

# CORPORATE PROFILE

## Board of Directors

Mr. Salim Abbas Jilani	Chairman
Dr. Faizullah Abbasi	Chief Executive Officer
Mr. Abbas Ali Mehkri	
Mr. Abdul Rashid Lone	
Mr. Ahmed Bakhsh Lehri	
Mr. Aslam Faruque	
Mr. Ayaz Dawood	
Mr. Faisal Ahmed	
Engr. M.A. Jabbar	
Mr. Mansoor Muzaffar Ali	
Mr. Mirza Mahmood Ahmad	
Mr. Nessar Ahmed	
Mr. Shahid Aziz Siddiqui	
Mr. Zahid Hussain	

## Board of Directors' Committees

### Audit Committee

Mr. Nessar Ahmed	Chairman
Mr. Abdul Rashid Lone	Member
Mr. Ayaz Dawood	Member
Mr. Faisal Ahmed	Member
Engr. M.A. Jabbar	Member

### Finance Committee

Mr. Shahid Aziz Siddiqui	Chairman
Dr. Faizullah Abbasi	Chief Executive Officer
Mr. Aslam Faruque	Member
Mr. Mansoor Muzaffar Ali	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Zahid Hussain	Member

### Human Resource Committee

Mr. Salim Abbas Jilani	Chairman
Dr. Faizullah Abbasi	Chief Executive Officer
Mr. Abbas Ali Mehkri	Member
Mr. Ahmed Bakhsh Lehri	Member
Mr. Aslam Faruque	Member
Mr. Ayaz Dawood	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Shahid Aziz Siddiqui	Member

## Chief Financial Officer

Mr. S. Shahid H. Jafri

## Company Secretary

Mr. Yusuf J. Ansari

## Auditors

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

## Legal Advisor

M/s. Haidermota & Co.  
Barristers At Law &  
Corporate Counsels

## Registered Office

SSGC House  
ST - 4/B, Block 14,  
Sir Shah Muhammad Suleman Road,  
Gulshan-e-Iqbal, Karachi-75300  
**Ph:** 92-21-9902-1000  
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<http://www.ssgc.com.pk>

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# REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

On behalf of the Board of Directors of Sui Southern Gas Company Limited, we are pleased to present the un-audited results for the second quarter and half year ended 31 December 2009. The financial statements have however been reviewed by the Auditors as required under the law and a Review Report has been issued by them.

## REVIEW OF OPERATIONS

Gas sales increased by 4% in volume and 6% by value (net of GST), increasing the gas volume to 198.4 bcf and value to Rs. 53 billion as compared to volume of 191.2 bcf and value of Rs. 50 billion of the corresponding period last year. The average sales price per mmbtu increased by 1.7% to Rs. 286.70 versus Rs. 282.03. The increase or decrease in sales price has no impact on Company profits due to its unique tariff regime.

Gas is being purchased from 17 different producing fields. The average well-head purchase price decreased by 15.7% and stood at Rs. 205.83 per mmbtu.

In the six months period, your Company extended 143 new industrial connections, 956 commercial and 53,250 domestic connections. The Gas Distribution System was extended by over 1,001 km while another 237 km of distribution lines were laid under the rehabilitation projects to curtail leakages and resulting line losses.

The meter manufacturing plant produced 326,250 meters versus 341,850 produced in the corresponding period last year, i.e. a decrease of 15,600 meters or 5%. Sales to SNGPL increased by 4% to 259,600 meters as compared to 249,300 meters of last year corresponding period. The profit of the plant increased to Rs. 103 million as compared to profit of Rs. 40 million for the corresponding period last year. This was mainly due to increase in sales prices of both G 1.6 and G4 meters being manufactured at the plant.

The Company continued to face challenging situation operationally and financially. At the end of half year it has posted a pre-tax profit of Rs. 474.887 million as against Rs. 355 million of the corresponding period last year. An adjustment for excess UFG of Rs. 1,277 million has been made as the UFG target reduced to 5% against 5.15% allowed in the previous half year period. Also there was an increase in the financial charges due to additional loans acquired at the end of FY 2008-09 to fund the Capex. The return formula is proving grossly inadequate to maintain the financial health of the Company. The profit amount of Rs. 474.887 million is mainly a result of accruing interest of Rs. 438.626 million on the delay in release of sales tax refund as per the Sales Tax Act.

A huge sum of Rs. 9 billion is blocked in sale tax refund for a long time. After extensive follow up with Chairman / Member, FBR, the office of DG, LTU, Karachi has been instructed to release refund through manual over ruling in STARR System. Even after the above instructions, the pace of refund is very slow as only a sum of Rs. 261.8 million has been released in the current month (February 2010). Non-release of over-due amounts results in making up working capital requirement through borrowing thereby increasing financial cost. The Management has accrued interest of Rs. 438.626 million under Section 67 of the Sales Tax Act, 1990 on outstanding balance of its sales tax refund which is delayed.

Under Income Tax Ordinance, 2001 minimum tax liability is imposed equivalent to 0.5% of turnover. The same was withdrawn in 2008 but re-imposed in 2009. The matter has been taken up with the Chairman and Member FBR explaining non-correlation between turnover and profit as SSGC is allowed return on "average net operating fixed assets". However if it is desired to charge minimum tax, then the turnover definition for SSGC may be synchronized with that defined in OGRA Ordinance, which excludes cost of gas from turnover. The position after tax is reported as a profit of Rs. 219.479 million against after tax profit of Rs. 228 million in the comparative period of last year (EPS: Rs. 0.33).

## **DEVELOPMENT PROJECTS**

The capital expenditure during the half year was Rs. 2.0 billion as compared to Rs. 3.3 billion for the previous corresponding period and addition to assets were Rs. 1.9 billion versus Rs. 2.4 billion.

Your Company is facilitating the LNG Mashal Project in an effort to diversify and supplement the sources of gas supply in the country. A significant milestone has been achieved recently with the ECC taking decisions on the terminal and supply aspects of the Project. Formal notification on the subject is awaited. However, this will have implications as the LNG prices are likely to be much higher than the domestic gas prices.

The Company is already operating an LPG air mix plant at Gwadar since 2006 for local distribution. The Government has now desired to set up similar independent town gas distribution network for the towns of Surab and Noshki in Balochistan and Kot Ghulam Mohammad in Sindh for which work has begun.

The Directors place on record their appreciation and thanks to the several organizations and officers including Company Executives and Staff for their cooperation and support and devotion for the Company.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

# REVIEW REPORT TO THE MEMBERS

## *Independent Auditors' Report on Review of Unconsolidated Condensed Interim Financial Information to the Members*

### **Introduction**

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Sui Southern Gas Company Limited ("the Company") as at December 31, 2009 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of comprehensive income and unconsolidated condensed interim statement of changes in equity for the six-month period then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended December 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2009.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as at December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

We draw attention to the following matters, in respect of which our review report is not qualified:

- a) Note 14.6 of the unconsolidated condensed interim financial information in respect of reinstatement of 2,500 employees under the requirements of Sacked Employees (Reinstatement) Ordinance, 2009.

- b) As explained in note 8.1 to the unconsolidated condensed interim financial information, amounts receivable from Karachi Electric Supply Company Limited, Jamshoro Power Company Limited and Sui Northern Gas Pipelines Limited amounts to Rs. 28,751 million along with interest of Rs. 1,676 million accrued on such balances and an aggregate amount of Rs 28,093 million is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited, Government Holding (Private) Limited along with interest of Rs. 5,213 million on such balance. The settlement of these debts is dependent on the resolution of inter circular corporate debts.
- c) Note 9.2 to the unconsolidated condensed interim financial information which explains the reason for accumulation of large amount of sales tax refund of Rs. 9,299 million.

### **Other matters**

The unconsolidated condensed interim financial information for the six-month period ended December 31, 2008 and the financial statements for the year ended June 30, 2009 of the Company were reviewed and audited by KPMG Taseer Hadi & Co., Chartered Accountants who issued review and audit reports thereon. In the review report dated February 27, 2009, they issued qualified conclusion in respect of Unaccounted for Gas (UFG) which had been recorded on estimated basis instead of actual basis, and also included two paragraphs of emphasis in the review report with regard to reinstatement of employees under the requirements of Sacked Employees (Reinstatement) Ordinance, 2009, and settlement of circular debt. Further, the auditors, in their audit report dated September 29, 2009, expressed unqualified opinion, but included the aforesaid two paragraphs of emphasis, which our review report also contains. However, our conclusion is not qualified on UFG as in the current period it has been recorded on actual basis.

*M. Yousuf Adil Saleem & Co.*

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants

Karachi  
25 February 2010

# UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at 31 December 2009

	Note	31 December 2009 (un-audited) (Rupees in '000)	30 June 2009 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	6	38,868,660	38,095,632
Intangible assets		22,647	43,891
Long-term investments	7	105,486	107,442
Net investment in finance lease		1,099,583	1,159,336
Long-term loans and advances		129,715	111,779
Long-term deposits		3,250	3,250
<b>Total non-current assets</b>		<b>40,229,341</b>	<b>39,521,330</b>
<b>Current assets</b>			
Stores, spares and loose tools		1,771,734	1,702,556
Stock in trade		456,412	490,539
Current maturity of net investment in finance lease		118,796	118,796
Customers' installation work in progress		177,831	136,266
Trade debts	8	35,886,406	32,568,205
Loans and advances		202,387	93,580
Trade deposits and short term prepayments		149,687	110,812
Interest accrued		2,174,633	1,198,062
Other receivables	9	16,138,890	22,970,129
Taxation - net		140,672	166,500
Cash and bank balances		535,222	1,477,155
<b>Total current assets</b>		<b>57,752,670</b>	<b>61,032,600</b>
<b>Current liabilities</b>			
Current portion of long term financing		4,807,747	4,969,490
Trade and other payables	10	49,129,575	50,099,746
Interest and mark-up accrued		5,341,792	4,181,967
Short term borrowings	11	2,076,980	-
<b>Total current liabilities</b>		<b>61,356,094</b>	<b>59,251,203</b>
<b>Net current assets</b>		<b>(3,603,424)</b>	<b>1,781,397</b>
<b>Total assets less current liabilities</b>		<b>36,625,917</b>	<b>41,302,727</b>
<b>Equity and non-current liabilities</b>			
<b>Share capital and reserves</b>			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		<b>10,000,000</b>	10,000,000
Issued, subscribed and paid-up capital		6,711,743	6,711,743
Reserves		2,619,662	2,619,662
Surplus on remeasurement of available for sale securities		91,857	93,813
Unappropriated profit		477,785	258,306
<b>Total equity</b>		<b>9,901,047</b>	9,683,524
<b>Non-current liabilities</b>			
Long term financing	12	12,370,587	17,496,775
Long term deposits		3,106,784	2,954,186
Deferred tax		5,013,538	5,013,538
Employee benefits		1,419,231	1,308,176
Deferred credit	13	4,814,730	4,846,528
<b>Total non-current liabilities</b>		<b>26,724,870</b>	31,619,203
<b>Total shareholders' equity and non-current liabilities</b>		<b>36,625,917</b>	41,302,727
<b>Contingencies and commitments</b>	14		

The annexed notes from 1 to 22 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

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

For the six months period ended 31 December 2009

	Note	Six months period ended		Quarter ended	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
		(Rupees in '000)			
Sales		<b>60,368,165</b>	56,813,410	<b>28,896,591</b>	27,386,828
Sales tax		<b>(7,346,262)</b>	(6,845,979)	<b>(3,483,088)</b>	(3,295,509)
		<b>53,021,903</b>	49,967,431	<b>25,413,503</b>	24,091,319
Gas development surcharge		<b>(8,955,733)</b>	1,767,687	<b>(4,725,490)</b>	1,913,959
Net sales		<b>44,066,170</b>	51,735,118	<b>20,688,013</b>	26,005,278
Cost of gas		<b>(42,578,369)</b>	(48,678,139)	<b>(20,188,154)</b>	(24,588,205)
Gross profit		<b>1,487,801</b>	3,056,979	<b>499,859</b>	1,417,073
Transmission distribution and selling costs		<b>(3,523,838)</b>	(3,293,333)	<b>(1,935,292)</b>	(1,700,147)
Administrative expenses		<b>(920,860)</b>	(640,182)	<b>(495,801)</b>	(249,520)
Other operating expenses	15	<b>(272,709)</b>	(1,566,540)	<b>(151,521)</b>	(629,636)
		<b>(4,717,407)</b>	(5,500,055)	<b>(2,582,614)</b>	(2,579,303)
		<b>(3,229,606)</b>	(2,443,076)	<b>(2,082,755)</b>	(1,162,230)
Other operating income	16	<b>3,617,110</b>	3,387,622	<b>1,870,340</b>	1,557,285
Operating profit before finance cost		<b>387,504</b>	944,546	<b>(212,415)</b>	395,055
Other non-operating income	17	<b>2,709,356</b>	1,467,774	<b>1,603,469</b>	1,053,038
Finance cost	18	<b>(2,621,973)</b>	(2,057,558)	<b>(1,112,416)</b>	(1,226,353)
<b>Profit before taxation</b>		<b>474,887</b>	354,762	<b>278,638</b>	221,740
Taxation	19	<b>(255,408)</b>	(127,093)	<b>(124,472)</b>	(80,535)
<b>Profit for the period</b>		<b>219,479</b>	227,669	<b>154,166</b>	141,205
		(Rupees)			
<b>Basic and diluted earnings per share</b>		<b>0.33</b>	0.34	<b>0.23</b>	0.21

The annexed notes from 1 to 22 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

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

For the six months period ended 31 December 2009

	Six months period ended		Quarter ended	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	(Rupees in '000)			
Net profit for the period	<b>219,479</b>	227,669	<b>154,166</b>	141,205
<b>Other comprehensive income</b>				
Unrealised (loss) on remeasurement of investments	<b>(1,956)</b>	(69,480)	<b>(5,610)</b>	(25,679)
<b>Total comprehensive income for the period</b>	<b><u>217,523</u></b>	<u>158,189</u>	<b><u>148,556</u></b>	<u>115,526</u>

The annexed notes from 1 to 22 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director



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

For the six months period ended 31 December 2009

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus/(deficit) on remeasurement of available for sale securities	Unappro- priated profit	Total
			(Rupees in '000)			
<b>Balance as at 01 July 2008</b>	6,711,743	234,868	2,232,794	143,866	991,789	10,315,060
Total comprehensive income for the period	-	-	-	(69,480)	227,669	158,189
Transfer from unappropriated profit to revenue reserves			152,000		(152,000)	-
Final dividend at Rs. 1.25 per share for the year ended 30 June 2008	-	-	-	-	(838,968)	(838,968)
<b>Balance as at 31 December 2008</b>	<u>6,711,743</u>	<u>234,868</u>	<u>2,384,794</u>	<u>74,386</u>	<u>228,490</u>	<u>9,634,281</u>
<b>Balance as at 01 July 2009</b>	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Total comprehensive income for the period	-	-	-	(1,956)	219,479	217,523
<b>Balance as at 31 December 2009</b>	<u>6,711,743</u>	<u>234,868</u>	<u>2,384,794</u>	<u>91,857</u>	<u>477,785</u>	<u>9,901,047</u>

The annexed notes from 1 to 22 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

# UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months period ended 31 December 2009

	31 December 2009	31 December 2008
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Profit before taxation	474,887	354,762
<b>Adjustments for non-cash items:</b>		
Depreciation	1,358,285	1,223,806
Amortization of intangibles	21,244	27,330
Finance cost	2,621,973	2,057,558
Amortization of transaction cost	2,452	2,452
Provision against impaired debts	293,848	169,177
Provision for compensated absences	-	9,122
Provision for post retirement medical and free gas supply facilities	111,055	79,385
Recognition of income against deferred credit	(169,429)	(139,830)
Dividend income	-	(7,963)
Profit / interest income	(2,142,387)	(1,108,625)
Income from net investment in finance lease	(92,891)	(107,899)
Gain on disposal of property, plant and equipment	(16,714)	(7,177)
Net cash generated from operations	2,462,323	2,552,098
<b>(Increase) / decrease in operating assets :</b>		
Stores and spares	(69,178)	(728,221)
Stock-in-trade	34,127	41,081
Customers' installation work-in-progress	(41,565)	(80,216)
Trade debts	(3,612,049)	(8,958,327)
Loans and advances	(108,807)	(96,024)
Trade deposits and short term prepayments	(38,875)	99,737
Other receivables	6,831,239	(6,733,847)
Long term loans and advances to staff - net	(17,936)	(16,857)
	2,976,956	(16,472,674)
<b>Increase / (decrease) in operating liabilities:</b>		
Trade and other payables	(969,994)	14,317,944
Service charges received from new customers	137,631	332,113
Security deposits received	152,598	101,126
Employee benefits paid	-	(23,369)
	(679,765)	14,727,814
Cash generated from operations	4,759,514	807,238
Financial charges paid	(1,592,005)	(1,225,056)
Income tax (paid) / refund received - net	(229,580)	(234,001)
Net cash from / (used in) operating activities	2,937,929	(651,819)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(2,023,930)	(3,304,884)
Proceeds from sale of property, plant and equipment	39,188	11,213
Lease rental from investment in finance lease	152,644	174,437
Dividend received	-	7,963
Profit / interest received	1,165,816	767,782
Net cash (used in) investing activities	(666,282)	(2,343,489)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from local currency loans	72,281	550,129
Repayments of local currency loans	(5,362,664)	(179,544)
Dividend paid	(177)	(177,665)
Net cash (used in) / from financing activities	(5,290,560)	192,920
Net decrease in cash and cash equivalents	(3,018,913)	(2,802,388)
Cash and cash equivalents at beginning of the period	1,477,155	4,356,300
Cash and cash equivalents at end of the period	(1,541,758)	1,553,912
<b>Cash and cash equivalents comprises:</b>		
Cash and bank balances	535,222	1,553,912
Short term borrowings	(2,076,980)	-
	(1,541,758)	1,553,912

The annexed notes from 1 to 22 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

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

For the six months period ended 31 December 2009

## 1. Status and nature of business

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

## 2. Basis of preparation

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

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

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the audited financial statements of the Company for the year ended June 30, 2009, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statements are stated from the unaudited condensed interim financial statements for the six months period ended December 31, 2008.

## 3. Significant accounting policies

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

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

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

### IFRIC 18 - 'Transfer of Assets from Customers'

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

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

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

Had there been no change in accounting policy the loss for the period ended December 31, 2009 would have been higher by and the deferred credit amount in the non-current liabilities would have been lower by Rs. 171.5 million.

#### IAS 23 - 'Borrowing Costs'

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

#### 4. Accounting estimates and judgements

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

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

#### 5. Financial risk management

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

<b>31 December 2009 (un-audited)</b>	30 June 2009 (audited)
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(Rupees in '000)

#### 6. Property, plant and equipment

Operating assets	<b>35,090,625</b>	34,557,963
Capital work-in-progress	<b>3,778,035</b>	3,537,669
	<b><u>38,868,660</u></b>	<u>38,095,632</u>

Details of additions to and disposals of property, plant and equipment during the six months period ended December 31, 2009 are as follows:

	<b>Cost of additions/ transfers (un-audited)</b>	<b>Written down value of (disposals/ transfers) (un-audited)</b>
	(Rupees in '000)	
<b>Operating assets owned</b>		
Gas transmission and distribution system	<b>1,851,300</b>	<b>(18,241)</b>
Buildings on leasehold land	<b>68,528</b>	-
Plant, machinery and other equipment	<b>68,912</b>	-
Motor vehicles	<b>3,171</b>	<b>(4,233)</b>
	<b><u>1,991,911</u></b>	<b><u>(22,474)</u></b>
<b>Capital work-in-progress</b>		
Projects:		
Gas transmission and distribution system	<b>2,128,760</b>	<b>(1,851,300)</b>
Cost of buildings under construction	<b>19,634</b>	<b>(68,528)</b>
Plant, machinery and other equipment	<b>80,712</b>	<b>(68,912)</b>
Others	<b>3,171</b>	<b>(3,171)</b>
	<b><u>2,232,277</u></b>	<b><u>(1,991,911)</u></b>

	Note	31 December 2009 (un-audited) (Rupees in '000)	30 June 2009 (audited)
<b>7. Long-term investments</b>			
Investment in related parties		56,938	71,883
Other investments		48,548	35,559
		<b>105,486</b>	<b>107,442</b>
<b>8. Trade debts</b>			
Considered good - secured		9,042,940	6,909,685
Considered good - un-secured		26,843,466	25,658,520
	8.1	<b>35,886,406</b>	32,568,205
Considered doubtful		2,457,601	2,163,753
		<b>38,344,007</b>	34,731,958
Provision against impaired debts		(2,457,601)	(2,163,753)
		<b>35,886,406</b>	<b>32,568,205</b>
<b>8.1</b>			
Trade debts due from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) aggregated to Rs. 28,751 million as at December 31, 2009 (June 30, 2009: Rs. 29,077 million). These include overdue amounts of Rs. 24,401 million (June 30, 2009: Rs. 17,491 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables and amounts to Rs. 5,584.864 million (June 30, 2009: Rs. 7,940 million) (refer note 9.1), which includes overdue uniform cost of gas invoices of Rs. 4,256 million (June 30, 2009: Rs. 2,468 million). Interest accrued amounting to Rs. 1,676 million (June 30, 2009: Rs. 1,167 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.			
During the period, the Company received a total of Rs. 7,032 million from SNGPL and JPCL under inter circular corporate debt settlement arrangements. This amount was paid by the Company to Oil and Gas Development Company Limited (OGDCL) and Government Holding (Private) Limited as agreed under the arrangement. As at December 31, 2009, an amount of Rs. 28,093 million (included in creditors for gas in note 10) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 5,213 million on their balances. In view of the arrangement being made by the Committee of Cabinet Division - GoP to adjust inter circular corporate debt of the government entities and KESC, the management is confident that the entire amount receivable from KESC, JPCL and SNGPL would be recovered / adjusted.			
<b>9. Other receivables - considered good</b>			
Gas development surcharge receivable from GoP		-	5,326,217
Receivable from Sui Northern Gas Pipelines Limited (SNGPL) - a related party	9.1	5,697,573	8,019,730
Receivable from Jamshoro Joint Venture Limited (JJVL)		659,359	303,506
Receivable from staff pension fund - executives		-	361
Receivable from GoP on account of Ziarat		80,126	37,607
Pipeline rental		12,544	20,221
Workers' profit participation fund		-	17,943
Sales tax receivable	9.2	9,298,933	8,683,445
Receivable from staff pension fund - non executives		82,733	168,733
Receivable from staff gratuity fund - executives		5,111	91
Receivable from staff provident fund - executives		163	-
Balance receivable for sale of gas condensate		103,997	155,480
Insurance claim receivable		1,264	509
Claims receivable		757	757
Miscellaneous receivables	9.3	197,815	237,014
		<b>16,140,375</b>	22,971,614
Provision against impaired receivables		(1,485)	(1,485)
		<b>16,138,890</b>	<b>22,970,129</b>

- 9.1** This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 112.604 million (June 30, 2009: Rs. 79.842 million) and Rs. 5,584.864 million (June 30, 2009: Rs. 7,939.768 million) under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (SNGPL).
- 9.2** This represent sales tax refundable amount which mainly arose due to excess of input sales tax over output sales tax as prices of natural gas purchased were substantially high and the Company charged zero rate on gas supply to a large number of industrial customers. Major issue, hindering the release of refund, is the cross matching problem between the supplier's physical data and the system of FBR. To expedite the recovery, various meetings have been held between representatives of the Company and FBR as well as Large Taxpayers' Unit (LTU) wherein the Company has been assured by the officials of FBR for resolving the matter on a priority basis. Subsequent to the period end, the Company has received refund of Rs. 261.896 million.

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

- 9.3** This includes Rs. 188.078 million (June 30, 2009: Rs. 225.694 million) recoverable from GoP under deferred tariff adjustment.

	Note	<b>31 December 2009 (un-audited)</b> (Rupees in '000)	30 June 2009 (audited)
<b>10. Trade and other payables</b>			
Creditors for:			
- gas		<b>40,797,994</b>	45,490,188
-supplies		<b>130,284</b>	122,111
		<b>40,928,278</b>	45,612,299
Amount received from customers/GoP for laying of mains, etc.		<b>2,907,451</b>	2,806,125
Accrued liabilities		<b>979,883</b>	1,117,300
Gas development surcharge payable to GoP		<b>3,464,498</b>	-
Workers profit participation fund		<b>7,037</b>	-
Provision for compensated absences - non executives		<b>83,791</b>	83,791
Payable to gratuity fund - non executives		<b>20</b>	-
Payable to provident fund - non executives		-	6
Deposits / retention money		<b>169,182</b>	194,589
Bills payable		<b>165,468</b>	23,521
Advance for sharing right of way		<b>18,088</b>	18,088
Unclaimed dividend		<b>40,010</b>	40,187
Withholding tax payable		<b>80,807</b>	51,685
Unclaimed term finance certificate redemption profit		<b>1,800</b>	1,975
Inter State Gas System (Private) Limited (ISGSL)		<b>2,741</b>	8,628
Others		<b>280,521</b>	141,552
		<b>49,129,575</b>	50,099,746
<b>11.</b>			
This represent facilities for running finance available from various banks amounting to Rs. 10,000 million (June 30, 2009: 9,000 million). These are subject to mark-up ranging from 0.45% to 2.5% (June 30, 2009: 0.5% to 3%) above the average one month KIBOR. Facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the Company.			
<b>12. Long term financing</b>			
<b>Secured</b>			
- Loans from banking companies and financial institutions			
Local currency loans	12.1	<b>5,600,000</b>	8,716,700
- Other Loans			
Musharaka arrangements	12.2	<b>5,623,801</b>	7,644,678
		<b>11,223,801</b>	16,361,378
<b>Unsecured</b>			
Consumer financing	12.3	<b>198,146</b>	186,757
Government of Sindh loans	12.4	<b>948,640</b>	948,640
		<b>1,146,786</b>	1,135,397
		<b>12,370,587</b>	17,496,775

						31 December 2009 (un-audited)	30 June 2009 (audited)
						Note	(Rupees in '000)
<b>12.1</b>	<b>Local currency loans</b>						
		<b>Instalment payable</b>	<b>Repayment period</b>	<b>Mark-up rate</b>			
	UBL - term loan-II	on maturity	2009	0.2% above 3 months average KIBOR		-	1,500,000
	Crescent Comm. Bank - term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	12.1.1	<b>1,000,000</b>	1,000,000
	MCB - term loan - I	quarterly	2010	0.2% above 3 months average KIBOR	12.1.1	<b>2,000,000</b>	2,000,000
	MCB - term loan - II	quarterly	2009	0.2% above 3 months average KIBOR		-	1,333,400
	MCB - term loan - III	quarterly	2009	0.2% above 3 months average KIBOR		-	1,000,000
	HBL - term loan	on maturity	2009	2% above 3 months average KIBOR		-	500,000
	Faysal Bank Limited - term loan	quarterly	2011-2013	2% above 3 months average KIBOR	12.1.2	<b>1,500,000</b>	1,500,000
						<b>4,500,000</b>	8,833,400
	Syndicated term loans:						
	Standard Chartered Bank (as "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	12.1.2	<b>2,500,000</b>	2,500,000
	JS Bank Limited (as "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	12.1.2	<b>800,000</b>	800,000
						<b>3,300,000</b>	3,300,000
						<b>7,800,000</b>	12,133,400
	Less: Current portion shown under current liabilities						
	UBL - term loan - II					-	(1,500,000)
	MCB - term loan - I					<b>(2,000,000)</b>	(1,000,000)
	MCB - term loan - II					-	(666,700)
	MCB - term loan - III					-	(250,000)
	Crescent Comm. Bank - term loan					<b>(200,000)</b>	-
						<b>(2,200,000)</b>	(3,416,700)
						<b>5,600,000</b>	8,716,700

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

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

	<b>31 December</b>	30 June
	<b>2009</b>	2009
	<b>(un-audited)</b>	(audited)
Note	(Rupees in '000)	

## 12.2 Musharaka arrangements - secured

	Instalment payable	Repayment period	Mark-up rate			
<b>Islamic Sukuk bonds under musharaka agreements:</b>						
Dubai Islamic Bank (the "Investor's Agent")	quarterly	2009 - 2012	0.40% above 3 months average KIBOR	12.2.1	<b>675,000</b>	825,000
Meezan Bank Limited (the "Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	12.2.1	<b>1,666,668</b>	2,000,000
Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	12.2.1	<b>4,700,000</b>	4,700,000
<b>Islamic Finance under diminishing musharaka:</b>						
Meezan Bank Limited	two instalments	2009 & 2011	0.45% above 3 months average KIBOR	12.2.2	<b>500,000</b>	1,000,000
Bank Islami Pakistan Limited	bullet	2010	0.20% above 3 months average KIBOR	12.2.3	<b>600,000</b>	600,000
					<b>8,141,668</b>	9,125,000
Unamortised transaction cost					<b>(11,203)</b>	(13,655)
					<b>8,130,465</b>	9,111,345
Less: Current portion shown under current liabilities						
Dubai Islamic Bank (the "Investor's Agent")					<b>(300,000)</b>	(300,000)
Meezan Bank Limited (the "Investor's Agent")					<b>(666,664)</b>	(666,667)
Meezan Bank Limited					-	(500,000)
Bank Islami Pakistan Limited (the "Trustee")					<b>(940,000)</b>	-
Bank Islami Pakistan Limited					<b>(600,000)</b>	-
					<b>(2,506,664)</b>	(1,466,667)
					<b>5,623,801</b>	7,644,678

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

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

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

## 12.3 Consumer financing

Consumer financing	12.3.1	<b>291,669</b>	265,321
Less: Current portion shown under current liabilities		<b>(93,523)</b>	(78,564)
		<b>198,146</b>	186,757

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



	Note	31 December 2009 (un-audited) (Rupees in '000)	30 June 2009 (audited)
<b>12.4 Government of Sindh loans</b>			
Government of Sindh loan - I	12.4.1	56,199	56,199
Government of Sindh loan - II	12.4.2	900,000	900,000
Government grant	12.4.3	(317,924)	(317,924)
		582,076	582,076
Government grant	12.4.3	317,924	317,924
		956,199	956,199
Less: Current portion shown under current liabilities		(7,559)	(7,559)
		<b>948,640</b>	<b>948,640</b>

**12.4.1** This represents an unsecured development loan from Government of Sindh for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 % per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from year ended 30 June 2007.

**12.4.2** This represents an unsecured development loan from Government of Sindh for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 4 % per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from year ending 30 June 2011. The loan has been stated at fair value.

**12.4.3** This represents the benefit of lower interest rate on Government of Sindh loan - II and is calculated as difference between the proceed received in respect of Government of Sindh loan - II amounting to Rs 900 million and its initial fair value amounting to Rs. 582.076 million calculated at KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

### 13. Deferred credit

#### - Government contributions / grants

Balance at July 01	2,161,269	1,444,501
Addition during the period	142,023	810,526
	<b>2,303,292</b>	<b>2,255,027</b>
Transferred to profit and loss account	(61,613)	(93,758)
Balance as at December 31	<b>2,241,679</b>	<b>2,161,269</b>

#### - Contribution from customers

Balance at July 01	2,685,259	2,375,430
Addition / (reversal) during the period	(4,386)	514,002
	<b>2,680,873</b>	<b>2,889,432</b>
Transferred to profit and loss account	(107,822)	(204,173)
Balance as at December 31	<b>2,573,051</b>	<b>2,685,259</b>
	<b>4,814,730</b>	<b>4,846,528</b>

### 14. Contingencies and commitments

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

<b>14.1</b> Claims against the Company not acknowledged as debt	14.7	<b>466,471</b>	<b>518,163</b>
<b>14.2</b> Commitments for capital and other expenditure		<b>1,628,501</b>	<b>1,051,609</b>
<b>14.3</b> Guarantees issued on behalf of the Company		<b>1,791,013</b>	<b>1,792,153</b>

**14.4** Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicle against the Company's guarantee and hypothecation of the Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (June 30, 2009: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2009: Rs. 0.5 million). Loan outstanding at the period end was Rs. 13.714 million (June 30, 2009: Rs. 16.797 million).

**14.5** During the period tax audit for tax year 2005 has been completed and the tax department has issued a show cause notice for amendment in assessment order under sub-section (9) of Section 122 of the Income Tax Ordinance, 2001, disallowing certain expenses. Further, the tax department has also issued a show cause notice for tax year 2007 under sub-section (9) and sub-section (5A) of Section 122 of the Income Tax Ordinance, 2001, disallowing certain expenses. No provision has been made in the financial statements as the management is confident that no further tax liability would arise in this respect.

**14.6** President of Pakistan on February 14, 2009 promulgated the Sacked Employees (Reinstatement) Ordinance 2009, ("the Ordinance") for providing relief to persons who were appointed during the period from November 1, 1993 to November 30, 1996 (both days inclusive) and were dismissed, removed or terminated or given forced golden hand shake from service during November 1, 1996 to December 31, 1998 (both days inclusive). Under the requirements of the Ordinance, total number of employees to be reinstated was determined at 2,994 employees, with the condition that their remuneration upto December 31, 2009 and back benefits will be paid to them on receipt of funds from Government of Pakistan (GoP). Out of 2,994 employees only 2,500 (June 30, 2009: 2,435) employees have joined the Company up to December 31, 2009. During the year, Rs. 258 million was received from GoP. Out of which, Rs. 232.79 million has been paid to employees.

Upto December 31, 2009, no provision has been made against current salaries costs and back benefits payable to reinstated employees amounting to Rs. 377.811 million and Rs. 2,345.679 million respectively as the management is of the view that as per negotiations with the Sub-committee established by the Cabinet Division - GoP, the same would be payable when the funds are received from the Government of Pakistan.

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

	<u>Six months period ended</u>		<u>Quarter ended</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<b>(Un-audited)</b>			
	<b>(Rupees in '000)</b>			
<b>15. Other operating expenses</b>				
Auditors' remuneration	<b>906</b>	914	<b>446</b>	484
Workers' profit participation fund	<b>24,993</b>	18,728	<b>14,664</b>	11,727
Sports expenses	<b>8,277</b>	7,936	<b>3,664</b>	4,043
Corporate social responsibility	<b>367</b>	7,774	<b>352</b>	1,342
Exchange loss on payment of gas purchases	<b>238,166</b>	1,259,013	<b>132,395</b>	339,865
Provision for liquidated damages	<b>-</b>	272,175	<b>-</b>	272,175
	<b>272,709</b>	1,566,540	<b>151,521</b>	629,636
<b>16. Other operating income</b>				
<b>- Income from other than financial assets</b>				
Meter rentals	<b>279,296</b>	279,859	<b>145,096</b>	140,266
Recognition of income against deferred credit	<b>169,429</b>	139,830	<b>96,914</b>	72,040
Income from new service connections	<b>173,158</b>	-	<b>173,158</b>	-
Sale of gas condensate	<b>248,618</b>	310,425	<b>138,585</b>	97,284
Gas shrinkage charged to JJVL	<b>1,232,897</b>	1,528,508	<b>426,542</b>	757,671
Income from gas transportation	<b>25,709</b>	25,629	<b>12,453</b>	12,974
Royalty income from JJVL	<b>1,296,659</b>	997,395	<b>757,555</b>	427,632
Meter manufacturing profit - net	<b>102,660</b>	40,210	<b>62,882</b>	6,942
Income from LPG air mix distribution				
Gwadar operation - net	<b>17,711</b>	16,479	<b>14,325</b>	13,069
Recoveries from customers	<b>14,826</b>	17,802	<b>7,893</b>	11,047
Gain on sale of fixed assets	<b>16,714</b>	7,177	<b>12,901</b>	3,394
Liquidated damages recovered	<b>10,273</b>	2,940	<b>4,153</b>	2,213
Advertising income	<b>2,426</b>	2,680	<b>1,011</b>	1,488
Miscellaneous	<b>7,274</b>	10,370	<b>3,032</b>	7,385
	<b>3,597,650</b>	3,379,304	<b>1,856,500</b>	1,553,405
<b>- Income from investment in debts, loans, advances and receivable from related party</b>				
Income from gas transportation - SNGPL	<b>19,460</b>	8,318	<b>13,840</b>	3,880
	<b>3,617,110</b>	3,387,622	<b>1,870,340</b>	1,557,285



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

	Note	Six months period ended		Quarter ended	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
<b>(Un-audited)</b>					
(Rupees in '000)					
<b>Sui Northern Gas Pipelines Limited</b>					
- Lease rental		32,713	34,418	14,618	17,209
- Pipeline rental income		72,738	79,574	38,516	39,787
- Recovery of lease service cost		83,370	83,931	42,230	41,966
- Contingent rent in respect of finance lease		19,460	8,318	15,540	3,880
- Sale of gas meters	20.1	652,794	502,416	395,089	222,869
- Gas purchases		135,824	53,820	74,399	29,787
- Cost of gas levelisation		7,577,429	13,282,136	3,269,950	6,684,488
<b>Oil and Gas Development Company Limited</b>					
- Lease rental		(2,792)	4,317	(4,735)	2,158
- Pipeline rental income		(6,698)	3,302	(7,854)	1,651
- Recovery of lease service cost		(1,286)	12,013	(7,228)	6,007
- Gas purchases		9,057,126	11,542,188	4,258,756	5,900,912
<b>Inter State Gas System (Private) Limited</b>					
- Reimbursement of expenses on the basis of joint venture agreement		17,363	13,974	9,139	9,149
<b>Mari Gas Company Limited</b>					
- Gas purchases		4,689	3,573	2,653	2,124
<b>State Life Insurance Corporation Limited</b>					
- Rent of premises		1,302	1,186	1,171	1,049
<b>Liaquat National Hospital</b>					
- Medical services		10,775	10,766	5,985	6,586
<b>Staff retirement benefit plans</b>					
- Contribution to provident fund	20.2	52,711	49,872	26,721	31,484
- Contribution to pension fund	20.2	(50,689)	(8,711)	(25,335)	(4,292)
- Contribution to gratuity fund	20.2	(58,702)	17,868	(87,986)	(9,272)
<b>Petroleum Institute of Pakistan</b>					
- Subscription		503	420	260	179
<b>Dawood Islamic Bank Ltd.</b>					
- Profit on investments		31,669	5,696	9,238	1,642
- Mark-up on Sukuk		37,305	47,378	18,537	21,059
<b>Minto and Mirza</b>					
- Professional charges		2,500	-	2,500	-
<b>Artestic Denim Mills Limited</b>					
- Gas sales		95,385	89,103	47,236	44,101
<b>Siemens Pakistan Limited</b>					
- Gas sales		2,606	2,451	1,409	1,357
<b>Remuneration to key management personnel (executive staff)</b>					
	20.3	37,013	29,402	20,577	13,517

- 20.1** Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.
- 20.2** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and actuarial advice.
- 20.3** Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance with the terms of their employment.

**20.4 Amount (due to) / receivable from related parties**

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

	<b>31 December 2009 (un-audited)</b>	30 June 2009 (audited)
	(Rupees in '000)	
<b>Sui Northern Gas Pipelines Limited</b>		
- Lease rental	<u>112,604</u>	<u>79,842</u>
- Sale of gas meters	<u>54,672</u>	<u>15,258</u>
- Gas purchases	<u>(162,507)</u>	<u>(26,683)</u>
- Cost of gas levelisation	<u>5,584,864</u>	<u>7,939,768</u>
<b>Oil and Gas Development Company Limited</b>		
- Gas purchases	<u>(13,520,407)</u>	<u>(12,924,481)</u>
<b>Inter State Gas System (Private) Limited</b>		
- Reimbursement of expenses on the basis of joint venture agreement	<u>(2,741)</u>	<u>(8,628)</u>
<b>Mari Gas Company Limited</b>		
- Gas purchases	<u>(2,180)</u>	<u>(3,478)</u>
<b>Dawood Islamic Bank Ltd.</b>		
- Bank balances	<u>239,592</u>	<u>51,134</u>
- Interest receivable	<u>44</u>	<u>8,800</u>

**21. Others**

**21.1 Reclassification**

Corresponding figures of following line items in profit and loss account have been reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. These include certain reclassifications made as per directions from OGRA.

<b>From</b>	<b>To</b>	<b>Amount reported in December 31, 2008</b>
		(Rupees in '000)
Sales	Other income	1,772,759
Sales tax	Other income	244,251
Net loss from Gwadar operation	Gas development surcharge	9,768
Administrative expenses	Transmission, distribution and selling cost	11,407
Gas development surcharge	Other operating income	16,479

## 21.2 Subsequents events

The Board of Directors in their 388 meeting held on 25 February 2010 have approved to transfer Rs. 438.626 million to Un-distributable Reserve against interest for delay in Sales Tax refund.

## 22. General

22.1 These unconsolidated condensed interim financial statements were authorised for issue on 25 February 2010 by the Board of Directors of the Company.

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



**Salim Abbas Jilani**  
Chairman



**Dr. Faizullah Abbasi**  
Managing Director

Karachi  
25 February 2010

**SUI SOUTHERN GAS COMPANY LIMITED**  
**CONSOLIDATED CONDENSED**  
**INTERIM FINANCIAL INFORMATION**  
**(UN-AUDITED)**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2009**

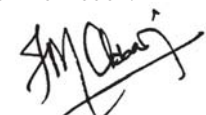
# CONSOLIDATED CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at 31 December 2009

	Note	31 December 2009 (un-audited) (Rupees in '000)	30 June 2009 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	6	38,868,660	38,095,632
Intangible assets		22,647	43,891
Long-term investments	7	100,386	102,342
Share of investment in jointly controlled entity	8	5,100	5,100
Net investment in finance lease		1,099,583	1,159,336
Long-term loans and advances		129,715	111,779
Long-term deposits		3,250	3,250
<b>Total non-current assets</b>		<b>40,229,341</b>	<b>39,521,330</b>
<b>Current assets</b>			
Stores, spares and loose tools		1,771,734	1,702,556
Stock in trade		456,412	490,539
Current maturity of net net investment in finance lease		118,796	118,796
Customers' installation work in progress		177,831	136,266
Trade debts	9	35,886,406	32,568,205
Loans and advances		202,387	93,580
Trade deposits and short term prepayments		149,687	110,812
Interest accrued		2,174,633	1,198,062
Other receivables	10	16,138,890	22,970,129
Taxation - net		140,672	166,500
Cash and bank balances		535,222	1,477,155
<b>Total current assets</b>		<b>57,752,670</b>	<b>61,032,600</b>
<b>Current liabilities</b>			
Current portion of long term financing		4,807,747	4,969,490
Trade and other payables	11	49,129,575	50,099,746
Interest and mark-up accrued		5,341,792	4,181,967
Short term borrowings	12	2,076,980	-
<b>Total current liabilities</b>		<b>61,356,094</b>	<b>59,251,203</b>
<b>Net current assets</b>		<b>(3,603,424)</b>	<b>1,781,397</b>
<b>Total assets less current liabilities</b>		<b>36,625,917</b>	<b>41,302,727</b>
<b>Equity and non-current liabilities</b>			
<b>Share capital and reserves</b>			
Authorised share capital		10,000,000	10,000,000
1,000,000,000 ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		6,711,743	6,711,743
Reserves		2,619,662	2,619,662
Surplus on remeasurement of available for sale securities		91,857	93,813
Unappropriated profit		477,785	258,306
<b>Total equity</b>		<b>9,901,047</b>	<b>9,683,524</b>
<b>Non-current liabilities</b>			
Long term financing	13	12,370,587	17,496,775
Long term deposits		3,106,784	2,954,186
Deferred tax		5,013,538	5,013,538
Employee benefits		1,419,231	1,308,176
Deferred credit	14	4,814,730	4,846,528
<b>Total non-current liabilities</b>		<b>26,724,870</b>	<b>31,619,203</b>
<b>Total shareholders' equity and non-current liabilities</b>		<b>36,625,917</b>	<b>41,302,727</b>
<b>Contingencies and commitments</b>	15		

The annexed notes from 1 to 23 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director



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

For the six months period ended 31 December 2009

	Note	Six months period ended		Quarter ended	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
		(Rupees in '000)			
Sales		<b>60,368,165</b>	56,813,410	<b>28,896,591</b>	27,386,828
Sales tax		<b>(7,346,262)</b>	(6,845,979)	<b>(3,483,088)</b>	(3,295,509)
		<b>53,021,903</b>	49,967,431	<b>25,413,503</b>	24,091,319
Gas development surcharge		<b>(8,955,733)</b>	1,767,687	<b>(4,725,490)</b>	1,913,959
Net sales		<b>44,066,170</b>	51,735,118	<b>20,688,013</b>	26,005,278
Cost of gas		<b>(42,578,369)</b>	(48,678,139)	<b>(20,188,154)</b>	(24,588,205)
Gross profit		<b>1,487,801</b>	3,056,979	<b>499,859</b>	1,417,073
Transmission distribution and selling costs		<b>(3,523,838)</b>	(3,293,333)	<b>(1,935,292)</b>	(1,700,147)
Administrative expenses		<b>(920,860)</b>	(640,182)	<b>(495,801)</b>	(249,520)
Other operating expenses	16	<b>(272,709)</b>	(1,566,540)	<b>(151,521)</b>	(629,636)
		<b>(4,717,407)</b>	(5,500,055)	<b>(2,582,614)</b>	(2,579,303)
		<b>(3,229,606)</b>	(2,443,076)	<b>(2,082,755)</b>	(1,162,230)
Other operating income	17	<b>3,617,110</b>	3,387,622	<b>1,870,340</b>	1,557,285
Operating profit before finance cost		<b>387,504</b>	944,546	<b>(212,415)</b>	395,055
Other non-operating income	18	<b>2,709,356</b>	1,467,774	<b>1,603,469</b>	1,053,038
Finance cost	19	<b>(2,621,973)</b>	(2,057,558)	<b>(1,112,416)</b>	(1,226,353)
<b>Profit before taxation</b>		<b>474,887</b>	354,762	<b>278,638</b>	221,740
Taxation	20	<b>(255,408)</b>	(127,093)	<b>(124,472)</b>	(80,535)
<b>Profit for the period</b>		<b>219,479</b>	227,669	<b>154,166</b>	141,205
		(Rupees)			
<b>Basic and diluted earnings per share</b>		<b>0.33</b>	0.34	<b>0.23</b>	0.21

The annexed notes from 1 to 23 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

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

For the six months period ended 31 December 2009

	Six months period ended		Quarter ended	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	(Rupees in '000)			
Net profit for the period	<b>219,479</b>	227,669	<b>154,166</b>	141,205
<b>Other comprehensive income</b>				
Unrealised (loss) on remeasurement of investments	<b>(1,956)</b>	(69,480)	<b>(5,610)</b>	(25,679)
<b>Total comprehensive income for the period</b>	<b><u>217,523</u></b>	<u>158,189</u>	<b><u>148,556</u></b>	<u>115,526</u>

The annexed notes from 1 to 23 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

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

For the six months period ended 31 December 2009

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus/(deficit) on remeasurement of available for sale securities	Unappro- priated profit	Total
			(Rupees in '000)			
<b>Balance as at 01 July 2008</b>	6,711,743	234,868	2,232,794	143,866	991,789	10,315,060
Total comprehensive income for the period	-	-	-	(69,480)	227,669	158,189
Transfer from unappropriated profit to revenue reserves	-	-	152,000	-	(152,000)	-
Final dividend at Rs. 1.25 per share for the year ended 30 June 2008	-	-	-	-	(838,968)	(838,968)
<b>Balance as at 31 December 2008</b>	<u>6,711,743</u>	<u>234,868</u>	<u>2,384,794</u>	<u>74,386</u>	<u>228,490</u>	<u>9,634,281</u>
<b>Balance as at 01 July 2009</b>	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Total comprehensive income for the period	-	-	-	(1,956)	219,479	217,523
<b>Balance as at 31 December 2009</b>	<u>6,711,743</u>	<u>234,868</u>	<u>2,384,794</u>	<u>91,857</u>	<u>477,785</u>	<u>9,901,047</u>

The annexed notes from 1 to 23 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

# CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months period ended 31 December 2009

	31 December 2009	31 December 2008
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before taxation	474,887	354,762
<b>Adjustments for non-cash items:</b>		
Depreciation	1,358,285	1,223,806
Amortization of intangibles	21,244	27,330
Finance cost	2,621,973	2,057,558
Amortization of transaction cost	2,452	2,452
Provision against impaired debts	293,848	169,177
Provision for compensated absences	-	9,122
Provision for post retirement medical and free gas supply facilities	111,055	79,385
Recognition of income against deferred credit	(169,429)	(139,830)
Dividend income	-	(7,963)
Profit / interest income	(2,142,387)	(1,108,625)
Income from net investment in finance lease	(92,891)	(107,899)
Gain on disposal of property, plant and equipment	(16,714)	(7,177)
Net cash generated from operations	2,462,323	2,552,098
<b>(Increase) / decrease in operating assets :</b>		
Stores and spares	(69,178)	(728,221)
Stock-in-trade	34,127	41,081
Customers' installation work-in-progress	(41,565)	(80,216)
Trade debts	(3,612,049)	(8,958,327)
Loans and advances	(108,807)	(96,024)
Trade deposits and short term prepayments	(38,875)	99,737
Other receivables	6,831,239	(6,733,847)
Long term loans and advances to staff - net	(17,936)	(16,857)
	2,976,956	(16,472,674)
<b>Increase / (decrease) in operating liabilities:</b>		
Trade and other payables	(969,994)	14,317,944
Service charges received from new customers	137,631	332,113
Security deposits received	152,598	101,126
Employee benefits paid	-	(23,369)
	(679,765)	14,727,814
Cash generated from operations	4,759,514	807,238
Financial charges paid	(1,592,005)	(1,225,056)
Income tax (paid) / refund received - net	(229,580)	(234,001)
Net cash from / (used in) operating activities	2,937,929	(651,819)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(2,023,930)	(3,304,884)
Proceeds from sale of property, plant and equipment	39,188	11,213
Lease rental from investment in finance lease	152,644	174,437
Dividend received	-	7,963
Profit / interest received	1,165,816	767,782
Net cash (used in) investing activities	(666,282)	(2,343,489)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from local currency loans	72,281	550,129
Repayments of local currency loans	(5,362,664)	(179,544)
Dividend paid	(177)	(177,665)
Net cash (used in) / from financing activities	(5,290,560)	192,920
Net decrease in cash and cash equivalents	(3,018,913)	(2,802,388)
Cash and cash equivalents at beginning of the period	1,477,155	4,356,300
Cash and cash equivalents at end of the period	(1,541,758)	1,553,912
<b>Cash and cash equivalents comprises:</b>		
Cash and bank balances	535,222	1,553,912
Short term borrowings	(2,076,980)	-
	(1,541,758)	1,553,912

The annexed notes from 1 to 23 form an integral part of these interim financial information.

  
**Salim Abbas Jilani**  
Chairman

  
**Dr. Faizullah Abbasi**  
Managing Director

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

For the six months period ended 31 December 2009

## 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.

## 1.1 Basis of consolidation

The group consists of:

- Sui Southern Gas Company Limited (SSGCL)
- Sui Southern Gas Provident Fund Trust (Pvt.) Limited

The condensed consolidated interim financial statements include the financial statements of SSGCL - Holding Company and its subsidiary company - "The Group":

The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary's share holder's equity in the consolidated financial statements.

Intra-group balances and transactions have been eliminated.

## 2. Basis of preparation

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

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

The comparative balance sheet presented in these condensed interim financial statements have been extracted from the audited financial statements of the Company for the year ended June 30, 2009, whereas the comparative condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statements are stated from the unaudited condensed interim financial statements for the six months period ended December 31, 2008.

## 3. Significant accounting policies

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

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

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

### IFRIC 18 - 'Transfer of Assets from Customers'

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

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

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

Had there been no change in accounting policy the loss for the period ended December 31, 2009 would have been higher by and the deferred credit amount in the non-current liabilities would have been lower by Rs. 171.5 million.

#### IAS 23 - 'Borrowing Costs'

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

#### 4. Accounting estimates and judgements

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

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

#### 5. Financial risk management

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

<b>31 December 2009 (un-audited)</b>	30 June 2009 (audited)
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(Rupees in '000)

#### 6. Property, plant and equipment

Operating assets	<b>35,090,625</b>	34,557,963
Capital work-in-progress	<b>3,778,035</b>	3,537,669
	<b><u>38,868,660</u></b>	<u>38,095,632</u>

Details of additions to and disposals of property, plant and equipment during the six months period ended December 31, 2009 are as follows:

	<b>Cost of additions/ transfers (un-audited)</b>	<b>Written down value of (disposals/ transfers)</b>
	(Rupees in '000)	
<b>Operating assets owned</b>		
Gas transmission and distribution system	<b>1,851,300</b>	<b>(18,241)</b>
Buildings on leasehold land	<b>68,528</b>	-
Plant, machinery and other equipment	<b>68,912</b>	-
Motor vehicles	<b>3,171</b>	<b>(4,233)</b>
	<b><u>1,991,911</u></b>	<b><u>(22,474)</u></b>
<b>Capital work-in-progress</b>		
Projects:		
Gas transmission and distribution system	<b>2,128,760</b>	<b>(1,851,300)</b>
Cost of buildings under construction	<b>19,634</b>	<b>(68,528)</b>
Plant, machinery and other equipment	<b>80,712</b>	<b>(68,912)</b>
Others	<b>3,171</b>	<b>(3,171)</b>
	<b><u>2,232,277</u></b>	<b><u>(1,991,911)</u></b>

	Note	31 December 2009 (un-audited) (Rupees in '000)	30 June 2009 (audited)
<b>7. Long-term investments</b>			
Investment in related parties		51,838	66,783
Other investments		48,548	35,559
		<b>100,386</b>	<b>102,342</b>
<b>8. Share of investment in jointly controlled entity</b>			
Inter State Gas System (Private) Limited			
510,000 ordinary shares of Rs. 10 each	8.1	5,100	5,100
<b>8.1</b>	This represents a 51% (June 2009: 51%) interest of SSGCL shares in Inter State Gas Systems (Private) Limited (the jointly controlled entity).		
<b>9. Trade debts</b>			
Considered good - secured		9,042,940	6,909,685
Considered good - un-secured		26,843,466	25,658,520
	9.1	<b>35,886,406</b>	32,568,205
Considered doubtful		2,457,601	2,163,753
		<b>38,344,007</b>	34,731,958
Provision against impaired debts		(2,457,601)	(2,163,753)
		<b>35,886,406</b>	<b>32,568,205</b>
<b>9.1</b>	Trade debts due from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) aggregated to Rs. 28,751 million as at December 31, 2009 (June 30, 2009: Rs. 29,077 million). These include overdue amounts of Rs. 24,401 million (June 30, 2009: Rs. 17,491 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables and amounts to Rs. 5,584.864 million (June 30, 2009: Rs. 7,940 million) (refer note 10.1), which includes overdue uniform cost of gas invoices of Rs. 4,256 million (June 30, 2009: Rs. 2,468 million). Interest accrued amounting to Rs. 1,676 million (June 30, 2009: Rs. 1,167 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.		
	During the period, the Company received a total of Rs. 7,032 million from SNGPL and JPCL under inter circular corporate debt settlement arrangements. This amount was paid by the Company to Oil and Gas Development Company Limited (OGDCL) and Government Holding (Private) Limited as agreed under the arrangement. As at December 31, 2009, an amount of Rs. 28,093 million (included in creditors for gas in note 11) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 5,213 million on their balances. In view of the arrangement being made by the Committee of Cabinet Division - GoP to adjust inter circular corporate debt of the government entities and KESC, the management is confident that the entire amount receivable from KESC, JPCL and SNGPL would be recovered / adjusted.		
<b>10. Other receivables - considered good</b>			
Gas development surcharge receivable from GoP		-	5,326,217
Receivable from Sui Northern Gas Pipelines Limited (SNGPL) - a related party	10.1	5,697,573	8,019,730
Receivable from Jamshoro Joint Venture Limited (JJVL)		659,359	303,506
Receivable from staff pension fund - executives		-	361
Receivable from GoP on account of Ziarat		80,126	37,607
Pipeline rental		12,544	20,221
Workers' profit participation fund		-	17,943
Sales tax receivable	10.2	9,298,933	8,683,445
Receivable from staff pension fund - non executives		82,733	168,733
Receivable from staff gratuity fund - executives		5,111	91
Receivable from staff provident fund - executives		163	-
Balance receivable for sale of gas condensate		103,997	155,480
Insurance claim receivable		1,264	509
Claims receivable		757	757
Miscellaneous receivables	10.3	197,815	237,014
		<b>16,140,375</b>	22,971,614
Provision against impaired receivables		(1,485)	(1,485)
		<b>16,138,890</b>	<b>22,970,129</b>

- 10.1** This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 112.604 million (June 30, 2009: Rs. 79.842 million) and Rs. 5,584.864 million (June 30, 2009: Rs. 7,939.768 million) under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (SNGPL).
- 10.2** This represent sales tax refundable amount which mainly arose due to excess of input sales tax over output sales tax as prices of natural gas purchased were substantially high and the Company charged zero rate on gas supply to a large number of industrial customers. Major issue, hindering the release of refund, is the cross matching problem between the supplier's physical data and the system of FBR. To expedite the recovery, various meetings have been held between representatives of the Company and FBR as well as Large Taxpayers' Unit (LTU) wherein the Company has been assured by the officials of FBR for resolving the matter on a priority basis. Subsequent to the period end, the Company has received refund of Rs. 261.896 million.

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

- 10.3** This includes Rs. 188.078 million (June 30, 2009: Rs. 225.694 million) recoverable from GoP under deferred tariff adjustment.

	31 December 2009 (un-audited)	30 June 2009 (audited)
Note	(Rupees in '000)	
<b>11. Trade and other payables</b>		
Creditors for:		
- gas	<b>40,797,994</b>	45,490,188
- supplies	<b>130,284</b>	122,111
	<b>40,928,278</b>	45,612,299
Amount received from customers/ GoP for laying of mains, etc.	<b>2,907,451</b>	2,806,125
Accrued liabilities	<b>979,883</b>	1,117,300
Gas development surcharge payable to GoP	<b>3,464,498</b>	-
Workers profit participation fund	<b>7,037</b>	-
Provision for compensated absences - non executives	<b>83,791</b>	83,791
Payable to gratuity fund - non executives	<b>20</b>	-
Payable to provident fund - non executives	-	6
Deposits / retention money	<b>169,182</b>	194,589
Bills payable	<b>165,468</b>	23,521
Advance for sharing right of way	<b>18,088</b>	18,088
Unclaimed dividend	<b>40,010</b>	40,187
Withholding tax payable	<b>80,807</b>	51,685
Unclaimed term finance certificate redemption profit	<b>1,800</b>	1,975
Inter State Gas System (Private) Limited (ISGSL)	<b>2,741</b>	8,628
Others	<b>280,521</b>	141,552
	<b>49,129,575</b>	50,099,746

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

**13. Long term financing**

**Secured**

- Loans from banking companies and financial institutions			
Local currency loans	13.1	<b>5,600,000</b>	8,716,700
- Other Loans			
Musharaka arrangements	13.2	<b>5,623,801</b>	7,644,678
		<b>11,223,801</b>	16,361,378

**Unsecured**

Consumer financing	13.3	<b>198,146</b>	186,757
Government of Sindh loans	13.4	<b>948,640</b>	948,640
		<b>1,146,786</b>	1,135,397
		<b>12,370,587</b>	17,496,775



					31 December 2009 (un-audited)	30 June 2009 (audited)
				Note	(Rupees in '000)	
<b>13.1</b>	<b>Local currency loans</b>					
		<b>Instalment payable</b>	<b>Repayment period</b>	<b>Mark-up rate</b>		
	UBL - term loan-II	on maturity	2009	0.2% above 3 months average KIBOR	-	1,500,000
	Crescent Comm. Bank - term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	13.1.1 <b>1,000,000</b>	1,000,000
	MCB - term loan - I	quarterly	2010	0.2% above 3 months average KIBOR	13.1.1 <b>2,000,000</b>	2,000,000
	MCB - term loan - II	quarterly	2009	0.2% above 3 months average KIBOR	-	1,333,400
	MCB - term loan - III	quarterly	2009	0.2% above 3 months average KIBOR	-	1,000,000
	HBL - term loan	on maturity	2009	2% above 3 months average KIBOR	-	500,000
	Faysal Bank Limited - term loan	quarterly	2011-2013	2% above 3 months average KIBOR	13.1.2 <b>1,500,000</b>	1,500,000
					<b>4,500,000</b>	8,833,400
	Syndicated term loans					
	Standard Chartered Bank (as "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	<b>2,500,000</b>	2,500,000
	JS Bank Limited (as "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	<b>800,000</b>	800,000
					<b>3,300,000</b>	3,300,000
					<b>7,800,000</b>	12,133,400
	Less: Current portion shown under current liabilities					
	UBL - term loan - II				-	(1,500,000)
	MCB - term loan - I				<b>(2,000,000)</b>	(1,000,000)
	MCB - term loan - II				-	(666,700)
	MCB - term loan - III				-	(250,000)
	Crescent Comm. Bank - term loan				<b>(200,000)</b>	-
					<b>(2,200,000)</b>	(3,416,700)
					<b>5,600,000</b>	<b>8,716,700</b>

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

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

	<b>31 December</b>	30 June
	<b>2009</b>	2009
	<b>(un-audited)</b>	(audited)
Note	(Rupees in '000)	

### 13.2 Musharaka arrangements - secured

	Instalment payable	Repayment period	Mark-up rate			
<b>Islamic Sukuk bonds under musharaka agreements:</b>						
Dubai Islamic Bank (the "Investor's Agent")	quarterly	2009 - 2012	0.40% above 3 months average KIBOR	13.2.1	<b>675,000</b>	825,000
Meezan Bank Limited (the "Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	13.2.1	<b>1,666,668</b>	2,000,000
Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	13.2.1	<b>4,700,000</b>	4,700,000
<b>Islamic Finance under diminishing musharaka:</b>						
Meezan Bank Limited	two instalments	2009 & 2011	0.45% above 3 months average KIBOR	13.2.2	<b>500,000</b>	1,000,000
Bank Islami Pakistan Limited	bullet	2010	0.20% above 3 months average KIBOR	13.2.3	<b>600,000</b>	600,000
					<b>8,141,668</b>	9,125,000
Unamortised transaction cost					<b>(11,203)</b>	(13,655)
					<b>8,130,465</b>	9,111,345
Less: Current portion shown under current liabilities						
Dubai Islamic Bank (the "Investor's Agent")					<b>(300,000)</b>	(300,000)
Meezan Bank Limited (the "Investor's Agent")					<b>(666,664)</b>	(666,667)
Meezan Bank Limited					-	(500,000)
Bank Islami Pakistan Limited (the "Trustee")					<b>(940,000)</b>	-
Bank Islami Pakistan Limited					<b>(600,000)</b>	-
					<b>(2,506,664)</b>	(1,466,667)
					<b>5,623,801</b>	7,644,678

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

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

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

### 13.3 Consumer financing

Consumer financing	13.3.1	<b>291,669</b>	265,321
Less: Current portion shown under current liabilities		<b>(93,523)</b>	(78,564)
		<b>198,146</b>	186,757

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

	Note	31 December 2009 (un-audited) (Rupees in '000)	30 June 2009 (audited)
<b>13.4 Government of Sindh loans</b>			
Government of Sindh loan - I	13.4.1	56,199	56,199
Government of Sindh loan - II	13.4.2	900,000	900,000
Government grant	13.4.3	(317,924)	(317,924)
		582,076	582,076
Government grant	13.4.3	317,924	317,924
		956,199	956,199
Less: Current portion shown under current liabilities		(7,559)	(7,559)
		948,640	948,640

**13.4.1** This represents an unsecured development loan from Government of Sindh for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 % per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from year ended 30 June 2007.

**13.4.2** This represents an unsecured development loan from Government of Sindh for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 4 % per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from year ending 30 June 2011. The loan has been stated at fair value.

**13.4.3** This represents the benefit of lower interest rate on Government of Sindh loan - II and is calculated as difference between the proceed received in respect of Government of Sindh loan - II amounting to Rs 900 million and its initial fair value amounting to Rs. 582.076 million calculated at KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

#### 14. Deferred credit

##### - Government contributions / grants

Balance at July 01	2,161,269	1,444,501
Addition during the period	142,023	810,526
	2,303,292	2,255,027
Transferred to profit and loss account	(61,613)	(93,758)
Balance as at December 31	2,241,679	2,161,269

##### - Contribution from customers

Balance at July 01	2,685,259	2,375,430
Addition / (reversal) during the period	(4,386)	514,002
	2,680,873	2,889,432
Transferred to profit and loss account	(107,822)	(204,173)
Balance as at December 31	2,573,051	2,685,259
	4,814,730	4,846,528

#### 15. Contingencies and commitments

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

<b>15.1</b> Claims against the Company not acknowledged as debt	15.7	466,471	518,163
<b>15.2</b> Commitments for capital and other expenditure		1,628,501	1,051,609
<b>15.3</b> Guarantees issued on behalf of the Company		1,791,013	1,792,153

**15.4** Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicle against the Company's guarantee and hypothecation of the Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (June 30, 2009: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2009: Rs. 0.5 million). Loan outstanding at the period end was Rs. 13.714 million (June 30, 2009: Rs. 16.797 million).





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

	Note	Six months period ended		Quarter ended	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
<b>(Un-audited)</b> (Rupees in '000)					
<b>Sui Northern Gas Pipelines Limited</b>					
- Lease rental		32,713	34,418	14,618	17,209
- Pipeline rental income		72,738	79,574	38,516	39,787
- Recovery of lease service cost		83,370	83,931	42,230	41,966
- Contingent rent in respect of finance lease		19,460	8,318	15,540	3,880
- Sale of gas meters	21.1	652,794	502,416	395,089	222,869
- Gas purchases		135,824	53,820	74,399	29,787
- Cost of gas levelisation		7,577,429	13,282,136	3,269,950	6,684,488
<b>Oil and Gas Development Company Limited</b>					
- Lease rental		(2,792)	4,317	(4,735)	2,158
- Pipeline rental income		(6,698)	3,302	(7,854)	1,651
- Recovery of lease service cost		(1,286)	12,013	(7,228)	6,007
- Gas purchases		9,057,126	11,542,188	4,258,756	5,900,912
<b>Inter State Gas System (Private) Limited</b>					
- Reimbursement of expenses on the basis of joint venture agreement		17,363	13,974	9,139	9,149
<b>Mari Gas Company Limited</b>					
- Gas purchases		4,689	3,573	2,653	2,124
<b>State Life Insurance Corporation Limited</b>					
- Rent of premises		1,302	1,186	1,171	1,049
<b>Liaquat National Hospital</b>					
- Medical services		10,775	10,766	5,985	6,586
<b>Staff retirement benefit plans</b>					
- Contribution to provident fund	21.2	52,711	49,872	26,721	31,484
- Contribution to pension fund	21.2	(50,689)	(8,711)	(25,335)	(4,292)
- Contribution to gratuity fund	21.2	(58,702)	17,868	(87,986)	(9,272)
<b>Petroleum Institute of Pakistan</b>					
- Subscription		503	420	260	179
<b>Dawood Islamic Bank Ltd.</b>					
- Profit on investments		31,669	5,696	9,238	1,642
- Mark-up on Sukuk		37,305	47,378	18,537	21,059
<b>Minto and Mirza</b>					
- Professional charges		2,500	-	2,500	-
<b>Artestic Denim Mills Limited</b>					
- Gas sales		95,385	89,103	47,236	44,101
<b>Siemens Pakistan Limited</b>					
- Gas sales		2,606	2,451	1,409	1,357
<b>Remuneration to key management personnel (executive staff)</b>					
	21.3	37,013	29,402	20,577	13,517

- 21.1** Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.
- 21.2** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and actuarial advice.
- 21.3** The detail of transactions with related parties not disclosed elsewhere in these financial statements are follows:
- 21.4 Amount (due to) / receivable from related parties**

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

	<b>31 December 2009 (un-audited)</b>	30 June 2009 (audited)
	(Rupees in '000)	
<b>Sui Northern Gas Pipelines Limited</b>		
- Lease rental	<u>112,604</u>	<u>79,842</u>
- Sale of gas meters	<u>54,672</u>	<u>15,258</u>
- Gas purchases	<u>(162,507)</u>	<u>(26,683)</u>
- Cost of gas levelisation	<u>5,584,864</u>	<u>7,939,768</u>
<b>Oil and Gas Development Company Limited</b>		
- Gas purchases	<u>(13,520,407)</u>	<u>(12,924,481)</u>
<b>Inter State Gas System (Private) Limited</b>		
- Reimbursement of expenses on the basis of joint venture agreement	<u>(2,741)</u>	<u>(8,628)</u>
<b>Mari Gas Company Limited</b>		
- Gas purchases	<u>(2,180)</u>	<u>(3,478)</u>
<b>Dawood Islamic Bank Ltd.</b>		
- Bank balances	<u>239,592</u>	<u>51,134</u>
- Interest receivable	<u>44</u>	<u>8,800</u>

**22. Others**

**22.1 Reclassification**

Corresponding figures of following line items in profit and loss account have been reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. These include certain reclassifications made as per directions from OGRA.

<b>From</b>	<b>To</b>	<b>Amount reported in December 31, 2008 (Rupees in '000)</b>
Sales	Other income	1,772,759
Sales tax	Other income	244,251
Net loss from Gwadar operation	Gas development surcharge	9,768
Administrative expenses	Transmission, distribution and selling cost	11,407
Gas development surcharge	Other operating income	16,479

**22.2 Subsequents events**

The Board of Directors in their 388 meeting held on 25 February 2010 have approved to transfer Rs. 438.626 million to Un-distributable Reserve against interest for delay in Sales Tax refund.

**23. General**

- 23.1** These consolidated condensed interim financial statements were authorised for issue on 25 February 2010 by the Board of Directors of the Company.
- 23.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

  
**Salim Abbas Jilani**  
 Chairman

  
**Dr. Faizullah Abbasi**  
 Managing Director

# KEY DATA

## – FRANCHISE AREA

## SINDH AND BALOCHISTAN

FOR THE HALF YEAR ENDED  
31 DEC. 2009      31 DEC. 2008

### – NATURAL GAS SALES VOLUME (MMCF)

<b>200,347</b>	193,278
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### – NUMBER OF CUSTOMERS (CUMULATIVE)

INDUSTRIAL

<b>3,845</b>	3,649
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COMMERCIAL

<b>23,889</b>	23,835
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DOMESTIC

<b>2,180,149</b>	2,089,303
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<b>2,207,883</b>	2,115,787
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### – GAS METERS MANUFACTURED (NOS.)

(SSGC MEETS 100% REQUIREMENT  
OF DOMESTIC GAS METERS IN  
PAKISTAN)

<b>326,250</b>	341,850
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### – TRANSMISSION NETWORK - CUMULATIVE (KM)

DIAMETER

12"

<b>344</b>	344
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16"

<b>558</b>	558
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18"

<b>914</b>	933
------------	-----

20"

<b>871</b>	871
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24"

<b>624</b>	624
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30"

<b>9</b>	9
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<b>3,320</b>	3,339
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### – DISTRIBUTION NETWORK - CUMULATIVE (KM)

MAINS (1" - 30" DIAMETER)

<b>27,887</b>	26,094
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SERVICES

<b>7,396</b>	6,909
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<b>35,283</b>	33,003
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