MANAGING DIRECTOR'S OUTLOOK

Even if you're on the right track, you'll get run over if you just sit there.
- Will Rogers

To call this fiscal year a tough one would be an understatement. Since I took over as the Managing Director in January 2010, I have been confronted by one challenge after another. On top of the agenda lies formulation and implementation on war footing, a practical solution to drastically control the menace of Unaccounted-for-Gas (UFG). Every other challenge seems to stem from the UFG problem.

One message that I, along with a very able team have been able to convey on a Company-wide basis is that the very survival of the Company hinges on our ability to put a tight leash on the rising incidence of UFG which at 7.9% makes our financial bottomline totally vulnerable. Almost instinctively, the Company started working on an ambitious yet attainable 5-year UFG reduction plan by setting up overall and departmental UFG targets for the ultimate aim of bringing the figure at par with the OGRA benchmark of 5%. The next obvious step was to undertake an extensive across-the-board, bottom-up organizational restructuring, the likes of which the Company has never implemented before. The revised structure intends to essentially fulfill the corporate objectives related to effective UFG control, one-window operation and overall operational efficiency, employee empowerment and performance evaluation, company-wide profitability, resource optimization and maintenance and rehabilitation. In order to further rationalize the organizational re-structuring, Distribution and Customer Relations Divisions were merged and two business operations divisions were created, one each for Northern and Southern locations of the Company's franchise areas with the two DMDs as respective heads.

Besides the above measures, the Company has been endeavoring to replace the old distribution network, enhance measurement accuracy and improve utilization efficiency. In this regard, the Company has been initially offered a loan of US $ 115 million by the World Bank, out of which US$ 105 million has been earmarked for gas pipeline and affiliated infrastructure improvement and US$ 10 million for appliance efficiency pilot project. The funding will be effectively used in outsourcing component pipeline replacement of approximately 8,850 kilometers while undertaking affiliated tasks such as cathodic protection, pressure management, overhead leakage rectification, smart metering and prevention of gas theft.

Among a number of unprecedented initiatives taken on the UFG front, one imperative step was the creation of the UFG Situation Room in the Head Office that has been serving as a crisis cell of sorts for monitoring, analyzing and inter-departmentally sharing UFG figures while at the same time brainstorming for remedial measures.

While the Company has embarked on a war against UFG, in the end it is all about people. Our aim is to synergize ideas and energies of every single employee, right from the senior-level manager located in the Head Office to a station in-charge stationed in a far flung area to proactively work towards taking the bull by the horns. Having said that, I have always stressed on a strong HR function for a high achieving SSGC. For productive results, a strong disconnect between the HR and other line departments is damaging for the progress of the Company.

I take this opportunity to laud those departments that have moved beyond the 'business as usual' attitude and have continued to innovate and excel, as the forthcoming pages will amply testify. At the same time in these turbulent times when surmounting challenges require a united front, the management has continued to encourage those executives and employees who can contribute with pragmatic ideas to take this Company back to its glory days.

I would also like to take this opportunity to acknowledge the valuable support and assistance provided to the Company by our Board of Directors with special reference to the Special Committee on UFG and, of course, the Ministry of Petroleum and Natural Resources in pursuing its vision of a profitable, customer-centric public utility.

Dr. Faizullah Abbasi
Managing Director

BOARD COMMITTEES

Human Resource Committee

(L to R): Shahid Aziz Siddiqui, Mirza Mahmood Ahmad, Salim Abbas Jilani (Chairman), Dr. Faizullah Abbasi, Ahmed Bakhsh Lehri, Ayaz Dawood and Yusuf J. Ansari (Company Secretary).

Not present in the picture: Abbas Ali Mehkri

Finance Committee

(L to R): Mirza Mahmood Ahmad, Shahid Aziz Siddiqui (Chairman), Wazir Ali Khoja, Yusuf J. Ansari (Company Secretary) and Dr. Faizullah Abbasi.

Audit Committee

(L to R): Ayaz Dawood, Yusuf J. Ansari (Company Secretary), Nessar Ahmed (Chairman), Engr. M. A. Jabbar, Abdul Rashid Lone and Fazal-ur-Rehman Dittu.

Not present in the picture: Faisal Ahmed

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT

Whatever the struggle, continue the climb. It may be only one step to the summit.
- Diane Westlake

We are pleased to present and share with you, our valued shareholders, the Company's 56th Annual Report and the audited financial statements for the year ended 30 June 2010, together with the Auditor's Report thereon, including highlights of major achievements, new initiatives and other notable aspects of the Company's operations.

With a distribution and transmission network spread over 40,000 kms, serving more than 2.24 million customers, SSGC can be easily rated as one of the largest integrated natural gas companies in the region. By winning the 'Brands of the Year' Award this year, the Company has once again proved that it is the best utility company in the country. Your company has maintained a strong national presence with its ever-growing customer base by providing prompt and credible service that can be compared with any world class utility.

As our valued shareholders are well aware, in numerous public hearings held by Oil and Gas Regulatory Authority (OGRA) over the past five years for revenue determination, SSGC strongly pleaded its case for relaxing the stringent Unaccounted-for-Gas (UFG) and HR benchmarks the former had imposed on it which also included recognition of non-operating income from non-licensed activities. The unrealistic benchmarks set by OGRA made it extremely difficult for the Company to maintain its infrastructure. As a result, the Company's profits were largely eroded because of higher UFG which invoked heavy penalties. OGRA's timely action gave your Company a much needed fiscal space.

During the recent OGRA hearing spread over two days in Islamabad to determine the total revenue requirement for FY 2009-10, your Company formed a formidable team, which through valid commercial and legal explanations, was able to convince the Authority, thus resulting in a win-win situation for SSGC and its customers and shareholders. OGRA's positive evaluation of this long pending macro issue which led to a revision of Unaccounted-for-Gas (UFG) benchmark and recognition of the Company's non-operating income, is a historic decision and deserves commendation.

Consequent to OGRA's landmark decision, the Company's after tax profit grew to Rs. 4,399 million as compared to Rs. 256 million in the last fiscal year.

The timely OGRA determination without increasing customer tariffs will help your Company generate substantial internal cash flow for rapid implementation of rehabilitation plans as well for constructing expensive infrastructure for imported LNG and transnational piped gas. It will also facilitate the Company in implementing the 5-year UFG reduction plan that will improve profits and make available much needed saved gas to industries and the power sector. While OGRA's determination this year will result in lesser penalty and, consequently, higher profits, your Company realizes that controlling UFG remains a huge challenge. In fact, if the planned steps are not taken immediately to plug and repair pipeline leakages and adopt effective measures to eliminate gas theft while at the same time rectify some major defects in meters and meter reading, the menace of ever increasing UFG will only worsen in the days to come. We need to therefore exercise maximum restraint and plough back our increased profits into much greater productive use for the health of the Company.

The Company's Board of Directors has supported the management's 5-year UFG plan to bring down the losses. The plan envisages rehabilitating 5,750 kms of supply mains, augmenting 713 kms pipelines and rectifiying underground and overhead leakages. The management undertook a massive organizational restructuring plan with the support of the Board to put the utility back on the road to growth and profitability. To rationalize the re-structuring process, two operational business units, each headed by a DMD, have been created. Such a system promises better control and accountability as we enter the next fiscal year more determined than ever to tackle the nagging issue of UFG with a renewed plan and unparalleled vigour.

During the year, the Company also held productive meetings with World Bank (Energy Mission) whereby it was able to convince the Bank with detailed proposals to provide a loan of US$115 million for gas pipeline and affiliated infrastructure improvement.

On the other hand, in the year under review, the Company completed a number of transmission and distribution projects including installation of new SMSs and upgradation of old ones. These projects have resulted in minimizing UFG to an appreciable extent.

The Distribution Department demonstrated an inventive approach by designing and constructing in-house automated pressure management system for managing pressures on its Town Border Stations with the objective of curbing gas losses.

In accordance with the directives of the Government of Pakistan,

the Company formulated a plan to install 5 LPG Air-mix plants in remote and inaccessible regions in its franchise areas. The Noshki plant was commissioned in July 2010 whereas the construction of plants at Kot Ghulam Muhammad in Sindh and Surab in Balochistan is moving as per schedule.

The Customer Services Division contributed immensely in pinning down UFG by surpassing the PUG meter replacement target of 59,740 it had set for itself by replacing 85,000, a record 42% increase. Its Billing Department contributed a volume of 2.5 bcf towards UFG reduction while the Recovery Section further intensified campaign against gas bill defaulters. Also gas sales continued and gas bills to a customer-base of 2.2 million were raised regularly with a monthly sale of around Rs. 10 billion.

The Surveillance and Monitoring Department also played a pivotal role in cracking down on gas theft through regular raids while taking practical steps such as installation of cyber locks and setting up of ultrasonic meters to help monitor meter reversals. The Measurement Department also took new initiatives for curbing gas losses by installing Differential Pressure Gauge and advanced Remote Monitoring System on all SMSs to detect gas theft.

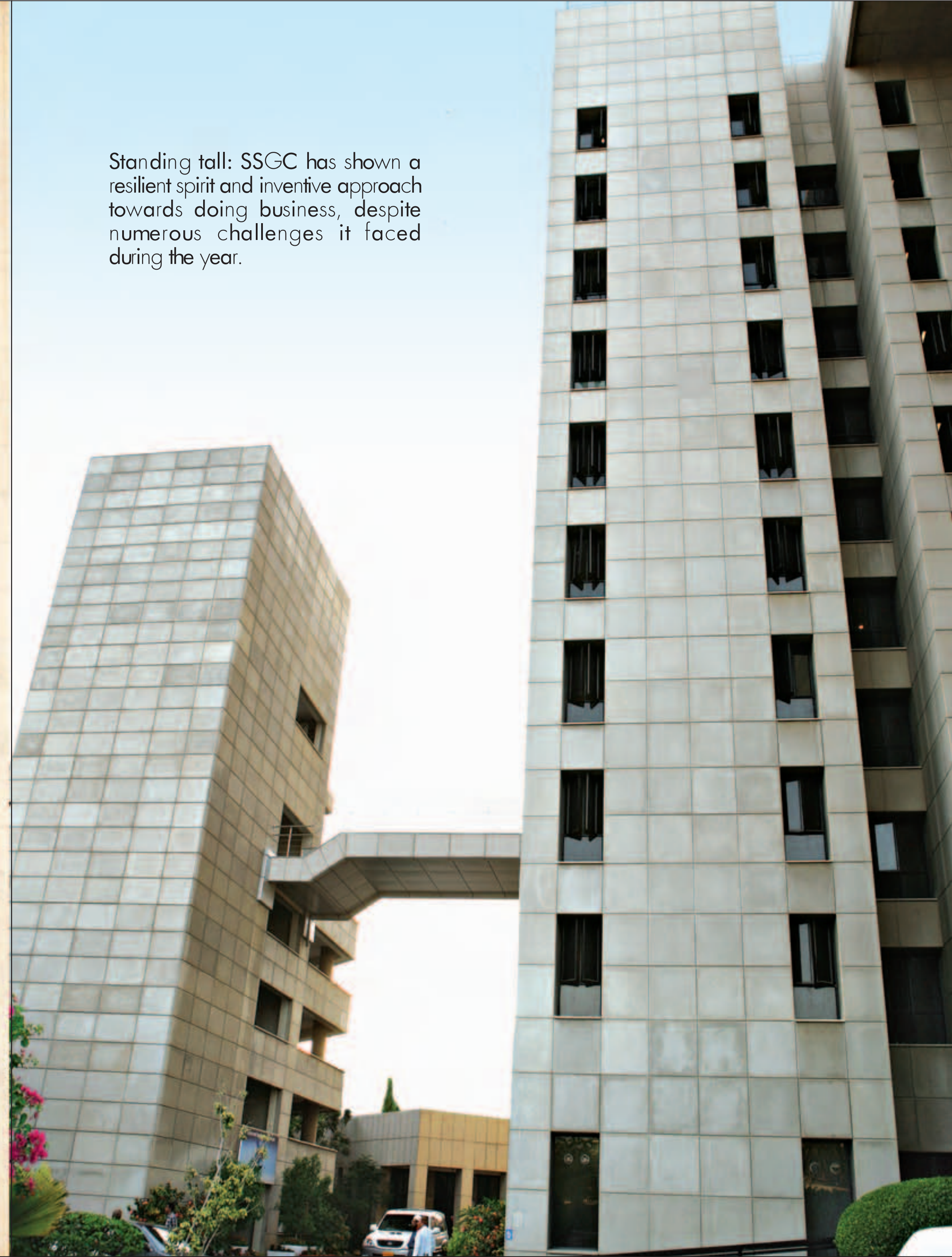
During the year, the Meter Manufacturing Plant produced a record 745,000 gas meters. In its pursuit of continuous technological enhancement, the Plant gave special attention to the development of Pakistan-specific V-8 meters. Plans are afoot to produce ACD G-1.6 gas meters which will replace the existing G-1.6 meters.

Through Technical Advisory Services (TAS), your Company continued to contribute towards energy efficiencies through co-generation and combined cycle systems in the design of 100 captive power plants, leading towards anticipated annual gas savings of around 84 mmcfd.

This year as devastating floods ravaged the country, SSGC exhibited a heightened sense of corporate responsibility by carrying out a massive relief campaign. The campaign involved shipping food stuff and medicines to especially set-up relief camps in Shikarpur, Dadu, Larkana and Thatta where the dedicated Company staff along with a team of doctors and paramedics have so far taken care of more than 12,000 flood affectees. A Crisis Management Cell has been created, which, on a round-the-clock basis, is monitoring the overall flood situation as well as the status of relief camps. I deeply commend those dedicated company personnel who have been involved in this extraordinary service beyond the call of their normal duties. They have done the company proud.

This year's theme 'Surmounting Challenges, Together We Can' aptly sums up the Company's action plan to methodically tackle the infrastructural and financial issues facing the Company. As we embark into the next fiscal year, the Company's human resource – its most valuable asset – is all set to work collectively towards consolidating the Company's position as Pakistan's premier utility.

Salim Abbas Jilani
Chairman



Standing tall: SSGC has shown a resilient spirit and inventive approach towards doing business, despite numerous challenges it faced during the year.

Regular Inspection: Company Directors and senior management on a visit to HQ-6 Compressor Station, Jamshoro

Gas Transmission

This year the Transmission Department succesfully transmitted 426 billion cubic feet of gas at an average of over 1.16 billion cubic feet per day. During the year, several following transmission pipeline projects were completed.

- Internal cleaning of pipeline from Nawabshah to Karachi Terminal completed. This in-house job which is a pre-requisite for intelligent pigging saved approximately US$ 250,000 and led to improvement in pipeline efficiency and integrity
- Hot taps on 16" ILBP and 20" KDW lines for Adam X Field was completed. This led to gas input from new producer injected into the transmission network
- Installation of pig Launchers on 16" dia ILBP line at MVA Sindh University for facilitating pigging job
- Extensive maintenance and rehabilitation of earthfilled low was carried out on the Indus Right Bank Pipeline in Shikarpur and Dadu sections. This facilitated easy access to the pipeline, saving time during patrolling and emergency situtations

Pipeline maintenance and installation of new SMSs and upgradation of old ones

- Fabrication, welding, installation, hot tapping and commissioning of 6 new SMSs having a combined capacity of 48.5 mmsfd was completed. These SMSs will help provide gas to new towns, villages and power plants to increase the Company's gas sales
- Upgradation of Matli and ACPL SMSs was done to ensure system reliability, meet increased gas load and provide uninterrupted gas supply to customers
- Installation of filter separators in Rohri, Khairpur and Lakhmir SMSs to provide quality gas to customers and ensure safety of equipments installed at SMS
- The highly important activity of pressure profiling at Karachi Terminal (KT), Malir, FJFC, Sindh University, Hyderabad-1, II and 111, Nawabshah, Rohri and Sukkur-II SMSs was carried out to minimize UFG levels on gas distribution supply mains and to save substantial gas loss in all three regions.

Gas Distribution

A 16" and another 24" diameter high pressure gas supply mains were constructed in Karachi to meet the increasing gas demand of Landhi Industrial Area and industries located on National Highway. Another 6.6-km, 16" diameter supply main was laid through a very congested and difficult terrain of Malir River. The pipeline was commissioned on June 21, 2010. The Company's Distribution Department worked in tandem with the Projects and Construction (P&C) Department to complete the project on a fast track basis. In future, this pipeline will also facilitate customers up to Ghaggar Phatak.

By channelizing its own resources, the Department is also engaged in the construction of 24" diameter and 16" diameter supply mains to the National Industrial Park. This pipeline will also cater to the needs of other industries located on Korangi Creek Road, besides covering large residential and commercial loads. The pipeline is expected to be completed by September. The Company is moving ahead with revamping its network to meet growing future gas demands. The Distribution system in Balochistan was also augmented with the completion of a number of pipeline projects. During the year, 14-km reinforcement, rehabilitation and replacement of service lines were successfully completed. In addition, 10,876 new connections were provided and 14,689 PUG, DPG and tampered meters were replaced.

Aiming higher: Syed Naveed Qamar, Minister for Petroleum and Natural Resources, Government of Pakistan lighting a symbolic torch to inaugurate yet another gas supply project in Sindh

Focused: Company technicians and workers laying down 16" dia pipeline to meet Landhi Industrial Area's demand

Committed: Technicians and workers laying down 24" dia supply main at National Industrial Park, Korangi Creek

A major step in minimizing gas losses

Company engineers design Automated TBS Pressure Management System

SSGC engineers have designed and constructed an in-house automated pressure management system for managing pressure on the Town Border Stations (TBS).12 such units have been installed on TBSs and are operating successfully. All the components used in the construction of Automated Pressure Management System are locally available in the market and the total cost of one unit is approximately Rs. 0.2 million. In order to minimize gas losses through the leaking gas distribution network, it is imperative to operate distribution network at optimum pressures. This system automatically increases and decreases the pressures at the desired timings to cater to the gas demand during peak and off-peak hours i.e. the pressures are increased at times when load is maximum and decreased when gas consumption drops to the minimum.

Installing such units on TBSs has two major benefits. First, they help to save considerable gas losses due to timely pressure management and second, the manpower deployed for manual pressure management can be utilized on other Unaccounted-for-Gas (UFG) activities. This operation is being continuously monitored and plans are in place to install such units on additional fifty TBSs throughout the franchise areas of the Company.

Planning and Development

Projects implemented in 2009-10

The Planning and Development (P&D) Department kept pace with the Company's strategic plans and implemented the following projects:

- PPL's pipeline was integrated with the Company's ILBP system at up-stream of Tando Adam Valve Assembly for transportation of 15 mmcfd gas from PPL's Adam X-1 Field (Hala Block) at a cost of Rs. 48 million
- 8" diameter x 4.9 km pipeline was laid in October 2009 for supply of 15 mmcfd gas to Naudero Power Plant at a cost of Rs. 138 million
- Tie-in arrangement was performed on the Company's IRBP system at Shikarpur and installed in April 2010 at a cost of Rs. 28 million for receiving 28 mmcfd gas from Haseeb Field
- Replacement of Kadanwari pipeline overhead crossing was carried out at Nara Canal with submerged crossing at a cost of Rs. 22 million
- 8 mmcfd gas injected from Pakhro Gas Field at existing Daru Point of Delivery (POD)
- Installations of three LPG Air-Mix Plants were carried out at Noshki and Surab (Balochistan) and Kot Ghulam Muhammad (Sindh) each having a flow capacity of 100 mmbtu/hr at a total cost of Rs. 1,228 million. Each plant is serving nearly 2,500 customers

Projects under implementation

- 18" diameter x 18 km Dahdar-Ghokart segment on Quetta Pipeline (QPL) will enhance QPL capacity by 36 mmscfd to 149 mmcfd to meet increasing loads in Balochistan

  Estimated project cost of Rs. 692 million with commissioning expected by December 2010
- 12" diameter x 64 km Zarghun-Quetta pipeline in Balochistan will supply 25 mmcfd gas

  Estimated project cost is Rs.1,211 million with commissioning expected in 2011-12
- 24" diameter x 35 km Kunnar/Pashaki pipeline in Sindh will supply 313 mmcfd gas

  Estimated project cost is Rs. 1,492 million with commissioning expected by June 2012
- 16" diameter x 67 km Mehar Gas Field Integration Project at Thari Mohabat on IRBP will supply 75 mmcfd gas

  Estimated project cost is Rs. 1,446 million with commissioning expected in 2011-12
- 6" diameter x 8 km pipeline for supplying 10 mmcfd gas to Kandra Power Company (Pvt) Limited

  Estimated project cost is Rs. 165 million with commissioning expected in 2011-12

Giving shape to planning: Distribution Department engineers and technicians working on a project in Karachi

Financial Performance

The Company is focused towards increasing its operating asset base which is the backbone in the OGRA's prescribed return regime. This year, the Company achieved the capitalization at Rs. 5.4 billion against Rs. 7.6 billion last year. The capital expenditure was mainly focused towards enhancing existing transmission and distribution network besides rehabilitating and replacing the ageing network. During the year 2,503 km additional distribution network was laid as compared to last year's 2,352 km, an increase of 6%. This included 1,393 km laid in new towns and villages of Sindh and Balochistan versus 912 km last year. 369 new towns and villages in Sindh and Balochistan were connected on gas this year as compared to 300 new towns and villages last year. Also 517 km old distribution network was rehabilitated/replaced as compared to 483 km last year.

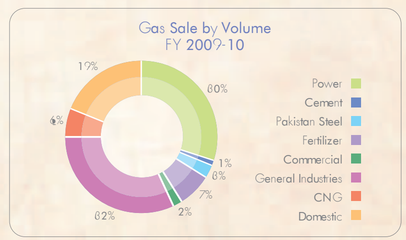
Undoubtedly UFG issue is attracting full attention of the Management. However, this year OGRA recognized the UFG issue more than ever before and the benchmark was revised upward at 7% from last year target of 5%. This helped to reduce OGRA penalties from Rs. 2.8 billion in the last year to Rs. 0.9 billion in the current year, hence improving the profitability of the Company. Besides relaxation in UFG target, OGRA has accepted SSGC's stance for allowing non-regulated incomes i.e. Late Payment Surcharge, Royalty Income from Jamshoro Joint Venture Limited (JJVL), Sale of Gas Condensate and profit of Meter Manufacturing Plant outside the ambit of return formulae, which also helped in improving the bottom line. The timely OGRA actions without increasing customer tariff will now help the Company to ensure substantial internal cash flow for rapid implementation of rehabilitation plan and execute new transmission and distribution projects as well as expensive infrastructure for imported LNG and piped gas. Significantly, it will facilitate the Company in implementing 5-year UFG reduction plan that will not only improve the Company's profit but make available saved gas to industries and power sector.

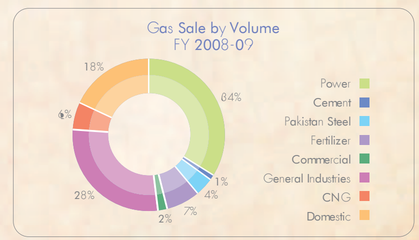
However, financial charges which are also not allowed in tariff regime are close to last year position. Financial charges on loans and overdraft are lower than the previous year and Company also deffered long term loan of Rs. 10 billion provided in the budget for the FY 2009-10 because of liquidity crisis in the financial market and high cost of borrowing. The increase in interest on delayed payment to gas suppliers was due to delayed payment mainly by large customer of power sector i.e. KESC and WAPDA. However the same is compensated by interest income on KESC, WAPDA and SNGPL In the matter of Sales Tax Refund, protracted follow up has helped in reduction of accumulated Sales Tax Refund from 8.6 billion in the last year to Rs. 6.6 billion as on 30 June 2010 . Sales volume increased by 1.1% over the previous year on a volume of 339 bcf. However, in terms of value, increase was 7.8%. However, the cost of Gas decreased by 7% mainly due to well-head price. This decrease occurred due to fall in the international oil prices against which the local well-head gas prices are fixed.

The operating cost excluding the depreciation was increased to 7.4% of revenue as compared to 5.13% last year. The Company's operating cost also includes expenditure on the cross border gas import project through pipeline as well as Liquefied Natural Gas (LNG) import project. The customer base is continuously expanding which has now reached to 2.25 million from 2.16 million last year. New connections to domestic customers were 110,486 whilst 1,968 commercial and 278 industrial customers were added. The management is determined to maintain and enhance transmission and distribution capacity of the Company for improved profitability in future. The meter plant also maintained its production growth pattern. This year, production of 750,000 meters reflects 211% capacity utilization against 650,460 meters produced during last year. The available profit for appropriation is as follows:

Profit Available	Rs. in Million
Profit before taxation for FY 2009-10	7,013
Less: Taxation	2,614
Profit after taxation	4,399
Unappropriated profit on 30 June 2009	258
Profit available for appropriation	4,657

Recommended Appropriations	Rs. in Million
Cash dividend @ 1.50 per share	1,007
Bonus Shares @ 25%	1,678
Transfer to Undistributable Reserves	488
Total appropriation	3,173
Balance Unappropriated Profit	1,484





Alternative Sources: A view of the LPG Air-Mix Plant Commissioned in Noshki, Balochistan

LPG Air-Mix Plants - Distribution

In adherence with the directives of the Government of Pakistan, the Company has planned to install 5 additional LPG Air-Mix Plants in remote and inaccessible areas of Sindh and Balochistan.

The Company set up a similar plant at Gwadar in 2006 which is operating successfully and providing gas facilities to area customers. Another plant at Noshki was commissioned during the year under review whereas the construction of LPG Air-Mix Plant at Kot Ghulam Muhammad and Surab is progressing according to plan and is expected to be completed shortly. The LPG Air-Mix Plants of Zhob and Qila Saifullah, Balochistan are in the planning and approval phases and have been planned for completion during the fiscal year 2010-11.

UFG Control

Unaccounted-for-Gas (UFG) contributes heavily towards revenue losses. The management has taken this threat as a major challenge and has developed a comprehensive 5-year plan to bring down UFG losses. Some of the major features of this plan include:

UFG Situation Room: Dr. Faizullah Abbasi, MD, SSGC explaining the salient features of the recently created UFG Situation Room to a group of newsmen

- Rehabilitation of 5,750 kms of mains and services
- Augmentation of 713 kms of undersized pipelines
- Survey and rectification of underground and overhead leakages
- Creation of self-contained UFG zones for improved monitoring
- Installation of higher accuracy Ultrasonic Meters
- Field calibration of high capacity meters and electronic volume correctors
- Installation of check meters and flow computers on Points of Delivery and Sales Meter Stations
- Installation of remote monitoring and data acquisition systems and live video monitoring systems in Customer Meter Stations (CMSs)
- Survey of minimum and nil consumption customers, change PUG meters, reduce provisional billing
- Caging of meters and regular inspection of commercial and domestic meters
- Field inspection of suspected industrial and commercial cases
- Pressure surveys to improve follow-up of litigation cases

All the above activities have been tied-up with UFG reduction targets which are strictly monitored on zonal/regional basis in the Situation Room in the Head Office building.

Besides monitoring, the Situation Room is also being used for providing latest updates with respect to UFG, conducting meetings with different departments and delivering presentations on UFG-related aspects.

A Special Committee of the Board of Directors has also been constituted to review UFG figures and propose appropriate remedial measures for its reduction. This Committee meets every month and monitors prescribed targets and other activities deployed for UFG control.

Establishment of SBUs to control UFG

Four small business units were established in April 2010, one in each region of Distribution Sindh with maintenance, billing and CRD functions gelling together as profit centres. The benefits of synergy are materializing and the Company is restructuring its entire operations on these lines.

Pre-combing salient features of Small Business Units

Regions	Names of SBUs	Customers	UFG (Jul-Feb) 2009-10		Average UFG (mmcf/month)	Expected Savings (mmcf /month)
			Volume (mmcf)	%		
Hyderabad	Kotri/Jamshoro	17,000	394	39.3	49	12
Nawabshah	Nawabshah/Qazi Ahmed	23,000	189	22.8	24	6
Sukkur	Rohri/Panu Aqil	14,000	191	22.8	24	6
Larkana	Dokri/Nasirabad	6,000	128	47.5	16	4

Combining results of Small Business Units

Regions	Names of SBUs	UFG Volume (mmcf)			
		10-Feb	10-Mar	10-Apr	10-May
Hyderabad	Kotri/Jamshoro	37	38	31	17
Nawabshah	Nawabshah/Qazi Ahmed	26	37	23	22
Sukkur	Rohri/Panu Aqil	10	25	11	7
Larkana	Dokri/Nasirabad	12	14	9	8

Customer Services

The Company continues to be a customer-centric utility and is constantly innovating and improving its level of customer service. At the same time, it is creating awareness among its valued customers for safe and efficient use of

Combating UFG: Proactive CRD team conducting a raid on an illegal gas connection natural gas by reducing wastage and, in doing so, helping the customer substantially reduce the gas bill.

UFG control: The Customer Services (CS) Division contributed immensely in pinning down UFG by exceeding the PUG meter replacement target of 59,740 as it replaced 85,000 gas meters, a record 42% increase.

Recovery of dues: The Company's Recovery Section intensified its campaign against gas bill defaulters for clearing outstanding gas dues, making 118,833 disconnections, which is an increase of 16% of the target. Special Camps were also set up in apartment complexes where the CS officials facilitated defaulting customers in paying their arrears in easy installments.

Chronic defaulters were targeted for disconnection. 5,790 un-metered gas connections were also disconnected thus contributing to gas savings of 332 mmcf.

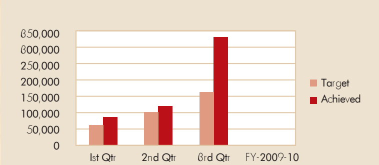
On the 10th of Moharram when the horrific bomb blast struck Karachi, CRD teams acted valiantly in extinguishing the fire on the Company's service line opposite Laxmi Building and plugged the broken line.

As a precautionary measure, gas supply was cut off in the six adjacent service lines. This courageous act was highly appreciated by the City Administrators.

In December 2009, for the fifth year running, the Consumer Association of Pakistan (CAP) adjudged the Company as Pakistan's best utility provider by conferring it with the coveted Consumers Choice Award in recognition of its adherence to best business practices.

Billing: The Company's billing to the customers continued to be accurate and on time. The historical increasing trend in gas sales continued unabated and gas bills to a customer base of 2.2 million is being raised and delivered regularly with a monthly sale of around Rs.10 billion.

	PUG Meters Replaced	Disconnections (Domestic and Commercial)	Theft (MCF)
Target	59,740	102,566	160,000
Achieved	85,000	118,833	332,000



Besides achieving the Departmental UFG target of 1 bcf, the Department enhanced the target and achieved additional 1.5 bcf through PUG meters. As a result, 2.5 bcf additionally contributed to the gas sales. The industrial customers were billed 100% on actual read basis which is a major achievement. The Department also played its role in reduction of UFG. The initiatives include:

- Surveying 152,000 customers having nil/minimum consumption
- Identifying 33,000 meters as PUG
- Carrying out special meter reading to test check accuracy and capture sales
- Supervising meter reading/billing activities ensuring 365 days gas sales recording
- Arranging refresher training for meter reading field staff

The Company's focus towards providing top class service at the customer's doorstep continued with the re-location of Saddar, Garden and Gulistan-e-Jauhar Billing Zones in Karachi.

Building strong relationship: Azim Iqbal Siddiqui, DMD (South) (far right) holding talks with trade associations' representatives to discuss concerns of industries

Campaign against defaulters: CRD intensified its campaign to clear outstanding gas dues by setting up camps in apartment complexes

Sales: The Sales Department's performance remained satisfactory throughout the year and exceeded the budgeted targets in the following activities:

New Connections	Karachi	Sindh	Balochistan	Total
• Domestic	56,499	47,530	11,634	115,663
• Commercial	1,287	497	174	1,958
• Industrial	232	48	10	290
Commissioning of towns and villages through Peoples' Work Program	New towns and villages: 2,500 Proposed network length: 5,000 Estimated new gas connections: 150,000			
Main extension in existing distribution network to gasify leftover pockets through the Company's Annual Development Program	385 km	200 km	165 km	750 km

Surveillance and Monitoring (S&M)

To grapple with the menace of gas theft, the S&M Department took major initiatives during the year. Some of them are:

- Installation of Cyber Locks at new CMSs to avoid un-authorized access
- Caging of High Pressure Industrial Customers without CMS room

In a nutshell

Special Readings

Industrial customers	30,307
Commercial customers	132,005
Bulk domestic customers	2,207
Total # of visits	164,519

Cases Reported

Industrial customers	140
Commercial customers	806
Domestic customers	242
Bulk domestic customers	8
Total # of cases registered	1,196

Claim Assessment Meetings

Number of meetings held	75
Number of cases discussed	553
Industrial customers	16
Commercial customers	348
Domestic customers	189

Constant Surveillance: S&M Team raiding a facility engaged in illegal gas use

- Installation of Ultrasonic meters to help monitor meter reversals/direct use of gas
- Surprise day/night visits of suspected industrial and commercial customers and analyzing trend analysis of each customer
- Fixation of Non Return Valves (NRVs) to avoid Meter Reversal

Meter Manufacturing Plant

Operational Review

The Meter Manufacturing Plant successfully completed the production targets and fulfilled both the Company's and SNGPL requirements with respect to use of gas meters for new connections as well as for schedule replacement for both the companies. In order to achieve this target, the production continued for seven days a week and inventory replenishment process went on smoothly to fulfill the requirement of meter parts/components and allied materials.

During the year 2009-10, Meter Plant implemented modifications of gas meters in collaboration with SNGPL and Itron to make the meter tamper-free and to achieve maximum accuracy in recording the gas consumption.

The Meter Plant gave special attention for the development of V-3 Pakistan's specific meters which is a new version of G-4 meter set to replace the existing G-4 meters. Plans are afoot to start the production of ACD G-1.6 gas meters which will replace the existing G-1.6 gas meters.

Contribution towards reducing UFG

Gas theft through tampering of gas meters is a reason for Unaccounted-for-Gas (UFG). In order to make the gas meters tamper free, a number of modifications have been

Technology transfer: Marcelo Espoille, Technology Training Manager, Itron explaining drop resistance features of G-4 meters for reducing meter tampering

made in both G-1.6 and G-4 gas meters which include addition of new meter parts for improvement of drop resistance, additional meter sealing devices and modifications in design of some meter parts. Some examples of modifications are as under:

- Addition of Measuring Unit Support in G-4 meters to improve drop resistance
- Strengthening the Flag and Flagon connection by steel wire to eliminate the chances of disengagement. This modification will decrease the trend of PUG meters
- Nickel coating is introduced for some parts to make them corrosion free
- Plastic seals are added in both G-1.6 and G-4 meters to make them tamper free and Anti-Reverse Flow device was introduced

With these modifications, the gas meters have become less vulnerable against tampering attempts.

Future Plans

- The present G-4 gas meter will be gradually replaced with the V-3, Pakistan's specific meter during the third quarter of financial year 2010-11, which is developed in collaboration with SNGPL and Itron, Austria GmbH
- The present G-1.6 gas meter will be gradually replaced by the new ACD G-1.6 gas meter during the third quarter of financial year 2010-11. With this replacement production will increase to 500,000 G-1.6 gas meters per year compared to existing production capacity of 250,000 G-1.6 gas meters per year
- In order to increase the production of gas meters and to achieve maximum accuracy of calibration of gas meters, the replacement of old calibration machines (test benches) is in progress, which will be completed within next 2-3 years. Further, the Plant is also in the process of replacing the old plastic injection moulding machines to increase the production of plastic parts of G-1.6 and G-4 meters to fulfill the requirement of production target of gas meters

Financial Statements and Highlights

The revenue generated from meter manufacturing operations was Rs. 1,362.991 million from July 2009 to March 2010, whereas profit after tax was Rs. 72.3454 million during the same period.

In a nutshell

- During the year 2009-10, the Meter Plant produced 745,000 gas meters which is the highest ever production achieved in the history of the Company
- During the year under review, the Meter Plant supplied 532,200 gas meters to SNGPL and 213,903 gas meters to SSGC to fulfill the requirement of gas meters for new connections as well as for schedule replacement job
- The Meter Plant achieved new ISO 9001:2000 certification on expiry of previous certification of the year 2002
- The export of G-1.6 gas meters to Desaga, Germany continued in accordance with their requirement

Measurement Department

- The Measurement Department tested around 1,100 meters at customer's doorstep to ensure that the meter operates within the acceptable tolerance limit
- To get online gas composition in real time, Gas Chromatographs were installed at Transmission System for accurate measurement. Gas samplers were also installed at Distribution network to determine gas composition including BTU value over a few days period. It also facilitates in gas measurement accuracy
- Hi-tech flow computers were installed and commissioned at Karachi Terminal SMS in place of the old technology system of Chart Reading
- Multi-stream flow computer FloBoss-407 was installed in series with FloBoss-503 and interfaced with online Gas Chromatograph at JJVL to check whether FloBoss Computer-503 was calculating accurately or otherwise
- The Department replaced 106 under sized (overload) meters to ensure accurate registration of gas volume and also up-graded the Electronic Volume Correctors (EVCs) with the new version having many additional features
- To provide contractual supply pressure to customers, Department installed Hi-Tech and cost effective low differential regulators at existing CMSs
- The Department introduced Differential Pressure Gauge. The Differential Gauge will instantly reveal the condition of Filter Elements by showing pressure difference across the Filter Assembly thereby not only saving time but also capping both pressure points through which unmetered gas could have been consumed
- The Department recently installed a new advanced Remote Monitoring System on all SMSs of Karachi as well as 26 bulk CMSs of Karachi in order to instantly determine the last 24 hours' purchase figures as well as sale to bulk customers
- The Department has also installed a Remote Video Monitoring and Surveillance System at JJVL Hyderabad. Live Video and Data is being monitored and analysed in the Control Room and UFG Situation Room simultaneously. During FY-2010-11, 25 more CMSs would be covered with the Video Monitoring System
- These systems will be helpful in detecting gas theft. The Video Monitoring System will timely indicate and record evidence of any abnormality or tampering attempt on measuring equipments inside CMSs

Cathodic Protection

Cathodic Protection (CP) is a critical activity which prevents corrosion in the buried steel pipelines. Good quality CP system minimizes leakages in the steel pipelines which helps in controlling UFG.

The following jobs were carried out during the FY- 2009-10 period to maintain/improve the CP System:

- 11,000 meter high pressure transmission and distribution steel pipelines were re-coated
- 528-km Close Interval Potential (CIP) Survey was carried out to detect underground leakages, in addition to Current Interference Survey of 40-km pipelines
- 14 additional/new Cathodic Protection Stations were installed and 28 existing CP Stations were up-graded/modified
- 898 new Cathodic Test Posts were installed

Honoring debt obligations: Pakistan Credit Rating Agency Ltd. (PACRA) led by its CEO, Adnan Afaq, having a detailed meeting with Azim Iqbal Siddiqui, DMD (South)

Planning for rehabilitation: The Company management holding talks with World Bank officials

Future Plans

In order to control UFG, an ambitious three-year plan comprising the following activities has been formulated by the CP department:

- Re-coating of 350-km high pressure Transmission and Distribution mains, at an estimated cost of Rs.1,108 million
- Installation of 500 Remote Control Systems for monitoring the CP conditions of the pipeline system, at an estimated cost of Rs. 75 million
- Installation of 140 Deep Well Ground-beds, 150 Battery Backup System (to ensure uninterrupted supply during power outages), 30 New Power Sources and 2,500 Magnesium anodes, at a total estimated cost of Rs. 340.5 million

Research and Development (R&D)

World Bank Proposal

The Company is endeavoring to replace the old distribution network, enhance measurement accuracy and improve utilization efficiency. It has also launched a drive to reduce UFG losses aimed at optimizing supply pressures, pipeline rehabilitation and improving its infrastructure to curb gas theft.

The Government of Pakistan, through Ministry of Petroleum and Natural Resources, asked World Bank–Energy Mission to help the electricity and state-owned gas utilities for improvement in infrastructure and increasing utilization efficiency.

In this regard, the Company has been initially offered a loan of US$ 115 million by the World Bank, out of which US$ 105 million has been earmarked for gas pipeline and affiliated infrastructure improvement and US$10 million for appliance efficiency pilot project.

R&D Department has prepared a proposal which outlines the initial infrastructure improvement requirements of the Company and avenues for investment in gas measurement and energy efficiency enhancement (demand-side management).

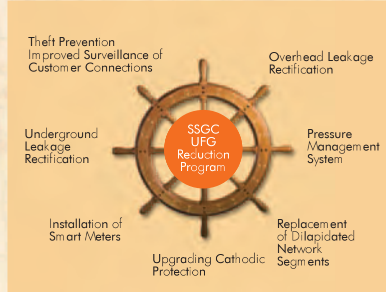
A comprehensive five-year programme was prepared which is focused on replacement of old pipeline and betterment of pipeline infrastructure and cathodic protection, introduction of automatic pressure management and improvement of measurement system.

The World Bank support has been solicited to accelerate the implementation of the five-year UFG reduction programme. The major steps will be completed in three years with the help of funding from the World Bank.

Viability study of LPG bottling arrangement: A technical, commercial and financial feasibility has been prepared for supplying bottled LPG to consumers in far flung areas, with smaller population base, instead of expanding the natural gas distribution network to reach them.

It has been demonstrated that converting remote households, to using LPG instead of piped natural gas is economically viable. The savings from off-setting subsidies on village gasification programs can finance most of the costs of switching the residential customers from piped natural gas to bottled LPG.

Since LPG, on a heating value basis is currently more expensive than domestic gas tariff, the operating costs of providing bottled LPG would be recovered from potential users, whereas the capital cost and the differential between natural gas and LPG would be borne by a subsidy to be provided by the Government, channeled through the gas distribution companies.



As this LPG supply arrangement is based on "subsidized" price rather than "commercial" price, the cost of supplied LPG cylinders would be much less than those available in the local market. This may tend to undercut the purpose if any unscrupulous elements sell the "subsidized" cylinders in open market. Therefore, to check this probable malpractice, the concept of "Ration Card" has to be introduced, by which every customer would be allocated a definite quota of 1.5 cylinders in a month (or 18 Cylinders in a year).

Future enhanced requirements may be determined by a survey to be carried out with the co-ordination of local District/Tehsil government functionaries. Beyond the allocated quota, one has to bear the costs chalked out in natural gas price slab mechanism. The more you consume, the higher you pay.

Based on the above study, it is recommended that provision of LPG cylinders to remote households is economically more viable than an otherwise heavily subsidized pipeline network gas, which is susceptible to theft and maintenance issues. Moreover, this arrangement would help to ease up the current power crisis in the country, as the potential saving of natural gas may be utilized for industries, particularly the power sector.

Ground Penetrating Radar: The R&D department suggested a unique device for locating underground pipelines, called ground penetrating radar, that locates all types of materials underground, metallic or non-metallic, including plastics. The control unit supports three antennas for detecting utilities and other buried objects. The system can also be adjusted to different types of soil.

Pakistan Integrated Energy Model: The R&D department has always been proactive in playing its part in the national efforts for energy conservation and has represented the Company at various government, semi-government and private organizations of Pakistan. The integrated energy model is one such recent example where the Company, represented by the R&D Department, has contributed in the development of the model.

Mathematical Simulation of UFG: The Department has prepared a software simulation of UFG that would help predict it in the coming months, based on the past trend. The software incorporates the differential diagnosis of UFG analyzing the sale, purchase and UFG pattern. The software is beneficial for setting up the targets of the operational departments.

Energy Efficiency: R&D department is developing a pilot program to introduce higher efficiency cooking stoves and water heaters for distribution amongst gas users on deferred payment basis with the cooperation of the World Bank.

If this program materializes, then the following analysis and resultant benefits come into effect:

- Company's domestic customers in 2009 = 2,127,593
- Their consumption in 2009 = 69,233 mmcf/year

Taking 20% consumers with stoves operating at 30% thermal efficiency, consuming 15% of gas:

- Number of customers = 425,519
- Consumption = 10,385 mmcf
- Assuming CV of gas = 950 btu/cft
- Energy Consumed =10,385 x 950 = 9,865,750 mmbtu
- Energy Utilized = 9,865,750 x 0.3 = 2,959,725 mmbtu
- Energy Wasted = 9,865,750 x 0.7 = 6,906,025 mmbtu
- Gas Wasted = 6,906,025/950 = 7,269 mmcf

If efficiency of the above appliances is enhanced to 60%:

- Energy Wasted = 9,865,750 x 0.4 = 3,946,300 mmbtu
- Gas Wasted = 3,946,300/950 = 4,154 mmcf
- Gas Savings = 7,269 - 4,154 = 3,115 mmcf

If gas cost is Rs. 247/mcf, then = Rs. 1,026.04 million

- Cost of Stoves (Rs. 2,000/piece) = Rs. 851.04 million
- Gas Saved per stove per year = 3,115,000,000 / 425,519 = 7,320 cubic feet/year

Regulation and Tariff

Like in previous years, SSGC during FY 2009-10 also fully complied with the Oil and Gas Regulatory Authority's (OGRA's) Performance and Service Standards and the License conditions. During the period under review OGRA formulated a draft "Natural Gas Theft Rules 2010", which is currently at the finalization stage; these Rules would facilitate both the gas utilities in initiating legal proceedings under OGRA Ordinance and in recovering the value of gas stolen from persons involved in gas theft. SSGC also provided its comments on the draft Gas Utility Companies Act 2010. This Act, after legislation, would facilitate the Gas Utility Companies to expeditiously carry out their regulated activities and would also provide a mechanism for legal action by the Gas Companies against culprits involved in gas theft and recovery of the amounts involved. A 'Compensation Procedure' pursuant to OGRA - approved performance and service standards which has also been initiated by SSGC was duly approved by OGRA. This procedure provides parameters to the Licensees for the assessment and payment of compensation to its adversely affected consumers if any, during performance of the regulated activities by the licensee provided that the circumstances are not beyond the control of the licensee and due care has been taken by the consumers.

During FY 2009-10 OGRA granted approval of the Second Supplemental Agreement (SSA) to the Gas Sales Agreement with Pakistan Petroleum Limited (PPL) for supply of Sui Gas whereas approval of the Term Sheet for Pakhro Well Gas is under OGRA consideration, for which gas allocation has been received from Ministry of Petroleum and Natural Resources (MP&NR). The extended well test EWT GSA for Haseeb Gas has been finalized after OGRA's approval. OGRA also approved the contracts with First Tri-Star Modarba (FTSM) and Central Power Generation Company Limited (CPGCL) for natural gas supply to their Power Plants at Hawksbay, Karachi and Rental Power Plant at Naudero respectively. OGRA also granted permission to install LPG Air Mix plants at Noshki, Surab and Mirpurkhas (Kot Ghulam Muhammad) under rule 14 of Liquefied Petroleum Gas (P&D) Rules, 2001 as an extension of the Licence issued earlier for the Gwadar Project.

During the period under review, SSGC also filed its petition before OGRA for determination of its Estimated Revenue Requirement (ERR) for FY 2010-11 for which the Authority determined an increase in Company's prescribed prices by Rs. 22.92 per mmbtu. Being aggrieved with the determination, the Company filed a Review Petition, mainly requesting the Authority for relaxation in UFG targets and allowance of Meter Manufacturing Profit, Late Payment Surcharge, Royalty from JJVL and Sale of Condensate as non-operating income. The Authority has already conducted hearing in this respect on 16 September, 2010 and the determination is awaited.

The Company filed its Petition for Total (Final) Revenue Requirement for FY 2009-10 in August 2010, based on its Initialed Accounts. The Company once again requested the Authority for relaxation of UFG targets, treatment of Meter Manufacturing Profit, Late Payment Surcharge, Royalty from JJVL and Sale of Condensate as non-operating income. The Company presented its case with the help of written and verbal arguments primarily based on legal grounds substantiated with commercial considerations in an effective manner, which was considered by the Authority in its Hearing held on 16 and 17 September, 2010. By the grace of Almighty Allah and as a result of untiring efforts of the SSGC team, the Authority finally accepted the stance of the company on the treatment of these incomes and allowed them as non-operating. UFG target has also been refixed at 7%. Accordingly, the Authority determined an increase in SSGC's prescribed prices, effective 1 July, 2009, by Rs. 24 per mmbtu for FY 2009-10. As a result of this historic decision regarding refixing of UFG target and treatment of above incomes as non-operating, around Rs. 6 billion has been added to the profitability of SSGC (Profit Before Tax) for the year under review.

Revenue Determination: Syed Hassan Nawab, DMD (North) and Syed Fasihuddin Fawad, Head of Regulatory Affairs advocating the Company's petition to OGRA during a hearing held in Karachi

Technical Advisory Services (TAS)

In pursuance of the policy of Government of Pakistan for co-generation in Captive Power Plants, the Company launched its Technical Advisory Services (TAS) in the year 2006, to facilitate its captive power customers in achieving high level of efficiency through use of energy efficient systems. Substantial savings in gas consumption have been achieved by adopting co-generation and combined cycle system in new captive power plants.

TAS has so far contributed towards bringing energy efficiencies through cogeneration and combined cycle systems in the design of 100 captive power plants, leading towards anticipated annual gas savings of around 64 mmcfd by the use of waste heat which will benefit customers collectively by around Rs. 4.2 billion per annum in total gas savings. The Company has recently started the energy audit of approved cases, so as to ensure objectivity of energy conservation. The Company also aims to guide and motivate owners of the other existing inefficient captive power plants towards energy conservation.

Services Department

Telecommunications and SCADA

In the area of telecom and SCADA, the SCADA System was installed and commissioned at SMSs Rohri, Ranipur, Thatta, Malir, Esser and Kadanwari, for online monitoring of supply pressure and gas flow. Other activities include:

- Installation of SCADA System at OGRA Office, Islamabad, to enable the regulator to monitor SSGC's gas operations
- To comply with PTA, frequency up-gradation of microwave radios was carried out at Karachi Distribution Office, Regional Offices in Hyderabad and Quetta
- New microwave switch (IP) was installed at Karachi Terminal and Head Office
- Up-gradation of microwave switch at Head Office Complex was carried out
- Video Conferencing System was installed at Regional Office Hyderabad and Regional Office Quetta
- Rehabilitation work of Microwave Radio Tower was carried out at Jhampir, Ran Pathani and Golarchi Repeater Stations
- Repair and maintenance work at Ran Pathani, Shahdadpur, Nara, Kadanwari Setharja, Kolput and Killi repeater stations were carried out

UFG initiatives taken by the Services Department

SCADA presence on the distribution network: Services Department has proposed to increase the number of Town Border Stations with SCADA capability which can lead to real time monitoring of pressure, volume and its real time control of pressure and volume. This leads to direct control of parameters which affects UFG. The department will set-up 10 additional high worth TBSs where SCADA initiative will be rolled out.

Automated timer-based pressure profiling at TBSs: Services Department and Karachi Distribution tested an in-house solution for controlling pressure in two stages on a pre-configured weekly schedule. In this regard, the Company has installed pressure profiling units on 10 different TBSs and results have been impressive in terms of UFG management.

The initial solution was tested successfully at Karachi Expo Center's TBS. This exercise will bring down the costs of fuel and labor involved if the same was to be done at least twice a day. The Department, along with the Distribution Department, plans to install 50 such pressure profiling sites in Franchise areas.

Research and Development of new remote units SCADA Network: The Department is vigorously working with Distribution Department for developing a TBS solution that will send an alarm condition through SMS on preconfigured numbers, transmit field variable parameter (pressure) through SMS on request by pre-configured numbers, log/archive (Store) data of field variable (pressure) for at least 14 days in the field and log/archive data, events and alarms with data and time stamps in a computer placed in any office connected through GSM network.The most important thing about this project is that it is being planned entirely by the Company's Engineers. The Department is planning to install and commission a first pilot test site by the end of November 2010.

Research and Development of multi-stage pressure profiling: Services Department is extending its full support for multi-stage pressure profiling and real-time pressure regulation through SCADA Network which will need additional pipeline hardware.

Telecommunications: A view of the Repeater Station in Tando Adam Khan

Integration of newly-installed flow computers and EVCs in TBS: The Company will be integrating newly-installed flow computers and EVC on existing SCADA integrated TBSs. An implementation plan will eventually give a better and real-time understanding of the existing TBS network to pipeline managers and ultimately control the UFG.

Future Plan

- Rehabilitation and enhancement of Power Generation at SSGC Distribution Office SITE Karachi, Khadeji Base Camp, Quetta HQ and Dadu HQ
- Pressure Management at selected TBSs in Karachi
- Increasing at least 7 SCADA sites each year on Distribution Sites
- Installing HVAC System at Regional Office Hyderabad
- Rehabilitation of HVAC System and in-house Power Generation at Karachi Pipeline Terminal

Internal Audit

In compliance with the Code of Corporate Governance, the Company has a well-established Internal Audit function in place. The Internal Audit Department is headed by a General Manager, a professional Chartered Accountant, who reports to the Audit Committee of Directors and administratively to the Managing Director. Internal Audit checks and reviews are undertaken by the Audit teams as per the Annual Audit Plan approved by the Board of Directors' Audit Committee.

Significant audit findings are reported to both the Management Committee and the Audit Committee at regular intervals and required corrective actions are followed up. The activity helps to improve effectiveness of risk management, operational transparency, control and governance processes.

In line with the tempo built up to curb and reverse the UFG trend, the Department, in its audit reviews extensively covered the measurement and billing functions. The Company Management as well as the Audit Committee of Directors acknowledged the Department's initiative in correcting the conversion formula applied to condensate extracted from gas at the Company's Liquid Handling Facility at Hyderabad. The Department observed and pointed out that some liquids forming in the pipelines, especially at Shikarpur and Quetta, were not accounted for in gas volume reconciliation and should be rightly claimed as "process loss". This has been done now, reducing UFG by about 10 mmcf in the current year with recurring benefits expected every year.

Maintaining transparency: A Departments Accounts Committee (DAC) meeting in progress at the Head Office

Materials and Inventory Management

During 2009-10, the Materials and Inventory Management Department achieved targets to meet the Company-wide procurement of material and services valuing over Rs. 7.1 billion.

Major contribution of around Rs. 2.2 billion is attributed to the line pipe which helped to complete the major projects. This was followed by Rs. 1.8 billion (18.8%) to gas meter components which helped in the record production of meters.

The Department also provided material and services for Government of Pakistan's new towns and villages schemes in a very short span of time.

LPG Air-mix plants for Noshki, Sohrab and Kot Ghulam Muhammad have been procured to provide Synthetic Natural Gas (SNG) through piped distribution network.

Health, Safety and Environment (HSE)

The HSE Department is committed towards implementing the Company's HSE policy by reducing related hazards, preventing pollution, conserving resources and adhering to applicable laws and regulations in all its activities related to transmission and distribution of natural gas and meter manufacturing.

The Company's biannual internal and external audits are based on ISO 14001: 2004 and OHSAS 18001: 2007 standards are performed and no major nonconformity (NCR) was identified. While conforming to the requirement of ISO 14001:2004 and OHSAS 18001:2007 standards, the Company has successfully achieved recertification of its integrated HSE management system. The Company has always complied with National Environment Quality Standards (NEQS) and all other national safety and environmental legislations.

In compliance with OGRA's requirements and Pakistan Environmental Protection Act 1997-2000, the Company takes proactive measures in reducing environmental discharges such as air emissions, effluent discharges, noise level and vehicular exhaust, with all activities monitored by a credible third party.

As per Pakistan Environmental Protection Act 1997-2000, IEE/EIA is a mandatory requirement and Initial Environmental Examination (IEE) report is to be submitted for all proposed developments to Environmental Protection Agency to facilitate sustainable development, assess possible adverse impacts and take mitigation measures during construction phase of the new projects.

In-house IEE of 20" dia. x 14-km Kunnar Gas Field Project and LPG Air mix projects at Noshki and Kot Ghulam Muhammad were conducted by the HSE Department.

In a nutshell

- During the year under review, the HSE Department has so far conducted inspections of 251 Customer Meter Stations (CMSs).
- The Department has also conducted physical inspection of 876 vital installations in various regions, including SMSs/TBSs/CMSs/TGs etc.

The Department has been successfully conducting yoga/aerobic classes for female employees at Head Office, Karachi. Fitness facilities have also been planned to be extended at other locations in the next financial year, including at Karachi Terminal and Regional Office, Hyderabad.

During the year under review, the department conducted 7 trainings on HSE management system awareness and implementation at various locations; 2 at Gas Training Institute, 2 at Head Office, one at Regional Office (RO), Hyderabad, one at RO, Larkana and one at RO, Sukkur. In addition, 8 trainings were conducted by a third party on Defensive Driving at various locations - one at Karachi, one at RO Hyderabad, one at RO Nawabshah. Moreover, 8 in-house training workshops were conducted by HSE Department's professionals at different HSE Zones including SITE, Khadeji and KT Stores.

Contribution of HSE Department in reducing UFG: The Department has started inspection of all vital installations, including SMSs, TBSs and PRSs while conducting soap testing, in order to ensure that the assemblies are hazard and leakage free, an exercise that will ultimately contribute towards UFG control.

Medical Services

The economic strength of any organization depends upon the general well-being of the employees. The Medical Services Department has designed strategies that define a way forward. Till the year 2009, top ten high cost health demands included hypertension, ischemic heart disease, diabetes, cancer, kidney failure, child and mother care, chronic hepatitis B and C, accident emergencies, strokes and COPD. The Department, despite limited resources, designed a physician-based disease management program which involves multi-prong strategies. The salient features of the program include:

- Identifying target population with prevalent chronic diseases like diabetes, hypertension etc.
- Risk stratification into risk levels ranging from Level 1 (low risk) to Level 8 (high risk)
- Active physician involvement through defined objectives as part of performance management system
- Implementing self design evidence based disease protocols
- Arranging health awareness program and expert patient program
- Adding objectivity through scientifically designed programs like Diabetes Self Management Education (DSME) Program
- Measuring outcomes through comprehensive health surveys/MIS, for instance, cost vs budget

The Department's innovative measures based on the above mentioned targets have come up with encouraging results in terms of audit on disease incidences which showed reduction in heart diseases and diabetes. No significant rise in the incidence of hypertension was noted. It is a remarkable effort to achieve encouraging outcomes amidst challenges like, a surge in the numbers of population coverage from 82,000 to approx 44,000, general lack of health awareness, high prevalence of chronic disease and rising cost of health care services. The Medical Department has implemented important new projects including:

- Second edition of Disease Protocols
- Publication on "Guide to self-care"
- Developing research models like DSME on other chronic ailments
- Reaching out to other organizations with the Department's design and concept of disease management
- Planning professional skill enhancement of our in-house physician in collaboration with AKUH
- Health awareness/wellness programs in up-country regions
- Expanding database of chronic diseases and switching over to cost effective therapeutic measures

Human Resources

The combination of dealing with human resource related challenges faced by the Company today, planning for tomorrow, and scanning the horizon to prepare for what the future holds encapsulates the HR (Organizational Development) strategy.

A vigorous UFG awareness programme is in place, structured to create a sense of ownership and urgency to the problem throughout the organization. The effort entailed presentations at Company-wide locations to an approximate 400 executives/employees. HR (OD) has placed UFG idea boxes and inspirational posters at Company locations to encourage proactive and creative solutions to the UFG problem. Training of casual workforce involved in rehabilitation, welding and new connections has been extensively provided to improve the physical integrity of the network thus reducing UFG. A total of 575 casual workers have been trained under this programme. Various communiqué mediums launched highlight strategic messages to provoke thought and action, setting the landscape for higher organizational expectations with each member of the organization.

Communication vehicles utilized amongst others include the Yellow Hat, an HR publication with training education value, debate series for confidence building and presentation skill improvisation, theatre plays to stimulate thought and 'food for thought' circulars crafted as learning bits for professional development of each member of the organization. The first in the series of thematic books "I, Me, Myself", aimed at individual responsibility towards self development, was launched.

Professional development: Senior management addressing the gathering at the HR-organized book launch of "I, Me, Myself"

Singing in unison: Students of Government Girls Pilot School belting out a national song in gratitude to SSGC for renovating and reconstructing their academic institution

Corporate Social Responsibility

SSGC recognizes that an educated, healthy and environmentally-clean society is Pakistan's key to ensuring sustainable development. During the year 2009-10, the company remained focused towards playing a socially responsible corporate citizen's role in the following three initiatives:

Education: The highlight of the fiscal year was the signing of MoUs, in June 2010, with four collaborative partners including The Citizens Foundation (TCF) to whom the Company has committed Rs. 1.1 million for running TCF Primary School in Dera Murad Jamali, Balochistan. On the same day, the MoU signed with WWF-Pakistan involved meeting expenses of Rs. 0.75 million for organizing Green Learn-n-Fun Awareness Program and School Visit and Outreach program while covering the Beach Cleaning Activity that comes under the ambit of environment. In addition, for the first time, SSGC added Indus Resource Centre (IRC) as its collaborative partner to provide it with a financial support of Rs. 1.4 million for expediting construction work of IRC House of Learning, Girls Elementary School, Jamshoro.

Later in the year, SSGC signed MoUs worth Rs. 24.9 million for fiscal year 2009-10 with IBA Karachi, Quaid-e-Awam University of Engineering, Science and Technology, Nawabshah, Mehran University of Engineering and Technology, Jamshoro, Lahore University of Management Sciences (LUMS) and Al-Hijrah Residential School and College (Jinnah Campus), Ziarat to make scholarships available in varied disciplines for deserving students of the Company's franchise areas. The Company also provided funds to a local NGO called Saswi Welfare Association for one of its projects, Saswi Model School in Ratedoro.

Health: In 2010, the Company signed an MoU with Marie Adelaide Leprosy Centre (MALC) for supporting the entire expenses of Triple Merger Centre (TMC) in Mirpurkhas for a 4-year period by providing Rs. 1.1 million for fiscal year 2009-10, an arrangement that marked a continuation of the association that started in 2006.

SSGC also endowed Sindh Institute of Urology and Transplantation (SIUT) with a financial support of Rs. 0.95 million for helping it incur its operational expenses. Financial aid of more than Rs. 0.8 million was also provided to Karachi's Koohi Goth Hospital, Nighaban Welfare Association, Civil Hospital, Children Cancer

New lease of life: Allah Dino, a resident of Hyderabad was provided an artificial limb through an arrangement from HASWA

Foundation Pakistan Trust and Poor Patients Aid Society, Civil Hospital. Thanks to Healthcare and Social Welfare Association (HASWA), an NGO dedicated towards providing artificial limbs to the disabled and under-privileged, SSGC helped Allah Dino Shah, a resident of Hyderabad get a new lease of life when he was provided with an artificial limb through a 7-hour long procedure.

Environment: Like in the yesteryears, the Company continued to take part in several tree plantation activities in Balochistan. Rs. 0.89 million were provided for the Company-maintained Greenhouse in SSGC's Quetta Headquarters and Rs. 0.92 million and Rs. 0.85 million to Dar-ul-Uloom Islamia Siddiqia Ismail Zai, Pishin and Al-Hijrah Residential School and College, Jinnah Campus, Ziarat respectively to boost the tree plantation initiatives in these institutions. SSGC also participated in the WWF-organized Annual Nature's Carnival to support the Fund's development and nature conservation projects, an event in which the Company has been playing its due role since 2005.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE TO THE MEMBERS

This statement is being presented to comply with the Code of Corporate Governance and listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Company has applied the principles contained in the Code in the following manner:

1 Company encourages representation of independent non-executive directors on its Board. At present the Board includes 13 non-executive directors and an executive Director. From the 13 non-executive directors 08 are nominated/appointed by the Government of Pakistan.

2 Directors of the Company have confirmed that none of them is serving as a director in ten or more listed companies, including the Company.

3 All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4 Casual vacancies occurring in the Board were filled up by the Directors within thirty days except for one which was delayed due to delay in receipt of nomination from the Government.

5 Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.

6 Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Company has maintained a complete record of particulars of significant policies along with the dates on which they were approved or amended.

7 All the powers of the Board have been duly exercised and decision on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Managing Director have been taken by the Board.

8 Meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9 All the transactions entered into by the Company with related parties during the year have been reviewed by the Board Audit Committee and approved by the Board. A complete party-wise record of related party transactions has been maintained by the Company.

10 A proper Orientation Program had been conducted for the current Board.

11 No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were made during the year. However, any changes to the remuneration, terms and conditions of employment of CFO Company Secretary and Head of Internal Audit have been determined by the Managing Director with the approval of the Board of Directors.

12 Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13 Financial statements of the Company were duly endorsed by Managing Director and CFO before approval of the Board.

14 Directors, MD and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15 Company has complied with all the corporate and financial reporting requirements of the Code.

16 Board has formed an Audit Committee. It comprises six members, all of whom are non-executive directors including the Chairman of the Committee.

17 Meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been framed and advised to the Committee for compliance.

18 Board has set up an effective internal audit function for the Company.

19 Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20 Statutory auditors or the persons associated with them have not been appointed to provide any service other than permissible services.

21 We confirm that all other material principles contained in the Code have been duly complied with.

For and behalf of Board of Directors

Dr. Faizullah Abbasi
Managing Director

30 September, 2010
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sui Southern Gas Company Limited ("the Company") as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 3.1 (a) to the financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

(e) As more fully explained in note 26.1 to the unconsolidated financial statements, amounts receivable from Karachi Electric Supply Company Limited, Jamshoro Power Generation Company Limited and Sui Northern Gas Pipelines Limited aggregated to Rs. 35,912 million including interest accrued on their balances and amounts of Rs. 37,084 million is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited, Government Holding (Private) Limited including interest on their balances. The settlement of these debts is dependent on resolution of inter corporate circular debts. In this matter, our opinion is not qualified.

The financial statements of the Company for the year ended June 30, 2009 were audited by another firm of Chartered Accountants, who in their audit report dated September 29, 2009, expressed an unqualified opinion, but included two paragraphs of emphasis.

M. Yousuf Adil Saleem & Co

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

30 September, 2010
Karachi

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Sui Southern Gas Company Limited ("the Company") to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such controls, the Company corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail at arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related part transaction by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, inapplicable to the Company for the year ended June 30, 2010.

M. Yousuf Adil Saleem & Co

30 September, 2010
Karachi

M. Yousuf Adil Saleem & Co
Chartered Accountants

UNCONSOLIDATED BALANCE SHEET
As at June 30, 2010

	Note	2010	2009
		(Rupees in „000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital	4	6,711,743	6,711,743
Reserves	5	3,107,401	2,619,662
Surplus on re-measurement of available for sale securities		83,489	93,813
Unappropriated profit		4,169,712	258,306
Total equity		14,072,345	9,683,524
Non-current liabilities			
Long term financing	6	11,644,780	17,496,775
Long term deposits	7	3,413,042	2,954,186
Deferred tax	8	7,018,283	5,013,538
Employee benefits	9	1,530,262	1,308,176
Deferred credit	10	4,989,386	4,846,528
Long term advances	11	1,460,227	1,328,199
Total non-current liabilities		30,055,980	32,947,402
Current liabilities			
Current portion of long term financing	12	5,034,670	4,969,490
Short term borrowings	13	3,720,666	-
Trade and other payables	14	51,046,484	48,771,547
Interest and mark-up accrued	15	6,829,477	4,181,967
Total current liabilities		66,631,297	57,923,004
Contingencies and commitments	17		
Total equity and liabilities		110,759,622	100,553,930

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

	Note	2010	2009
		(Rupees in „000)	
ASSETS			
Non-current assets			
Property, plant and equipment	18	41,665,603	38,095,632
Intangible assets	19	4,510	43,891
Long term investments	20	97,118	107,442
Net investment in finance lease	21	1,040,539	1,159,336
Long term loans and advances	22	113,816	111,779
Long term deposits		3,250	3,250
Total non-current assets		42,924,836	39,521,330
Current assets			
Stores, spares and loose tools	23	2,037,359	1,702,556
Stock-in-trade	24	455,415	490,539
Current maturity of net investment in finance lease	21	118,795	118,796
Customers' installation work-in-progress	25	158,388	136,266
Trade debts	26	43,815,667	32,568,205
Loans and advances	27	92,958	93,580
Trade deposits and short term prepayments	28	182,944	110,812
Interest accrued	29	2,834,295	1,198,062
Other receivables	30	17,427,911	22,970,129
Taxation-net	16	90,170	166,500
Cash and bank balances	31	620,884	1,477,155
Total current assets		67,834,786	61,032,600
Total assets		110,759,622	100,553,930

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in ,000)	
			(Restated)
Sales		127,613,530	118,585,244
Sales tax		(15,339,912)	(14,446,264)
		112,273,618	104,138,980
Gas development surcharge		(4,536,837)	4,012,107
Net sales		107,736,781	108,151,087
Cost of sales	32	(104,936,801)	(108,709,660)
Gross profit / (loss)		2,799,980	(558,573)
Administrative and selling expenses	33	(2,448,711)	(2,181,773)
Other operating expenses	34	(752,037)	(2,352,918)
		(3,200,748)	(4,534,691)
		(400,768)	(5,093,264)
Other operating income	35	3,789,522	3,910,328
Operating profit before finance cost		3,388,754	(1,182,936)
Other non-operating income	36	8,640,553	6,009,423
Finance cost	37	(5,015,893)	(4,409,792)
Profit before taxation		7,013,414	416,695
Taxation	38	(2,614,269)	(159,210)
Profit for the year		4,399,145	257,485
		(Rupees)	
Basic and diluted earnings per share	40	6.55	0.38

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2010

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at July 1, 2008	6,711,743	234,868	2,232,794	143,866	991,789	10,315,060
Changes in equity for the year ended June 30, 2009						
Total comprehensive income for the year	-	-	-	(50,053)	257,485	207,432
Transfer from unappropriated profit to revenue reserves	-	-	152,000	-	(152,000)	
Transactions with owners	-					
Final dividend for the year ended June 30, 2008 at Rs.1.25 per share	-	-	-	-	(838,968)	(838,968)
Balance as at June 30, 2009	6,711,743	234,868	2,384,794	93,813	258,306	9,683,524
Changes in equity for the year ended June 30, 2010						
Total comprehensive income for the year	-	-	-	(10,324)	4,399,145	4,388,821
Transfer from unappropriated profit to revenue reserves	-	-	487,739	-	(487,739)	-
Balance as at June 30, 2010	**6,711,743**	**234,868**	**2,872,533**	**83,489**	**4,169,712**	**14,072,345**

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2010

	2010	2009
	(Rupees in „000)	
Net profit for the year	4,399,145	257,485
Other comprehensive income		
Unrealised (loss) on re-measurement of available for sale securities	(10,324)	(50,053)
Total comprehensive income for the year	4,388,821	207,432

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in „000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,013,414	416,695
Adjustments for:			
Depreciation		2,800,175	2,624,619
Amortization of intangibles		40,131	65,472
Finance cost		5,015,893	4,409,792
Amortization of transaction cost		4,904	4,903
Provision against slow moving / obsolete stores		30,987	26,600
Provision against doubtful debts		132,577	462,260
Provision for compensated absences		124,197	58,117
Provision for post retirement medical and free gas supply facilities		179,335	143,916
Provision for retirement benefits		15,647	90,982
Recognition of income against deferred credit		(326,833)	(297,831)
Dividend income		(270)	(8,061)
Profit / interest on bank deposits and late payment of gas bills		(3,620,624)	(3,864,607)
Income from net investment in finance lease		(204,682)	(213,667)
(Profit) / loss on disposal of fixed assets		(4,682)	12,792
		11,200,169	3,931,982
Working capital changes	41	(4,115,860)	(7,562,083)
Cash generated / (used in) from operations		7,084,309	(3,630,101)
Increase / (decrease) in long term advances		132,028	(106,915)
Employee benefits (refund) / paid		32,965	(122,583)
Income taxes paid		(533,194)	(383,071)
Financial charges paid		(2,766,241)	(2,668,489)
Service charges received from new customers		469,691	1,324,428
Long term deposits received - net		458,856	375,298
Long term loans and advances to staff- net		(1,415)	21,977
Net cash from / (used in) operating activities		4,876,999	(5,189,456)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(6,040,312)	(6,583,044)
Proceeds from sale of fixed assets		70,204	22,431
Lease rental from net investment in finance lease		323,479	328,310
Dividend received		270	8,061
Profit / interest received on term deposits		1,984,391	2,864,871
Net cash (used in) investing activities		(3,661,968)	(3,359,371)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		1,000,000	6,200,000
Proceeds from Sukuk Funds		-	600,000
Repayments of local currency loans		(5,340,959)	(257,411)
Repayment of redeemable capital		(1,466,664)	(75,000)
Consumer finance received		111,889	133,304
Repayment of consumer finance		(95,982)	(98,662)
Dividend paid		(252)	(832,549)
Net cash (used in) / generated from financing activities		(5,791,968)	5,669,682
Net (decrease) in cash and cash equivalents		(4,576,937)	(2,879,145)
Cash and cash equivalents at beginning of the year		1,477,155	4,356,300
Cash and cash equivalents at end of the year		(3,099,782)	1,477,155
Cash and cash equivalent comprises:			
Cash and bank balances		620,884	1,477,155
Short term borrowings		(3,720,666)	-
		(3,099,782)	1,477,155

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2010

1. STATUS AND NATURE OF BUSINESS

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

1.2 Regulatory framework

Under the provisions of license given by Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from/ to the gas development surcharge balance payable to / recoverable from the (GoP). These financial statement have been prepared based on the final decision of OGRA dated September 24, 2010.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 20 which are carried at their fair values.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted

The Company has adopted the following new and amended IFRS and Interpretation as of July 1, 2009.

IFRS 7 ,Financial instruments - Disclosures„ (amendment)

The amendments to IFRS 7 expand disclosures required in respect of fair value measurement and liquidity risk.

IFRS 8 ,Operating segments„

It is a disclosure standard that has resulted in identification of two reportable segments, see note 46.

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 statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the unconsolidated 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 year 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 recognised 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 recognised in the unconsolidated 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 recognised 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 profit for the year ended June 30, 2010 would have been lower by and the deferred credit amount in the non-current liabilities would have been higher by Rs. 444.4 million.

In addition to the above standards and interpretation there were other accounting standards, interpretations and amendments which were effective to the Company's financial statements from July 1, 2009. Such standards and interpretations will not result in a significant impact on the financial statements other than improved disclosure and presentation.

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

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

Standard or Interpretation		Effective Date (accounting periods beginning on or after)
IFRS 5	Non-current assets held for sale and Discontinued operations (Amendment)	January 01, 2010
IFRS 8	Operating Segments (Amendment)	January 01, 2010
IAS 1	Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7	Statements of cash flows (Amendment)	January 01, 2010
IAS 17	Leases (Amendment)	January 01, 2010
IAS 24	Related party disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36	Impairment of assets (Amendment)	January 01, 2010
IAS 39	Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRS 9	Financial Instruments - Classification and Measurement	Not yet notified by SECP
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

Amendments to IFRS 2 Share-based Payment–Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

Until the above amendment, there was no specific guidance on the attribution of cash-settled share based payments to the entity receiving goods or services where the entity had no obligation to settle the transaction. Therefore, there was diversity in practice for cash-settled share based payment transactions. The amended IFRS would be applicable to the Company's financial statements from the financial year starting from July 1, 2010.

On August 14, 2009, the Government of Pakistan (GoP) has launched a scheme called Benazir Employees' Stock Option Scheme('BESOS') for the employees of state owned entities including the Company. Under the scheme a Trust has been formed and 12% of the shares held by the Ministry of Petroleum & Natural Resources will be transferred to the Trust.

The GoP policy affected a large number of State Owned Enterprises (SOEs), some SOEs have requested the Institute of Chartered Accountants of Pakistan (ICAP) to clarify the accounting and reporting implications for BESOS. Pending such clarification from ICAP, the Company has not taken any impact in these financial statements. Management asserts that if the Company is required to take charge of the aforesaid scheme in the financial statements, the same will be claimed from OGRA in determining 17% annual return, and therefore, there will be no impact on the Company's results.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after July 01, 2010.

3.2 Property, plant and equipment

Initial Recognition

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

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

Measurement

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

The cost of the property, plant and equipment includes:

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

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

Subsequent expenditure (including normal repairs and maintenance)

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

Capital work in progress

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

Depreciation

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

Compressors and transmission lines

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

Other operating assets

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

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

Intangible assets

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

Definite life

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

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

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

Borrowing costs

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

Gains and losses on disposal

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

Leased assets

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

3.3 Investments

Available-for-sale

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

Held to maturity

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

Date of recognition

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

Derecognition

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

3.4 Net investment in finance lease

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

3.5 Stores, spares and loose tools

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

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

3.6 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

3.7 Trade debts and other receivables

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

3.8 Trade and other payables

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

3.9 Mark-up bearing borrowings

Long term financing

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

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

Leases

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

3.10 Provisions

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

3.11 Deferred credit

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

During the year, there was a change in the policy which has been explained in note 3.1.

3.12 Taxation

Current

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

Deferred

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

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

3.13 Revenue recognition

- Revenue from gas sales is recognised on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).

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

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

- Deferred credit is amortised and related income is recognised in the unconsolidated profit and loss account over the useful lives of related assets. During the year, there was a change in the policy which has been explained in note 3.1.

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

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

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

3.14 Impairment

Financial assets

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

Non-financial assets

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

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

3.15 Staff retirement benefits

The Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

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

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

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

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

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

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

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

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

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

3.16 Compensated absences

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

3.17 Foreign currency translation

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

3.18 Derivative financial instruments

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

3.19 Fiduciary assets

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

3.20 Off-setting

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

3.21 Cash and cash equivalents

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

3.22 Prior period errors

3.22.1 In the current year, the Company has rectified prior period error related to the presentation of 'Transmission and Distribution Costs' , which previously were presented as 'Transmission, Distribution and Selling Costs' below the gross profit instead of presenting the same as part of 'Cost of Sales'. Due to this the comparative figures in these financial statements have been restated in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', details of which are as follows:

Reclassifications		Amount
From	To	(Rupees in '000)
Transmission, distribution and selling costs	Cost of sales- Transmission and distribution costs	6,320,802
Transmission, distribution and selling costs	Administrative and selling expenses	617,145
Administrative expenses	Cost of sales- Transmission and distribution costs	98,642

The above re-arrangements / reclassifications do not affect the net profit and retained earnings for the year ended June 30, 2008. Therefore, the balance sheet for the year ended June 30, 2008 has not been presented.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(Number)			(Rupees in '000)	
219,566,554	219,566,554	Ordinary shares of Rs.10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs.10 each issued as fully paid bonus shares	4,516,077	4,516,077
671,174,331	671,174,331		6,711,743	6,711,743

4.1 Associated companies held 36,556,835 (2009: 34,070,693) ordinary shares of Rs.10 each at the year end.

4.2 There is only one class of ordinary shares and there is no movement in the current year.

	Note	2010	2009
		(Rupees in '000)	

5. RESERVES

	Note	2010	2009
Capital reserves			
Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		234,868	234,868
Revenue reserves			
Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		2,015,653	2,015,653
Reserve for interest on sales tax refund	5.4	487,739	-
		2,872,533	2,384,794
		3,107,401	2,619,662

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

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

5.4 Reserve for interest on sales tax refund

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

6. LONG TERM FINANCING

	Note	2010	2009
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	5,400,000	8,716,700
- Other loans			
Musharaka arrangements	6.2	4,202,921	7,644,678
		9,602,921	16,361,378
Unsecured			
Consumer financing	6.3	190,930	186,757
Government of Sindh loan	6.4	1,850,929	948,640
		2,041,859	1,135,397
		11,644,780	17,496,775

6.1 Local currency loans	Installment payable	Repayment period	Mark-up rate	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Samba Bank Limited - term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	6.1.1	1,000,000	1,000,000
United Bank Limited - term loan- II	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	-	1,500,000
MCB Bank Limited- term loan- I	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	1,000,000	2,000,000
MCB Bank Limited- term loan- II	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	-	1,333,400
MCB Bank Limited- term loan- III	quarterly	2010-2011	0.2% above 3 months average KIBOR	6.1.1	-	1,000,000
Habib Bank Limited - term loan	on maturity	2010	2% above 3 months average KIBOR	6.1.1	-	500,000
Faysal Bank Limited- term loan	quarterly	2011-2013	2% above 3 months average KIBOR	6.1.1	1,500,000	1,500,000
					3,500,000	8,833,400
Syndicated term loans						
Standard Chartered Bank Pakistan Limited (as "Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	6.1.1	2,500,000	2,500,000
JS Bank Limited (as "Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	6.1.1	800,000	800,000
					3,300,000	3,300,000
					6,800,000	12,133,400
Less: Current portion shown under current liabilities					(1,400,000)	(3,416,700)
					5,400,000	8,716,700

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

6.2	Musharaka arrangements - secured				Note	2010 (Rupees in '000)	2009 (Rupees in '000)
		Installment payable	Repayment period	Mark-up rate			
	Islamic Sukuk bonds under musharaka agreements						
	Dubai Islamic Bank Pakistan Limited (the " Investor's Agent")	quarterly	2009 - 2012	0.40% above 3 months average KIBOR	6.2.1	525,000	825,000
	Meezan Bank Limited (the " Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	6.2.1	1,333,336	2,000,000
	Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	6.2.1	4,700,000	4,700,000
	Islamic Finance under diminishing musharaka						
	Meezan Bank Limited	on maturity	2011	0.45% above 3 months average KIBOR	6.2.2	500,000	1,000,000
	Bank Islami Pakistan Limited	on maturity	2010	0.20% above 3 months average KIBOR	6.2.2	600,000	600,000
						7,658,336	9,125,000
	Unamortised transaction cost					(8,751)	(13,655)
						7,649,585	9,111,345
	Less: Current portion shown under current liabilities					(3,446,664)	(1,466,667)
						4,202,921	7,644,678

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

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

	Note	2010	2009
		(Rupees in '000)	

6.3 Consumer financing

Consumer financing	6.3.1	281,225	265,321
Less: Current portion shown under current liabilities		(90,295)	(78,564)
		190,930	186,757

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

6.4 Government of Sindh loan

Government of Sindh loan - I	6.4.1	48,640	56,199
Government of Sindh loan - II	6.4.2	900,000	900,000
Government of Sindh loan - III	6.4.2	1,000,000	-
Government grant	6.4.3	(657,036)	(317,924)
		1,242,964	582,076
Government grant	6.4.3	657,036	317,924
		1,948,640	956,199
Less: Current portion shown under current liabilities		(97,711)	(7,559)
		1,850,929	948,640

6.4.1 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 percent per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ended June 30, 2007.

6.4.2 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. These facilities carry mark-up at 4 percent per annum. The loans together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ending June 30, 2011 and June 30, 2012 respectively. The loan has been stated at fair value (refer note 6.4.3).

6.4.3 This represents the benefit of lower interest rate on Government of Sindh Loan II & III, and is calculated as difference between the proceed received in respect of Government of Sindh Loan II amounting to Rs. 900 million and Rs. 1,000 million and its initial fair value amounting to Rs. 582.076 million and Rs. 660.888 million respectively. These are calculated at KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

7. LONG TERM DEPOSITS

Security deposits from:			
- gas customers	7.1	3,369,885	2,916,100
- gas contractors	7.2	43,157	38,086
		3,413,042	2,954,186

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

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

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

8. DEFERRED TAX - net

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

	2010			2009		
	Opening	Charge / (Reversal)	Closing	Opening	Charge / (Reversal)	Closing
	------------(Rupees in '000)-------------			——(Rupees in '000)——		
Taxable temporary difference						
Accelerated tax depreciation	7,684,644	726,991	8,411,635	6,528,175	1,156,469	7,684,644
Deductible temporary differences						
Provision against employee benefits	(457,862)	(77,730)	(535,592)	(383,668)	(74,194)	(457,862)
Provision for doubtful debts	(757,314)	(46,401)	(803,715)	(595,523)	(161,791)	(757,314)
Unused tax losses carried forward	(1,450,043)	1,450,043	-	(675,712)	(774,330)	(1,450,043)
Others	(5,887)	(48,158)	(54,045)	(18,943)	13,056	(5,887)
	5,013,538	2,004,745	7,018,283	4,854,329	159,210	5,013,538

9. EMPLOYEE BENEFITS

	Note	2010	2009
		(Rupees in '000)	
Provision for post retirement medical and free gas supply facilities - executives	39.2	1,269,759	1,118,016
Provision for compensated absences - executives	9.1	260,503	190,160
		1,530,262	1,308,176

	Note	2010	2009
		(Rupees in '000)	
9.1 Provision for compensated absences - executives			
Balance as at July 1		190,160	122,094
Provision made during the year		70,343	68,066
Balance as at June 30		260,503	190,160
10. DEFERRED CREDIT			
- Government contributions / grants			
Balance as at July 1		2,161,269	1,444,501
Additions during the year	10.1	478,473	810,526
		2,639,742	2,255,027
Transferred to unconsolidated profit and loss account		(128,434)	(93,758)
Balance as at June 30		2,511,308	2,161,269
- Contribution from customers			
Balance as at July 1		2,685,259	2,375,430
(Refund) / additions during the year	10.2	(8,782)	514,002
		2,676,477	2,889,432
Transferred to unconsolidated profit and loss account		(198,399)	(204,173)
Balance as at June 30		2,478,078	2,685,259
		4,989,386	4,846,528

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

10.2 This represents amount received from customers for the cost of service lines and gas mains, etc. As stated in note 3.11 to these financial statements, deferred credit is amortised over estimated useful life of related assets.

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

11. LONG TERM ADVANCES

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

	Note	2010	2009
		(Rupees in '000)	

12. CURRENT PORTION OF LONG TERM FINANCING

	Note	2010	2009
Local currency loans	6.1	1,400,000	3,416,700
Musharaka arrangements	6.2	3,446,664	1,466,667
Consumer financing	6.3	90,295	78,564
Government of Sindh loan	6.4	97,711	7,559
		5,034,670	4,969,490

13. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 12,000 million (2009: Rs. 9,000 million) and carry mark-up ranging from 0.2 to 1.15 percent (2009: 0.5 to 3 percent) above the average one month KIBOR. The facilities are secured by first pari passu first joint supplemental hypothecation charge over present and future stock in trade and book debts of the Company.

14. TRADE AND OTHER PAYABLES

	Note	2010	2009
Creditors for:			
- gas		44,560,429	45,490,188
- supplies		316,332	122,111
		44,876,761	45,612,299
Amount received from customers for laying of mains, etc.		1,831,427	1,477,926
Accrued liabilities		3,235,422	1,117,300
Provision for compensated absences - non executives	14.1	137,646	83,791
Payable to provident fund - non executives		30	6
Workers' Profit Participation Fund	14.2	369,184	-
Deposits / retention money		203,042	194,589
Bills payable		121,908	23,521
Advance for sharing right of way	14.3	18,088	18,088
Unclaimed dividend		39,935	40,187
Withholding tax payable		54,496	51,685
Unclaimed term finance certificate redemption profit		1,800	1,975
Inter State Gas System (Private) Limited (ISGSL)		2,864	8,628
Others	14.4	153,881	141,552
		51,046,484	48,771,547

14.1 Provision for compensated absences - non-executives

	2010	2009
Balance as at July 1	83,791	93,740
Provision made during the year	53,855	(9,949)
Balance as at June 30	137,646	83,791

	Note	2010	2009
		(Rupees in '000)	

14.2 Workers' Profit Participation Fund

Balance as at July 1		(17,943)	125,408
Allocation for the year		369,127	21,987
Mark-up on funds utilised in the Company's business		-	1,066
		351,184	148,461
Amount refunded to Company		18,013	-
Amount deposited with the Government / paid to employees		(13)	(166,404)
Balance as at June 30		369,184	(17,943)

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

14.4 This includes Rs. 100.348 million (2009: Rs. 95.489 million) on account of amount payable to disconnected customers for gas supply deposits.

15. INTEREST AND MARK-UP ACCRUED

Long term financing :			
- Local currency loans		2,559	13,320
- Musharaka		9,646	11,912
Long term deposits from customers		95,888	65,530
Short term borrowings		65,379	108,429
Late payment of gas development surcharge		4,826	376
Delayed payment on gas bills		6,651,179	3,982,400
		6,829,477	4,181,967

16. Taxation - net

Advance tax		2,316,033	1,782,840
Provision for tax		(2,225,863)	(1,616,340)
		90,170	166,500

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 Claims against the Company not acknowledged as debt	17.1.12	396,083	518,163
17.1.2 Guarantees issued on behalf of the Company		1,790,483	4,630

17.1.3 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (2009: Rs. 75 million) and Company's investment in shares having a face value of Rs.0.5 million (2009: Rs. 0.5 million). Loan outstanding at the year end was Rs. 11.434 million (2009: Rs. 16.797 million).

17.1.4 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Company amounting to Rs. 381.374 million (2009: Rs. 381.374 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Company and JPCL. The Company has not accepted the claim and has filed a counter claim due to JPCL's failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim lodged would be in its favour.

17.1.5 JPCL has also raised a claim of Rs. 5.793 million (2009: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Company. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim would be in its favour.

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

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

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

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

17.1.9 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order making the input tax adjustments inadmissible in respect of exempt supplies made to Agha Khan University. The resulting alleged liability is Rs. 16.278 million. In the same order the Additional Collector (Adjudication) held the Company responsible for not depositing the amount of sale tax withheld under SRO 660(1) / 2007 as withholding agent. The alleged liability is of Rs. 1,248.322 million along with default surcharge (to be calculated at the time of final payment). The Company has defending the case in the High Court of Sindh. No provision has been made in these financial statements as the Company based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.

17.1.10 During the year, Additional Collector (Adjudication) has issued Show Cause Notice to the Company requiring it to pay federal excise duty @ 5 % amounting to Rs. 170 million along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged from JJVL FY 2007 and 2008.The Company is defending the case at the level of Appeallate Tribunal (Inland Revenue). Further, Deputy Commissioner Inland Revenue issued show cause notice to the Company requiring to pay federal excise duty @ 10% amounting to Rs. 166 million along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged from JJVL for the FY 2009. The Company has taken up the matter in the Honorable High Court of Sindh to seek the authoritative interpretation of FED applicablitiy on royalty charge from JJVL. The Company based on its tax advisor's opinion is confident that no further action would be taken by Additional Collector, hence no provision has been made in these financial statements.

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

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

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

		Note	2010	2009
			(Rupees in '000)	
17.2	**Commitments**			
	Commitments for capital and other expenditure		2,558,094	1,051,609
18.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating assets	18.1	36,915,188	34,557,963
	Capital work in progress	18.10	4,750,415	3,537,669
			41,665,603	38,095,632

18.1 Operating assets

		2010						(Rupees in '000)
		COST			DEPRECIATION			Written
	Note	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010	down value as at June 30, 2010
Gas transmission system	18.2	28,209,162	334,281	28,379,029	17,580,424	906,580	18,319,201	10,059,828
			(185,031)			(175,186)		
			20,617 *			7,383 *		
Gas distribution system								
- Karachi, Sindh	18.3	17,386,621	2,378,362	19,460,020	6,157,642	991,351	6,865,445	12,594,575
			(287,090)			(271,548)		
			(17,873) *			(12,000) *		
- Other areas of Sindh		12,552,050	2,375,216	14,892,427	3,895,642	715,515	4,578,033	10,314,394
			(33,587)			(33,414)		
			(1,252) *			290 *		
- Balochistan		6,059,319	288,702	6,255,273	2,146,370	325,876	2,425,281	3,829,992
			(91,300)			(51,338)		
			(1,448) *			4,373 *		
		35,997,990	5,042,280	40,607,720	12,199,654	2,032,742	13,868,759	26,738,961
			(411,977)			(356,300)		
			(20,573) *			(7,337) *		
Meter manufacturing division	18.4	316,418	3,232	319,606	265,856	12,541	278,351	41,255
			-			-		
			(44) *			(46) *		
		64,523,570	5,379,793	69,306,355	30,045,934	2,951,863	32,466,311	36,840,044
			(597,008)			(531,486)		
			-			-		
Gwadar operations								
- Gas distribution system	18.5	97,353	731	98,084	17,026	5,914	22,940	75,144
		64,620,923	5,380,524	69,404,439	30,062,960	2,957,777	32,489,251	36,915,188
			(597,008)			(531,486)		
			-			-		

(Rupees in '000)

	2009						
	COST			DEPRECIATION			Written down value as at June 30, 2009
	As at July 1, 2008	Additions / (deletions) / transfers *	As at June 30, 2009	As at July 1, 2008	For the year / (deletions) / transfers *	As at June 30, 2009	
Gas transmission system	26,741,628	1,504,566 (34,939) (2,093) *	28,209,162	16,621,122	984,363 (22,954) (2,107) *	17,580,424	10,628,738
Gas distribution system							
- Karachi, Sindh	14,997,867	2,659,919 (267,758) (3,407) *	17,386,621	5,541,394	867,440 (251,200) 8 *	6,157,642	11,228,979
- Other areas of Sindh	10,090,459	2,592,114 (135,251) 4,728 *	12,552,050	3,438,097	589,348 (134,097) 2,294 *	3,895,642	8,656,408
- Balochistan	5,305,507	791,892 (40,058) 1,978 *	6,059,319	1,870,736	309,321 (34,672) 985 *	2,146,370	3,912,949
	30,393,833	6,043,925 (443,067) 3,299 *	35,997,990	10,850,227	1,766,109 (419,969) 3,287 *	12,199,654	23,798,336
Meter manufacturing division	311,551	9,181 (3,108) (1,206) *	316,418	253,682	16,322 (2,968) (1,180) *	265,856	50,562
	57,447,012	7,557,672 (481,114) -	64,523,570	27,725,031	2,766,794 (445,891) -	30,045,934	34,477,636
Gwadar operations							
- Gas distribution system	91,162	6,191	97,353	11,003	6,023	17,026	80,327
	57,538,174	7,563,863 (481,114) -	64,620,923	27,736,034	2,772,817 (445,891) -	30,062,960	34,557,963

18.2 Operating assets - gas transmission system

(Rupees in '000)

	Note	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ remaining life (years)**
		As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Freehold land		46,778	- - -	46,778	-	- - -	-	46,778	-
Leasehold land		128,550	3,888 - -	132,438	-	- - -	-	132,438	-
Buildings on freehold land		279,291	- - -	279,291	157,224	8,250 - -	165,474	113,817	20
Buildings on leasehold land		1,188,534	50,461 (300) -	1,238,695	618,241	71,192 (300) -	689,133	549,562	20
Gas transmission pipelines	18.2.1	19,072,043	166,694 - 8,415 *	19,247,152	11,399,087	326,614 - 10,124 *	11,735,825	7,511,327	1-40**
Compressors		2,439,088	- (156,968) -	2,282,120	2,241,907	55,367 (156,968) -	2,140,306	141,814	6**
Telecommunication		460,452	9,060 (13) (2,956) *	466,543	440,924	3,088 (13) -	443,999	22,544	6.67
Plant and machinery		525,393	16,764 (4,133) (935) *	537,089	384,505	25,677 (4,133) (6,156) *	399,893	137,196	10
Roads, pavements and related infrastructures		311,264	- - -	311,264	24,914	2,608 - -	27,522	283,742	20
Tools and equipment		165,506	9,802 - (8,212) *	167,096	140,572	12,446 - (3,289) *	149,729	17,367	3
Motor vehicles		1,083,623	31,306 (22,871) (128,962) *	963,096	619,379	94,881 (13,026) (67,957)*	633,277	329,819	5
Furniture and fixture		287,689	3,092 (142) 177 *	290,816	229,196	21,749 (142) 188 *	250,991	39,825	5
Office equipment		226,904	4,776 (60) 1,961 *	233,581	166,661	27,569 (60) 400 *	194,570	39,011	5
Computer and ancillary equipments		356,012	37,197 - 1,797 *	395,006	284,580	61,127 - (6,290) *	339,417	55,589	3
Supervisory control and data acquisition system		682,233	1,220 - 1,972 *	685,425	276,310	93,449 - 822 *	370,581	314,844	6.67
Construction equipment		955,802	21 (544) 147,360 *	1,102,639	596,924	102,563 (544) 79,541 *	778,484	324,155	5
	2010	28,209,162	334,281 (185,031) 20,617 *	28,379,029	17,580,424	906,580 (175,186) 7,383 *	18,319,201	10,059,828	
	2009	26,741,628	1,504,566 (34,939) (2,093) *	28,209,162	16,621,122	984,363 (22,954) (2,107) *	17,580,424	10,628,738	

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

Musharaka Arrangements	As at June 30, 2010 (Rupees in '000)		As at June 30, 2009 (Rupees in '000)	
	Cost	Written down value	Cost	Written down value
24" 116 km Sanghar-Hyderabad-Karachi Pipeline	1,625,230	1,411,122	1,623,541	1,450,934
24" x 200 km Bajara-Karachi Pipeline	2,546,385	2,335,892	2,515,364	2,370,246
18'' Dia x 53km pipeline from Dhader to Abb-e-Gum	545,803	528,938	471,283	464,410
Land, Head Office Building and Karachi Terminal building	821,986	476,121	813,442	514,495
24" x 84 km Loop Line Nawabshah - Shahdad Pur - Tando Adam	1,106,566	1,011,312	1,100,005	1,033,124
	6,645,970	5,763,385	6,523,635	5,833,209

18.3 Operating assets - gas distribution system

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ (years)
	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Freehold land	9,859	114 - -	9,973	-	- - -	-	9,973	-
Leasehold land	47,769	- - -	47,769	-	- - -	-	47,769	-
Buildings on freehold land	45,201	- - -	45,201	30,751	507 - -	31,258	13,943	20
Buildings on leasehold land	216,881	81,791 - -	298,672	85,013	16,225 - -	101,238	197,434	20
Gas distribution system, related facilities and equipment	34,210,609	4,821,216 (385,972) 3 *	38,645,856	11,162,212	1,907,328 (332,270) 186 *	12,737,456	25,908,400	10 to 20
Telecommunication	27,218	7,963 (5) (2) *	35,174	11,028	3,314 (5) (1) *	14,336	20,838	6.67
Plant and machinery	526,775	77,717 (4,049) 30,055 *	630,498	269,619	34,096 (4,049) 22,152 *	321,818	308,680	10
Roads, pavements and related infrastructures	1,010	- - -	1,010	1,010	- - -	1,010	-	20
Tools and equipment	89,624	4,603 (208) (999) *	93,020	78,253	6,990 (208) (1,002) *	84,033	8,987	3
Motor vehicles	567,274	44,621 (20,570) (46,426) *	544,899	357,660	44,595 (18,595) (25,887) *	357,773	187,126	5
Furniture and fixture	90,117	1,224 (225) (633) *	90,483	52,137	12,337 (225) (397) *	63,852	26,631	5
Office equipment	48,475	3,031 (552) (2,434) *	48,520	40,223	3,571 (552) (2,142) *	41,100	7,420	5
Computer and ancillary equipment	117,178	- (396) (137) *	116,645	111,748	3,779 (396) (246) *	114,885	1,760	3
2010	35,997,990	5,042,280 (411,977) (20,573) *	40,607,720	12,199,654	2,032,742 (356,300) (7,337) *	13,868,759	26,738,961	
2009	30,393,833	6,043,925 (443,067) 3,299 *	35,997,990	10,850,227	1,766,109 (419,969) 3,287 *	12,199,654	23,798,336	

18.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ (years)
	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Building on leasehold land	13,269	- - -	13,269	9,078	560 - -	9,638	3,631	20
Telecommunication	666	- - 2 *	668	240	98 - -	338	330	6.67
Plant and machinery	252,517	2,208 - 24,115 *	278,840	214,910	9,059 - 22,799 *	246,768	32,072	10
Tools and equipment	32,222	- - (23,701) *	8,521	30,867	- - (22,558) *	8,309	212	3
Furniture and equipment	11,682	- - (417) *	11,265	6,811	1,421 (242)*	7,990 -	3,275	5
Office equipment	4,867	1,024 - 2 *	5,893	2,755	1,403 -	4,158 - -	1,735	5
Computer and ancillary equipment	1,195	- - (45) *	1,150	1,195	- - (45) *	1,150	-	3
2010	316,418	3,232 - (44) *	319,606	265,856	12,541 - (46) *	278,351	41,255	
2009	311,551	9,181 (3,108) (1,206) *	316,418	253,682	16,322 (2,968) (1,180) *	265,856	50,562	

18.5 Operating assets - Gwadar operations

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ (years)
	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Leasehold land	14,339	- - -	14,339	-	- - -	-	14,339	-
Gas distribution system	62,773	- - -	62,773	10,183	3,139 - -	13,322	49,451	10 to 20
Plant and machinery	15,327	731 - -	16,058	4,530	1,510 - -	6,040	10,018	10
Tools and equipment	1,329	- - -	1,329	229	404 - -	633	696	3
Furniture and equipment	3,166	- - -	3,166	1,856	782 - -	2,638	528	5
Office equipment	339	- - -	339	160	68 - -	228	111	5
Computer and ancillary equipment	80	- - -	80	68	11 - -	79	1	3
2010	97,353	731 - -	98,084	17,026	5,914 - -	22,940	75,144	
2009	91,162	6,191	97,353	11,003	6,023	17,026	80,327	

	2010	2009
	(Rupees in '000)	

18.6 Details of depreciation for the year are as follows:

	2010	2009
Unconsolidated profit and loss account		
- Transmission and distribution costs	2,584,956	2,423,221
- Selling expenses	27	7,918
- Administrative expenses	196,737	171,135
- Gwadar operations	5,914	6,023
	2,787,634	2,608,297
Meter manufacturing division		
- Unconsolidated profit and loss account	1,591	2,069
- Gas meters components produced	10,950	14,253
	12,541	16,322
Capital projects	157,602	148,198
	2,957,777	2,772,817

18.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Building							
Written down value not exceeding Rs. 50,000 each	300	300	-	454	454	Tender	Various
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	358	358	-	3	3	Tender	Various
Written down value not exceeding Rs. 50,000 each	38	38	-	16	16	Theft	Recovered from Select Services
Tools							
Written down value not exceeding Rs. 50,000 each	203	203	-	-	-	Theft	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	5	5	-	2	2	Theft	Recovered from Select Services
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	200,319	200,319	-	-	-	Replacement	Written off
Written down value not exceeding Rs. 50,000 each	185,653	131,951	53,702	7,196	(46,506)	Gas meters retired	Written off

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
				(Rupees in '000)			
Compressors							
Written down value not exceeding Rs. 50,000 each	156,968	156,968	-	34,522	34,522	Tender	M/S Abu Bakar & Co.
Telecommunication							
Written down value not exceeding Rs. 50,000 each	5	5	-	-	-	Burnt	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	13	13	-	2	2	Theft	Recovered from M/S.Omer Razaq Enterprises
Plant and machinery							
Written down value not exceeding Rs. 50,000 each	7,963	7,963	-	1,164	1,164	Tender	Various
Written down value not exceeding Rs. 50,000 each	219	219	-	-	-	Theft	Below than claimable limit
Furniture fixture							
Written down value not exceeding Rs. 50,000 each	127	127	-	7	7	Tender	Various
Written down value not exceeding Rs. 50,000 each	215	215	-	-	-	Burnt	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	11	11	-	-	-	Theft	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	14	14	-	17	17	Theft	Recovered from National police foundation security services
Office equipment							
Written down value not exceeding Rs. 50,000 each	499	499	-	-	-	Burnt	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	113	113	-	1	1	Tender	Various
Construction equipment							
Written down value not exceeding Rs. 50,000 each	544	544	-	54	54	Tender	Various

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
					(Rupees in '000)		
Motor vehicles							
Written down value not exceeding Rs. 50,000 each	25,522	25,505	17	17,518	17,501	Tender	Various
Written down value not exceeding Rs. 50,000 each	470	401	69	334	265	Theft	Insurance claim - National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	799	786	13	430	417	Accident	Insurance claim - National Insurance Company Limited
Written down value above Rs. 50,000 each	2,505	775	1,730	1,962	232	Theft	Insurance claim - National Insurance Company Limited
Written down value above Rs. 50,000 each	1,199	953	246	559	313	Tender	Various
Toyota Corolla	1,899	359	1,540	1,187	(353)	Service rules	Mr. Umair Khan
Toyota Corolla	1,869	310	1,559	1,127	(432)	Service rules	Mr. Muhammad Hashim
Toyota Corolla	1,869	178	1,691	1,177	(514)	Service rules	Capt. (R) Muhammad Arif
Toyota Corolla	1,052	262	790	478	(312)	Service rules	Syed Ali Raza Shah
Toyota Corolla	1,151	145	1,006	732	(274)	Service rules	Mrs. Zeeba Alvi
Toyota Corolla	1,423	247	1,176	817	(359)	Service rules	Mr. Habibullah Soomro
Suzuki Cultus	600	310	290	45	(245)	Service rules	Mr. Aftab Ahmed Memon
Suzuki Cultus	600	252	348	45	(303)	Service rules	Mr. Abdur Rasheed
Suzuki Cultus	600	252	348	45	(303)	Service rules	Mr.Zubair Ahmed
Suzuki Cultus	600	303	297	45	(252)	Service rules	Mr. Siraj Hameed
Suzuki Cultus	592	414	178	44	(134)	Service rules	Mr. Muhammad Siddique Ansari
Suzuki Cultus	691	169	522	221	(301)	Service rules	Mr. Ali Akbar Qureshi
30 June 2010	**597,008**	**531,486**	**65,522**	**70,204**	**4,682**		
30 June 2009	481,114	445,891	35,223	22,431	(12,792)		

18.8 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 397.858 million (2009: Rs. 347.615 million). Borrowing costs related to general borrowings were capitalised at the rate of 12.58% (2009: 14.10%).

18.9 The depreciated replacement cost of buildings, compressors, plant and machinery, roads, pavements and related infrastructure, construction equipments, gas transmission and distribution pipelines was Rs. 98,771 million and market value of free hold land, lease hold land and motor vehicles was Rs. 11,305 million as per the valuation carried out on 30 June 2009 by an independent valuer namely Oceanic Surveyors (Pvt.) Limited as of 30 June 2010. Management considers that there would be no significant change in the replacement cost and market value of these assets during the year.

	Note	2010	2009
		(Rupees in '000)	
18.10 Capital work in progress			
Projects:			
- Gas distribution system		2,731,364	1,472,688
- Cost of buildings under construction		54,088	107,460
- Gas infrastructure rehabilitation and expansion project		34,596	18,851
- Roads, pavements and related activities		189,583	133,625
		3,009,631	1,732,624
Stores and spares held for capital projects	18.10.1	1,123,277	1,710,987
Compressor		182,022	38,779
LPG air mix plant		435,485	42,301
Others		-	12,978
		1,740,784	1,805,045
		4,750,415	3,537,669

18.10.1 Stores and spares held for capital projects

	2010	2009
Gas distribution	1,127,917	1,713,875
Provision for impaired stores and spares	(4,640)	(2,888)
	1,123,277	1,710,987

19. INTANGIBLE ASSETS

(Rupees in '000)

		COST			AMORTISATION			Written down value as at June 30, 2010	Useful life (years)
		As at July 1, 2009	Additions	As at June 30, 2010	As at July 1, 2009	For the year	As at June 30, 2010		
Computer software	2010	269,940	750	270,690	226,049	40,131	266,180	4,510	3
	2009	230,150	39,790	269,940	160,577	65,472	226,049	43,891	

	Note	Percentage of holding (if over 10%)	2010	2009
			(Rupees in '000)	
20. LONG TERM INVESTMENTS				
Investments in related parties				
Associated / subsidiary companies				
Inter State Gas System (Private) Limited 510,000 (2009: 510,000) ordinary shares of Rs. 10 each (Joint venture company)	20.1	51	5,100	5,100
Sui Southern Gas Provident Fund Trust Company (Private) Limited 100 (2009: 100) ordinary shares of Rs. 10 each (Subsidiary company)	20.1	100	1	1
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited 2,090,195 (2009: 2,090,195) ordinary shares of Rs. 10 each (Associated company)	20.2		58,086	66,782
			63,187	71,883
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited 350,000 (2009: 350,000) ordinary shares of Rs. 10 each			27,500	31,430
United Bank Limited 107,844 (2009: 98,040) ordinary shares of Rs. 10 each			6,431	4,129
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation 5,000 (2009: 5,000) ordinary shares of Rs. 10 each			50	50
			33,981	35,609
Provision against impairment in value of investments at cost			(50)	(50)
			33,931	35,559
			97,118	107,442

20.1 These companies are incorporated in Pakistan.

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

21. NET INVESTMENT IN FINANCE LEASE

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

	June 30, 2009		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	313,276	194,480	118,796
Later than one year and not later than five years	1,065,701	599,154	466,547
Later than five years	1,150,540	457,751	692,789
	2,216,241	1,056,905	1,159,336
	2,529,517	1,251,385	1,278,132

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

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

	2010	2009
	(Rupees in '000)	

22. LONG TERM LOANS AND ADVANCES
secured, considered good

	2010	2009
Due from executives	5,186	7,075
Less: receivable within one year	(2,785)	(3,101)
	2,401	3,974
Due from other employees	138,163	134,752
Less: receivable within one year	(26,748)	(26,947)
	111,415	107,805
	113,816	111,779

22.1 Reconciliation of the carrying amount of loans and advances:

	2010 Executives	2010 Other employees	2009 Executives	2009 Other employees
	(Rupees in '000)			
Balance at the beginning of the year	7,075	134,752	7,107	134,824
Disbursements	-	35,580	-	37,497
Transfers	1,357	(1,357)	3,639	(3,639)
Repayments	(3,246)	(30,812)	(3,671)	(33,930)
	5,186	138,163	7,075	134,752

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

22.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs.7,075 million (2009: Rs.7,107 million).

	2010	2009
	(Rupees in '000)	
23. STORES, SPARES AND LOOSE TOOLS		
Stores	1,365,785	1,063,564
Spares	662,391	650,325
Stores and spares in transit	100,234	66,536
Loose tools	1,090	1,232
	2,129,500	1,781,657
Provision against impaired inventory		
Balance as at July 1	(79,101)	(50,660)
Provision made during the year	(28,597)	(28,452)
Written off during the year	15,557	11
Balance as at June 30	(92,141)	(79,101)
	2,037,359	1,702,556

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

	2010	2009
Transmission	1,784,967	1,435,110
Distribution	252,392	267,446
	2,037,359	1,702,556

	Note	2010	2009
		(Rupees in '000)	

24. STOCK-IN-TRADE

	Note	2010	2009
Gas			
Gas in pipelines		200,005	191,835
Stock of Synthetic Natural Gas		234	46
		200,239	191,881
Gas meters			
Components		224,498	276,244
Work-in-process		10,742	13,572
Finished meters		24,522	12,790
		259,762	302,606
Provision against impaired inventory		(4,586)	(3,948)
		255,176	298,658
		455,415	490,539

25. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

This represents cost of work carried out by the Company on behalf of the consumers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such consumers are shown as deduction there from as reflected in note 32 to these financial statements.

26. TRADE DEBTS

	Note	2010	2009
Considered good			
- secured		12,003,014	6,909,685
- unsecured		31,812,653	25,658,520
	26.1	43,815,667	32,568,205
Considered doubtful		2,296,330	2,163,753
		46,111,997	34,731,958
Provision against impaired debts	26.2	(2,296,330)	(2,163,753)
		43,815,667	32,568,205

26.1 Trade debts include receivables from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) have aggregated to Rs. 33,667 million as at June 30, 2010 (2009: Rs. 29,077 million), which includes overdue amounts of Rs. 26,474 million (2009: Rs. 17,491 million). Receivable from SNGPL against uniform cost of gas is stated under other receivables and amounts to Rs. 4,130 million (2009: Rs. 7,940 million) (refer note 30.2), which includes overdue uniform cost of gas invoices of Rs. 2,297 million (2009: Rs. 2,468 million). Interest accrued amounting to Rs. 2,245 million (2009: Rs. 1,167) in respect of overdue balances of KESC, JPCL and SNGPL is stated in accrued interest (refer note 29).

During the year, the Company received a total of Rs. 7,032 million from SNGPL and WAPDA 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 arrangements. As at June 30, 2010, amounts of Rs. 30,433 million (included in creditors for gas in note 14) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 6,651 million on their balances. In view of the arrangements being made by the committee (established by cabinet division - GoP) to adjust inter corporate circular 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.

	Note	2010	2009
		(Rupees in '000)	
26.2 Movement of provision against impaired debts			
Balance as at July 1		2,163,753	1,701,493
Provision for the year		132,577	462,260
		2,296,330	2,163,753

26.3 Up to June 30, 2009, the live consumers who have not been paying their outstanding balances were considered to determine the provision against doubtful trade debts. During the year ended June 30, 2010, the Company has decided not to consider balances of such consumers in estimation of provision against doubtful trade debts as these are live customers, and it will be only considered after these customers are disconnected. Accordingly, provision for doubtful trade debts has been estimated without considering balances of such consumers. Had the basis used to estimate the provision not been changed the provision against doubtful live domestic consumers would have been higher and profit for the year and equity would have been lower by Rs. 229.6 million.

27. LOANS AND ADVANCES - considered good

	Note	2010	2009
Current portion of long term loans:			
- executives	22	2,785	3,101
- other employees	22	26,748	26,947
		29,533	30,048
Advances to:			
- executives	27.1	8,901	7,251
- other employees		54,524	56,281
		63,425	63,532
		92,958	93,580

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

28. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2010	2009
Advances for goods and services - unsecured, considered good	54,211	47,624
Trade deposits - unsecured, considered good	19,548	22,908
Prepayments	109,185	40,280
	182,944	110,812

	Note	2010	2009
		(Rupees in '000)	

29. INTEREST ACCRUED

Interest accrued on late payment of bills/ invoices from			
- WAPDA		1,226,801	589,918
- KESC		225,072	195,312
- SNGPL		793,590	383,170
- Jamshoro Joint Venture Limited (JJVL)		98,260	24,902
		2,343,723	1,193,302
Interest accrued on bank deposits		2,833	4,760
Interest accrued on sales tax refund	5.4	487,739	-
		2,834,295	1,198,062

30. OTHER RECEIVABLES - considered good

Gas development surcharge receivable from GoP	30.1	5,290,758	5,363,824
Receivable from staff pension fund - non executives	39.1	82,733	168,733
Receivable from staff pension fund - executives	39.1	-	361
Receivable from staff gratuity fund - non executives	39.1	10,247	91
Workers' Profit Participation Fund	14.2	-	17,943
Balance receivable for sale of gas condensate		46,869	155,480
Receivable from Sui Northern Gas Pipelines Limited	30.2	4,198,192	8,019,730
Receivable from Jamshoro Joint Venture Limited		1,009,090	303,506
Insurance claim receivable		705	509
Sales tax receivable		6,558,456	8,683,445
Claims receivable		757	757
Pipeline rentals		13,236	20,221
Miscellaneous receivables	30.3	218,353	237,014
		17,429,396	22,971,614
Provision against impaired receivables		(1,485)	(1,485)
		17,427,911	22,970,129

30.1 This includes Rs. 105.28 million (2009: Rs. 37.607 million) recoverable from the GoP on account of remission of gas receivables from people of Ziarat under instructions from GoP.

30.2 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 67.745 million (2009: Rs. 79.842 million) and Rs. 4,130.197 million (2009: Rs. 7,939.768 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited, refer note 32.1.1 to these financial statements for detail.

30.3 This includes unamortised balance of Rs. 150.46 million (2009: Rs. 225.694 million) on account of deferred tariff adjustment.

31. CASH AND BANK BALANCES

Cash at banks		
- deposit accounts	145,651	680,118
- current accounts	467,756	780,755
	613,407	1,460,873
Cash in hand	7,477	16,282
	620,884	1,477,155

	Note	2010	2009
		(Rupees in '000)	
			(Restated)

32. COST OF SALES

	Note	2010	2009
Cost of gas	32.1	95,333,111	102,388,858
Transmission and distribution costs	32.2	9,603,690	6,320,802
		104,936,801	108,709,660

32.1 Cost of gas

	Note	2010 Volume in MCF *	2010 (Rupees in '000)	2009 Volume in MCF *	2009 (Rupees in '000)
Gas in pipelines as at July 1		790,423	191,835	821,212	139,698
Gas purchases from:					
Pakistan Petroleum Limited		45,102,650	6,292,350	43,413,213	6,775,328
Oil and Gas Development Company Limited		5,654,227	807,328	6,918,789	1,023,741
BP (Pakistan) Exploration and Production Incorporated		81,646,199	20,481,490	73,855,310	22,109,412
Orient Petroleum Inc.		-	-	15,289,802	3,239,830
ENI Pakistan Limited		138,355,236	41,694,309	132,502,373	53,943,781
Mari Gas Company Limited		278,511	9,938	243,759	9,535
Sui Northern Gas Pipelines Limited- a related party		1,121,081	348,613	854,988	113,643
BHP Petroleum (Pakistan) Pvt Limited		103,580,123	23,257,889	89,325,347	23,507,514
OMV (Pak) Exploration GmBH		52,802,525	13,856,024	60,790,120	20,394,745
Input sales tax on exempt supplies		-	28,837	-	37,376
		428,540,552	106,776,778	423,193,701	131,154,905
		429,330,975	106,968,613	424,014,913	131,294,603
Gas consumed internally		(1,107,813)	(253,791)	(1,078,405)	(269,145)
Inward price adjustment	32.1.1	-	(11,181,706)	-	(28,444,765)
Gas in pipelines as at June 30		(896,446)	(200,005)	(790,423)	(191,835)
		(2,004,259)	(11,635,502)	(1,868,828)	(28,905,745)
Gas available for sale		427,326,716	95,333,111	422,146,085	102,388,858

* Metric Cubic Feet.

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

32.1.2 The net volume difference of gas purchase and sales after adjusting internal consumption in the Company's operations is termed as Unaccounted for Gas ("UFG"). Among other disallowances made by OGRA the excess UFG is added to gas development surcharge by reducing the profit. Actual UFG for the year ended June 30, 2010 was 7.95% (2009: 7.93%) against the targets fixed by OGRA at 7% (2009: 4.8%). In financial terms this has caused disallowances of Rs. 934 million (2009: 2,818 million) which has been added to gas development surcharge and and reduced from profit. Region wise break-up of UFG is as follows:

	2010		2009	
	Volume (MMCF)	%	Volume (MMCF)	%
Karachi	13,333	4.41	14,806	4.88
Sindh (excluding) Karachi	10,951	12.00	9,748	11.19
Balochistan	10,770	35.59	9,419	33.97
Others	(44)	(0.27)	(472)	(0.11)

Sales meter station (SMS) wise break of the UFG of the Company for the year ended June 30, 2010 is as follows:

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		------------------Volume in MMCF------------------			%
Karachi Region		302,349	289,016	13,333	4.41
Sindh (excluding Karachi)					
Hyderabad Supply Main III	0403	11,216	9,406	1,810	16.14
Hyderabad City	0401	5,693	4,142	1,551	27.24
Sukkur-1	0203	2,936	1,982	954	32.49
Larkana	0006	1,873	1,333	540	28.83
Tando Allahyar	0218	2,429	1,948	481	19.80
Pedidan	0212	1,389	956	433	31.17
Jacobabad	0023	815	489	326	40.00
Shahdadpur / Hala / Sanghar/ Lundo	0216	1,715	1,411	304	17.73
Sita Road	0010	413	136	277	67.07
Nawabshah	0214	1,707	1,433	274	16.05
Shikarpur	0005	746	474	272	36.46
Theiri Mohabbat	0008	546	280	266	48.72
Rohri / Pano Aquil	0205	1,187	947	240	20.22
Mehrabpur	0211	601	399	202	33.61
Qamber / Shadkot / Kumb	0209	653	456	197	30.17
Lakhi Wazirabad	0201	307	116	191	62.21
Dadu	0013	552	374	178	32.25
Badah	0007	367	202	165	44.96
Kandhkot	0561	475	314	161	33.89
Thul / Ranjhapur / Mirpur Burro	0022	243	88	155	63.79
Tando Adam / Matari	0217 / 0220	877	731	146	16.65
Khairpur	0206	723	573	150	20.75
Ghotki	0551	511	373	138	27.01
Thatta / Jhampir / Khotri	0453 / 0452	15,883	15,838	45	0.28
Sarhari / Sakrand	0215	556	425	131	23.56

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		------------------	Volume in MMCF	------------------	%
Pir Jo Goth	0202	936	821	115	12.29
Badin / Golarchi	0501	598	493	105	17.56
Dahirki	0541	279	177	102	36.56
T.M.Khan	0531	393	297	96	24.43
Ubauro	0543	470	387	83	17.66
Tando Jam	0532	292	211	81	27.74
Dhabeji/ Nooriabad	0454 / 0105	7,522	7,477	45	0.60
Jamshoro Power Station / Sindh University	0402	23,654	23,579	75	0.32
Matli	0521	310	239	71	22.90
Ranipur	0208	549	486	63	11.48
Nau Dero	0016	251	195	56	22.31
Garello	0019	97	50	47	48.45
Bubak	0102	247	215	32	12.96
Setharja /T.Mir wah	0210	153	124	29	18.95
Oderolal	0219	140	113	27	19.29
Garhi Khuda Bux	0017	72	46	26	36.11
Dhamra	0018	41	16	25	60.98
Rustam	0003	60	35	25	41.67
Bhan Saeedabad	0101	80	59	21	26.25
Daur / Bandi	0213	154	133	21	13.64
Garhi Yasin	0014	53	33	20	37.74
Khanpur	0004	50	31	19	38.00
Kot Deji	0207	47	29	18	38.30
Piaro Goth	0011	34	16	18	52.94
Karampur	0001	26	9	17	65.38
Dhakan / Madeji	0015	77	61	16	20.78
Thana Bullah Khan	0104	49	34	15	30.61
Sindhi Burta	0009	26	12	14	53.85
Lakhmir	0024	22	9	13	59.09
Raju Nizamani	0533	39	28	11	28.21
Hamayun Sharif	0021	19	8	11	57.89
Sultankot	0020	17	7	10	58.82
Phulji	0012	23	14	9	39.13
Bajra Jhangara	0103	15	7	8	53.33
68th Mile	0302	11	4	7	63.64
Tangwani / Parco / Sui Cant	0002	18	12	6	33.33
Sher Ali Jatoi	0025	7	3	4	57.14
Massu bhurgari	0303	8	6	2	25.00
60th Mile / Buchari	0301	12	11	1	8.33
Hatri	0221	5	5	-	-
Total Sindh (excluding Karachi)		91,269	80,318	10,951	12.00

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		----------------Volume in MMCF		----------------	%
Balochistan					
Quetta/Rakhshan	2010	12,613	6,616	5,997	47.55
Habibullah Coastal	2011	16,220	12,204	4,016	24.76
JhatPut /Shobatpur	2001	720	289	431	59.86
D.M.Jamali	2002	234	119	115	49.15
Sibi	2004	248	160	88	35.48
Belpat / Lehri	2003	75	28	47	62.67
Mach	2006	89	52	37	41.57
Dhadar	2005	50	17	33	66.00
Kolpur	2007	14	8	6	42.86
Total Balochistan		30,263	19,493	10,770	35.59
Others					
Gas diverted to SNGPL on GOP advice		11,696	11,696	-	-
Internal consumption of gas		552	790	(238)	(43.12)
JJVL shrinkage		3,300	3,300	-	-
LHF condensate shrinkage		508	508	-	-
Gas in pipeline		106	106	-	-
Transmission loss		194	-	194	100.00
Total others		16,356	16,400	(44)	(0.27)
Total		440,237	405,227	35,010	7.95

	Note	2010	2009
		(Rupees in '000)	
32.2 Transmission and distribution costs			
Salaries, wages and benefits		5,689,822	2,750,027
Contribution / accruals in respect of staff retirement benefit schemes	32.2.1	426,103	373,709
Depreciation on operating assets		2,584,956	2,423,221
Repairs and maintenance		503,592	527,754
Stores, spares and supplies consumed		360,027	360,808
Gas consumed internally		253,791	269,145
Legal and professional charges		134,970	129,163
Electricity		39,618	48,820
Security expenses		187,954	176,038
Insurance and royalty		69,403	63,529
Travelling		61,837	58,208
Material and labour used on consumers' installation		93,081	164,754
Postage and revenue stamps		5,601	6,106
Rent, rates and taxes		50,053	52,882
Others		174,565	177,734
		10,635,373	7,581,898
Recoveries / allocations to:			
Gas distribution system capital expenditure		(731,585)	(802,288)
Installation costs recovered from customers		(113,542)	(240,564)
		(845,127)	(1,042,852)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		(172,180)	(167,860)
- Oil and Gas Development Company Limited - a related party		(26,508)	(24,027)
- Other customers		12,132	(26,357)
		(186,556)	(218,244)
		9,603,690	6,320,802

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

	2010	2009
Contributions to the provident fund	113,881	69,585
(Reversal) / charge in respect of pension funds:		
- executives	(40,511)	11,814
- non executives	(36,011)	(22,905)
Charge in respect of gratuity funds:		
- executives	59,788	51,998
- non executives	28,580	23,904
Accrual in respect of unfunded post retirement:		
- medical facility	175,253	167,442
- gas facility	4,081	3,807
Accrual in respect of compensated absences		
- executives	69,366	68,064
- non executives	51,676	-
	426,103	373,709

	Note	2010	2009
		(Rupees in '000)	
			(Restated)

33. ADMINISTRATIVE AND SELLING EXPENSES

	Note	2010	2009
Administrative expenses	33.1	1,734,171	1,466,166
Selling expenses	33.2	714,540	715,607
		2,448,711	2,181,773

33.1. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, wages and benefits		1,021,707	466,254
Contribution / accruals in respect of staff retirement benefit schemes	33.1.1	32,637	25,923
Depreciation on operating assets	18.6	196,737	179,018
Amortisation of intangible assets	19	40,131	65,472
Provision against impaired debts		132,577	462,260
Repairs and maintenance		60,801	47,668
Stores, spares and supplies consumed		50,893	52,192
Legal and professional charges		104,501	90,247
Electricity		22,484	4,214
Security expenses		3,836	3,593
Insurance and royalty		4,911	3,821
Travelling		5,139	7,854
Postage and revenue stamps		63,746	63,222
Rent, rates and taxes		800	769
Others		17,047	13,031
		1,757,947	1,485,538
Allocation to meter manufacturing division		(23,776)	(19,372)
		1,734,171	1,466,166

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

	2010	2009
Contribution to the provident fund	29,785	11,889
(Reversal) / charge in respect of pension funds:		
- executives	(5,883)	2,242
- non executives	(3,247)	(3,757)
Charge in respect of gratuity funds:		
- executives	9,467	11,424
- non executives	2,515	4,125
	32,637	25,923

	Note	2010	2009
		(Rupees in '000)	

33.2 SELLING EXPENSES

	Note	2010	2009
Salaries, wages and benefits		459,031	481,288
Contribution / accruals in respect of staff retirement benefit schemes		14,429	22,049
Depreciation on operating assets		27	35
Repairs and maintenance		4,668	4,681
Stores, spares and supplies consumed		17,948	15,877
Electricity		29,415	19,521
Insurance and royalty		357	370
Travelling		1,224	1,248
Gas bills collection charges		159,733	153,261
Postage and revenue stamps		120	133
Rent, rates and taxes		16,345	13,573
Others		11,243	6,362
		714,540	718,398
Allocation to meter manufacturing division		-	(2,791)
		714,540	715,607

34. OTHER OPERATING EXPENSES

	Note	2010	2009
Auditors' remuneration			
- Statutory audit		1,250	1,250
- Fee for other audit related services		1,511	695
- Fee for taxation services		4,548	-
- Out of pocket expenses		571	250
		7,880	2,195
Workers' Profit Participation Fund	14.2	369,127	21,987
Sports expenses		22,397	21,354
Corporate social responsibility		11,992	12,359
Liquidited damages	34.1	-	265,514
Provision against impaired stores and spares		30,349	26,354
Exchange loss on payment of gas purchases		310,292	2,003,155
		752,037	2,352,918

34.1 This has been recorded against claim for alternative fuel costs, liquidated damages, interest on the amount of claim and cost of the arbitration as a result of decision of the Arbitrator.

	Note	2010	2009
		(Rupees in '000)	

35. OTHER OPERATING INCOME

	Note	2010	2009
Income from other than financial assets			
Meter rentals		576,386	551,633
Recognition of income against deferred credit		326,601	297,831
Income from new service connections		452,833	-
Gas shrinkage charged to JJVL		2,263,931	2,892,940
Income from gas transportation		48,775	49,406
Income from LPG air mix distribution			
Gwadar operations - net	35.1	13,215	13,641
Recoveries from consumers		33,204	44,587
Gain / (loss) on sale of fixed assets	18.7	4,682	(12,792)
Liquidated damages recovered		13,976	16,990
Advertising income		5,640	5,813
Income from sale of tender documents		1,352	1,277
Earnest money written back		-	13,323
Scrap sales		4,376	5,263
Rental income		67	3,152
Miscellaneous		11,039	9,288
		3,756,077	3,892,352
Income from investment in debts, loans, advances and receivables from related party			
Contingent rental income - Sui Northern Gas Pipeline Limited		33,445	17,976
		3,789,522	3,910,328

35.1 Income from LPG air mix distribution Gwadar operations - net

	2010	2009
Sales	1,387	469
Cross subsidy for Gwadar operations	37,166	34,156
Cost of sales	(13,736)	(9,179)
Gross profit	24,817	25,446
Distribution, selling and administrative expenses		
Salaries, wages and other benefits	(2,503)	(2,421)
Depreciation expenses	(5,914)	(6,023)
Other operating expenses	3,813	(3,480)
	(12,230)	(11,924)
Other income	628	119
Profit for the year	13,215	13,641

	Note	2010	2009
		(Rupees in '000)	

36. OTHER NON-OPERATING INCOME

	Note	2010	2009
Income from financial assets			
Late payment surcharge		1,057,582	576,092
Income from net investment in finance lease		54,124	50,927
Return on:			
- term deposits and profit and loss bank accounts		116,820	223,446
- staff loans		1,484	2,158
		1,230,010	852,623
Interest income on late payment of gas bills from			
- Karachi Electric Supply Corporation		2,381,659	1,684,208
- Jamshoro Joint Venture Limited (JJVL)		73,357	129,085
- Water & Power Development Authority (WAPDA)		636,884	589,918
- Sui Northern Gas Pipeline Ltd (SNGPL)		410,420	383,169
		3,502,320	2,786,380
Dividend income		270	745
		4,732,600	3,639,748
Interest income on Sales Tax Refund		487,739	-
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipeline Limited		-	7,316
Income from net investment in finance lease	36.1	150,558	162,740
		150,558	170,056
Others			
Sale of gas condensate		524,874	503,855
Royalty income from Jamshoro Joint Venture Limited		2,594,164	1,657,201
Meter manufacturing division profit - net	36.2	150,618	38,563
		3,269,656	2,199,619
		8,640,533	6,009,423

36.1 This income is received from SNGPL and OGDCL amounting to Rs. 145.421 million (2009: Rs.156.136 million) and Rs. 5.137 million (2009: Rs. 6.604 million) respectively.

	Note	2010	2009
		(Rupees in '000)	
36.2 Meter manufacturing division profit - net			
Gross sales of gas meters			
- Company's consumption		664,221	477,806
- Outside sales		1,567,535	1,071,114
		2,231,756	1,548,920
Sales tax		(311,756)	(213,117)
Special excise duty		(19,485)	(13,323)
Net sales		1,900,515	1,322,480
Cost of sales			
- Raw material consumed		1,457,337	1,088,187
- Stores and spares		7,065	2,068
- Fuel, power and electricity		9,645	6,984
- Salaries wages and other benefits	36.2.2	236,806	148,327
- Insurance		626	642
- Repairs and maintenance		18,659	7,664
- Depreciation		12,541	16,322
- Other expenses		1,688	1,565
		1,744,367	1,271,759
Opening work in process		10,240	9,118
Closing work in process		(10,742)	(10,240)
		(502)	(1,122)
Cost of goods manufactured		1,743,865	1,270,637
Opening stock of finished goods		12,790	6,952
Closing stock of finished goods		(24,522)	(12,790)
		(11,732)	(5,838)
Cost of goods sold		(1,732,133)	(1,264,799)
Gross profit		168,382	57,681
Administrative expenses		(23,776)	(22,163)
Operating profit		144,606	35,518
Other income		6,012	3,045
Net profit		150,618	38,563

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

		Note	2010	2009
			(Rupees in '000)	
36.2.2	Salaries, wages and other benefits		234,537	145,234
	Provident fund contribution		2,386	2,103
	Pension fund		(2,088)	(879)
	Gratuity		1,971	1,869
			236,806	148,327

37. FINANCE COST

	Note	2010	2009
Mark-up on:			
- musharaka arrangements		1,084,605	1,251,225
- local currency financing		1,350,660	1,055,529
- short term financing		184,873	293,091
- consumers' deposits		114,708	64,181
- Workers' Profit Participation Fund	14.2	-	1,066
- delayed payment on gas bills		2,668,779	2,068,624
- others		10,126	23,691
		5,413,751	4,757,407
Less: Finance cost capitalised during the year		(397,858)	(347,615)
		5,015,893	4,409,792

38. TAXATION

	2010	2009
Current	609,524	-
Deferred	2,004,745	-
	2,614,269	159,210

38.1 Relationship between unconsolidated accounting profit and tax expense for the year is as follows:

	2010	2009
Accounting profit for the year	7,013,414	416,695
Tax rate	35%	35%
Tax charge @35% (2009: 35%)	2,454,695	145,844
Effect of minimum tax	159,642	-
Tax effect of expenses that are not deductible in determining taxable profit	-	13,004
Effect of lower tax rate on dividend income	(68)	-
others	-	362
	2,614,269	159,210

39. STAFF RETIREMENT BENEFITS

39.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.15 to these financial statements, the Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at June 30, 2010 under the projected unit credit method for both non-executive and executive staff members.

Fair value of plan assets and present value of obligations

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

Number of employees under the scheme

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

	2010		2009	
	Executives	Non-executives	Executives	Non-executives
Pension fund				
-Regular	86	44	71	57
-Reinstated	-	-	-	-
Gratuity fund				
-Regular	1,953	3,390	2,037	3,257
-Reinstated	596	1,914	-	-
	2,635	5,348	2,108	3,314

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

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

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

Asset as at July 1, 2009	(361)	(91)	(168,733)	-
(Income) / expense recognised for the year	(52,186)	78,080	(49,292)	39,045
Contribution to the fund/ benefits paid	-	(25,442)	86,000	-
Amount payable / (receivable) against company liability	52,547	(52,547)	49,292	(49,292)
(Asset) in unconsolidated balance sheet	-	-	(82,733)	(10,247)

Expense recognised in the unconsolidated profit and loss account

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

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

Composition / fair value of plan assets used by the fund

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

Actual return on plan assets is as follows:

Expected return on plan assets	108,752	161,835	52,185	182,307
Actuarial gain on plan assets	(23,013)	4,746	8,223	(26,329)
Actual return on plan assets	85,739	166,581	60,408	155,978

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	———(Rupees in '000)———			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(910,450)	(1,469,949)	(435,232)	(1,539,886)
Present value of defined benefit obligation	288,113	1,725,098	6,114	1,445,153
Net (surplus) / deficit	(622,337)	255,149	(429,118)	(94,733)
Unrecognised actuarial gain / (loss)	621,976	(255,240)	260,385	94,733
	(361)	(91)	(168,733)	-

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2008	542,423	1,704,055	6,592	1,279,964
Current service cost	28,569	94,708	-	67,716
Interest cost	66,419	195,633	748	152,538
Past service cost	-	-	-	-
Actuarial (gain) / loss	(308,268)	(115,250)	(622)	40,636
Benefits paid	(41,030)	(154,048)	(604)	(95,701)
Obligation as at June 30, 2009	288,113	1,725,098	6,114	1,445,153
Changes in fair value of plan assets				
Fair value as at July 1, 2008	810,985	1,377,554	402,327	1,319,485
Expected return on plan assets	97,920	155,028	48,236	155,367
Net actuarial gain	24,809	44,856	14,319	73,431
Benefits paid	(41,030)	(154,048)	(604)	(95,701)
Contribution to fund	17,766	46,559	-	58,258
Amount transferred (out) / in	-	-	(29,046)	29,046
Fair value as at June 30, 2009	910,450	1,469,949	435,232	1,539,886

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

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

Liability / (Asset) as at July 1, 2008	952	(26,447)	(134,506)	22,417
Expense recognised for the year	16,453	72,915	(34,227)	35,841
Contribution to the fund / benefits paid	(17,766)	(46,559)	-	(58,258)
(Asset) in unconsolidated balance sheet	(361)	(91)	(168,733)	-

Expense recognised in the unconsolidated profit and loss account

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

Current service cost	28,569	94,708	-	67,716
Mark-up cost	66,419	195,633	748	152,538
Expected return on plan assets	(97,920)	(155,028)	(48,236)	(155,367)
Recognition of actuarial (gain) / loss	(23,089)	27,216	(15,785)	-
Recognition of past service cost / (gain)	42,474	(89,614)	-	-
Amount transferred out / (in)	-	-	29,046	(29,046)
	16,453	72,915	(34,227)	35,841

Composition of plan assets used by the fund

Equity	20.3%	6.9%	11.1%	19.4%
Debt instruments	79.7%	93.1%	88.9%	80.6%

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Actual return on plan assets is as follows:				
Expected return on plan assets	97,920	155,028	48,236	155,367
Actuarial gain on plan assets	24,809	44,856	14,319	73,431
Actual return on plan assets	122,729	199,884	62,555	228,798

Historical information	2010	2009	2008	2007	2006
	(Rupees in '000)				
Pension - Executives					
Present value of defined benefit obligation	450,216	288,113	542,423	471,480	452,255
Fair value of planned assets	(928,384)	(910,450)	(810,985)	(718,001)	(662,797)
Surplus	(478,168)	(622,337)	(268,562)	(246,521)	(210,542)
Amount payable / (receivable) against company Liability	52,547	-	-	-	-
Unrecognised past service cost	-	-	(42,474)	(84,951)	(127,428)
Unrecognised actuarial gain	425,621	621,976	311,988	332,329	337,953
(Asset) / liability in unconsolidated balance sheet	-	(361)	952	857	(17)
Experience adjustment arising on plan liabilities losses / (gains)	129,098	(308,268)	6,177	(35,615)	(230,677)
Experience adjustment arising on plan assets (losses) / gains	(23,013)	24,809	14,784	(14,072)	129,723
Gratuity - Executives					
Present value of defined benefit obligation	2,114,380	1,725,098	1,704,055	1,400,696	1,320,893
Fair value of planned assets	(1,480,260)	(1,469,949)	(1,377,554)	(1,405,498)	(1,291,147)
Deficit / (surplus)	634,120	255,149	326,501	(4,802)	29,746
Amount receivable against company liability	(52,547)	-	-	-	-
Unrecognised past service gain	-	-	89,614	179,227	268,840
Unrecognised actuarial loss	(581,573)	(255,240)	(442,562)	(187,076)	(298,587)
Asset in unconsolidated balance sheet	-	(91)	(26,447)	(12,651)	(1)
Experience adjustment arising on plan liabilities losses / (gains)	339,352	(115,250)	263,307	(24,005)	166,063
Experience adjustment arising on plan assets gains	4,746	44,856	2,651	70,856	202,703

Historical information	2010	2009	2008	2007	2006
		(Rupees in '000)			
Pension - Non Executives					
Present value of defined benefit obligation	6,029	6,114	6,592	7,952	7,014
Fair value of planned assets	(382,750)	(435,232)	(402,327)	(354,912)	(349,276)
Surplus	(376,721)	(429,118)	(395,735)	(346,960)	(342,262)
Amount payable against company liability	49,292	-	-	-	-
Unrecognised actuarial gain	244,696	260,385	261,229	263,431	311,390
Asset in unconsolidated balance sheet	(82,733)	(168,733)	(134,506)	(83,529)	(30,872)
Experience adjustment arising on plan liabilities (gains) / losses	(184)	622	1,424	937	(256)
Experience adjustment arising on plan assets gains / (losses)	8,223	14,319	12,655	(28,592)	132,764
Gratuity - Non Executives					
Present value of defined benefit obligation	2,221,574	1,445,153	1,279,964	1,029,557	883,080
Fair value of planned assets	(1,564,495)	(1,539,886)	(1,319,485)	(1,410,681)	(1,154,880)
Surplus	657,079	(94,733)	(39,521)	(381,124)	(271,800)
Amount receivable against company liability	(49,292)	-	-	-	-
Unrecognised actuarial (loss) / gain	(618,034)	94,733	61,938	411,964	302,672
Liability in unconsolidated balance sheet	(10,247)	-	22,417	30,840	30,872
Experience adjustment arising on plan liabilities losses / (gains)	686,438	40,636	164,275	67,045	(169,797)
Experience adjustment arising on plan assets (losses) / gains	(26,329)	73,431	(157,681)	188,816	129,064

Significant actuarial assumptions

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

	Executives and Non-Executives	
	2010	2009
	(%)	(%)
Discount rate	12.75	12
Expected rate of increase in salary level	11.75	10
Expected rate of return on plan assets	13.25	12
Increase in pension	5.75	5

39.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.15 to these financial statements the Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after December 31, 2000. The latest valuations of the liability under these schemes were carried out as at June 30, 2010 under the projected unit current cost method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,549 (2009: 2,037).

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

Movement in net liability recognised	June 30, 2010	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2009	1,065,436	52,581
Charge for the year	175,254	4,081
Payments during the year	(24,705)	(2,888)
Liability as at June 30, 2010	1,215,985	53,774
Expense recognised in the unconsolidated profit and loss account		
Current service cost	47,071	4,786
Mark-up cost - net	128,183	-
Amortisation of actuarial gain	-	(705)
	175,254	4,081

	June 30, 2009		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in unconsolidated balance			
Projected benefit obligation	1,065,142	41,395	1,106,537
Unrecognised actuarial gain	294	11,185	11,479
	1,065,436	52,580	1,118,016

Movement in net liability recognised

	June 30, 2009	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	

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

Liability as at July 1, 2008	922,158	51,942
Charge for the year	167,441	3,807
Payments during the year	(24,163)	(3,168)
Liability as at June 30, 2009	1,065,436	52,581

Expense recognised in the unconsolidated profit and loss account

Current service cost	48,668	-
Mark-up cost - net	118,773	4,688
Amortisation of actuarial gain	-	(881)
	167,441	3,807

Significant actuarial assumptions

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

	Executives	
	2010	2009
	(%)	(%)
Discount rate	12	12
Medical inflation rate	8.5	8.5
Gas inflation rate	9	9

	2010	2009	2008	2007	2006
		(Rupees in '000)			
Medical facility - Executives					
Present value of defined benefit obligation	1,243,878	1,065,142	970,936	834,683	782,340
Fair value of planned assets	-	-	-	-	-
Deficit	1,243,878	1,065,142	970,936	834,683	782,340
Unrecognised actuarial (loss) / gain	(27,893)	294	(48,777)	895	(40,680)
Liability in unconsolidated balance sheet	1,215,985	1,065,436	922,159	835,578	741,660
Experience adjustment arising on plan liabilities losses / (gains)	28,187	(49,097)	56,148	(41,575)	4,728
Experience adjustment arising due to change of basis	-	-	6,363	-	-
Gas facility - Executives					
Present value of defined benefit obligation	43,639	41,395	39,208	34,720	28,202
Unrecognised part of transitional liability	-	-	-	-	-
Unrecognised actuarial gain	10,135	11,185	12,733	18,216	25,697
Liability in unconsolidated balance sheet	53,774	52,580	51,941	52,936	53,899
Experience adjustment arising on plan liabilities losses / (gains)	345	668	4,208	5,401	(3,261)
Experience adjustment arising due to change of basis	-	-	477	-	-

40. EARNINGS PER SHARE - BASIC AND DILUTED

		2010	2009
Profit after taxation	Rupees in '000	4,399,145	257,485
Average number of ordinary shares	Number of shares	671,174,331	671,174,331
Earnings per share - basic and diluted	Rupees	6.55	0.38

41. WORKING CAPITAL CHANGES

	2010	2009
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores and spares	(363,400)	(575,955)
Stock-in-trade	34,486	21,587
Consumers' installation work-in-progress	(22,122)	31,975
Trade debts	(11,380,039)	(12,985,437)
Trade deposits and short term prepayments	(72,132)	156,610
Other receivables	5,466,013	(13,619,795)
	(6,337,194)	(26,971,015)
Increase in current liabilities		
Creditors, accrued and other liabilities	2,221,334	19,408,932
	(4,115,860)	(7,562,083)

42. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	June 30, 2010		30 June 2009	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in 000)			
Managerial remuneration	6,042	713,528	5,561	547,311
Housing	2,719	313,440	2,365	212,446
Utilities	746	185,451	525	47,218
Retirement benefits	3	65,745	3	60,817
	9,510	1,278,164	8,454	867,792
Number	1	869	1	591

42.1 The Chairman, Chief Executive and certain executives are also provided Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Company was paid Rs. 0.300 million (2009: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

42.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.048 million (2009: Rs. 0.036 million for 14 directors).

43. CAPACITY AND ACTUAL PERFORMANCE

43.1 Natural gas transmission

	June 30, 2010		30 June 2009	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	510,270	143,762,704	509,328	143,497,307
Utilisation - volume of gas transmitted	426,433	120,142,594	422,282	118,973,097
Capacity utilisation factor (%)	83.6	83.6	82.9	82.9

43.2 Natural gas distribution

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

43.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 750,000 meters (2009: 650,460 meters) against an annual capacity of 356,000 meters on a single shift basis.

44. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefits plans and the Company's directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2010	2009
		(Rupees in '000)	
Sui Northern Gas Pipeline Limited	Associate		
- Principal portion of lease rental		65,350	65,258
- Sale of gas meters		1,335,120	907,327
Oil and Gas Development Company Limited	Associate		
- Principal portion of lease rental		8,634	8,633
- Gas purchases		18,804,580	24,944,511
Mari Gas Company Limited	Associate		
- Gas purchases		146,973	7,907

	Relationship	2010	2009
		(Rupees in '000)	
State Life Insurance Corporation Limited	Associate		
- Rent of premises		2,525	2,592
Liaquat National Hospital	Associate		
- Medical services		31,964	29,173
- Gas sales		263	183
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		586	759
PERAC Research and Development Foundation	Associate		
- Energy conservation study charges		602	569
Siemens Pakistan Engineering Limited	Associate		
- Supplies and maintenance		123	780
- Gas sales		6,120	5,219
U.G Foods Company (Private) Limited	Associate		
- Gas sales		6,665	6,590
Artistic Denim Mills Limited	Associate		
- Gas sales		218,892	38,810
Greaves CNG (Private) Limited	Associate		
- Gas sales		39,156	33,655
Dawood Islamic Bank Limited	Associate		
- Interest income		32,671	49,260
Remuneration of key management personnel			
- (Executive staff)		87,427	59,769
Minto & Mirza	Associate		
- Professional charges		4,275	-
Quality Aviation Pvt Limited	Associate		
- Travelling services		8,821	-
Packages Limited	Associate		
- Gas sales		6,826	6,089

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

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 14, 30 and 39 to these financial statements.

Remuneration to the executive officers of the Company (disclosed in note 42 to these financial statements) and loans and advances to them (disclosed in notes 22 and 27 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

44.1 Amount (due to) / receivable from related parties

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

	Relationship	2010	2009
		(Rupees in '000)	
Sui Northern Gas Pipeline Limited	Associate		
- Lease rentals		67,745	79,842
- Sale of gas meters		30,970	15,258
- Gas purchases		-	(26,683)
- Cost of gas levelisation		4,130,197	7,939,768
Oil and Gas Development Company Limited	Associate		
- Gas purchases		16,415,395	(12,924,481)
Mari Gas Company Limited	Associate		
- Gas purchases		(72,829)	(3,478)
Liaquat National Hospital	Associate		
- Medical services		-	(21)
- Gas sales		83	19
Siemens Pakistan Engineering Limited	Associate		
- Gas sales		561	483
U.G Foods Company (Private) Limited	Associate		
- Gas sales		797	567
Artistic Denim Mills Limited	Associate		
- Gas sales		22,048	4,362
Packages Limited	Associate		
- Gas sales		577	646

45. FINANCIAL RISK MANAGEMENT

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

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

45.1 Credit risk

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

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

	2010	2009
	(Rupees in '000)	
Trade debts	43,815,667	32,568,205
Net investment in finance lease	1,159,334	1,278,132
Loans and advances	206,774	205,359
Deposits	22,798	26,158
Bank balances	613,407	1,460,873
Interest accrued	2,834,295	1,198,062
Other receivables	5,380,559	8,511,523
	54,032,834	45,248,312

45.1.1 Collateral and other credit enhancements obtained

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

Cash Deposits	3,369,885	2,916,100
Bank Guarantee	10,387,475	9,238,130
Total	13,757,360	12,154,230

45.1.2 Credit Quality

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 45.1.3 below:

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

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

45.1.3 Past due and impaired financial assets

Industrial and commercial consumers

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

	2010	
	Gross carrying amount	Impairment
	---------------(Rupees in '000)--------------	
Not due balances	13,577,837	-
Past due but not impaired	24,178,004	-
Past due and impaired	2,764,996	36,430
Disconnected Consumers	304,209	270,650
Total	40,825,046	307,080

	2009	
	Gross carrying amount	Impairment
	(Rupees in '000)	
Not due balances	13,159,376	-
Past due but not impaired	15,023,350	-
Past due and impaired	2,141,428	230,066
Disconnected Consumers	241,015	241,015
Total	30,565,169	471,081

Past due balances include aggregate over due balances of KESC and JPCL amounting to Rs. 24,178 million and are subject to inter corporate circular debt of government entities and KESC. (refer note No.26.1).

The Company has collateral / security against industrial and commercial consumers amounting to Rs. 12,613 million (2009: Rs. 11,093 million) and replenish such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due. In case of past due balances the Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected consumers) are considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired assets.

Domestic consumers

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

	2010	
	Gross carrying amount	Impairment
	(Rupees in '000)	
Not due balances	1,486,682	-
Past due but not impaired		
Past due 1 - 6 month	632,205	-
Past due and impaired		
Past due 7 -9 months	225,198	87,819
Past due 10-12 months	157,773	61,526
Past due 13-18 months	483,756	188,648
Past due 19-24 months	203,588	79,392
Past due Over 2 years	621,803	242,481
	1,692,118	659,866
Disconnected Consumers	1,475,945	1,329,384
Total	5,286,950	1,989,250

	2009	
	Gross carrying amount	Impairment
	(Rupees in '000)	
Not due balances	1,244,537	-
Past due but not impaired		
- 1 to 6 month	981,915	-
Past due and impaired		
Past due 7 -9 months	97,609	9,761
Past due 10-12 months	20,815	5,204
Past due 13-18 months	138,012	69,006
Past due 19-24 months	98,850	74,137
Past due Over 2 years	372,032	357,403
	727,318	515,511
Disconnected Consumer	1,213,019	1,213,019
Total	4,166,789	1,728,530

The Company has collateral / security against domestic consumers amounting to Rs. 1,144 million (2009: Rs. 1,061 million) and replenish such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due.

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

Interest Accrued

As at June 30, 2010 interest accrued was Rs. 2,834.295 million (2009: Rs. 1,198.062 million). Interest accrued mainly on consumers' balances past due / over due balances. Interest on past due balances includes aggregate over due balances of KESC, WAPDA and SNGPL amounting to Rs.2,245.463 million (2009: 738.03 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.26.1)

Other receivables

As at June 30, 2010 other receivable financial assets amounted to Rs. 5,380 million (2009: Rs.8,511 million). Past due other receivables amounting to Rs. 2,876 million (2009: Rs. 2,826 million) include over due balances of SNGPL amounting to Rs. 2,297 million (2009: Rs. 2,468 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note 26.1)

45.1.4 Concentration of credit risk

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

Trade debts

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

	2010	2009
	(Rupees in '000)	
Power Generation Companies	25,386,460	21,633,539
Cement Industries	340,461	174,592
Fertilizer and Steel Industries	1,378,461	1,873,442
Other Industries	12,616,926	5,817,461
Total industrial customers	39,722,308	29,499,034
Commercial customers	795,660	595,054
Domestic consumers	3,297,699	2,474,117
	43,815,667	32,568,205

At year end the Company's most significant customers were KESC and WAPDA which amounted to Rs.21,280 million (2009: 15,594 million) and Rs. 8,259 million (2009: 5,543 million) respectively These balances have aggregated due to inter circular corporate debt arrangement. (Refer note 26.1 to these financial statements).

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

	2010	2009
Karachi	31,849,297	24,100,514
Sindh (excluding Karachi)	10,660,430	7,042,626
Balochistan	1,305,940	1,425,065
	43,815,667	32,568,205

Net investment in finance lease

The Company's most significant investment in finance lease amounted to Rs. 882.297 million (2009: Rs. 887.556 million) in respect of SNGPL.

Interest accrued

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

Other receivables

Most significant other receivables of the Company are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 30.2 to these financial statements. These balances are subject to inter circular corporate debt arrangement as explained in note 26.1 to these financial statements.

45.2 Liquidity risk

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

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

	2010					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	16,679,450	(19,796,229)	(4,256,694)	(2,480,174)	(8,958,338)	(4,101,023)
Short term borrowings	3,720,666	(3,973,671)	(3,973,671)	-	-	-
Trade and other payables	49,077,411	(49,077,411)	(49,077,411)	-	-	-
Interest and mark-up accrued	6,829,477	(6,829,477)	(6,829,477)	-	-	-
Long term deposits	3,413,042	(7,863,800)	(95,888)	-	(111,269)	(7,656,643)
	79,720,046	(87,540,588)	(64,233,141)	(2,480,174)	(9,069,607)	(11,757,666)

	2009					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	22,466,265	(28,120,852)	(2,451,821)	(5,210,948)	(9,320,988)	(11,137,095)
Trade and other payables	47,241,936	(47,241,936)	(47,241,936)	-	-	-
Interest and mark-up accrued	4,181,967	(4,181,967)	(4,181,967)	-	-	-
Long term deposits	2,954,186	(6,729,811)	(65,530)	-	(92,752)	(6,571,529)
	76,844,354	(86,274,566)	(53,941,254)	(5,210,948)	(9,413,740)	(17,708,624)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2010. The rates of mark-up have been disclosed in notes 6 and 7 to these financial statements. Contractual cash flows of the long term deposits are determined on the assumption that adjusted / refund of these deposits will not be required before expiry of 40 years from balance sheet date.

45.3 Market risk

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

45.3.1 Currency risk

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

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

	2010			
	Rupees in '000	US Dollars in '000	Pound Sterling in '000	Euro in '000
Creditors for gas	11,349,304	132,740	-	-
Gross balance sheet exposure	11,349,304	132,740	-	-
Estimated forecast gas and stores purchases	123,824,609	1,440,540	1,104	4,875
Gross exposure	135,173,913	1,573,280	1,104	4,875

	2009			
	Rupees in '000	US Dollars in '000	Pound Sterling in '000	Euro in '000
Creditors for gas	9,562,831	117,236	-	-
Gross balance sheet exposure	9,562,831	117,236	-	-
Estimated forecast gas and stores purchases	126,664,827	1,547,599	285	3,375
Gross exposure	136,227,658	1,664,835	285	3,375

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtain forward cover against the gross exposure as exchange loss/ gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return. (refer note 49.7)

The following significant exchange rates applied during the year:

	Average rates 2010	Average rates 2009	Balance sheet date rate 2010	Balance sheet date rate 2009
	Rupees		Rupees	
US Dollars	84.23	80.33	85.50	81.57

Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at June 30, 2010 would have increased / (decreased) trade creditors and gas development surcharge receivable from Government of Pakistan by Rs. 1,134.930 million (2009: Rs. 956.404 million). There is no effect of strengthening / (weakening) of US dollar on unconsolidated equity and unconsolidated profit and loss account of the Company as exchange loss/gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

45.3.2 Interest rate risk

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

	2010	2009
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	1,159,334	1,278,132
Loan and Advances	7,008	10,847
Cash and bank balances	145,651	680,118
Trade debts	4,510,408	12,771,701
Financial liabilities		
Long term deposits	2,225,355	1,855,047
Govt. of Sindh Loan	1,948,640	956,199
Variable rate instruments		
Financial Assets		
Other receivables	2,875,707	2,662,460
Trade debts	24,756,915	4,393,077
Financial liabilities		
Trade and other payables	24,412,094	18,270,804
Long term loan except Govt. of Sindh loan	14,730,810	21,510,066
Short term borrowings	3,720,666	-

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the unconsolidated profit or loss of the Company as at June 30, 2010 by Rs. 152 million (2009: Rs.77 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the samebasis for 2009.

45.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in listed equity securities. This arises from investments held by the Company for which prices in the future are uncertain. The fair value of listed equity investments of the Company that are exposed to price risk as at June 30, 2010 is Rs. 92 million (2009: Rs.102 million)

A 10% increase/ decrease in the prices of listed equity securities of the Company at the reporting date would have increased or (decreased) long term investment and unconsolidated equity by Rs. 9 million (2009: Rs. 10 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

45.4 Fair value of financial assets and liabilities

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

45.4.1 Fair value hierarchy

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

• Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

• Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

• Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	2009			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	102,341	-	-	102,341
	102,341	-	-	102,341

There have been no transfers during the year. (2009: no transfers in either direction).

46. OPERATING SEGMENTS

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

1) Gas transmission and distribution (sale of gas); and

2) Meter manufacturing (manufacturing and sale of gas meters)

SEGMENT REVENUE AND RESULTS

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

	SEGMENT REVENUE		SEGMENT PROFIT	
	2010	2009	2010	2009
	------------------------(Rupees in '000)-----------------------			
Gas transmission and distrbution	127,613,530	118,585,244	1,065,809	(2,024,739)
Meter manufacturing	2,231,756	1,548,920	150,618	38,563
Total segments reults	129,845,286	120,134,164	1,216,427	(1,986,176)
Unallocated - other expenses				
- Finance cost			(5,015,893)	(4,409,792)
- Selling expenses			(714,540)	(715,607)
- Other operating expenses			(752,037)	(2,352,918)
Unallocated - other income				
- Operating income			3,638,904	3,871,765
- Non-operating income			8,640,553	6,009,423
Profit before tax			7,013,414	416,695

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 664 million (2009: 477 million)

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

	2010	2009
	----(Rupees in '000)----	
SEGMENT ASSETS AND LIABILITIES		
Segment assets		
Gas Transmission and distrbution	108,928,849	98,252,094
Meter Manufacturing	417,863	404,171
Total Segment Assets	109,346,712	98,656,265
Unallocated		
- Intangibles	4,510	43,891
- Loans and advances	206,774	205,359
- Taxation - net	90,170	166,500
- Interest accrued	490,572	4,760
- Cash and bank balances	620,884	1,477,155
	1,412,910	1,897,665
Total Assets	110,759,622	100,553,930
Segment Liabilities		
Gas Transmission and distrbution	74,523,598	66,881,344
Meter Manufacturing	55,003	15,054
Total Segment Liabilities	74,578,601	66,896,398
Unallocated		
- Long term financing	16,679,450	22,466,265
- Short term borrowings	3,720,666	-
- Employee benefits	1,530,262	1,308,176
- Interest and mark-up accrued	178,298	199,567
	22,108,676	23,974,008
Total Liabilities	96,687,277	90,870,406

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

47. CAPITAL RISK MANAGEMENT

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

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

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

48. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at June 30, 2010 and 2009, are as follows:

	2010	2009
	(Rupees in '000)	
	Based on un-audited financial statements	
Pension fund - executives	879,793	562,488
Gratuity fund - executives	1,288,627	1,151,150
Pension fund - non executives	343,692	417,693
Gratuity fund - non executives	1,463,742	1,420,410
Provident fund - executives	1,481,074	1,317,291
Provident fund - non executives	1,679,877	1,655,984
Benevolent fund - executives	71,863	58,550

49. ACCOUNTING ESTIMATES AND JUDGEMENTS

49.1 Income tax

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

49.2 Staff Retirement Benefits

Certain actuarial assumptions have been adopted as disclosed in note 39.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

49.3 Property, plant and equipment

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

49.4 Trade debtors

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

49.5 Provision for impaired inventory

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

49.6 Fair value of investment

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

50. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended June 30, 2010 of Rs. 1.5 per share (2009: Rs. Nil per share), amounting to Rs. 1,006.761 million (2009: Rs. Nil) and bonus issue in the ratio of 2.5 shares for every 10 shares held i.e 25% at their meeting held on September 30, 2010, for approval of the members at the annual general meeting to be held on October 29, 2010.

51. CORRESPONDING FIGURES

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

Reclassification		Amount
From	To	(Rupees in '000)
Trade and other payables	Long term advances	1,328,199
Other operating income	Other non-operating income	3,269,656

52. GENERAL

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

53. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 30 September, 2010.

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED BALANCE SHEET

As at June 30, 2010

	Note	2010	2009
		(Rupees in „000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital	4	6,711,743	6,711,743
Reserves	5	3,107,401	2,619,662
Surplus on re-measurement of available for sale securities		83,489	93,813
Unappropriated profit		4,169,785	258,376
Total equity		14,072,418	9,683,594
Non-current liabilities			
Long-term financing	6	11,644,780	17,496,775
Long-term deposits	7	3,413,042	2,954,186
Deferred tax	8	7,018,283	5,013,538
Employee benefits	9	1,530,262	1,308,176
Deferred credit	10	4,989,386	4,846,528
Long term advances	11	1,460,227	1,328,199
Total non-current liabilities		30,055,980	32,947,402
Current liabilities			
Current portion of long term financing	12	5,034,670	4,969,490
Short-term borrowings	13	3,720,666	-
Trade and other payables	14	51,046,484	48,771,547
Interest and mark-up accrued	15	6,829,477	4,181,967
Total current liabilities		66,631,297	57,923,004
Contingencies and commitments	17		
Total equity and liabilities		110,759,695	100,554,000

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

	Note	2010	2009
		(Rupees in „000)	
ASSETS			
Non-current assets			
Property, plant and equipment	18	41,665,603	38,095,632
Intangible assets	19	4,510	43,891
Long-term investments	20	92,017	102,341
Share of Investment in Jointly Controlled Entity	21	5,100	5,100
Net investment in finance lease	22	1,040,539	1,159,336
Long-term loans and advances	23	113,816	111,779
Long-term deposits		3,250	3,250
Total non-current assets		42,924,835	39,521,329
Current assets			
Stores, spares and loose tools	24	2,037,359	1,702,556
Stock-in-trade	25	455,415	490,539
Current maturity of net investment in finance lease	22	118,795	118,796
Customers' installation work-in-progress	26	158,388	136,266
Trade debts	27	43,815,667	32,568,205
Loans and advances	28	92,958	93,580
Trade deposits and short term prepayments	29	182,944	110,812
Interest accrued	30	2,834,297	1,198,064
Other receivables	31	17,427,911	22,970,129
Taxation-net	16	90,170	166,500
Cash and bank balances	32	620,956	1,477,224
Total current assets		67,834,860	61,032,671
Total assets		110,759,695	100,554,000

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in ,000)	
			(Restated)
Sales		127,613,530	118,585,244
Sales tax		(15,339,912)	(14,446,264)
		112,273,618	104,138,980
Gas development surcharge		(4,536,837)	4,012,107
Net sales		107,736,781	108,151,087
Cost of sales	33	(104,896,047)	(108,672,507)
Gross profit / (loss)		2,840,734	(521,420)
Administrative and selling expenses	34	(2,448,711)	(2,181,773)
Share of Expenses of Joint Venture		(40,754)	(37,153)
Other operating expenses	35	(752,037)	(2,352,918)
		(3,241,502)	(4,571,844)
		(400,768)	(5,093,264)
Other operating income	36	3,789,522	3,910,328
Operating profit before finance cost		3,388,754	(1,182,936)
Other non-operating income	37	8,640,557	6,009,427
Finance cost	38	(5,015,893)	(4,409,792)
Profit before taxation		7,013,418	416,699
Taxation	39	(2,614,269)	(159,210)
Profit for the year		4,399,149	257,489
		(Rupees)	
Basic and diluted earnings per share	40	6.55	0.38

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2010

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at July 1, 2008	6,711,743	234,868	2,232,794	143,866	991,855	10,315,126
Changes in equity for the year ended June 30, 2009						
Total comprehensive income for the year	-	-	-	(50,053)	257,489	207,436
Transfer from unappropriated profit to revenue reserves	-	-	152,000	-	(152,000)	-
Transaction with owners						
Final dividend for the year ended June 30, 2008 at Rs. 1.25 per share	-	-	-	-	(838,968)	(838,968)
Balance as at June 30, 2009	6,711,743	234,868	2,384,794	93,813	258,376	9,683,594
Changes in equity for the year ended June 30, 2010						
Total comprehensive income for the year	-	-	-	(10,324)	4,399,149	4,388,825
Transfer from unappropriated profit to revenue reserves	-	-	487,739	-	(487,739)	-
Balance as at June 30, 2010	6,711,743	234,868	2,872,533	83,489	4,169,786	14,072,419

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in „000)	
Net profit for the year		4,399,149	257,489
Other comprehensive income			
Unrealised (loss) on re-measurement of available for sale securities		(10,324)	(50,053)
Total comprehensive income for the year		4,388,825	207,436

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

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in „000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,013,418	416,699
Adjustments for:			
Depreciation		2,800,175	2,624,619
Amortization of intangibles		40,131	65,472
Finance cost		5,015,893	4,409,792
Amortization of transaction cost		4,904	4,903
Provision against slow moving / obsolete stores		30,987	26,600
Provision against doubtful debts		132,577	462,260
Provision for compensated absences		124,197	58,117
Provision for post retirement medical and free gas supply facilities		179,335	143,916
Provision for retirement benefits		15,647	90,982
Recognition of income against deferred credit		(326,833)	(297,831)
Dividend income		(270)	(8,061)
Profit / interest on bank deposits and late payment of gas bills		(3,620,629)	(3,864,615)
Income from net investment in finance lease		(204,682)	(213,667)
(Profit) / loss on disposal of fixed assets		(4,682)	12,792
		11,200,168	3,931,978
Working capital changes	42	(4,115,860)	(7,562,083)
Cash generated / (used in) from operations		7,084,308	(3,630,105)
Increase in long term advances		132,028	(106,915)
Employee benefits paid		32,965	(122,583)
Income taxes paid		(533,194)	(383,071)
Financial charges paid		(2,766,241)	(2,668,489)
Service charges received from new customers		469,691	1,324,428
Long term deposits received - net		458,856	375,298
Long term loans and advances to staff- net		(1,415)	21,977
Net cash from / (used in) operating activities		4,876,998	(5,189,460)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(6,040,312)	(6,583,044)
Proceeds from sale of fixed assets		70,204	22,431
Lease rental from net investment in finance lease		323,479	328,310
Dividend received		270	8,061
Profit / interest received on term deposits		1,984,395	2,864,877
Net cash (used in) investing activities		(3,661,964)	(3,359,365)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		1,000,000	6,200,000
Proceeds from Sukuk Funds		-	600,000
Repayments of local currency loans		(5,340,959)	(257,411)
Repayment of redeemable capital		(1,466,664)	(75,000)
Consumer finance received		111,889	133,304
Repayment of consumer finance		(95,982)	(98,662)
Dividend paid		(252)	(832,549)
Net cash (used in) / generated from financing activities		(5,791,968)	5,669,682
Net (decrease) in cash and cash equivalents		(4,576,934)	(2,879,143)
Cash and cash equivalents at beginning of the year		1,477,224	4,356,367
Cash and cash equivalents at end of the year		(3,099,710)	1,477,224
Cash and cash equivalent comprises:			
Cash and bank balances		620,956	1,477,224
Short term borrowings		(3,720,666)	-
		(3,099,710)	1,477,224

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

Salim Abbas Jilani	Dr. Faizullah Abbasi
Chairman	Managing Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2010

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company
- Sui Southern Gas Company Limited

	Percentage Holding	
	2010	2009
	%	%
Subsidiary Company		
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	100.00	100.00

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

Sui Southern Gas Company Limited

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

Sui Southern Gas Provident Fund Trust Company (Private) Limited

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

Inter state Gas systems (Private) Limited

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

1.2 Basis of consolidation

- The concolidated financial statements include the financial statements of the Holding Company and its subsidiary company together "the Group".

- The financial statements of the subsidiary company are prepared for the same reporting year as the Holding Company for the purpose of consolidation, using consistent accounting policies.

- The assets, liabilities, income and expenses of subsidiary company have been consolidated on a line by line basis.

- Minority interest represents the portion of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Holding Company.

- Material intra-group balances and transactions have been eliminated.

1.3 Regulatory framework

Under the provisions of license given by Oil and Gas Regulatory Authority (OGRA), the Company is provided a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP. These financial statements have been prepared based on the final decision of OGRA dated September 24, 2010.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 20 which are carried at their fair values.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted

The Group has adopted the following new and amended IFRS and Interpretation as of July 1, 2009.

IFRS 7 ‚Financial instruments fi Disclosures„ (amendment)

The amendments to IFRS 7 expand disclosures required in respect of fair value measurement and liquidity risk.

IFRS 8 ,Operating segments„

It is a disclosure standard that has resulted in identification of two reportable segments, see note 47.

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 Holding Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated 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 year 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 recognised 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 Holding 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 recognised in the consolidated 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 recognised 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 Group 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 profit for the year ended June 30, 2010 would have been lower by and the deferred credit amount in the non-current liabilities would have been higher by Rs. 444.4 million.

In addition to the above standards and interpretation there were other accounting standards, interpretations and amendments which were effective to the Group's financial statements from July 1, 2009. Such standards and interpretations will not result in a significant impact on the consolidated financial statements other than improved disclosure and presentation.

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

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

Standard or Interpretation		Effective Date (accounting periods beginning on or after)
IFRS 5	Non-current assets held for sale and Discontinued operations (Amendment)	January 01, 2010
IFRS 8	Operating Segments (Amendment)	January 01, 2010
IAS 1	Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7	Statements of cash flows (Amendment)	January 01, 2010
IAS 17	Leases (Amendment)	January 01, 2010
IAS 24	Related party disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36	Impairment of assets (Amendment)	January 01, 2010
IAS 39	Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRS 9	Financial Instruments - Classification and Measurement	Not yet notified by SECP
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Holding Company considers that the above standards and interpretations are either not relevant or will have no material impact on its consolidated financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the consolidated financial statements.

Amendments to IFRS 2 Share-based Payment–Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010).The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its consolidated financial statements.

Until the above amendment, there was no specific guidance on the attribution of cash-settled share-based payments to the entity receiving goods or services where the entity had no obligation to settle the transaction. Therefore, there was diversity in practice for cash-settled share-based payment transactions. The amended IFRS would be applicable to the Group's financial statements from the financial year starting from July 1, 2010.

On August 14, 2009, the Government of Pakistan has launched a scheme called Benazir Employees' Stock Option Scheme ('BESOS') for the employees of state owned entities including the Holding Company. Under the scheme a Trust has been formed and 12% of the shares held by the Ministry of Petroleum & Natural Resources will be transferred to the Trust.

As the matter affected a large number of State Owned Enterprises (SOEs), some SOEs have requested the Institute of Chartered Accountants of Pakistan (ICAP) to clarify the accounting and reporting implications for BESOS. Pending such clarification from ICAP, the Group has not taken any impact in these financial statements. Management asserts that if the Group is required to take charge of the aforesaid scheme in the consolidated financial statements, the same will be claimed from OGRA in determining 17% annual return, and therefore, there will be no impact on the Group's results.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after July 01, 2010.

3.2 Property, plant and equipment

Initial Recognition

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

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

Measurement

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

The cost of the property plant and equipment includes:

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

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

Subsequent expenditure (including normal repairs and maintenance)

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

Capital work in progress

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

Depreciation

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

Compressors and transmission lines

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

Other operating assets

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

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

Intangible assets

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

Definite life

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

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

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

Borrowing costs

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

Gains and losses on disposal

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

Leased assets

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

3.3 Investments

Available-for-sale

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

Held to maturity

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

Date of recognition

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

Derecognition

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

3.4 Net investment in finance lease

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

3.5 Stores, spares and loose tools

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

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

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

3.6 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

3.7 Trade debts and other receivables

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

3.8 Trade and other payables

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

3.9 Mark-up bearing borrowings

Long term financing

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

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

Leases

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

3.10 Provisions

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

3.11 Deferred credit

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

During the year, there was a change in the policy which has been explained in note 3.1.

3.12 Taxation

Current

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

Deferred

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

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

3.13 Revenue recognition

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

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

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

- Deferred credit is amortised and related income is recognised in the consolidated profit and loss account over the useful lives of related assets. During the year, there was a change in the policy which has been explained in note 3.1.

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

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

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

3.14 Impairment

Financial asset

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

Non-financial assets

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

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

3.15 Staff retirement benefits

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

- Approved funded pension and gratuity schemes for all employees.

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

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

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

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

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

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

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

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

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

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

3.16 Compensated absences

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

3.17 Foreign currency translation

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

3.18 Derivative financial instruments

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

3.19 Fiduciary assets

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

3.20 Off-setting

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

3.21 Cash and cash equivalents

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

3.22 Prior period errors

3.22.1 In the current year, the Holding Company has rectified prior period error related to the presentation of 'Transmission and Distribution Costs' , which previously were presented as 'Transmission, Distribution and Selling Costs' below the gross profit instead of presenting the same as part of 'Cost of Sales'. Due to this the comparative figures in these financial statements have been restated in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', details of which are as follows:

Reclassifications		Amount
From	To	(Rupees in '000)
Transmission, distribution and selling costs	Cost of sales- Transmission and distribution costs	6,320,802
Transmission, distribution and selling costs	Administrative and selling expenses	617,145
Administrative expenses	Cost of sales- Transmission and distribution costs	98,642

The above re-arrangements / reclassifications do not affect the net profit and retained earnings for the year ended June 30, 2008. Therefore, the consolidated balance sheet for the year ended June 30, 2008 has not been presented.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
(Number)			(Rupees in '000)	
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
671,174,331	671,174,331		6,711,743	6,711,743

4.1 Associated companies held 36,556,835 (2009: 33,908,423) ordinary shares of Rs.10 each at the year end.

4.2 There is only one class of ordinary shares and there is no movement in the current year.

	Note	2010	2009
		(Rupees in '000)	

5. RESERVES

	Note	2010	2009
Capital reserves			
Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		234,868	234,868
Revenue reserves			
Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		2,015,653	2,015,653
Reserve for interest on sales tax refund	5.4	487,739	-
		2,872,533	2,384,794
		3,107,401	2,619,662

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

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

5.4 Reserve for interest on sales tax refund

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

6. LONG-TERM FINANCING

	Note	2010	2009
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	5,400,000	8,716,700
- Other loans			
Musharaka arrangements	6.2	4,202,921	7,644,678
		9,602,921	16,361,378
Unsecured			
Consumer financing	6.3	190,930	186,757
Government of Sindh loan	6.4	1,850,929	948,640
		2,041,859	1,135,397
		11,644,780	17,496,775

6.1	Local currency loans	Installment payable	Repayment period	Mark-up rate	Note	2010	2009
						(Rupees in '000)	
	Samba Bank Limited - term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	6.1.1	1,000,000	1,000,000
	United Bank Limited - term loan- II	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	-	1,500,000
	MCB Bank Limited- term loan- I	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	1,000,000	2,000,000
	MCB Bank Limited- term loan- II	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	-	1,333,400
	MCB Bank Limited- term loan- III	quarterly	2010-2011	0.2% above 3 months average KIBOR	6.1.1	-	1,000,000
	Habib Bank Limited - term loan	on maturity	2010	2% above 3 months average KIBOR	6.1.1	-	500,000
	Faysal Bank Limited- term loan	quarterly	2011-2013	2% above 3 months average KIBOR	6.1.1	1,500,000	1,500,000
						3,500,000	8,833,400
	Syndicated term loans						
	Standard Chartered Bank Pakistan Limited (as "Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	6.1.1	2,500,000	2,500,000
	JS Bank Limited (as "Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	6.1.1	800,000	800,000
						3,300,000	3,300,000
						6,800,000	12,133,400
	Less: Current portion shown under current liabilities					(1,400,000)	(3,416,700)
						5,400,000	8,716,700

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

6.2 Musharaka arrangements - secured

	Installment payable	Repayment period	Mark-up rate	Note	2010	2009
					(Rupees in '000)	
<u>Islamic Sukuk bonds under musharaka agreements</u>						
Dubai Islamic Bank Pakistan Limited (the " Investor's Agent")	quarterly	2009 - 2012	0.40% above 3 months average KIBOR	6.2.1	525,000	825,000
Meezan Bank Limited (the " Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	6.2.1	1,333,336	2,000,000
Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	6.2.1	4,700,000	4,700,000
<u>Islamic Finance under diminishing musharaka</u>						
Meezan Bank Limited	on maturity	2011	0.45% above 3 months average KIBOR	6.2.2	500,000	1,000,000
Bank Islami Pakistan Limited	on maturity	2010	0.20% above 3 months average KIBOR	6.2.2	600,000	600,000
					7,658,336	9,125,000
Unamortised transaction cost					(8,751)	(13,655)
					7,649,585	9,111,345
Less: Current portion shown under current liabilities					(3,446,664)	(1,466,667)
					4,202,921	7,644,678

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

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

	Note	2010	2009
		(Rupees in '000)	

6.3 Consumer financing

Consumer financing	6.3.1	281,225	265,321
Less: Current portion shown under current liabilities		(90,295)	(78,564)
		190,930	186,757

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

6.4 Government of Sindh loan

Government of Sindh loan - I	6.4.1	48,640	56,199
Government of Sindh loan - II	6.4.2	900,000	900,000
Government of Sindh loan - III	6.4.2	1,000,000	-
Government grant	6.4.3	(657,036)	(317,924)
		1,242,964	582,076
Government grant	6.4.3	657,036	317,924
		1,948,640	956,199
Less: Current portion shown under current liabilities		(97,711)	(7,559)
		1,850,929	948,640

6.4.1 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 percent per annum. The loan together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ended June 30, 2007.

6.4.2 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. These facilities carry mark-up at 4 percent per annum. The loans together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ending June 30, 2011 and June 30, 2012 respectively. The loan has been stated at fair value (refer note 6.4.3).

6.4.3 This represents the benefit of lower interest rate on Government of Sindh Loan II & III, and is calculated as difference between the proceed received in respect of Government of Sindh Loan II amounting to Rs. 900 million and Rs. 1,000 million and its initial fair value amounting to Rs. 582.076 million and Rs. 660.888 million respectively. These are calculated at KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised through other non-operating income over the estimated useful life of related assets when constructed.

7. LONG-TERM DEPOSITS

Security deposits from:			
- gas customers	7.1	3,369,885	2,916,100
- gas contractors	7.2	43,157	38,086
		3,413,042	2,954,186

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

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

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

8. DEFERRED TAX - net

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

	2010			2009		
	Opening	Charge / (Reversal)	Closing	Opening	Charge / (Reversal)	Closing
	(Rupees in '000)			(Rupees in '000)		
Taxable temporary difference						
Accelerated tax depreciation	7,684,644	726,991	8,411,635	6,528,175	1,156,469	7,684,644
Deductible temporary differences						
Provision against employee benefits	(457,862)	(77,730)	(535,592)	(383,668)	(74,194)	(457,862)
Provision for doubtful debts	(757,314)	(46,401)	(803,715)	(595,523)	(161,791)	(757,314)
Unused tax losses carried forward	(1,450,043)	1,450,043	-	(675,712)	(774,330)	(1,450,043)
Others	(5,887)	(48,158)	(54,045)	(18,943)	13,056	(5,887)
	5,013,538	2,004,745	7,018,283	4,854,329	159,210	5,013,538

9. EMPLOYEE BENEFITS

	Note	2010	2009
		(Rupees in '000)	
Provision for post retirement medical and free gas supply facilities - executives	40.2	1,269,759	1,118,016
Provision for compensated absences - executives	9.1	260,503	190,160
		1,530,262	1,308,176

	Note	2010	2009
		(Rupees in '000)	
9.1 Provision for compensated absences - executives			
Balance as at July 1		190,160	122,094
Provision made during the year		70,343	68,066
Balance as at June 30		260,503	190,160
10. DEFERRED CREDIT			
- Government contributions / grants			
Balance as at July 1		2,161,269	1,444,501
Additions during the year	10.1	478,473	810,526
		2,639,742	2,255,027
Transferred to consolidated profit and loss account		(128,434)	(93,758)
Balance as at June 30		2,511,308	2,161,269
- Contribution from customers			
Balance as at July 1		2,685,259	2,375,430
(Refund) / additions during the year	10.2	(8,782)	514,002
		2,676,477	2,889,432
Transferred to consolidated profit and loss account		(198,399)	(204,173)
Balance as at June 30		2,478,078	2,685,259
		4,989,386	4,846,528

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

10.2 This represents amount received from customers for the cost of service lines and gas mains, etc. As stated in note 3.11 to these financial statements, deferred credit is amortised over estimated useful life of related assets.

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

11. LONG TERM ADVANCES

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

	Note	2010	2009
		(Rupees in '000)	

12. CURRENT PORTION OF LONG TERM FINANCING

	Note	2010	2009
Local currency loans	6.1	1,400,000	3,416,700
Musharaka arrangements	6.2	3,446,664	1,466,667
Consumer financing	6.3	90,295	78,564
Government of Sindh loan	6.4	97,711	7,559
		5,034,670	4,969,490

13. SHORT-TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 12,000 million (2009: Rs. 9,000 million) and carry mark-up ranging from 0.2 to 1.15 percent (2009: 0.5 to 3 percent) above the average one month KIBOR. The facilities are secured by first pari passu first joint supplemental hypothecation charge over present and future stock in trade and book debts of the Holding Company.

14. TRADE AND OTHER PAYABLES

	Note	2010	2009
Creditors for:			
- gas		44,560,429	45,490,188
- supplies		316,332	122,111
		44,876,761	45,612,299
Amount received from customers for laying of mains, etc.		1,831,427	1,477,926
Accrued liabilities		3,235,422	1,117,300
Provision for compensated absences - non executives	14.1	137,646	83,791
Payable to provident fund - non executives		30	6
Workers' Profit Participation Fund	14.2	369,184	-
Deposits / retention money		203,042	194,589
Bills payable		121,908	23,521
Advance for sharing right of way	14.3	18,088	18,088
Unclaimed dividend		39,935	40,187
Withholding tax payable		54,496	51,685
Unclaimed term finance certificate redemption profit		1,800	1,975
Inter State Gas System (Private) Limited (ISGSL)		2,864	8,628
Others	14.4	153,881	141,552
		51,046,484	48,771,547

14.1 Provision for compensated absences - non-executives

	2010	2009
Balance as at July 1	83,791	93,740
Provision made during the year	53,855	(9,949)
Balance as at June 30	137,646	83,791

	Note	2010	2009
		(Rupees in '000)	

14.2 Workers' Profit Participation Fund

		2010	2009
Balance as at July 1		(17,943)	125,408
Allocation for the year		369,127	21,987
Mark-up on funds utilised in the Holding Company's business		-	1,066
		351,184	148,461
Amount refunded to Holding Company		18,013	-
Amount deposited with the Government / paid to employees		(13)	(166,404)
Balance as at June 30		369,184	(17,943)

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

14.4 This includes Rs. 100.348 million (2009: Rs. 95.489 million) on account of amount payable to disconnected customers for gas supply deposits.

15. INTEREST AND MARK-UP ACCRUED

		2010	2009
Long term financing :			
- Local currency loans		25,455	13,320
- Musharaka		9,646	11,912
Long term deposits from customers		95,888	65,530
Short term borrowings		42,483	108,429
Late payment of gas development surcharge		4,826	376
Delayed payment on gas bills		6,651,179	3,982,400
		6,829,477	4,181,967

16. Taxation - net

		2010	2009
Advance tax		2,316,033	1,782,840
Provision for tax		(2,225,863)	(1,616,340)
		90,170	166,500

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

	Note	2010	2009
17.1.1 Claims against the Group not acknowledged as debt	17.1.12	396,083	518,163
17.1.2 Guarantees issued on behalf of the Holding Company		1,790,483	4,630

17.1.3 Demand finance facilities have been given to the Holding Company's employees by certain banks for the purchase of vehicles against the Holding Company's guarantee and hypothecation of Holding Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (2009: Rs. 75 million) and Holding Company's investment in shares having a face value of Rs.0.5 million (2009: Rs. 0.5 million). Loan outstanding at the year end was Rs. 11.434 million (2009: Rs. 16.797 million).

17.1.4 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Holding Company amounting to Rs. 381.374 million (2009: Rs. 381.374 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Holding Company and JPCL. The Holding Company has not accepted the claim and has filed a counter claim due to JPCL's failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Holding Company is confident that ultimately the resolution of the claim lodged would be in its favour.

17.1.5 JPCL has also raised a claim of Rs. 5.793 million (2009: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Holding Company. Provision against this liability has not been made as the Holding Company is confident that ultimately the resolution of the claim would be in its favour.

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

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

Pending the resolution of above matter, no provision has been made by the Holding Company in these finacial statements. Management is confident that the outcome of the this appeal will be in favour of the Holding Company.

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

17.1.9 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order making the input tax adjustments inadmissible in respect of exempt supplies made to Agha Khan University. The resulting alleged liability is Rs. 16.278 million. In the same order the Additional Collector (Adjudication) held the Holding Company responsible for not depositing the amount of sale tax withheld under SRO 660(1) / 2007 as withholding agent. The alleged liability is of Rs. 1,248.322 million along with default surcharge (to be calculated at the time of final payment). The Holding Company has defending the case in the High Court of Sindh. No provision has been made in these financial statements as the Holding Company based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.

17.1.10 During the year, Additional Collector (Adjudication) has passed an order requiring the Holding Company to pay federal excise duty @ 5 % amounting to Rs. 170 million along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged from JJVL FY 2007 and 2008. The Holding Company is defending the case at the level of Appeallate Tribunal (Inland Revenue). Further, Deputy Commissioner Inland Revenue issued show cause notice to the Holding Company requiring to pay federal excise duty @ 10% amounting to Rs. 166 million along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged from JJVL for the FY 2009. The Holding Company has taken up the matter in the Honorable High Court of Sindh to seek the authoritative interpretation of FED applicablitiy on royalty charge from JJVL. The Holding Company based on its tax advisor's opinion is confident that no further action would be taken by Additional Collector, hence no provision has been made in these financial statements.

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

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

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

	Note	2010	2009
		(Rupees in '000)	
18. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	18.1	36,915,188	34,557,963
Capital work in progress	18.10	4,750,415	3,537,669
		41,665,603	38,095,632

18.1 Operating assets

	Note	2010 COST As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	DEPRECIATION As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010	Written down value as at June 30, 2010
								(Rupees in '000)
Gas transmission system	18.2	28,209,162	334,281	28,379,029	17,580,424	906,580	18,319,201	10,059,828
			(185,031)			(175,186)		
			20,617 *			7,383 *		
Gas distribution system								
- Karachi, Sindh	18.3	17,386,621	2,378,362	19,460,020	6,157,642	991,351	6,865,445	12,594,575
			(287,090)			(271,548)		
			(17,873) *			(12,000) *		
- Other areas of Sindh		12,552,050	2,375,216	14,892,427	3,895,642	715,515	4,578,033	10,314,394
			(33,587)			(33,414)		
			(1,252) *			290 *		
- Balochistan		6,059,319	288,702	6,255,273	2,146,370	325,876	2,425,281	3,829,992
			(91,300)			(51,338)		
			(1,448) *			4,373 *		
		35,997,990	5,042,280	40,607,720	12,199,654	2,032,742	13,868,759	26,738,961
			(411,977)			(356,300)		
			(20,573) *			(7,337) *		
Meter manufacturing division	18.4	316,418	3,232	319,606	265,856	12,541	278,351	41,255
			-			-		
			(44) *			(46) *		
		64,523,570	5,379,793	69,306,355	30,045,934	2,951,863	32,466,311	36,840,044
			(597,008)			(531,486)		
			-			-		
Gwadar operations								
- Gas distribution system	18.5	97,353	731	98,084	17,026	5,914	22,940	75,144
		64,620,923	5,380,524	69,404,439	30,062,960	2,957,777	32,489,251	36,915,188
			(597,008)			(531,486)		
			-			-		

	2009						(Rupees in '000)
	COST			DEPRECIATION			Written
	As at July 1, 2008	Additions / (deletions) / transfers *	As at June 30, 2009	As at July 1, 2008	For the year / (deletions) / transfers *	As at June 30, 2009	down value as at June 30, 2009
Gas transmission system	26,741,628	1,504,566	28,209,162	16,621,122	984,363	17,580,424	10,628,738
		(34,939)			(22,954)		
		(2,093) *			(2,107) *		
Gas distribution system							
- Karachi, Sindh	14,997,867	2,659,919	17,386,621	5,541,394	867,440	6,157,642	11,228,979
		(267,758)			(251,200)		
		(3,407) *			8 *		
- Other areas of Sindh	10,090,459	2,592,114	12,552,050	3,438,097	589,348	3,895,642	8,656,408
		(135,251)			(134,097)		
		4,728 *			2,294 *		
- Balochistan	5,305,507	791,892	6,059,319	1,870,736	309,321	2,146,370	3,912,949
		(40,058)			(34,672)		
		1,978 *			985 *		
	30,393,833	6,043,925	35,997,990	10,850,227	1,766,109	12,199,654	23,798,336
		(443,067)			(419,969)		
		3,299 *			3,287 *		
Meter manufacturing division	311,551	9,181	316,418	253,682	16,322	265,856	50,562
		(3,108)			(2,968)		
		(1,206) *			(1,180) *		
	57,447,012	7,557,672	64,523,570	27,725,031	2,766,794	30,045,934	34,477,636
		(481,114)			(445,891)		
		-			-		
Gwadar operations							
- Gas distribution system	91,162	6,191	97,353	11,003	6,023	17,026	80,327
	57,538,174	7,563,863	64,620,923	27,736,034	2,772,817	30,062,960	34,557,963
		(481,114)			(445,891)		
		-			-		

18.2 Operating assets - gas transmission system

(Rupees in '000)

	Note	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ remaining life (years)**
		As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Freehold land		46,778	-	46,778	-	-	-	46,778	-
Leasehold land		128,550	3,888	132,438	-	-	-	132,438	-
Buildings on freehold land		279,291	-	279,291	157,224	8,250	165,474	113,817	20
Buildings on leasehold land		1,188,534	50,461 (300)	1,238,695	618,241	71,192 (300)	689,133	549,562	20
Gas transmission pipelines	18.2.1	19,072,043	166,694 - 8,415 *	19,247,152	11,399,087	326,614 10,124 *	11,735,825	7,511,327	1-40**
Compressors		2,439,088	- (156,968) -	2,282,120	2,241,907	55,367 (156,968) -	2,140,306	141,814	6**
Telecommunication		460,452	9,060 (13) (2,956) *	466,543	440,924	3,088 (13) -	443,999	22,544	6.67
Plant and machinery		525,393	16,764 (4,133) (935) *	537,089	384,505	25,677 (4,133) (6,156) *	399,893	137,196	10
Roads, pavements and related infrastructures		311,264	- - -	311,264	24,914	2,608 - -	27,522	283,742	20
Tools and equipment		165,506	9,802 - (8,212) *	167,096	140,572	12,446 - (3,289) *	149,729	17,367	3
Motor vehicles		1,083,623	31,306 (22,871) (128,962) *	963,096	619,379	94,881 (13,026) (67,957) *	633,277	329,819	5
Furniture and fixture		287,689	3,092 (142) 177 *	290,816	229,196	21,749 (142) 188 *	250,991	39,825	5
Office equipment		226,904	4,776 (60) 1,961 *	233,581	166,661	27,569 (60) 400 *	194,570	39,011	5
Computer and ancillary equipments		356,012	37,197 - 1,797 *	395,006	284,580	61,127 - (6,290) *	339,417	55,589	3
Supervisory control and data acquisition system		682,233	1,220 - 1,972 *	685,425	276,310	93,449 - 822 *	370,581	314,844	6.67
Construction equipment		955,802	21 (544) 147,360 *	1,102,639	596,924	102,563 (544) 79,541 *	778,484	324,155	5
	2010	28,209,162	334,281 (185,031) 20,617 *	28,379,029	17,580,424	906,580 (175,186) 7,383 *	18,319,201	10,059,828	
	2009	26,741,628	1,504,566 (34,939) (2,093) *	28,209,162	16,621,122	984,363 (22,954) (2,107) *	17,580,424	10,628,738	

18.2.1 This includes assets held by the Holding Company on behalf of and in trust for the investors under the musharaka arrangements entered into by the Holding Company. Assets held under these musharaka arrangements are as follows:

Musharaka Arrangements	As at June 30, 2010 (Rupees in '000) Cost	Written down value	As at June 30, 2009 (Rupees in '000) Cost	Written down value
24" 116 km Sanghar-Hyderabad-Karachi Pipeline	1,625,230	1,411,122	1,623,541	1,450,934
24" x 200 km Bajara-Karachi Pipeline	2,546,385	2,335,892	2,515,364	2,370,246
18'' Dia x 53km pipeline from Dhader to Abb-e-Gum	545,803	528,938	471,283	464,410
Land, Head Office Building and Karachi Terminal building	821,986	476,121	813,442	514,495
24" x 84 km Loop Line Nawabshah - Shahdad Pur - Tando Adam	1,106,566	1,011,312	1,100,005	1,033,124
	6,645,970	5,763,385	6,523,635	5,833,209

18.3 Operating assets - gas distribution system

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ (years)
	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Freehold land	9,859	114 - -	9,973	-	- - -	-	9,973	-
Leasehold land	47,769	- - -	47,769	-	- - -	-	47,769	-
Buildings on freehold land	45,201	- - -	45,201	30,751	507 - -	31,258	13,943	20
Buildings on leasehold land	216,881	81,791 - -	298,672	85,013	16,225 - -	101,238	197,434	20
Gas distribution system, related facilities and equipment	34,210,609	4,821,216 (385,972) 3 *	38,645,856	11,162,212	1,907,328 (332,270) 186 *	12,737,456	25,908,400	10 to 20
Telecommunication	27,218	7,963 (5) (2) *	35,174	11,028	3,314 (5) (1) *	14,336	20,838	6.67
Plant and machinery	526,775	77,717 (4,049) 30,055 *	630,498	269,619	34,096 (4,049) 22,152 *	321,818	308,680	10
Roads, pavements and related infrastructures	1,010	- - -	1,010	1,010	- - -	1,010	-	20
Tools and equipment	89,624	4,603 (208) (999) *	93,020	78,253	6,990 (208) (1,002) *	84,033	8,987	3
Motor vehicles	567,274	44,621 (20,570) (46,426) *	544,899	357,660	44,595 (18,595) (25,887) *	357,773	187,126	5
Furniture and fixture	90,117	1,224 (225) (633) *	90,483	52,137	12,337 (225) (397) *	63,852	26,631	5
Office equipment	48,475	3,031 (552) (2,434) *	48,520	40,223	3,571 (552) (2,142) *	41,100	7,420	5
Computer and ancillary equipment	117,178	- (396) (137) *	116,645	111,748	3,779 (396) (246) *	114,885	1,760	3
2010	35,997,990	5,042,280 (411,977) (20,573) *	40,607,720	12,199,654	2,032,742 (356,300) (7,337) *	13,868,759	26,738,961	
2009	30,393,833	6,043,925 (443,067) 3,299 *	35,997,990	10,850,227	1,766,109 (419,969) 3,287 *	12,199,654	23,798,336	

18.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ (years)
	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Building on leasehold land	13,269	- - -	13,269	9,078	560 - -	9,638	3,631	20
Telecommunication	666	- - 2 *	668	240	98 - -	338	330	6.67
Plant and machinery	252,517	2,208 - 24,115 *	278,840	214,910	9,059 - 22,799 *	246,768	32,072	10
Tools and equipment	32,222	- - (23,701) *	8,521	30,867	- - (22,558) *	8,309	212	3
Furniture and equipment	11,682	- - (417) *	11,265	6,811	1,421 - (242) *	7,990	3,275	5
Office equipment	4,867	1,024 - 2 *	5,893	2,755	1,403 - -	4,158	1,735	5
Computer and ancillary equipment	1,195	- - (45) *	1,150	1,195	- - (45) *	1,150	-	3
2010	316,418	3,232 - (44) *	319,606	265,856	12,541 - (46) *	278,351	41,255	
2009	311,551	9,181 (3,108) (1,206) *	316,418	253,682	16,322 (2,968) (1,180) *	265,856	50,562	

18.5 Operating assets - Gwadar operations

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at June 30, 2010	Useful life/ (years)
	As at July 1, 2009	Additions / (deletions) / transfers *	As at June 30, 2010	As at July 1, 2009	For the year / (deletions) / transfers *	As at June 30, 2010		
Leasehold land	14,339	- - -	14,339	-	- - -	-	14,339	-
Gas distribution system	62,773	- - -	62,773	10,183	3,139 - -	13,322	49,451	10 to 20
Plant and machinery	15,327	731 - -	16,058	4,530	1,510 - -	6,040	10,018	10
Tools and equipment	1,329	- - -	1,329	229	404 - -	633	696	3
Furniture and equipment	3,166	- - -	3,166	1,856	782 - -	2,638	528	5
Office equipment	339	- - -	339	160	68 - -	228	111	5
Computer and ancillary equipment	80	- - -	80	68	11 - -	79	1	3
2010	97,353	731 - -	98,084	17,026	5,914 - -	22,940	75,144	
2009	91,162	6,191 - -	97,353	11,003	6,023 - -	17,026	80,327	

	2010	2009
	(Rupees in '000)	

18.6 Details of depreciation for the year are as follows:

	2010	2009
Consolidated profit and loss account		
- Transmission and distribution costs	2,584,956	2,423,221
- Selling expenses	27	7,918
- Administrative expenses	196,737	171,135
- Gwadar operations	5,914	6,023
	2,787,634	2,608,297
Meter manufacturing division		
- Consolidated profit and loss account	1,591	2,069
- Gas meters components produced	10,950	14,253
	12,541	16,322
Capital projects	157,602	148,198
	2,957,777	2,772,817

18.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Building							
Written down value not exceeding Rs. 50,000 each	300	300	-	454	454	Tender	Various
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	358	358	-	3	3	Tender	Various
Written down value not exceeding Rs. 50,000 each	38	38	-	16	16	Theft	Recovered from Select Services
Tools							
Written down value not exceeding Rs. 50,000 each	203	203	-	-	-	Theft	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	5	5	-	2	2	Theft	Recovered from Select Services
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	200,319	200,319	-	-	-	Replacement	Written off
Written down value not exceeding Rs. 50,000 each	185,653	131,951	53,702	7,196	(46,506)	Gas meters retired	Written off

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Compressors							
Written down value not exceeding Rs. 50,000 each	156,968	156,968	-	34,522	34,522	Tender	M/S Abu Bakar & Co.
Telecommunication							
Written down value not exceeding Rs. 50,000 each	5	5	-	-	-	Burnt	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	13	13	-	2	2	Theft	Recovered from M/S.Omer Razaq Enterprises
Plant and machinery							
Written down value not exceeding Rs. 50,000 each	7,963	7,963	-	1,164	1,164	Tender	Various
Written down value not exceeding Rs. 50,000 each	219	219	-	-	-	Theft	Below than claimable limit
Furniture fixture							
Written down value not exceeding Rs. 50,000 each	127	127	-	7	7	Tender	Various
Written down value not exceeding Rs. 50,000 each	215	215	-	-	-	Burnt	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	11	11	-	-	-	Theft	Below than claimable limi
Written down value not exceeding Rs. 50,000 each	14	14	-	17	17	Theft	Recovered from National police foundation security services
Office equipment							
Written down value not exceeding Rs. 50,000 each	499	499	-		-	Burnt	Below than claimable limit
Written down value not exceeding Rs. 50,000 each	113	113	-	1	1	Tender	Various
Construction equipment							
Written down value not exceeding Rs. 50,000 each	544	544	-	54	54	Tender	Various

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
				(Rupees in '000)			
Motor vehicles							
Written down value not exceeding Rs. 50,000 each	25,522	25,505	17	17,518	17,501	Tender	Various
Written down value not exceeding Rs. 50,000 each	470	401	69	334	265	Theft	Insurance claim - National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	799	786	13	430	417	Accident	Insurance claim - National Insurance Company Limited
Written down value above Rs. 50,000 each	2,505	775	1,730	1,962	232	Theft	Insurance claim - National Insurance Company Limited
Written down value above Rs. 50,000 each	1,199	953	246	559	313	Tender	Various
Toyota Corolla	1,899	359	1,540	1,187	(353)	Service rules	Mr. Umair Khan
Toyota Corolla	1,869	310	1,559	1,127	(432)	Service rules	Mr. Muhammad Hashim
Toyota Corolla	1,869	178	1,691	1,177	(514)	Service rules	Capt. (R) Muhammad Arif
Toyota Corolla	1,052	262	790	478	(312)	Service rules	Syed Ali Raza Shah
Toyota Corolla	1,151	145	1,006	732	(274)	Service rules	Mrs. Zeeba Alvi
Toyota Corolla	1,423	247	1,176	817	(359)	Service rules	Mr. Habibullah Soomro
Suzuki Cultus	600	310	290	45	(245)	Service rules	Mr. Aftab Ahmed Memon
Suzuki Cultus	600	252	348	45	(303)	Service rules	Mr. Abdur Rasheed
Suzuki Cultus	600	252	348	45	(303)	Service rules	Mr.Zubair Ahmed
Suzuki Cultus	600	303	297	45	(252)	Service rules	Mr. Siraj Hameed
Suzuki Cultus	592	414	178	44	(134)	Service rules	Mr. Muhammad Siddique Ansari
Suzuki Cultus	691	169	522	221	(301)	Service rules	Mr. Ali Akbar Qureshi
30 June 2010	597,008	531,486	65,522	70,204	4,682		
30 June 2009	481,114	445,891	35,223	22,431	(12,792)		

18.8 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 397.858 million (2009: Rs. 347.615 million). Borrowing costs related to general borrowings were capitalised at the rate of 12.58% (2009: 14.10%).

18.9.1. The depreciated replacement cost of buildings, compressors, plant and machinery, roads, pavements and related infrastructure, construction equipments, gas transmission and distribution pipelines was Rs. 98,771 million and market value of free hold land, lease hold land and motor vehicles was Rs. 11,305 million as per the valuation carried out on 30 June 2009 by an independent valuer namely Oceanic Surveyors (Pvt.) Limited as of 30 June 2010. Management considers that there would be no significant change in the replacement cost and market value of these assets during the year.

	Note	2010	2009
		(Rupees in '000)	
18.10 Capital work in progress			
Projects:			
- Gas distribution system		2,731,364	1,472,688
- Cost of buildings under construction		54,088	107,460
- Gas infrastructure rehabilitation and expansion project		34,596	18,851
- Roads, pavements and related activities		189,583	133,625
		3,009,631	1,732,624
Stores and spares held for capital projects	18.10.1	1,123,277	1,710,987
Compressor		182,022	38,779
LPG air mix plant		435,485	42,301
Others		-	12,978
		1,740,784	1,805,045
		4,750,415	3,537,669
18.10.1 Stores and spares held for capital projects			
Gas distribution		1,127,917	1,713,875
Provision for impaired stores and spares		(4,640)	(2,888)
		1,123,277	1,710,987

19. INTANGIBLE ASSETS

(Rupees in '000)

		COST			AMORTISATION			Written down value as at June 30, 2010	Useful life (years)
		As at July 1, 2009	Additions	As at June 30, 2010	As at July 1, 2009	For the year	As at June 30, 2010		
Computer software	2010	269,940	750	270,690	226,049	40,131	266,180	4,510	3
	2009	230,150	39,790	269,940	160,577	65,472	226,049	43,891	

	Note	Percentage of holding (if over 10%)	2010	2009
			(Rupees in '000)	
20. LONG TERM INVESTMENTS				
Investments in related parties				
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited 2,090,195 (2009: 2,090,195) ordinary shares of Rs. 10 each (Associated company)	20.2		58,086	66,782
			58,086	66,782
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited 350,000 (2009: 350,000) ordinary shares of Rs. 10 each			27,500	31,430
United Bank Limited 107,844 (2009: 98,040) ordinary shares of Rs. 10 each			6,431	4,129
Unquoted companies (at cost) Pakistan Tourism Development Corporation 5,000 (2009: 5,000) ordinary shares of Rs. 10 each			50	50
			33,981	35,609
Provision against impairment in value of investments at cost			(50)	(50)
			33,931	35,559
			92,017	102,341

20.1 These companies are incorporated in Pakistan.

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

	Note	2010	2009
21. SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY			
Inter State Gas System (Private) Limited 510,000 (2008: 510,000) ordinary shares of Rs. 10 each	21.1	5,100	5,100

21.1 Inter State Gas Systems (Private) Limited (ISGS) entered into a Service Agreement with the Holding Company and SNGPL which was effective from 1 July 2003, whereby ISGS is mainly required to ascertain, identify and advice to Holding Company and SNGPL on most convenient and reliable sources of natural gas which can be imported. Currently the whole operation of ISGS are carried out in connection with the Service Agreement and ISGS is allowed under the Service Agreement to recover its cost /expenditure from Holding Company and SNGPL. Accordingly the 51% of the expense of ISGS are borne by Holding Company and are presented separately in the consolidated profit and loss account. ISGS has no reserves accordingly the share of investment in jointly controlled entity represents the 51% (2008: 51%) share of Group in share capital of ISGS.

22. NET INVESTMENT IN FINANCE LEASE

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

	June 30, 2009		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	313,276	194,480	118,796
Later than one year and not later than five years	1,065,701	599,154	466,547
Later than five years	1,150,540	457,751	692,789
	2,216,241	1,056,905	1,159,336
	2,529,517	1,251,385	1,278,132

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

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

	Note	2010	2009
		(Rupees in '000)	
23. LONG TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	23.1	5,186	7,075
Less: receivable within one year		(2,785)	(3,101)
		2,401	3,974
Due from other employees	23.1	138,163	134,752
Less: receivable within one year		(26,748)	(26,947)
		111,415	107,805
		113,816	111,779

23.1 Reconciliation of the carrying amount of loans and advances:

	2010		2009	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	7,075	134,752	7,107	134,824
Disbursements	-	35,580	-	37,497
Transfers	1,357	(1,357)	3,639	(3,639)
Repayments	(3,246)	(30,812)	(3,671)	(33,930)
	5,186	138,163	7,075	134,752

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

23.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs.7,075 million (2009: Rs.7,107 million).

24. STORES, SPARES AND LOOSE TOOLS

	2010	2009
	(Rupees in '000)	
Stores	1,365,785	1,063,564
Spares	662,391	650,325
Stores and spares in transit	100,234	66,536
Loose tools	1,090	1,232
	2,129,500	1,781,657
Provision against impaired inventory		
Balance as at July 1	(79,101)	(50,660)
Provision made during the year	(28,597)	(28,452)
Written off during the year	15,557	11
Balance as at June 30	(92,141)	(79,101)
	2,037,359	1,702,556

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

	2010	2009
Transmission	1,784,967	1,435,110
Distribution	252,392	267,446
	2,037,359	1,702,556

	Note	2010	2009
		(Rupees in '000)	

25. STOCK-IN-TRADE

	Note	2010	2009
Gas			
Gas in pipelines		200,005	191,835
Stock of Synthetic Natural Gas		234	46
		200,239	191,881
Gas meters			
Components		224,498	276,244
Work-in-process		10,742	13,572
Finished meters		24,522	12,790
		259,762	302,606
Provision against impaired inventory		(4,586)	(3,948)
		255,176	298,658
		455,415	490,539

26. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

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

27. TRADE DEBTS

	Note	2010	2009
Considered good			
- secured		12,003,014	6,909,685
- unsecured		31,812,653	25,658,520
	27.1	43,815,667	32,568,205
Considered doubtful		2,296,330	2,163,753
		46,111,997	34,731,958
Provision against impaired debts	27.2	(2,296,330)	(2,163,753)
		43,815,667	32,568,205

27.1 Trade debts include receivables from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) have aggregated to Rs. 33,667 million as at June 30, 2010 (2009: Rs. 29,077 million), which includes overdue amounts of Rs. 26,474 million (2009: Rs. 17,491 million). Receivable from SNGPL against uniform cost of gas is stated under other receivables and amounts to Rs. 4,130 million (2009: Rs. 7,940 million) (refer note 31.2), which includes overdue uniform cost of gas invoices of Rs. 2,297 million (2009: Rs. 2,468 million). Interest accrued amounting to Rs. 2,245 million (2009: Rs. 1,167 million) in respect of overdue balances of KESC, JPCL and SNGPL is stated in accrued interest (refer note 30).

During the year, the Holding Company received a total of Rs. 7,032 million from SNGPL and WAPDA under inter circular corporate debt settlement arrangements. This amount was paid by the Holding Company to Oil and Gas Development Company Limited (OGDCL) and Government Holding (Private) Limited as agreed under the arrangements. As at June 30, 2010, amounts of Rs. 30,433 million (included in creditors for gas in note 14) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 6,651 million on their balances. In view of the arrangements being made by the committee (established by cabinet division - GoP) to adjust inter corporate circular 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.

	Note	2010	2009
		(Rupees in '000)	

27.2 Movement of provision against impaired debts

		2010	2009
Balance as at July 1		2,163,753	1,701,493
Provision for the year		132,577	462,260
		2,296,330	2,163,753

27.3 Up to June 30, 2009, the live consumers who have not been paying their outstanding balances were considered to determine the provision against doubtful trade debts. During the year ended June 30, 2010, the Holding Company has decided not to consider balances of such consumers in estimation of provision against doubtful trade debts as these are live customers, and it will be only considered after these customers are disconnected. Accordingly, provision for doubtful trade debts has been estimated without considering balances of such consumers. Had the basis used to estimate the provision not been changed the provision against doubtful live domestic consumers would have been higher and profit for the year and equity would have been lower by Rs. 229.6 million.

28. LOANS AND ADVANCES - considered good

	Note	2010	2009
Current portion of long term loans:			
- executives	23	2,785	3,101
- other employees	23	26,748	26,947
		29,533	30,048
Advances to:			
- executives	28.1	8,901	7,251
- other employees		54,524	56,281
		63,425	63,532
		92,958	93,580

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

29. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2010	2009
Advances for goods and services - unsecured, considered good	54,211	47,624
Trade deposits - unsecured, considered good	19,548	22,908
Prepayments	109,185	40,280
	182,944	110,812

	Note	2010	2009
		(Rupees in '000)	

30. INTEREST ACCRUED

	Note	2010	2009
Interest accrued on late payment of bills/ invoices from			
- WAPDA		1,226,801	589,918
- KESC		225,072	195,312
- SNGPL		793,590	383,170
- Jamshoro Joint Venture Limited (JJVL)		98,260	24,902
		2,343,723	1,193,302
Interest accrued on bank deposits		2,835	4,762
Interest accrued on sales tax refund	5.4	487,739	-
		2,834,297	1,198,064

31. OTHER RECEIVABLES - considered good

	Note	2010	2009
Gas development surcharge receivable from GoP	31.1	5,290,758	5,363,824
Receivable from staff pension fund - non executives	40.1	82,733	168,733
Receivable from staff pension fund - executives	40.1	-	361
Receivable from staff gratuity fund - non executives	40.1	10,247	91
Workers' Profit Participation Fund	14.2	-	17,943
Balance receivable for sale of gas condensate		46,869	155,480
Receivable from Sui Northern Gas Pipelines Limited	31.2	4,198,192	8,019,730
Receivable from Jamshoro Joint Venture Limited		1,009,090	303,506
Insurance claim receivable		705	509
Sales tax receivable		6,558,456	8,683,445
Claims receivable		757	757
Pipeline rentals		13,236	20,221
Miscellaneous receivables	31.3	218,353	237,014
		17,429,396	22,971,614
Provision against impaired receivables		(1,485)	(1,485)
		17,427,911	22,970,129

31.1 This includes Rs. 105.28 million (2009: Rs. 37.607 million) recoverable from the GoP on account of remission of gas receivables from people of Ziarat under instructions from GoP.

31.2 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 67.745 million (2009: Rs. 79.842 million) and Rs. 4,130.197 million (2009: Rs. 7,939.768 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited, refer note 33.1.1 to these financial statements for detail.

31.3 This includes unamortised balance of Rs. 150.46 million (2009: Rs. 225.694 million) on account of deferred tariff adjustment.

32. CASH AND BANK BALANCES

	2010	2009
Cash at banks		
- deposit accounts	145,651	680,187
- current accounts	467,828	780,755
	613,479	1,460,942
Cash in hand	7,477	16,282
	620,956	1,477,224

	Note	2010	2009
		(Rupees in '000)	(Restated)

33. COST OF SALES

	Note	2010	2009
Cost of gas	33.1	95,333,111	102,388,858
Transmission and distribution costs	33.2	9,562,936	6,283,649
		104,896,047	108,672,507

33.1 Cost of gas

	Note	2010 Volume in MCF *	2010 (Rupees in '000)	2009 Volume in MCF *	2009 (Rupees in '000)
Gas in pipelines as at July 1		790,423	191,835	821,212	139,698
Gas purchases from:					
Pakistan Petroleum Limited		45,102,650	6,292,350	43,413,213	6,775,328
Oil and Gas Development Company Limited		5,654,227	807,328	6,918,789	1,023,741
BP (Pakistan) Exploration and Production Incorporated		81,646,199	20,481,490	73,855,310	22,109,412
Orient Petroleum Inc.		-	-	15,289,802	3,239,830
ENI Pakistan Limited		138,355,236	41,694,309	132,502,373	53,943,781
Mari Gas Company Limited		278,511	9,938	243,759	9,535
Sui Northern Gas Pipelines Limited- a related party		1,121,081	348,613	854,988	113,643
BHP Petroleum (Pakistan) Pvt Limited		103,580,123	23,257,889	89,325,347	23,507,514
OMV (Pak) Exploration GmBH		52,802,525	13,856,024	60,790,120	20,394,745
Input sales tax on exempt supplies		-	28,837	-	37,376
		428,540,552	106,776,778	423,193,701	131,154,905
		429,330,975	106,968,613	424,014,913	131,294,603
Gas consumed internally		(1,107,813)	(253,791)	(1,078,405)	(269,145)
Inward price adjustment	33.1.1	-	(11,181,706)	-	(28,444,765)
Gas in pipelines as at June 30		(896,446)	(200,005)	(790,423)	(191,835)
		(2,004,259)	(11,635,502)	(1,868,828)	(28,905,745)
Gas available for sale		427,326,716	95,333,111	422,146,085	102,388,858

* Metric Cubic Feet.

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

33.1.2 The net volume difference of gas purchase and sales after adjusting internal consumption in the Holding Company's operations is termed as Unaccounted for Gas ("UFG"). Among other disallowances made by OGRA the excess UFG is added to gas development surcharge by reducing the profit. Actual UFG for the year ended June 30, 2010 was 7.95% (2009: 7.93%) against the targets fixed by OGRA at 7% (2009: 4.8%). In financial terms this has caused disallowances of Rs. 934 million (2009: 2,818 million) which has been added to gas development surcharge and reduced from profit. Region wise break-up of UFG is as follows:

	2010		2009	
	Volume (MMCF)	%	Volume (MMCF)	%
Karachi	13,333	4.41	14,806	4.88
Sindh (excluding) Karachi	10,951	12.00	9,748	11.19
Balochistan	10,770	35.59	9,419	33.97
Others	(44)	(0.27)	(472)	(0.11)

Sales meter station (SMS) wise break of the UFG of the Holding Company for the year ended June 30, 2010 is as follows:

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		------------------Volume in MMCF		------------------	%
Karachi Region		302,349	289,016	13,333	4.41
Sindh (excluding Karachi)					
Hyderabad Supply Main III	0403	11,216	9,406	1,810	16.14
Hyderabad City	0401	5,693	4,142	1,551	27.24
Sukkur-1	0203	2,936	1,982	954	32.49
Larkana	0006	1,873	1,333	540	28.83
Tando Allahyar	0218	2,429	1,948	481	19.80
Pedidan	0212	1,389	956	433	31.17
Jacobabad	0023	815	489	326	40.00
Shahdadpur / Hala / Sanghar/ Lundo	0216	1,715	1,411	304	17.73
Sita Road	0010	413	136	277	67.07
Nawabshah	0214	1,707	1,433	274	16.05
Shikarpur	0005	746	474	272	36.46
Theiri Mohabbat	0008	546	280	266	48.72
Rohri / Pano Aquil	0205	1,187	947	240	20.22
Mehrabpur	0211	601	399	202	33.61
Qamber / Shadkot / Kumb	0209	653	456	197	30.17
Lakhi Wazirabad	0201	307	116	191	62.21
Dadu	0013	552	374	178	32.25
Badah	0007	367	202	165	44.96
Kandhkot	0561	475	314	161	33.89
Thul / Ranjhapur / Mirpur Burro	0022	243	88	155	63.79
Tando Adam / Matari	0217 / 0220	877	731	146	16.65
Khairpur	0206	723	573	150	20.75
Ghotki	0551	511	373	138	27.01
Thatta / Jhampir / Khotri	0453 / 0452	15,883	15,838	45	0.28
Sarhari / Sakrand	0215	556	425	131	23.56
Pir Jo Goth	0202	936	821	115	12.29

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		------------------Volume in MMCF		-----------------	%
Badin / Golarchi	0501	598	493	105	17.56
Dahirki	0541	279	177	102	36.56
T.M.Khan	0531	393	297	96	24.43
Ubauro	0543	470	387	83	17.66
Tando Jam	0532	292	211	81	27.74
Dhabeji/ Nooriabad	0454 / 0105	7,522	7,477	45	0.60
Jamshoro Power Station / Sindh University	0402	23,654	23,579	75	0.32
Matli	0521	310	239	71	22.90
Ranipur	0208	549	486	63	11.48
Nau Dero	0016	251	195	56	22.31
Garello	0019	97	50	47	48.45
Bubak	0102	247	215	32	12.96
Setharja /T.Mir wah	0210	153	124	29	18.95
Oderolal	0219	140	113	27	19.29
Garhi Khuda Bux	0017	72	46	26	36.11
Dhamra	0018	41	16	25	60.98
Rustam	0003	60	35	25	41.67
Bhan Saeedabad	0101	80	59	21	26.25
Daur / Bandi	0213	154	133	21	13.64
Garhi Yasin	0014	53	33	20	37.74
Khanpur	0004	50	31	19	38.00
Kot Deji	0207	47	29	18	38.30
Piaro Goth	0011	34	16	18	52.94
Karampur	0001	26	9	17	65.38
Dhakan / Madeji	0015	77	61	16	20.78
Thana Bullah Khan	0104	49	34	15	30.61
Sindhi Burta	0009	26	12	14	53.85
Lakhmir	0024	22	9	13	59.09
Raju Nizamani	0533	39	28	11	28.21
Hamayun Sharif	0021	19	8	11	57.89
Sultankot	0020	17	7	10	58.82
Phulji	0012	23	14	9	39.13
Bajra Jhangara	0103	15	7	8	53.33
68th Mile	0302	11	4	7	63.64
Tangwani / Parco / Sui Cant	0002	18	12	6	33.33
Sher Ali Jatoi	0025	7	3	4	57.14
Massu bhurgari	0303	8	6	2	25.00
60th Mile / Buchari	0301	12	11	1	8.33
Hatri	0221	5	5	-	-
Total Sindh (excluding Karachi)		91,269	80,318	10,951	12.00

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		---------------Volume in MMCF---------------			%
Balochistan					
Quetta/Rakhshan	2010	12,613	6,616	5,997	47.55
Habibullah Coastal	2011	16,220	12,204	4,016	24.76
JhatPut /Shobatpur	2001	720	289	431	59.86
D.M.Jamali	2002	234	119	115	49.15
Sibi	2004	248	160	88	35.48
Belpat / Lehri	2003	75	28	47	62.67
Mach	2006	89	52	37	41.57
Dhadar	2005	50	17	33	66.00
Kolpur	2007	14	8	6	42.86
Total Balochistan		30,263	19,493	10,770	35.59
Others					
Gas diverted to SNGPL on GOP advice		11,696	11,696	-	-
Internal consumption of gas		552	790	(238)	(43.12)
JJVL shrinkage		3,300	3,300	-	-
LHF condensate shrinkage		508	508	-	-
Gas in pipeline		106	106	-	-
Transmission loss		194	-	194	100.00
Total others		16,356	16,400	(44)	(0.27)
Total		440,237	405,227	35,010	7.95

	Note	2010	2009
		(Rupees in '000)	
33.2 Transmission and distribution Costs			
Salaries, wages and benefits		5,689,822	2,750,027
Contribution / accruals in respect of staff retirement benefit schemes	33.2.1	426,103	373,709
Depreciation on operating assets		2,584,956	2,423,221
Repairs and maintenance		503,592	527,754
Stores, spares and supplies consumed		360,027	360,808
Gas consumed internally		253,791	269,145
Legal and professional charges		134,970	129,163
Electricity		39,618	48,820
Security expenses		187,954	176,038
Insurance and royalty		69,403	63,529
Travelling		61,837	58,208
Material and labour used on consumers' installation		93,081	164,754
Postage and revenue stamps		5,601	6,106
Rent, rates and taxes		50,053	52,882
Others		133,811	140,581
		10,594,619	7,544,745
Recoveries / allocations to:			
Gas distribution system capital expenditure		(731,585)	(802,288)
Installation costs recovered from customers		(113,542)	(240,564)
		(845,127)	(1,042,852)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		(172,180)	(167,860)
- Oil and Gas Development Company Limited - a related party		(26,508)	(24,027)
- Other customers		12,132	(26,357)
		(186,556)	(218,244)
		9,562,936	6,283,649

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

	2010	2009
Contributions to the provident fund	113,881	69,585
(Reversal) / charge in respect of pension funds:		
- executives	(40,511)	11,814
- non executives	(36,011)	(22,905)
Charge in respect of gratuity funds:		
- executives	59,788	51,998
- non executives	28,580	23,904
Accrual in respect of unfunded post retirement:		
- medical facility	175,253	167,442
- gas facility	4,081	3,807
Accrual in respect of compensated absences		
- executives	69,366	68,064
- non executives	51,676	-
	426,103	373,709

	Note	2010	2009
		(Rupees in '000)	
			(Restated)

34. ADMINISTRATIVE AND SELLING EXPENSES

	Note	2010	2009
Administrative expenses	34.1	1,734,171	1,466,166
Selling expenses	34.2	714,540	715,607
		2,448,711	2,181,773

34.1. ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, wages and benefits		1,021,707	466,254
Contribution / accruals in respect of staff retirement benefit schemes	34.1.1	32,637	25,923
Depreciation on operating assets		196,737	179,018
Amortisation of intangible assets	19	40,131	65,472
Provision against impaired debts		132,577	462,260
Repairs and maintenance		60,801	47,668
Stores, spares and supplies consumed		50,893	52,192
Legal and professional charges		104,501	90,247
Electricity		22,484	4,214
Security expenses		3,836	3,593
Insurance and royalty		4,911	3,821
Travelling		5,139	7,854
Postage and revenue stamps		63,746	63,222
Rent, rates and taxes		800	769
Others		17,047	13,031
		1,757,947	1,485,538
Allocation to meter manufacturing division		(23,776)	(19,372)
		1,734,171	1,466,166

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

	2010	2009
Contribution to the provident fund	29,785	11,889
(Reversal) / charge in respect of pension funds:		
- executives	(5,883)	2,242
- non executives	(3,247)	(3,757)
Charge in respect of gratuity funds:		
- executives	9,467	11,424
- non executives	2,515	4,125
	32,637	25,923

	Note	2010	2009
		(Rupees in '000)	

34.2 SELLING EXPENSES

	Note	2010	2009
Salaries, wages and benefits		459,031	481,288
Contribution / accruals in respect of staff retirement benefit schemes		14,429	22,049
Depreciation on operating assets		27	35
Repairs and maintenance		4,668	4,681
Stores, spares and supplies consumed		17,948	15,877
Electricity		29,415	19,521
Insurance and royalty		357	370
Travelling		1,224	1,248
Gas bills collection charges		159,733	153,261
Postage and revenue stamps		120	133
Rent, rates and taxes		16,345	13,573
Others		11,243	6,362
		714,540	718,398
Allocation to meter manufacturing division		-	(2,791)
		714,540	715,607

35. OTHER OPERATING EXPENSES

	Note	2010	2009
Auditors' remuneration			
- Statutory audit		1,250	1,250
- Fee for other audit related services		1,511	695
- Fee for taxation services		4,548	-
- Out of pocket expenses		571	250
		7,880	2,195
Workers' Profit Participation Fund	14.2	369,127	21,987
Sports expenses		22,397	21,354
Corporate social responsibility		11,992	12,359
Liquidated damages	35.1	-	265,514
Provision against impaired stores and spares		30,349	26,354
Exchange loss on payment of gas purchases		310,292	2,003,155
		752,037	2,352,918

35.1 This has been recorded against claim for alternative fuel costs, liquidated damages, interest on the amount of claim and cost of the arbitration as a result of decision of the Arbitrator.

	Note	2010	2009
		(Rupees in '000)	

36. OTHER OPERATING INCOME

	Note	2010	2009
Income from other than financial assets			
Meter rentals		576,386	551,633
Recognition of income against deferred credit		326,601	297,831
Income from new service connections		452,833	-
Gas shrinkage charged to JJVL		2,263,931	2,892,940
Income from gas transportation		48,775	49,406
Income from LPG air mix distribution			
Gwadar operations - net	36.1	13,215	13,641
Recoveries from consumers		33,204	44,587
Gain / (loss) on sale of fixed assets	18.7	4,682	(12,792)
Liquidated damages recovered		13,976	16,990
Advertising income		5,640	5,813
Income from sale of tender documents		1,352	1,277
Earnest money written back		-	13,323
Scrap sales		4,376	5,263
Rental income		67	3,152
Miscellaneous		11,039	9,288
		3,756,077	3,892,352
Income from investment in debts, loans, advances and receivables from related party			
Contingent rental income - Sui Northern Gas Pipeline Limited		33,445	17,976
		3,789,522	3,910,328

36.1 Income from LPG air mix distribution Gwadar operations - net

	2010	2009
Sales	1,387	469
Cross subsidy for Gwadar operations	37,314	34,156
Cost of sales	(13,737)	(9,179)
Gross profit	24,964	25,446
Distribution, selling and administrative expenses		
Salaries, wages and other benefits	(6,240)	(2,421)
Depreciation expenses	(5,914)	(6,023)
Other operating expenses	-	(3,480)
	(12,154)	(11,924)
Other income	405	119
Profit for the year	13,215	13,641

	Note	2010	2009
		(Rupees in '000)	

37. OTHER NON-OPERATING INCOME

	Note	2010	2009
Income from financial assets			
Late payment surcharge		1,057,582	576,092
Income from net investment in finance lease		54,124	50,927
Return on:			
- term deposits and profit and loss bank accounts		116,824	223,450
- staff loans		1,484	2,158
		1,230,014	852,627
Interest income on late payment of gas bills from			
- Karachi Electric Supply Corporation		2,381,659	1,684,208
- Jamshoro Joint Venture Limited (JJVL)		73,357	129,085
- Water & Power Development Authority (WAPDA)		636,884	589,918
- Sui Northern Gas Pipeline Ltd (SNGPL)		410,420	383,169
		3,502,320	2,786,380
Dividend income		270	745
		4,732,604	3,639,752
Interest income on Sales Tax Refund		487,739	-
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipeline Limited		-	7,316
Income from net investment in finance lease	37.1	150,558	162,740
		150,558	170,056
Others			
Sale of gas condensate		524,874	503,855
Royalty income from Jamshoro Joint Venture Limited		2,594,164	1,657,201
Meter manufacturing division profit - net	37.2	150,618	38,563
		3,269,656	2,199,619
		8,640,557	6,009,427

37.1 This income is received from SNGPL and OGDCL amounting to Rs. 145.421 million (2009: Rs.156.136 million) and Rs. 5.137 million (2009: Rs. 6.604 million) respectively.

	Note	2010	2009
		(Rupees in '000)	

37.2 Meter manufacturing division profit - net

	Note	2010	2009
Gross sales of gas meters			
- Holding Company's consumption		664,221	477,806
- Outside sales		1,567,535	1,071,114
		2,231,756	1,548,920
Sales tax		(311,756)	(213,117)
Special excise duty		(19,485)	(13,323)
Net sales		1,900,515	1,322,480
Cost of sales			
- Raw material consumed		1,457,337	1,088,187
- Stores and spares		7,065	2,068
- Fuel, power and electricity		9,645	6,984
- Salaries wages and other benefits	37.2.2	236,806	148,327
- Insurance		626	642
- Repairs and maintenance		18,659	7,664
- Depreciation		12,541	16,322
- Other expenses		1,688	1,565
		1,744,367	1,271,759
Opening work in process		10,240	9,118
Closing work in process		(10,742)	(10,240)
		(502)	(1,122)
Cost of goods manufactured		1,743,865	1,270,637
Opening stock of finished goods		12,790	6,952
Closing stock of finished goods		(24,522)	(12,790)
		(11,732)	(5,838)
Cost of goods sold		(1,732,133)	(1,264,799)
Gross profit		168,382	57,681
Administrative expenses		(23,776)	(22,163)
Operating profit		144,606	35,518
Other income		6,012	3,045
Net profit		150,618	38,563

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

		2010	2009
37.2.2	Salaries, wages and other benefits	234,537	145,234
	Provident fund contribution	2,386	2,103
	Pension fund	(2,088)	(879)
	Gratuity	1,971	1,869
		236,806	148,327

	Note	2010	2009
		(Rupees in '000)	

38. FINANCE COST

	Note	2010	2009
Mark-up on:			
- musharaka arrangements		1,084,605	1,251,225
- local currency financing		1,350,660	1,055,529
- short term financing		184,873	293,091
- consumers' deposits		114,708	64,181
- Workers' Profit Participation Fund	14.2	-	1,066
- delayed payment on gas bills		2,668,779	2,068,624
- others		10,126	23,691
		5,413,751	4,757,407
Less: Finance cost capitalised during the year		(397,858)	(347,615)
		5,015,893	4,409,792

39. TAXATION

	2010	2009
Current	609,524	-
Deferred	2,004,745	159,210
	2,614,269	159,210

39.1 Relationship between consolidated accounting profit and tax expense for the year is as follows:

	2010	2009
Accounting profit for the year	7,013,418	416,695
Tax rate	35%	35%
Tax charge @ 35% (2009: 35%)	2,454,696	145,844
Effect of minimum tax	159,641	-
Tax effect of expenses that are not deductible in determining taxable profit	-	13,004
Effect of lower tax rate on dividend income	(68)	-
Prior years' tax charge	-	-
Effect of adjustment in opening written down value	-	-
Others	-	362
	2,614,269	159,210

40. STAFF RETIREMENT BENEFITS

40.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.15 to these financial statements, the Holding Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at June 30, 2010 under the projected unit credit method for both non-executive and executive staff members.

Fair value of plan assets and present value of obligations

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

Number of employees under the scheme

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

	2010		2009	
	Executives	Non-executives	Executives	Non-executives
Pension fund				
-Regular	86	44	71	57
-Reinstated	-	-	-	-
Gratuity fund				
-Regular	1,953	3,390	2,037	3,257
-Reinstated	596	1,914	-	-
	2,635	5,348	2,108	3,314

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

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

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

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

	2010			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	--------------(Rupees in '000)--------------			

Expense recognised in the consolidated profit and loss account

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

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

Composition / fair value of plan assets used by the fund

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

Actual return on plan assets is as follows:

	Pension	Gratuity	Pension	Gratuity
Expected return on plan assets	108,752	161,835	52,185	182,307
Actuarial gain on plan assets	(23,013)	4,746	8,223	(26,329)
Actual return on plan assets	85,739	166,581	60,408	155,978

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	———(Rupees in '000)———			

(Asset) / liability in consolidated balance sheet

	Pension	Gratuity	Pension	Gratuity
Fair value of plan assets	(910,450)	(1,469,949)	(435,232)	(1,539,886)
Present value of defined benefit obligation	288,113	1,725,098	6,114	1,445,153
Net (surplus) / deficit	(622,337)	255,149	(429,118)	(94,733)
Unrecognised actuarial gain / (loss)	621,976	(255,240)	260,385	94,733
	(361)	(91)	(168,733)	-

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2008	542,423	1,704,055	6,592	1,279,964
Current service cost	28,569	94,708	-	67,716
Interest cost	66,419	195,633	748	152,538
Past service cost	-	-	-	-
Actuarial (gain) / loss	(308,268)	(115,250)	(622)	40,636
Benefits paid	(41,030)	(154,048)	(604)	(95,701)
Obligation as at June 30, 2009	288,113	1,725,098	6,114	1,445,153
Changes in fair value of plan assets				
Fair value as at July 1, 2008	810,985	1,377,554	402,327	1,319,485
Expected return on plan assets	97,920	155,028	48,236	155,367
Net actuarial gain	24,809	44,856	14,319	73,431
Benefits paid	(41,030)	(154,048)	(604)	(95,701)
Contribution to fund	17,766	46,559	-	58,258
Amount transferred (out) / in	-	-	(29,046)	29,046
Fair value as at June 30, 2009	910,450	1,469,949	435,232	1,539,886

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

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

Liability / (Asset) as at July 1, 2008	952	(26,447)	(134,506)	22,417
Expense recognised for the year	16,453	72,915	(34,227)	35,841
Contribution to the fund / benefits paid	(17,766)	(46,559)	-	(58,258)
(Asset) in consolidated balance sheet	(361)	(91)	(168,733)	-

Expense recognised in the consolidated profit and loss account

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

Current service cost	28,569	94,708	-	67,716
Mark-up cost	66,419	195,633	748	152,538
Expected return on plan assets	(97,920)	(155,028)	(48,236)	(155,367)
Recognition of actuarial (gain) / loss	(23,089)	27,216	(15,785)	-
Recognition of past service cost / (gain)	42,474	(89,614)	-	-
Amount transferred out / (in)	-	-	29,046	(29,046)
	16,453	72,915	(34,227)	35,841

Composition of plan assets used by the fund

Equity	20.3%	6.9%	11.1%	19.4%
Debt instruments	79.7%	93.1%	88.9%	80.6%

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Actual return on plan assets is as follows:				
Expected return on plan assets	97,920	155,028	48,236	155,367
Actuarial gain on plan assets	24,809	44,856	14,319	73,431
Actual return on plan assets	122,729	199,884	62,555	228,798

Historical information	2010	2009	2008	2007	2006
	(Rupees in '000)				
Pension - Executives					
Present value of defined benefit obligation	**450,216**	288,113	542,423	471,480	452,255
Fair value of planned assets	**(928,384)**	(910,450)	(810,985)	(718,001)	(662,797)
Surplus	**(478,168)**	(622,337)	(268,562)	(246,521)	(210,542)
Amount payable / (receivable) against Holding Company Liability	**52,547**	-	-	-	-
Unrecognised past service cost	-	-	(42,474)	(84,951)	(127,428)
Unrecognised actuarial gain	**425,621**	621,976	311,988	332,329	337,953
(Asset) / liability in consolidated balance sheet	-	(361)	952	857	(17)
Experience adjustment arising on plan liabilities losses / (gains)	**129,098**	(308,268)	6,177	(35,615)	(230,677)
Experience adjustment arising on plan assets (losses) / gains	**(23,013)**	24,809	14,784	(14,072)	129,723
Gratuity - Executives					
Present value of defined benefit obligation	**2,114,380**	1,725,098	1,704,055	1,400,696	1,320,893
Fair value of planned assets	**(1,480,260)**	(1,469,949)	(1,377,554)	(1,405,498)	(1,291,147)
Deficit / (surplus)	**634,120**	255,149	326,501	(4,802)	29,746
Amount receivable against Holding Company liability	**(52,547)**	-	-	-	-
Unrecognised past service gain	-	-	89,614	179,227	268,840
Unrecognised actuarial loss	**(581,573)**	(255,240)	(442,562)	(187,076)	(298,587)
Asset in consolidated balance sheet	-	(91)	(26,447)	(12,651)	(1)
Experience adjustment arising on plan liabilities losses / (gains)	**339,352**	(115,250)	263,307	(24,005)	166,063
Experience adjustment arising on plan assets gains	**4,746**	44,856	2,651	70,856	202,703

Historical information

	2010	2009	2008	2007	2006
		(Rupees in '000)			
Pension - Non Executives					
Present value of defined benefit obligation	6,029	6,114	6,592	7,952	7,014
Fair value of planned assets	(382,750)	(435,232)	(402,327)	(354,912)	(349,276)
Surplus	(376,721)	(429,118)	(395,735)	(346,960)	(342,262)
Amount payable against Holding Company liability	49,292	-	-	-	-
Unrecognised actuarial gain	244,696	260,385	261,229	263,431	311,390
Asset in consolidated balance sheet	(82,733)	(168,733)	(134,506)	(83,529)	(30,872)
Experience adjustment arising on plan liabilities (gains) / losses	(184)	622	1,424	937	(256)
Experience adjustment arising on plan assets gains / (losses)	8,223	14,319	12,655	(28,592)	132,764
Gratuity - Non Executives					
Present value of defined benefit obligation	2,221,574	1,445,153	1,279,964	1,029,557	883,080
Fair value of planned assets	(1,564,495)	(1,539,886)	(1,319,485)	(1,410,681)	(1,154,880)
Surplus	657,079	(94,733)	(39,521)	(381,124)	(271,800)
Amount receivable against Holding Company liability	(49,292)	-	-	-	-
Unrecognised actuarial (loss) / gain	(618,034)	94,733	61,938	411,964	302,672
Liability in consolidated balance sheet	(10,247)	-	22,417	30,840	30,872
Experience adjustment arising on plan liabilities losses / (gains)	686,438	40,636	164,275	67,045	(169,797)
Experience adjustment arising on plan assets (losses) / gains	(26,329)	73,431	(157,681)	188,816	129,064

Significant actuarial assumptions

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

	Executives and Non-Executives	
	2010	2009
	(%)	(%)
Discount rate	12.75	12
Expected rate of increase in salary level	11.75	10
Expected rate of return on plan assets	13.25	12
Increase in pension	5.75	5

40.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.15 to these financial statements the Holding Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after December 31, 2000. The latest valuations of the liability under these schemes were carried out as at June 30, 2010 under the projected unit current cost method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,549 (2009: 2,037).

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

Movement in net liability recognised

	June 30, 2010	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2009	1,065,436	52,581
Charge for the year	175,254	4,081
Payments during the year	(24,705)	(2,888)
Liability as at June 30, 2010	1,215,985	53,774
Expense recognised in the consolidated profit and loss account		
Current service cost	47,071	4,786
Mark-up cost - net	128,183	-
Amortisation of actuarial gain	-	(705)
	175,254	4,081

	June 30, 2009		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Liability in consolidated balance			
Projected benefit obligation	1,065,142	41,395	1,106,537
Unrecognised actuarial gain	294	11,185	11,479
	1,065,436	52,580	1,118,016

Movement in net liability recognised	June 30, 2009	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2008	922,158	51,942
Charge for the year	167,441	3,807
Payments during the year	(24,163)	(3,168)
Liability as at June 30, 2009	1,065,436	52,581
Expense recognised in the consolidated profit and loss account		
Current service cost	48,668	-
Mark-up cost - net	118,773	4,688
Amortisation of actuarial gain	-	(881)
	167,441	3,807

Significant actuarial assumptions

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

	Executives	
	2010	2009
	(%)	(%)
Discount rate	12	12
Medical inflation rate	8.5	8.5
Gas inflation rate	9	9

	2010	2009	2008	2007	2006
		(Rupees in '000)			
Medical facility - Executives					
Present value of defined benefit obligation	1,243,878	1,065,142	970,936	834,683	782,340
Fair value of planned assets	-	-	-	-	-
Deficit	1,243,878	1,065,142	970,936	834,683	782,340
Unrecognised actuarial (loss) / gain	(27,893)	294	(48,777)	895	(40,680)
Liability in consolidated balance sheet	1,215,985	1,065,436	922,159	835,578	741,660
Experience adjustment arising on plan liabilities losses / (gains)	28,187	(49,097)	56,148	(41,575)	4,728
Experience adjustment arising due to change of basis	-	-	6,363	-	-
Gas facility - Executives					
Present value of defined benefit obligation	43,639	41,395	39,208	34,720	28,202
Unrecognised part of transitional liability	-	-	-	-	-
Unrecognised actuarial gain	10,135	11,185	12,733	18,216	25,697
Liability in consolidated balance sheet	53,774	52,580	51,941	52,936	53,899
Experience adjustment arising on plan liabilities losses / (gains)	345	668	4,208	5,401	(3,261)
Experience adjustment arising due to change of basis	-	-	477	-	-

41. EARNINGS PER SHARE - BASIC AND DILUTED

		2010	2009
Profit after taxation	Rupees in '000	4,399,149	257,485
Average number of ordinary shares	Number of shares	671,174,331	671,174,331
Earnings per share - basic and diluted	Rupees	6.55	0.38

42. WORKING CAPITAL CHANGES

	2010	2009
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores and spares	(363,400)	(575,955)
Stock-in-trade	34,486	21,587
Consumers' installation work-in-progress	(22,122)	31,975
Trade debts	(11,380,039)	(12,985,437)
Trade deposits and short term prepayments	(72,132)	156,610
Other receivables	5,466,013	(13,619,795)
	(6,337,194)	(26,971,015)
Increase in current liabilities		
Creditors, accrued and other liabilities	2,221,334	19,408,932
	(4,115,860)	(7,562,083)

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	June 30, 2010		30 June 2009	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in 000)			
Managerial remuneration	6,042	713,528	5,561	547,311
Housing	2,719	313,440	2,365	212,446
Utilities	746	185,451	525	47,218
Retirement benefits	3	65,745	3	60,817
	9,510	1,278,164	8,454	867,792
Number	1	869	1	591

43.1 The Chairman, Chief Executive and certain executives are also provided Holding Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Holding Company was paid Rs. 0.300 million (2009: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

43.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.048 million (2009: Rs. 0.036 million for 14 directors).

44. CAPACITY AND ACTUAL PERFORMANCE

44.1 Natural gas transmission

	June 30, 2010		30 June 2009	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	510,270	143,762,704	509,328	143,497,307
Utilisation - volume of gas transmitted	426,433	120,142,594	422,282	118,973,097
Capacity utilisation factor (%)	83.6	83.6	82.9	82.9

44.2 Natural gas distribution

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

44.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 750,000 meters (2009: 650,460 meters) against an annual capacity of 356,000 meters on a single shift basis.

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefits plans and the Holding Company's directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Holding Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2010	2009
		(Rupees in '000)	
Sui Northern Gas Pipeline Limited	Associate		
- Principal portion of lease rental		65,350	65,258
- Sale of gas meters		1,335,120	907,327
Oil and Gas Development Company Limited	Associate		
- Principal portion of lease rental		8,634	8,633
- Gas purchases		18,804,580	24,944,511
Mari Gas Company Limited	Associate		
- Gas purchases		146,973	7,907

	Relationship	2010	2009
		(Rupees in '000)	
State Life Insurance Corporation Limited	Associate		
- Rent of premises		2,525	2,592
Liaquat National Hospital	Associate		
- Medical services		31,964	29,173
- Gas sales		263	183
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		586	759
PERAC Research and Development Foundation	Associate		
- Energy conservation study charges		602	569
Siemens Pakistan Engineering Limited	Associate		
- Supplies and maintenance		123	780
- Gas sales		6,120	5,219
U.G Foods Company (Private) Limited	Associate		
- Gas sales		6,665	6,590
Artistic Denim Mills Limited	Associate		
- Gas sales		218,892	38,810
Greaves CNG (Private) Limited	Associate		
- Gas sales		39,156	33,655
Dawood Islamic Bank Limited	Associate		
- Interest income		32,671	49,260
Remuneration of key management personnel			
- (executive staff)		87,427	59,769
Minto & Mirza	Associate		
- Professional charges		4,275	-
Quality Aviation Pvt Limited	Associate		
- Travelling services		8,821	-
Packages Limtied	Associate		
- Gas sales		6,826	6,089

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

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 14, 30 and 39 to these financial statements.

Remuneration to the executive officers of the Holding Company (disclosed in note 42 to these financial statements) and loans and advances to them (disclosed in notes 22 and 27 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Holding Company is received at rates prescribed by the Government of Pakistan.

45.1 Amount (due to) / receivable from related parties

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

	Relationship	2010	2009
		(Rupees in '000)	
Sui Northern Gas Pipeline Limited	Associate		
- Lease rentals		67,745	79,842
- Sale of gas meters		30,970	15,258
- Gas purchases		-	(26,683)
- Cost of gas levelisation		4,130,197	7,939,768
Oil and Gas Development Company Limited	Associate		
- Gas purchases		(16,415,395)	(12,924,481)
Mari Gas Company Limited	Associate		
- Gas purchases		(72,829)	(3,478)
Liaquat National Hospital	Associate		
- Medical services		-	(21)
- Gas sales		83	19
Siemens Pakistan Engineering Limited	Associate		
- Gas sales		561	483
U.G Foods Company (Private) Limited	Associate		
- Gas sales		797	567
Artistic Denim Mills Limited	Associate		
- Gas sales		22,048	4,362
Packages Limited	Associate		
- Gas sales		577	646

46. FINANCIAL RISK MANAGEMENT

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

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

46.1 Credit risk

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

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

	2010	2009
	(Rupees in '000)	
Trade debts	43,815,667	32,568,205
Net investment in finance lease	1,159,334	1,278,132
Loans and advances	206,774	205,359
Deposits	22,798	26,158
Bank balances	613,479	1,460,942
Interest accrued	2,834,297	1,198,064
Other receivables	5,380,559	8,511,523
	54,032,908	45,248,383

46.1.1 Collateral and other credit enhancements obtained

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

	2010	2009
Cash Deposits	3,369,885	2,916,100
Bank Guarantee	10,387,475	9,238,130
Total	13,757,360	12,154,230

46.1.2 Credit Quality

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

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

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

46.1.3 Past due and impaired financial assets

Industrial and commercial consumers

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

	2010	
	Gross carrying amount	Impairment
	---------------(Rupees in '000)--------------	
Not due balances	13,577,837	-
Past due but not impaired	24,178,004	-
Past due and impaired	2,764,996	36,429
Disconnected Consumers	304,209	270,650
Total	40,825,046	307,079

	2009	
	Gross carrying amount	Impairment
	(Rupees in '000)	
Not due balances	13,159,376	-
Past due but not impaired	15,023,350	-
Past due and impaired	2,141,428	230,066
Disconnected Consumers	241,015	241,015
Total	30,565,169	471,081

Past due balances include aggregate over due balances of KESC and JPCL amounting to Rs. 24,178 million and are subject to inter corporate circular debt of government entities and KESC. (refer note No.27.1)

The Holding Company has collateral / security against industrial and commercial consumers amounting to Rs. 12,613 million (2009: Rs. 11,093 million) and replenish such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due. In case of past due balances the Holding Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected consumers) are considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired assets.

Domestic consumers

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

	2010	
	Gross carrying amount	Impairment
	(Rupees in '000)	
Not due balances	1,486,682	-
Past due but not impaired		
Past due 1 - 6 month	632,205	-
Past due and impaired		
Past due 7 -9 months	225,198	87,819
Past due 10-12 months	157,773	61,526
Past due 13-18 months	483,756	188,648
Past due 19-24 months	203,588	79,392
Past due Over 2 years	621,803	242,481
	1,692,118	659,867
Disconnected Consumer	1,475,945	1,329,384
Total	5,286,950	1,989,251

	2009 Gross carrying amount	2009 Impairment
	(Rupees in '000)	
Not due balances	1,244,537	-
Past due but not impaired		
- 1 to 6 month	981,915	-
Past due and impaired		
Past due 7 -9 months	97,609	9,761
Past due 10-12 months	20,815	5,204
Past due 13-18 months	138,012	69,006
Past due 19-24 months	98,850	74,137
Past due Over 2 years	372,032	357,403
	727,318	515,511
Disconnected Consumer	1,213,019	1,213,019
Total	4,166,789	1,728,530

The Holding Company has collateral / security against domestic consumers amounting to Rs. 1,144 million (2009: Rs. 1,061 million) and replenish such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due.

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

Interest Accrued

As at June 30, 2010 interest accrued was Rs. 2,834.295 million (2009: Rs. 1,198.062 million). Interest accrued mainly on consumers' balances past due / over due balances. Interest on past due balances includes aggregate over due balances of KESC, WAPDA and SNGPL amounting to Rs.2,245.463 million (2009: 738.03 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.27.1)

Other receivables

As at June 30, 2010 other receivable financial assets amounted to Rs. 5,380 million (2009: Rs.8,511 million). Past due other receivables amounting to Rs. 2,876 million (2009: Rs. 2,826 million) include over due balances of SNGPL amounting to Rs. 2,297 million (2009: Rs. 2,468 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note 27.1)

46.1.4 Concentration of credit risk

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

Trade debts

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

	2010	2009
	(Rupees in '000)	
Power Generation Companies	25,386,460	21,633,539
Cement Industries	340,461	174,592
Fertilizer and Steel Industries	1,378,461	1,873,442
Other Industries	12,616,926	5,817,461
Total industrial customers	39,722,308	29,499,034
Commercial customers	795,660	595,054
Domestic consumers	3,297,699	2,474,117
	43,815,667	32,568,205

At year end the Group's most significant customers were KESC and WAPDA which amounted to Rs.21,280 million (2009: 15,594 million) and Rs. 8,259 million (2009: 5,543 million) respectively These balances have aggregated due to inter circular corporate debt arrangement. (Refer note 27.1 to these financial statements).

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

Karachi	31,849,297	24,100,514
Sindh (excluding Karachi)	10,660,430	7,042,626
Balochistan	1,305,940	1,425,065
	43,815,667	32,568,205

Net investment in finance lease

The Groups's most significant investment in finance lease amounted to Rs. 882.297 million (2009: Rs. 887.556 million) in respect of SNGPL.

Interest accrued

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

Other receivables

Most significant other receivables of the Group are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 31.2 to these financial statements. These balances are subject to inter circular corporate debt arrangement as explained in note 27.1 to these financial statements.

46.2 Liquidity risk

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

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

	2010					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	16,679,450	(19,796,229)	(4,256,694)	(2,480,174)	(8,958,338)	(4,101,023)
Short term borrowings	3,720,666	(3,973,671)	(3,973,671)	-	-	-
Trade and other payables	49,077,411	(49,077,411)	(49,077,411)	-	-	-
Interest and mark-up accrued	6,829,477	(6,829,477)	(6,829,477)	-	-	-
Long term deposits	3,413,042	(7,863,800)	(95,888)	-	(111,269)	(7,656,643)
	79,720,046	(87,540,588)	(64,233,141)	(2,480,174)	(9,069,607)	(11,757,666)

	2009					
	Carrying Amount	Contractual cash flows	Not later than six months	later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	22,466,265	(28,120,852)	(2,451,821)	(5,210,948)	(9,320,988)	(11,137,095)
Trade and other payables	47,241,936	(47,241,936)	(47,241,936)	-	-	-
Interest and mark-up accrued	4,181,967	(4,181,967)	(4,181,967)	-	-	-
Long term deposits	2,954,186	(6,729,811)	(65,530)	-	(92,752)	(6,571,529)
	76,844,354	(86,274,566)	(53,941,254)	(5,210,948)	(9,413,740)	(17,708,624)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2010. The rates of mark-up have been disclosed in notes 6 and 7 to these financial statements. Contractual cash flows of the long term deposits are determined on the assumption that adjusted / refund of these deposits will not be required before expiry of 40 years from balance sheet date.

46.3 Market risk

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

46.3.1 Currency risk

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

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

	2010			
	Rupees in '000	US Dollars in '000	Pound Sterling in '000	Euro in '000
Creditors for gas	11,349,304	132,740	-	-
Gross balance sheet exposure	11,349,304	132,740	-	-
Estimated forecast gas and stores purchases	123,824,609	1,440,540	1,104	4,875
Gross exposure	135,173,913	1,573,280	1,104	4,875

	2009			
	Rupees in '000	US Dollars in '000	Pound Sterling in '000	Euro in '000
Creditors for gas	9,562,831	117,236	-	-
Gross balance sheet exposure	9,562,831	117,236	-	-
Estimated forecast gas and stores purchases	126,664,827	1,547,599	285	3,375
Gross exposure	136,227,658	1,664,835	285	3,375

Above net exposure is payable by the Holding Company in Rupees at the rate on which these are settled by the Holding Company. Currently, the Holding Company does not obtain forward cover against the gross exposure as exchange loss/ gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return. (refer note 50.7)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2010	2009	2010	2009
	Rupees		Rupees	
US Dollars	84.23	80.33	85.50	81.57

Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at June 30, 2010 would have increased / (decreased) trade creditors and gas development surcharge receivable from Government of Pakistan by Rs. 1,134.930 million (2009: Rs. 956.404 million). There is no effect of strengthening / (weakening) of US dollar on consolidated equity and consolidated profit and loss account of the Group as exchange loss/gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

46.3.2 Interest rate risk

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

	2010	2009
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	1,159,334	1,278,132
Loan and Advances	7,008	10,847
Cash and bank balances	145,723	680,187
Trade debts	4,510,408	12,771,701
Financial liabilities		
Long term deposits	2,225,355	1,855,047
Govt. of Sindh Loan	1,948,640	956,199
Variable rate instruments		
Financial Assets		
Other receivables	2,875,707	2,662,460
Trade debts	24,756,915	4,393,077
Financial liabilities		
Trade and other payables	24,412,094	18,270,804
Long term loan except Govt. of Sindh loan	14,730,810	21,510,066
Short term borrowings	3,720,666	-

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the consolidated profit or loss of the Group as at June 30, 2010 by Rs. 152 million (2009: Rs.77 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the samebasis for 2009.

46.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Group's investments in listed equity securities. This arises from investments held by the Group for which prices in the future are uncertain. The fair value of listed equity investments of the Group that are exposed to price risk as at June 30, 2010 is Rs. 92 million (2009: Rs.102 million)

A 10% increase/ decrease in the prices of listed equity securities of the Group at the reporting date would have increased or (decreased) long term investment and consolidated equity by Rs. 9 million (2009: Rs. 10 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

46.4 Fair value of financial assets and liabilities

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

46.4.1 Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	2009			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	102,341	-	-	102,341
	102,341	-	-	102,341

There have been no transfers during the year. (2009: no transfers in either direction).

47. OPERATING SEGMENTS

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

1) Gas Transmission and Distribution (sale of gas); and
2) Meter Manufacturing (Manufacturing and sale of gas meters)

SEGMENT REVENUE AND RESULTS

The Following is analysis of the Group's revenue and results by reportable segment

	SEGMENT REVENUE		SEGMENT PROFIT	
	2010	2009	2010	2009
	----------------------(Rupees in '000)----------------------			
Gas Transmission and distrbution	127,613,530	118,585,244	1,065,809	(2,024,739)
Meter Manufacturing	2,170,293	1,548,920	150,618	38,563
Total Segments reults	129,783,823	120,134,164	1,216,427	(1,986,176)
Unallocated - other expenses				
- Finance cost			(5,015,893)	(4,409,792)
- Selling expenses			(714,540)	(715,607)
- Other operating expenses			(752,037)	(2,352,918)
Unallocated - other income				
- Operating income			6,908,560	6,071,384
- Non-operating income			5,370,900	3,809,804
Profit before tax			7,013,417	416,695

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 664 million (2009: 477 million)

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

	2010	2009
	----(Rupees in '000)----	
SEGMENT ASSETS AND LIABILITIES		
Segment assets		
Gas Transmission and distrbution	108,928,849	98,252,094
Meter Manufacturing	417,863	404,171
Total Segment Assets	109,346,712	98,656,265
Unallocated		
- Intangibles	4,510	43,891
- Loans and advances	206,774	205,359
- Taxation -net	90,170	166,500
- Interest accrued	490,572	4,760
- Cash and bank balances	620,957	1,477,224
	1,412,983	1,897,734
Total Assets	110,759,695	100,553,999
Segment Liabilities		
Gas Transmission and distrbution	74,523,598	66,881,344
Meter Manufacturing	55,003	15,054
Total Segment Liabilities	74,578,601	66,896,398
Unallocated		
- Long term financing	16,679,450	22,466,265
- Short term borrowings	3,720,666	-
- Employee benefits	1,530,262	1,308,176
- Interest and mark-up accrued	178,298	199,567
	22,108,676	23,974,008
Total Liabilities	96,687,277	90,870,406

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

48. CAPITAL RISK MANAGEMENT

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

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

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

49. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at June 30, 2010 and 2009, are as follows:

	2010	2009
	(Rupees in '000)	
	Based on un-audited financial statements	
Pension fund - executives	879,793	562,488
Gratuity fund - executives	1,288,627	1,151,150
Pension fund - non executives	343,692	417,693
Gratuity fund - non executives	1,463,742	1,420,410
Provident fund - executives	1,481,074	1,317,291
Provident fund - non executives	1,679,877	1,655,984
Benevolent fund - executives	71,863	58,550

50. ACCOUNTING ESTIMATES AND JUDGMENTS

50.1 Income tax

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

50.2 Staff Retirement Benefits

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

50.3 Property, plant and equipment

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

50.4 Trade debtors

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

50.5 Provision for impaired inventory

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

50.6 Fair value of investment

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

51. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended June 30, 2010 of Rs. 1.5 per share (2009: Rs. Nil per share), amounting to Rs. 1,00.761 million (2009: Rs. Nil) and bonus issue in the ratio of 2.5 shares for every 10 shares held i.e 25% at their meeting held on September 30, 2010, for approval of the members at the annual general meeting to be held on October 29, 2010.

52. CORRESPONDING FIGURES

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

Reclassification		Amount
From	To	(Rupees in '000)
Trade and other payables	Long term advances	1,328,199
Other operating income	Other non-operating income	3,269,656

53. GENERAL

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

54. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 30 September, 2010.

Salim Abbas Jilani
Chairman

Dr. Faizullah Abbasi
Managing Director

TEN YEARS AT A GLANCE
As at 30 June 2010

		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
General	Mains - Transmission (km) - Cumulative	3,320	3,320	3,309	3,290	3,062	2,943	2,786	2,786	2,724	2,777
	Mains and Services - Distribution (km) - Additions	2,503	2,352	2,079	2,290	1,778	1,424	924	526	703	404
	New connections	112,732	114,846	95,969	92,139	81,026	78,578	68,563	56,789	61,616	52,506
	Gas sales (MMCF)	388,828	384,522	377,265	357,910	358,959	338,759	318,068	254,349	234,553	206,967
	LPG sales (M. Tons)	-	-	-	-	-	-	-	-	-	5,044
	Gas meters produced / assembled	750,000	650,460	513,250	550,150	513,500	400,200	322,000	303,750	289,850	292,750
						(Rupees in million)					
Balance Sheet - Summary	Paid - up share capital	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7
	Reserves and accumulated profit	7,360.6	2,971.8	3,603.4	3,027.2	3,629.8	3,654.1	2,635.9	2,592.2	2,286.6	1,998.9
	Redeemable capital	4,202.9	7,644.7	8,506.4	2,987.7	416.3	1,165.8	4,960.0	4,567.1	3,778.8	2,726.8
	Deferred credit	4,989.4	4,846.5	3,819.9	2,976.9	2,245.5	1,791.4	1,711.4	1,438.2	1,425.2	1,413.3
	Deferred liabilities - Taxation	7,018.3	5,013.5	4,854.3	3,879.3	3,204.7	2,875.2	2,496.4	2,600.6	2,668.1	2,628.2
	Long term advances	1,460.2	1,328.2	-	-	-	-	-	-	-	-
	Provision for non funded schemes - Executives	1,530.3	1,308.2	1,096.2	999.1	904.4	847.9	772.0	639.4	502.2	356.8
	Obligation under finance lease	-	-	-	-	-	-	43.7	87.4	364.7	434.1
	Long term loans outstanding										
	Foreign	-	-	-	-	-	445.7	1,357.7	2,184.9	3,303.4	4,102.3
	Local	7,441.9	9,852.1	7,452.8	11,880.3	9,828.2	7,052.9	-	-	-	-
	Long - term deposits	3,413.0	2,954.2	2,578.9	2,363.6	2,089.4	1,806.7	1,610.0	1,428.0	1,303.3	1,166.9
		44,128.3	42,630.9	38,623.6	34,825.8	29,030.0	26,351.4	22,298.8	22,249.5	22,344.0	21,539.0
	Represented by:										
	Fixed assets	41,665.6	38,095.6	33,807.6	29,822.7	24,899.9	21,641.1	17,496.6	17,222.6	18,082.6	17,947.1
	Other assets (net)	2,462.7	4,535.3	4,816.0	5,003.1	4,130.1	4,710.3	4,802.2	5,026.9	4,261.4	3,591.9
		44,128.3	42,630.9	38,623.6	34,825.8	29,030.0	26,351.4	22,298.8	22,249.5	22,344.0	21,539.0
Profit and Loss - Summary											
Income	Gas sales **	127,613.5	118,585.3	84,542.4	83,370.3	75,339.7	62,511.7	54,444.6	41,572.3	37,061.1	29,237.1
	General sales tax	15,339.9	14,446.3	9,547.6	9,091.9	8,785.1	8,136.1	7,089.7	5,408.9	4,826.1	3,807.1
		112,273.6	104,139.0	74,994.8	74,278.4	66,554.6	54,375.6	47,354.9	36,163.4	32,235.0	25,430.0
	Less: Gas development surcharge	4,536.8	(4,012.1)	369.2	7,234.3	2,183.6	1,672.9	2,555.2	1,327.0	3,719.4	1,112.9
	Net sales	107,736.8	108,151.1	74,625.6	67,044.1	64,371.0	52,702.7	44,799.7	34,836.4	28,515.6	24,317.1
	Cost of gas	104,936.8	108,709.7	69,238.2	63,157.1	59,594.5	46,812.7	38,713.1	28,060.6	22,216.5	18,428.4
	Gross profit	2,800.0	(558.6)	5,387.4	3,887.0	4,776.5	5,890.0	6,086.6	6,775.8	6,299.1	5,888.7
	Meter rentals	576.4	551.6	530.0	502.3	472.3	455.1	436.5	421.1	407.7	399.5
	Late payment surcharge	1,057.6	576.1	425.2	321.8	292.1	263.2	232.2	222.1	212.7	201.3
	Recognition of income against deferred credit	326.6	297.8	181.0	231.8	184.5	150.9	145.2	126.8	121.3	116.3
	LPG bottling division profit	-	-	-	-	-	-	-	-	-	3.4
	Meter manufacturing division profit	150.6	38.6	65.9	121.0	80.3	48.2	53.1	70.2	41.6	64.4
	Other income	10,318.9	8,455.7	6,277.5	4,932.5	4,054.2	1,674.3	865.9	623.3	674.6	1,128.8
		15,230.0	9,361.2	12,867.0	9,996.4	9,859.9	8,481.7	7,819.5	8,239.3	7,757.0	7,802.4
Expenditure	Purification, transmission and distribution cost	2,634.8	4,333.6	4,965.5	4,562.3	4,419.8	3,991.0	3,525.2	3,287.6	2,712.8	2,552.3
	Depreciation	196.8	179.1	2,181.6	2,171.9	2,151.1	2,182.0	1,922.2	1,884.0	1,989.5	1,956.7
	Finance cost	5,015.9	4,409.8	2,370.7	1,778.8	1,390.5	563.0	695.6	872.4	762.2	1,214.0
	Workers' (profit) participation fund / others	369.1	22.0	967.5	148.2	178.3	157.0	104.2	146.3	138.1	104.9
		8,216.6	8,944.5	10,485.3	8,661.2	8,139.7	6,893.0	6,247.2	6,190.3	5,602.6	5,827.9
Profit	Profit before taxation	7,013.4	416.7	2,381.7	1,335.2	1,720.2	1,588.7	1,572.3	2,049.0	2,154.4	1,974.5
	Provision for taxation	2,614.3	159.2	1,390.6	1,044.8	828.5	576.2	575.6	601.1	719.8	682.2
	Profit after taxation	4,399.1	257.5	991.1	290.4	891.7	1,012.5	996.7	1,447.9	1,434.6	1,292.3
Dividend	Cash dividend	15%	-	12.5%	5%	13%	15%	15%	18%	17.5%	15%
	Bonus shares	25%	-	-	-	-	-	-	-	-	-
Rate of Corporate tax		35%*	35%*	35%*	35%*	35%*	35%*	35%*	35%*	35%*	35%*

* Excluding turnover and corporate assets taxes.

** Gas shrinkage charged to JJVL has been classified from sales to other operating income as per directions from OGRA and accordingly comparative has been reclassified

SIX-YEAR FINANCIAL HIGHLIGHTS

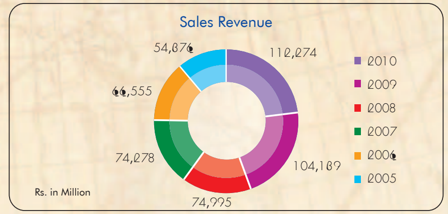
KEY INDICATORS		2010	2009	2008	2007	2006	2005
Operating Results	Rs. Million						
Sales revenue		112,274	104,139	74,995	74,278	66,555	54,376
Gross profit / (loss)		2,800	(559)	5,387	3,887	4,776	5,890
Profit before tax		7,013	417	2,382	1,365	1,720	1,589
Profit after tax		4,399	257	991	290	892	1,013
Operating Ratios	%						
Gross margin / (loss)		2.49	(0.54)	7.18	5.23	7.18	10.83
Pre-tax margin		6.25	0.40	3.18	1.80	2.58	2.92
Net margin		3.92	0.25	1.32	0.39	1.34	1.86
Financial Position	Rs. Million						
Shareholders equity		14,072	9,684	10,315	9,739	10,341	10,366
Property, plant & equipment		41,666	38,096	33,808	29,823	24,900	21,641
Net current assets		1,203	3,110	2,823	907	2,172	2,889
Long term assets		1,259	1,426	1,616	1,809	439	360
Long term liabilities		30,056	32,947	27,932	22,800	17,169	14,524
Capital employed		31.451	29,212	25,441	22,596	19,808	17,873
Performance							
Capital expenditure	Rs. Million	6,040	6,583	6,044	8,566	5,398	6,220
Return on assets*	%	11.90	0.77	3.40	1.18	4.29	5.63
Asset turnover ratio		2.95	2.90	2.40	2.74	2.99	2.82
Fixed assets turnover ratio		3.04	3.10	2.57	3.01	3.20	3.02
Return on equity	%	31.26	2.66	9.61	2.98	8.62	9.77
Return on capital employed*	%	13.99	0.88	3.90	1.29	4.50	5.67
Valuation and other ratios							
Earnings per share	Rs.	6.55	0.38	1.48	0.43	1.33	1.51
Cash dividend - per share	Rs.	1.50	-	1.25	0.50	1.30	1.50
Dividend payout ratio	%	23	-	84	116	98	99
Bonus shares	%	25	-	-	-	-	-
Net assets per share (breakup value)	Rs.	20.97	14.43	15.37	14.51	15.41	15.44
Market value per share at 30 June	Rs.	15.91	14.00	28.06	25.80	28.90	23.15
Price earnings ratio		2.43	36.84	18.96	60.00	21.73	15.33
Market price to breakup value		0.76	0.97	1.83	1.78	1.88	1.50
Dividend yield	%	25.14	-	4.45	1.94	4.50	6.48
Market capitalization	Rs. Million	10,678	9,396	18,883	17,316	19,397	15,533
Debt : Equity ratio		45 : 55	64 : 36	60 : 40	56 : 44	46 : 54	41 : 59
Current ratio		1.02	1.05	1.08	1.03	1.11	1.23
Debt service coverage ratio (as per ADB's covenant)		1.54	2.43	2.52	1.75	2.18	1.85

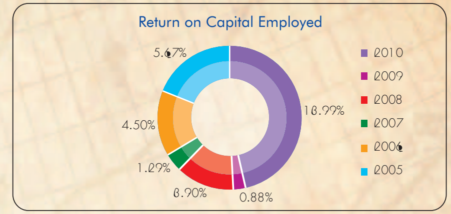
* based on average for the year

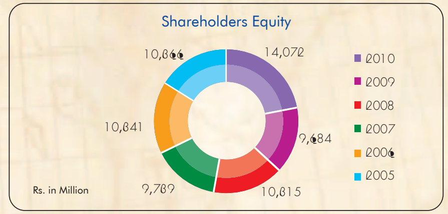
The Company continued its focus on prudent capital expenditure to enhance its asset base as well as rehabilitation and replacement of ageing network. This strategy has been of double advantage to the Company. While it is helping to increase the regulated return on asset base, it is also a major factor in the control of Unaccounted-for-Gas (UFG). This year the Company achieved the capitalization of Rs. 5.4 billion which is in line with robust performance trend during last five years. The growth in Capital employed during last six years is 76% which equate to 12% CAGR (Compound Annual Growth Rate) while increase in sales revenue is 106% which equated to 16% CAGR.

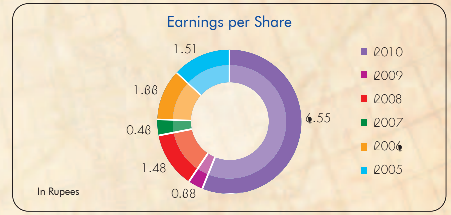
This year OGRA also recognized the UFG issue more than ever before and Benchmark revised upward at 7% from last year target of 5.15%. This has helped to reduce OGRA penalties from Rs. 2.8 billion in the last year to Rs. 0.9 billion in the current year, resultantly improving the profitability.

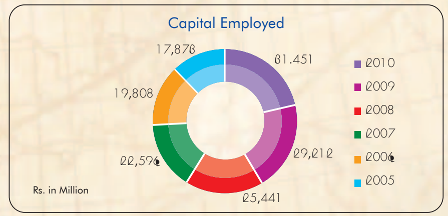
Besides relaxation in UFG target, OGRA has accepted SSGC's stance for allowing certain non-regulated incomes e.g. royalty income, late payment surcharge, sale of gas condensate and meter manufacturing profit outside the ambit of return formulae, which has also helped in improving the bottom line.

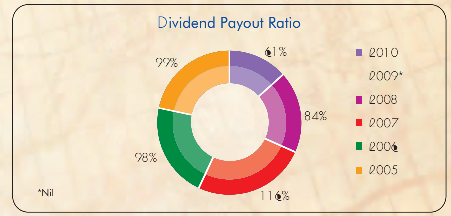


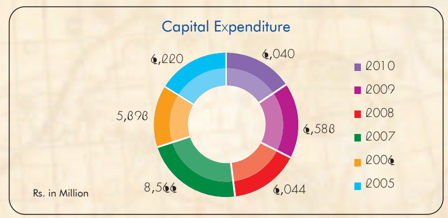


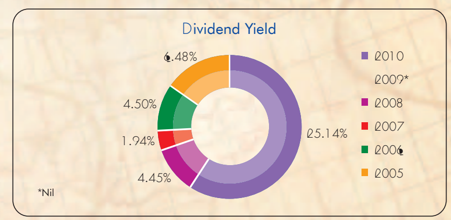


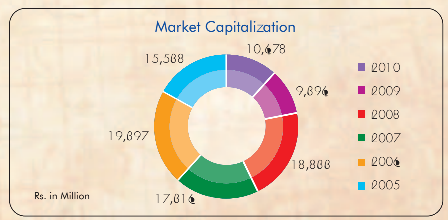


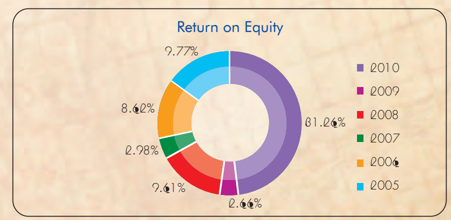












STATISTICAL INFORMATION

TEN YEARS AT A GLANCE
As at 30 June 2010

		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
General	Mains - Transmission (km) - Cumulative	3,320	3,320	3,309	3,290	3,062	2,943	2,786	2,786	2,724	2,777
	Mains and Services - Distribution (km) - Additions	2,503	2,352	2,079	2,290	1,778	1,424	924	526	703	404
	New connections	112,732	114,846	95,969	92,139	81,026	78,578	68,563	56,789	61,616	52,506
	Gas sales (MMCF)	388,828	384,522	377,265	357,910	358,959	338,759	318,068	254,349	234,553	206,967
	LPG sales (M. Tons)	-	-	-	-	-	-	-	-	-	5,044
	Gas meters produced / assembled	750,000	650,460	513,250	550,150	513,500	400,200	322,000	303,750	289,850	292,750
						(Rupees in million)					
Balance Sheet - Summary	Paid - up share capital	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7	6,711.7
	Reserves and accumulated profit	7,360.6	2,971.8	3,603.4	3,027.2	3,629.8	3,654.1	2,635.9	2,592.2	2,286.6	1,998.9
	Redeemable capital	4,202.9	7,644.7	8,506.4	2,987.7	416.3	1,165.8	4,960.0	4,567.1	3,778.8	2,726.8
	Deferred credit	4,989.4	4,846.5	3,819.9	2,976.9	2,245.5	1,791.4	1,711.4	1,438.2	1,425.2	1,413.3
	Deferred liabilities - Taxation	7,018.3	5,013.5	4,854.3	3,879.3	3,204.7	2,875.2	2,496.4	2,600.6	2,668.1	2,628.2
	Long term advances	1,460.2	1,328.2	-	-	-	-	-	-	-	-
	Provision for non funded schemes - Executives	1,530.3	1,308.2	1,096.2	999.1	904.4	847.9	772.0	639.4	502.2	356.8
	Obligation under finance lease	-	-	-	-	-	-	43.7	87.4	364.7	434.1
	Long term loans outstanding										
	Foreign	-	-	-	-	-	445.7	1,357.7	2,184.9	3,303.4	4,102.3
	Local	7,441.9	9,852.1	7,452.8	11,880.3	9,828.2	7,052.9	-	-	-	-
	Long - term deposits	3,413.0	2,954.2	2,578.9	2,363.6	2,089.4	1,806.7	1,610.0	1,428.0	1,303.3	1,166.9
		44,128.3	42,630.9	38,623.6	34,825.8	29,030.0	26,351.4	22,298.8	22,249.5	22,344.0	21,539.0
	Represented by:										
	Fixed assets	41,665.6	38,095.6	33,807.6	29,822.7	24,899.9	21,641.1	17,496.6	17,222.6	18,082.6	17,947.1
	Other assets (net)	2,462.7	4,535.3	4,816.0	5,003.1	4,130.1	4,710.3	4,802.2	5,026.9	4,261.4	3,591.9
		44,128.3	42,630.9	38,623.6	34,825.8	29,030.0	26,351.4	22,298.8	22,249.5	22,344.0	21,539.0
Profit and Loss - Summary											
Income	Gas sales **	127,613.5	118,585.3	84,542.4	83,370.3	75,339.7	62,511.7	54,444.6	41,572.3	37,061.1	29,237.1
	General sales tax	15,339.9	14,446.3	9,547.6	9,091.9	8,785.1	8,136.1	7,089.7	5,408.9	4,826.1	3,807.1
		112,273.6	104,139.0	74,994.8	74,278.4	66,554.6	54,375.6	47,354.9	36,163.4	32,235.0	25,430.0
	Less: Gas development surcharge	4,536.8	(4,012.1)	369.2	7,234.3	2,183.6	1,672.9	2,555.2	1,327.0	3,719.4	1,112.9
	Net sales	107,736.8	108,151.1	74,625.6	67,044.1	64,371.0	52,702.7	44,799.7	34,836.4	28,515.6	24,317.1
	Cost of gas	104,936.8	108,709.7	69,238.2	63,157.1	59,594.5	46,812.7	38,713.1	28,060.6	22,216.5	18,428.4
	Gross profit	2,800.0	(558.6)	5,387.4	3,887.0	4,776.5	5,890.0	6,086.6	6,775.8	6,299.1	5,888.7
	Meter rentals	576.4	551.6	530.0	502.3	472.3	455.1	436.5	421.1	407.7	399.5
	Late payment surcharge	1,057.6	576.1	425.2	321.8	292.1	263.2	232.2	222.1	212.7	201.3
	Recognition of income against deferred credit	326.6	297.8	181.0	231.8	184.5	150.9	145.2	126.8	121.3	116.3
	LPG bottling division profit	-	-	-	-	-	-	-	-	-	3.4
	Meter manufacturing division profit	150.6	38.6	65.9	121.0	80.3	48.2	53.1	70.2	41.6	64.4
	Other income	10,318.9	8,455.7	6,277.5	4,932.5	4,054.2	1,674.3	865.9	623.3	674.6	1,128.8
		15,230.0	9,361.2	12,867.0	9,996.4	9,859.9	8,481.7	7,819.5	8,239.3	7,757.0	7,802.4
Expenditure	Purification, transmission and distribution cost	2,634.8	4,333.6	4,965.5	4,562.3	4,419.8	3,991.0	3,525.2	3,287.6	2,712.8	2,552.3
	Depreciation	196.8	179.1	2,181.6	2,171.9	2,151.1	2,182.0	1,922.2	1,884.0	1,989.5	1,956.7
	Finance cost	5,015.9	4,409.8	2,370.7	1,778.8	1,390.5	563.0	695.6	872.4	762.2	1,214.0
	Workers' (profit) participation fund / others	369.1	22.0	967.5	148.2	178.3	157.0	104.2	146.3	138.1	104.9
		8,216.6	8,944.5	10,485.3	8,661.2	8,139.7	6,893.0	6,247.2	6,190.3	5,602.6	5,827.9
Profit	Profit before taxation	7,013.4	416.7	2,381.7	1,335.2	1,720.2	1,588.7	1,572.3	2,049.0	2,154.4	1,974.5
	Provision for taxation	2,614.3	159.2	1,390.6	1,044.8	828.5	576.2	575.6	601.1	719.8	682.2
	Profit after taxation	4,399.1	257.5	991.1	290.4	891.7	1,012.5	996.7	1,447.9	1,434.6	1,292.3
Dividend	Cash dividend	15%	-	12.5%	5%	13%	15%	15%	18%	17.5%	15%
	Bonus shares	25%	-	-	-	-	-	-	-	-	-
Rate of Corporate tax		35%*	35%*	35%*	35%*	35%*	35%*	35%*	35%*	35%*	35%*

* Excluding turnover and corporate assets taxes.

** Gas shrinkage charged to JJVL has been classified from sales to other operating income as per directions from OGRA and accordingly comparative has been reclassified

GAS SALES CLASSIFIED BREAKDOWN 2009-10

	Sales in Million Cubic Feet					Customers as at 30 June 2010 Number				
Category	Karachi	Sindh (Interior)	Balochistan	Total	%	Karachi	Sindh (Interior)	Balochistan	Total	%
Power Stations	74,389	30,847	9,875	115,111	29.6	17	3	3	23	-
Cement Plants	1,833	104	-	1,937	0.5	3	1	-	4	-
Pakistan Steel	13,033	-	-	13,033	3.3	2	-	-	2	-
Fertilizer	27,439	-	-	27,439	7.1	2	-	-	2	-
Textiles	32,190	487	-	32,677	8.4	830	20	-	850	-
C.N.G Stations	14,994	8,978	520	24,492	6.3	312	251	15	578	-
Other Industries	68,065	21,574	242	89,881	23.1	2,079	289	36	2,404	0.2
Industrial	231,943	61,990	10,637	304,570	78.3	3,245	564	54	3,863	0.2
Commercial	8,036	1,559	610	10,205	2.6	17,673	4,465	2,018	24,156	1.1
Domestic	49,038	16,770	8,245	74,053	19.1	1,482,439	535,736	200,963	2,219,138	98.7
Total	289,017	80,319	19,492	388,828	100.0	1,503,357	540,765	203,035	2,247,157	100.0

GAS SALES - TEN YEARS OF PROGRESS

NUMBER OF CUSTOMERS AS AT 30 JUNE/SALES IN MILLION OF CUBIC FEET

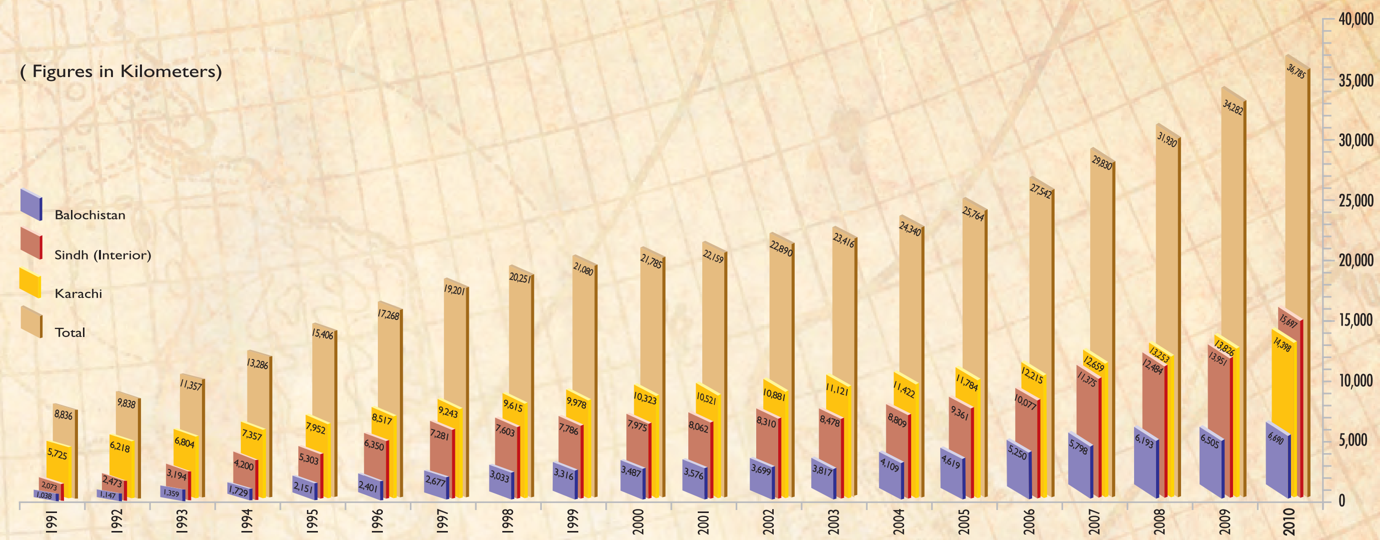
		INDUSTRIAL		COMMERCIAL		DOMESTIC		TOTAL	
		Customers	Sales	Customers	Sales	Customers	Sales	Customers	Sales
2	Karachi	1,901	114,007	13,274	5,015	1,112,269	33,198	1,127,444	152,220
0	Sindh(Interior)	228	27,952	3,592	1,164	317,577	10,896	321,397	40,012
0	Balochistan	55	7,840	1,547	454	118,937	6,441	120,539	14,735
1	Total	2,184	149,799	18,413	6,633	1,548,783	50,535	1,569,380	206,967
2	Karachi	2,006	131,221	12,951	5,061	1,142,564	34,254	1,157,521	170,536
0	Sindh(Interior)	229	36,616	3,225	1,088	326,241	11,250	329,695	48,954
0	Balochistan	50	8,413	1,476	432	123,231	6,218	124,757	15,063
2	Total	2,285	176,250	17,652	6,581	1,592,036	51,722	1,611,973	234,553
2	Karachi	2,134	146,281	12,933	5,562	1,184,923	35,990	1,199,990	187,833
0	Sindh(Interior)	232	39,247	3,058	1,039	335,879	11,148	339,169	51,434
0	Balochistan	46	8,029	1,438	472	128,072	6,581	129,556	15,082
3	Total	2,412	193,557	17,429	7,073	1,648,874	53,719	1,668,715	254,349
2	Karachi	2,337	198,257	13,504	5,614	1,227,528	37,027	1,243,369	240,898
0	Sindh(Interior)	257	49,066	3,166	1,090	350,210	11,648	353,633	61,804
0	Balochistan	44	8,467	1,482	458	135,415	6,441	136,941	15,366
4	Total	2,638	255,790	18,152	7,162	1,713,153	55,116	1,733,943	318,068
2	Karachi	2,481	201,026	14,099	6,123	1,252,575	39,108	1,269,155	246,257
0	Sindh(Interior)	272	61,202	3,404	1,210	369,013	12,325	372,689	74,737
0	Balochistan	42	9,807	1,552	500	145,251	7,458	146,845	17,765
5	Total	2,795	272,035	19,055	7,833	1,766,839	58,891	1,788,689	338,759
2	Karachi	2,621	213,569	14,793	6,703	1,293,046	39,930	1,310,460	260,202
0	Sindh(Interior)	318	67,098	3,505	1,271	390,046	12,574	393,869	80,943
0	Balochistan	39	10,242	1,640	515	154,403	7,057	156,082	17,814
6	Total	2,978	290,909	19,938	8,489	1,837,495	59,561	1,860,411	358,959
2	Karachi	2,759	208,392	15,642	7,050	1,337,692	41,798	1,356,093	257,240
0	Sindh(Interior)	381	63,154	3,622	1,330	418,052	13,119	422,055	77,603
0	Balochistan	44	9,066	1,707	535	164,354	7,466	166,105	17,067
7	Total	3,184	280,612	20,971	8,915	1,920,098	62,383	1,944,253	351,910
2	Karachi	3,039	223,921	16,796	8,451	1,407,848	44,707	1,427,683	277,079
0	Sindh(Interior)	476	65,841	3,875	1,394	458,737	14,954	463,088	82,189
0	Balochistan	46	9,264	1,887	582	179,372	8,151	181,305	17,997
8	Total	3,561	299,026	22,558	10,427	2,045,957	67,812	2,072,076	377,265
2	Karachi	3,197	235,244	17,362	7,803	1,438,769	45,766	1,459,328	288,813
0	Sindh(Interior)	549	60,343	4,266	1,464	497,545	15,593	502,360	77,400
0	Balochistan	55	9,854	1,978	581	191,279	7,874	193,312	18,309
9	Total	3,801	305,441	23,606	9,848	2,127,593	69,233	2,155,000	384,522
2	Karachi	3,245	231,943	17,673	8,036	1,482,439	49,038	1,503,357	289,017
0	Sindh(Interior)	564	61,990	4,465	1,559	535,736	16,770	540,765	80,319
1	Balochistan	54	10,637	2,018	610	200,963	8,245	203,035	19,492
0	Total	3,863	304,570	24,156	10,205	2,219,138	74,053	2,247,157	388,828

GAS SALES PATTERN 2009-10

	Customers Numbers	%	Volume Million Cubic Feet	%	Value (Net of GST) Rupees in thousand	%
Karachi						
Industrial	3,245	0.22	231,943	80.25	72,345,559	88.49
Commercial	17,673	1.17	8,036	2.78	3,187,790	3.90
Domestic	1,482,439	98.61	49,038	16.97	6,217,916	7.61
Total	1,503,357	100.00	289,017	100.00	81,751,265	100.00
Sindh (Interior)						
Industrial	564	0.10	61,990	77.18	22,198,300	88.31
Commercial	4,465	0.83	1,559	1.94	657,739	2.62
Domestic	535,736	99.07	16,770	20.88	2,279,523	9.07
Total	540,765	100.00	80,319	100.00	25,135,562	100.00
Balochistan						
Industrial	54	0.03	10,637	54.57	3,424,891	63.58
Commercial	2,018	0.99	610	3.13	265,113	4.92
Domestic	200,963	98.98	8,245	42.30	1,696,787	31.50
Total	203,035	100.00	19,492	100.00	5,386,791	100.00
Total						
Industrial	3,863	0.17	304,570	78.33	97,968,750	87.26
Commercial	24,156	1.08	10,205	2.62	4,110,642	3.66
Domestic	2,219,138	98.75	74,053	19.05	10,194,226	9.08
Total	2,247,157	100.00	388,828	100.00	112,273,618	100.00

DETAILS OF DISTRIBUTION NETWORK

(Figures in Kilometers)



DIA METER MM	INCHES	As at July 1, 2009 Karachi	Interior Sindh	Baloch-istan	Total	Addition during FY 2009-10 Karachi	Interior Sindh	Baloch-istan	Total	As at June 30, 2010 Karachi	Interior Sindh	Baloch-istan	Total
MAINS													
Steel Pipe													
12.50		-	1	-	1	-	-	-	-	-	1	-	1
20	3/4	1,397	41	6	1,444	-	-	-	-	1,397	41	6	1,444
25	1	3,184	3,427	603	7,214	16	385	-	401	3,200	3,812	603	7,615
38		1	50	-	51	-	-	-	-	1	50	-	51
50	2	1,794	2,615	2,299	6,708	26	349	40	415	1,820	2,964	2,339	7,123
75	3	-	15	-	15	-	-	-	-	-	15	-	15
100	4	742	1,803	921	3,466	24	557	44	625	766	2,360	965	4,091
150	6	444	1,105	305	1,854	13	132	31	176	457	1,237	336	2,030
200	8	461	365	446	1,272	34	20	6	60	495	385	452	1,332
250	10	15	33	6	54	-	-	-	-	15	33	6	54
300	12	154	9	48	211	4	2	-	6	158	11	48	217
400	16	88	15	51	154	6	-	-	6	94	15	51	160
450	18	-	-	28	28	-	-	-	-	-	-	28	28
500	20	110	-	-	110	-	-	-	-	110	-	-	110
600	24	86	-	-	86	1	-	-	1	87	-	-	87
750	30	12	-	-	12	-	-	-	-	12	-	-	12
1,050	42	12	-	-	12	-	-	-	-	12	-	-	12
Total Steel Mains		8,500	9,479	4,713	22,692	124	1,445	121	1,690	8,624	10,924	4,834	24,382
Polyethylene Pipe													
40		999	793	33	1,825	15	21	-	36	1,014	814	33	1,861
63		974	622	374	1,970	201	39	-	240	1,175	661	374	2,210
125		227	184	90	501	58	5	-	63	285	189	90	564
180		102	1	4	107	45	5	-	50	147	6	4	157
Total P.E. Mains		2,302	1,600	501	4,403	319	70	-	389	2,621	1,670	501	4,792
Total Mains		10,802	11,079	5,214	27,095	443	1,515	121	2,079	11,245	12,594	5,335	29,174
SERVICES													
Steel Pipe		2,649	2,538	1,168	6,355	81	199	57	337	2,730	2,737	1,225	6,692
Polyethylene Pipe		375	334	123	832	48	32	7	87	423	366	130	919
Total Services		3,024	2,872	1,291	7,187	129	231	64	424	3,153	3,103	1,355	7,611
TOTAL NETWORK		13,826	13,951	6,505	34,282	572	1,746	185	2,503	14,398	15,697	6,690	36,785

TOWN-WISE DETAIL OF CUSTOMERS
As at 30 June 2010

Towns (Including adjoining areas)	Industrial	Commercial	Domestic	Total
KARACHI	3,245	17,673	1,482,439	1,503,357
SINDH (Interior)				
Hyderabad Region:				
Badin/Golarchi	6	51	6,867	6,924
Bhan Saeedabad/Dadu/Piaro Goth/Rahdan	7	52	10,745	10,804
Hala/Bhit Shah/Matiari	16	58	10,764	10,838
Hyderabad	184	1,675	125,467	127,326
Jamshoro	9	16	4,732	4,757
Khairpur Nathan Shah	-	18	3,081	3,099
Kotri/Nooriabad/Thana Bola Khan	108	114	15,374	15,596
Matli	2	18	4,026	4,046
Mehar	2	32	5,894	5,928
Mirpurkhas	14	159	20,239	20,412
Rehmania Nagar (Sita Road)	-	15	1,227	1,242
Sehwan sharif/Boobak	1	16	3,064	3,081
Shahdadpur	3	60	9,337	9,400
Tando Adam	11	93	12,844	12,948
Tando Allahyar/Nasarpur/Palijani	9	58	15,374	15,441
Tando Jam	2	13	6,242	6,257
Tando Mohammad Khan	3	30	6,154	6,187
Thatta/Dhabeji/Sujawal/Gharo	30	80	12,105	12,215
	407	2,558	273,536	276,501
Sukkur Region:				
Gambat	3	20	3,813	3,836
Ghotki	4	52	8,108	8,164
Khairpur/Kot Diji	8	85	14,551	14,644
Mirpur Mathelo/Daharki	6	61	11,365	11,432
Pano Aqil	8	34	6,829	6,871
Pirjo Goth	-	27	6,078	6,105
Ranipur	9	29	6,305	6,343
Rohri	2	45	7,352	7,399
Sukkur	46	329	32,148	32,523
	86	682	96,549	97,317
Larkana Region:				
Dokri/Warah/Nasirabad	-	46	7,591	7,637
Jacobabad/Thul/KandhKot/Karampur	5	139	18,613	18,757
Kambar	-	43	5,207	5,250
Lakhi Ghulam Shah	1	8	4,788	4,797
Larkana/Badah	13	303	27,166	27,482
Miro Khan	-	6	1,031	1,037
Naudero	-	16	3,325	3,341
Rato Dero	-	29	4,049	4,078
Shahdad Kot	1	61	5,861	5,923
Shikarpur/Gari Yasin	5	130	14,831	14,966
	25	781	92,462	93,268

Towns (Including adjoining areas)	Industrial	Commercial	Domestic	Total
Nawabshah Region:				
Kandiaro	5	33	3,883	3,921
Moro	9	54	7,835	7,898
Mehrabpur/Bhirya Road	-	46	8,929	8,975
Nawabshah/Daur/Sakrand	17	191	28,780	28,988
Naushero Feroz	1	35	3,998	4,034
Padidan	2	4	1,848	1,854
Qazi Ahmed	7	12	2,890	2,909
Sanghar/Shahpur Chakar	5	65	12,948	13,018
Sinjhoro	-	4	2,078	2,082
	46	444	73,189	73,679
	564	4,465	535,736	540,765
BALOCHISTAN:				
Belpat/Bhag/Dhadar/Lehri/Rind Ali	-	1	1,835	1,836
Bostan	-	1	1,687	1,688
Dera Allah Yar	2	10	2,667	2,679
Dera Bugti/Pirkoh	-		17	17
D.M Jamali/Garhi Khairo/Sohbat Pur	1	10	3,997	4,008
Gawader	-	2	439	441
Huramzai/Karbala	1	3	5,686	5,690
Kuchlak	2	32	8,938	8,972
Mach/Kolpur/Pringabad/Kalat	-	37	6,215	6,252
Mastung	-	32	3,801	3,833
Pishin	-	97	9,658	9,755
Quetta	46	1,724	143,555	145,325
Sibi	1	28	5,245	5,274
Usta Mohammad	1	24	3,921	3,946
Yaru/Saranan/Ziarat	-	19	3,741	3,760
	54	2,020	201,402	203,476
	3,863	24,158	2,219,577	2,247,598

PATTERN OF SHAREHOLDING
As at 30 June 2010

No. of Shareholders	Shareholding From	To	Total Shares Held	% age
4,290	1	100	129,903	0.02
2,656	101	500	775,408	0.12
8,379	501	1,000	8,221,101	1.22
2,327	1,001	5,000	5,829,979	0.87
451	5,001	10,000	3,424,881	0.51
139	10,001	15,000	1,720,553	0.26
81	15,001	20,000	1,440,956	0.21
45	20,001	25,000	1,053,999	0.16
26	25,001	30,000	738,852	0.11
13	30,001	35,000	425,266	0.06
8	35,001	40,000	308,212	0.05
14	40,001	45,000	597,383	0.09
19	45,001	50,000	919,862	0.14
5	50,001	55,000	259,403	0.04
5	55,001	60,000	293,180	0.04
2	60,001	65,000	124,467	0.02
1	65,001	70,000	67,000	0.01
4	70,001	75,000	292,583	0.04
4	75,001	80,000	313,105	0.05
2	80,001	85,000	166,605	0.02
2	85,001	90,000	180,000	0.03
2	90,001	95,000	185,398	0.03
13	95,001	100,000	1,295,059	0.19
1	100,001	105,000	103,963	0.02
1	105,001	110,000	110,000	0.02
2	110,001	115,000	225,500	0.03
2	115,001	120,000	234,409	0.03
2	125,001	130,000	258,085	0.04
1	130,001	135,000	133,000	0.02
2	135,001	140,000	271,542	0.04
2	145,001	150,000	297,109	0.04
2	150,001	155,000	307,350	0.05
1	155,001	160,000	158,500	0.02
1	175,001	180,000	177,250	0.03
2	195,001	200,000	400,000	0.06
1	200,001	205,000	205,000	0.03
1	205,001	210,000	206,350	0.03
1	250,001	255,000	250,887	0.04
1	260,001	265,000	263,285	0.04
2	265,001	270,000	536,355	0.08
1	275,001	280,000	277,667	0.04
2	285,001	290,000	576,960	0.09
1	380,001	385,000	381,144	0.06
1	390,001	395,000	393,150	0.06
1	435,001	440,000	440,000	0.07
1	455,001	460,000	455,430	0.07
1	490,001	495,000	493,900	0.07
2	495,001	500,000	997,566	0.15
1	525,001	530,000	530,000	0.08
2	540,001	545,000	1,086,491	0.16
1	560,001	565,000	565,000	0.08
1	565,001	570,000	568,000	0.08
1	575,001	580,000	579,850	0.09
2	595,001	600,000	1,200,000	0.18
1	695,001	700,000	700,000	0.10
1	870,001	875,000	875,000	0.13
1	1,000,001	1,005,000	1,004,162	0.15
1	1,495,001	1,500,000	1,500,000	0.22
1	1,690,001	1,695,000	1,695,000	0.25
1	1,895,001	1,900,000	1,895,235	0.28
1	1,950,001	1,955,000	1,953,873	0.29
1	1,995,001	2,000,000	2,000,000	0.30
1	2,375,001	2,380,000	2,380,000	0.35
1	2,600,001	2,605,000	2,601,250	0.39
1	2,985,001	2,990,000	2,987,000	0.45
1	4,190,001	4,195,000	4,190,663	0.62
1	4,995,001	5,000,000	5,000,000	0.74
1	5,355,001	5,360,000	5,357,131	0.80
1	6,435,001	6,440,000	6,439,500	0.96
1	8,335,001	8,340,000	8,336,423	1.24
1	9,670,001	9,675,000	9,671,792	1.44
1	10,795,001	10,800,000	10,797,261	1.61
1	15,600,001	15,605,000	15,601,539	2.32
1	17,115,001	17,120,000	17,119,275	2.55
1	35,550,001	35,555,000	35,552,673	5.30
1	36,300,001	36,305,000	36,300,854	5.41
1	50,165,001	50,170,000	50,168,612	7.47
1	405,600,001	405,605,000	405,600,190	60.43
18,555			671,174,331	100.00

CATEGORIES OF SHAREHOLDERS
As at 30 June 2010

Categories of Shareholders	Number		Shares held		Percentage	
Associated Companies, Undertakings and Related Parties		-		-		-
NIT AND ICP		5		68,070,774		10.14
CDC - Trustee NIT State Enterprise Fund	1		36,300,854		5.41	
National Bank of Pakistan Trustee Deptt.	1		15,606,925		2.32	
National Bank of Pakistan -Capital Market wing	2		16,154,392		2.41	
Investment Corporation of Pakistan	1		8,603		0.00	
Directors, CEO & their spouses and minor children		4		5,207,750		0.78
Mr. Abdul Rashid Lone	1		1,000		0.00	
Mr. Nessar Ahmed	1		1,500		0.00	
Mr. Mirza Mahmood Ahmad	1		5,000		0.00	
Mr. Faisal Ahmed	1		5,200,250		0.78	
Executives		4		5,604		0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds		154		128,986,916		19.22
Bank, Development, Finance Institutions	11		12,856,269		1.92	
Non-Banking Finance Institutions	120		62,053,804		9.25	
Insurance Companies	10		47,073,086		7.01	
Modarabas and Mutual Funds	13		7,003,757		1.04	
Shareholders holding ten percent or more voting interest in the Company						
President of the Islamic Republic of Pakistan		1		405,600,190		60.43
Individual		18,370		60,504,753		9.01
Others		17		2,798,344		0.42
Administrator of Abandoned Properties, Associations, Foundations, Societies, Institutions and Nazir of the High Court						
		18,555		671,174,331		100.00