

Notes to the Unconsolidated Financial Statements

For the year ended 30 June 2008

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS FOR PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 19 which are carried at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is also the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are disclosed in note 51 to these financial statements.

2.5 Amendments to published standards and new interpretations effective in year 2007-2008

IAS 1 (Amendment), Presentation of Financial Statements - Capital Disclosures, introduces new disclosures about the level of an entity's capital and how it manages capital. It requires disclosure of information relating to the entity's objectives, policies and processes for managing capital. Adoption of this amendment has only resulted in additional disclosure requirements as presented in note 49 to these financial statements.

2.6 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2008:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing costs (effective from 01 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not likely to have an effect on the Company's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the company's financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on company's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value and transaction costs other than share and debt issue costs to be expensed. The application of this standard is not likely to have an effect on company's financial statements. IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008) IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Company's operations.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008). IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. IFRIC 14 is not expected to have any material impact on the Company's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate. (effective for annual period beginning on or after 1 October 2009). The amendment clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company.

IFRIC 16- Hedge of Net Investment in a Foreign Operation. (effective for annual period beginning on or after 1 October 2008). IFRIC clarifies what risk in foreign operation can be hedged and which entity in the group can hold hedge instrument. The amendment is not relevant to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policy

Net investment in finance lease

International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC - Interpretation 4 (IFRIC-4) "Determining Whether an Arrangement Contains a Lease" 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 fulfilment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

The Company reviewed various pipeline rental agreements executed in previous years and has determined that four pipeline rental agreements relating to certain gas transmission pipelines contain embedded leases and are to be recognized as leases in terms of IFRIC-4. In accordance with the requirements of IAS 17 Leases, these have been recognized as finance lease. The following accounting policy has been adopted by the Company:

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

The change in accounting policy is accounted for in accordance with the requirements of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly net carrying value of abovementioned gas transmission pipelines is reclassified retrospectively as net investment in finance lease along with current portion thereon and depreciation on such transmission pipelines has been reversed and where applicable comparatives have been restated.

The effect of this change in accounting policy on each financial statements line item affected for the current year and each prior period presented is given below:

	2008	2007
	(Rupees in '000)	
Effect on Profit and Loss Account		
Decrease /(increase) in the transmission, distribution and selling costs in respect of		
Recoveries / (refund) of service cost from / to		
- Sui Northern Gas Pipeline Limited- a related party	192,472	121,206
- Oil and Gas Development Company Limited- a related party	21,861	(5,113)
- Other customers	(26,720)	(6,197)
Depreciation on operating assets	118,334	116,786
	305,947	226,682
Decrease in other operating income in respect of		
Income from gas transportation		
- Sui Northern Gas Pipeline Limited	(446,866)	(386,126)
- Oil and Gas Development Company Limited	(38,568)	(13,063)
	(485,434)	(399,189)
- Other customers	(72,967)	(95,548)
	(558,401)	(494,737)
Contingent rental income - Sui Northern Gas Pipeline Limited	22,818	23,648
Increase in other non-operating income		
Income from net investment in finance lease to		
- Sui Northern Gas Pipeline Limited	166,779	176,771
- Oil and Gas Development Company Limited	8,073	9,541
- Other customers	54,784	58,095
	229,636	244,407
Effect on earnings per share	-	-
	-	-
Effect on Balance Sheet		
Decrease in written down value of operating assets	1,392,776	1,511,110
Increase in net investment in finance lease:		
- long term portion	1,274,442	1,392,776
- current portion	118,334	118,334
	1,392,776	1,511,110

3.2 Property, plant and equipment

Initial Recognition

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

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

3.2.1 Measurement

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

The cost of the property plant and equipment includes:

- (a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and
- (b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

3.2.2 Subsequent expenditure (including normal repairs and maintenance)

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

3.2.3 Capital work in progress

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

3.2.4 Depreciation

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

Compressors and transmission lines

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

Other operating assets

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

3.2.4.1 Depreciation is charged at rates mentioned in the notes 17.2 to 17.5 to these financial statements.

3.2.5 Intangible assets

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

Indefinite life

Intangible assets with an indefinite useful life are not amortised. Such intangible assets are tested for impairment annually and whenever there is indication that such intangible asset may be impaired. Useful life of such assets is reviewed at least annually to determine whether events and conditions continue to support an indefinite useful life assessment for such assets. If not, the change in useful life assessment from indefinite to definite is accounted for as a change in accounting estimate.

Definite life

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

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

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

3.2.6 Borrowing costs

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

3.2.7 Gains and losses on disposal

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

3.2.8 Leased assets

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned operating assets.

3.3 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised directly in equity until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit and loss account.

Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurements, held to maturity investments are measured at amortised cost. Provision for impairment in value, if any, is taken to income.

Date of recognition

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

Derecognition

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

3.4 Stores, spares and loose tools

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

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

3.5 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

3.6 Trade debts and other receivables

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

3.7 Trade and other payables

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

3.8 Mark-up bearing borrowings

Long term financing

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings.

Leases

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

3.9 Provisions

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

3.10 Deferred credit

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

3.11 Taxation

Current

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

Deferred

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

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

3.12 Revenue recognition

- Revenue from gas sales is recognized on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).
- Meter rental income is recognized monthly at specified rates for various categories of customers.
- Revenue from sale of meters and gas condensate is recognized on dispatch to the customers.
- Deferred credit is amortised and related income is recognised in the profit and loss account over the useful lives of related assets.
- Dividend income on equity investments is recognized when right to receive the payment is established.
- Profit on term deposits and royalty income are recognized on time proportion basis.
- Late payment surcharge is recognized from the date the billed amount is overdue.
- Under the provisions of license given by OGRA, the Company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

3.13 Impairment

Financial assets

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

Non financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as

an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

3.14 Staff retirement benefits

The Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

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

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

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

Liability under these schemes is recognized in the period in which the benefit is earned based on the actuarial valuations carried out under the projected unit credit method.

The medical and free gas supply facilities have been discontinued for employees retiring after 31 December 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan.

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

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

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

3.15 Compensated absences

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

3.16 Foreign currency translation

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

3.17 Derivative financial instruments

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

3.18 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.19 Off-setting

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

3.20 Cash and cash equivalents

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

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2008 (Number)	2007		2008 (Rupees in '000)	2007
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
<u>671,174,331</u>	<u>671,174,331</u>		<u>6,711,743</u>	<u>6,711,743</u>

4.1 Associated companies held 33,908,423 (2007: 33,908,423) ordinary shares of Rs.10 each at the year end.

	Note	2008 (Rupees in '000)	2007
5. RESERVES			
Capital reserves			
Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>
Revenue reserves			
Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		1,863,653	1,884,653
		<u>2,232,794</u>	<u>2,253,794</u>
		<u>2,467,662</u>	<u>2,488,662</u>

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

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

6. LONG TERM FINANCING

Secured

- Loans from banking companies and financial institutions
- Local currency loans
- Other loans
- Musharaka arrangements

6.1	6,833,400	9,408,901
6.2	8,506,442	2,987,686
	<u>15,339,842</u>	<u>12,396,587</u>

Unsecured

- Consumer financing
- Government of Sindh loan

6.3	186,580	121,258
6.4	56,199	63,610
	<u>242,779</u>	<u>184,868</u>
	<u>15,582,621</u>	<u>12,581,455</u>

					2008	2007
					(Rupees in '000)	
6.1 Local currency loans	Instalment payable	Repayment period	Mark-up Rate	Note		
United Bank Limited - term loan	half-yearly	2005 - 2009	1% above last 6 months T-Bill auction cut-off rate	6.1.1	250,000	500,000
Standard Chartered Bank led syndicated loan	half-yearly	2006 - 2009	0.9% above 6 months average KIBOR	6.1.2	-	2,166,667
National Bank of Pakistan led syndicated loan - I	half-yearly	2007 - 2010	1.25% above 3 months average KIBOR	6.1.2	-	3,000,000
National Bank of Pakistan - term loan	quarterly	2008 - 2011	1.3% above 3 months average KIBOR	6.1.2	-	1,500,000
MCB Bank Limited led syndicated loan	quarterly	2008 - 2011	1.3% above 3 months average KIBOR	6.1.2	-	1,500,000
National Bank of Pakistan led syndicated loan - II	quarterly	2009 - 2012	1.4% above 3 months average KIBOR	6.1.2	-	2,992,234
Crescent Commercial Bank- term loan	quarterly	2010-2013	0.2% above 3 months average KIBOR	6.1.3	1,000,000	-
United Bank Limited - term loan- II	on maturity	2009	0.2% above 3 months average KIBOR	6.1.3	1,500,000	-
MCB Bank Limited- term loan- I	quarterly	2010-2012	0.2% above 3 months average KIBOR	6.1.3	2,000,000	-
MCB Bank Limited- term loan- II	quarterly	2010-2011	0.2% above 3 months average KIBOR	6.1.3	1,333,400	-
MCB Bank Limited- term loan- III	quarterly	2010-2011	0.2% above 3 months average KIBOR	6.1.3	1,000,000	-
					7,083,400	11,658,901
Less: Current portion shown under current liabilities						
United Bank Limited - term loan					(250,000)	(250,000)
Standard Chartered Bank led syndicated loan					-	(1,000,000)
National Bank of Pakistan led syndicated loan - I					-	(1,000,000)
					(250,000)	(2,250,000)
					6,833,400	9,408,901

6.1.1 The loan is secured by a first pari passu fixed charge created by way of hypothecation over movable fixed assets of the Company comprising compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

6.1.2 These loans were secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. During the year, the management repaid these loans and obtained new loans at lower mark-up rates.

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

					2008	2007	
					(Rupees in '000)		
6.2	Musharaka arrangements - secured			Note			
		Instalment payable	Repayment period	Mark-up Rate			
	<u>Islamic Sukuk bonds under musharaka agreements</u>						
	Dubai Islamic Bank (the "Investor's Agent")	quarterly	2009 - 2012	0.40% above 3 months average KIBOR	6.2.1	896,831	995,986
	Meezan Bank Limited (the "Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	6.2.1	1,993,360	1,991,700
	Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	6.2.1	4,693,295	-
	<u>Islamic Finance under diminishing musharaka</u>						
	Meezan Bank Limited	Two Instalments	2009 & 2010	0.45% above 3 months average KIBOR	6.2.2	997,956	-
						8,581,442	2,987,686
	Less: Current portion shown under current liabilities						
	Dubai Islamic Bank (the "Investor's Agent")					(75,000)	-
						8,506,442	2,987,686

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

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

6.3 Consumer financing

Consumer financing	6.3.1	230,678	150,473
Less: Current portion shown under current liabilities		(44,098)	(29,215)
		186,580	121,258

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

6.4 Government of Sindh Loan

Government of Sindh loan	6.4.1	63,610	70,876
Less: Current portion shown under current liabilities		(7,411)	(7,266)
		56,199	63,610

6.4.1 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 percent per annum. The loan together with mark-up shall be repaid in 12 yearly instalments with grace period of 2 years commencing from 30 June 2007.

	Note	2008 (Rupees in '000)	2007
7. LONG TERM DEPOSITS			
Security deposits from:			
- gas customers	7.1	2,531,111	2,323,291
- gas contractors	7.2	47,777	40,338
		<u>2,578,888</u>	<u>2,363,629</u>
7.1			
Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. These deposits are repayable / adjustable on disconnection of gas supply. Mark-up at 5 percent per annum is payable by the Company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.			
7.2			
These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.			
8. DEFERRED TAX			
Deferred tax (credits) / debits arising in respect of:			
Taxable temporary difference:			
- accelerated depreciation		6,528,175	5,465,359
Deductible temporary differences:			
- provision against employee benefits		(383,668)	(349,700)
- provision against doubtful trade debts		(595,523)	(540,624)
- carry forward of unused tax losses		(675,712)	(662,647)
- others		(18,943)	(33,127)
		<u>(1,673,846)</u>	<u>(1,586,098)</u>
Net deferred tax liability		<u>4,854,329</u>	<u>3,879,261</u>
9. EMPLOYEE BENEFITS			
Provision for post retirement medical and free gas supply facilities - executives	9.1	974,100	888,514
Provision for compensated absences - executives	9.2	122,094	110,628
		<u>1,096,194</u>	<u>999,142</u>
9.1 Provision for post retirement medical and free gas supply facilities - executives			
Balance as at 1 July		888,514	795,559
Provision made during the year - net		85,586	92,955
Balance as at 30 June		<u>974,100</u>	<u>888,514</u>
9.2 Provision for compensated absences - executives			
Balance as at 1 July		110,628	108,846
Provision made during the year		11,466	1,782
Balance as at 30 June		<u>122,094</u>	<u>110,628</u>

	Note	2008 (Rupees in '000)	2007
10. DEFERRED CREDIT			
- Government contributions / grants			
Balance as at 1 July		962,988	571,661
Additions during the year	10.1	562,397	443,259
		<u>1,525,385</u>	<u>1,014,920</u>
Transferred to profit and loss account		(80,884)	(51,932)
Balance as at 30 June		<u>1,444,501</u>	<u>962,988</u>
- Contribution from customers			
Balance as at 1 July		2,013,917	1,673,869
Additions during the year	10.2	461,656	519,887
		<u>2,475,573</u>	<u>2,193,756</u>
Transferred to profit and loss account		(100,143)	(179,839)
Balance as at 30 June		<u>2,375,430</u>	<u>2,013,917</u>
		<u>3,819,931</u>	<u>2,976,905</u>
10.1			
This represents amount received from the Government for supply of gas to new towns and villages and is recognized as grant when the conditions specified by the Government are met.			
10.2			
This represents amount received from customers for the cost of service lines and gas mains, etc. As stated in note 3.10 to these financial statements, deferred credit is amortised over estimated useful life of related assets.			
10.3			
Pipelines constructed/ build up under deferred credit arrangement are not given 17% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of Company's guaranteed return. The Company is in process of approaching Government of Pakistan (GoP) not to impose penalty / disallowances in term of section 21.3 of license granted by OGRA in respect of such assets.			

11. CURRENT PORTION OF LONG TERM FINANCING

Local currency loans	6.1	250,000	2,250,000
Musharaka	6.2	75,000	-
Consumer financing	6.3	44,098	29,215
Government of Sindh loan	6.4	7,411	7,266
		<u>376,509</u>	<u>2,286,481</u>

12. TRADE AND OTHER PAYABLES

Creditors for:			
- gas		25,606,746	18,107,781
- supplies		206,928	170,067
		<u>25,813,674</u>	<u>18,277,848</u>
Amount received from customers /			
Government of Pakistan for laying of mains, etc.		3,076,777	2,599,402
Gas development surcharge payable to GoP		-	2,774,961
Accrued liabilities		1,200,156	675,025
Provision for compensated absences - non-executives	12.1	93,740	75,497
Payable to staff pension fund - executives	38.1	952	857
Payable to gratuity fund - non executives	38.1	22,417	30,840
Payable to provident fund- non executive		5	1,276
Workers' profit participation fund	12.2	125,408	310
Deposits / retention money		166,132	162,348
Bills payable		91,293	20,078
Advance for sharing right of way	12.3	18,088	18,088
Unclaimed dividend		33,768	32,710
Withholding tax payable		48,145	7,370
Unclaimed term finance certificate redemption profit		2,178	5,667
Inter State Gas System (Private) Limited (ISGSL)		6,026	9,327
Others	12.4	125,869	102,726
		<u>30,824,628</u>	<u>24,794,330</u>

	2008	2007
	(Rupees in '000)	
12.1 Provision for compensated absences - non-executives		
Balance as at 1 July	75,497	57,029
Provision made during the year	18,243	18,468
Balance as at 30 June	<u>93,740</u>	<u>75,497</u>
12.2 Workers' profit participation fund		
Balance as at 1 July	310	20,595
Allocation for the year	125,349	70,310
Mark-up on funds utilised in the Company's business	10	664
	<u>125,669</u>	<u>91,569</u>
Amount deposited with the Government / paid to employees	(261)	(91,259)
Balance as at 30 June	<u>125,408</u>	<u>310</u>
12.3	This amount was received by Sui Gas Transmission Company Limited (now Sui Southern Gas Company Limited - SSGCL) from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated 12 October 1988. It represents consideration for 50 percent share of PARCO in the Indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by SSGCL. The final liability of SSGCL has not been estimated, as the amount of compensation due to land owners has not been determined by the Authorities. Accordingly, the amount received from PARCO has been classified as an advance.	
12.4	This includes Rs. 82.016 million (2007: Rs. 44.701 million) on account of amount payable to disconnected customers for gas supply deposits.	
13. INTEREST AND MARK-UP ACCRUED		
Long term financing :		
- Local currency loans	4,114	34,685
- Musharaka	13,321	-
Long term deposits from customers	73,558	62,813
Short term borrowing	32,961	17,012
Late payment of gas development surcharge	376	2,168
Delayed payment on gas bills	<u>1,913,776</u>	<u>1,017,743</u>
	<u>2,038,106</u>	<u>1,134,421</u>
14. SHORT TERM BORROWINGS - secured,		
From banking companies		
Money market loan	-	1,000,000
	<u>-</u>	<u>1,000,000</u>
	The facilities for short term running finance / short term money market loan are available from various banks amounting to Rs. 5,950 million (2007: Rs. 4,420 million) and carry mark-up ranging from 0.25 to 0.75 percent (2007: 0.25 to 0.90 percent) above the average one month KIBOR or that for the tenure of the facility whichever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the Company. These facilities are un-availed at year end.	
15. TAXATION - net		
Provision for tax	415,492	370,219
Advance tax	(198,920)	(204,857)
	<u>216,572</u>	<u>165,362</u>

	Note	2008 (Rupees in '000)	2007
16. CONTINGENCIES AND COMMITMENTS			
16.1	Claims against the Company not acknowledged as debt	16.14 608,234	601,556
16.2	Commitments for capital and other expenditure	2,932,197	2,027,710
16.3	Guarantees issued on behalf of the Company	16,450	20,371

16.4 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, regulators, etc. valuing Rs.75 million (2007: Rs.75 million) and Company's investment in shares having a face value of Rs.0.5 million (2007: Rs.0.5 million). Loan outstanding at the year end was Rs.17.800 million (2007: Rs.19.621 million).

16.5 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Company amounting to Rs. 381.374 million (2007: Rs. 381.374 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Company and JPCL. The Company has not accepted the claim and has filed a counter claim due to JPCL failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim lodged would be in its favour.

16.6 JPCL has also raised a claim of Rs. 5.793 million (2007: Rs. 5.793 million) for the alleged low Gas Chlorofic Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Company. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim would be in its favour.

16.7 The Company is in litigation against certain temporary assignees who were relieved in the previous years. The Federal Services Tribunal (FST) had initially ordered the Company to absorb these assignees. The Company preferred to file an appeal before the Honourable Supreme Court of Pakistan against the orders of the FST, which was dismissed by the Honourable Supreme Court. The Company then filed two Review Petitions before the Honourable Supreme Court against the rejection of the Company's appeal. In addition the Federation of Pakistan has also filed four Civil Miscellaneous Applications (CMAs) and three Review Petitions against the said order.

During an interim hearings held in May 2007 and September 2007 Honourable Supreme Court ordered SSGCL to absorb 109 and 551 individuals respectively which was complied with by SSGCL. Supreme Court further ordered that the pending CMAs and Review Petitions pertaining to the issue filed by SSGCL, Federation of Pakistan and Temporary Assignees will be kept for hearing at any date fixed by Supreme Court. No provision has been made in these financial statements as the same cannot be quantified at this stage.

16.8 A claim of Rs. 705.7 million (2007: Rs. 657.853 million) was lodged by Oil and Gas Development Company Limited (OGDCL) in respect of supply of gas to consumers of Dera Bugti and Pirkoh areas from its Loti gas field for the period from June 2001 to December 2007. The Company approached the Director General (Gas) Ministry of Petroleum and Natural Resources (MP&NR), Government of Pakistan and OGDCL for the resolution of this matter. MP&NR through its decision NG(II)3(39)/06-Pirkoh dated 20 June 2008 has mentioned that supply of free gas to Dera Bugti and Pirkoh area is responsibility of OGDCL and SSGCL responsibility is to deliver the gas to said villages. Hence, SSGCL has no liability for cost of gas supplied.

However, OGDCL during these proceeding contested that SSGCL should not charge OGDCL for the pipeline rental of the Pirkoh to Loti Pipeline used for the distribution of gas to these villages. On this matter MP&NR has directed both companies to agree the modalities in the pipeline rental agreement. However, no provision has been made by the Company in the financial statements for the year ended 30 June 2008 as the same cannot be quantified due to non finalisation of the pipeline rental agreement.

16.9 Habibullah Coastal Power Company (Private) Limited (HCPC) lodged a claim in previous year on the Company amounting to Rs. 31.203 million in respect of alternative fuel cost consumed by HCPC due to short gas supplied by the Company as agreed in the gas sales agreement. In addition, WAPDA also claimed as liquidated damages from HCPC for forced outages and partial de rating of its plant in previous years. HCPC in turn attributed part of these liquidated damages (Rs. 79.702 million) to the Company and lodged a claim on the company in previous years on the grounds that the Company failed to deliver the gas in accordance with the gas sales agreement. During the year the claims of HCPC have been revised to Rs. 58.071 million and Rs. 95.576 million respectively. In addition, HCPC has claimed interest of Rs. 23.211 million calculated up to 30 September 2007 on the claim lodged and also claimed

an award of the costs of the arbitration along with the reasonable legal fees and other associated costs and expenses of HCPC's conduct of the Arbitration.

The Company has not accepted the claim lodged by HCPC as management considers that short supply was due to force majeure which is beyond the control of the Company. The matter has been referred to arbitration and the management is confident that this matter would be resolved in favour of the Company. Hence, no provision regarding the above said amount has been made in these financial statements.

- 16.10** Sui Northern Gas Pipelines Limited (SNGPL) has lodged a claim on SSGCL amounting to Rs. 36.946 million in respect of gas lost during December 2003 to September 2005 in respect of ILBP (Hassan to Sui) and IRBP-CEP (Dadu to Sui).

The Company has not accepted the claim as management considers that gas losses were due to force majeure and beyond the control of the Company. Hence, no provision regarding the above said amount has been made in these financial statements.

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

- 16.12** The tax audit proceedings have been initiated by the tax department in respect of Tax Year 2005 under section 177 of the Income Tax Ordinance, 2001. The management of the Company is confident that no further tax liability would arise in this respect.

- 16.13** The Sales tax Authorities issued a notice to the Company in previous years requiring it to pay sales tax on the transportation charges on sale of gas condensate and recovery of insurance premium in respect of such transportation amounting to Rs. 6.111 million. The Company filed an appeal before Customs, Sales tax and Federal Excise (Appellate) Tribunal on the basis of Company's contention that both of these items does not fall in the definition of Supply under Sales tax Act 1990. This appeal was dismissed by the Appellate tribunal. The Company has filed second appeal before Honourable Sindh High Court in this regard. No provision has been made in the financial statements in this regard as company is confident the decision of the appeal will be in its favour.

During the year, the Sales tax Authorities issued a notice to the Company in June requiring it to pay sales tax on the late payment surcharge, advances from customers against service connections and transportation of gas condensate amounting to Rs. 254.299 million. The Company has paid sales tax on these balances in order to avail amnesty / exemption from additional sales tax. However the Company has filed an appeal before Custom, Sales tax and Federal Excise (Appellate) Tribunal on the basis of Company's contention that the both of these term does not fall in the definition of Supply under Sales tax Act 1990. The proceedings of the appeal have not yet started. The Company based on legal advice is confident that the decision of the appeal will be in its favour. Accordingly no provision has been made in this respect in the financial statements.

- 16.14** The management is confident that ultimately these claims (note 16.1) would not be payable.

	Note	2008 (Rupees in '000)	2007
17. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	17.1	29,802,140	25,509,299
Capital work in progress	17.10	4,005,424	4,313,402
		33,807,564	29,822,701

17.1 Operating assets

		2008										(Rupees in '000)	
Note		COST					DEPRECIATION					Written down value as at 30 June 2008	
		As at 1 July 2007	Effect of change in accounting policy	As at 1 July 2007 (restated)	Additions / (deletions) / transfers *	As at 30 June 2008	As at 1 July 2007	Effect of change in accounting policy	As at 1 July 2007 (restated)	For the year / (deletions) / transfers *	As at 30 June 2008		
	Gas transmission system	17.2	27,678,675	(2,013,002)	25,665,673	1,164,381 (88,426)	26,741,628	16,375,863	(501,892)	15,873,971	821,586 (79,771)	16,621,122	10,120,506
						-				5,336 *			
	Gas distribution system	17.3											
	- Karachi, Sindh		12,454,737	-	12,454,737	2,761,663 (218,533)	14,997,867	5,079,785	-	5,079,785	674,806 (213,197)	5,541,394	9,456,473
	- Other areas of Sindh		8,188,032	-	8,188,032	2,008,158 (105,731)	10,090,459	3,088,896	-	3,088,896	445,963 (96,762)	3,438,097	6,652,362
	- Balochistan		4,744,676	-	4,744,676	578,817 (17,986)	5,305,507	1,634,754	-	1,634,754	251,330 (15,348)	1,870,736	3,434,771
						-				-			
			25,387,445	-	25,387,445	5,348,638 (342,250)	30,393,833	9,803,435	-	9,803,435	1,372,099 (325,307)	10,850,227	19,543,606
						-				-			
	Meter manufacturing division	17.4	285,336	-	285,336	26,245 (30)	311,551	237,052	-	237,052	16,660 (30)	253,682	57,869
						-				-			
			53,351,456	(2,013,002)	51,338,454	6,539,264 (430,706)	57,447,012	26,416,350	(501,892)	25,914,458	2,210,345 (405,108)	27,725,031	29,721,981
						-				5,336 *			
	Gwadar operations	17.5											
	- Gas distribution system		91,162	-	91,162	-	91,162	5,859	-	5,859	5,144	11,003	80,159
						-				-			
			53,442,618	(2,013,002)	51,429,616	6,539,264 (430,706)	57,538,174	26,422,209	(501,892)	25,920,317	2,215,489 (405,108)	27,736,034	29,802,140
						-				5,336 *			

	2007										(Rupees in '000)
	COST					DEPRECIATION					Written down
	As at 1 July 2006	Effect of change in accounting policy	As at 1 July 2006 (restated)	Additions / (deletions) / transfers * (restated)	As at 30 June 2007 (restated)	As at 1 July 2006	Effect of change in accounting policy	As at 1 July 2006 (restated)	For the year / (deletions) / transfers * (restated)	As at 30 June 2007 (restated)	value as at 30 June 2007 (restated)
Gas transmission system	24,061,563	(2,005,939)	22,055,624	3,635,396 (27,277) 1,930 *	25,665,673	15,306,186	(385,106)	14,921,080	974,640 (25,496) 3,747 *	15,873,971	9,791,702
Gas distribution system											
- Karachi, Sindh	11,090,991	-	11,090,991	1,452,575 (88,344) (485) *	12,454,737	4,605,125	-	4,605,125	566,642 (88,229) (3,753) *	5,079,785	7,374,952
- Other areas of Sindh	6,810,959	-	6,810,959	1,439,329 (52,957) (9,299) *	8,188,032	2,792,018	-	2,792,018	350,284 (52,957) (449) *	3,088,896	5,099,136
- Balochistan	4,262,292	-	4,262,292	480,001 (6,414) 8,797 *	4,744,676	1,416,842	-	1,416,842	222,931 (5,251) 232 *	1,634,754	3,109,922
	22,164,242	-	22,164,242	3,371,905 (147,715) (987) *	25,387,445	8,813,985	-	8,813,985	1,139,857 (146,437) (3,970) *	9,803,435	15,584,010
Meter manufacturing division	257,374	-	257,374	27,260 - 702 *	285,336	225,020	-	225,020	12,375 - (343) *	237,052	48,284
	46,483,179	(2,005,939)	44,477,240	7,034,561 (174,992) 1,645 *	51,338,454	24,345,191	(385,106)	23,960,085	2,126,872 (171,933) (566) *	25,914,458	25,423,996
Gwadar operations											
- Gas distribution system	88,847	-	88,847	2,315 - -	91,162	1,904	-	1,904	4,716 - (761) *	5,859	85,303
	46,572,026	(2,005,939)	44,566,087	7,036,876 (174,992) 1,645 *	51,429,616	24,347,095	(385,106)	23,961,989	2,131,588 (171,933) (1,327) *	25,920,317	25,509,299

17.2 Operating assets - gas transmission system

Note	(Rupees in '000)											
	COST					DEPRECIATION					Written down value at 30 June 2008 (restated)	Depreciation rate (%) / remaining life (years)**
	As at 1 July 2007	Effect of change in accounting policy	As at 1 July 2007 (restated)	Additions / (deletions) / transfers * (restated)	As at 30 June 2008 (restated)	As at 1 July 2007	Effect of change in accounting policy	As at 1 July 2007 (restated)	For the year / (deletions) / transfers * (restated)	As at 30 June 2008 (restated)		
Freehold land	46,778	-	46,778	-	46,778	-	-	-	-	-	46,778	-
Leasehold land	126,999	-	126,999	1,551	128,550	-	-	-	-	-	128,550	-
Buildings on freehold land	279,291	-	279,291	-	279,291	135,224	-	135,224	11,000	146,224	133,067	5
Buildings on leasehold land	994,123	-	994,123	97,441	1,091,564	513,418	-	513,418	48,213	558,483	533,081	5
Gas transmission pipelines 17.2.1	19,999,029	(2,013,002)	17,986,027	369,971 (11,777)	18,344,221	11,173,399	(501,892)	10,671,507	355,885 (7,110)	11,020,282	7,323,939	3-39**
Compressors	2,320,251	-	2,320,251	-	2,320,251	2,124,647	-	2,124,647	44,839	2,169,486	150,765	8**
Telecommunication	507,453	-	507,453	1,952 (57,059)	452,346	492,504	-	492,504	1,947 (57,050)	437,401	14,945	15
Plant and machinery	476,843	-	476,843	19,963 (274)	496,532	310,429	-	310,429	35,925 (217)	346,137	150,395	10
Roads, pavements and related infrastructures	172,575	-	172,575	138,689	311,264	719	-	719	8,550	9,269	301,995	5
Tools and equipment	132,697	-	132,697	8,942 (391)	141,248	114,850	-	114,850	11,905 (391)	126,364	14,884	33.33
Motor vehicles	813,817	-	813,817	143,463 (7,788)	949,492	379,524	-	379,524	95,185 (4,477)	470,232	479,260	20
Furniture and Fixture	246,477	-	246,477	17,335 (2,429)	261,383	185,840	-	185,840	24,343 (2,395)	208,128	53,255	20
Office Equipment	201,542	-	201,542	14,571 (1,624)	214,489	129,867	-	129,867	22,454 (1,561)	150,760	63,729	20
Computer and ancillary equipments	265,776	-	265,776	52,976 (3,430)	315,322	166,824	-	166,824	50,237 (2,916)	222,289	93,033	33.33
Supervisory control and data acquisition system	309,819	-	309,819	283,354	593,173	144,282	-	144,282	46,387	190,669	402,504	15
Construction equipment	785,205	-	785,205	14,173 (3,654)	795,724	504,336	-	504,336	64,716 (3,654)	565,398	230,326	20
2008	27,678,675	(2,013,002)	25,665,673	1,164,381 (88,426)	26,741,628	16,375,863	(501,892)	15,873,971	821,586 (79,771) 5,336 *	16,621,122	10,120,506	
2007	24,061,563	(2,005,939)	22,055,624	3,635,396 (27,277) 1,930 *	25,665,673	15,306,186	(385,106)	14,921,080	974,640 (25,496) 3,747 *	15,873,971	9,791,702	

- 17.2.1 This 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 musharka arrangements are as follows:

Musharka Arrangements

	As at 30 June 2008 (Rupees in '000)		As at 30 June 2007 (Rupees in '000)	
	Cost	Written down value	Cost	Written down value
24" 116 km Sanghar-Hyderabad-Karachi Pipeline	1,603,899	1,481,521	1,579,014	1,497,790
24" x 200 km Bajara-Karachi Pipeline	2,389,743	2,309,162	2,200,722	2,181,373
18" Dia x 53km pipeline from Dhadel to Abb-e-Gum (under construction)	12,205	-	-	-
Land, Head Office building and Karachi Terminal building	749,273	497,404	707,247	497,387
	4,755,120	4,288,087	4,486,983	4,176,550

17.3 Operating assets - gas distribution system

	(Rupees in '000)							
	COST			DEPRECIATION			Written down value at 30 June 2008	Depreciation rate (%)
	As at 1 July 2007	Additions / (deletions) / transfers *	As at 30 June 2008	As at 1 July 2007	For the year / (deletions) / transfers *	As at 30 June 2008		
Freehold land	9,859	-	9,859	-	-	-	9,859	-
Leasehold land	34,277	9,815	44,092	-	-	-	44,092	-
Buildings on freehold land	45,201	-	45,201	29,401	675	30,076	15,125	5
Buildings on leasehold land	138,562	37,256	175,818	56,167	8,431	64,598	111,220	5
Gas distribution system, related facilities and equipment	23,858,603	5,114,578 (180,482)	28,792,699	8,852,740	1,268,679 (177,844)	9,943,575	18,849,124	5 to 10
Telecommunication	10,720	9,693 (397)	20,016	7,958	1,040 (397)	8,601	11,415	15
Plant and machinery	416,866	57,237 (23,507)	450,596	231,175	25,646 (21,613)	235,208	215,388	10
Roads, pavements and related infrastructures	1,010	-	1,010	1,010	-	1,010	-	5
Tools and equipment	78,636	6,917 (2,850)	82,703	62,117	10,160 (2,740)	69,537	13,166	33.33
Motor vehicles	471,357	89,410 (24,078)	536,689	280,552	43,740 (14,759)	309,533	227,156	20
Furniture and fixture	58,703	18,144 (4,875)	71,972	37,112	7,456 (3,323)	41,245	30,727	20
Office equipment	46,198	4,787 (2,708)	48,277	34,646	3,445 (1,292)	36,799	11,478	20
Computer and ancillary equipment	118,337	801 (4,237)	114,901	111,441	2,827 (4,223)	110,045	4,856	33.33
Supervisory control and data acquisition system	99,116	- (99,116)	-	99,116	- (99,116)	-	-	15
2008	25,387,445	5,348,638 (342,250)	30,393,833	9,803,435	1,372,099 (325,307)	10,850,227	19,543,606	
2007	22,164,242	3,371,905 (147,715) (987) *	25,387,445	8,813,985	1,139,857 (146,437) (3,970) *	9,803,435	15,584,010	

17.4 Operating assets - meter manufacturing division

	COST			DEPRECIATION			Written down value at 30 June 2008	Depreciation rate (%)
	As at 1 July 2007	Additions / (deletions) / transfers *	As at 30 June 2008	As at 1 July 2007	For the year / (deletions) / transfers *	As at 30 June 2008		
	(Rupees in '000)							
Building on leasehold land	9,333	2,901	12,234	7,236	210	7,446	4,788	5
Telecommunication	666	-	666	69	86	155	511	15
Plant and machinery	232,356	18,789	251,145	208,579	4,867	213,446	37,699	10
Tools and equipment	31,221	875	32,096	13,974	9,445	23,419	8,677	33.33
Furniture and equipment	6,842	2,353 (30)	9,165	4,345	1,621 (30)	5,936	3,229	20
Office equipment	3,588	1,327	4,915	2,098	399	2,497	2,418	20
Computer and ancillary equipment	1,330	-	1,330	751	32	783	547	33.33
2008	285,336	26,245 (30)	311,551	237,052	16,660 (30)	253,682	57,869	
2007	257,374	27,260 702 *	285,336	225,020	12,375 (343) *	237,052	48,284	

17.5 Operating assets - Gwadar operations

	COST			DEPRECIATION			Written down value at 30 June 2008	Depreciation rate (%)
	As at 1 July 2007	Additions / (deletions) / transfers *	As at 30 June 2008	As at 1 July 2007	For the year / (deletions) / transfers *	As at 30 June 2008		
	(Rupees in '000)							
Leasehold land	14,040	-	14,040	-	-	-	14,040	-
Gas distribution system	58,287	-	58,287	3,752	2,936	6,688	51,599	5 to 10
Plant and machinery	15,132	-	15,132	1,595	1,440	3,035	12,097	10
Tools and equipment	118	-	118	43	40	83	35	33.33
Furniture and equipment	3,166	-	3,166	431	633	1,064	2,102	20
Office equipment	339	-	339	24	68	92	247	20
Computer and ancillary equipment	80	-	80	14	27	41	39	33.33
2008	91,162	-	91,162	5,859	5,144	11,003	80,159	
2007	88,847	2,315	91,162	1,904	4,716 (761) *	5,859	85,303	

17.6 Details of the depreciation for the year are as follows:

Profit and loss account

- Transmission, distribution and selling costs
- Administrative expenses
- Gwadar operation

Meter manufacturing division

- Profit and loss account
- Gas meters components produced

Capital projects

2008
(Rupees in '000) 2007

1,971,539	1,923,399
157,430	131,665
5,144	4,716
2,134,113	2,059,780
9,882	9,314
6,778	3,061
16,660	12,375
64,716	59,433
2,215,489	2,131,588

17.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	3,984	3,957	27	161	134	Tender	Various
Written down value not exceeding Rs. 50,000 each	70	69	1	49	48	Theft	Claim from National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	3,612	3,113	499	-	(499)	Burnt	Claim from National Insurance Company Limited
Tools							
Written down value not exceeding Rs. 50,000 each	946	946	-	15	15	Tender	Various
Written down value not exceeding Rs. 50,000 each	2,215	2,167	48	-	(48)	Burnt	Claim from National Insurance Company Limited
Written down value above Rs. 50,000 each	80	18	62	-	(62)	Burnt	Claim from National Insurance Company Limited
Gas distribution system							
Written down value above Rs. 50,000 each	17,986	15,348	2,638	-	(2,638)	Replacement	Various
Written down value not exceeding Rs. 50,000 each	132,212	132,212	-	-	-	Replacement	Various
Written down value not exceeding Rs. 50,000 each	30,284	30,284	-	4,050	4,050	Tender	Various
Gas transmission pipeline							
Written down value above Rs. 50,000 each	11,536	6,869	4,667	-	(4,667)	Replacement	Various
Written down value not exceeding Rs. 50,000 each	241	241	-	-	-	Replacement	Various
Telecommunication							
Written down value not exceeding Rs. 50,000 each	57,432	57,432	-	463	463	Tender	Various
Written down value not exceeding Rs. 50,000 each	24	14	10	-	(10)	Burnt	Claim from National Insurance Company Limited
Plant and machinery							
Written down value above Rs. 50,000 each	308	209	99	51	(48)	Tender	Various
Written down value above Rs. 50,000 each	1,857	437	1,420	-	(1,420)	Burnt	Claim from National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	7,213	7,148	65	1,370	1,305	Tender	Various
Written down value not exceeding Rs. 50,000 each	14,402	14,036	366	-	(366)	Burnt	Claim from National Insurance Company Limited

	(Rupees in '000)						
	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Furniture fixture							
Written down value not exceeding Rs. 50,000 each	4,095	4,060	35	159	124	Tender	Various
Written down value not exceeding Rs. 50,000 each	1,904	1,561	343	-	(343)	Burnt	Claim from National Insurance Company Limited
Written down value above Rs. 50,000 each	1,334	126	1,208	-	(1,208)	Burnt	Claim from National Insurance Company Limited
Office equipment							
Written down value not exceeding Rs. 50,000 each	1,974	1,928	46	86	40	Tender	Various
Written down value not exceeding Rs. 50,000 each	2,359	926	1,433	-	(1,433)	Burnt	Claim from National Insurance Company Limited
SCADA							
Written down value not exceeding Rs. 50,000 each	99,116	99,116	-	371	371	Tender	Various
Construction equipment							
Written down value not exceeding Rs. 50,000 each	3,654	3,654	-	607	607	Tender	Various
Motor vehicles							
Written down value above Rs. 50,000 each	2,537	981	1,556	1,862	306	Tender	Various
Written down value above Rs. 50,000 each	13,322	5,248	8,074	8,619	545	Burnt	Claim from National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	6,119	6,119	-	3,899	3,899	Tender	Various
Written down value not exceeding Rs. 50,000 each	365	359	6	240	234	Theft	Claim from National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	3,328	3,305	23	2,063	2,040	Burnt	Claim from National Insurance Company Limited
Toyota Corolla	969	436	533	361	(172)	Service rules	Mr. M. Abid Shirani
Toyota Corolla	969	195	774	496	(278)	Service rules	Mr. Naeem ur Rehman Akhoond
Toyota Corolla	969	436	533	290	(243)	Service rules	Mr. Imdad Hussain Baloch
Honda City	785	561	224	59	(165)	Service rules	Mr. Saleem Khan Sanjrani
Honda City	765	765	-	57	57	Service rules	Mr. Riaz Salam
Suzuki Cultus	595	132	463	287	(176)	Service rules	Mr. Nawaz Shaikh
Suzuki Cultus	590	265	325	209	(116)	Service rules	Mr. Najmul Hassan Memon
Suzuki Cultus	555	435	120	42	(78)	Service rules	Mr. Bashir Ahmad
	6,197	3,225	2,972	1,801	(1,171)		
30 June 2008	430,706	405,108	25,598	25,866	268		
30 June 2007	174,992	171,933	3,059	20,179	17,120		

- 17.8 Borrowing costs capitalized during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 245.044 million (2007: Rs. 163.293 million). Borrowing costs related to general borrowings were capitalized at the rate of 10.42% (2007: 10.85%).
- 17.9 The Company has obtained comprehensive risk coverage in respect of its operating assets. The sum insured of operating assets for the year ended 30 June 2008 is Rs.92 billion (2006-2007: 98 billion).

	Note	2008 (Rupees in '000)	2007
17.10 Capital work in progress			
Projects:			
- Gas distribution system		927,070	1,081,977
- Cost of buildings under construction		229,862	137,456
- Gas infrastructure rehabilitation and expansion project		65,620	4,405
- Roads, Pavements and related activities		74,594	57,872
		<u>1,297,146</u>	<u>1,281,710</u>
Stores and spares held for capital projects	17.10.1	2,692,509	3,009,950
Advances for land acquisition		3,423	3,423
Others		12,346	18,319
		<u>2,708,278</u>	<u>3,031,692</u>
		<u>4,005,424</u>	<u>4,313,402</u>
17.10.1 Stores and spares held for capital projects			
Gas transmission		970,990	1,063,503
Gas distribution		1,726,505	1,948,359
		<u>2,697,495</u>	<u>3,011,862</u>
Provision for impaired stores and spares		(4,986)	(1,912)
		<u>2,692,509</u>	<u>3,009,950</u>

Stores and spares held for capital projects include goods in transit amounting to Rs.6.251 million (2007: Rs. 0.745 million).

18. INTANGIBLE ASSETS

		(Rupees in '000)							
		COST			AMORTISATION		Written down value at 30 June 2008	Amortisation rate (%)	
		As at 1 July 2007	Additions / (deletions)	As at 30 June 2008	As at 1 July 2007	For the year / transfers *			As at 30 June 2008
Computer software	2008	175,338	54,812	230,150	113,236	52,677 (5,336)	160,577	69,573	33.33
	2007	130,086	45,252	175,338	73,819	39,417	113,236	62,102	

	Note	Percentage of holding (if over 10%)	2008 (Rupees in '000)	2007
19. LONG TERM INVESTMENTS				
Investments in related parties				
Associated / subsidiary companies				
Inter State Gas Systems (Private) Limited 510,000 (2007: 510,000) ordinary shares of Rs. 10 each (Joint venture company)	19.1	51	5,100	5,100
Sui Southern Gas Provident Fund Trust Company (Private) Limited 100 (2007: 100) ordinary shares of Rs. 10 each (Subsidiary company)	19.1	100	1	1
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited 2,090,195 (2007: 2,090,195) ordinary shares of Rs. 10 each (Associated company)	19.2		91,070	147,881
			96,171	152,982
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited 350,000 (2007: 300,000) ordinary shares of Rs. 10 each			52,983	66,585
United Bank Limited 98,040 (2007: 78,432) ordinary shares of Rs. 10 each			8,341	17,251
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation 5,000 (2007: 5,000) ordinary shares of Rs. 10 each			50	50
			61,374	83,886
Provision against impairment in value of investments at cost			(50)	(50)
			61,324	83,836
			157,495	236,818

19.1 These companies are incorporated in Pakistan.

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

20. NET INVESTMENT IN FINANCE LEASE

Not later than one year

Later than one year and not later
than five years

Later than five years

30 June 2008		
Minimum lease payments	Finance income for future periods	Principal outstanding
----- (Rupees in '000) -----		
330,098	211,764	118,334
1,141,676	668,339	473,337
1,381,643	580,538	801,105
2,523,319	1,248,877	1,274,442
<u>2,853,417</u>	<u>1,460,641</u>	<u>1,392,776</u>

Not later than one year

Later than one year and not later
than five years

Later than five years

30 June 2007		
Minimum lease payments	Finance income for future periods	Principal outstanding
----- (Rupees in '000) -----		
347,970	229,636	118,334
1,213,163	739,826	473,337
1,640,255	720,816	919,439
2,853,418	1,460,642	1,392,776
<u>3,201,388</u>	<u>1,690,278</u>	<u>1,511,110</u>

2008

2007

(Rupees in '000)

21. LONG TERM LOANS AND ADVANCES -

secured, considered good

Due from executives

Less: receivable within one year

Due from other employees

Less: receivable within one year

7,107	8,291
(2,887)	(2,796)
<u>4,220</u>	<u>5,495</u>
134,824	136,806
(27,698)	(27,897)
107,126	108,909
<u>111,346</u>	<u>114,404</u>

21.1 Reconciliation of the carrying amount of loans and advances:

	2008		2007	
	Executives	Other employees	Executives	Other employees
	----- (Rupees in '000) -----			
Balance at the beginning of the year	8,291	136,806	9,799	140,982
Disbursements	-	33,072	-	31,754
Transfers	2,175	(2,175)	1,918	(1,918)
Repayment	(3,359)	(32,879)	(3,426)	(34,012)
	<u>7,107</u>	<u>134,824</u>	<u>8,291</u>	<u>136,806</u>

21.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly instalments over a period of six to ten years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the Company w.e.f. 01 January 2001. Loans to non-executive employees do not carry mark-up.

21.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs.10.466 million (2007: Rs.10.325 million).

2008 2007
(Rupees in '000)

22. STORES, SPARES AND LOOSE TOOLS

Stores	373,476	372,258
Spares	607,245	664,713
Stores and spares in transit	223,669	32,826
Loose tools	1,312	1,312
	<u>1,205,702</u>	<u>1,071,109</u>

Provision against impaired inventory

Balance as at 1 July	(48,944)	(64,392)
Provision made during the year	(1,716)	(30,304)
Written off during the year	-	45,752
Balance as at 30 June	<u>(50,660)</u>	<u>(48,944)</u>

1,155,042 1,022,165

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

Transmission	768,366	805,597
Distribution	386,676	216,568
	<u>1,155,042</u>	<u>1,022,165</u>

23. STOCK-IN-TRADE

Gas

Gas in pipelines
Stock of Synthetic Natural Gas

Gas meters

Components
Work-in-process
Finished meters

Provision against impaired inventory

Note

2008
2007
(Rupees in '000)

	139,698	149,198
	1,369	241
	<u>141,067</u>	<u>149,439</u>
	356,294	198,898
	11,761	6,340
	6,952	17,565
	<u>375,007</u>	<u>222,803</u>
	(3,691)	(3,339)
	<u>371,316</u>	<u>219,464</u>
	<u>512,383</u>	<u>368,903</u>

24. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

This represents cost of work carried out by the Company on behalf of the consumers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such customers are shown as deduction there from as reflected in note 31 to these financial statements.

25. TRADE DEBTS

Considered good
- secured
- unsecured

Considered doubtful

Provision against impaired debts

25.1

	5,408,402	3,861,202
	14,636,626	12,199,871
	<u>20,045,028</u>	<u>16,061,073</u>
	1,701,493	1,544,639
	<u>21,746,521</u>	<u>17,605,712</u>
	(1,701,493)	(1,544,639)
	<u>20,045,028</u>	<u>16,061,073</u>

25.1 Movement of provision against impaired debts

Balance as at 1 July
Provision for the year

	1,544,639	1,306,229
	156,854	238,410
	<u>1,701,493</u>	<u>1,544,639</u>

26. LOANS AND ADVANCES - considered good

Current portion of long term loans:

- executives
- other employees

Advances to:

- executives
- other employees

21

21

26.1

	2,887	2,796
	27,698	27,897
	<u>30,585</u>	<u>30,693</u>
	4,442	4,487
	80,963	59,937
	<u>85,405</u>	<u>64,424</u>
	<u>115,990</u>	<u>95,117</u>

26.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs.13,956 million (2007: Rs. 4,487 million).

27. **TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Note
2008
2007
(Rupees in '000)

Advances for goods and services - unsecured, considered good		117,660	37,279
Trade deposits - unsecured, considered good		109,187	23,947
Prepayments		40,575	45,238
		<u>267,422</u>	<u>106,464</u>

28. **OTHER RECEIVABLES - considered good**

Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		-	343,102
Gas development surcharge receivable from GoP		974,722	-
Receivable from staff pension fund - non executives	38.1	134,506	83,529
Receivable from staff gratuity fund - executives	38.1	26,447	12,651
Receivable from staff provident fund - executives		6	-
Balance receivable for sale of gas condensate		157,125	92,600
Receivable from Sui Northern Gas Pipelines Limited	28.1	3,272,399	1,783,881
Receivable from Karachi Electric Supply Corporation Limited	28.2	185,073	57,878
Receivable from Jamshoro Joint Venture Limited		489,965	190,936
Insurance claim receivable		10,913	5,486
Sales tax receivable		3,950,889	4,123,690
Claims receivable		757	757
Miscellaneous receivables	28.3	330,013	404,706
		<u>9,532,815</u>	<u>7,099,216</u>
Provision against impaired receivables		(1,485)	(1,485)
		<u>9,531,330</u>	<u>7,097,731</u>

28.1 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs.58,494 million (2007: Rs. 77,226 million) and Rs.3,213,794 million (2007: Rs.1,706,656 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 30.1 to these financial statements for detail).

28.2 This represents receivable from Karachi Electric Supply Corporation on account of interest on late payment of gas bills. The comparative figure has been re-classified from trade debts based on its nature.

28.3 This includes Rs. 300,925 million (2007: Rs. 376,156 million) recoverable from the GoP under deferred tariff adjustment.

29. **CASH AND BANK BALANCES**

Cash at banks			
- deposit accounts	29.1	4,113,268	4,199,048
- current accounts		224,747	1,057,639
		<u>4,338,015</u>	<u>5,256,687</u>
Cash in hand		18,285	10,952
		<u>4,356,300</u>	<u>5,267,639</u>

29.1 This includes Rs. nil (2007: Rs. 2,484 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the Company.

Note	2008		2007	
	Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
30 COST OF GAS				
Gas in pipelines as at 1 July	940,661	149,198	809,447	125,386
Gas purchases from:				
Pakistan Petroleum Limited	43,183,453	4,567,613	41,473,627	4,101,255
Oil and Gas Development Company Limited	6,761,213	738,144	3,683,474	495,722
BP (Pakistan) Exploration and Production Incorporated	74,289,228	14,776,066	75,063,852	14,174,226
Orient Petroleum Inc.	23,311,908	3,918,141	30,644,129	4,871,419
Eni Pakistan Limited	119,937,843	30,997,131	118,450,213	28,186,222
Mari Gas Company Limited	255,944	11,537	320,778	9,811
Sui Northern Gas Pipelines Limited - a related party	597,898	73,518	398,877	53,450
BHP Petroleum (Pakistan) Pty Limited	72,245,323	12,561,872	41,106,263	6,369,751
OMV (Pak) Exploration GmbH	68,792,663	14,746,175	75,946,970	15,248,512
Input sales tax on exempt supplies	-	78,305	-	-
	409,375,473	82,468,502	387,088,183	73,510,368
Gas available for sale	410,316,134	82,617,700	387,897,630	73,635,754
Gas consumed internally	(1,303,226)	(225,818)	(1,114,473)	(185,475)
Inward price adjustment		(13,013,948)		(10,143,974)
Shrinkage of gas at LHF	-		(83,898)	-
Gas in pipelines as at 30 June	(821,212)	(139,698)	(940,661)	(149,198)
	(2,124,438)	(13,379,464)	(2,139,032)	(10,478,647)
	408,191,696	69,238,236	385,758,598	63,157,107

* Metric Cubic Feet.

30.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Company and Sui Northern Gas Pipelines Limited effective from 1 July 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement, the Company with lower weighted average cost of gas is required to pay to the other Company so that the overall weighted average rate of well head gas price of both the companies is the same. However, this averaging has not affected the profit and loss account of the Company as in the absence of averaging, the corresponding effect would have been to gas development surcharge account in the profit and loss account.

30.2 The net volume difference of gas purchase and sales after adjusting internal consumption in the Company's operations is termed as UFG. Among other disallowances made by OGRA the excess UFG is added to gas development surcharge by reducing the profit. Actual UFG for the year ended 30 June 2008 was 6.63% (2007: 7.44%) against the targets fixed by OGRA at 5.55% (2007: 5.70%). In financial terms this has caused disallowances of Rs. 762 million (2007: 1,158 million) which has been added to gas development surcharge and reduced from profit. Region wise break-up of UFG is as follows:

	2008	
	Volume (MMCF)	%
Karachi	11,013	3.82
Sindh (excluding Karachi)	7,350	8.21
Baluchistan	7,626	29.73
Transmission loss	1,105	0.27

31. TRANSMISSION, DISTRIBUTION AND SELLING COSTS

	Note	2008	2007
(Rupees in '000)			
Salaries, wages and benefits		2,247,975	2,119,919
Contribution / accruals in respect of staff retirement benefit schemes	31.1	144,681	148,277
Depreciation on operating assets	17.6	1,971,539	1,923,399
Amortisation of intangible assets	18	52,677	39,417
Repairs and maintenance		381,409	385,958
Stores, spares and supplies consumed		343,611	410,665
Provision against impaired debts	25.1	156,854	238,410
Gas consumed internally	30	225,819	185,475
Legal and professional charges		125,532	103,676
Electricity		57,288	56,094
Security expenses		145,760	109,901
Insurance and royalty		57,013	60,504
Travelling		27,931	29,696
Material and labour used on consumers' installation		83,340	123,301
Gas bills collection charges		141,387	137,677
Postage and revenue stamps		62,677	38,564
Rent, rates and taxes		37,625	39,285
Infrastructure development fee	31.2	75,000	50,000
Revenue expenses related to Liquefied Natural Gas		49,699	67,894
Others	31.3	213,575	169,515
		6,601,392	6,437,627
Recoveries / allocations to:			
Gas distribution system capital expenditure		(642,842)	(672,066)
Installation costs recovered from customers		(127,895)	(219,481)
		(770,737)	(891,547)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		(192,472)	(121,206)
- Oil and Gas Development Company Limited - a related party		(21,861)	5,113
- Other customers		26,720	6,197
		(187,613)	(109,896)
		5,643,042	5,436,184
31.1 Contributions to / accrual in respect of staff retirement benefit schemes			
Contribution to the provident fund		66,957	63,025
Charge in respect of pension funds:			
- executives		8,015	14,278
- non executives		(44,971)	(51,402)
Charge in respect of gratuity funds:			
- executives		(10,507)	(8,059)
- non executives		(7,431)	(1,073)
Accrual in respect of unfunded post retirement:			
- medical facility		106,344	113,082
- gas facility		1,811	721
Accrual in respect of compensated absences			
- executives		8,279	1,287
- non executives		16,734	16,940
Expenses relating to meter manufacturing division and construction division		(550)	(522)
		144,681	148,277

31.2 This represents amount paid to Ministry of Petroleum & Natural Resources being the share of infrastructural development fees.

	Note	2008	2007
(Rupees in '000)			
31.3 Transmission, distribution and selling costs - others			
Communication		28,684	16,585
Advertisement		35,800	38,483
Water charges		209	3,554
Subscriptions		609	1,436
Bank charges		6,449	6,841
Freight and handling		1	3,360
Miscellaneous	31.3.1	141,823	99,256
		213,575	169,515
31.3.1 This includes expenses amounting to Rs.96.962 million (2007: Rs. 85.574 million) in respect of Inter State Gas Systems (Private) Limited (ISGCL). Under agreement with Sui Northern Gas Pipelines Limited, ISGCL and the Company, the Company is required to bear 51% expenses of ISGCL..			
32 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		1,024,542	717,663
Contribution / accruals in respect of staff retirement benefit scheme	32.1	16,263	16,000
Depreciation on operating assets	17.6	157,430	131,665
Repairs and maintenance		72,003	70,707
Stores, spares and supplies consumed		33,767	34,274
Legal and professional charges		99,710	47,811
Electricity		6,817	9,222
Security expenses		2,975	2,243
Insurance and royalty		3,139	7,501
Travelling		31,165	32,137
Postage and revenue stamps		658	675
Rent, rates and taxes		22,391	6,832
Others	32.2	62,421	23,841
		1,533,281	1,100,571
Recoveries / allocations to:			
Meter manufacturing division		(24,959)	(21,154)
Recoveries from others		(4,236)	(8,083)
		(29,195)	(29,237)
		1,504,086	1,071,334
32.1 Contributions to / accrual in respect of staff retirement benefit schemes			
Contribution to the provident fund		18,073	10,671
Charge in respect of amount due to the pension funds			
- executives		2,787	939
- non executives		(6,006)	(1,255)
Charge in respect of amount due to the gratuity funds			
- executives		(3,289)	43
- non executives		(992)	2,538
Accrual in respect of unfunded post retirement			
- medical facility		971	1,032
- gas facility		23	9
Accrual in respect of compensated absences			
- executives		3,187	495
- non executives		1,509	1,528
		16,263	16,000

	Note	2008	2007
(Rupees in '000)			
32.2 Administrative expenses - others			
Advertisement		2,285	2,396
Miscellaneous		60,136	21,445
		<u>62,421</u>	<u>23,841</u>
33. OTHER OPERATING EXPENSES			
Auditors' remuneration			
- Statutory audit		1,000	1,000
- Special audits and certifications		555	80
- Out of pocket expenses		200	200
		<u>1,755</u>	<u>1,280</u>
Workers' profit participation fund	12.2	125,349	70,310
Sports expenses		23,721	18,085
Corporate social responsibility		16,705	17,099
Net loss on gas distribution Gwadar operation	33.1	14,150	10,820
Provision against impaired stores and spares		4,787	30,629
Exchange loss on payment of gas purchases		795,198	-
		<u>981,665</u>	<u>148,223</u>
33.1. Net loss on gas distribution Gwadar operation - net			
Sales		560	544
Cost of sales		(3,126)	(1,857)
Gross loss		<u>(2,566)</u>	<u>(1,313)</u>
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(1,653)	(1,995)
Depreciation expenses	17.6	(5,144)	(4,716)
Other operating expenses		(4,787)	(2,796)
		<u>(11,584)</u>	<u>(9,507)</u>
Net loss		<u>(14,150)</u>	<u>(10,820)</u>
34. OTHER OPERATING INCOME			
Income from other than financial assets			
Meter rentals		530,017	502,251
Recognition of income against deferred credit		181,027	231,771
Sale of gas condensate		665,879	336,323
Income from gas transportation		40,085	41,849
Royalty income from Jamshoro Joint Venture Limited		2,145,379	1,263,755
Meter manufacturing division profit - net	34.1	65,939	120,956
Recoveries from consumers		28,224	22,956
Gain on sale of fixed assets	17.7	268	17,120
Liquidated damages recovered		3,068	37,940
Advertising income		4,488	8,614
Income from sale of tender documents		3,029	377
Realised gain on foreign transactions		-	36,126
Miscellaneous		14,320	8,274
		<u>3,681,723</u>	<u>2,628,312</u>
Income from investment in debts, loans, advances and receivables from related party			
Income from gas transportation - Sui Northern Gas Pipeline Limited		22,818	23,648
		<u>3,704,541</u>	<u>2,651,960</u>

34.1 Meter manufacturing division profit - net

	Note	2008	2007
(Rupees in '000)			
Gross sales of gas meters			
- Company's consumption	34.1.1	382,573	266,242
- Outside sales		680,948	853,799
		<u>1,063,521</u>	<u>1,120,041</u>
Sales tax		(144,019)	(151,917)
Net sales		<u>919,502</u>	<u>968,124</u>
Cost of sales			
- Raw material consumed		738,712	746,763
- Packing cost		6,489	6,473
- Stores and spares		1,057	1,980
- Fuel, power and electricity		1,672	1,473
- Salaries wages and other benefits	34.1.2	71,989	69,218
- Insurance		358	982
- Repairs and maintenance		3,470	4,591
- Depreciation	17.6	9,882	9,314
- Other expenses		1,019	1,349
		<u>834,648</u>	<u>842,143</u>
Opening work in process		5,382	12,299
Closing work in process		(9,118)	(5,382)
		<u>(3,736)</u>	<u>6,917</u>
Cost of goods manufactured		<u>830,912</u>	<u>849,060</u>
Opening stock of finished goods		17,565	4,268
Closing stock of finished goods		(17,447)	(17,565)
		<u>118</u>	<u>(13,297)</u>
Cost of goods sold		<u>831,030</u>	<u>835,763</u>
Gross profit		<u>88,472</u>	<u>132,361</u>
Administrative expenses		(24,960)	(14,808)
Operating profit		<u>63,512</u>	<u>117,553</u>
Other income		2,427	3,403
Net profit		<u>65,939</u>	<u>120,956</u>
34.1.1 Gas meters used by the Company are included in operating assets at manufacturing cost.			
34.1.2 Salaries, wages and other benefits		72,160	69,297
Provident fund contribution		1,096	1,021
Pension Fund		(1,010)	(1,158)
Gratuity		(257)	58
		<u>71,989</u>	<u>69,218</u>

	Note	2008	2007
		(Rupees in '000)	
35. OTHER NON-OPERATING INCOME			
Income from financial assets			
Late payment surcharge		425,154	321,811
Income from net investment in finance lease		54,784	58,095
Return on:			
- term and profit and loss bank deposits		170,849	95,158
- staff loans		2,593	2,928
Interest income - Karachi Electric Supply Corporation		912,558	504,454
Interest income - Jamshoro Joint Venture Limited (JJVL)		25,094	15,803
Dividend income		235	188
		<u>1,591,267</u>	<u>998,437</u>
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipeline Limited		6,271	5,701
Income from net investment in finance lease		174,852	186,312
		<u>181,123</u>	<u>192,013</u>
		<u>1,772,390</u>	<u>1,190,450</u>
35.1	This income is receivable from SNGPL and OGDC amounting to Rs. 166.799 million (2007: Rs. 176.771 million) and Rs. 8.073 million (2007: Rs. 9.541 million) respectively.		
35.2	The comparative figures have been re-classified from other operating income in order to give more appropriate presentation and disclosure in accordance with changes in accounting policy.		
36. FINANCE COST			
Mark-up on:			
- musharaka		539,063	32,498
- local currency financing		770,192	1,007,944
- short term financing		84,293	171,099
- consumers' deposits		78,890	57,008
- workers' profit participation fund	12.2	10	664
- delayed payment on gas bills		896,033	509,527
- others		2,193	-
		<u>2,370,674</u>	<u>1,778,740</u>
37. TAXATION			
Current		415,492	370,219
Deferred		866,564	674,627
Prior years		108,504	-
		<u>1,390,560</u>	<u>1,044,846</u>
37.1 Relationship between accounting profit and tax expense for the year is as follows:			
Accounting profit for the year		2,381,627	1,335,225
Tax rate		35%	35%
Tax charge @ 35% (2006: 35%)		833,569	467,329
Minimum tax @ 0.5%		415,492	370,219
Tax effect of expenses that are not deductible in determining taxable profit		33,937	29,951
Effect of lower tax rate on dividend income		(1,627)	(1,767)
Prior years' tax charge		108,504	-
Effect of adjustment in opening written down value		685	179,114
		<u>1,390,560</u>	<u>1,044,846</u>

37.2 Due to tax losses, the Company has charged / paid minimum tax under section 113 of Income Tax Ordinance, 2001 for year ended 30 June 2005 to 30 June 2008 amounting to Rs. 990 million. The minimum tax has been expensed by the Company. Under provisions of section 113 of Income Tax Ordinance, 2001, the minimum tax so paid can be adjusted against future taxable profits of next five years. Since section 113 of Income Tax Ordinance, 2001 was omitted by Finance Act, 2008 the recovery / adjustment of abovementioned minimum tax paid has to be determined. The Company has approached its legal advisors to obtain opinion against recoverability of abovementioned minimum tax paid if the Company has taxable profits in future.

38. STAFF RETIREMENT BENEFITS

38.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.14 to these financial statements, the Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at 30 June 2008 under the projected unit credit method for both non-executive and executive staff members.

Fair value of plan assets and present value of obligations

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

	2008			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
(Asset) / liability in balance sheet				
Fair value of plan assets	(810,985)	(1,377,554)	(402,327)	(1,319,485)
Present value of defined benefit obligation	542,423	1,704,055	6,592	1,279,964
Net (surplus) / deficit	(268,562)	326,501	(395,735)	(39,521)
Unrecognised past service gain/ (cost)	(42,474)	89,614	-	-
Unrecognised actuarial (loss) / gain	311,988	(442,562)	261,229	61,938
	952	(26,447)	(134,506)	22,417
Changes in present value of defined benefit obligation				
Obligation as at 1 July 2007	471,480	1,400,696	7,952	1,029,557
Current service cost	21,925	71,127	-	49,039
Interest cost	47,148	140,070	795	102,956
Past service cost	-	-	-	(9,781)
Actuarial loss/(gain)	6,177	263,307	(1,424)	164,275
Benefits paid	(4,307)	(171,145)	(731)	(56,082)
Obligation as at 30 June 2008	542,423	1,704,055	6,592	1,279,964
Changes in fair value of plan assets				
Fair value as at 1 July 2007	718,001	1,405,498	354,912	1,410,681
Expected return on plan assets	71,800	140,550	35,491	141,068
Net actuarial gain/(loss)	14,784	2,651	12,655	(157,681)
Benefits paid	(4,307)	(171,145)	(731)	(74,583)
Contribution to fund	10,707	-	-	-
Fair value as at 30 June 2008	810,985	1,377,554	402,327	1,319,485

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

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

	2008			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
(Asset) / liability as at 1 July 2007	857	(12,651)	(83,529)	30,840
Expense recognised for the year	10,802	(13,796)	(50,977)	(8,423)
Contribution to the fund/ benefits paid	(10,707)	-	-	-
(Asset) / liability in Balance Sheet	<u>952</u>	<u>(26,447)</u>	<u>(134,506)</u>	<u>22,417</u>

Expense recognised in the profit and loss account

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

	2008			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
Current service cost	21,925	71,127	-	49,039
Mark-up cost	47,148	140,070	795	102,956
Expected return on plan assets	(71,800)	(140,550)	(35,491)	(141,068)
Recognition of actuarial loss / (gain)	(28,948)	5,170	(16,281)	(19,350)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>10,802</u>	<u>(13,796)</u>	<u>(50,977)</u>	<u>(8,423)</u>

Composition / fair value of plan assets used by the fund

	Executives	Non-executives
	Pension	Gratuity
Equity	20.3%	6.9%
Debt instruments	79.7%	93.1%
Others	0.0%	0.0%

Actual return on plan assets is as follows:

	Executives	Non-executives
	Pension	Gratuity
Expected return on plan assets	71,800	140,550
Actuarial gain/(loss) on plan assets	14,784	2,651
Actual return on plan assets	<u>86,584</u>	<u>143,201</u>

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
(Asset) / liability in balance sheet				
Fair value of plan assets	(718,001)	(1,405,498)	(354,912)	(1,410,681)
Present value of defined benefit obligation	471,480	1,400,696	7,952	1,029,557
Net (surplus)	<u>(246,521)</u>	<u>(4,802)</u>	<u>(346,960)</u>	<u>(381,124)</u>
Unrecognised past service gain/ (cost)	(84,951)	179,227	-	-
Unrecognised actuarial (loss) / gain	332,329	(187,076)	263,431	411,964
	<u>857</u>	<u>(12,651)</u>	<u>(83,529)</u>	<u>30,840</u>

Changes in present value of defined benefit obligation

Obligation as at 1 July 2006

Current service cost

Interest cost

Past service cost

Actuarial loss/(gain)

Benefits paid

Obligation as at 30 June 2007

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
Obligation as at 1 July 2006	452,255	1,320,893	7,014	883,080
Current service cost	20,962	60,448	-	41,124
Interest cost	45,225	132,089	701	88,308
Past service cost	-	-	-	-
Actuarial loss/(gain)	(35,615)	(24,005)	937	67,045
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Obligation as at 30 June 2007	<u>471,480</u>	<u>1,400,696</u>	<u>7,952</u>	<u>1,029,557</u>

Changes in fair value of plan assets

Fair value as at 1 July 2006

Expected return on plan assets

Net actuarial gain/(loss)

Benefits paid

Contribution to fund

Fair value as at 30 June 2007

Fair value as at 1 July 2006	662,797	1,291,147	349,276	1,154,880
Expected return on plan assets	66,280	129,115	34,928	115,488
Net actuarial gain/(loss)	(14,072)	70,856	(28,592)	188,816
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Contribution to fund	14,343	3,109	-	1,497
Fair value as at 30 June 2007	<u>718,001</u>	<u>1,405,498</u>	<u>354,912</u>	<u>1,410,681</u>

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

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

(Asset) as at 1 July 2006

Expense recognised for the year

Contribution to the fund/ benefits paid

(Asset) / liability in Balance Sheet

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
(Asset) as at 1 July 2006	(17)	(1)	(30,872)	30,872
Expense recognised for the year	15,217	(9,541)	(52,657)	1,465
Contribution to the fund/ benefits paid	(14,343)	(3,109)	-	(1,497)
(Asset) / liability in Balance Sheet	<u>857</u>	<u>(12,651)</u>	<u>(83,529)</u>	<u>30,840</u>

Expense recognised in the profit and loss account

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

Current service cost

Mark-up cost

Expected return on plan assets

Recognition of actuarial loss / (gain)

Recognition of past service cost / (gain)

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in 000)-----			
Current service cost	20,962	60,448	-	41,124
Mark-up cost	45,225	132,089	702	88,308
Expected return on plan assets	(66,280)	(129,115)	(34,928)	(115,488)
Recognition of actuarial loss / (gain)	(27,167)	16,650	(18,431)	(12,479)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>15,217</u>	<u>(9,541)</u>	<u>(52,657)</u>	<u>1,465</u>

Composition/ fair value of plan assets used by the fund

Equity

Debt instruments

Others

Equity	10.7%	2.4%	3.0%	20.0%
Debt instruments	74.5%	66.0%	66.5%	56.5%
Others	14.8%	31.6%	30.5%	23.5%

Actual return on plan assets is as follows:

Expected return on plan assets
Actuarial gain/(loss) on plan assets

Actual return on plan assets

2007			
Executives		Non-executives	
Pension	Gratuity	Pension	Gratuity
----- (Rupees in 000) -----			
66,280	129,115	34,928	115,488
(14,072)	70,856	(28,592)	188,816
<u>52,208</u>	<u>199,971</u>	<u>6,336</u>	<u>304,304</u>

Historical information

2008

2007

2006

2005

2004

-----**(Rupees in 000)**-----

Pension - Executives

Present value of defined benefit obligation
Fair value of planned assets
(Surplus) / deficit
Unrecognised past service cost
Unrecognised actuarial (loss) / gain
(Asset) / liability in balance sheet
Experience adjustment arising
on plan liabilities (gains) / losses
Experience adjustment arising
on plan assets gains / (losses)

542,423	471,480	452,255	604,231	550,282
(810,985)	(718,001)	(662,797)	(431,493)	(257,181)
(268,562)	(246,521)	(210,542)	172,738	293,101
(42,474)	(84,951)	(127,428)	(169,905)	(212,383)
311,988	332,329	337,953	(22,448)	(143,484)
952	857	(17)	(19,615)	(62,766)
6,177	(35,615)	(230,677)	(999)	429,347
14,784	(14,072)	129,723	109,061	28,979

Gratuity - Executives

Present value of defined benefit obligation
Fair value of planned assets
(Surplus) / deficit
Unrecognised past service gain
Unrecognised actuarial loss
(Asset) / liability in balance sheet
Experience adjustment arising
on plan liabilities (gains) / losses
Experience adjustment arising
on plan assets gains / (losses)

1,704,055	1,400,696	1,320,893	1,073,625	1,010,954
(1,377,554)	(1,405,498)	(1,291,147)	(1,116,249)	(1,035,178)
326,501	(4,802)	29,746	(42,624)	(24,224)
89,614	179,227	268,840	358,453	448,066
(442,562)	(187,076)	(298,587)	(360,072)	(341,337)
(26,447)	(12,651)	(1)	(44,243)	82,505
263,307	(24,005)	166,063	17,580	(258,702)
2,651	70,856	202,703	(25,179)	60,418

Pension - Non Executives

Present value of defined benefit obligation
Fair value of planned assets
Surplus
Unrecognised actuarial gain
Asset in balance sheet
Experience adjustment arising
on plan liabilities (gains) / losses
Experience adjustment arising
on plan assets gains / (losses)

6,592	7,952	7,014	7,354	8,134
(402,327)	(354,912)	(349,276)	(197,057)	(224,551)
(395,735)	(346,960)	(342,262)	(189,703)	(216,417)
261,229	263,431	311,390	189,703	125,896
(134,506)	(83,529)	(30,872)	-	(90,521)
1,424	937	(256)	(796)	1,713
12,655	(28,592)	132,764	50,925	73,336

Gratuity - Non Executives

Present value of defined benefit obligation
Fair value of planned assets
(Surplus) / deficit
Unrecognised actuarial (loss) / gain
Liability in balance sheet
Experience adjustment arising
on plan liabilities (gains) / losses
Experience adjustment arising
on plan assets gains / (losses)

1,279,964	1,029,557	883,080	951,700	862,829
(1,319,485)	(1,410,681)	(1,154,880)	(955,511)	(772,612)
(39,521)	(381,124)	(271,800)	(3,811)	90,217
61,938	411,964	302,672	3,811	(19,380)
22,417	30,840	30,872	-	70,837
164,275	67,045	(169,797)	(910)	218,474
(157,681)	188,816	129,064	22,281	68,019

Significant actuarial assumptions

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

Discount rate
Expected rate of increase in salary level
Expected rate of return on plan assets
Increase in pension

38.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.14 to these financial statements the Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2008 under the projected unit current cost method, results of which are as follows:

Liability in balance sheet

Projected benefit obligation
Unrecognised actuarial (loss) / gain

Movement in net liability recognized

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

Liability as at 1 July 2007
Charge for the year
Payments during the year
Liability as at 30 June 2008

Expense recognised in the profit and loss account

Current service cost
Mark-up cost - net
Amortisation of actuarial gain

Liability in balance sheet

Projected benefit obligation
Unrecognised actuarial (loss) / gain

Movement in net liability recognized

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

Liability as at 1 July 2007
Charge for the year
Payments during the year
Liability as at 30 June 2008

Expense recognised in the profit and loss account

Current service cost
Mark-up cost - net
Amortisation of actuarial gain

Significant actuarial assumptions

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

Discount rate
Medical inflation rate
Gas inflation rate

Executives and Non-Executives	
2008	2007
(%)	(%)
12	10
11	9
12	10
5	3

30 June 2008	
Post retirement medical facility	Post retirement gas facility
(Rupees in '000)	
970,936	39,208
(48,777)	12,733
922,159	51,941
835,691	52,823
107,315	1,834
(20,847)	(2,716)
922,159	51,941
23,847	-
83,468	3,472
-	(1,638)
107,315	1,834

30 June 2007	
Post retirement medical facility	Post retirement gas facility
(Rupees in '000)	
834,683	34,720
895	18,216
835,578	52,936
741,660	53,899
114,115	730
(20,197)	(1,693)
835,578	52,936
35,881	-
78,234	2,810
-	(2,080)
114,115	730

Executives	
2008	2007
(%)	(%)
12	10
8.5	6.5
9	7

Medical facility - Executives

	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	970,936	834,683	782,340	700,260	616,733
Fair value of planned assets	-	-	-	-	-
Deficit	970,936	834,683	782,340	700,260	616,733
Unrecognised actuarial (loss) / gain	(48,777)	895	(40,680)	(35,952)	(21,628)
Liability in balance sheet	922,159	835,578	741,660	664,308	595,105
Experience adjustment arising on plan liabilities (gains) / losses	56,148	(41,575)	4,728	14,296	9,138
Experience adjustment arising due to change of basis	6,363	-	-	-	-

Gas facility - Executives

Present value of defined benefit obligation	39,208	34,720	28,202	30,291	30,367
Unrecognized part of transitional liability	-	-	-	-	-
Unrecognised actuarial gain	12,733	18,216	25,697	24,200	24,597
Liability in balance sheet	51,941	52,936	53,899	54,491	54,964
Experience adjustment arising on plan liabilities (gains) / losses	4,208	5,401	(3,261)	(1,399)	2,406
Experience adjustment arising due to change of basis	477	-	-	-	-

2008

2007

39. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation	<i>Rupees in '000</i>	991,067	290,379
Average number of ordinary shares	<i>Number of shares</i>	671,174,331	671,174,331
Earnings per share - basic and diluted	<i>Rupees</i>	1.48	0.43

40. WORKING CAPITAL CHANGES**(Increase) / decrease in current assets**

	(Rupees in '000)	
Stores and spares	(134,593)	(40,414)
Stock-in-trade	(143,833)	(87,062)
Consumers' installation work-in-progress	(23,924)	900
Trade debts	(4,140,809)	(5,459,018)
Trade deposits and prepayments	(160,958)	36,219
Other receivables	(2,368,826)	(2,185,441)
	(6,972,943)	(7,734,816)

Increase in current liabilities

Creditors, accrued and other liabilities	6,019,325	8,637,000
	(953,618)	902,184

2008 2007
(Rupees in '000)

41. CASH AND CASH EQUIVALENTS

Cash and bank balances	4,356,300	5,267,639
Short term borrowings	-	(1,000,000)
	<u>4,356,300</u>	<u>4,267,639</u>

42. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	30 June 2008		30 June 2007	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees in 000) -----			
Managerial remuneration	4,365	324,955	1,960	264,009
Housing	1,809	135,018	667	111,124
Utilities	314	30,004	129	24,694
Retirement benefits	223	26,967	133	21,570
	<u>6,711</u>	<u>516,944</u>	<u>2,889</u>	<u>421,397</u>
Number	<u>1</u>	<u>371</u>	<u>1</u>	<u>305</u>

42.1 The Chairman, Chief Executive and certain executives are also provided Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Company was paid Rs. 0.126 million (2007: Rs. 0.3 million). Executives are also provided medical facilities in accordance with their entitlement.

42.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.040 million (2007: Rs. 0.034 million for 14 directors).

43. CAPACITY AND ACTUAL PERFORMANCE

43.1 Natural gas transmission

	30 June 2008		30 June 2007	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	<u>509,472</u>	<u>143,537,877</u>	<u>431,015</u>	<u>121,433,520</u>
Utilisation - volume of gas transmitted	<u>407,364</u>	<u>114,770,122</u>	<u>385,142</u>	<u>108,509,329</u>
Capacity utilisation factor (%)	<u>80.0</u>	<u>80.0</u>	<u>89.4</u>	<u>89.4</u>

43.2 Natural gas distribution

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

43.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 513,250 meters (2007: 550,150 meters) against an annual capacity of 356,000 meters on a single shift basis.

44. TRANSACTIONS WITH RELATED PARTIES

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

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

	2008	2007
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Principal portion of lease rental	64,797	64,501
- Sale of gas meters	588,628	738,240
Oil and Gas Development Company Limited		
- Principal portion of lease rental	4,317	4,317
- Pipeline rental income	16,707	18,176
- Recovery of lease service cost	21,861	(5,113)
- Gas Purchases	5,436,142	15,443,977
Pakistan Petroleum Limited		
- Gas Purchases	7,647,121	6,994,494
Pakistan Machine Tool Factory Limited		
- Purchase of meter parts	14,477	55,874
- Gas sales	14,639	38,209
Pakistan State Oil Company Limited		
- Purchase of Oil and Lubricants	2,761	-
Karachi Electric Supply Corporation Limited		
- Gas sales	8,178,489	21,891,441
- Electricity bills	14,450	31,737
Attock Refinery Limited		
- Sales of gas condensate	499,552	-
Mari Gas Company Limited		
- Gas purchases	6,652	-

	2008	2007
	(Rupees in '000)	
State Life Insurance Corporation Limited		
- Insurance coverage	<u>12,225</u>	<u>2,398</u>
National Insurance Company Limited		
- Insurance coverage	<u>69,186</u>	<u>-</u>
Liaquat National Hospital		
- Medical services	<u>9,604</u>	<u>-</u>
Ministry of Petroleum and Natural Resources		
- Infrastructure development fee	<u>75,000</u>	<u>50,000</u>
Staff retirement benefit plans		
- Contribution to provident fund	<u>86,307</u>	<u>70,473</u>
- Contribution to pension fund	<u>10,707</u>	<u>14,343</u>
- Contribution to gratuity fund	<u>-</u>	<u>4,606</u>
Oil and Gas Regulatory Authority		
- Regulatory Fee	<u>44,125</u>	<u>44,225</u>
Habib Bank Limited		
- Interest Income	<u>781</u>	<u>29</u>
Government Holding (Private) Limited		
- Gas Purchases	<u>5,996,259</u>	<u>5,018,786</u>
Remuneration of key management personnel (executive staff)	<u>33,353</u>	<u>31,974</u>

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

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 12, 28 and 38 to these financial statements.

Remuneration to the executive officers of the company (disclosed in note 42 to these financial statements) and loans and advances to them (disclosed in notes 21 and 26 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the company is received at rates prescribed by the Government of Pakistan.

44.1 AMOUNT (DUE TO) / RECEIVABLE FROM RELATED PARTIES

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

	2008	2007
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Lease rentals	58,494	77,226
- Sale of gas meters	18,006	113,566
- Gas Purchases	(8,977)	(8,094)
- Cost of gas levelisation	3,213,794	1,706,656
Oil and Gas Development Company Limited		
- Lease rentals	16,810	15,868
- Gas Purchases	(7,194,976)	(5,804,364)
Pakistan Petroleum Limited		
- Gas Purchases	(2,678,835)	(1,108,531)
Attock Refinery Limited		
- Sales of gas condensate	157,125	92,600
Mari Gas Company Limited		
- Gas Purchases	(908)	(762)
Pak Arab Refinery Company Limited		
- Advance for sharing right of way	(18,088)	-
Government Holding (Private) Limited		
- Gas Purchases	(2,519,164)	(1,871,447)
Habib Bank Limited		
- Bank Account	218,672	130,400

45. MARK-UP / INTEREST RATE RISK

Interest / mark-up risk arises from the possibility that changes in interest / mark-up will affect the value of financial instrument. Information about the Company's exposures to mark-up / interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, at 30 June 2008 is as follows:

	2008						(Rupees in '000)
	Effective mark-up / interest rate (%)	Mark-up / interest bearing				Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	-	-	-	-	-	157,495	157,495
Net investment in finance lease	11 to 17	9,861	108,473	473,337	801,105	-	1,392,776
Loans and advances	10	731	6,486	11,648	251	208,220	227,336
Trade debts	13 to 14.36	2,685,772	5,024,425	-	-	12,334,831	20,045,028
Trade deposits and prepayments	-	-	-	-	-	270,672	270,672
Interest accrued	-	-	-	-	-	9,098	9,098
Other receivables	13.5 to 16	489,965	-	-	-	9,041,365	9,531,330
Cash and bank balances	2 to 11.75	4,113,268	-	-	-	243,032	4,356,300
		7,299,597	5,139,384	484,985	801,356	22,264,713	35,990,035
Financial liabilities							
Long term financing	2 to 14.62	-	376,509	15,582,621	-	-	15,959,130
Long term deposits	5	-	-	-	2,531,111	47,777	2,578,888
Trade and other payables	6 to 15.33	9,312,157	3,076,005	-	-	18,436,466	30,824,628
Interest and mark-up accrued	8.7 to 13.56	32,962	-	-	-	2,005,144	2,038,106
		9,345,119	3,452,514	15,582,621	2,531,111	20,489,387	51,400,752
On-balance sheet gap (a)		(2,045,522)	1,686,870	(15,097,636)	(1,729,755)	1,775,326	(15,410,717)

	2007						(Rupees in '000)
	Effective mark-up / interest rate (%)	Mark-up / interest bearing				Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	-	-	-	-	-	236,818	236,818
Net investment in finance lease	11 to 17	9,861	108,473	473,337	919,439	-	1,511,110
Loans and advances	10	290	2,796	5,072	423	200,940	209,521
Trade debts	10 to 13	7,910,291	-	-	-	8,150,782	16,061,073
Trade deposits and prepayments	-	-	-	-	-	109,514	109,514
Interest accrued	-	-	-	-	-	6,295	6,295
Other receivables	13 to 13.5	190,936	-	-	-	6,906,795	7,097,731
Cash and bank balances	0.5 to 7.5	4,199,048	-	-	-	1,068,591	5,267,639
		12,310,426	111,269	478,409	919,862	16,679,735	30,499,701
Financial liabilities							
Long term financing	7.57 to 10.56	-	2,286,481	12,581,455	-	-	14,867,936
Long term deposits	5	-	-	-	1,489,449	874,180	2,363,629
Trade and other payables	6 to 15.33	2,545,417	7,047,440	-	-	15,201,473	24,794,330
Interest and mark-up accrued	9.61 to 11.42	17,012	-	-	-	1,117,409	1,134,421
Short term borrowing	8.63 to 10.06	-	1,000,000	-	-	-	1,000,000
		2,562,429	10,333,921	12,581,455	1,489,449	17,193,062	44,160,316
On-balance sheet gap (a)		9,747,997	(10,222,652)	(12,103,046)	(569,587)	(513,327)	(13,660,615)

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

46. CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted.

At 30 June 2008, the financial assets which were subject to credit risk amounted to Rs. 19.017 billion (2007: Rs. 14.427 billion). The Company believes that it is not exposed to major concentration of credit risk. The Company attempts to control credit risks by monitoring credit exposures, including transactions with specific customers and continuing assessment of credit worthiness of customers.

The sector wise analysis of trade debts is given below:

	2008		2007	
	Amount (Rs. in '000)	%	Amount (Rs. in '000)	%
Industrial	12,258,168	61.15	10,808,233	67.05
Public	4,809,929	24.00	2,724,828	16.91
Domestic	2,476,939	12.36	2,162,992	13.42
Commercial	499,992	2.49	422,898	2.62
	<u>20,045,028</u>	<u>100.00</u>	<u>16,118,951</u>	<u>100.00</u>

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

48. FOREIGN CURRENCY RISK MANAGEMENT POLICY

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign risk on gas purchases and imports that are entered in a currency other than Pak Rupees.

49. CAPITAL RISK MANAGEMENT

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

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

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

50. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at 30 June 2008 and 2007, are as follows:

	2008	2007
	(Rupees in '000)	
	Based on un-audited financial statements	Based on un-audited financial statements
Pension fund - executives	512,070	357,456
Gratuity fund - executives	847,508	796,384
Pension fund - non executives	396,600	204,141
Gratuity fund - non executives	976,405	830,119
Provident fund - executives	1,163,379	900,917
Provident fund - non executives	1,392,834	737,784
Benevolent fund - executives	45,391	41,148

51. ACCOUNTING ESTIMATES AND JUDGMENTS**51.1 Income tax**

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

51.2 Staff Retirement Benefits

Certain actuarial assumptions have been adopted as disclosed in note 37.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

51.3 Property, plant and equipment

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

51.4 Trade debtors

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

51.5 Provision for impaired inventory

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

51.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

51.7 17% guaranteed return

As per license given by OGRA, the Company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual return is reviewed and approved by OGRA under the terms of the license and parameters set by OGRA. Amount in excess or short of the guaranteed return is adjusted with the gas development surcharge balance payable to / receivable from the GoP. Disallowances by OGRA are recorded as expenses in the financial statements to which such disallowances are related. Based on OGRA's decision the Company evaluates the nature and reasons of disallowances and where it considers that such amounts should not have been disallowed and additional information / documentation is available, the matter is taken up with OGRA. In case subsequently the amount is allowed by OGRA the allowance is recorded in the period in which it is allowed. Resultantly the profit for the year may be less than the required annual return determined at 17% per annum based on formula stated above.

52. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

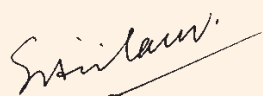
The Board of Directors have proposed a final dividend for the year ended 30 June 2008 of Rs. 1.25 per share (2007: Rs. 0.50 per share), amounting to Rs. 838.968 million (2007: Rs. 335.587 million) at their meeting held on 29 September 2008, for approval of the members at the annual general meeting to be held on 30 October 2008.

53. GENERAL

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

54. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 29 September 2008.



Salim Abbas Jillani
Chairman



Umair Khan
Managing Director