

## CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at December 31, 2011

		December 31 2011 (un-audited)	June 30 2011 (audited)
		(Rupees in '000)	
<b>ASSETS</b>	Note		
<b>Non-current assets</b>			
Property, plant and equipment	6	63,482,817	59,644,339
Intangible assets		12,846	15,973
Long-term investments	7	69,492	82,238
Net investment in finance lease		862,346	921,744
Long-term loans and advances		141,071	118,380
Long-term deposits		3,250	3,250
<b>Total non-current assets</b>		<u>64,571,822</u>	<u>60,785,924</u>
<b>Current assets</b>			
Stores, spares and loose tools		2,133,182	2,262,564
Stock-in-trade		634,443	702,720
Current maturity of net investment in finance lease		118,795	118,795
Customers' installation work-in-progress		172,065	174,620
Trade debts	8	60,697,130	49,182,342
Loans and advances		314,763	110,837
Trade deposits and short term prepayments		194,796	209,841
Interest accrued		3,390,741	3,473,681
Other receivables	9	24,934,248	19,750,254
Taxation - net		1,551,487	2,306,105
Cash and bank balances		1,330,599	1,084,933
<b>Total current assets</b>		<u>95,472,250</u>	<u>79,376,692</u>
<b>Total assets</b>		<u>160,044,071</u>	<u>140,162,616</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up capital		8,809,163	8,389,679
Reserves		4,907,401	3,107,401
Surplus on re-measurement of available for sale securities		55,864	68,610
Unappropriated profit		3,382,618	6,209,480
<b>Total equity</b>		<u>17,155,046</u>	<u>17,775,170</u>
<b>Surplus on revaluation of fixed assets</b>		10,251,946	10,251,946
<b>Non-current liabilities</b>			
Long term financing	10	12,663,898	14,471,126
Long term deposits		4,223,774	4,062,376
Deferred tax		7,309,509	7,651,284
Employee benefits	11	2,000,100	1,825,246
Deferred credit		5,384,194	5,518,634
Long term advances		1,242,258	1,296,513
<b>Total non-current liabilities</b>		<u>32,823,733</u>	<u>34,825,179</u>
<b>Current liabilities</b>			
Current portion of long term financing		3,796,743	4,272,259
Short term borrowings	12	8,221,248	-
Trade and other payables	13	74,504,061	62,215,241
Interest and mark-up accrued		13,291,294	10,822,821
<b>Total current liabilities</b>		<u>99,813,346</u>	<u>77,310,321</u>
<b>Total liabilities</b>		<u>132,637,079</u>	<u>112,135,500</u>
<b>Contingencies and commitments</b>	14		
<b>Total equity and liabilities</b>		<u>160,044,071</u>	<u>140,162,616</u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

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

For the six months ended December 31, 2011

		Six months ended		Three months ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
(Rupees in '000)					
Sales	Note	68,916,955	65,219,316	34,096,505	31,185,146
Sales tax		(8,433,751)	(8,267,505)	(4,141,557)	(3,860,129)
		60,483,204	56,951,811	29,954,948	27,325,017
Gas development surcharge		2,364,780	1,413,826	1,979,591	2,516,948
Net sales		62,847,984	58,365,637	31,934,539	29,841,965
Cost of sales	15	(61,237,215)	(57,273,033)	(31,059,439)	(28,932,002)
Gross profit / (loss)		1,610,769	1,092,604	875,100	909,963
Administrative and selling expenses		(1,446,267)	(1,514,876)	(773,135)	(897,041)
Other operating expenses	16	(682,769)	(716,426)	(605,851)	(606,185)
		(2,129,036)	(2,231,302)	(1,378,986)	(1,503,226)
		(518,267)	(1,138,698)	(503,886)	(593,263)
Other operating income	17	1,532,473	2,009,802	795,210	922,140
Operating profit		1,014,206	871,104	291,324	328,877
Other non-operating income	18	4,925,585	4,791,448	2,624,529	2,552,929
Finance cost	19	(3,596,159)	(2,410,395)	(1,793,605)	(1,343,145)
<b>Profit before taxation</b>		2,343,632	3,252,157	1,122,248	1,538,661
Taxation	20	(853,590)	(1,139,037)	(425,086)	(539,314)
<b>Profit for the period</b>		1,490,042	2,113,120	697,162	999,347
Basic / Diluted earning per share	(Rupees)	1.69	(Restated) 2.40	0.79	(Restated) 1.13

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Chairman



**Azim Iqbal Siddiqui**  
Managing Director

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

For the six months ended December 31, 2011

	Six months ended		Three months ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Rupees in '000)			
Net profit for the period	<b>1,490,042</b>	2,113,120	<b>694,249</b>	999,347
<b>Other comprehensive income</b>				
Unrealised (loss) / gain on re-measurement of available for sale securities	<b>(12,746)</b>	9,670	<b>(8,503)</b>	10,681
<b>Total comprehensive income for the period</b>	<b><u>1,477,296</u></b>	<u>2,122,790</u>	<b><u>685,746</u></b>	<u>1,010,028</u>

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Chairman



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Managing Director

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

For the six months ended December 31, 2011

		December 31, 2011 (Rupees in '000)	December 31, 2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	Note		
Profit before taxation		2,343,632	3,252,157
Adjustments for non-cash items	21	5,406,977	3,987,814
Working capital changes	22	(4,682,802)	(11,292)
Financial charges paid		(1,280,604)	(1,092,428)
Income taxes paid		(440,747)	(191,398)
Net cash from operating activities		1,346,455	5,944,853
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(5,414,125)	(4,906,267)
Proceeds from sale property, plant and equipment.		2,114	5,780
Lease rental from net investment in finance lease		154,589	164,121
Dividend received		2,793	3,869
Net cash used in investing activities		(5,254,629)	(4,732,497)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from local currency loans		-	5,500,000
Repayments of local currency loans		(2,256,665)	(6,623,332)
Consumer finance received		25,345	40,340
Repayment of consumer finance		(54,547)	(51,001)
Transaction cost paid		-	(9,401)
Dividend paid		(1,781,542)	(899,225)
Net cash (used in) financing activities		(4,067,409)	(2,042,619)
<b>Net decrease in cash and cash equivalents</b>		(7,975,582)	(830,263)
<b>Cash and cash equivalents at beginning of the period</b>		1,084,933	(3,099,710)
<b>Cash and cash equivalents at end of the period</b>		(6,890,649)	(3,929,973)
<b>Cash and cash equivalent comprises:</b>			
Cash and bank balances		1,330,599	1,057,571
Short term borrowings		(8,221,248)	(4,987,544)
		(6,890,649)	(3,929,973)

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**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

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

**For the six months ended December 31, 2011**

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus/(loss) on re-measurement of available for sale securities	Unappro- priated profit	Total
	(Rupees in '000)					
<b>Balance as at July 01, 2010</b>	6,711,743	234,868	2,872,533	83,489	4,169,785	14,072,418
Transactions with owners						
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Final dividend for the year ended June 30, 2010 at Rs. 1.5 per share					(1,006,761)	(1,006,761)
Total comprehensive income for the period ended December 31, 2010						
Profit for the period	-	-	-	-	2,113,120	2,113,120
Unrealized gain on re-measurement of available for sale securities	-	-	-	9,670	-	9,670
Total comprehensive income for the period	-	-	-	9,670	2,113,120	2,122,790
<b>Balance as at December 31, 2010</b>	<u>8,389,679</u>	<u>234,868</u>	<u>2,872,533</u>	<u>93,159</u>	<u>3,598,208</u>	<u>15,188,447</u>
<b>Balance as at July 01, 2011</b>	8,389,679	234,868	2,872,533	68,610	6,209,480	17,775,170
Transactions with owners						
Final dividend for the year ended June 30, 2011 at Rs. 2.5 per share	-	-	-	-	(2,097,420)	(2,097,420)
Bonus shares (1 share for every 20 shares)	419,484	-	-	-	(419,484)	-
Total comprehensive income for the period ended December 31, 2011						
Profit for the period	-	-	-	-	1,490,042	1,490,042
Unrealized loss on re-measurement of available for sale securities	-	-	-	(12,746)	-	(12,746)
Total comprehensive income for the period	-	-	-	(12,746)	1,490,042	1,477,296
Transferred to revenue reserve			1,800,000		(1,800,000)	-
<b>Balance as at December 31, 2011</b>	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>55,864</u>	<u>3,382,618</u>	<u>17,155,046</u>

The annexed notes from 1 to 26 form an integral part of these consolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

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

For the six months period ended December 31, 2011

### 1. The group and its operations

The "Group" consists of:

#### Holding Company

- Sui Southern Gas Company Limited

#### Percentage Holding

December 31, 2011      June 30, 2011

#### Subsidiary Companies

	%	%
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	100	100
- SSGC LPG (Private) Limited	100	100

The Group is principally engaged in transmission and distribution of natural gas in Sindh and Balochistan. Brief profiles of the Holding Company and Subsidiary Companies are as follows:

#### Sui Southern Gas Company Limited

Sui Southern Gas Company Limited ("the Holding Company") is a public limited Company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the 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.

#### Sui Southern Gas Provident Fund Trust Company (Private) Limited

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

#### SSGC LPG (Private) Limited

SSGC LPG (Private) Limited ("the Subsidiary Company") is incorporated in Pakistan and is a wholly owned subsidiary of Sui Southern Gas Company Limited. The Subsidiary Company has acquired the assets including Liquefied Petroleum Gas (LPG) import terminal, storage and bottling plant through Sind High Court auction during October 2011. The main activity of the Subsidiary Company is the supply of LPG in Sindh and Balochistan.

### 1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies together "the Group".

The financial statements of the subsidiary companies 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 companies have been consolidated on a line by line basis.

Material intra-group balances and transactions have been eliminated.

## **2. Basis for preparation**

- 2.1 The Consolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and directives of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed. This Consolidated condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the Consolidated financial statements of the Holding Company for the year ended June 30, 2011.
- 2.2 This Consolidated condensed interim financial information is un-audited and are being submitted to shareholders in accordance with Section 245 of the Companies Ordinance, 1984.
- 2.3 The comparative balance sheet presented in the condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended June 30, 2011, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the six months period ended December 31, 2010.

## **3. Significant accounting policies**

The significant accounting policies and methods of computation applied for the preparation of this Consolidated condensed interim financial information are the same as those applied in preparation of the annual Consolidated audited financial statements of the Company for the year ended June 30, 2011.

## **4. Accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the matter as disclosed in note 2.4 were the same as those that applied to the financial statements for the year ended June 30, 2011.

## **5. Financial risk management**

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2011.

## 6 Property, plant and equipment

	December 31, 2011 (un-audited) (Rupees in '000)	June 30, 2011 (audited)
Operating assets	56,426,361	53,980,664
Capital work-in-progress	7,056,456	5,663,675
	<u>63,482,817</u>	<u>59,664,339</u>

Details of additions and disposals of property, plant and equipment during the six months ended December 31, 2011 are as follows:

	December 31, 2011 (Un-audited) (Rupees in '000)		December 30, 2010	
	Cost of additions/ transfers	Written down value of (disposals/ transfer)	Cost of additions/ transfers	Written down value of (disposals/ transfer)
<b>Operating assets - owned</b>				
Gas transmission and distribution system	1,752,980	-	3,189,498	-
Buildings on leasehold land	35,439	-	273,918	-
Plant, machinery and other equipment	103,862	(117)	223,127	-
Others	99,621	(3,035)	31,940	(7,186)
Assets of SSGC LPG (Private) Limited	2,239,777	-	-	-
	<u>4,231,679</u>	<u>(3,152)</u>	<u>3,718,483</u>	<u>(7,186)</u>
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets

### Capital work-in-progress:

Gas transmission and distribution system	3,173,499	(1,752,980)	4,855,381	(3,189,498)
Cost of building under construction	9,293	(35,439)	172,869	(273,918)
Plant, machinery and other equipment	102,270	(103,862)	120,040	(223,127)
Others	99,621	(99,621)	31,940	(31,940)
	<u>3,384,683</u>	<u>(1,991,902)</u>	<u>5,180,230</u>	<u>(3,718,483)</u>



		<b>December 31, 2011 (un-audited)</b>	June 30, 2011 (audited)
		(Rupees in '000)	
<b>7</b>	<b>Long-term investments</b>		
	Investments in related parties	39,578	46,737
	Other investments	29,914	35,501
		<u>69,492</u>	<u>82,238</u>
<b>8</b>	<b>Trade debts</b>		
	Considered good		
	- secured	10,337,788	10,457,189
	- unsecured	50,359,342	38,725,153
		<u>60,697,130</u>	<u>49,182,342</u>
	Considered doubtful	2,953,865	2,797,394
		<u>63,650,995</u>	<u>51,979,736</u>
	Provision against doubtful debts	(2,953,865)	(2,797,394)
		<u>60,697,130</u>	<u>49,182,342</u>

**8.1** Trade debts include Rs. 37,636 million (June 30, 2011: Rs. 29,159 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 36,124 million are over due. As per the interim financial information of KESC for the quarter ended September 30, 2011, its accumulated losses have reached to Rs. 88,881 million, and its current liabilities exceeded current assets by Rs. 53,705 million. Despite such adverse financial position of KESC, management of Holding Company is confident that the entire amount will be recovered, as KESC is engaged in providing electric power to the entire region of Karachi and its cash flows are likely to improve significantly in the near term. Further, management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount.

**8.2** Trade debts include Rs. 6,047 million (June 30, 2011 Rs. 4,214 million) unsecured receivable from Pakistan Steel Mills Corporation Private Limited (PSML). Out of this, Rs. 5,599 million are over due. The overdue amount represents part invoice of December 2010 and full invoices for January 2011 to November 2011. Management Holding Company is confident that the entire amount will be recovered because PSML is a Government owned entity and is continuously supported by the Government of Pakistan.

**8.3** Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs. 44,973 million as at December 31, 2011 (June 30, 2011: Rs. 34,995 million). These include overdue amounts of Rs. 38,098 million (June 30, 2011: Rs. 28,145 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables and amounts to Rs. 5,853 million (June 30, 2011: Rs. 4,039 million). Interest accrued amounting to Rs. 4,188 million (June 30, 2011: Rs. 4,160 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.

As at December 31, 2011, an amount of Rs. 51,219 million (June 30, 2011: Rs. 41,756 million) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 13,006 million (June 30, 2011: Rs. 10,459 million) on their balances.

		<b>December 31, 2011 (un-audited)</b>	June 30, 2011 (audited)
		(Rupees in '000)	
<b>9.</b>	<b>Other Receivables</b> - considered good	Note	
	Gas development surcharge receivable from Government of Pakistan (GoP)	9.1	12,211,379
	Receivable from staff pension fund - non executives		9,703,340
	Receivable from staff provident fund - executives		82,732
	Balance receivable for sale of gas condensate		1,422
	Receivable from SNGPL - a related party	9.2	46,799
	Receivable from Jamshoro Joint Venture Limited (JJVL)		19,222
	Workers' Profit Participation Fund		5,854,242
	Insurance claim receivable		4,103,105
	Sales tax receivable		1,888,135
	Claims receivable		-
	Pipeline rentals		8,137
	Miscellaneous	9.3	77,362
			144
			3,840,241
			757
			22,178
			83,747
			24,953,733
	Provision against other receivables		19,751,739
			(1,485)
			<b>24,934,248</b>
			<b>19,750,254</b>

**9.1** This includes Rs. 216 million (June 30, 2011: Rs. 216 million) recoverable from the GoP on account of remission of gas receivables from people of Ziarat under instructions from GoP.

**9.2** This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 145 million (June 30, 2011: Rs. 66 million) and Rs. 5,708 million (June 30, 2011: Rs. 4,039 million) receivable under the uniform cost of gas agreement with SNGPL.

**9.3** This includes unamortised balance of Rs. 38 million (June 30, 2011: Rs. 75 million) on account of deferred tariff adjustment.

## 10. Long-term Finance

Secured			
Loans from banking companies	10.1	9,836,084	11,525,342
Unsecured			
Consumer financing	10.2	174,750	192,720
Government of Sindh loan	10.3	2,653,064	2,753,064
		2,827,814	2,945,784
		<b>12,663,898</b>	<b>14,471,126</b>

### 11.1 Loans from banking company

	Installment payable	Repayment period	Mark-up per annum (above 3 months Kibor)	December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
				(Rupees in '000)	
Meezan Bank Limited	on maturity	2011	0.45%	-	500,000
Dubai Islamic Bank Pakistan Limited	quarterly	2009-2012	0.40%	75,000	225,000
Meezan Bank Limited	quarterly	2009-2012	0.80%	333,340	666,672
Samba Bank Limited	quarterly	2010-2012	0.20%	400,000	600,000
Bank Islami Pakistan Limited	quarterly	2010-2012	0.20%	1,880,000	2,820,000
Faysal Bank Limited	quarterly	2011-2013	1.00%	666,667	800,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012-2015	1.00%	2,000,000	2,000,000
Askari Bank Limited	quarterly	2013-2015	1.00%	1,000,000	1,000,000
Meezan Bank Limited	quarterly	2013-2015	1.00%	3,000,000	3,000,000
Bank Alfalah Limited	quarterly	2013-2016	1.00%	1,000,000	1,000,000
Allied Bank Limited	quarterly	2013-2016	1.00%	1,000,000	1,000,000
Askari Bank Limited	quarterly	2013-2016	1.00%	500,000	500,000
Bank Al-Habib Limited	quarterly	2013-2016	1.00%	500,000	500,000
Allied Bank Limited	quarterly	2013-2016	1.00%	1,000,000	1,000,000
Unamortised transaction cost				(11,535)	(14,658)
				<b>13,343,472</b>	15,597,014
<b>Less: Current portion shown under current liabilities</b>				<b>(3,507,388)</b>	(4,071,672)
				<b>9,836,084</b>	<b>11,525,342</b>

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

### 10.2 Consumer financing

#### Note

Consumer financing	10.2.1	266,240	295,442
Less: Current portion shown under current liabilities		(91,490)	(102,722)
		<b>174,750</b>	<b>192,720</b>

**10.2.1** These represent 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 less 2% per annum) for laying of distribution mains. Principal and interest are adjustable in 48 equal installments through credits in the monthly gas bills of the consumers.

		December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
		(Rupees in '000)	
<b>10.3 Government of Sindh loans</b>	<b>Note</b>		
Government of Sindh loan - I	10.3.1	40,929	40,929
Government of Sindh loan - II	10.3.2	810,000	810,000
Government of Sindh loan - III	10.3.2	1,000,000	1,000,000
Government of Sindh loan - IV	10.3.2	1,000,000	1,000,000
Government grant	10.3.3	(1,031,755)	(1,031,755)
		<b>1,778,245</b>	<b>1,778,245</b>
Government grant	10.3.3	1,031,755	1,031,755
		<b>2,850,929</b>	<b>2,850,929</b>
Less: Current portion shown under current liabilities		(197,865)	(97,865)
		<b>2,653,064</b>	<b>2,753,064</b>

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

**10.3.2** An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. These facilities carry mark-up at 4% per annum. The loans (II, III and IV) together with mark-up shall be repaid in 10 yearly installments with grace period of 2 years commencing from the year ending June 30, 2011, June 30, 2012 and June 30, 2013 respectively. The loan has been stated at fair value (refer note 11.3.3).

**10.3.3** This represents the benefit of lower interest rate on Government of Sindh Loan II, III & IV, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II amounting to Rs. 900 million, Government of Sindh Loan III amounting to Rs. 1,000 million and Government of Sindh Loan IV amounting to Rs. 1,000 million, and their initial fair values amounting to Rs. 582 million, Rs. 661 million and Rs. 625 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.

	December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
	(Rupees in '000)	
<b>11. Deferred credit</b>		
<b>Government contributions / grants</b>		
Opening balance	3,255,458	2,511,308
Additions / adjustments during the period / year	63,210	909,273
Transferred to Consolidated profit and loss account	(94,731)	(165,123)
Closing balance	<b>3,223,937</b>	<b>3,255,458</b>
<b>Contribution from customers</b>		
Opening balance	2,263,176	2,478,078
Refunds during the period / year	-	(3,454)
Transferred to Consolidated profit and loss account	(102,919)	(211,448)
Closing balance	<b>2,160,257</b>	<b>2,263,176</b>
	<b>5,384,194</b>	<b>5,518,634</b>

## 12. Short Term Borrowings

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 11,825 million (June 30, 2011: Rs. 10,025 million) and carry mark-up ranging from 0.15% to 0.80% (June 30, 2011: 0.20% to 0.75%) above the average one month KIBOR. The facilities are secured by first pari passu first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Holding Company.

## 13. Trade and other payables

Creditors for:

- gas
- supplies

Amount received from customers for laying of mains, etc.

Accrued liabilities

Provision for compensated absences - non executives

Payable to provident fund - non executives

Payable to gratuity fund - non-executives

Payable to staff pension fund - executives

Workers' Profit Participation Fund

Deposits / retention money

Bills payable

Advance for sharing right of way

Unclaimed dividend

Withholding tax payable

Unclaimed term finance certificate redemption profit

Inter State Gas System (Private) Limited (ISGSL)

Others

**December 31,**  
**2011**  
**(Un-audited)**  
**June 30,**  
**2011**  
**(Audited)**  
**(Rupees in '000)**

<b>68,786,013</b>	56,717,262
<b>431,714</b>	216,412
<b>69,217,727</b>	56,933,674
<b>2,155,411</b>	2,173,502
<b>1,895,987</b>	2,303,474
<b>103,239</b>	103,239
<b>117</b>	-
<b>13</b>	-
<b>89,357</b>	-
<b>125,958</b>	-
<b>207,887</b>	239,618
<b>4,617</b>	106,687
<b>18,088</b>	18,088
<b>408,409</b>	92,531
<b>85,032</b>	73,089
<b>1,800</b>	1,800
<b>21,940</b>	4,939
<b>168,479</b>	164,600
<b>74,504,061</b>	62,215,241

## 14. Contingencies and commitments

**14.1** There has been no change in the status of other contingencies as disclosed in note 17 of annual audited consolidated financial statements of the Holding Company for the year ended June 30, 2011, except for the following:

**14.2** Claims against the Holding Company not acknowledged as debt

**14.3** Commitments for capital expenditure

**14.4** Letters of credit

**14.5** Guarantees issued on behalf of the Holding Company

<b>124,861</b>	318,467
<b>2,785,347</b>	1,161,687
<b>1,289,619</b>	550,416
<b>1,788,223</b>	1,788,023

- 14.6** 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 the Holding Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (June 30, 2011: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2011: Rs. 0.5 million). Loan outstanding at the year end was Rs. 5.177 million (June 30, 2011: Rs. 6.503 million).
- 14.7** Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Holding Company amounting to Rs. 669 million (June 30, 2011: Rs. 590 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Holding Company and JPCL. The Holding Company has not accepted the claim and has filed a counter claim due to JPCL's failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Holding Company is confident that ultimately the resolution of the claim lodged would be in its favor.
- 14.8** During the year ended June 30, 2011, the Holding Company took the option of using the amnesty offered during the budget by means of SRO 648(I)/2011 dated June 25, 2011 which had exempted the whole amount of default surcharge and penalties subject to the condition that the outstanding principal amount of sales tax or federal excise duty was paid by June 30, 2011. As a result, the Holding Company paid the Federal Excise Duty (FED) amounting to Rs. 874 million in respect of show cause notices issued by the Additional Collector (Adjudication) Sales Tax and Federal Excise requiring it to pay FED along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged to JJVL. The FED has been accounted for as a receivable as the Holding Company considered that this amount is recoverable from JJVL under the agreement. JJVL has disputed this amount and suggested for arbitration to which the management has agreed. Further, based on legal opinion, no provision has been made against the amount as the Holding Company is confident that it will be able to recover the entire amount as per the agreement with JJVL. In addition, JJVL has also disputed calibration / measurement of gas supplied in prior periods and claimed that the Holding Company has made excess billing of Rs. 239.21 million. Management considers that the claim made by JJVL is not justified as the billings were based on meter installed in JJVL's premises and meter calibrations were agreed with JJVL. The management has replied to JJVL in detail but to date no response has been received in this respect, therefore, the management of Holding Company is confident that this amount will be recoverable.

	Six months period ended		Three months period ended	
	December 31, 2011	December 31, 2010	December 31, 2011 (Un-audited)	December 31, 2010
	(Rupees in '000)			
<b>15. Cost of sales</b>				
Cost of gas	56,301,774	53,057,858	28,348,933	26,814,514
Transmission and distribution costs	4,935,441	4,215,175	2,710,506	2,117,488
	<u>61,237,215</u>	<u>57,273,033</u>	<u>31,059,439</u>	<u>28,932,002</u>
<b>16. Other operating expenses</b>				
Auditors' remuneration	2,651	1,275	1,814	962
Workers' Profit Participation Fund	125,950	171,794	61,468	80,892
Sports expenses	8,232	7,293	4,872	3,478
Corporate social responsibility	22,428	24,641	6,505	10,359
Exchange loss on payment of gas purchases	391,956	-	416,851	-
Loss on sale of property, plant and equipment	1,038	1,406	174	539
Provision against impaired stores and spares	19,100	10,017	5,666	9,955
Provision against financial income	108,501	500,000	108,501	500,000
Others	2,913	-	-	-
	<u>682,769</u>	<u>716,426</u>	<u>605,851</u>	<u>606,185</u>

	Six months period ended		Three months period ended	
	December 31, 2011	December 31, 2010	December 31, 2011 (Un-audited)	December 31, 2010
(Rupees in '000)				
<b>17. Other operating income</b>				
<b>Income from other than financial assets</b>				
Meter rentals	317,689	302,748	161,231	152,430
Recognition of income against deferred credit	191,031	179,887	103,730	126,616
Income from new service connections	138,369	143,244	78,050	77,158
Gas shrinkage charged to JJVL	787,617	1,240,013	411,835	483,170
Income from gas transportation	13,480	20,918	6,215	9,310
Income from LPG air mix distribution - net	41,058	23,639	21,272	18,261
Advertising income	4,123	2,563	2,461	1,055
Income from sale of tender documents	524	755	319	478
Scrap sales	1,197	1,306	258	465
Exchange gain on payment of gas purchases	-	63,021	-	38,126
Miscellaneous	32,785	27,214	7,846	14,016
	<b>1,527,873</b>	<b>2,005,308</b>	<b>793,217</b>	<b>921,085</b>
<b>Income from investment in debts, loans, advances and receivables from a related party</b>				
Contingent rental income - SNGPL	4,600	4,494	1,993	1,055
	<b>1,532,473</b>	<b>2,009,802</b>	<b>795,210</b>	<b>922,140</b>
<b>18. Other non-operating income</b>				
<b>Income from financial assets</b>				
Late payment surcharge	986,296	702,585	549,751	376,909
Income from net investment in finance lease	32,844	27,569	18,859	13,774
<b>Return on:</b>				
Term deposits and profit and loss bank accounts	122,133	34,552	72,643	17,147
Staff loans	151	527	76	250
	<b>1,141,424</b>	<b>765,233</b>	<b>641,329</b>	<b>408,080</b>
<b>Interest income on late payment of gas bills from</b>				
KESC	2,408,892	1,606,250	1,276,765	857,327
JJVL	26,973	21,106	16,057	13,472
Water & Power Development Authority (WAPDA)	156,961	522,067	124,636	261,554
SNGPL - Related Party	90,143	210,874	47,710	138,846
	<b>2,682,969</b>	<b>2,360,298</b>	<b>1,465,168</b>	<b>1,271,199</b>
Dividend income	703	119	-	-
	<b>3,825,096</b>	<b>3,125,650</b>	<b>2,106,497</b>	<b>1,679,279</b>
<b>Income from investment in debts, loans, advances and receivables from related parties</b>				
Dividend income - SNGPL	2,090	4,180	-	4,180
Income from net investment in finance lease:				
SNGPL	61,038	67,134	30,939	33,567
OGDCL	1,309	1,834	550	917
	<b>64,437</b>	<b>73,148</b>	<b>31,489</b>	<b>38,664</b>
<b>Others</b>				
Sale of gas condensate	49,223	155,802	41,888	47,019
Royalty income from JJVL	943,570	1,323,804	418,336	721,130
Meter manufacturing division profit - net	43,259	113,044	26,319	66,837
	<b>1,036,052</b>	<b>1,592,650</b>	<b>486,543</b>	<b>834,986</b>
	<b>4,925,585</b>	<b>4,791,448</b>	<b>2,624,529</b>	<b>2,552,929</b>

	Six months period ended		Three months period ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Un-audited) (Rupees in '000)			
<b>19. Finance cost</b>				
Mark-up on:				
Local currency financing	1,114,207	936,362	527,065	437,029
Short term financing	8,991	217,367	8,990	145,860
Consumers' deposits	76,998	60,934	40,553	32,071
Delayed payment on gas bills	2,547,494	1,368,181	1,331,241	860,314
Others	1,387	24,489	516	10,110
	<b>3,749,077</b>	2,607,333	<b>1,908,365</b>	1,485,384
Less: Finance cost capitalised during the period	(152,918)	(196,938)	(114,760)	(142,239)
	<b>3,596,159</b>	2,410,395	<b>1,793,605</b>	1,343,145
<b>20. Taxation</b>				
Current	1,195,367	1,270,526	766,863	670,803
Deferred	(341,777)	(131,489)	(341,777)	(131,489)
	<b>853,590</b>	1,139,037	<b>425,086</b>	539,314
			December 31, 2011	December 31, 2010
			(Un-audited) (Rupees in '000)	
<b>21. Adjustments for non-cash and other items</b>				
Depreciation			1,725,413	1,489,146
Amortization of intangibles			3,127	13,240
Finance cost			3,596,159	2,410,395
Amortization of transaction cost			3,123	2,224
Provision against slow moving / obsolete stores			16,360	10,017
Reversal of provision against stock-in-trade			(611)	(139)
Provision against doubtful debts			156,471	737,175
Provision for compensated absences			43,982	62,097
Provision for post retirement medical and free gas supply facilities			151,575	106,908
Provision against impaired income			108,501	-
Recognition of income against deferred credit			(197,650)	(179,887)
Dividend income			(2,793)	(4,299)
Late payment surcharge and return on investments			(3,791,549)	(2,395,375)
Income from net investment in finance lease			(95,191)	(96,537)
Loss on disposal of property plant and equipment			1,038	1,406
(Decrease) / Increase in long term advances			(54,255)	95,196
Employee benefits (refund) / paid			(20,703)	-
Service charges received from new customers			63,210	-
Long term deposits received - net			161,398	264,217
Long term loans and advances to staff - net			(226,617)	(201,543)
Late payment surcharge and return on investments received			3,765,988	1,673,573
			<b>5,406,977</b>	<b>3,987,814</b>



**December 31,**      **December 31,**  
**2011**                      **2010**  
**(Un-audited)**  
**(Rupees in '000)**

## 22. Working Capital Changes

<b>(Increase) / decrease in current assets</b>		
Stores and spares	113,021	(262,247)
Stock-in-trade	68,888	(24,344)
Customers' installation work-in-progress	2,555	(23,970)
Trade debts	(11,671,259)	(5,632,688)
Loans and advances	-	(22,150)
Trade deposits and short term prepayments	15,045	(34,951)
Other receivables	(5,183,994)	(7,579,881)
	<u>16,655,744</u>	<u>(13,580,231)</u>
 <b>Increase in current liabilities</b>		
Trade and other payables	11,972,942	13,568,939
	<u>4,682,802</u>	<u>(11,292)</u>

## 23. Transactions With Related Parties

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

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

	Relationship	Six months period ended		Three months period ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Un-audited) (Rupees in '000)			
<b>Artistic Denim Mills Limited</b>	Associate				
-Gas sales		-	58,193	-	-
<b>Askari Bank Limited</b>	Associate				
-Profit on investment		17,965	188	4,540	188
<b>Fauji Fertilizer Company Limited</b>	Associate				
-Sale of gas		5	5	-	-
<b>Inter State Gas Systems (Private) Limited</b>	Associate				
-Sharing of expenses		26,971	18,885	15,870	10,397
<b>International Industries Limited</b>	Associate				
-Line Pipe Purchases		420,537	1,047,455	194,964	90,680
-Sale of gas		443,909	367,385	237,188	181,977

	Relationship	Note	Six months period ended		Three months period ended	
			December 31, 2011	December 31, 2010	December 31, 2011 (Un-audited)	December 31, 2010
<b>Liaquat National Hospital</b>	Associate					
-Medical services			<u>31,274</u>	<u>18,993</u>	<u>16,727</u>	<u>6,787</u>
-Gas sales			<u>34,897</u>	<u>29,390</u>	<u>16,202</u>	<u>13,045</u>
<b>Mari Gas Company Limited</b>	Associate					
-Gas purchases			<u>-</u>	<u>2,153</u>	<u>-</u>	<u>-</u>
<b>Minto &amp; Mirza</b>	Associate					
-Professional charges			<u>3,450</u>	<u>7,400</u>	<u>3,450</u>	<u>7,400</u>
<b>Oil &amp; Gas Development Company Limited</b>	Associate					
-Principal portion of lease rental			<u>1,309</u>	<u>1,834</u>	<u>550</u>	<u>917</u>
-Gas purchases			<u>12,915,792</u>	<u>16,692,700</u>	<u>6,745,349</u>	<u>9,738,289</u>
<b>Petroleum Institute of Pakistan</b>	Associate					
-Subscription / contribution			<u>434</u>	<u>800</u>	<u>-</u>	<u>359</u>
<b>Packages Limited</b>	Associate					
-Gas sales			<u>4,415</u>	<u>4,080</u>	<u>2,340</u>	<u>2,108</u>
<b>Pak Suzuki Motor Company Limited</b>	Associate					
-Motor Vehicle Purchases			<u>41,572</u>	<u>28,181</u>	<u>13,052</u>	<u>28,181</u>
-Gas Sales			<u>21,366</u>	<u>8,810</u>	<u>12,726</u>	<u>8,810</u>
<b>Pakistan State Oil Company Limited</b>	Associate					
-Purchase of fuel and lubricant			<u>5,949</u>	<u>16,021</u>	<u>3,317</u>	<u>16,021</u>
<b>Quality Aviation (Pvt.) Limited</b>	Associate					
-Travelling services			<u>5,488</u>	<u>10,287</u>	<u>-</u>	<u>6,068</u>
<b>Remuneration of key management personnel</b>						
-Executive staff		23.3	<u>58,900</u>	<u>49,603</u>	<u>28,387</u>	<u>23,932</u>
<b>Sui Northern Gas Pipelines Limited</b>	Associate					
-Principal portion of lease rental			<u>65,638</u>	<u>71,628</u>	<u>32,932</u>	<u>35,937</u>
-Sale of gas meters		23.1	<u>598,214</u>	<u>661,238</u>	<u>265,077</u>	<u>368,658</u>
-Gas Purchases			<u>292,998</u>	<u>219,080</u>	<u>154,963</u>	<u>116,650</u>
-Uniform cost of gas			<u>14,946,081</u>	<u>13,019,618</u>	<u>8,210,083</u>	<u>7,728,405</u>
-Dividend income			<u>2,090</u>	<u>4,180</u>	<u>-</u>	<u>4,180</u>
<b>State Life Insurance Corporation Limited</b>	Associate					
-Rent of premises			<u>-</u>	<u>364</u>	<u>-</u>	<u>148</u>
<b>Siemens Pakistan Engineering Limited</b>	Associate					
-Supplies and maintenance			<u>-</u>	<u>73</u>	<u>-</u>	<u>-</u>
-Gas sales			<u>-</u>	<u>1,417</u>	<u>-</u>	<u>-</u>

	Relationship	Note	Six months period ended		Three months period ended	
			December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
(Un-audited) (Rupees in '000)						
<b>Staff retirement benefit plans</b>						
-Contribution to provident fund		23.2	<b>94,192</b>	82,413	<b>49,548</b>	42,823
-Contribution to pension fund		23.2	<b>167,536</b>	-	<b>128,272</b>	-
-Contribution to gratuity fund		23.2	<b>102,352</b>	146,440	<b>55,227</b>	77,060
<b>U.G Foods Company (Private) Limited</b>	Associate					
-Gas sales			<b>6,601</b>	5,423	<b>3,328</b>	2,750

- 23.1** Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.
- 23.2** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 23.3** Remuneration to the executive officers of the Holding Company and loans and advances to them 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.
- 23.4 Amount (due to) / receivable from / investment in related parties**

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

	Relationship	December 31, 2011 (Un-audited)	June 30, 2011 (Audited)
(Rupees in '000)			
<b>Liaquat National Hospital</b>	Associate		
-Gas sales		<b>9,972</b>	6,279
<b>Oil and Gas Development Company Limited</b>	Associate		
-Gas purchases		<b>(29,167,821)</b>	(26,583,482)
<b>Packages Limited</b>	Associate		
-Gas sales		<b>831</b>	623
<b>Sui Northern Gas Pipelines Limited</b>	Associate		
-Lease rentals		<b>145,424</b>	65,987
-Sale of gas meters		<b>156,855</b>	25,662
-Cost of gas levelisation		<b>5,707,746</b>	4,037,499
<b>U.G Foods Company (Private) Limited</b>	Associate		
-Gas sales		<b>1,146</b>	827

## 24. Operating segments

### Segment revenue and results

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

	Segment Revenue		Segment Profit	
	December 31, 2011	December 31, 2010 (Un-audited) (Rupees in '000)	December 31, 2011	December 31, 2010
Gas transmission and distribution	<b>60,483,204</b>	56,951,811	<b>673,360</b>	80,064
Meter manufacturing	<b>875,087</b>	961,345	<b>43,259</b>	113,044
Total segments results	<b>61,358,291</b>	57,913,156	<b>716,619</b>	193,108

### Reconciliation of segment's profit with the profit before tax of the Company

Un-allocated - other expenses				
- Finance cost			<b>(3,596,159)</b>	(2,410,395)
- Selling expenses			<b>(508,858)</b>	(502,336)
- Other operating expenses			<b>(682,769)</b>	(716,426)
Unallocated - other income				
- Operating income			<b>1,532,473</b>	2,009,802
- Non-operating income			<b>4,882,326</b>	4,678,404
Profit before tax			<b>2,343,632</b>	3,252,157

### Segment assets and liabilities

During the period, there were following significant increase in the assets and liabilities of transmission and distribution segment as compared to June 30, 2011:

	<b>Increase Rupees in '000</b>
<b>Assets</b>	
Property, plant and equipment	3,841,997
Trade debts	11,514,788
Other receivables	5,183,994
<b>Liabilities</b>	
Trade and other payables	12,288,820
Interest and mark-up accrued	2,468,473

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

**25. General**

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

**26. Date of Authorisation**

This Consolidated condensed interim financial information was authorised for issue on February 29, 2012 by the Board of Directors.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

**Karachi**  
**February 29, 2012**

## KEY DATA

	SINDH AND BALOCHISTAN	
	Six months ended 30 December	
	2011	2010
- <b>FRANCHISE AREA</b>		
- <b>NATURAL GAS SALES VOLUME (MMCF)</b>	<b>177,869</b>	183,141
- <b>NUMBER OF CUSTOMERS (CUMULATIVE)</b>		
INDUSTRIAL	4,066	3,956
COMMERCIAL	24,417	24,269
DOMESTIC	2,396,090	2,258,947
	<b>2,424,573</b>	2,287,172
- <b>GAS METERS MANUFACTURED (NOS.)</b>		
(SSGC MEETS 100% REQUIREMENT OF DOMESTIC GAS METERS IN PAKISTAN)	<b>308,807</b>	348,650
- <b>TRANSMISSION NETWORK - CUMULATIVE (KM)</b>		
DIAMETER		
12"	344	344
16"	558	558
18"	933	933
20"	852	852
24"	624	624
30"	9	9
	<b>3,320</b>	3,320
- <b>DISTRIBUTION NETWORK - CUMULATIVE (KM)</b>		
MAINS (1" - 30" DIAMETER)	31,782	30,026
SERVICES	8,251	7,791
	<b>40,033</b>	37,817