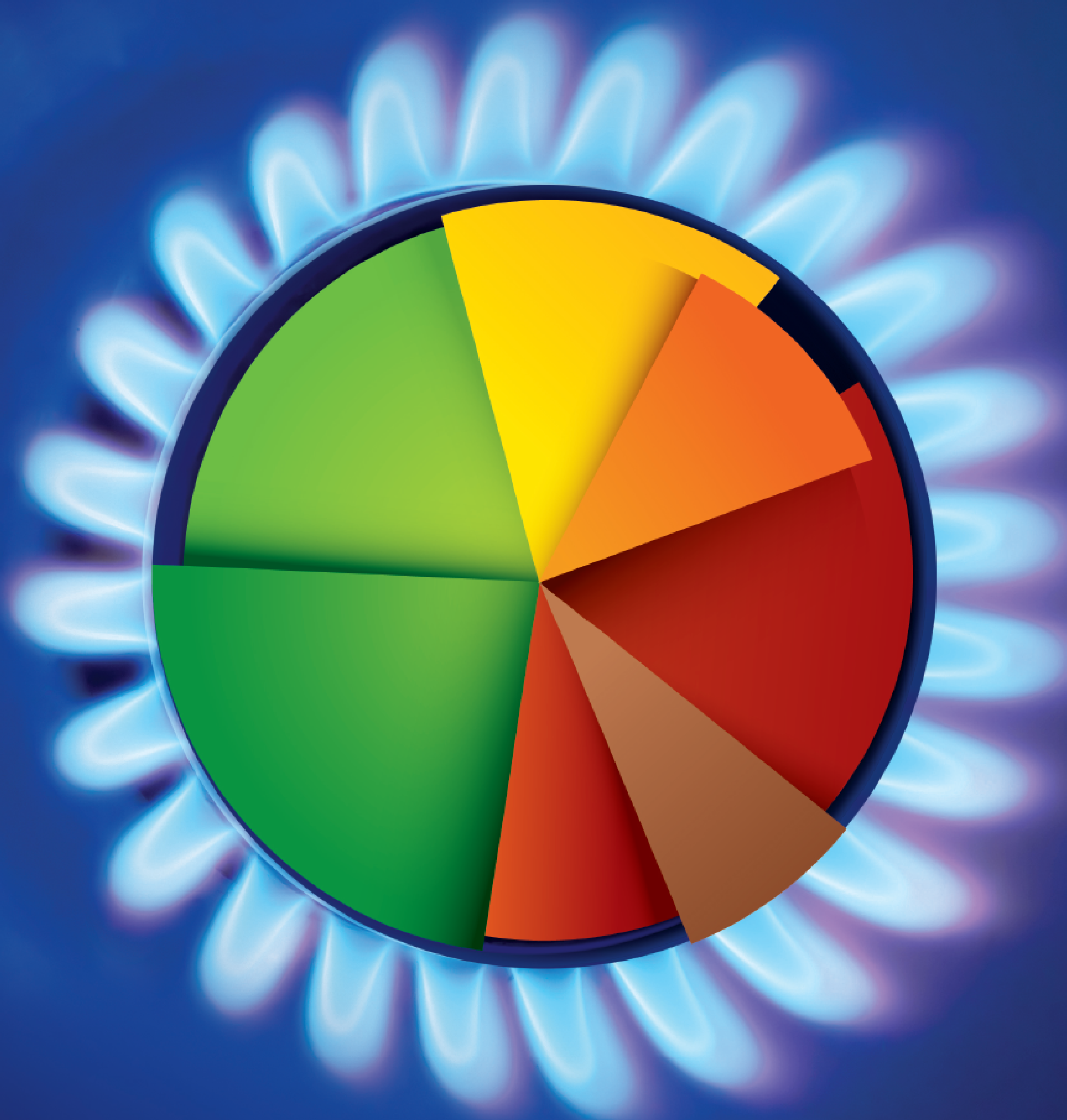
FINANCIAL STATEMENTS



Auditor's Report to the Members

We have audited the annexed unconsolidated balance sheet of Sui Southern Gas Company Limited ("the Company") as at June 30, 2013, and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in after referred to as unconsolidated financial statements), for the year then ended and we state that except for the matter as stated in paragraph (a) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matter as stated in paragraph (a) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) as described in notes 26.1 and 26.2 to the unconsolidated financial statements, trade debts include receivables of Rs. 44,303 million and Rs. 12,680 million from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. As described in the aforesaid notes, significant portion of such receivables include overdue amounts, which have been considered good by the management and classified as current assets in these financial statements. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances and the financial condition of PSML is such that it has not been able to pay its obligations, due to which management has decided to recognize LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

Due to the adverse financial condition of PSML, disputes by KE and PSML with the Company on LPS, and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the total amounts due from KE and PSML are likely to be recovered and the time frame over which such recovery will be made.

b) in our opinion, except for the possible effects of the matter stated in paragraph (a) above, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

c) in our opinion:

(i) except for the possible effects of the matter stated in paragraph (a) above, the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

d) except for the possible effects of the matter stated in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and the unconsolidated statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

e) In our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to:

(i) note 1.3 to the unconsolidated financial statements that describes that revenue requirements for the year ended June 30, 2011, 2012, and 2013, have been determined provisionally on the basis of stay orders of the High Court of Sindh (the Court) which was considered by OGRA while determining revenue requirements, except for impact of the order dated November 20, 2015, whereby OGRA was directed to treat income from LPG and NGL as non-operating income which was not considered by OGRA while determining revenue requirement of the Company for the year ended June 30, 2013.

Our opinion is not qualified in respect of the above matter.

Deloitte Yousuf Adil
Chartered Accountants
Audit Engagement Partner
Mushtaq Ali Hirani

05 March, 2016
Karachi

Unconsolidated Balance Sheet
As at June 30, 2013

	Note	2013	2012
		(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	8,809,163
Reserves	5	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		81,156	57,946
Unappropriated profit		2,707,554	4,473,742
		16,505,274	18,248,252
Surplus on revaluation of fixed assets	6	10,251,946	10,251,946
LIABILITIES			
Non-current liabilities			
Long term finance	7	24,770,608	18,315,383
Long term deposits	8	5,260,547	4,600,424
Deferred tax	9	6,179,747	7,621,895
Employee benefits	10	2,465,846	2,154,237
Deferred credit	11	5,747,643	5,336,479
Long term advances	12	1,155,230	1,896,646
Total non-current liabilities		45,579,621	39,925,064
Current liabilities			
Current portion of long term finance	13	3,597,649	3,227,262
Short term borrowings	14	4,017,953	-
Trade and other payables	15	94,540,100	85,610,600
Interest accrued	16	21,904,464	16,197,115
Total current liabilities		124.060,166	105,034,977
Total liabilities		169,639,787	144,960,041
Contingencies and commitments	17		
Total equity and liabilities		196,397,007	173,460,239

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

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	18	67,736,338	64,260,064
Intangible assets	19	124,728	45,946
Long term investments	20	1,094,785	1,071,575
Net investment in finance lease	21	692,789	802,950
Long term loans and advances	22	133,354	124,235
Long term deposits		4,530	3,250
Total non-current assets		69,786,524	66,308,020
Current assets			
Stores, spares and loose tools	23	2,165,684	2,080,366
Stock-in-trade	24	628,611	780,365
Current maturity of net investment in finance lease	21	110,161	118,795
Customers' installation work in progress	25	173,917	191,900
Trade debts	26	76,284,752	70,613,275
Loans and advances	27	1,838,483	1,421,758
Advances, deposits and short term prepayments	28	166,288	180,658
Interest accrued	29	5,529,119	4,680,806
Other receivables	30	36,097,623	24,153,103
Taxation - net	31	2,768,165	1,428,229
Cash and bank balances	32	847,680	1,502,964
Total current assets		126,610,483	107,152,219
Total assets		196,397,007	173,460,239

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

Unconsolidated Profit and Loss Account

For the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
Sales		164,353,539	153,268,549
Sales tax		(22,156,351)	(19,393,740)
		142,197,188	133,874,809
Gas development surcharge		9,440,389	(2,970,598)
Net sales		151,637,577	130,904,211
Cost of sales	33	(148,186,707)	(128,236,682)
Gross profit		3,450,870	2,667,529
Administrative and selling expenses	34	(3,302,728)	(2,874,500)
Other operating expenses	35	(4,951,576)	(2,873,237)
		(8,254,304)	(5,747,737)
		(4,803,434)	(3,080,208)
Other operating income	36	3,815,535	3,358,224
Operating (loss) / profit		(987,899)	278,016
Other non-operating income	37	8,925,349	11,340,361
Finance cost	38	(7,607,889)	(7,531,711)
Profit before taxation		329,561	4,086,666
Taxation	39	(113,687)	(1,505,423)
Profit for the year		215,874	2,581,243
		(Rupees)	
Basic and diluted earnings per share	41	0.25	2.93

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

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

Unconsolidated Statement of Comprehensive Income
For the year ended June 30, 2013

	2013	2012
	(Rupees in '000)	
Profit for the year	215,874	2,581,243
Other comprehensive income		
Item that may be reclassified subsequently to profit and loss account:		
- Unrealised gain / (loss) on re-measurement of available for sale securities	23,210	(10,664)
Total comprehensive income for the year	239,084	2,570,579

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

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

Unconsolidated Cash Flow Statement

For the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		329,561	4,086,666
Adjustments for non-cash and other items	42	14,834,691	7,754,015
Working capital changes	43	(13,917,800)	(4,781,901)
Financial charges paid		(2,249,198)	(2,573,146)
Employee benefits paid		(66,968)	(50,358)
Payment for retirement benefits		(497,819)	(539,818)
Long term deposits received - net		660,123	538,048
Loans and advances to employees - net		(16,741)	(15,776)
Late payment surcharge and return on term deposits received		1,416,363	5,713,772
Income taxes paid		(2,895,771)	(656,936)
Net cash (used in) / generated from operating activities		(2,403,559)	9,474,566
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(7,207,586)	(7,840,060)
Payments for intangible assets		(127,249)	(43,350)
Proceeds from sale of property, plant and equipment		7,169	14,082
Lease rental from net investment in finance lease		298,769	306,384
Deposits paid		(1,280)	-
Short term loan to a subsidiary company		(175,000)	(1,301,000)
Investment in a subsidiary company		-	(1,000,000)
Dividend received		6,637	3,624
Net cash (used in) investing activities		(7,198,540)	(9,860,320)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		9,988,958	7,089,971
Repayments of local currency loans		(3,118,834)	(4,269,537)
Customer finance received		36,620	82,991
Repayment of customer finance		(86,134)	(110,200)
Dividend paid		(1,891,748)	(1,989,364)
Net cash generated from financing activities		4,928,862	803,861
Net (decrease) / increase in cash and cash equivalents		(4,673,237)	418,107
Cash and cash equivalents at beginning of the year		1,502,964	1,084,857
Cash and cash equivalents at end of the year		(3,170,273)	1,502,964
Cash and cash equivalent comprises:			
Cash and bank balances		847,680	1,502,964
Short term borrowings		(4,017,953)	-
		(3,170,273)	1,502,964

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

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2013

	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, 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 @ 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
Total comprehensive income for the year ended June 30, 2013						
Profit for the year	-	-	-	-	215,874	215,874
Unrealised gain on re-measurement of available for sale securities	-	-	-	23,210	-	23,210
Total comprehensive income for the year	-	-	-	23,210	215,874	239,084
Transactions with owners						
Final dividend for the year ended June 30, 2012 @ Rs.2.25 per share	-	-	-	-	(1,982,062)	(1,982,062)
Balance as at June 30, 2013	8,809,163	234,868	4,672,533	81,156	2,707,554	16,505,274

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

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

Notes to the Unconsolidated Financial Statements
For the year ended June 30, 2013

1. STATUS AND NATURE OF BUSINESS

1.1 Sui Southern Gas Company Limited ("the Company") is a public limited Company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange). 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 expenses and non-operating income. The determination of annual required return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Determination of revenue requirement

1.3.1 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, Late Payment Surcharge and Sale of Gas Condensate as operating income which it had previously allowed as non-operating income in its decision dated September 24, 2010, for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25 % - 5%. Aggrieved by the above decision, the Company had filed an appeal against the decision of the OGRA in the High Court of Sindh (the Court), on which the Court provided interim relief whereby OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, till final order of the Court. Also, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Therefore, the revenue requirement for June 30, 2011, was determined based on the relief provided by the Court.

For subsequent years including current year ended June 30, 2013, the Company also obtained stay orders from the Court on the same principles which were fixed in the interim relief as discussed above, and thereafter, OGRA considered such principles in determining revenue requirement of the Company. Management is confident that the final decision of the Court would be in favor of the Company.

Had there been no stay in the current year, and these financial statements been prepared in accordance with the OGRA's decisions dated December 02, 2010 and May 24, 2011, the Company would have reported loss for the year amounting to Rs. 14,687 million.

1.3.2 In determining the Final Revenue Requirement (FRR) for the year ended June 30, 2013, the OGRA treated sale of LPG and NGL as operating income amounting to Rs. 2,501 million, on which the Company filed application in the already pending Judicial Miscellaneous petitions in the High Court of Sindh that these income should have been treated as non-operating income as it was already decided by the Court in previous stay orders, while the cases are still to be finalized by the Court. The Court suspended the relevant paragraphs of OGRA order wherein above income were treated as operating income thus requiring revision of the FRR for 2013; however, no revised FRR has been issued by the OGRA till the date of issue of these financial statements. Consequently, the impact of the new stay order has not been taken and the aforesaid income has been treated as operating income in the financial statements of the current year.

The management, based on the opinion of its legal counsel intends to get the above Court decision enforced and is confident that the OGRA will provide benefit of the aforesaid income to the Company.

Had OGRA issued revised FRR based on the above mentioned stay order of the Court and these financial statements been prepared in accordance with the revised FRR, there would have been increase in profit for the year amounting to Rs. 1,545 million.

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 20 which are carried at their fair values, employees benefits which are valued at their present value using actuarial assumptions and freehold and leasehold land which are carried at revalued amount.

2.3 Functional and presentation currency

These 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 the 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 50.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2013

The following standards, amendments and interpretations are effective for the year ended June 30, 2013. 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.

Standards / Amendments / Interpretations	Effective Date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 01, 2012

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations 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 except for amendments in IAS 19.

Standards / Amendments / Interpretations	Effective Date (accounting periods beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
Amendments to IAS 19 - Employee Benefits	January 01, 2013
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
	IAS 27 (Revised 2011) will concurrently apply with IFRS 10.
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 01, 2014
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21 - Levies	January 01, 2014

Other than the aforesaid standards, amendments and interpretations, 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 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

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

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 01, 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 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 01, 2013, and the application of amendments will increase profit after tax amounting to Rs. 32.32 million for the year ended June 30, 2013.

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 item can be measured reliably. All other expenditure (including normal repairs and 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 loss, if any. The cost consists of expenditures 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 upto the date of disposal.

Useful lives of the assets are mentioned in note 18.1 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 loss, 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 loss, 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

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

Gain or loss on sale of investment in subsidiary is recognised 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 customers 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 finance

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 the 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 fair value and 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.

3.11 Provisions

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

3.12 Deferred credit

Amounts received from customers before July 01, 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.

Contribution from customers

Advance taken from customers on or after July 01, 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, liquid petroleum gas and gas condensate is recognised on dispatch to the customers.
- Deferred credit from Government and customers before July 01, 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.
- Deferred credit from customers after July 01, 2009 for laying of distribution lines is recognised in the unconsolidated profit and loss when the network connection is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".
- 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.
- Return 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 and 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 and 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 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 the unconsolidated 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 Offsetting

Financial assets and liabilities are offset 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.

3.22 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.

3.23 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.

3.24 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of share outstanding during the year.

3.25 Dividend and reserves appropriation

Dividend is recognised as a liability in the financial statements in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013 (Number)	2012 (Number)		2013 (Rupees in '000)	2012 (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	661,349,755	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	6,613,497	6,613,497
880,916,309	880,916,309		8,809,163	8,809,163

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

2013 (Number)	2012 (Number)		2013 (Rupees in '000)	2012 (Rupees in '000)
880,916,309	838,967,914	As at July 01	8,809,163	8,389,679
-	41,948,395	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	-	419,484
880,916,309	880,916,309		8,809,163	8,809,163

4.2 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	2013	2012
			(Rupees in '000)	
5.	RESERVES			
	Capital reserves			
	Share capital restructuring reserve	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	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	4,672,533
			4,907,401	4,907,401

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 01, 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 freehold and leasehold 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 freehold and leasehold land been measured on historical cost basis, the carrying amount would have been as follows:

	Note	2013	2012
		(Rupees in '000)	
Freehold land		56,751	56,751
Leasehold land		208,352	205,289
		265,103	262,040

	Note	2013	2012
		(Rupees in '000)	
7. LONG TERM FINANCE			
Secured			
Foreign currency loan	7.1	23,950	-
Loans from banking companies	7.2	18,832,451	13,576,586
		18,856,401	13,576,586
Unsecured			
Customer finance	7.3	157,348	183,755
Government of Sindh loans	7.4	5,756,859	4,555,042
		5,914,207	4,738,797
		24,770,608	18,315,383

7.1 Foreign Currency Loan

	Installment payable	Repayment period	Mark-up per annum		2013	2012
IBRD LOAN - 81540	Half-yearly	2020 - 2036	11.80%	7.1.1	23,950	-

7.1.1 This represents front end fee in respect of USD 100 million loan from the Government of Pakistan (GoP) through International Bank for Reconstruction and Development (IBRD) for Natural Gas Efficiency Project.

				Note	2013	2012
					(Rupees in '000)	
7.2 Loans from banking companies						
	Installment payable	Repayment period	Mark-up rate p.a. (above 3 months KIBOR)			
Samba Bank Limited	quarterly	2010 - 2012	0.20%	7.2.1	-	200,000
Bank Islami Pakistan Limited	quarterly	2010 - 2012	0.20%	7.2.1	-	940,000
Faysal Bank Limited	quarterly	2011 - 2013	1.00%	7.2.1	-	400,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012 - 2015	1.00%	7.2.1	1,428,571	2,000,000
Askari Bank Limited	quarterly	2013 - 2015	1.00%	7.2.1	833,333	1,000,000
Meezan Bank Limited	quarterly	2013 - 2015	1.00%	7.2.1	2,500,000	3,000,000
Bank Alfalah Limited	quarterly	2013 - 2016	1.00%	7.2.1	916,667	1,000,000
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.2.1	916,667	1,000,000
Askari Bank Limited	quarterly	2013 - 2016	1.00%	7.2.1	500,000	500,000
Bank Al-Habib Limited	quarterly	2013 - 2016	1.00%	7.2.1	500,000	500,000
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.2.1	1,000,000	1,000,000
United Bank Limited	quarterly	2015 - 2017	0.75%	7.2.1	2,000,000	2,000,000
Meezan Bank Limited	quarterly	2015 - 2017	0.75%	7.2.1	2,000,000	2,000,000
Bank Alfalah Limited	quarterly	2015 - 2017	0.75%	7.2.1	1,000,000	1,000,000
Faysal Bank Limited	quarterly	2015 - 2018	0.70%	7.2.1	1,500,000	-
United Bank Limited - Led Consortium	quarterly	2015 - 2018	0.70%	7.2.1	4,000,000	-
Meezan Bank Limited	quarterly	2015 - 2018	0.70%	7.2.1	2,000,000	-
Habib Bank Limited	quarterly	2015 - 2018	0.70%	7.2.1	1,000,000	-
Unamortised transaction cost					(24,692)	(18,652)
					22,070,546	16,521,348
Less: Current portion shown under current liabilities				13	(3,238,095)	(2,944,762)
					18,832,451	13,576,586

7.2.1 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 pipeline construction machinery and equipments.

	Note	2013	2012
		(Rupees in '000)	
7.3 Customer finance			
Customer finance	7.3.1	218,719	268,233
Less: Current portion shown under current liabilities	13	(61,371)	(84,478)
		157,348	183,755

7.3.1 This represents contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at 25% of 3 year average ask side KIBOR 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 customers.

	Installment payable	Principal repayment period	Mark-up rate p.a.	Note	2013 (Rupees in '000)	2012 (Rupees in '000)
7.4 Government of Sindh loans						
Government of Sindh loan - I	yearly	2007 - 2016	2%	7.4.1	25,042	33,064
Government of Sindh loan - II	yearly	2011 - 2020	4%	7.4.1	630,000	720,000
Government of Sindh loan - III	yearly	2012 - 2021	4%	7.4.1	800,000	900,000
Government of Sindh loan - IV	yearly	2014 - 2023	4%	7.4.1	1,000,000	1,000,000
Government of Sindh loan - V	yearly	2015 - 2024	4%	7.4.1	1,100,000	1,100,000
Government of Sindh loan - VI	yearly	2015 - 2024	4%	7.4.1	1,000,000	1,000,000
Government of Sindh loan - VII	yearly	2016 - 2025	4%	7.4.1	1,500,000	-
Government grant				7.4.2	(2,510,758)	(1,898,323)
Subtotal					3,519,242	2,821,677
Government grant - Government of Sindh loans				7.4.2	2,510,758	1,898,323
					6,055,042	4,753,064
Less: Current portion shown under current liabilities				13	(298,183)	(198,022)
					5,756,859	4,555,042

7.4.1 The Company has obtained unsecured development loans from Government of Sindh for supply of gas to various districts and areas of Sindh.

7.4.2 This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V, VI and VII and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II, III, IV, V, VI and VII amounting to Rs. 900 million, Rs.1,000 million, Rs.1,000 million, Rs.1,100 million, Rs.1,000 million and Rs.1,500 million respectively, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million, Rs. 625.281 million, Rs. 736.958 million, Rs. 669.962 million and Rs. 714.077 million respectively. These are calculated at 3 month average KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

	Note	2013	2012
		(Rupees in '000)	
8. LONG TERM DEPOSITS			
Security deposits from:			
- gas customers	8.1	5,211,695	4,551,464
- gas contractors	8.2	48,852	48,960
		5,260,547	4,600,424

8.1 These represent deposits from industrial, commercial and domestic customers. The customers deposits are based on annual average gas sales of 3 months.

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 customers return the security deposits as per the terms and conditions of the contract.

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

9. DEFERRED TAX

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

	2013		
	Opening	Charge / (reversal)	Closing
	(Rupees in '000)		
Taxable temporary differences			
Accelerated tax depreciation	10,578,814	863,794	11,442,608
Net investment in finance lease	322,611	(41,579)	281,032
Deductible temporary differences			
Provision against employee benefits	(753,983)	(109,063)	(863,046)
Provision against impaired debts and other receivables	(1,946,249)	(1,389,296)	(3,335,545)
Provision against impaired store and spares	(68,452)	(9,524)	(77,976)
Liability not paid within three years	(490,170)	(726,044)	(1,216,214)
Others	(20,676)	(30,436)	(51,112)
	7,621,895	(1,442,148)	6,179,747

	2012		
	Opening	Charge / (reversal)	Closing
	(Rupees in '000)		
Taxable temporary difference			
Accelerated tax depreciation	9,607,944	970,870	10,578,814
Net investment in finance lease	364,188	(41,577)	322,611
Deductible temporary differences			
Provision against employee benefits	(638,836)	(115,147)	(753,983)
Provision against impaired debts and other receivables	(1,398,553)	(547,696)	(1,946,249)
Provision against impaired store and spares	(50,497)	(17,955)	(68,452)
Liability not paid within three years	(176,546)	(313,624)	(490,170)
Others	(56,416)	35,740	(20,676)
	7,651,284	(29,389)	7,621,895

	Note	2013	2012
		(Rupees in '000)	
10. EMPLOYEE BENEFITS			
Provision for post retirement medical and free gas supply facilities - executives	40.2	1,968,787	1,729,572
Provision for compensated absences - executives	10.1	497,059	424,665
		2,465,846	2,154,237
10.1 Provision for compensated absences - executives			
Balance as at July 01		424,665	348,466
Provision during the year		72,394	76,199
Balance as at June 30		497,059	424,665
11. DEFERRED CREDIT			
- Government contributions / grants			
Balance as at July 01		3,279,135	3,255,458
Additions / adjustments during the year		831,404	218,897
Transferred to unconsolidated profit and loss account	11.1	(222,701)	(195,220)
Balance as at June 30		3,887,838	3,279,135
- Contribution from customers			
Balance as at July 01		2,057,344	2,263,176
Transferred to unconsolidated profit and loss account	11.2	(197,539)	(205,832)
Balance as at June 30		1,859,805	2,057,344
		5,747,643	5,336,479

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 / built 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	2013	2012
		(Rupees in '000)	

13. CURRENT PORTION OF LONG TERM FINANCE

	Note	2013	2012
Loans from banking companies	7.2	3,238,095	2,944,762
Customer finance	7.3	61,371	84,478
Government of Sindh loans	7.4	298,183	198,022
		3,597,649	3,227,262

14. SHORT TERM BORROWINGS

These represent facilities for short term running finance and short term loan available from various banks amounting to Rs. 4,018 million (2012: Rs. Nil) and subject to mark-up up to 0.50% (2012: 0.75%) above the average one month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 5,657 million (2012: Rs. 11,125 million).

	Note	2013	2012
		(Rupees in '000)	

15. TRADE AND OTHER PAYABLES

	Note	2013	2012
Creditors for:			
- gas supplies	15.1	80,304,907	77,947,074
- supplies		217,572	584,692
		80,522,479	78,531,766
Amount received from customers for laying of mains, etc.		2,135,579	2,097,337
Accrued liabilities		2,686,261	2,288,365
Provision for compensated absences - non executives	15.2	138,969	134,410
Deposits / retention money		304,242	232,737
Bills payable		62,301	22,511
Advance for sharing right of way	15.3	18,088	18,088
Unclaimed dividend		290,901	200,587
Withholding tax		136,485	79,288
Sales tax and Federal excise duty		426,592	-
Sindh sales tax		67,647	40,108
Processing Charges payable to JJVL		255,013	-
Gas infrastructure development cess payable	15.4	7,234,262	1,776,112
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas Systems (Private) Limited (ISGSL)		11,924	16,205
Others	15.5	247,557	171,286
		94,540,100	85,610,600

15.1 As at June 30, 2013, amount of Rs. 61,809 million (2012: Rs. 58,919 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs. 21,362 million (2012: Rs. 15,808 million) on their balances which have been presented in note 16.

		2013	2012
		(Rupees in '000)	
15.2	Provision for compensated absences - non-executives		
	Balance as at July 01	134,410	103,239
	Provision for the year	4,559	31,171
	Balance as at June 30	138,969	134,410

15.3 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.

15.4 Gas Infrastructure Development (GID) Cess has been levied since December 15, 2011 and is chargeable from industrial gas customers at different rates as prescribed by the Federal Government through OGRA notification. GID Cess is collected and deposited with the Ministry of Petroleum and Natural Resources (MPNR) in a manner prescribed by the Federal Government.

On June 13, 2013 the Honorable Peshawar High Court declared the levy, imposition and recovery of the Cess unconstitutional with the direction to refund the "Cess" so far collected. Honorable Supreme Court of Pakistan examined the case and in its decision dated August 22, 2014 concluded that GID Cess is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was therefore not validly levied in accordance with the Constitution. However, on September 25, 2014 the President of Pakistan had passed GID Cess Ordinance 2014, which is applicable in whole Pakistan and has to be complied by all parties.

On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential Order on September 25, 2014.

On May 22, 2015 the GID Cess Act is passed by Parliament applicable on all parties. Following the imposition of the said Act, many customers filed a petition in Honorable Sindh High Court and obtained stay order against Act passed by the Parliament. The Company has obtained legal opinion, which states that management has to comply with the stay order of Honorable High Court of Sindh.

The Company is a collecting agent and depositing GID Cess to the Ministry of Petroleum and Natural Resources (MPNR) and the Company will refund to the customers once it will be received from Ministry of Petroleum and Natural Resources (MPNR).

15.5 This includes Rs. 102.459 million (2012: Rs. 101.742 million) on account of amount payable to disconnected customers for gas supply deposits.

	Note	2013	2012
		(Rupees in '000)	
16. INTEREST ACCRUED			
Long term finance - loans from banking companies		223,191	160,093
Long term deposits from customers		190,778	160,290
Short term borrowings		99,361	39,495
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	15.1 & 17.1.16	21,386,308	15,832,411
		21,904,464	16,197,115

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

	2013	2012
17.1.1 Guarantees issued on behalf of the Company	24,905	1,787,823

17.1.2 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged a claim against the Company amounting to Rs. 765.024 million (2012: Rs. 759.814 million) for short supply of gas under the provisions of an agreement dated April 10, 1995 between the Company and JPCL. As at June 30, 2015 this amount has increased to Rs. 35,182 million. Management has not made provision against the said amount in the books of the Company as management is confident that ultimately this claim would not be payable. Furthermore, the Company is in the process of appointing arbitrator to resolve the matter in accordance with Arbitration Act, 1940.

17.1.3 JPCL has raised another claim of Rs. 5.793 million (2012: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. Management has not made provision against the said amount in the books of the Company as management is confident that ultimately this claim would not be payable.

17.1.4 Habibullah Coastal Power (Private) Company (HCPC) has claimed Rs. 1,237.32 million from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996 between the Company and HCPC. As at June 30, 2015, this amount has increased to Rs. 2,382.76 million. Management has not made provision against the said amount as management is confident that ultimately this claim would not be payable. Further subsequent to the year end, HCPC has invoked arbitration as per article of Gas Sale Agreement.

17.1.5 Demand finance facilities have been given to the Company's employees by certain banks for purchase of vehicles against the Company's guarantee and hypothecation of the Company's present and future stocks, book debts, receivables and the Company's investment in shares having a face value of Rs. 0.5 million (2012: Rs. 0.5 million). Loan outstanding at the year end was Rs. 2.233 million (2012: Rs. 2.920 million).

17.1.6 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. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001. Accordingly, no provision regarding the said claim has been made in these unconsolidated financial statements as the management, based on its legal advisor's opinion, is confident that the matter would be resolved in favor of the Company.

17.1.7 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. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.8 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs. 311.397 million for the years 2002-03, 2003-04 and 2005-06 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 Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.9 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. The Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of the Honorable Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct withholding 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. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.10 The Deputy Commissioner Inland Revenue passed an order for the financial year 2009-10 against the Company with a demand of Rs. 1,635 million, along with default surcharge and penalty on account of disallowance of input sales tax on line losses / Unaccounted for Gas (UFG) along with other observations. Upon appeal, the Commissioner (Appeals) has reduced the demand to Rs. 230 million plus default surcharge. The Company has filed appeal with Appellate Tribunal Inland Revenue on issues decided against the Company by Commissioner (Appeals) whereas the Tax Department has also filed appeal before Appellate Tribunal on issues decided in the Company's favor. Further, issue of allowability of input sales tax on UFG was also raised by Tax Department for financial year 2007-08.

On filing of suit by the Company, the Honourable High Court of Sindh has stayed demand for FY 2009-10 and stayed proceedings for FY 2007-08. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.11 The Additional Commissioner Inland Revenue passed an order against the Company with a demand of Rs. 1,725 million in respect of disallowance of tax depreciation on additions to fixed assets and exchange loss in income tax audit for tax year 2011. On filing of suit by the Company, the Honourable High Court of Sindh has stayed the demand. The Commissioner (Appeals) has decided the issue of exchange loss in Company's favour while remanding back the issue of tax depreciation to tax department for hearing the case afresh. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.12 The Additional Collector Inland Revenue passed an order against the Company with demand of Rs. 1,314 million along with default surcharge. The principal tax demand was recovered by the authority. However, the Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Honorable High Court of Sindh has also stayed the recovery of the additional tax and penalties. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.13 The Deputy Commissioner Inland Revenue passed an order against the Company with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06, 2007-08 and 2008-09 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-2006 and FY 2008-09 be allowed after verification . The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund ajustment. Against the Commissioner (Appeals) order, the Company is in the process of filing appeal before ATIR. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.14 Income tax authorities have issued show cause notice to the Company for recovery of additional tax of Rs. 422 million for late deposit of withholding income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013. The company has filed an appeal in the Honorable High Court of Sindh, which has stayed the recovery proceedings. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

17.1.15 The Company is subject to various other claims amounting Rs. 873 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

17.1.16 One of the gas supplier has claimed excess amount of late payment surcharge on gas bills payable by the Company. Management is of the view that amount recorded by the Company is adequate and believe that no further provision is required to be recorded in these financial statements.

17.1.17 The Company is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Company's legal department, the management is confident that the outcome of these cases will be in favor of the Company. Accordingly no provision has been made in respect of those cases in these financial statements.

	Note	2013	2012
		(Rupees in '000)	
17.1.18 Claims against the Company not acknowledged as debt		97,741	87,293
The management is confident that ultimately these claims would not be payable.			
17.2 Commitments			
Commitments for capital and other expenditure		2,101,582	2,779,742

18. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
Operating assets	18.1	60,553,768	57,355,317
Capital work in progress	18.5	7,182,570	6,904,747
		67,736,338	64,260,064

18.1 Operating assets

(Rupees in '000)

	COST / VALUATION			ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	USEFUL LIFE
	As at July 1, 2012	Additions / (deletions) / transfers *	As at June 30, 2013	As at July 1, 2012	Depreciation / (deletions) / transfers *	As at June 30, 2013	As at June 30, 2013	Remaining life in years*
Freehold land	4,434,792	- - - *	4,434,792	-	- - - *	-	4,434,792	-
Leasehold land	6,079,194	3,063 - - *	6,082,257	-	- - - *	-	6,082,257	-
Buildings on freehold land	324,492	- - - *	324,492	214,732	14,902 - - *	229,634	94,858	20
Buildings on leasehold land	1,839,060	173,194 - - *	2,012,254	964,492	98,720 - 8 *	1,063,220	949,034	20
Roads, pavements and related infrastructures	656,704	139 - - *	656,843	91,267	32,792 - - *	124,059	532,784	20
Gas transmission pipelines	21,309,628	1,162,261 - - *	22,471,889	12,461,493	381,245 - - *	12,842,738	9,629,151	1-40 *
Gas distribution system	51,712,862	5,268,345 (112,241) 120 *	56,869,086	17,508,570	3,041,868 (112,241) 40*	20,438,237	36,430,849	10-20
Compressors	2,464,372	- - - *	2,464,372	2,209,827	41,906 - - *	2,251,733	212,639	6 *
Telecommunication	577,415	62,722 - 3,165 *	643,302	476,202	25,591 - 3,165 *	504,958	138,344	2 & 6.67
Plant and machinery	1,829,948	268,873 - (11,911)*	2,086,910	1,173,412	108,838 - (1,200)*	1,281,050	805,860	10
Tools and equipment	306,954	37,406 - (3,823)*	340,537	270,203	25,552 (587)*	295,168 -	45,369	3
Motor vehicles	1,785,331	237,098 (16,791) 956 *	2,006,594	1,196,765	112,748 (6,179) (1,453)*	1,301,881	704,713	5
Furniture and fixture	443,962	18,018 - (152)*	461,828	385,340	24,534 2,151 *	412,025 -	49,803	5
Office equipment	312,903	28,936 - (11,651)*	330,188	273,228	16,571 (11,651)*	278,148 -	52,040	5
Computer and ancillary equipments	727,595	79,342 - 7,970 *	814,907	557,562	92,251 - 7,960 *	657,773	157,134	3
Supervisory control and data acquisition system	685,425	- - - *	685,425	500,324	56,825 - - *	557,149	128,276	6.67
Construction equipment	1,103,129	- - 15,326 *	1,118,455	955,032	55,991 - 1,567 *	1,012,590	105,865	5
	96,593,766	7,339,397 (129,032) - *	103,804,131	39,238,449	4,130,334 (118,420) - *	43,250,363	60,553,768	

(Rupees in '000)

	COST / VALUATION			ACCUMULATED DEPRECIATION			WRITTEN DOWN VALUE	USEFUL LIFE
	As at July 1, 2011	Additions / (deletions) / transfers *	As at June 30, 2012	As at July 1, 2011	Depreciation / (deletions) / transfers *	As at June 30, 2012	As at June 30, 2012	Remaining life in years*
Freehold land	4,434,792	- - - *	4,434,792	-	- - - *	-	4,434,792	-
Leasehold land	6,079,194	- - - *	6,079,194	-	- - - *	-	6,079,194	-
Buildings on freehold land	324,492	- - - *	324,492	199,829	14,903 - - *	214,732	109,760	20
Buildings on leasehold land	1,775,226	65,024 (1,190) - *	1,839,060	907,169	85,317 (1,190) (26,804)*	964,492	874,568	20
Roads, pavements and related infrastructures	653,202	3,502 - - *	656,704	31,691	32,785 - 26,791 *	91,267	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 *
Gas distribution system	47,095,940	4,700,289 (83,367) - *	51,712,862	14,871,418	2,720,047 (82,895) - *	17,508,570	34,204,292	10-20
Compressors	2,464,372	- - - *	2,464,372	2,164,555	45,272 - - *	2,209,827	254,545	7 *
Telecommunication	509,391	68,174 - (150)*	577,415	464,285	12,067 - (150)*	476,202	101,213	2 & 6.67
Plant and machinery	1,678,374	153,231 (382) (1,275)*	1,829,948	1,079,926	94,875 (288) (1,101)*	1,173,412	656,536	10
Tools and equipment	271,475	34,204 - 1,275 *	306,954	252,307	16,795 - 1,101 *	270,203	36,751	3
Motor vehicles	1,615,599	197,646 (27,114) (800)*	1,785,331	1,105,547	101,711 (10,494) 1 *	1,196,765	588,566	5
Furniture and fixture	416,999	26,963 - - *	443,962	356,703	28,637 - - *	385,340	58,622	5
Office equipment	288,981	24,198 (29) (247)*	312,903	257,189	17,103 (29) (1,035)*	273,228	39,675	5
Computer and ancillary equipments	582,400	148,127 (4,129) 1,197 *	727,595	503,170	57,236 (4,041) 1,197 *	557,562	170,033	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
	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	

	2013	2012
	(Rupees in '000)	

18.2 Details of depreciation for the year are as follows:

	2013	2012
Transmission and distribution costs	3,760,654	3,386,807
Administrative expenses	211,874	168,532
Selling expenses	8,408	9,336
	3,980,936	3,564,675
Meter manufacturing division	5,817	7,886
LPG air mix	69,907	36,524
Capitalised on projects	73,674	97,257
	4,130,334	3,706,342

18.3 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
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	99,525	99,525	-	-	-	Replacement	Not applicable
Written down value not exceeding Rs. 50,000 each	12,716	12,716	-	-	-	Gas meters	Write off
Motor vehicles							
Written down value above Rs. 50,000 each	844	315	529	730	201	Snatched	Insurance claim -National Insurance Company Limited
Toyota Corolla	1,884	989	895	141	(754)	Service rules	Mr. Zuhair Siddiqui
Honda Civic	2,320	321	1,999	2,063	64	Service rules	Mr. Azim Iqbal Siddiqui
Toyota Corolla	1,015	711	304	76	(228)	Service rules	Mr. Shaukat Hussain Baloch
Toyota Corolla	1,423	713	710	148	(562)	Service rules	Brig. (R) Mukhtar Ahmed
Toyota Corolla	1,517	354	1,163	857	(306)	Service rules	Mr. Nehal Ahsan
Toyota Corolla	1,517	354	1,163	871	(292)	Service rules	Mr. Pervaiz Akhter Bhatti
Toyota Corolla	1,151	698	453	86	(367)	Service rules	Mr. Amin Ur Rehman
Suzuki Cultus	855	309	546	294	(252)	Service rules	Mr. Shahid Ashraf
Suzuki Cultus	934	163	771	587	(184)	Service rules	Mr. Maqbool A. Channa
Suzuki Cultus	639	448	191	48	(143)	Service rules	Mr. Halim Ur Rehman
Suzuki Cultus	835	302	533	311	(222)	Service rules	Mr. Muhammad Aslam Faiq
Suzuki Cultus	923	241	682	499	(183)	Service rules	Syed Sardar Hussain
Suzuki Cultus	934	261	673	458	(215)	Service rules	Mr. Manzoor Hussain Shaikh
June 30, 2013	129,032	118,420	10,612	7,169	(3,443)		
June 30, 2012	116,273	98,999	17,274	14,082	(3,192)		

18.4 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 353.660 million (2012: Rs. 415.729 million). Borrowing costs related to general borrowings were capitalised at the rate of 9.22% (2012: 11.63%).

18.4.1 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	2013	2012
		(Rupees in '000)	
18.5 Capital work in progress			
Projects:			
- Gas distribution system		3,762,216	3,630,569
- Gas transmission system		256,599	568,366
- Cost of buildings under construction and others		202,530	157,477
		4,221,345	4,356,412
Stores and spares held for capital projects	18.5.1	2,835,217	2,220,152
LPG air mix plant		150,681	328,183
		2,985,898	2,548,335
Impairment of capital work in progress		(24,673)	-
		7,182,570	6,904,747
18.5.1 Stores and spares held for capital projects			
Gas distribution		2,856,468	2,248,376
Provision for impaired stores and spares		(21,251)	(28,224)
		2,835,217	2,220,152

19. INTANGIBLE ASSETS

(Rupees in '000)

		COST			AMORTISATION			Written down	
		As at July 01,	Additions	As at June 30,	As at July 01,	For the year	As at June 30,	Value as at June 30,	Useful Life (years)
Computer software	2013	332,737	127,249	459,986	286,791	48,467	335,258	124,728	3
	2012	289,387	43,350	332,737	273,414	13,377	286,791	45,946	3

	Note	Percentage of holding (if over 10%)	2013	2012
			(Rupees in '000)	
20. LONG TERM INVESTMENTS				
Investments in related parties				
Subsidiary:				
SSGC LPG (Private) Limited				
100,000,000 (2012: 100,000,000) ordinary shares of 10 each		100	1,000,000	1,000,000
Sui Southern Gas Provident Fund Trust Company (Pvt.) Ltd.				
100 (2012: 100) ordinary shares of 10 each		100	1	1
Associate:				
Unquoted companies - available for sale				
Inter State Gas System (Private) Limited				
510,000 (2012: 510,000) ordinary shares of Rs.10 each	20.1		5,100	5,100
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited (SNGPL)				
2,414,174 (2012: 2,194,704) ordinary shares of Rs.10 each	20.2		48,428	37,068
			1,053,529	1,042,169
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited				
350,000 (2012: 350,000) ordinary shares of Rs. 10 each			28,494	20,108
United Bank Limited				
118,628 (2012: 118,628) ordinary shares of Rs. 10 each			12,762	9,298
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation				
5,000 (2012: 5,000) ordinary shares of Rs. 10 each			50	50
			41,306	29,456
Provision against impairment in value of investments at cost			(50)	(50)
			41,256	29,406
			1,094,785	1,071,575

20.1 Inter State Gas Systems (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 the Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, is 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. The Company bears 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee of the Cabinet.

20.2 Sale of these shares has been restricted by the Government of Pakistan due to its privatisation, till further directives.

21. NET INVESTMENT IN FINANCE LEASE

	June 30, 2013		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	233,576	123,415	110,161
Later than one year but not later than five years	716,519	328,306	388,213
Later than five years	434,022	129,446	304,576
	1,150,541	457,752	692,789
	1,384,117	581,167	802,950

	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 but 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

The Company entered into agreements with Oil and Gas Development Company Limited (OGDCL), Sui Northern Gas Pipelines Limited and ENI Pakistan Limited to use the Company's transmission pipelines for distribution of gas. The terms of the agreements entered into are for a substantial portion of the useful economic lives of the related assets. On June 30, 2013, agreement with OGDCL expired and the management is negotiating for renewal of agreement.

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 11.4% to 34.6% per annum.

	Note	2013	2012
		(Rupees in '000)	
22. LONG TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	22.1	4,650	903
Less: receivable within one year	27	(1,242)	(554)
		3,408	349
Due from other employees	22.1 & 22.2	159,665	153,260
Less: receivable within one year	27	(29,719)	(29,374)
		129,946	123,886
		133,354	124,235

22.1 Reconciliation of the carrying amount of loans and advances:

	2013		2012	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	903	153,260	2,596	145,156
Disbursements	-	47,521	-	43,042
Transfers	5,581	(5,581)	28	(28)
Repayments	(1,834)	(35,535)	(1,721)	(34,910)
	4,650	159,665	903	153,260

22.2 These 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 are free from mark-up.

22.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 5.581 million (2012: Rs. 2.596 million).

	2013	2012
	(Rupees in '000)	
23. STORES, SPARES AND LOOSE TOOLS		
Stores	1,283,716	1,466,148
Spares	998,025	746,021
Stores and spares in transit	99,556	26,772
Loose tools	966	994
	2,382,263	2,239,935
Provision against impaired inventory		
Balance as at July 01	(159,569)	(123,095)
Provision made during the year	(57,010)	(36,474)
Balance as at June 30	(216,579)	(159,569)
	2,165,684	2,080,366

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

	2013	2012
Transmission	1,862,981	1,835,879
Distribution	302,703	244,487
	2,165,684	2,080,366

24. STOCK-IN-TRADE

	2013	2012
Gas		
Gas in pipelines	272,267	259,688
Stock of Synthetic Natural Gas	15,836	5,513
	288,103	265,201
Gas meters		
Components	310,718	450,496
Work-in-process	22,363	20,086
Finished meters	13,636	52,366
	346,717	522,948
Provision against impaired inventory		
Balance as at July 01	(7,784)	(6,664)
Reversal / (Provision) during the year	1,575	(1,120)
Balance as at June 30	(6,209)	(7,784)
	628,611	780,365

25. CUSTOMERS' INSTALLATION WORK IN PROGRESS

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 customers are shown as deduction there from as reflected in note 33.2 to these financial statements.

	Note	2013	2012
		(Rupees in '000)	
26. TRADE DEBTS			
Considered good			
- secured		14,235,172	13,145,342
- unsecured		62,049,580	57,467,933
	26.1 & 26.2	76,284,752	70,613,275
Considered doubtful		7,595,958	5,022,392
		83,880,710	75,635,667
Provision against impaired debts	26.3	(7,595,958)	(5,022,392)
		76,284,752	70,613,275

26.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012 for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per International Accounting Standard - 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 44,303 million (2012: Rs. 42,284 million) as at June 30, 2013 receivables from KE. Out of this, Rs. 40,337 million (2012: Rs. 38,641 million) as at June 30, 2013 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 50,935 million (2012: Rs. 42,284 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

Considering that the Company has valid legal claim for recovery of LPS together with outstanding principal amount, the Company filed aforementioned suit against KE amounting to Rs. 55,705 million. The above suit has been filed based on the following grounds:

- As per the agreement dated June 30, 2009 which was entered between the Company and KE for making outstanding payment in 18 installments, the Company was entitled to charge LPS on outstanding principal amount at rate of:

a. Highest OD rate being paid by SSGC or;
b. Highest rate at which interest is payable on gas producer bills.

- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of accounts which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

KE also filed case against the Company in the High Court of Sindh for recovery of damages / losses of Rs. 61,614 million as KE claimed that the Company had not supplied the committed quantity of natural gas to KE. However, the legal counsel of the Company is of the view that claim of KE is not valid and is not as per terms of the agreement where it was agreed that the Company would make excess supply of natural gas if KE would make timely payments. As KE defaulted on many instances in making payments on due dates, the Company was not bound to supply excess quantity of natural gas as per terms of the agreement.

Management has consulted with its legal counsel, who is of the view that the Company has a strong case over recovery of the outstanding amount due to which the management considers outstanding balance good and recoverable. The legal counsel also viewed that the Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

26.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per International Accounting Standard - 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 12,680 million (2012: Rs. 8,782 million) including overdue balance of Rs. 12,232 million (2012: Rs. 8,337 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 15,507 million (2012: Rs. 8,782 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

Although PSML's financial position is adverse, and it has no capacity to repay its obligations on its own, management is confident that the entire amount will be ultimately recovered because PSML is a government-owned entity and is continuously being supported by the Government of Pakistan.

	Note	2013	2012
		(Rupees in '000)	
26.3 Movement of provision against impaired debts			
Balance as at July 01		5,022,392	3,995,865
Provision for the year		2,573,566	1,026,527
Balance as at June 30		7,595,958	5,022,392

	2013			
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	Total
	(Rupees in '000)			
26.4 Aging of trade debts from related parties				
Not due balances	5,336,740	-	-	5,336,740
Past due but not impaired	-	16,987,629	36,254,366	53,241,995
	5,336,740	16,987,629	36,254,366	58,578,735

	2012			
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	Total
	(Rupees in '000)			
Not due balances	5,264,899	-	-	5,264,899
Past due but not impaired	-	18,985,625	29,142,599	48,128,224
	5,264,899	18,985,625	29,142,599	53,393,123

	Note	2013	2012
		(Rupees in '000)	
27. LOANS AND ADVANCES - considered good			
Loan to a related party	27.1	1,710,103	1,301,000
Advances to			
- executives	27.2	11,334	7,708
- other employees	27.2	86,085	83,122
		97,419	90,830
Current portion of long term loans			
- executives	22	1,242	554
- other employees	22	29,719	29,374
		30,961	29,928
		1,838,483	1,421,758

27.1 This amount represents unsecured loan provided to SSGC LPG (Private) Limited (a wholly owned subsidiary), carrying mark-up equivalent to the weighted average borrowing rate of the Company.

27.2 Advances represent interest free establishment advance and festival advance to the employees according to the terms of employment. These are repayable in ten equal installments and are secured against the retirement benefit balances of the related employees.

	Note	2013	2012
		(Rupees in '000)	
28. ADVANCES, DEPOSITS AND SHORT TERM PREPAYMENTS			
Advances for goods and services - unsecured, considered good		75,450	90,771
Trade deposits - unsecured, considered good		13,703	15,362
Prepayments		77,135	74,525
		166,288	180,658

	Note	2013	2012
		(Rupees in '000)	
29. INTEREST ACCRUED			
Interest accrued on late payment of bills / invoices from			
- WAPDA		2,561,802	2,285,770
- SNGPL		2,419,288	1,705,450
- JJVL		43,899	84,225
		5,024,989	4,075,445
Interest accrued on bank deposits		2,370	3,280
Interest accrued on sales tax refund	5.5	487,739	487,739
Interest accrued on loan to related party	29.1	14,021	114,342
		5,529,119	4,680,806

29.1 This amount represents interest accrued to SSGC LPG (Private) Limited (a wholly owned subsidiary). The amount includes interest accrued on a short term loan amounting to Rs. 7.5 million (2012: 114.34 million) and interest accrued on late payment of bills against sale of LPG amounting to Rs. 6.5 million (2012: Nil).

	Note	2013	2012
		(Rupees in '000)	
30. OTHER RECEIVABLES - considered good			
Gas development surcharge receivable from GoP	30.1	17,159,475	7,233,443
Staff pension fund	40.1	93,937	82,733
Receivable for sale of gas condensate		75,637	32,304
Sui Northern Gas Pipelines Limited	30.2	4,085,098	9,467,773
Jamshoro Joint Venture Limited	30.6 & 30.7	3,955,853	2,571,866
SSGC LPG (Private) Limited		275,546	-
Workers' Profit Participation Fund	30.3	452,655	59,912
Sales tax receivable	30.4	11,876,067	5,094,869
Pipeline rentals		15,620	11,131
Miscellaneous receivables		135,841	137,394
		38,125,729	24,691,425
Provision against impaired receivables	30.5	(2,028,106)	(538,322)
		36,097,623	24,153,103

30.1 This includes Rs. 390 million (2012: Rs. 390 million) recoverable from the Government of Pakistan (GoP) on account of remission of gas receivables from people of Ziarat under instructions from GoP. Although, management is confident that this amount is fully recoverable, as a matter of abundant caution full provision has been made in these financial statements.

30.2 This includes Rs. 3,976 million (2012: Rs. 9,388 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited and lease rental receivable and recoverable against lease service cost and contingent rent amounting to Rs. 109 million (2012: Rs. 80 million).

		2013	2012
		(Rupees in '000)	
30.3	Workers' Profit Participation Fund		
	Balance as at July 01	59,912	8,137
	Amount refunded to the Company	(59,912)	(8,137)
	Allocation for the year	(17,345)	(215,088)
	Amount paid by the Company	470,000	275,000
	Balance as at June 30	452,655	59,912

30.4 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 after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012. After withdrawal of said dispensation, the deferred refunds are issued to the Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities.

		2013	2012
		(Rupees in '000)	
30.5	Movement of provision against other receivables		
	Balance as at July 01	538,322	1,485
	Provision for the year	1,489,784	536,837
	Balance as at June 30	2,028,106	538,322

30.6 Subsequent to the year end, the Supreme Court of Pakistan passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Company and Jamshoro Joint Venture Limited was declared void from the date of its inception. The Court constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the "Reference Price" for the full period during which the Implementation Agreement had been operational. However, the freight cost is yet to be finalised for which the Court has appointed an Advocate Supreme Court to determine the matter which is still pending.

30.7 This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, Federal Excise Duty and Sindh Sales Tax on Franchise Services amounting to Rs. 2,247 million (2012: Rs. 1,444 million), Rs. 312 million (2012: Rs. Nil), Rs. 896 million (2012: Rs. 896 million) and Rs. 501 million (2012: Rs. 232 million) respectively.

As at year end, amount payable to JJVL is Rs. 255 million (2012: Rs. Nil) as disclosed in note 15 to these financial statements.

		Note	2013	2012
			(Rupees in '000)	
31.	**TAXATION - net**			
	Advance tax		9,221,886	6,326,115
	Provision for tax		(6,453,721)	(4,897,886)
			2,768,165	1,428,229
32.	**CASH AND BANK BALANCES**			
	Cash at banks			
	- deposit accounts		655,271	1,305,812
	- current accounts		183,462	186,938
			838,733	1,492,750
	Cash in hand	32.1	8,947	10,214
			847,680	1,502,964

32.1 This includes foreign currency cash in hand amounting to Rs. 0.898 million (2012: Rs. 0.898 million).

		Note	2013	2012
33.	**COST OF SALES**			
	Cost of gas	33.1	135,448,936	117,763,432
	Transmission and distribution costs	33.2	12,737,771	10,473,250
			148,186,707	128,236,682
33.1	**Cost of gas**			
	Gas in pipelines as at July 01		259,688	223,479
	Gas purchases		170,640,857	149,435,283
			170,900,545	149,658,762
	Gas consumed internally		(514,196)	(354,678)
	Inward price adjustment	33.1.1	(34,665,146)	(31,280,964)
	Gas in pipelines as at June 30		(272,267)	(259,688)
			(35,451,609)	(31,895,330)
			135,448,936	117,763,432

33.1.1 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 customers 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.

33.1.2 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 above ground and underground, 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 Company 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.
- Above ground and underground leakage identification and rectification.

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

Actual UFG for the year ended June 30, 2013 is 8.43% (2012: 10.80%). OGRA has restricted UFG to 7% due to stay order granted by the Honorable High Court of Sindh.

	Note	2013	2012
		(Rupees in '000)	
33.2 Transmission and distribution costs			
Salaries, wages and benefits		6,689,607	4,950,882
Contribution / accruals in respect of staff retirement benefit schemes	33.2.1	869,137	965,676
Depreciation on operating assets	18.2	3,760,654	3,386,807
Repairs and maintenance		960,180	821,653
Stores, spares and supplies consumed		614,677	628,816
Gas consumed internally		514,196	354,678
Legal and professional charges		122,343	128,404
Software maintenance		24,571	22,381
Electricity		78,298	67,075
Security expenses		283,083	231,321
Insurance and royalty		86,544	75,545
Travelling		33,242	40,287
Material and labor used on customers' installation		61,924	43,061
Impairment of capital work in progress		24,673	-
Postage and revenue stamps		2,590	1,878
Rent, rates and taxes		58,262	43,699
Others		199,798	195,903
		14,383,779	11,958,066
Recoveries / allocations to:			
Gas distribution system capital expenditure		(1,245,284)	(1,137,715)
Installation costs recovered from customers	25	(96,199)	(58,407)
		(1,341,483)	(1,196,122)
Recoveries of service cost from:			
- Sui Northern Gas Pipeline Limited - related party		(251,562)	(227,210)
- Oil and Gas Development Company Limited - related party		(15,833)	(35,083)
- Other customers		(37,130)	(26,401)
		(304,525)	(288,694)
		12,737,771	10,473,250
33.2.1 Contributions to / accrual in respect of staff retirement benefit schemes			
Contributions to the provident fund		145,732	131,002
Charge in respect of pension funds:			
- executives		186,941	265,339
- non-executives		8,744	4,727
Charge in respect of gratuity funds:			
- executives		113,212	106,353
- non-executives		50,341	48,472
Accrual in respect of unfunded post retirement:			
- medical facility		291,661	297,078
- gas facility		-	6,072
Accrual in respect of compensated absences:			
- executives		69,219	74,977
- non-executives		3,287	31,656
		869,137	965,676

	Note	2013	2012
		(Rupees in '000)	

34. ADMINISTRATIVE AND SELLING EXPENSES

	Note	2013	2012
Administrative expenses	34.1	2,150,468	1,847,712
Selling expenses	34.2	1,152,260	1,026,788
		3,302,728	2,874,500

34.1 Administrative expenses

	Note	2013	2012
Salaries, wages and benefits		1,097,366	1,043,971
Contribution / accruals in respect of staff retirement benefit schemes	34.1.1	105,902	84,656
Depreciation on operating assets	18.2	211,874	168,532
Amortisation of intangible assets	19	48,467	13,377
Repairs and maintenance		119,602	99,421
Stores, spares and supplies consumed		148,740	44,429
Legal and professional		75,735	64,838
Software maintenance		92,830	64,505
Electricity		7,663	7,974
Security expenses		6,505	4,721
Insurance and royalty		8,319	6,334
Travelling		67,108	48,542
Postage and revenue stamps		60,243	49,903
Rent, rates and taxes		9,827	64,599
Others		133,823	120,234
		2,194,004	1,886,036
Allocation to meter manufacturing division		(43,536)	(38,324)
		2,150,468	1,847,712

34.1.1 Contributions / accrual in respect of staff retirement benefit schemes

	2013	2012
Contribution to the provident fund	29,168	28,515
Charge in respect of pension funds:		
- executives	36,309	34,621
- non-executives	447	210
Accrual in respect of unfunded post retirment gas facility	16,922	-
Charge in respect of gratuity funds:		
- executives	20,824	19,179
- non-executives	2,232	2,131
	105,902	84,656

	Note	2013	2012
		(Rupees in '000)	
34.2 Selling expenses			
Salaries, wages and benefits		721,602	632,791
Contribution / accruals in respect of staff retirement benefit schemes		72,395	64,327
Depreciation on operating assets	18.2	8,408	9,336
Repairs and maintenance		3,821	3,272
Stores, spares and supplies consumed		31,211	25,429
Meter reading by contractors		55,092	55,148
Electricity		54,224	42,633
Insurance and royalty		502	517
Travelling		858	1,158
Gas bills collection charges		171,613	166,069
Postage and revenue stamps		674	506
Rent, rates and taxes		26,307	16,310
Others		5,553	9,292
		1,152,260	1,026,788
35. OTHER OPERATING EXPENSES			
Auditors' remuneration			
- Statutory audit		3,000	3,000
- Fee for other audit related services		1,200	1,200
- Fee for taxation services		12,763	17,971
- Out of pocket expenses		343	673
		17,306	22,844
Workers' Profit Participation Fund	30.3	17,345	215,088
Sports expenses		32,289	22,046
Corporate social responsibility		22,738	31,324
Loss on disposal of property, plant and equipment	18.3	3,443	3,192
Provision against impaired debts and other receivables	26.3 & 30.5	4,063,350	1,563,364
Provision against impaired stores and spares		50,100	50,179
Exchange loss on payment of gas purchases		745,005	965,200
		4,951,576	2,873,237
36. OTHER OPERATING INCOME			
Income from other than financial assets			
Meter rentals		666,671	643,444
Recognition of income against deferred credit		397,497	387,041
Income from new service connections		310,056	435,771
Gas shrinkage charged to JJVL		2,156,980	1,713,156
Income from gas transportation		33,160	28,816
Income from LPG air mix distribution - net	36.1	131,366	60,271
Recoveries from customers		45,671	44,925
Liquidated damages recovered		25,380	9,666
Advertising income		4,628	6,687
Income from sale of tender documents		2,874	1,624
Scrap sales		783	1,670
Miscellaneous		30,262	15,298
		3,805,328	3,348,369
Income from investment in debts, loans, advances and receivables from related party			
Contingent rental income - Sui Northern Gas Pipelines Limited		10,207	9,855
		3,815,535	3,358,224

	Note	2013	2012
		(Rupees in '000)	
36.1 Income from LPG air mix distribution - net			
Sales		16,051	9,008
Cross subsidy		485,627	251,345
Cost of sales		(271,349)	(143,495)
Gross profit		230,329	116,858
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(24,442)	(11,977)
Depreciation expenses		(69,907)	(36,524)
Other operating expenses		(28,514)	(23,442)
		(122,863)	(71,943)
Amortisation of deferred credit		22,743	14,010
Other income		1,157	1,346
Profit for the year		131,366	60,271

36.2 The Company entered into Implementation Agreement with Jamshoro Joint Venture Limited (JJVL) and granted 'exclusive rights' to process and extract Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) from Composite Associated Gas Mixture (CAGM) made available at JJVL plant.

Gas Shrinkage charged to JJVL means the amount payable by JJVL to the Company as compensation for loss in volume and gross calorific value of CAGM due to recovery of LPG and NGL at the plant. This is in fact consideration for loss in volume of gas and its gross calorific value between Tie in Point and delivery point.

This amount was being recovered under the Implementation Agreement which has been declared void by the Supreme Court of Pakistan vide its Order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009. Thus no shrinkage has been charged after Supreme Court Order.

	Note	2013	2012
		(Rupees in '000)	
37. OTHER NON-OPERATING INCOME			
Income from financial assets			
Late payment surcharge		1,347,883	2,439,210
Income from net investment in finance lease		62,242	62,264
Interest income on loan to related party		135,096	114,342
Return on:			
- term deposits and profit and loss bank accounts		168,402	237,831
- staff loans		1	283
		1,713,624	2,853,930
Interest income on late payment of gas bills from			
- K-Electric Limited (KE)		-	5,254,835
- Jamshoro Joint Venture Limited (JJVL)	37.1	71,198	91,169
- Water & Power Development Authority (WAPDA)		276,032	229,987
- Sui Northern Gas Pipelines Limited (SNGPL)		713,839	272,704
- SSGC LPG (Private) Limited		6,573	-
		1,067,642	5,848,695
Dividend income		1,150	1,534
		2,782,416	8,704,159
Income from investment in debts, loans, advances and receivables from related party			
Dividend income - Sui Northern Gas Pipelines Limited		5,487	2,090
Income from net investment in finance lease	37.2	117,732	125,326
		123,219	127,416
Others			
Sale of gas condensate		190,109	166,248
Royalty income from JJVL		2,585,733	2,141,129
Sales of LPG and NGL - net	37.4 & 37.5	2,706,420	-
Meter manufacturing division profit - net	37.3	537,452	201,409
		6,019,714	2,508,786
		8,925,349	11,340,361

37.1 Interest is charged on the receivable from JJVL at the State Bank of Pakistan discount rate plus 2%.

37.2 This represents income from SNGPL and OGDCL amounting to Rs. 115.941 million (2012: Rs. 122.916 million) and Rs. 1.791 million (2012: Rs. 2.410 million) respectively.

	Note	2013	2012
		(Rupees in '000)	
37.3 Meter manufacturing division profit - net			
Gross sales of gas meters			
- Company's consumption		616,525	751,052
- Outside sales		2,342,788	1,543,487
		2,959,313	2,294,539
Sales tax		(436,921)	(330,280)
Net sales		2,522,392	1,964,259
Cost of sales			
- Raw material consumed		1,430,403	1,422,093
- Stores and spares		10,134	5,150
- Fuel, power and electricity		11,304	10,919
- Salaries, wages and other benefits	37.3.2	439,935	321,056
- Insurance		834	741
- Repairs and maintenance		11,214	5,664
- Depreciation	18.2	5,817	7,886
- Other expenses		1,769	1,358
		1,911,410	1,774,867
Opening work in process		20,086	21,875
Closing work in process		(22,363)	(20,086)
		(2,277)	1,789
Cost of goods manufactured		1,909,133	1,776,656
Opening stock of finished goods		52,366	236
Closing stock of finished goods		(13,636)	(52,366)
		38,730	(52,130)
Cost of goods sold		(1,947,863)	(1,724,526)
Gross profit		574,529	239,733
Administrative expenses		(43,536)	(38,324)
Operating profit		530,993	201,409
Other income		6,459	-
Net profit		537,452	201,409

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

	2013	2012
37.3.2 Salaries, wages and other benefits	432,013	313,082
Provident fund contribution	4,160	3,653
Pension fund	2,036	1,779
Gratuity	1,726	2,542
	439,935	321,056

37.4 This amount includes sale of LPG to SSGC LPG (Private) Limited (wholly owned subsidiary) amounting to Rs. 286 million (2012: Rs. Nil).

37.5 The Company signed Memorandum of Understanding (MoU) with Jamshoro Joint Venture Limited (JJVL)) wherein JJVL was allowed to extract LPG from gas field. As per MoU, 50% of extracted quantity is sold out to JJVL and 50% to other customers.

	2013	2012
	(Rupees in '000)	
38. FINANCE COST		
Mark-up on:		
- loans from banking companies	1,801,280	1,986,051
- short term borrowings	155,470	302,774
- customers' deposits	182,100	163,733
- customer finance	3,266	4,458
- delayed payment on gas supplies	5,553,897	5,349,636
- Government of Sindh loans	212,316	118,377
- others	53,220	22,411
	7,961,549	7,947,440
Less: Finance cost capitalised during the year	(353,660)	(415,729)
	7,607,889	7,531,711
39. TAXATION		
Current year		
Current tax	1,555,835	1,528,201
Deferred tax	(1,442,148)	(29,389)
	113,687	1,498,812
Prior year	-	6,611
	113,687	1,505,423

	2013	2012
	(Rupees in '000)	

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

	2013	2012
Accounting profit for the year	329,561	4,086,666
Tax rate	35%	35%
Tax charge	115,346	1,430,333
Tax effect of expenses that are not deductible in determining taxable profit	-	13,841
Tax effects of permanent differences	-	55,544
Prior year	-	6,611
Effect of lower tax rate on dividend income	(1,659)	(906)
	113,687	1,505,423

40. STAFF RETIREMENT BENEFITS

40.1 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 valuation. Latest actuarial valuations were carried out as at June 30, 2013 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:

	2013			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(928,978)	(2,035,279)	(245,127)	(2,357,051)
Present value of defined benefit obligation	553,063	3,233,652	7,907	2,582,285
(Surplus) / deficit	(375,915)	1,198,373	(237,220)	225,234
Amount (receivable) / payable against Company's liability	(30,000)	30,000	(5,500)	5,500
Unrecognised actuarial gain / (loss)	396,044	(1,228,373)	158,654	(230,734)
	(9,871)	-	(84,066)	-
Movement in present value of defined benefit obligation				
Obligation as at July 01, 2012	527,513	3,154,845	8,560	2,107,255
Current service cost	21,088	167,011	-	103,261
Interest cost	71,605	401,679	1,087	279,438
Actuarial (gain) / loss	(46,685)	(95,437)	(606)	269,140
Benefits paid	(20,458)	(394,446)	(1,134)	(176,809)
Obligation as at June 30, 2013	553,063	3,233,652	7,907	2,582,285
Movement in fair value of plan assets				
Fair value as at July 01, 2012	889,311	1,831,098	255,016	2,225,114
Expected return on plan assets	103,452	215,105	28,004	263,489
Actuarial (loss) / gain	(23,087)	(56,269)	9,683	(79,453)
Benefits paid	(20,458)	(394,446)	(1,134)	(176,809)
Contribution to the fund	266,378	153,173	13,053	65,215
Amount transferred (out) / in	(286,618)	286,618	(59,495)	59,495
Fair value as at June 30, 2013	928,978	2,035,279	245,127	2,357,051
Movement in (asset) / liability in unconsolidated balance sheet				
Asset as at July 01, 2012	-	-	(82,733)	-
Expense recognised for the year	256,507	153,173	11,720	65,215
Contribution to the fund	(266,378)	(153,173)	(13,053)	(65,215)
Asset in unconsolidated balance sheet	(9,871)	-	(84,066)	-

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:

	2013			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	21,088	167,011	-	103,261
Interest cost	71,605	401,679	1,087	279,438
Expected return on plan assets	(103,452)	(215,105)	(28,004)	(263,489)
Recognition of actuarial (gain) / loss	(28,352)	95,206	(15,358)	-
Amount transferred out / (in)	295,618	(295,618)	53,995	(53,995)
	256,507	153,173	11,720	65,215
Actual return on plan assets	84,647	208,007	35,008	263,689
Composition / fair value of plan assets used by the fund				
Quoted shares	12.1%	5.7%	27.1%	7.0%
Debt instruments	80.7%	90.9%	64.5%	88.5%
Mutual funds	1.7%	1.9%	5.0%	3.3%
Other including cash and cash equivalents	5.5%	1.5%	3.4%	1.2%
Quoted shares	112,173	116,991	66,551	164,646
Debt instruments	750,022	1,850,821	158,191	2,085,145
Mutual funds	15,917	38,265	12,261	77,661
Other including cash and cash equivalents	50,866	29,202	8,124	29,599
Total	928,978	2,035,279	245,127	2,357,051

	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
(Surplus) / deficit	(361,798)	1,323,747	(246,456)	(117,859)
Amount (receivable) / payable against Company's liability	(39,000)	39,000	-	-
Unrecognised actuarial gain / (loss)	400,798	(1,362,747)	163,723	117,859
	-	-	(82,733)	-
Movement in present value of defined benefit obligation				
Obligation as at July 01, 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 (gain) / loss	(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

	2012			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Movement in fair value of plan assets				
Fair value as at July 01, 2011	850,752	1,564,906	424,263	1,683,813
Expected return on plan assets	92,194	173,413	57,203	222,853
Actuarial gain / (loss)	16,711	33,280	(28,781)	156,235
Benefits paid	(20,406)	(461,096)	(902)	(103,717)
Contribution to the 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 (asset) / liability in unconsolidated balance sheet				
Asset as at July 01, 2011	-	-	(82,733)	-
Expense recognised for the year	328,922	141,733	6,154	63,009
Contribution to the fund	(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
Interest 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
Actual return on plan assets	81,782	200,511	28,422	215,008
Composition / fair value of plan assets used by the fund				
Quoted shares	13.6%	7.0%	28.2%	8.9%
Debt instruments	72.9%	88.8%	61.6%	86.2%
Mutual funds	1.1%	1.8%	3.7%	2.4%
Others including cash and cash equivalents	12.4%	2.4%	6.5%	2.5%
Quoted shares	121,335	128,124	71,987	197,900
Debt instruments	647,893	1,627,209	156,974	1,917,643
Mutual funds	9,918	32,531	9,467	52,797
Others including cash and cash equivalents	110,165	43,234	16,588	56,774
Total	889,311	1,831,098	255,016	2,225,114

	2013	2012	2011 (Rupees in '000)	2010	2009
Historical information					
Pension - Executives					
Present value of defined benefit obligation	553,063	527,513	527,423	450,216	288,113
Fair value of plan assets	(928,978)	(889,311)	(850,752)	(928,384)	(910,450)
Surplus	(375,915)	(361,798)	(323,329)	(478,168)	(622,337)
Amount (payable) / receivable against					
Company's liability	(30,000)	(39,000)	-	52,547	-
Unrecognised actuarial gain	396,044	400,798	323,329	425,621	621,976
Asset in unconsolidated balance sheet	(9,871)	-	-	-	(361)
Experience adjustment arising on plan liabilities (gains) / losses	(46,685)	(79,085)	39,342	129,098	(308,268)
Experience adjustment arising on plan assets (losses) / gains	(23,087)	16,711	(39,180)	(23,013)	24,809
Historical information					
Gratuity - Executives					
Present value of defined benefit obligation	3,233,652	3,154,845	2,431,572	2,114,380	1,725,098
Fair value of plan assets	(2,035,279)	(1,831,098)	(1,564,906)	(1,480,260)	(1,469,949)
Deficit	1,198,373	1,323,747	866,666	634,120	255,149
Amount receivable / (payable) against Company's liability	30,000	39,000	-	(52,547)	-
Unrecognised actuarial loss	(1,228,373)	(1,362,747)	(866,666)	(581,573)	(255,240)
Asset in unconsolidated balance sheet	-	-	-	-	(91)
Experience adjustment arising on plan liabilities (gains) / losses	(95,437)	577,323	274,042	339,352	(115,250)
Experience adjustment arising on plan assets (losses) / gains	(56,269)	33,280	(37,489)	4,746	44,856
Pension - Non-Executives					
Present value of defined benefit obligation	7,907	8,560	9,028	6,029	6,114
Fair value of plan assets	(245,127)	(255,016)	(424,263)	(382,750)	(435,232)
Surplus	(237,220)	(246,456)	(415,235)	(376,721)	(429,118)
Amount (payable) / receivable against Company's liability	(5,500)	-	122,088	49,292	-
Unrecognised actuarial gain	158,654	163,723	210,414	244,696	260,385
Asset in unconsolidated balance sheet	(84,066)	(82,733)	(82,733)	(82,733)	(168,733)
Experience adjustment arising on plan liabilities (gains) / losses	(606)	(755)	3,214	(184)	622
Experience adjustment arising on plan assets gains / (losses)	9,683	(28,781)	(7,633)	8,223	14,319

	2013	2012	2011	2010	2009
			(Rupees in '000)		
Historical information					
Gratuity - Non-Executives					
Present value of defined benefit obligation	2,582,285	2,107,255	1,912,522	2,221,574	1,445,153
Fair value of plan assets	(2,357,051)	(2,225,114)	(1,683,813)	(1,564,495)	(1,539,886)
Deficit / (surplus)	225,234	(117,859)	228,709	657,079	(94,733)
Amount receivable / (payable) against Company's liability	5,500	-	(122,088)	(49,292)	-
Unrecognised actuarial (loss) / gain	(230,734)	117,859	(106,621)	(618,034)	94,733
Liability in unconsolidated balance sheet	-	-	-	(10,247)	-
Experience adjustment arising on plan liabilities losses / (gains)	269,140	(68,245)	(600,556)	686,438	40,636
Experience adjustment arising on plan assets (losses) / gains	(79,453)	156,235	(117,420)	(26,329)	73,431

Significant actuarial assumptions

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

	Executives and Non-Executives	
	2013 (%)	2012 (%)
Discount rate	11.00	13.50
Expected rate of increase in salary level	9.00	11.50
Expected rate of return on plan assets	11.00	12.00
Increase in pension	4.00	6.50

40.2 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 actuarial valuations of the liability under these schemes were carried out as at June 30, 2013 under the projected unit credit 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 2,479 (2012: 2,661).

	June 30, 2013		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Liability in unconsolidated balance sheet			
Present value of defined benefit obligation	1,974,536	46,859	2,021,395
Unrecognised actuarial (loss) / gain	(64,085)	11,477	(52,608)
	1,910,451	58,336	1,968,787

	June 30, 2013	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movement in present value of defined benefit obligation		
Liability as at July 01, 2012	1,672,442	57,130
Expense recognised for the year	301,314	4,869
Payments during the year	(63,305)	(3,663)
Liability as at June 30, 2013	1,910,451	58,336
Expense recognised in the unconsolidated profit and loss account		
Current service cost	71,540	-
Interest cost	229,774	5,821
Amortisation of actuarial gain	-	(952)
	301,314	4,869

	June 30, 2012		
	Post retirement medical facility	Post retirement gas facility	Total
	(Rupees in '000)		
Liability in unconsolidated balance sheet			
Present value of defined 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

	June 30, 2012	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Movement in present value of defined benefit obligation		
Movements in net liability recognised during the year are as follows:		
Liability as at July 01, 2011	1,422,111	54,669
Expense recognised 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
Interest cost	214,506	-
Amortisation of actuarial gain	-	(294)
	297,078	6,072

Significant actuarial assumptions

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

	Executives 2013 (%)	Executives 2012 (%)
Discount rate	11.0	13.5
Medical inflation rate	7.5	10.0
Gas inflation rate	8.0	10.5

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Medical facility - Executives					
Present value of defined benefit obligation	1,974,536	1,694,729	1,519,539	1,243,878	1,065,142
Unrecognised actuarial (loss) / gain	(64,085)	(22,287)	(97,428)	(27,893)	294
Liability in unconsolidated balance sheet	1,910,451	1,672,442	1,422,111	1,215,985	1,065,436
Experience adjustment arising on plan liabilities losses / (gains)	41,798	69,535	69,535	28,187	(49,097)
Gas facility - Executives					
Present value of defined benefit obligation	46,859	44,150	47,290	43,639	41,395
Unrecognised actuarial gain	11,477	12,980	7,379	10,135	11,185
Liability in unconsolidated balance sheet	58,336	57,130	54,669	53,774	52,580
Experience adjustment arising on plan liabilities losses	551	2,115	2,115	345	668

40.3 Defined contribution plan - Recognised provident fund

The information related to the provident funds established by the Company based on the audited financial statements of that provident funds are as follows:

	Executives		Non-executives	
	2013	2012	2013	2012
	(Rupees in '000)			
Size of provident fund	2,604,168	2,365,273	2,516,510	2,252,053
Cost of investments made	2,323,870	2,181,272	2,297,580	2,135,053
Percentage of investments made	94%	95%	97%	97%
Fair value of investment	2,456,324	2,244,853	2,435,744	2,186,888
Break-up of investments:				
- Balance in savings accounts				
Amount of investment	46,643	68,646	42,943	44,845
Percentage of size of investment	2%	3%	2%	2%
- Term deposit receipts				
Amount of investment	495,290	1,075,805	591,960	753,010
Percentage of size of investment	19%	45%	24%	33%
- Units of mutual fund				
Amount of investment	35,218	23,275	-	-
Percentage of size of investment	1%	1%	0%	0%
- Special savings certificate				
Amount of investment	497,159	443,113	744,137	663,242
Percentage of size of investment	19%	19%	30%	29%
- Treasury bills				
Amount of investment	1,160,857	289,282	862,963	374,805
Percentage of size of investment	45%	12%	34%	17%
- Pakistan Investment Bonds (PIBs)				
Amount of investment	78,253	182,100	56,763	201,668
Percentage of size of investment	3%	8%	2%	9%
- Terms Finance Certificates (TFCs)				
Amount of investment	20,229	55,872	29,059	53,904
Percentage of size of investment	1%	2%	1%	2%
- Quoted shares				
Amount of investment	122,675	106,760	107,919	95,414
Percentage of size of investment	5%	5%	4%	4%

40.3.1 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the Rules formulated for this purpose.

		2013	2012
41. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation	Rupees in '000	215,874	2,581,243
Average number of ordinary shares	Number of shares	880,916,309	880,916,309
Earnings per share - basic and diluted	Rupees	0.25	2.93

	Note	2013	2012
		(Rupees in '000)	
42. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
Provisions	42.1	5,006,236	2,565,002
Depreciation		4,056,660	3,609,085
Amortisation of intangibles		48,467	13,377
Finance cost		7,602,887	7,531,711
Amortisation of transaction cost		5,002	6,035
Recognition of income against deferred credit		(420,240)	(401,052)
Dividend income		(6,637)	(3,624)
Late payment surcharge and return on term deposits		(1,371,141)	(6,201,151)
Income from net investment in finance lease		(179,974)	(187,590)
Loss on disposal of property, plant and equipment		3,443	3,192
(Decrease) / increase in long term advances		(741,416)	600,133
Increase in deferred credit		831,404	218,897
		14,834,691	7,754,015
42.1 Provisions			
Provision against slow moving / obsolete stores		48,462	51,299
Provision against impaired debts and other receivables		4,063,350	1,155,475
Provision for compensated absences		76,953	107,370
Provision for post retirement medical and free gas supply facilities		306,183	303,150
Provision for retirement benefits		486,615	539,818
Provision against impaired interest accrued		-	407,890
Impairment of capital work in progress		24,673	-
		5,006,236	2,565,002
43. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Stores and spares and loose tools		(142,328)	145,724
Stock-in-trade		153,329	(78,765)
customers' installation work in progress		17,983	(17,280)
Trade debts		(9,372,681)	(23,177,209)
Advances, deposits and short term prepayments		14,370	29,183
Other receivables		(13,423,100)	(4,939,686)
		(22,752,427)	(28,038,033)
Increase in current liabilities			
Trade and other payables		8,834,627	23,256,132
		(13,917,800)	(4,781,901)

44. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

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

	June 30, 2013		June 30, 2012	
	Managing Director	Executives	Managing Director	Executives
	(Rupees in '000)			
Managerial remuneration	17,063	1,650,565	9,747	1,431,305
Housing	5,973	636,976	4,213	553,690
Utilities	1,327	141,554	936	123,042
Retirement benefits	759	348,841	785	274,273
	25,122	2,777,936	15,681	2,382,310
Number	*2	1,474	1	1,247

44.1 The Chairman, Managing Director 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 (2012: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

44.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.14 million (2012: Rs. 0.062 million for 14 directors).

44.3 Total number of employees and average number of employees as at year end are 7,515 and 7,535 respectively. (2012: 7,554 and 7,609).

* During the year, Mr. Azim Iqbal Siddiqui resigned and Mr. Zuhair Siddiqui was appointed as Managing Director of the Company.

45. CAPACITY AND ACTUAL PERFORMANCE

	June 30, 2013		June 30, 2012	
	MMCF	HM3	MMCF	HM3
45.1 Natural gas transmission				
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	523,410	147,464,748	524,844	147,868,761
Utilisation - volume of gas transmitted	420,066	118,348,695	408,030	114,957,760
Capacity utilisation factor (%)	80.3	80.3	77.7	77.7

45.2 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 customers.

45.3 Meter manufacturing division

During the year, meter manufacturing division produced and assembled 690,129 meters (2012: 675,521 meters) against an annual capacity of 356,000 meters on a single shift basis.

46. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies due to common directorship, Government related entities, staff retirement benefits plans, 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. 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	2013	2012
		(Rupees in '000)	
Askari Bank Limited	Associate		
- Profit on investment		3,201	27,016
- Mark-up on short term finance		9,162	30,197
- Mark-up on local currency finance		163,173	234,196
- Billable charges		232	211
Attock Refinery Limited	Associate		
- Sale of gas condensate		63,369	-
Bank Al-Habib Limited	Associate		
- Profit on investment		7,036	5,759
- Mark-up on short term finance		42,791	43,732
- Mark-up on long term finance		56,172	191,702
Fauji Fertilizer Company Limited	Associate		
- Billable charges		107	5
Government related entities - various			
- Purchase of fuel and lubricant		11,092	38,622
- Billable charges		44,903,915	43,091,770
- Mark up on short term finance		2,422	21,045
- Mark up on delayed payment on gas bills		5,553,897	5,349,636
- Sharing of expenses		59,793	56,297
- Income from net investment in finance lease		117,732	74,721
- Gas purchases		56,790,945	60,214,803
- Sale of gas meters		2,014,936	1,325,731
- Dividend income		5,487	2,090
- Rent of premises		5,659	4,526
- Insurance premium		135,155	110,468
- Uniform cost of gas		35,293,420	31,280,964
- Electricity expense		140,185	117,682
- Interest income		989,871	5,757,526
Habib Bank Limited	Associate		
- Profit on investment		16,549	-
- Mark-up on short term finance		12,940	-
- Mark-up on long term finance		2,624	-
- Billable charges		4,156	-
Habib Metropolitan Bank	Associate		
- Profit on investment		2,615	3,076
- Mark-up on short term finance		15,030	553
- Mark-up on long term finance		-	44,191
Hydrocarbon Development Institute of Pakistan	Associate		
- Billable charges		33,715	19,364
International Industries Limited	Associate		
- Line pipe purchases		653,513	566,981
- Billable charges		964,203	952,455
Key management personnel			
- Remuneration		149,799	116,621
Liaquat National Hospital	Associate		
- Medical services		27,892	51,268
- Billable charges		42,834	74,230

	Relationship	2013	2012
		(Rupees in '000)	
Minto & Mirza	Associate		
- Professional charges		13,000	10,550
Packages Limited	Associate		
- Billable charges		11,663	10,130
Pak Suzuki Motor Company Limited	Associate		
- Motor vehicle purchases		47,535	71,994
- Billable charges		32,993	54,888
Pakistan Cables Limited	Associate		
- Billable charges		67,856	63,105
- Purchase of cable		16,360	-
Pakistan Engineering Company Limited	Associate		
- Billable charges		56	51
PERAC - Research & Development Foundation	Associate		
- Professional charges		487	531
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		501	434
*Qaim Automotive Manufacturing (Private) Limited	Associate		
- Billable charges		-	126
- Purchase of auto parts		-	344
*Quality Aviation (Private) Limited	Associate		
- Travelling services		-	48,559
*Siemens Pakistan Engineering Limited	Associate		
- Billable charges		-	6,306
- Supplies and maintenance		-	18
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Issue of shares		-	1,000,000
- Short term loan		409,103	1,301,000
- Interest on loan		135,096	114,342
- Interest on delayed payment of gas bill		6,573	-
- LPG purchases		281,250	23,664
- LPG sales		333,087	-
Staff Retirement Benefit Plans	Associate		
- Contribution to provident fund		246,670	228,877
- Contribution to pension fund		279,431	335,076
- Contribution to gratuity fund		218,388	204,742
Thatta Cement Company Limited	Associate		
- Billable charges		10,826	82,044
U.G Foods Company (Private) Limited	Associate		
- Billable charges		7,023	13,918

*Current year transactions with these parties have not been disclosed as they did not remain related parties during the year.

**Comparative transactions with these parties have not been disclosed as these parties were not related parties in last year.

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, 15, 30 and 40 to these financial statements.

Remuneration to the executive officers of the Company (disclosed in note 44 to these financial statements) and loans and advances to them (disclosed in notes 22 and 27 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

46.1 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	2013	2012
		(Rupees in '000)	
Askari Bank Limited	Associate		
- Long term finance		(1,333,333)	(1,689,000)
- Cash at bank		1,385	2,310
- Accrued mark-up		(23,982)	(23,885)
- Billable charges		9	7
- Gas supply deposit		(184)	(184)
**Attock Refinery Limited	Associate		
- Sale of condensate		75,637	-
Bank Al-Habib Limited	Associate		
- Long term finance		(500,000)	(541,778)
- Short term finance		(1,441,865)	-
- Cash at bank		2,422	98,698
- Accrued mark-up		(26,850)	(12,057)
Fauji Fertilizer Company Limited	Associate		
- Billable charges		5	72
- Gas supply deposit		(124)	(50)
Government related entities - various			
- Billable charges		58,493,193	53,283,766
- Mark-up accrued on borrowings		(2,348)	(2,541)
- Late payment surcharge on gas supplies		(21,386,308)	(15,832,411)
- Sharing of expenses		(11,924)	(16,205)
- Net investment in finance lease		107,973	78,743
- Gas purchases		(62,233,608)	(58,945,247)
- Gas meters		288,094	84,006
- Uniform cost of gas		3,975,409	9,387,759
- Cash at bank		42,467	44,697
- Stock loan		(28,813)	(49,936)
- Recoverable from insurance		(2,025)	598
- Gas supply deposit		(50,169)	(44,187)
- Interest income accrued - late payment on gas bills		4,981,091	3,991,221

	Relationship	2013	2012
		(Rupees in '000)	
**Habib Bank Limited	Associate		
- Long term finance		(1,000,000)	-
- Short term finance		(1,482,788)	-
- Cash at bank		90,237	-
- Accrued mark-up		(24,258)	-
- Billable charges		3,354	-
- Gas supply deposit		(3,589)	-
Habib Metropolitan Bank	Associate		
- Long term finance		-	(225,566)
- Short term finance		(95,536)	-
- Cash at bank		-	4,871
- Accrued mark-up		(13,409)	(66)
Hydrocarbon Development Institute of Pakistan	Associate		
- Billable charges		2,723	2,883
- Gas supply deposit		(4,000)	(4,000)
International Industries Limited	Associate		
- Billable charges		24,278	85,717
- Gas supply deposit		(48,925)	(36,408)
Kohinoor Silk Mills Limited	Associate		
- Billable charges		21	-
- Gas supply deposit		(60)	-
Liaquat National Hospital	Associate		
- Billable charges		-	8,313
- Gas supply deposit		-	(19,170)
Packages Limited	Associate		
- Billable charges		951	991
- Gas supply deposit		(3,044)	(3,044)
Pakistan Cables Limited	Associate		
- Billable charges		7,553	6,309
- Gas supply deposit		(17,159)	(16,535)
Pakistan Engineering Company Limited	Associate		
- Billable charges		5	3
- Gas supply deposit		(12)	(12)
Pakistan Synthetic Limited	Associate		
- Billable charges		24,170	-
- Gas supply deposit		(64,509)	-
Pak Suzuki Motor Company Limited	Associate		
- Billable charges		2,483	3,454
- Gas supply deposit		(10,656)	(8,500)
PERAC - Research & Development Foundation	Associate		
- Professional charges		57	57

	Relationship	2013	2012
		(Rupees in '000)	
**Premium Textile Limited	Associate		
- Billable charges		19,490	-
- Gas supply deposit		(22,300)	-
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long term investment		1,000,000	1,000,000
- Short term loan		1,710,103	1,301,000
- Interest on loan		14,021	114,342
- LPG purchases		(125,652)	(9,002)
- LPG sales		275,546	-
Thatta Cement Company Limited	Associate		
- Billable charges		500	431
- Gas supply deposit		(45,000)	(45,000)
*U.G Foods Company (Private) Limited			
- Billable charges		-	1,177
- Gas supply deposit		-	(2,499)

*Current balances with these parties have not been disclosed as they did not remain related parties as at year end.

**Comparative balances with these parties have not been disclosed as these parties were not related parties in last year.

47. 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

47.1 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, trade deposits, bank balances, interest accrued and other receivables. To reduce the exposure toward the credit risk, comprehensive customer category wise credit limits and terms have been established. In case of industrial and commercial customers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic customers as per rates notified by OGRA are taken to reduce credit exposure. The Company continuously monitors the credit given to customers and interest accrued thereon and has established a dedicated recovery department for follow-up, recovery or disconnection of gas supply as the case may be. Loans and advances given to employees are secured against retirement benefits of the employees and title deed of properties of employees. Balances are maintained with banks of sound credit rating. 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:

	2013	2012
	(Rupees in '000)	
Financial assets - loans and receivables		
Trade debts	76,284,752	70,613,275
Net investment in finance lease	802,950	921,745
Loans and advances	1,971,837	1,545,993
Deposits	18,233	18,612
Bank balances	838,733	1,492,750
Interest accrued	5,041,380	4,193,067
Other receivables	6,515,489	12,072,146
	91,473,374	90,857,588

47.1.1 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 customers are obtained at rates notified by the OGRA. These collaterals are adjusted / called following on disconnection of gas supply. Details of security held at year end is as follows:

	2013	2012
	(Rupees in '000)	
Cash deposits	5,211,695	4,551,464
Bank guarantee / irrevocable letter of credit	21,229,159	15,492,056

47.1.2 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 47.1.3 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
Allied Bank Limited	PACRA	A-1+	AA+
Askari Bank Limited	PACRA	A-1+	AA
Bank Al-Habib Limited	PACRA	A-1+	AA+
Bank Alfalah Limited	PACRA	A-1+	AA
Bank Islami Limited	PACRA	A-1	A
Bank of Punjab Limited	PACRA	A-1+	AA-
Bank Of Tokyo Mitsubshi	Standard & Poor's	A-1	A+
Barclays Bank Limited	Standard & Poor's	A-1	A
Burj Bank Limited	JCR-VIS	A-1	A
City Bank N. A.	Moody's	P-1	A2
Deutsche Bank A.G	Standard & Poor's	A-1	A
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A
Faysal Bank Limited	JCR-VIS	A-1+	AA
First Women Bank Limited	PACRA	A-2	A-
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
KASB Bank limited	PACRA	A-3	BBB
MCB Bank Limited	PACRA	A-1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan Limited	JCR-VIS	A-1	AAA
NIB Bank Limited	PACRA	A-1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A-1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Summit Bank Limited	JCR-VIS	A-3	A-
Tameer Micro Finance Bank Limited	PACRA	A-1	A
United Bank Limited	JCR-VIS	A-1+	AA+

47.1.3 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:

	2013		2012	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	15,391,500	-	15,305,400	-
Past due but not impaired	54,100,370	-	39,476,299	-
Past due and impaired	3,076,949	3,076,949	11,987,620	2,254,020
Disconnected customers	534,157	528,941	471,451	412,259
Total	73,102,976	3,605,890	67,240,770	2,666,279

Past due but not impaired balances include aggregate overdue balances of K-Electric, PSML and WAPDA amounting to Rs. 53,240 million and are subject to inter corporate circular debt of government entities and KE.

The Company has collateral / security against industrial and commercial customers amounting to Rs. 25,081 million (2012: Rs. 18,785 million) and replenishes 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. 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 customers) is considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired debts.

Domestic customers

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

	2013		2012	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	2,280,706	-	1,163,002	-
Past due but not impaired:				
Past due 1 - 6 month	3,515,980	-	1,500,276	-
Past due and impaired:				
Past due 7 - 9 months	196,390	-	443,092	87,819
Past due 10 - 12 months	174,154	-	300,323	61,526
Past due 13 - 18 months	437,502	189,089	748,328	188,648
Past due 19 - 24 months	205,883	205,883	418,362	79,392
Past due over 2 years	1,472,407	1,472,407	1,859,123	224,400
	2,486,336	1,867,379	3,769,228	641,785
Disconnected customers	2,494,712	2,122,689	1,962,391	1,714,328
Total	10,777,734	3,990,068	8,394,897	2,356,113

The Company has collateral / security against domestic customers amounting to Rs. 1,360 million (2012: Rs. 1,309 million) and replenishes 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.

Interest accrued

As at June 30, 2013 interest accrued was Rs. 5,041 million (2012: Rs. 4,193 million). Interest is mainly accrued on customer balances which are past due. Interest on past due balances includes aggregate over due balances of WAPDA and SNGPL amounting to Rs. 4,981 million (2012: 3,991 million), recovery of which is subject to inter corporate circular debt of Government entities.

Other receivables

As at June 30, 2013 other receivable financial assets amounted to Rs. 6,515 million (2012: Rs. 12,072 million). Past due other receivables amounting to Rs. 3,681 million (2012: Rs. 9,388 million) include over due balances of SNGPL amounting to Rs. Nil (2012: Rs. 3,190 million), JJVL amounting to Rs. 3,445 million (2012: Rs. 1,346 million) and of SSGC LPG amounting to Rs. 236 million (2012: Nil).

47.1.4 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. Concentration of credit risk indicates 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 customers / counter parties, type as well as geographical distribution of customers / counterparties. Concentration of credit risk in financial assets of the Company is as follows:

Trade debts

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

	2013	2012
	(Rupees in '000)	
Power generation companies	45,904,212	44,201,594
Cement industries	49,722	33,827
Fertilizer and steel industries	13,353,847	9,589,856
Other industries	8,951,865	11,950,092
Total industrial customers	68,259,646	65,775,369
Commercial customers	1,237,440	690,022
Domestic customers	6,787,666	4,147,884
	76,284,752	70,613,275

At year end the Company's most significant receivable balances were K-Electric, PSML and WAPDA which amounted to Rs. 44,303 (2012: Rs. 42,284 million), Rs. 12,680 million (2012: Rs. 8,782 million) and Rs. 1,495 million (2012: Rs. 2,203 million) respectively. These balances have aggregated due to inter corporate circular debt.

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

	2013	2012
	(Rupees in '000)	
Karachi	68,040,968	62,703,500
Sindh (excluding Karachi)	6,094,046	6,143,846
Balochistan	2,149,738	2,893,567
	76,284,752	71,740,913

Net investment in finance lease

The Company's most significant investment in finance lease amounted to Rs. 627 million (2012: Rs. 692 million) in respect of SNGPL.

Interest accrued

Most significant counter parties of the Company in respect of interest accrued are disclosed in note 29 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 30.2 to these financial statements. These balances are subject to inter circular corporate debt.

47.2 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 analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	2013					
	Carrying Amount	Contractual cash flows months	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)					
Financial liabilities at amortised cost						
Long term finance	28,368,257	(34,921,637)	(2,411,308)	(3,254,925)	(6,085,330)	(23,170,074)
Short term borrowings	4,017,953	(4,175,197)	(4,175,197)	-	-	-
Trade and other payables	84,400,566	(84,400,566)	(84,400,566)	-	-	-
Interest accrued	21,904,464	(21,904,464)	(21,904,464)	-	-	-
Long term deposits	5,260,547	(12,963,997)	(96,293)	(96,293)	(192,586)	(12,578,825)
	143,951,787	(158,365,861)	(112,987,828)	(3,351,218)	(6,277,916)	(35,748,899)

	2012					
	Carrying Amount	Contractual cash flows months	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)					
Financial liabilities at amortised cost						
Long term finance	21,542,645	(28,641,410)	(2,888,149)	(2,280,225)	(5,526,944)	(17,946,092)
Short term borrowings	-	-	-	-	-	-
Trade and other payables	81,483,345	(81,483,345)	(81,483,345)	-	-	-
Interest 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	(137,406,251)	(100,649,658)	(2,361,274)	(5,689,043)	(28,706,276)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of latest available market rates. 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.

47.3 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 market risk comprises of currency risk, interest rate risk and other price risk (equity price risk).

47.3.1 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 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:

	2013		2012	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Creditors for gas	6,880,079	69,636	7,925,807	84,227
Estimated forecast gas purchases	178,776,736	1,844,961	147,818,000	1,648,283
Net exposure	185,656,815	1,914,597	155,743,807	1,732,510

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.

	Average rates 2013	Average rates 2012	Balance sheet date rate 2013	Balance sheet date rate 2012
	(Rupees)			
The following significant exchange rates applied during the year:				
US Dollars	96.90	89.68	98.80	94.20

Sensitivity analysis

A 10% strengthening / (weakening) of the Rupee against US Dollar at June 30, 2013 would have (decreased) / increased trade creditors by Rs. 688 million (2012: Rs. 793 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 as for 2012.

47.3.2 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:

	2013	2012
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	802,950	921,745
Loan and advances	4,650	2,596
Trade debts	22,650,082	16,778,402
Cash and bank balances	655,271	1,305,812
	24,112,953	19,008,555
Financial liabilities		
Long term deposits	(3,851,725)	(2,778,353)
Government of Sindh loan	(6,055,042)	(4,753,064)
Trade and other payables	(16,614,116)	(21,770,585)
	(26,520,883)	(29,302,002)
	(2,407,930)	(10,293,447)
Variable rate instruments		
Financial assets		
Trade debts	40,529,553	39,458,000
Other receivables	6,304,459	1,346,433
Loan to related party	1,710,103	1,301,000
	48,544,115	42,105,433
Financial liabilities		
Long term loan except Government of Sindh loan	(22,313,215)	(16,789,581)
Short term borrowings	(4,017,953)	-
Trade and other payables	(63,690,733)	(56,167,488)
	(90,021,901)	(72,957,069)
	(41,477,786)	(30,851,636)

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 analyses 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, 2013 by Rs. 415 million (2012: Rs. 322 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

47.3.3 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, 2013 is Rs. 89.684 million (2012: Rs. 66.474 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. 8.968 million (2012: Rs. 6.674 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

47.4 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.

47.4.1 Fair value hierarchy

The table below analyses 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).

	2013			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	89,684	-	-	89,684
	89,684	-	-	89,684

	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

There have been no transfers during the year. (2012: no transfers in either direction).

47.5 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:

	2013	2012
	(Rupees in '000)	
Total borrowings		
Long term finance	24,770,608	18,315,383
Current portion of long term finance	3,597,649	3,227,262
Short term borrowings	4,017,953	-
	32,386,210	21,542,645
Less: Cash and bank balances	(847,680)	(1,502,964)
Net debts	31,538,530	20,039,681
Capital employed	48,891,489	39,790,897
Gearing ratio	65%	50%

48. OPERATING SEGMENTS

IFRS 8 -Operating Segments 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	
	2013	2012	2013	2012
	(Rupees in '000)			
Gas transmission and distribution	142,197,188	133,874,809	190,225	5,059,350
Meter manufacturing	2,522,392	1,964,259	537,452	201,409
Total segments results	144,719,580	135,839,068	727,677	5,260,759
Unallocated - other expenses				
- Other operating expenses			(888,226)	(1,717,763)
Unallocated - other income				
- Non-operating income			490,110	543,670
Profit before tax			329,561	4,086,666

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 617 million (2012: Rs. 751 million).

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

	2013	2012
	(Rupees in '000)	
Segment assets and liabilities		
Segment assets		
Gas transmission and distribution	188,690,974	167,615,320
Meter manufacturing	1,628,242	876,714
Total segment assets	190,319,216	168,492,034
Unallocated		
- Loans and advances	1,971,837	1,545,993
- Taxation - net	2,768,165	1,428,229
- Interest accrued	490,109	491,019
- Cash and bank balances	847,680	1,502,964
	6,077,791	4,968,205
Total assets as per balance sheet	196,397,007	173,460,239
Segment liabilities		
Gas transmission and distribution	166,895,278	142,736,753
Meter manufacturing	278,663	69,051
Total segment liabilities	167,173,941	142,805,804
Unallocated		
- Employee benefits	2,465,846	2,154,237
Total liabilities as per balance sheet	169,639,787	144,960,041

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

49. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective audited financial statements at June 30, 2013 and 2012, are as follows:

	2013	2012
	(Rupees in '000)	
Pension fund - executives	909,490	808,020
Gratuity fund - executives	2,022,765	1,787,576
Pension fund - non executives	232,906	241,962
Gratuity fund - non executives	2,351,582	2,206,474
Provident fund - executives	2,456,323	2,176,207
Provident fund - non executives	2,435,745	2,142,043
Benevolent fund - executives	120,148	104,234

50. ACCOUNTING ESTIMATES AND JUDGMENTS

50.1 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.

50.2 Staff retirement and other service benefit obligations

Certain actuarial assumptions have been adopted as disclosed in note 40 to these financial statements for valuation of these obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

50.3 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 effect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

50.4 Trade debts and other receivables

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

50.5 Stock in trade and stores, spares and loose tools

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.

50.6 Fair value of investments

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

50.7 Recognition of income from sale of Natural Gas Liquid (NGL) and Liquefied Petroleum Gas (LPG)

Income from sale of NGL and LPG to Jamshoro Joint Venture Limited is recognized based on provisional invoice price / quantity being the best estimate available. Any change in provisional price / quantity will be accounted for prospectively in the year in which there is change in price / quantity.

50.8 Recognition of gas development surcharge

Management has recognised income from gas development surcharge according to Final Revenue Requirement (FRR) issued by OGRA based on stay orders as mentioned in note 1.3.1. Further, gas development surcharge does not include the impact of stay orders as mentioned in note 1.3.2 since no revised FRR has been issued by OGRA in this regard.

51. 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.

52. GENERAL

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

52.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

52.3 The Board of Directors have proposed a final dividend for the year ended June 30, 2013 of Rs. Nil per share (2012: Rs. 2.5 per share), amounting to Rs. Nil (2012: Rs. 2,097.420 million) for approval of the members at the annual general meeting to be held on April 16, 2016.

53. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on March 05, 2016.

Miftah Ismail	**Khalid Rahman**
Chairman	Managing Director