Unconsolidated Balance Sheet
As at June 30, 2012

	Note	2012	2011
		(Rupees in '000)	
EQUITY AND LIABILITIES			
EQUITY			
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	8,809,163	8,389,679
Reserves	5	4,907,401	3,107,401
Surplus on re-measurement of available for sale securities		57,946	68,610
Unappropriated profit		4,473,742	6,209,403
		18,248,252	17,775,093
Surplus on revaluation of fixed assets	6	10,251,946	10,251,946
LIABILITIES			
Non-current liabilities			
Long term financing	7	18,315,383	14,471,126
Long term deposits	8	4,600,424	4,062,376
Deferred tax	9	7,621,895	7,651,284
Employee benefits	10	2,154,237	1,825,246
Deferred credit	11	5,336,479	5,518,634
Long term advances	12	1,896,646	1,296,513
Total non-current liabilities		39,925,064	34,825,179
Current liabilities			
Current portion of long term financing	13	3,227,262	4,272,259
Trade and other payables	14	85,610,600	62,215,241
Interest and mark-up accrued	15	16,197,115	10,822,821
Total current liabilities		105,034,977	77,310,321
Total liabilities		144,960,041	112,135,500
Contingencies and commitments	16		
Total equity and liabilities		173,460,239	140,162,539

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

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	17	64,260,064	59,644,339
Intangible assets	18	45,946	15,973
Long term investments	19	1,071,575	82,239
Net investment in finance lease	20	802,950	921,744
Long term loans and advances	21	124,235	118,380
Long term deposits		3,250	3,250
Total non-current assets		66,308,020	60,785,925
Current assets			
Stores, spares and loose tools	22	2,080,366	2,262,564
Stock-in-trade	23	780,365	702,720
Current maturity of net investment in finance lease	20	118,795	118,795
Customers' installation work in progress	24	191,900	174,620
Trade debts	25	71,740,913	49,182,342
Loans and advances	26	1,421,758	110,837
Trade deposits and short term prepayments	27	180,658	209,841
Interest accrued	28	3,553,168	3,473,679
Other receivables	29	24,153,103	19,750,254
Taxation - net	30	1,428,229	2,306,105
Cash and bank balances	31	1,502,964	1,084,857
Total current assets		107,152,219	79,376,614
Total assets		173,460,239	140,162,539

Waqar A. Malik
Chairman

Zuhair Siddiqui
Managing Director

Unconsolidated Profit and Loss Account

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in '000)	
Sales		153,268,549	126,403,168
Sales tax		(19,393,740)	(16,000,749)
		133,874,809	110,402,419
Gas development surcharge		(2,970,598)	4,126,741
Net sales		130,904,211	114,529,160
Cost of sales	32	(128,236,682)	(112,284,333)
Gross profit		2,667,529	2,244,827
Administrative and selling expenses	33	(4,029,974)	(3,081,710)
Other operating expenses	34	(1,717,763)	(1,645,141)
		(5,747,737)	(4,726,851)
		(3,080,208)	(2,482,024)
Other operating income	35	3,358,224	3,759,907
Operating profit		278,016	1,277,883
Other non-operating income	36	11,340,361	10,027,914
Finance cost	37	(7,531,711)	(5,786,122)
Profit before taxation		4,086,666	5,519,675
Taxation	38	(1,505,423)	(795,287)
Profit for the year		2,581,243	4,724,388
		(Rupees)	
			(Restated)
Basic and diluted earnings per share	40	2.93	5.36

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

Waqar A. Malik
Chairman

Zuhair Siddiqui
Managing Director

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2012

	2012	2011
	(Rupees in '000)	
Net profit for the year	2,581,243	4,724,388
Other comprehensive income		
Unrealised loss on re-measurement of available for sale securities	(10,664)	(14,879)
Total comprehensive income for the year	2,570,579	4,709,509

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

Waqar A. Malik
Chairman

Zuhair Siddiqui
Managing Director

Unconsolidated Cash Flow Statement

For the year ended June 30, 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,086,666	5,519,675
Adjustments for non-cash and other items	41	13,939,701	10,341,375
Working capital changes	42	(4,781,901)	2,316,440
Financial charges paid		(2,573,146)	(2,424,650)
Payment for retirement benefits		(539,818)	(277,466)
Income taxes paid		(656,936)	(2,378,221)
Net cash generated from operating activities		9,474,566	13,097,153
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(7,883,410)	(10,340,198)
Proceeds from sale of property, plant & equipment		14,082	6,723
Lease rental from net investment in finance lease		306,384	311,766
Short term loan to subsidiary company		(1,301,000)	-
Investment in subsidiary company		(1,000,000)	-
Dividend received		3,624	4,773
Net cash used in investing activities		(9,860,320)	(10,016,936)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing		7,089,971	10,988,745
Repayments of long term financing		(4,269,537)	(8,944,375)
Consumer finance received		82,991	121,909
Repayment of consumer finance		(110,200)	(107,692)
Dividend paid		(1,989,364)	(954,165)
Net cash generated from financing activities		803,861	1,104,422
Net increase in cash and cash equivalents		418,107	4,184,639
Cash and cash equivalents at beginning of the year		1,084,857	(3,099,782)
Cash and cash equivalents at end of the year		1,502,964	1,084,857

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

Waqar A. Malik
Chairman

Zuhair Siddiqui
Managing Director

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2012

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at July 1, 2010	6,711,743	234,868	2,872,533	83,489	4,169,712	14,072,345
Total comprehensive income for the year ended June 30, 2011						
Profit for the year	-	-	-	-	4,724,388	4,724,388
Unrealised loss on re-measurement of available for sale securities	-	-	-	(14,879)	-	(14,879)
Total comprehensive income for the year	-	-	-	(14,879)	4,724,388	4,709,509
Transactions with owners						
Final dividend for the year ended June 30, 2010 at Rs.1.5 per share	-	-	-	-	(1,006,761)	(1,006,761)
Bonus shares (1 share for every 4 shares)	1,677,936	-	-	-	(1,677,936)	-
Balance as at June 30, 2011	8,389,679	234,868	2,872,533	68,610	6,209,403	17,775,093
Total comprehensive income for the year ended June 30, 2012						
Profit for the year	-	-	-	-	2,581,243	2,581,243
Unrealised loss on re-measurement of available for sale securities	-	-	-	(10,664)	-	(10,664)
Total comprehensive income for the year	-	-	-	(10,664)	2,581,243	2,570,579
Transfer from unappropriated profit to revenue reserve	-	-	1,800,000	-	(1,800,000)	-
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 (0.5 share for every 10 shares)	419,484	-	-	-	(419,484)	-
Balance as at June 30, 2012	8,809,163	234,868	4,672,533	57,946	4,473,742	18,248,252

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

Waqar A. Malik
Chairman

Zuhair Siddiqui
Managing Director

Notes to the Unconsolidated Financial Statements
For the year ended June 30, 2012

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.

1.2 Regulatory framework

Under the provisions of license given by Oil and Gas Regulatory Authority (OGRA), the Company is provided 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 charged to unconsolidated profit and loss account and payable to / recoverable from the Government of Pakistan (GoP) as Gas Development Surcharge.

1.3 Determination of revenue requirements

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

As in 2010-11 OGRA decision of February 01, 2013, is in line with interim relief of High Court of Sindh and these unconsolidated financial statement have been prepared accordingly.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 19 which are carried at their fair values, employees benefits which are valued using actuarial assumptions and freehold and leasehold land which are carried at revalued amount.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of these 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 judgments 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.

Judgments 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 49.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Adoption of New Standards, Amendments and Interpretations to the published approved accounting standards

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards / Amendments / Interpretations		Effective Date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendment)	January 01, 2011
IAS 24	Related Party Disclosures (as revised in 2009)	January 01, 2011
IAS 34	Interim Financial Reporting (Amendment)	January 01, 2011
IFRS 7	Disclosures – Transfer of Financial Assets (Amendment)	July 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement	January 01, 2011

3.2 New accounting standards and IFRS interpretation that are not yet effective

The following Standards, amendments and interpretations are effective for the year ended June 30, 2012. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IAS 1 - Presentation of Financial Statements– Presentation of Items of Other Comprehensive Income	Effective from accounting period beginning on or after July 01, 2012
- Amendments to IAS 1 - Presentation of Financial Statements– Clarification of Requirements for Comparative information	Effective from accounting period beginning on or after January 01, 2013
- Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	Effective from accounting period beginning on or after January 01, 2013

- Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	Effective from accounting period beginning on or after January 01, 2013
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2014
- Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	Effective from accounting period beginning on or after January 01, 2013
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Effective from accounting period beginning on or after January 01, 2013
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	Effective from accounting period beginning on or after January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27	(Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28	(Revised 2011) - Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

The potential impact of standards, amendments and interpretations not yet effective of the financial statements of the Company is as follows:

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses in other comprehensive income arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. The Company is in process of reviewing the implication of the revised standard on the unconsolidated financial statements.

3.3 Property, plant and equipment

Initial recognition

The cost of an item of property plant and equipment is recognised 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 item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

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. Capital work in progress are stated at cost, less impairment loss, if any.

Freehold land and leasehold land are stated at revalued amount and surplus arising on revaluation of freehold land and leasehold land is disclosed as surplus on revaluation of fixed assets.

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.

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 recognised in the unconsolidated profit and loss account as an expense when it is incurred.

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 the relevant asset category as and when assets are available for intended use.

Depreciation

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 off.

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 off or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

Useful lives of the assets are mentioned in the notes 17.2 to 17.5 to these financial statements.

Assets' residual values and their useful lives are reviewed and adjusted at each balance sheet date if significant and appropriate.

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.

Definite life

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

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 unconsolidated 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.

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 unconsolidated profit and loss account.

Gains and losses on disposal

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

Leased assets

Leased assets in terms of which the 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 their 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 recognised in the same manner as for owned operating assets.

3.4 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given and transaction cost. 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 in other comprehensive income and accumulated in the investment revaluation reserve until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in unconsolidated profit and loss account. Impairment losses recognised in unconsolidated profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through unconsolidated profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in unconsolidated profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in unconsolidated profit and loss account.

Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are measured at amortised cost using effective interest method. All investments categorised under held to maturity are subject to annual review for impairment. Provision for impairment in value, if any, is taken to unconsolidated profit and loss account.

Investment in Subsidiary

Investments in Subsidiary is valued at cost less impairment, if any. A reversal of an impairment loss on subsidiary is recognized as it arises provided the increased carrying value does not exceed cost.

Gain or loss on sale of investments in subsidiary is included in the unconsolidated profit and loss account for the year.

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 Company commits to purchase or sell the investments.

De-recognition

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

3.5 Net investment in finance lease

Contractual arrangements, the fulfillment 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 the Company's net investment in finance lease.

3.6 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 unconsolidated 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.

3.7 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

Components (materials) are valued at lower of moving average cost and net realisable value 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 labor and production overheads. Components in transit are stated at cost incurred up to the unconsolidated 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.

3.8 Trade debts and other receivables

Trade debts and other receivables are recognised at fair values plus directly attributable cost, if any.

A provision for impairment of trade and other receivables is established when there is an objective evidence that the Company 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.

3.9 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 Company.

3.10 Mark-up bearing borrowings

Long term financing

Mark-up bearing borrowings are recognised 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 recognised in the unconsolidated profit and loss account over the period of the borrowings. Transaction cost is amortised over the term of the loan.

Long term loans received from Government of Sindh with interest rate lower than prevailing market interest rates for a similar instrument 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 Company 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 recognised in the unconsolidated profit and loss account using the effective mark-up rate method.

3.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and 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.

3.12 Deferred credit

Government Contributions

Amounts received from customers before July 1, 2009 and the Government as contributions and grants for providing service connections, extension of gas mains, laying of distribution lines, etc. are deferred and recognised in the unconsolidated profit and loss account over the useful lives of the related assets starting from the commissioning of such assets.

Contributions from customers

Advance taken from customers on or after July 1, 2009 for laying of distribution lines is recognised in the unconsolidated profit and loss account when the connection to the network is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".

3.13 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 balance sheet date.

The Company recognises a deferred tax asset to the extent that it is probable that the 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.

3.14 Revenue recognition

- Revenue from gas sales is recognised on the basis of gas supplied to customers at rates periodically announced by the OGRA.

- Meter rental income is recognised monthly at specified rates for various categories of customers.

- Revenue from sale of meters and gas condensate is recognised on dispatch to the customers.

- Deferred credit from Government and customers before July 1, 2009 is amortised and related income is recognised in the unconsolidated profit and loss account over the useful lives on commissioning of the related assets.

- Income from new service connections is recognised in unconsolidated profit and loss account immediately on commissioning of related assets.

- Dividend income on equity investments is recognised when right to receive the payment is established.

- Profit on term deposits and royalty income are recognised on time proportion basis by reference to the principal outstanding at the effective interest rate.

- Late payment surcharge is recognised from the date the billed amount is overdue.

3.15 Impairment

Financial assets

Financial assets are 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 unconsolidated 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.

3.16 Staff retirement benefits

The 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. Unrecognised 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 recognised in the unconsolidated 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 unconsolidated 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 recognised immediately in the unconsolidated profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

Liability under these schemes is recognised 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 December 31, 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually.

Unrecognised actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognised in the unconsolidated 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 (defined contribution scheme).

The Company operates a recognised provident fund for all its employees. Equal contributions are made, both by the 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 unconsolidated profit and loss account.

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

3.17 Compensated absences

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

3.18 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 unconsolidated balance sheet date. Exchange gains and losses are taken to the unconsolidated profit and loss account.

3.19 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financials assets and liabilities are initially measured at fair value and subsequently at fair value or amortised cost as the case may be. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gains or loses on derecognition of financial assets and financial liabilities are taken to profit and loss account immediately.

3.20 Derivative financial instruments

Derivative financial instruments if any are recognised 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 unconsolidated 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.

3.21 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company, if any, is not treated as assets of the Company and accordingly is disclosed separately.

3.22 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 recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.23 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is an identifiable component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are as follows:

Gas transmission and distribution

Gas transmission and distribution segment is engaged in transmission and distribution of natural gas and construction contracts for laying of pipelines in Sindh and Balochistan.

Meter manufacturing

Meter manufacturing segment is engaged in manufacture and sale of gas meters.

3.24 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits in banks, short term running finance under mark-up arrangement availed by the Company, short term liquid investments that are readily convertible to known amounts of cash.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(Number)			(Rupees in '000)	
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
661,349,755	619,401,360	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	6,613,497	6,194,013
880,916,309	838,967,914		8,809,163	8,389,679

4.1 Movement in issued, subscribed and paid up capital during the year

838,967,914	671,174,331	As at July 1	8,389,679	6,711,743
41,948,395	167,793,583	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	419,484	1,677,936
880,916,309	838,967,914		8,809,163	8,389,679

4.2 Associated companies held 58,476,700 (2011: 53,072,409) ordinary shares of Rs.10 each at the year end.

4.3 The Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders. All shares rank equally with regard to the Company's residual assets.

	Note	2012	2011
		(Rupees in '000)	

5. RESERVES

	Note	2012	2011
Capital reserves			
Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		234,868	234,868
Revenue reserves			
Dividend equalisation reserve		36,000	36,000
Special reserve I	5.3	333,141	333,141
Special reserve II	5.4	1,800,000	-
General reserve		2,015,653	2,015,653
Reserve for interest on sales tax refund	5.5	487,739	487,739
		4,672,533	2,872,533
		4,907,401	3,107,401

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 Company's working capital.

5.3 Special reserve I

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

5.4 Special reserve II

This represents special undistributable reserve created as per the decision of the board of directors to meet the future requirements of the Company.

5.5 Reserve for interest on sales tax refund

This represents the reserve for the interest accrued on the sales tax refundable under Section 67 of the Sales Tax Act, 1990, which is not available for distribution to shareholders till the time it is received.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of the Company's leasehold and freehold land carried out by means of an independent valuation by Oceanic Surveyors (Private) Limited to determine the fair value as of June 30, 2011. The valuation was based on market research.

Had the Company's leasehold and freehold land been measured on historical cost basis, the carrying amount would have been as follows:

	(Rupees in '000)
Freehold land	56,751
Leasehold land	205,289
	262,040

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
7. LONG TERM FINANCING			
Secured			
Loans from banking companies	7.1	13,576,586	11,525,342
Unsecured			
Consumer financing	7.2	183,755	192,720
Government of Sindh loans	7.3	4,555,042	2,753,064
		4,738,797	2,945,784
		18,315,383	14,471,126

7.1 Loans from banking companies

	Installment payable	Repayment period	Mark-up rate p.a. (above 3 months KIBOR)	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
Meezan Bank Limited	on maturity	2011	0.45%	7.1.1	-	500,000
Dubai Islamic Bank Pakistan Limited	quarterly	2009 - 2012	0.40%	7.1.1	-	225,000
Meezan Bank Limited	quarterly	2009 - 2012	0.80%	7.1.1	-	666,672
Samba Bank Limited	quarterly	2010 - 2012	0.20%	7.1.1	200,000	600,000
Bank Islami Pakistan Limited	quarterly	2010 - 2012	0.20%	7.1.1	940,000	2,820,000
Faysal Bank Limited	quarterly	2011 - 2013	1.00%	7.1.1	400,000	800,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012 - 2015	1.00%	7.1.1	2,000,000	2,000,000
Askari Bank Limited	quarterly	2013 - 2015	1.00%	7.1.1	1,000,000	1,000,000
Meezan Bank Limited	quarterly	2013 - 2015	1.00%	7.1.1	3,000,000	3,000,000
Bank Alfalah Limited	quarterly	2013 - 2016	1.00%	7.1.1	1,000,000	1,000,000
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	1,000,000	1,000,000
Askari Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	500,000	500,000
Bank Al-Habib Limited	quarterly	2013 - 2016	1.00%	7.1.1	500,000	500,000
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	1,000,000	1,000,000
United Bank Limited	quarterly	2015 - 2017	0.75%	7.1.2	2,000,000	-
Meezan Bank Limited	quarterly	2015 - 2017	0.75%	7.1.2	2,000,000	-
Bank Alfalah Limited	quarterly	2015 - 2017	0.75%	7.1.2	1,000,000	-
Unamortised transaction cost					(18,652)	(14,658)
					16,521,348	15,597,014
Less: Current portion shown under current liabilities					(2,944,762)	(4,071,672)
					13,576,586	11,525,342

7.1.1 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.

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

		Note	2012	2011
			(Rupees in '000)	
7.2	Consumer financing			
	Consumer financing	7.2.1	268,233	295,442
	Less: Current portion shown under current liabilities		(84,478)	(102,722)
			183,755	192,720

7.2.1 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 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.

		Installment payable	Principal repayment period	Mark-up rate p.a.	Note	2012	2011
						(Rupees in '000)	
7.3	Government of Sindh loans						
	Government of Sindh loan - I	yearly	2007 - 2016	2%	7.3.1	33,064	40,929
	Government of Sindh loan - II	yearly	2011 - 2020	4%	7.3.1	720,000	810,000
	Government of Sindh loan - III	yearly	2012 - 2021	4%	7.3.1	900,000	1,000,000
	Government of Sindh loan - IV	yearly	2013 - 2022	4%	7.3.1	1,000,000	1,000,000
	Government of Sindh loan - V	yearly	2014 - 2023	2%	7.3.1	1,100,000	-
	Government of Sindh loan - VI	yearly	2014 - 2023	2%	7.3.1	1,000,000	-
	Government grant				7.3.2	(1,898,323)	(1,031,755)
						2,821,677	1,778,245
	Government grant				7.3.2	1,898,323	1,031,755
						4,753,064	2,850,929
	Less: Current portion shown under current liabilities					(198,022)	(97,865)
						4,555,042	2,753,064

7.3.1 An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The loans (II, III, IV, V &VI) has been stated at fair value (refer note 7.3.2).

7.3.2 This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V & VI, and is calculated as difference between the proceeds received in respect of Government of Sindh Loan (II, III, IV, V & VI) amounting to Rs. 900 million, Rs. 1,000 million, Rs. 1,000 million, Rs. 1,100 million and Rs. 1,000 million respectively, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million, Rs. 625.281 million, Rs. 646.083 and Rs. 587.349 million respectively. These are calculated at 3 month Average KIBOR prevailing at year end. This benefit is treated as Government grant and would be amortized over the estimated useful life of related assets when constructed.

	Note	2012	2011
		(Rupees in '000)	
8. LONG-TERM DEPOSITS			
Security deposits from:			
- gas customers	8.1	4,551,464	4,012,809
- gas contractors	8.2	48,960	49,567
		4,600,424	4,062,376

8.1 These represent deposits from industrial, commercial and domestic customers. The customers deposits in case of industrial and domestic are based on estimate of 3 months consumption of gas sales to such customers while deposits from domestic customers are based on rates fixed by the Government of Pakistan.

Mark-up is payable on deposits of industrial and commercial customers at the rate of 5% per annum, while no mark-up is paid on deposits from domestic customers.

The Company may at its option, use these deposits for its own purpose from time to time and shall on disconnection of gas supply to the customer return the security deposits as per the terms and conditions of the contract.

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

9. DEFERRED TAX - net

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

	2012	2011
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	10,901,425	9,972,132
Deductible temporary differences		
Provision against employee benefits	(753,983)	(638,836)
Provision for doubtful debts	(1,384,023)	(979,088)
Others	(1,141,524)	(702,924)
	7,621,895	7,651,284

	Note	2012	2011
		(Rupees in '000)	
10. EMPLOYEE BENEFITS			
Provision for post retirement medical and free gas supply facilities - executives	39.2	1,729,572	1,476,780
Provision for compensated absences - executives	10.1	424,665	348,466
		2,154,237	1,825,246
10.1 Provision for compensated absences - executives			
Balance as at July 1		348,466	260,503
Provision made during the year		76,199	87,963
Balance as at June 30		424,665	348,466
11. DEFERRED CREDIT			
- Government contributions / grants			
Balance as at July 1		3,255,458	2,511,308
Additions / adjustments during the year		218,897	909,273
Transferred to unconsolidated profit and loss account	11.1	(195,220)	(165,123)
Balance as at June 30		3,279,135	3,255,458
- Contribution from customers			
Balance as at July 1		2,263,176	2,478,078
Refunds during the year		-	(3,454)
Transferred to unconsolidated profit and loss account	11.2	(205,832)	(211,448)
Balance as at June 30		2,057,344	2,263,176
		5,336,479	5,518,634

11.1 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.

11.2 This represents amount received from customers for the cost of service lines and gas mains, etc. These are taken to unconsolidated profit and loss account based on the policy stated in note 3.12 to these financial statements.

11.3 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 Company's guaranteed return.

12 LONG TERM ADVANCES

These represent amounts received from Government of Pakistan for gas supply to new towns and villages and laying of distribution lines, etc. These advances are transferred to deferred credit once the related projects are commissioned. As stated in note 3.12 to these financial statements, such deferred credit is amortised over the estimated useful lives of related assets.

	Note	2012	2011
		(Rupees in '000)	

13. CURRENT PORTION OF LONG TERM FINANCING

	Note	2012	2011
Loans from banking companies	7.1	2,944,762	4,071,672
Consumer financing	7.2	84,478	102,722
Government of Sindh loan	7.3	198,022	97,865
		3,227,262	4,272,259

14. TRADE AND OTHER PAYABLES

	Note	2012	2011
Creditors for:			
- gas supplies		77,947,074	56,717,262
- supplies		584,692	216,412
		78,531,766	56,933,674
Amount received from customers for laying of mains, etc.		2,097,337	2,173,502
Accrued liabilities		2,288,365	2,303,474
Provision for compensated absences - non executives	14.1	134,410	103,239
Deposits / retention money		232,737	239,618
Bills payable		22,511	106,687
Advance for sharing right of way	14.2	18,088	18,088
Unclaimed dividend		200,587	92,531
Withholding tax payable		119,396	73,089
Gas infrastructure development cess payable	14.3	1,776,112	-
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		16,205	4,939
Others	14.4	171,286	164,600
		85,610,600	62,215,241

14.1 Provision for compensated absences - non-executives

	2012	2011
Balance as at July 1	103,239	137,646
Provision / (Reversal) made during the year	31,171	(34,407)
Balance as at June 30	134,410	103,239

14.2 This amount was received by the Company from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated October 12, 1988. It represents consideration for 50% 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 Company. The final liability of the 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.

14.3 Gas Infrastructure development CESS has been levied since December 15, 2011 and is chargeable from gas consumers other than domestic consumes at different slab rates.

14.4 This includes Rs. 101.742 million (2011: Rs. 103.419 million) on account of amount payable to disconnected customers for gas supply deposits.

	Note	2012	2011
		(Rupees in '000)	

15. INTEREST AND MARK-UP ACCRUED

	Note	2012	2011
Long term financing - loans from banking companies		160,093	126,917
Long term deposits from customers		160,290	118,651
Short term borrowings	15.1	39,495	89,653
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas bills		15,832,411	10,482,774
		16,197,115	10,822,821

15.1 In addition to long term financing the Company has obtained facilities of short term running finance / short term money market loan from various banks amounting to Rs.11,125 million (2011: Rs. 10,025 million) and carries mark-up ranging from 0.00% to 0.75% (2011: 0.20% to 0.75%) above the average one month KIBOR. The facilities are secured by first pari passu first joint supplemental hypothecation charge and ranking charge over present and future stock in trade and book debts of the Company. These facilities remained unavailed at year end.

	Note	2012	2011
		(Rupees in '000)	

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

	Note	2012	2011
16.1.1 Guarantees issued on behalf of the Company		1,787,823	1,788,023

16.1.2 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 (2011: Rs. 75 million) and the Company's investment in shares having a face value of Rs. 0.5 million (2011: Rs. 0.5 million). Loan outstanding at the year end was Rs. 2.920 million (2011: Rs. 6.503 million).

16.1.3 Jamshoro Power Company Limited (JPCL) (WAPDA) has lodged a claim against the Company amounting to Rs. 759.841 million (2011: Rs. 590.18 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.

16.1.4 JPCL has also raised a claim of Rs. 5.793 million (2011: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Company. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim would be in its favor.

16.1.5 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor 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 Honorable High Court in which the 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 Company based on its legal advisor's opinion is confident that the matter would be resolved in favor of the Company.

16.1.6 Income Tax Authorities have passed an amended assessment order for the tax year 2005 resulting in additional tax liability amounting to Rs. 103.745 million, which has been adjusted from the sales tax refund of the Company. The Company preferred appeal in this case. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. Pending the resolution of above matter, no provision has been made by the Company in these financial statements and management is confident that the outcome of the case will be in favor of the Company.

16.1.7 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the 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.

The Company has paid sales tax on these balances in order to avail amnesty / exemption from additional sales tax. However the Company has filed an Appeal before the Appellate Tribunal (Customs, Excise & Sales Tax) and is confident that the decision of the Appeal will be in its favor.

16.1.8 Income Tax Authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008, 2009, 2010 and 2011, disallowing certain expenses. Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of this Honorable Court, in respect of disallowance of interest on late payment of bills of gas for failure to deduct tax under section 151 (1)(d) read with section 158 of the Income Tax Ordinance, 2001 and disallowance of depreciation on fixed assets held under musharka arrangement.

Pending the resolution of above matter, no provision has been made by the Company in these financial statements and management is confident that the outcome of this appeal will be in favor of the Company.

16.1.9 The Deputy Commissioner Inland Revenue passed an order against the Company with a demand of Rs. 1,635 million in respect of disallowance of input sales tax on gas lost as line losses / UFG among other observations, along with default surcharge and penalty. Upon appeal, the Commissioner (Appeals) has reduce the demand to Rs. 230 million plus default surcharge. The Company is filing appeal with Appellate Tribunal Inland Revenue on issues decided against the Company by Commissioner (Appeals).

Pending the resolution of above matter, no provision has been made by the Company in these financial statements and management is confident that the outcome will be in favor of the Company.

16.1.10 During the year ended June 30, 2011, the Company availed the option of using the amnesty offered during the budget by means of SRO 648(I)/2011 dated June 25, 2011 which had exempted the whole amount of default surcharge and penalties subject to the condition that the outstanding principal amount of sales tax or federal excise duty was paid by June 30, 2011. As a result, the Company paid Federal Excise Duty (FED) amounting to Rs. 895.84 million in respect of show cause notices issued by the Additional Collector (Adjudication) Sales Tax and Federal Excise requiring it to pay FED along with default surcharge (to be calculated at the time of final payment) on the amount of royalty charged to JJVL. The FED has been accounted for as a receivable as the Company considered that this amount is recoverable from JJVL under the agreement. JJVL has disputed this amount and suggested for arbitration to which the management has agreed. Further, 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. Further, during the current year, the Company started paying the levy regularly under the head of Sindh Sales Tax on Franchise Services (formerly FED) amounting to Rs. 231.9 million which is also considered to be recoverable under the same clauses of the agreement. In addition, JJVL has also disputed calibration / measurement of gas supplied in prior periods and claimed that the Company has made excess billing of Rs. 239.21 million. Management considers that the claim made by JJVL is not justified as the billings were based on meter installed in JJVL's premises and meter calibrations were agreed with JJVL. The management has replied to JJVL in detail but to date no response has been received in this respect. Management has also exercised its judgment with regard to provision required. Management believes that the amount is recoverable.

16.1.11 The Company is subject to various claims amounting to Rs. 683.71 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

	Note	2012	2011
		(Rupees in '000)	
16.1.12 Claims against the Company not acknowledged as debt	16.1.13	87,293	318,467
16.1.13 The management is confident that ultimately these claims (note 16.1.1) would not be payable.			
16.2 Commitments			
Commitments for capital and other expenditure		2,779,742	1,172,103
17. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	17.1	57,355,317	53,980,664
Capital work in progress	17.9	6,904,747	5,663,675
		64,260,064	59,644,339

17.1 Operating assets

2012 (Rupees in '000)

	Note	COST/VALUATION				DEPRECIATION			Written down
		As at July 1, 2011	Additions/ (deletions)/ transfers*	Revaluation during the year	As at June 30, 2012	As at July 1, 2011	For the year (deletions)/ transfers*	As at June 30, 2012	Value as at June 30, 2012
Gas transmission system	17.2	33,637,261	2,005,633 (24,695) (6,737)*	-	35,611,462	19,172,503	803,391 (8,927) (2,161)*	19,964,806	15,646,656
Gas distribution system									
- Karachi, Sindh	17.3	28,419,699	1,743,195 (55,136) 4,635 *	-	30,112,393	7,942,235	1,386,251 (54,429) 3,589 *	9,277,646	20,834,747
- Other areas of Sindh		19,815,557	2,817,232 (28,417) (21,018)*	-	22,583,354	5,451,383	1,081,075 (28,008) (4,409)*	6,500,041	16,083,313
- Balochistan		6,901,060	482,489 (8,025) -	-	7,375,524	2,733,554	391,215 (7,635) -	3,117,134	4,258,390
		55,136,316	5,042,916 (91,578) (16,383)*	-	60,071,271	16,127,172	2,858,541 (90,072) (820)*	18,894,821	41,176,450
Meter manufacturing division	17.4	323,438	5,048 - -	-	328,486	286,201	7,886 - -	294,087	34,399
LPG Air mix Gas distribution system	17.5	514,755	44,672 - 23,120 *	-	582,547	45,230	36,524 - 2,981 *	84,735	497,812
		89,611,770	7,098,269 (116,273) -	-	96,593,766	35,631,106	3,706,342 (98,999) -	39,238,449	57,355,317

2011 (Rupees in '000)

	COST/VALUATION				DEPRECIATION			Written down
	As at July 1, 2010	Additions/ (deletions)/ transfers*	Revaluation during the year	As at June 30, 2011	As at July 1, 2010	For the year (deletions)/ transfers*	As at June 30, 2011	Value as at June 30, 2011
Gas transmission system	28,379,029	1,131,472 (11,281) (2,190)*	4,140,231	33,637,261	18,319,201	870,254 (4,291) (12,661)*	19,172,503	14,464,758
Gas distribution system								
- Karachi, Sindh	19,460,020	4,110,282 (144,028) 1,244 *	4,992,181	28,419,699	6,865,445	1,207,700 (142,709) 11,799 *	7,942,235	20,477,464
- Other areas of Sindh	14,892,427	3,943,093 (20,430) (2,738)*	1,003,205	19,815,557	4,578,033	895,408 (19,532) (2,526)*	5,451,383	14,364,174
- Balochistan	6,255,273	563,413 (47,005) 3,684 *	125,695	6,901,060	2,425,281	351,267 (46,407) 3,413 *	2,733,554	4,167,506
	40,607,720	8,616,788 (211,463) 2,190 *	6,121,081	55,136,316	13,868,759	2,454,375 (208,648) 12,686 *	16,127,172	39,009,144
Meter manufacturing division	319,606	3,832 - -	-	323,438	278,351	7,850 - -	286,201	37,237
LPG Air mix Gas distribution system	98,084	426,037 - - *	(9,366)	514,755	22,940	22,315 - (25)*	45,230	469,525
	69,404,439	10,178,129 (222,744) -	10,251,946	89,611,770	32,489,251	3,354,794 (212,939) -	35,631,106	53,980,664

17.2 Operating assets - gas transmission system

(Rupees in '000)

	COST/VALUATION				DEPRECIATION			Written down	
	As at July 1, 2011	Additions/ (deletions)/ transfers*	Revaluation during the year	As at June 30, 2012	As at July 1, 2011	For the year (deletions)/ transfers*	As at June 30, 2012	Value as at June 30, 2012	Useful life/ remaining life (years)**
Freehold land	3,910,318	- - -	-	3,910,318	-	- - -	-	3,910,318	-
Leasehold land	410,587	- - -	-	410,587	-	- - -	-	410,587	-
Buildings on freehold land	279,291	- - -	-	279,291	168,224	13,965 - -	182,189	97,102	20
Buildings on leasehold land	1,279,832	19,821 (1,190) (5,703)*	-	1,292,760	771,918	55,480 (1,190) (28,931)*	797,277	495,483	20
Roads, pavements and related infrastructures	652,192	3,502 - - *	-	655,694	30,681	32,785 - 26,791 *	90,257	565,437	20
Gas transmission pipelines	19,632,779	1,676,911 (62) -	-	21,309,628	12,113,699	347,856 (62) -	12,461,493	8,848,135	1-40**
Compressors	2,464,372	- - -	-	2,464,372	2,164,555	45,272 - -	2,209,827	254,545	7**
Telecommunication	467,844	10,924 - (35)*	-	478,733	444,776	5,267 - (35)*	450,008	28,725	2 & 6.67
Plant and machinery	594,143	54,385 (175) -	-	648,353	444,618	26,287 (81) -	470,824	177,529	10
Tools and equipment	162,002	11,173 - -	-	173,175	151,985	8,291 - -	160,276	12,899	3
Motor vehicles	1,023,207	47,224 (23,235) (2,673)*	-	1,044,523	708,256	54,632 (7,584) (907)*	754,397	290,126	5
Furniture and fixture	299,046	17,377 - -	-	316,423	269,102	16,126 - -	285,228	31,195	5
Office equipment	228,930	18,805 - 1,210 *	-	248,945	207,323	12,905 - 422 *	220,650	28,295	5
Computer and ancillary equipments	444,164	145,511 (33) 464 *	-	590,106	373,748	52,787 (10) 499 *	427,024	163,082	3
Supervisory control and data acquisition system	685,425	- - -	-	685,425	442,019	58,305 - -	500,324	185,101	6.67
Construction equipment	1,103,129	- - -	-	1,103,129	881,599	73,433 - -	955,032	148,097	5
2012	33,637,261	2,005,633 (24,695) (6,737)*	-	35,611,462	19,172,503	803,391 (8,927) (2,161)*	19,964,806	15,646,656	
2011	28,379,029	1,131,472 (11,281) (2,190)*	4,140,231	33,637,261	18,319,201	870,254 (4,291) (12,661)*	19,172,503	14,464,758	

17.3 Operating assets - gas distribution system

(Rupees in '000)

	COST/VALUATION				DEPRECIATION			Written down	Useful
	As at July 1, 2011	Additions/ (deletions)/ transfers*	Revaluation during the year	As at June 30, 2012	As at July 1, 2011	For the year (deletions)/ transfers*	As at June 30, 2012	Value as at June 30, 2012	Life (years)
Freehold land	524,474	- - -	-	524,474	-	- - -	-	524,474	-
Leasehold land	5,654,349	- - -	-	5,654,349	-	- - -	-	5,654,349	-
Buildings on freehold land	45,201	- - -	-	45,201	31,605	938 - -	32,543	12,658	20
Buildings on leasehold land	305,896	42,063 - -	-	347,959	119,632	20,274 - -	139,906	208,053	20
Roads, pavements and related infrastructures	1,010	- - -	-	1,010	1,010	- - -	1,010	-	20
Gas distribution system, related facilities and equipment	46,910,680	4,665,996 (83,367) (17,417)*	-	51,475,892	14,852,861	2,706,652 (82,895) (854)*	17,475,764	34,000,128	10 to 20
Telecommunication	40,879	57,250 - (115)*	-	98,014	19,088	6,716 - (115)*	25,689	72,325	2 & 6.67
Plant and machinery	675,260	90,373 (207) -	-	765,426	367,655	51,319 (207) -	418,767	346,659	10
Tools and equipment	99,201	19,654 - -	-	118,855	90,683	7,394 - -	98,077	20,778	3
Motor vehicles	592,392	150,422 (3,879) 1,873 *	-	740,808	397,291	47,079 (2,910) 908 *	442,368	298,440	5
Furniture and fixture	100,967	9,586 - -	-	110,553	75,198	11,038 - -	86,236	24,317	5
Office equipment	49,001	4,956 (29) (1,457)*	-	52,471	43,956	2,682 (29) (1,457)*	45,152	7,319	5
Computer and ancillary equipment	137,006	2,616 (4,096) 733 *	-	136,259	128,193	4,449 (4,031) 698 *	129,309	6,950	3
2012	55,136,316	5,042,916 (91,578) (16,383)*	-	60,071,271	16,127,172	2,858,541 (90,072) (820)*	18,894,821	41,176,450	
2011	40,607,720	8,616,788 (211,463) 2,190 *	6,121,081	55,136,316	13,868,759	2,454,375 (208,648) 12,686 *	16,127,172	39,009,144	

17.4 Operating assets - meter manufacturing division

	COST/VALUATION				DEPRECIATION			(Rupees in '000) Written down	
	As at July 1, 2011	Additions/ (deletions)/ transfers*	Revaluation during the year	As at June 30, 2012	As at July 1, 2011	For the year (deletions)/ transfers*	As at June 30, 2012	Value as at June 30, 2012	Useful Life (years)
Building on leasehold land	13,569	- - -	-	13,569	10,534	596 - -	11,130	2,439	20
Telecommunication	668	- - -	-	668	421	84 - -	505	163	2 & 6.67
Plant and machinery	279,152	1,265 - (1,275)*	-	279,142	251,153	4,304 - (1,101)*	254,356	24,786	10
Tools and equipment	8,943	3,346 - 1,275 *	-	13,564	8,602	811 - 1,101 *	10,514	3,050	3
Furniture and fixture	11,833	- - -	-	11,833	9,158	1,137 - -	10,295	1,538	5
Office equipment	8,123	437 - -	-	8,560	5,183	954 - -	6,137	2,423	5
Computer and ancillary equipment	1,150	- - -	-	1,150	1,150	- - -	1,150	-	3
2012	323,438	5,048 - -	-	328,486	286,201	7,886 - -	294,087	34,399	
2011	319,606	3,832 - -	-	323,438	278,351	7,850 - -	286,201	37,237	

17.5 Operating assets - LPG Air mix operations

(Rupees in '000)

	COST/VALUATION				DEPRECIATION			Written down	
	As at July 1, 2011	Additions/ (deletions)/ transfers*	Revaluation during the year	As at June 30, 2012	As at July 1, 2011	For the year (deletions)/ transfers*	As at June 30, 2012	Value as at June 30, 2012	Useful Life (years)
Leasehold land	14,258	- - -	-	14,258	-	- - -	-	14,258	-
Buildings on leasehold land	175,929	3,140 - 5,703 *	-	184,772	5,085	8,967 - 2,127 *	16,179	168,593	20
Gas distribution system	185,260	34,293 - 17,417 *	-	236,970	18,557	13,395 - 854 *	32,806	204,164	10 to 20
Plant and machinery	129,819	7,208 - -	-	137,027	16,500	12,965 - -	29,465	107,562	10
Tools and equipment	1,329	31 - -	-	1,360	1,037	299 - -	1,336	24	3
Furniture and fixture	5,153	- - -	-	5,153	3,245	336 - -	3,581	1,572	5
Office equipment	2,927	- - -	-	2,927	727	562 - -	1,289	1,638	5
Computer and ancillary equipment	80	- - -	-	80	79	- - -	79	1	3
2012	514,755	44,672 - 23,120 *	-	582,547	45,230	36,524 - 2,981 *	84,735	497,812	
2011	98,084	426,037 - - *	(9,366)	514,755	22,940	22,315 - (25)*	45,230	469,525	

17.6 Details of depreciation for the year are as follows:

	2012	2011
	(Rupees in '000)	
Unconsolidated profit and loss account		
- Transmission and distribution costs	3,386,807	2,999,235
- Administrative expenses	168,532	168,797
- Selling expenses	9,336	8,702
	3,564,675	3,176,734
Meter manufacturing division	7,886	7,850
LPG air mix	36,524	22,315
Capital projects	97,257	147,895
	3,706,342	3,354,794

17.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
Building							
Written down value not exceeding Rs. 50,000 each	1,190	1,190	-	-	-	Dismantling of Quarters	Not applicable
Gas Transmission pipe line							
Written down value not exceeding Rs. 50,000 each	62	62	-	-	-	Replacement	Not applicable
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	82,826	82,826	-	-	-	Replacement	Not applicable
Written down value not exceeding Rs. 50,000 each	541	69	472	541	69	Theft	Insurance claim -National Insurance Company Limited
Plant and machinery							
Written down value not exceeding Rs. 50,000 each	207	207	-	207	207	Theft	Recovered from M/s Omer Razzaq (Private) Limited
Written down value above Rs. 50,000 each	175	81	94	172	78	Theft	Recovered from M/s Omer Razzaq (Private) Limited
Office equipments							
Written down value not exceeding Rs. 50,000 each	29	29	-	29	29	Theft	Recovered from M/s Omer Razzaq (Private) Limited
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	32	10	22	19	(3)	Theft	Recovered from M/s National Police Foundation, Security.
Written down value not exceeding Rs. 50,000 each	3,723	3,723	-	-	-	Write off	Not applicable
Written down value not exceeding Rs. 50,000 each	374	308	66	307	241	Theft	Insurance claim -National Insurance Company Limited
Motor vehicles							
Written down value not exceeding Rs. 50,000 each	1,564	1,564	-	747	747	Snatched	Insurance claim -National Insurance Company Limited
Written down value above Rs. 50,000 each	3,935	2,261	1,674	2,900	1,226	Snatched	Insurance claim -National Insurance Company Limited
Honda Civic	1,933	969	964	262	(702)	Service rules	Mr.Azim Iqbal Siddiqui
Honda Civic	1,402	784	618	105	(513)	Service rules	Dr.Faizullah Abbasi
Honda Civic	1,917	626	1,291	772	(519)	Service rules	Syed Hassan Nawab
Honda Civic	1,957	805	1,152	467	(685)	Service rules	Mr.Saleem Ahmed Mughal
Honda Civic	1,933	969	964	196	(768)	Service rules	Mr.S.Shahid H.Jaffri
Toyota Corolla	1,423	530	893	319	(574)	Service rules	Mr.Shaukat Ali Fazlani
Toyota Corolla	1,517	177	1,340	1,184	(156)	Service rules	Mr.Mushtaq Bhutto
Toyota Corolla	1,563	160	1,403	1,239	(164)	Service rules	Mr.Sultan Rashid Ahmed
Toyota Corolla	1,517	230	1,287	1,081	(206)	Service rules	Mr.Amiruddin Siddiqui
Toyota Corolla	1,517	212	1,305	1,117	(188)	Service rules	Mr.Tariq Hussain,
Suzuki Cultus	835	224	611	307	(304)	Service rules	Mr.Muhammad Shoaib
Suzuki Cultus	855	170	685	396	(289)	Service rules	Mr.Shabbir Ahmed
Suzuki Cultus	835	166	669	337	(332)	Service rules	Mr.Ghulam Rasool Khatian
Suzuki Cultus	565	395	170	42	(128)	Service rules	Mr.Habib Jamal
Suzuki Cultus	923	121	802	683	(119)	Service rules	Mr.Manzoor Ali Soomro
Suzuki Cultus	923	131	792	653	(139)	Service rules	Mr.Ramchand
June 30, 2012	116,273	98,999	17,274	14,082	(3,192)		
June 30, 2011	222,744	212,939	9,805	6,723	(3,082)		

17.8 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 415.729 million (2011: Rs. 631.872 million). Borrowing costs related to general borrowings were capitalised at the rate of 11.63% (2011: 12.11%).

17.8.1 Market value of buildings / civil works, roads, pavements and related infrastructure, compressors, plant and machinery, construction equipment, motor vehicles and gas transmission and distribution pipelines is Rs. 106,749 million as per the valuation carried out as at June 30, 2011 by an independent valuer namely Oceanic Surveyors (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

	Note	2012	2011
		(Rupees in '000)	
17.9 Capital work in progress			
Projects:			
- Gas distribution system		3,630,569	2,943,031
- Gas transmission system		568,366	245,555
- Cost of buildings under construction and others		157,477	68,560
		4,356,412	3,257,146
Stores and spares held for capital projects	17.9.1	2,220,152	2,063,876
LPG air mix plant		328,183	342,653
		2,548,335	2,406,529
		6,904,747	5,663,675
17.9.1 Stores and spares held for capital projects			
Gas distribution		2,248,376	2,078,395
Provision for impaired stores and spares		(28,224)	(14,519)
		2,220,152	2,063,876

18. INTANGIBLE ASSETS

(Rupees in '000)

		COST			AMORTISATION			Written down	
		As at July 1, 2011	Additions	As at June 30, 2012	As at July 1, 2011	For the year	As at June 30, 2012	Value as at June 30, 2012	Useful Life (years)
Computer software	2012	289,387	43,350	332,737	273,414	13,377	286,791	45,946	3
	2011	270,690	18,697	289,387	266,180	7,234	273,414	15,973	

	Note	Percentage of holding (if over 10%)	2012	2011
			(Rupees in '000)	

19. LONG-TERM INVESTMENTS

	Note	Percentage of holding (if over 10%)	2012	2011
Investments in related parties				
Subsidiary:				
SSGC LPG (Private) Limited				
100,000,000 (2011: 5) ordinary shares of Rs.10 each	19.1	100	1,000,000	-
Sui Southern Gas Provident Fund Trust Company (Pvt.) Ltd.				
100 (2011: 100) ordinary shares of Rs. 10 each	19.1	100	1	1
Associate:				
Unquoted company				
Inter State Gas System (Private) Limited				
510,000 (2011: 510,000) ordinary shares of Rs.10 each	19.1 & 19.2	0.28	5,100	5,100
Quoted company - available for sale				
Sui Northern Gas Pipelines Limited (SNGPL)				
2,194,704 (2011: 2,090,195) ordinary shares of Rs.10 each	19.1 & 19.3		37,068	41,637
			1,042,169	46,738
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited				
350,000 (2011: 350,000) ordinary shares of Rs. 10 each	19.1		20,108	28,157
United Bank Limited				
118,628 (2011: 118,628) ordinary shares of Rs. 10 each	19.1		9,298	7,344
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation				
5,000 (2011: 5,000) ordinary shares of Rs. 10 each	19.1		50	50
			29,456	35,551
Provision against impairment in value of investments at cost			(50)	(50)
			29,406	35,501
			1,071,575	82,239

19.1 These companies are incorporated in Pakistan.

19.2 Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise to the Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, are carried out in connection with the service agreement and ISGSL, was allowed under the agreement to recover its cost / expenditure from the Company and SNGPL. Accordingly 51% expenses of ISGSL were borne by the Company. However, the Company continues to bear 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee of the Cabinet.

19.3 Sale of 2,194,704 shares of Sui Northern Gas Pipelines Limited is restricted by the Government of Pakistan due to its privatisation, till further directives.

20. NET INVESTMENT IN FINANCE LEASE

	June 30, 2012		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
		(Rupees in '000)	
Not later than one year	259,425	140,630	118,795
Later than one year and not later than five years	832,218	394,763	437,455
Later than five years	551,897	186,402	365,495
	1,384,115	581,165	802,950
	1,643,540	721,795	921,745

	June 30, 2011		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
		(Rupees in '000)	
Not later than one year	295,325	176,530	118,795
Later than one year and not later than five years	910,703	461,426	449,277
Later than five years	732,837	260,370	472,467
	1,643,540	721,796	921,744
	1,938,865	898,326	1,040,539

20.1 The Company's business is the transmission and distribution of natural gas. For that purpose, the Company entered into agreements with Oil and Gas Development Company Limited, Sui Northern Gas Pipeline Limited and ENI Pakistan Limited to use the Company's transmission pipelines for distribution of gas. The terms of the agreements entered into is for a substantial portion of the useful economic lives of the related assets.

The interest rates used to discount future minimum lease payments under the leases are based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in finance leases. The effective interest rate ranges from 16.05% to 34.00% per annum.

	Note	2012	2011
		(Rupees in '000)	
21. LONG TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	21.1	903	2,596
Less: receivable within one year		(554)	(1,640)
		349	956
Due from other employees	21.1 & 21.2	153,260	145,156
Less: receivable within one year		(29,374)	(27,732)
		123,886	117,424
		124,235	118,380

21.1 Reconciliation of the carrying amount of loans and advances:

	2012		2011	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	2,596	145,156	5,186	138,163
Disbursements	-	43,014	-	43,725
Transfers	28	-	1,189	(1,189)
Repayments	(1,721)	(34,910)	(3,779)	(35,543)
	903	153,260	2,596	145,156

21.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of 6 to 10 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 Company w.e.f. January 1, 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. 2.596 million (2011: Rs. 5.186 million).

	2012	2011
	(Rupees in '000)	

22. STORES, SPARES AND LOOSE TOOLS

	2012	2011
Stores	1,466,148	1,546,629
Spares	746,021	688,952
Stores and spares in transit	26,772	148,989
Loose tools	994	1,089
	2,239,935	2,385,659
Provision against impaired inventory		
Balance as at July 1	(123,095)	(92,141)
Provision made during the year	(36,474)	(30,954)
Balance as at June 30	(159,569)	(123,095)
	2,080,366	2,262,564

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

	2012	2011
Transmission	1,835,879	2,060,835
Distribution	244,487	201,729
	2,080,366	2,262,564

23. STOCK-IN-TRADE

	2012	2011
Gas		
Gas in pipelines	259,688	223,479
Stock of Synthetic Natural Gas	5,513	2,071
	265,201	225,550
Gas meters		
Components	450,496	461,722
Work-in-process	20,086	21,875
Finished meters	52,366	237
	522,948	483,834
Provision against impaired inventory		
Balance as at July 1	(6,664)	(4,586)
Provision made during the year	(1,120)	(2,078)
Balance as at June 30	(7,784)	(6,664)
	515,164	477,170
	780,365	702,720

24. CUSTOMERS' INSTALLATION WORK IN PROGRESS - at cost

This represents cost of work carried out by the Company on behalf of the customers 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 32.2 to these financial statements.

	Note	2012	2011
		(Rupees in '000)	

25. TRADE DEBTS

	Note	2012	2011
Considered good			
- secured		13,145,342	10,457,189
- unsecured		58,595,571	38,725,153
	25.1 & 25.2	71,740,913	49,182,342
Considered doubtful		3,416,032	2,797,394
		75,156,945	51,979,736
Provision against impaired debts	25.3	(3,416,032)	(2,797,394)
		71,740,913	49,182,342

25.1 Trade debts include Rs. 41,805 million (2011: Rs. 29,159 million) unsecured receivables from Karachi Electric Supply Company Limited (KESC). Out of this, Rs. 38,162 million are over due. As per the latest financial statements of KESC for the quarter ended September 30, 2012, its accumulated losses have reached to Rs. 80,082.798 million, and its current liabilities exceeded current assets by Rs. 42,854 million. Management is proactively engaged in negotiating a gas sales agreement, which will include recovery of the above amount as well. In order to expedite the recovery of the outstanding amount, the Company has also filed a law suit against KESC in the High Court of Sindh for recovery of Rs. 45,705 million on November 21, 2012. Management is confident that this amount will be recovered.

Trade debts include Rs. 8,782 million (2011: Rs. 4,214 million) unsecured receivables from Pakistan Steel Mills Corporation (Private) Limited (PSML). Out of this, Rs. 8,337 million is over due. 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.

25.2 Aggregate trade debts due from Karachi Electric Supply Company Limited (KESC), Water and Power Development Authority (WAPDA) and Sui Northern Gas Pipelines Limited (SNGPL) amounted to Rs. 53,396 million as at June 30, 2012 (2011: Rs. 34,995 million), which includes overdue amounts of Rs. 42,567 million (2011: Rs. 28,145 million). Receivable from SNGPL against uniform cost of gas is stated under other receivables amounts to Rs. 9,388 million (2011: Rs. 4,036 million) (refer note 29.2). Interest accrued amounting to Rs. 4,470 million (2011: Rs. 4,160 million) in respect of overdue balances of KESC, JPCL and SNGPL is stated in accrued interest (refer note 28).

As at June 30, 2012, amounts of Rs. 58,919 million (2011: Rs. 41,756 million) (included in creditors for gas in note 15) is payable to OGDCL, Pakistan Petroleum Limited and Government Holding (Private) Limited in respect of gas purchases along with interest of Rs. 15,832 million (2011: Rs. 10,459 million) on their balances.

	2012	2011
	(Rupees in '000)	

25.3 Movement of provision against impaired debts

	2012	2011
Balance as at July 1	2,797,394	2,296,330
Provision for the year	618,638	501,064
Balance as at June 30	3,416,032	2,797,394

	Note	2012	2011
		(Rupees in '000)	

26. LOANS AND ADVANCES - considered good

	Note	2012	2011
Current portion of long term loans:			
- executives	21	554	1,640
- other employees	21	29,374	27,732
		29,928	29,372
Advances to:			
- executives	26.1	7,708	5,940
- other employees		83,122	75,525
		90,830	81,465
Loan to related party	26.2	1,301,000	-
		1,421,758	110,837

26.1 Advances to executives represent the establishment advance, festival advances and travelling advance to the employees according to the terms of employment. These are repayable in ten equal monthly installments and are secured against the retirement benefit balances of the related employees. These are interest free loans and advances.

26.2 During the year the Company has advanced Rs. 1,301 million to SSGC LPG (Private) Limited as unsecured bridge finance carrying markup equal to average borrowing rate of the Company ie 12.33% perannum. The markup and principal are receivable within a year.

	Note	2012	2011
		(Rupees in '000)	

27. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2012	2011
Advances for goods and services - unsecured, considered good		90,771	48,281
Trade deposits - unsecured, considered good		15,362	9,916
Prepayments		74,525	151,644
		180,658	209,841

28. INTEREST ACCRUED

	Note	2012	2011
Interest accrued on late payment of bills / invoices from			
- WAPDA		2,285,770	2,055,783
- KESC		478,723	671,129
- SNGPL		1,705,450	1,432,745
- JJVL		84,225	19,275
		4,554,168	4,178,932
Interest accrued on bank deposits		3,280	5,479
Interest accrued on sales tax refund	5.5	487,739	487,739
Interest accrued on loan to related party		114,342	-
Provision against impaired income		(1,606,361)	(1,198,471)
		3,553,168	3,473,679

	Note	2012	2011
		(Rupees in '000)	

29. OTHER RECEIVABLES - considered good

	Note	2012	2011
Gas development surcharge receivable from GoP	29.1	7,233,443	9,703,340
Receivable from staff pension fund - non executives	39.1	82,733	82,733
Balance receivable for sale of gas condensate		32,304	19,222
Receivable from Sui Northern Gas Pipelines Limited	29.2	9,467,773	4,103,105
Receivable from JJVL	16.1.10	2,571,866	1,888,135
Workers' Profit Participation Fund	29.4	59,912	8,137
Insurance claim receivable		-	144
Sales tax receivable	29.3	5,094,869	3,840,241
Claims receivable		-	757
Pipeline rentals		11,131	22,178
Miscellaneous receivables		137,394	83,747
		24,691,425	19,751,739
Provision against impaired receivables		(538,322)	(1,485)
		24,153,103	19,750,254

29.1 This includes Rs. 390 million (2011: Rs. 216 million) recoverable from the GoP on account of remission of gas receivables from 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 million (2011: Rs. 66 million) and Rs. 9,388 million (2011: Rs. 4,039 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited, refer note 32.1.1 to these financial statements for detail.

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

	2012	2011
	(Rupees in '000)	
29.4 Workers' Profit Participation Fund		
Balance as at July 1	8,137	(369,184)
Amount deposited with the Government / paid to employees	275,000	694,755
Mark-up on funds utilised in the Company's business	-	(25,579)
	283,137	299,992
Amount refunded to the Company	(8,137)	-
Allocation for the year	(215,088)	(291,855)
Balance as at June 30	59,912	8,137

	Note	2012	2011
		(Rupees in '000)	
30. TAXATION - net			
Advance tax		6,326,115	5,857,091
Provision for tax		(4,897,886)	(3,550,986)
		1,428,229	2,306,105
31. CASH AND BANK BALANCES			
Cash at banks			
- deposit accounts		1,305,812	378,877
- current accounts		186,938	698,305
		1,492,750	1,077,182
Cash in hand	31.1	10,214	7,675
		1,502,964	1,084,857

31.1 This includes foreign currency cash in hand amounting to Rs. 0.898 million (2011: Rs. 1.296 million).

	Note	2012	2011
		(Rupees in '000)	
32. COST OF SALES			
Cost of gas	32.1	117,763,432	102,889,971
Transmission and distribution costs	32.2	10,473,250	9,394,362
		128,236,682	112,284,333

32.1 Cost of gas

	Note	2012		2011	
		Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
Gas in pipelines as at July 1		859,518	223,479	896,446	200,005
Gas purchases from:					
Pakistan Petroleum Limited		42,150,208	8,278,570	48,186,822	8,237,391
Oil and Gas Development Company Limited - a related party		23,071,830	6,928,127	6,369,335	5,006,512
BP (Pakistan) Exploration and Production Incorporated		42,067,633	14,041,484	57,194,218	16,486,347
ENI Pakistan Limited		151,812,168	70,603,214	149,910,699	59,848,429
Mari Gas Company Limited		281,817	12,162	281,303	11,465
Sui Northern Gas Pipelines Limited- a related party		1,667,404	675,483	1,430,552	477,778
BHP Petroleum (Pakistan) Private Limited		82,080,009	27,471,600	75,368,788	20,159,256
OMV (Pak) Exploration GmBH		60,919,071	20,944,537	58,962,750	17,493,462
Hycarbex (Ex - Haseeb)		2,501,165	423,525	33,771	5,488
Input sales tax on exempt supplies		-	56,581	-	49,221
		406,551,305	149,435,283	397,738,238	127,775,349
		407,410,823	149,658,762	398,634,684	127,975,354
Gas consumed internally		(1,198,148)	(354,678)	(1,996,262)	(529,037)
Inward price adjustment	32.1.1	-	(31,280,964)	-	(24,332,867)
Gas in pipelines as at June 30		(891,119)	(259,688)	(859,518)	(223,479)
		(2,089,267)	(31,895,330)	(2,855,780)	(25,085,383)
		405,321,556	117,763,432	395,778,904	102,889,971

* Metric Cubic Feet.

32.1.1 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 Company and Sui Northern Gas Pipelines Limited effective from July 1, 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 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.

32.1.2 UFG in parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the Company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. While it is almost impossible to estimate the amount of gas theft in UFG, it is estimated that it is a significant percentage of the total UFG. The UFG for each region of the Company network in terms of volume and percentage is given below:

Region wise break up of UFG

Sr. No.	Region	Number of Customers	UFG Volume MMCF	UFG % (2012)	UFG % (2011)
1	Karachi	1,618,815	20,043	6.78%	5.38%
	Interior Sindh				
2	- Hyderabad	327,729	4,032	8.25%	9.22%
3	- Sukkur	118,311	1,879	19.52%	19.29%
4	- Nawabshah	88,306	2,153	24.77%	21.37%
5	- Larkana	111,586	2,557	25.79%	29.66%
6	Balochistan	224,370	13,158	39.68%	37.33%
	Total	2,489,117	43,822	10.80%	9.43%

SSGC is taking a number of measures to control and reduce UFG. These are elaborated below:

- Vigilance for identification of theft cases, illegal networks and necessary remedial measures thereafter.
- Measurement errors identification and rectification ; and
- Above ground and underground leakage identification and rectification.

The Company's actions are likely to be more effective with the cooperation of various stakeholders and law enforcement agencies.

Actual UFG for the year ended June 30, 2012 is 10.80% (2011: 9.43%) against which OGRA has restricted UFG to 7% due to stay order granted by Sindh High Court.

	Note	2012	2011
		(Rupees in '000)	

32.2 Transmission and distribution costs

	Note	2012	2011
Salaries, wages and benefits		4,950,882	4,435,876
Contribution / accruals in respect of staff retirement benefit schemes	32.2.1	965,676	625,723
Depreciation on operating assets	17.6	3,386,807	2,999,235
Repairs and maintenance		821,653	707,213
Stores, spares and supplies consumed		628,816	517,037
Gas consumed internally		354,678	529,037
Legal and professional charges		128,404	84,441
Software maintenance		22,381	56,384
Electricity		67,075	56,830
Security expenses		231,321	213,033
Insurance and royalty		75,545	76,806
Travelling		40,287	73,721
Material and labor used on consumers' installation		43,061	69,730
Postage and revenue stamps		1,878	1,563
Rent, rates and taxes		43,699	37,143
Others		195,903	220,513
		11,958,066	10,704,285
Recoveries / allocations to:			
Gas distribution system capital expenditure		(1,137,715)	(963,612)
Installation costs recovered from customers		(58,407)	(100,992)
		(1,196,122)	(1,064,604)
(Recoveries) / refund of service cost from / to			
- Sui Northern Gas Pipeline Limited - related party		(227,210)	(211,450)
- Oil and Gas Development Company Limited - related party		(35,083)	(22,496)
- Other customers		(26,401)	(11,373)
		(288,694)	(245,319)
		10,473,250	9,394,362

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

	2012	2011
Contributions to the provident fund	131,002	115,498
Charge in respect of pension funds:		
- executives	265,339	-
- non executives	4,727	-
Charge in respect of gratuity funds:		
- executives	106,353	100,515
- non executives	48,472	117,188
Accrual in respect of unfunded post retirement:		
- medical facility	297,078	235,222
- gas facility	6,072	3,573
Accrual in respect of compensated absences		
- executives	74,977	86,740
- non executives	31,656	(33,013)
	965,676	625,723

	Note	2012	2011
		(Rupees in '000)	

33. ADMINISTRATIVE AND SELLING EXPENSES

	Note	2012	2011
Administrative expenses	33.1	3,003,186	2,108,500
Selling expenses	33.2	1,026,788	973,210
		4,029,974	3,081,710

33.1 Administrative expenses

	Note	2012	2011
Salaries, wages and benefits		1,043,971	915,486
Contribution / accruals in respect of staff retirement benefit schemes	33.1.1	84,656	50,807
Depreciation on operating assets	17.6	168,532	168,796
Amortisation of intangible assets	18	13,377	7,234
Provision against impaired debts and other receivables		1,155,474	501,064
Bad debts written off		-	85,128
Repairs and maintenance		99,421	96,759
Stores, spares and supplies consumed		44,429	47,199
Legal and professional		64,838	73,494
Software maintenance		64,505	21,084
Electricity		7,974	28,449
Security expenses		4,721	4,348
Insurance and royalty		6,334	6,002
Travelling		48,542	11,654
Postage and revenue stamps		49,903	67,905
Rent, rates and taxes		64,599	3,758
Others		120,234	53,108
		3,041,510	2,142,275
Allocation to meter manufacturing division	36.2	(38,324)	(33,775)
		3,003,186	2,108,500

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

	Note	2012	2011
Contribution to the provident fund		28,515	26,563
(Reversal) / charge in respect of pension funds:			
- executives		34,621	-
- non executives		210	-
Charge in respect of gratuity funds:			
- executives		19,179	18,886
- non executives		2,131	5,358
		84,656	50,807

	Note	2012	2011
			(Rupees in '000)

33.2 Selling expenses

	Note	2012	2011
Salaries, wages and benefits		632,791	607,427
Contribution / accruals in respect of staff retirement benefit schemes		64,327	53,584
Depreciation on operating assets	17.6	9,336	8,702
Repairs and maintenance		3,272	7,494
Stores, spares and supplies consumed		25,429	23,065
Meter reading by contractors		55,148	39,072
Electricity		42,633	32,458
Insurance and royalty		517	439
Travelling		1,158	1,484
Gas bills collection charges		166,069	164,173
Postage and revenue stamps		506	238
Rent, rates and taxes		16,310	22,646
Others		9,292	12,428
		1,026,788	973,210

34. OTHER OPERATING EXPENSES

	Note	2012	2011
Auditors' remuneration			
- Statutory audit		3,000	1,500
- Fee for other audit related services		1,200	1,200
- Fee for taxation services		17,971	17,700
- Out of pocket expenses		673	992
		22,844	21,392
Workers' Profit Participation Fund	29.4	215,088	291,855
Sports expenses		22,046	19,684
Corporate social responsibility		31,324	35,905
Loss on disposal of property, plant and equipment	17.7	3,192	3,082
Provision against impaired stores and spares		50,179	40,832
Provision against impaired income		407,890	1,198,471
Exchange loss on payment of gas purchases		965,200	33,920
		1,717,763	1,645,141

35. OTHER OPERATING INCOME

	Note	2012	2011
Income from other than financial assets			
Meter rentals		643,444	614,514
Recognition of income against deferred credit		387,041	368,867
Income from new service connections		435,771	609,940
Gas shrinkage charged to JJVL		1,713,156	1,993,809
Income from gas transportation		28,816	35,600
Income from LPG air mix distribution - net	35.1	60,271	47,093
Recoveries from consumers		44,925	45,153
Liquidated damages recovered		9,666	12,707
Advertising income		6,687	6,306
Income from sale of tender documents		1,624	1,581
Scrap sales		1,670	4,253
Miscellaneous		15,298	13,971
		3,348,369	3,753,794
Income from investment in debts, loans, advances and receivables from related party			
Contingent rental income - Sui Northern Gas Pipelines Limited		9,855	6,113
		3,358,224	3,759,907

	Note	2012	2011
		(Rupees in '000)	
35.1 Income from LPG air mix distribution - net			
Sales		9,008	1,709
Cross subsidy		251,345	99,825
Cost of sales		(143,495)	(24,397)
Gross profit		116,858	77,137
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(11,977)	(8,522)
Depreciation expenses		(36,524)	(22,315)
Other operating expenses		(23,442)	(7,240)
		(71,943)	(38,077)
Amortisation of deferred credit		14,010	7,703
Other income		1,346	330
Profit for the year		60,271	47,093

36. OTHER NON-OPERATING INCOME

	Note	2012	2011
Income from financial assets			
Late payment surcharge		2,439,210	1,625,198
Income from net investment in finance lease		62,264	55,035
Interest income on loan to related party		114,342	-
Return on:			
- term deposits and profit and loss bank accounts		237,831	109,508
- staff loans		283	927
		2,853,930	1,790,668
Interest income on late payment of gas bills from			
- Karachi Electric Supply Corporation		5,254,835	3,561,930
- Jamshoro Joint Venture Limited (JJVL)		91,169	79,478
- Water & Power Development Authority (WAPDA)		229,987	828,981
- Sui Northern Gas Pipelines Limited (SNGPL)		272,704	639,155
		5,848,695	5,109,544
Dividend income		1,534	593
		8,704,159	6,900,805
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipelines Limited		2,090	4,180
Income from net investment in finance lease	36.1	125,326	137,936
		127,416	142,116
Others			
Sale of gas condensate		166,248	244,843
Royalty income from JJVL		2,141,129	2,590,269
Meter manufacturing division profit - net	36.2	201,409	149,881
		2,508,786	2,984,993
		11,340,361	10,027,914

36.1 This income is receivable from SNGPL and OGDCL amounting to Rs. 122.916 million (2011: Rs. 134.268 million) and Rs. 2.410 million (2011: Rs. 3.668 million) respectively.

	Note	2012	2011
		(Rupees in '000)	

36.2 Meter manufacturing division profit - net

	Note	2012	2011
Gross sales of gas meters			
- Company's consumption		751,052	800,161
- Outside sales		1,543,487	1,246,971
		2,294,539	2,047,132
Sales tax		(330,280)	(306,443)
Special excise duty		-	(24,970)
Net sales		1,964,259	1,715,719
Cost of sales			
- Raw material consumed		1,422,093	1,205,165
- Stores and spares		5,150	7,767
- Fuel, power and electricity		10,919	9,675
- Salaries wages and other benefits	36.2.2	321,056	275,535
- Insurance		741	793
- Repairs and maintenance		5,664	15,034
- Depreciation		7,886	7,849
- Other expenses		1,358	4,162
		1,774,867	1,525,980
Opening work in process		21,875	10,742
Closing work in process		(20,086)	(21,875)
		1,789	(11,133)
Cost of goods manufactured		1,776,656	1,514,847
Opening stock of finished goods		236	24,522
Closing stock of finished goods		(52,366)	(236)
		(52,130)	24,286
Cost of goods sold		(1,724,526)	(1,539,133)
Gross profit		239,733	176,586
Administrative expenses	33.1	(38,324)	(33,775)
Operating profit		201,409	142,811
Other income		-	7,070
Net profit		201,409	149,881

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

		2012	2011
36.2.2	Salaries, wages and other benefits	313,082	267,675
	Provident fund contribution	3,653	3,246
	Pension fund	1,779	-
	Gratuity	2,542	4,614
		321,056	275,535

	Note	2012	2011
		(Rupees in '000)	

37. FINANCE COST

	Note	2012	2011
Mark-up on:			
- loans from banking companies		2,108,886	1,988,715
- short term financing		302,774	418,047
- consumers' deposits		163,733	123,576
- Workers' Profit Participation Fund	29.4	-	25,579
- delayed payment on gas bills		5,349,636	3,831,596
- others		22,411	30,481
		7,947,440	6,417,994
Less: Finance cost capitalised during the year		(415,729)	(631,872)
		7,531,711	5,786,122

38. TAXATION

	2012	2011
Current tax	1,528,201	1,325,123
Deferred tax	(84,933)	633,001
	1,443,268	1,958,124
Prior year	62,155	(1,162,837)
	1,505,423	795,287

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

	2012	2011
Accounting profit for the year	4,086,666	5,519,675
Tax rate	35%	35%
Tax charge @ 35% (2011: 35%)	1,430,333	1,931,886
Tax effect of expenses that are not deductible in determining taxable profit	13,841	27,431
Effect of lower tax rate on dividend income	(906)	(1,193)
	1,443,268	1,958,124

39. STAFF RETIREMENT BENEFITS

39.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.16 to these financial statements, the 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 June 30, 2012 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:

Number of employees under the schemes

The number of employees covered under the following defined benefit schemes / plans are:

	2012		2011	
	Executives	Non-executives	Executives	Non-executives
Pension fund	105	44	101	44
Gratuity fund	2,661	4,861	2,653	4,937
	2,766	4,905	2,754	4,981

	2012			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(889,311)	(1,831,098)	(255,016)	(2,225,114)
Present value of defined benefit obligation	527,513	3,154,845	8,560	2,107,255
Net (surplus) / deficit	(361,798)	1,323,747	(246,456)	(117,859)
Amount payable / (receivable) against Company's liability	(39,000)	39,000	-	-
Unrecognised actuarial gain / (loss)	400,798	(1,362,747)	163,723	117,859
	-	-	(82,733)	-
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2011	527,423	2,431,572	9,028	1,912,522
Current service cost	25,023	176,622	-	100,914
Interest cost	74,558	430,424	1,189	265,781
Actuarial loss / (gain)	(79,085)	577,323	(755)	(68,245)
Benefits paid	(20,406)	(461,096)	(902)	(103,717)
Obligation as at June 30, 2012	527,513	3,154,845	8,560	2,107,255
Changes in fair value of plan assets				
Fair value as at July 1, 2011	850,752	1,564,906	424,263	1,683,813
Expected return on plan assets	92,194	173,413	57,203	222,853
Net actuarial (loss) / gain	16,711	33,280	(28,781)	156,235
Benefits paid	(20,406)	(461,096)	(902)	(103,717)
Contribution to fund	328,922	141,733	6,154	63,009
Amount transferred (out) / in	(378,862)	378,862	(202,921)	202,921
Fair value as at June 30, 2012	889,311	1,831,098	255,016	2,225,114

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:

	2012			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Asset as at July 1, 2011	-	-	(82,733)	-
Expense recognised for the year	328,922	141,733	6,154	63,009
Contribution to the fund / benefits paid	(328,922)	(141,733)	(6,154)	(63,009)
(Asset) in unconsolidated balance sheet	-	-	(82,733)	-

Expense recognised in the unconsolidated profit and loss account

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

	2012			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	25,023	176,622	-	100,914
Mark-up cost	74,558	430,424	1,189	265,781
Expected return on plan assets	(92,194)	(173,413)	(57,203)	(222,853)
Recognition of actuarial (gain) / loss	(18,327)	47,962	(18,665)	-
Amount transferred out / (in)	339,862	(339,862)	80,833	(80,833)
	328,922	141,733	6,154	63,009
Composition / fair value of plan assets used by the fund				
Equity	24.2%	29.6%	8.6%	29.2%
Debt instruments	75.8%	70.4%	91.4%	70.8%
Actual return on plan assets is as follows:				
Expected return on plan assets	92,194	173,413	57,203	222,853
Actuarial gain / (loss) on plan assets	16,711	33,280	(28,781)	156,235
Actual return on plan assets	108,905	206,693	28,422	379,088

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(850,752)	(1,564,906)	(424,263)	(1,683,813)
Present value of defined benefit obligation	527,423	2,431,572	9,028	1,912,522
Net (surplus) / deficit	(323,329)	866,666	(415,235)	228,709
Amount payable / (receivable) against Company's liability	-	-	122,088	(122,088)
Unrecognised actuarial gain / (loss)	323,329	(866,666)	210,414	(106,621)
	-	-	(82,733)	-
Changes in present value of defined benefit obligation				
Obligation as at July 1, 2010	450,216	2,114,380	6,029	2,221,574
Current service cost	23,001	119,212	-	125,880
Interest cost	58,133	258,703	725	282,979
Actuarial loss / (gain)	39,342	274,042	3,214	(600,556)
Benefits paid	(43,269)	(334,765)	(940)	(117,355)
Obligation as at June 30, 2011	527,423	2,431,572	9,028	1,912,522

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Changes in fair value of plan assets				
Fair value as at July 1, 2010	928,384	1,480,260	382,195	1,564,495
Expected return on plan assets	123,320	203,245	50,641	211,779
Net actuarial gain	(39,180)	(37,489)	(7,633)	(117,420)
Benefits paid	(43,269)	(334,765)	(940)	(117,355)
Contribution to fund	-	135,152	-	142,314
Amount transferred (out) / in	(118,503)	118,503	-	-
Fair value as at June 30, 2011	850,752	1,564,906	424,263	1,683,813

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:

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Asset as at July 1, 2010	-	-	(82,733)	(10,247)
(Income) / Expense recognised for the year	-	135,152	-	152,561
Contribution to the fund / benefits paid	-	(135,152)	-	(142,314)
(Asset) in unconsolidated balance sheet	-	-	(82,733)	-

Expense recognised in the unconsolidated profit and loss account

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

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	23,001	119,212	-	125,880
Mark-up cost	58,133	258,703	725	282,979
Expected return on plan assets	(123,320)	(203,245)	(50,641)	(211,779)
Recognition of actuarial (gain) / loss	(23,770)	26,438	(22,880)	28,277
Amount transferred out / (in)	65,956	(65,956)	72,796	(72,796)
	-	135,152	-	152,561

Composition of plan assets used by the fund

Equity	6.8%	2.8%	2.9%	6.0%
Debt instruments	93.2%	97.2%	97.1%	94.0%

	2011			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Actual return on plan assets is as follows:				
Expected return on plan assets	123,320	203,245	50,641	211,779
Actuarial (loss) / gain on plan assets	(39,180)	(37,489)	(7,633)	(117,420)
Actual return on plan assets	84,140	165,756	43,008	94,359

	2012	2011	2010	2009	2008
			(Rupees in '000)		
Historical information					
Pension - Executives					
Present value of defined benefit obligation	527,513	527,423	450,216	288,113	542,423
Fair value of planned assets	(889,311)	(850,752)	(928,384)	(910,450)	(810,985)
Surplus	(361,798)	(323,329)	(478,168)	(622,337)	(268,562)
Amount payable against Company's liability	(39,000)	-	52,547	-	-
Unrecognised past service cost	-	-	-	-	(42,474)
Unrecognised actuarial gain	400,798	323,329	425,621	621,976	311,988
(Asset) / liability in unconsolidated balance sheet	-	-	-	(361)	952
Experience adjustment arising on plan liabilities losses / (gains)	(79,085)	39,342	129,098	(308,268)	6,177
Experience adjustment arising on plan assets (losses) / gains	16,711	(39,180)	(23,013)	24,809	14,784
Historical information					
Gratuity - Executives					
Present value of defined benefit obligation	3,154,845	2,431,572	2,114,380	1,725,098	1,704,055
Fair value of plan assets	(1,831,098)	(1,564,906)	(1,480,260)	(1,469,949)	(1,377,554)
Deficit / (surplus)	1,323,747	866,666	634,120	255,149	326,501
Amount receivable against Company's liability	39,000	-	(52,547)	-	-
Unrecognised past service gain	-	-	-	-	89,614
Unrecognised actuarial loss	(1,362,747)	(866,666)	(581,573)	(255,240)	(442,562)
Asset in unconsolidated balance sheet	-	-	-	(91)	(26,447)
Experience adjustment arising on plan liabilities losses / (gains)	577,323	274,042	339,352	(115,250)	263,307
Experience adjustment arising on plan assets (losses) / gains	33,280	(37,489)	4,746	44,856	2,651
Pension - Non Executives					
Present value of defined benefit obligation	8,560	9,028	6,029	6,114	6,592
Fair value of planned assets	(255,016)	(424,263)	(382,750)	(435,232)	(402,327)
Surplus	(246,456)	(415,235)	(376,721)	(429,118)	(395,735)
Amount payable against Company's liability	-	122,088	49,292	-	-
Unrecognised actuarial gain	163,723	210,414	244,696	260,385	261,229
Asset in unconsolidated balance sheet	(82,733)	(82,733)	(82,733)	(168,733)	(134,506)
Experience adjustment arising on plan liabilities losses / (gains)	(755)	3,214	(184)	622	1,424
Experience adjustment arising on plan assets (losses) / gains	(28,781)	(7,633)	8,223	14,319	12,655

	2012	2011	2010	2009	2008
			(Rupees in '000)		
Historical information					
Gratuity - Non Executives					
Present value of defined benefit obligation	2,107,255	1,912,522	2,221,574	1,445,153	1,279,964
Fair value of planned assets	(2,225,114)	(1,683,813)	(1,564,495)	(1,539,886)	(1,319,485)
(Deficit) / surplus	(117,859)	228,709	657,079	(94,733)	(39,521)
Amount receivable against Company's liability	-	(122,088)	(49,292)	-	-
Unrecognised actuarial (loss) / gain	117,859	(106,621)	(618,034)	94,733	61,938
Liability in unconsolidated balance sheet	-	-	(10,247)	-	22,417
Experience adjustment arising on plan liabilities (gains) / losses	(68,245)	(600,556)	686,438	40,636	164,275
Experience adjustment arising on plan assets (losses) / gains	156,235	(117,420)	(26,329)	73,431	(157,681)

Significant actuarial assumptions

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

	Executives and Non-Executives	
	(%)	(%)
Discount rate	13.50	14.00
Expected rate of increase in salary level	11.50	11.50
Expected rate of return on plan assets	12.00	13.50
Increase in pension	6.50	7.00

39.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.16 to these financial statements the Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after December 31, 2000. The latest valuations of the liability under these schemes were carried out as at June 30, 2012 under the projected unit current cost method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,661 (2011: 2,653).

	June 30, 2012		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in unconsolidated balance sheet			
Projected benefit obligation	1,694,729	44,150	1,738,879
Unrecognised actuarial (loss) / gain	(22,287)	12,980	(9,307)
	1,672,442	57,130	1,729,572

Movement in net liability recognised

	June 30, 2012	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2011	1,422,111	54,669
Charge for the year	297,078	6,072
Payments during the year	(46,747)	(3,611)
Liability as at June 30, 2012	1,672,442	57,130

Expense recognised in the unconsolidated profit and loss account

Current service cost	82,572	6,366
Mark-up cost - net	214,506	-
Amortisation of actuarial gain	-	(294)
	297,078	6,072

Liability in unconsolidated balance sheet

	June 30, 2011		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Projected benefit obligation	1,519,539	47,290	1,566,829
Unrecognised actuarial (loss) / gain	(97,428)	7,379	(90,049)
	1,422,111	54,669	1,476,780

Movement in net liability recognised

	June 30, 2011	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movements in net liability recognised during the year are as follows:		
Liability as at July 1, 2010	1,215,985	53,774
Charge for the year	238,126	4,713
Payments during the year	(32,000)	(3,818)
Liability as at June 30, 2011	1,422,111	54,669

Expense recognised in the unconsolidated profit and loss account

Current service cost	74,910	-
Mark-up cost - net	163,216	5,354
Amortisation of actuarial gain	-	(641)
	238,126	4,713

Significant actuarial assumptions

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

	Executives 2012 (%)	Executives 2011 (%)
Discount rate	13.5	14.0
Medical inflation rate	10.0	10.5
Gas inflation rate	10.5	11.0

Medical facility - Executives

	2012	2011	2010	2009	2008
	(Rupees in '000)				
Present value of defined benefit obligation	1,694,729	1,519,539	1,243,878	1,065,142	970,936
Fair value of planned assets	-	-	-	-	-
Deficit	1,694,729	1,519,539	1,243,878	1,065,142	970,936
Unrecognised actuarial (loss) / gain	(22,287)	(97,428)	(27,893)	294	(48,777)
Liability in unconsolidated balance sheet	1,672,442	1,422,111	1,215,985	1,065,436	922,159
Experience adjustment arising on plan liabilities losses/(gains)	69,535	69,535	28,187	(49,097)	56,148
Experience adjustment arising due to change of basis	-	-	-	-	6,363

Gas facility - Executives

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	44,150	47,290	43,639	41,395	39,208
Unrecognised actuarial gain	12,980	7,379	10,135	11,185	12,733
Liability in unconsolidated balance sheet	57,130	54,669	53,774	52,580	51,941
Experience adjustment arising on plan liabilities losses	2,115	2,115	345	668	4,208
Experience adjustment arising due to change of basis	-	-	-	-	477

40. EARNINGS PER SHARE - BASIC AND DILUTED

		2012	2011 (Restated)
Profit after taxation	Rupees in '000	2,581,243	4,724,388
Average number of ordinary shares	Number of shares	880,916,309	880,916,309
Earnings per share - basic and diluted	Rupees	2.93	5.36

	Note	2012	2011
		(Rupees in '000)	

41. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS

	Note	2012	2011
Provisions	41.1	2,565,002	2,411,682
Depreciation		3,609,085	3,206,899
Amortization of intangibles		13,377	7,234
Finance cost		7,531,711	5,786,122
Amortization of transaction cost		6,035	5,348
Recognition of income against deferred credit		(401,052)	(178,927)
Dividend income		(3,624)	(4,773)
Late payment surcharge and return on term deposits		(6,201,151)	(5,219,979)
Income from net investment in finance lease		(187,590)	(192,971)
Loss on disposal of property plant and equipment		3,192	3,082
Increase / (Decrease) in long term advances		600,133	(163,714)
Employee benefits refund		(50,358)	(35,818)
Service charges received from new customers		218,897	708,175
Long term deposits received - net		538,048	649,334
Long term loans and advances to staff - net		(15,776)	(22,443)
Late payment surcharge and return on term deposits received		5,713,772	3,382,124
		13,939,701	10,341,375

41.1 Provisions

		2012	2011
Provision against slow moving / obsolete stores		51,299	42,911
Provision against doubtful debts		1,155,475	501,064
Bad debts written off		-	85,128
Provision for compensated absences		107,370	53,556
Provision for post retirement medical and free gas supply facilities		303,150	242,839
Provision for retirement benefits		539,818	287,713
Provision against impaired income		407,890	1,198,471
		2,565,002	2,411,682

42. WORKING CAPITAL CHANGES

		2012	2011
(Increase) / decrease in current assets			
Stores and spares		145,724	(256,159)
Stock-in-trade		(78,765)	(249,383)
Consumers' installation work in progress		(17,280)	(16,232)
Trade debts		(23,177,209)	(5,952,867)
Trade deposits and short term prepayments		29,183	(26,897)
Other receivables		(4,939,686)	(2,332,590)
		(28,038,033)	(8,834,128)
Increase in current liabilities			
Trade and other payables		23,256,132	11,150,568
		(4,781,901)	2,316,440

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to Chief Executive, Directors and Executives of the Company are given below:

	June 30, 2012		June 30, 2011	
	Chief Executives	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	9,747	1,431,305	7,741	984,442
Housing	4,213	553,690	3,458	390,287
Utilities	936	123,042	768	86,730
Retirement benefits	785	274,273	75	118,376
Bonus	-	-	1,725	-
	15,681	2,382,310	13,767	1,579,835
Number	1	1,247	1	980

43.1 The Chairman, Chief Executive and certain executives are also provided the Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Company was paid Rs. 0.300 million (2011: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

43.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.062 million (2011: Rs. 0.067 million for 14 directors and the chairman).

44. CAPACITY AND ACTUAL PERFORMANCE

44.1 Natural gas transmission

	June 30, 2012		June 30, 2011	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	524,844	147,868,761	510,594	143,853,987
Utilisation - volume of gas transmitted	408,030	114,957,760	397,144	111,890,755
Capacity utilisation factor (%)	77.7	77.7	77.8	77.8

44.2 Natural gas distribution

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

44.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 675,521 meters (2011: 612,903 meters) against an annual capacity of 356,000 meters on a single shift basis.

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefits plans and the Company's directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2012	2011
		(Rupees in '000)	
Askari Bank Limited	Associate		
- Profit on investment		27,016	7,983
- Mark up on short term finance		30,197	34,876
- Mark up on local currency finance		234,196	126,686
Bank Al-Habib Limited	Associate		
- Profit on investment		5,759	5,137
- Mark up on short term finance		43,732	57,347
- Mark up on long term finance		191,702	24,007
Fauji Fertilizer Company Limited	Associate		
- Sale of gas		5	8
Habib Metropolitan Bank Limited	Associate		
- Profit on investment		3,076	2,913
- Mark up on short term finance		553	7,803
- Mark up on long term finance		44,191	57,123
Hydrocarbon Development Institute of Pakistan	Associate		
- Gas sales		19,364	14,552
Inter State Gas System (Private) Limited	Associate		
- Sharing of expenses		56,297	73,568
International Industries Limited	Associate		
- Line Pipe Purchases		566,981	1,479,838
- Sale of gas		952,455	723,835
Liaquat National Hospital	Associate		
- Medical services		51,268	44,241
- Gas sales		74,230	58,824
Mari Gas Company Limited	Associate		
- Gas purchases		163,042	2,481
Minto & Mirza	Associate		
- Professional charges		10,550	24,900

	Relationship	2012	2011
		(Rupees in '000)	
Oil and Gas Development Company Limited	Associate		
- Principal portion of lease rental		9,452	8,635
- Gas purchases		32,618,731	29,352,974
Packages Limited	Associate		
- Gas sales		10,130	8,083
Pak Suzuki Motor Company Limited	Associate		
- Motor Vehicle Purchases		71,994	120,927
- Sale of gas		54,888	26,418
Pakistan Cables Limited	Associate		
- Gas sales		63,105	51,174
Pakistan State Oil Company Limited	Associate		
- Purchase of fuel and lubricant		38,622	53,025
- Gas slaes		23,816	16,046
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		434	1,800
Quality Aviation (Private) Limited	Associate		
- Travelling services		48,559	26,837
Remuneration of key management personnel			
- Executive staff		116,621	95,074
Siemens Pakistan Engineering Limited	Associate		
- Supplies and maintenance		18	73
- Gas sales		6,306	1,417
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long term investments		1,000,000	-
- Short term loan		1,301,000	-
- Interest on loan		114,342	-
- Purchase of LPG		23,664	-
State Life Insurance Corporation Limited	Associate		
- Rent of premises		4,526	2,259
- Insurence premium		14,338	13,018
Qaim Automotive Manufacturing (Private) Limited	Associate		
- Gas sales		126	1,152

	Relationship	2012	2011
		(Rupees in '000)	
Sui Northern Gas Pipeline Limited	Associate		
- Principal portion of lease rental		65,269	65,259
- Dividend Income		2,090	4,180
- Sale of gas meters		1,325,731	1,242,078
Thatta Cement Company Limited	Associate		
- Gas sales		82,044	169,297
U.G Foods Company (Private) Limited	Associate		
- Gas sales		13,918	9,480

Sale of gas meters is made at cost plus method. The 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 10, 14, 29 and 39 to these financial statements.

Remuneration to the executive officers of the Company (disclosed in note 43 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 Company is received at rates prescribed by the Government of Pakistan.

45.1 Amount (due to) / receivable from related parties

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

	Relationship	2012	2011
		(Rupees in '000)	
Askari Bank Limited	Associate		
- Long term finance		(1,689,000)	(1,755,667)
- Cash at bank		2,310	56,925
Bank Al-Habib Limited	Associate		
- Long term finance		(541,778)	(625,333)
- Cash at bank		98,698	88,933
Habib Metropolitan Bank Limited	Associate		
- Long term finance		(225,566)	(392,667)
- Cash at bank		4,871	7,333
Hydrocarbon Development Institute of Pakistan	Associate		
- Gas sales		2,883	1,690
International Industries Limited	Associate		
- Gas sales		85,717	62,058

	Relationship	2012	2011
		(Rupees in '000)	
Liaquat National Hospital	Associate		
- Gas sales		8,313	6,279
Oil and Gas Development Company Limited	Associate		
- Gas purchases		(35,266,701)	(26,583,482)
Packages Limited	Associate		
- Gas sales		991	623
Pak Suzuki Motor Company Limited	Associate		
- Gas sales		3,454	2,361
Pakistan Cables Limited	Associate		
- Gas sales		6,309	4,909
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long term investments		1,000,000	-
- Short term loan		1,301,000	-
- Interest on loan		114,342	-
- Purchase of LPG		9,002	-
Sui Northern Gas Pipeline Limited	Associate		
- Lease rentals		78,743	65,987
- Sale of gas meters		84,006	25,662
- Cost of gas levelisation		9,387,759	4,037,499
Thatta Cement Company Limited	Associate		
- Gas sales		431	28,077
U.G Foods Company (Private) Limited	Associate		
- Gas sales		1,177	827

46. FINANCIAL RISK MANAGEMENT

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

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

- Credit risk
- Liquidity risk
- Market risk

46.1 Credit risk

Credit risk is the risk that one party to a financial instrument 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. Incase 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 Company continuously monitors the credit given to the consumers and interest accrued thereon and has established a dedicated recovery department for follow-up 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 Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counterparties.

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:

	2012	2011
	(Rupees in '000)	
Trade debts	71,740,913	49,182,342
Net investment in finance lease	921,745	1,040,539
Loans and advances	1,545,993	229,217
Deposits	18,612	13,166
Bank balances	1,492,750	1,077,258
Interest accrued	3,065,429	2,985,942
Other receivables	12,072,146	6,258,124
	90,857,588	60,786,588

46.1.1 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 amount of security held at year end is as follows:

	2012	2011
	(Rupees in '000)	
Cash Deposits	4,602,061	4,126,110
Bank Guarantee	15,492,056	13,835,932
Total	20,094,117	17,962,042

46.1.2 Credit Quality

The 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 46.1.3 below:

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

Banks	Rating Agency	Rating	
		Short Terms	Long Terms
National Bank of Pakistan Limited	JCR-VIS	A1+	AAA
Allied Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	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+
Barclays Bank Limited	Standard & Poor's	A1	AA-
Askari Bank Limited	PACRA	A1+	AA
The Bank of Punjab Limited	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	BBB+
Summit Bank Limited	JCR - VIS	A2	A

46.1.3 Past due and impaired financial assets

Industrial and commercial customers

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

	2012		2011	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	15,305,400	-	10,388,275	-
Past due but not impaired	39,476,299	-	28,145,349	-
Past due and impaired	11,508,898	647,659	6,484,362	278,444
Disconnected customers	471,451	412,259	475,535	364,373
Total	66,762,048	1,059,918	45,493,521	642,817

Past due balances include aggregate over due balances of KESC and JPCL amounting to Rs. 39,458 million and are subject to inter corporate circular debt of government entities and KESC. (refer note No.25.2)

The Company has collateral / security against industrial and commercial consumers amounting to Rs. 18,785 million (2011: Rs. 16,728 million) 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 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 customers

The age analysis of trade debt balances relating to domestic customers at year end is as follows:

	2012		2011	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	1,163,002	-	1,022,130	-
Past due but not impaired				
Past due 1 - 6 month	1,500,276	-	661,490	-
Past due and impaired				
Past due 7 -9 months	443,092	87,819	375,758	87,819
Past due 10-12 months	300,323	61,526	215,356	61,526
Past due 13-18 months	748,328	188,648	657,908	188,648
Past due 19-24 months	418,362	79,392	298,010	79,392
Past due Over 2 years	1,859,123	224,400	1,788,474	242,481
	3,769,228	641,785	3,335,506	659,866
Disconnected customers	1,962,391	1,714,328	1,467,186	1,329,384
Total	8,394,897	2,356,113	6,486,312	1,989,250

The Company has collateral / security against domestic customers amounting to Rs. 1,309 million (2011: Rs. 1,234 million) and replenish such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due.
Based on the past experience, consideration of financial position, past track records and recoveries, the provision against past due but not impaired domestic customers is made based on the study carried out by an independent management consultant.

Interest accrued

As at June 30, 2012 interest accrued was Rs. 3,065 million (2011: Rs. 2,986 million). Interest accrued mainly on consumers' balances past due / over due balances. Interest on past due balances includes aggregate over due balances of KESC, WAPDA and SNGPL amounting to Rs. 4,470 million (2011: 4,160 million), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note No.25.2)

Other receivables

As at June 30, 2012 other receivable financial assets amounted to Rs. 12,072 million (2011: Rs. 6,258 million). Past due other receivables amounting to Rs. 9,388 million (2011: Rs. 4,036 million) include over due balances of SNGPL amounting to Rs. 3,190 (2011: Rs. Nil), recovery of which is subject to inter corporate circular debt of government entities and KESC. (refer note 25.2)

46.1.4 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 Company'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 Company is as follows:

Trade debts

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

	2012	2011
	(Rupees in '000)	
Power Generation Companies	43,839,449	30,958,565
Cement Industries	33,827	163,399
Fertilizer and Steel Industries	9,589,856	4,593,572
Other Industries	13,439,875	7,768,267
Total industrial customers	66,903,007	43,483,803
Commercial customers	690,022	846,721
Domestic customers	4,147,884	4,851,818
	71,740,913	49,182,342

At year end the Company's most significant customers were KESC and WAPDA which amounted to Rs. 41,805 million (2011: Rs. 29,160 million) and Rs. 2,203 million (2011: Rs. 1,799 million) respectively. These balances have aggregated due to inter corporate circular debt. (Refer note 25.2 to these financial statements).

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

	2012	2011
	(Rupees in '000)	
Karachi	62,703,500	42,988,261
Sindh (excluding Karachi)	6,143,846	4,604,143
Balochistan	2,893,567	1,589,938
	71,740,913	49,182,342

Net investment in finance lease

The Company's most significant investment in finance lease amounted to Rs. 692 million (2011: Rs. 757 million) in respect of SNGPL.

Interest accrued

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

Other receivables

Most significant other receivables of the Company 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 as explained in note 25.2 to these financial statements.

46.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company 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 Company'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 Company's reputation. Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

The table below analysis the Company'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.

	2012					
	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	21,542,645	(28,840,998)	(3,087,737)	(2,280,225)	(5,526,944)	(17,946,092)
Trade and other payables	81,483,345	(81,483,345)	(81,483,345)	-	-	-
Interest and mark-up accrued	16,197,115	(16,197,115)	(16,197,115)	-	-	-
Long term deposits	4,600,424	(11,084,381)	(81,049)	(81,049)	(162,099)	(10,760,184)
	123,823,529	(137,605,839)	(100,849,246)	(2,361,274)	(5,689,043)	(28,706,276)

	2011					
	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	18,743,385	(19,796,229)	(3,553,316)	(2,845,377)	(4,845,224)	(14,215,199)
Trade and other payables	59,865,411	(59,865,411)	(59,865,411)	-	-	-
Interest and mark-up accrued	10,822,821	(6,829,477)	(10,822,821)	-	-	-
Long term deposits	4,062,376	(7,863,800)	(69,459)	(69,459)	(138,918)	(9,341,246)
	93,493,993	(94,354,917)	(74,311,007)	(2,914,836)	(4,984,142)	(23,556,445)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2012. The rates of mark-up have been disclosed in notes 7 and 8 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.

46.3 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 Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

46.3.1 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.

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

	2012		2011	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Creditors for gas	7,925,807	84,227	13,122,023	152,768
Estimated forecast gas purchases	147,818,000	1,648,283	130,092,485	1,514,464
Net exposure	155,743,807	1,732,510	143,214,508	1,667,232

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the 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.

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2012	2011	2012	2011
	(Rupees)			
US Dollars	89.68	85.95	94.20	85.90

Sensitivity analysis

A 10% strengthening / (weakening) of the Rupee against US Dollar at June 30, 2012 would have increased / (decreased) trade creditors and gas development surcharge receivable from Government of Pakistan by Rs. 793 million (2011: Rs. 1,312 million). There is no effect of strengthening / (weakening) of US dollar on unconsolidated equity and unconsolidated profit and loss account of the Company 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 2011.

46.3.2 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 Company's interest-bearing financial instruments were as follows:

	2012	2011
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	921,745	1,040,539
Loan and Advances	2,596	2,596
Trade debts	16,778,402	10,481,358
Cash and bank balances	1,305,812	378,877
Financial liabilities		
Long term deposits	(2,778,353)	(2,778,353)
Govt. of Sindh Loan	(4,753,064)	(2,850,929)
Trade and other payables	(21,770,585)	(17,013,844)
	(29,302,002)	(22,643,126)
	(10,293,447)	(10,739,756)
Variable rate instruments		
Financial assets		
Trade debts	39,458,000	27,865,207
Other receivables	1,346,433	736,629
Financial liabilities		
Long term loan except Govt. of Sindh loan	(16,789,581)	(15,892,456)
Trade and other payables	(56,167,488)	(18,085,103)
	(72,957,069)	(33,977,559)
	(32,152,636)	(5,375,723)

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 unconsolidated profit and loss account and the unconsolidated equity of the Company.

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 unconsolidated profit or loss of the Company as at June 30, 2012 by Rs. 322 million (2011: Rs. 54 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

46.3.3 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 Company's investments in listed equity securities. This arises from investments held by the Company for which prices in the future are uncertain. The fair value of listed equity investments of the Company that are exposed to price risk as at June 30, 2012 is Rs. 66 million (2011: Rs.77 million)

A 10% increase / decrease in the prices of listed equity securities of the Company at the reporting date would have increased or (decreased) long term investment and unconsolidated equity by Rs. 7 million (2011: Rs. 8 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

46.4 Fair value of financial assets and liabilities

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.

46.4.1 Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2012			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	66,474	-	-	66,474
	66,474	-	-	66,474

	2011			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	77,138	-	-	77,138
	77,138	-	-	77,138

There have been no transfers during the year. (2011: no transfers in either direction).

46.5 Capital risk management

The objective of the Company 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 Company 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 Company may adjust the amount of dividend paid to the shareholders or issue new shares.

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

The gearing ratio as at June 30 is as follows:

	2012	2011
	(Rupees in '000)	
Total borrowings		
Long term financing	18,315,383	14,471,126
Current portion of long term financing	3,227,262	4,272,259
	21,542,645	18,743,385
Less: Cash and bank balances	(1,502,964)	(1,084,857)
Net debts	20,039,681	17,658,528
Capital employed	39,790,897	36,518,478
Gearing ratio	50%	48%

47. OPERATING SEGMENTS

The Company has adopted IFRS - 8 'Operating Segments' with effect from July 01, 2009. IFRS requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

1) Gas transmission and distribution (sale of gas); and
2) Meter manufacturing (manufacturing and sale of gas meters)

SEGMENT REVENUE AND RESULTS

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

	SEGMENT REVENUE		SEGMENT PROFIT	
	2012	2011	2012	2011
	(Rupees in '000)			
Gas transmission and distribution	133,874,809	110,402,419	5,059,350	6,706,756
Meter manufacturing	1,964,259	1,715,719	201,409	149,881
Total segments results	135,839,068	112,118,138	5,260,759	6,856,637
Unallocated - other expenses				
- Other operating expenses			(1,717,763)	(1,645,141)
Unallocated - other income				
- Non-operating income			543,670	308,179
Profit before tax			4,086,666	5,519,675

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 728 million (2011: Rs. 800 million).

The accounting policies of the reportable segments are same as disclosed in note 3.

	2012	2011
	(Rupees in '000)	
Segment assets and liabilities		
Segment assets		
Gas Transmission and distribution	167,615,320	135,291,716
Meter Manufacturing	876,714	757,426
Total Segment Assets	168,492,034	136,049,142
Unallocated		
- Loans and advances	1,545,993	229,217
- Taxation - net	1,428,229	2,306,105
- Interest accrued	491,019	493,218
- Cash and bank balances	1,502,964	1,084,857
	4,968,205	4,113,397
Total Assets	173,460,239	140,162,539
Segment liabilities		
Gas Transmission and distribution	142,736,753	110,159,083
Meter Manufacturing	69,051	151,171
Total Segment Liabilities	142,805,804	110,310,254
Unallocated		
- Employee benefits	2,154,237	1,825,246
Total Liabilities	144,960,041	112,135,500

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

48. 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 June 30, 2012 and 2011, are as follows:

	2012	2011
	(Rupees in '000)	
	Based on un-audited financial statements	
Pension fund - executives	689,214	647,599
Gratuity fund - executives	1,584,344	1,193,787
Pension fund - non executives	175,130	256,457
Gratuity fund - non executives	2,013,139	1,390,726
Provident fund - executives	2,021,308	1,586,220
Provident fund - non executives	2,000,128	1,526,253
Benevolent fund - executives	101,637	79,038

49. ACCOUNTING ESTIMATES AND JUDGMENTS

49.1 Income tax

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

49.2 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 39 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 unrecognised gains and losses in those years.

49.3 Property, plant and equipment

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of property, plant and equipment. Further, the Company 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.

49.4 Trade debts

The Company 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.

49.5 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.

49.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market of the financial instruments.

50. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ('the Scheme') for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in the employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated units by each Trust Fund in proportion to their respective length of service, and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted there would have been no impact on the results of the Company as the annual return of the Company is determined under the regulatory revenue requirement, which would have covered any additional cost if incurred by the Company in respect of the aforesaid Scheme.

51. NON ADJUSTING EVENTS AFTER BALANCE SHEET

The Board of Directors have proposed a final dividend for the year ended June 30, 2012 of Rs. 2.25 per share (2011: Rs. 2.50 per share), amounting to Rs. 1,982.062 million (2011: Rs. 2,097.420 million) at their meeting held on February 15, 2013, for approval of the members at the annual general meeting to be held on March 19, 2013.

52. GENERAL

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

53. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on February 15, 2013.

Waqar A. Malik
Chairman

Zuhair Siddiqui
Managing Director