,129	1,654	2,129
Pak Suzuki Motor Company Ltd.					
- Motor Vehicle Purchases		69,638	-	41,457	-
- Gas Sales		18,690	-	9,880	-
Pakistan State Oil Company Ltd.					
- Purchase of fuel and lubricant		32,158	-	16,137	-
Fauji Fertilizer Company Ltd.					
- Gas Sales		5	-	-	-
International Industries Ltd.					
- Line Pipe Purchases		1,200,049	-	152,594	-
- Gas Sales		540,904	-	173,519	-
PERAC Reserch and Development Foundation					
- Energy conservation study charges		-	51	-	51
Quality aviation (Pvt.) Ltd.					
- Travelling Services		18,518	1,354	8,231	1,354
Remuneration o Key management personnel (executive staff)	20.3	75,972	53,351	29,369	16,338

- 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 2011 (Un-audited)	30 June 2010 (Audited)
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Lease rental	65,987	67,745
- Sale of gas meters	73,725	30,970
- Cost of gas levelisation	10,863,449	4,130,197
Oil and Gas Development Company Limited		
- Gas purchases	(31,108,818)	(16,415,395)
Inter State Gas System (Private) Limited		
- Reimbursement of expenses on the basis of joint venture agreement	(14,991)	(2,864)
Mari Gas Company Limited		
- Gas purchases	(78,902)	(72,829)
Liaquat National Hospital		
- Gas sales	3,341	83
Siemens Pakistan Engineering Ltd.		
- Gas sales	455	561
U.G Foods Company Ltd.		
- Gas sales	911	797
Artistic Denim Mills Ltd.		
- Gas sales	21,013	22,048
Packages Limited		
- Gas sales	697	577
Pak Suzuki Motor Company Ltd.		
- Gas sales	3,549	-
International Industries Ltd.		
- Gas sales	64,766	-

21 General

- 21.1** These consolidated condensed interim financial statements were authorised for issue on 26 April 2011 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

Karachi
April 26, 2011



Dr. Faizullah Abbasi
Managing Director

KEY DATA

-	FRANCHISE AREA	SINDH AND BALOCHISTAN	
		FOR THE NINE MONTHS ENDED	
		31 MARCH 2011	31 MARCH 2010
-	NATURAL GAS SALES VOLUME (MMCF)	268,019	293,570
-	NUMBER OF CUSTOMERS (CUMULATIVE)		
	INDUSTRIAL	4,132	3,857
	COMMERCIAL	25,698	23,927
	DOMESTIC	2,338,902	2,205,686
	TOTAL	2,368,732	2,233,470
-	GAS METERS MANUFACTURED (NOS.) (SSGC MEETS 100% REQUIREMENT OF DOMESTIC GAS METERS IN PAKISTAN)	479,050	541,250
-	TRANSMISSION NETWORK - CUMULATIVE (KM)		
	DIAMETER		
	12"	344	344
	16"	558	558
	18"	914	914
	20"	871	871
	24"	624	624
	30"	9	9
		3,320	3,320
-	DISTRIBUTION NETWORK - CUMULATIVE (KM)		
	MAINS (1" - 30" DIAMETER)	30,729	28,417
	SERVICES	7,902	7,516
		38,631	35,933