



Consolidated Balance Sheet

As at 30 June 2009

	Note	2009 (Rupees in '000)	2008
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	2,619,662	2,467,662
Surplus on re-measurement of			
available for sale securities		93,813	143,866
Unappropriated profit		258,376	991,855
Total equity		9,683,594	10,315,126
Non-current liabilities			
Long term financing	6	17,496,775	15,582,621
Long term deposits	7	2,954,186	2,578,888
Deferred tax	8	5,013,538	4,854,329
Employee benefits	9	1,308,176	1,096,194
Deferred credit	10	4,846,528	3,819,931
Total non-current liabilities		31,619,203	27,931,963
Current liabilities			
Current portion of long term financing	11	4,969,490	376,509
Trade and other payables	12	50,099,746	30,824,628
Interest and mark-up accrued	13	4,181,967	2,038,106
Taxation - net	14	-	216,572
Total current liabilities		59,251,203	33,455,815
Contingencies and commitments	15		
Total equity and liabilities		100,554,000	71,702,904

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Umair Khan
Managing Director



	Note	2009 (Rupees in '000)	2008
ASSETS			
Non-current assets			
Property, plant and equipment	16	38,095,632	33,807,564
Intangible assets	17	43,891	69,573
Long term investments	18	102,341	152,394
Share of investment in jointly controlled entity	19	5,100	5,100
Net investment in finance lease	20	1,159,336	1,274,442
Long term loans and advances	21	111,779	111,346
Long term deposits		3,250	3,250
Total non-current assets		39,521,329	35,423,669
Current assets			
Stores, spares and loose tools	22	1,702,556	1,155,042
Stock-in-trade	23	490,539	512,383
Current maturity of net investment in finance lease	20	118,796	118,334
Customers' installation work-in-progress	24	136,266	168,241
Trade debts	25	32,568,205	20,045,028
Loans and advances	26	93,580	115,990
Trade deposits and short term prepayments	27	110,812	267,422
Interest accrued	28	1,198,064	198,326
Other receivables	29	22,970,129	9,342,102
Taxation - net	14	166,500	-
Cash and bank balances	30	1,477,224	4,356,367
Total current assets		61,032,671	36,279,235
Total assets		100,554,000	71,702,904


 Salim Abbas Jilani
 Chairman


 Umair Khan
 Managing Director



Consolidated Profit and Loss Account

For the year ended 30 June 2009

	Note	2009 (Rupees in '000)	2008
Sales		118,585,244	84,542,431
Sales tax		(14,446,264)	(9,547,639)
		<u>104,138,980</u>	<u>74,994,792</u>
Gas development surcharge		4,012,107	(369,223)
Net sales		<u>108,151,087</u>	<u>74,625,569</u>
Cost of gas	31	(102,388,858)	(69,238,236)
Gross profit		<u>5,762,229</u>	<u>5,387,333</u>
Transmission, distribution and selling costs	32	(6,900,794)	(5,546,080)
Administrative expenses	33	(1,564,628)	(1,504,086)
Share of expenses of joint venture	19.1	(37,153)	(96,962)
Other operating expenses	34	(2,352,918)	(967,515)
		<u>(10,855,493)</u>	<u>(8,114,643)</u>
		<u>(5,093,264)</u>	<u>(2,727,310)</u>
Other operating income	35	6,109,947	5,707,221
Operating profit before finance cost		<u>1,016,683</u>	<u>2,979,911</u>
Other non-operating Income	36	3,809,808	1,772,395
Finance cost	37	(4,409,792)	(2,370,674)
Profit before taxation		<u>416,699</u>	<u>2,381,632</u>
Taxation	38	(159,210)	(1,390,560)
Profit for the year		<u>257,489</u>	<u>991,072</u>
			(Rupees)
Basic and diluted earnings per share	40	<u>0.38</u>	<u>1.48</u>

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Umair Khan
Managing Director

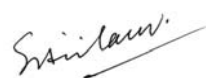


Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	(Rupees in '000)					
	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
Balance as at 01 July 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 at Rs.0.5 per share 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
Changes in equity for the year ended 30 June 2009						
Net deficit on re-measurement of available for sale securities	-	-	-	(50,053)	-	(50,053)
Profit for the year	-	-	-	-	257,489	257,489
Total income and expenses recognised during the year	-	-	-	(50,053)	257,489	207,436
Transfer from unappropriated profit to revenue reserves	-	-	152,000	-	(152,000)	-
Final dividend at Rs.1.25 per share for the year ended 30 June 2008	-	-	-	-	(838,968)	(838,968)
Balance as at 30 June 2009	6,711,743	234,868	2,384,794	93,813	258,376	9,683,594

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.



Salim Abbas Jilani
Chairman



Umair Khan
Managing Director

Consolidated Cash Flow Statement



For the year ended 30 June 2009

	Note	2009 (Rupees in '000)	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		416,699	2,381,632
Adjustments for:			
Depreciation		2,624,619	2,220,825
Amortisation of intangible assets		65,472	47,341
Finance cost		4,409,792	2,370,674
Amortisation of transaction cost		4,903	11,016
Provision against impaired inventory		26,600	5,143
Provision against impaired debts		462,260	156,854
Provision for compensated absences		58,117	29,709
Provision for post retirement medical and free gas supply facilities		143,916	85,586
Provision for / (reversal of) provision for retirement benefits		90,982	(62,394)
Recognition of income against deferred credit		(297,831)	(181,027)
Dividend income		(8,061)	(6,506)
Interest / profit on bank deposits and late bills		(3,864,615)	(170,854)
Income from net investment in finance lease		(213,667)	(229,636)
Loss / (gain) on sale of property, plant and equipment		12,792	(268)
		<u>3,931,978</u>	<u>6,658,095</u>
Working capital changes	41	(7,668,998)	(953,628)
Cash (used in) / generated from operations		<u>(3,737,020)</u>	<u>5,704,467</u>
Employee benefits paid		(122,583)	(10,707)
Income taxes paid		(383,071)	(364,282)
Financial charges paid		(2,668,489)	(1,712,032)
Service charges received from new customers		1,324,428	1,024,053
Long term deposits received - net		375,298	215,259
Long term loans and advances to staff - net		21,977	(17,815)
Long term deposits paid		-	(200)
Net cash (used in) / from operating activities		<u>(5,189,460)</u>	<u>4,838,743</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(6,583,044)	(6,044,129)
Proceeds from sale of property, plant and equipment		22,431	25,866
Lease rental received from net investment in finance lease		328,310	347,970
Redemption of defence saving certificates		-	62
Dividend received		8,061	6,506
Interest / profit on bank deposits and late bills received		2,864,877	168,051
Net cash (used in) investing activities		<u>(3,359,365)</u>	<u>(5,495,674)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		6,200,000	6,833,400
Proceeds raised from issue of Islamic Sukuk Bonds		600,000	5,700,000
Repayment of local currency loans		(257,411)	(11,423,933)
Repayment of redeemable capital		(75,000)	(109,494)
Consumer finance received		133,304	123,671
Repayment of consumer finance		(98,662)	(43,466)
Dividend paid		(832,549)	(334,529)
Net cash generated from financing activities		<u>5,669,682</u>	<u>745,649</u>
Net (decrease) / increase in cash and cash equivalents		<u>(2,879,143)</u>	<u>88,718</u>
Cash and cash equivalents at beginning of the year		4,356,367	4,267,649
Cash and cash equivalents at end of the year		<u>1,477,224</u>	<u>4,356,367</u>

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

Salim Abbas Jilani
Chairman

Umair Khan
Managing Director

Notes to the Consolidated Financial Statements



For the year ended 30 June 2009

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 2009. 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 18 which are carried at their fair values.

2.3 Functional and presentation currency

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

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. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including reasonable expectation of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by management that may have a significant risk of material adjustments to the financial statements in the subsequent year are discussed in note 48.

2.5 Initial Application of a standard or an Interpretation

The following standards, amendments and interpretations become effective during the current year:

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Group's financial statements other than increase in disclosures.

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

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Group's financial statements.

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 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. The interpretation has no effect on Group's financial statements for the year ended 30 June 2009.

Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than increase in disclosures in certain cases:

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 for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

IAS 27 - Consolidated and separate financial statements effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

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 recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognised in the profit or loss.

Amendment to IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - 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 pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendments to IAS 39 - Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations (effective for annual 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.

Amendment to IFRS 2 - Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual 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 considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires the entity issuing insurance contracts (an insurer) to disclose information about those contracts.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 - Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments.

IFRIC 15 - Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements as at and for the year ended 30 June 2009 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.

3.2 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.

3.2.1 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.

3.2.2 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.

3.2.3 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.

3.2.4 Depreciation

Depreciation on assets is calculated so as to depreciate the assets over their estimated useful lives under the straightline 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 depreciated over their estimated service life from the month the assets are available for use in service till the month they are disposed of or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

3.2.4.1 Useful lives of the assets is mentioned in the notes 16.2 to 16.5 to these financial statements.

3.2.5 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, if any, 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.

3.2.6 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.

3.2.7 Gains and losses on disposal

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

3.2.8 Leased assets

Leased assets in terms of which the Holding Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of 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.

3.3 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated profit and loss account. Impairment loss recognised in the consolidated profit and loss account is not reversed through consolidated profit and loss account subsequently.

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. Impairment has recognised in the consolidated profit and loss account is not reversed through consolidated profit and loss account subsequently.

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

3.4 Net investment in finance lease

Contractual arrangements, the 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.

3.5 Stores, spares and loose tools

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

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

3.6 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

3.7 Trade debts and other receivables

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

3.8 Trade and other payables

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

3.9 Mark-up bearing borrowings

Long term financing

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

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

Leases

The Group accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are 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 asset.

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

- Unfunded free medical and gas supply facility schemes for the Holding Companies 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 recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan.

- Approved contributory provident funds for all employees 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 if any 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, if any, is not treated as assets of the Group and accordingly is disclosed separately.

3.20 Off-setting

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the 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

		Note	2009	2008
2009	2008		(Rupees in '000)	
(Numbers)				
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
<u>671,174,331</u>	<u>671,174,331</u>		<u>6,711,743</u>	<u>6,711,743</u>

4.1 Associated companies held 34,070,693 (2008: 33,908,423) ordinary shares of Rs.10 each at the year end.

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
		<u>234,868</u>	<u>234,868</u>

Revenue reserves

Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		2,015,653	1,863,653
		<u>2,384,794</u>	<u>2,232,794</u>
		<u>2,619,662</u>	<u>2,467,662</u>

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

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

6. LONG TERM FINANCING

LONG TERM FINANCING		2009	2008
	Note	(Rupees in '000)	
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	8,716,700	6,833,400
- Other loans			
Musharaka arrangements	6.2	7,644,678	8,506,442
		16,361,378	15,339,842
Unsecured			
Consumer financing	6.3	186,757	186,580
Government of Sindh loan	6.4	948,640	56,199
		1,135,397	242,779
		17,496,775	15,582,621

6.1 Local currency loans

				Note	2009 (Rupees in '000)	2008
	Instalment payable	Repayment period	Mark-up rate			
United Bank Limited - term loan	half-yearly	2005 - 2009	1% above last 6 months T-Bill auction cut-off rate		-	250,000
Crescent Commercial Bank- term loan	quarterly	2010-2012	0.2% above 3 months average KIBOR	6.1.1	1,000,000	1,000,000
United Bank Limited - term loan- II	on maturity	2010	0.2% above 3 months average KIBOR	6.1.1	1,500,000	1,500,000
MCB Bank Limited- term loan- I	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	2,000,000	2,000,000
MCB Bank Limited- term loan- II	quarterly	2010	0.2% above 3 months average KIBOR	6.1.1	1,333,400	1,333,400
MCB Bank Limited- term loan- III	quarterly	2010-2011	0.2% above 3 months average KIBOR	6.1.1	1,000,000	1,000,000
Habib Bank Limited - term loan	on maturity	2010	2% above 3 months average KIBOR	6.1.2	500,000	-
Faysal Bank Limited- term loan	quarterly	2011-2013	2% above 3 months average KIBOR	6.1.2	1,500,000	-
					8,833,400	7,083,400
<u>Syndicated term loans</u>						
Standard Chartered Bank (the "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	6.1.2	2,500,000	-
JS Bank Limited (the "Syndicate's Agent")	quarterly	2011-2012	1.95% above 3 months average KIBOR	6.1.2	800,000	-
					3,300,000	-
					12,133,400	7,083,400
<u>Less: Current portion shown under current liabilities</u>						
United Bank Limited - term loan					-	(250,000)
United Bank Limited - term loan II					(1,500,000)	-
MCB Bank Limited - term loan-I					(1,000,000)	-
MCB Bank Limited - term loan-II					(666,700)	-
MCB Bank Limited - term loan-III					(250,000)	-
					(3,416,700)	(250,000)
					8,716,700	6,833,400

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

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

6.2 Musharaka arrangements - secured

				Note	2009 (Rupees in '000)	2008
	Instalment payable	Repayment period	Mark-up rate			
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	825,000	900,000
Meezan Bank Limited (the "Investor's Agent")	quarterly	2009 - 2012	0.80% above 3 months average KIBOR	6.2.1	2,000,000	2,000,000
Bank Islami Pakistan Limited (the "Trustee")	quarterly	2010 - 2012	0.20% above 3 months average KIBOR	6.2.1	4,700,000	4,700,000
Islamic Finance under diminishing musharaka Meezan Bank Limited	Two Instalments	2009 & 2010	0.45% above 3 months average KIBOR	6.2.2	1,000,000	1,000,000
Bank Islami Limited	on maturity	2010	0.20% above 3 months average KIBOR	6.2.3	600,000	-
					9,125,000	8,600,000
Unamortised Transaction Cost					(13,655)	(18,558)
					9,111,345	8,581,442
Less: Current portion shown under current liabilities						
Meezan Bank Limited (the "Investor's Agent")					(500,000)	-
Meezan Bank Limited (the "Investor's Agent")					(666,667)	-
Dubai Islamic Bank (the "Investor's Agent")					(300,000)	(75,000)
					(1,466,667)	(75,000)
					7,644,678	8,506,442

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

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

6.2.3 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

Consumer financing	6.3.1	265,321	230,678
Less: Current portion shown under current liabilities		(78,564)	(44,098)
		186,757	186,580

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

6.4 Government of Sindh loan

	Note	2009 (Rupees in '000)	2008
Government of Sindh loan - I	6.4.1	56,199	63,610
Government of Sindh loan - II	6.4.2	900,000	-
Government grant	6.4.3	(317,924)	-
		582,076	-
Government grant	6.4.3	317,924	-
		956,199	63,610
Less: Current portion shown under current liabilities		(7,559)	(7,411)
		948,640	56,199

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

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

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

7. LONG TERM DEPOSITS

Security deposits from:

- gas customers	7.1	2,916,100	2,531,111
- gas contractors	7.2	38,086	47,777
		2,954,186	2,578,888

7.1 Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. 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 - net

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

	2009			2008		
	Opening	Charge / (Reversal)	Closing	Opening	Charge / (Reversal)	Closing
	(Rupees in '000)			(Rupees in '000)		
Taxable temporary difference						
Accelerated tax depreciation	6,528,175	1,156,469	7,684,644	5,465,359	1,062,816	6,528,175
Deductible temporary differences						
Provision against employee benefits	(383,668)	(74,194)	(457,862)	(349,700)	(33,968)	(383,668)
Provision for doubtful debts	(595,523)	(161,791)	(757,314)	(540,624)	(54,899)	(595,523)
Unused tax losses carried forward	(675,712)	(774,330)	(1,450,043)	(662,647)	(13,065)	(675,712)
Others	(18,943)	13,056	(5,887)	(33,127)	14,184	(18,943)
	4,854,329	159,210	5,013,538	3,879,261	975,068	4,854,329

	Note	2009 (Rupees in '000)	2008
9. EMPLOYEE BENEFITS			
Provision for post retirement medical and free gas supply facilities - executives	39.2	1,118,016	974,100
Provision for compensated absences - executives	9.1	190,160	122,094
		<u>1,308,176</u>	<u>1,096,194</u>

9.1 Provision for compensated absences - executives

Balance as at 1 July		122,094	110,628
Provision made during the year		68,066	11,466
Balance as at 30 June		<u>190,160</u>	<u>122,094</u>

10. DEFERRED CREDIT

- Government contributions / grants			
Balance as at 1 July		1,444,501	962,988
Additions during the year	10.1	810,526	562,397
		<u>2,255,027</u>	<u>1,525,385</u>
Transferred to consolidated profit and loss account		(93,758)	(80,884)
Balance as at 30 June		<u>2,161,269</u>	<u>1,444,501</u>
- Contribution from customers			
Balance as at 1 July		2,375,430	2,013,917
Additions during the year	10.2	514,002	461,656
		<u>2,889,432</u>	<u>2,475,573</u>
Transferred to consolidated profit and loss account		(204,173)	(100,143)
Balance as at 30 June		<u>2,685,259</u>	<u>2,375,430</u>
		<u>4,846,528</u>	<u>3,819,931</u>

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

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

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

Local currency loans	6.1	3,416,700	250,000
Musharaka arrangements	6.2	1,466,667	75,000
Consumer financing	6.3	78,564	44,098
Government of Sindh loan	6.4	7,559	7,411
		<u>4,969,490</u>	<u>376,509</u>

12. TRADE AND OTHER PAYABLES

	Note	2009 (Rupees in '000)	2008
Creditors for:			
- gas		45,490,188	25,606,746
- supplies		122,111	206,928
		<u>45,612,299</u>	<u>25,813,674</u>
Amount received from customers/ Government of Pakistan for laying of mains, etc.		2,806,125	3,076,777
Accrued liabilities		1,117,300	1,200,156
Provision for compensated absences - non executives	12.1	83,791	93,740
Payable to staff pension fund - executives	39.1	-	952
Payable to gratuity fund - non executives	39.1	-	22,417
Payable to provident fund - non executives		6	5
Workers' profit participation fund	12.2	-	125,408
Deposits / retention money		194,589	166,132
Bills payable		23,521	91,293
Advance for sharing right of way	12.3	18,088	18,088
Unclaimed dividend		40,187	33,768
Withholding tax payable		51,685	48,145
Unclaimed term finance certificate redemption profit		1,975	2,178
Inter State Gas System (Private) Limited (ISGSL)		8,628	6,026
Others	12.4	141,552	125,869
		<u>50,099,746</u>	<u>30,824,628</u>

12.1 Provision for compensated absences - non-executives

Balance as at 1 July	93,740	75,497
Provision made during the year	(9,949)	18,243
Balance as at 30 June	<u>83,791</u>	<u>93,740</u>

12.2 Workers' profit participation fund

Balance as at 1 July	125,408	310
Allocation for the year	21,987	125,349
Mark-up on funds utilised in the Holding Company's business	1,066	10
	<u>148,461</u>	<u>125,669</u>
Amount deposited with the Government / paid to employees	(166,404)	(261)
Balance as at 30 June	<u>(17,943)</u>	<u>125,408</u>

12.3 This amount was received by the Holding Company 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 the Holding Company. The final liability of the Holding Company has not been estimated, as the amount of compensation due to land owners has not been determined by the Authorities. Accordingly, the amount received from PARCO has been classified as an advance.

12.4 This includes Rs. 95.489 million (2008: Rs. 82.016 million) on account of amount payable to disconnected customers for gas supply deposits.

13. INTEREST AND MARK-UP ACCRUED

	Note	2009	2008
		(Rupees in '000)	
Long term financing :			
- Local currency loans		13,320	4,114
- Musharaka		11,912	13,321
Long term deposits from customers		65,530	73,558
Short term borrowing		108,429	32,961
Late payment of gas development surcharge		376	376
Delayed payment on gas bills		3,982,400	1,913,776
		<u>4,181,967</u>	<u>2,038,106</u>

14. Taxation - net

Provision for tax		1,616,340	1,616,340
Advance tax		(1,782,840)	(1,399,768)
		<u>(166,500)</u>	<u>216,572</u>

15. CONTINGENCIES AND COMMITMENTS

- | | | | | |
|------|--|-------|------------------|-----------|
| 15.1 | Claims against the Group not acknowledged as debt | 15.15 | <u>518,163</u> | 608,234 |
| 15.2 | Commitments for capital and other expenditure | | <u>1,051,609</u> | 2,932,197 |
| 15.3 | Guarantees issued on behalf of the Holding Company | | <u>4,630</u> | 16,450 |
- 15.4 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 (2008: Rs. 75 million) and Holding Company's investment in shares having a face value of Rs.0.5 million (2008: Rs. 0.5 million). Loan outstanding at the year end was Rs. 16.797 million (2008: Rs. 17.800 million).
- 15.5 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Holding Company amounting to Rs. 381.374 million (2008: Rs. 381.374 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Holding Company and JPCL. The Holding Company has not accepted the claim and has filed a counter claim due to JPCL 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.
- 15.6 JPCL has also raised a claim of Rs. 5.793 million (2008: 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.
- 15.7 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 the Holding Company to absorb 109 and 551 individuals respectively which was complied with by the Holding Company. Supreme Court further ordered that the pending CMAs and Review Petitions pertaining to the issue filed by the Holding Company, Federation of Pakistan and Temporary Assignees will be kept for hearing at any date fixed by Supreme Court.

Further, President of Pakistan on 14 February 2009 promulgated the Sacked Employees (Reinstatement) Ordinance 2009, ("the Ordinance") for providing relief to persons who were appointed during the period from 1 November 1993 to 30 November 1996 (both days inclusive) and were dismissed, removed or terminated or given forced golden hand shake from service during 1 November 1996 to 31 December 1998 (both days inclusive). Under the requirements of the Ordinance, total number of employees to be reinstated was determined at 2,994 employees. Out of these employees reinstatement letters were issued to 2,496 employees with the condition that their remunerations and back benefits will be paid to them on receipt of funds from Government of Pakistan (GoP). 2,435 employees have joined the Holding Company up to 30 June 2009. During the year, Rs. 108 million was received from GoP. Out of which, Rs.49 million has been paid to employees and remaining amount are being paid. However, no provision has been made against current salaries costs and back benefits payable to reinstated employees amounting to Rs. 185.210 million and Rs.2,345.679 million respectively as the management is of the view that as per negotiations with the sub-committee established by the Cabinet Division – GoP, the same would be payable when the funds are received from Government of Pakistan.

- 15.8 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 the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an Appeal before Honourable High Court in which the Holding Company's management is of the view that sale of LPG business being in nature of "slump transaction" was not chargeable to tax under Rule 7 and 8 of the 2nd Schedule of the Income Tax Ordinance, 1979. Accordingly, no provision regarding the said claim has been made in these financial statements as the Holding Company based on its legal advisor's opinion is confident that the matter would be resolved in favour of the Holding Company.
- 15.9 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.
- 15.10 The Sales tax Authorities issued a notice to the Company in 2006 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 the 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 these financial statements in this regard as Holding Company based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.
- 15.11 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Holding Company with a demand of Rs. 311.397 million in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty at the rate of 5% of the total amount of tax involved. The Holding Company has paid sales tax on these balances in order to avail amnesty / exemption from additional sales tax. However the Holding Company has filed an Appeal before the Appellate Tribunal (Customs, Excise & Sales Tax) and based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.
- 15.12 During the year, the Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order making the input tax adjustments inadmissible in respect of exempt supplies made to Agha Khan University. The resulting alleged liability is Rs. 16.278 million. In the same order the Additional Collector (Adjudication) held the Holding Company responsible for not depositing the amount of sale tax withheld under SRO 660(1)/ 2007 as withholding agent. The alleged liability is of Rs. 1,248.322 million along with default surcharge (to be calculated at the time of final payment). The Holding Company has filled an Appeal against the said order before the Appellate Tribunal (Customs, Excise & Sales Tax) Karachi. No provision has been made in these financial statements as the Holding Company based on its tax advisor's opinion is confident that the decision of the Appeal will be in its favour.
- 15.13 During the year Deputy Collector (Processing and Assessment) has issued recovery notice to the Holding Company with a demand of Rs. 859.211 million along with default surcharge (to be calculated at the time of final payment) on the ground that Holding Company has collected 25% sales tax on sales of natural gas to CNG stations including 9% in lieu of value addition made by CNG stations, which has been included as output tax in the monthly sales tax returns and failed to deposit the same 9%. The Holding Company has filed "Constitution Petition" before Honourable High Court. The Holding Company based on its tax advisor's opinion is confident that the decision of the recovery notice will be in its favour.
- 15.14 During the year Additional Collector (Adjudication) has issued Show Cause Notice to the Holding Company requiring it to pay federal excise duty @ 5 % amounting to Rs. 170 million along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged from JJVL. The Holding Company has replied against the said notice through its tax advisor. No response from Additional Collector has been received to date. The Holding Company based on its tax advisor's opinion is confident that no further action would be taken by Additional Collector, hence no provision has been made in these financial statements.
- 15.15 The management is confident that ultimately these claims (note 15.1) would not be payable.

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2009 (Rupees in '000)	2008
Operating assets	16.1	34,557,963	29,802,140
Capital work in progress	16.10	3,537,669	4,005,424
		<u>38,095,632</u>	<u>33,807,564</u>

16.1 Operating assets

		2009			(Rupees in '000)		
Note	COST			DEPRECIATION			Written down value as at 30 June 2009
	As at 1 July 2008	Additions / (deletions) / transfers *	As at 30 June 2009	As at 1 July 2008	For the year / (deletions) / transfers *	As at 30 June 2009	
Gas transmission system	16.2	26,741,628	1,504,566 (34,939) (2,093) *	28,209,162	16,621,122	984,363 (22,954) (2,107) *	17,580,424 10,628,738
Gas distribution system - Karachi, Sindh	16.3	14,997,867	2,659,919 (267,758) (3,407) *	17,386,621	5,541,394	867,440 (251,200) 8 *	6,157,642 11,228,979
- Other areas of Sindh		10,090,459	2,592,114 (135,251) 4,728 *	12,552,050	3,438,097	589,348 (134,097) 2,294 *	3,895,642 8,656,408
- Balochistan		5,305,507	791,892 (40,058) 1,978 *	6,059,319	1,870,736	309,321 (34,672) 985 *	2,146,370 3,912,949
		30,393,833	6,043,925 (443,067) 3,299 *	35,997,990	10,850,227	1,766,109 (419,969) 3,287 *	12,199,654 23,798,336
Meter manufacturing division	16.4	311,551	9,181 (3,108) (1,206) *	316,418	253,682	16,322 (2,968) (1,180) *	265,856 50,562
		57,447,012	7,557,672 (481,114)	64,523,570	27,725,031	2,766,794 (445,891)	30,045,934 34,477,636
Gwadar operations - Gas distribution system	16.5	91,162	6,191	97,353	11,003	6,023	17,026 80,327
		57,538,174	7,563,863 (481,114)	64,620,923	27,736,034	2,772,817 (445,891)	30,062,960 34,557,963
			-			-	

	2008			(Rupees in '000)			
	COST			DEPRECIATION			Written down value as at 30 June 2008
	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	
Gas transmission system	25,665,673	1,164,381 (88,426)	26,741,628	15,873,971	821,586 (79,771)	16,621,122	10,120,506
		-			5,336 *		
Gas distribution system							
- Karachi, Sindh	12,454,737	2,761,663 (218,533)	14,997,867	5,079,785	674,806 (213,197)	5,541,394	9,456,473
- Other areas of Sindh	8,188,032	2,008,158 (105,731)	10,090,459	3,088,896	445,963 (96,762)	3,438,097	6,652,362
- Balochistan	4,744,676	578,817 (17,986)	5,305,507	1,634,754	251,330 (15,348)	1,870,736	3,434,771
	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
Meter manufacturing division	285,336	26,245 (30)	311,551	237,052	16,660 (30)	253,682	57,869
	51,338,454	6,539,264 (430,706)	57,447,012	25,914,458	2,210,345 (405,108)	27,725,031	29,721,981
		-			5,336*		
Gwadar operations							
- Gas distribution system	91,162	-	91,162	5,859	5,144	11,003	80,159
	51,429,616	6,539,264 (430,706)	57,538,174	25,920,317	2,215,489 (405,108)	27,736,034	29,802,140
		-			5,336*		

16.2 Operating assets - gas transmission system

(Rupees in '000)								
Note	COST			DEPRECIATION			Written down value at 30 June 2009	Useful live/ remaining life (years) **
	As at 1 July 2008	Additions / (deletions) / transfers *	As at 30 June 2009	As at 1 July 2008	For the year / (deletions) / transfers *	As at 30 June 2009		
Freehold land	46,778	-	46,778	-	-	-	46,778	-
Leasehold land	128,550	-	128,550	-	-	-	128,550	-
Buildings on freehold land	279,291	-	279,291	146,224	11,000	157,224	122,067	20
Buildings on leasehold land	1,091,564	96,970	1,188,534	558,483	59,758	618,241	570,293	20
Gas transmission pipelines 16.2.1	18,344,221	731,562 (3,740)	19,072,043	11,020,282	381,538 (2,733)	11,399,087	7,672,956	2-40 **
Compressors	2,320,251	118,837	2,439,088	2,169,486	72,421	2,241,907	197,181	7 **
Telecommunication	452,346	8,614 (508)	460,452	437,401	2,316 (487)	440,924	19,528	6.67
		-			1,694 *			
Plant and machinery	496,532	29,175 (314)	525,393	346,137	38,682 (314)	384,505	140,888	10
Roads, pavements and related infrastructures	311,264	-	311,264	9,269	15,645	24,914	286,350	20
Tools and equipment	141,248	24,302 (44)	165,506	126,364	14,266 (44)	140,572	24,934	3
					(14) *			
Motor vehicles	949,492	132,585 (28,021)	1,083,623	470,232	136,357 (17,177)	619,379	464,244	5
		29,567 *			29,967 *			
Furniture and Fixture	261,383	26,499 (193)	287,689	208,128	22,038 (190)	229,196	58,493	5
		-			(780) *			
Office Equipment	214,489	13,123 (729)	226,904	150,760	18,287 (728)	166,661	60,243	5
		21 *			(1,658) *			
Computer and ancillary equipments	315,322	41,734 (1,271)	356,012	222,289	63,293 (1,162)	284,580	71,432	3
		227 *			160 *			
Supervisory control and data acquisition system	593,173	89,060	682,233	190,669	85,641	276,310	405,923	6.67
Construction equipment	795,724	192,105 (119)	955,802	565,398	63,121 (119)	596,924	358,878	5
		(31,908) *			(31,476) *			
2009	26,741,628	1,504,566 (34,939) (2,093) *	28,209,162	16,621,122	984,363 (22,954) (2,107) *	17,580,424	10,628,738	
2008	25,665,673	1,164,381 (88,426) -	26,741,628	15,873,971	821,586 (79,771) 5,336 *	16,621,122	10,120,506	

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

	As at 30 June 2009		As at 30 June 2008	
	Cost	(Rupees in '000) Written down value	Cost	Written down value
Musharka Arrangements				
24" 116 km Sanghar-Hyderabad-Karachi Pipeline	1,623,541	1,450,934	1,603,899	1,481,521
24" x 200 km Bajara-Karachi Pipeline	2,515,364	2,370,246	2,389,743	2,309,162
18" Dia x 53km pipeline from Dhadel to Abbe-Gum (under construction)	471,283	464,410	12,205	-
Land, Head Office building and Karachi Terminal building	813,442	514,495	749,273	497,404
24" x 84 km Loop Line Nawabshah - Shahdad Pur - Tando Adam	1,100,005	1,033,124	-	-
	<u>6,523,635</u>	<u>5,833,209</u>	<u>4,755,120</u>	<u>4,288,087</u>

16.3 Operating assets - gas distribution system

	(Rupees in '000)							
	COST			DEPRECIATION			Written down value at 30 June 2009	Useful life
	As at 1 July 2008	Additions / (deletions) / transfers *	As at 30 June 2009	As at 1 July 2008	For the year / (deletions) / transfers *	As at 30 June 2009		
Freehold land	9,859	-	9,859	-	-	-	9,859	-
Leasehold land	44,092	3,677	47,769	-	-	-	47,769	-
Buildings on freehold land	45,201	-	45,201	30,076	675	30,751	14,450	20
Buildings on leasehold land	175,818	41,063	216,881	64,598	20,415	85,013	131,868	20
Gas distribution system, related facilities and equipment	28,792,699	5,844,584 (426,674)	34,210,609	9,943,575	1,623,730 (405,093)	11,162,212	23,048,397	10 to 20
Telecommunication	20,016	7,303 (101)	27,218	8,601	2,528 (101)	11,028	16,190	6.67
Plant and machinery	450,596	76,239 (60)	526,775	235,208	34,524 (35) (78) *	269,619	257,156	10
Roads, pavements and related infrastructures	1,010	-	1,010	1,010	-	1,010	-	20
Tools and equipment	82,703	6,929 (8)	89,624	69,537	8,856 (8) (132) *	78,253	11,371	3
Motor vehicles	536,689	41,595 (14,400) 3,390 *	567,274	309,533	57,706 (13,127) 3,548 *	357,660	209,614	5
Furniture and fixture	71,972	18,638 (494) 1 *	90,117	41,245	11,174 (281) (1) *	52,137	37,980	5
Office equipment	48,277	364 (166)	48,475	36,799	3,584 (160)	40,223	8,252	5
Computer and ancillary equipment	114,901	3,533 (1,164) (92) *	117,178	110,045	2,917 (1,164) (50) *	111,748	5,430	3
2009	30,393,833	6,043,925 (443,067) 3,299 *	35,997,990	10,850,227	1,766,109 (419,969) 3,287 *	12,199,654	23,798,336	
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	

16.4 Operating assets - meter manufacturing division

(Rupees in '000)								
	COST			DEPRECIATION		Written down value at 30 June 2009	Useful life	
	As at 1 July 2008	Additions / (deletions) / transfers *	As at 30 June 2009	As at 1 July 2008	For the year / (deletions) / transfers *	As at 30 June 2009		
Building on leasehold land	12,234	1,035	13,269	7,446	1,632	9,078	4,191	20
Telecommunication	666	-	666	155	85	240	426	6.67
Plant and machinery	251,145	5,438 (3,016) (1,050) *	252,517	213,446	5,390 (2,876) (1,050) *	214,910	37,607	10
Tools and equipment	32,096	133 (7)	32,222	23,419	7,455 (7)	30,867	1,355	3
Furniture and equipment	9,165	2,575 (58)	11,682	5,936	933 (58)	6,811	4,871	5
Office equipment	4,915	- (27) (21) *	4,867	2,497	306 (27) (21) *	2,755	2,112	5
Computer and ancillary equipment	1,330	- (135) *	1,195	783	521 (109) *	1,195	-	3
2009	311,551	9,181 (3,108) (1,206) *	316,418	253,682	16,322 (2,968) (1,180) *	265,856	50,562	
2008	285,336	26,245 (30)	311,551	237,052	16,660 (30)	253,682	57,869	

(Rupees in '000)								
	COST			DEPRECIATION		Written down value at 30 June 2009	Useful life	
	As at 1 July 2008	Additions / (deletions) / transfers *	As at 30 June 2009	As at 1 July 2008	For the year / (deletions) / transfers *	As at 30 June 2009		
Leasehold land	14,040	299	14,339	-	-	-	14,339	-
Gas distribution system	58,287	4,486	62,773	6,688	3,495	10,183	52,590	10 to 20
Plant and machinery	15,132	195	15,327	3,035	1,495	4,530	10,797	10
Tools and equipment	118	1,211	1,329	83	146	229	1,100	3
Furniture and equipment	3,166	-	3,166	1,064	792	1,856	1,310	5
Office equipment	339	-	339	92	68	160	179	5
Computer and ancillary equipment	80	-	80	41	27	68	12	3
2009	91,162	6,191	97,353	11,003	6,023	17,026	80,327	
2008	91,162	-	91,162	5,859	5,144	11,003	80,159	

16.5 Operating assets - Gwadar operations

Leasehold land	14,040	299	14,339	-	-	-	14,339	-
Gas distribution system	58,287	4,486	62,773	6,688	3,495	10,183	52,590	10 to 20
Plant and machinery	15,132	195	15,327	3,035	1,495	4,530	10,797	10
Tools and equipment	118	1,211	1,329	83	146	229	1,100	3
Furniture and equipment	3,166	-	3,166	1,064	792	1,856	1,310	5
Office equipment	339	-	339	92	68	160	179	5
Computer and ancillary equipment	80	-	80	41	27	68	12	3
2009	91,162	6,191	97,353	11,003	6,023	17,026	80,327	
2008	91,162	-	91,162	5,859	5,144	11,003	80,159	

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

	2009	2008
	(Rupees in '000)	
Consolidated Profit and loss account		
- Transmission, distribution and selling costs	2,431,139	1,971,539
- Administrative expenses	171,135	157,430
- Gwadar operations	6,023	5,144
	2,608,297	2,134,113
Meter manufacturing division		
- Consolidated Profit and loss account	2,069	3,001
- Gas meters components produced	14,253	13,659
	16,322	16,660
Capital projects		
	148,198	64,716
	2,772,817	2,215,489

16.7 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	2,216	2,107	109	28	(81)	Burnt	Insurance claim - National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	73	73	-	51	51	Theft	Insurance claim - National Insurance Company Limited
Written down value not exceeding Rs. 50,000 each	146	146	-	-	-	Burnt	Insurance claim - National Insurance Company Limited
Tools							
Written down value not exceeding Rs. 50,000 each	59	59	-	4	4	Tender	Various
Gas distribution pipelines							
Written down value not exceeding Rs. 50,000 each	140,104	140,104	-	-	-	Replacement	Written off
Written down value above Rs. 50,000 each	39,998	34,637	5,361	-	(5,361)	Replacement	Written off
Written down value not exceeding Rs. 50,000 each	246,572	230,352	16,220	-	(16,220)	Gas meters retired	-
Gas transmission pipeline							
Written down value above Rs. 50,000 each	3,740	2,733	1,007	-	(1,007)	Replacement	Written off
Telecommunication							
Written down value not exceeding Rs. 50,000 each	609	588	21	4	(17)	Tender	Various
Plant and machinery							
Written down value not exceeding Rs. 50,000 each	588	563	25	60	35	Tender	Various
Written down value above Rs. 50,000 each	2,802	2,662	140	50	(90)	Tender	Various

Furniture fixture

Written down value not exceeding Rs. 50,000 each

206 206 - 4 4

Tender Various

Written down value above Rs. 50,000 each

494 281 213 - (213)

Burnt Insurance claim -
National Insurance Company Limited

Written down value not exceeding Rs. 50,000 each

45 42 3 - (3)

Burnt Insurance claim -
National Insurance Company Limited**Office equipment**

Written down value not exceeding Rs. 50,000 each

915 908 7 21 14

Tender Various

Written down value not exceeding Rs. 50,000 each

7 7 - - -

Burnt Insurance claim -
National Insurance Company Limited**Construction equipment**

Written down value not exceeding Rs. 50,000 each

119 119 - 1 1

Tender Various

Motor vehicles

Written down value not exceeding Rs. 50,000 each

22,304 22,216 88 12,654 12,566

Tender Various

Written down value above Rs. 50,000 each

2,945 2,347 598 1,004 406

Tender Various

Written down value not exceeding Rs. 50,000 each

95 7 88 18 (70)

Theft Insurance claim -
National Insurance Company Limited

Written down value above Rs. 50,000 each

3,162 1,980 1,182 1,988 806

Theft Insurance claim -
National Insurance Company Limited

Written down value above Rs. 50,000 each

4,323 - 4,323 3,380 (943)

Accident Insurance claim -
National Insurance Company Limited

Written down value above Rs. 50,000 each

608 122 486 486 -

Burnt Insurance claim -
National Insurance Company Limited

Mitsubishi lancer

1,039 376 663 390 (273)

Service rules Mr. Moeeduz Zafar Khan

Honda City

827 807 20 62 42

Service rules Mr. Babar Ghaznavi

Toyota Corolla

1,043 344 699 78 (621)

Service rules Mr. Qamarudin Kazi

Toyota Corolla

1,043 557 486 78 (408)

Service rules Mr. Muhammad Mateen Khan

Toyota Corolla

969 437 532 116 (416)

Service rules Mr. Abdul Razzaq

Toyota Corolla

1,010 151 859 747 (112)

Service rules Mr. Sher Muhammad Larik

Suzuki Cultus

590 339 251 144 (107)

Service rules Mr. Abdul Mateen Khan

Suzuki Cultus

668 78 590 455 (135)

Service rules Syed Zia Hussain Shah

Suzuki Cultus

595 215 380 178 (202)

Service rules Mr. Muhammad Muslim Hussain

Suzuki Cultus

600 164 436 173 (263)

Service rules Mr. Ranji Sodho

Suzuki Cultus

600 164 436 257 (179)

Service rules Mr. Ashiq Ali Alibhai

30 June 2009**481,114 445,891 35,223 22,431 (12,792)**

30 June 2008

430,706 405,108 25,598 25,866 268

16.8 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs.347.615 million (2008: Rs. 245.044 million). Borrowing costs related to general borrowings were capitalised at the rate of 14.10% (2008: 10.42%).

16.9 The depreciated replacement cost of buildings, compressors, plant and machinery, roads, pavements and related infrastructure, construction equipments, gas transmission and distribution pipelines was Rs. 98,771 million and current market value of free hold land, lease hold land and motor vehicles was Rs.11,305 million as at 30 June 2009 as per the valuation carried out by an independent valuer namely Oceanic Surveyors (Pvt.) Limited to reflect the fair value of fixed assets of the Holding Company.

16.10 Capital work in progress

	Note	2009 (Rupees in '000)	2008
Projects:			
- Gas distribution system		1,514,989	927,070
- Cost of buildings under construction		107,460	229,862
- Gas infrastructure rehabilitation and expansion project		18,851	65,620
- Roads, Pavements and related activities		133,625	74,594
		<u>1,774,925</u>	<u>1,297,146</u>
Stores and spares held for capital projects	16.10.1	1,710,987	2,692,509
Advances for land acquisition		-	3,423
Others		51,757	12,346
		<u>1,762,744</u>	<u>2,708,278</u>
		<u>3,537,669</u>	<u>4,005,424</u>

Stores and spares held for capital projects include goods in transit amounting to Rs. Nil (30 June 2008: Rs. 6.251 million).

16.10.1 Stores and spares held for capital projects

Gas transmission	-	970,990
Gas distribution	1,713,875	1,726,505
	<u>1,713,875</u>	<u>2,697,495</u>
Provision for impaired stores and spares	(2,888)	(4,986)
	<u>1,710,987</u>	<u>2,692,509</u>

17. INTANGIBLE ASSETS

		(Rupees in '000)						Useful life
		COST			AMORTISATION		Written down	
		As at 1 July 2008	Additions / (deletions)	As at 30 June 2009	As at 1 July 2008	For the year/ (transfers)	As at 30 June 2009	value at 30 June 2009
Computer software	2009	230,150	39,790	269,940	160,577	65,472	226,049	43,891
	2008	175,338	54,812	230,150	113,236	52,6771 (5,336)	60,577	69,573

18. LONG TERM INVESTMENTS

Note 2009 2008
(Rupees in '000)

Investments in related parties

Quoted companies - available for sale

Sui Northern Gas Pipelines Limited

2,090,195 (2008: 2,090,195) ordinary shares of

Rs. 10 each (Associated company)

18.1	66,782	91,070
	66,782	91,070

Other investments

Quoted companies - available for sale

Pakistan Refinery Limited

350,000 (2008: 350,000) ordinary shares of Rs. 10 each

United Bank Limited

107,844 (2008: 98,040) ordinary shares of Rs. 10 each

Unquoted companies (at cost)

Pakistan Tourism Development Corporation

5000 (2008: 5,000) ordinary shares of Rs. 10 each

Provision against impairment in value of investments at cost

31,430	52,983
4,129	8,341
50	50
35,609	61,374
(50)	(50)
35,559	61,324
102,341	152,394

18.1 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.

19. SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY

Inter State Gas System (Private) Limited

510,000 (2008: 510,000) ordinary shares of Rs. 10 each

19.1	5,100	5,100
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19.1 Inter State Gas Systems (Private) Limited (ISGS) entered into a Service Agreement with Holding Company and SNGPL which was effective from 1 July 2003, whereby ISGS is mainly required to ascertain, identify and advice to Holding Company and SNGPL on most convenient and reliable sources of natural gas which can be imported. Currently the whole operation of ISGS are carried out in connection with the Service Agreement and ISGS is allowed under the Service Agreement to recover its cost/ expenditure from Holding Company and SNGPL. Accordingly the 51% of the expense of the ISGS are borne by Holding Company and are presented separately in the consolidated profit and loss account. ISGS has no reserves accordingly the share of investment in jointly controlled entity represents the 51% (2008: 51%) share of Group in share capital of ISGS.

20. NET INVESTMENT IN FINANCE LEASE

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

	30 June 2008		
	Gross Investment in finance lease	Finance income for future periods (Rupees in '000)	Principal outstanding
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

21. LONG TERM LOANS AND ADVANCES -

Secured, considered good

	2009	2008
	(Rupees in '000)	
Due from executives	7,075	7,107
Less: receivable within one year	(3,101)	(2,887)
	3,974	4,220
Due from other employees	134,752	134,824
Less: receivable within one year	(26,947)	(27,698)
	107,805	107,126
	111,779	111,346

21.1 Reconciliation of the carrying amount of loans and advances:

	2009		2008	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	7,107	134,824	8,291	136,806
Disbursements	-	37,497	-	33,072
Transfers	3,639	(3,639)	2,175	(2,175)
Repayment	(3,671)	(33,930)	(3,359)	(32,879)
	7,075	134,752	7,107	134,824

21.2 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.

21.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs.7.107 million (2008: Rs.10.466 million).

22. STORES, SPARES AND LOOSE TOOLS

	Note	2009 (Rupees in '000)	2008
Stores		1,063,564	373,476
Spares		650,325	607,245
Stores and spares in transit		66,536	223,669
Loose tools		1,232	1,312
		<u>1,781,657</u>	<u>1,205,702</u>
Provision against impaired inventory			
Balance as at 1 July		(50,660)	(48,944)
Provision made during the year		(28,452)	(1,716)
Written off during the year		11	-
Balance as at 30 June		<u>(79,101)</u>	<u>(50,660)</u>
		<u>1,702,556</u>	<u>1,155,042</u>

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

Transmission	1,435,110	768,366
Distribution	267,446	386,676
	<u>1,702,556</u>	<u>1,155,042</u>

23. STOCK-IN-TRADE

Gas		
Gas in pipelines	191,835	139,698
Stock of Synthetic Natural Gas	46	1,369
	<u>191,881</u>	<u>141,067</u>
Gas meters		
Components	276,244	356,294
Work-in-process	13,572	11,761
Finished meters	12,790	6,952
	<u>302,606</u>	<u>375,007</u>
Provision against impaired inventory	(3,948)	(3,691)
	<u>298,658</u>	<u>371,316</u>
	<u>490,539</u>	<u>512,383</u>

24. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

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

25. TRADE DEBTS

Considered good			
- secured		6,909,685	5,408,402
- unsecured		25,658,520	14,636,626
	25.1	<u>32,568,205</u>	<u>20,045,028</u>
Considered doubtful		2,163,753	1,701,493
		<u>34,731,958</u>	<u>21,746,521</u>
Provision against impaired debts	25.2	(2,163,753)	(1,701,493)
		<u>32,568,205</u>	<u>20,045,028</u>

25.1 Trade debts include receivables from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) have aggregated to Rs. 29,077 million as at 30 June 2009 (2008: Rs. 12,526 million), which includes overdue amounts of Rs. 17,491 million (2008: Rs. 5,894 million). Receivable from SNGPL against uniform cost of gas and lease rental is stated under other receivables and amounts to Rs. 7,940 million (2008: Rs. 3,214 million) (refer note no. 28.2), which includes overdue uniform cost of gas invoices of Rs. 2,468 million (2008: Rs. 1,455 million). Interest accrued amounting to Rs. 1,167 million (2008: Rs. 185.073) in respect of overdue balances of KESC, JPCL and SNGPL is stated in accrued interest (refer note 28).

During the year, Holding Company received a total of Rs. 9,300 million from SNGPL, WAPDA and Government of Pakistan (on behalf of KESC) under inter circular corporate debt settlement arrangements. This amount was paid by Holding Company to Oil and Gas Development Company Limited (OGDCL) as agreed under the arrangements. As at 30 June 2009, amounts of Rs. 27,090 million (included in creditors for gas in note 12) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 3,867 million on their balances. In view of the arrangements being made by the committee to adjust intercorporate circular debt of the Government entities and KESC, the management is confident that the entire amount receivable from KESC, JPCL and SNGPL would be recovered / adjusted.

25.2 Movement of provision against impaired debts	Note	2009	2008
		(Rupees in '000)	
Balance as at 1 July		1,701,493	1,544,639
Provision for the year		462,260	156,854
		<u>2,163,753</u>	<u>1,701,493</u>

25.3 Up to 30 June 2008, the live domestic consumers who have been allowed to pay their outstanding balances in instalments had been considered to determine the provision against doubtful trade debts. During the year ended 30 June 2009, the Holding Company has decided not to consider balances of such consumers in estimation of provision against doubtful trade debts as these are live customers. Accordingly, provision for doubtful trade debts has been estimated without considering balances of such consumers. Had the basis used to estimate the provision not been changed the provision against doubtful live domestic consumers would have been higher and profit for the year and equity would have been lower by Rs. 203.379 million.

26. LOANS AND ADVANCES - considered good

Current portion of long term loans:

- executives	21	3,101	2,887
- other employees	21	26,947	27,698
		<u>30,048</u>	<u>30,585</u>

Advances to:

- executives	26.1	7,251	4,442
- other employees		56,281	80,963
		<u>63,532</u>	<u>85,405</u>
		<u>93,580</u>	<u>115,990</u>

26.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs.28.489 million (2008: Rs. 13.956 million).

27. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Advances for goods and services - unsecured, considered good	47,624	117,660
Trade deposits - unsecured, considered good	22,908	109,187
Prepayments	40,280	40,575
	<u>110,812</u>	<u>267,422</u>

28. INTEREST ACCRUED

Interest accrued on late payment of bills/ invoices from

- WAPDA	589,918	-
- KESC	195,312	185,073
- SNGPL	383,170	-
- Jamshoro Joint Venture Limited (JJVL)	24,902	4,155
	<u>1,193,302</u>	<u>189,228</u>
Interest accrued on bank deposits	4,762	9,098
	<u>1,198,064</u>	<u>198,326</u>

- 28.1 Interest accrued on late payment of gas bills by KESC and JJVL have been classified as interest accrued instead of other receivables to give appropriate presentation and accordingly comparatives have been reclassified.

	Note	2009 (Rupees in '000)	2008
29. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	29.1	5,363,824	974,722
Receivable from staff pension fund - non executives	39.1	168,733	134,506
Receivable from staff pension fund - executives	39.1	361	-
Receivable from staff gratuity fund - executives	39.1	91	26,447
Receivable from staff provident fund - executives		-	6
Workers' profit participation fund	12.2	17,943	-
Balance receivable for sale of gas condensate		155,480	157,125
Receivable from Sui Northern Gas Pipelines Limited	29.2	8,019,730	3,272,399
Receivable from Jamshoro Joint Venture Limited		303,506	485,810
Insurance claim receivable		509	10,913
Sales tax receivable		8,683,445	3,950,889
Claims receivable		757	757
Pipeline rentals		20,221	16,810
Miscellaneous receivables	29.3	237,014	313,203
		<u>22,971,614</u>	<u>9,343,587</u>
Provision against impaired receivables		<u>(1,485)</u>	<u>(1,485)</u>
		<u>22,970,129</u>	<u>9,342,102</u>

- 29.1 This includes Rs. 37.607 million (2008: Rs. Nil) recoverable from the GoP on account of remission of gas receivables of people of Ziarat under instructions from GoP.

- 29.2 This includes lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 79.842 million (2008: Rs. 58.494 million) and Rs. 7,939.768 million (2008: Rs.3,213.794 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.

- 29.3 This includes unamortised balance of Rs. 225.694 million (2008: Rs. 300.925 million) on account of deferred tariff adjustment.

30. CASH AND BANK BALANCES

Cash at banks			
- deposit accounts		680,187	4,113,335
- current accounts		<u>780,755</u>	<u>224,747</u>
		1,460,942	4,338,082
Cash in hand		<u>16,282</u>	<u>18,285</u>
		<u>1,477,224</u>	<u>4,356,367</u>

- 30.1 The facilities for short term running finance / short term money market loan are available from various banks amounting to Rs. 9,000 million (2008: Rs. 5,950 million) and carry mark-up ranging from 0.5 to 3 percent (2008: 0.25 to 0.75 percent) above the average one month KIBOR. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the Holding Company. These facilities are un-availed at year end.

31. COST OF GAS

Note	2009		2008	
	Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
Gas in pipelines as at 1 July	821,212	139,698	940,661	149,198
Gas purchases from:				
Pakistan Petroleum Limited	43,413,213	6,775,328	43,183,453	4,567,613
Oil and Gas Development Company Limited	6,918,789	1,023,741	6,761,213	738,144
BP (Pakistan) Exploration and Production Incorporated	73,855,310	22,109,412	74,289,228	14,776,066
Orient Petroleum Inc.	15,289,802	3,239,830	23,311,908	3,918,141
Eni Pakistan Limited	132,502,373	53,943,781	119,937,843	30,997,131
Mari Gas Company Limited	243,759	9,535	255,944	11,537
Sui Northern Gas Pipelines Limited- a related party	854,988	113,643	597,898	73,518
BHP Petroleum (Pakistan) Pty Limited	89,325,347	23,507,514	72,245,323	12,561,872
OMV (Pak) Exploration GmbH	60,790,120	20,394,745	68,792,663	14,746,175
Input sales tax on exempt supplies	-	37,376	-	78,305
	423,193,701	131,154,905	409,375,473	82,468,502
	424,014,913	131,294,603	410,316,134	82,617,700
Gas consumed internally	(1,078,405)	(269,145)	(1,303,226)	(225,818)
Inward price adjustment	-	(28,444,765)	-	(13,013,948)
Gas in pipelines as at 30 June	(790,423)	(191,835)	(821,212)	(139,698)
	(1,868,828)	(28,905,745)	(2,124,438)	(13,379,464)
Gas available for sale	422,146,085	102,388,858	408,191,696	69,238,236

* 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 Holding Company'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 2009 was 7.93% (2008: 6.63%) against the targets fixed by OGRA at 4.8% (2008: 5.55%). In financial terms this has caused disallowances of Rs. 2,817.832 million (2008: 762 million) which has been added to gas development surcharge and reduced from profit. Region wise break-up of UFG is as follows

	2009		2008	
	Volume (MMCF)	%	Volume (MMCF)	%
Karachi	14,806	4.88	11,013	3.82
Sindh (excluding) Karachi	9,748	11.19	7,350	8.21
Balochistan	9,419	33.97	7,626	29.73
Transmission loss / (gain)	(472)	(0.11)	1,105	0.27

Sales meter station (SMS) wise break of the UFG of the Company for the year ended 30 June 2009 is as follows:

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	%
		Volume in MMCF	
Karachi Region		303,619	288,813	14,806	4.88
Sindh (excluding Karachi)					
Hamayun Sharif	0021	28	10	18	64.29
Lakhi Wazirabad	0201	250	80	170	67.89
Sher Ali Jatoi	0025	7	3	4	63.96
Lakmir	0024	20	6	13	67.78
Karampur	0001	20	8	12	59.60
Sultankot	0020	18	7	11	60.58
Thul/ Ranjhapur /Mirpur Burro	0022	219	88	132	60.05
Sita Road	0010	337	131	206	61.08
Garello	0019	88	40	47	54.21
Dhamra	0018	37	15	22	59.12
Sindhi Burta	0009	25	11	14	57.17
Bubak	0102	189	87	101	53.75
Bhan Saeedabad	0101	60	34	26	43.14
68th Mile	0302	9	4	5	55.17
Theiri Mohabbat	0008	481	250	230	47.89
Badah	0007	328	177	151	45.97
Raju Nizamani	0533	33	20	13	39.67
Bajra Jhangara	0103	12	7	5	43.63
Qamber/Shadkot/Kumb	0209	556	363	193	34.72
Shikarpur	0005	717	440	277	38.63
Phulji	0012	22	14	8	36.71
Khanpur	0004	44	29	16	35.82
Nau Dero	0016	248	168	80	32.11
Jacobabad	0023	732	467	265	36.22
Kandhkot	0561	375	236	139	37.01
Kot Deji	0207	42	26	15	36.72
Ghotki	0551	424	290	135	31.72
Dahirki	0541	244	155	89	36.34
Rustam	0003	48	30	18	37.58
Mehrabpur	0211	518	345	173	33.32
Pedidan	0212	1,144	770	374	32.66
60th Mile / Buchari	0301	12	9	3	25.07
Sukkur-I	0203	2,781	1,934	847	30.46
Garhi Yasin	0014	48	33	15	31.79
Hyderabad City	0401	35,549	32,766	2,783	7.83
Sarhari / Sakrand	0215	426	316	110	25.90
Larkana	0006	1,615	1,183	432	26.74
Garhi Khuda Bux	0017	57	41	16	27.82
Tangwani/Parco	0002	16	11	5	32.76
Hatri	0221	5	4	1	23.11
Dadu	0013	3,219	3,191	28	0.88
Khairpur	0206	637	496	142	22.23
Setharja /T.Mir wah	0210	141	109	32	22.69
Matli	0521	258	201	57	22.06
Ubauro	0543	376	305	71	18.79
Tando Adam	0217	6,541	6,513	28	0.44
Tando Allahyar	0218	2,030	1,605	425	20.94
Shahdapur /Hala /Sanghar/Lundo	0216	1,473	1,187	286	19.41
Badin / Golarchi	0501	475	386	90	18.87

Sales Meter Station Name	SMS No.	Purchases	Sales	UFG	
		Volume in MMCF			
Dhakan / Madeji	0015	64	52	12	18.80
Piara Goth	0011	65	50	14	22.14
T.M.Khan	0531	306	233	73	23.91
Massu bhurgari	0303	6	5	1	18.40
Rohri / Pano Aquil	0205	1,308	1,100	209	15.94
Ranipur	0208	485	420	65	13.45
Nawabshah / Visco fiber	0214	1,688	1,236	452	26.76
Pir Jo Goth	0202	846	670	177	20.86
Daur / Bandi	0213	122	103	20	16.15
Tando Jam	0532	261	243	18	6.95
Dhabeji	0454	745	697	48	6.46
Oderolal	0219	73	66	7	9.16
Thatta / Jhampir	0453	1,066	1,001	65	6.06
Sindh University / Kotri / Matari	0451	17,180	16,924	256	1.49
Total Sindh (excluding Karachi)		87,147	77,400	9,748	11.19
Balochistan					
Quetta / Rakhshan	2010	12,193	6,415	5,778	47.38
Habibullah Costal	2011	14,320	11,335	2,985	20.84
JhatPut /Shobatpur	2001	566	223	344	60.71
D.M.Jamali	2002	217	80	137	63.24
Sibi	2004	227	149	77	34.09
Belpat / Lehri	2003	59	25	34	57.00
Mach	2006	83	55	28	33.58
Dhadar	2005	47	18	29	61.48
Kolpur / Darwaza	2007	16	8	8	51.02
Total Balochistan		27,728	18,309	9,419	33.97
Transmission					
JJVL shrinkage		3,754	3,754	-	-
LHF shrinkage		610	610	-	-
Transmission loss / (Gain)		(472)	-	(472)	(0.11)
Total transmission		3,892	4,364	(472)	(0.11)
Total UFG		422,386	388,885	33,501	7.93

32. TRANSMISSION, DISTRIBUTION AND SELLING COSTS

	Note	2009 (Rupees in '000)	2008
Salaries, wages and benefits		2,646,000	2,247,975
Contribution / accruals in respect of staff			
retirement benefit schemes	32.1	380,325	144,681
Depreciation on operating assets	16.6	2,431,139	1,971,539
Amortisation of intangible assets	17	65,472	52,677
Repairs and maintenance		498,679	381,409
Stores, spares and supplies consumed		375,487	343,613
Provision against impaired debts	25.2	462,260	156,854
Gas consumed internally	31	269,145	225,818
Legal and professional charges		141,914	125,532
Electricity		68,251	57,288
Security expenses		176,038	145,760
Insurance and royalty		62,505	57,013
Travelling		31,408	27,931
Material and labour used on consumers' installation		164,754	83,340
Gas bills collection charges		153,262	141,387
Postage and revenue stamps		68,773	62,677
Rent, rates and taxes		45,295	37,625
Infrastructure development fee		-	75,000
Revenue expenses related to Liquefied Natural Gas		17,912	49,699
Others	32.2	103,271	116,612
		8,161,890	6,504,430
Recoveries / allocations to:			
Gas distribution system capital expenditure		(802,288)	(642,842)
Installation costs recovered from customers		(240,564)	(127,895)
		(1,042,852)	(770,737)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - a related party		(167,860)	(192,472)
- Oil and Gas Development Company Limited - a related party		(24,027)	(21,861)
- Other customers		(26,357)	26,720
		(218,244)	(187,613)
		6,900,794	5,546,080

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

Contribution to the provident fund	78,413	66,957
Charge / (reversal) in respect of pension funds:		
- executives	13,289	8,015
- non executives	(31,085)	(44,971)
Charge / (reversal) in respect of gratuity funds:		
- executives	56,337	(10,507)
- non executives	31,654	(7,431)
Accrual in respect of unfunded post retirement:		
- medical facility	167,441	106,344
- gas facility	3,807	1,811
- Accrual in respect of compensated absences		
- executives	68,065	8,279
- non executives	-	16,734
Expenses relating to meter manufacturing division and construction division	(7,596)	(550)
	380,325	144,681

32.2 Transmission, distribution and selling costs - others

	Note	2009 (Rupees in '000)	2008
Communication		30,938	28,684
Advertisement		34,572	35,800
Water charges		405	209
Subscriptions		804	609
Bank charges		11,881	6,449
Freight and handling		-	1
Miscellaneous		24,671	44,861
		<u>103,271</u>	<u>116,613</u>

33. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		1,051,568	1,024,542
Contribution / accruals in respect of staff retirement benefit scheme	33.1	41,354	16,263
Depreciation on operating assets	16.6	171,135	157,430
Repairs and maintenance		81,425	72,003
Stores, spares and supplies consumed		53,389	33,767
Legal and professional charges		77,496	99,710
Electricity		4,303	6,817
Security expenses		3,593	2,975
Insurance and royalty		5,216	3,139
Travelling		35,902	31,165
Postage and revenue stamps		690	658
Rent, rates and taxes		21,929	22,391
Others	33.2	38,791	62,421
		<u>1,586,791</u>	<u>1,533,281</u>
Recoveries / allocations to:			
Meter manufacturing division		(22,163)	(24,960)
Recoveries from others		-	(4,235)
		<u>(22,163)</u>	<u>(29,195)</u>
		<u>1,564,628</u>	<u>1,504,086</u>

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

Contribution to the provident fund		20,567	18,073
Charge / (reversal) in respect of amount due to the pension funds			
- executives		3,164	2,787
- non executives		(3,142)	(6,006)
Charge / (reversal) in respect of amount due to the gratuity funds			
- executives		16,578	(3,289)
- non executives		4,187	(992)
Accrual in respect of unfunded post retirement			
- medical facility		-	971
- gas facility		-	23
Accrual in respect of compensated absences			
- executives		-	3,187
- non executives		-	1,509
		<u>41,354</u>	<u>16,263</u>

33.2 Administrative expenses - others

	Note	2009	2008
		(Rupees in '000)	
Advertisement		3,841	2,285
Miscellaneous		34,950	60,136
		<u>38,791</u>	<u>62,421</u>

34. OTHER OPERATING EXPENSES

Auditors' remuneration			
- Statutory audit		1,250	1,000
- Special audits and certifications		695	555
- Out of pocket expenses		250	200
		<u>2,195</u>	<u>1,755</u>
Workers' profit participation fund	12.2	21,987	125,349
Sports expenses		21,354	23,721
Corporate social responsibility		12,359	16,705
Liquidity damages	34.1	265,514	-
Provision against impaired stores and spares		26,354	4,787
Exchange loss on payment of gas purchases		2,003,155	795,198
		<u>2,352,918</u>	<u>967,515</u>

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

35. OTHER OPERATING INCOME

Income from other than financial assets

Meter rentals		551,633	530,017
Recognition of income against deferred credit		297,831	181,027
Sale of gas condensate		503,855	665,879
Gas shrinkage charged to JJVL	35.1	2,892,940	1,988,616
Income from gas transportation		49,406	40,085
Royalty income from Jamshoro Joint Venture Limited		1,657,201	2,145,379
Meter manufacturing division profit - net	35.2	38,563	65,939
Income from LPG air mix distribution Gwadar operations - net	35.3	13,641	14,064
Recoveries from consumers		44,587	28,224
(Loss) / gain on sale of fixed assets	16.7	(12,792)	268
Liquidated damages recovered		16,990	3,068
Advertising income		5,813	4,488
Income from sale of tender documents		1,277	3,029
Earnest money written back		13,323	4,009
Scrap sales		5,263	342
Rental income		3,152	790
Miscellaneous		9,288	9,179
		<u>6,091,971</u>	<u>5,684,403</u>

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

Contingent rental income - Sui Northern Gas Pipeline Limited		17,976	22,818
		<u>6,109,947</u>	<u>5,707,221</u>

35.1 Gas shrinkage charged to JJVL has been classified from sales to other operating income as per directions from OGRA and accordingly comparative has been reclassified.

35.2 Meter manufacturing division profit - net

	Note	2009 (Rupees in '000)	2008
Gross sales of gas meters			
- Holding Company's consumption	35.2.1	473,802	382,573
- Outside sales		1,061,795	680,948
		<u>1,535,597</u>	<u>1,063,521</u>
Sales tax		(213,117)	(144,019)
Net sales		<u>1,322,480</u>	<u>919,502</u>
Cost of sales			
- Raw material consumed		1,182,388	745,593
- Packing cost		9,505	6,489
- Stores and spares		864	1,057
- Fuel, power and electricity		2,889	1,672
- Salaries, wages and other benefits	35.2.2	58,675	71,989
- Insurance		126	358
- Repairs and maintenance		4,267	3,470
- Depreciation	16.6	2,069	3,001
- Other expenses		401	1,019
		<u>1,261,184</u>	<u>834,648</u>
Opening work in process		9,118	5,382
Closing work in process		(10,240)	(9,118)
		<u>(1,122)</u>	<u>(3,736)</u>
Cost of goods manufactured		<u>1,260,062</u>	<u>830,912</u>
Opening stock of finished goods		17,447	17,565
Closing stock of finished goods		(12,790)	(17,447)
		<u>4,657</u>	<u>118</u>
Cost of goods sold		<u>(1,264,719)</u>	<u>(831,030)</u>
Gross profit		<u>57,761</u>	<u>88,472</u>
Administrative expenses		(22,163)	(24,960)
Operating profit		<u>35,598</u>	<u>63,512</u>
Other income		2,965	2,427
Net profit		<u>38,563</u>	<u>65,939</u>

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

35.2.2 Salaries, wages and other benefits	57,766	72,160
Provident fund contribution	746	1,096
Pension fund	(458)	(1,010)
Gratuity	621	(257)
	<u>58,675</u>	<u>71,989</u>

35.3 Income from LPG air mix distribution Gwadar operations - net		
Sales	578	560
Cross subsidy for Gwadar operations	34,156	28,214
Cost of sales	(9,179)	(3,126)
Gross profit	<u>25,555</u>	<u>25,648</u>
Distribution, selling and administrative expenses		
Salaries, wages and other benefits	(2,421)	(1,653)
Depreciation expenses	(6,023)	(5,144)
Other operating expenses	(3,480)	(4,787)
	<u>(11,924)</u>	<u>(11,584)</u>
Amortisation of deferred credit	10	-
Profit for the year	<u>13,641</u>	<u>14,064</u>

35.3.1 Cross subsidy on Gwader operations has been classified from gas development surcharge to operating income due to its nature and accordingly comparatives have been reclassified.

36. OTHER NON-OPERATING INCOME

	Note	2009 (Rupees in '000)	2008
Income from financial assets			
Late payment surcharge		576,092	425,154
Income from net investment in finance lease		50,927	54,784
Return on:			
- term deposits and profit and loss bank accounts		223,450	170,854
- staff loans		2,158	2,593
		<u>852,627</u>	<u>653,385</u>
Interest income on late payment of gas bills from			
- Karachi Electric Supply Corporation		1,684,208	912,558
- Jamshoro Joint Venture Limited (JJVL)		129,085	25,094
- Water & Power Development Authority (WAPDA)		589,918	-
- Sui Northern Gas Pipeline Ltd (SNGPL)		383,169	-
		<u>2,786,380</u>	<u>937,652</u>
Dividend income		745	235
		<u>3,639,752</u>	<u>1,591,272</u>
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipeline Limited		7,316	6,271
Income from net investment in finance lease	37.1	162,740	174,852
		<u>170,056</u>	<u>181,123</u>
		<u>3,809,808</u>	<u>1,772,395</u>

36.1 This income is receivable from SNGPL and OGDCL amounting to Rs. 156.136 million (2008: Rs. 166.779 million) and Rs. 6.604 million (2008: Rs. 8.073 million) respectively.

37. FINANCE COST

Mark-up on:

- musharaka arrangements		1,251,225	539,063
- local currency financing		707,914	770,192
- short term financing		293,091	84,293
- consumers' deposits		64,181	78,890
- workers' profit participation fund	12.2	1,066	10
- delayed payment on gas bills		2,068,624	896,033
- others	37.1	23,691	2,193
		<u>4,409,792</u>	<u>2,370,674</u>

37.1 This includes Rs. 22.744 million (30 June 2008: Nil) in respect of fee for loan obtained during the year.

38. TAXATION

Current		-	415,492
Deferred		159,210	866,565
Prior years - deferred		-	108,504
		<u>159,210</u>	<u>1,390,560</u>

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

	2009	2008
	(Rupees in '000)	
Accounting profit for the year	416,699	2,831,632
Tax rate	35%	35%
Tax charge @ 35% (2006: 35%)	145,845	833,571
Minimum tax @ 0.5%	-	415,492
Tax effect of expenses that are not deductible in determining taxable profit	13,004	33,935
Effect of lower tax rate on dividend income	-	(1,627)
Prior years' tax charge	-	108,504
Effect of adjustment in opening written down value	-	685
Others	361	-
	159,210	1,390,560

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 may be adjusted against future taxable profits.

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 2009 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:

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	Rupees in '000)			
(Asset) / liability in consolidated balance sheet				
Fair value of plan assets	(910,450)	(1,469,949)	(435,232)	(1,539,886)
Present value of defined benefit obligation	288,113	1,725,098	6,114	1,445,153
Net (surplus) / deficit	(622,337)	255,149	(429,118)	(94,733)
Unrecognised past service cost	-	-	-	-
Unrecognised actuarial (loss) / gain	621,976	(255,240)	260,385	94,733
	(361)	(91)	(168,733)	-
Changes in present value of defined benefit obligation				
Obligation as at 1 July 2008	542,423	1,704,055	6,592	1,279,964
Current service cost	28,569	94,708	-	67,716
Interest cost	66,419	195,633	748	152,538
Past service cost	-	-	-	-
Actuarial loss / (gain)	(308,268)	(115,250)	(622)	40,636
Benefits paid	(41,030)	(154,048)	(604)	(95,701)
Obligation as at 30 June 2009	288,113	1,725,098	6,114	1,445,153
Changes in fair value of plan assets				
Fair value as at 1 July 2008	810,985	1,377,554	402,327	1,319,485
Expected return on plan assets	97,920	155,028	48,236	155,367
Net actuarial gain / (loss)	24,809	44,856	14,319	73,431
Benefits paid	(41,030)	(154,048)	(604)	(95,701)
Contribution to fund	17,766	46,559	-	58,258
Amount transferred In / (out)	-	-	(29,046)	29,046
Fair value as at 30 June 2009	910,450	1,469,949	435,232	1,539,886

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

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

	2009			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	Rupees in '000)			
(Asset) / liability as at 1 July 2008	952	(26,447)	(134,506)	22,417
Expense recognised for the year	16,453	72,915	(34,227)	35,841
Contribution to the fund/ benefits paid	(17,766)	(46,559)	-	(58,258)
Asset in Consolidated Balance Sheet	(361)	(91)	(168,733)	-

Expense recognised in the consolidated profit and loss account

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

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

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%

Actual return on plan assets is as follows:

Expected return on plan assets	97,920	155,028	48,236	155,367
Actuarial gain on plan assets	24,809	44,856	14,319	73,431
Actual return on plan assets	122,729	199,884	62,555	228,798

	2008			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	Rupees in '000)			
(Asset) / liability in consolidated 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 consolidated balance sheet	<u>952</u>	<u>(26,447)</u>	<u>(134,506)</u>	<u>22,417</u>

Expense recognised in the profit and loss account

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

Current service cost	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)	<u>42,477</u>	<u>(89,613)</u>	<u>-</u>	<u>-</u>
	<u>10,802</u>	<u>(13,796)</u>	<u>(50,977)</u>	<u>(8,423)</u>

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%

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	<u>14,784</u>	<u>2,651</u>	<u>12,655</u>	<u>(157,681)</u>
Actual return on plan assets	<u>86,584</u>	<u>143,201</u>	<u>48,146</u>	<u>(16,613)</u>

Historical information
Pension - Executives

	2009	2008	2007	2006	2005
	(Rupees in '000)				
Present value of defined benefit obligation	288,113	542,423	471,480	452,255	604,231
Fair value of planned assets	(910,450)	(810,985)	(718,001)	(662,797)	(431,493)
(Surplus) / deficit	(622,337)	(268,562)	(246,521)	(210,542)	172,738
Unrecognised past service cost	-	(42,474)	(84,951)	(127,428)	(169,905)
Unrecognised actuarial (loss) / gain	621,976	311,988	332,329	337,953	(22,448)
(Asset) / liability in consolidated balance sheet	(361)	952	857	(17)	(19,615)
Experience adjustment arising on plan liabilities (gains) / losses	(308,268)	6,177	(35,615)	(230,677)	(999)
Experience adjustment arising on plan assets gains / (losses)	24,809	14,784	(14,072)	129,723	109,061

Gratuity - Executives

Present value of defined benefit obligation	1,725,098	1,704,055	1,400,696	1,320,893	1,073,625
Fair value of planned assets	(1,469,949)	(1,377,554)	(1,405,498)	(1,291,147)	(1,116,249)
(Surplus) / deficit	255,149	326,501	(4,802)	29,746	(42,624)
Unrecognised past service gain	-	89,614	179,227	268,840	358,453
Unrecognised actuarial loss	(255,240)	(442,562)	(187,076)	(298,587)	(360,072)
Asset in consolidated balance sheet	(91)	(26,447)	(12,651)	(1)	(44,243)
Experience adjustment arising on plan liabilities (gains) / losses	(115,250)	263,307	(24,005)	166,063	17,580
Experience adjustment arising on plan assets gains / (losses)	44,856	2,651	70,856	202,703	(25,179)

Pension - Non Executives

Present value of defined benefit obligation	6,114	6,592	7,952	7,014	7,354
Fair value of planned assets	(435,232)	(402,327)	(354,912)	(349,276)	(197,057)
(Surplus)	(429,118)	(395,735)	(346,960)	(342,262)	(189,703)
Unrecognised actuarial gain	260,385	261,229	263,431	311,390	189,703
Asset in consolidated balance sheet	(168,733)	(134,506)	(83,529)	(30,872)	-
Experience adjustment arising on plan liabilities (gains) / losses	622	1,424	937	(256)	(796)
Experience adjustment arising on plan assets gains / (losses)	14,319	12,655	(28,592)	132,764	50,925

Gratuity - Non Executives

Present value of defined benefit obligation	1,445,153	1,279,964	1,029,557	883,080	951,700
Fair value of planned assets	(1,539,886)	(1,319,485)	(1,410,681)	(1,154,880)	(955,511)
(Surplus)	(94,733)	(39,521)	(381,124)	(271,800)	(3,811)
Unrecognised actuarial gain	94,733	61,938	411,964	302,672	3,811
Liability in consolidated balance sheet	-	22,417	30,840	30,872	-
Experience adjustment arising on plan liabilities (gains) / losses	40,636	164,275	67,045	(169,797)	(910)
Experience adjustment arising on plan assets gains / (losses)	73,431	(157,681)	188,816	129,064	22,281

Significant actuarial assumptions

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

	Executives and Non-Executives	
	2009 (%)	2008 (%)
Discount rate	12	12
Expected rate of increase in salary level	10	11
Expected rate of return on plan assets	12	12
Increase in pension	5	5

39.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.14 to these financial statements the Holding Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2009 under the projected unit current cost method, results of which are as follows:

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

Liability in consolidated balance sheet

Projected benefit obligation	1,065,142	41,395	1,106,537
Unrecognised actuarial gain	294	11,185	11,479
	<u>1,065,436</u>	<u>52,580</u>	<u>1,118,016</u>

Movement in net liability recognized

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

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

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

Expense recognised in the consolidated profit and loss account

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

Liability in consolidated balance sheet

	30 June 2008		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Projected benefit obligation	970,936	39,208	1,010,144
Unrecognised actuarial (loss) / gain	(48,777)	12,733	(36,044)
	<u>922,159</u>	<u>51,941</u>	<u>974,100</u>

Movement in net liability recognized

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

	30 June 2008	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
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

Significant actuarial assumptions

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

	Executives	
	2009	2008
	(%)	(%)
Discount rate	12	12
Medical inflation rate	8.5	8.5
Gas inflation rate	9	9

Medical facility - Executives

	2009	2008	2007	2006	2005
	(Rupees in '000)				
Present value of defined benefit obligation	1,065,142	970,936	834,683	782,340	700,260
Fair value of planned assets	-	-	-	-	-
Deficit	1,065,142	970,936	834,683	782,340	700,260
Unrecognised actuarial (loss) / gain	294	(48,777)	895	(40,680)	(35,952)
Liability in consolidated balance sheet	1,065,436	922,159	835,578	741,660	664,308
Experience adjustment arising on plan liabilities (gains) / losses	(49,097)	56,148	(41,575)	4,728	14,296
Experience adjustment arising due to change of basis	-	6,363	-	-	-

Gas facility - Executives

Present value of defined benefit obligation	41,395	39,208	34,720	28,202	30,291
Unrecognized part of transitional liability	-	-	-	-	-
Unrecognised actuarial gain	11,185	12,733	18,216	25,697	24,200
Liability in consolidated balance sheet	52,580	51,941	52,936	53,899	54,491
Experience adjustment arising on plan liabilities (gains) / losses	668	4,208	5,401	(3,261)	(1,399)
Experience adjustment arising due to change of basis	-	477	-	-	-

40. EARNINGS PER SHARE - BASIC AND DILUTED

		2009	2008
		(Rupees in '000)	
Profit after taxation	Rupees in '000	257,488	991,072
Average number of ordinary shares	Number of shares	671,174,331	671,174,331
Earnings per share - basic and diluted	Rupees	0.38	1.48

41. WORKING CAPITAL CHANGES

	2009	2008
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores and spares	(575,955)	(134,593)
Stock-in-trade	21,587	(143,833)
Consumers' installation work-in-progress	31,975	(23,924)
Trade debts	(12,985,437)	(4,140,809)
Trade deposits and short term prepayments	156,610	(160,958)
Other receivables	(13,619,795)	(2,368,826)
	(26,971,015)	(6,972,943)
Increase in current liabilities		
Creditors, accrued and other liabilities	19,302,017	6,019,325
	(7,668,998)	(953,618)

42. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	30 June 2009		30 June 2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	5,561	547,311	4,365	324,955
Housing	2,365	212,446	1,809	135,018
Utilities	525	47,218	314	30,004
Retirement benefits	3	60,817	223	26,967
	8,454	867,792	6,711	516,944
Number	1	591	1	371

42.1 The Chairman, Chief Executive and certain executives are also provided Holding Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Holding Company was paid Rs. 0.300 million (2008: Rs.0.126 million). Executives are also provided medical facilities in accordance with their entitlement.

42.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.036 million (2008: Rs. 0.040 million for 14 directors).

43. CAPACITY AND ACTUAL PERFORMANCE

43.1 Natural gas transmission

	30 June 2009		30 June 2008	
	MMCF	HM3	MMCF	HM3
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	509,328	143,497,307	509,472	143,537,877
Utilisation - volume of gas transmitted	422,282	118,973,097	407,364	114,770,122
Capacity utilisation factor (%)	82.9	82.9	80.0	80.0

43.2 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.

43.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 650,460 meters (2008: 513,250 meters) against an annual capacity of 356,000 meters on a single shift basis.

44. 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 holding company.

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

	2009	2008
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Principal portion of lease rental	65,258	64,797
- Sale of gas meters	907,327	588,628
Oil and Gas Development Company Limited		
- Principal portion of lease rental	8,633	4,317
- Gas Purchases	24,944,511	5,436,142
Mari Gas Company Limited		
- Gas purchases	7,907	6,652
State Life Insurance Corporation Limited		
- Rent of premises	2,592	12,225
National Insurance Company Limited		
- Insurance coverage	91,492	69,186
- Gas sales	5,503	4,564
Liaquat National Hospital		
- Medical services	29,173	9,604
- Gas sales	183	141
Ministry of Petroleum and Natural Resources		
- Infrastructure development fee	-	75,000
Oil and Gas Regulatory Authority		
- Regulatory Fee	22,588	44,125
Petroleum Institute of Pakistan		
- Subscription / contribution	759	-
PERAC Research and Development Foundation		
- Energy conservation study charges	569	-

	2009	2008
	(Rupees in '000)	
Siemens Pakistan Engineering Ltd		
- Supplies and maintenance	780	-
- Gas sales	5,219	4,562
U.G Foods Company (Private) Limited		
- Gas sales	6,590	20
Artistic Denim Mills Limited		
- Gas sales	38,810	33,423
Greaves CNG (Private) Limited		
- Gas sales	33,655	-
Fauji Fertilizer Company Limited		
- Gas sales	2,986,842	-
Packages Pakistan Limited		
- Gas sales	22	-
Dawood Islamic Bank Limited		
- Interest income	49,260	-
Remuneration of key management personnel (executive staff)	59,769	33,353

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 42 to these financial statements) and loans and advances to them (disclosed in notes 21 and 26 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.

44.1 Amount (due to) / receivable from related parties

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

Sui Northern Gas Pipeline Limited		
- Lease rentals	79,842	58,494
- Sale of gas meters	15,258	18,006
- Gas Purchases	(26,683)	(8,977)
- Cost of gas levelisation	7,939,768	3,213,794
Oil and Gas Development Company Limited		
- Lease rentals	-	16,810
- Gas Purchases	(12,924,481)	(7,194,976)
Mari Gas Company Limited		
- Gas Purchases	(3,478)	(908)

	2009	2008
	(Rupees in '000)	
National Insurance Company Limited		
- Insurance coverage	(85)	-
- Gas sales	674	510
Liaquat National Hospital		
- Medical services	(21)	-
- Gas sales	19	8
Pak Arab Refinery Company Limited		
- Advance for sharing right of way	(18,088)	(18,088)
Oil and Gas Regulatory Authority		
- Regulatory Fee	100,000	-
Siemens Pakistan Engineering Limited		
- Gas sales	483	325
U.G Foods Company (Private) Limited		
- Gas sales	567	11
Artistic Denim Mills Limited		
- Gas sales	4,362	2,215
Greaves CNG (Private) Limited		
- Gas sales	3,416	-
Fauji Fertilizer Company Limited		
- Gas sales	377,552	-
Packages Pakistan Limited		
- Gas sales	2	-
Dawood Islamic Bank Limited		
- Interest receivable	8,800	-
- Bank balances	51,134	-

45. FINANCIAL RISK MANAGEMENT

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

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

- Credit risk
- Liquidity risk
- Market risk

45.1 Credit risk

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from trade debts, net investment in finance lease, loans and advances, deposits, bank balances, interest accrued and other receivables. To reduce the exposure toward the credit risk, comprehensive consumer category wise credit limits and terms have been established. In case of industrial

and commercial consumers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic consumers as per rates notified by OGRA are taken to reduce credit exposure. The Holding Company continuously monitors the credit given to the consumers and interest accrued thereon and has established a dedicated recovery department for followup of consumer for recovery and disconnection of gas supply in case of defaulted consumers. Loans and advances given to employees are secured against retirement benefits of the employees and title deed of properties of employees. Bank balances are maintained with sound credit rating banks. The Holding Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counter parties.

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

	2009	2008
	(Rupees in '000)	
Trade debts	32,568,205	20,045,028
Net investment in finance lease	1,278,132	1,392,776
Loans and advances	205,359	227,336
Deposits	26,158	112,437
Bank balances	1,460,942	4,338,082
Interest accrued	1,198,064	198,326
Other receivables	8,511,523	3,956,092
	<u>45,248,383</u>	<u>30,270,077</u>

45.1.1 Collateral and other credit enhancements obtained

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

Cash Deposits	2,916,100	2,531,111
Bank Guarantee	9,238,130	8,772,175
Total	<u>12,154,230</u>	<u>11,303,286</u>

45.1.2 Credit Quality

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

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

Bank	Rating Agency	Rating	
		Short Term	Long Term
National Bank of Pakistan Limited	JCR-VIS	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-2	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A1+	AA
MCB Bank Limited	PACRA	A1+	AA+
United Bank Limited	JCR-VIS	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
The Royal Bank Of Scotland Limited	PACRA	A1+	AA
Barclays Bank Limited	Standard & Poor's	A1+	AA-
Askari Bank Limited	PACRA	A1+	AA
Bank of Punjab Limited	PACRA	A1+	AA-
My Bank Limited	PACRA	A2	A-

45.1.3 Past due and impaired financial assets

Industrial and commercial consumers

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

	2009			
	Gross carrying amount	Impairment	Collateral	Impairment net of collateral
	(Rupees in '000)			
Not due balances	13,159,376	-	10,741,495	-
Past due and impaired	17,164,778	230,066	351,682	230,066
Disconnected Consumers	241,015	241,015	-	241,015
Total	30,565,169	471,081	11,093,177	471,081

	2008			
	Gross carrying amount	Impairment	Collateral	Impairment net of collateral
	(Rupees in '000)			
Not due balances	11,016,513	-	10,003,380	-
Past due and impaired	7,016,582	-	342,770	-
Disconnected Consumers	200,868	200,870	-	200,870
Total	18,233,963	200,870	10,346,150	200,870

Past due balances include aggregate over due balances of KESC and JPCL amounting to Rs. 15,023 million and are subject to inter corporate circular debt of government entities and KESC. (refer note No. 25.1)

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

Domestic consumers

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

	2009			
	Gross carrying amount	Impairment	Collateral	Impairment net of collateral
	(Rupees in '000)			
Not due balances	1,244,537	-	825,295	-
Past due but not impaired				
1 - 6 months	981,915	-	199,899	-
Past due and impaired				
Past due 7 -9 months	97,609	9,761	4,155	5,606
Past due 10-12 months	20,815	5,204	1,444	3,760
Past due 13-18 months	138,012	69,006	11,922	57,084
Past due 19-24 months	98,850	74,137	6,009	68,128
Past due Over 2 years	372,032	357,403	12,328	345,075
	727,318	515,511	35,858	479,653
Disconnected Consumer	1,213,019	1,213,019	-	1,213,019
Total	4,166,789	1,728,530	1,061,053	1,692,672

	2008			
	Gross carrying amount	Impairment	Collateral	Impairment net of collateral
	(Rupees in '000)			
Not due balances	1,194,711	-	704,740	-
Past due but not impaired				
- 1 to 6 months	485,870	-	192,149	-
Past due and impaired				
Past due 7 -9 months	150,468	15,047	17,370	15,047
Past due 10-12 months	86,060	21,515	8,291	21,515
Past due 13-18 months	197,361	98,680	15,531	98,680
Past due 19-24 months	130,830	98,123	5,652	98,123
Past due Over 2 years	262,609	262,609	13,405	262,609
	827,328	495,974	60,247	495,974
Disconnected Consumer	1,004,649	1,004,649	-	1,004,649
Total	3,512,558	1,500,623	957,136	1,500,623

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

As explained in note 25.3 to these financial statements, from current year the Holding Company has decided not to consider balances of consumers who have been allowed to pay their outstanding balances in instalments in estimation of provision against doubtful trade debts. During the period 108,815 consumers (balances amounting to Rs. 523.123 million) renegotiated terms of payment in respect of their past due balances on installment basis and respectively were considered good.

Interest accrued

As at 30 June 2009 interest accrued was Rs. 1,198.064 million (2008: Rs.198.326 million). Interest accrued mainly on consumers' balances past due / over due balances. Interest past due balances of Rs. 738.315 million includes aggregate over due balances of KESC, WAPDA and SNGPL amounting to Rs. 738.03 million (2008: Nil), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.25.1)

Other receivables

As at 30 June 2009 other receivable financial assets amounted to Rs. 8,511.523 million (2008: Rs.3,956.092 million). Past due other receivables amounting to Rs. 2,826.155 million (2008: Rs. 460.150 million) include over due balances of SNGPL amounting to Rs. 2,468 million (2008: Rs. Nil), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.25.1)

45.1.4 Concentration of credit risk

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

Trade debts

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

	2009	2008
	(Rupees in '000)	
Power Generation Companies	21,633,539	12,245,506
Cement Industries	174,592	201,884
Fertilizer and Steel Industries	1,873,442	570,644
Other Industries	5,817,461	4,488,207
Total industrial customers	29,499,034	17,506,241
Commercial customers	595,054	526,852
Domestic consumers	2,474,117	2,011,935
	<u>32,568,205</u>	<u>20,045,028</u>

At year end the Group's most significant customers were KESC and WAPDA which amounted to Rs.15,594 million (2008: 7,709 million) and Rs. 5,543 million (2008: 4,351 million) respectively. These balances have aggregated due to inter circular corporate debt arrangement. (Refer note 25.1 to these financial statements).

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

Karachi	24,100,514	13,646,119
Sindh (excluding Karachi)	7,042,626	5,876,090
Balochistan	1,425,065	522,819
	<u>32,568,205</u>	<u>20,045,028</u>

Net investment in finance lease

Group's most significant investment in finance lease amounted to Rs. 887.556 million (2008: Rs. 948.663 million) in respect of SNGPL.

Interest accrued

Most significant counter parties of the Group in respect of interest accrued are disclosed in note 28 to these financial statements.

Other receivables

Most significant other receivables of the Group are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 29.2 to these financial statements. These balances are subject to inter circular corporate debt arrangement as explained in note 25.1 to these financial statements.

45.2 Liquidity risk

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

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

	2009					
	Carrying Amount	Contractual cash flows	Not later than six months	Later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	22,466,265	(28,120,852)	(2,451,821)	(5,210,948)	(9,320,988)	(11,137,095)
Trade and other payables	47,241,936	(47,241,936)	(47,241,936)	-	-	-
Interest and mark-up accrued	4,181,967	(4,181,967)	(4,181,967)	-	-	-
Long term deposit	2,954,186	(6,729,811)	(65,530)	-	(92,752)	(6,571,529)
	<u>76,844,354</u>	<u>(86,274,566)</u>	<u>(53,941,254)</u>	<u>(5,210,948)</u>	<u>(9,413,740)</u>	<u>(17,708,624)</u>
	2008					
	Carrying Amount	Contractual cash flows	Not later than six months	Later than six months but not later than 1 year	later than one year but not later than 2 years	later than 2 years
	(Rupees in '000)					
Long term loans	15,959,130	(21,663,362)	(1,255,045)	(1,328,217)	(7,017,978)	(12,062,122)
Trade and other payables	27,574,298	(32,738,780)	(32,738,780)	-	-	-
Interest and mark-up accrued	2,038,106	(2,038,106)	(2,038,106)	-	-	-
Long term Deposit	2,578,888	(5,726,838)	(73,558)	-	(78,699)	(5,574,581)
	<u>48,150,422</u>	<u>(62,167,086)</u>	<u>(36,105,489)</u>	<u>(1,328,217)</u>	<u>(7,096,677)</u>	<u>(17,636,703)</u>

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

45.3 Market risk

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

45.3.1 Currency risk

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

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

		2009			
		Rupees in '000	US Dollars in '000	Pound Sterling in '000	Euro in '000
Creditors for gas		9,562,831	117,236	-	-
Gross balance sheet exposure		9,562,831	117,236	-	-
Estimated forecast gas purchases		126,172,231	1,546,797	-	-
Estimated forecast purchases of stores and supplies		492,596	802	285	3,375
Gross exposure		136,227,658	1,664,835	285	3,375

		2008				
		Rupees in '000	US Dollars in '000	Pound Sterling in '000	Euro in '000	Japanese Yen in '000
Creditors for gas		7,488,760	109,531	-	-	-
Gross balance sheet exposure		7,488,760	109,531	-	-	-
Estimated forecast gas purchases		85,507,829	1,250,663	-	-	-
Estimated forecast purchases of stores and supplies		1,239,567	11,118	713	3,279	43,872
Gross exposure		94,236,156	1,371,312	713	3,279	43,872

Above net exposure is payable by the Holding Company in Rupees at the rate on which these are settled by the Holding Company. Currently, the Holding Company does not obtain forward cover against the gross exposure as exchange loss/ gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return. (refer note 48.7)

The following significant exchange rates applied during the year:

	Average rate		Balance sheet date rate	
	2009	2008	2009	2008
	Rupees		Rupees	
US Dollars	80.33	64.92	81.57	68.37

Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at 30 June 2009 would have increased / (decreased) trade creditors and gas development surcharge receivable from Government of Pakistan by Rs. 956,404 million (2008: Rs.748,876 million). There is no effect of strengthening / (weakening) of US dollar on consolidated equity and consolidated profit and loss account of the Group as exchange loss /gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

45.3.2 Interest rate risk

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

	2009	2008
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	1,278,132	1,392,776
Loan and Advances	10,847	19,116
Cash and bank balances	680,187	4,113,335
Trade debts	12,771,701	3,519,346
Financial liabilities		
Long term deposits	1,855,047	1,573,975
Govt. of Sindh Loan	956,199	63,610
Variable rate instruments		
Financial Assets		
Other receivables	2,662,460	485,810
Trade debts	4,393,077	3,497,236
Financial liabilities		
Trade and other payables	18,270,804	6,477,282
Long Term Loan except Govt. of Sindh Loan	21,510,066	15,895,519

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the consolidated equity and profit or loss of the Group as at 30 June 2009 by Rs. 76.704 million (2008: Rs. 17.426 million) . This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

45.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Group's investments in listed equity securities. This arises from investments held by the Group for which prices in the future are uncertain. The fair value of listed equity investments of the Group that are exposed to price risk as at 30 June 2009 is Rs. 102.341 million (2008: Rs. 152.394 million)

A 10% increase/ decrease in the prices of listed equity securities of the Group at the reporting date would have increased or (decreased) long term investment and equity by Rs.10.234 million (2008: Rs.15.239 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

45.4 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

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

46. 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.

47. 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 2009 and 2008, are as follows:

	2009	2008
	Based on (Rupees in '000)	
	un-audited	
	financial	
	statements	
Pension fund - executives	562,488	512,070
Gratuity fund - executives	1,151,150	847,508
Pension fund - non executives	417,693	396,600
Gratuity fund - non executives	1,420,410	976,405
Provident fund - executives	1,317,291	1,163,379
Provident fund - non executives	1,655,984	1,392,834
Benevolent fund - executives	58,550	45,391

48. ACCOUNTING ESTIMATES AND JUDGMENTS

48.1 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.

48.2 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.

48.3 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.

48.4 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.

48.5 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.

48.6 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.

48.7 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 and reasons of disallowances and where it considers that such amounts should not have been disallowed and additional information / documentation is available, the matter is taken up with OGRA. In case subsequently the amount is allowed by OGRA the allowance is recorded in the period in which it is allowed. Resultantly the profit for the year may be less than the required annual return determined at 17% per annum based on formula stated above.

49. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

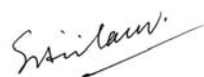
The Board of Directors have proposed a final dividend for the year ended 30 June 2009 of Rs.Nil per share (2008: Rs.1.25 per share), amounting to Rs. Nil (2008: Rs. 838.968 million) at their meeting held on 29 September 2009, for approval of the members at the annual general meeting to be held on 30 October 2009.

50. GENERAL

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

51. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 29 September 2009.



Salim Abbas Jilani
Chairman



Umair Khan
Managing Director