Consolidated Balance Sheet
As at 30 June 2008

	Note	2008	2007
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital:			
1,000,000,000 ordinary shares			
of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital	4	6,711,743	6,711,743
Reserves	5	2,467,662	2,488,662
Surplus / (deficit) on re-measurement			
of available for sale securities		143,866	223,189
Unappropriated profit		991,855	315,370
Total equity		10,315,126	9,738,964
Non-current liabilities			
Long term financing	6	15,582,621	12,581,455
Long term deposits	7	2,578,888	2,363,629
Deferred tax	8	4,854,329	3,879,261
Employee benefits	9	1,096,194	999,142
Deferred credit	10	3,819,931	2,976,905
Total non-current liabilities		27,931,963	22,800,392
Current liabilities			
Current portion of long term financing	11	376,509	2,286,481
Trade and other payables	12	30,824,628	24,794,330
Interest and mark-up accrued	13	2,038,106	1,134,421
Short term borrowings	14	-	1,000,000
Taxation - net	15	216,572	165,362
Total current liabilities		33,455,815	29,380,594
Total equity and liabilities		71,702,904	61,919,950
Contingencies and commitments	16		

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.

	Note	2008	2007
		(Rupees in '000)	
			(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	17	**33,807,564**	29,822,701
Intangible assets	18	**69,573**	62,102
Long term investments	19	**152,394**	231,779
Share of investment in jointly controlled entity	20	**5,100**	5,100
Net investment in finance lease	21	**1,274,442**	1,392,776
Long term loans and advances	22	**111,346**	114,404
Long term deposits		**3,250**	3,050
Total non-current assets		**35,423,669**	31,631,912
Current assets			
Stores, spares and loose tools	23	**1,155,042**	1,022,165
Stock-in-trade	24	**512,383**	368,903
Current maturity of net investment in finance lease	21	**118,334**	118,334
Customers' installation work-in-progress	25	**168,241**	144,317
Trade debts	26	**20,045,028**	16,061,073
Loans and advances	27	**115,990**	95,117
Trade deposits and short term prepayments	28	**267,422**	106,464
Interest accrued		**9,098**	6,295
Other receivables	29	**9,531,330**	7,097,721
Cash and bank balances	30	**4,356,367**	5,267,649
Total current assets		**36,279,235**	30,288,038
Total assets		**71,702,904**	61,919,950

Salim Abbas Jillani
Chairman

Umair Khan
Managing Director

Consolidated Profit and Loss Account
For the year ended 30 June 2008

	Note	2008	2007
		(Rupees in '000)	(Restated)
Sales		86,829,339	85,716,663
Sales tax		(9,845,931)	(9,397,996)
		76,983,408	76,318,667
Gas development surcharge		(341,009)	(7,234,264)
Net sales		76,642,399	69,084,403
Cost of gas	31	(69,238,236)	(63,157,107)
Gross profit		7,404,163	5,927,296
Transmission, distribution and selling costs	32	(5,546,080)	(5,350,610)
Administrative expenses	33	(1,504,086)	(1,071,334)
Share of expenses of joint venture	20.1	(96,962)	(85,574)
Other operating expenses	34	(981,665)	(148,223)
		(8,128,793)	(6,655,741)
		(724,630)	(728,445)
Other operating income	35	3,704,541	2,651,960
Operating profit before finance cost		2,979,911	1,923,515
Other non-operating Income	36	1,772,395	1,190,456
Finance cost	37	(2,370,674)	(1,778,740)
Profit before taxation		2,381,632	1,335,231
Taxation	38	(1,390,560)	(1,044,846)
Profit for the year		991,072	290,385
		(Rupees)	
Basic and diluted earnings per share	40	1.48	0.43

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.

Salim Abbas Jillani
Chairman

Umair Khan
Managing Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

(Rupees in '000)

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus / (deficit) on re-measurement of available for sale securities	Unappropriated profit	Total
Balance as at 1 July 2006	**6,711,743**	**234,868**	**2,253,794**	**243,608**	**897,512**	**10,341,525**
Changes in equity for the year ended 30 June 2007						
Net deficit on re-measurement of available for sale securities	-	-	-	(20,419)	-	(20,419)
Profit for the year	-	-	-	-	290,385	290,385
Total income and expenses recognised during the year	-	-	-	(20,419)	290,385	269,966
Final dividend for the year ended 30 June 2006	-	-	-	-	(872,527)	(872,527)
Balance as at 30 June 2007	**6,711,743**	**234,868**	**2,253,794**	**223,189**	**315,370**	**9,738,964**
Changes in equity for the year ended 30 June 2008						
Net deficit on re-measurement of available for sale securities	-	-	-	(79,323)	-	(79,323)
Profit for the year	-	-	-	-	991,072	991,072
Total income and expenses recognised during the year	-	-	-	(79,323)	991,072	911,749
Transfer from revenue reserves to unappropriated profit	-	-	(21,000)	-	21,000	-
Final dividend for the year ended 30 June 2007	-	-	-	-	(335,587)	(335,587)
Balance as at 30 June 2008	**6,711,743**	**234,868**	**2,232,794**	**143,866**	**991,855**	**10,315,126**

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

Salim Abbas Jillani
Chairman

Umair Khan
Managing Director

Consolidated Cash Flow Statement
For the year ended 30 June 2008

	Note	2008	2007
		(Rupees in '000)	
			(Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		2,381,632	1,335,231
Adjustments for:			
Depreciation		2,215,489	2,131,588
Amortisation of intangible assets		47,341	39,417
Finance cost		2,370,674	1,778,740
Provision against impaired inventory		5,143	30,150
Provision against impaired debts		156,854	238,410
Provision for compensated absences		29,709	20,250
Provision for post retirement medical and free gas supply facilities		85,586	92,955
Reversal of provision for retirement benefits		(62,394)	(45,506)
Recognition of income against deferred credit		(181,027)	(231,771)
Dividend income		(6,506)	(5,889)
Profit/interest on bank deposits		(170,849)	(95,158)
Income from net investment in finance lease		(229,636)	(244,407)
Depreciation on transfers of fixed assets		5,336	(1,327)
Return on Defence Saving Certificates		(5)	(6)
Gain on sale of fixed assets		(268)	(17,120)
		6,647,079	5,025,557
Working capital changes	41	(953,628)	902,184
Cash generated from operations		5,693,451	5,927,741
Retirement benefits paid		(10,707)	(18,950)
Tax (paid)/recovered		(364,282)	351,429
Financial charges paid		(1,712,032)	(1,482,845)
Service charges received from new customers		1,024,053	963,146
Long term deposits received - net		215,259	274,202
Long term loans and advances		(17,815)	5,717
Long term deposits		(200)	76
Net cash generated from operating activities		4,827,727	6,020,516
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(6,044,129)	(8,565,797)
Proceeds from sale of fixed assets		25,866	20,179
Lease rental from net investment in finance lease		347,970	361,193
Redemption of Defence Saving Certificates		62	-
Dividend received		6,506	5,889
Profit/interest on bank deposits		168,051	97,100
Net cash used in investing activities		(5,495,674)	(8,081,436)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		6,833,400	2,992,234
Proceeds raised from issue of Islamic Sukuk Bonds		5,711,016	2,987,686
Repayment of local currency loans		(11,423,933)	(1,090,456)
Repayment of redeemable capital		(109,494)	(416,330)
Consumer finance received		123,671	100,383
Repayment of consumer finance		(43,466)	(28,116)
Dividend paid		(334,529)	(866,731)
Net cash generated from financing activities		756,665	3,678,670
Net increase in cash and cash equivalents		88,718	1,617,750
Cash and cash equivalents at beginning of the year		4,267,649	2,649,889
Cash and cash equivalents at end of the year	42	4,356,367	4,267,649

The annexed notes 1 to 55 form an integral part of these consolidated financial statements.

Salim Abbas Jillani
Chairman

Umair Khan
Managing Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2008

1. STATUS AND NATURE OF BUSINESS

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

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

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

These financial statements represent the consolidated financial statements of SSGCL - Holding Company and its subsidiary company Sui Southern Gas Provident Fund Trust Company (Private) Limited (together referred as "Group" and individually as "Group entities") and Group's interest in Jointly Controlled Entity as at and for the year ended 30 June 2008 . The financial statements of the holding company are prepared separately.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is also the functional currency of the Group.

2.4 Use of estimates and judgements

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

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

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

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are disclosed in note 52 to these financial statements.

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

IAS 1 (Amendment), Presentation of Financial Statements - Capital Disclosures, introduces new disclosures about the level of an entity's capital and how it manages capital. It requires disclosure of information relating to the Group's objectives, policies and processes for managing capital. Adoption of this amendment has only resulted in additional disclosure requirements as presented in note 50 to these financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policy

Net investment in finance lease

International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC - Interpretation 4 (IFRIC-4) "Determining Whether an Arrangement Contains a Lease" which requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC-4, if an arrangement conveys a right to use the asset to lessee and the fulfilment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

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

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

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

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

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

3.2 Basis of consolidation

The consolidated financial statements as at and for the year ended 30 June 2008 comprise the financial statements of SSGCL - Holding Company and its subsidiary company Sui Southern Gas Provident Fund Trust Company (Private) Limited (together referred as "Group" and individually as "Group entities") and Group's interest in Jointly Controlled Entity.

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

The interest in the jointly controlled entity is recognised using the equity method. Under the equity method the interest in the jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change, if any, in the venturer's share of the net assets of the jointly controlled entity. Distributions received from jointly controlled entity reduce the carrying amount of the investment. Changes in the jointly controlled entity's net assets directly recognised in its equity are directly recognised in the equity of the Group.

Intra-group balances and transactions have been eliminated.

3.3 Property, plant and equipment

Initial Recognition

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

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

3.3.1 Measurement

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

The cost of the property plant and equipment includes:

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

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

3.3.2 Subsequent expenditure (including normal repairs and maintenance)

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

3.3.3 Capital work in progress

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

3.3.4 Depreciation

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

Compressors and transmission lines

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

Other operating assets

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

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

3.3.5 Intangible assets

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

Indefinite life

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

Definite life

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

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

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

3.3.6 Borrowing costs

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

3.3.7 Gains and losses on disposal

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

3.3.8 Leased assets

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

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

3.4 Investments

Available-for-sale

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

Held to maturity

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

Date of recognition

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

Derecognition

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

3.5 Stores, spares and loose tools

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

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

3.6 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

3.7 Trade debts and other receivables

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

3.8 Trade and other payables

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

3.9 Mark-up bearing borrowings

Long term financing

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

Leases

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

3.10 Provisions

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

3.11 Deferred credit

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

3.12 Taxation

Current

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

Deferred

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

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

3.13 Revenue recognition

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

3.14 Impairment

Financial assets

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

Non financial assets

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

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

3.15 Staff retirement benefits

The holding company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

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

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

- Unfunded free medical and gas supply facility schemes for holding company's executive employees.

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

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

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

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

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

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

3.16 Compensated absences

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

3.17 Foreign currency translation

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

3.18 Derivative financial instruments

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

3.19 Fiduciary assets

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

3.20 Off-setting

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

3.21 Cash and cash equivalents

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

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

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

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

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

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

6. LONG TERM FINANCING

	Note	2008	2007
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	6,833,400	9,408,901
- Other loans			
Musharaka arrangements	6.2	8,506,442	2,987,686
		15,339,842	12,396,587
Unsecured			
Consumer financing	6.3	186,580	121,258
Government of Sindh loan	6.4	56,199	63,610
		242,779	184,868
		15,582,621	12,581,455

6.1 Local currency loans

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

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

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

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

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

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

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

6.3 Consumer financing

	Note	2008	2007
Consumer financing	6.3.1	**230,678**	150,473
Less: Current portion shown under current liabilities		**(44,098)**	(29,215)
		186,580	121,258

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

6.4 Government of Sindh Loan

	Note	2008	2007
Government of Sindh loan	6.4.1	**63,610**	70,876
Less: Current portion shown under current liabilities		**(7,411)**	(7,266)
		56,199	63,610

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

	Note	2008	2007
		(Rupees in '000)	

7. LONG TERM DEPOSITS

	Note	2008	2007
Security deposits from:			
- gas customers	7.1	2,531,111	2,323,291
- gas contractors	7.2	47,777	40,338
		2,578,888	2,363,629

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

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

8. DEFERRED TAX

Deferred tax (credits) / debits arising in respect of:

	2008	2007
Taxable temporary difference:		
- accelerated depreciation	6,528,175	5,465,359
Deductible temporary differences:		
- provision against employee benefits	(383,668)	(349,700)
- provision against doubtful trade debts	(595,523)	(540,624)
- carry forward of unused tax losses	(675,712)	(662,647)
- others	(18,943)	(33,127)
	(1,673,846)	(1,586,098)
Net deferred tax liability	4,854,329	3,879,261

9. EMPLOYEE BENEFITS

	Note	2008	2007
Provision for post retirement medical and free gas supply facilities - executives	9.1	974,100	888,514
Provision for compensated absences - executives	9.2	122,094	110,628
		1,096,194	999,142

9.1 Provision for post retirement medical and free gas supply facilities - executives

	2008	2007
Balance as at 1 July	888,514	795,559
Provision made during the year - net	85,586	92,955
Balance as at 30 June	974,100	888,514

9.2 Provision for compensated absences - executives

	2008	2007
Balance as at 1 July	110,628	108,846
Provision made during the year	11,466	1,782
Balance as at 30 June	122,094	110,628

10. DEFERRED CREDIT

	Note	2008	2007
		(Rupees in '000)	
- Government contributions / grants			
Balance as at 1 July		962,988	571,661
Additions during the year	10.1	562,397	443,259
		1,525,385	1,014,920
Transferred to consolidated profit and loss account		(80,884)	(51,932)
Balance as at 30 June		1,444,501	962,988
- Contribution from customers			
Balance as at 1 July		2,013,917	1,673,869
Additions during the year	10.2	461,656	519,887
		2,475,573	2,193,756
Transferred to consolidated profit and loss account		(100,143)	(179,839)
Balance as at 30 June		2,375,430	2,013,917
		3,819,931	2,976,905

10.1 This represents amount received from the Government for supply of gas to new towns and villages and is recognized as grant when the conditions specified by the Government are met.

10.2 This represents amount received from customers of the holding company for the cost of service lines and gas mains, etc. As stated in note 3.10 to these financial statements, deferred credit is amortised over estimated useful life of related assets.

10.3 Pipelines constructed / build up under deferred credit arrangement are not given 17% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of holding company's guaranteed return. The holding company is in process of approaching Government of Pakistan (GoP) not to impose penalty / disallowances in term of section 21.3 of license granted by OGRA in respect of such assets.

11. CURRENT PORTION OF LONG TERM FINANCING

	Note	2008	2007
Local currency loans	6.1	250,000	2,250,000
Musharaka	6.2	75,000	-
Consumer financing	6.3	44,098	29,215
Government of Sindh loan	6.4	7,411	7,266
		376,509	2,286,481

12. TRADE AND OTHER PAYABLES

	Note	2008	2007
Creditors for:			
- gas		25,606,746	18,107,781
- supplies		206,928	170,067
		25,813,674	18,277,848
Amount received from customers / Government of Pakistan for laying of mains, etc.		3,076,777	2,599,402
Gas development surcharge payable to GoP		-	2,774,961
Accrued liabilities		1,200,156	675,025
Provision for compensated absences - non-executives	12.1	93,740	75,497
Payable to staff pension fund - executives	39.1	952	857
Payable to gratuity fund - non executives	39.1	22,417	30,840
Payable to provident fund- non executive		5	1,276
Workers' profit participation fund	12.2	125,408	310
Deposits / retention money		166,132	162,348
Bills payable		91,293	20,078
Advance for sharing right of way	12.3	18,088	18,088
Unclaimed dividend		33,768	32,710
Withholding tax payable		48,145	7,370
Unclaimed term finance certificate redemption profit		2,178	5,667
Inter State Gas System (Private) Limited (ISGSL)		6,026	9,327
Others	12.4	125,869	102,726
		30,824,628	24,794,330

	2008	2007
	(Rupees in '000)	

12.1 Provision for compensated absences - non-executives

	2008	2007
Balance as at 1 July	75,497	57,029
Provision made during the year	18,243	18,468
Balance as at 30 June	93,740	75,497

12.2 Workers' profit participation fund

	2008	2007
Balance as at 1 July	310	20,595
Allocation for the year	125,349	70,310
Mark-up on funds utilised in the Group's business	10	664
	125,669	91,569
Amount deposited with the Government / paid to employees	(261)	(91,259)
Balance as at 30 June	125,408	310

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

12.4 This includes Rs. 82.016 million (2007: Rs. 44.701 million) on account of amount payable to disconnected customers for gas supply deposits.

13. INTEREST AND MARK-UP ACCRUED

	2008	2007
Long term financing :		
- Local currency loans	4,114	34,685
- Musharaka	13,321	-
Long term deposits from customers	73,558	62,813
Short term borrowing	32,961	17,012
Late payment of gas development surcharge	376	2,168
Delayed payment on gas bills	1,913,776	1,017,743
	2,038,106	1,134,421

14. SHORT TERM BORROWINGS - secured, from banking companies

	2008	2007
Money market loan	-	1,000,000

The facilities for short term running finance / short term money market loan are available from various banks amounting to Rs. 5,950 million (2007: Rs. 4,420 million) and carry mark-up ranging from 0.25 to 0.75 percent (2007: 0.25 to 0.90 percent) above the average one month KIBOR or that for the tenure of the facility whichever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the Company. These facilities are un-availed at year end.

15. Taxation - net

	2008	2007
Provision for tax	415,492	370,219
Advance tax	(198,920)	(204,857)
	216,572	165,362

16. CONTINGENCIES AND COMMITMENTS

		Note	2008	2007
			(Rupees in '000)	
16.1	Claims against the group not acknowledged as debt	16.15	608,234	601,556
16.2	Commitments for capital and other expenditure		2,932,197	2,027,710
16.3	Group's share of commitment of the jointly controlled entity.		830	663
16.4	Guarantees issued on behalf of the Group		16,450	20,371

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

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

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

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

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

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

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

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

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

16.11 Sui Northern Gas Pipelines Limited (SNGPL) has lodged a claim on SSGCL amounting to Rs. 36.946 million in respect of gas lost during December 2003 to September 2005 in respect of ILBP (Hassan to Sui) and IRBP-CEP (Dadu to Sui). The holding company has not accepted the claim as management considers that gas losses were due to force majeure and beyond the control of the holding company. Hence, no provision regarding the above said amount has been made in these financial statements.

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

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

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

17.1 Operating assets

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

2007 (Rupees in '000)

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

17.2 Operating assets - gas transmission system

(Rupees in '000)

	COST					DEPRECIATION						
	As at 1 July 2007	Effect of change in accounting policy	As at 1 July 2007 (restated)	Additions / (deletions) / transfers * (restated)	As at 30 June 2008 (restated)	As at 1 July 2007	Effect of change in accounting policy	As at 1 July 2007 (restated)	For the year / (deletions) / transfers * (restated)	As at 30 June 2008 (restated)	Written down value at 30 June 2008 (restated)	Depreciation rate (%) / remaining life (years)**
Freehold land	46,778	-	46,778		46,778 -	- -	-	-	- - -	-	46,778	-
Leasehold land	126,999	-	126,999	1,551	128,550	-	-	-	-	-	128,550	-
Buildings on freehold land	279,291	-	279,291	-	279,291	135,224	-	135,224	11,000	146,224	133,067	5
Buildings on leasehold land	994,123	-	994,123	97,441 - -	1,091,564	513,418	-	513,418	48,213 - (3,148) *	558,483	533,081	5
Gas transmission pipelines 17.2.1	19,999,029	(2,013,002)	17,986,027	369,971 (11,777) -	18,344,221	11,173,399	(501,892)	10,671,507	355,885 (7,110) -	11,020,282	7,323,939	3-39**
Compressors	2,320,251	-	2,320,251	- - -	2,320,251	2,124,647	-	2,124,647	44,839 - -	2,169,486	150,765	8**
Telecommunication	507,453	-	507,453	1,952 (57,059) -	452,346	492,504	-	492,504	1,947 (57,050) -	437,401	14,945	15
Plant and machinery	476,843	-	476,843	19,963 (274) -	496,532	310,429	-	310,429	35,925 (217) -	346,137	150,395	10
Roads, pavements and related infrastructures	172,575	-	172,575	138,689	311,264	719	-	719	8,550	9,269	301,995	5
Tools and equipment	132,697	-	132,697	8,942 (391)	141,248	114,850	-	114,850	11,905 (391)	126,364	14,884	33.33
Motor vehicles	813,817	-	813,817	143,463 (7,788) -	949,492	379,524	-	379,524	95,185 (4,477) -	470,232	479,260	20
Furniture and Fixture	246,477	-	246,477	17,335 (2,429) -	261,383	185,840	-	185,840	24,343 (2,395) 340 *	208,128	53,255	20
Office Equipment	201,542	-	201,542	14,571 (1,624) -	214,489	129,867	-	129,867	22,454 (1,561)	150,760	63,729	20
Computer and ancillary equipments	265,776	-	265,776	52,976 (3,430) -	315,322	166,824	-	166,824	50,237 (2,916) 8,144 *	222,289	93,033	33.33
Supervisory control and data acquisition system	309,819	-	309,819	283,354	593,173	144,282	-	144,282	46,387	190,669	402,504	15
Construction equipment	785,205	-	785,205	14,173 (3,654) -	795,724	504,336	-	504,336	64,716 (3,654) -	565,398	230,326	20
2008	**27,678,675**	**(2,013,002)**	**25,665,673**	**1,164,381 (88,426) -**	**26,741,628**	**16,375,863**	**(501,892)**	**15,873,971**	**821,586 (79,771) 5,336 ***	**16,621,122**	**10,120,506**	
2007	24,061,563	(2,005,939)	22,055,624	3,635,396 (27,277) 1,930 *	25,665,673	15,306,186	(385,106)	14,921,080	974,640 (25,496) 3,747 *	15,873,971	9,791,702	

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

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

17.3 Operating assets - gas distribution system

(Rupees in '000)

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

17.4 Operating assets - meter manufacturing division

(Rupees in '000)

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

17.5 Operating assets - Gwadar operations

(Rupees in '000)

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

	Note	2008	2007
		(Rupees in '000)	

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

	Note	2008	2007
Consolidated Profit and loss account			
- Transmission, distribution and selling costs		1,971,539	1,923,399
- Administrative expenses		157,430	131,665
- Gwadar operation		5,144	4,716
		2,134,113	2,059,780
Meter manufacturing division			
- Consolidated Profit and loss account		9,882	9,314
- Gas meters components produced		6,778	3,061
		16,660	12,375
Capital projects		64,716	59,433
		2,215,489	2,131,588

17.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyers
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	3,984	3,957	27	161	134	Tender	Various
Written down value not exceeding Rs. 50,000 each	70	69	1	49	48	Theft	Claim from National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	3,612	3,113	499	-	(499)	Burnt	Claim from National Insurance Company Limited
Tools							
Written down value not exceeding Rs. 50,000 each	946	946	-	15	15	Tender	Various
Written down value not exceeding Rs. 50,000 each	2,215	2,167	48	-	(48)	Burnt	Claim from National Insurance Company Limited
Written down value above Rs. 50,000 each	80	18	62	-	(62)	Burnt	Claim from National Insurance Company Limited
Gas distribution system							
Written down value above Rs. 50,000 each	17,986	15,348	2,638	-	(2,638)	Replacement	Various
Written down value not exceeding Rs. 50,000 each	132,212	132,212	-	-	-	Replacement	Various
Written down value not exceeding Rs. 50,000 each	30,284	30,284	-	4,050	4,050	Tender	Various
Gas transmission pipeline							
Written down value above Rs. 50,000 each	11,536	6,869	4,667	-	(4,667)	Replacement	Various
Written down value not exceeding Rs. 50,000 each	241	241	-	-	-	Replacement	Various
Telecommunication							
Written down value not exceeding Rs. 50,000 each	57,432	57,432	-	463	463	Tender	Various
Written down value not exceeding Rs. 50,000 each	24	14	10	-	(10)	Burnt	Claim from National Insurance Company Limited
Plant and machinery							
Written down value above Rs. 50,000 each	308	209	99	51	(48)	Tender	Various
Written down value above Rs. 50,000 each	1,857	437	1,420	-	(1,420)	Burnt	Claim from National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	7,213	7,148	65	1,370	1,305	Tender	Various
Written down value not exceeding Rs. 50,000 each	14,402	14,036	366	-	(366)	Burnt	Claim from National Insurance Company Limited
Furniture fixture							
Written down value not exceeding Rs. 50,000 each	4,095	4,060	35	159	124	Tender	Various
Written down value not exceeding Rs. 50,000 each	1,904	1,561	343	-	(343)	Burnt	Claim from National Insurance Company Limited
Written down value above Rs. 50,000 each	1,334	126	1,208	-	(1,208)	Burnt	Claim from National Insurance Company Limited

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

17.8 Borrowing costs capitalized during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 245.044 million (2007: Rs. 163.293 million). Borrowing costs related to general borrowings were capitalized at the rate of 10.42% (2007: 10.85%).

17.9 The Group has obtained comprehensive risk coverage in respect of its operating assets. The sum insured of operating assets for the year ended 30 June 2008 is Rs. 92 billion (2006-2007: Rs. 98 billion).

	Note	2008	2007
		(Rupees in '000)	

17.10 Capital work in progress

	Note	2008	2007
Projects:			
- Gas distribution system		**927,070**	1,081,977
- Cost of buildings under construction		**229,862**	137,456
- Gas infrastructure rehabilitation and expansion project		**65,620**	4,405
- Roads, Pavements and related activities		**74,594**	57,872
		1,297,146	1,281,710
Stores and spares held for capital projects	17.10.1	**2,692,509**	3,009,950
Advances for land acquisition		**3,423**	3,423
Others		**12,346**	18,319
		2,708,278	3,031,692
		4,005,424	4,313,402

17.10.1 Stores and spares held for capital projects

	2008	2007
Gas transmission	**970,990**	1,063,503
Gas distribution	**1,726,505**	1,948,359
	2,697,495	3,011,862
Provision for impaired stores and spares	**(4,986)**	(1,912)
	2,692,509	3,009,950

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

18. INTANGIBLE ASSETS

(Rupees in '000)

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

19. LONG TERM INVESTMENTS

	Percentage of holding (if over 10%)	2008	2007
		(Rupees in '000)	
Investments in related parties			
Quoted companies - available for sale			
Sui Northern Gas Pipelines Limited			
2,090,195 (2007: 2,090,195) ordinary shares of Rs. 10 each (associated company)	19.2	**91,070**	147,881
		91,070	147,881
Other investments			
Quoted companies - available for sale			
Pakistan Refinery Limited			
350,000 (2007: 300,000) ordinary shares of Rs. 10 each		**52,983**	66,585
United Bank Limited			
98,040 (2007: 78,432) ordinary shares of Rs. 10 each		**8,341**	17,251
Unquoted companies (at cost)			
Pakistan Tourism Development Corporation			
5,000 (2007: 5,000) ordinary shares of Rs. 10 each		**50**	50
		61,374	83,886
Provision against impairment in value of investments at cost		**(50)**	(50)
		61,324	83,836
Government securities - held to maturity			
Defence Saving Certificates-		-	62
		152,394	231,779

19.1 These companies are incorporated in Pakistan.

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

20 SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY

		2008	2007
Inter State Gas System (Private) Limited 510,000 (2007: 510,000) ordinary shares of Rs. 10 each	20.1	**5,100**	5,100

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

ISGS has no reserves accordingly the share of investment in jointly controlled entity represents the 51% (2007: 51%) share of Group in share capital of ISGS.

21. NET INVESTMENT IN FINANCE LEASE

	30 June 2008		
	Minimum lease payments	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	330,098	211,764	118,334
Later than one year and not later than five years	1,141,676	668,339	473,337
Later than five years	1,381,643	580,538	801,105
	2,523,319	1,248,877	1,274,442
	2,853,417	1,460,641	1,392,776

	30 June 2007		
	Minimum lease payments	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	347,970	229,636	118,334
Later than one year and not later than five years	1,213,163	739,826	473,337
Later than five years	1,640,255	720,816	919,439
	2,853,418	1,460,642	1,392,776
	3,201,388	1,690,278	1,511,110

22. LONG TERM LOANS AND ADVANCES - secured, considered good

	2008	2007
	(Rupees in '000)	
Due from executives	7,107	8,291
Less: receivable within one year	(2,887)	(2,796)
	4,220	5,495
Due from other employees	134,824	136,806
Less: receivable within one year	(27,698)	(27,897)
	107,126	108,909
	111,346	114,404

22.1 Reconciliation of the carrying amount of loans and advances:

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

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

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

23. STORES, SPARES AND LOOSE TOOLS

	2008	2007
	(Rupees in '000)	
Stores	373,476	372,258
Spares	607,245	664,713
Stores and spares in transit	223,669	32,826
Loose tools	1,312	1,312
	1,205,702	1,071,109
Provision against impaired inventory		
Balance as at 1 July	(48,944)	(64,392)
Provision made during the year	(1,716)	(30,304)
Written off during the year	-	45,752
Balance as at 30 June	(50,660)	(48,944)
	1,155,042	1,022,165

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

	2008	2007
Transmission	768,366	805,597
Distribution	386,676	216,568
	1,155,042	1,022,165

24. STOCK-IN-TRADE

	Note	2008	2007
		(Rupees in '000)	
Gas			
Gas in pipelines		139,698	149,198
Stock of Synthetic Natural Gas		1,369	241
		141,067	149,439
Gas meters			
Components		356,294	198,898
Work-in-process		11,761	6,340
Finished meters		6,952	17,565
		375,007	222,803
Provision against impaired inventory		(3,691)	(3,339)
		371,316	219,464
		512,383	368,903

25. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

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

26. TRADE DEBTS

	Note	2008	2007
Considered good			
- secured		5,408,402	3,861,202
- unsecured		14,636,626	12,199,871
		20,045,028	16,061,073
Considered doubtful		1,701,493	1,544,639
		21,746,521	17,605,712
Provision against impaired debts	26.1	(1,701,493)	(1,544,639)
		20,045,028	16,061,073

26.1 Movement of provision against impaired debts

	Note	2008	2007
Balance as at 1 July		1,544,639	1,306,229
Provision for the year		156,854	238,410
		1,701,493	1,544,639

27. LOANS AND ADVANCES - considered good

	Note	2008	2007
Current portion of long term loans:			
- executives	22	2,887	2,796
- other employees	22	27,698	27,897
		30,585	30,693
Advances to:			
- executives	27.1	4,442	4,487
- other employees		80,963	59,937
		85,405	64,424
		115,990	95,117

27.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs.13.956 million (2007: Rs. 4.487 million).

28. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2008	2007
		(Rupees in '000)	
Advances for goods and services - unsecured, considered good		117,660	37,279
Trade deposits - unsecured, considered good		109,187	23,947
Prepayments		40,575	45,238
		267,422	106,464

29. OTHER RECEIVABLES - considered good

	Note	2008	2007
Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		-	343,102
Gas development surcharge receivable from GoP		974,722	-
Receivable from staff pension fund - non executives	39.1	134,506	83,529
Receivable from staff gratuity fund - executives	39.1	26,447	12,651
Receivable from staff provident fund - executives		6	-
Balance receivable for sale of gas condensate		157,125	92,600
Receivable from Sui Northern Gas Pipelines Limited	29.1	3,272,399	1,783,881
Receivable from Karachi Electric Supply Corporation Limited	29.2	185,073	57,878
Receivable from Jamshoro Joint Venture Limited		489,965	190,936
Insurance claim receivable		10,913	5,486
Sales tax receivable		3,950,889	4,123,690
Claims receivable		757	757
Miscellaneous receivables	29.3	330,013	404,696
		9,532,815	7,099,206
Provision against impaired receivables		(1,485)	(1,485)
		9,531,330	7,097,721

29.1 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs.58.494 million (2007: Rs. 77.226 million) and Rs.3,213.794 million (2007: Rs.1,706.656 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 31.1 to these financial statements for detail).

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

29.3 This includes Rs. 300.925 million (2007: Rs. 376.156 million) recoverable from the GoP under deferred tariff adjustment.

30. CASH AND BANK BALANCES

	Note	2008	2007
Cash at banks			
- deposit accounts	30.1	4,113,335	4,199,058
- current accounts		224,747	1,057,639
		4,338,082	5,256,697
Cash in hand		18,285	10,952
		4,356,367	5,267,649

30.1 This includes Rs. nil (2007: Rs. 2.484 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the holding company.

31 COST OF GAS

	Note	2008 Volume in MCF *	2008 (Rupees in '000)	2007 Volume in MCF *	2007 (Rupees in '000)
Gas in pipelines as at 1 July		940,661	149,198	809,447	125,386
Gas purchases from:					
Pakistan Petroleum Limited		43,183,453	4,567,613	41,473,627	4,101,255
Oil and Gas Development Company Limited		6,761,213	738,144	3,683,474	495,722
BP (Pakistan) Exploration and Production Incorporated		74,289,228	14,776,066	75,063,852	14,174,226
Orient Petroleum Inc.		23,311,908	3,918,141	30,644,129	4,871,419
Eni Pakistan Limited		119,937,843	30,997,131	118,450,213	28,186,222
Mari Gas Company Limited		255,944	11,537	320,778	9,811
Sui Northern Gas Pipelines Limited - a related party		597,898	73,518	398,877	53,450
BHP Petroleum (Pakistan) Pty Limited		72,245,323	12,561,872	41,106,263	6,369,751
OMV (Pak) Exploration GmBH		68,792,663	14,746,175	75,946,970	15,248,512
Input sales tax on exempt supplies		-	78,305	-	-
		409,375,473	82,468,502	387,088,183	73,510,368
Gas available for sale		410,316,134	82,617,700	387,897,630	73,635,754
Gas consumed internally		(1,303,226)	(225,818)	(1,114,473)	(185,475)
Inward price adjustment	31.1		(13,013,948)		(10,143,974)
Shrinkage of gas at LHF		-		(83,898)	-
Gas in pipelines as at 30 June		(821,212)	(139,698)	(940,661)	(149,198)
		(2,124,438)	(13,379,464)	(2,139,032)	(10,478,647)
		408,191,696	69,238,236	385,758,598	63,157,107

* Metric Cubic Feet.

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

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

	2008 2Volume (MMCF)	%
Karachi	11,013	3.82
Sindh (excluding Karachi)	7,350	8.21
Baluchistan	7,626	29.73
Transmission loss	1,105	0.27

32. TRANSMISSION, DISTRIBUTION AND SELLING COSTS

	Note	2008	2007
		(Rupees in '000)	
Salaries, wages and benefits		**2,247,975**	2,119,919
Contribution / accruals in respect of staff retirement benefit schemes	32.1	**144,681**	148,277
Depreciation on operating assets	17.6	**1,971,539**	1,923,399
Amortisation of intangible assets	18	**52,677**	39,417
Repairs and maintenance		**381,409**	385,958
Stores, spares and supplies consumed		**343,611**	410,665
Provision against impaired debts	26.1	**156,854**	238,410
Gas consumed internally	31	**225,819**	185,475
Legal and professional charges		**125,532**	103,676
Electricity		**57,288**	56,094
Security expenses		**145,760**	109,901
Insurance and royalty		**57,013**	60,504
Travelling		**27,931**	29,696
Material and labour used on consumers' installation		**83,340**	123,301
Gas bills collection charges		**141,387**	137,677
Postage and revenue stamps		**62,677**	38,564
Rent, rates and taxes		**37,625**	39,285
Infrastructure development fee	32.2	**75,000**	50,000
Revenue expenses related to Liquefied Natural Gas		**49,699**	67,894
Others	32.3	**116,613**	83,941
		6,504,430	6,352,053
Recoveries / allocations to:			
Gas distribution system capital expenditure		**(642,842)**	(672,066)
Installation costs recovered from customers		**(127,895)**	(219,481)
		(770,737)	(891,547)
(Recoveries) /refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		**(192,472)**	(121,206)
- Oil and Gas Development Company Limited - a related party		**(21,861)**	5,113
- Others		**26,720**	6,197
		(187,613)	(109,896)
		5,546,080	5,350,610

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

	2008	2007
Contribution to the provident fund	**66,957**	63,025
Charge in respect of pension funds:		
- executives	**8,015**	14,278
- non executives	**(44,971)**	(51,402)
Charge in respect of gratuity funds:		
- executives	**(10,507)**	(8,059)
- non executives	**(7,431)**	(1,073)
Accrual in respect of unfunded post retirement:		
- medical facility	**106,344**	113,082
- gas facility	**1,811**	721
Accrual in respect of compensated absences		
- executives	**8,279**	1,287
- non executives	**16,734**	16,940
Expenses relating to meter manufacturing division and construction division	**(550)**	(522)
	144,681	148,277

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

32.3 Transmission, distribution and selling costs - others

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Communication		28,684	16,585
Advertisement		38,800	38,483
Water charges		209	3,554
Subscriptions		609	1,436
Bank charges		6,449	6,841
Freight and handling		1	3,360
Miscellaneous		44,861	13,682
		116,613	83,941

33 ADMINISTRATIVE EXPENSES

	Note	2008	2007
Salaries, wages and benefits		1,024,542	717,663
Contribution / accruals in respect of staff retirement benefit scheme	33.1	16,263	16,000
Depreciation on operating assets	17.6	157,430	131,665
Repairs and maintenance		72,003	70,707
Stores, spares and supplies consumed		33,767	34,274
Legal and professional charges		99,710	47,811
Electricity		6,817	9,222
Security expenses		2,975	2,243
Insurance and royalty		3,139	7,501
Travelling		31,165	32,137
Postage and revenue stamps		658	675
Rent, rates and taxes		22,391	6,832
Others	33.2	62,421	23,841
		1,533,281	1,100,571
Recoveries / allocations to:			
Meter manufacturing division		(24,959)	(21,154)
Recoveries from others		(4,236)	(8,083)
		(29,195)	(29,237)
		1,504,086	1,071,334

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

	2008	2007
Contribution to the provident fund	18,073	10,671
Charge in respect of pension funds		
- Executive	2,787	939
- Non-executive	(6,006)	(1,255)
Charge in respect of gratuity funds		
- Executive	(3,289)	43
- Non-executive	(992)	2,538
Accrual in respect of unfunded post retirement		
- Medical facility	971	1,032
- Gas facility	23	9
Accrual in respect of compensated absences		
- executives	3,187	495
- non executives	1,509	1,528
	16,263	16,000

33.2 Administrative expenses - others

	2008	2007
Advertisement	2,285	2,396
Miscellaneous	60,136	21,445
	62,421	23,841

	Note	2008	2007
		(Rupees in '000)	

34. OTHER OPERATING EXPENSES

	Note	2008	2007
Auditors' remuneration			
- Statutory audit		1,000	1,000
- Special audits and certifications		555	80
- Out of pocket expenses		200	200
		1,755	1,280
Workers' profit participation fund	12.2	125,349	70,310
Sports expenses		23,721	18,085
Corporate social responsibility		16,705	17,099
Net loss on gas distribution Gwadar operation	34.1	14,150	10,820
Provision against impaired stores and spares		4,787	30,629
Exchange loss on payment of gas purchases		795,198	-
		981,665	148,223

34.1. Net loss on gas distribution Gwadar operation - net

	Note	2008	2007
Sales		560	544
Cost of sales		(3,126)	(1,857)
Gross loss		(2,566)	(1,313)
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(1,653)	(1,995)
Depreciation expenses	17.6	(5,144)	(4,716)
Other operating expenses		(4,787)	(2,796)
		(11,584)	(9,507)
Net loss		(14,150)	(10,820)

35. OTHER OPERATING INCOME

Income from other than financial assets

	Note	2008	2007
Meter rentals		530,017	502,251
Recognition of income against deferred credit		181,027	231,771
Sale of gas condensate		665,879	336,323
Income from gas transportation		40,085	41,849
Royalty income from Jamshoro Joint Venture Limited		2,145,379	1,263,755
Meter manufacturing division profit - net	35.1	65,939	120,956
Recoveries from consumers		28,224	22,956
Gain on sale of fixed assets	17.7	268	17,120
Liquidated damages recovered		3,068	37,940
Advertising income		4,488	8,614
Income from sale of tender documents		3,029	377
Realised gain on foreign transactions		-	36,126
Miscellaneous		14,320	8,274
		3,681,723	2,628,312

Income from investment in debts, loans, advances and receivables from related party

	Note	2008	2007
Contingent rental income - Sui Northern Gas Pipeline Limited		22,818	23,648
		3,704,541	2,651,960

35.1 Meter manufacturing division profit - net

	Note	2008	2007
		(Rupees in '000)	
Gross sales of gas meters			
- Holding Company's consumption	35.1.1	382,573	266,242
- Outside sales		680,948	853,799
		1,063,521	1,120,041
Sales tax		(144,019)	(151,917)
Net sales		919,502	968,124
Cost of sales			
- Raw material consumed		738,712	746,763
- Packing cost		6,489	6,473
- Stores and spares		1,057	1,980
- Fuel, power and electricity		1,672	1,473
- Salaries wages and other benefits	35.1.2	71,989	69,218
- Insurance		358	982
- Repairs and maintenance		3,470	4,591
- Depreciation	17.6	9,882	9,314
- Other expenses		1,019	1,349
		834,648	842,143
Opening work in process		5,382	12,299
Closing work in process		(9,118)	(5,382)
		(3,736)	6,917
Cost of goods manufactured		830,912	849,060
Opening stock of finished goods		17,565	4,268
Closing stock of finished goods		(17,447)	(17,565)
		118	(13,297)
Cost of goods sold		831,030	835,763
Gross profit		88,472	132,361
Administrative expenses		(24,960)	(14,808)
Operating profit		63,512	117,553
Other income		2,427	3,403
Net profit		65,939	120,956

35.1.1 Gas meters used by the holding company are included in operating assets at manufacturing cost.

		2008	2007
35.1.2	Salaries, wages and other benefits	72,160	69,297
	Provident fund contribution	1,096	1,021
	Pension Fund	(1,010)	(1,158)
	Gratuity	(257)	58
		71,989	69,218

	Note	2008	2007
		(Rupees in '000)	

36. OTHER NON-OPERATING INCOME

	Note	2008	2007
Income from financial assets			
Late payment surcharge		425,154	321,811
Income from net investment in finance lease		54,784	58,095
Return on:			
- term deposits and profit and loss bank account		170,849	95,158
- staff loans		2,593	2,928
Interest income - Karachi Electric Supply Corporation		912,558	504,454
Interest income - Jamshoro Joint Venture Limited (JJVL)		25,094	15,803
Profit from defence saving certificate		5	6
Dividend income		235	188
		1,591,272	998,443
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipeline Limited		6,271	5,701
Income from net investment in finance lease		174,852	186,312
		181,123	192,013
		1,772,395	1,190,456

36.1 This income is receivable from SNGPL and OGDC amounting to Rs. 166.799 million (2007: Rs. 176.771 million) and Rs. 8.073 million (2007: Rs. 9.541 million) respectively.

36.2 As disclosed in note 3.1 the comparative figures have been re-classified from other operating income in order to give more appropriate presentation and disclosure in accordance with changes in accounting policy.

37. FINANCE COST

	Note	2008	2007
Mark-up on:			
- musharaka		539,063	32,498
- local currency financing		770,192	1,007,944
- short term financing		84,293	171,099
- consumers' deposits		78,890	57,008
- workers' profit participation fund	12.2	10	664
- delayed payment on gas bills		896,033	509,527
- others		2,193	-
		2,370,674	1,778,740

38. TAXATION

	Note	2008	2007
Current		415,492	370,219
Deferred		866,564	674,627
Prior years-deferred		108,504	-
		1,390,560	1,044,846

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

	Note	2008	2007
Accounting profit for the year		2,831,632	1,335,231
Tax rate		35%	35%
Tax charge @ 35% (2006: 35%)		833,571	467,331
Minimum tax @ 0.5%		415,492	370,219
Tax effect of expenses that are not deductible in determining taxable profit		33,935	29,949
Effect of lower tax rate on dividend income		(1,627)	(1,767)
Prior years' tax charge		108,504	-
Effect of adjustment in opening written down value		685	179,114
		1,390,560	1,044,846

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

39. STAFF RETIREMENT BENEFITS

39.1 Funded post retirement pension and gratuity schemes

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

Fair value of plan assets and present value of obligations

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

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

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

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

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

Expense recognised in the profit and loss account

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

	2008			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in 000)			
Current service cost	21,925	71,127	-	49,039
Mark-up cost	47,148	140,070	795	102,956
Expected return on plan assets	(71,800)	(140,550)	(35,491)	(141,068)
Recognition of actuarial loss / (gain)	(28,948)	5,170	(16,281)	(19,350)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	10,802	(13,796)	(50,977)	(8,423)
Composition / fair value of plan assets used by the fund				
Equity	20.3%	6.9%	11.1%	19.4%
Debt instruments	79.7%	93.1%	88.9%	80.6%
Others	0.0%	0.0%	0.0%	0.0%
Actual return on plan assets is as follows:				
Expected return on plan assets	71,800	140,550	35,491	141,068
Actuarial gain/(loss) on plan assets	14,784	2,651	12,655	(157,681)
Actual return on plan assets	86,584	143,201	48,146	(16,613)

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

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in 000)			
Changes in present value of defined benefit obligation				
Obligation as at 1 July 2006	452,255	1,320,893	7,014	883,080
Current service cost	20,962	60,448	-	41,124
Interest cost	45,225	132,089	701	88,308
Past service cost	-	-	-	-
Actuarial loss/(gain)	(35,615)	(24,005)	937	67,045
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Obligation as at 30 June 2007	471,480	1,400,696	7,952	1,029,557
Changes in fair value of plan assets				
Fair value as at 1 July 2006	662,797	1,291,147	349,276	1,154,880
Expected return on plan assets	66,280	129,115	34,928	115,488
Net actuarial gain/(loss)	(14,072)	70,856	(28,592)	188,816
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Contribution to fund	14,343	3,109	-	1,497
Fair value as at 30 June 2007	718,001	1,405,498	354,912	1,410,681

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

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

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

Expense recognised in the consolidated profit and loss account

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

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in 000)			
Current service cost	20,962	60,448	-	41,124
Mark-up cost	45,225	132,089	702	88,308
Expected return on plan assets	(66,280)	(129,115)	(34,928)	(115,488)
Recognition of actuarial loss / (gain)	(27,167)	16,650	(18,431)	(12,479)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	15,217	(9,541)	(52,657)	1,465
Composition/ fair value of plan assets used by the fund				
Equity	10.7%	2.4%	3.0%	20.0%
Debt instruments	74.5%	66.0%	66.5%	56.5%
Others	14.8%	31.6%	30.5%	23.5%

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in 000)			
Actual return on plan assets is as follows:				
Expected return on plan assets	66,280	129,115	34,928	115,488
Actuarial gain/(loss) on plan assets	(14,072)	70,856	(28,592)	188,816
Actual return on plan assets	52,208	199,971	6,336	304,304

Historical information	**2008**	2007	2006	2005	2004
	(Rupees in 000)				
Pension - Executives					
Present value of defined benefit obligation	**542,423**	471,480	452,255	604,231	550,282
Fair value of planned assets	**(810,985)**	(718,001)	(662,797)	(431,493)	(257,181)
(Surplus) / deficit	**(268,562)**	(246,521)	(210,542)	172,738	293,101
Unrecognised past service cost	**(42,474)**	(84,951)	(127,428)	(169,905)	(212,383)
Unrecognised actuarial (loss) / gain	**311,988**	332,329	337,953	(22,448)	(143,484)
(Asset) / liability in consolidated balance sheet	**952**	857	(17)	(19,615)	(62,766)
Experience adjustment arising on plan liabilities (gains) / losses	**6,177**	(35,615)	(230,677)	(999)	429,347
Experience adjustment arising on plan assets gains / (losses)	**14,784**	(14,072)	129,723	109,061	28,979
Gratuity - Executives					
Present value of defined benefit obligation	**1,704,055**	1,400,696	1,320,893	1,073,625	1,010,954
Fair value of planned assets	**(1,377,554)**	(1,405,498)	(1,291,147)	(1,116,249)	(1,035,178)
(Surplus) / deficit	**326,501**	(4,802)	29,746	(42,624)	(24,224)
Unrecognised past service gain	**89,614**	179,227	268,840	358,453	448,066
Unrecognised actuarial loss	**(442,562)**	(187,076)	(298,587)	(360,072)	(341,337)
(Asset) / liability in consolidated balance sheet	**(26,447)**	(12,651)	(1)	(44,243)	82,505
Experience adjustment arising on plan liabilities (gains) / losses	**263,307**	(24,005)	166,063	17,580	(258,702)
Experience adjustment arising on plan assets gains / (losses)	**2,651**	70,856	202,703	(25,179)	60,418
Pension - Non Executives					
Present value of defined benefit obligation	**6,592**	7,952	7,014	7,354	8,134
Fair value of planned assets	**(402,327)**	(354,912)	(349,276)	(197,057)	(224,551)
Surplus	**(395,735)**	(346,960)	(342,262)	(189,703)	(216,417)
Unrecognised actuarial gain	**261,229**	263,431	311,390	189,703	125,896
Asset in balance sheet	**(134,506)**	(83,529)	(30,872)	-	(90,521)
Experience adjustment arising on plan liabilities (gains) / losses	**1,424**	937	(256)	(796)	1,713
Experience adjustment arising on plan assets gains / (losses)	**12,655**	(28,592)	132,764	50,925	73,336
Gratuity - Non Executives					
Present value of defined benefit obligation	**1,279,964**	1,029,557	883,080	951,700	862,829
Fair value of planned assets	**(1,319,485)**	(1,410,681)	(1,154,880)	(955,511)	(772,612)
(Surplus) / deficit	**(39,521)**	(381,124)	(271,800)	(3,811)	90,217
Unrecognised actuarial (loss) / gain	**61,938**	411,964	302,672	3,811	(19,380)
Liability in consolidated balance sheet	**22,417**	30,840	30,872	-	70,837
Experience adjustment arising on plan liabilities (gains) / losses	**164,275**	67,045	(169,797)	(910)	218,474
Experience adjustment arising on plan assets gains / (losses)	**(157,681)**	188,816	129,064	22,281	68,019

Significant actuarial assumptions

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

	Executives and Non-Executives	
	2008 (%)	2007 (%)
Discount rate	12	10
Expected rate of increase in salary level	11	9
Expected rate of return on plan assets	12	10
Increase in pension	5	3

39.2 Unfunded post retirement medical benefit and gas supply facilities

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

	30 June 2008	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Liability in consolidated balance sheet		
Projected benefit obligation	970,936	39,208
Unrecognised actuarial (loss) / gain	(48,777)	12,733
	922,159	51,941
Movement in net liability recognized		
Movements in net liability recognized during the year are as follows:		
Liability as at 1 July 2007	835,691	52,823
Charge for the year	107,315	1,834
Payments during the year	(20,847)	(2,716)
Liability as at 30 June 2008	922,159	51,941
Expense recognised in the consolidated profit and loss account		
Current service cost	23,847	-
Mark-up cost - net	83,468	3,472
Amortisation of actuarial gain	-	(1,638)
	107,315	1,834

	30 June 2007	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	

Liability in consolidated balance sheet

Projected benefit obligation	834,683	34,720
Unrecognised actuarial (loss) / gain	895	18,216
	835,578	52,936

Movement in net liability recognized

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

Liability as at 1 July 2007	741,660	53,899
Charge for the year	114,115	730
Payments during the year	(20,197)	(1,693)
Liability as at 30 June 2008	835,578	52,936

Expense recognised in the consolidated profit and loss account

Current service cost	35,881	-
Mark-up cost - net	78,234	2,810
Amortisation of actuarial gain	-	(2,080)
	114,115	730

Significant actuarial assumptions

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

	Executives	
	2008	2007
	(%)	(%)
Discount rate	**12**	10
Medical inflation rate	**8.5**	6.5
Gas inflation rate	**9**	7

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

Gas facility - Executives	2008	2007	2006	2005	2004
Present value of defined benefit obligation	**39,208**	34,720	28,202	30,291	30,367
Unrecognized part of transitional liability	**-**	-	-	-	
Unrecognised actuarial gain	**12,733**	18,216	25,697	24,200	24,597
Liability in balance sheet	**51,941**	52,936	53,899	54,491	54,964
Experience adjustment arising on plan liabilities (gains) / losses	**4,208**	5,401	(3,261)	(1,399)	2,406
Experience adjustment arising due to change of basis	**477**	-	-	-	-

40. EARNINGS PER SHARE - BASIC AND DILUTED

		2008	2007
Profit after taxation	*Rupees in '000*	**991,072**	290,385
Average number of ordinary shares	*Number of shares*	**671,174,331**	671,174,331
Earnings per share - basic and diluted	*Rupees*	**1.48**	0.43

41. WORKING CAPITAL CHANGES

	2008	2007
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores and spares	**(134,593)**	(40,414)
Stock-in-trade	**(143,833)**	(87,062)
Consumers' installation work-in-progress	**(23,924)**	900
Trade debts	**(4,140,809)**	(5,459,018)
Trade deposits and prepayments	**(160,958)**	36,219
Other receivables	**(2,368,836)**	(2,185,441)
	(6,972,953)	(7,734,816)
Increase in current liabilities		
Creditors, accrued and other liabilities	**6,019,325**	8,637,000
	(953,628)	902,184

	2008	2007
	(Rupees in '000)	

42. CASH AND CASH EQUIVALENTS

	2008	2007
Cash and bank balances	4,356,367	5,267,649
Short term borrowings	-	(1,000,000)
	4,356,367	4,267,649

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

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

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

43.2 Aggregate amount charged in these financial statements in respect of fee paid to14 directors was Rs. 0.040 million (2007: Rs. 0.034 million for 14 directors).

44. CAPACITY AND ACTUAL PERFORMANCE

44.1 Natural gas transmission

	30 June 2008		30 June 2007	
	MMCF	HM3	MMCF	HM3
	(Rupees in 000)			
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	509,472	143,537,877	431,015	121,433,520
Utilisation - volume of gas transmitted	407,364	114,770,122	385,142	108,509,329
Capacity utilisation factor (%)	80.0	80.0	89.4	89.4

44.2 Natural gas distribution

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

44.3 Meter manufacturing division

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

45. TRANSACTIONS WITH RELATED PARTIES

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

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

	2008	2007
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Principal portion of lease rental	64,797	64,501
- Sale of gas meters	588,628	738,240
Oil and Gas Development Company Limited		
- Principal portion of lease rental	4,317	4,317
- Pipeline rental income	16,707	18,176
- Recovery of lease service cost	21,861	(5,113)
- Gas Purchases	5,436,142	15,443,977
Pakistan Petroleum Limited		
- Gas Purchases	7,647,121	6,994,494
Pakistan Machine Tool Factory Limited		
- Purchase of meter parts	14,477	55,874
- Gas sales	14,639	38,209
Pakistan State Oil Company Limited		
- Purchase of Oil and Lubricants	2,761	-

	2008	2007
	(Rupees in '000)	
Karachi Electric Supply Corporation Limited		
- Gas sales	8,178,489	21,891,441
- Electricity bills	14,450	31,737
Attock Refinery Limited		
- Sales of gas condensate	499,552	-
Mari Gas Company Limited		
- Gas purchases	6,652	-
State Life Insurance Corporation Limited		
- Insurance coverage	12,225	2,398
National Insurance Company Limited		
- Insurance coverage	69,186	-
Liaquat National Hospital		
- Medical services	9,604	-
Ministry of Petroleum and Natural Resources		
- Infrastructure development fee	75,000	50,000
Staff retirement benefit plans		
- Contribution to provident fund	86,307	70,473
- Contribution to pension fund	10,707	14,343
- Contribution to gratuity fund	-	4,606
Oil and Gas Regulatory Authority		
- Regulatory Fee	44,125	44,225
Habib Bank Limited		
- Interest Income	781	29
Government Holding (Private) Limited		
- Gas Purchases	5,996,259	5,018,786
Remuneration of key management personnel		
(executive staff)	33,353	31,974

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

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 12, 29 and 39 to these financial statements.

Remuneration to the executive officers of the holding company (disclosed in note 43 to these financial statements) and loans and advances to them (disclosed in notes 22 and 27 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the holding company is received at rates prescribed by the Government of Pakistan.

45.1 AMOUNT (DUE TO) / RECEIVABLE FROM RELATED PARTIES

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

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

46. MARK-UP / INTEREST RATE RISK

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

2008 (Rupees in '000)

	Effective mark-up / interest rate (%)	Mark-up / interest bearing				Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	-	-	-	-	-	152,394	152,394
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Net investment in finance lease	11% to 17%	9,861	108,473	473,337	801,105	-	1,392,776
Loans and advances	10	731	6,486	11,648	251	208,220	227,336
Trade debts	13 to 14.36	2,685,772	5,024,425	-	-	12,334,831	20,045,028
Trade deposits and prepayments	-	-	-	-	-	270,672	270,672
Interest accrued	-	-	-	-	-	9,098	9,098
Other receivables	13.5 to 16	489	-	-	-	9,530,841	9,531,330
Cash and bank balances	2 to 11.75	4,113,335	-	-	-	243,032	4,356,367
		6,810,188	5,139,384	484,985	801,356	22,754,188	35,990,101
Financial liabilities							
Long term financing	2 to 14.62	-	376,509	15,582,621	-	-	15,959,130
Long term deposits	5	-	-	-	2,531,111	47,777	2,578,888
Trade and other payables	6 to 15.33	9,312,157	3,076,005	-	-	18,436,466	30,824,628
Interest and mark-up accrued	8.7 to 13.56	32,962	-	-	-	2,005,144	2,038,106
		9,345,119	3,452,514	15,582,621	2,531,111	20,489,387	51,400,752
On-consolidated balance sheet gap (a)		(2,534,931)	1,686,870	(15,097,636)	(1,729,755)	2,264,801	(15,410,651)

2007 (Rupees in '000)

	Effective mark-up / interest rate (%)	Mark-up / interest bearing				Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	15.6 to 18.04	-	-	66	-	231,713	231,779
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Net investment in finance lease	11 to 17	9,861	108,473	473,337	919,439	-	1,511,110
Loans and advances	10	290	2,796	5,072	423	200,940	209,521
Trade debts	10 to 13	7,910,291	-	-	-	8,150,782	16,061,073
Trade deposits and prepayments	-	-	-	-	-	109,514	109,514
Interest accrued	-	-	-	-	-	6,295	6,295
Other receivables	13 to 13.5	190,936	-	-	-	6,906,785	7,097,721
Cash and bank balances	0.5 to 7.5	4,199,058	-	-	-	1,068,591	5,267,649
		12,310,436	111,269	478,475	919,862	16,679,720	30,499,762
Financial liabilities							
Long term financing	7.57 to 10.56	-	2,286,481	12,581,455	-	-	14,867,936
Long term deposits	5	-	-	-	1,489,449	874,180	2,363,629
Trade and other payables	6 to 15.33	2,545,417	7,047,440	-	-	15,201,473	24,794,330
Interest and mark-up accrued	9.61 to 11.42	17,012	-	-	-	1,117,409	1,134,421
Short term borrowing	8.63 to 10.06	-	1,000,000	-	-	-	1,000,000
		2,562,429	10,333,921	12,581,455	1,489,449	17,193,062	44,160,316
On-consolidated balance sheet gap (a)		9,748,007	(10,222,652)	(12,102,980)	(569,587)	(513,342)	(13,660,554)

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

47. CONCENTRATION OF CREDIT RISK

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

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

The sector wise analysis of trade debts is given below:

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

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

49. FOREIGN CURRENCY RISK MANAGEMENT POLICY

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

50. CAPITAL RISK MANAGEMENT

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

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

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

51. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

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

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

52. ACCOUNTING ESTIMATES AND JUDGMENTS

52.1 Income tax

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

52.2 Staff Retirement Benefits

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

52.3 Property, plant and equipment

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

52.4 Trade debtors

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

52.5 Provision for impaired inventory

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

52.6 Fair value of investment

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

52.7 17% guaranteed return

As per license given by OGRA, the holding company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non operating charges and non operating income. The determination of annual return is reviewed and approved by OGRA under the terms of the license and parameters set by OGRA. Amount in excess or short of the guaranteed return is adjusted with the gas development surcharge balance payable to / receivable from the GoP. Disallowances by OGRA are recorded as expenses in the financial statements to which such disallowances are related. Based on OGRA's decision the holding company evaluates the nature of disallowances whether such disallowances are claimable or not. Where amount is claimable, the holding company pursue with OGRA and records it in the period in which it is allowed by OGRA. Resultantly the profit for the year may be less than the required annual return determined at 17% per annum based on formula stated above.

53. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

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

54. GENERAL

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

55. DATE OF AUTHORISATION

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

Salim Abbas Jillani
Chairman

Umair Khan
Managing Director