Auditors' Report To The Members

We have audited the annexed unconsolidated balance sheet of Sui Southern Gas Company Limited ("the Company") as at June 30, 2011 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in after referred to as unconsolidated financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matter stated in paragraph 1 below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. As described in note 26.1 to the unconsolidated financial statements, trade debts include an unsecured receivable amount of Rs. 29.159 billion receivable from Karachi Electric Supply Company Limited (KESC) out of which Rs. 27.002 billion are overdue. The entire amount has been classified as current asset. For the reasons mentioned in the aforementioned note, management is confident that the entire amount will be recovered. Due to the adverse financial position of KESC and large accumulation of overdue amount, we were unable to determine the extent to which the amount is likely to be recovered and time frame over which such recovery will be made.

2. We report that:

   I. except for the possible effects of the matter stated in paragraph 1 above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

   II. in our opinion:

      (i) except for the possible effects of the matter stated in paragraph 1 above, the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

      (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

      (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

   III. except for the possible effects of the matter stated in paragraph 1 above, in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and the unconsolidated statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

3. In our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

4. We draw attention to note 1.3 to the unconsolidated financial statements that describes that the revenue requirement for the year 2010-2011 has been determined provisionally on the basis of decision of the High Court of Sindh. Management is confident that the final decision will be in its favor. In this respect, our opinion is not qualified.

M. Yousuf Adil Saleem & Co

29 September, 2011
Karachi

M. Yousuf Adil Saleem & Co
Chartered Accountants
Audit Engagement Partner
Syed Asad Ali Shah

Unconsolidated Balance Sheet

As at June 30, 2011

	Note	2011	2010
		(Rupees in '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital	4	8,389,679	6,711,743
Reserves	5	3,107,401	3,107,401
Surplus on re-measurement of available for sale securities		68,610	83,489
Unappropriated profit		6,209,403	4,169,712
		17,775,093	14,072,345
Surplus on revaluation of fixed assets	6	10,251,946	-
LIABILITIES			
Non-current liabilities			
Long-term financing	7	14,471,126	11,644,780
Long-term deposits	8	4,062,376	3,413,042
Deferred tax	9	7,651,284	7,018,283
Employee benefits	10	1,825,246	1,530,262
Deferred credit	11	5,518,634	4,989,386
Long term advances	12	1,296,513	1,460,227
Total non-current liabilities		34,825,179	30,055,980
Current liabilities			
Current portion of long term financing	13	4,272,259	5,034,670
Short-term borrowings	14	-	3,720,666
Trade and other payables	15	62,215,241	51,046,484
Interest and mark-up accrued	16	10,822,821	6,829,477
Total current liabilities		77,310,321	66,631,297
Total liabilities		112,135,500	96,687,277
Contingencies and commitments	17		
Total equity and liabilities		140,162,539	110,759,622

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	59,644,339	41,665,603
Intangible assets	19	15,973	4,510
Long-term investments	20	82,239	97,118
Net investment in finance lease	21	921,744	1,040,539
Long-term loans and advances	22	118,380	113,816
Long-term deposits		3,250	3,250
Total non-current assets		60,785,925	42,924,836
CURRENT ASSETS			
Stores, spares and loose tools	23	2,262,564	2,037,359
Stock-in-trade	24	702,720	455,415
Current maturity of net investment in finance lease	21	118,795	118,795
Customers' installation work-in-progress	25	174,620	158,388
Trade debts	26	49,182,342	43,815,667
Loans and advances	27	110,837	92,958
Trade deposits and short term prepayments	28	209,841	182,944
Interest accrued	29	3,473,679	2,834,295
Other receivables	30	19,750,254	17,427,911
Taxation-net	31	2,306,105	90,170
Cash and bank balances	32	1,084,857	620,884
Total current assets		79,376,614	67,834,786
Total assets		140,162,539	110,759,622

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Unconsolidated Profit and Loss Account

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees in '000)	
Sales		126,403,168	127,613,530
Sales tax		(16,000,749)	(15,339,912)
		110,402,419	112,273,618
Gas development surcharge		4,126,741	(4,536,837)
Net sales		114,529,160	107,736,781
Cost of sales	33	(112,284,333)	(104,936,801)
Gross profit		2,244,827	2,799,980
Administrative and selling expenses	34	(3,081,710)	(2,448,711)
Other operating expenses	35	(1,645,141)	(752,037)
		(4,726,851)	(3,200,748)
		(2,482,024)	(400,768)
Other operating income	36	3,759,907	3,789,522
Operating profit		1,277,883	3,388,754
Other non-operating income	37	10,027,914	8,640,553
Finance cost	38	(5,786,122)	(5,015,893)
Profit before taxation		5,519,675	7,013,414
Taxation	39	(795,287)	(2,614,269)
Profit for the year		4,724,388	4,399,145
		(Rupees)	
			(Restated)
Basic and diluted earnings per share	41	5.63	5.24

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2011

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at July 1, 2009	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Transfer from unappropriated profit to revenue reserves	-	-	487,739	-	(487,739)	-
Total comprehensive income for the year ended June 30, 2010						
Profit for the year	-	-	-	-	4,399,145	4,399,145
Unrealized loss on re-measurement of available for sale securities	-	-	-	(10,324)	-	(10,324)
Total comprehensive income for the year	-	-	-	(10,324)	4,399,145	4,388,821
Balance as at June 30, 2010	6,711,743	234,868	2,872,533	83,489	4,169,712	14,072,345
Total comprehensive income for the year ended June 30, 2011						
Profit for the year	-	-	-	-	4,724,388	4,724,388
Unrealized loss on re-measurement of available for sale securities	-	-	-	(14,879)	-	(14,879)
Total comprehensive income for the year	-	-	-	(14,879)	4,724,388	4,709,509
Transactions with owners - recorded directly in equity						
Final dividend for the year ended June 30, 2010 at Rs.1.5 per share	-	-	-	-	(1,006,761)	(1,006,761)
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Balance as at June 30, 2011	8,389,679	234,868	2,872,533	68,610	6,209,403	17,775,093

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2011

	2011	2010
	(Rupees in '000)	
Net profit for the year	4,724,388	4,399,145
OTHER COMPREHENSIVE INCOME		
Unrealised loss on re-measurement of available for sale securities	(14,879)	(10,324)
Total comprehensive income for the year	4,709,509	4,388,821

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Unconsolidated Cash Flow Statement

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		5,519,675	7,013,414
Adjustments for:			
Depreciation		3,206,899	2,800,175
Amortization of intangibles		7,234	40,131
Finance cost		5,786,122	5,015,893
Amortization of transaction cost		5,348	4,904
Provision against slow moving / obsolete stores		42,911	30,987
Provision against doubtful debts		501,064	132,577
Bad debts written off		85,128	-
Provision for compensated absences		53,556	124,197
Provision for post retirement medical and free gas supply facilities		242,839	179,335
Provision for retirement benefits		10,247	15,647
Provision against impaired income		1,198,471	-
Recognition of income against deferred credit		(178,927)	(326,833)
Dividend income		(4,773)	(270)
Late payment surcharge and return on term deposits		(5,219,979)	(3,620,624)
Income from net investment in finance lease		(192,971)	(204,682)
Loss / (Profit) on disposal of property plant and equipment		3,082	(4,682)
(Decrease) / Increase in long term advances		(163,714)	132,028
Employee benefits (refund) / paid		(35,818)	32,965
Service charges received from new customers		708,175	469,691
Long term deposits received - net		649,334	458,856
Long term loans and advances to staff- net		(22,443)	(1,415)
Late payment surcharge and return on term deposits received		3,382,124	1,984,391
Cash generated before working capital changes		15,583,584	14,276,685
Working capital changes	42	2,316,440	(4,115,860)
Cash generated from operations		17,900,024	10,160,825
Financial charges paid		(2,424,650)	(2,766,241)
Income taxes paid		(2,378,221)	(533,194)
Net cash from operating activities		13,097,153	6,861,390
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(10,340,198)	(6,040,312)
Proceeds from sale of property, plant & equipment		6,723	70,204
Lease rental from net investment in finance lease		311,766	323,479
Dividend received		4,773	270
Net cash used in investing activities		(10,016,936)	(5,646,359)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		10,988,745	1,000,000
Repayments of local currency loans		(8,944,375)	(6,807,623)
Consumer finance received		121,909	111,889
Repayment of consumer finance		(107,692)	(95,982)
Dividend paid		(954,165)	(252)
Net cash generated / (used in) financing activities		1,104,422	(5,791,968)
Net increase / (decrease) in cash and cash equivalents		4,184,639	(4,576,937)
Cash and cash equivalents at beginning of the year		(3,099,782)	1,477,155
Cash and cash equivalents at end of the year		1,084,857	(3,099,782)
CASH AND CASH EQUIVALENT COMPRISES:			
Cash and bank balances		1,084,857	620,884
Short term borrowings		-	(3,720,666)
		1,084,857	(3,099,782)

The annexed notes 1 to 53 form an integral part of these unconsolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Notes to the Unconsolidated Financial Statements
For the year ended June 30, 2011

1. STATUS AND NATURE OF BUSINESS

1.1 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.

1.2 Regulatory framework

Under the provisions of license given by Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Determination of revenue requirements

The Oil and Gas Regulatory 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. Thereafter, OGRA in its latest decision dated September 21, 2011 also allowed the above non-operating income and UFG subject to the final verdict of the aforesaid lawsuit and accordingly, these financial statements have been prepared based on the interim relief provided by the Court. Management is confident that the final decision of the court would be in favour of the Company.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements ("the financial statements") have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 20 which are carried at their fair values, employees benefits which are valued using actuarial assumptions and freehold and leasehold land which are carried at revalued amount.

2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

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

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in the subsequent year are discussed in note 49.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted

Amendments to IFRS 2 Share-based Payment - Group Cash- settled Shared- based Payment Transactions became effective from July 1, 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (" the Scheme") for employees of certain state Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amount from Trust Funds in exchange of the surrendered units as would be determined based on market price for listed entities or breakup values for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of the dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the central revolving fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted there would have been no impact on the results of the Company as the annual return of the company is determined under the regulatory revenue requirement, which would have covered any additional cost if incurred by the company in respect of the aforesaid Scheme.

New standards, amendments and interpretations that are mandatory for accounting period beginning on or after July 01, 2010 are considered not to be relevant or not to have any significant effect on the Company`s financial reporting and operations.

(b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following revised standards, amendments to published standards and interpretations to existing standards with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

	Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendment) - Financial Instruments: Disclosures Clarifications of Disclosures	January 1, 2011
IFRS 7	Financial Instruments: Disclosures (Amendment) – Disclosures: Transfers of Financial Assets	July 1, 2011
IAS 1	Presentation of Financial Statements (Amendment) - Clarification of statement of changes in equity	January 1, 2011
IAS 1	Presentation of Financial Statements (Amendment) -Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12	Income Taxes (Amendment)	January 1, 2012
IAS 19	Employee Benefits (Amendment)	January 1, 2013
IAS 24	Related Party Disclosures (Revised)	January 1, 2011
IAS 34	Interim Financial Reporting (Amendment)	January 1, 2011
IFRIC 13	Customer Loyalty Programs (Amendment)	January 1, 2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 1, 2011

The Company considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements except for IAS - 19 "Employee Benefits (Amendment) which requires recognition of all actuarial gains or losses in other comprehensive income arising during the year. The amendment in the existing IAS - 19 will result in change in accounting policy of the Holding Company for recording of actuarial gain or losses which, currently based on the corridor approach is charged to the consolidated profit and loss account as disclosed in note 3.15. From the effective date of such amendment, the Company will immediately recognize all actuarial gains or losses arising during the year in other comprehensive income. Further, the Company will recognize all unrecognized net actuarial gains or losses accumulated till effective date of such amendment in other comprehensive income on retrospective basis. As at the balance sheet date, the Company carries unrecognized net actuarial losses of Rs. 439.544 million (refer Note 40). Management considers that there would be no impact on the results of the Company as the annual return of the Company is determined under the Regulatory Requirements.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after July 01, 2011.

3.2 Property, plant and equipment

Initial Recognition

The cost of an item of property plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment except freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment, if any. Capital work in progress are stated at cost, less impairment loss, if any.

Free hold land and lease hold land are stated at revalued amount and surplus arising on revaluation of free hold land and lease hold land is disclosed as surplus on revaluation of fixed assets.

The cost of the property plant and equipment includes:

(a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and

(b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure (including normal repairs and maintenance)

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the unconsolidated profit and loss account as an expense when it is incurred.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any. The cost consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to the relevant asset category as and when assets are available for intended use.

Depreciation

Depreciation on assets is calculated so as to depreciate the assets over their estimated useful lives under the straight-line method.

Compressors and transmission lines

Depreciation on compressors and transmission lines is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciable value of operating assets other than compressors and transmission lines is depreciated over their estimated service life from the month the assets are available for use in service till the month they are disposed of or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

Useful lives of the assets are mentioned in the notes 18.2 to 18.5 to these financial statements.

Assets' residual values and their useful lives are reviewed and existed at each balance sheet date if significant and appropriate.

Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the assets is available for use and ceases when the asset is derecognised. Amortisation charge is recognised in the unconsolidated profit and loss account.

The amortization period for intangible assets with a finite useful life is reviewed at each year end and is changed to reflect the useful life expected at respective year end.

Borrowing costs

Borrowing costs incurred on long term finances attributable for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the unconsolidated profit and loss account.

Gains and losses on disposal

Gains and losses on disposal are taken to the unconsolidated profit and loss account.

Leased assets

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Depreciation on assets subject to finance lease is recognised in the same manner as for owned operating assets.

3.3 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given and transaction cost. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in unconsolidated profit and loss account. Impairment losses recognised in unconsolidated profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through unconsolidated profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in unconsolidated profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in unconsolidated profit and loss account.

Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are measured at amortised cost. Provision for impairment in value, if any, is taken to unconsolidated profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in unconsolidated profit and loss account.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention (regular way) are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investments.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

3.4 Net investment in finance lease

Contractual arrangements, the fulfillment of which is dependent upon the use of a specific asset and whereby the right to use the underlying asset is conveyed to the customer, are classified as finance lease. Net investment in finance lease is recognised at an amount equal to the present value of the lease payments receivable, including any guaranteed residual value determined at the inception of lease. Discount rate used in the calculation of the present value of minimum lease payments is the interest rate implicit in the lease. Any recoveries from consumers in respect of the service cost and contingent rent are excluded from the minimum lease payments and are recorded as recoveries of transmission and distribution cost from the lessee and gas transportation income respectively. Interest income from net investment in finance lease is recognised on a pattern reflecting a constant periodic return on Company's net investment in finance lease.

3.5 Stores, spares and loose tools

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the moving average basis. Goods-in-transit are valued at lower of cost incurred up to the unconsolidated balance sheet date and net realisable value less impairment loss, if any.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.6 Stock-in-trade

Gas in pipelines

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value less impairment loss, if any.

Meter manufacturing division

Components (materials) are valued at lower of moving average cost and net realisable value less impairment loss, if any. Work- in-process includes the cost of components only (determined on a moving average basis). Finished goods are stated at the lower of cost determined on an average basis and net realisable value and includes appropriate portion of labor and production overheads. Components in transit are stated at cost incurred up to the unconsolidated balance sheet date less impairment losses, if any.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.8 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.9 Mark-up bearing borrowings

Long term financing

Mark-up bearing borrowings are recognised initially at fair value which is usually the cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings. Transaction cost is amortised over the term of the loan.

Long term loans received from Government of Sindh with interest rate lower than prevailing market interest rates for a similar instrument are initially measured at fair value. The fair value is estimated at the present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. Difference between the fair value and the proceed received is treated as government grant and is amortised over the useful life of related asset constructed.

Leases

The Company accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognised in the unconsolidated profit and loss account using the effective mark-up rate method.

3.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.11 Deferred credit

Amounts received from customers before July 1, 2009 and the Government as contributions and grants for providing service connections, extension of gas mains, laying of distribution lines, etc. are deferred and recognised in the unconsolidated profit and loss account over the useful lives of the related assets starting from the commissioning of such assets.

Advance taken from customers on or after July 1, 2009 for laying of distribution lines is recognised in the unconsolidated profit and loss account when the connection to the network is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".

3.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognises a deferred tax asset to the extent that it is probable that the taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Revenue recognition

- Revenue from gas sales is recognised on the basis of gas supplied to customers at rates periodically announced by the OGRA.

- Meter rental income is recognised monthly at specified rates for various categories of customers.

- Revenue from sale of meters and gas condensate is recognised on dispatch to the customers.

- Deferred credit from Government and customers before July 1, 2009 is amortised and related income is recognised in the unconsolidated profit and loss account over the useful lives on commissioning of the related assets.

- Income from new service connections is recognised in unconsolidated profit and loss account immediately on commissioning of related assets.

- Dividend income on equity investments is recognised when right to receive the payment is established.

- Profit on term deposits and royalty income are recognised on time proportion basis.

- Late payment surcharge is recognised from the date the billed amount is overdue.

3.14 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the unconsolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 Staff retirement benefits

The Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

  Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

  Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognised actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognised in the unconsolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan.

  Past service cost is recognised in the unconsolidated profit and loss account as an expense on a straight line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, the expense is recognised immediately in the unconsolidated profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

  Liability under these schemes is recognised in the period in which the benefit is earned based on the actuarial valuations carried out under the projected unit credit method. The medical and free gas supply facilities have been discontinued for employees retiring after December 31, 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually.

Unrecognised actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognised in the unconsolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan.

- Approved contributory provident funds for all employees (defined contribution scheme).

  The Company operates a recognised provident fund for all its employees. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 7.5% of basic salary in the case of executive employees and 8.33% of basic salary and adhoc relief cost of living allowance in the case of non executive employees and the same is charged to the unconsolidated profit and loss account.

- A non-contributory benevolent fund, under which only the employees contribute to the fund.

3.16 Compensated absences

The liability for accumulated compensated absences of employees is recognised based on actuarial valuation in the period in which employees render services that increase their entitlement to future compensated absences.

3.17 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling at the unconsolidated balance sheet date. Exchange gains and losses are taken to the unconsolidated profit and loss account.

3.18 Derivative financial instruments

Derivative financial instruments if any are recognised initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instruments are recognised in the unconsolidated profit and loss account, along with any changes in the carrying value of the hedged liability. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.19 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company, if any, is not treated as assets of the Company and accordingly is disclosed separately.

3.20 Off-setting

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.21 Cash and cash equivalents

Cash and cash equivalents are carried in the unconsolidated balance sheet at cost. For the purposes of unconsolidated cash flow statement, cash and cash equivalents comprise cash in hand and deposits in banks, short term running finance under mark-up arrangement, short term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

2011	2010		2011	2010
Number			(Rupees in '000)	

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
619,401,360	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	6,194,013	4,516,077
838,967,914	671,174,331		8,389,679	6,711,743

4.1 Movement in issued, subscribed and paid up capital during the year

671,174,331	671,174,331	As at July 1	6,711,743	6,711,743
167,793,583	-	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,677,936	-
838,967,914	671,174,331		8,389,679	6,711,743

4.2 Associated companies held 53,072,409 (2010: 36,556,835) ordinary shares of Rs.10 each at the year end.

4.3 There is only one class of ordinary shares.

5. RESERVES

	Note	2011	2010
		(Rupees in '000)	
Capital reserves			
Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		234,868	234,868
Revenue reserves			
Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		2,015,653	2,015,653
Reserve for interest on sales tax refund	5.4	487,739	487,739
		2,872,533	2,872,533
		3,107,401	3,107,401

5.1 Share capital restructuring reserve

This represents the reduction of share capital of former Sui Gas Transmission Company Limited (SGTC) due to merger of Sui Gas Transmission Company Limited and Southern Gas Company Limited (SGC) in March 1989.

5.2 Fixed assets replacement reserve

This represents profit allocated in 1986 by former Southern Gas Company Limited for replacement of gas distribution lines in rural Sindh areas. Subsequently all the rehabilitation activities were carried out from the Company's working capital.

5.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the Company by the Government of Pakistan (GoP) in January 1987 retrospectively from July 1, 1985 to enable the Company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

5.4 Reserve for interest on sales tax refund

This represents the reserve for the interest accrued on the sales tax refundable under Section 67 of the Sales Tax Act, 1990, which is not available for distribution to shareholders till the time it is received.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of the Company's leasehold and freehold land carried out by means of an independent valuation by Oceanic Surveyors (Pvt) Limited to determine the fair value as of June 30, 2011. The valuation was based on market research.

Had the Company's leasehold and freehold land been measured on historical cost basis, the carrying amount would have been as follows:

	(Rupees in '000)
Freehold land	56,751
Leasehold land	205,289
	262,040

	Note	2011	2010
		(Rupees in '000)	
7. LONG-TERM FINANCING			
Secured			
Loans from banking companies	7.1	11,525,342	9,602,921
Unsecured			
Consumer financing	7.2	192,720	190,930
Government of Sindh loan	7.3	2,753,064	1,850,929
		2,945,784	2,041,859
		14,471,126	11,644,780

	Installment payable	Repayment period	Mark-up per annum (above 3 months KIBOR)	Note	2011	2010
					(Rupees in '000)	
7.1 Loans from banking companies						
Standard Chartered Bank (Pakistan) Limited - Syndicated	quarterly	2011-2012	1.95%	7.1.1	-	2,500,000
JS Bank Limited - Syndicated	quarterly	2011-2012	1.95%	7.1.1	-	800,000
MCB Bank Limited	quarterly	2010	0.20%	7.1.2	-	1,000,000
Bank Islami Pakistan Limited	on maturity	2011	0.20%	7.1.2	-	600,000
Meezan Bank Limited	on maturity	2011	0.45%	7.1.2	500,000	500,000
Dubai Islamic Bank Pakistan Limited	quarterly	2009 - 2012	0.40%	7.1.2	225,000	525,000
Meezan Bank Limited	quarterly	2009 - 2012	0.80%	7.1.2	666,672	1,333,336
Samba Bank Limited	quarterly	2010-2012	0.20%	7.1.2	600,000	1,000,000
Bank Islami Pakistan Limited	quarterly	2010-2012	0.20%	7.1.2	2,820,000	4,700,000
Faysal Bank Limited	quarterly	2011-2013	1.00%	7.1.2	800,000	1,500,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012-2015	1.00%	7.1.2	2,000,000	-
Askari Bank Limited	quarterly	2013-2015	1.00%	7.1.2	1,000,000	-
Meezan Bank Limited	quarterly	2013 - 2015	1.00%	7.1.2	3,000,000	-
Bank Alfalah Limited	quarterly	2013-2016	1.00%	7.1.2	1,000,000	-
Allied Bank Limited	quarterly	2013-2016	1.00%	7.1.2	1,000,000	-
Askari Bank Limited	quarterly	2013-2016	1.00%	7.1.3	500,000	-
Bank Al-Habib	quarterly	2013-2016	1.00%	7.1.3	500,000	-
Allied Bank Limited	quarterly	2013-2016	1.00%	7.1.3	1,000,000	-
Unamortised transaction cost					(14,658)	(8,751)
					15,597,014	14,449,585
Less: Current portion shown under current liabilities					(4,071,672)	(4,846,664)
					11,525,342	9,602,921

7.1.1 These loans were secured by a first pari passu fixed charge created by way of hypothecation over all the present and future movable fixed assets of the Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. During the year, the management prepaid these loans.

7.1.2 These loans / financial arrangements are secured by a first pari passu fixed charge created by way of hypothecation over all the present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

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

	Note	2011	2010
		(Rupees in '000)	
7.2 Consumer financing			
Consumer financing	7.2.1	295,442	281,225
Less: Current portion shown under current liabilities		(102,722)	(90,295)
		192,720	190,930

7.2.1 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 year 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.

	Note	2011	2010
		(Rupees in '000)	
7.3 Government of Sindh loan			
Government of Sindh loan - I	7.3.1	40,929	48,640
Government of Sindh loan - II	7.3.2	810,000	900,000
Government of Sindh loan - III	7.3.2	1,000,000	1,000,000
Government of Sindh loan - IV	7.3.2	1,000,000	-
Government grant	7.3.3	(1,031,755)	(657,036)
		1,778,245	1,242,964
Government grant	7.3.3	1,031,755	657,036
		2,850,929	1,948,640
Less: Current portion shown under current liabilities		(97,865)	(97,711)
		2,753,064	1,850,929

7.3.1 An unsecured development loan from Government of Sindh has been availed 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 the year ended June 30, 2007.

7.3.2 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. These facilities carry mark-up at 4% per annum. The loans (II, III and IV) together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ending June 30, 2011, June 30, 2012 and June 30, 2013 respectively. The loan has been stated at fair value (refer note 7.3.3).

7.3.3 This represents the benefit of lower interest rate on Government of Sindh Loan II, III & 1V, and is calculated as difference between the proceed received in respect of Government of Sindh Loan II amounting to Rs. 900 million, Government of Sindh Loan III amounting to Rs. 1,000 million & Government of Sindh Loan IV amounting to Rs. 1000 million, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million and Rs.625.281 million respectively. These are 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.

	Note	2011	2010
		(Rupees in '000)	
8. LONG-TERM DEPOSITS			
Security deposits from:			
- gas customers	8.1	4,012,809	3,369,885
- gas contractors	8.2	49,567	43,157
		4,062,376	3,413,042

8.1 Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. Mark-up at 5 percent per annum is payable by the Company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.

The Company may, at its option, use these deposits for its own purposes from time to time and shall upon disconnection of gas supply to the consumer return these security deposits as per terms and conditions of the contract.

8.2 These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.

9. DEFERRED TAX - NET

Deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:

	2011	2010
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	9,972,132	8,411,635
Deductible temporary differences		
Provision against employee benefits	(638,836)	(535,592)
Provision for doubtful debts	(979,088)	(803,715)
Others	(702,924)	(54,045)
	7,651,284	7,018,283

	Note	2011	2010
		(Rupees in '000)	
10. EMPLOYEE BENEFITS			
Provision for post retirement medical and free gas supply facilities - executives	40.2	1,476,780	1,269,759
Provision for compensated absences - executives	10.1	348,466	260,503
		1,825,246	1,530,262
10.1 Provision for compensated absences - executives			
Balance as at July 1		260,503	190,160
Provision made during the year		87,963	70,343
Balance as at June 30		348,466	260,503
11. DEFERRED CREDIT			
- Government contributions / grants			
Balance as at July 1		2,511,308	2,161,269
Additions during the year		711,629	478,473
Transferred to unconsolidated profit and loss account	11.1	32,521	(128,434)
Balance as at June 30		3,255,458	2,511,308
- Contribution from customers			
Balance as at July 1		2,478,078	2,685,259
Refunds during the year		(3,454)	(8,782)
Transferred to unconsolidated profit and loss account	11.2	(211,448)	(198,399)
Balance as at June 30		2,263,176	2,478,078
		5,518,634	4,989,386

11.1 This represents amount received from the Government for supply of gas to new towns and villages and is recognised as grant when the conditions specified by the Government are met and is amortised over the useful life of related projects.

11.2 This represents amount received from customers for the cost of service lines and gas mains, etc. These are taken to unconsolidated profit and loss account based on the policy stated in note 3.11 to these financial statements.

11.3 Pipelines constructed / build up under deferred credit arrangement are not given 17% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of Company's guaranteed return.

12 LONG TERM ADVANCES

These represent amounts received from Government of Pakistan for gas supply to new towns and villages and laying of distribution lines, etc. These advances are transferred to deferred credit once the related projects are commissioned. As stated in note 3.11 to these financial statements, such deferred credit is amortised over the estimated useful lives of related assets.

	Note	2011	2010
		(Rupees in '000)	
13. CURRENT PORTION OF LONG TERM FINANCING			
Local currency loans	7.1	4,071,672	4,846,664
Consumer financing	7.2	102,722	90,295
Government of Sindh loan	7.3	97,865	97,711
		4,272,259	5,034,670

14. SHORT-TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 10,025 million (2010: Rs. 12,000 million) and carry mark-up ranging from 0.2 percent to 0.75 percent (2010: 0.2 to 1.15 percent) above the average one month KIBOR. The facilities are secured by first pari passu first joint supplemental hypothecation charge over present and future stock in trade and book debts of the Company. These facilities remained unavailed at year end.

	Note	2011	2010
		(Rupees in '000)	
15. TRADE AND OTHER PAYABLES			
Creditors for:			
- gas supplies		56,717,262	44,560,429
- supplies		216,412	316,332
		56,933,674	44,876,761
Amount received from customers for laying of mains, etc.		2,173,502	1,831,427
Accrued liabilities		2,303,474	3,235,422
Provision for compensated absences - non executives	15.1	103,239	137,646
Payable to provident fund - non executives		-	30
Workers' Profit Participation Fund	15.2	-	369,184
Deposits / retention money		239,618	203,042
Bills payable		106,687	121,908
Advance for sharing right of way	15.3	18,088	18,088
Unclaimed dividend		92,53 1	39,935
Withholding tax payable		73,089	54,496
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		4,939	2,864
Others	15.4	164,600	153,881
		62,215,241	51,046,484
15.1 Provision for compensated absences - non-executives			
Balance as at July 1		137,646	83,791
(Reversal) / Provision made during the year		(34,407)	53,855
Balance as at June 30		103,239	137,646
15.2 Workers' Profit Participation Fund			
Balance as at July 1		369,184	(17,943)
Allocation for the year		291,855	369,127
Mark-up on funds utilised in the Company's business	38	25,579	-
		686,618	351,184
Amount refunded to Company		-	18,013
Amount deposited with the Government / paid to employees		(694,755)	(13)
Balance as at June 30		(8,137)	369,184

15.3 This amount was received by the Company from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated October 12, 1988. It represents consideration for 50% share of PARCO in the Indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by the Company. The final liability of the Company has not been estimated, as the amount of compensation due to land owners has not been determined by the Authorities. Accordingly, the amount received from PARCO has been classified as an advance.

15.4 This includes Rs. 103.419 million (2010: Rs. 100.348 million) on account of amount payable to disconnected customers for gas supply deposits.

		Note	2011	2010
			(Rupees in '000)	
16.	**INTEREST AND MARK-UP ACCRUED**			
	Long term financing - local currency loans		126,917	12,205
	Long term deposits from customers		118,651	95,888
	Short term borrowings		89,653	65,379
	Late payment surcharge on gas development surcharge		4,826	4,826
	Late payment surcharge on gas bills		10,482,774	6,651,179
			10,822,821	6,829,477
17.	**CONTINGENCIES AND COMMITMENTS**			
17.1	Contingencies			
17.1.1	Claims against the Company not acknowledged as debt	17.1.11	318,467	396,083
17.1.2	Guarantees issued on behalf of the Company		1,788,023	1,790,483

17.1.3 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (2010: Rs. 75 million) and Company's investment in shares having a face value of Rs.0.5 million (2010: Rs. 0.5 million). Loan outstanding at the year end was Rs. 6.503 million (2010: Rs. 11.434 million).

17.1.4 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Company amounting to Rs. 590.18 million (2010: Rs. 381.374 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Company and JPCL. The Company has not accepted the claim and has filed a counter claim due to JPCL's failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim lodged would be in its favor.

17.1.5 JPCL has also raised a claim of Rs. 5.793 million (2010: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Company. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim would be in its favor.

17.1.6 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an Appeal before Honorable High Court in which the Company's management is of the view that sale of LPG business being in nature of "slump transaction" was not chargeable to tax under Rule 7 and 8 of the 2nd Schedule of the Income Tax Ordinance, 1979. Accordingly, no provision regarding the said claim has been made in these financial statements as the Company based on its legal advisor's opinion is confident that the matter would be resolved in favor of the Company.

17.1.7 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. Subsequently this case has been transferred to 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 favor of the Company.

17.1.8 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs. 311.397 million in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty at the rate of 5% of the total amount of tax involved. The Company has paid sales tax on these balances in order to avail amnesty / exemption from additional sales tax. However the Company has filed an Appeal before the Appellate Tribunal (Customs, Excise & Sales Tax) and based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favor.

17.1.9 Income Tax Authorities have issued notices under sub-section (9) of section 122 of the Income Tax Ordinance, 2001 for the tax years 2006 and 2009, disallowing certain expenses. Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of this Honorable Court, in respect of disallowance of interest on late payment of bills of gas for failure to deduct tax under section 151 (1)(d) read with section 158 of the Income Tax Ordinance, 2001 and disallowance of depreciation on fixed assets held under musharka arrangement. High Court has granted stay order to the company till tax year 2010 in respect of disallowance of expenses.

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 favor of the Company.

17.1.10 The Company is subject to various claims amounting to Rs. 413.6 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

17.1.11 The management is confident that ultimately these claims (note 17.1.1) would not be payable.

		Note	2011	2010
			(Rupees in '000)	
17.2	Commitments			
	Commitments for capital and other expenditures		1,172,103	2,558,094
18.	PROPERTY, PLANT AND EQUIPMENT			
	Operating assets	18.1	53,980,664	36,915,188
	Capital work in progress	18.9	5,663,675	4,750,415
			59,644,339	41,665,603

18.1 Operating assets

	Note	2011						(Rupees in '000)	
		COST / VALUATION				DEPRECIATION			Written down
		As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011
Gas transmission system	18.2	28,379,029	1,131,472	4,140,231	33,637,261	18,319,201	870,254	19,172,503	14,464,758
			(11,281)				(4,291)		
			(2,190) *				(12,661) *		
Gas distribution system									
- Karachi, Sindh	18.3	19,460,020	4,110,282	4,992,181	28,419,699	6,865,445	1,207,700	7,942,235	20,477,464
			(144,028)				(142,709)		
			1,244 *				11,799 *		
- Other areas of Sindh		14,892,427	3,943,093	1,003,205	19,815,557	4,578,033	895,408	5,451,383	14,364,174
			(20,430)				(19,532)		
			(2,738) *				(2,526) *		
- Balochistan		6,255,273	563,413	125,695	6,901,060	2,425,281	351,267	2,733,554	4,167,506
			(47,005)				(46,407)		
			3,684 *				3,413 *		
		40,607,720	8,616,788	6,121,081	55,136,316	13,868,759	2,454,375	16,127,172	39,009,144
			(211,463)				(208,648)		
			2,190 *				12,686 *		
Meter manufacturing division	18.4	319,606	3,832	-	323,438	278,351	7,850	286,201	37,237
				-			-		
				-			-		
LPG Air mix									
- Gas distribution system	18.5	98,084	426,037	(9,366)	514,755	22,940	22,315	45,230	469,525
				-			-		
				-			(25) *		
		69,404,439	10,178,129	10,251,946	89,611,770	32,489,251	3,354,794	35,631,106	53,980,664
			(222,744)				(212,939)		
			-				-		

				2010			(Rupees in '000)	
	COST / VALUATION				DEPRECIATION			Written down
	As at July 1, 2009	Additions / (deletions) / transfers *	evaluation during the year	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010	value as at June 30, 2010
Gas transmission system	28,209,162	334,281	-	28,379,029	17,580,424	906,580	18,319,201	10,059,828
		(185,031)				(175,186)		
		20,617 *				7,383 *		
Gas distribution system								
- Karachi, Sindh	17,386,621	2,378,362	-	19,460,020	6,157,642	991,351	6,865,445	12,594,575
		(287,090)				(271,548)		
		(17,873) *				(12,000) *		
- Other areas of Sindh	12,552,050	2,375,216	-	14,892,427	3,895,642	715,515	4,578,033	10,314,394
		(33,587)				(33,414)		
		(1,252) *				290 *		
- Balochistan	6,059,319	288,702	-	6,255,273	2,146,370	325,876	2,425,281	3,829,992
		(91,300)				(51,338)		
		(1,448) *				4,373 *		
	35,997,990	5,042,280	-	40,607,720	12,199,654	2,032,742	13,868,759	26,738,961
		(411,977)				(356,300)		
		(20,573) *				(7,337) *		
Meter manufacturing division	316,418	3,232	-	319,606	265,856	12,541	278,351	41,255
		-				-		
		(44) *				(46) *		
LPG Air mix								
- Gas distribution system	97,353	731	-	98,084	17,026	5,914	22,940	75,144
	64,620,923	5,380,524		69,404,439	30,062,960	2,957,777	32,489,251	36,915,188
		(597,008)				(531,486)		
		-				-		

18.2 Operating assets - gas transmission system

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down	Useful life/
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011	remaining life (years)**
Freehold land	46,778	-	3,863,540	3,910,318	-	-	-	3,910,318	-
		-		-					
		-		-					
Leasehold land	132,438	1,458	276,691	410,587	-	-	-	410,587	-
		-				-			
		-				-			
Buildings on freehold land	279,291	-	-	279,291	165,474	2,750	168,224	111,067	20
		-				-			
		-				-			
Buildings on leasehold land	1,238,695	41,137	-	1,279,832	689,133	82,785	771,918	507,914	20
		-				-			
		-				-			
Roads, pavements and	311,264	340,928	-	652,192	27,522	3,159	30,681	621,511	20
related infrastructures		-				-			
		-				-			
Gas transmission pipelines	19,247,152	369,314	-	19,632,779	11,735,825	377,058	12,113,699	7,519,080	1-39**
		-				-			
		16,313 *				816 *			
Compressors	2,282,120	182,252	-	2,464,372	2,140,306	24,249	2,164,555	299,817	8**
		-				-			
		-				-			
Telecommunication	466,543	8,303	-	467,844	443,999	5,532	444,776	23,068	2 & 6.67
		-				-			
		(7,002) *				(4,755) *			
Plant and machinery	537,089	34,989	-	594,143	399,893	22,335	444,618	149,525	10
		-				-			
		22,065 *				22,390 *			
Tools and equipment	167,096	3,125	-	162,002	149,729	10,937	151,985	10,017	3
		(22)				(22)			
		(8,197) *				(8,659) *			
Motor vehicles	963,096	70,005	-	1,023,207	633,277	79,647	708,256	314,951	5
		(11,184)				(4,194)			
		1,290 *				(474) *			
Furniture and fixture	290,816	8,230	-	299,046	250,991	17,924	269,102	29,944	5
		-				-			
		-				187 *			
Office equipment	233,581	4,251	-	228,930	194,570	21,674	207,323	21,607	5
		-				-			
		(8,902) *				(8,921) *			
Computer and ancillary	395,006	66,988	-	444,164	339,417	47,649	373,748	70,416	3
equipments		(73)				(73)			
		(17,757) *				(13,245) *			
Supervisory control and data	685,425	-	-	685,425	370,581	71,438	442,019	243,406	6.67
acquisition system		-				-			
		-				-			
Construction equipment	1,102,639	492	-	1,103,129	778,484	103,117	881,599	221,530	5
		(2)				(2)			
		-				-			
2011	28,379,029	1,131,472	4,140,231	33,637,261	18,319,201	870,254	19,172,503	14,464,758	
		(11,281)				(4,291)			
		(2,190) *				(12,661) *			
2010	28,209,162	334,281	-	28,379,029	17,580,424	906,580	18,319,201	10,059,828	
		(185,031)				(175,186)			
		20,617 *				7,383 *			

18.3 Operating assets - gas distribution system

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down	Useful
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year/ (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011	life (years)
Freehold land	9,973	-	514,501	524,474	-	-	-	524,474	-
		-				-			
		-				-			
Leasehold land	47,769	-	5,606,580	5,654,349	-	-	-	5,654,349	-
		-				-			
		-				-			
Buildings on freehold land	45,201	-	-	45,201	31,258	347	31,605	13,596	20
		-				-			
		-				-			
Buildings on leasehold land	298,672	7,224	-	305,896	101,238	18,394	119,632	186,264	20
		-				-			
		-				-			
Roads, pavements and	1,010	-	-	1,010	1,010	-	1,010	-	20
related infrastructures		-				-			
		-				-			
Gas distribution system, related	38,645,856	8,488,741	-	46,910,680	12,737,456	2,323,007	14,852,861	32,057,819	10 to 20
facilities and equipment		(207,603)				(206,801)			
		(16,314) *				(801) *			
Telecommunication	35,174	5,705	-	40,879	14,336	4,752	19,088	21,791	2 & 6.67
		-				-			
	-					-			
Plant and machinery	630,498	40,324	-	675,260	321,818	42,479	367,655	307,605	1 0
		-				-			
		4,438 *				3,358 *			
Tools and equipment	93,020	6,181	-	99,201	84,033	6,650	90,683	8,518	3
		-				-			
		-				-			
Motor vehicles	544,899	51,438	-	592,392	357,773	41,796	397,291	195,101	5
		(3,860)				(1,847)			
		(85) *				(431) *			
Furniture and fixture	90,483	10,484	-	100,967	63,852	11,522	75,198	25,769	5
		-				-			
	-					(176) *			
Office equipment	48,520	548	-	49,001	41,100	2,923	43,956	5,045	5
		-				-			
		(67) *				(67) *			
Computer and ancillary	116,645	6,143	-	137,006	114,885	2,505	128,193	8,813	3
equipment		-				-			
		14,218 *				10,803 *			
2011	40,607,720	8,616,788	6,121,081	55,136,316	13,868,759	2,454,375	16,127,172	39,009,144	
		(211,463)				(208,648)			
		2,190 *				12,686 *			
2010	35,997,990	5,042,280	-	40,607,720	12,199,654	2,032,742	13,868,759	26,738,961	
		(411,977)				(356,300)			
		(20,573) *				(7,337) *			

18.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down	Useful
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011	life (years)
Building on leasehold land	13,269	300 - -	-	13,569	9,638	896 - -	10,534	3,035	20
Telecommunication	668	- - -	-	668	338	83 - -	421	247	2 & 6.67
Plant and machinery	278,840	312 - -	-	279,152	246,768	4,385 - -	251,153	27,999	10
Tools and equipment	8,521	422 - -	-	8,943	8,309	293 - -	8,602	341	3
Furniture and fixture	11,265	568 - -	-	11,833	7,990	1,168 - -	9,158	2,675	5
Office equipment	5,893	2,230 - -	-	8,123	4,158	1,025 - -	5,183	2,940	5
Computer and ancillary equipment	1,150	- - -	-	1,150	1,150	- - -	1,150	-	3
2011	319,606	3,832 - -	-	323,438	278,351	7,850 - -	286,201	37,237	
2010	316,418	3,232 - (44) *	-	319,606	265,856	12,541 - (46) *	278,351	41,255	

18.5 Operating assets - LPG Air mix operations

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down	Useful
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011	life (years)
Leasehold land	14,339	9,285 - -	(9,366)	14,258	-	- - -	-	14,258	-
Buildings on leasehold land	-	175,929 - -	-	175,929	-	5,085	5,085	170,844	20
Gas distribution system	62,773	122,487 - -	-	185,260	13,322	5,260 - (25) *	18,557	166,703	10 to 20
Plant and machinery	16,058	113,761 - -	-	129,819	6,040	10,460 - -	16,500	113,319	10
Tools and equipment	1,329	- - -	-	1,329	633	404 - -	1,037	292	3
Furniture and fixture	3,166	1,987 - -	-	5,153	2,638	607 - -	3,245	1,908	5
Office equipment	339	2,588 - -	-	2,927	228	499 - -	727	2,200	5
Computer and ancillary equipment	80	- - -	-	80	79	- - -	79	1	3
2011	98,084	426,037 - -	(9,366)	514,755	22,940	22,315 - (25) *	45,230	469,525	
2010	97,353	731	-	98,084	17,026	5,914	22,940	75,144	

	2011	2010
	(Rupees in '000)	

18.6 Details of depreciation for the year are as follows:

	2011	2010
Unconsolidated profit and loss account		
- Transmission and distribution costs	2,999,235	2,584,956
- Administrative expenses	168,797	196,737
- Selling expenses	8,702	27
	3,176,734	2,781,720
Meter manufacturing division	7,850	12,541
LPG air mix operations	22,315	5,914
Capital projects	147,895	157,602
	3,354,794	2,957,777

18.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	193,211	193,211	-	-	-	Replacement	Not applicable
Written down value not exceeding Rs. 50,000 each	14,392	13,590	802	-	(802)	Gas meters retired	Written off
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	73	73	-	35	35	Theft	Recovered from Shahzada Security Service
Tools							
Written down value not exceeding Rs. 50,000 each	24	24	-	-	-	Tender	Various
Motor vehicles							
Written down value above Rs. 50,000 each	3,798	1,815	1,983	2,845	862	Snatched	Insurance claim -National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	62	32	30	9	(21)	Snatched	Insurance claim -National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	190	190	-	210	210	Tender	Various
Toyota Corolla	1,423	330	1,093	668	(425)	Service rules	Ms. Meher Mobed
Toyota Corolla	1,869	497	1,372	820	(552)	Service rules	Mr. I. M.Noorani
Toyota Corolla	1,391	275	1,116	566	(550)	Service rules	Mr. Zahid Mumtaz
Toyota Corolla	991	526	465	74	(391)	Service rules	Mr. Muhammad Naim Sharafat
Suzuki Cultus	595	416	179	45	(134)	Service rules	Mr. Muhammad Akram (Finance)
Suzuki Cultus	590	413	177	44	(133)	Service rules	Mr. Muhammad Akram (P&D)
Suzuki Cultus	600	376	224	45	(179)	Service rules	Mr. Muhammad Ali Asif
Suzuki Cultus	639	253	386	122	(264)	Service rules	Mr. Ali Akbar Khan Panhwar
Suzuki Cultus	855	50	805	626	(179)	Service rules	Mr. Ikram Hussain Kazi
Suzuki Cultus	844	30	814	524	(290)	Service rules	Mr. Abdul Quddus,
Suzuki Cultus	595	416	179	45	(134)	Service rules	Mr. Ghulam Daraz Shaikh,
Suzuki Cultus	602	422	180	45	(135)	Service rules	Mr.Baig Muhammad Panhwar
June 30, 2011	222,744	212,939	9,805	6,723	(3,082)		
June 30, 2010	597,008	531,486	65,522	70,204	4,682		

18.8 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 631.872 million (2010: Rs. 397.858 million). Borrowing costs related to general borrowings were capitalised at the rate of 12.11% (2010: 12.58%).

18.8.1 Market value of buildings / civil works, roads, pavements and related infrastructure, compressors, plant and machinary, construction equipment, motor vehicles and gas transmission and distribution pipelines is Rs. 106,749 million as per the valuation carried out as at June 30, 2011 by an independent valuer namely Oceanic Surveyors (Pvt.) Limited. However, impact of revaluation of above mentioned assets has not been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

	Note	2011	2010
		(Rupees in '000)	
18.9 Capital work in progress			
Projects:			
- Gas distribution system		2,943,031	2,731,364
- Cost of buildings under construction		68,560	54,088
- Gas infrastructure rehabilitation and expansion project		245,555	34,596
- Roads, pavements and related activities		-	189,583
		3,257,146	3,009,631
Stores and spares held for capital projects	18.9.1	2,063,876	1,123,277
Compressor		-	182,022
LPG air mix plant		342,653	435,485
		2,406,529	1,740,784
		5,663,675	4,750,415
18.9.1 Stores and spares held for capital projects			
Gas distribution		2,078,395	1,127,917
Provision for impaired stores and spares		(14,519)	(4,640)
		2,063,876	1,123,277

19. INTANGIBLE ASSETS

		COST			AMORTISATION			(Rupees in '000) Written down value as at June 30, 2011	Useful life (years)
		As at July 1, 2010	Additions	As at June 30, 2011	As at July 1, 2010	For the year 2011	As at June 30, 2011		
Computer software	2011	270,690	18,697	289,387	266,180	7,234	273,414	15,973	3
	2010	269,940	750	270,690	226,049	40,131	266,180	4,510	

	Note	Percentage of holding	2011	2010
			(Rupees in '000)	
20. LONG-TERM INVESTMENTS				
Investments in related parties				
Joint Venture:				
Inter State Gas System (Private) Limited Nil (2010: 510,000) ordinary shares of Rs. 10 each (Joint venture company)	20.1 & 20.2	51	-	5,100
Subsidiary:				
Sui Southern Gas Provident Fund Trust Company (Private) Limited 100 (2010: 100) ordinary shares of Rs. 10 each	20.1	100	1	1
Associate:				
Unquoted companies				
Inter State Gas System (Private) Limited 510,000 (2010: Nil) ordinary shares of Rs. 10 each (Joint venture company)	20.1 & 20.2	25	5,100	-
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited 2,090,195 (2010: 2,090,195) ordinary shares of Rs. 10 each	20.3		41,637	58,086
			46,738	63,187
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited 350,000 (2010: 350,000) ordinary shares of Rs. 10 each			28,157	27,500
United Bank Limited 118,628 (2010: 107,844) ordinary shares of Rs. 10 each			7,344	6,431
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation 5,000 (2010: 5,000) ordinary shares of Rs. 10 each			50	50
			35,551	33,981
Provision against impairment in value of investments at cost			(50)	(50)
			35,501	33,931
			82,239	97,118

20.1 These companies are incorporated in Pakistan.

20.2 Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise to the Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, are carried out in connection with the service agreement and ISGSL, was allowed under the agreement to recover its cost / expenditure from the Company and SNGPL. Accordingly 51% expenses of ISGSL was borne by the Company. During the year, there was a change in ownership interest in ISGSL. As a result, the Company's holding changed from 51% to 25%. However, the Company continues to bear 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee of the Cabinet.

20.3 Sale of 2,090,195 shares of Sui Northern Gas Pipelines Limited is restricted by the Government of Pakistan due to its privatisation, till further directives.

21. NET INVESTMENT IN FINANCE LEASE

	June 30, 2011		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	295,325	176,530	118,795
Later than one year and not later than five years	910,703	461,426	449,277
Later than five years	732,837	260,370	472,467
	1,643,540	721,796	921,744
	1,938,865	898,326	1,040,539

	June 30, 2010		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	295,325	176,530	118,795
Later than one year and not later than five years	987,468	529,556	457,912
Later than five years	933,448	350,821	582,627
	1,920,916	880,377	1,040,539
	2,216,241	1,056,907	1,159,334

The Company's business is the transmission and distribution of natural gas. For that purpose, the Company entered into agreements with Oil and Gas Development Company Limited, Sui Northern Gas Pipelines Limited and ENI Pakistan Limited to use the Company's transmission pipelines for distribution of gas. The terms of the agreements entered into is for a substantial portion of the useful economic lives of the related assets.

The interest rates used to discount future minimum lease payments under the leases are based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in finance leases. The effective interest rate ranges from 16.05% to 34% per annum.

	Note	2011	2010
		(Rupees in '000)	
22. LONG-TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	22.1	2,596	5,186
Less: receivable within one year		(1,640)	(2,785)
		956	2,401
Due from other employees	22.1	145,156	138,163
Less: receivable within one year		(27,732)	(26,748)
		117,424	111,415
		118,380	113,816

22.1 Reconciliation of the carrying amount of loans and advances:

	2011		2010	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	5,186	138,163	7,075	134,752
Disbursements	-	43,725	-	35,580
Transfers	1,189	(1,189)	1,357	(1,357)
Repayments	(3,779)	(35,543)	(3,246)	(30,812)
	2,596	145,156	5,186	138,163

22.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of six to ten years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the Company w.e.f. January 1, 2001. Loans to non-executive employees do not carry mark-up.

22.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 5.186 million (2010: Rs.7.075 million).

	2011	2010
	(Rupees in '000)	
23. STORES, SPARES AND LOOSE TOOLS		
Stores	1,546,629	1,365,785
Spares	688,952	662,391
Stores and spares in transit	148,989	100,234
Loose tools	1,089	1,090
	2,385,659	2,129,500
Provision against impaired inventory		
Balance as at July 1	(92,141)	(79,101)
Provision made during the year	(30,954)	(28,597)
Written off during the year	-	15,557
Balance as at June 30	(123,095)	(92,141)
	2,262,564	2,037,359

23.1 Stores, spares and loose tools are held for the following operations:

	2011	2010
Transmission	2,060,835	1,784,967
Distribution	201,729	252,392
	2,262,564	2,037,359

	2011	2010
	(Rupees in '000)	
24. STOCK-IN-TRADE		
Gas		
Gas in pipelines	223,479	200,005
Stock of Synthetic Natural Gas	2,071	234
	225,550	200,239
Gas meters		
Components	461,722	224,498
Work-in-process	21,875	10,742
Finished meters	237	24,522
	483,834	259,762
Provision against impaired inventory		
Balance as at July 1	(4,586)	(3,948)
Provision made during the year	(2,078)	(638)
Balance as at June 30	(6,664)	(4,586)
	477,170	255,176
	702,720	455,415

25. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

This represents cost of work carried out by the Company on behalf of the consumers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such consumers are shown as deduction there from as reflected in note 33.2 to these financial statements.

	Note	2011	2010
		(Rupees in '000)	
26. TRADE DEBTS			
Considered good			
- secured		10,457,189	12,003,014
- unsecured		38,725,153	31,812,653
	26.1 & 26.2	49,182,342	43,815,667
Considered doubtful		2,797,394	2,296,330
		51,979,736	46,111,997
Provision against impaired debts	26.3	(2,797,394)	(2,296,330)
		49,182,342	43,815,667

26.1 Trade debts include Rs. 29,159 million (June 30, 2010: Rs. 21,280 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 27,002 million are over due. As per the latest financial statements of KESC for the quarter ended March 31, 2011, its accumulated losses have reached to Rs. 83,749 million, and its current liabilities exceeded current assets by Rs. 47,295 million. Despite such adverse financial position of KESC, the company is confident that the entire amount will be recovered, as KESC is engaged in providing electric power to the entire region of Karachi and the equity of Rs. 5,369 million has been injected by its owners to improve its viability and its cash-flows are likely to improve significantly in the near term. Further, management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount.

26.2 Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Water and Power Development Authority (WAPDA) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs.34,995 million as at June 30, 2011 (June 30, 2010: Rs. 33,667 million), which includes overdue amounts of Rs. 28,145 million (June 30, 2010: Rs. 26,474 million). Receivable from SNGPL against uniform cost of gas is stated under other receivables and amounts to Rs. 4,036 million (June 30, 2010: Rs. 4,130 million) (refer note 30.2). Interest accrued amounting to Rs.4.160 million (June 30, 2010: Rs. 2,245 million) in respect of overdue balances of KESC, JPCL and SNGPL is stated in accrued interest (refer note 29).

As at June 30, 2011, amounts of Rs. 41,756 million (June 30, 2010: Rs. 30,433 million) (included in creditors for gas in note 15) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 10,459 million (June 30, 2010: Rs. 6,651 million) on their balances.

		Note	2011	2010
			(Rupees in '000)	
26.3	**Movement of provision against impaired debts**			
	Balance as at July 1		2,296,330	2,163,753
	Provision for the year		501,064	132,577
			2,797,394	2,296,330
27.	**LOANS AND ADVANCES - considered good**			
	Current portion of long term loans:			
	- executives	22	1,640	2,785
	- other employees	22	27,732	26,748
			29,372	29,533
	Advances to:			
	- executives	27.1	5,940	8,901
	- other employees		75,525	54,524
			81,465	63,425
			110,837	92,958

27.1 Advances to executives represent the establishment advance, festival advances and travelling advance to the employees according to the terms of employment. These are repayable in ten equal monthly installments and are secured against the retirement benefit balances of the related employees. These are interest free loans and advances.

		Note	2011	2010
			(Rupees in '000)	
28.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Advances for goods and services - unsecured, considered good		48,281	54,211
	Trade deposits - unsecured, considered good		9,916	19,548
	Prepayments		151,644	109,185
			209,841	182,944
29.	**INTEREST ACCRUED**			
	Interest accrued on late payment of bills / invoices from:			
	- WAPDA		2,055,783	1,226,801
	- KESC		671,129	225,072
	- SNGPL		1,432,745	793,590
	- JJVL		19,275	98,260
			4,178,932	2,343,723
	Interest accrued on bank deposits		5,479	2,833
	Interest accrued on sales tax refund	5.4	487,739	487,739
	Provision against impaired income		(1,198,471)	-
			3,473,679	2,834,295

	Note	2011	2010
		(Rupees in '000)	
30. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	30.1	9,703,340	5,290,758
Receivable from staff pension fund - non executives	40.1	82,733	82,733
Receivable from staff gratuity fund - executives	40.1	-	10,247
Balance receivable for sale of gas condensate		19,222	46,869
Receivable from Sui Northern Gas Pipelines Limited	30.2	4,103,105	4,198,192
Receivable from JJVL	30.3	1,888,135	1,009,090
Workers' Profit Participation Fund	15.2	8,137	-
Insurance claim receivable		144	705
Sales tax receivable		3,840,241	6,558,456
Claims receivable		757	757
Pipeline rentals		22,178	13,236
Miscellaneous receivables	30.4	83,747	218,353
		19,751,739	17,429,396
Provision against impaired receivables		(1,485)	(1,485)
		19,750,254	17,427,911

30.1 This includes Rs. 216.066 million (2010: Rs. 105.28 million) recoverable from the GoP on account of remission of gas receivables from people of Ziarat under instructions from GoP.

30.2 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 65.987 million (2010: Rs. 67.745 million) and Rs. 4,038.616 million (2010: Rs. 4,130.197 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited, refer note 33.1.1 to these financial statements for detail.

30.3 During the year, the Company has taken the option of using the amnesty offered during the budget by means of SRO 648(I)/2011 dated June 25, 2011 which had exempted the whole amount of default surcharge and penalties subject to the condition that the outstanding principal amount of sales tax or federal excise duty is paid by June 30, 2011. As a result, the Company paid the Federal Excise Duty (FED) amounting to Rs. 874 million in respect of show cause notices issued by the Additional Collector (Adjudication) Sales Tax and Federal Excise requiring it to pay FED along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged to JJVL. The FED has been accounted for as a receivable as the Company considers that this amount is recoverable from JJVL under the agreement. JJVL has disputed this amount and suggested for arbitration. However, based on legal opinion, no provision has been made against the amount as the Company is confident that it will be able to recover the entire amounts as per the agreement with JJVL.

30.4 This includes unamortised balance of Rs. 75.230 million (2010: Rs. 150.46 million) on account of deferred tariff adjustment.

	Note	2011	2010
		(Rupees in '000)	
31. TAXATION - NET			
Advance tax		5,857,091	2,316,033
Provision for tax		(3,550,986)	(2,225,863)
		2,306,105	90,170
32. CASH AND BANK BALANCES			
Cash at banks			
- deposit accounts		378,877	145,651
- current accounts		698,305	467,756
		1,077,182	613,407
Cash in hand	32.1	7,675	7,477
		1,084,857	620,884

32.1 This includes foreign currency cash in hand amounting to Rs. 1.296 million (2010 : Rs. 0.898 million).

	Note	2011	2010
		(Rupees in '000)	

33. COST OF SALES

	Note	2011	2010
Cost of gas	33.1	102,889,971	95,333,111
Transmission and distribution costs	33.2	9,394,362	9,603,690
		112,284,333	104,936,801

33.1 Cost of gas

	Note	2011 Volume in MCF *	2011 (Rupees in '000)	2010 Volume in MCF *	2010 (Rupees in '000)
Gas in pipelines as at July 1		896,446	200,005	790,423	191,835
Gas purchases from:					
Pakistan Petroleum Limited		48,186,822	8,237,391	45,102,650	6,292,350
Oil and Gas Development Company Limited		6,369,335	5,006,512	5,654,227	807,328
BP (Pakistan) Exploration and Production Incorporated		57,194,218	16,486,347	81,646,199	20,481,490
ENI Pakistan Limited		149,910,699	59,848,429	138,355,236	41,694,309
Mari Gas Company Limited		281,303	11,465	278,511	9,938
Sui Northern Gas Pipelines Limited- a related party		1,430,552	477,778	1,121,081	348,613
BHP Petroleum (Pakistan) Pvt Limited		75,368,788	20,159,256	103,580,123	23,257,889
OMV (Pak) Exploration GmBH		58,962,750	17,493,462	52,802,525	13,856,024
Hycarbex (Ex - Haseeb)		33,771	5,488	-	-
Input sales tax on exempt supplies		-	49,221	-	28,837
		397,738,238	127,775,349	428,540,552	106,776,778
		398,634,684	127,975,354	429,330,975	106,968,613
Gas consumed internally		(1,996,262)	(529,037)	(1,107,813)	(253,791)
Inward price adjustment	33.1.1	-	(24,332,867)	-	(11,181,706)
Gas in pipelines as at June 30		(859,518)	(223,479)	(896,446)	(200,005)
		(2,855,780)	(25,085,383)	(2,004,259)	(11,635,502)
Gas available for sale		395,778,904	102,889,971	427,326,716	95,333,111

* Metric Cubic Feet.

33.1.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Company and Sui Northern Gas Pipelines Limited effective from July 1, 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement, the company with lower weighted average cost of gas is required to pay to the other company so that the overall weighted average rate of well head gas price of both the companies is the same.

33.1.2 UFG in parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. While it is almost impossible to estimate the amount of gas theft in UFG, it is estimated that it is a significant percentage of the total UFG. The UFG for each region of the Company network in terms of volume and percentage is given below:

Region wise break up of UFG

Sr. No.	Region	Number of Customers	UFG Volume MMCF	UFG %
1	Karachi	1,566,087	15,503	5.38%
	Interior Sindh			
2	- Hyderabad	300,354	5,007	9.22%
3	- Sukkar	105,901	1,853	19.29%
4	- Nawabshah	80,713	1,284	21.37%
5	- Larkana	101,427	2,112	29.66%
6	Balochistan	213,857	11,602	37.33%
	Total	**2,368,339**	**37,361**	**9.43%**

SSGC is taking a number of measures to control and reduce UFG. These are elaborated below:

- Vigilance for identification of theft cases, illegal networks and necessary remedial measures thereafter.
- Measurement errors identification and rectification.
- Above ground and underground leakage identification and rectification.

The Company's actions are likely to be more effective with the cooperation of various stakeholders and law enforcement agencies.

Actual UFG for the year ended June 30, 2011 is 9.43% (2010: 7.95%) against which OGRA has restricted UFG to 7%.

	Note	2011	2010
		(Rupees in '000)	

33.2 Transmission and distribution costs

	Note	2011	2010
Salaries, wages and benefits		4,435,876	5,689,822
Contribution / accruals in respect of staff retirement benefit schemes	33.2.1	625,723	426,103
Depreciation on operating assets		2,999,235	2,584,956
Repairs and maintenance		707,213	503,592
Stores, spares and supplies consumed		517,037	360,027
Gas consumed internally		529,037	253,791
Legal and professional charges		84,441	76,638
Software maintenance		56,384	58,332
Electricity		56,830	39,618
Security expenses		213,033	187,954
Insurance and royalty		76,806	69,403
Travelling		73,721	61,837
Material and labor used on consumers' installation		69,730	93,081
Postage and revenue stamps		1,563	5,601
Rent, rates and taxes		37,143	50,053
Others		220,513	174,565
		10,704,285	10,635,373
Recoveries / allocations to:			
Gas distribution system capital expenditure		(963,612)	(731,585)
Installation costs recovered from customers		(100,992)	(113,542)
		(1,064,604)	(845,127)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		(211,450)	(172,180)
- Oil and Gas Development Company Limited - a related party		(22,496)	(26,508)
- Other customers		(11,373)	12,132
		(245,319)	(186,556)
		9,394,362	9,603,690

33.2.1 Contributions to / accrual in respect of staff retirement benefit schemes

	2011	2010
Contributions to the provident fund	115,498	113,881
(Reversal) / charge in respect of pension funds:		
- executives	-	(40,511)
- non executives	-	(36,011)
Charge in respect of gratuity funds:		
- executives	100,515	59,788
- non executives	117,188	28,580
Accrual in respect of unfunded post retirement:		
- medical facility	235,222	175,253
- gas facility	3,573	4,081
Accrual in respect of compensated absences:		
- executives	86,740	69,366
- non executives	(33,013)	51,676
	625,723	426,103

	Note	2011	2010
		(Rupees in '000)	

34. ADMINISTRATIVE AND SELLING EXPENSES

	Note	2011	2010
Administrative expenses	34.1	2,108,500	1,695,471
Selling expenses	34.2	973,210	753,240
		3,081,710	2,448,711

34.1 Administrative expenses

	Note	2011	2010
Salaries, wages and benefits		915,486	1,021,707
Contribution / accruals in respect of staff retirement benefit schemes	34.1.1	50,807	32,637
Depreciation on operating assets	18.6	168,796	196,737
Amortisation of intangible assets	19	7,234	40,131
Provision against impaired debts		501,064	132,577
Bad debts written off		85,128	-
Repairs and maintenance		96,759	60,801
Stores, spares and supplies consumed		47,199	50,893
Legal and professional		73,494	44,035
Software maintenance		21,084	21,766
Electricity		28,449	22,484
Security expenses		4,348	3,836
Insurance and royalty		6,002	4,911
Travelling		11,654	5,139
Postage and revenue stamps		67,905	63,746
Rent, rates and taxes		3,758	800
Others		53,108	17,047
		2,142,275	1,719,247
Allocation to meter manufacturing division		(33,775)	(23,776)
		2,108,500	1,695,471

34.1.1 Contributions to / accrual in respect of staff retirement benefit schemes

	2011	2010
Contribution to the provident fund	26,563	29,785
(Reversal) / charge in respect of pension funds:		
- executives	-	(5,883)
- non executives	-	(3,247)
Charge in respect of gratuity funds:		
- executives	18,886	9,467
- non executives	5,358	2,515
	50,807	32,637

	Note	2011	2010
		(Rupees in '000)	

34.2 Selling expenses

	Note	2011	2010
Salaries, wages and benefits		607,427	459,031
Contribution / accruals in respect of staff retirement benefit schemes		53,584	14,429
Depreciation on operating assets		8,702	27
Repairs and maintenance		7,494	4,668
Stores, spares and supplies consumed		23,065	17,948
Meter reading by contractors		39,072	38,700
Electricity		32,458	29,415
Insurance and royalty		439	357
Travelling		1,484	1,224
Gas bills collection charges		164,173	159,733
Postage and revenue stamps		238	120
Rent, rates and taxes		22,646	16,345
Others		12,428	11,243
		973,210	753,240

35. OTHER OPERATING EXPENSES

	Note	2011	2010
Auditors' remuneration			
- Statutory audit		1,500	1,250
- Fee for other audit related services		1,200	1,511
- Fee for taxation services		17,700	4,548
- Out of pocket expenses		992	571
		21,392	7,880
Workers' Profit Participation Fund	15.2	291,855	369,127
Sports expenses		19,684	22,397
Corporate social responsibility		35,904	11,992
Loss on sale of property, plant and equipment	18.7	3,083	-
Provision against impaired stores and spares		40,832	30,349
Provision against impaired income		1,198,471	-
Exchange loss on payment of gas purchases		33,920	310,292
		1,645,141	752,037

36. OTHER OPERATING INCOME

	Note	2011	2010
Income from other than financial assets			
Meter rentals		614,514	576,386
Recognition of income against deferred credit		368,867	326,601
Income from new service connections		609,940	452,833
Gas shrinkage charged to JJVL		1,993,809	2,263,931
Income from gas transportation		35,600	48,775
Income from LPG air mix distribution - net	36.1	47,093	13,215
Recoveries from consumers		45,153	33,204
Gain on sale of property, plant and equipment	18.7	-	4,682
Liquidated damages recovered		12,707	13,976
Advertising income		6,306	5,640
Income from sale of tender documents		1,581	1,352
Scrap sales		4,253	4,376
Rental income		-	67
Miscellaneous		13,971	11,039
		3,753,794	3,756,077
Income from investment in debts, loans, advances and receivables from related party			
Contingent rental income - Sui Northern Gas Pipelines Limited		6,113	33,445
		3,759,907	3,789,522

	Note	2011	2010
		(Rupees in '000)	

36.1 Income from LPG air mix distribution - net

Sales		1,709	1,387
Cross subsidy		99,825	37,166
Cost of sales		(24,397)	(13,736)
Gross profit		77,137	24,817
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(8,522)	(2,503)
Depreciation expenses		(22,315)	(5,914)
Other operating expenses		(7,240)	(3,813)
		(38,077)	(12,230)
Amortisation of deferred credit		7,703	-
Other income		330	628
Profit for the year		47,093	13,215

37. OTHER NON-OPERATING INCOME

	Note	2011	2010
Income from financial assets			
Late payment surcharge		1,625,198	1,057,582
Income from net investment in finance lease		55,035	54,124
Return on:			
- term deposits and profit and loss bank accounts		109,508	116,820
- staff loans		927	1,484
		1,790,668	1,230,010
Interest income on late payment of gas bills from			
- Karachi Electric Supply Company Limited (KESC)		3,561,930	2,381,659
- Jamshoro Joint Venture Limited (JJVL)		79,478	73,357
- Water & Power Development Authority (WAPDA)		828,981	636,884
- Sui Northern Gas Pipelines Limited (SNGPL)		639,155	410,420
		5,109,544	3,502,320
Dividend income		593	270
		6,900,805	4,732,600
Interest income on Sales Tax Refund		-	487,739
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipelines Limited		4,180	-
Income from net investment in finance lease	37.1	137,936	150,558
		142,116	150,558
Others			
Sale of gas condensate		244,843	524,874
Royalty income from Jamshoro Joint Venture Limited		2,590,269	2,594,164
Meter manufacturing division profit - net	37.2	149,881	150,618
		2,984,993	3,269,656
		10,027,914	8,640,553

37.1 This income is receivable from SNGPL and OGDCL amounting to Rs. 134.268 million (2010: Rs.145.421 million) and Rs. 3.668 million (2010: Rs. 5.137 million) respectively.

	Note	2011	2010
		(Rupees in '000)	

37.2 Meter manufacturing division profit - net

	Note	2011	2010
Gross sales of gas meters			
- Company's consumption		800,161	664,221
- Outside sales		1,246,971	1,567,535
		2,047,132	2,231,756
Sales tax		(306,443)	(311,756)
Special excise duty		(24,970)	(19,485)
Net sales		1,715,719	1,900,515
Cost of sales			
- Raw material consumed		1,205,165	1,457,337
- Stores and spares		7,767	7,065
- Fuel, power and electricity		9,675	9,645
- Salaries wages and other benefits	37.1.2	275,535	236,806
- Insurance		793	626
- Repairs and maintenance		15,034	18,659
- Depreciation		7,849	12,541
- Other expenses		4,162	1,688
		1,525,980	1,744,367
Opening work in process		10,742	10,240
Closing work in process		(21,875)	(10,742)
		(11,133)	(502)
Cost of goods manufactured		1,514,847	1,743,865
Opening stock of finished goods		24,522	12,790
Closing stock of finished goods		(236)	(24,522)
		24,286	(11,732)
Cost of goods sold		(1,539,133)	(1,732,133)
Gross profit		176,586	168,382
Administrative expenses		(33,775)	(23,776)
Operating profit		142,811	144,606
Other income		7,070	6,012
Net profit		149,881	150,618

37.1.1 Gas meters used by the Company are included in operating assets at manufacturing cost.

		2011	2010
37.1.2	Salaries, wages and other benefits	267,675	234,537
	Provident fund contribution	3,246	2,386
	Pension fund	-	(2,088)
	Gratuity	4,614	1,971
		275,535	236,806

	Note	2011	2010
		(Rupees in '000)	
38. FINANCE COST			
Mark-up on:			
- local currency financing		1,988,715	2,435,265
- short term financing		418,047	184,873
- consumers' deposits		123,576	114,708
- Workers' Profit Participation Fund	15.2	25,579	-
- delayed payment on gas bills		3,831,596	2,668,779
- others		30,481	10,126
		6,417,994	5,413,751
Less: Finance cost capitalised during the year		(631,872)	(397,858)
		5,786,122	5,015,893
39. TAXATION			
Current tax		1,325,123	609,524
Deferred tax		633,001	2,004,745
		1,958,124	2,614,269
Adjustment recognised in currrent year in relation to the current tax of prior years		(1,162,837)	-
		795,287	2,614,269
39.1 Relationship between unconsolidated accounting profit and tax expense for the year is as follows:			
Accounting profit for the year		5,519,675	7,013,414
Tax rate		35%	35%
Tax charge @ 35% (2010: 35%)		1,931,886	2,454,695
Effect of minimum tax		-	159,642
Tax effect of expenses that are not deductible in determining taxable profit		27,431	-
Effect of lower tax rate on dividend income		(1,193)	(68)
		1,958,124	2,614,269

40. STAFF RETIREMENT BENEFITS

40.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.15 to these financial statements, the Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at June 30, 2011 under the projected unit credit method for both non-executive and executive staff members.

Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit scheme/plans are:

	2011		2010	
	Executives	Non-executives	Executives	Non-executives
Pension fund				
-Regular	101	44	86	44
Gratuity fund				
-Regular	2,653	4,937	1,953	3,390
-Reinstated	-	-	596	1,914
	2,754	4,981	2,635	5,348

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(850,752)	(1,564,906)	(424,818)	(1,683,813)
Present value of defined benefit obligation	527,423	2,431,572	9,028	1,912,522
Net (surplus) / deficit	(323,329)	866,666	(415,790)	228,709
Amount payable / (receivable) against Company's liability	-	-	122,088	(122,088)
Unrecognised actuarial gain / (loss)	323,329	(866,666)	210,414	(106,621)
	-	-	(83,288)	-
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2010	450,216	2,114,380	6,029	2,221,574
Current service cost	23,001	119,212	-	125,880
Interest cost	58,133	258,703	725	282,979
Actuarial loss / (gain)	39,342	274,042	3,214	(600,556)
Benefits paid	(43,269)	(334,765)	(940)	(117,355)
Obligation as at June 30, 2011	527,423	2,431,572	9,028	1,912,522

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Changes in fair value of plan assets				
Fair value as at July 1, 2010	928,384	1,480,260	382,750	1,564,495
Expected return on plan assets	123,320	203,245	50,641	211,779
Net actuarial (loss) / gain	(39,180)	(37,489)	(7,633)	(117,420)
Benefits paid	(43,269)	(334,765)	(940)	(117,355)
Contribution to fund	-	135,152	-	142,314
Amount transferred (out) / in	(118,503)	118,503	-	-
Fair value as at June 30, 2011	850,752	1,564,906	424,818	1,683,813

Movement in amount (receivable from) / payable to defined benefit plans

Movements in amount (receivable from) / payable to staff retirement benefit funds during the year are as follows:

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Asset as at July 1, 2010	-	-	(82,733)	(10,247)
(Income) / expense recognised for the year	-	135,152	-	152,561
Contribution to the fund/ benefits paid	-	(135,152)	-	(142,314)
(Asset) in unconsolidated balance sheet	-	-	(82,733)	-

Expense recognised in the unconsolidated profit and loss account

Expense recognised in the unconsolidated profit and loss account during the current year in respect of the above schemes were as follows:

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	23,001	119,212	-	125,880
Mark-up cost	58,133	258,703	725	282,979
Expected return on plan assets	(123,320)	(203,245)	(50,641)	(211,779)
Recognition of actuarial (gain) / loss	(23,770)	26,438	(22,880)	28,277
Amount transferred out / (in)	65,956	(65,956)	72,796	(72,796)
	-	135,152	-	152,561
Composition / fair value of plan assets used by the fund				
Equity	6.8%	2.8%	2.9%	6.0%
Debt instruments	93.2%	97.2%	97.1%	94.0%
Actual return on plan assets is as follows:				
Expected return on plan assets	123,320	203,245	50,641	211,779
Actuarial loss on plan assets	(39,180)	(37,489)	(7,633)	(117,420)
Actual return on plan assets	84,140	165,756	43,008	94,359

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(928,384)	(1,480,260)	(382,750)	(1,564,495)
Present value of defined benefit obligation	450,216	2,114,380	6,029	2,221,574
Net (surplus) / deficit	(478,168)	634,120	(376,721)	657,079
Amount payable / (receivable) against Company's liability	52,547	(52,547)	49,292	(49,292)
Unrecognised actuarial gain / (loss)	425,621	(581,573)	244,696	(618,034)
	-	-	(82,733)	(10,247)
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2009	288,113	1,725,098	6,114	1,445,153
Current service cost	13,189	91,162	-	74,579
Interest cost	34,863	193,238	691	173,071
Actuarial loss / (gain)	129,098	339,352	(184)	686,438
Benefits paid	(15,047)	(234,470)	(592)	(157,667)
Obligation as at June 30, 2010	450,216	2,114,380	6,029	2,221,574
Changes in fair value of plan assets				
Fair value as at July 1, 2009	910,450	1,469,949	435,232	1,539,886
Expected return on plan assets	108,752	161,835	52,185	182,307
Net actuarial gain	(23,013)	4,746	8,223	(26,329)
Benefits paid	(15,047)	(234,470)	(592)	(157,667)
Contribution to fund	-	25,442	(86,000)	-
Amount transferred (out) / in	(52,758)	52,758	(26,298)	26,298
Fair value as at June 30, 2010	928,384	1,480,260	382,750	1,564,495

Movement in amount (receivable from) / payable to defined benefit plans

Movements in amount (receivable from) / payable to staff retirement benefit funds during the year are as follows:

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Asset as at July 1, 2009	(361)	(91)	(168,733)	-
(Income) / Expense recognised for the year	(52,186)	78,080	(49,292)	39,045
Contribution to the fund / benefits paid	-	(25,442)	86,000	-
Amount payable / (receivable) against Company's liability	52,547	(52,547)	49,292	(49,292)
(Asset) in unconsolidated balance sheet	-	-	(82,733)	(10,247)

Expense recognised in the unconsolidated profit and loss account

Expense recognised in the unconsolidated profit and loss account during the current year in respect of the above schemes were as follows:

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	13,189	91,162	-	74,579
Mark-up cost	34,863	193,238	691	173,071
Expected return on plan assets	(108,752)	(161,835)	(52,185)	(182,307)
Recognition of actuarial (gain) / loss	(44,244)	8,273	(24,096)	-
Amount transferred out / (in)	52,758	(52,758)	26,298	(26,298)
	(52,186)	78,080	(49,292)	39,045

Composition of plan assets used by the fund

Equity	6.8%	2.8%	2.9%	6.0%
Debt instruments	93.2%	97.2%	97.1%	94.0%

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Actual return on plan assets is as follows:				
Expected return on plan assets	108,752	161,835	52,185	182,307
Actuarial (loss) / gain on plan assets	(23,013)	4,746	8,223	(26,329)
Actual return on plan assets	85,739	166,581	60,408	155,978

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Historical information					
Pension - Executives					
Present value of defined benefit obligation	527,423	450,216	288,113	542,423	471,480
Fair value of planned assets	(850,752)	(928,384)	(910,450)	(810,985)	(718,001)
Surplus	(323,329)	(478,168)	(622,337)	(268,562)	(246,521)
Amount payable / (receivable) against company Liability	-	52,547	-	-	-
Unrecognised past service cost	-	-	-	(42,474)	(84,951)
Unrecognised actuarial gain	323,329	425,621	621,976	311,988	332,329
(Asset) / liability in unconsolidated balance sheet	-	-	(361)	952	857
Experience adjustment arising on plan liabilities losses / (gains)	39,342	129,098	(308,268)	6,177	(35,615)
Experience adjustment arising on plan assets (losses) / gains	(39,180)	(23,013)	24,809	14,784	(14,072)

	2011	2010	2009	2008	2007
			(Rupees in '000)		
Historical information					
Gratuity - Executives					
Present value of defined benefit obligation	2,431,572	2,114,380	1,725,098	1,704,055	1,400,696
Fair value of planned assets	(1,564,906)	(1,480,260)	(1,469,949)	(1,377,554)	(1,405,498)
Deficit / (surplus)	866,666	634,120	255,149	326,501	(4,802)
Amount receivable against Company's liability	-	(52,547)	-	-	-
Unrecognised past service gain	-	-	-	89,614	179,227
Unrecognised actuarial loss	(866,666)	(581,573)	(255,240)	(442,562)	(187,076)
Asset in unconsolidated balance sheet	-	-	(91)	(26,447)	(12,651)
Experience adjustment arising on plan liabilities losses / (gains)	274,042	339,352	(115,250)	263,307	(24,005)
Experience adjustment arising on plan assets (losses) / gains	(37,489)	4,746	44,856	2,651	70,856
Pension - Non Executives					
Present value of defined benefit obligation	9,028	6,029	6,114	6,592	7,952
Fair value of planned assets	(424,818)	(382,750)	(435,232)	(402,327)	(354,912)
Surplus	(415,790)	(376,721)	(429,118)	(395,735)	(346,960)
Amount payable against Company's liability	122,088	49,292	-	-	-
Unrecognised actuarial gain	210,414	244,696	260,385	261,229	263,431
Asset in unconsolidated balance sheet	(83,288)	(82,733)	(168,733)	(134,506)	(83,529)
Experience adjustment arising on plan liabilities losses / (gains)	3,214	(184)	622	1,424	937
Experience adjustment arising on plan assets (losses) / gains	(7,633)	8,223	14,319	12,655	(28,592)
Historical information					
Gratuity - Non Executives					
Present value of defined benefit obligation	1,912,522	2,221,574	1,445,153	1,279,964	1,029,557
Fair value of planned assets	(1,683,813)	(1,564,495)	(1,539,886)	(1,319,485)	(1,410,681)
Surplus	228,709	657,079	(94,733)	(39,521)	(381,124)
Amount receivable against Company's liability	(122,088)	(49,292)	-	-	-
Unrecognised actuarial (loss) / gain	(106,621)	(618,034)	94,733	61,938	411,964
Liability in unconsolidated balance sheet	-	(10,247)	-	22,417	30,840
Experience adjustment arising on plan liabilities (gains) / losses	(600,556)	686,438	40,636	164,275	67,045
Experience adjustment arising on plan assets (losses) / gains	(117,420)	(26,329)	73,431	(157,681)	188,816

Significant actuarial assumptions

Significant assumptions used for the valuation of above schemes are as follows:

	Executives and Non-Executives	
	2011 (%)	2010 (%)
Discount rate	14.00	12.75
Expected rate of increase in salary level	11.50	11.75
Expected rate of return on plan assets	13.50	13.25
Increase in pension	7.00	5.75

40.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.15 to these financial statements the Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after December 31, 2000. The latest valuations of the liability under these schemes were carried out as at June 30, 2011 under the projected unit current cost method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,653 (2010: 2,549).

	June 30, 2011		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Liability in unconsolidated balance sheet			
Projected benefit obligation	1,519,539	47,290	1,566,829
Unrecognised actuarial (gain) / loss	(97,428)	7,379	(90,049)
	1,422,111	54,669	1,476,780

Movement in net liability recognised

	June 30, 2011	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2010	1,215,985	53,774
Charge for the year	238,126	4,713
Payments during the year	(32,000)	(3,818)
Liability as at June 30, 2011	1,422,111	54,669

Expense recognised in the unconsolidated profit and loss account

	June 30, 2011	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Current service cost	74,910	-
Mark-up cost - net	163,216	5,354
Amortisation of actuarial gain	-	(641)
	238,126	4,713

Liability in unconsolidated balance sheet

	June 30, 2010		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Projected benefit obligation	1,243,878	43,639	1,287,517
Unrecognised actuarial (losses) / gain	(27,893)	10,135	(17,758)
	1,215,985	53,774	1,269,759

Movement in net liability recognised

Movements in net liability recognised during the year are as follows:

Liability as at July 1, 2009	1,065,436	52,581
Charge for the year	175,254	4,081
Payments during the year	(24,705)	(2,888)
Liability as at June 30, 2010	1,215,985	53,774

Expense recognised in the unconsolidated profit and loss account

Current service cost	47,071	4,786
Mark-up cost - net	128,183	-
Amortisation of actuarial gain	-	(705)
	175,254	4,081

Significant actuarial assumptions

Significant assumptions used for the valuation of above schemes are as follows:

	Executives	
	2011 (%)	2010 (%)
Discount rate	14.0	12.0
Medical inflation rate	10.5	8.5
Gas inflation rate	11.0	9.0

Medical facility - Executives	2011	2010	2009	2008	2007
			(Rupees in '000)		
Present value of defined benefit obligation	1,519,539	1,243,878	1,065,142	970,936	834,683
Fair value of planned assets	-	-	-	-	-
Deficit	1,519,539	1,243,878	1,065,142	970,936	834,683
Unrecognised actuarial (loss) / gain	(97,428)	(27,893)	294	(48,777)	895
Liability in unconsolidated balance sheet	1,422,111	1,215,985	1,065,436	922,159	835,578
Experience adjustment arising on plan liabilities losses / (gains)	69,535	28,187	(49,097)	56,148	(41,575)
Experience adjustment arising due to change of basis	-	-	-	6,363	-

Gas facility - Executives	2011	2010	2009	2008	2007
Present value of defined benefit obligation	47,290	43,639	41,395	39,208	34,720
Unrecognised actuarial gain	7,379	10,135	11,185	12,733	18,216
Liability in unconsolidated balance sheet	54,669	53,774	52,580	51,941	52,936
Experience adjustment arising on plan liabilities losses	2,115	345	668	4,208	5,401
Experience adjustment arising due to change of basis	-	-	-	477	-

41. EARNINGS PER SHARE - BASIC AND DILUTED

		2011	2010 (Restated)
Profit after taxation	Rupees in '000	4,724,388	4,399,145
Average number of ordinary shares	Number of shares	838,967,914	838,967,914
Earnings per share - basic and diluted	Rupees	5.63	5.24

	2011	2010
	(Rupees in '000)	

42. WORKING CAPITAL CHANGES

	2011	2010
(Increase) / decrease in current assets		
Stores and spares	(256,159)	(363,400)
Stock-in-trade	(249,383)	34,486
Consumers' installation work-in-progress	(16,232)	(22,122)
Trade debts	(5,952,867)	(11,380,039)
Trade deposits and short term prepayments	(26,897)	(72,132)
Other receivables	(2,332,590)	5,466,013
	(8,834,128)	(6,337,194)
Increase in current liabilities		
Trade and other payables	11,150,568	2,221,334
	2,316,440	(4,115,860)

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to Chief Executive, Directors and Executives of the Company are given below:

	June 30, 2011		June 30, 2010	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	7,741	984,442	6,042	713,528
Housing	3,458	390,287	2,719	313,440
Utilities	768	86,730	746	185,451
Retirement benefits	75	118,376	3	65,745
Bonus	1,725	-	-	-
	13,767	1,579,835	9,510	1,278,164
Number	1	980	1	869

43.1 The Chairman, Chief Executive and certain executives are also provided Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Company was paid Rs. 0.300 million (2010: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

43.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.067 million (2010: Rs. 0.048 million for 14 directors).

44. CAPACITY AND ACTUAL PERFORMANCE

44.1 Natural gas transmission

	June 30, 2011		June 30, 2010	
	MMCF	HM3	MMCF	HM3
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	510,594	143,853,987	510,270	143,762,704
Utilisation - volume of gas transmitted	397,144	111,890,755	426,433	120,142,594
Capacity utilisation factor (%)	77.8	77.8	83.6	83.6

44.2 Natural gas distribution

The Company has no control over the rate of utilisation of its capacity as the use of available capacity is dependent on off-takes by the consumers.

44.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 612,903 meters (2010: 750,000 meters) against an annual capacity of 356,000 meters on a single shift basis.

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefits 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 the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2011	2010
		(Rupees in '000)	
Sui Northern Gas Pipelines Limited	Associate		
- Principal portion of lease rental		65,259	65,350
- Dividend Income		4,180	-
- Sale of gas meters		1,242,078	1,335,120
Oil and Gas Development Company Limited	Associate		
- Principal portion of lease rental		8,635	8,634
- Gas purchases		29,352,974	18,804,580
Mari Gas Company Limited	Associate		
- Gas purchases		2,481	146,973
State Life Insurance Corporation Limited	Associate		
- Rent of premises		2,259	2,525
Inter State Gas System (Private) Limited	Associate		
- Sharing of expenses		73,568	40,754
Liaquat National Hospital	Associate		
- Medical services		44,241	31,964
- Gas sales		58,824	263
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		1,800	586
PERAC Research and Development Foundation	Associate		
- Energy conservation study charges		-	602

	Relationship	2011	2010
		(Rupees in '000)	
Siemens Pakistan Engineering Limited	Associate		
- Supplies and maintenance		73	123
- Gas sales		1,417	6,120
U.G Foods Company (Private) Limited	Associate		
- Gas sales		9,480	6,665
Artistic Denim Mills Limited	Associate		
- Gas sales		58,193	218,892
Greaves CNG (Private) Limited	Associate		
- Gas sales		-	39,156
Dawood Islamic Bank Limited	Associate		
- Interest income		-	32,671
Remuneration of key management personnel			
- Executive staff		95,074	87,427
Minto & Mirza	Associate		
- Professional charges		24,900	4,275
Quality Aviation (Pvt) Limited	Associate		
- Travelling services		26,837	8,821
Packages Limited	Associate		
- Gas sales		8,083	6,826
Askari Bank Limited	Associate		
- Profit on investment		7,983	-
Pak Suzuki Motor Company Limited	Associate		
- Motor Vehicle Purchases		120,927	-
- Sale of gas		26,418	-
Pakistan State Oil Company Limited	Associate		
- Purchase of fuel and lubricant		53,025	-
Fauji Fertilizer Company Limited	Associate		
- Sale of gas		8	-
International Industries Limited	Associate		
- Line Pipe Purchases		1,479,838	-
- Sale of gas		723,835	-

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

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 10, 15, 30 and 39 to these financial statements.

Remuneration to the executive officers of the Company (disclosed in note 43 to these financial statements) and loans and advances to them (disclosed in notes 22 and 27 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

45.1 Amount (due to) / receivable from related parties

The details of amount due with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2011	2010
		(Rupees in '000)	
Sui Northern Gas Pipelines Limited	Associate		
- Lease rentals		65,987	67,745
- Sale of gas meters		25,662	30,970
- Cost of gas levelisation		4,037,499	4,130,197
Oil and Gas Development Company Limited	Associate		
- Gas purchases		(26,583,482)	(16,415,395)
Mari Gas Company Limited	Associate		
- Gas purchases		-	(72,829)
Liaquat National Hospital	Associate		
- Gas sales		6,279	83
Siemens Pakistan Engineering Limited	Associate		
- Gas sales		-	561
U.G Foods Company (Private) Limited	Associate		
- Gas sales		827	797
Artistic Denim Mills Limited	Associate		
- Gas sales		-	22,048
Packages Limited	Associate		
- Gas sales		623	577

46. FINANCIAL RISK MANAGEMENT

The objective of Company's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management frame work and policies.

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

46.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from trade debts, net investment in finance lease, loans and advances, deposits, bank balances, interest accrued and other receivables. To reduce the exposure toward the credit risk, comprehensive consumer category wise credit limits and terms have been established. Incase of industrial and commercial consumers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic consumers as per rates notified by OGRA are taken to reduce credit exposure. The Company continuously monitors the credit given to the consumers and interest accrued thereon and has established a dedicated recovery department for follow-up of consumer for recovery and disconnection of gas supply in case of defaulted consumers. Loans and advances given to employees are secured against retirement benefits of the employees and title deed of properties of employees. Bank balances are maintained with sound credit rating banks. The Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counterparties.

The maximum exposure to credit risk before any credit enhancement at year end is the carrying amount of the financial assets as set out below:

	2011	2010
	(Rupees in '000)	
Trade debts	49,182,342	43,815,667
Net investment in finance lease	1,040,539	1,159,334
Loans and advances	229,217	206,774
Deposits	13,166	22,798
Bank balances	1,077,182	613,407
Interest accrued	2,985,940	2,834,295
Other receivables	6,258,124	5,380,559
	60,786,510	54,032,834

46.1.1 Collateral and other credit enhancements obtained

Security against supply of gas to industrial and commercial customers is taken on the basis of average three months gas consumption estimated at the time of connection in form of cash deposits (gas supply deposits) / bank guarantee / irrevocable letter of credit. Security against supply of gas to domestic consumers are obtained at rates notified by OGRA. These collaterals are adjusted / called upon disconnection of gas supply. Carrying amount of security held at year end is as follows:

	2011	2010
	(Rupees in '000)	
Cash Deposits	4,126,110	3,369,885
Bank Guarantee	13,835,932	10,387,475
Total	17,962,042	13,757,360

46.1.2 Credit Quality

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 46.1.3 below:

The credit quality of the Company's major bank accounts is assessed with reference to external credit ratings which are as follows:

Banks	Rating Agency	Rating	
		Short Term	Long Term
National Bank of Pakistan Limited	JCR-VIS	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
Barclays Bank Limited	Standard & Poor's	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA
Bank of Punjab Limited	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	BBB+
Summit Bank Limited	JCR - VIS	A2	A

46.1.3 Past due and impaired financial assets

Industrial and commercial customers

The age analysis of trade debt balances relating to industrial and commercial customers at year end is as follows:

	2011		2010	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	10,388,275	-	13,577,837	-
Past due but not impaired	28,145,349	-	24,178,004	-
Past due and impaired	6,484,362	278,444	2,764,996	36,430
Disconnected customers	475,535	364,373	304,209	270,650
Total	45,493,521	642,817	40,825,046	307,080

Past due balances include aggregate over due balances of KESC and JPCL amounting to Rs. 28,145 million and are subject to inter corporate circular debt of government entities and KESC. (refer note No.26.2)

The Company has collateral / security against industrial and commercial consumers amounting to Rs. 16,728 million (2010: Rs. 12,613 million) and replenish such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due. In case of past due balances the Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected consumers) are considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired assets.

Domestic customers

The age analysis of trade debt balances relating to domestic customers at year end is as follows:

	2011		2010	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	1,022,130	-	1,486,682	-
Past due but not impaired				
Past due 1 - 6 month	661,490	-	632,205	-
Past due and impaired				
Past due 7 -9 months	375,758	87,819	225,198	87,819
Past due 10-12 months	215,356	61,526	157,773	61,526
Past due 13-18 months	657,908	188,648	483,756	188,648
Past due 19-24 months	298,010	79,392	203,588	79,392
Past due Over 2 years	1,788,474	242,481	621,803	242,481
	3,335,506	659,866	1,692,118	659,866
Disconnected customers	1,467,186	1,494,808	1,475,945	1,329,384
Total	6,486,312	2,154,674	5,286,950	1,989,250

The Company has collateral / security against domestic customers amounting to Rs. 1,234 million (2010: Rs. 1,144 million) and replenish such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due.

Based on the past experience, consideration of financial position, past track records and recoveries, the provision against past due but not impaired domestic customers is made based on the study carried out by an independent management consultant.

Interest accrued

As at June 30, 2011 interest accrued was Rs. 3,474 million (2010: Rs. 2,834 million). Interest accrued mainly on consumers' balances past due / over due balances. Interest on past due balances includes aggregate over due balances of KESC, WAPDA and SNGPL amounting to Rs. 4,160 million (2010: 2,245 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.26.2)

Other receivables

As at June 30, 2011 other receivable financial assets amounted to Rs. 6,258 million (2010: Rs. 5,381 million). Past due other receivables amounting to Rs. 4,036 million (2010: Rs. 2,876 million) include over due balances of SNGPL amounting to Rs. Nil (2010: Rs. 2,297 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note 26.2)

46.1.4 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. Concentration of credit risk is determined with references to the individual consumers / counter parties, type as well as geographical distribution of consumers / counterparties. Concentration of credit risk in financial assets of the Company is as follows:

Trade debts

Consumer category wise concentration of credit risk in respect of trade debt at year end is as follows:

	2011	2010
	(Rupees in '000)	
Power Generation Companies	30,958,565	25,386,460
Cement Industries	163,399	340,461
Fertilizer and Steel Industries	4,593,572	1,378,461
Other Industries	7,768,267	12,616,926
Total industrial customers	43,483,803	39,722,308
Commercial customers	846,721	795,660
Domestic customers	4,851,818	3,297,699
	49,182,342	43,815,667

At year end the Company's most significant customers were KESC and WAPDA which amounted to Rs. 29,160 million (2010: Rs. 21,280 million) and Rs. 1,799 million (2010: Rs. 8,259 million) respectively. These balances have aggregated due to inter corporate circular debt. (Refer note 26.2 to these financial statements).

Geographical region wise concentration of credit risk in respect of trade debt at year end is as follows:

	2011	2010
	(Rupees in '000)	
Karachi	42,988,261	31,849,297
Sindh (excluding Karachi)	4,604,143	10,660,430
Balochistan	1,589,938	1,305,940
	49,182,342	43,815,667

Net investment in finance lease

The Company's most significant investment in finance lease amounted to Rs. 757 million (2010: Rs. 887 million) in respect of SNGPL.

Interest accrued

Most significant counter parties of the Company in respect of interest accrued are disclosed in note 29 to these financial statements.

Other receivables

Most significant other receivables of the Company are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 30.2 to these financial statements. These balances are subject to inter circular corporate debt as explained in note 26.2 to these financial statements.

46.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2011					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	18,743,385	(25,459,116)	(3,553,316)	(2,845,377)	(4,845,224)	(14,215,199)
Short term borrowings	-	-	-	-	-	-
Trade and other payables	59,865,411	(59,865,411)	(59,865,411)	-	-	-
Interest and mark-up accrued	10,822,821	(10,822,821)	(10,822,821)	-	-	-
Long term deposits	4,062,376	(9,619,082)	(69,459)	(69,459)	(138,918)	(9,341,246)
	93,493,993	(105,766,430)	(74,311,007)	(2,914,836)	(4,984,142)	(23,556,445)

	2010					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	16,679,450	(19,796,229)	(4,256,694)	(2,480,174)	(8,958,338)	(4,101,023)
Short term borrowings	3,720,666	(3,973,671)	(3,973,671)	-	-	-
Trade and other payables	48,653,731	(48,653,731)	(48,653,731)	-	-	-
Interest and mark-up accrued	6,829,477	(6,829,477)	(6,829,477)	-	-	-
Long term deposits	3,413,042	(7,863,800)	(95,888)	-	(111,269)	(7,656,643)
	79,296,366	(87,116,908)	(63,809,461)	(2,480,174)	(9,069,607)	(11,757,666)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2011. The rates of mark-up have been disclosed in notes 7 and 8 to these financial statements. Contractual cash flows of the long term deposits are determined on the assumption that adjusted / refund of these deposits will not be required before expiry of 40 years from balance sheet date.

46.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

46.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on creditors for gas that are denominated in a currency other than the respective functional currency of the Company. The currency in which these transactions primarily are denominated is US Dollars. The Company's exposure to foreign currency risk is as follows:

	2011		2010	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Creditors for gas	13,122,023	152,768	11,349,304	132,740
Estimated forecast gas purchases	130,092,485	1,514,464	123,824,609	1,448,241
Net exposure	143,214,508	1,667,232	135,173,913	1,580,981

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtain forward cover against the gross exposure as exchange loss/ gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return.

The following significant exchange rates applied during the year:

	Average rates			Balance sheet date rate	
	2011	2010		2011	2010
			(Rupees)		
US Dollars	85.95	84.23		85.90	85.50

Sensitivity analysis

A 10% strengthening / (weakening) of the Rupee against US Dollar at June 30, 2011 would have increased / (decreased) trade creditors and gas development surcharge receivable from Government of Pakistan by Rs. 1,312 million (2010: Rs. 1,135 million). There is no effect of strengthening / (weakening) of US dollar on unconsolidated equity and unconsolidated profit and loss account of the Company as exchange loss / gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

46.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments were as follows:

	2011	2010
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	1,040,539	1,159,334
Loan and Advances	2,596	7,008
Trade debts	10,481,358	5,089,319
Cash and bank balances	378,877	145,651
Financial liabilities		
Long term deposits	2,778,353	2,225,355
Govt. of Sindh Loan	2,850,929	1,948,640
Trade and other payables	17,013,844	11,534,577
Variable rate instruments		
Financial Assets		
Trade debts	27,865,207	24,756,915
Other receivables	736,629	2,875,707
Financial liabilities		
Long term loan except Govt. of Sindh loan	15,892,456	14,730,810
Short term borrowings	-	3,720,666
Trade and other payables	18,085,103	12,877,517

Fixed rate instrument bear fixed interest rate while all other borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of business needs. The Company analysis its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect unconsolidated profit and loss account and the unconsolidated equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the unconsolidated profit or loss of the Company as at June 30, 2011 by Rs. 54 million (2010: Rs. 37 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

46.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in listed equity securities. This arises from investments held by the Company for which prices in the future are uncertain. The fair value of listed equity investments of the Company that are exposed to price risk as at June 30, 2011 is Rs. 77 million (2010: Rs.92 million)

A 10% increase/ decrease in the prices of listed equity securities of the Company at the reporting date would have increased or (decreased) long term investment and unconsolidated equity by Rs. 8 million (2010: Rs. 9 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

46.4 Fair value of financial assets and liabilities

The carrying values of all financial instruments reflected in the financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

46.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	77,138	-	-	77,138
	77,138	-	-	77,138

	2010			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	92,017	-	-	92,017
	92,017	-	-	92,017

There have been no transfers during the year. (2010: no transfers in either direction).

46.5 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

The Company is not subject to externally imposed regulatory capital requirements.

The gearing ratio as at June 30 is as follows:

	2011	2010
	(Rupees in '000)	
Total borrowings		
Long term financing	14,471,126	11,644,780
Current portion of long term financing	4,272,259	5,034,670
	18,743,385	16,679,450
Less: Cash and bank balances	(1,084,857)	(620,884)
Net debts	17,658,528	16,058,566
Average capital employed	36,518,478	30,751,795
Gearing ratio	48%	52%

47. OPERATING SEGMENTS

The Company has adopted IFRS 8 'Operating Segments' with effect from July 01, 2009. IFRS requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the Chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

1. Gas transmission and distribution (sale of gas); and
2. Meter manufacturing (manufacturing and sale of gas meters)

SEGMENT REVENUE AND RESULTS

The following is analysis of the company's revenue and results by reportable segment.

	SEGMENT REVENUE		SEGMENT PROFIT	
	2011	2010	2011	2010
	(Rupees in '000)			
Gas transmission and distribution	110,402,419	112,273,618	136,327	1,104,509
Meter manufacturing	1,715,719	1,900,515	149,881	150,618
Total segments results	112,118,138	114,174,133	286,208	1,255,127
Unallocated - other expenses				
- Finance cost			(5,786,122)	(5,015,893)
- Selling expenses			(973,210)	(753,240)
- Other operating expenses			(1,645,141)	(752,037)
Unallocated - other income				
- Operating income			3,759,907	3,789,522
- Non-operating income			9,878,033	8,489,935
Profit before tax			5,519,675	7,013,414

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 800 million (2010: 664 million)

The accounting policies of the reportable segments are same as disclosed in note 3.

	2011	2010
	(Rupees in '000)	
SEGMENT ASSETS AND LIABILITIES		
Segment assets		
Gas transmission and distribution	135,291,716	108,933,359
Meter manufacturing	757,426	417,863
Total segment assets	136,049,142	109,351,222
Unallocated		
- Loans and advance	229,217	206,774
- Taxation - net	2,306,105	90,170
- Interest accrued	493,218	490,572
- Cash and bank balances	1,084,857	620,884
	4,113,397	1,408,400
Total assets	140,162,539	110,759,622
Segment liabilities		
Gas transmission and distrbution	110,159,083	95,102,012
Meter manufacturing	151,171	55,003
Total segment liabilities	110,310,254	95,157,015
Unallocated		
- Employee benefits	1,825,246	1,530,262
Total liabilities	112,135,500	96,687,277

As the Company operates in one geographical area, there is no reportable geographical segment.

48. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at June 30, 2011 and 2010, are as follows:

	2011	2010
	(Rupees in '000)	
	Based on un-audited financial statements	
Pension fund - executives	647,599	879,793
Gratuity fund - executives	1,193,787	1,288,627
Pension fund - non executives	256,457	343,692
Gratuity fund - non executives	1,390,726	1,463,742
Provident fund - executives	1,586,220	1,481,074
Provident fund - non executives	1,526,253	1,679,877
Benevolent fund - executives	79,038	71,863

49. ACCOUNTING ESTIMATES AND JUDGMENTS

49.1 Income tax

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

49.2 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 40.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

49.3 Property, plant and equipment

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of property, plant and equipment. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

49.4 Trade debts

The Company reviews its receivable against provision required there against on a ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

49.5 Provision for impaired inventory

The management continuously reviews its inventory for existence of any items which may have become obsolete. The estimates against slow moving and obsolete items are made based on systematic basis as approved by the Board of Directors.

49.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market of the financial instruments.

50. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended June 30, 2011 of Rs. 2.50 per share (2010: Rs. 1.50 per share), amounting to Rs. 2,097.420 million (2010: Rs. 1,006.761 million) and bonus issue in the ratio of 0.5 shares for every 10 shares held i.e. 5% at their meeting held on September 29, 2011, for approval of the members at the annual general meeting to be held on October 28, 2011. Further, an amount of Rs. 1,800 million has been transferred to Special Reserve II.

51. CORRESPONDING FIGURES

Following figure has been reclassified consequent upon the change in current year's presentation.

Reclassification From	To	Amount (Rs. in "000)
Administrative expenses	**Selling expenses**	
- Legal and professional	- Meter reading by contractors	38,700

52. GENERAL

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

53. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on September 29, 2011.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Auditors' Report To The Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Sui Southern Gas Company Limited ("the Holding Company") and its subsidiary company (Sui Southern Gas Provident Fund Trust Company (Private) Limited) as at June 30, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its Subsidiary Company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other audit procedures as we consider necessary in the circumstances.

As described in note 27.1 to the unconsolidated financial statements, trade debts include an unsecured receivable amount of Rs. 29.159 billion receivable from Karachi Electric Supply Company Limited (KESC) out of which Rs. 27.002 billion are overdue. The entire amount has been classified as current asset. For the reasons mentioned in the aforementioned note, management is confident that the entire amount will be recovered. Due to the adverse financial position of KESC and large accumulation of overdue amount, we were unable to determine the extent to which the amount is likely to be recovered and time frame over which such recovery will be made.

In our opinion, except for the possible effects of the matter described in the preceding paragraph, the consolidated financial statements present fairly the financial position of Sui Southern Gas Company Limited and its subsidiary company as at June 30, 2011, and the results of their operations for the year then ended.

We draw attention to note 1.3 to the unconsolidated financial statements that describes that the revenue requirement for the year 2010-2011 has been determined provisionally on the basis of decision of the High Court of Sindh. Management is confident that the final decision will be in its favor. In this respect, our opinion is not qualified.

M. Yousuf Adil Saleem & Co

29 September, 2011
Karachi

M. Yousuf Adil Saleem & Co
Chartered Accountants
Audit Engagement Partner
Syed Asad Ali Shah

Consolidated Balance Sheet

As at June 30, 2011

	Note	2011	2010
		(Rupees in '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital	4	8,389,679	6,711,743
Reserves	5	3,107,401	3,107,401
Surplus on re-measurement of available for sale securities		68,610	83,489
Unappropriated profit		6,209,480	4,169,785
		17,775,170	14,072,418
Surplus on revaluation of fixed assets	6	10,251,946	-
LIABILITIES			
Non-current liabilities			
Long-term financing	7	14,471,126	11,644,780
Long-term deposits	8	4,062,376	3,413,042
Deferred tax	9	7,651,284	7,018,283
Employee benefits	10	1,825,246	1,530,262
Deferred credit	11	5,518,634	4,989,386
Long term advances	12	1,296,513	1,460,227
Total non-current liabilities		34,825,179	30,055,980
Current liabilities			
Current portion of long term financing	13	4,272,259	5,034,670
Short-term borrowings	14	-	3,720,666
Trade and other payables	15	62,215,241	51,046,484
Interest and mark-up accrued	16	10,822,821	6,829,477
Total current liabilities		77,310,321	66,631,297
Total liabilities		112,135,500	96,687,277
Contingencies and commitments	17		
Total equity and liabilities		140,162,616	110,759,695

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	18	59,644,339	41,665,603
Intangible assets	19	15,973	4,510
Long-term investments	20	77,138	92,017
Sahre of investment in associate	21	5,100	-
Sahre of investment in jointy controlled entity	21	-	5,100
Net investment in finance lease	22	921,744	1,040,539
Long-term loans and advances	23	118,380	113,816
Long-term deposits		3,250	3,250
Total non-current assets		60,785,924	42,924,835
CURRENT ASSETS			
Stores, spares and loose tools	24	2,262,564	2,037,359
Stock-in-trade	25	702,720	455,415
Current maturity of net investment in finance lease	22	118,795	118,795
Customers' installation work-in-progress	26	174,620	158,388
Trade debts	27	49,182,342	43,815,667
Loans and advances	28	110,837	92,958
Trade deposits and short term prepayments	29	209,841	182,944
Interest accrued	30	3,473,681	2,834,297
Other receivables	31	19,750,254	17,427,911
Taxation-net	32	2,306,105	90,170
Cash and bank balances	33	1,084,933	620,956
Total current assets		79,376,692	67,834,860
Total assets		140,162,616	110,759,695

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Consolidated Profit and Loss Account
For the year ended June 30, 2011

	Note	2011	2010
		(Rupees in '000)	
Sales		126,403,168	127,613,530
Sales tax		(16,000,749)	(15,339,912)
		110,402,419	112,273,618
Gas development surcharge		4,126,741	(4,536,837)
Net sales		114,529,160	107,736,781
Cost of sales	34	(112,210,765)	(104,896,047)
Gross profit		2,318,395	2,840,734
Administrative and selling expenses	35	(3,081,710)	(2,448,711)
Share of expenses of joint venture	21.1	(73,568)	(40,754)
Other operating expenses	36	(1,645,141)	(752,037)
		(4,800,419)	(3,241,502)
		(2,482,024)	(400,768)
Other operating income	37	3,759,907	3,789,522
Operating profit		1,277,883	3,388,754
Other non-operating income	38	10,027,918	8,640,557
Finance cost	39	(5,786,122)	(5,015,893)
Profit before taxation		5,519,679	7,013,418
Taxation	40	(795,287)	(2,614,269)
Profit for the year		4,724,392	4,399,149
		(Rupees)	
			(Restated)
Basic and diluted earnings per share	42	5.63	5.24

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2011

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at July 1, 2009	6,711,743	234,868	2,384,794	93,813	258,375	9,683,593
Transfer from unappropriated profit to revenue reserves	-	-	487,739	-	(487,739)	-
Total comprehensive income for the year ended June 30, 2010						
Profit for the year	-	-	-	-	4,399,149	4,399,149
Unrealized loss on re-measurement of available for sale securities	-	-	-	(10,324)	-	(10,324)
Total comprehensive income for the year	-	-	-	(10,324)	4,399,149	4,388,825
Balance as at June 30, 2010	6,711,743	234,868	2,872,533	83,489	4,169,785	14,072,418
Total comprehensive income for the year ended June 30, 2011						
Profit for the year	-	-	-	-	4,724,392	4,724,392
Unrealized loss on re-measurement of available for sale securities	-	-	-	(14,879)	-	(14,879)
Total comprehensive income for the year	-	-	-	(14,879)	4,724,392	4,709,513
Transactions with owners - recorded directly in equity						
Final dividend for the year ended June 30, 2010 at Rs.1.5 per share	-	-	-	-	(1,006,761)	(1,006,761)
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Balance as at June 30, 2011	8,389,679	234,868	2,872,533	68,610	6,209,480	17,775,170

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2011

	2011	2010
	(Rupees in '000)	
Net profit for the year	4,724,392	4,399,149
OTHER COMPREHENSIVE INCOME		
Unrealised loss on re-measurement of available for sale securities	(14,879)	(10,324)
Total comprehensive income for the year	4,709,513	4,388,825

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Consolidated Cash Flow Statement

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		5,519,679	7,013,418
Adjustments for:			
Depreciation		3,206,899	2,800,175
Amortization of intangibles		7,234	40,131
Finance cost		5,786,122	5,015,893
Amortization of transaction cost		5,348	4,904
Provision against slow moving / obsolete stores		42,911	30,987
Provision against doubtful debts		501,064	132,577
Bad debts written off		85,128	-
Provision for compensated absences		53,556	124,197
Provision for post retirement medical and free gas supply facilities		242,839	179,335
Provision for retirement benefits		10,247	15,647
Provision against impaired income		1,198,471	-
Recognition of income against deferred credit		(178,927)	(326,833)
Dividend income		(4,773)	(270)
Late payment surcharge and return on term deposits		(5,219,983)	(3,620,629)
Income from net investment in finance lease		(192,971)	(204,682)
Loss / (Profit) on disposal of property plant and equipment		3,082	(4,682)
(Decrease) / Increase in long term advances		(163,714)	132,028
Employee benefits (refund) / paid		(35,818)	32,965
Service charges received from new customers		708,175	469,691
Long term deposits received - net		649,334	458,856
Long term loans and advances to staff- net		(22,443)	(1,415)
Late payment surcharge and return on term deposits received		3,382,128	1,984,395
Cash generated before working capital changes		15,583,588	14,276,688
Working capital changes	43	2,316,440	(4,115,860)
Cash generated from operations		17,900,028	10,160,828
Financial charges paid		(2,424,650)	(2,766,241)
Income taxes paid		(2,378,221)	(533,194)
Net cash from operating activities		13,097,157	6,861,393
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(10,340,198)	(6,040,312)
Proceeds from sale of property, plant & equipment		6,723	70,204
Lease rental from net investment in finance lease		311,766	323,479
Dividend received		4,773	270
Net cash used in investing activities		(10,016,936)	(5,646,359)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		10,988,745	1,000,000
Repayments of local currency loans		(8,944,375)	(6,807,623)
Consumer finance received		121,909	111,889
Repayment of consumer finance		(107,692)	(95,982)
Dividend paid		(954,165)	(252)
Net cash generated / (used in) financing activities		1,104,422	(5,791,968)
Net increase / (decrease) in cash and cash equivalents		4,184,643	(4,576,934)
Cash and cash equivalents at beginning of the year		(3,099,710)	1,477,224
Cash and cash equivalents at end of the year		1,084,933	(3,099,710)
CASH AND CASH EQUIVALENT COMPRISES:			
Cash and bank balances		1,084,933	620,956
Short term borrowings		-	(3,720,666)
		1,084,933	(3,099,710)

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director

Notes to the Consolidated Financial Statements
For the year ended June 30, 2011

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- Sui Southern Gas Company Limited

	Percentage Holding	
	2011	2010
	%	%
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 and Subsidiary 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 ("the Subsidiary Company") 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.

1.2 Basis of consolidation

- The concolidated 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 intersest represents the portion of the net results of operations and of net assets of subsidiary company attributable to interests which are not owned by the Holding Company.
- Material intra-group balances and transactions have been eliminated.

1.3 Regulatory framework

Under the provisions of license given by Oil and Gas Regulatory Authority (OGRA), the Holding Company is provided a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

These consolidated financial statements ("the financial statements") have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 20 which are carried at their fair values, employees benefits which are valued using actuarial assumptions and freehold and leasehold land which are carried at revalued amount.

2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

2.4 Use of estimates and judgments

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

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in the subsequent year are discussed in note 50.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted

Amendments to IFRS 2 Share-based Payment - Group Cash- settled Shared- based Payment Transactions became effective from July 1, 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (" the Scheme") for employees of certain state Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amount from Trust Funds in exchange of the surrendered units as would be determined based on market price for listed entities or breakup values for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of the dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the central revolving fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Holding Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted there would have been no impact on the results of the Holding Company as the annual return of the Holding Company is determined under the regulatory revenue requirement, which would have covered any additional cost if incurred by the Holding Company in respect of the aforesaid Scheme.

New standards, amendments and interpretations that are mandatory for accounting period beginning on or after July 01, 2010 are considered not to be relevant or not to have any significant effect on the Company`s financial reporting and operations.

(b) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following revised standards, amendments to published standards and interpretations to existing standards with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

	Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures (Amendment) - Financial Instruments: Disclosures Clarifications of Disclosures	January 1, 2011
IFRS 7	Financial Instruments: Disclosures (Amendment) – Disclosures: Transfers of Financial Assets	July 1, 2011
IAS 1	Presentation of Financial Statements (Amendment) - Clarification of statement of changes in equity	January 1, 2011
IAS 1	Presentation of Financial Statements (Amendment) -Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12	Income Taxes (Amendment)	January 1, 2012
IAS 19	Employee Benefits (Amendment)	January 1, 2013
IAS 24	Related Party Disclosures (Revised)	January 1, 2011
IAS 34	Interim Financial Reporting (Amendment)	January 1, 2011
IFRIC 13	Customer Loyalty Programs (Amendment)	January 1, 2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 1, 2011

The Group considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements except for IAS - 19 "Employee Benefits (Amendment) which requires recognition of all actuarial gains or losses in other comprehensive income arising during the year. The amendment in the existing IAS - 19 will result in change in accounting policy of the Holding Company for recording of actuarial gain or losses which, currently based on the corridor approach is charged to the consolidated profit and loss account as disclosed in note 3.15. From the effective date of such amendment, the Holding Company will immediately recognize all actuarial gains or losses arising during the year in other comprehensive income. Further, the Holding Company will recognize all unrecognized net actuarial gains or losses accumulated till effective date of such amendment in other comprehensive income on retrospective basis. As at the balance sheet date, the Holding Company carries unrecognized net actuarial losses of Rs. 439.544 million (refer Note 41). Management considers that there would be no impact on the results of the Holding Company as the annual return of the Company is determined under the Regulatory Requirements.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after July 01, 2011.

3.2 Property, plant and equipment

Initial Recognition

The cost of an item of property plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment except freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment, if any. Capital work in progress are stated at cost, less impairment loss, if any.

Free hold land and lease hold land are stated at revalued amount and surplus arising on revaluation of free hold land and lease hold land is disclosed as surplus on revaluation of fixed assets.

The cost of the property plant and equipment includes:

(a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and

(b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure (including normal repairs and maintenance)

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the consolidated profit and loss account as an expense when it is incurred.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any. The cost consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to the relevant asset category as and when assets are available for intended use.

Depreciation

Depreciation on assets is calculated so as to depreciate the assets over their estimated useful lives under the straight-line method.

Compressors and transmission lines

Depreciation on compressors and transmission lines is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciable value of operating assets other than compressors and transmission lines is depreciated over their estimated service life from the month the assets are available for use in service till the month they are disposed of or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

Useful lives of the assets are mentioned in the notes 18.2 to 18.5 to these financial statements.

Assets' residual values and their useful lives are reviewed and existed at each balance sheet date if significant and appropriate.

Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the assets is available for use and ceases when the asset is derecognised. Amortisation charge is recognised in the consolidated profit and loss account.

The amortization period for intangible assets with a finite useful life is reviewed at each year end and is changed to reflect the useful life expected at respective year end.

Borrowing costs

Borrowing costs incurred on long term finances attributable for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the consolidated profit and loss account.

Gains and losses on disposal

Gains and losses on disposal are taken to the consolidated profit and loss account.

Leased assets

Leased assets in terms of which the Holding Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Depreciation on assets subject to finance lease is recognised in the same manner as for owned operating assets.

3.3 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given and transaction cost. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in consolidated profit and loss account. Impairment losses recognised in consolidated profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through unconsolidated profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in consolidated profit and loss account.

Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are measured at amortised cost. Provision for impairment in value, if any, is taken to consolidated profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in consolidated profit and loss account.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention (regular way) are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investments.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

3.4 Net investment in finance lease

Contractual arrangements, the fulfillment of which is dependent upon the use of a specific asset and whereby the right to use the underlying asset is conveyed to the customer, are classified as finance lease. Net investment in finance lease is recognised at an amount equal to the present value of the lease payments receivable, including any guaranteed residual value determined at the inception of lease. Discount rate used in the calculation of the present value of minimum lease payments is the interest rate implicit in the lease. Any recoveries from consumers in respect of the service cost and contingent rent are excluded from the minimum lease payments and are recorded as recoveries of transmission and distribution cost from the lessee and gas transportation income respectively. Interest income from net investment in finance lease is recognised on a pattern reflecting a constant periodic return on Holding Company's net investment in finance lease.

3.5 Stores, spares and loose tools

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the moving average basis. Goods-in-transit are valued at lower of cost incurred up to the consolidated balance sheet date and net realisable value less impairment loss, if any.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.6 Stock-in-trade

Gas in pipelines

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value less impairment loss, if any.

Meter manufacturing division

Components (materials) are valued at lower of moving average cost and net realisable value less impairment loss, if any. Work- in-process includes the cost of components only (determined on a moving average basis). Finished goods are stated at the lower of cost determined on an average basis and net realisable value and includes appropriate portion of labor and production overheads. Components in transit are stated at cost incurred up to the consolidated balance sheet date less impairment losses, if any.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.8 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3.9 Mark-up bearing borrowings

Long term financing

Mark-up bearing borrowings are recognised initially at fair value which is usually the cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the consolidated profit and loss account over the period of the borrowings. Transaction cost is amortised over the term of the loan.

Long term loans received from Government of Sindh with interest rate lower than prevailing market interest rates for a similar instrument are initially measured at fair value. The fair value is estimated at the present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. Difference between the fair value and the proceed received is treated as government grant and is amortised over the useful life of related asset constructed.

Leases

The Group accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognised in the consolidated profit and loss account using the effective mark-up rate method.

3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.11 Deferred credit

Amounts received from customers before July 1, 2009 and the Government as contributions and grants for providing service connections, extension of gas mains, laying of distribution lines, etc. are deferred and recognised in the consolidated profit and loss account over the useful lives of the related assets starting from the commissioning of such assets.

Advance taken from customers on or after July 1, 2009 for laying of distribution lines is recognised in the consolidated profit and loss account when the connection to the network is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".

3.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the consolidated balance sheet date.

The Group recognises a deferred tax asset to the extent that it is probable that the taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Revenue recognition

- Revenue from gas sales is recognised on the basis of gas supplied to customers at rates periodically announced by the OGRA.

- Meter rental income is recognised monthly at specified rates for various categories of customers.

- Revenue from sale of meters and gas condensate is recognised on dispatch to the customers.

- Deferred credit from Government and customers before July 1, 2009 is amortised and related income is recognised in the consolidated profit and loss account over the useful lives on commissioning of the related assets.

- Income from new service connections is recognised in consolidated profit and loss account immediately on commissioning of related assets.

- Dividend income on equity investments is recognised when right to receive the payment is established.

- Profit on term deposits and royalty income are recognised on time proportion basis.

- Late payment surcharge is recognised from the date the billed amount is overdue.

3.14 Impairment

Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 Staff retirement benefits

The Holding Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

  Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

  Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognised actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan.

  Past service cost is recognised in the consolidated profit and loss account as an expense on a straight line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, the expense is recognised immediately in the consolidated profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

  Liability under these schemes is recognised in the period in which the benefit is earned based on the actuarial valuations carried out under the projected unit credit method. The medical and free gas supply facilities have been discontinued for employees retiring after December 31, 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually.

Unrecognised actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan.

- Approved contributory provident funds for all employees (defined contribution scheme).

  The Holding Company operates a recognised provident fund for all its employees. Equal contributions are made, both by the Holding Company and the employees, to the fund at the rate of 7.5% of basic salary in the case of executive employees and 8.33% of basic salary and adhoc relief cost of living allowance in the case of non executive employees and the same is charged to the consolidated profit and loss account.

- A non-contributory benevolent fund, under which only the employees contribute to the fund.

3.16 Compensated absences

The liability for accumulated compensated absences of employees is recognised based on actuarial valuation in the period in which employees render services that increase their entitlement to future compensated absences.

3.17 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling at the unconsolidated balance sheet date. Exchange gains and losses are taken to the consolidated profit and loss account.

3.18 Derivative financial instruments

Derivative financial instruments if any are recognised initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instruments are recognised in the consolidated profit and loss account, along with any changes in the carrying value of the hedged liability. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.19 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group, if any, is not treated as assets of the Group and accordingly is disclosed separately.

3.20 Off-setting

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.21 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of consolidated cash flow statement, cash and cash equivalents comprise cash in hand and deposits in banks, short term running finance under mark-up arrangement, short term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

2011	2010		2011	2010
Number			(Rupees in '000)	

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 (Number)	2010 (Number)		2011 (Rupees in '000)	2010 (Rupees in '000)
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
619,401,360	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	6,194,013	4,516,077
838,967,914	671,174,331		8,389,679	6,711,743

4.1 Movement in issued, subscribed and paid up capital during the year

2011 (Number)	2010 (Number)		2011 (Rupees in '000)	2010 (Rupees in '000)
671,174,331	671,174,331	As at July 1	6,711,743	6,711,743
167,793,583	-	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,677,936	-
838,967,914	671,174,331		8,389,679	6,711,743

4.2 Associated companies held 53,072,409 (2010: 36,556,835) ordinary shares of Rs.10 each at the year end.

4.3 There is only one class of ordinary shares.

5. RESERVES

	Note	2011	2010
		(Rupees in '000)	
Capital reserves			
Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		234,868	234,868
Revenue reserves			
Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		2,015,653	2,015,653
Reserve for interest on sales tax refund	5.4	487,739	487,739
		2,872,533	2,872,533
		3,107,401	3,107,401

5.1 Share capital restructuring reserve

This represents the reduction of share capital of former Sui Gas Transmission Company Limited (SGTC) due to merger of Sui Gas Transmission Company Limited and Southern Gas Company Limited (SGC) in March 1989.

5.2 Fixed assets replacement reserve

This represents profit allocated in 1986 by former Southern Gas Company Limited for replacement of gas distribution lines in rural Sindh areas. Subsequently all the rehabilitation activities were carried out from the Company's working capital.

5.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the Holding Company by the Government of Pakistan (GoP) in January 1987 retrospectively from July 1, 1985 to enable the Holding Company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

5.4 Reserve for interest on sales tax refund

This represents the reserve for the interest accrued on the sales tax refundable under Section 67 of the Sales Tax Act, 1990, which is not available for distribution to shareholders till the time it is received.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of the Holding Company's leasehold and freehold land carried out by means of an independent valuation by Oceanic Surveyors (Pvt) Limited to determine the fair value as of June 30, 2011. The valuation was based on market research.

Had the Holding Company's leasehold and freehold land been measured on historical cost basis, the carrying amount would have been as follows:

	(Rupees in '000)
Freehold land	56,751
Leasehold land	205,289
	262,040

	Note	2011	2010
		(Rupees in '000)	
7. LONG-TERM FINANCING			
Secured			
Loans from banking companies	7.1	11,525,342	9,602,921
Unsecured			
Consumer financing	7.2	192,720	190,930
Government of Sindh loan	7.3	2,753,064	1,850,929
		2,945,784	2,041,859
		14,471,126	11,644,780

				Note	2011	2010
					(Rupees in '000)	

7.1 Loans from banking companies

	Installment payable	Repayment period	Mark-up per annum (above 3 months KIBOR)	Note	2011	2010
Standard Chartered Bank (Pakistan) Limited - Syndicated	quarterly	2011-2012	1.95%	7.1.1	-	2,500,000
JS Bank Limited - Syndicated	quarterly	2011-2012	1.95%	7.1.1	-	800,000
MCB Bank Limited	quarterly	2010	0.20%	7.1.2	-	1,000,000
Bank Islami Pakistan Limited	on maturity	2011	0.20%	7.1.2	-	600,000
Meezan Bank Limited	on maturity	2011	0.45%	7.1.2	500,000	500,000
Dubai Islamic Bank Pakistan Limited	quarterly	2009 - 2012	0.40%	7.1.2	225,000	525,000
Meezan Bank Limited	quarterly	2009 - 2012	0.80%	7.1.2	666,672	1,333,336
Samba Bank Limited	quarterly	2010-2012	0.20%	7.1.2	600,000	1,000,000
Bank Islami Pakistan Limited	quarterly	2010-2012	0.20%	7.1.2	2,820,000	4,700,000
Faysal Bank Limited	quarterly	2011-2013	1.00%	7.1.2	800,000	1,500,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012-2015	1.00%	7.1.2	2,000,000	-
Askari Bank Limited	quarterly	2013-2015	1.00%	7.1.2	1,000,000	-
Meezan Bank Limited	quarterly	2013 - 2015	1.00%	7.1.2	3,000,000	-
Bank Alfalah Limited	quarterly	2013-2016	1.00%	7.1.2	1,000,000	-
Allied Bank Limited	quarterly	2013-2016	1.00%	7.1.2	1,000,000	-
Askari Bank Limited	quarterly	2013-2016	1.00%	7.1.3	500,000	-
Bank Al-Habib	quarterly	2013-2016	1.00%	7.1.3	500,000	-
Allied Bank Limited	quarterly	2013-2016	1.00%	7.1.3	1,000,000	-
Unamortised transaction cost					(14,658)	(8,751)
					15,597,014	14,449,585
Less: Current portion shown under current liabilities					(4,071,672)	(4,846,664)
					11,525,342	9,602,921

7.1.1 These loans were secured by a first pari passu fixed charge created by way of hypothecation over all the present and future movable fixed assets of the Holding Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. During the year, the management prepaid these loans.

7.1.2 These loans / financial arrangements are secured by a first pari passu fixed charge created by way of hypothecation over all the present and future movable fixed assets of the Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

7.1.3 These loans are secured by a ranking charge created by way of hypothecation over all present and future moveable fixed assets of the Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

	Note	2011	2010
		(Rupees in '000)	
7.2 Consumer financing			
Consumer financing	7.2.1	295,442	281,225
Less: Current portion shown under current liabilities		(102,722)	(90,295)
		192,720	190,930

7.2.1 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 year 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.

	Note	2011	2010
		(Rupees in '000)	
7.3 Government of Sindh loan			
Government of Sindh loan - I	7.3.1	40,929	48,640
Government of Sindh loan - II	7.3.2	810,000	900,000
Government of Sindh loan - III	7.3.2	1,000,000	1,000,000
Government of Sindh loan - IV	7.3.2	1,000,000	-
Government grant	7.3.3	(1,031,755)	(657,036)
		1,778,245	1,242,964
Government grant	7.3.3	1,031,755	657,036
		2,850,929	1,948,640
Less: Current portion shown under current liabilities		(97,865)	(97,711)
		2,753,064	1,850,929

7.3.1 An unsecured development loan from Government of Sindh has been availed 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 the year ended June 30, 2007.

7.3.2 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. These facilities carry mark-up at 4% per annum. The loans together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ending June 30, 2011, June 30, 2012 and June 30, 2013 respectively. The loan has been stated at fair value (refer note 7.3.3).

7.3.3 This represents the benefit of lower interest rate on Government of Sindh Loan II, III & 1V, and is calculated as difference between the proceed received in respect of Government of Sindh Loan II amounting to Rs. 900 million, Government of Sindh Loan III amounting to Rs. 1,000 million & Government of Sindh Loan IV amounting to Rs. 1000 million, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million and Rs.625.281 million respectively. These are 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.

	Note	2011	2010
		(Rupees in '000)	
8. LONG-TERM DEPOSITS			
Security deposits from:			
- gas customers	8.1	4,012,809	3,369,885
- gas contractors	8.2	49,567	43,157
		4,062,376	3,413,042

8.1 Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. Mark-up at 5 percent per annum is payable by the Holding Company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.

The Holding Company may, at its option, use these deposits for its own purposes from time to time and shall upon disconnection of gas supply to the consumer return these security deposits as per terms and conditions of the contract.

8.2 These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.

9. DEFERRED TAX - NET

Deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:

	2011	2010
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	9,972,132	8,411,635
Deductible temporary differences		
Provision against employee benefits	(638,836)	(535,592)
Provision for doubtful debts	(979,088)	(803,715)
Others	(702,924)	(54,045)
	7,651,284	7,018,283

	Note	2011	2010
		(Rupees in '000)	

10. EMPLOYEE BENEFITS

	Note	2011	2010
Provision for post retirement medical and free gas supply facilities - executives	41.2	1,476,780	1,269,759
Provision for compensated absences - executives	10.1	348,466	260,503
		1,825,246	1,530,262

10.1 Provision for compensated absences - executives

		2011	2010
Balance as at July 1		260,503	190,160
Provision made during the year		87,963	70,343
Balance as at June 30		348,466	260,503

11. DEFERRED CREDIT

	Note	2011	2010
- Government contributions / grants			
Balance as at July 1		2,511,308	2,161,269
Additions during the year		711,629	478,473
Transferred to consolidated profit and loss account	11.1	32,521	(128,434)
Balance as at June 30		3,255,458	2,511,308
- Contribution from customers			
Balance as at July 1		2,478,078	2,685,259
Refunds during the year		(3,454)	(8,782)
Transferred to consolidated profit and loss account	11.2	(211,448)	(198,399)
Balance as at June 30		2,263,176	2,478,078
		5,518,634	4,989,386

11.1 This represents amount received from the Government for supply of gas to new towns and villages and is recognised as grant when the conditions specified by the Government are met and is amortised over the useful life of related projects.

11.2 This represents amount received from customers for the cost of service lines and gas mains, etc. These are taken to consolidated profit and loss account based on the policy stated in note 3.11 to these financial statements.

11.3 Pipelines constructed / build up under deferred credit arrangement are not given 17% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of Holding Company's guaranteed return.

12 LONG TERM ADVANCES

These represent amounts received from Government of Pakistan for gas supply to new towns and villages and laying of distribution lines, etc. These advances are transferred to deferred credit once the related projects are commissioned. As stated in note 3.11 to these financial statements, such deferred credit is amortised over the estimated useful lives of related assets.

	Note	2011	2010
		(Rupees in '000)	

13. CURRENT PORTION OF LONG TERM FINANCING

	Note	2011	2010
Local currency loans	7.1	4,071,672	4,846,664
Consumer financing	7.2	102,722	90,295
Government of Sindh loan	7.3	97,865	97,711
		4,272,259	5,034,670

14. SHORT-TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 10,025 million (2010: Rs. 12,000 million) and carry mark-up ranging from 0.2 to 0.75 percent (2010: 0.2 to 1.15 percent) above the average one month KIBOR. The facilities are secured by first pari passu first joint supplemental hypothecation charge over present and future stock in trade and book debts of the Holding Company. These facilities remained unavailed at year end.

	Note	2011	2010
		(Rupees in '000)	

15. TRADE AND OTHER PAYABLES

	Note	2011	2010
Creditors for:			
- gas supplies		56,717,262	44,560,429
- supplies		216,412	316,332
		56,933,674	44,876,761
Amount received from customers for laying of mains, etc.		2,173,502	1,831,427
Accrued liabilities		2,303,474	3,235,422
Provision for compensated absences - non executives	15.1	103,239	137,646
Payable to provident fund - non executives		-	30
Workers' Profit Participation Fund	15.2	-	369,184
Deposits / retention money		239,618	203,042
Bills payable		106,687	121,908
Advance for sharing right of way	15.3	18,088	18,088
Unclaimed dividend		92,531	39,935
Withholding tax payable		73,089	54,496
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		4,939	2,864
Others	15.4	164,600	153,881
		62,215,241	51,046,484

15.1 Provision for compensated absences - non-executives

	Note	2011	2010
Balance as at July 1		137,646	83,791
(Reversal) / Provision made during the year		(34,407)	53,855
Balance as at June 30		103,239	137,646

15.2 Workers' Profit Participation Fund

	Note	2011	2010
Balance as at July 1		369,184	(17,943)
Allocation for the year		291,855	369,127
Mark-up on funds utilised in the Holding Company's business	39	25,579	-
		686,618	351,184
Amount refunded to Company		-	18,013
Amount deposited with the Government / paid to employees		(694,755)	(13)
Balance as at June 30		(8,137)	369,184

15.3 This amount was received by the Holding Company from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated October 12, 1988. It represents consideration for 50% share of PARCO in the Indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by the Company. The final liability of the Holding Company has not been estimated, as the amount of compensation due to land owners has not been determined by the Authorities. Accordingly, the amount received from PARCO has been classified as an advance.

15.4 This includes Rs. 103.419 million (2010: Rs. 100.348 million) on account of amount payable to disconnected customers for gas supply deposits.

		Note	2011	2010
			(Rupees in '000)	
16.	**INTEREST AND MARK-UP ACCRUED**			
	Long term financing - local currency loans		126,917	12,205
	Long term deposits from customers		118,651	95,888
	Short term borrowings		89,653	65,379
	Late payment surcharge on gas development surcharge		4,826	4,826
	Late payment surcharge on gas bills		10,482,774	6,651,179
			10,822,821	6,829,477
17.	**CONTINGENCIES AND COMMITMENTS**			
17.1	Contingencies			
17.1.1	Claims against the Holding Company not acknowledged as debt	17.1.11	318,467	396,083
17.1.2	Guarantees issued on behalf of the Holding Company		1,788,023	1,790,483

17.1.3 Demand finance facilities have been given to the Holding Company's employees by certain banks for the purchase of vehicles against the Holding Company's guarantee and hypothecation of Holding Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (2010: Rs. 75 million) and Holding Company's investment in shares having a face value of Rs. 0.5 million (2010: Rs. 0.5 million). Loan outstanding at the year end was Rs. 6.503 million (2010: Rs. 11.434 million).

17.1.4 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Holding Company amounting to Rs. 590.18 million (2010: Rs. 381.374 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Holding Company and JPCL. The Holding Company has not accepted the claim and has filed a counter claim due to JPCL's failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Holding Company is confident that ultimately the resolution of the claim lodged would be in its favor.

17.1.5 JPCL has also raised a claim of Rs. 5.793 million (2010: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Holding Company. Provision against this liability has not been made as the Holding Company is confident that ultimately the resolution of the claim would be in its favor.

17.1.6 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an Appeal before Honorable High Court in which the Holding Company's management is of the view that sale of LPG business being in nature of “slump transaction” was not chargeable to tax under Rule 7 and 8 of the 2nd Schedule of the Income Tax Ordinance, 1979. Accordingly, no provision regarding the said claim has been made in these financial statements as the Holding Company based on its legal advisor's opinion is confident that the matter would be resolved in favor of the Holding Company.

17.1.7 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 Holding Company. The Holding Company has filed appeal before Commissioner Income Tax (Appeals) against the above order. Subsequently this case has been transferred to appellate tribunal (ITAT). Pending the resolution of above matter, no provision has been made by the Holding Company in these financial statements and management is confident that the outcome of the this appeal will be in favor of the Holding Company.

17.1.8 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Holding Company with a demand of Rs. 311.397 million in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty at the rate of 5% of the total amount of tax involved. The Holding Company has paid sales tax on these balances in order to avail amnesty / exemption from additional sales tax. However the Holding Company has filed an Appeal before the Appellate Tribunal (Customs, Excise & Sales Tax) and based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favor.

17.1.9 Income Tax Authorities have issued notices under sub-section (9) of section 122 of the Income Tax Ordinance, 2001 for the tax years 2006 and 2009, disallowing certain expenses. The Holding Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of this Honorable Court, in respect of disallowance of interest on late payment of bills of gas for failure to deduct tax under section 151 (1)(d) read with section 158 of the Income Tax Ordinance, 2001 and disallowance of depreciation on fixed assets held under musharka arrangement. High Court has granted stay order to the Holding Company till tax year 2010 in respect of disallowance of expenses.

Pending the resolution of above matter, no provision has been made by the Holding Company in these financial statements and management is confident that the outcome of the this appeal will be in favor of the Holding Company.

17.1.10 The Holding Company is subject to various claims amounting to Rs. 413.6 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

17.1.11 The management is confident that ultimately these claims (note 17.1.1) would not be payable.

		Note	2011	2010
			(Rupees in '000)	
17.2	Commitments			
	Commitments for capital and other expenditures		1,172,103	2,558,094
18.	PROPERTY, PLANT AND EQUIPMENT			
	Operating assets	18.1	53,980,664	36,915,188
	Capital work in progress	18.9	5,663,675	4,750,415
			59,644,339	41,665,603

18.1 **Operating assets**

		2011							(Rupees in '000)
	Note	COST / VALUATION				DEPRECIATION			Written down
		As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011
Gas transmission system	18.2	28,379,029	1,131,472	4,140,231	33,637,261	18,319,201	870,254	19,172,503	14,464,758
			(11,281)				(4,291)		
			(2,190) *				(12,661) *		
Gas distribution system									
- Karachi, Sindh	18.3	19,460,020	4,110,282	4,992,181	28,419,699	6,865,445	1,207,700	7,942,235	20,477,464
			(144,028)				(142,709)		
			1,244 *				11,799 *		
- Other areas of Sindh		14,892,427	3,943,093	1,003,205	19,815,557	4,578,033	895,408	5,451,383	14,364,174
			(20,430)				(19,532)		
			(2,738) *				(2,526) *		
- Balochistan		6,255,273	563,413	125,695	6,901,060	2,425,281	351,267	2,733,554	4,167,506
			(47,005)				(46,407)		
			3,684 *				3,413 *		
		40,607,720	8,616,788	6,121,081	55,136,316	13,868,759	2,454,375	16,127,172	39,009,144
			(211,463)				(208,648)		
			2,190 *				12,686 *		
Meter manufacturing division	18.4	319,606	3,832	-	323,438	278,351	7,850	286,201	37,237
			-				-		
			-				-		
LPG Air mix									
- Gas distribution system	18.5	98,084	426,037	(9,366)	514,755	22,940	22,315	45,230	469,525
			-				-		
			-				(25) *		
		69,404,439	10,178,129	10,251,946	89,611,770	32,489,251	3,354,794	35,631,106	53,980,664
			(222,744)				(212,939)		
			-				-		

	2010							(Rupees in '000)
	COST / VALUATION				DEPRECIATION			Written down
	As at July 1, 2009	Additions / (deletions) / transfers *	evaluation during the year	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010	value as at June 30, 2010
Gas transmission system	28,209,162	334,281	-	28,379,029	17,580,424	906,580	18,319,201	10,059,828
		(185,031)				(175,186)		
		20,617 *				7,383 *		
Gas distribution system								
- Karachi, Sindh	17,386,621	2,378,362	-	19,460,020	6,157,642	991,351	6,865,445	12,594,575
		(287,090)				(271,548)		
		(17,873) *				(12,000) *		
- Other areas of Sindh	12,552,050	2,375,216	-	14,892,427	3,895,642	715,515	4,578,033	10,314,394
		(33,587)				(33,414)		
		(1,252) *				290 *		
- Balochistan	6,059,319	288,702	-	6,255,273	2,146,370	325,876	2,425,281	3,829,992
		(91,300)				(51,338)		
		(1,448) *				4,373 *		
	35,997,990	5,042,280	-	40,607,720	12,199,654	2,032,742	13,868,759	26,738,961
		(411,977)				(356,300)		
		(20,573) *				(7,337) *		
Meter manufacturing division	316,418	3,232	-	319,606	265,856	12,541	278,351	41,255
		-				-		
		(44) *				(46) *		
LPG Air mix								
- Gas distribution system	97,353	731	-	98,084	17,026	5,914	22,940	75,144
	64,620,923	5,380,524	-	69,404,439	30,062,960	2,957,777	32,489,251	36,915,188
		(597,008)				(531,486)		
		-				-		

18.2 Operating assets - gas transmission system

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down	Useful life/
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011	remaining life (years)**
Freehold land	46,778	- - -	3,863,540	3,910,318	-	-	-	3,910,318	-
Leasehold land	132,438	1,458 - -	276,691	410,587	-	-	-	410,587	-
Buildings on freehold land	279,291	- - -	-	279,291	165,474	2,750 - -	168,224	111,067	20
Buildings on leasehold land	1,238,695	41,137 - -	-	1,279,832	689,133	82,785 - -	771,918	507,914	20
Roads, pavements and related infrastructures	311,264	340,928 - -	-	652,192	27,522	3,159 - -	30,681	621,511	20
Gas transmission pipelines	19,247,152	369,314 - 16,313 *	-	19,632,779	11,735,825	377,058 - 816 *	12,113,699	7,519,080	1-39**
Compressors	2,282,120	182,252 - -	-	2,464,372	2,140,306	24,249 - -	2,164,555	299,817	8**
Telecommunication	466,543	8,303 - (7,002) *	-	467,844	443,999	5,532 - (4,755) *	444,776	23,068	2 & 6.67
Plant and machinery	537,089	34,989 - 22,065 *	-	594,143	399,893	22,335 - 22,390 *	444,618	149,525	10
Tools and equipment	167,096	3,125 (22) (8,197) *	-	162,002	149,729	10,937 (22) (8,659) *	151,985	10,017	3
Motor vehicles	963,096	70,005 (11,184) 1,290 *	-	1,023,207	633,277	79,647 (4,194) (474) *	708,256	314,951	5
Furniture and fixture	290,816	8,230 - -	-	299,046	250,991	17,924 - 187 *	269,102	29,944	5
Office equipment	233,581	4,251 - (8,902) *	-	228,930	194,570	21,674 - (8,921) *	207,323	21,607	5
Computer and ancillary equipments	395,006	66,988 (73) (17,757) *	-	444,164	339,417	47,649 (73) (13,245) *	373,748	70,416	3
Supervisory control and data acquisition system	685,425	- - -	-	685,425	370,581	71,438 - -	442,019	243,406	6.67
Construction equipment	1,102,639	492 (2) -	-	1,103,129	778,484	103,117 (2) -	881,599	221,530	5
2011	28,379,029	1,131,472 (11,281) (2,190) *	4,140,231	33,637,261	18,319,201	870,254 (4,291) (12,661) *	19,172,503	14,464,758	
2010	28,209,162	334,281 (185,031) 20,617 *	-	28,379,029	17,580,424	906,580 (175,186) 7,383 *	18,319,201	10,059,828	

18.3 Operating assets - gas distribution system

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down	Useful
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year/ (deletions) / transfers *	As at June 30, 2011	value as at June 30, 2011	life (years)
Freehold land	9,973	- - -	514,501	524,474	-	- - -	-	524,474	-
Leasehold land	47,769	- - -	5,606,580	5,654,349	-	- - -	-	5,654,349	-
Buildings on freehold land	45,201	- - -	-	45,201	31,258	347 - -	31,605	13,596	20
Buildings on leasehold land	298,672	7,224 - -	-	305,896	101,238	18,394 - -	119,632	186,264	20
Roads, pavements and related infrastructures	1,010	- - -	-	1,010	1,010	- - -	1,010	-	20
Gas distribution system, related facilities and equipment	38,645,856	8,488,741 (207,603) (16,314) *	-	46,910,680	12,737,456	2,323,007 (206,801) (801) *	14,852,861	32,057,819	10 to 20
Telecommunication	35,174	5,705 - -	-	40,879	14,336	4,752 - -	19,088	21,791	2 & 6.67
Plant and machinery	630,498	40,324 - 4,438 *	-	675,260	321,818	42,479 - 3,358 *	367,655	307,605	1 0
Tools and equipment	93,020	6,181 - -	-	99,201	84,033	6,650 - -	90,683	8,518	3
Motor vehicles	544,899	51,438 (3,860) (85) *	-	592,392	357,773	41,796 (1,847) (431) *	397,291	195,101	5
Furniture and fixture	90,483	10,484 - -	-	100,967	63,852	11,522 - (176) *	75,198	25,769	5
Office equipment	48,520	548 - (67) *	-	49,001	41,100	2,923 - (67) *	43,956	5,045	5
Computer and ancillary equipment	116,645	6,143 - 14,218 *	-	137,006	114,885	2,505 - 10,803 *	128,193	8,813	3
2011	40,607,720	8,616,788 (211,463) 2,190 *	6,121,081	55,136,316	13,868,759	2,454,375 (208,648) 12,686 *	16,127,172	39,009,144	
2010	35,997,990	5,042,280 (411,977) (20,573) *	-	40,607,720	12,199,654	2,032,742 (356,300) (7,337) *	13,868,759	26,738,961	

18.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down value as at June 30, 2011	Useful life (years)
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011		
Building on leasehold land	13,269	300	-	13,569	9,638	896	10,534	3,035	20
		-				-			
		-				-			
Telecommunication	668	-	-	668	338	83	421	247	2 & 6.67
		-				-			
		-				-			
Plant and machinery	278,840	312	-	279,152	246,768	4,385	251,153	27,999	10
		-				-			
		-				-			
Tools and equipment	8,521	422	-	8,943	8,309	293	8,602	341	3
		-				-			
		-				-			
Furniture and fixture	11,265	568	-	11,833	7,990	1,168	9,158	2,675	5
		-				-			
		-				-			
Office equipment	5,893	2,230	-	8,123	4,158	1,025	5,183	2,940	5
		-				-			
		-				-			
Computer and ancillary	1,150	-	-	1,150	1,150	-	1,150	-	3
equipment		-				-			
		-				-			
2011	319,606	3,832	-	323,438	278,351	7,850	286,201	37,237	
		-				-			
		-				-			
2010	316,418	3,232	-	319,606	265,856	12,541	278,351	41,255	
		-				-			
		(44) *				(46) *			

18.5 Operating assets - LPG Air mix operations

(Rupees in '000)

	COST / VALUATION				DEPRECIATION			Written down value as at June 30, 2011	Useful life (years)
	As at July 1, 2010	Additions / (deletions) / transfers *	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year / (deletions) / transfers *	As at June 30, 2011		
Leasehold land	14,339	9,285	(9,366)	14,258	-	-	-	14,258	-
		-				-			
		-				-			
Buildings on leasehold land	-	175,929	-	175,929	-	5,085	5,085	170,844	20
		-							
		-							
Gas distribution system	62,773	122,487	-	185,260	13,322	5,260	18,557	166,703	10 to 20
		-				-			
	-					(25) *			
Plant and machinery	16,058	113,761	-	129,819	6,040	10,460	16,500	113,319	10
		-				-			
		-				-			
Tools and equipment	1,329	-	-	1,329	633	404	1,037	292	3
		-				-			
		-				-			
Furniture and fixture	3,166	1,987	-	5,153	2,638	607	3,245	1,908	5
		-				-			
		-				-			
Office equipment	339	2,588	-	2,927	228	499	727	2,200	5
		-				-			
		-				-			
Computer and ancillary equipment	80	-	-	80	79	-	79	1	3
		-				-			
		-				-			
2011	98,084	426,037	(9,366)	514,755	22,940	22,315	45,230	469,525	
		-				-			
		-				(25) *			
2010	97,353	731	-	98,084	17,026	5,914	22,940	75,144	

	Note	2011	2010
		(Rupees in '000)	

18.6 Details of depreciation for the year are as follows:

Consolidated profit and loss account			
- Transmission and distribution costs		2,999,235	2,584,956
- Administrative expenses		168,797	196,737
- Selling expenses		8,702	27
		3,176,734	2,781,720
Meter manufacturing division		7,850	12,541
LPG air mix operations		22,315	5,914
Capital projects		147,895	157,602
		3,354,794	2,957,777

18.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	193,211	193,211	-	-	-	Replacement	Not applicable
Written down value not exceeding Rs. 50,000 each	14,392	13,590	802	-	(802)	Gas meters retired	Written off
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	73	73	-	35	35	Theft	Recovered from Shahzada Security Service
Tools							
Written down value not exceeding Rs. 50,000 each	24	24	-	-	-	Tender	Various
Motor vehicles							
Written down value above Rs. 50,000 each	3,798	1,815	1,983	2,845	862	Snatched	Insurance claim -National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	62	32	30	9	(21)	Snatched	Insurance claim -National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	190	190	-	210	210	Tender	Various
Toyota Corolla	1,423	330	1,093	668	(425)	Service rules	Ms. Meher Mobed
Toyota Corolla	1,869	497	1,372	820	(552)	Service rules	Mr. I. M.Noorani
Toyota Corolla	1,391	275	1,116	566	(550)	Service rules	Mr. Zahid Mumtaz
Toyota Corolla	991	526	465	74	(391)	Service rules	Mr. Muhammad Naim Sharafat
Suzuki Cultus	595	416	179	45	(134)	Service rules	Mr. Muhammad Akram (Finance)
Suzuki Cultus	590	413	177	44	(133)	Service rules	Mr. Muhammad Akram (P&D)
Suzuki Cultus	600	376	224	45	(179)	Service rules	Mr. Muhammad Ali Asif
Suzuki Cultus	639	253	386	122	(264)	Service rules	Mr. Ali Akbar Khan Panhwar
Suzuki Cultus	855	50	805	626	(179)	Service rules	Mr. Ikram Hussain Kazi
Suzuki Cultus	844	30	814	524	(290)	Service rules	Mr. Abdul Quddus,
Suzuki Cultus	595	416	179	45	(134)	Service rules	Mr. Ghulam Daraz Shaikh,
Suzuki Cultus	602	422	180	45	(135)	Service rules	Mr.Baig Muhammad Panhwar
June 30, 2011	222,744	212,939	9,805	6,723	(3,082)		
June 30, 2010	597,008	531,486	65,522	70,204	4,682		

18.8 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 631.872 million (2010: Rs. 397.858 million). Borrowing costs related to general borrowings were capitalised at the rate of 12.11% (2010: 12.58%).

18.8.1 Market value of buildings / civil works, roads, pavements and related infrastructure, compressors, plant and machinary, construction equipment, motor vehicles and gas transmission and distribution pipelines is Rs. 106,749 million as per the valuation carried out as at June 30, 2011 by an independent valuer namely Oceanic Surveyors (Pvt.) Limited. However, impact of revaluation of above mentioned assets has not been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

	Note	2011	2010
		(Rupees in '000)	
18.9 Capital work in progress			
Projects:			
- Gas distribution system		2,943,031	2,731,364
- Cost of buildings under construction		68,560	54,088
- Gas infrastructure rehabilitation and expansion project		245,555	34,596
- Roads, pavements and related activities		-	189,583
		3,257,146	3,009,631
Stores and spares held for capital projects	18.9.1	2,063,876	1,123,277
Compressor		-	182,022
LPG air mix plant		342,653	435,485
		2,406,529	1,740,784
		5,663,675	4,750,415
18.9.1 Stores and spares held for capital projects			
Gas distribution		2,078,395	1,127,917
Provision for impaired stores and spares		(14,519)	(4,640)
		2,063,876	1,123,277

19. INTANGIBLE ASSETS

		COST			AMORTISATION			Written down value as at June 30, 2011	Useful life (years)
		As at July 1, 2010	Additions	As at June 30, 2011	As at July 1, 2010	For the year 2011	As at June 30, 2011	(Rupees in '000)	
Computer software	2011	270,690	18,697	289,387	266,180	7,234	273,414	15,973	3
	2010	269,940	750	270,690	226,049	40,131	266,180	4,510	

	Note	2011	2010
		(Rupees in '000)	
20. LONG-TERM INVESTMENTS			
Investments in related parties			
Quoted companies - available for sale			
Sui Northern Gas Pipelines Limited (SNGPL) 2,090,195 (2010: 2,090,195) ordinary shares of Rs. 10 each	20.1	41,637	58,086
Other investments			
Quoted companies - available for sale			
Pakistan Refinery Limited 350,000 (2010: 350,000) ordinary shares of Rs. 10 each		28,157	27,500
United Bank Limited 118,628 (2010: 107,844) ordinary shares of Rs. 10 each		7,344	6,431
Unquoted companies (at cost)			
Pakistan Tourism Development Corporation 5,000 (2010: 5,000) ordinary shares of Rs. 10 each		50	50
		35,551	33,981
Provision against impairment in value of investments at cost		(50)	(50)
		35,501	33,931
		77,138	92,017

20.1 Sale of 2,090,195 shares of Sui Northern Gas Pipelines Limited is restricted by the Government of Pakistan due to its privatisation, till further directives.

	Percentage of holding	2011	2010
		(Rupees in '000)	
21. SHARE OF INVESTMENT IN ASSOCIATE / JOINTLY CONTROLLED ENTITY			
Inter State Gas Systems (Private) Limited (ISGSL)			
Share of investment in Associate	25%	5,100	-
Share of investment in Jointly Controlled Entity	51%	-	5,100
		5,100	5,100

21.1 Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Holding Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise to the Holding Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL are carried out in connection with the service agreement and ISGSL is allowed under this agreement to recover its cost / expenditure from the Holding Company and SNGPL. Accordingly, 51% of the expenses of ISGSL are borne by the Holding Company and are presented separately in the consolidated profit and loss account. During the year, there was a change in ownership interest in ISGSL. As a result, the Holding Company's holding changed from 51% to 25%. However, the Holding Company continues to bear 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committe of the Cabinet. ISGSL has no reserves and accordingly the share of investement in associate represents 25% (2010 : 51%) share of the Holding Company in share capital of ISGSL.

21.2 During the year, there was a change in ownership interest from 51% to 25% as a result of increase in holding of Government Holding (Private) Limited, however, the Holding Company continues to bear the expenses of ISGSL in the same ratio.

22. NET INVESTMENT IN FINANCE LEASE

	June 30, 2011		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	295,325	176,530	118,795
Later than one year and not later than five years	910,703	461,426	449,277
Later than five years	732,837	260,370	472,467
	1,643,540	721,796	921,744
	1,938,865	898,326	1,040,539

	June 30, 2010		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	295,325	176,530	118,795
Later than one year and not later than five years	987,468	529,556	457,912
Later than five years	933,448	350,821	582,627
	1,920,916	880,377	1,040,539
	2,216,241	1,056,907	1,159,334

The Holding Company's business is the transmission and distribution of natural gas. For that purpose, the Holding Company entered into agreements with Oil and Gas Development Company Limited, Sui Northern Gas Pipelines Limited and ENI Pakistan Limited to use the Holding Company's transmission pipelines for distribution of gas. The terms of the agreements entered into is for a substantial portion of the useful economic lives of the related assets.

The interest rates used to discount future minimum lease payments under the leases are based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in finance leases. The effective interest rate ranges from 16.05% to 34% per annum.

	Note	2011	2010
		(Rupees in '000)	
23. LONG-TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	23.1	2,596	5,186
Less: receivable within one year		(1,640)	(2,785)
		956	2,401
Due from other employees	23.1	145,156	138,163
Less: receivable within one year		(27,732)	(26,748)
		117,424	111,415
		118,380	113,816

23.1 Reconciliation of the carrying amount of loans and advances:

	2011		2010	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	5,186	138,163	7,075	134,752
Disbursements	-	43,725	-	35,580
Transfers	1,189	(1,189)	1,357	(1,357)
Repayments	(3,779)	(35,543)	(3,246)	(30,812)
	2,596	145,156	5,186	138,163

23.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of six to ten years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the Holding Company w.e.f. January 1, 2001. Loans to non-executive employees do not carry mark-up.

23.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 5.186 million (2010: Rs.7.075 million).

	2011	2010
	(Rupees in '000)	
24. STORES, SPARES AND LOOSE TOOLS		
Stores	1,546,629	1,365,785
Spares	688,952	662,391
Stores and spares in transit	148,989	100,234
Loose tools	1,089	1,090
	2,385,659	2,129,500
Provision against impaired inventory		
Balance as at July 1	(92,141)	(79,101)
Provision made during the year	(30,954)	(28,597)
Written off during the year	-	15,557
Balance as at June 30	(123,095)	(92,141)
	2,262,564	2,037,359

24.1 Stores, spares and loose tools are held for the following operations:

	2011	2010
Transmission	2,060,835	1,784,967
Distribution	201,729	252,392
	2,262,564	2,037,359

	2011	2010
	(Rupees in '000)	
25. STOCK-IN-TRADE		
Gas		
Gas in pipelines	223,479	200,005
Stock of Synthetic Natural Gas	2,071	234
	225,550	200,239
Gas meters		
Components	461,722	224,498
Work-in-process	21,875	10,742
Finished meters	237	24,522
	483,834	259,762
Provision against impaired inventory		
Balance as at July 1	(4,586)	(3,948)
Provision made during the year	(2,078)	(638)
Balance as at June 30	(6,664)	(4,586)
	477,170	255,176
	702,720	455,415

26. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

This represents cost of work carried out by the Holding Company on behalf of the consumers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such consumers are shown as deduction there from as reflected in note 34.2 to these financial statements.

	Note	2011	2010
		(Rupees in '000)	
27. TRADE DEBTS			
Considered good			
- secured		10,457,189	12,003,014
- unsecured		38,725,153	31,812,653
	27.1 & 27.2	49,182,342	43,815,667
Considered doubtful		2,797,394	2,296,330
		51,979,736	46,111,997
Provision against impaired debts	27.3	(2,797,394)	(2,296,330)
		49,182,342	43,815,667

27.1 Trade debts include Rs. 29,159 million (June 30, 2010: Rs. 21,280 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 27,002 million are over due. As per the financial statements of KESC for the quarter ended March 31, 2011, its accumulated losses have reached to Rs. 83,749 million, and its current liabilities exceeded current assets by Rs. 47,295 million. Despite such adverse financial position of KESC, management of the Holding Company is confident that the entire amount will be recovered, as KESC is engaged in providing electric power to the entire region of Karachi and the equity of Rs. 5,369 million has been injected by its owners to improve its viability and its cash-flows are likely to improve significantly in the near term. Further, management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount.

27.2 Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Water and Power Development Authority (WAPDA) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs.34,995 million as at June 30, 2011 (June 30, 2010: Rs. 33,667 million), which includes overdue amounts of Rs. 28,145 million (June 30, 2010: Rs. 26,474 million). Receivable from SNGPL against uniform cost of gas is stated under other receivables and amounts to Rs. 4,036 million (June 30, 2010: Rs. 4,130 million) (refer note 31.2). Interest accrued amounting to Rs.4.160 million (June 30, 2010: Rs. 2,245 million) in respect of overdue balances of KESC, JPCL and SNGPL is stated in accrued interest (refer note 30).

As at June 30, 2011, amounts of Rs. 41,756 million (June 30, 2010: Rs. 30,433 million) (included in creditors for gas in note 15) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 10,459 million (June 30, 2010: Rs. 6,651 million) on their balances.

		Note	2011	2010
			(Rupees in '000)	
27.3	**Movement of provision against impaired debts**			
	Balance as at July 1		2,296,330	2,163,753
	Provision for the year		501,064	132,577
			2,797,394	2,296,330
28.	**LOANS AND ADVANCES - considered good**			
	Current portion of long term loans:			
	- executives	23	1,640	2,785
	- other employees	23	27,732	26,748
			29,372	29,533
	Advances to:			
	- executives	28.1	5,940	8,901
	- other employees		75,525	54,524
			81,465	63,425
			110,837	92,958

28.1 Advances to executives represent the establishment advance, festival advances and travelling advance to the employees according to the terms of employment. These are repayable in ten equal monthly installments and are secured against the retirement benefit balances of the related employees. These are interest free loans and advances.

		Note	2011	2010
			(Rupees in '000)	
29.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Advances for goods and services - unsecured, considered good		48,281	54,211
	Trade deposits - unsecured, considered good		9,916	19,548
	Prepayments		151,644	109,185
			209,841	182,944
30.	**INTEREST ACCRUED**			
	Interest accrued on late payment of bills / invoices from			
	- WAPDA		2,055,783	1,226,801
	- KESC		671,129	225,072
	- SNGPL		1,432,745	793,590
	- JJVL		19,275	98,260
			4,178,932	2,343,723
	Interest accrued on bank deposits		5,481	2,835
	Interest accrued on sales tax refund	5.4	487,739	487,739
	Provision against impaired income		(1,198,471)	-
			3,473,681	2,834,297

	Note	2011	2010
		(Rupees in '000)	
31. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	31.1	9,703,340	5,290,758
Receivable from staff pension fund - non executives	41.1	82,733	82,733
Receivable from staff gratuity fund - executives	41.1	-	10,247
Balance receivable for sale of gas condensate		19,222	46,869
Receivable from Sui Northern Gas Pipelines Limited	31.2	4,103,105	4,198,192
Receivable from JJVL	31.3	1,888,135	1,009,090
Workers' Profit Participation Fund	15.2	8,137	-
Insurance claim receivable		144	705
Sales tax receivable		3,840,241	6,558,456
Claims receivable		757	757
Pipeline rentals		22,178	13,236
Miscellaneous receivables	31.4	83,747	218,353
		19,751,739	17,429,396
Provision against impaired receivables		(1,485)	(1,485)
		19,750,254	17,427,911

31.1 This includes Rs. 216.066 million (2010: Rs. 105.280 million) recoverable from the GoP on account of remission of gas receivables from people of Ziarat under instructions from GoP.

31.2 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 65.987 million (2010: Rs. 67.745 million) and Rs. 4,038.616 million (2010: Rs. 4,130.197 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited, refer note 34.1.1 to these financial statements for detail.

31.3 During the year, the Holding Company has taken the option of using the amnesty offered during the budget by means of SRO 648(I)/2011 dated June 25, 2011 which had exempted the whole amount of default surcharge and penalties subject to the condition that the outstanding principal amount of sales tax or federal excise duty is paid by June 30, 2011. As a result, the Holding Company paid the Federal Excise Duty (FED) amounting to Rs. 874 million in respect of show cause notices issued by the Additional Collector (Adjudication) Sales Tax and Federal Excise requiring it to pay FED along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged to JJVL. The FED has been accounted for as a receivable as the Holding Company considers that this amount is recoverable from JJVL under the agreement. JJVL has disputed this amount and suggested for arbitration. However, based on legal opinion, no provision has been made against the amount as the Holding Company is confident that it will be able to recover the entire amounts as per the agreement with JJVL.

31.4 This includes unamortised balance of Rs. 75.230 million (2010: Rs. 150.460 million) on account of deferred tariff adjustment.

	Note	2011	2010
		(Rupees in '000)	
32. TAXATION - NET			
Advance tax		5,857,091	2,316,033
Provision for tax		(3,550,986)	(2,225,863)
		2,306,105	90,170
33. CASH AND BANK BALANCES			
Cash at banks			
- deposit accounts		378,877	145,651
- current accounts		698,381	467,828
		1,077,258	613,479
Cash in hand	33.1	7,675	7,477
		1,084,933	620,956

33.1 This includes foreign currency cash in hand amounting to Rs. 1.296 million (2010 : Rs. 0.898 million).

	Note	2011	2010
		(Rupees in '000)	

34. COST OF SALES

	Note	2011	2010
Cost of gas	34.1	102,889,971	95,333,111
Transmission and distribution costs	34.2	9,320,794	9,562,936
		112,210,765	104,896,047

34.1 Cost of gas

	Note	2011 Volume in MCF *	2011 (Rupees in '000)	2010 Volume in MCF *	2010 (Rupees in '000)
Gas in pipelines as at July 1		896,446	200,005	790,423	191,835
Gas purchases from:					
Pakistan Petroleum Limited		48,186,822	8,237,391	45,102,650	6,292,350
Oil and Gas Development Company Limited		6,369,335	5,006,512	5,654,227	807,328
BP (Pakistan) Exploration and Production Incorporated		57,194,218	16,486,347	81,646,199	20,481,490
ENI Pakistan Limited		149,910,699	59,848,429	138,355,236	41,694,309
Mari Gas Company Limited		281,303	11,465	278,511	9,938
Sui Northern Gas Pipelines Limited- a related party		1,430,552	477,778	1,121,081	348,613
BHP Petroleum (Pakistan) Pvt Limited		75,368,788	20,159,256	103,580,123	23,257,889
OMV (Pak) Exploration GmBH		58,962,750	17,493,462	52,802,525	13,856,024
Hycarbex (Ex - Haseeb)		33,771	5,488	-	-
Input sales tax on exempt supplies		-	49,221	-	28,837
		397,738,238	127,775,349	428,540,552	106,776,778
		398,634,684	127,975,354	429,330,975	106,968,613
Gas consumed internally		(1,996,262)	(529,037)	(1,107,813)	(253,791)
Inward price adjustment	34.1.1	-	(24,332,867)	-	(11,181,706)
Gas in pipelines as at June 30		(859,518)	(223,479)	(896,446)	(200,005)
		(2,855,780)	(25,085,383)	(2,004,259)	(11,635,502)
Gas available for sale		395,778,904	102,889,971	427,326,716	95,333,111

* Metric Cubic Feet.

34.1.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Holding Company and Sui Northern Gas Pipelines Limited effective from July 1, 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement, the Holding Company with lower weighted average cost of gas is required to pay to the other company so that the overall weighted average rate of well head gas price of both the companies is the same.

34.1.2 UFG in parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. While it is almost impossible to estimate the amount of gas theft in UFG, it is estimated that it is a significant percentage of the total UFG. The UFG for each region of the Holding Company network in terms of volume and percentage is given below:

Region wise break up of UFG

Sr. No.	Region	Number of Customers	UFG Volume MMCF	UFG %
1	Karachi	1,566,087	15,503	5.38%
	Interior Sindh			
2	- Hyderabad	300,354	5,007	9.22%
3	- Sukkar	105,901	1,853	19.29%
4	- Nawabshah	80,713	1,284	21.37%
5	- Larkana	101,427	2,112	29.66%
6	Balochistan	213,857	11,602	37.33%
	Total	**2,368,339**	**37,361**	**9.43%**

SSGC is taking a number of measures to control and reduce UFG. These are elaborated below:

- Vigilance for identification of theft cases, illegal networks and necessary remedial measures thereafter.
- Measurement errors identification and rectification.
- Above ground and underground leakage identification and rectification.

The Holding Company's actions are likely to be more effective with the cooperation of various stakeholders and law enforcement agencies.

Actual UFG for the year ended June 30, 2011 is 9.43% (2010: 7.95%) against which OGRA has restricted UFG to 7%.

	Note	2011	2010
		(Rupees in '000)	
34.2 Transmission and distribution costs			
Salaries, wages and benefits		4,435,876	5,689,822
Contribution / accruals in respect of staff retirement benefit schemes	34.2.1	625,723	426,103
Depreciation on operating assets		2,999,235	2,584,956
Repairs and maintenance		707,213	503,592
Stores, spares and supplies consumed		517,037	360,027
Gas consumed internally		529,037	253,791
Legal and professional charges		84,441	76,638
Software maintenance		56,384	58,332
Electricity		56,830	39,618
Security expenses		213,033	187,954
Insurance and royalty		76,806	69,403
Travelling		73,721	61,837
Material and labor used on consumers' installation		69,730	93,081
Postage and revenue stamps		1,563	5,601
Rent, rates and taxes		37,143	50,053
Others		146,945	133,811
		10,630,717	10,594,619
Recoveries / allocations to:			
Gas distribution system capital expenditure		(963,612)	(731,585)
Installation costs recovered from customers		(100,992)	(113,542)
		(1,064,604)	(845,127)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		(211,450)	(172,180)
- Oil and Gas Development Company Limited - a related party		(22,496)	(26,508)
- Other customers		(11,373)	12,132
		(245,319)	(186,556)
		9,320,794	9,562,936
34.2.1 Contributions to / accrual in respect of staff retirement benefit schemes			
Contributions to the provident fund		115,498	113,881
(Reversal) / charge in respect of pension funds:			
- executives		-	(40,511)
- non executives		-	(36,011)
Charge in respect of gratuity funds:			
- executives		100,515	59,788
- non executives		117,188	28,580
Accrual in respect of unfunded post retirement:			
- medical facility		235,222	175,253
- gas facility		3,573	4,081
Accrual in respect of compensated absences:			
- executives		86,740	69,366
- non executives		(33,013)	51,676
		625,723	426,103

	Note	2011	2010
		(Rupees in '000)	

35. ADMINISTRATIVE AND SELLING EXPENSES

	Note	2011	2010
Administrative expenses	35.1	2,108,500	1,695,471
Selling expenses	35.2	973,210	753,240
		3,081,710	2,448,711

35.1 Administrative expenses

	Note	2011	2010
Salaries, wages and benefits		915,486	1,021,707
Contribution / accruals in respect of staff retirement benefit schemes	35.1.1	50,807	32,637
Depreciation on operating assets	18.6	168,796	196,737
Amortisation of intangible assets	19	7,234	40,131
Provision against impaired debts		501,064	132,577
Bad debts written off		85,128	-
Repairs and maintenance		96,759	60,801
Stores, spares and supplies consumed		47,199	50,893
Legal and professional		73,494	44,035
Software maintenance		21,084	21,766
Electricity		28,449	22,484
Security expenses		4,348	3,836
Insurance and royalty		6,002	4,911
Travelling		11,654	5,139
Postage and revenue stamps		67,905	63,746
Rent, rates and taxes		3,758	800
Others		53,108	17,047
		2,142,275	1,719,247
Allocation to meter manufacturing division		(33,775)	(23,776)
		2,108,500	1,695,471

35.1.1 Contributions to / accrual in respect of staff retirement benefit schemes

	2011	2010
Contribution to the provident fund	26,563	29,785
(Reversal) / charge in respect of pension funds:		
- executives	-	(5,883)
- non executives	-	(3,247)
Charge in respect of gratuity funds:		
- executives	18,886	9,467
- non executives	5,358	2,515
	50,807	32,637

	Note	2011	2010
		(Rupees in '000)	

35.2 Selling expenses

	Note	2011	2010
Salaries, wages and benefits		607,427	459,031
Contribution / accruals in respect of staff retirement benefit schemes		53,584	14,429
Depreciation on operating assets		8,702	27
Repairs and maintenance		7,494	4,668
Stores, spares and supplies consumed		23,065	17,948
Meter reading by contractors		39,072	38,700
Electricity		32,458	29,415
Insurance and royalty		439	357
Travelling		1,484	1,224
Gas bills collection charges		164,173	159,733
Postage and revenue stamps		238	120
Rent, rates and taxes		22,646	16,345
Others		12,428	11,243
		973,210	753,240

36. OTHER OPERATING EXPENSES

	Note	2011	2010
Auditors' remuneration			
- Statutory audit		1,500	1,250
- Fee for other audit related services		1,200	1,511
- Fee for taxation services		17,700	4,548
- Out of pocket expenses		992	571
		21,392	7,880
Workers' Profit Participation Fund	15.2	291,855	369,127
Sports expenses		19,684	22,397
Corporate social responsibility		35,904	11,992
Loss on sale of property, plant and equipment	18.7	3,083	-
Provision against impaired stores and spares		40,832	30,349
Provision against impaired income		1,198,471	-
Exchange loss on payment of gas purchases		33,920	310,292
		1,645,141	752,037

37. OTHER OPERATING INCOME

Income from other than financial assets

	Note	2011	2010
Meter rentals		614,514	576,386
Recognition of income against deferred credit		368,867	326,601
Income from new service connections		609,940	452,833
Gas shrinkage charged to JJVL		1,993,809	2,263,931
Income from gas transportation		35,600	48,775
Income from LPG air mix distribution - net	37.1	47,093	13,215
Recoveries from consumers		45,153	33,204
Gain on sale of property, plant and equipment	18.7	-	4,682
Liquidated damages recovered		12,707	13,976
Advertising income		6,306	5,640
Income from sale of tender documents		1,581	1,352
Scrap sales		4,253	4,376
Rental income		-	67
Miscellaneous		13,971	11,039
		3,753,794	3,756,077

Income from investment in debts, loans, advances and receivables from related party

	Note	2011	2010
Contingent rental income - Sui Northern Gas Pipelines Limited		6,113	33,445
		3,759,907	3,789,522

	Note	2011	2010
		(Rupees in '000)	
37.1 Income from LPG air mix distribution - net			
Sales		1,709	1,387
Cross subsidy		99,825	37,166
Cost of sales		(24,397)	(13,736)
Gross profit		77,137	24,817
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(8,522)	(2,503)
Depreciation expenses		(22,315)	(5,914)
Other operating expenses		(7,240)	(3,813)
		(38,077)	(12,230)
Amortisation of deferred credit		7,703	-
Other income		330	628
Profit for the year		47,093	13,215

38. OTHER NON-OPERATING INCOME

	Note	2011	2010
Income from financial assets			
Late payment surcharge		1,625,198	1,057,582
Income from net investment in finance lease		55,035	54,124
Return on:			
- term deposits and profit and loss bank accounts		109,512	116,824
- staff loans		927	1,484
		1,790,672	1,230,014
Interest income on late payment of gas bills from			
- Karachi Electric Supply Company Limited (KESC)		3,561,930	2,381,659
- Jamshoro Joint Venture Limited (JJVL)		79,478	73,357
- Water & Power Development Authority (WAPDA)		828,981	636,884
- Sui Northern Gas Pipelines Limited (SNGPL)		639,155	410,420
		5,109,544	3,502,320
Dividend income		593	270
		6,900,809	4,732,604
Interest income on Sales Tax Refund		-	487,739
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipelines Limited		4,180	-
Income from net investment in finance lease	38.1	137,936	150,558
		142,116	150,558
Others			
Sale of gas condensate		244,843	524,874
Royalty income from Jamshoro Joint Venture Limited		2,590,269	2,594,164
Meter manufacturing division profit - net	38.2	149,881	150,618
		2,984,993	3,269,656
		10,027,918	8,640,557

38.1 This income is receivable from SNGPL and OGDCL amounting to Rs. 134.268 million (2010: Rs.145.421 million) and Rs. 3.668 million (2010: Rs. 5.137 million) respectively.

	Note	2011	2010
		(Rupees in '000)	
38.2 Meter manufacturing division profit - net			
Gross sales of gas meters			
- The Holding Company's consumption		800,161	664,221
- Outside sales		1,246,971	1,567,535
		2,047,132	2,231,756
Sales tax		(306,443)	(311,756)
Special excise duty		(24,970)	(19,485)
Net sales		1,715,719	1,900,515
Cost of sales			
- Raw material consumed		1,205,165	1,457,337
- Stores and spares		7,767	7,065
- Fuel, power and electricity		9,675	9,645
- Salaries wages and other benefits	38.1.2	275,535	236,806
- Insurance		793	626
- Repairs and maintenance		15,034	18,659
- Depreciation		7,849	12,541
- Other expenses		4,162	1,688
		1,525,980	1,744,367
Opening work in process		10,742	10,240
Closing work in process		(21,875)	(10,742)
		(11,133)	(502)
Cost of goods manufactured		1,514,847	1,743,865
Opening stock of finished goods		24,522	12,790
Closing stock of finished goods		(236)	(24,522)
		24,286	(11,732)
Cost of goods sold		(1,539,133)	(1,732,133)
Gross profit		176,586	168,382
Administrative expenses		(33,775)	(23,776)
Operating profit		142,811	144,606
Other income		7,070	6,012
Net profit		149,881	150,618

38.1.1 Gas meters used by the Holding Company are included in operating assets at manufacturing cost.

	2011	2010
38.1.2 Salaries, wages and other benefits	267,675	234,537
Provident fund contribution	3,246	2,386
Pension fund	-	(2,088)
Gratuity	4,614	1,971
	275,535	236,806

	Note	2011	2010
		(Rupees in '000)	
39. FINANCE COST			
Mark-up on:			
- local currency financing		1,988,715	2,435,265
- short term financing		418,047	184,873
- consumers' deposits		123,576	114,708
- Workers' Profit Participation Fund	15.2	25,579	-
- delayed payment on gas bills		3,831,596	2,668,779
- others		30,481	10,126
		6,417,994	5,413,751
Less: Finance cost capitalised during the year		(631,872)	(397,858)
		5,786,122	5,015,893
40. TAXATION			
Current tax		1,325,123	609,524
Deferred tax		633,001	2,004,745
		1,958,124	2,614,269
Adjustment recognised in currrent year in relation to the current tax of prior years		(1,162,837)	-
		795,287	2,614,269
40.1 Relationship between consolidated accounting profit and tax expense for the year is as follows:			
Accounting profit for the year		5,519,679	7,013,418
Tax rate		35%	35%
Tax charge @ 35% (2010: 35%)		1,931,887	2,454,696
Effect of minimum tax		-	159,641
Tax effect of expenses that are not deductible in determining taxable profit		27,430	-
Effect of lower tax rate on dividend income		(1,193)	(68)
		1,958,124	2,614,269

41. STAFF RETIREMENT BENEFITS

41.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.15 to these financial statements, the Holding Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at June 30, 2011 under the projected unit credit method for both non-executive and executive staff members.

Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit scheme/plans are:

	2011		2010	
	Executives	Non-executives	Executives	Non-executives
Pension fund				
-Regular	101	44	86	44
Gratuity fund				
-Regular	2,653	4,937	1,953	3,390
-Reinstated	-	-	596	1,914
	2,754	4,981	2,635	5,348

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in consolidated balance sheet				
Fair value of plan assets	(850,752)	(1,564,906)	(424,818)	(1,683,813)
Present value of defined benefit obligation	527,423	2,431,572	9,028	1,912,522
Net (surplus) / deficit	(323,329)	866,666	(415,790)	228,709
Amount payable / (receivable) against Holding Company's liability	-	-	122,088	(122,088)
Unrecognised actuarial gain / (loss)	323,329	(866,666)	210,414	(106,621)
	-	-	(83,288)	-
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2010	450,216	2,114,380	6,029	2,221,574
Current service cost	23,001	119,212	-	125,880
Interest cost	58,133	258,703	725	282,979
Actuarial loss / (gain)	39,342	274,042	3,214	(600,556)
Benefits paid	(43,269)	(334,765)	(940)	(117,355)
Obligation as at June 30, 2011	527,423	2,431,572	9,028	1,912,522

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Changes in fair value of plan assets				
Fair value as at July 1, 2010	928,384	1,480,260	382,750	1,564,495
Expected return on plan assets	123,320	203,245	50,641	211,779
Net actuarial (loss) / gain	(39,180)	(37,489)	(7,633)	(117,420)
Benefits paid	(43,269)	(334,765)	(940)	(117,355)
Contribution to fund	-	135,152	-	142,314
Amount transferred (out) / in	(118,503)	118,503	-	-
Fair value as at June 30, 2011	850,752	1,564,906	424,818	1,683,813

Movement in amount (receivable from) / payable to defined benefit plans

Movements in amount (receivable from) / payable to staff retirement benefit funds during the year are as follows:

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Asset as at July 1, 2010	-	-	(82,733)	(10,247)
(Income) / expense recognised for the year	-	135,152	-	152,561
Contribution to the fund/ benefits paid	-	(135,152)	-	(142,314)
(Asset) in consolidated balance sheet	-	-	(82,733)	-

Expense recognised in the consolidated profit and loss account

Expense recognised in the consolidated profit and loss account during the current year in respect of the above schemes were as follows:

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	23,001	119,212	-	125,880
Mark-up cost	58,133	258,703	725	282,979
Expected return on plan assets	(123,320)	(203,245)	(50,641)	(211,779)
Recognition of actuarial (gain) / loss	(23,770)	26,438	(22,880)	28,277
Amount transferred out / (in)	65,956	(65,956)	72,796	(72,796)
	-	135,152	-	152,561
Composition / fair value of plan assets used by the fund				
Equity	6.8%	2.8%	2.9%	6.0%
Debt instruments	93.2%	97.2%	97.1%	94.0%
Actual return on plan assets is as follows:				
Expected return on plan assets	123,320	203,245	50,641	211,779
Actuarial loss on plan assets	(39,180)	(37,489)	(7,633)	(117,420)
Actual return on plan assets	84,140	165,756	43,008	94,359

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in consolidated balance sheet				
Fair value of plan assets	(928,384)	(1,480,260)	(382,750)	(1,564,495)
Present value of defined benefit obligation	450,216	2,114,380	6,029	2,221,574
Net (surplus) / deficit	(478,168)	634,120	(376,721)	657,079
Amount payable / (receivable) against Holding Company's liability	52,547	(52,547)	49,292	(49,292)
Unrecognised actuarial gain / (loss)	425,621	(581,573)	244,696	(618,034)
	-	-	(82,733)	(10,247)
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2009	288,113	1,725,098	6,114	1,445,153
Current service cost	13,189	91,162	-	74,579
Interest cost	34,863	193,238	691	173,071
Actuarial loss / (gain)	129,098	339,352	(184)	686,438
Benefits paid	(15,047)	(234,470)	(592)	(157,667)
Obligation as at June 30, 2010	450,216	2,114,380	6,029	2,221,574
Changes in fair value of plan assets				
Fair value as at July 1, 2009	910,450	1,469,949	435,232	1,539,886
Expected return on plan assets	108,752	161,835	52,185	182,307
Net actuarial gain	(23,013)	4,746	8,223	(26,329)
Benefits paid	(15,047)	(234,470)	(592)	(157,667)
Contribution to fund	-	25,442	(86,000)	-
Amount transferred (out) / in	(52,758)	52,758	(26,298)	26,298
Fair value as at June 30, 2010	928,384	1,480,260	382,750	1,564,495

Movement in amount (receivable from) / payable to defined benefit plans

Movements in amount (receivable from) / payable to staff retirement benefit funds during the year are as follows:

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Asset as at July 1, 2009	(361)	(91)	(168,733)	-
(Income) / Expense recognised for the year	(52,186)	78,080	(49,292)	39,045
Contribution to the fund / benefits paid	-	(25,442)	86,000	-
Amount payable / (receivable) against Holding Company's liability	52,547	(52,547)	49,292	(49,292)
(Asset) in consolidated balance sheet	-	-	(82,733)	(10,247)

Expense recognised in the consolidated profit and loss account

Expense recognised in the consolidated profit and loss account during the current year in respect of the above schemes were as follows:

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	13,189	91,162	-	74,579
Mark-up cost	34,863	193,238	691	173,071
Expected return on plan assets	(108,752)	(161,835)	(52,185)	(182,307)
Recognition of actuarial (gain) / loss	(44,244)	8,273	(24,096)	-
Amount transferred out / (in)	52,758	(52,758)	26,298	(26,298)
	(52,186)	78,080	(49,292)	39,045

Composition of plan assets used by the fund

Equity	6.8%	2.8%	2.9%	6.0%
Debt instruments	93.2%	97.2%	97.1%	94.0%

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Actual return on plan assets is as follows:				
Expected return on plan assets	108,752	161,835	52,185	182,307
Actuarial (loss) / gain on plan assets	(23,013)	4,746	8,223	(26,329)
Actual return on plan assets	85,739	166,581	60,408	155,978

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Historical information					
Pension - Executives					
Present value of defined benefit obligation	527,423	450,216	288,113	542,423	471,480
Fair value of planned assets	(850,752)	(928,384)	(910,450)	(810,985)	(718,001)
Surplus	(323,329)	(478,168)	(622,337)	(268,562)	(246,521)
Amount payable against Holding Company's Liability	-	52,547	-	-	-
Unrecognised past service cost	-	-	-	(42,474)	(84,951)
Unrecognised actuarial gain	323,329	425,621	621,976	311,988	332,329
(Asset) / liability in consolidated balance sheet	-	-	(361)	952	857
Experience adjustment arising on plan liabilities losses / (gains)	39,342	129,098	(308,268)	6,177	(35,615)
Experience adjustment arising on plan assets (losses) / gains	(39,180)	(23,013)	24,809	14,784	(14,072)

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Historical information					
Gratuity - Executives					
Present value of defined benefit obligation	2,431,572	2,114,380	1,725,098	1,704,055	1,400,696
Fair value of planned assets	(1,564,906)	(1,480,260)	(1,469,949)	(1,377,554)	(1,405,498)
Deficit / (surplus)	866,666	634,120	255,149	326,501	(4,802)
Amount receivable against Holding Company's liability	-	(52,547)	-	-	-
Unrecognised past service gain	-	-	-	89,614	179,227
Unrecognised actuarial loss	(866,666)	(581,573)	(255,240)	(442,562)	(187,076)
Asset in consolidated balance sheet	-	-	(91)	(26,447)	(12,651)
Experience adjustment arising on plan liabilities losses / (gains)	274,042	339,352	(115,250)	263,307	(24,005)
Experience adjustment arising on plan assets (losses) / gains	(37,489)	4,746	44,856	2,651	70,856
Pension - Non Executives					
Present value of defined benefit obligation	9,028	6,029	6,114	6,592	7,952
Fair value of planned assets	(424,818)	(382,750)	(435,232)	(402,327)	(354,912)
Surplus	(415,790)	(376,721)	(429,118)	(395,735)	(346,960)
Amount payable against Holding Company's liability	122,088	49,292	-	-	-
Unrecognised actuarial gain	210,414	244,696	260,385	261,229	263,431
Asset in consolidated balance sheet	(83,288)	(82,733)	(168,733)	(134,506)	(83,529)
Experience adjustment arising on plan liabilities losses / (gains)	3,214	(184)	622	1,424	937
Experience adjustment arising on plan assets (losses) / gains	(7,633)	8,223	14,319	12,655	(28,592)
Historical information					
Gratuity - Non Executives					
Present value of defined benefit obligation	1,912,522	2,221,574	1,445,153	1,279,964	1,029,557
Fair value of planned assets	(1,683,813)	(1,564,495)	(1,539,886)	(1,319,485)	(1,410,681)
Surplus	228,709	657,079	(94,733)	(39,521)	(381,124)
Amount receivable against Holding Company's liability	(122,088)	(49,292)	-	-	-
Unrecognised actuarial (loss) / gain	(106,621)	(618,034)	94,733	61,938	411,964
Liability in consolidated balance sheet	-	(10,247)	-	22,417	30,840
Experience adjustment arising on plan liabilities (gains) / losses	(600,556)	686,438	40,636	164,275	67,045
Experience adjustment arising on plan assets (losses) / gains	(117,420)	(26,329)	73,431	(157,681)	188,816

Significant actuarial assumptions

Significant assumptions used for the valuation of above schemes are as follows:

	Executives and Non-Executives	
	2011 (%)	2010 (%)
Discount rate	14.00	12.75
Expected rate of increase in salary level	11.50	11.75
Expected rate of return on plan assets	13.50	13.25
Increase in pension	7.00	5.75

41.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.15 to these financial statements the Holding Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after December 31, 2000. The latest valuations of the liability under these schemes were carried out as at June 30, 2011 under the projected unit current cost method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,653 (2010: 2,549).

	June 30, 2011		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in consolidated balance sheet			
Projected benefit obligation	1,519,539	47,290	1,566,829
Unrecognised actuarial (loss) / gain	(97,428)	7,379	(90,049)
	1,422,111	54,669	1,476,780

Movement in net liability recognised

	June 30, 2011	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2010	1,215,985	53,774
Charge for the year	238,126	4,713
Payments during the year	(32,000)	(3,818)
Liability as at June 30, 2011	1,422,111	54,669

Expense recognised in the consolidated profit and loss account

	June 30, 2011	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Current service cost	74,910	-
Mark-up cost - net	163,216	5,354
Amortisation of actuarial gain	-	(641)
	238,126	4,713

Liability in consolidated balance sheet

	June 30, 2010		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Projected benefit obligation	1,243,878	43,639	1,287,517
Unrecognised actuarial (loss) / gain	(27,893)	10,135	(17,758)
	1,215,985	53,774	1,269,759

Movement in net liability recognised

Movements in net liability recognised during the year are as follows:

Liability as at July 1, 2009	1,065,436	52,581
Charge for the year	175,254	4,081
Payments during the year	(24,705)	(2,888)
Liability as at June 30, 2010	1,215,985	53,774

Expense recognised in the consolidated profit and loss account

Current service cost	47,071	4,786
Mark-up cost - net	128,183	-
Amortisation of actuarial gain	-	(705)
	175,254	4,081

Significant actuarial assumptions

Significant assumptions used for the valuation of above schemes are as follows:

	Executives	
	2011 (%)	2010 (%)
Discount rate	14.0	12.0
Medical inflation rate	10.5	8.5
Gas inflation rate	11.0	9.0

Medical facility - Executives	2011	2010	2009	2008	2007
			(Rupees in '000)		
Present value of defined benefit obligation	1,519,539	1,243,878	1,065,142	970,936	834,683
Fair value of planned assets	-	-	-	-	-
Deficit	1,519,539	1,243,878	1,065,142	970,936	834,683
Unrecognised actuarial (loss) / gain	(97,428)	(27,893)	294	(48,777)	895
Liability in consolidated balance sheet	1,422,111	1,215,985	1,065,436	922,159	835,578
Experience adjustment arising on plan liabilities losses / (gains)	69,535	28,187	(49,097)	56,148	(41,575)
Experience adjustment arising due to change of basis	-	-	-	6,363	-

Gas facility - Executives	2011	2010	2009	2008	2007
Present value of defined benefit obligation	47,290	43,639	41,395	39,208	34,720
Unrecognised actuarial gain	7,379	10,135	11,185	12,733	18,216
Liability in consolidated balance sheet	54,669	53,774	52,580	51,941	52,936
Experience adjustment arising on plan liabilities losses	2,115	345	668	4,208	5,401
Experience adjustment arising due to change of basis	-	-	-	477	-

42. EARNINGS PER SHARE - BASIC AND DILUTED

		2011	2010 (Restated)
Profit after taxation	Rupees in '000	4,724,392	4,399,149
Average number of ordinary shares	Number of shares	838,967,914	838,967,914
Earnings per share - basic and diluted	Rupees	5.63	5.24

	2011	2010
	(Rupees in '000)	

43. WORKING CAPITAL CHANGES

	2011	2010
(Increase) / decrease in current assets		
Stores and spares	(256,159)	(363,400)
Stock-in-trade	(249,383)	34,486
Consumers' installation work-in-progress	(16,232)	(22,122)
Trade debts	(5,952,867)	(11,380,039)
Trade deposits and short term prepayments	(26,897)	(72,132)
Other receivables	(2,332,590)	5,466,013
	(8,834,128)	(6,337,194)
Increase in current liabilities		
Trade and other payables	11,150,568	2,221,334
	2,316,440	(4,115,860)

44. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to Chief Executive, Directors and Executives of the Holding Company are given below:

	June 30, 2011		June 30, 2010	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	7,741	984,442	6,042	713,528
Housing	3,458	390,287	2,719	313,440
Utilities	768	86,730	746	185,451
Retirement benefits	75	118,376	3	65,745
Bonus	1,725	-	-	-
	13,767	1,579,835	9,510	1,278,164
Number	1	980	1	869

44.1 The Chairman, Chief Executive and certain executives are also provided the Holding Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Holding Company was paid Rs. 0.300 million (2010: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

44.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.067 million (2010: Rs. 0.048 million for 14 directors).

45. CAPACITY AND ACTUAL PERFORMANCE

45.1 Natural gas transmission

	June 30, 2011		June 30, 2010	
	MMCF	HM3	MMCF	HM3
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	510,594	143,853,987	510,270	143,762,704
Utilisation - volume of gas transmitted	397,144	111,890,755	426,433	120,142,594
Capacity utilisation factor (%)	77.8	77.8	83.6	83.6

45.2 Natural gas distribution

The Holding Company has no control over the rate of utilisation of its capacity as the use of available capacity is dependent on off-takes by the consumers.

45.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 612,903 meters (2010: 750,000 meters) against an annual capacity of 356,000 meters on a single shift basis.

46. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefits plans and the Holding 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 the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Holding Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2011	2010
		(Rupees in '000)	
Sui Northern Gas Pipelines Limited	Associate		
- Principal portion of lease rental		65,259	65,350
- Dividend Income		4,180	-
- Sale of gas meters		1,242,078	1,335,120
Oil and Gas Development Company Limited	Associate		
- Principal portion of lease rental		8,635	8,634
- Gas purchases		29,352,974	18,804,580
Mari Gas Company Limited	Associate		
- Gas purchases		2,481	146,973
State Life Insurance Corporation Limited	Associate		
- Rent of premises		2,259	2,525
Inter State Gas System (Private) Limited	Associate		
- Sharing of expenses		73,568	40,754
Liaquat National Hospital	Associate		
- Medical services		44,241	31,964
- Gas sales		58,824	263
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		1,800	586
PERAC Research and Development Foundation	Associate		
- Energy conservation study charges		-	602

	Relationship	2011	2010
		(Rupees in '000)	
Siemens Pakistan Engineering Limited	Associate		
- Supplies and maintenance		73	123
- Gas sales		1,417	6,120
U.G Foods Company (Private) Limited	Associate		
- Gas sales		9,480	6,665
Artistic Denim Mills Limited	Associate		
- Gas sales		58,193	218,892
Greaves CNG (Private) Limited	Associate		
- Gas sales		-	39,156
Dawood Islamic Bank Limited	Associate		
- Interest income		-	32,671
Remuneration of key management personnel			
- Executive staff		95,074	87,427
Minto & Mirza	Associate		
- Professional charges		24,900	4,275
Quality Aviation (Pvt) Limited	Associate		
- Travelling services		26,837	8,821
Packages Limited	Associate		
- Gas sales		8,083	6,826
Askari Bank Limited	Associate		
- Profit on investment		7,983	-
Pak Suzuki Motor Company Limited	Associate		
- Motor Vehicle Purchases		120,927	-
- Sale of gas		26,418	-
Pakistan State Oil Company Limited	Associate		
- Purchase of fuel and lubricant		53,025	-
Fauji Fertilizer Company Limited	Associate		
- Sale of gas		8	-
International Industries Limited	Associate		
- Line Pipe Purchases		1,479,838	-
- Sale of gas		723,835	-

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

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 10, 15, 31 and 40 to these financial statements.

Remuneration to the executive officers of the Holding Company (disclosed in note 44 to these financial statements) and loans and advances to them (disclosed in notes 23 and 28 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Holding Company is received at rates prescribed by the Government of Pakistan.

46.1 Amount (due to) / receivable from related parties

The details of amount due with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2011	2010
		(Rupees in '000)	
Sui Northern Gas Pipelines Limited	Associate		
- Lease rentals		65,987	67,745
- Sale of gas meters		25,662	30,970
- Cost of gas levelisation		4,037,499	4,130,197
Oil and Gas Development Company Limited	Associate		
- Gas purchases		(26,583,482)	(16,415,395)
Mari Gas Company Limited	Associate		
- Gas purchases		-	(72,829)
Liaquat National Hospital	Associate		
- Gas sales		6,279	83
Siemens Pakistan Engineering Limited	Associate		
- Gas sales		-	561
U.G Foods Company (Private) Limited	Associate		
- Gas sales		827	797
Artistic Denim Mills Limited	Associate		
- Gas sales		-	22,048
Packages Limited	Associate		
- Gas sales		623	577

47. FINANCIAL RISK MANAGEMENT

The objective of the Group's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Holding Company has overall responsibility for the establishment and oversight of the Group's risk management frame work and policies.

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

47.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from trade debts, net investment in finance lease, loans and advances, deposits, bank balances, interest accrued and other receivables. To reduce the exposure toward the credit risk, comprehensive consumer category wise credit limits and terms have been established. Incase of industrial and commercial consumers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic consumers as per rates notified by OGRA are taken to reduce credit exposure. The Holding Company continuously monitors the credit given to the consumers and interest accrued thereon and has established a dedicated recovery department for follow-up of consumer for recovery and disconnection of gas supply in case of defaulted consumers. Loans and advances given to employees are secured against retirement benefits of the employees and title deed of properties of employees. Bank balances are maintained with sound credit rating banks. The Holding Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counterparties.

The maximum exposure to credit risk before any credit enhancement at year end is the carrying amount of the financial assets as set out below:

	2011	2010
	(Rupees in '000)	
Trade debts	49,182,342	43,815,667
Net investment in finance lease	1,040,539	1,159,334
Loans and advances	229,217	206,774
Deposits	13,166	22,798
Bank balances	1,077,258	613,407
Interest accrued	2,985,942	2,834,295
Other receivables	6,258,124	5,380,559
	60,786,588	54,032,834

47.1.1 Collateral and other credit enhancements obtained

Security against supply of gas to industrial and commercial customers is taken on the basis of average three months gas consumption estimated at the time of connection in form of cash deposits (gas supply deposits) / bank guarantee / irrevocable letter of credit. Security against supply of gas to domestic consumers are obtained at rates notified by OGRA. These collaterals are adjusted / called upon disconnection of gas supply. Carrying amount of security held at year end is as follows:

	2011	2010
	(Rupees in '000)	
Cash Deposits	4,126,110	3,369,885
Bank Guarantee	13,835,932	10,387,475
Total	17,962,042	13,757,360

47.1.2 Credit Quality

The Holding Company monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 46.1.3 below:

The credit quality of the Group's major bank accounts is assessed with reference to external credit ratings which are as follows:

Banks	Rating Agency	Rating	
		Short Term	Long Term
National Bank of Pakistan Limited	JCR-VIS	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
Barclays Bank Limited	Standard & Poor's	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA
Bank of Punjab Limited	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	BBB+
Summit Bank Limited	JCR - VIS	A2	A

47.1.3 Past due and impaired financial assets

Industrial and commercial customers

The age analysis of trade debt balances relating to industrial and commercial customers at year end is as follows:

	2011		2010	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	10,388,275	-	13,577,837	-
Past due but not impaired	28,145,349	-	24,178,004	-
Past due and impaired	6,484,362	278,444	2,764,996	36,430
Disconnected customers	475,535	364,373	304,209	270,650
Total	45,493,521	642,817	40,825,046	307,080

Past due balances include aggregate over due balances of KESC and JPCL amounting to Rs. 28,145 million and are subject to inter corporate circular debt of government entities and KESC. (refer note No.26.2)

The Holding Company has collateral / security against industrial and commercial consumers amounting to Rs. 16,728 million (2010: Rs. 12,613 million) and replenish such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due. In case of past due balances the Holding Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected consumers) are considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired assets.

Domestic customers

The age analysis of trade debt balances relating to domestic customers at year end is as follows:

	2011		2010	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	1,022,130	-	1,486,682	-
Past due but not impaired				
Past due 1 - 6 month	661,490	-	632,205	-
Past due and impaired				
Past due 7 -9 months	375,758	87,819	225,198	87,819
Past due 10-12 months	215,356	61,526	157,773	61,526
Past due 13-18 months	657,908	188,648	483,756	188,648
Past due 19-24 months	298,010	79,392	203,588	79,392
Past due Over 2 years	1,788,474	242,481	621,803	242,481
	3,335,506	659,866	1,692,118	659,866
Disconnected customers	1,467,186	1,494,808	1,475,945	1,329,384
Total	6,486,312	2,154,674	5,286,950	1,989,250

The Holding Company has collateral / security against domestic customers amounting to Rs. 1,234 million (2010: Rs. 1,144 million) and replenish such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due.

Based on the past experience, consideration of financial position, past track records and recoveries, the provision against past due but not impaired domestic customers is made based on the study carried out by an independent management consultant.

Interest accrued

As at June 30, 2011 interest accrued was Rs. 3,474 million (2010: Rs. 2,834 million). Interest accrued mainly on consumers' balances past due / over due balances. Interest on past due balances includes aggregate over due balances of KESC, WAPDA and SNGPL amounting to Rs. 4,160 million (2010: 2,245 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.27.2)

Other receivables

As at June 30, 2011 other receivable financial assets amounted to Rs. 6,258 million (2010: Rs. 5,381 million). Past due other receivables amounting to Rs. 4,036 million (2010: Rs. 2,876 million) include over due balances of SNGPL amounting to Rs. Nil (2010: Rs. 2,297 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note 27.2)

47.1.4 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Holding Company's performance to developments affecting a particular industry. Concentration of credit risk is determined with references to the individual consumers / counter parties, type as well as geographical distribution of consumers / counterparties. Concentration of credit risk in financial assets of the Holding Company is as follows:

Trade debts

Consumer category wise concentration of credit risk in respect of trade debt at year end is as follows:

	2011	2010
	(Rupees in '000)	
Power Generation Companies	30,958,565	25,386,460
Cement Industries	163,399	340,461
Fertilizer and Steel Industries	4,593,572	1,378,461
Other Industries	7,768,267	12,616,926
Total industrial customers	43,483,803	39,722,308
Commercial customers	846,721	795,660
Domestic customers	4,851,818	3,297,699
	49,182,342	43,815,667

At year end the Holding Company's most significant customers were KESC and WAPDA which amounted to Rs. 29,160 million (2010: Rs. 21,280 million) and Rs. 1,799 million (2010: Rs. 8,259 million) respectively. These balances have aggregated due to inter corporate circular debt. (Refer note 27.2 to these financial statements).

Geographical region wise concentration of credit risk in respect of trade debt at year end is as follows:

	2011	2010
	(Rupees in '000)	
Karachi	42,988,261	31,849,297
Sindh (excluding Karachi)	4,604,143	10,660,430
Balochistan	1,589,938	1,305,940
	49,182,342	43,815,667

Net investment in finance lease

The Holding Company's most significant investment in finance lease amounted to Rs. 757 million (2010: Rs. 887 million) in respect of SNGPL.

Interest accrued

Most significant counter parties of the Holding Company in respect of interest accrued are disclosed in note 30 to these financial statements.

Other receivables

Most significant other receivables of the Holding Company are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 31.2 to these financial statements. These balances are subject to inter circular corporate debt as explained in note 27.2 to these financial statements.

47.2 Liquidity risk

Liquidity risk is the risk that the Holding Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available. The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

The table below analysis the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2011					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	18,743,385	(25,459,116)	(3,553,316)	(2,845,377)	(4,845,224)	(14,215,199)
Short term borrowings	-	-	-	-	-	-
Trade and other payables	59,865,411	(59,865,411)	(59,865,411)	-	-	-
Interest and mark-up accrued	10,822,821	(10,822,821)	(10,822,821)	-	-	-
Long term deposits	4,062,376	(9,619,082)	(69,459)	(69,459)	(138,918)	(9,341,246)
	93,493,993	(105,766,430)	(74,311,007)	(2,914,836)	(4,984,142)	(23,556,445)

	2010					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	16,679,450	(19,796,229)	(4,256,694)	(2,480,174)	(8,958,338)	(4,101,023)
Short term borrowings	3,720,666	(3,973,671)	(3,973,671)	-	-	-
Trade and other payables	48,653,731	(48,653,731)	(48,653,731)	-	-	-
Interest and mark-up accrued	6,829,477	(6,829,477)	(6,829,477)	-	-	-
Long term deposits	3,413,042	(7,863,800)	(95,888)	-	(111,269)	(7,656,643)
	79,296,366	(87,116,908)	(63,809,461)	(2,480,174)	(9,069,607)	(11,757,666)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2011. The rates of mark-up have been disclosed in notes 7 and 8 to these financial statements. Contractual cash flows of the long term deposits are determined on the assumption that adjusted / refund of these deposits will not be required before expiry of 40 years from balance sheet date.

47.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

47.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

Only the Holding Company in the Group is exposed to currency risk on creditors for gas that are denominated in a currency other than functional currency of the Holding Company. The currency in which these transactions primarily are denominated is US Dollars. The Holding Company's exposure to foreign currency risk is as follows:

	2011		2010	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Creditors for gas	13,122,023	152,768	11,349,304	132,740
Estimated forecast gas purchases	130,092,485	1,514,464	123,824,609	1,448,241
Net exposure	143,214,508	1,667,232	135,173,913	1,580,981

Above net exposure is payable by the Holding Company in Rupees at the rate on which these are settled by the Holding Company. Currently, the Holding Company does not obtain forward cover against the gross exposure as exchange loss/ gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return.

The following significant exchange rates applied during the year:

	Average rates			Balance sheet date rate	
	2011	2010	(Rupees)	2011	2010
US Dollars	85.95	84.23		85.90	85.50

Sensitivity analysis

A 10% strengthening / (weakening) of the Rupee against US Dollar at June 30, 2011 would have increased / (decreased) trade creditors and gas development surcharge receivable from Government of Pakistan by Rs. 1,312 million (2010: Rs. 1,135 million). There is no effect of strengthening / (weakening) of US dollar on consolidated equity and consolidated profit and loss account of the Holding Company as exchange loss / gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

47.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments were as follows:

	2011	2010
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	1,040,539	1,159,334
Loan and Advances	2,596	7,008
Trade debts	10,481,358	5,089,319
Cash and bank balances	378,877	145,651
Financial liabilities		
Long term deposits	2,778,353	2,225,355
Govt. of Sindh Loan	2,850,929	1,948,640
Trade and other payables	17,013,844	11,534,577
Variable rate instruments		
Financial Assets		
Trade debts	27,865,207	24,756,915
Other receivables	736,629	2,875,707
Financial liabilities		
Long term loan except Govt. of Sindh loan	15,892,456	14,730,810
Short term borrowings	-	3,720,666
Trade and other payables	18,085,103	12,877,517

Fixed rate instrument bear fixed interest rate while all other borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of business needs. The Holding Company analysis its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect consolidated profit and loss account and the consolidated equity of the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the consolidated profit or loss of the Group as at June 30, 2011 by Rs. 54 million (2010: Rs. 37 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

47.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Gorup's investments in listed equity securities. This arises from investments held by the Holding Company for which prices in the future are uncertain. The fair value of listed equity investments of the Holding Company that are exposed to price risk as at June 30, 2011 is Rs. 77 million (2010: Rs.92 million)

A 10% increase/ decrease in the prices of listed equity securities of the Group at the reporting date would have increased or (decreased) long term investment and consolidated equity by Rs. 8 million (2010: Rs. 9 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

47.4 Fair value of financial assets and liabilities

The carrying values of all financial instruments reflected in the financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

47.4.1 Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	77,138	-	-	77,138
	77,138	-	-	77,138

	2010			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	92,017	-	-	92,017
	92,017	-	-	92,017

There have been no transfers during the year. (2010: no transfers in either direction).

47.5 Capital risk management

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

The Group is not subject to externally imposed regulatory capital requirements.

The gearing ratio as at June 30 is as follows:

	2011	2010
	(Rupees in '000)	
Total borrowings		
Long term financing	14,471,126	11,644,780
Current portion of long term financing	4,272,259	5,034,670
	18,743,385	16,679,450
Less: Cash and bank balances	(1,084,933)	(620,884)
Net debts	17,658,452	16,058,566
Average capital employed	36,518,555	30,751,868
Gearing ratio	48%	52%

48. OPERATING SEGMENTS

Only the Holding Company in the Group has adopted IFRS - 8 'Operating Segments' with effect from July 01, 2009. IFRS requires operating segments to be identified on the basis of internal reports about components of the Holding Company that are regularly reviewed by the Chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

1. Gas transmission and distribution (sale of gas); and
2. Meter manufacturing (manufacturing and sale of gas meters)

SEGMENT REVENUE AND RESULTS

The following is analysis of the Holding Company's revenue and results by reportable segment.

	SEGMENT REVENUE		SEGMENT PROFIT	
	2011	2010	2011	2010
	(Rupees in '000)			
Gas transmission and distribution	110,402,419	112,273,618	136,327	1,104,509
Meter manufacturing	1,715,719	1,900,515	149,881	150,618
Total segments results	112,118,138	114,174,133	286,208	1,255,127
Unallocated - other expenses				
- Finance cost			(5,786,122)	(5,015,893)
- Selling expenses			(973,210)	(753,240)
- Other operating expenses			(1,645,141)	(752,037)
Unallocated - other income				
- Operating income			3,759,907	3,789,522
- Non-operating income			9,878,037	8,489,939
Profit before tax			5,519,679	7,013,418

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 800 million (2010: 664 million)

The accounting policies of the reportable segments are same as disclosed in note 3.

	2011	2010
	(Rupees in '000)	
SEGMENT ASSETS AND LIABILITIES		
Segment assets		
Gas transmission and distribution	135,291,715	108,933,358
Meter manufacturing	757,426	417,863
Total segment assets	136,049,141	109,351,221
Unallocated		
- Loans and advance	229,217	206,774
- Taxation - net	2,306,105	90,170
- Interest accured	493,220	490,574
- Cash and bank balances	1,084,933	620,956
	4,113,475	1,408,474
Total assets	140,162,616	110,759,695
Segment liabilities		
Gas transmission and distrbution	110,159,083	95,102,012
Meter manufacturing	151,171	55,003
Total segment liabilities	110,310,254	95,157,015
Unallocated		
- Employee benefits	1,825,246	1,530,262
Total liabilities	112,135,500	96,687,277

As the Holding Company operates in one geographical area, there is no reportable geographical segment.

49. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at June 30, 2011 and 2010, are as follows:

	2011	2010
	(Rupees in '000)	
	Based on un-audited financial statements	
Pension fund - executives	647,599	879,793
Gratuity fund - executives	1,193,787	1,288,627
Pension fund - non executives	256,457	343,692
Gratuity fund - non executives	1,390,726	1,463,742
Provident fund - executives	1,586,220	1,481,074
Provident fund - non executives	1,526,253	1,679,877
Benevolent fund - executives	79,038	71,863

50. ACCOUNTING ESTIMATES AND JUDGMENTS

50.1 Income tax

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

50.2 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 41.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

50.3 Property, plant and equipment

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of property, plant and equipment. Further, the Group reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

50.4 Trade debts

The Gorup reviews its receivable against provision required there against on a ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

50.5 Provision for impaired inventory

The management continuously reviews its inventory for existence of any items which may have become obsolete. The estimates against slow moving and obsolete items are made based on systematic basis as approved by the Board of Directors.

50.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market of the financial instruments.

51. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended June 30, 2011 of Rs. 2.50 per share (2010: Rs. 1.50 per share), amounting to Rs. 2,097.420 million (2010: Rs. 1,006.761 million) and bonus issue in the ratio of 0.5 shares for every 10 shares held i.e. 5% at their meeting held on September 29, 2011, for approval of the members at the annual general meeting to be held on October 28, 2011. Further, an amount of Rs. 1,800 million has been transferred to Special Reserve II.

52. CORRESPONDING FIGURES

Following figure has been reclassified consequent upon the change in current year's presentation.

Reclassification		Amount
From	To	(Rs. in "000)
Administrative expenses	**Selling expenses**	
- Legal and professional	- Meter reading by contractors	38,700

53. GENERAL

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

54. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on September 29, 2011.

Salim Abbas Jilani
Chairman

Azim Iqbal Siddiqui
Managing Director