

## CORPORATE PROFILE

### Board of Directors

Mr. Salim Abbas Jilani	Chairman
Mr. Azim Iqbal Siddiqui	Managing Director
Mr. Ahmed Bakhsh Lehri	
Mr. Aurangzeb Ali Naqvi	
Mr. Ayaz Dawood	
Mr. Azhar Maud	
Mr. Fazal-ur-Rehman Dittu	
Mr. Mohammad Arif Hameed	
Mr. Mirza Mahmood Ahmad	
Mr. Nessar Ahmed	
Mr. Saeed Ullah Shah	
Mr. Shahid Aziz Siddiqui	
Mr. Wazir Ali Khoja	
Mr. Zubair Habib	

### Board of Directors' Committees

#### Audit Committee

Mr. Nessar Ahmed	Chairman
Mr. Aurangzeb Ali Naqvi	Member
Mr. Ayaz Dawood	Member
Mr. Azhar Maud	Member
Mr. Fazal-ur-Rehman Dittu	Member
Mr. Mohammad Arif Hameed	Member

#### Finance Committee

Mr. Shahid Aziz Siddiqui	Chairman
Mr. Azim Iqbal Siddiqui	Managing Director
Mr. Mirza Mahmood Ahmad	Member
Mr. Saeed Ullah Shah	Member
Mr. Wazir Ali Khoja	Member
Mr. Zubair Habib	Member

#### Human Resource Committee

Mr. Salim Abbas Jilani	Chairman
Mr. Azim Iqbal Siddiqui	Managing Director
Mr. Ahmed Bakhsh Lehri	Member
Mr. Ayaz Dawood	Member
Mr. Mirza Mahmood Ahmad	Member
Mr. Shahid Aziz Siddiqui	Member
Mr. Saeed Ullah Shah	Member

### Company Secretary

Mr. Yusuf J. Ansari

### Chief Financial Officer

Mr. S. Shahid H. Jafri

### Auditors

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

### Legal Advisors

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

### Registered Office

SSGC House  
ST - 4/B, Block 14,  
Sir Shah Muhammad Suleman Road,  
Gulshan-e-Iqbal, Karachi - 75300  
Ph: 92-21-99021000  
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### Website

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## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

### For the six months period ended December 31, 2011

On behalf of the Board of Directors of Sui Southern Gas Company Limited, we are pleased to present the un-audited results for the six months ended December 31, 2011. The financial statements have been reviewed by the Auditors as required under the law and a review report has been issued by them.

#### OPERATIONS REVIEW

##### Gas supply

The Company continues to face shortage of natural gas mainly due to decreased supplies from producers and increased gas demand. During the period, the supply of gas decreased by 1.7% to 199.4 BCF. The Company however endeavored maintaining sustained supplies to the customer base. The average wellhead purchase price increased by 8.7% and stood at Rs. 296.62 per MMBTU.

##### Customer base

During the period under review, Company's customer base increased to 2.425 million; the Company extended 46 new industrial connections, 131 commercial and 63,960 domestic connections in the first six months of the current financial year.

##### Gas sales

Due to continued supply constraints, year to date, gas sales decreased by 3% to 177.9 BCF as compared to volume of 183.1 BCF in the corresponding period last year. The average sales price per MMBTU increased by 10% to Rs. 361.06 versus Rs. 329.10 due to increase in consumer prices by OGRA, thus Gas sales revenue (net of GST) increased by 6% only.

##### Gas distribution system

The Gas Distribution System was extended by 780 km while another 92 km of distribution lines were laid under the rehabilitation projects to curtail leakages and resulting lines losses.

##### Meter manufacturing and sales

The meter manufacturing plant produced 308,807 meters versus 348,650 meters in the corresponding period last year, i.e. a decrease of 39,843 meters or nearly 11%; due to decline in sale by 31% to 162,800 meters as compared to 236,000 meters in the corresponding period last year. The profit for the six months declined to Rs. 43 million as compared to profit of Rs. 113 million on account of increase in cost of production and decrease in sales.

#### FINANCIAL & RISK MANAGEMENT REVIEW

##### Determination of revenue requirements

The financial statements for the six months ended December 31, 2011 have been prepared based on the final decision of OGRA dated September 24, 2010 as explained in more detail in note 2.4 to the unconsolidated condensed interim financial information.

##### Financial performance

In the six months period, the Company has posted after tax profit of Rs. 1,539 million as compared to profit of Rs. 2,113 million for corresponding period in 2010. The basic earnings per share (EPS) decreased to Rs. 1.75 versus Rs. 2.40, mainly due to excess UFG disallowance.

##### Financial highlights

<b>Six months ended</b>		<b>December 31,</b>	
		<b>2011</b>	<b>2010</b>
Operating results	Rs. Million	1,030	871
Non-operating income	Rs. Million	4,960	4,791
Profit after tax	Rs. Million	1,539	2,113
Earnings per share – Basic & diluted	Rupees	1.75	2.40

### Control of unaccounted for gas (ufg)

Despite efforts to control the UFG it reached a level of 10.34% as against a limit of 7% allowed by OGRA. Thus the Company suffered a reduction in revenue of Rs. 1,880 million in the return (2010: 901 million) in the six months period on account of "excess Unaccounted for Gas (UFG)". The company plans to maintain its focus on UFG projects and is planning to initiate major capital expenditure project with primary objectives of UFG reduction.

### Trade receivables from KESC & PSML

As described in note 8.1 and 8.2 of the trade debts include receivable from Karachi Electric Supply Company Limited (KESC) and Pakistan Steel Mills limited Corporation (Private) Limited (PSML) of Rs. 38,088 million (including interest of Rs. 452 million) and Rs. 6,047 million respectively, out of which Rs. 36,124 million and Rs. 5,559 billion were overdue respectively. These amounts have been classified as current assets. Management has been proactively taking up the matter at all forums including Federal and Provincial Governments for an early resolution of this massive problem. Management is confident that amount due from KESC and inter-corporate circular debt is expected to be recovered; as KESC is engaged in providing electric power to entire region of Karachi and its cash flows are likely to improve. KESC is liable to pay interest amount on the overdue amounts; therefore such interest has been duly recognized in the books of the Company. Moreover, Management is also confident that the entire amount is expected to be recovered from PSML as it is a Government owned entity and has been continuously supported by the Government of Pakistan.

### REVIEW OF CAPITAL DEVELOPMENT PROJECTS

The capital expenditure during the current six months period was Rs. 3,174 million as compared to Rs. 4,906 million for the previous corresponding period. Addition to operating fixed assets was Rs. 1,992 million versus Rs. 3,718 million in the corresponding period last year. Expenditure worth approx Rs. 786 million has been incurred on the Kunnar-Pasakhi pipeline project inaugurated in January 2012. The project would help in meeting energy shortages by adding 100 mncfd gas in the distribution network.

SSGC LPG (Private) Limited (SLL), a fully owned subsidiary of the Company, has acquired property plant & equipment of Progas (Private) Limited. For this purpose the Company provided Rs. 1.3 billion to SLL as a short term loan and Rs. 1 billion as advance for issuance of shares to the Company.

### FUTURE PLANS & PROSPECTS

The Company is engaged with project developers for setting up LNG infrastructure in Pakistan for the purpose of importing natural gas, through a third party access regime. In addition, the Government through Company and Sui Northern Gas Pipelines Limited (SNGPL) is initiating purchase of LNG from perspective LNG terminal developers & direct purchase of LNG from LNG suppliers on Government to Government basis. The Company is also exploring fast track option of retrofitting its LPG terminal and has invited proposals. Implementation of LNG Project will usher a new era of sustainability while providing numerous advantages including fast track solutions to energy crises and a secured supply of natural gas.

Company is negotiating with the World Bank for a loan of US \$ 200 million to initiate major capital expenditure project with primary objectives of UFG reduction, including rehabilitation and leak rectification of pipelines, automation of pressure management system and up gradation of the metering system by employing advanced technology. The project is in the final stages of internal and government approvals.

The Directors place on record their appreciation of the valued customers and suppliers for the business, recognition is also due to the Ministry of Petroleum and Natural Resources, Regulatory and Tax Authorities for their cooperation and support and Company's executives and staff for their devotion and hard work.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

Karachi  
February 29, 2012

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF UNCONSOLIDATED CONDENSED  
INTERIM FINANCIAL INFORMATION TO THE MEMBERS**

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

**Introduction**

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Sui Southern Gas Company Limited ("the Company") as at December 31, 2011 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes for the six months period then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the three months period ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2011.

**Scope of review**

Except as explained in the paragraph below, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for qualified conclusion**

As described in note 8.1 and 8.2, trade debts include receivable from Karachi Electric Supply Company Limited (KESC) and Pakistan Steel Mills Limited Corporation (Private) Limited (PSML) of Rs. 37,636 million and Rs. 6,047 million respectively, out of which Rs. 36,124 million and Rs. 5,599 million are overdue respectively. These amounts have been classified as current assets. For the reasons mentioned in the aforementioned notes, management is confident that the entire amount will be recovered. Due to the adverse financial position of KESC and PSML and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the amount is likely to be recovered and time frame over which such recoveries will be made.

### Qualified conclusion

Except for the adjustments, if any, to the unconsolidated condensed interim financial information described in above paragraph, based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information as of and for the six months period ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matter paragraphs

We draw attention to:

- Note 2.4 to the unconsolidated condensed interim financial information that describes the basis for determining revenue requirement for the six months period ended December 31, 2011; and
- Note 15.8 to the unconsolidated condensed interim financial information that describes that the Company considers disputed amount due from the Jamshoro Joint Venture Limited as recoverable, for the reasons given in the aforementioned note. The ultimate outcome of the matter cannot presently be determined.

Our opinion is not qualified in respect of the above-mentioned matters.

*M. Yousuf Adil Saleem & Co.*

**M. Yousuf Adil Saleem & Co.**

**Chartered Accountants**

Engagement Partner

Mushtaq Ali Hirani

Karachi

February 29, 2012

## UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET

As at December 31, 2011

		December 31, 2011 (un-audited)	June 30, 2011 (audited)
		(Rupees in '000)	
<b>ASSETS</b>	Note		
<b>Non-current assets</b>			
Property, plant and equipment	6	61,255,483	59,644,339
Intangible assets		12,846	15,973
Long-term investments	7	1,069,493	82,239
Net investment in finance lease		862,346	921,744
Long-term loans and advances		141,071	118,380
Long-term deposits		3,250	3,250
<b>Total non-current assets</b>		<u>63,344,489</u>	<u>60,785,925</u>
<b>Current assets</b>			
Stores, spares and loose tools		2,133,172	2,262,564
Stock-in-trade		622,484	702,720
Current maturity of net investment in finance lease		118,795	118,795
Customers' installation work-in-progress		172,065	174,620
Trade debts	8	60,697,130	49,182,342
Loans and advances		1,615,711	110,837
Trade deposits and short term prepayments		194,796	209,841
Interest accrued		3,425,309	3,473,679
Other receivables	9	24,904,248	19,750,254
Taxation - net		1,551,487	2,306,105
Cash and bank balances		1,310,850	1,084,857
<b>Total current assets</b>		<u>96,746,047</u>	<u>79,376,614</u>
<b>Total assets</b>		<u>160,090,536</u>	<u>140,162,539</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital			
1,000,000,000 ordinary shares of Rs. 10 each		10,000,000	10,000,000
Issued, subscribed and paid-up capital		8,809,163	8,389,679
Reserves		4,907,401	3,107,401
Surplus on re-measurement of available for sale securities		55,864	68,610
Unappropriated profit		3,431,962	6,209,403
<b>Total equity</b>		<u>17,204,390</u>	<u>17,775,093</u>
<b>Surplus on revaluation of fixed assets</b>		10,251,946	10,251,946
<b>Non-current liabilities</b>			
Long term financing	11	12,663,898	14,471,126
Long term deposits		4,223,774	4,062,376
Deferred tax		7,309,509	7,651,284
Employee benefits	12	2,000,100	1,825,246
Deferred credit		5,384,194	5,518,634
Long term advances		1,242,258	1,296,513
<b>Total non-current liabilities</b>		<u>32,823,733</u>	<u>34,825,179</u>
<b>Current liabilities</b>			
Current portion of long term financing		3,796,743	4,272,259
Short term borrowings	13	8,221,248	-
Trade and other payables	14	74,501,182	62,215,241
Interest and mark-up accrued		13,291,294	10,822,821
Total current liabilities		<u>99,810,467</u>	<u>77,310,321</u>
<b>Total liabilities</b>		<u>132,634,200</u>	<u>112,135,500</u>
<b>Contingencies and commitments</b>	15		
<b>Total equity and liabilities</b>		<u>160,090,536</u>	<u>140,162,539</u>

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

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

For the six months period ended December 31, 2011

	Note	Six months period ended		Three months period ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
(Rupees in '000)					
Sales		68,916,955	65,219,316	34,096,505	31,185,146
Sales tax		(8,433,751)	(8,267,505)	(4,141,557)	(3,860,129)
		60,483,204	56,951,811	29,954,948	27,325,017
Gas development surcharge		2,364,780	1,413,826	1,979,591	2,516,948
Net sales		62,847,984	58,365,637	31,934,539	29,841,965
Cost of sales	16	(61,224,772)	(57,273,033)	(31,046,996)	(28,932,002)
Gross profit / (loss)		1,623,212	1,092,604	887,543	909,963
Administrative and selling expenses		(1,446,267)	(1,514,876)	(773,135)	(897,041)
Other operating expenses	17	(679,856)	(716,426)	(605,851)	(606,185)
		(2,126,123)	(2,231,302)	(1,378,986)	(1,503,226)
		(502,911)	(1,138,698)	(491,443)	(593,263)
Other operating income	18	1,532,473	2,009,802	795,210	922,140
Operating profit		1,029,562	871,104	303,767	328,877
Other non-operating income	19	4,959,650	4,791,446	2,658,594	2,552,929
Finance cost	20	(3,596,159)	(2,410,395)	(1,793,605)	(1,343,145)
<b>Profit before taxation</b>		2,393,053	3,252,155	1,168,756	1,538,661
Taxation	21	(853,590)	(1,139,037)	(425,086)	(539,314)
<b>Profit for the period</b>		1,539,463	2,113,118	743,670	999,347
Basic / Diluted earning per share (Rupees)		1.75	2.40	0.84	1.13

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the six months period ended December 31, 2011

	Six months period ended		Three months period ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Rupees in '000)			
Net profit for the period	<b>1,539,463</b>	2,113,118	<b>743,670</b>	999,347
<b>Other comprehensive income</b>				
Unrealised (loss) / gain on re-measurement of available for sale securities	<b>(12,746)</b>	9,670	<b>(8,503)</b>	10,681
<b>Total comprehensive income for the period</b>	<b><u>1,526,717</u></b>	<u>2,122,788</u>	<b><u>735,167</u></b>	<u>1,010,028</u>

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director



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

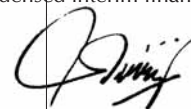
For the six months period ended December 31, 2011

		December 31, 2011	December 31, 2010
		(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation	Note	2,393,053	3,252,155
Adjustments for non-cash items	22	5,360,015	3,987,814
Working capital changes	23	(4,643,711)	(11,292)
Financial charges paid		(1,280,604)	(1,092,428)
Income taxes paid		(440,747)	(191,398)
Net cash from operating activities		<b>1,388,006</b>	5,944,851
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(3,174,348)	(4,906,267)
Proceeds from sale property, plant and equipment.		2,114	5,780
Lease rental from net investment in finance lease		154,589	164,121
Short term loan to subsidiary company		(1,301,000)	-
Investment in a subsidiary company		(1,000,000)	(-)
Dividend received		2,793	3,869
Net cash used in investing activities		<b>(5,315,852)</b>	(4,732,497)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from local currency loans		-	5,500,000
Repayments of local currency loans		(2,256,665)	(6,623,332)
Consumer finance received		25,345	40,340
Repayment of consumer finance		(54,547)	(51,001)
Transaction cost paid		-	(9,401)
Dividend paid		(1,781,542)	(899,225)
Net cash (used in) financing activities		<b>(4,067,409)</b>	(2,042,619)
<b>Net decrease in cash and cash equivalents</b>		<b>(7,995,255)</b>	(830,265)
<b>Cash and cash equivalents at beginning of the period</b>		<b>1,084,857</b>	(3,099,782)
<b>Cash and cash equivalents at end of the period</b>		<b>(6,910,398)</b>	(3,930,047)
<b>Cash and cash equivalent comprises:</b>			
Cash and bank balances		1,310,850	1,057,497
Short term borrowings		(8,221,248)	(4,987,544)
		<b>(6,910,398)</b>	(3,930,047)

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

## UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the six months period ended December 31, 2011

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus/(loss) on re-measurement of available for sale securities	Unappro- priated profit	Total
	(Rupees in '000)					
<b>Balance as at July 01 2010</b>	6,711,743	234,868	2,872,533	83,489	4,169,712	14,072,345
Transactions with owners						
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Final dividend for the year ended June 30, 2010 at Rs. 1.5 per share					(1,006,761)	(1,006,761)
Total comprehensive income for the period ended December 31, 2010						
Profit for the period	-	-	-	-	2,113,118	2,113,118
Unrealized gain on re-measurement of available for sale securities	-	-	-	9,670	-	9,670
Total comprehensive income for the period	-	-	-	9,670	2,113,118	2,122,788
<b>Balance as at December 31, 2010</b>	<u>8,389,679</u>	<u>234,868</u>	<u>2,872,533</u>	<u>93,159</u>	<u>3,598,133</u>	<u>15,188,372</u>
<b>Balance as at July 01, 2011</b>	8,389,679	234,868	2,872,533	68,610	6,209,403	17,775,093
Transactions with owners						
Final dividend for the year ended June 30, 2011 at Rs. 2.5 per share	-	-	-	-	(2,097,420)	(2,097,420)
Bonus shares (1 share for every 20 shares)	419,484	-	-	-	(419,484)	-
Total comprehensive income for the period ended December 31, 2011						
Profit for the period	-	-	-	-	1,539,463	1,539,463
Unrealized loss on re-measurement of available for sale securities	-	-	-	(12,746)	-	(12,746)
Total comprehensive income for the period	-	-	-	(12,746)	1,539,463	1,526,717
Transferred to revenue reserve			1,800,000		(1,800,000)	-
<b>Balance as at December 31, 2011</b>	<u>8,809,163</u>	<u>234,868</u>	<u>4,672,533</u>	<u>55,864</u>	<u>3,431,962</u>	<u>17,204,390</u>

The annexed notes from 1 to 27 form an integral part of these unconsolidated condensed interim financial information.



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

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

For the six months period ended December 31, 2011

### 1. Status And Nature Of Business

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

### 2. Basis For Preparation

**2.1** The unconsolidated condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and directives of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed. This unconsolidated condensed interim financial information does not include all of the information required for the full annual financial statements and should be read in conjunction with the unconsolidated financial statements of the Company for the year ended June 30, 2011.

**2.2** This unconsolidated condensed interim financial information is un-audited but subject to limited scope review by the auditors and are being submitted to shareholders in accordance with Section 245 of the Companies Ordinance, 1984.

**2.3** The comparative balance sheet presented in the condensed interim financial information has been extracted from the audited financial statements of the Company for the year ended June 30, 2011, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are stated from the unaudited condensed interim financial information for the six months period ended December 31, 2010.

### 2.4 Determination of revenue requirement

The Oil and Gas Regulatory Authority (OGRA) in its decision dated December 02, 2010 treated Royalty Income from Jamshoro Joint Venture Limited, Late Payment Surcharge, Profit from Meter Manufacturing, and Sale of Gas Condensate as operating income which had been allowed as non-operating income by OGRA in its decision dated September 24, 2010. OGRA also in its recent decision reduced benchmark of allowable Unaccounted for Gas (UFG) from 7% to 4.25% - 5%. The Company filed an appeal in the honorable High Court of Sindh (the Court) against the above decision of OGRA. The Court provided interim relief and allowed the Company to follow the decision of OGRA dated September 24, 2010 till OGRA would provide UFG impact assessment study to the Court. Thereafter, OGRA in its decision dated September 21, 2011 also allowed the above non-operating income and UFG subject to the final verdict of the aforesaid lawsuit. Accordingly, the condensed interim financial information has been prepared based on the interim relief provided by the Court. Management is confident that the final decision of the Court would be in favor of the Company.

### 3. Significant accounting policies

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

#### 4. Accounting estimates and judgments

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

#### 5. Financial risk management

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

**December 31**                      **June 30**  
**2011**                                      **2011**  
**(un-audited)**                      **(audited)**  
**(Rupees in '000)**

#### 6 Property, plant and equipment

Operating assets	<b>54,199,027</b>	53,980,664
Capital work-in-progress	<b>7,056,456</b>	5,663,675
	<b><u>61,255,483</u></b>	<u>59,644,339</u>

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

	<b>December 31, 2011</b>		December 31, 2010	
	<b>(Un-audited)</b>			
	<b>(Rupees in '000)</b>			
	Cost of additions/ transfers	Written down value of (transfers/ disposals)	Cost of additions/ transfers	Written down value of (transfers/ disposals)
<b>Operating assets - owned</b>				
Gas transmission and distribution system	1,752,980	-	3,189,498	-
Buildings on leasehold land	35,439	-	273,918	-
Plant, machinery and other equipment	103,862	(117)	223,127	-
Others	99,621	(3,035)	31,940	(7,186)
	<b><u>1,991,902</u></b>	<b><u>(3,152)</u></b>	<u>3,718,483</u>	<u>(7,186)</u>
	Capital expenditure incurred	Transfer to operating assets	Capital expenditure incurred	Transfer to operating assets
<b>Capital work-in-progress:</b>				
Gas transmission and distribution system	3,173,499	(1,752,980)	4,855,381	(3,189,498)
Cost of building under construction	9,293	(35,439)	172,869	(273,918)
Plant, machinery and other equipment	102,270	(103,862)	120,040	(223,127)
Others	99,621	(99,621)	31,940	(31,940)
	<b><u>3,384,683</u></b>	<b><u>(1,991,902)</u></b>	<u>5,180,230</u>	<u>(3,718,483)</u>

		<b>December 31 2011 (un-audited)</b>	June 30 2011 (audited)
(Rupees in '000)			
<b>7 Long-term investments</b>	<b>Note</b>		
Investment in related parties		<b>1,039,579</b>	46,738
Other investments		<b>29,914</b>	35,501
		<b>1,069,493</b>	<b>82,239</b>
<b>8 Trade debts</b>			
Considered good			
- secured		<b>10,337,788</b>	10,457,189
- unsecured		<b>50,359,342</b>	38,725,153
	8.1, 8.2 & 8.3	<b>60,697,130</b>	49,182,342
Considered doubtful		<b>2,953,865</b>	2,797,394
		<b>63,650,995</b>	51,979,736
Provision against doubtful debts		<b>(2,953,865)</b>	(2,797,394)
		<b>60,697,130</b>	<b>49,182,342</b>

- 8.1** Trade debts include Rs. 37,636 million (June 30, 2011: Rs. 29,159 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 36,124 million are over due. As per the interim financial information of KESC for the quarter ended September 30, 2011, its accumulated losses have reached to Rs. 88,881 million, and its current liabilities exceeded current assets by Rs. 53,705 million. Despite such adverse financial position of KESC, management is confident that the entire amount will be recovered, as KESC is engaged in providing electric power to the entire region of Karachi and its cash flows are likely to improve significantly in the near term. Further, management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount.
- 8.2** Trade debts include Rs. 6,047 million (June 30, 2011 Rs. 4,214 million) unsecured receivable from Pakistan Steel Mills Corporation Private Limited (PSML). Out of this, Rs. 5,599 million are over due. The overdue amount represents part invoice of December 2010 and full invoices for January 2011 to November 2011. Management is confident that the entire amount will be recovered because PSML is a Government owned entity and is continuously supported by the Government of Pakistan.
- 8.3** Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Jamshoro Power Company Limited (JPCL) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs. 44,973 million as at December 31, 2011 (June 30, 2011: Rs. 34,995 million). These include overdue amounts of Rs. 38,098 million (June 30, 2011: Rs. 28,145 million). Receivable from SNGPL against uniform cost of gas and lease rental is classified under other receivables and amounts to Rs. 5,853 million (June 30, 2011: Rs. 4,039 million). Interest accrued amounting to Rs. 4,188 million (June 30, 2011: Rs. 4,160 million) in respect of overdue balances of KESC, JPCL and SNGPL is classified in accrued interest.

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

## 9 LOANS AND ADVANCES

During the period the Company has advanced Rs. 1,301 million to SSGC LPG (Private) Limited as unsecured bridge financing carrying markup equal to average borrowing rate of the Company. The markup and principal are receivable within a year.

		<b>December 31 2011 (un-audited)</b>	30 June 2011 (audited)
		(Rupees in '000)	
<b>10. OTHER RECEIVABLES</b> - considered good	<b>Note</b>		
Gas development surcharge receivable from Government of Pakistan (GoP)	10.1	<b>12,211,380</b>	9,703,340
Receivable from staff pension fund - non executives		<b>82,732</b>	82,733
Receivable from staff provident fund - executives		<b>1,422</b>	-
Balance receivable for sale of gas condensate		<b>46,799</b>	19,222
Receivable from SNGPL - a related party	10.2	<b>5,854,242</b>	4,103,105
Receivable from Jamshoro Joint Venture Limited (JJVL)		<b>1,924,189</b>	1,888,135
Workers' Profit Participation Fund		-	8,137
Insurance claim receivable		-	144
Sales tax receivable		<b>4,713,788</b>	3,840,241
Claims receivable		757	757
Pipeline rentals		<b>23,063</b>	22,178
Miscellaneous	10.3	<b>47,361</b>	83,747
		<b>24,905,733</b>	19,751,739
Provision against other receivables		<b>(1,485)</b>	(1,485)
		<b>24,904,248</b>	19,750,254

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

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

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

		December 31, 2011 (Un-audited) (Rupees in '000)	June 30, 2011 (Audited)
<b>11. Long term financing</b>	<b>Note</b>		
<b>Secured</b>			
Loans from banking companies	11.1	<b>9,836,084</b>	11,525,342
<b>Unsecured</b>			
Consumer financing	11.2	<b>174,750</b>	192,720
Government of Sindh loan	11.3	<b>2,653,064</b>	2,753,064
		<b>2,827,814</b>	2,945,784
		<b>12,663,898</b>	14,471,126

#### 11.1 Loans from banking company

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

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

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

**11.2 Consumer financing**

**Note**

Consumer financing	11.2.1	<b>266,240</b>	295,442
Less: Current portion shown under current liabilities		<b>(91,490)</b>	(102,722)
		<b>174,750</b>	192,720

**11.2.1** These represent contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at 25% of (3 year average ask side KIBOR less 2% per annum) for laying of distribution mains. Principal and interest are adjustable in 48 equal installments through credits in the monthly gas bills of the consumers.

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

**11.3 Government of Sindh loans**

**Note**

Government of Sindh loan - I	11.3.1	<b>40,929</b>	40,929
Government of Sindh loan - II	11.3.2	<b>810,000</b>	810,000
Government of Sindh loan - III	11.3.2	<b>1,000,000</b>	1,000,000
Government of Sindh loan - IV	11.3.2	<b>1,000,000</b>	1,000,000
Government grant	11.3.3	<b>(1,031,755)</b>	(1,031,755)
		<b>1,778,245</b>	1,778,245
Government grant	11.3.3	<b>1,031,755</b>	1,031,755
		<b>2,850,929</b>	2,850,929
Less: Current portion shown under current liabilities		<b>(197,865)</b>	(97,865)
		<b>2,653,064</b>	2,753,064

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

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

**11.3.3** This represents the benefit of lower interest rate on Government of Sindh Loan II, III & IV, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II amounting to Rs. 900 million, Government of Sindh Loan III amounting to Rs. 1,000 million and Government of Sindh Loan IV amounting to Rs. 1,000 million, and their initial fair values amounting to Rs. 582 million, Rs. 661 million and Rs. 625 million respectively. These are calculated at KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.



	<b>December 31 2011 (un-audited)</b>	June 30 2011 (audited)
(Rupees in '000)		
<b>12 Deferred credit</b>		
<b>Government contributions / grants</b>		
Opening balance	3,255,458	2,511,308
Additions / adjustments during the period / year	63,210	909,273
Transferred to unconsolidated profit and loss account	(94,731)	(165,123)
Closing balance	<b>3,223,937</b>	3,255,458
<b>Contribution from customers</b>		
Opening balance	2,263,176	2,478,078
Refunds during the period / year	-	(3,454)
Transferred to unconsolidated profit and loss account	(102,919)	(211,448)
Closing balance	<b>2,160,257</b>	2,263,176
	<b>5,384,194</b>	5,518,634

### 13. SHORT TERM BORROWINGS

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

	<b>December 31 2011 (un-audited)</b>	June 30 2011 (audited)
(Rupees in '000)		
<b>14. Trade and other payables</b>		
Creditors for:		
- gas	68,786,013	56,717,262
- supplies	431,714	216,412
	<b>69,217,727</b>	56,933,674
Amount received from customers for laying of mains, etc.	2,155,411	2,173,502
Accrued liabilities	1,895,987	2,303,474
Provision for compensated absences - non executives	103,239	103,239
Payable to provident fund - non executives	117	-
Payable to gratuity fund - non-executives	13	-
Payable to staff pension fund - executives	89,357	-
Workers' Profit Participation Fund	125,958	-
Deposits / retention money	207,887	239,618
Bills payable	4,617	106,687
Advance for sharing right of way	18,088	18,088
Unclaimed dividend	408,409	92,531
Withholding tax payable	85,032	73,089
Unclaimed term finance certificate redemption profit	1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)	21,940	4,939
Others	165,600	164,600
	<b>74,501,182</b>	62,215,241

## 15. Contingencies and commitments

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

	<b>December 31 2011 (un-audited)</b>	June 30 2011 (audited)
	(Rupees in '000)	
15.2 Claims against the Company not acknowledged as debt	<u>124,861</u>	<u>318,467</u>
15.3 Commitments for capital expenditure	<u>2,785,347</u>	<u>1,161,687</u>
15.4 Letters of credit	<u>1,289,619</u>	<u>550,416</u>
15.5 Guarantees issued on behalf of the Company	<u>1,788,223</u>	<u>1,788,023</u>

15.6 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of the Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million (June 30, 2011: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (June 30, 2011: Rs. 0.5 million). Loan outstanding at the year end was Rs. 5.177 million (June 30, 2011: Rs.6.503 million).

15.7 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Company amounting to Rs. 669 million (June 30, 2011: Rs. 590 million) for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Company and JPCL. The Company has not accepted the claim and has filed a counter claim due to JPCL's failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim lodged would be in its favor.

15.8 During the year ended June 30, 2011, the Company took the option of using the amnesty offered during the budget by means of SRO 648(I)/2011 dated June 25, 2011 which had exempted the whole amount of default surcharge and penalties subject to the condition that the outstanding principal amount of sales tax or federal excise duty was paid by June 30, 2011. As a result, the Company paid the Federal Excise Duty (FED) amounting to Rs. 874 million in respect of show cause notices issued by the Additional Collector (Adjudication) Sales Tax and Federal Excise requiring it to pay FED along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged to JJVL. The FED has been accounted for as a receivable as the Company considered that this amount is recoverable from JJVL under the agreement. JJVL has disputed this amount and suggested for arbitration to which the management has agreed. Further, based on legal opinion, no provision has been made against the amount as the Company is confident that it will be able to recover the entire amount as per the agreement with JJVL. In addition, JJVL has also disputed calibration / measurement of gas supplied in prior periods and claimed that the Company has made excess billing of Rs.239.21 million. Management considers that the claim made by JJVL is not justified as the billings were based on meter installed in JJVL's premises and meter calibrations were agreed with JJVL. The management has replied to JJVL in detail but to date no response has been received in this respect, therefore, the management is confident that this amount will be recoverable.

	Six months period ended		Three months period ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Un-audited) (Rupees in '000)			
<b>16. Cost of sales</b>				
Cost of gas	56,301,774	53,057,858	28,348,933	26,814,514
Transmission and distribution costs	4,922,998	4,215,175	2,698,063	2,117,488
	<u>61,224,772</u>	<u>57,273,033</u>	<u>31,046,996</u>	<u>28,932,002</u>
<b>17. Other operating expenses</b>				
Auditors' remuneration	2,651	1,275	1,814	962
Workers' Profit Participation Fund	125,950	171,794	61,468	80,892
Sports expenses	8,232	7,293	4,872	3,478
Corporate social responsibility	22,428	24,641	6,505	10,359
Exchange loss on payment of gas purchases	391,956	-	416,851	-
Loss on sale of property, plant and equipment	1,038	1,406	174	539
Provision against impaired stores and spares	19,100	10,017	5,666	9,955
Provision against financial income	108,501	500,000	108,501	500,000
	<u>679,856</u>	<u>716,426</u>	<u>605,851</u>	<u>606,185</u>
<b>18. Other operating income</b>				
<b>Income from other than financial assets</b>				
Meter rentals	317,689	302,748	161,231	152,430
Recognition of income against deferred credit	191,031	179,887	103,730	126,616
Income from new service connections	138,369	143,244	78,050	77,158
Gas shrinkage charged to JJVL	787,617	1,240,013	411,835	483,170
Income from gas transportation	13,480	20,918	6,215	9,310
Income from LPG air mix distribution - net	41,058	23,639	21,272	18,261
Advertising income	4,123	2,563	2,461	1,055
Income from sale of tender documents	524	755	319	478
Scrap sales	1,197	1,306	258	465
Exchange gain on payment of gas purchases	-	63,021	-	38,126
Miscellaneous	32,785	27,214	7,846	14,016
	<u>1,527,873</u>	<u>2,005,308</u>	<u>793,217</u>	<u>921,085</u>
<b>Income from investment in debts, loans, advances and receivables from a related party</b>				
Contingent rental income - SNGPL	4,600	4,494	1,993	1,055
	<u>1,532,473</u>	<u>2,009,802</u>	<u>795,210</u>	<u>922,140</u>

	Six months period ended		Three months period ended	
	December 31, 2011	December 31, 2010	December 31, 2011 (Un-audited)	December 31, 2010
(Rupees in '000)				
<b>19. Other non-operating income</b>				
<b>Income from financial assets</b>				
Late payment surcharge	986,296	702,585	549,751	376,909
Income from net investment in finance lease	32,844	27,569	18,859	13,774
Return on:				
Term deposits and profit and loss bank accounts	121,625	34,550	72,135	17,147
Staff loans	151	527	76	250
Loan to a subsidiary	34,573	-	34,573	-
	<u>1,175,489</u>	<u>765,231</u>	<u>675,394</u>	<u>408,080</u>
<b>Interest income on late payment of gas bills from</b>				
KESC	2,408,892	1,606,250	1,276,765	857,327
JJVL	26,973	21,106	16,057	13,472
Water & Power Development Authority (WAPDA)	156,961	522,067	124,636	261,554
SNGPL - Related Party	90,143	210,874	47,710	138,846
	<u>2,682,969</u>	<u>2,360,298</u>	<u>1,465,168</u>	<u>1,271,199</u>
<b>Dividend income</b>	703	119	-	-
	<u>3,859,161</u>	<u>3,125,648</u>	<u>2,140,562</u>	<u>1,679,279</u>
<b>Income from investment in debts, loans, advances and receivables from related parties</b>				
Dividend income - SNGPL	2,090	4,180	-	4,180
Income from net investment in finance lease:				
SNGPL	61,038	67,134	30,939	33,567
OGDCL	1,309	1,834	550	917
	<u>64,437</u>	<u>73,148</u>	<u>31,489</u>	<u>38,664</u>
<b>Others</b>				
Sale of gas condensate	49,223	155,802	41,888	47,019
Royalty income from JJVL	943,570	1,323,804	418,336	721,130
Meter manufacturing division profit - net	43,259	113,044	26,319	66,837
	<u>1,036,052</u>	<u>1,592,650</u>	<u>486,543</u>	<u>834,986</u>
	<u>4,959,650</u>	<u>4,791,446</u>	<u>2,658,594</u>	<u>2,552,929</u>
<b>20. Finance cost</b>				
Mark-up on:				
Local currency financing	1,114,207	936,362	527,065	437,029
Short term financing	8,991	217,367	8,990	145,860
Consumers' deposits	76,998	60,934	40,553	32,071
Delayed payment on gas bills	2,547,494	1,368,181	1,331,241	860,314
Others	1,387	24,489	516	10,110
	<u>3,749,077</u>	<u>2,607,333</u>	<u>1,908,365</u>	<u>1,485,384</u>
Less: Finance cost capitalised during the period	(152,918)	(196,938)	(114,760)	(142,239)
	<u>3,596,159</u>	<u>2,410,395</u>	<u>1,793,605</u>	<u>1,343,145</u>
<b>21. Taxation</b>				
Current	1,195,367	1,270,526	766,863	670,803
Deferred	(341,777)	(131,489)	(341,777)	(131,489)
	<u>853,590</u>	<u>1,139,037</u>	<u>425,086</u>	<u>539,314</u>

	December 31, 2011	December 31, 2010
	(Un-audited)	
	(Rupees in '000)	
<b>22. Adjustments for non-cash and other items</b>		
Depreciation	1,712,970	1,489,146
Amortization of intangibles	3,127	13,240
Finance cost	3,596,159	2,410,395
Amortization of transaction cost	3,123	2,224
Provision against slow moving / obsolete stores	16,360	10,017
Reversal of provision against stock-in-trade	(611)	(139)
Provision against doubtful debts	156,471	737,175
Provision for compensated absences	43,982	62,097
Provision for post retirement medical and free gas supply facilities	151,575	106,908
Provision against impaired income	108,501	-
Recognition of income against deferred credit	(197,650)	(179,887)
Dividend income	(2,793)	(4,299)
Late payment surcharge and return on investments	(3,825,614)	(2,395,375)
Income from net investment in finance lease	(95,191)	(96,537)
Loss on disposal of property plant and equipment	1,038	1,406
(Decrease) / Increase in long term advances	(54,255)	95,196
Employee benefits (refund) / paid	(20,703)	-
Service charges received from new customers	63,210	-
Long term deposits received - net	161,398	264,217
Long term loans and advances to staff - net	(226,565)	(201,543)
Late payment surcharge and return on investments received	3,765,483	1,673,573
	<u>5,360,015</u>	<u>3,987,814</u>
<b>23. Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	113,032	(262,247)
Stock-in-trade	80,847	(24,344)
Customers' installation work-in-progress	2,555	(23,970)
Trade debts	(11,671,259)	(5,632,688)
Loans and advances	-	(22,150)
Trade deposits and short term prepayments	15,045	(34,951)
Other receivables	(5,153,994)	(7,579,881)
	<u>(16,613,774)</u>	<u>(13,580,231)</u>
<b>Increase in current liabilities</b>		
Trade and other payables	11,970,063	13,568,939
	<u>(4,643,711)</u>	<u>(11,292)</u>
<b>24. Transactions with related parties</b>		
<p>The related parties comprise of subsidiary companies, associated companies, joint ventures, state controlled entities, staff retirement benefit plans and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalized and notified by Ministry of Petroleum &amp; Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company (comparable uncontrolled price method).</p>		

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

		<u>Six months period ended</u>		<u>Three months period ended</u>	
		<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
		(Un-audited)			
		(Rupees in '000)			
	<b>Relationship</b>				
<b>Artistic Denim Mills Limited</b>	Associate				
- Gas sales		-	58,193	-	-
<b>Askari Bank Limited</b>	Associate				
- Profit on investment		17,965	188	4,540	188
<b>Fauji Fertilizer Company Limited</b>	Associate				
- Sale of gas		5	5	-	-
<b>Inter State Gas Systems (Private) Limited</b>	Associate				
- Sharing of expenses		26,971	18,885	15,870	10,397
<b>International Industries Limited</b>	Associate				
Line Pipe Purchases		420,537	1,047,455	194,964	90,680
- Sale of gas		443,909	367,385	237,188	181,977
<b>Liaquat National Hospital</b>	Associate				
- Medical services		31,274	18,993	16,727	6,787
- Gas sales		34,897	29,390	16,202	13,045
<b>Mari Gas Company Limited</b>	Associate				
- Gas purchases		-	2,153	-	-
<b>Minto &amp; Mirza</b>	Associate				
- Professional charges		3,450	7,400	3,450	7,400
<b>Oil &amp; Gas Development Company Limited</b>	Associate				
- Principal portion of lease rental		1,309	1,834	550	917
- Gas purchases		12,915,792	16,692,700	6,745,349	9,738,289
<b>Petroleum Institute of Pakistan</b>	Associate				
- Subscription / contribution		434	800	-	359
<b>Packages Limited</b>	Associate				
- Gas sales		4,415	4,080	2,340	2,108
<b>Pak Suzuki Motor Company Limited</b>	Associate				
- Motor Vehicle Purchases		41,572	28,181	13,052	28,181
- Gas Sales		21,366	8,810	12,726	8,810

	Relationship	Note	Six months period ended		Three months period ended	
			December 31,	December 31,	December 31,	December 31,
			2011	2010	2011	2010
			(Un-audited) (Rupees in '000)			
<b>Pakistan State Oil Company Limited</b>	Associate					
- Purchase of fuel and lubricant			<u>5,949</u>	<u>16,021</u>	<u>3,317</u>	<u>16,021</u>
<b>Quality Aviation (Pvt.) Limited</b>	Associate					
- Travelling services			<u>5,488</u>	<u>10,287</u>	<u>-</u>	<u>6,068</u>
<b>Remuneration of key management</b>	personnel					
- Executive staff		23.3	<u>58,900</u>	<u>49,603</u>	<u>28,387</u>	<u>23,932</u>
<b>Sui Northern Gas Pipelines Limited</b>	Associate					
- Principal portion of lease rental			<u>65,638</u>	<u>71,628</u>	<u>32,932</u>	<u>35,937</u>
- Sale of gas meters		23.1	<u>598,214</u>	<u>661,238</u>	<u>265,077</u>	<u>368,658</u>
- Gas Purchases			<u>292,998</u>	<u>219,080</u>	<u>154,963</u>	<u>116,650</u>
- Uniform cost of gas			<u>14,946,081</u>	<u>13,019,618</u>	<u>8,210,083</u>	<u>7,728,405</u>
- Dividend income			<u>2,090</u>	<u>4,180</u>	<u>-</u>	<u>4,180</u>
<b>State Life Insurance Corporation Limited</b>	Associate					
- Rent of premises			<u>-</u>	<u>364</u>	<u>-</u>	<u>148</u>
<b>Siemens Pakistan Engineering Limited</b>	Associate					
- Supplies and maintenance			<u>-</u>	<u>73</u>	<u>-</u>	<u>-</u>
- Gas sales			<u>-</u>	<u>1,417</u>	<u>-</u>	<u>-</u>
<b>Staff retirement benefit plans</b>						
- Contribution to provident fund		23.2	<u>94,192</u>	<u>82,413</u>	<u>49,548</u>	<u>42,823</u>
- Contribution to pension fund		23.2	<u>167,536</u>	<u>-</u>	<u>128,272</u>	<u>-</u>
- Contribution to gratuity fund		23.2	<u>102,352</u>	<u>146,440</u>	<u>55,227</u>	<u>77,060</u>
<b>U.G Foods Company (Private) Limited</b>	Associate					
- Gas sales			<u>6,601</u>	<u>5,423</u>	<u>3,328</u>	<u>2,750</u>

- 24.1** Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.
- 24.2** Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice.
- 24.3** Remuneration to the executive officers of the Company and loans and advances to them are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

**24.4 Amount (due to) / receivable from / investment in related parties**

The details of amount due with related parties not disclosed elsewhere in the condensed interim financial information are as follows:

			<b>December 31,</b>	June 30,
			<b>2011</b>	2011
			<b>(Un-audited)</b>	(Audited)
			(Rupees in '000)	
	<b>Relationship</b>	Note		
<b>Liaquat National Hospital</b>	Associate			
- Gas sales			<b>9,972</b>	6,279
<b>Oil and Gas Development Company Limited</b>	Associate			
- Gas purchases			<b>(29,167,821)</b>	(26,583,482)
<b>Packages Limited</b>	Associate			
- Gas sales			<b>831</b>	623
<b>Sui Northern Gas Pipelines Limited</b>	Associate			
- Lease rentals			<b>145,424</b>	65,987
- Sale of gas meters			<b>156,855</b>	25,662
- Cost of gas levelisation			<b>5,707,746</b>	4,037,499
<b>U.G Foods Company (Private) Limited</b>	Associate			
- Gas sales			<b>1,146</b>	827
<b>SSGC LPG (Private) Limited</b>	Wholly owned subsidiary			
- Investment		24.4.1	<b>1,000,000</b>	-
- Short term loan			<b>1,301,000</b>	-
- Mark up on short term loan			<b>34,573</b>	-



24.4.1 During the period, the Company invested Rs. 0.1 million in shares of SSGC LPG (Private) Limited (SLL). The Company has also provided Rs. 999.9 million to SLL for issuance of further shares to the Company. SLL is in the process of completing the legal formalities to issue shares to the Company against the aforesaid advance.

## 25. Operating segments

### Segment revenue and results

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

	Segment Revenue		Segment Profit	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Un-audited) (Rupees in '000)			
Gas transmission and distribution	<b>60,483,204</b>	56,951,811	<b>685,803</b>	80,064
Meter manufacturing	<b>875,087</b>	961,345	<b>43,259</b>	113,044
Total segments results	<b>61,358,291</b>	57,913,156	<b>729,062</b>	193,108

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

<b>Un-allocated - other expenses</b>			
- Finance cost			(3,596,159) (2,410,395)
- Selling expenses			(508,858) (502,336)
- Other operating expenses			(679,856) (716,426)
<b>Unallocated - other income</b>			
- Operating income			1,532,473 2,009,802
- Non-operating income			4,916,391 4,678,402
Profit before tax			<b>2,393,053</b> 3,252,155

### Segment assets and liabilities

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

	<b>Increase</b> (Rupees in '000)
<b>Assets</b>	
Property, plant and equipment	<b>1,614,663</b>
Trade debts	<b>11,514,788</b>
Other receivable	<b>5,153,994</b>
<b>Liabilities</b>	
Trade and other payables	<b>12,285,941</b>
Interest and mark-up accrued	<b>2,468,473</b>

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

**26. General**

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

**27. Date of Authorisation**

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



**Salim Abbas Jilani**  
Chairman



**Azim Iqbal Siddiqui**  
Managing Director

Karachi  
February 29, 2012