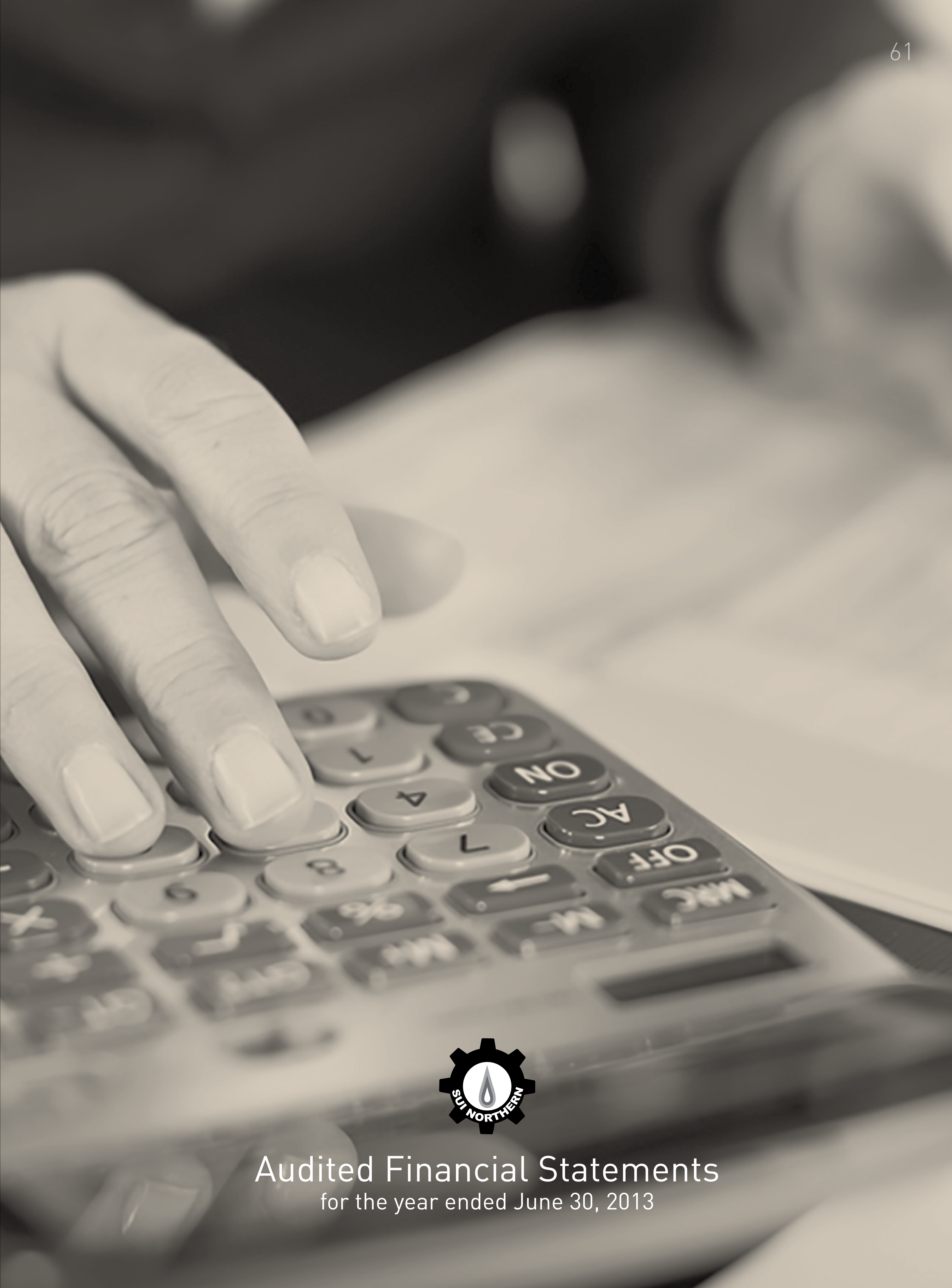

Audited Financial Statements

for the year ended June 30, 2013

Review Report to the Members
on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Sui Northern Gas Pipelines Limited to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Amer Raza Mir

Lahore
Date: December 23, 2015

Auditor's Report to the Members

We have audited the annexed balance sheet of Sui Northern Gas Pipelines Limited ("the Company") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, 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.

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:

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance,1984;

(b) In our opinion:

- (i) the balance sheet and 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;

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and 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, 2013 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the 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.

We draw attention to note 24.3 to the financial statements, which describes that settlement of amounts receivable from power generation companies and amounts payable to certain government owned entities is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan. Our opinion is not qualified in respect of this matter.

AFFerguson & Co

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Amer Raza Mir

Lahore
Date: December 23, 2015

Balance Sheet
as at June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
1,500,000,000 (2012: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital	5	6,342,167	5,765,606
Revenue reserves		3,691,122	15,458,174
Shareholders' equity		10,033,289	21,223,780
Non-current liabilities			
Long term financing:			
- Secured	6	5,000,000	7,500,000
- Unsecured	7	1,103,835	1,086,313
Security deposits	8	22,369,143	20,227,669
Deferred credit	9	33,118,345	33,315,790
Deferred taxation	10	2,677,154	9,066,835
Employee benefits	11	1,076,783	1,009,794
		65,345,260	72,206,401
Current liabilities			
Trade and other payables	12	70,435,752	65,288,560
Sales tax payable		-	1,070,339
Interest / mark-up accrued on loans and other payables	13	14,178,059	9,683,085
Short term borrowing - secured	14	1,000,000	1,000,000
Current portion of long term financing	15	2,836,006	2,853,581
		88,449,817	79,895,565
Contingencies and commitments	16		
		163,828,366	173,325,746

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	17	98,397,094	92,769,426
Intangible assets	18	12,448	133,591
Long term investment	19	4,900	4,900
Long term loans	20	258,638	245,067
Employee benefits	21	1,869,408	1,205,267
Long term deposits and prepayments	22	6,461	13,330
		100,548,949	94,371,581
Current assets			
Stores and spare parts	23	2,208,471	1,839,194
Stock-in-trade - gas in pipelines		1,075,236	848,671
Trade debts	24	54,462,227	73,330,850
Loans and advances	25	384,285	153,926
Trade deposits and short term prepayments	26	115,998	123,375
Accrued interest		12,894	15,814
Other receivables	27	323,908	82,424
Sales Tax recoverable		334,697	-
Taxation-net		3,394,335	1,434,647
Cash and bank balances	28	967,366	1,125,264
		63,279,417	78,954,165
		163,828,366	173,325,746

Muhammad Saeed Mehdi
Chairman

Profit and Loss Account

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
Gas sales	29	224,063,823	230,267,469
Less: Gas development surcharge		(18,401,776)	(13,615,152)
		205,662,047	216,652,317
Less: Cost of gas sales	30	221,012,785	209,422,514
Gross (loss) / profit		(15,350,738)	7,229,803
Other income	32	15,541,298	9,104,253
		190,560	16,334,056
Less:			
Selling cost	33	5,937,885	4,158,903
Administrative expenses	34	3,386,498	3,084,620
		9,324,383	7,243,523
Operating (loss) / profit		(9,133,823)	9,090,533
Less:			
Finance cost	35	6,100,239	3,412,328
Other operating expenses	36	500,917	937,320
		6,601,156	4,349,648
(Loss) / Profit before taxation		(15,734,979)	4,740,885
Taxation	37	(5,985,890)	1,696,889
(Loss) / Profit for the year		(9,749,089)	3,043,996
(Loss) / Earnings per share - basic and diluted - (Rupees)	44	(15.37)	4.80

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Statement of Comprehensive Income
for the year ended June 30, 2013

	2013	2012
	(Rupees in thousand)	
(Loss) / Profit for the year	(9,749,089)	3,043,996
Other comprehensive income for the year:		
Items that will not be reclassified to profit and loss	-	-
Items that may be reclassified subsequently to profit and loss	-	-
	-	-
Total comprehensive (Loss) / Profit for the year	(9,749,089)	3,043,996

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Statement of Changes in Equity
for the year ended June 30, 2013

	Share capital	General reserve	Dividend equalization reserve	Un appropriated profit	Total	Total equity
	(Rupees in thousand)					
Balance as at June 30, 2011	5,491,053	4,127,682	480,000	8,630,154	13,237,836	18,728,889
Profit for the year	-	-	-	3,043,996	3,043,996	3,043,996
Total other comprehensive income for the year	-	-	-	-	-	-
Bonus shares @ 5% for the year ended 30 June 2011	274,553	-	-	(274,553)	(274,553)	-
Final dividend for the year ended June 30, 2011 @ Rupees 1.00 per share	-	-	-	(549,105)	(549,105)	(549,105)
Balance as at June 30, 2012	5,765,606	4,127,682	480,000	10,850,492	15,458,174	21,223,780
Loss for the year	-	-	-	(9,749,089)	(9,749,089)	(9,749,089)
Total other comprehensive income for the year	-	-	-	-	-	-
Bonus shares @ 10% for the year ended June 30, 2012	576,561	-	-	(576,561)	(576,561)	-
Final dividend for the year ended June 30, 2012 @ Rupees 2.50 per share	-	-	-	(1,441,402)	(1,441,402)	(1,441,402)
Balance as at June 30, 2013	6,342,167	4,127,682	480,000	(916,560)	3,691,122	10,033,289

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Cash Flow Statement

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	18,432,552	8,356,851
Finance cost paid		(1,483,394)	(1,688,105)
Taxes paid		(2,363,478)	(1,781,154)
Employee benefits/contributions paid		(2,090,697)	(1,187,407)
Increase in security deposits		2,141,474	3,749,868
Receipts against government grants and consumer contributions		3,093,929	2,818,819
Increase in long term loans		(29,903)	(46,489)
Decrease / (Increase) in long term deposits and prepayments		6,869	(6,812)
Net cash generated from operating activities		17,707,352	10,215,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(14,228,495)	(11,322,774)
Expenditure on intangible assets		(2,461)	(5,748)
Proceeds from sale of property, plant and equipment		17,402	14,109
Return on bank deposits		431,824	381,848
Net cash used in investing activities		(13,781,730)	(10,932,565)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing - unsecured		100,004	18,006
Proceeds from long term financing - secured		-	500,000
Repayment of long term financing - unsecured		(254,099)	(83,723)
Repayment of long term financing - secured		(2,500,000)	-
Dividend paid		(1,429,425)	(546,085)
Net cash used in financing activities		(4,083,520)	(111,802)
Net decrease in cash and cash equivalents		(157,898)	(828,796)
Cash and cash equivalents at the beginning of the year		125,264	954,060
Cash and cash equivalents at the end of the year	38.2	(32,634)	125,264

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Notes to the Financial Statements

for the year ended June 30, 2013

1. THE COMPANY AND ITS OPERATIONS

Sui Northern Gas Pipelines Limited (The Company) is a public limited Company incorporated in Pakistan under the Companies Act,1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 21 Kashmir Road, Lahore. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These 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 (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

- IAS 1 (amendment), 'Financial statement presentation' regarding other comprehensive income is effective for periods starting from or on July 1 2012. It requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This does not have a material impact on Company's financial statements.
- IAS 12 (amendment), 'Income taxes' regarding the measurement of the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale is effective for periods starting January 1, 2012. As a result of this amendment SIC - 21 would no longer apply to investment properties carried at fair value and it also incorporates into IAS - 12 remaining guidance in SIC - 21, which is withdrawn accordingly. This does not have a material impact on the financial statements.

2.2.2 Standards, amendments to published standards and interpretations that are effective in current year but not relevant to the Company's operations

The other new standards amendments and interpretations that are mandatory for accounting period beginning on or after July 1, 2012 are considered not to be relevant or to have any significant impact on Company's financial reporting and operations.

2.2.3 Standards, amendments to published standards and interpretations to existing standards that are not yet effective but applicable/ relevant to the Company's operations

- IFRIC 4, - 'Determining whether an Arrangement contains a Lease'. International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC 4 which requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC 4, if an arrangement conveys a right to use the asset to lessee and the fulfillment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 24/2012 dated January 16, 2012 has exempted the application of IFRIC 4 'Determining whether an Arrangement contains a Lease' for all companies. However, the SECP made it mandatory for the companies to disclose the impacts of the application of IFRIC 4 on the results of the companies. Consequently, the Company has also been exempted from the application of IFRIC 4 while preparing its financial statements.

The Company reviewed various pipeline rental agreements executed in previous years and has determined that two pipeline rental agreements relating to certain gas transmission pipelines contain embedded leases and are to be recognized as leases in terms of IFRIC 4 and IAS 17 'Leases'.

Under IFRIC 4, the consideration required to be made by the lessee i.e. Sui Northern Gas Pipelines Limited for the right to use the assets is to be accounted for as a finance lease under IAS 17. If the Company was to follow IFRIC 4 and IAS 17, the effects on the financial statements would be as follows:

	2013	2012
	(Rupees in thousand)	
Effect on profit and loss account		
Decrease/(increase) in		
Cost of sales		
Transportation charges		
- Sui Southern Gas Company Limited (SSGCL)	442,982	425,352
Operating expenses		
Depreciation	(150,984)	(150,984)
Finance cost		
Finance cost - leased assets	(326,308)	(335,155)
Effect on balance sheet		
Decrease in		
Written down value of operating assets	(905,903)	(1,056,887)
(Increase) in Obligation under finance lease		
Long term portion	(1,912,669)	(2,004,956)
Short term portion	(92,287)	(78,880)

- IFRS 2 (amendment), 'Share-based payment-Group Cash-settled Share-base Payment Transactions' effective for annual period beginning on or after January 01, 2010.

The International Accounting Standard Board (IASB) amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

On August 14, 2009, the Government of Pakistan (GOP) launched "Benazir Employee 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 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 cash payments 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 investments 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 allotted units by each Trust Fund in proportion to their respective length of service and on retirement

Notes to the Financial Statements

for the year ended June 30, 2013

or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The scheme also provides that 50% of 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 the 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 Payments. 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 the 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 the staff costs of the Company for the year would have been higher by Rs 92,835 thousand (2012:Rs 125,597 thousand) and reserves would have been higher by Rs 376,318 thousand (2012: Rs 291,986 thousand). However, there will be no impact on profit after taxation, EPS and retained earning as Company's management believes that this impact is a pass through item which will be eventually adjusted against gas development surcharge or differential margin as explained in note 4.19.

2.2.4 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

			Effective date (accounting periods beginning on or after)
-	IFRS 7	Financial Instruments: Disclosure	January 01, 2013
-	IFRS 9	Financial Instruments	January 01, 2015
-	IFRS 10	Consolidated financial information	January 01, 2013
-	IFRS 12	Disclosures of interest in other entities	January 01, 2013
-	IFRS 13	Fair value measurements	January 01, 2013
-	IAS 32	Financial instruments: Presentation	January 01, 2013
-	IAS 27	Separate financial statements	January 01, 2013
-	IAS 28	Associates and joint ventures	January 01, 2013
-	Annual improvements 2011; IFRS 1, 'First time adoption'. IAS 1, 'Financial statement presentation'. IAS 16, 'Property plant and equipment'. IAS 32, 'Financial instruments; Presentation'. IAS 34, Interim financial reporting'		January 01, 2014

- IAS 19 (amendment) 'Employee benefits' was introduced in June 2011 and is applicable for accounting periods beginning on or after January 1, 2013. The impact will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in OCI as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The expected impact of this is reduction of Rs 3,600,678 thousand in retained earnings as at July 1, 2013.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment or estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) **Employee benefits**

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.3.

b) **Provision for taxation**

The Company takes into account the current income tax law and the decisions taken by appellate authorities. 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 views on items of material nature in accordance with law, the amounts are shown as contingent liabilities.

c) **Useful life and residual values of property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

d) **Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Deferred credit

Deferred credit represents the amount received from the consumers and the Government as contribution and grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life, however where contributions received from consumers, after July 1, 2009, which meets the criteria as provided in IFRIC 18, are recognized in the year in which the grant is received.

4.2 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductable temporary differences to the

Notes to the Financial Statements
for the year ended June 30, 2013

extent that it is probable that taxable profit will be available against such deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity in which case it is included in equity.

4.3 Employee retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

4.3.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The future contribution rates of these funds include allowance for deficit and surplus.

4.3.1.1 Pension and gratuity funds

The Company operates an approved funded pension scheme and an approved funded gratuity scheme for executives and non-executives. In case of gratuity scheme, qualifying service period for executives and non-executives is five years and six years, respectively. Contributions to the schemes are payable on the recommendations of the actuary. The future contribution rates of these schemes include allowance for deficit and surplus.

An executive who qualifies for pension at the time of retirement from the Company and does not surrender his pension, shall be entitled to gratuity at the rate of 20 days basic salary for each completed year of service. An executive who qualifies for pension at the time of retirement from the Company and surrenders his pension, shall be entitled to gratuity at the rate of 50 days basic salary for each completed year of service.

4.3.1.2 Medical and free gas facility schemes

The Company provides free gas facility to non-executives and medical facility to all employees and their dependents after their retirement. However, all executives retired up to December 31, 2000 are also entitled to avail free gas facility.

4.3.1.3 Accumulating compensated absences

The Company provides annually for the expected cost of accumulating compensated absences and leave fare assistances on the basis of actuarial valuations. However, executives of the Company were not entitled to avail leave fare assistance after December 31, 2000.

Executives and non-executives of the Company are entitled to accumulate the unutilized privilege leaves up to 60 and 90 days, respectively. Such accumulation is encashable only at the time of retirement or leaving the service of the Company.

The most recent valuations were carried out as on June 30, 2013 using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans, except for compensated absences where actuarial gains or losses are recognized immediately.

4.3.2 Defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund.

4.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.5 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, if 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.6 Operating fixed assets

4.6.1 Property, plant and equipment

Cost

Operating fixed assets except for freehold and leasehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold and leasehold land are stated at cost less impairment loss, if any. Capital work-in-progress is stated at cost less provision for obsolescence of stores and spare parts. Cost in relation to certain assets signifies historical cost and borrowing cost referred to in Note 4.8.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 17.1. Transmission and distribution system, meter and compressor stations and equipments are depreciated at annual rates of 6% to 10%. Depreciation on addition is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Pipelines uplifted during the year are deleted from operating fixed assets. 60% to 65% of the written down value of the uplifted pipelines representing cost of pipelines and fittings is transferred to capital work-in-progress after considering its reuse capability. The balance of the written down value representing construction overheads is charged to income.

4.6.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization at the rates given in Note 18.1 and impairment loss, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Notes to the Financial Statements
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4.7 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.8 Borrowing cost

Mark-up, interest, profit and other charges on long term financing are capitalized for the period up to the date of commissioning of the respective assets acquired out of the proceeds of such borrowings. All other mark-up, interest, profit and other charges are charged to income during the year.

4.9 Investments

a) Investment in associate

Investment in associate, on which the Company has significant influence but not control, is accounted for using the equity method of accounting wherein the Company's share of underlying net assets of the investee is recognized as the carrying amount of such investment. Difference between the amounts previously recognized and the amount calculated at each year end is recognized as share of profit of associate. Distributions received out of such profits shall be credited to the carrying amount of investment in associated undertaking.

b) Investments held-to-maturity

Investment with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held-to-maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

c) Investments available-for-sale

All investments classified as available-for-sale are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Unrealized gains or losses from changes in fair value are recognized in equity. Realized gains and losses are taken to profit and loss account.

d) Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

4.10 Stores and spare parts

These are valued at lower of monthly moving average cost and net realizable value. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. The Company reviews stores and spare parts for possible impairment on an annual basis. Any change in the estimate in future years might affect the carrying amount of the respective items of stores and spare parts with a corresponding effect on the provision.

4.11 Stock-in-trade

Stock of gas in pipelines is valued at the lower of cost determined on annual average basis and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.12 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful of recovery. No provision is made in respect of active consumers considered good.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts, other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values and short-term borrowings. Short term borrowings are shown in current liabilities on the balance sheet.

4.14 Revenue recognition

Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates fixed by Oil and Gas Regulatory Authority (OGRA). Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end.

Meter rentals are recognized on a monthly basis, at specified rates by OGRA for various categories of consumers.

Interest on gas sales arrears and surcharge on late payment is recognized from the date the billed amount is overdue and when it is probable that economic benefits will flow to the entity.

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Take or pay income is recognized when it is likely that the consumers may not be able to consume gas in future by an agreed date over and above the committed gas supply.

4.15 Foreign currency transactions

The financial statements are presented in Pak Rupees, which is the Company's functional currency and presentation currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency using rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined.

4.16 Long term financing

All borrowings are initially recognized at the fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in profit and loss account.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.17 Financial assets and liabilities

Financial instruments comprise loans and advances, deposits, interest accrued, trade debts, other receivables, cash and bank balances, long term financings, short term borrowing, interest / mark-up accrued and trade and other payables.

Notes to the Financial Statements
for the year ended June 30, 2013

Financial assets and liabilities are initially recognized at fair value at the time the Company becomes a party to the contractual provisions of the instruments.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account.

4.18 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognized amount and the Company intends to settle either on a net basis or to realize the asset and to settle the liability simultaneously.

4.19 Gas development surcharge / Differential margin

Under the provisions of license for transmission and distribution of natural gas granted to the Company by OGRA, the Company is required to earn an annual return of not less than 17.50% per annum on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income. Any deficit or surplus on account of this is recoverable from or payable to the Government of Pakistan as differential margin or gas development surcharge.

During the year, the Company could not meet the benchmarks prescribed by Oil and Gas Regulatory Authority (OGRA) relating to Unaccounted for Gas (UFG), consequently as against the given rate of return of 17.5% on average fixed assets discussed above, the effective rate of return on average fixed assets works out to be -7.62% (2012: 4.68%). This rate of return is exclusive of an adverse adjustment of Rs 12,743 million which works out to be -20.61% (2012:Nil) relating to financial years 2010-11 and 2011-12 representing additional UFG disallowances and treatment of LPS / interest on delayed payments from debtors as operating income.

4.20 Construction contracts

Contract costs are recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Company uses the percentage of "completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

4.21 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		2013	2012
(Number of shares)			(Rupees in thousand)	
121,146,000	121,146,000	Ordinary shares of Rs 10 each issued		
		as fully paid for cash	1,211,460	1,211,460
3,329,000	3,329,000	Ordinary shares of Rs 10 each issued		
		as fully paid for consideration other than cash	33,290	33,290
509,741,665	452,085,605	Ordinary shares of Rs 10 each issued as		
		fully paid bonus shares	5,097,417	4,520,856
634,216,665	576,560,605		6,342,167	5,765,606

5.1 A summary of the movement in ordinary share capital is given below:

	2013		2012	
	Number	Amount (Rupees in thousand)	Number	Amount (Rupees in thousand)
Issued, subscribed and paid-up share capital				
As at July 1	576,560,605	5,765,606	549,105,339	5,491,053
Ordinary shares of Rs 10 each issued as bonus shares during the year	57,656,060	576,561	27,455,266	274,553
As at June 30	634,216,665	6,342,167	576,560,605	5,765,606

5.2 Ordinary shares of the Company held by undertakings associated to the Company, only by virtue of common directorship are as follows:

	2013	2012
	(Number of Shares)	
Dawood Hercules Chemicals Limited	-	73,481,262
Sui Southern Gas Company Limited	2,414,174	2,194,704
MCB Bank Limited	55,174,764	50,158,879
Dawood Foundation	5,909,822	5,372,566
	63,498,760	131,207,411

6. LONG TERM FINANCING - SECURED

	Note	2013	2012
		(Rupees in thousand)	
From banking companies:			
Local currency - Syndicate term finance	6.1	5,250,000	7,000,000
		5,250,000	7,000,000
Other loans:			
Islamic finance under Musharaka arrangement	6.2	2,250,000	3,000,000
Less: Current portion shown under current liabilities	15	(2,500,000)	(2,500,000)
		5,000,000	7,500,000

Notes to the Financial Statements

for the year ended June 30, 2013

6.1 Local currency - Syndicate term finance

Lender	Mark-up rate	No. of outstanding installments	Repayment commencement date	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	6 half yearly installments	December 30, 2012	June 30, 2016

This loan is secured by first parri passu created by way of hypothecation over all the present and future moveable fixed assets of the Company (excluding land and building) to the extent of Rs 10,823,789 thousands.

6.2 Islamic finance under musharaka arrangement

Lender	Mark-up rate	No. of outstanding installments	Repayment commencement date	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	6 half yearly installments	December 30, 2012	June 30, 2016

Assets under musharaka agreement are secured by a first parri passu created by way of hypothecation over movable fixed assets of the Company (excluding land and building) to the extent of Rs 4,560,827 thousands, in respect of assets held under musharaka arrangement as given in note 17.1.5.

	Note	2013	2012
		(Rupees in thousand)	
7. LONG TERM FINANCING - UNSECURED			
From financial institutions:			
Local currency loans	7.1	1,439,841	1,439,894
Less: Current portion shown under current liabilities			
Local currency loans	15	(336,006)	(353,581)
		1,103,835	1,086,313
7.1 Loans			
Government - Cash development loans	7.1.1	1,111,555	1,052,212
Related parties	7.1.2	134,296	154,494
Industrial consumers	7.1.3	193,990	233,188
		1,439,841	1,439,894

7.1.1 These have been obtained from the Federal Government and the Provincial Governments of Punjab and Khyber Pakhtunkhwa for supply of gas to new towns. The loan aggregating to Rs 560,606 thousand (2012: Rs 376,991 thousand) carries mark-up at rates ranging between 5% to 9% (2012: 5% to 9%) per annum and Rs 550,949 thousand (2012: Rs 675,221 thousand) carries mark-up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2012: six month SBP treasury bills plus 1.2%) on the outstanding balance or part thereof.

7.1.2 These have been obtained from DG Khan Cement Company Limited and Packages Limited for laying of gas pipelines and carry mark-up at the rates ranging between 1.5% to 2.0% (2012: 1.5% to 2.0%) per annum on the outstanding balance and are repayable over a period of 10 years with a grace period of 2 years.

7.1.3 These have been obtained from certain industrial consumers for laying of gas pipelines and carry mark-up at rates ranging between 1.5% to 2% (2012: 1.5% to 2%) per annum on the outstanding balance or part thereof and are repayable over a period of 8 to 10 years with a grace period of 2 years.

7.1.4 The fair value of loans from Federal and Provincial Governments are estimated as present value of all future cash flows discounted using Pakistan Investment Bonds (PIBs) rate prevailing at the time of initial recognition of respective loans. Loans from industrial consumers are estimated as present value of all future cash flows discounted using 1.1% above State Bank of Pakistan's cut off yield rates prevailing at the time of initial recognition of these loans.

	2013	2012
	(Rates %)	
7.1.5 The effective interest rates are as follows:		
Government - Development loans	7.54 to 15.00	7.54 to 15.00
Industrial consumers and related parties	2.79 to 14.24	2.79 to 14.24

	Note	2013	2012
		(Rupees in thousand)	
8. SECURITY DEPOSITS			
Consumers	8.2 & 8.3	22,281,559	20,149,630
Contractors - Houseline	8.3	87,584	78,039
		22,369,143	20,227,669

8.1 Consumer deposits represent security against amount due from consumers on account of gas sales. These are repayable on cancellation of contract for supply of gas or on submission of bank guarantees in lieu of security deposits. Interest is payable at the rate of 5% (2012: 5%) per annum on deposits from industrial and commercial consumers aggregating to Rs 14,680,819 thousand (2012: Rs 13,418,530 thousand) and 2% (2012: 2%) per annum on deposits from bulk domestic consumers aggregating to Rs 957,659 thousand (2012: Rs 807,741 thousand). However, for one consumer having deposit of Rs 787,674 thousand (2012: Rs 711,560 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2012: 3 months SBP treasury bills cut off rate subject to a floor of 7%) per annum.

8.2 These include security deposits from related parties amounting to Rs 27,122 thousand (2012: Rs 27,122 thousand).

8.3 No interest is payable on the deposits from houseline contractors and domestic consumers. These are refundable on cancellation of contract or dealership agreement.

Notes to the Financial Statements

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
9. DEFERRED CREDIT			
Consumer contribution against:			
- Completed jobs		20,006,615	18,410,039
- Jobs-in-progress		3,552,880	3,065,719
		23,559,495	21,475,758
Government grants against:			
- Completed jobs		14,223,394	13,372,353
- Jobs-in-progress		11,356,960	11,270,754
		25,580,354	24,643,107
		49,139,849	46,118,865
Less: Accumulated amortization:			
Opening balance		12,803,075	10,545,732
Amortization for the year - Initial gain on Cash Development Loan from Provincial Govt.		3,642	-
Amortization for the year	32	3,214,787	2,257,343
		16,021,504	12,803,075
		33,118,345	33,315,790
10. DEFERRED TAXATION			
The liability for deferred taxation comprises timing differences relating to:			
Taxable temporary differences			
Accelerated tax depreciation		11,603,677	12,956,070
Unamortized balance of employee loans at fair value		3,640	24,043
		11,607,317	12,980,113
Deductible temporary differences			
Provision for doubtful debts		(2,793,189)	(2,088,159)
Unpaid trading liabilities		(788,662)	(396,141)
Carried forward tax losses		(3,709,723)	(597,549)
Minimum tax adjustment		(1,540,486)	(801,069)
Interest payable on security deposits		(98,103)	(30,360)
		(8,930,163)	(3,913,278)
		2,677,154	9,066,835
11. EMPLOYEE BENEFITS			
Medical fund - Non executive staff		96,440	164,461
Medical fund - Executive staff		205,040	204,061
Free gas facility fund - Non executive staff		166,374	149,968
Free gas facility fund - Executive staff		57,625	12,519
Gratuity fund-Executive staff		426,246	261,407
Compensated absences-Non Executive staff		100,717	-
Compensated absences-Executive staff		24,341	34,190
Pension fund-Non Executive staff		-	183,188
		1,076,783	1,009,794

		Note	Medical fund - Non executive staff 2013	Medical fund - Non executive staff 2012	Medical fund - - Executive staff 2013	Medical fund - - Executive staff 2012	Free gas facility fund - Non executive staff 2013	Free gas facility fund - Non executive staff 2012	Free gas facility fund - Executive staff 2013	Free gas facility fund - Executive staff 2012	Gratuity fund - Executive staff 2013	Gratuity fund - Executive staff 2012	Accumulating compensated absences - Non Executive staff 2013	Accumulating compensated absences - Non Executive staff 2012	Accumulating compensated absences - Executive staff 2013	Accumulating compensated absences - Executive staff 2012	Pension fund - Non Executive staff 2013	Pension fund - Non Executive staff 2012	Total 2013	Total 2012
			(Rupees in thousand)																	
11.1	**Reconciliation of payable to employee benefit plans:**																			
	Present value of funded obligations	11.4	3,708,128	3,853,287	1,927,289	1,703,247	2,818,446	1,679,729	118,584	62,461	1,247,535	1,108,578	424,289	-	140,038	119,035	-	5,934,770	10,384,309	14,461,107
	Fair value of plan assets	11.5	(5,030,626)	(4,256,762)	(1,399,741)	(1,101,512)	(1,610,259)	(1,349,076)	(60,959)	(49,942)	(363,632)	(350,944)	(323,572)	-	(115,697)	(84,845)	-	(4,494,681)	(8,904,486)	(11,687,762)
		11.10	(1,322,498)	(403,475)	527,548	601,735	1,208,187	330,653	57,625	12,519	883,903	757,634	100,717	-	24,341	34,190	-	1,440,089	1,479,823	2,773,345
	Unrecognized actuarial gains / (losses)		1,418,938	567,936	(322,508)	(397,674)	(1,041,813)	(180,685)	-	-	(457,657)	(496,227)	-	-	-	-	-	(1,256,901)	(403,040)	(1,763,551)
	Net liability		96,440	164,461	205,040	204,061	166,374	149,968	57,625	12,519	426,246	261,407	100,717	-	24,341	34,190	-	183,188	1,076,783	1,009,794
11.2	**Movement in net liability**																			
	Opening liability		164,461	164,165	204,061	170,682	149,968	164,619	12,519	(4,278)	261,407	393,658	(26,724)	-	34,190	12,096	-	229,132	799,882	1,130,074
	Charge for the year	11.3	109,997	174,498	210,913	213,869	159,196	142,576	57,041	23,123	240,398	215,214	150,507	-	23,131	42,137	-	387,758	951,183	1,199,175
	Contribution paid		(178,018)	(174,202)	(209,934)	(180,490)	(142,790)	(157,227)	(11,935)	(6,326)	(75,559)	(61,465)	(23,066)	-	(32,980)	(20,043)	-	(433,702)	(674,282)	(1,033,455)
	Transfer of funds		-	-	-	-	-	-	-	-	-	(286,000)	-	-	-	-	-	-	-	(286,000)
			96,440	164,461	205,040	204,061	166,374	149,968	57,625	12,519	426,246	261,407	100,717	-	24,341	34,190	-	183,188	1,076,783	1,009,794
11.3	**Amounts recognized in profit and loss account**																			
	Current service cost		176,675	182,468	100,210	88,778	114,940	101,638	-	-	80,700	58,986	26,957	-	19,172	12,919	-	213,679	518,654	658,468
	Interest on obligation		500,927	500,549	221,422	203,272	218,365	191,118	8,120	5,702	144,115	122,968	34,401	-	15,475	12,326	-	627,769	1,142,825	1,663,704
	Expected return on plan assets		(553,379)	(508,519)	(143,197)	(119,023)	(175,380)	(150,180)	(6,492)	(6,300)	(45,623)	(11,598)	(37,875)	-	(11,030)	(10,633)	-	(486,700)	(972,976)	(1,292,953)
	Net actuarial (gains)/losses recognized in the year		(14,226)	-	32,478	40,842	1,271	-	55,413	23,721	55,053	44,858	127,024	-	(486)	27,525	-	33,010	256,527	169,956
	Past service cost - Vested		-	-	-	-	-	-	-	-	6,153	-	-	-	-	-	-	-	6,153	-
	Total included in employee benefit expense	11.12	109,997	174,498	210,913	213,869	159,196	142,576	57,041	23,123	240,398	215,214	150,507	-	23,131	42,137	-	387,758	951,183	1,199,175
	Actual return on plan assets		667,864	522,480	147,229	125,349	190,183	158,365	6,017	4,939	117,035	186,455	32,225	-	12,852	8,898	-	866,549	1,173,405	1,873,035
11.4	**Changes in the present value of defined benefit obligation**																			
	Opening defined benefit obligation		3,853,287	3,575,342	1,703,247	1,451,941	1,679,729	1,365,130	62,461	40,725	1,108,578	878,345	264,623	-	119,035	88,043	-	4,484,066	8,790,960	11,883,592
	Current service cost		176,675	182,468	100,210	88,778	114,940	101,638	-	-	80,700	58,986	26,957	-	19,172	12,919	-	213,679	518,654	658,468
	Interest cost		500,927	500,548	221,422	203,272	218,365	191,118	8,120	5,702	144,115	122,968	34,401	-	15,475	12,326	-	627,769	1,142,825	1,663,703
	Actuarial losses		(750,743)	(332,870)	(38,656)	13,746	877,202	61,070	54,938	22,360	87,895	314,100	121,374	-	1,336	25,790	-	891,252	353,346	995,448
	Past service cost		-	-	-	-	-	-	-	-	6,153	-	-	-	-	-	-	-	6,153	-
	Benefits paid		(72,018)	(72,201)	(58,934)	(54,490)	(71,790)	(39,227)	(6,935)	(6,326)	(179,906)	(265,821)	(23,066)	-	(14,980)	(20,043)	-	(281,996)	(427,629)	(740,104)
	Closing defined benefit obligation		3,708,128	3,853,287	1,927,289	1,703,247	2,818,446	1,679,729	118,584	62,461	1,247,535	1,108,578	424,289	-	140,038	119,035	-	5,934,770	10,384,309	14,461,107
11.5	**Changes in the fair value of plan assets**																			
	Opening fair value of plan assets		4,256,762	3,632,282	1,101,512	850,163	1,349,076	1,072,711	49,942	45,003	350,944	82,846	291,347	-	84,845	75,947	-	3,476,425	7,484,428	9,235,377
	Expected return		553,379	508,519	143,197	119,023	175,380	150,180	6,492	6,300	45,623	11,598	37,875	-	11,030	10,633	-	486,700	972,976	1,292,953
	Actuarial gains / (losses)		114,485	13,961	4,032	6,326	14,803	8,185	(475)	(1,361)	71,412	174,857	(5,650)	-	1,822	(1,735)	-	379,849	200,429	580,082
	Contributions by employer		178,018	174,201	209,934	180,490	142,790	157,227	11,935	6,326	75,559	61,464	23,066	-	32,980	20,043	-	433,703	674,282	1,033,454
	Benefits paid		(72,018)	(72,201)	(58,934)	(54,490)	(71,790)	(39,227)	(6,935)	(6,326)	(179,906)	(265,821)	(23,066)	-	(14,980)	(20,043)	-	(281,996)	(427,629)	(740,104)
	Transfer of funds		-	-	-	-	-	-	-	-	-	286,000	-	-	-	-	-	-	-	286,000
		11.6	5,030,626	4,256,762	1,399,741	1,101,512	1,610,259	1,349,076	60,959	49,942	363,632	350,944	323,572	-	115,697	84,845	-	4,494,681	8,904,486	11,687,762

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11.6 Plan assets comprise:

	Medical fund - Non executive staff			
	2013		2012	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	4,943,619	98.27	4,043,171	94.99
NIT units	86,103	1.71	212,571	4.99
Cash at bank	904	0.02	1,020	0.02
	5,030,626	100.00	4,256,762	100.00

	Medical fund - Executive staff			
	2013		2012	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,386,257	99.04	1,068,401	96.99
NIT units	11,532	0.82	32,272	2.93
Cash at bank	1,952	0.14	839	0.08
	1,399,741	100.00	1,101,512	100.00

	Free gas facility fund - Non executive staff			
	2013		2012	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,579,659	98.10	1,263,706	93.67
NIT units	29,942	1.86	84,422	6.26
Cash at bank	658	0.04	948	0.07
	1,610,259	100.00	1,349,076	100.00

	Free gas facility fund - Executive staff			
	2013		2012	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	59,532	97.66	48,077	96.27
Cash at bank	1,427	2.34	1,865	3.73
	60,959	100.00	49,942	100.00

	Gratuity fund - Executive staff			
	2013		2012	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	363,171	99.87	317,703	90.53
Cash at bank	461	0.13	33,241	9.47
	363,632	100.00	350,944	100.00

	Accumulating compensated absences - Non executive staff			
	2013		2012	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	322,315	99.61	-	0.00
Cash at bank	1,257	0.39	-	0.00
	323,572	100.00	-	0.00

	Accumulating compensated absences - Executive staff			
	2013 Fair value		2012 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	113,502	98.10	81,932	96.57
Cash at bank	2,195	1.90	2,913	3.43
	115,697	100.00	84,845	100.00

	Pension Fund - Non executive staff			
	2013 Fair value		2012 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Mutual Funds	-	-	246,879	5.49
Certificates of deposits	-	-	4,156,345	92.47
Pakistan Investment Bonds	-	-	41,000	0.91
Cash at bank	-	-	50,457	1.13
	-	-	4,494,681	100.00

11.7 Principal actuarial assumptions used (expressed as weighted average)

	Medical fund			
	2013		2012	
	Executive	Non-executive	Executive	Non-executive
Discount rate	11%	11%	13%	13%
Expected rate of growth per annum in average cost of facility	8%	8%	10%	10%
Increase in average cost of medical facility per employee due to increase in age of recipient	2%	2%	2%	2%
Expected rate of return per annum on plan assets	13%	13%	14%	14%

	Free gas facility fund			
	2013		2012	
	Executive	Non-executive	Executive	Non-executive
Discount rate	11%	13%	13%	13%
Expected rate of growth per annum in average cost of facility	10%	10%	12%	12%
Rate of utilization of facility by future entitled employees	0%	0%	0%	0%
Expected rate of return per annum on plan assets	13%	13%	14%	14%

	Pension fund			
	2013		2012	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	10%	10%	12%	12%
Discount rate	11%	11%	13%	13%
Expected rate of return per annum on plan assets	13%	13%	14%	14%

	Gratuity fund			
	2013		2012	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	10%	10%	12%	12%
Discount rate	11%	11%	13%	13%
Expected rate of return per annum on plan assets	13%	13%	14%	14%

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	Accumulating compensated absences			
	2013		2012	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	10%	10%	12%	12%
Discount rate	11%	11%	13%	13%
Expected rate of return per annum on plan assets	13%	13%	14%	14%

11.8 Calculations are based on complex mathematical model which takes into account the yield at maturity of the existing investment present at the beginning of the financial year. The model also considers the expected return on the reinvestment of the maturity proceeds in similar instruments (based on their yield as at the valuation date) up till the life of the related obligation.

11.9 The effect of one per cent movement in assumed medical cost trend rates would have the following effects:

	2013		2012	
	1% Increase	1% (decrease)	1% Increase	1% (decrease)
	(Rupees in thousand)			
Effect on the aggregate of the service cost and interest cost	66,000	(58,000)	101,000	(93,000)
Effect on defined benefit obligation	990,000	(856,000)	1,735,000	(1,587,000)

11.10 (Surplus) / Deficit for current and previous four years

	Medical fund - Non executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	3,708,128	3,853,287	3,575,342	3,361,803	2,927,594
Plan assets	(5,030,626)	(4,256,762)	(3,632,282)	(3,073,364)	(2,537,696)
(Surplus) / Deficit	(1,322,498)	(403,475)	(56,940)	288,439	389,898
Experience adjustment on plan liabilities	(750,743)	(332,870)	(261,539)	15,195	(47,335)
Experience adjustment on plan assets	114,485	13,961	62,114	93,144	(12,865)

	Medical fund - Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	1,927,289	1,703,247	1,451,941	1,257,528	940,078
Plan assets	(1,399,741)	(1,101,512)	(850,163)	(694,007)	(556,644)
Deficit	527,548	601,735	601,778	563,521	383,434
Experience adjustment on plan liabilities	(38,656)	13,746	27,222	214,893	103,460
Experience adjustment on plan assets	4,032	6,326	10,876	15,566	10,128

	Free gas facility fund - Non executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	2,818,446	1,679,729	1,365,130	1,326,726	1,090,211
Plan assets	(1,610,259)	(1,349,076)	(1,072,711)	(824,695)	(671,870)
Deficit	1,208,187	330,653	292,419	502,031	418,341
Experience adjustment on plan liabilities	877,202	61,070	(173,777)	74,008	170,479
Experience adjustment on plan assets	14,803	8,185	19,053	18,201	(484)

	Free gas facility fund - Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	118,584	62,461	40,725	43,579	39,718
Plan assets	(60,959)	(49,942)	(45,003)	(36,964)	(33,032)
Deficit / (Surplus)	57,625	12,519	(4,278)	6,615	6,686
Experience adjustment on plan liabilities	54,938	22,360	(5,327)	3,159	8,330
Experience adjustment on plan assets	(475)	(1,361)	603	(32)	1,796

	Gratuity fund - Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	1,247,535	1,108,578	878,345	814,666	298,443
Plan assets	(363,632)	(350,944)	(82,846)	(52,155)	(1,375,923)
Deficit / (Surplus)	883,903	757,634	795,499	762,511	(1,077,480)
Experience adjustment on plan liabilities	87,895	314,100	159,554	(21,200)	(20,960)
Experience adjustment on plan assets	71,412	174,857	36,125	(31,347)	118,136

	Accumulating compensated absences - Non Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	424,289	264,623	206,762	191,570	148,161
Plan assets	(323,572)	(291,347)	(253,583)	(224,129)	(194,884)
Deficit / (Surplus)	100,717	(26,724)	(46,821)	(32,559)	(46,723)
Experience adjustment on plan liabilities	121,374	31,610	(14,966)	27,025	(18,163)
Experience adjustment on plan assets	(5,650)	2,262	2,559	5,859	10,673

	Accumulating compensated absences - Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	140,038	119,035	88,043	74,451	69,006
Plan assets	(115,697)	(84,845)	(75,947)	(67,109)	(49,672)
Deficit / (Surplus)	24,341	34,190	12,096	7,342	19,334
Experience adjustment on plan liabilities	1,336	25,790	14,523	1,272	6,733
Experience adjustment on plan assets	1,822	(1,735)	785	2,476	2,729

	Pension Fund - Non executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Defined benefit obligation	6,022,584	5,934,770	4,484,066	4,118,440	3,103,339
Plan assets	(8,269,244)	(4,494,681)	(3,476,425)	(3,233,228)	(2,659,422)
Deficit / (Surplus)	(2,246,660)	1,440,089	1,007,641	885,212	443,917
Experience adjustment on plan liabilities	1,609,897	891,252	(136,853)	685,959	(139,397)
Experience adjustment on plan assets	59,467	379,849	(371,374)	205,413	46,225

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		Note	2013	2012
			(Rupees in thousand)	
11.11	**Estimated future contributions**			
	Medical fund - Non executive staff		96,440	164,461
	Medical fund - Executive staff		205,040	204,061
	Free gas facility - Non executive staff		166,374	149,968
	Free gas facility - Executive staff		57,625	12,519
	Gratuity fund - Executive staff		84,200	70,176
	Pension Fund - Non Executive staff		-	252,871
	Accumulating compensated absences - Non Executive staff		100,717	-
	Accumulating compensated absences - Executive staff		24,341	34,190
			734,737	888,246
11.12	The charge for the year has been allocated as follows:			
	Distribution cost	31	446,773	452,477
	Selling costs	33	236,645	229,662
	Administrative expenses	34	260,407	247,475
	Project work in progress		7,358	269,561
			951,183	1,199,175

12. TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors for:			
- gas	12.1	37,129,896	45,280,900
- supplies	12.2	802,446	580,076
Accrued liabilities		4,728,371	4,794,404
Provident fund	12.3	49,884	-
Gas infrastructure development cess payable	12.4	-	4,409,324
Interest free deposits repayable on demand		86,813	68,819
Earnest money received from contractors		25,302	27,537
Mobilization and other advances		1,177,618	1,089,462
Advances from customers		65,729	-
Due to customers		34,866	19,313
Gas development surcharge		25,837,222	8,579,446
Workers' Profit Participation Fund	12.5	418,012	371,663
Unclaimed dividend		79,593	67,616
		70,435,752	65,288,560

12.1 These include Rs 23,136,913 thousand (2012: Rs 31,668,854 thousand) payable to related parties.

12.2 These Include Rs 2,330 thousand (2012: Rs 37,311 thousand) payable to related parties.

		Note	2013	2012
			(Rupees in thousand)	
12.3	The details of investments made by the provident fund			
	Size of the fund	12.3.1	7,752,402	6,947,336
	Cost of Investment made		7,192,217	6,500,550
	Fair value of Investment		7,752,402	6,947,336

12.3.1 Breakup of Investments	Note 12.3.2				
		2013		2012	
		Percentage	Amount (Rs in thousand)	Percentage	Amount (Rs in thousand)
- Term deposit receipts - schedule banks		94.20	7,302,396	95.61	6,642,589
- Mutual Funds(NIT Units)		5.80	450,006	4.39	304,747
		100.00	7,752,402	100.00	6,947,336

12.3.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984

12.4 During the year ended June 30, 2013, the Honorable Islamabad High Court vide its decision dated January 31, 2013, declared Gas Infrastructure Development Cess Act, 2011 as Ultra Vires to the Constitution and directed the Company to adjust the amount already received on this account in the future bills of the petitioners. However, the Honorable Islamabad High Court vide its decision dated March 18, 2013, directed that neither the appellant shall recover the disputed amount from the respondents, nor the amount which has become payable to the respondents on the basis of impugned judgment shall be paid back to the respondents.

In September 2014, a GIDC Ordinance was issued by President of Pakistan, pursuant to which, on directions of OGRA, the Company charged GIDC from its consumers with effect from September 2014. The Ordinance was superseded by GIDC Act 2015 passed by Parliament of Pakistan. The Act ratified the preceding GIDC Act 2011 and Ordinance 2014 and its provisions.

Furthermore, GIDC amounting to Rs 8,356,423 thousand as at June 30, 2013 is recoverable from consumers and payable to Government of Pakistan. These financial statements do not reflect the said amounts since the provisions of the GIDC Act require the Company to pay GIDC as and when the same is collected from consumers. Consequently, the same will be shown as payable as and when the balance is collected from consumers.

		Note	2013	2012
			(Rupees in thousand)	
12.5	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		371,663	106,268
	Allocation for the year	36	-	250,323
			371,663	356,591
	Interest on funds utilized in the Company's business	35	46,323	15,247
			417,986	371,838
	Less: Payments to workers		(26)	175
	Deposited into Government treasury		-	-
			(26)	175
			418,012	371,663
13.	**INTEREST AND MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES**			
	On loans		200,159	301,312
	On deposits from customers		2,031,547	1,375,647
	On late payment of gas creditors		11,946,353	8,006,126
		13.1	14,178,059	9,683,085

13.1 This includes Rs 11,023,784 thousand (2012: Rs 7,919,774 thousand) payable to related parties.

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14. SHORT TERM BORROWING - SECURED

Short term running finance facility amounting to Rs 1,000,000 thousand obtained from a commercial bank carries mark-up at the rate of 3 months KIBOR plus 0.25% per annum (2012: 3 months KIBOR plus 0.25% per annum) on the balance outstanding. It is secured by way of first pari passu hypothecation charge on all present and future current assets of the Company to the extent of Rs 1,334,000 thousand. Mark-up is payable on quarterly basis. The effective interest rate during the year ranged from 9.53% to 12.20% (2012: 11.75% to 13.79%) per annum. There is no unavailed facility as at June 30, 2013 (2012: Nil).

	Note	2013	2012
		(Rupees in thousand)	
15. CURRENT PORTION OF LONG TERM FINANCING			
Long term financing - secured	6	2,500,000	2,500,000
Long term financing - unsecured	7	336,006	353,581
		2,836,006	2,853,581

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

The Company has the following significant contingent liabilities in respect of legal claims arising in the ordinary course of business:

16.1.1 Taxation

a) The Income Tax Appellate Tribunal (ITAT) upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1980-81 through 2001-02. The Department has filed appeals against the orders of ITAT before the High Court for the assessment years 1980-81 through 1993-94. Pending the outcome of appeals filed by the tax department with the High Court, no provision has been made in these financial statements for additional demands in respect of assessment years 1980-81 to 2002-2003 and tax year 2003 which on similar basis as used in the past by the tax authorities would amount to Rs 220,566 thousand (2012: Rupees 240,267 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

b) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further demands due to a change in treatment by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these demands and has filed appeals with the ITAT against the orders of the tax authorities. The ITAT upheld the Company's contentions in the appeals filed for the assessment years 1989-90 to 2001-02, however, the department has filed appeals against the orders of ITAT before the High Court for the assessment years 1989-90 through 1993-94. Pending the outcome of these appeals no provision has been made in the financial statements for these additional demands for the years 1989-90 through 2002-03, which on the basis adopted by the authorities would amount to Rs 864,202 thousand (2012: Rs 893,455 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

c) A demand of Rs 67,998 thousand (2012: Rupees 67,998 thousand) relating to excess compensation for delayed refunds for assessment years 1988-89, 1990-91, 1991-92 and 1996-97 was raised by the Additional Commissioner of Income Tax by rectifying the orders previously issued under section 171 of the repealed Ordinance. In this regard, while disposing off the appeal filed before ATIR against the order of CIT(A), the ATIR has remanded back the matter of curtailment of compensation on delayed payment/adjustment of refund pertaining to assessment year 1988-89, 1991-92 and 1996-97 for verification of underlying facts afresh. However, no provision has been made in these financial statements as the management is confident of a favorable outcome.

d) During the year 2012 tax authorities raised demands of Rs 8,207,290 thousand, Rs 7,366,587 thousand and Rs 2,715,174 for tax year 2011, 2010 and 2006 respectively, mainly by disallowing Cost Equalization Adjustment, Gas Development Surcharge while also adding back consumers contribution and government grants. Company's appeal against the amendment orders were disposed off by CIR (Appeals) substantially in Company's favor and except for the issue of admissibility of GDS and tax credit referred above, all other material disallowances were removed. Both the tax authorities and Company preferred appeals against order of CIR (Appeals) before ATIR. During the financial year ended June 30, 2015, while disposing off Company's appeal, ATIR has upheld Company's contention in respect of admissibility of GDS whereas the tax credit under section 65B of Income tax ordinance 2001 has not been allowed. Furthermore Appeal filed by the department with respect to other issues have been decided in Company's favor. However, Tax Authorities have filed an appeal against the decision of ATIR with regards to GDS before Honorable Lahore High Court which is pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that Company's stance is based on meritious grounds and will be upheld by higher appellate forums.

e) During the year ended June 30, 2013, tax authorities raised demands of Rs 17,207,333 thousand and Rs 6,880,501 thousand for tax year 2012 and 2007 respectively on similar grounds to those raised in tax years 2011, 2010 and 2006 as mentioned above. Subsequent to the year end, Company's appeal against the amendment orders were disposed off by CIR (Appeals) substantially in Company's favor and except for the issue of admissibility of GDS and tax credit referred above, all other material disallowances were removed. Both the tax authorities and Company preferred appeals against order of CIR (Appeals) before ATIR which are pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that Company's stance is based on meritorious grounds and will be upheld by Appellate Tribunal Inland Revenue or higher appellate forums.

f) The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal against the orders of Collector of Sales Tax (Appeals) regarding various issues such as apportionment of input tax, admissibility of input tax on natural gas lost in ruptures, etc. The amount under adjudication is Rs 45,549 thousand (2012: Rs 45,549 thousand). Pending the outcome of appeals, no provision against Sales tax refundable has been recognized in the financial statements based on the opinion of legal counsel of the Company. Subsequent to the year end, Company's appeal against the orders of collector of Sales Tax (Appeals) was disposed off by ATIR in Company's favor .

g) During the year 2011 Sales tax authorities raised a demand of Rs 406,650 thousand (2012: 406,650 thousand) and Rs 736,000 thousand (2012: Rupees 736,000 thousand) for the year 2008 and 2009 respectively. Primary issue involving these demands was inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by Oil and gas regulatory authority (OGRA), in this regard appeal filed by the Company with Commissioner Inland Revenue (Appeals) in respect of the year 2008 and 2009 was decided against the Company however Company has filed an appeal against the orders of CIR (Appeals) with ATIR for the year 2008 and 2009 respectively which was decided against the Company. Subsequent to which, the Company filed an appeal with Honourable Lahore High Court, which is pending adjudication. No provision has been made in these financial statements as Company's Management is confident of favorable outcome of the appeals.

16.1.2 Revenue determination

As at June 30, 2012, the Company had contested the UFG Benchmark and the treatment of LPS imposed by OGRA in the Honorable Lahore High Court with regards to financial years 2010-11 and 2011-12. Subsequently on February 15, 2013, the Honorable Lahore High Court dismissed the petition filed by the Company and OGRA vide its Final Revenue Requirement (FRR) Order dated November 05, 2015, incorporated the adverse impact of the above decision resulting in an increase in Gas Development Surcharge (GDS) for the current year by 12,743,000 thousand.

16.1.3 Others

Claims against the Company not acknowledged as debts amount to Rs 400,939 thousand (2012: Rs 524,840 thousand).

a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating Rs 77,313 thousand (2012: Rs 76,313 thousand). It also includes a penalty of Rs 1,000 thousand (2012: Nil) imposed by SECP for delay in dissemination of price sensitive information to KSE. Company is in the process of filing an appeal in the Lahore High Court against the said decision. Pending the outcome of these matters/claims, which are being adjudicated, no provision has been made in these financial statements as the Company is confident of favorable outcome.

b) Included in claims against the Company not acknowledged as debt is the claim of employees union for bonus amounting to Rs 255,200 thousand (2012: Rs 255,200 thousand) approximately, which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honorable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC is without jurisdiction and is void. The appeal filed by the Company has been decided against the Company by the Honorable Supreme Court of Pakistan, aggrieved by the decision Company has filed for review with Honorable Supreme Court of Pakistan, which has not been so far fixed for hearing. No provision has been made in these financial statements for the amount of bonus as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favor of the Company.

c) The Company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/94 in respect of custom duty and sales tax on certain imported items amounting to Rs 195,731 thousand (2012: Rs 195,731 thousand). Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.

16.2 Commitments

a) Capital commitments

Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:

	Note	2013	2012
		(Rupees in thousand)	
Property, plant and equipment		412,182	209,892
Intangible assets		29,983	24,214
Stores and Spares		2,522,804	2,577,912
		2,964,969	2,812,018
b) Other commitments		688,862	313,848

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
Operating fixed assets	17.1	79,535,830	78,788,091
Capital work-in-progress	17.2	18,861,264	13,981,335
		98,397,094	92,769,426

17.1 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Operating Fixed Assets														
	Freehold land	Leasehold land	Buildings and civil construction on freehold land	Buildings on leasehold land	Transmission system	Distribution system	Consumer meter and town border stations	Telecommunication system and facilities	Compressor stations and equipment	Plant and machinery	Furniture and equipment	Transport Vehicle	Tools and accessories	Computers and ancillary equipment	Total
	(Rupees in thousand)														
Year ended 30 June 2013															
Opening net book value	1,356,294	392	650,530	-	23,470,806	35,808,631	10,897,990	128,831	4,644,214	1,061,398	44,511	285,506	17,338	421,650	78,788,091
Additions	59,407	-	82,704	-	303,700	4,475,626	3,466,455	70,633	48,628	489,196	27,222	267,892	12,806	67,303	9,371,572
Disposals															
Cost	-	-	-	-	-	-	(91,497)	(6,034)	-	(46,381)	(1,585)	(15,970)	-	(1,634)	(163,101)
Accumulated depreciation	-	-	-	-	-	-	91,497	6,034	-	46,381	1,585	13,041	-	1,634	160,172
	-	-	-	-	-	-	-	-	-	-	-	(2,929)	-	-	(2,929)
Depreciation charge	-	-	(72,806)	-	(2,519,752)	(3,126,277)	(1,824,271)	(44,540)	(437,572)	(320,346)	(21,048)	(129,362)	(14,513)	(110,417)	(8,620,904)
Closing net book value	1,415,701	392	660,428	-	21,254,754	37,157,980	12,540,174	154,924	4,255,270	1,230,248	50,685	421,107	15,631	378,536	79,535,830
At 30 June 2013															
Cost	1,415,701	392	1,537,400	8,461	51,071,811	59,735,803	25,155,586	2,393,313	9,296,473	5,058,596	285,904	1,674,903	231,876	877,656	158,743,875
Accumulated depreciation	-	-	(876,972)	(8,461)	(29,817,057)	(22,577,823)	(12,615,412)	(2,238,389)	(5,041,203)	(3,828,348)	(235,219)	(1,253,796)	(216,245)	(499,120)	(79,208,045)
Net Book Value	1,415,701	392	660,428	-	21,254,754	37,157,980	12,540,174	154,924	4,255,270	1,230,248	50,685	421,107	15,631	378,536	79,535,830
Year ended 30 June 2012															
Opening net book value	1,285,706	392	456,909	-	25,359,963	30,900,302	9,827,605	127,928	4,329,691	986,234	52,070	170,076	32,475	380,415	73,909,766
Additions	70,588	-	257,041	-	712,374	7,710,856	2,687,204	49,450	793,409	386,284	15,145	260,294	8,751	138,235	13,089,631
Disposals															
Cost	-	-	-	-	-	-	(48,691)	(8,010)	-	(13,929)	(1,900)	(23,897)	-	(11,452)	(107,879)
Accumulated depreciation	-	-	-	-	-	-	48,691	8,010	-	13,929	1,655	22,518	-	11,452	106,255
	-	-	-	-	-	-	-	-	-	-	(245)	(1,379)	-	-	(1,624)
Depreciation charge	-	-	(63,420)	-	(2,601,531)	(2,802,527)	(1,616,819)	(48,547)	(478,886)	(311,120)	(22,459)	(143,485)	(23,888)	(97,000)	(8,209,682)
Closing net book value	1,356,294	392	650,530	-	23,470,806	35,808,631	10,897,990	128,831	4,644,214	1,061,398	44,511	285,506	17,338	421,650	78,788,091
At 30 June 2012															
Cost	1,356,294	392	1,454,696	8,461	50,768,111	55,260,177	21,780,628	2,328,714	9,247,845	4,615,781	260,267	1,422,981	219,070	811,987	149,535,404
Accumulated depreciation	-	-	(804,166)	(8,461)	(27,297,305)	(19,451,546)	(10,882,638)	(2,199,883)	(4,603,631)	(3,554,383)	(215,756)	(1,137,475)	(201,732)	(390,337)	(70,747,313)
Net Book Value	1,356,294	392	650,530	-	23,470,806	35,808,631	10,897,990	128,831	4,644,214	1,061,398	44,511	285,506	17,338	421,650	78,788,091
Rate of depreciation in %	-	-	6	6	6-10	6	6-10	15	6-20	10-20	15-20	25	33.33	15	

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for the year ended June 30, 2013

17.1.1 The land at cost of Rs 1,111,726 thousand (2012: Rs 1,041,138 thousand) is subject to restriction under The Land Acquisition Act, 1894 and cannot be sold by the Company without the prior approval from the respective Provincial Governments.

17.1.2 The cost of assets as on June 30, 2013 include fully depreciated assets amounting to Rs 30,299,673 thousand (2012: Rs 25,286,826 thousand).

17.1.3 The depreciation charge for the year has been allocated as follows:

	Note	2013	2012
		(Rupees in thousand)	
Distribution cost	31	8,397,539	7,959,479
Administrative expenses	34	171,379	162,438
	38	8,568,918	8,121,917
Transmission system		13,739	10,798
Distribution system		38,247	76,967
		51,986	87,765
	17.1	8,620,904	8,209,682

17.1.4 Detail of certain assets disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on sale	Mode of disposal	Sold to
			(Rupees)				
Transport vehicles							
Honda Civic VTI	2,151,920	627,648	1,524,272	1,533,239	8,967	Service Rules	Mr. Chaudhry Masood Ahmad SGM (CS)
Toyota Corolla	1,727,830	323,964	1,403,866	1,415,865	11,999	Service Rules	Mr. Amanullah GM (COORD)

Net book value of all other assets disposed off during the year was less than Rs 50,000 each.

17.1.5 Transmission lines includes assets held by the Company on behalf of and in trust for the investors under the musharaka arrangements entered into by the Company. Assets held under these musharaka arrangement are as follows:

Musharaka arrangements

	2013 Cost	2013 Book value	2012 Cost	2012 Book value
	(Rupees in thousand)			
Transmission lines				
36" Dia 68.14 Km AV 29 Mian Chunu Line	2,125,933	1,477,524	2,125,933	1,605,079
36" Dia 42.11 Km SMS Mian Chunu - Sahiwal Line	1,179,890	820,024	1,179,890	890,817
24" Dia 49.58 Km Kohat - Nowshera Line	909,147	631,857	909,147	686,406
24" Dia 42.20 Km Akhtarabad Pattoki - SMS Phool Nagar line	345,857	257,664	345,857	278,415
	4,560,827	3,187,069	4,560,827	3,460,717

		Note	2013	2012
			(Rupees in thousand)	
17.2	**Capital work-in-progress**			
	Transmission system		801,730	406,780
	Distribution system		9,387,397	6,285,508
	Stores and spare parts held for capital expenditure	17.2.1	8,315,858	7,015,147
	Advances for land and other capital expenditure		356,279	273,900
			18,861,264	13,981,335
17.2.1	**Stores and spare parts held for capital expenditure**			
	Stores and spare parts including in-transit Rs 391,367 thousand (2012: Rs 282,672 thousand)		8,332,275	7,034,178
	Less: Provision for obsolescence		16,417	19,031
			8,315,858	7,015,147
18.	**INTANGIBLE ASSETS**			
	Computer software and ERP system	18.1	11,106	132,249
	Intangible assets under implementation		1,342	1,342
			12,448	133,591
18.1	**Computer software and ERP system**			
	Reconciliation of the carrying amounts at the beginning and end of the year is as follows:			
	Balance as at July 1			
	Cost		456,531	419,473
	Accumulated amortization		(324,282)	(181,388)
	Net book value		132,249	238,085
	Movement during the year			
	Additions		10,579	37,058
	Amortization charge for the year	34	(131,722)	(142,894)
	Balance as at June 30			
	Cost		467,110	456,531
	Accumulated amortization		(456,004)	(324,282)
	Net book value		11,106	132,249
	Rate of amortization		33.33%	33.33%
19.	**LONG TERM INVESTMENT**			
	Inter State Gas Systems (Private) Limited			
	490,000 (2012: 490,000) ordinary shares of Rs 10 each		4,900	4,900

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20. LONG TERM LOANS - CONSIDERED GOOD

	Note	Employee welfare		House building		Car		Motorcycle/ Scooter		Total	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(Rupees in thousand)									
Due from:											
Executives	20.1	-	-	7,174	1,220	-	-	-	-	7,174	1,220
Other employees		275,043	232,073	53,795	83,606	-	-	12,696	16,198	341,534	331,877
		275,043	232,073	60,969	84,826	-	-	12,696	16,198	348,708	333,097
Amount due within one year:											
Executives	25	-	-	1,153	862	-	-	-	-	1,153	862
Other employees	25	50,167	43,596	27,417	32,932	-	-	11,333	10,640	88,917	87,168
		50,167	43,596	28,570	33,794	-	-	11,333	10,640	90,070	88,030
		224,876	188,477	32,399	51,032	-	-	1,363	5,558	258,638	245,067

20.1 Reconciliation of balance due from executives:

Opening balance	-	-	1,220	1,545	-	-	-	-	1,220	1,545
Disbursements	-	-	7,025	497	-	-	-	-	7,025	497
	-	-	8,245	2,042	-	-	-	-	8,245	2,042
Less: Repayments/adjustments	-	-	(1,071)	(822)	-	-	-	-	(1,071)	(822)
Closing balance	-	-	7,174	1,220	-	-	-	-	7,174	1,220

20.2 House building and car loans are repayable in 10 years, while motorcycle/ scooter loans are repayable in 3 years. Interest at the rate ranging between 1% and 10% (2012: 1% and 10%) per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles in the name of the Company and the employees.

20.3 The maximum amount due from the executives at any month end during the year was Rs 7,173 thousand (2012: Rs 2,112 thousand).

20.4 Fair values of long term loans to employees are estimated at the present value of all future cash flows discounted using rate prevailing on Regular Income Certificates for the relevant year.

20.5 Effective interest rates on the above loans range between 6.84% to 16% (2012: 6.84% to 16%) per annum.

21. EMPLOYEE BENEFITS

	Note	2013	2012
		(Rupees in thousand)	
Pension fund - Executive staff		573,430	447,959
Gratuity fund - Non executive staff		801,649	730,584
Pension fund - Non Executive staff		494,329	-
Accumulating compensated absences - Non Executive staff		-	26,724
	21.1	1,869,408	1,205,267

21.1 Reconciliation of receivable from / (payable to) employee benefit plans:

	Note	Pension fund - Executive staff 2013	Pension fund - Executive staff 2012	Gratuity fund - Non executive staff 2013	Gratuity fund - Non executive staff 2012	Pension fund - Non Executive staff 2013	Pension fund - Non Executive staff 2012	Accumulating compensated absences - Non Executive staff 2013	Accumulating compensated absences - Non Executive staff 2012	Total 2013	Total 2012
		(Rupees in thousand)									
Present value of funded obligations	21.4	(756,856)	(557,179)	(2,505,633)	(1,589,959)	(8,269,244)	-	-	(264,623)	(11,531,733)	(2,411,761)
Fair value of plan assets	21.5	1,481,912	1,265,727	2,699,007	2,348,537	6,022,584	-	-	291,347	10,203,503	3,905,611
	21.9	725,056	708,548	193,374	758,578	(2,246,660)	-	-	26,724	(1,328,230)	1,493,850
Unrecognized actuarial (gains)/ losses		(151,626)	(260,589)	608,275	(27,994)	2,740,989	-	-	-	3,197,638	(288,583)
Net assets		573,430	447,959	801,649	730,584	494,329	-	-	26,724	1,869,408	1,205,267

21.2 Movement in net assets / (liability)

	Note	Pension fund - Executive staff 2013	Pension fund - Executive staff 2012	Gratuity fund - Non executive staff 2013	Gratuity fund - Non executive staff 2012	Pension fund - Non Executive staff 2013	Pension fund - Non Executive staff 2012	Accumulating compensated absences - Non Executive staff 2013	Accumulating compensated absences - Non Executive staff 2012	Total 2013	Total 2012
Opening asset / (liability)		447,959	641,810	730,584	601,093	(183,188)	-	-	46,821	995,355	1,289,724
Transfer of funds		-	(286,000)	-	-	-	-	-	-	-	(286,000)
Credit / (charge) for the year	21.3	38,255	92,149	(40,277)	(352)	(540,340)	-	-	(44,208)	(542,362)	47,589
Contribution paid		87,216	-	111,342	129,843	1,217,857	-	-	24,111	1,416,415	153,954
		573,430	447,959	801,649	730,584	494,329	-	-	26,724	1,869,408	1,205,267

21.3 Amounts recognized in profit and loss account are as follows:

	Note	Pension fund - Executive staff 2013	Pension fund - Executive staff 2012	Gratuity fund - Non executive staff 2013	Gratuity fund - Non executive staff 2012	Pension fund - Non Executive staff 2013	Pension fund - Non Executive staff 2012	Accumulating compensated absences - Non Executive staff 2013	Accumulating compensated absences - Non Executive staff 2012	Total 2013	Total 2012
		(Rupees in thousand)									
Current service cost		(64,191)	(44,760)	(138,892)	(106,263)	(286,786)	-	-	(21,415)	(489,869)	(172,438)
Interest on obligation		(72,433)	(59,190)	(206,695)	(165,852)	(771,520)	-	-	(28,947)	(1,050,648)	(253,989)
Expected return on plan assets		164,545	181,500	305,310	271,763	584,308	-	-	35,502	1,054,163	488,765
Net actuarial losses/ (gains) recognized in the year		19,145	14,599	-	-	(66,342)	-	-	(29,348)	(47,197)	(14,749)
Past service cost		(8,811)	-	-	-	-	-	-	-	(8,811)	-
Total included in employee benefit expense	21.11	38,255	92,149	(40,277)	(352)	(540,340)	-	-	(44,208)	(542,362)	47,589
Actual return on plan assets		161,418	267,338	398,209	424,990	643,775	-	-	37,764	1,203,402	730,092

21.4 Changes in the present value of defined benefit obligation are as follows:

	Note	Pension fund - Executive staff 2013	Pension fund - Executive staff 2012	Gratuity fund - Non executive staff 2013	Gratuity fund - Non executive staff 2012	Pension fund - Non Executive staff 2013	Pension fund - Non Executive staff 2012	Accumulating compensated absences - Non Executive staff 2013	Accumulating compensated absences - Non Executive staff 2012	Total 2013	Total 2012
		(Rupees in thousand)									
Opening defined benefit obligation		557,179	422,789	1,589,959	1,184,658	5,934,770	-	-	206,762	8,081,908	1,814,209
Service cost		64,191	44,760	138,892	106,263	286,786	-	-	21,415	489,869	172,438
Interest cost		72,433	59,190	206,695	165,852	771,520	-	-	28,947	1,050,648	253,989
Actuarial losses/ (gains)		86,691	42,483	729,168	280,646	1,609,897	-	-	31,610	2,425,756	354,739
Past service cost		8,811	-	-	-	-	-	-	-	8,811	-
Benefits paid		(32,449)	(12,043)	(159,081)	(147,460)	(333,729)	-	-	(24,111)	(525,259)	(183,614)
Closing defined benefit obligation		756,856	557,179	2,505,633	1,589,959	8,269,244	-	-	264,623	11,531,733	2,411,761

Notes to the Financial Statements
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21.5 Changes in the fair value of plan assets are as follows:

	Note	Pension fund - Executive staff		Gratuity fund - Non executive staff		Pension fund - Non Executive staff		Accumulating compensated absences - Non Executive staff		Total	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		(Rupees in thousand)									
Opening fair value of plan assets		1,265,727	1,296,432	2,348,537	1,941,163	4,494,681	-	-	253,583	8,108,945	3,491,178
Expected return		164,545	181,500	305,310	271,763	584,308	-	-	35,502	1,054,163	488,765
Actuarial gains / (losses)		(3,127)	85,838	92,899	153,227	59,467	-	-	2,262	149,239	241,327
Contributions by employer		87,216	-	111,342	129,844	1,217,858	-	-	24,111	1,416,416	153,955
Benefits paid		(32,449)	(12,043)	(159,081)	(147,460)	(333,730)	-	-	(24,111)	(525,260)	(183,614)
Amount transferred from pension fund to gratuity fund		-	(286,000)	-	-	-	-	-	-	-	(286,000)
	21.6	1,481,912	1,265,727	2,699,007	2,348,537	6,022,584	-	-	291,347	10,203,503	3,905,611

21.6 Plan assets comprises as:

	Pension fund - Executive staff				Gratuity fund - Non executive staff			
	2013 Fair Value	%	2012 Fair Value	%	2013 Fair Value	%	2012 Fair Value	%
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Mutual funds	76,454	5.16	69,779	5.51	206,320	7.64	142,791	6.08
Certificates of deposits	1,365,863	92.17	1,185,891	93.69	2,464,826	91.33	2,189,220	93.22
Pakistan Investment Bonds	-	0.00	-	0.00	9,000	0.33	9,000	0.38
Receivable from Gratuity fund	-	0.00	-	0.00	-	0.00	-	0.00
Cash at bank	39,595	2.67	10,057	0.80	18,861	0.70	7,526	0.32
	1,481,912	100.00	1,265,727	100.00	2,699,007	100.00	2,348,537	100.00

	Pension fund - Non executive staff				Accumulating compensated absences - Non Executive staff			
	2013 Fair Value	%	2012 Fair Value	%	2013 Fair Value	%	2012 Fair Value	%
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Mutual funds	274,909	4.56	-	0.00	-	0.00	-	0.00
Certificates of deposits	5,705,523	94.74	-	0.00	-	0.00	290,231	99.62
Pakistan Investment Bonds	41,000	0.68	-	0.00	-	0.00	-	0.00
Cash at Bank	1,152	0.02	-	0.00	-	0.00	1,116	0.38
	6,022,584	100.00	-	0.00	-	0.00	291,347	100.00

21.7 Principal actuarial assumptions used (expressed as weighted average)

	Pension fund - Executive staff		Gratuity fund - Non executive staff	
	2013	2012	2013	2012
Expected increase in salaries	9.5%	12%	9.5%	12%
Discount rate	10.5%	13%	10.5%	13%
Expected rate of return per annum on plan assets	13%	14%	13%	14%

	Pension fund - Non Executive staff		Accumulating compensated absences - Non Executive staff	
	2013	2012	2013	2012
Expected increase in salaries	9.5%	12%	10%	12%
Discount rate	10.5%	13%	11%	13%
Expected rate of return per annum on plan assets	13%	14%	13%	14%

Pension fund provides pension increase in line with the pension enhancements announced by the Government. Pension increase assumption of 6% per annum used in the actuarial valuation is a long term economic assumption and is based on long term inflation expectation of Government which is 6% to 8% per annum.

21.8 The overall expected rate of return on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

21.9 Surplus / (deficit) for current and previous four years are as follows:

	Pension Fund - Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Plan assets	1,481,912	1,265,727	1,296,432	1,425,877	1,375,923
Defined benefit obligation	(756,856)	(557,179)	(422,789)	(326,615)	(298,443)
Surplus	725,056	708,548	873,643	1,099,262	1,077,480
Experience adjustment on plan liabilities	86,691	42,483	36,069	(24,547)	(20,960)
Experience adjustment on plan assets	(3,127)	85,838	(98,752)	2,355	118,136

	Gratuity Fund - Non executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Plan assets	2,699,007	2,348,537	1,941,163	1,814,597	1,527,932
Defined benefit obligation	(2,505,633)	(1,589,959)	(1,184,658)	(1,150,100)	(868,203)
Surplus	193,374	758,578	756,505	664,495	659,729
Experience adjustment on plan liabilities	729,168	280,646	(120,670)	200,737	76,422
Experience adjustment on plan assets	92,899	153,227	(80,307)	98,896	587

	Pension fund - Non executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Plan assets	6,022,584	4,494,681	3,476,425	3,233,228	2,659,422
Defined benefit obligation	(8,269,244)	(5,934,770)	(4,484,066)	(4,118,440)	(3,103,339)
Deficit	(2,246,660)	(1,440,089)	(1,007,641)	(885,212)	(443,917)
Experience adjustment on plan liabilities	1,609,897	891,252	(136,853)	685,959	(139,397)
Experience adjustment on plan assets	59,467	379,849	(371,374)	205,413	46,225

	Accumulating compensated absences - Non Executive staff				
	2013	2012	2011	2010	2009
	(Rupees in thousand)				
Plan assets	323,572	291,347	253,583	224,129	194,884
Defined benefit obligation	(424,289)	(264,623)	(206,762)	(191,570)	(148,161)
(Deficit) / Surplus	(100,717)	26,724	46,821	32,559	46,723
Experience adjustment on plan liabilities	121,374	31,610	(14,966)	27,025	(18,163)
Experience adjustment on plan assets	(5,650)	2,262	2,559	5,859	10,673

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		Note	2013	2012
			(Rupees in thousand)	
21.10	**Estimated future contributions**			
	Pension fund - Executive staff		82,500	61,246
	Gratuity fund - Non executive staff		162,300	105,321
	Pension-Non executive staff		385,900	-
			630,700	166,567
21.11	**The charge for the year has been allocated as follows:**			
	Distribution cost	31	194,553	48,621
	Selling cost	33	86,588	26,389
	Administrative expenses	34	134,076	27,811
	Capital work-in-progress		127,145	(55,232)
			542,362	47,589
22	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Security and other deposits		5,980	5,370
	Prepayments		70,991	54,649
			76,971	60,019
	Less: Current portion of prepayments	26	69,278	45,457
	Provision against prepayments		1,232	1,232
			70,510	46,689
			6,461	13,330
23.	**STORES AND SPARE PARTS**			
	Stores [including in-transit Rs 142,320 thousand (2012: Rs 142,967 thousand)]		1,084,422	1,163,250
	Spares [including in-transit Rs 385,789 thousand (2012: Rs 93,075 thousand)]		1,145,871	697,583
		23.1	2,230,293	1,860,833
	Less: Provision for obsolescence		21,822	21,639
			2,208,471	1,839,194

23.1 This includes stores and spare parts of Rs 8,497 thousand (2012: Rs 51,600 thousand) which are not in possession of the Company.

		Note	2013	2012
			(Rupees in thousand)	
24.	**TRADE DEBTS**			
	Considered good:			
	Secured	24.1	21,786,477	25,286,222
	Unsecured	24.1, 24.3, 12.4	32,845,653	48,169,362
	Deferred / accrued gas sales		(169,903)	(124,734)
			54,462,227	73,330,850
	Considered doubtful		9,174,932	5,830,472
			63,637,159	79,161,322
	Less: Provision for doubtful debts	24.2	(9,174,932)	(5,830,472)
			54,462,227	73,330,850
24.1	**These include amounts due from the following related parties:**			
	Nishat Mills Limited		252,703	216,153
	Sui Southern Gas Company Limited		66,814	66,956
	ICI Pakistan Limited		138,360	132,455
	Packages Limited		18,182	32,538
	Dawood Hercules Chemicals Limited		6,077	77,403
	D.G. Khan Cement Company Limited		61,384	77,537
	DG Khan Captive Power		74,883	65,021
	Engro Chemicals Limited		80,926	185,541
	Lahore University of Management Sciences (LUMS)		101	41
	Pakarab Fertilizers Limited		23,208	196,262
	Engro Foods		7,584	13,660
	WAPDA		11,005,061	14,758,092
			11,735,283	15,821,659
24.1.1	**Ageing of related party balance**			
	One to six months		8,202,939	15,233,163
	More than 6 months		3,532,344	588,496
			11,735,283	15,821,659
24.2	**Provision for doubtful debts**			
	Balance as on July 1		5,830,472	4,092,110
	Provision during the year	33	3,344,459	1,738,362
	Balance as on June 30		9,174,931	5,830,472

24.3 Included in trade debts are amounts receivable from Government owned power generation companies and independent power producers of Rs 14,476,098 thousand (2012: Rs 31,360,209 thousand) along with interest of Rs 11,072,774 thousand (2012: Rs 5,156,218 thousand) on delayed payments. While trade and other payables referred to in note 12 include an amount of Rs 23,136,913 thousand (2012: Rs 31,668,854 thousand) due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holding (Private) Limited on account of gas purchases along with interest on delayed payments of Rs 8,977,114 thousand (2012: Rs 7,918,264 thousand) and Government of Pakistan on account of Gas Development Surcharge of Rs 25,837,222 thousand (2012: Rs 8,579,446 thousand) along with interest on delayed payments of Rs 2,046,670 thousand (2012: Rs Nil). The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

Notes to the Financial Statements
for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
25. LOANS AND ADVANCES			
Loans due from employees:			
Executives	20	1,153	862
Other employees	20	88,917	87,168
		90,070	88,030
Advances - considered good:			
- other employees		50,695	3,621
- suppliers and contractors		243,520	62,275
Advances to suppliers and contractors:			
- considered doubtful		3,227	3,227
Less: Provision for doubtful receivables		3,227	3,227
		-	-
		384,285	153,926
26. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits and short term prepayments		69,010	100,208
Less: Provision for doubtful deposits		(22,290)	(22,290)
		46,720	77,918
Current portion of long term prepayments	22	69,278	45,457
		115,998	123,375
27. OTHER RECEIVABLES			
Excise duty recoverable		108,945	108,945
Less: Provision for doubtful recoverable		(108,945)	(108,945)
		-	-
Due from customers- considered good	40	267,555	56,466
Current account with Sui Southern Gas Company Limited		15,351	14,232
Others - considered good		41,002	11,726
		323,908	82,424
28. CASH AND BANK BALANCES			
On deposits accounts	28.1	185,074	766,653
On current accounts		780,611	356,276
		965,685	1,122,929
Cash in hand		1,681	2,335
		967,366	1,125,264

28.1 Rate of return on bank deposits ranges between 5.00% to 11.25% (2012: 5.00% to 13.00%) per annum.

		Note	2013	2012
			(Rupees in thousand)	
28.2	**Balance with related parties**			
	Askari Commercial Bank Limited		21,771	99,116
	MCB Bank Limited		5,415	10,200
	Bank Al-Habib Limited		278	90,426
	Habib Metropolitan bank		5,713	-
	Faysal Bank Limited		-	99,442
			33,177	299,184
29.	**GAS SALES**			
	Gross sales		262,751,720	268,100,998
	Less: Sales tax		(38,687,897)	(37,833,529)
			224,063,823	230,267,469
30.	**COST OF GAS SALES**			
	Opening stock of gas in pipelines		848,671	685,757
	Gas purchases:			
	Southern system		128,409,860	120,833,668
	Northern system		43,200,473	43,671,372
	Cost equalization adjustment	30.1	35,293,420	32,021,443
			206,903,753	196,526,483
			207,752,424	197,212,240
	Less: Gas internally consumed		2,457,381	2,206,298
	Closing stock of gas in pipelines		1,075,236	848,671
			3,532,617	3,054,969
	Distribution Cost	31	16,792,978	15,265,243
			221,012,785	209,422,514

30.1 In accordance with the policy guidelines issued by the Government of Pakistan, under section 21 of the Oil & Gas Regulatory Authority Ordinance, 2002, the Company has entered into an agreement with Sui Southern Gas Company Limited (SSGCL) for uniform pricing of gas. Under this agreement, the Company with a higher weighted average cost of gas will raise a demand to the other Company of the amount necessary to equalize the cost of gas for both the companies. As a consequence of this agreement, SSGCL has raised a demand of differential of cost for the equalization of cost of gas.

30.2 Unaccounted For Gas (UFG) in the 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 overground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. However, in order to curb the rising trend of theft the Company has launched a campaign to unearth illegal networks. Volume of gas used by the non consumers worth 10,136 MMCF and gas used by the law and order hit areas e.g. Gurguri etc. worth 8,124 MMCF (2012: 11,172 MMCF and 3,377 MMCF respectively) identified during this period and claimed as a bonafide deduction while calculating the UFG statement of the Company, however, OGRA while determining the Final Revenue Requirement of the Company has allowed volume worth 8,109 MMCF and 6093 MMCF(2012: 6607 MMCF and 2136 MMCF) respectively on this account.

Notes to the Financial Statements

for the year ended June 30, 2013

Serial No.	Region	Number of consumers	UFG	
			MMCF	%
1	Multan	395,833	11,441	14.86
2	Bahawalpur	178,385	4,099	4.22
3	Sargodha	137,492	1,580	9.66
4	Faisalabad	499,479	5,822	8.64
5	Sahiwal	137,055	1,305	10.27
6	Sheikhupura	208,285	5,146	9.97
7	Lahore	851,641	9,610	9.98
8	Gujranwala	524,320	5,891	13.07
9	Gujrat	153,758	2,019	15.17
10	Islamabad	801,176	8,968	12.34
11	Peshawar	442,750	13,704	19.14
12	Abbottabad	126,880	604	3.84
	Total distribution system	4,457,054	70,189	11.00
	Transmission system	-	1,062	0.17
	Total Company	4,457,054	71,251	11.17

	Note	2013	2012
		(Rupees in thousand)	
31. DISTRIBUTION COST			
Salaries, wages and benefits	11, 31.1	4,079,412	3,939,726
Employees medical and welfare		322,016	377,390
Stores and spare parts consumed		556,940	350,802
Fuel and power		2,170,375	2,028,739
Repairs and maintenance		772,634	598,323
Rent, rates, electricity and telephone		176,314	153,567
Insurance		162,347	138,789
Travelling		86,747	83,150
Stationery and postage		16,831	17,493
Transportation charges		690,352	489,351
Professional services		1,001	4,931
Stores and spare parts written off		3,582	13,256
Provision for obsolete stores and spare parts		-	12,562
Security expenses		267,005	210,030
Depreciation	17.1.3	8,397,539	7,959,479
Others		225,417	139,111
		17,928,512	16,516,699
Less: Allocated to fixed capital expenditure		(1,135,534)	(1,251,456)
	30	16,792,978	15,265,243

31.1 Included in salaries, wages and benefits are Rs 91,492 thousand (2012: Rs 83,576 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2013	2012
		(Rupees in thousand)	
32. OTHER INCOME			
Income from financial assets			
Interest on staff loans and advances		40,871	34,951
Return on bank deposits		428,904	388,107
Gain on initial recognition of financial liabilities at fair value		3,642	104,747
		473,417	527,805
Interest Income on late payment of gas bills			
Government owned and other power generation companies	24.3	7,271,930	2,411,656
Fertilizer and cement companies		79,313	96,685
Interest Income on late payment of gas bills-Other consumers	32.1	2,734,299	2,200,096
		10,085,542	4,708,437
Income from assets other than financial assets			
Net gain on sale of fixed assets		14,474	12,486
Meter rentals and repairs charges		1,398,232	1,345,872
Amortization of deferred credit	9, 39	3,214,787	2,257,343
Net gain on coating of pipelines for SSGCL		5,312	-
Insurance claim	32.4	684	1,342
		4,633,489	3,617,043
Others			
Sale of tender documents		1,575	812
Sale of scrap		39,719	47,405
Credit balance written back		-	112,039
Liquidated damages recovered		41,326	61,946
Gain on construction contracts		237,538	105
Bad debt recoveries		25,653	25,854
Miscellaneous		3,039	2,807
		348,850	250,968
		15,541,298	9,104,253

32.1 **Interest Income on late payment of gas bills - Other consumers**

	Note	2013	2012
Interest on gas sales arrears	32.2	1,619,055	1,249,766
Surcharge on late payments	32.3	1,115,244	950,330
		2,734,299	2,200,096

32.2 This represents interest charged on gas sales arrears amounting to Rs 1,619,055 thousand (2012: Rs 1,249,766 thousand) at the rate of 1.5% (2012: 1.5%) per month up to one year and thereafter 2% (2012: 2%) per month from other than domestic consumers.

32.3 One time late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2012: 10%) per annum.

32.4 This mainly represents claims received on account of rupture of gas pipelines.

Notes to the Financial Statements
for the year ended June 30, 2013

		Note	2013	2012
			(Rupees in thousand)	
33.	**SELLING COST**			
	Salaries, wages and benefits	11 , 33.1	1,847,698	1,770,802
	Employees medical and welfare		170,612	190,129
	Stores and spare parts consumed		633	349
	Repairs and maintenance		135,172	135,546
	Rent, rates, electricity and telephone		21,278	20,771
	Travelling		31,752	30,780
	Stationery and postage		94,425	53,305
	Dispatch of gas bills		89,121	73,898
	Transportation charges		74,321	68,607
	Provision for doubtful debts	24.2	3,344,459	1,738,362
	Professional services		9,327	159
	Gathering charges of gas bills collection data		26,557	27,014
	Gas bills collection charges		324,603	302,225
	Others		33,425	33,195
			6,203,383	4,445,142
	Less: Allocated to fixed capital expenditure		(265,498)	(286,239)
			5,937,885	4,158,903

33.1 Included in salaries, wages and benefits is Rs 42,911 thousand (2012: Rs 36,561 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2013	2012
			(Rupees in thousand)	
34.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	11 , 34.1	2,272,222	2,015,897
	Employees medical and welfare		179,547	199,648
	Stores and spare parts consumed		56,212	78,293
	Fuel and power		42,918	36,751
	Repairs and maintenance		62,359	67,613
	Rent, rates, electricity and telephone		81,811	71,583
	Insurance		9,442	8,420
	Travelling		34,507	38,385
	Stationery and postage		36,298	32,980
	Transportation charges		60,560	54,856
	Professional services	34.3	92,036	60,513
	Security expenses		71,496	57,619
	Service charges		58,036	54,982
	OGRA fee and expenses		140,725	102,240
	Depreciation	17.1.3	171,379	162,438
	Amortization of intangible assets	18.1	131,722	142,894
	Others		167,423	177,169
			3,668,693	3,362,281
	Less: Allocated to fixed capital expenditure		(282,195)	(277,661)
			3,386,498	3,084,620

34.1 Included in salaries, wages and benefits is Rs 52,397 thousand (2012: Rs 44,357 thousand) in respect of the Company's contribution to the Employees Provident Fund.

34.2 Number of employees

	2013		2012	
	As at 30 June	Average during the year	As at 30 June	Average during the year
Operation	8,991	8,850	8,516	7,875
Project	303	303	302	298
Total	9,294	9,153	8,818	8,173

	Note	2013	2012
		(Rupees in thousand)	

34.3 Professional services

The charges for professional services include the following in respect of:		
Statutory audit		
- A. F. Ferguson & Co.	3,000	1,500
- M. Yousaf Adil Saleem & Co.	-	1,500
	3,000	3,000
Half yearly review and other certifications		
- A. F. Ferguson & Co.	1,545	580
- M. Yousaf Adil Saleem & Co.	-	720
	1,545	1,300
Income tax advisory		
- A. F. Ferguson & Co.	5,175	2,875
Out of pocket expenses		
- A. F. Ferguson & Co.	600	300
- M. Yousaf Adil Saleem & Co.	-	300
	600	600
	10,320	7,775

35. FINANCE COST

	Note	2013	2012
Mark-up/ interest/commitment charges on:			
- Long term financing:			
Secured		1,127,427	1,389,193
Unsecured		169,639	136,934
- Short term borrowing		47,114	71,995
- Late payment to gas suppliers		1,893,423	1,217,714
- Late payment of Gas Development surcharge		2,046,804	-
- Security deposits		773,898	594,442
- Bank charges	35.1	1,160	5,220
- Workers' Profit Participation Fund	12.5	46,323	15,247
		6,105,788	3,430,745
Less: Allocated to fixed capital expenditure		(5,549)	(18,417)
		6,100,239	3,412,328

Notes to the Financial Statements
for the year ended June 30, 2013

35.1 This includes Nil (2012: Rs 4,060 thousand) in respect of fee for loan obtained during the year.

	Note	2013	2012
		(Rupees in thousand)	
36. OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	12.5	-	250,323
Exchange loss		459,893	638,266
Loss on initial recognition of financial assets at fair value		40,939	45,815
Donations	36.1	85	2,916
		500,917	937,320

36.1 None of the directors or their spouses have any interest in any of the donees.

37. TAXATION

	2013	2012
Current Tax		
Current year	1,038,547	1,093,966
Prior year	(634,757)	(93,919)
	403,790	1,000,047
Deferred tax	(6,389,680)	696,842
	(5,985,890)	1,696,889

	2013 (%)	2012 (%)
37.1 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate as per Income Tax Ordinance, 2001	35.00	35.00
(Less) / add Tax effect of amounts that are:		
- Not deductible for tax purpose	0.01	(0.06)
- Effect of changes in current tax of prior years	0.04	0.83
- Change in tax rate	2.84	0.00
- Others	0.15	0.02
	3.04	0.79
Average effective tax rate charged to profit and loss account	38.04	35.79

	Note	2013	2012
		(Rupees in thousand)	

38. CASH GENERATED FROM OPERATIONS

	Note	2013	2012
(Loss) /Profit before taxation		(15,734,979)	4,740,885
Adjustment for non-cash charges and other items:			
Depreciation	17.1.3	8,568,918	8,121,917
Amortization of intangible assets		131,722	142,894
Employee benefits		1,516,376	1,053,493
Amortization of deferred credit		(3,214,787)	(2,257,343)
Net gain on sale of fixed assets		(14,474)	(12,486)
Finance cost		6,100,239	3,412,328
Return on bank deposits		(428,904)	(388,107)
Provision for doubtful debts		3,344,459	1,738,362
Stores and spare parts written off		3,582	13,256
Loss on initial recognition of financial assets at fair value		40,939	45,815
Gain on initial recognition of financial assets at fair value		(3,642)	(104,747)
Loss / (Gain) on initial recognition of financial assets/ financial liabilities at fair value		37,297	(58,932)
Liabilities written back		-	(112,039)
Interest income due to the impact of IAS-39		(26,647)	(22,473)
Working capital changes	38.1	18,149,750	(8,014,904)
		18,432,552	8,356,851

38.1 Working capital changes

		2013	2012
(Increase)/ decrease in current assets:			
Stores and spare parts		(369,277)	(218,994)
Stock-in-trade - gas in pipelines		(226,565)	(162,914)
Trade debts		15,524,164	(38,614,995)
Loans and advances		(228,319)	25,005
Trade deposits and short term prepayments		7,377	20,186
Other receivables		(576,181)	5,783,502
		14,131,199	(33,168,210)
Increase in current liabilities:			
Trade and other payables		4,018,551	25,153,306
		18,149,750	(8,014,904)

38.2 Cash and cash equivalents

		2013	2012
Cash and bank balances		967,366	1,125,264
Short term borrowing		(1,000,000)	(1,000,000)
		(32,634)	125,264

Notes to the Financial Statements
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39. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits, to the Chief Executive and executives of the Company is as follows:

	Managing Director		Executives	
	2013	2012	2013	2012
Number of persons	1	1	689	564
	(Rupees in thousand)			
Remuneration	10,946	7,543	729,691	576,632
Contribution to provident, pension and				
Gratuity fund	2,627	2,703	175,637	205,827
Housing and utilities	6,020	4,148	426,573	290,706
Conveyance and other allowances	-	-	50,867	61,676
Special allowance	2,189	1,509	-	-
Leave encashment	-	-	7,118	12,239
Club subscription	-	-	12,103	1,098
	21,782	15,903	1,401,989	1,148,178

In addition, the Chief Executive and certain executives are provided with free transport subject to certain specified limits for petrol consumption, residential telephone/mobile facilities for both business and personal use and free medical facilities.

The aggregate amount charged in the financial statements in respect of directors' fee paid to fourteen (2012: fourteen) directors was Rs 189,500 (2012: Rs 115,000).

40. LONG-TERM CONSTRUCTION CONTRACTS

	Note	2013	2012
		(Rupees in thousand)	
Contract revenue for the year		236,800	393,994
Method used to determine revenue		Fixed price Contract	
Method used to determine Stage of completion		Cost incurred to date	
Contract cost incurred to date		1,777,601	2,156,303
Contract cost incurred during the period		361,486	153,002
Gross profit realized to date		370,559	1,005,820
Retention money receivable		34,209	65,720
Gross amount due from customers	27	267,555	56,466
Gross amount due to customers	12	34,866	19,313
Estimated future costs to complete projects in progress		258,987	154,277

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking, other related group companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 39. Other significant transactions with related parties are as follows:

	Note	2013	2012
		(Rupees in thousand)	
Gas sales		23,200,652	23,329,419
Purchase of materials		2,916,691	2,109,387
Purchase of gas		152,402,621	143,069,743
Services	34	74,909	91,150
Profit received on bank deposits.		211,737	261,486
Contribution to defined contribution plan	41.1	225,280	203,828
Contribution to defined benefit plans		1,493,546	1,151,586
Transportation charges		442,982	425,352
Transmission charges		2,397	2,954
Insurance expenses		220,076	188,060
Insurance claimed received		37,717	1,784
Dividend paid		717,591	282,506

41.1 Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and/or actuarial advice. Other transactions with related parties are carried out at mutually agreed terms and conditions.

42. UNUTILIZED CREDIT FACILITIES

The Company has the facilities for opening of letters of credit amounting to Rs 1,982,997 thousand (2012: Rs 1,500,000 thousand) out of which Rs 1,982,997 thousand (2012: Rs 622,004 thousand) remained unutilized at the end of the year.

43. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 332,451 Hm^3 (2012: 358,371 Hm^3) against the designed capacity of 459,234 Hm^3 (2012: 459,234 Hm^3). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers.

44. (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED

		Note	2013	2012
(Loss) / Profit for the year	Rupees in thousand		(9,749,089)	3,043,996
Average ordinary shares in issue	Numbers of shares	5	634,216,665	634,216,665
Basic (loss) / earnings per share	Rupees		(15.37)	4.80

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

Notes to the Financial Statements
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45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the gas suppliers. The exchange gain / (loss) on the payment to gas suppliers is passed on to the Government, due to the reason more fully explained in note 4.19 to the financial statements.

	2013	2012
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	96.87	89.63
Reporting date rate	98.80	94.20

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2013	2012
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Loans to employees	348,708	333,097
Financial liabilities		
Long term financing	1,131,380	764,764
Security deposit	15,677,627	14,248,509
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	185,074	766,653
Financial liabilities		
Long term financing	7,808,461	8,175,130
Security deposit	787,674	711,560
Short term borrowing	1,000,000	1,000,000

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 or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after taxation for the year would have decreased/increased by Rs 61,172 thousand (2012: increased/decreased by Rupees 59,281 thousand), mainly as a result of higher/lower interest expense in the year ended June 30, 2013. This analysis is prepared assuming the amount of floating rate instruments outstanding at the balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2013	2012
	(Rupees in thousand)	
Loans and advances	399,403	336,718
Deposits	16,765	16,155
Trade debts	54,462,227	73,330,850
Interest accrued	12,894	15,814
Other receivables	25,543	27,770
Bank balances	965,685	1,122,929
	55,882,517	74,850,236

Notes to the Financial Statements

for the year ended June 30, 2013

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

	Rating				
	Short Term	Long term	Agency	2013	2012
				(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	1,681	10,200
National Bank of Pakistan	A-1+	AAA	JCR-VIS	21,886	47,823
Habib Bank Limited	A-1+	AAA	JCR-VIS	81,079	85,279
United Bank Limited	A-1+	AA+	JCR-VIS	5,230	324
Allied Bank Limited	A1+	AA+	PACRA	22,138	57,731
Askari Bank Limited	A1+	AA	PACRA	21,771	99,116
Habib Metropolitan Bank	A1+	AA+	PACRA	5,712	189,087
Bank Al-Habib Limited	A1+	AA+	PACRA	278	90,426
Faysal Bank Limited	A-1+	AA	JCR-VIS	5,401	99,442
Bank Alfalah Limited	A1+	AA	PACRA	2,465	10,497
Soneri Bank Limited	A1+	AA-	PACRA	546	11,529
The Bank of Punjab	A1+	AA-	PACRA	327	5,808
CITI Group	P-2	A3	Moody's	374	928
First Women Bank Limited	A2	A-	PACRA	8,897	2,542
Standard Chartered Bank	A1+	AAA	PACRA	2,942	2,260
Albaraka Islamic Bank	A1	A	PACRA	860	11,408
Summit Bank Limited					
(formerly) Arif Habib Bank Limited	A-2	A-	JCR-VIS	55	6,342
JS Bank Limited	A1	A+	PACRA	307	942
Oman International Bank	P-2	A3	Moody's	21	590
KASB Bank Limited	A3	BBB	PACRA	94	2,379
NIB Bank Limited	A1+	AA-	PACRA	688	945
Barclays Bank	A-1+	A	Standard & Poor's	817	1,764
The Bank of Khyber	A-1	A	JCR-VIS	456	17,928
Punjab Provincial Co-operative Bank				253	2,748
Silk Bank Limited	A-2	A-	JCR-VIS	796	8,616
				185,074	766,654

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed as follows:

As at June 30, 2013, trade debts of Rs 41,615,212 thousand (2012 : Rs 40,340,170 thousand) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2013	2012
	(Rupees in thousand)	
1 to 6 months	26,660,115	33,278,195
More than 6 months	14,955,097	7,061,975
	41,615,212	40,340,170

As at June 30, 2013, trade debts of Rs 9,174,932 thousand (2012 : Rs 5,830,472 thousand) were impaired and provided for. The ageing analysis of these trade debts is as follows:

	2013	2012
	(Rupees in thousand)	
Up to 1 month	487,473	352,796
1 to 6 months	452,309	239,616
More than 6 months	8,235,150	5,238,060
	9,174,932	5,830,472

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing 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. Inspite the fact that the Company is in a negative working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
			(Rupees in thousand)		
June 30, 2013					
Long term financing	8,939,841	11,069,722	3,744,976	6,770,884	553,861
Trade and other payables	34,179,902	34,179,902	34,179,902	-	-
Short term borrowings	1,000,000	1,093,300	1,093,300	-	-
	44,119,743	46,342,924	39,018,178	6,770,884	553,861
June 30, 2012					
Long term financing	11,439,894	15,285,637	4,408,137	10,314,706	562,794
Trade and other payables	50,545,127	50,545,127	50,545,127	-	-
Short term borrowings	1,000,000	1,122,000	1,122,000	-	-
	62,985,021	66,952,764	56,075,264	10,314,706	562,794

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, 2013. The rates of mark-up have been disclosed in respective notes to the financial statements.

45.2 **Fair values of financial assets and liabilities**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices.

Notes to the Financial Statements
for the year ended June 30, 2013

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS-39. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

45.3 Financial instruments by categories

	Loans and receivables	
	2013	**2012**
	(Rupees in thousand)	
As at 30 June		
Assets as per balance sheet		
Loans and advances	399,403	336,718
Trade deposits and short term prepayments	16,765	16,155
Trade debts	54,462,227	73,330,850
Interest accrued	12,894	15,814
Other receivables	25,543	27,770
Cash and bank balances	967,366	1,125,264
	55,884,198	74,852,571

	Financial liabilities at amortized cost	
	2013	**2012**
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term financing	8,939,841	11,439,894
Security deposit	22,369,143	20,227,669
Accrued mark-up	14,178,059	9,683,085
Short term borrowings	1,000,000	1,000,000
Trade and other payables	34,179,902	50,545,127
	80,666,945	92,895,775

45.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion) plus short term borrowing obtained by the Company as referred to in note 6, 7, 14 and 15. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at June 30, 2013 and June 30, 2012 were as follows:

	Note	2013	2012
		(Rupees in thousand)	
Debt	6, 7, 14, 15	9,939,841	12,439,894
Equity		10,033,289	21,223,780
Total capital employed		19,973,130	33,663,674
Gearing ratio		49.77%	36.95%

46. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on December 23, 2015 has proposed a cash dividend in respect of the year ended June 30, 2013 of Rs Nil per share (2012: Rs 2.5 per share), amounting to Rs Nil (2012: Rs 1,441,401,515) and Nil % bonus share (2012: 10%) in respect of the year ended June 30, 2013. The appropriation will be approved by the members in the forth coming Annual General Meeting. The financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

47. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on December 23, 2015 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. No significant reclassifications have been made during the year.

49. GENERAL

The figures have been rounded off to the nearest thousand Rupees.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Notes

Form of Proxy
Sui Northern Gas Pipelines Limited

I, ______________________________

of ______________________________

being a member of SUI NORTHERN GAS PIPELINES LIMITED and holder of ______________ (number of shares)

Ordinary Shares vide Registered Folio/CDC Participant I.D. No. ______________

hereby appoint Mr./Mrs./Miss. ______________ of ______________

who is a member of the Company vide Registered Folio/CDC Participant I.D. No. ______________

or failing whom Mr./Mrs./Miss ______________ of ______________

who is also a member of the Company vide Registered Folio/CDC Participant I.D. No. ______________

as my proxy to attend and vote for me and on my behalf at the 50th Annual General Meeting of the Company to be held on Friday, January 29, 2016 at 11:00 a.m. and/or at any adjournment thereof.

Signature on Rupees Five Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

WITNESSES:

1. Signature: ______________

Name: ______________

____

Address: ______________

____

CNIC / Passport No. ______________

Dated: ______________

2. Signature: ______________

Name: ______________

____

Address: ______________

____

CNIC / Passport No. ______________

NOTES:

1. The Proxy Form must be signed across Rupees Five revenue stamp and it should be deposited in the office of the Company Secretary not less than 48 hours before the time of holding the meeting.
2. A member entitled to attend may appoint another member as his/her proxy or may by Power of Attorney authorize any other person as his/her agent to attend, speak and vote at the meeting. The Federal Government, a Provincial Government, a Corporation or a Company, as the case may be, being a member of the Company, may appoint any of its officials or any other person to act as its representative and the person so authorized shall be entitled to the same powers as if he were an individual shareholder.
3. A member shall not be entitled to appoint more than one proxy to attend any one meeting.
4. If any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the Company, all such instruments of proxy shall be rendered invalid.

For CDC account holders / Corporate Entities:

In addition to the above the following requirements have to be met:

i) The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned in the Form.
ii) Attested copies of CNIC or the Passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
iii) The Proxy shall produce his original CNIC or original Passport at the time of the Meeting.
iv) In case of Corporate Entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary,

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