

Corporate Profile

Board of Directors

| | |
|------------------------------------|-------------------|
| Mr. Shahid Aziz Siddiqui | Chairman |
| Mr. Zuhair Siddiqui | Managing Director |
| Mr. Agha Sher Shah | |
| Mr. Ayaz Dawood | |
| Air Vice Marsal Azhar Maud (Retd.) | |
| Mr. Babar Yaqoob Fateh Muhammad | |
| Dr. Shahab Alam | |
| Mr. Fazal-ur-Rehman Dittu | |
| Mr. Mirza Mahmood Ahmad | |
| Mr. Mohammad Arif Hameed | |
| Mr. Shahid M. Sattar | |
| Mr. Nessar Ahmed | |
| Mr. Wazir Ali Khoja | |

Board of Directors' Committees

Audit Committee

| | |
|------------------------------------|----------|
| Mr. Nessar Ahmed | Chairman |
| Mr. Agha Sher Shah | Member |
| Mr. Ayaz Dawood | Member |
| Air Vice Marsal Azhar Maud (Retd.) | Member |
| Mr. Fazal-ur-Rehman Dittu | Member |
| Mr. Mohammad Arif Hameed | Member |

Finance Committee

| | |
|--------------------------|-------------------|
| Mr. Shahid Aziz Siddiqui | Chairman |
| Mr. Zuhair Siddiqui | Managing Director |
| Mr. Mirza Mahmood Ahmad | Member |
| Dr. Shahab Alam | Member |
| Mr. Wazir Ali Khoja | Member |
| Mr. Shahid M. Sattar | Member |

Human Resource Committee

| | |
|---------------------------------|-------------------|
| Mr. Shahid Aziz Siddiqui | Chairman |
| Mr. Zuhair Siddiqui | Managing Director |
| Mr. Babar Yaqoob Fateh Muhammad | Member |
| Mr. Ayaz Dawood | Member |
| Mr. Mirza Mahmood Ahmad | Member |
| Mr. Mohammad Arif Hameed | Member |

Company Secretary

Mr. Yusuf J. Ansari

Chief Financial Officer

Mr. Abdul Malik

Auditors

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

Legal Advisors

M/s. Haidermota & Co.
Barrister-at-Law & Corporate Counsels

Registered Office

SSGC House
ST - 4/B, Block 14,
Sir Shah Muhammad Suleman Road,
Gulshan-e-Iqbal, Karachi. 75300
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Web Site

<http://www.ssgc.com.pk>

Directors' Report

For the Nine Months Period Ended March 31, 2013

We are pleased to present and share the Company's un-audited results for the nine months ended March 31, 2013.

As highlighted in our Annual Report, the Company continue to face serious challenges some of which are critical for the Company's future growth and viability.

Gas supply and demand

Shortage of gas supply affected the Company's ability to meet Customers' demand and it had to resort to a load management program. Very recently, three new fields Sinjhoru, Sujawal & Nur Bagla were commissioned which has somewhat improve the supply situation in the second half of the year.

The key projects relating to LPG, LNG & SNG are in the pipeline and the management is making efforts towards effective outcomes.

Profitability

In the nine months, the Company posted a profit of Rs. 1,641 million as compared to Rs. 2,102 million in corresponding period last year, a 22% decline. The Earning Per Share (EPS) accordingly decreased to Rs. 1.86 against Rs. 2.39 last year.

However, in third quarter only, profit of the Company increased by 5% to Rs. 594 million as compared to Rs. 563 million in corresponding period last year. Accordingly, in third quarter Earning Per Share (EPS) increased to Rs. 0.67 against Rs. 0.64 last year.

Key financial ratios for the period under review are presented below:

| | <u>Nine months period ended</u> | | <u>Three months period ended</u> | |
|--|---------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | <u>March 31,</u> <u>2013</u> | <u>March 31,</u> <u>2012</u> | <u>March 31,</u> <u>2013</u> | <u>March 31,</u> <u>2012</u> |
| • Debt equity | 53:47 | 50:50 | 53:47 | 50:50 |
| • Debt servicing | 3.01 | 2.34 | 3.74 | 2.55 |
| • Current ratio | 0.98 | 0.98 | 0.98 | 0.98 |
| • Return on equity (%) | 9.1 | 11.8 | 3.3 | 3.2 |
| • Return on average capital employed (%) | 4.5 | 5.9 | 1.6 | 1.6 |
| • Earnings per share - Rs. | 1.86 | 2.39 | 0.67 | 0.64 |

These accounts have been prepared on the basis of determination of Estimated Revenue Requirement (ERR) for FY 2012-13 given by OGRA. While giving its determination OGRA has taken into account the stay order granted by Sindh High Court wherein OGRA was directed to treat UFG benchmark at 7% for the said financial year instead of 4.5% as determined by OGRA and was also ordered to treat certain incomes as non-operating incomes till the final decision of the petition filed by the Company. The petition was filed on several grounds including: 1) The benchmark fixed by OGRA was arbitrary and unrealistic. 2) OGRA could only impose a penalty under rule 20 of the Natural Gas Tariff Rules 2002 on the Company for violating the UFG benchmark, which could not exceed the maximum of Rs. 730 million per year. 3) Certain incomes were illegally treated as operating income.

In case the petition is decided against the Company instead of declaring a profit it would incur a loss of Rs. 5,835 million for the period ended March 31, 2013. However, if the petition is decided in favor of the Company and all contentions requested by the Company are accepted, the profit for the period would further increase by Rs. 3,572 million.

In Final Revenue Requirement (FRR) for FY 2011-12 determined by OGRA, volumes lost to theft by non-consumers and losses in areas affected by law and order situation were not allowed which is arbitrary and discriminatory against the Company as the same have been allowed to Sui Northern Gas Pipeline Limited (SNGPL). Consistent with the annual financial statements for the year ended June 30, 2012, above mentioned gas sales volumes were not taken into account while determining gas sales for nine months. However, the Company believes that these volumes are rightful claims and will use all available remedies to protect its right.

Unaccounted for gas (UFG)

During the nine months ended March 31, 2013, the Unaccounted for gas (UFG) was 12.99 % as against 7% currently permissible and 11.23% of corresponding period last year. This has resulted in UFG disallowance of Rs. 6,042million (2012: Rs. 3,651 million) on account of excess "Unaccounted for Gas" (UFG).

UFG is higher due to following reasons:

- High UFG in Balochistan due to law and order situation.
- The target for replacement of PUG meters was not met. A plan has been put in place to expedite replacement of PUG meters.
- Due to high domestic demand, load shedding was observed in both Industry and CNG sector.

In order to reduce UFG the Company is taking several key initiatives. These include creation of Strategic Business Units for greater responsibility & accountability and has aggressive plans to change meters and rectification of overhead and underground leakages. In addition to these, the Company has signed an agreement in October 2012 for \$ 200 million World Bank financed Natural Gas Efficiency Project (NGEP) through the Government of Pakistan. This is a five years project and is currently in planning stages. The Company has set out a goal to reduce UFG level to around 6.7% by financial year 2017.

Trade & Other Receivables

Company's Trade Debts increased by 21% in nine months from June 30, 2012, resulting in severe liquidity crunch. This is mainly due to a few customers who continue to default on payments. This includes KESC (Rs. 48,254 million), Pakistan Steel (Rs. 14,060 million) & SNGPL (Rs. 16,894 million). Besides, non-payment of Sales Tax refunds by the FBR (Rs. 10,714 million) and non reimbursement of Gas Development Surcharge (Rs. 14,477 million) by Government of Pakistan has also severely affected cash flows of the Company.

Future Outlook

The future outlook of the Company depends on the following:

- 1) The gas supply position where we have recently seen some improvement by commissioning of three new gas fields explained in preceding paragraphs.
- 2) Significant recoveries of our long outstanding receivables, providing sufficient cash flows to finance our current operations and future plans.
- 3) Outcome of our petition pending in the Sindh High Court (SHC) against OGRA's tariff decision, in which the Company has proposed the following:
 - a) Treatment of Late Payment Surcharge (LPS), Sale of Gas Condensate, Royalty Income from JJVL and Meter Manufacturing Profit as Non Operating income, being a non regulated income and does not constitute part of total revenue and should not be subject to total revenue requirement determination.

- b) Rationalization of UFG benchmark since the previous benchmark was introduced without consultation with the gas companies and independent experts were not engaged. Also, the base operating condition prevalent at the time of introduction of benchmark like cost of gas, bulk retail ratio, etc., have now become lopsided, thereby adversely impacting UFG.
- c) Maximum penalty that OGRA may impose for a particular financial year cannot exceed Rs. 730 million per annum under Rule 20 of the natural gas (tariff) 2002 and therefore, UFG penalties imposed by OGRA are very excessive and are not in accordance with the relevant laws.

It is to be noted that supply of gas in areas faced by law and order situation is resulting in huge loss to the Company, as UFG in these areas is much beyond the approved ceiling by OGRA. Under these circumstances, the Company has to seriously consider the possibility of discontinuation of gas supply to such areas in line with the best commercial practices, as without such remedial action the Company and its shareholders, the main owner being the Government of Pakistan, will continue to suffer huge revenue losses. However, if the stakeholders do not approve the proposed action stated above, the review of UFG targets by OGRA / MP&NR will become essential so that the Company can continue to remain financially viable.

The Board would like to thank all our shareholders for their continuous support through these trying times and the Management, officers and staff of the Company for discharging their responsibilities in an efficient manner. Last but not the least, we are grateful to MP&NR and OGRA for their support on various issues.



Shahid Aziz Siddiqui
Chairman



Zuhair Siddiqui
Managing Director

Karachi
April 25, 2013

Unconsolidated Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2013

| | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|--|-------------|-----------------------------------|-------------------------------|
| | | (Rupees in '000) | |
| ASSETS | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 67,255,625 | 64,260,064 |
| Intangible assets | | 140,500 | 45,946 |
| Long term investments | 7 | 1,087,087 | 1,071,575 |
| Net investment in finance lease | | 713,854 | 802,950 |
| Long-term loans and advances | | 147,936 | 124,235 |
| Long-term deposits | | 4,530 | 3,250 |
| Total non-current assets | | 69,349,532 | 66,308,020 |
| Current assets | | | |
| Stores, spares and loose tools | | 2,395,104 | 2,080,366 |
| Stock-in-trade | | 748,000 | 780,365 |
| Current maturity of net investment in finance lease | | 118,795 | 118,795 |
| Customers' installation work-in-progress | | 208,948 | 191,900 |
| Trade debts | 8 | 87,042,272 | 71,740,913 |
| Loans and advances | | 1,692,586 | 1,421,758 |
| Trade deposits and short-term prepayments | | 113,790 | 180,658 |
| Interest accrued | | 4,010,505 | 3,553,168 |
| Other receivables | 9 | 45,361,318 | 24,153,103 |
| Taxation - net | | 1,055,305 | 1,428,229 |
| Cash and bank balances | | 949,598 | 1,502,964 |
| Total current assets | | 143,696,221 | 107,152,219 |
| Total assets | | 213,045,753 | 173,460,239 |
| 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 | | 8,809,163 | 8,809,163 |
| Reserves | | 4,907,401 | 4,907,401 |
| Surplus on re-measurement of available for sale securities | | 73,458 | 57,946 |
| Unappropriated profit | | 4,133,147 | 4,473,742 |
| Total equity | | 17,923,169 | 18,248,252 |
| Surplus on revaluation of fixed assets | | 10,251,946 | 10,251,946 |
| Non-current liabilities | | | |
| Long-term finance-secured | 10 | 16,466,707 | 18,315,383 |
| Long-term deposits | | 5,157,453 | 4,600,424 |
| Deferred tax | | 6,773,302 | 7,621,895 |
| Employee benefits | | 2,393,604 | 2,154,237 |
| Deferred credit | 11 | 5,426,342 | 5,336,479 |
| Long-term advances | | 1,581,607 | 1,896,646 |
| Total non-current liabilities | | 37,799,015 | 39,925,064 |
| Current liabilities | | | |
| Current portion of long-term finance | | 3,434,519 | 3,227,262 |
| Short-term borrowings | 12 | 5,962,916 | - |
| Trade and other payables | 13 | 116,631,379 | 85,610,600 |
| Interest and mark-up accrued | | 21,042,809 | 16,197,115 |
| Total current liabilities | | 147,071,623 | 105,034,977 |
| Total liabilities | | 184,870,638 | 144,960,041 |
| Contingencies and commitments | 14 | | |
| Total equity and liabilities | | 213,045,753 | 173,460,239 |

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


Shahid Aziz Siddiqui
Chairman


Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the Nine Months Period Ended March 31, 2013

| | Note | Nine months period ended | | Three months period ended | |
|-------------------------------------|----------|--------------------------|-------------------|---------------------------|-------------------|
| | | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| (Rupees in '000) | | | | | |
| Sales | | 119,567,485 | 108,389,841 | 40,611,079 | 39,472,887 |
| Sales tax | | (16,001,275) | (13,434,022) | (5,270,296) | (5,000,272) |
| | | 103,566,210 | 94,955,819 | 35,340,783 | 34,472,615 |
| Gas development surcharge | | 6,889,799 | 598,195 | 2,249,884 | (1,766,585) |
| Net sales | | 110,456,009 | 95,554,014 | 37,590,667 | 32,706,030 |
| Cost of sales | 15 | (111,417,467) | (93,891,982) | (38,938,718) | (32,667,210) |
| Gross profit / (loss) | | (961,458) | 1,662,032 | (1,348,051) | 38,820 |
| Administrative and selling expenses | | (3,116,162) | (2,282,844) | (870,490) | (836,577) |
| Other operating expenses | 16 | (1,606,175) | (1,067,354) | (491,702) | (387,498) |
| | | (4,722,337) | (3,350,198) | (1,362,192) | (1,224,075) |
| | | (5,683,795) | (1,688,166) | (2,710,243) | (1,185,255) |
| Other operating income | 17 | 2,732,975 | 2,293,149 | 1,102,041 | 760,676 |
| Operating (loss) / profit | | (2,950,820) | 604,983 | (1,608,202) | (424,579) |
| Other non-operating income | 18 | 11,560,330 | 8,116,372 | 4,534,049 | 3,156,721 |
| Finance cost | 19 | (6,059,882) | (5,476,590) | (2,004,546) | (1,880,431) |
| Profit before taxation | | 2,549,628 | 3,244,765 | 921,301 | 851,711 |
| Taxation | 20 | (908,161) | (1,142,280) | (327,401) | (288,689) |
| Profit for the period | | 1,641,467 | 2,102,485 | 593,900 | 563,022 |
| Basic / diluted earnings per share | (Rupees) | 1.86 | 2.39 | 0.67 | 0.64 |

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


Shahid Aziz Siddiqui
Chairman


Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Nine Months Period Ended March 31, 2013

| | Nine months period ended | | Three months period ended | |
|--|--------------------------|-------------------|---------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| | (Rupees in '000) | | | |
| Net profit for the period | 1,641,467 | 2,102,485 | 593,900 | 563,022 |
| Other comprehensive income | | | | |
| Unrealised gain / (loss) on re-measurement of available for sale securities | 15,512 | (831) | (3,221) | 11,915 |
| Total comprehensive income for the period | <u>1,656,979</u> | <u>2,101,654</u> | <u>590,679</u> | <u>574,937</u> |

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



Shahid Aziz Siddiqui
Chairman



Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the Nine Months Period Ended March 31, 2013

| | Note | March 31, 2013 (Rupees in '000) | March 31, 2012 |
|--|------|---------------------------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 2,549,628 | 3,244,765 |
| Adjustments for non-cash and other items | 21 | 9,782,960 | 8,537,170 |
| Working capital changes | 22 | (8,574,606) | (6,707,138) |
| Financial charges paid | | (1,580,995) | (1,753,245) |
| Income taxes paid | | (1,383,830) | (533,287) |
| Net cash from operating activities | | 793,157 | 2,788,265 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (5,720,114) | (5,326,381) |
| Proceeds from sale of property, plant and equipment | | 4,649 | 4,055 |
| Lease rental from net investment in finance lease | | 223,811 | 235,392 |
| Short-term loan to subsidiary company | | (175,000) | (1,301,000) |
| Investment in subsidiary company | | - | (1,000,000) |
| Deposit Paid | | (1,280) | - |
| Dividend received | | 475 | 2,793 |
| Net cash used in investing activities | | (5,667,459) | (7,385,141) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from local currency loans | | 700,000 | 2,000,000 |
| Repayments of local currency loans | | (2,297,967) | (3,201,671) |
| Consumer finance received | | 23,503 | 63,975 |
| Repayment of consumer finance | | (66,956) | (82,386) |
| Dividend paid | | (560) | (1,984,661) |
| Net cash used in financing activities | | (1,641,980) | (3,204,743) |
| Net decrease in cash and cash equivalents | | (6,516,282) | (7,801,619) |
| Cash and cash equivalents at beginning of the period | | 1,502,964 | 1,084,857 |
| Cash and cash equivalents at end of the period | | (5,013,318) | (6,716,762) |
| Cash and cash equivalent comprises: | | | |
| Cash and bank balances | | 949,598 | 2,657,398 |
| Short-term borrowings | | (5,962,916) | (9,374,160) |
| | | (5,013,318) | (6,716,762) |

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



Shahid Aziz Siddiqui
Chairman



Zuhair Siddiqui
Managing Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the Nine Months Period Ended March 31, 2013

| | Issued, subscribed and paid-up capital | Capital reserves | Revenue reserves | Surplus / (deficit) on re-measurement of available for sale securities | Unappropriated profit | Total |
|--|---|---------------------|---------------------|---|--------------------------|-------------|
| | (Rupees in '000) | | | | | |
| Balance as at July 01, 2011 | 8,389,679 | 234,868 | 2,872,533 | 68,610 | 6,209,403 | 17,775,093 |
| Transactions with owners | | | | | | |
| Bonus shares (1 share for every 20 shares) | 419,484 | - | - | - | (419,484) | - |
| Final dividend for the year ended June 30, 2011 at Rs. 2.5 per share | - | - | - | - | (2,097,420) | (2,097,420) |
| Total comprehensive income for the period ended March 31, 2012 | | | | | | |
| Profit for the period | - | - | - | - | 2,102,485 | 2,102,485 |
| Unrealized gain on re-measurement of available for sale securities | - | - | - | (831) | - | (831) |
| Total comprehensive income for the period | - | - | - | (831) | 2,102,485 | 2,101,654 |
| Transferred to revenue reserve | | | 1,800,000 | | (1,800,000) | - |
| Balance as at March 31, 2012 | 8,809,163 | 234,868 | 4,672,533 | 67,779 | 3,994,984 | 17,779,327 |
| Balance as at July 01, 2012 | 8,809,163 | 234,868 | 4,672,533 | 57,946 | 4,473,742 | 18,248,252 |
| Transactions with owners | | | | | | |
| Final dividend for the year ended June 30, 2012 at Rs. 2.25 per share | - | - | - | - | (1,982,062) | (1,982,062) |
| Total comprehensive income for the period ended March 31, 2013 | | | | | | |
| Profit for the period | - | - | - | - | 1,641,467 | 1,641,467 |
| Unrealized loss on re-measurement of available for sale securities | - | - | - | 15,512 | - | 15,512 |
| Total comprehensive income for the period | - | - | - | 15,512 | 1,641,467 | 1,656,979 |
| Balance as at March 31, 2013 | 8,809,163 | 234,868 | 4,672,533 | 73,458 | 4,133,147 | 17,923,169 |

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



Shahid Aziz Siddiqui
Chairman



Zuhair Siddiqui
Managing Director

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)

For the Nine Months Period Ended March 31, 2013

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.

2. Basis for preparation

2.1 The unconsolidated 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 unconsolidated condensed interim financial information does not include all of the information required for the annual financial statements and should be read in conjunction with the unconsolidated financial statements of the Company for the year ended June 30, 2012, which are to be approved in forthcoming Annual General Meeting.

2.2 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, 2012. 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 nine-months period ended March 31, 2012.

2.3 Determination of revenue requirement

Revenue requirement for the nine-months period ended March 31, 2013 has been determined on the same basis as determined in the annual financial statements for the year ended June 30, 2012 which is based on interim relief provided by the Sindh High Court decision in the matter explained below:

The Oil and Gas Authority (OGRA) in its order dated December 02, 2010 and May 24, 2011 treated Royalty Income from Jamshoro Joint Venture, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as operating income which it had previously allowed as non-operating income in its decision dated September 24, 2010 for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25%-5%. Aggrieved by the above decision, the Company had filed an appeal against the decision of the OGRA in the High Court of Sindh (the Court), on which the Court has provided interim relief whereby OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010 till final order of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court.

Accordingly, the condensed interim financial information has been prepared based on the interim relief provided by the Court. Management is confident that the final decision of the Court would be in favour of the Company.

3. Significant accounting policies

The significant accounting policies and methods of computation applied for the preparation of this unconsolidated condensed interim financial information are the same as those applied in preparation of the annual unconsolidated audited financial statements of the Company for the year ended June 30, 2012.

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, 2012.

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, 2012.

6. Property, plant and equipment

| | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|--------------------------|--------------------------------|----------------------------|
| | (Rupees in '000) | |
| Operating assets | 58,075,154 | 57,355,317 |
| Capital work-in-progress | 9,180,471 | 6,904,747 |
| | <u>67,255,625</u> | <u>64,260,064</u> |

Details of additions to and disposals of property, plant and equipment during the nine months period ended March 31, 2013 are as follows:

| | March 31, 2013 | | March 31, 2012 | |
|--|----------------------------------|---|---------------------------------|---|
| | Cost of additions/ transfers | Written down value of (disposals / transfers) | Cost of additions/ transfers | Written down value of (disposals / transfers) |
| | (Un-audited) (Rupees in '000) | | | |
| Operating assets - owned | | | | |
| Gas transmission and distribution system | 3,050,113 | - | 3,665,920 | (472) |
| Buildings on leasehold land | 132,811 | - | 45,277 | - |
| Plant, machinery and other equipment | 562,926 | (7,941) | 290,323 | (182) |
| Others | 127,249 | - | 105,101 | (3,740) |
| | <u>3,873,099</u> | <u>(7,941)</u> | <u>4,106,621</u> | <u>(4,394)</u> |

| | March 31, 2013 | | March 31, 2012 | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Capital expenditure incurred | Transfer to operating assets | Capital expenditure incurred | Transfer to operating assets |
| | (Un-audited) (Rupees in '000) | | | |
| Capital work-in-progress | | | | |
| Gas transmission and distribution system | 5,506,519 | (3,050,113) | 5,228,597 | (3,665,920) |
| Buildings under construction | 16,107 | (132,811) | 36,350 | (45,277) |
| Plant, machinery and other equipment | 498,948 | (562,926) | 288,709 | (290,323) |
| Others | 127,249 | (127,249) | 105,101 | (105,101) |
| | <u>6,148,823</u> | <u>(3,873,099)</u> | <u>5,658,757</u> | <u>(4,106,621)</u> |

| | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|---|------|--------------------------------|----------------------------|
| | | (Rupees in '000) | |
| 7. Long-term investments | Note | | |
| Investment in shares of related parties | | 1,043,464 | 1,042,169 |
| Other investments | | 43,623 | 29,406 |
| | | <u>1,087,087</u> | <u>1,071,575</u> |
| 8. Trade debts | | | |
| Considered good | | | |
| - secured | | 21,046,266 | 13,145,342 |
| - unsecured | | 65,996,006 | 58,595,571 |
| | 8.1 | <u>87,042,272</u> | <u>71,740,913</u> |
| Considered doubtful | | 3,819,481 | 3,416,032 |
| | | <u>90,861,753</u> | <u>75,156,945</u> |
| Provision against doubtful debts | | (3,819,481) | (3,416,032) |
| | | <u>87,042,272</u> | <u>71,740,913</u> |

8.1 Trade debts include Rs. 48,254 million (June 30, 2012: Rs. 41,805 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 46,043 million are over due. As per the latest financial statements of KESC for the half year ended on December 2012, its accumulated losses have reached to Rs. 78,719 million, and its current liabilities exceeded current assets by Rs. 43,607 million. Management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount as well. In order to expedite the recovery of the outstanding amount, the Company filed a law suit against KESC in High Court of Sindh for recovery of Rs. 45,705 million on November 21, 2012. Management is confident that this amount will be recovered.

Trade debts include Rs. 14,060 million (June 30, 2012 Rs. 8,872 million) receivable from Pakistan Steel Mills Corporation (Private) Limited (PSML). Out of this, Rs. 13,550 million and secured exposure of Rs. 8.6 million. Management 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.

Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Water and Power Development Authority (WAPDA) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs. 68,829 million as at March 31, 2013 (June 30, 2012: Rs. 53,396 million). These include overdue amounts of Rs. 58,808 million (June 30, 2012: Rs. 42,567 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables amounts to Rs. 16,892 million (June 30, 2012: Rs. 9,467 million). Interest accrued amounting to Rs. 5,550 million (June 30, 2012: Rs. 4,470 million) in respect of overdue balances of KESC, WAPDA and SNGPL is stated in accrued interest.

As at March 31, 2013, an amount of Rs. 79,961 million (June 30, 2012: Rs. 58,919 million) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 20,581 million (June 30, 2012: Rs. 15,832 million) on their balances.

| | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|--|------|--------------------------------|----------------------------|
| | Note | (Rupees in '000) | |
| 9. Other receivables - considered good | | | |
| Gas development surcharge receivable from Government of Pakistan (GoP) | 9.1 | 14,477,363 | 7,233,443 |
| Receivable from staff pension fund - non executives | | 82,732 | 82,733 |
| Balance receivable for sale of gas condensate | | 66,639 | 32,304 |
| Receivable from SNGPL - a related party | 9.2 | 16,894,291 | 9,467,773 |
| Receivable from Jamshoro Joint Venture Limited (JJVL) | | 3,782,206 | 2,571,866 |
| Receivable from SSGC LPG (Private) Limited - subsidiary company | | 247,259 | - |
| Workers' Profit Participation Fund | | - | 59,912 |
| Sales tax receivable | 9.3 | 10,713,858 | 5,094,869 |
| Pipeline rentals | | 27,664 | 11,131 |
| Miscellaneous receivables | | 50,025 | 137,394 |
| | | <u>46,342,037</u> | <u>24,691,425</u> |
| Provision against impaired receivables | | <u>(980,719)</u> | <u>(538,322)</u> |
| | | <u>45,361,318</u> | <u>24,153,103</u> |

9.1 This includes Rs. 390 million (June 30, 2012: Rs. 390 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. 76 million (June 30, 2012: Rs. 79 million) and Rs. 16,816 million (June 30, 2012: Rs. 9,388 million) receivable under the uniform cost of gas agreement with SNGPL.

9.3 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales Tax refunds are processed through FBR's Sales Tax Automated Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR and substantial refunds were released during last year under corporate guarantee (subject to post refund audit). However, during current year, pace of refunds has again slowed down by Tax Authorities and further, above said dispensation was also withdrawn by FBR in May 2012. On the complaint of the Company, this matter was taken up by the Federal Tax Ombudsman (FTO), who accepted the Company's assertion and recommended restoration of the said dispensation facility from STARR. Against FTO Order, Tax Authorities have filed a representation before the President of Pakistan, where such matter is pending decision.

| | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|------------------------------|------|--------------------------------|----------------------------|
| | Note | (Rupees in '000) | |
| 10. Long term finance | | | |
| Secured | | | |
| Loans from banking companies | 10.1 | 11,151,952 | 13,576,586 |
| Unsecured | | | |
| Consumer financing | 10.4 | 159,713 | 183,755 |
| Government of Sindh loan | 10.6 | 5,155,042 | 4,555,042 |
| | | <u>5,314,755</u> | <u>4,738,797</u> |
| | | <u>16,466,707</u> | <u>18,315,383</u> |

10.1. Local currency loans

| | | | | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|---|---------------------|------------------|---|------|--------------------------------|----------------------------|
| | | | | Note | (Rupees in '000) | |
| | Installment payable | Repayment period | Mark-up / annum (above 3 months KIBOR) | | | |
| Samba Bank Limited | quarterly | 2010-2012 | 0.20% | 10.2 | - | 200,000 |
| Bank Islami Pakistan Limited | quarterly | 2010-2012 | 0.20% | 10.3 | - | 940,000 |
| Faysal bank Limited | quarterly | 2011-2013 | 1.00% | 10.3 | - | 400,000 |
| Standard Chartered Bank (Pakistan) Limited | quarterly | 2012-2015 | 1.00% | 10.3 | 1,571,428 | 2,000,000 |
| Askari bank Limited | quarterly | 2013-2015 | 1.00% | 10.3 | 916,667 | 1,000,000 |
| Meezan Bank Limited | quarterly | 2013-2015 | 1.00% | 10.3 | 2,750,000 | 3,000,000 |
| Bank Alfalah Limited | quarterly | 2013-2016 | 1.00% | 10.3 | 1,000,000 | 1,000,000 |
| Allied Bank Limited | quarterly | 2013-2016 | 1.00% | 10.3 | 1,000,000 | 1,000,000 |
| Askari Bank Limited | quarterly | 2013-2016 | 1.00% | 10.3 | 500,000 | 500,000 |
| Bank Alhabib Limited | quarterly | 2013-2016 | 1.00% | 10.3 | 500,000 | 500,000 |
| Allied Bank Limited | quarterly | 2013-2016 | 1.00% | 10.3 | 1,000,000 | 1,000,000 |
| Bank Alfalah Limited | quarterly | 2015-2017 | 0.75% | 10.3 | 1,000,000 | 1,000,000 |
| United Bank Limited | quarterly | 2015-2017 | 0.75% | 10.3 | 2,000,000 | 2,000,000 |
| Meezan Bank Limited | quarterly | 2015-2017 | 0.75% | 10.3 | 2,000,000 | 2,000,000 |
| Unamortised transaction cost | | | | | (14,715) | (18,652) |
| | | | | | 14,223,380 | 16,521,348 |
| Less: Current portion shown under current liabilities | | | | | (3,071,428) | (2,944,762) |
| | | | | | <u>11,151,952</u> | <u>13,576,586</u> |

10.2 This loan was 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.

10.3 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 Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment.

| | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|---|------|--------------------------------|----------------------------|
| | Note | (Rupees in '000) | |
| 10.4 Consumer financing | | | |
| Consumer financing | 10.5 | 224,780 | 268,233 |
| Less: Current portion shown under current liabilities | | (65,067) | (84,478) |
| | | <u>159,713</u> | <u>183,755</u> |

10.5 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 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.

10.6 Government of Sindh loan

| | | | | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|---|---------------------|----------------------------|------------------|------|--------------------------------|----------------------------|
| | | | | | (Rupees in '000) | |
| | Installment payable | Principal Repayment period | Mark-up rate p.a | Note | | |
| Government of Sindh loan - I | yearly | 2007 - 2016 | 2% | 10.7 | 33,064 | 33,064 |
| Government of Sindh loan - II | yearly | 2011 - 2020 | 4% | 10.7 | 720,000 | 720,000 |
| Government of Sindh loan - III | yearly | 2012 - 2021 | 4% | 10.7 | 900,000 | 900,000 |
| Government of Sindh loan - IV | yearly | 2013 - 2022 | 4% | 10.7 | 1,000,000 | 1,000,000 |
| Government of Sindh loan - V | yearly | 2014 - 2023 | 4% | 10.7 | 1,100,000 | 1,100,000 |
| Government of Sindh loan - VI | yearly | 2014 - 2023 | 4% | 10.7 | 1,000,000 | 1,000,000 |
| Government of Sindh loan - VII | yearly | 2015 - 2024 | 4% | 10.7 | 700,000 | - |
| Government grant | | | | 10.8 | (1,898,323) | (1,898,323) |
| | | | | | 3,521,677 | 2,821,677 |
| Government grant | | | | 10.8 | 1,898,323 | 1,898,323 |
| | | | | | 5,453,064 | 4,753,064 |
| Less: Current portion shown under current liabilities | | | | | (298,022) | (198,022) |
| | | | | | <u>5,155,042</u> | <u>4,555,042</u> |

10.7 An unsecured development loans from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The loans (II, III, IV, V, VI & VII) has been stated at fair value. (Refer note 10.8)

10.8 This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V & VI, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan (II, III, IV, V & VI) amounting to Rs. 900 million, Rs. 1,000 million, Rs. 1,000 million, Rs. 1,100 million and Rs. 1,000 million respectively, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million, Rs. 625.281 million, Rs. 646.083 and Rs. 587.349 million respectively. These are calculated at 3 month Average 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.

| | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|---|--------------------------------|----------------------------|
| | (Rupees in '000) | |
| 11. Deferred Credit | | |
| Government contributions / grants | | |
| Opening balance | 3,279,135 | 3,255,458 |
| Additions / adjustments during the period / year | 395,189 | 218,897 |
| Transferred to unconsolidated profit and loss account | (158,702) | (195,220) |
| Closing balance | <u>3,515,622</u> | <u>3,279,135</u> |
| Contribution from customers | | |
| Opening balance | 2,057,344 | 2,263,176 |
| Transferred to unconsolidated profit and loss account | (146,624) | (205,832) |
| Closing balance | <u>1,910,720</u> | <u>2,057,344</u> |
| | <u>5,426,342</u> | <u>5,336,479</u> |

12. Short term borrowings

These represent facilities for short-term running finance / short-term money market loan available from various banks amounting to Rs. 11,125 million (June 30, 2012: Rs. 11,125 million) and carry mark-up ranging from -0.25% to 0.75% (June 30, 2012: 0.00% 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 Company.

| | Note | March 31, 2013 (Un-audited) (Rupees in '000) | June 30, 2012 (Audited) |
|--|------|--|----------------------------|
| 13. Trade and other payables | | | |
| Creditors for: | | | |
| - gas | | 102,291,475 | 77,947,074 |
| - supplies | | <u>285,208</u> | <u>584,692</u> |
| | | <u>102,576,683</u> | <u>78,531,766</u> |
| Amount received from customers for laying of mains, etc. | | 2,190,070 | 2,097,337 |
| Accrued liabilities | | 1,857,048 | 2,288,365 |
| Provision for compensated absences - non executives | | 103,239 | 134,410 |
| Workers' Profit Participation Fund | | 134,191 | - |
| Deposits / retention money | | 268,786 | 232,737 |
| Bills payable | | - | 22,511 |
| Advance for sharing right of way | | 18,088 | 18,088 |
| Dividend payable / unclaimed dividend | | 2,182,089 | 200,587 |
| Withholding tax payable | | 74,049 | 119,396 |
| Gas infrastructure development CESS payable | | 6,849,202 | 1,776,112 |
| Unclaimed term finance certificate redemption profit | | 1,800 | 1,800 |
| Inter State Gas System (Private) Limited (ISGSL) | | 11,998 | 16,205 |
| Others | | <u>364,136</u> | <u>171,286</u> |
| | | <u>116,631,379</u> | <u>85,610,600</u> |

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 financial statements of the Company for the year ended June 30, 2012, except for the following:

| | | | |
|------|---|------------------|------------------|
| 14.2 | Claims against the Company not acknowledged as debt | <u>87,293</u> | <u>87,293</u> |
| 14.3 | Commitments for capital and other expenditure | <u>1,858,909</u> | <u>2,779,742</u> |
| 14.4 | Guarantees issued on behalf of the Company | <u>1,811,228</u> | <u>1,787,823</u> |

14.5 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 the Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (June 30, 2012: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2012: Rs. 0.5 million). Loan outstanding at the year end was Rs. 2.356 million (June 30, 2012: Rs. 2.920 million).

14.6 Jamshoro Power Company Limited (JPCL) (Formerly WAPDA) has lodged a claim against the Company amounting to Rs. 759.841 million (June 30, 2012: Rs. 759.841 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 favor.

14.7 During the year ended June 30, 2011, the Company availed 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 Company paid Federal Excise Duty (FED) amounting to Rs. 895.84 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 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, during the current year, the Company started paying the levy regularly under the head of Sindh Sales Tax on Franchise Services (formerly FED) amounting to Rs. 421.368 million which is also considered to be recoverable under the same clauses of the agreement. In addition, JJVL has also disputed calibration / measurement of gas supplied in prior periods and claimed that the 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. Management has also exercised its judgment with regard to provision required. Management believes that the amount is recoverable.

| | Nine months period ended | | Three months period ended | |
|---|----------------------------------|-------------------|---------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| | (Un-audited) (Rupees in '000) | | | |
| 15. Cost of sales | | | | |
| Cost of gas | 102,014,925 | 86,305,716 | 36,037,632 | 30,003,942 |
| Transmission and distribution costs | 9,402,542 | 7,586,266 | 2,901,086 | 2,663,268 |
| | <u>111,417,467</u> | <u>93,891,982</u> | <u>38,938,718</u> | <u>32,667,210</u> |
| 16. Other operating expenses | | | | |
| Auditors' remuneration | 3,405 | 2,651 | 1,113 | - |
| Workers' Profit Participation Fund | 134,191 | 170,777 | 48,490 | 44,826 |
| Sports expenses | 17,544 | 14,949 | 7,315 | 6,717 |
| Corporate social responsibility | 6,969 | 23,286 | 2,308 | 858 |
| Exchange loss on payment of gas purchases | 598,161 | 567,737 | 119,957 | 175,781 |
| Loss on sale of property, plant and equipment | 3,293 | 340 | 938 | (698) |
| Extraction charges | 130,823 | - | 76,105 | - |
| Provision against impaired stores and spares | 33,420 | 30,424 | 5,229 | 11,324 |
| Provision against financial income | 678,369 | 257,190 | 230,247 | 148,690 |
| | <u>1,606,175</u> | <u>1,067,354</u> | <u>491,702</u> | <u>387,498</u> |

| | Nine months period ended | | Three month period ended | |
|--|----------------------------------|-------------------|--------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| | (Un-audited) (Rupees in '000) | | | |
| 17. Other operating income | | | | |
| Income from other than financial assets | | | | |
| Meter rentals | 497,994 | 479,519 | 167,363 | 161,830 |
| Recognition of income against deferred credit | 292,214 | 288,502 | 100,082 | 97,471 |
| Income from new service connections | 228,302 | 204,265 | 112,070 | 65,896 |
| Gas shrinkage charged to JJVL | 1,454,505 | 1,177,964 | 585,751 | 390,347 |
| Income from gas transportation | 22,728 | 20,075 | 8,652 | 6,595 |
| Income from LPG air mix distribution - net | 81,380 | 59,862 | 26,875 | 18,804 |
| Advertising income | 3,459 | 5,244 | 1,162 | 1,121 |
| Income from sale of tender documents | 2,149 | 1,121 | 746 | 597 |
| Scrap sales | 783 | 1,408 | 349 | 211 |
| Miscellaneous | 140,730 | 49,605 | 92,449 | 16,820 |
| | <u>2,724,244</u> | <u>2,287,565</u> | <u>1,095,499</u> | <u>759,692</u> |
| Income from investment in debts, loans, advances and receivables from a related party | | | | |
| Contingent rental income - SNGPL | 8,731 | 5,584 | 6,542 | 984 |
| | <u>2,732,975</u> | <u>2,293,149</u> | <u>1,102,041</u> | <u>760,676</u> |
| 18. Other non-operating income | | | | |
| Income from financial assets | | | | |
| Late payment surcharge | 2,962,044 | 1,717,119 | 1,170,436 | 730,823 |
| Income from net investment in finance lease | 46,397 | 47,377 | 15,743 | 14,533 |
| Return on: | | | | |
| - term deposits and profit and loss bank accounts | 148,244 | 165,298 | 30,743 | 43,673 |
| - staff loans | 1 | 240 | - | 89 |
| - loan to a subsidiary | 103,523 | 74,457 | 30,813 | 39,884 |
| | <u>3,260,209</u> | <u>2,004,491</u> | <u>1,247,735</u> | <u>829,002</u> |
| Interest income on late payment of gas bills from | | | | |
| - KESC | 4,854,727 | 3,799,516 | 1,671,460 | 1,390,624 |
| - JJVL | 33,088 | 52,899 | 17,458 | 25,926 |
| - Water & Power Development Authority (WAPDA) | 182,504 | 197,057 | 65,346 | 40,096 |
| - SNGPL - Related Party | 389,878 | 142,794 | 191,365 | 52,651 |
| | <u>5,460,197</u> | <u>4,192,266</u> | <u>1,945,629</u> | <u>1,509,297</u> |
| Dividend income | - | 703 | - | - |
| | <u>8,720,406</u> | <u>6,197,460</u> | <u>3,193,364</u> | <u>2,338,299</u> |
| Income from investment in debts, loans, advances and receivables from related parties | | | | |
| Dividend income - SNGPL | 475 | 2,090 | - | - |
| Income from net investment in finance lease | | | | |
| SNGPL | 87,431 | 91,977 | 28,510 | 30,939 |
| OGDCL | 887 | 1,860 | 902 | 550 |
| | <u>88,793</u> | <u>95,927</u> | <u>29,412</u> | <u>31,489</u> |
| Others | | | | |
| Sale of gas condensate | 109,767 | 130,011 | 69,620 | 80,788 |
| Sale of LPG | 443,037 | - | 284,861 | - |
| Royalty income from JJVL | 1,849,808 | 1,573,265 | 832,231 | 629,695 |
| Meter manufacturing division profit - net | 348,519 | 119,709 | 124,561 | 76,450 |
| | <u>2,751,131</u> | <u>1,822,985</u> | <u>1,311,273</u> | <u>786,933</u> |
| | <u>11,560,330</u> | <u>8,116,372</u> | <u>4,534,049</u> | <u>3,156,721</u> |

| | Nine months period ended | | Three months period ended | |
|--|----------------------------------|-------------------|---------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| | (Un-audited) (Rupees in '000) | | | |
| 19. Finance Cost | | | | |
| Mark-up on: | | | | |
| - local currency financing | 1,485,148 | 1,571,197 | 424,644 | 456,990 |
| - short term financing | 55,669 | 203,142 | 54,440 | 194,151 |
| - consumers' deposits | 128,427 | 111,512 | 52,617 | 34,514 |
| - delayed payment on gas bills | 4,748,739 | 3,882,176 | 1,697,875 | 1,334,682 |
| - others | 8,709 | 4,626 | 4 | 3,239 |
| | <u>6,426,692</u> | <u>5,772,653</u> | <u>2,229,580</u> | <u>2,023,576</u> |
| Less: Finance cost capitalised during the period | <u>(366,810)</u> | <u>(296,063)</u> | <u>(225,034)</u> | <u>(143,145)</u> |
| | <u>6,059,882</u> | <u>5,476,590</u> | <u>2,004,546</u> | <u>1,880,431</u> |
| 20. Taxation | | | | |
| - Current | 1,756,757 | 1,135,667 | 337,477 | (59,700) |
| - Deferred | (848,596) | - | (10,076) | 341,777 |
| - Prior | - | 6,613 | - | 6,612 |
| | <u>908,161</u> | <u>1,142,280</u> | <u>327,401</u> | <u>288,689</u> |
| | | | March 31, 2013 | March 31, 2012 |
| | | | (Un-audited) | |
| | | | (Rupees in '000) | |
| 21. Adjustments for non-cash and other items | | Note | | |
| Provisions | | 21.1 | 1,804,469 | 854,943 |
| Depreciation | | | 2,965,078 | 2,630,753 |
| Amortization of intangibles | | | 32,695 | 8,253 |
| Finance cost | | | 6,055,945 | 5,471,906 |
| Amortization of transaction cost | | | 3,937 | 4,684 |
| Recognition of income against deferred credit | | | (305,325) | (288,502) |
| Dividend income | | | (475) | (2,793) |
| Late payment surcharge | | | (8,422,241) | (5,909,386) |
| Return on profit and loss bank accounts/loans | | | (251,769) | (239,995) |
| Income from net investment in finance lease | | | (134,715) | (141,214) |
| Reversal of provision against stock-in-trade | | | - | - |
| Loss on disposal of property plant and equipment | | | 3,293 | 340 |
| | | | <u>1,750,892</u> | <u>2,388,989</u> |
| Increase in long term advances | | | (315,039) | 36,270 |
| Employee benefits paid | | | (23,883) | (33,307) |
| Service charges received from new customers | | | 395,188 | 112,148 |
| Long term deposits received - net | | | 557,029 | 250,957 |
| Long term loans and advances to staff - net | | | (119,529) | (118,127) |
| Late payment surcharge and return on investments received | | | 7,538,302 | 5,900,240 |
| | | | <u>9,782,960</u> | <u>8,537,170</u> |
| 21.1 Provisions | | | | |
| Provision against slow moving / obsolete stores | | | 48,174 | 30,424 |
| Provision against doubtful debts and other receivables | | | 845,847 | 274,423 |
| Provision for compensated absences | | | 78,987 | 65,541 |
| Provision for post retirement medical and free gas supply facilities | | | 153,092 | 227,363 |
| Provision against impaired income | | | 678,369 | 257,192 |
| | | | <u>1,804,469</u> | <u>854,943</u> |

22. Working capital changes

| | March 31, 2013 (Un-audited) | March 31, 2012 (Un-audited) |
|---|--------------------------------|--------------------------------|
| | (Rupees in '000) | |
| (Increase) / decrease in current assets | | |
| Stores and spares | (371,816) | (56,225) |
| Stock-in-trade | 32,365 | 45,297 |
| Customers' installation work-in-progress | (17,048) | (16,250) |
| Trade debts | (16,147,207) | (18,907,718) |
| Trade deposits and short term prepayments | 66,868 | 105,321 |
| Other receivables | (21,208,216) | (6,095,177) |
| | (37,645,054) | (24,924,752) |
| Increase in current liabilities | | |
| Trade and other payables | 29,070,448 | 18,217,614 |
| | (8,574,606) | (6,707,138) |

23. Transactions with related parties

The related parties comprise of subsidiary companies, 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 Company (comparable uncontrolled price method).

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

| Relationship | Nine months period ended | | Three months period ended | |
|---|----------------------------------|-------------------|---------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| | (Un-audited) (Rupees in '000) | | | |
| Askari Bank Limited | | | | |
| Associate | | | | |
| -Profit on Investment | 2,989 | 21,116 | 472 | 2,889 |
| -Markup on Short Term Finance | 4,725 | 16,974 | 4,560 | 16,582 |
| -Markup on Local Currency Finance | 144,076 | 154,512 | 41,577 | 47,968 |
| Bank Al-Habib Limited | | | | |
| Associate | | | | |
| -Profit on Investment | 6,366 | 4,729 | 1,451 | 648 |
| -Markup on Short Term Finance | 16,494 | 32,384 | 16,174 | 30,889 |
| -Markup on Local Currency Finance | 61,542 | 62,337 | 12,803 | 18,528 |
| Fauji Fertilizer Company Limited | | | | |
| Associate | | | | |
| -Sale of Gas | - | 5 | - | - |

| | Relationship | Nine months period ended | | Three months period ended | |
|---|--------------|--------------------------|-------------------|---------------------------|-------------------|
| | | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| (Un-audited) (Rupees in '000) | | | | | |
| Habib Metropolitan Bank Limited | Associate | | | | |
| -Profit on Investment | | 3,262 | 2,346 | 871 | 311 |
| -Markup on Short Term Finance | | 1,620 | 16,974 | 1,620 | 16,974 |
| -Markup on Local Currency Finance | | 15,993 | 34,927 | 3,645 | 9,468 |
| Inter State Gas Systems(Private) Limited | Associate | | | | |
| -Sharing of expenses | | 45,452 | 40,221 | 14,130 | 13,250 |
| International Industries Limited | Associate | | | | |
| -Line Pipe Purchases | | 564,127 | 497,308 | 95,631 | 76,771 |
| -Sale of Gas | | 703,302 | 696,496 | 229,569 | 252,587 |
| Liaquat National Hospital | Associate | | | | |
| -Medical Services | | 18,009 | 36,181 | - | 4,907 |
| -Gas Sales | | 44,144 | 50,243 | - | 15,346 |
| Minto & Mirza | Associate | | | | |
| -Professional Charges | | 8,000 | 3,450 | 4,000 | - |
| Oil and Gas Development Company Limited | Associate | | | | |
| -Principal portion of lease rental | | 4,025 | 7,293 | 2,158 | 2,158 |
| -Gas purchases | | 35,223,734 | 22,023,835 | 12,778,333 | 9,108,043 |
| Petroleum Institute of Pakistan | Associate | | | | |
| -Subscription/Contribution | | - | 434 | - | - |
| Packages Limited | Associate | | | | |
| -Gas Sales | | 8,873 | 7,231 | 2,887 | 2,816 |
| Pak Suzuki Motor Company Limited | Associate | | | | |
| -Motor Vehicle Purchases | | 40,121 | 41,042 | - | 3,818 |
| -Gas Sales | | 25,953 | 43,780 | 10,090 | 22,414 |
| Pakistan Cables Limited | Associate | | | | |
| -Gas sales | | 48,831 | 44,911 | 18,434 | 15,950 |
| Habib Bank Limited | Associate | | | | |
| -Profit on investment | | 40,915 | - | 13,638 | - |
| -Mark up on short term finance | | 14,753 | - | 4,917 | - |

| | Relationship | Nine months period ended | | Three months period ended | |
|---|-------------------------|--------------------------|-------------------|---------------------------|-------------------|
| | | March 31, 2013 | March 31, 2012 | March 31, 2013 | March 31, 2012 |
| (Un-audited) (Rupees in '000) | | | | | |
| Attock Refinery Limited | Associate | | | | |
| -Sale of condensate | | <u>109,767</u> | <u>-</u> | <u>69,620</u> | <u>-</u> |
| Pakistan State Oil Company Limited | Associate | | | | |
| -Purchase of fuel and lubricant | | <u>10,348</u> | <u>29,098</u> | <u>6,695</u> | <u>23,149</u> |
| -Gas sales | | <u>17,372</u> | <u>17,506</u> | <u>5,813</u> | <u>5,479</u> |
| Remuneration of key management personnel | | | | | |
| -Executive staff | 23.3 | <u>96,940</u> | <u>92,265</u> | <u>26,018</u> | <u>33,365</u> |
| Sui Northern Gas Pipelines Limited | Associate | | | | |
| -Principal portion of lease rental | | <u>48,955</u> | <u>46,573</u> | <u>16,326</u> | <u>16,474</u> |
| -Sale of gas meters | 23.1 | <u>1,347,899</u> | <u>1,140,559</u> | <u>317,487</u> | <u>542,345</u> |
| -Gas Purchases | | <u>358,907</u> | <u>512,796</u> | <u>-</u> | <u>219,798</u> |
| -Uniform cost of gas | | <u>28,623,496</u> | <u>19,495,964</u> | <u>47,188,764</u> | <u>4,549,883</u> |
| -Dividend income | | <u>-</u> | <u>2,090</u> | <u>-</u> | <u>-</u> |
| State Life Insurance Corporation Limited | Associate | | | | |
| -Rent of premises | | <u>4,716</u> | <u>3,757</u> | <u>1,690</u> | <u>3,757</u> |
| -Insurance premium | | <u>-</u> | <u>10,464</u> | <u>-</u> | <u>-</u> |
| Staff retirement benefit plans | | | | | |
| -Contribution to provident fund | 23.2 | <u>155,374</u> | <u>142,472</u> | <u>51,567</u> | <u>48,280</u> |
| -Contribution to pension fund | 23.2 | <u>205,659</u> | <u>239,603</u> | <u>68,047</u> | <u>72,067</u> |
| -Contribution to gratuity fund | 23.2 | <u>161,044</u> | <u>148,365</u> | <u>53,257</u> | <u>46,013</u> |
| Thatta Cement Company Limited | Associate | | | | |
| -Gas sales | | <u>8,991</u> | <u>78,329</u> | <u>2,274</u> | <u>4,962</u> |
| U.G Foods Company (Private) Limited | Associate | | | | |
| -Gas sales | | <u>7,160</u> | <u>10,269</u> | <u>-</u> | <u>3,668</u> |
| SSGC LPG (Private) Limited | Wholly owned subsidiary | | | | |
| -Short Term Loan | | <u>175,000</u> | <u>1,301,000</u> | <u>-</u> | <u>1,301,000</u> |
| -Interest on Loan | | <u>103,523</u> | <u>74,457</u> | <u>30,813</u> | <u>74,457</u> |
| -LPG Purchases | | <u>221,709</u> | <u>-</u> | <u>78,194</u> | <u>-</u> |
| -Sale of LPG | | <u>212,642</u> | <u>-</u> | <u>140,665</u> | <u>-</u> |

- 23.1 Sale of gas meters is made at cost plus method. The 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 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 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 statement are as follows:

| | | March 31, 2013 (Un-audited) | June 30, 2012 (Audited) |
|--|---------------------------|--------------------------------|----------------------------|
| | | (Rupees in '000) | |
| Askari Bank Limited | Relationship Associate | | |
| -Long term finance | | <u>(1,673,250)</u> | <u>(1,689,000)</u> |
| -Short term finance | | <u>(177,684)</u> | <u>-</u> |
| -Cash at bank | | <u>2,845</u> | <u>2,310</u> |
| Bank Al Habib Limited | Associate | | |
| -Long term finance | | <u>(500,000)</u> | <u>(541,778)</u> |
| -Short term finance | | <u>(1,407,861)</u> | <u>-</u> |
| -Cash at bank | | <u>-</u> | <u>98,698</u> |
| Habib Metropolitan Bank Limited | Associate | | |
| -Long term finance | | <u>(130,175)</u> | <u>(225,566)</u> |
| -Short term finance | | <u>(982,789)</u> | <u>-</u> |
| -Cash at bank | | <u>-</u> | <u>4,871</u> |
| Liaquat National Hospital | Associate | | |
| -Gas sales | | <u>6,743</u> | <u>8,313</u> |
| Oil and Gas Development Company Limited | Associate | | |
| -Gas purchases | | <u>(55,384,657)</u> | <u>(35,266,701)</u> |
| Packages Limited | Associate | | |
| -Gas sales | | <u>1,008</u> | <u>991</u> |
| Sui Northern Gas Pipelines Limited | Associate | | |
| -Lease rentals | | <u>76,370</u> | <u>78,743</u> |
| -Sale of gas meters | | <u>158,999</u> | <u>84,006</u> |
| -Cost of gas levelisation | | <u>16,816,176</u> | <u>9,387,759</u> |
| U.G Foods Company (Private) Limited | Associate | | |
| -Gas sales | | <u>1,115</u> | <u>1,177</u> |

| | Relationship | March 31, 2013 (Un-audited) (Rupees in '000) | June 30, 2012 (Audited) |
|--|-------------------------|--|----------------------------|
| SSGC LPG (Private) Limited | Wholly owned Subsidiary | | |
| -Investment | | 1,000,000 | 1,000,000 |
| -Short term loan | | 1,476,000 | 1,301,000 |
| -Interest on loan | | 210,767 | 114,342 |
| -Payable by SSGC | | (208,972) | - |
| -Receivable by SSGC | | 247,259 | - |
| Pakistan Suzuki Motor Company Limited | Associate | | |
| -Gas sales | | 2,511 | 3,454 |
| International Industries Limited | Associate | | |
| -Gas sales | | 84,121 | 85,717 |
| Pakistan Cables Limited | Associate | | |
| -Gas sales | | 6,674 | 6,309 |
| Thatta Cement Co. Limited | Associate | | |
| -Gas sales | | 230 | 431 |
| Habib Bank Limited | Associate | | |
| -Short term finance | | 1,442,194 | - |
| -Cash at Bank | | 218,526 | - |
| Attock Refinery Limited | Associate | | |
| -Sale of condensate | | 66,639 | - |

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 | |
|-----------------------------------|-------------------|-------------------|-----------------------------------|-------------------|
| | March 31, 2013 | March 31, 2012 | March 31, 2013 (Un-audited) | March 31, 2012 |
| Gas transmission and distribution | 103,566,210 | 94,955,819 | 3,420,325 | 1,674,402 |
| Meter manufacturing | 1,729,361 | 1,447,296 | 348,519 | 119,709 |
| Total segment results | 105,295,571 | 96,403,115 | 3,768,844 | 1,794,111 |

Reconciliation of segment's profit with the profit before tax of the company

| | | | | |
|------------------------------|--|--|-------------|-----------|
| Unallocated - other expenses | | | | |
| - Other operating expenses | | | (1,606,175) | 1,067,355 |
| Unallocated - other income | | | | |
| - Non-operating income | | | 386,959 | 383,299 |
| Profit before tax | | | 2,549,628 | 3,244,765 |

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, 2012:

| | Increase (Rupees in '000) |
|-------------------------------|------------------------------|
| Assets | |
| Property, plant and equipment | 2,995,561 |
| Trade debts | 15,301,359 |
| Other receivables | 21,208,215 |
| Liabilities | |
| Trade and other payables | 31,020,779 |
| Interest and mark-up accrued | 4,845,694 |

As the 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 unconsolidated condensed interim financial information was authorised for issue on April 25, 2013 by the Board of Directors of the Company.



Shahid Aziz Siddiqui
Chairman



Zuhair Siddiqui
Managing Director