

62<sup>nd</sup> ANNUAL REPORT 2016

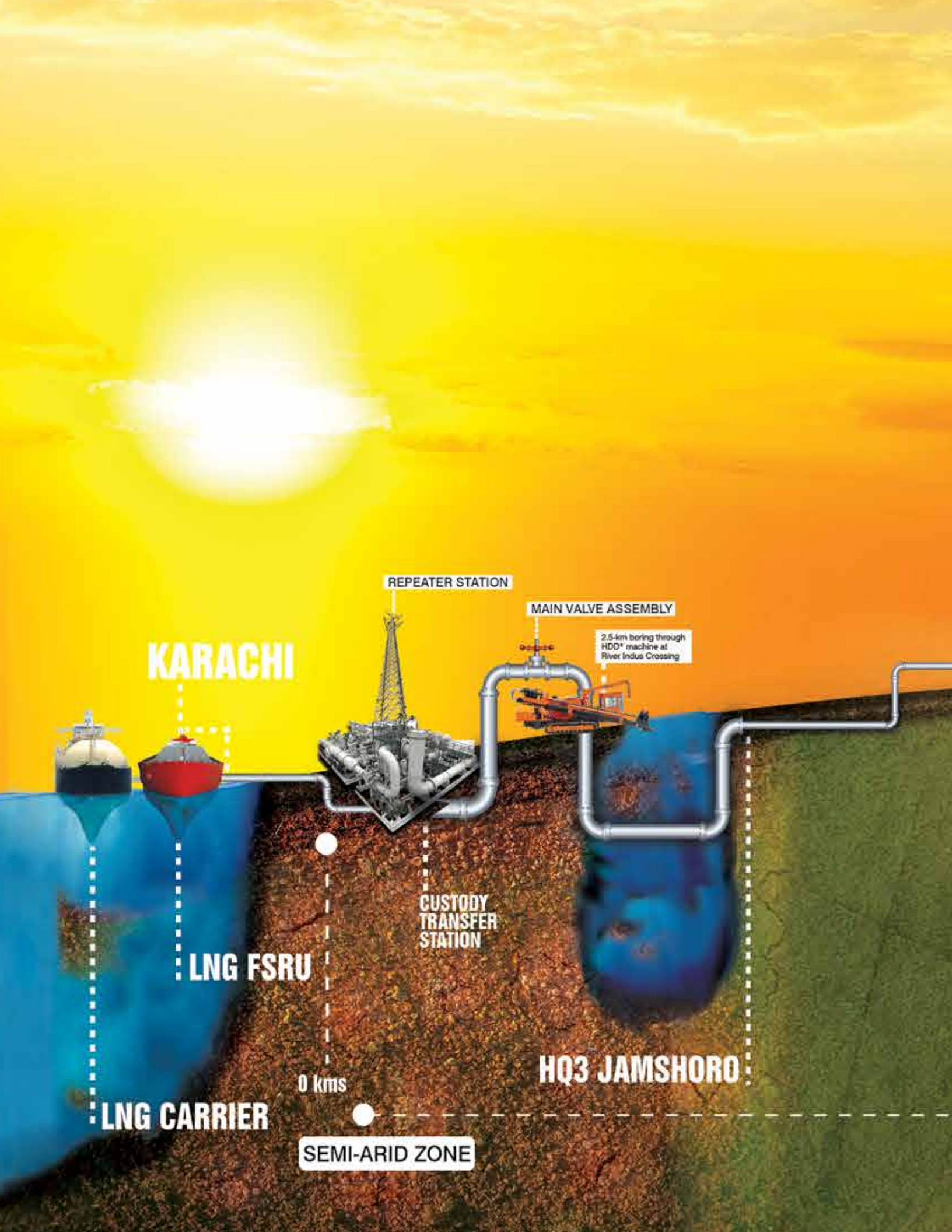
# CONSTRUCTING A SUSTAINABLE FUTURE





## ABOUT THE COVER

SSGC stands firmly placed to create history. The cover of the Company's 62<sup>nd</sup> Annual Report, with an omnipresent blue coloured theme running through most pages of the book, depicts the biggest transmission project ever undertaken by Pakistan's premier natural gas utility. The Company is fast working on a dedicated 42" diameter, 352-km re-gasified LNG transmission pipeline starting from Port Qasim, Karachi for onward transmission to a varied customer base, as part of the greater objective of bridging the demand-supply gap of natural gas. This major project will not only significantly increase the Company's transmission capacity but will also provide customers with an alternate energy resource. This project will further bolster the Government of Pakistan's strategy of increasing energy supplies by implementing a multi-pronged strategy, with LNG import and LNG Terminals being the other two cornerstones of this strategy.



**KARACHI**

REPEATER STATION

MAIN VALVE ASSEMBLY

2.5-km boring through HDD\* machine at River Indus Crossing

LNG FSRU

CUSTODY TRANSFER STATION

0 kms

HQ3 JAMSHORO

LNG CARRIER

SEMI-ARID ZONE

REPEATER STATION

MAIN VALVE ASSEMBLY

COMPRESSOR UNITS

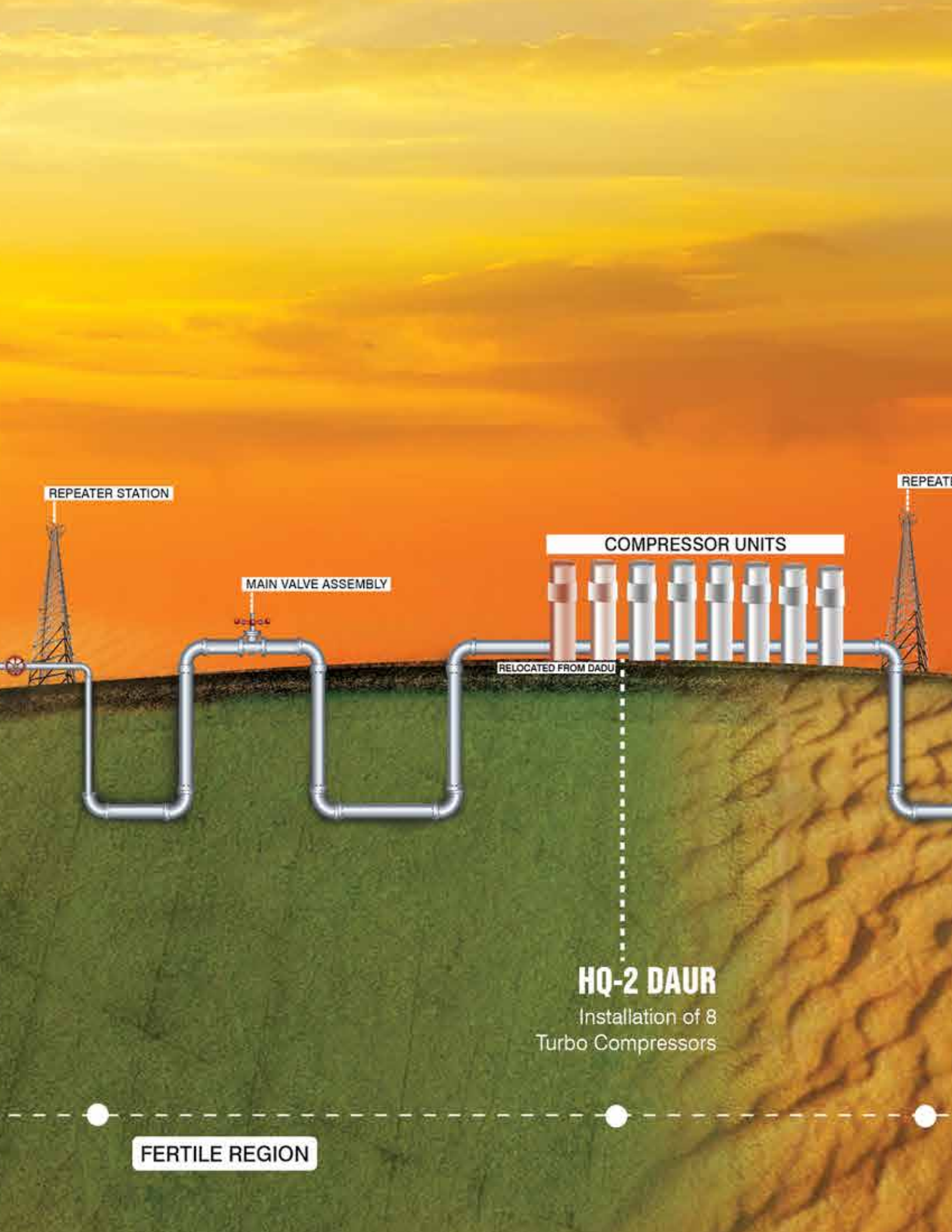
REPEATER

RELOCATED FROM DADU

**HQ-2 DAUR**

Installation of 8  
Turbo Compressors

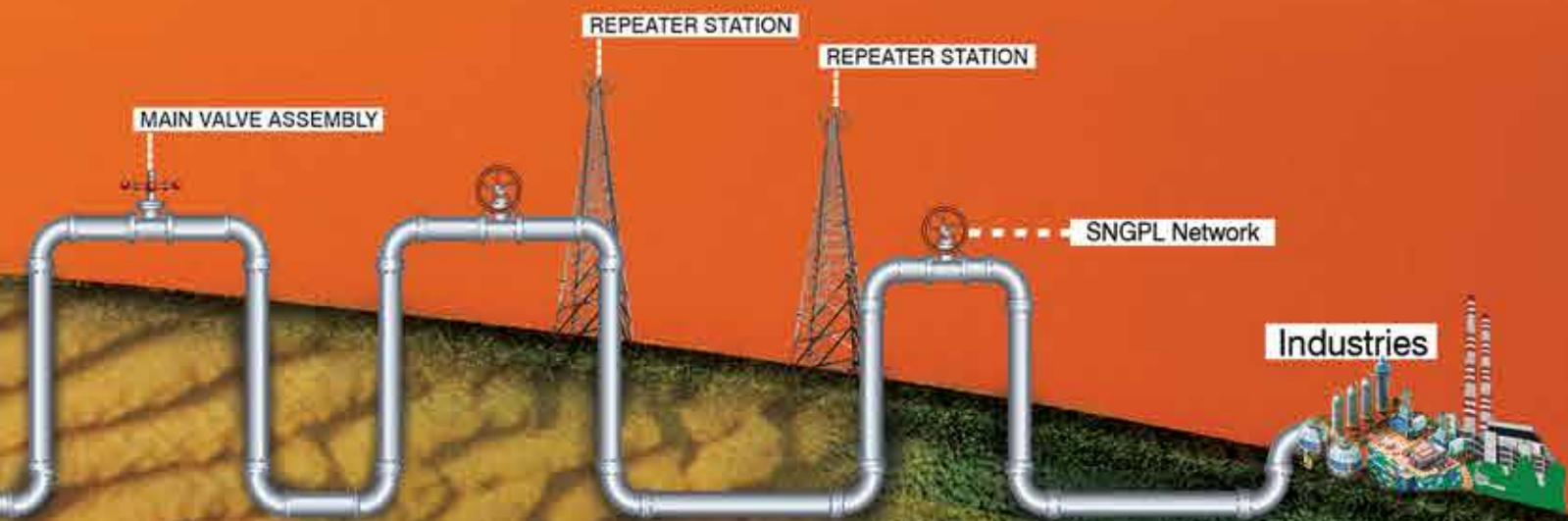
FERTILE REGION



# TRANSFORMING THE ENERGY LANDSCAPE

THE 42" DIA., 352-KM RLNG TRANSMISSION PROJECT

ER STATION



DESERT REGION

352-km

FERTILE REGION

\*Horizontal Directional Drilling

## A new day is dawning

On March 28, 2015, with the arrival of Exquisite, a Belgian-flagged ship carrying 148,517 cubic meters of LNG from Qatar, at Karachi's Port Qasim LNG Terminal, Pakistan became the newest member of the LNG importing nations. This first-ever shipment was the result of the relentless efforts of Government of Pakistan and stakeholders including Pakistan State Oil (PSO), Elengy Terminal Pakistan Ltd. (ETPL), Sui Northern Gas Pipelines Ltd. (SNGPL) and SSGC, aimed at bridging the demand-supply deficit of natural gas in the country. A year earlier, SSGC and ETPL had signed an LNG Services Agreement (LSA) that marked the way forward for the re-gasification of imported LNG through a dedicated pipeline infrastructure. SSGC has, since then, been living up to an unprecedented challenge of developing a 42" dia., 352-km pipeline in order to provide RLNG to sectors that require this fuel in huge quantities. LNG is fast proving to be a game changer and the pivotal role SSGC is playing in ensuring its sustainable supply, will serve as a benchmark for other such transmission projects in the near future.



# Setting sails towards sustainability

“It is the set of the sails, not the direction of the wind that determines which way we will go.”

Once fully commissioned, the 42" dia., 352-km RLNG Project will change Pakistan's energy dynamics for good. By developing an intricate transmission infrastructure, SSGC is facilitating the supply of huge volumes of RLNG to consumption nodes that has for quite some time been struggling to cope up with diminishing gas supplies. Right from the Custody Transfer Station in Karachi to the end-point at Nara, SSGC is displaying an extraordinary engineering prowess that involves channelizing an unprecedented mix of men and machine.





## **VISION**      **MISSION**

To be a model utility, providing quality service by maintaining a high level of ethical and professional standards and through optimum use of resources.

To meet the energy requirements of customers through reliable, environment-friendly and sustainable supply of natural gas, while conducting company business professionally, efficiently, ethically and with responsibility to all our stakeholders, community and the nation.



# COMPANY INFORMATION

## Board of Directors As on June 30, 2016

- **Mr. Miftah Ismail**  
Chairman (Non-executive Director)
- **Mr. Khalid Rahman**  
(Managing Director/CEO)
- **Mirza Mahmood Ahmad**  
(Non-executive Director)
- **Mr. Furqan Bahadur Khan**  
(Non-executive Director)
- **Mr. Mobin Saulat**  
(Non-executive Director)
- **Ms. Nargis Ghaloo**  
(Non-executive Director)
- **Mr. Mohammad Bilal Sheikh**  
(Non-executive Director)
- **Qazi Mohammad Saleem Siddiqui**  
(Non-executive Director)
- **Agha Sher Shah**  
(Independent, Non-executive Director)
- **Mr. Saleem Zamindar**  
(Independent, Non-executive Director)
- **Nawabzada Riaz Noshervani**  
(Independent, Non-executive Director)
- **Sardar Rizwan Kehar**  
(Independent, Non-executive Director)
- **Mr. Muhammad Riaz Khan**  
(Independent, Non-executive Director)

### Acting Managing Director

Mohammad Amin Rajput

### Company Secretary

Shoaib Ahmed

### Auditors

M/s. Deloitte Yousuf Adil  
Chartered Accountants

### Registered Office

SSGC House,  
Sir Shah Suleman Road,  
Gulshan-e-Iqbal, Block 14,  
Karachi – 75300, Pakistan

### Contact Details

**Ph:** 0092-21-9902-1000

**Fax:** 0092-21-9923-1702

**Email:** info@ssgc.com.pk

**Web:** www.ssgc.com.pk

### Shares Registrar

Central Depository Company of Pakistan,  
CDC House, 99-B, Block B, SMCHS,  
Main Sharah-e-Faisal, Karachi

### Legal Advisor

M/s Haidermota and Company,  
Barrister-at-Law and Corporate Counsels



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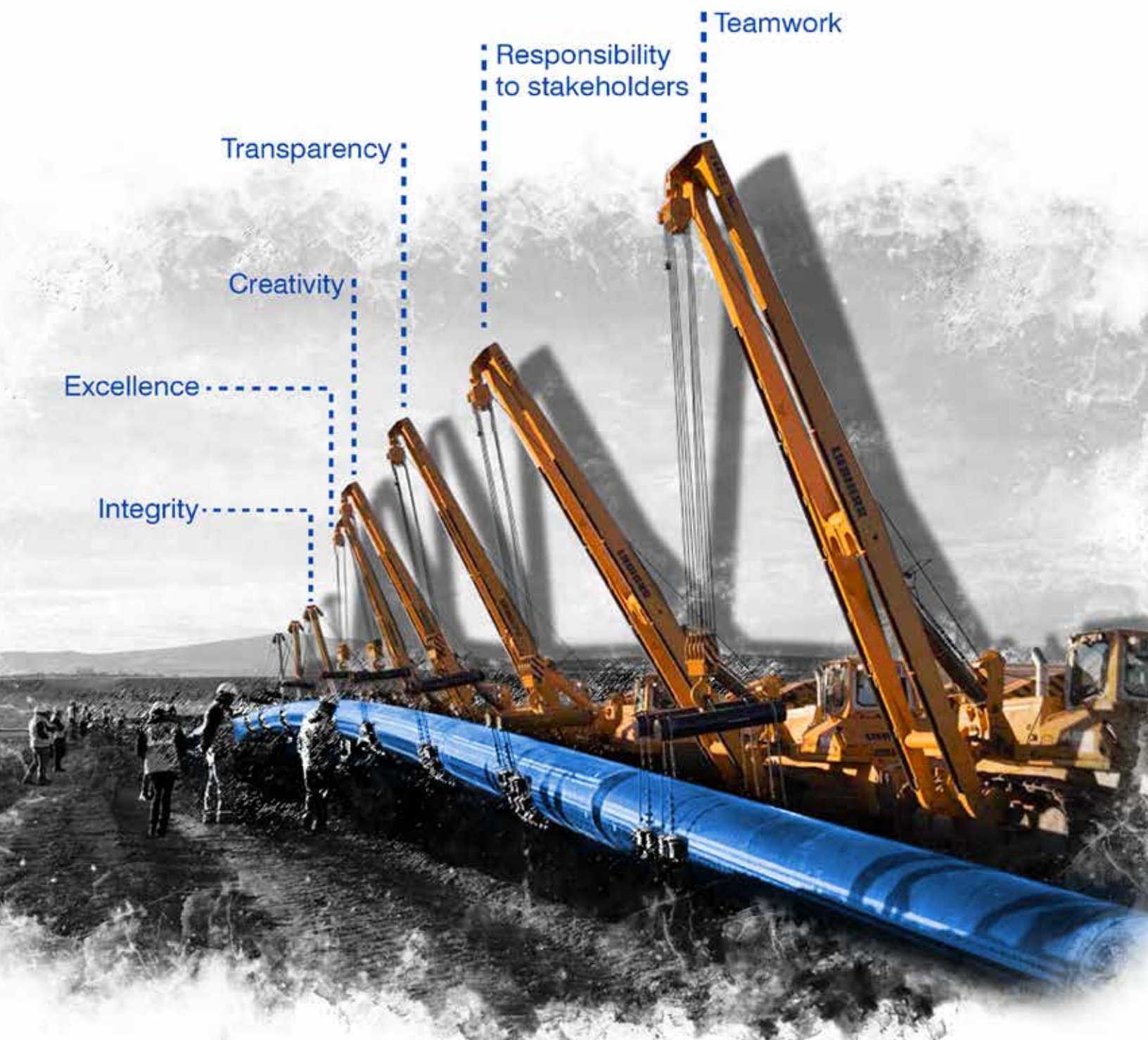
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*Proxy Form*



# CORE VALUES

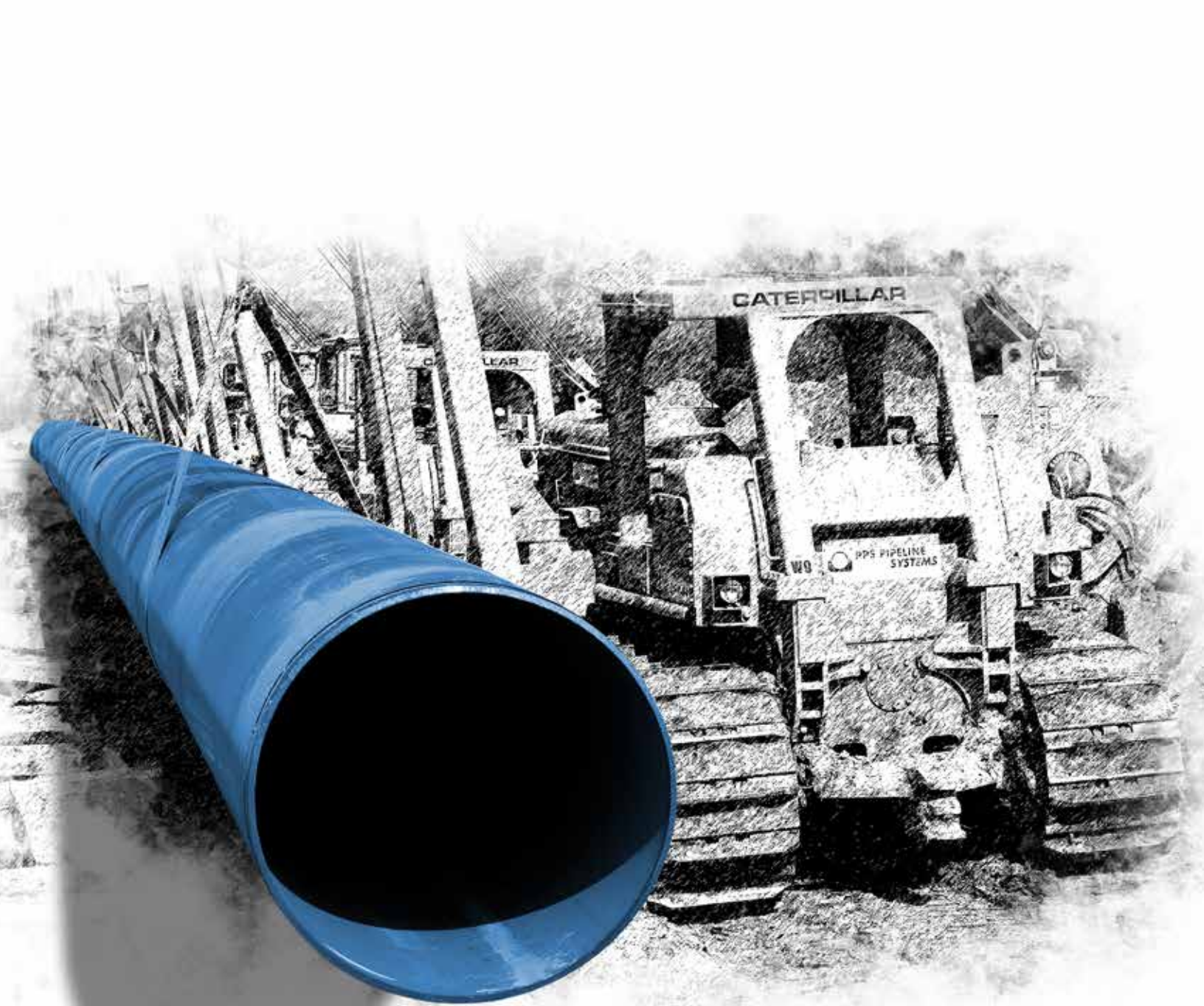
- Teamwork
- Responsibility to stakeholders
- Transparency
- Creativity
- Excellence
- Integrity





## **EMBARKING ON A PROJECT ENTAILING MASSIVE ENGINEERING**

The RLNG Transmission Project that the Company is pursuing, is huge both in terms of magnitude and scope. Team SSGC has a proven expertise in implementing transmission and distribution projects but never in the lines of the 42" dia., 352-km pipeline that it is currently pursuing. The project has been divided into two phases – RLNG-1 and RLNG-2 and further segmented on the basis of topographic diversity the locations have to offer. It is quite evident that undertaking such a project entails meticulous planning, allocation of resources and, of course, implementation and that too within stringent timelines. Almost every department in SSGC, be it core or non-core, is inexorably linked with this massive project.



# SETTING A DIRECTION FOR THE FUTURE

The massive RLNG Project that the Company is pursuing, will set the direction for such projects in the future too. The Government of Pakistan knows full well that Pakistan's energy future rests on undertaking such mega projects. LNG is Pakistan's energy lifeline and SSGC is committed towards completing this project efficiently and effectively. This pioneering project will go a long way in bridging the demand-supply gap of natural gas.



# OVERCOMING DIVERSE CHALLENGES AND EXCELLING

This RLNG project is one that is marked by excessive outsourcing and tendering, perhaps more than at any stage in the Company's history. The Company's dedicated teams are faced with challenges in the form of logistics involved in shipping pipes and compressors from the ports to the designated points. Major challenges involve teams laying down lines through difficult terrains and braving inclement weather conditions. Hurdles keep coming in the form of acquiring land from the land owners for construction work that require painstaking negotiations. Nonetheless, teams are determined to overcome these hurdles so that the project is completed on time.

# BOARD OF DIRECTORS AND COMMITTEES

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## BOARD OF DIRECTORS AS ON JUNE 30, 2016



### **MIFTAH ISMAIL** CHAIRMAN

Mr. Miftah Ismail holds a PhD in Public Finance and Political Economy from the Wharton School of Business, University of Pennsylvania. A professional economist, Mr. Ismail was associated with the International Monetary Fund (IMF) before returning to Pakistan. Mr. Ismail was also CEO and Director at Ismail Industries Ltd., Pakistan's largest confectionery company. Mr. Ismail is also the President of Karachi American School. He is also a member of the Advisory Committee of the Institute of Business Administration, Karachi and its visiting faculty member.



### **KHALID RAHMAN** MANAGING DIRECTOR

Mr. Khalid Rahman's professional experience spans over 35 years in senior management positions in oil, gas and banking industries and accounting profession in Pakistan and abroad, including Europe and the Far East. Mr. Rahman worked in the United Kingdom and Hong Kong for seventeen years and handled regional responsibilities. He was Chief Executive Officer of Pakistan Petroleum Ltd. (PPL) and was associated with the Institute of Chartered Accountants of Pakistan (ICAP) as its Secretary and Chief Operating Officer.



### **AGHA SHER SHAH** DIRECTOR

Agha Sher Shah is currently Chairman and Chief Executive of Bandi Sugar Mills, a greenfield 7000 tons sugar mill which he successfully set up in 2012. He is also Director of Attock Cement Ltd., Habib Bank Ltd., Thatta Cement Company Ltd., Newport Containers Terminal (Private) Ltd. and Triton LPG (Private) Ltd.. In his investment career of 29 years, he has held senior portfolio management positions in US and Global equities.



### **MIRZA MAHMOOD AHMAD** DIRECTOR

An advocate of the Supreme Court, Mr. Ahmad's career as a lawyer spans over 25 years. Mr. Ahmad is a partner at Minto and Mirza, Advocates and Solicitors. He has been involved with some of the most challenging litigations in the fields of corporate, constitutional, regulatory and banking laws. A member of the Supreme Court Bar Association, Mr. Ahmad is an LL.M from the University of Cambridge.





## **SALEEM ZAMINDAR**

### **DIRECTOR**

Mr. Saleem Zamindar has a Bachelor of Arts (BA) Degree in Economics from Boston University, USA and a Master of Business Administration (MBA) from Durham University Business School, UK. He has over 22 years of experience across several countries in investment management, board level general management and international banking. He is a Certified Company Director as conferred by the Pakistan Institute of Corporate Governance and also holds the globally prestigious Certificate in Company Direction from the Institute of Directors (IoD) UK. Presently, he serves on the Board of Directors of several public and private limited companies.



## **MOBIN SAULAT**

### **DIRECTOR**

Mr. Mobin Saulat is MD and CEO of Inter State Gas Systems Pvt. Ltd. (ISGSL). Mr. Saulat has over 20 years of experience in commercial and professional environments in Pakistan and abroad. He has served as the Company Secretary and Finance Director of the Islamabad Electric Supply Corporation (IESCO) Pvt. Ltd. He was elected as the first Chairman of Board of Directors of TAPI (Pvt.) Ltd. formed by the Consortium of Turkmenistan, Afghanistan, Pakistan and India for the execution and operation of TAPI Pipeline Project. He is a graduate from Punjab University, Lahore and is a fellow member of Chartered Institute of Management Accountants.



## **NAWABZADA RIAZ NOSHERWANI**

### **DIRECTOR**

A scion of Balochistan's eminent Noshervani family, Nawabzada Riaz Noshervani specializes in the field of minerals and natural resources. He is the owner of Charkohan Mining in Quetta and Royal Minerals Corporation and KSN associates in Karachi and is CEO of Balochistan Welfare Agency. Mr. Noshervani holds a Masters Degree in International Relations.



## **SARDAR RIZWAN KEHAR**

### **DIRECTOR**

Sardar Rizwan Kehar has over thirty six years of experience in Pakistan and the USA in various fields including International Banking, Finance, Management, Agriculture and Consulting. Mr. Kehar holds a Bachelors' Degree in Engineering and Masters' Degrees in Information Systems and Finance. He is also an MBA in Marketing.



## **BILAL SHEIKH**

### **DIRECTOR**

Mr. Bilal Sheikh is a seasoned banker with nearly fifty years of diversified experience in banking to his credit. Mr. Sheikh has been CEO of various scheduled commercial banks since 1998. He is a former CEO of Sindh Bank Ltd.. Prior to that, Mr. Sheikh served as President and CEO, My Bank Ltd., PICIC Commercial Bank Ltd., Chairman National Development Finance Corporation (NDFC) and Deputy Managing Director, PICIC Ltd..





## **FURQAN BAHADUR KHAN** **DIRECTOR**

Mr. Furqan Bahadur Khan is Additional Secretary, Ministry of Petroleum and Natural Resources, Government of Pakistan. Mr. Khan has experience of laying the policy framework related to the sectoral reform process including privatization and deregulation and is also responsible for managing and implementing the approved policies in furtherance of the Economic Reforms Agenda of Government of Pakistan. After his promotion to BS-21, Mr. Khan joined the Ministry of Inter-Provincial Coordination as Additional Secretary and served there till March 2014.



## **NARGIS GHALOO** **DIRECTOR**

Ms. Nargis Ghaloo, an officer of Federal Government in BS-22, is the Chairperson of State Life Insurance Corporation of Pakistan. She is a certified Director from Pakistan Institute of Corporate Governance (PICG). Previously, she has held positions of Additional Secretary of Cabinet Division, Government of Pakistan. Ms. Ghaloo recently attained certification in Company Direction from the Institute of Directors, UK.



## **MUHAMMAD RIAZ KHAN** **DIRECTOR**

Mr. Muhammad Riaz Khan has served as MD and CEO of OGDCL. He has over 30 years of diversified experience in the oil and gas sector, especially in petroleum and gas engineering, production, joint ventures, leadership/management skills and human resource management. Mr. Riaz is a Director on the boards of SSGC-LPG (Pvt.) Ltd..



## **QAZI MOHAMMAD SALEEM SIDDIQUI** **DIRECTOR**

Qazi Mohammad Saleem Siddiqui graduated from Mehran University of Engineering and Technology, Jamshoro with a degree in Mechanical Engineering. He was associated with the sugar industry for about five years before joining government service in November 1990. Since then, he has held various positions in the Ministry of Petroleum and Natural Resources, leading to his current office of Director General (Gas).





# IN SESSION PRESENT BOARD OF DIRECTORS



Present Board of Directors' meeting in session at Head Office, Karachi and via video conferencing





## PRESENT BOARD OF DIRECTORS



### **MIFTAH ISMAIL** CHAIRMAN

Mr. Miftah Ismail currently serves as the Minister of State/Special Assistant to the Prime Minister of Pakistan and Chairman of the Board of Investment. A professional economist, Mr. Ismail was associated with the International Monetary Fund (IMF) before returning to Pakistan. Mr. Ismail was also CEO and Director at Ismail Industries Limited, Pakistan's largest confectionery company. Mr. Ismail is also the President of Karachi American School. He is a member of the Advisory Committee of the Institute of Business Administration (IBA), Karachi and its visiting faculty member. Mr. Ismail holds a PhD in Public Finance and Political Economy from the Wharton School of Business, University of Pennsylvania.



### **KHALID RAHMAN** MANAGING DIRECTOR

Mr. Khalid Rahman was appointed as Managing Director of SSGC by Ministry of Petroleum and Natural Resources in January 2015. Mr. Rahman's professional experience spans over 35 years in senior management positions in oil and gas and banking industries and in the accounting profession in Pakistan and abroad, including Europe and Far East. He worked in United Kingdom and Hong Kong for seventeen years, handling regional responsibilities. He was associated with Pakistan Petroleum Limited for around 20 years in various senior management positions including CEO and MD, DMD, CFO and Company Secretary. His last position was with the Institute of Chartered Accountants of Pakistan as its Secretary and COO. Mr. Rahman has also served on various professional and business forums. He was a Council Member of ICAP and served on the Boards of Overseas Investors Chamber of Commerce and Industry, LUMS, PIP, Petroleum Exploration and Production Companies Association and Community Development Board of Government of Sindh. He has been honored to represent Institute of Chartered Accountants of Pakistan on the Compliance Advisory Panel of International Federation of Accountants. Mr. Khalid is a member of the Institute of Chartered Accountant in England and Wales, Institute of Chartered Accountant of Pakistan and Ontario Institute of Chartered Professional Accountants and an alumnus of the Graduate Business School, Stanford University and Kellogg Graduate School of Management, North Western University.





## **SARDAR RIZWAN KEHAR** DIRECTOR

Sardar Rizwan Kehar has over thirty six years of experience in Pakistan and the USA in various fields including International Banking, Finance, Management, Agriculture and Consulting. Mr. Kehar holds a Bachelors' Degree in Engineering and Masters' Degrees in Management Systems and Finance. He is also an MBA in Marketing. His distinguished career is marked with various responsible positions in private and public limited companies.



## **MUHAMMAD RIAZ KHAN** DIRECTOR

Mr. Muhammad Riaz Khan has served as MD/CEO of Oil and Gas Development Company Ltd.. He has over 30 years of high and diversified experience in the oil and gas E&P sector, especially in leadership/managerial skills, petroleum engineering, production, joint ventures and human resource management. He has supervised execution of several critical oil and gas field development projects. Mr. Khan is a certified Director from EDC (University of Lahore). Currently he is also a Director on SSGC-LPG (Pvt.) Ltd. Board. He has remained Director on the Boards of Mari Petroleum Company Ltd. and Pirkoh Gas Company Ltd.. Mr. Khan has attended extensive advance courses on Management, Production, Project Development and Petroleum Economics in USA, Canada and Oxford, UK and numerous conferences and seminars inside and outside Pakistan. He is an active member of Pakistan Engineering Council (PEC), Petroleum Institute of Pakistan (PIP) and The Society of Petroleum Engineers (USA). He has authored/co-authored and presented several papers.





**NAWABZADA RIAZ NOSHERWANI**  
**DIRECTOR**

A scion of Balochistan's eminent Noshervani family, Nawabzada Riaz Noshervani specializes in the field of minerals and natural resources. He is the owner of Charkohan Mining in Quetta, Royal Minerals Corporation and KSN Associates in Karachi. He is also CEO of Balochistan Welfare Agency. Mr. Noshervani is a Bachelor of Arts from University of Balochistan and Masters in International Relations.



**AGHA SHER SHAH**  
**DIRECTOR**

Agha Sher Shah is currently Chairman and Chief Executive of Bandi Sugar Mills, a greenfield 7000 tons sugar mill which he successfully set up in 2012. He is also Director of Attock Cement Ltd., Habib Bank Ltd., Thatta Cement Company Ltd., Newport Containers Terminal (Private) Ltd. and Triton LPG (Private) Ltd.. In his investment career of 29 years, he has held senior portfolio management positions in US and Global equities. Prior to his current role, he was Senior Portfolio Manager of a multi-billion dollar portfolio in Abu Dhabi Investment Authority, one of the largest sovereign wealth funds in the world. He has a Bachelor of Science in Engineering from Rice University and holds a Master of Business Administration from Cornell University.





## **MIRZA MAHMOOD AHMAD** **DIRECTOR**

Mirza Mahmood Ahmad is an established advocate and is a partner at the prestigious law firm, Minto and Mirza, Advocates and Solicitors. His professional career as a lawyer spans over twenty five years in which he has provided invaluable services to the fields of corporate, constitutional, regulatory and banking laws. He has been involved with some of the most challenging litigation in these areas, having represented several companies and firms before different regulatory authorities including the Securities and Exchange Commission of Pakistan (SECP), the Oil and Gas Regulatory Authority (OGRA) and the Pakistan Stock Exchange (PSE). Mr. Ahmad has several publications/consultancies and research papers to his name including "Harmonizing the Code of Corporate Governance with other Laws/Regulations in Pakistan", a research study for SECP funded by the United Nations Development Programme (UNDP). Mr. Ahmad also serves on the Board of Directors of MCB-Arif Habib Investments Ltd. He also serves on the Board of SNGPL as its Finance Committee's Chairman and on the Board of Pakistan Engineering Company as its Audit Committee's Chairman. He is also member of the Supreme Court Bar Association and Punjab Bar Council. Mr. Ahmad is an LLM from the University of Cambridge. He has been a lecturer at Quaid-e-Azam Law College since 1996. He regularly conducts lectures at the Executive Development Centre at LUMS.



## **QAZI MOHAMMAD SALEEM SIDDIQUI** **DIRECTOR**

Qazi Mohammad Saleem Siddiqui joined government service in November 1990. Prior to that, he has had more than five years' experience of working in the sugar industry. Since then, he has held various positions in the Ministry of Petroleum and Natural Resources, leading to his current post as Director General (Gas). Mr. Siddiqui is also a Director on the Board of Mari Petroleum Company Limited. He has also served as Director on the Boards of Pakistan Petroleum Ltd. and Sui Northern Gas Pipelines Ltd.. He is also member of Board of Governors of SAARC and Hydrocarbon Development Institute of Pakistan. He has vast experience of over thirty one years in Exploration and Production industry as well as downstream sector in Pakistan. While representing Pakistan as GB member, he was elected as Chairperson of Governing Board of SAARC Energy Centre during its 11<sup>th</sup> meeting held in September 2016. He has attended many courses/seminars/trainings abroad as well as locally. Recently, he has attended a course titled "Inspirational Leadership and Creativity" from London Management Centre, London arranged by Mari Petroleum Company Limited. Mr. Siddiqui graduated from Mehran University of Engineering and Technology, Jamshoro with a degree in Mechanical Engineering.





**FURQAN BAHADUR KHAN**  
**DIRECTOR**

Mr. Furqan Bahadur Khan is Additional Secretary, Ministry of Petroleum and Natural Resources, Government of Pakistan. Mr. Khan has experience of laying the policy framework related to sectorial reform process including privatization and deregulation and is also responsible for managing and implementing approved policies in furtherance of the Economics Reforms Agenda of Government of Pakistan. After his promotion to BS-21, Mr. Khan joined the Ministry of Inter-Provincial Coordination as Additional Secretary and served in that position till March 2014.



**AZHAR ALI CHOUDHRY**  
**DIRECTOR**

Mr. Azhar Ali Choudhry, Secretary, Board of Investment is a senior civil servant from Commerce and Trade Group. Previously, he held positions of Director General, Pakistan Institute of Trade and Development, Additional Secretary, Ministry of Commerce and Economic Affairs Division, Financial Advisor/Member, Capital Development Authority and Joint Secretary in Ministry of IT and Telecommunication and Ministry of Commerce. He remained Commercial Counselor of Pakistan to Italy from 2003 to 2007. Mr. Choudhry was Director of Export Promotion Bureau in 1990s. In addition, he has been associated with the Office of Chief Controller of Import and Exports in various capacities, Federal Investigation Agency (FIA) as the Deputy Director, Economic Crimes Wing and Foreign Trade Institute of Pakistan as a Research Associate. Mr. Choudhry joined Central Superior Services in 1984 as an officer of Commerce and Trade Group. He holds a post graduate diploma in designing computer applications and is a certified Microsoft Professional. Mr. Choudhry has attended training in "Export Strategy" and in "Exporting to European Union" from International Trade Center (ITC) Geneva and from CBI in the Netherlands. He graduated from University of Agriculture Faisalabad in 1981.





## **ABDUL GHUFRAN** **DIRECTOR**

Mr. Abdul Ghufuran, Executive Director of State Life Insurance Corporation of Pakistan is also Chairman, Board of Directors, Alpha Insurance (Pvt.) Ltd. He is a senior Civil Servant with more than 29 years of service to his credit. He joined Civil Services of Pakistan in 1987 and since then has been working in different capacities in various public sector organizations including Trading Corporation of Pakistan, Government of Sindh's Home, Education and Literacy, Finance, and Religious, Minorities, Auqaf and Social Welfare Departments. He has remained associated with Pakistan Railways, Accountant General Sindh, Commercial Audit Department, Karachi and Fisheries Harbour Authority. He has international exposure of working as the Commercial Counselor in Pakistan Embassy in Indonesia and as the Consul General of Pakistan at Hong Kong. He holds Masters Degree in Finance from Cardiff University, United Kingdom.



## **SYED GHAZANFAR ABBAS JILANI** **DIRECTOR**

Syed Ghazanfar Abbas Jilani is Additional Secretary (Budget), Government of Pakistan. In this capacity, Mr. Jilani is responsible for preparing, executing, implementing and monitoring monthly civil accounts, quarterly fiscal tables and other cash balance and financing data reports. The position also entails preparation of the Annual Budget of the Federal Government. AFS (Budget) is also tasked with the fixing the target of non-tax receipts of the Government including dividends of State-owned Enterprises. He monitors the expenditure trends and maintains these within budgeted targets. Mr. Jilani has also been responsible for the supervision of Central Directorate of National Savings. He is also Federal Government Adjuster. In addition, Mr. Jilani has worked as Deputy Auditor General (Accounting Policy) and as Chief Accounts Officer of the Ministry of Foreign Affairs. He has also remained Joint Secretary in the Prime Minister's Secretariat.





**MOHAMMAD AMIN RAJPUT**  
**ACTING MANAGING DIRECTOR**

Mohammad Amin Rajput was appointed as Acting Managing Director SSGC with effect from June 3, 2016. He took the Company's helm of affairs after MD Khalid Rahman was given a new responsibility of heading the Government of Pakistan's Gas Sectoral Reforms Programs. A Chartered Accountant by profession, Mr. Rajput was SSGC's Chief Financial Officer prior to becoming the Company's Acting MD. He joined SSGC in March 2012 as its Chief Internal Auditor. Prior to that, Mr. Rajput has worked with K-Electric and Dewan Mushtaq Group. Mr. Rajput has also worked with Zahid Tractors, Saudi Arabia (Country Dealer of Caterpillar and Volvo) as its Finance Manager for more than a decade. He did his CA from KPMG Pakistan Office. Mr. Rajput is also a Certified Internal Auditor from the Institute of Internal Auditors (IIA) and has been member Board of Governors of the IIA, Karachi Chapter.



# All set to **CONSTRUCT**



# BOARD OF DIRECTORS



**Standing (L to R):** Muhammad Riaz Khan | Azhar Ali Choudhry | Abdul Ghufan  
**Sitting (L to R):** Khalid Rahman (Managing Director) | Mirza Mahmood Ahmad | Agha Sher Shah



**Standing (L to R):** Nawabzada Riaz Noshervani | Syed Ghazanfar Abbas Jilani |  
Qazi Mohammad Saleem Siddiqui | Furqan Bahadur Khan

**Sitting (L to R):** Miftah Ismail (Chairman) | Mohammad Amin Rajput (Acting MD) |  
Sardar Rizwan Kehar

The background shows a sketch of the Horizontal Directional Drilling (HDD) machine which is being used to bore through a 2.5 km river bed at the site of the River Indus Crossing, as part of the RLNG Transmission Project.

# HUMAN RESOURCE AND REMUNERATION COMMITTEE



L to R: Sardar Rizwan Keher | Miftah Ismail (Chairman) |  
Khalid Rahman (Managing Director)



L to R: Furqan Bahadur Khan | Nawabzada Riaz Noshervani | Azhar Ali Choudhry

# FINANCE AND PROCUREMENT COMMITTEE



L to R: Syed Ghazanfar Abbas Jilani (Chairman) | Abdul Ghufraan |  
Qazi Mohammad Saleem Siddiqui





L to R: Azhar Ali Choudhry | Agha Sher Shah | Mirza Mahmood Ahmad |  
Khalid Rahman

# AUDIT COMMITTEE



L to R: Syed Ghazanfar Abbas Jilani | Agha Sher Shah (Chairman)

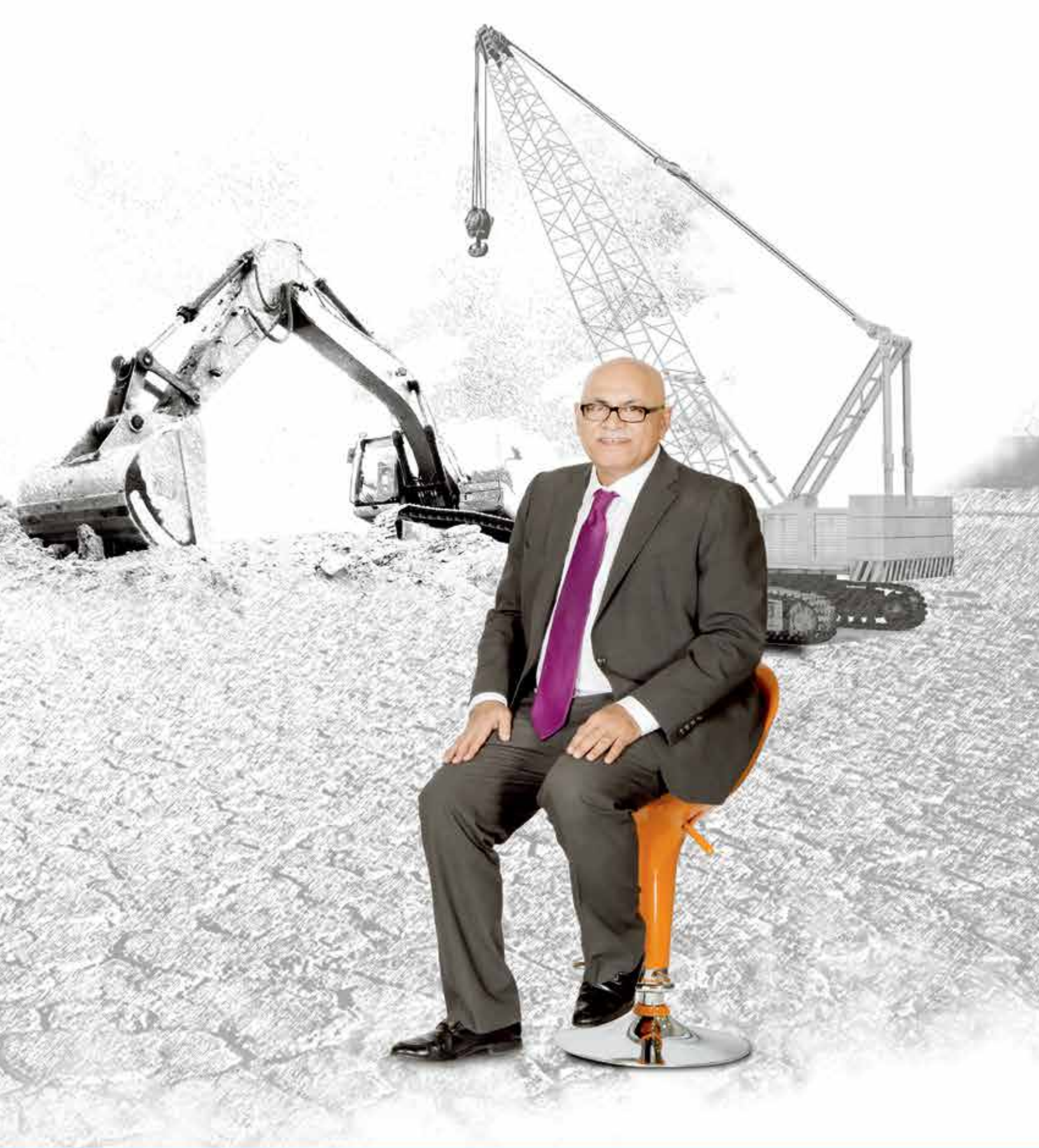


L to R: Muhammad Riaz Khan | Qazi Mohammad Saleem Siddiqui

# RISK MANAGEMENT AND LITIGATION COMMITTEE



(L to R): Muhammad Riaz Khan (Chairman) | Mirza Mahmood Ahmad



Abdul Ghufan

The background shows a sketch of the Horizontal Directional Drilling (HDD) machine which is being used to bore through a 2.5 km river bed at the site of the River Indus Crossing, as part of the RLNG Transmission Project.

# SPECIAL COMMITTEE ON UFG



L to R: Sardar Rizwan Kehar (Chairman) | Khalid Rahman | Mirza Mahmood Ahmad  
Miftah Ismail



L to R: Nawabzada Riaz Noshervani | Furqan Bahadur Khan  
Mohammad Riaz Khan



# COMMITTEES OF THE BOARD

## AS ON JUNE 30, 2016

The Board has established five main committees namely Board Human Resource (HR) and Remuneration Committee, Board Finance and Procurement Committee, Board Audit Committee, Special Committee of Directors on UFG and Board Risk Management and Litigation Committee. The primary function of these committees is to assist the Board in effective and efficient discharge of its functions and to provide feedback on matters of significant importance for Board's working.

The Board has approved Terms of Reference (ToR) for each of the committees to ensure that the interest of the Company is safeguarded. The composition of these Committees along with synopsis of their ToR are given below:

### BOARD HR AND REMUNERATION COMMITTEE

The Board Human Resource and Remuneration Committee is composed of the following:

- Mr. Miftah Ismail - Chairman
- Mr. Khalid Rahman – Member (Managing Director)
- Agha Sher Shah - Member
- Sardar Rizwan Kehar- Member
- Mr. Muhammad Riaz Khan - Member
- Mr. Saleem Zamindar – Member

The ToR of Board HR and Remuneration Committee includes the following:

- To study and evaluate all HR-related issues presented by the Management and formulate concise recommendations for the Board.
- To review performance of the Managing Director on an annual basis and recommend increment thereof.
- To review and endorse performance/potential assessment of SGMs and GMs.
- To review and endorse promotion / demotion and other significant matters pertaining to the assignments of executives in Grades VIII and IX.
- To review recruitment policy and procedure and recommend hiring of executives in Grades VIII and IX.
- To review and endorse HR plan including but not limited to Executive Training, Development, Career Planning, Potential Assessment and Succession Planning.

### BOARD FINANCE AND PROCUREMENT COMMITTEE

The Board Finance and Procurement Committee is composed of the following:

- Ms. Nargis Ghaloo – Chairperson
- Mr. Khalid Rahman – Member(Managing Director)
- Mirza Mahmood Ahmad – Member
- Qazi Mohammad Saleem Siddiqui – Member
- Mr. Furqan Bahadur Khan – Member
- Nawabzada Riaz Noshervani – Member

The Board Finance and Procurement Committee reviews, provides feedback and takes constructive action in the following areas:

- Corporate objectives and strategies developed by the Management
- Annual revenue and capital budgets
- Additional capital expenditure plans
- Authority limits and approval policies of the Management
- Borrowing or financial arrangements
- Procurement Policies, and
- Procurement of materials and services exceeding the authority limits of the Management







## BOARD AUDIT COMMITTEE

The Board Audit Committee is composed of the following:

- Sardar Rizwan Kehar — Chairman
- Ms. Nargis Ghaloo — Member
- Mr. Mobin Saulat — Member
- Mr. Saleem Zamindar — Member

The Board Audit Committee performs the following functions:

- Ensures independence of external auditors; reviews the extent of non-audit work undertaken and the fees involved,
- Reviews quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors with focus on:
  - Major Departmental issues
  - Significant adjustments resulting from the audit
  - The going concern assumption
  - Any changes in accounting policies and practices
  - Compliance with applicable accounting standards
  - Compliance with listing regulations and other statutory and regulatory authorities
  - Compliance with Management control standards company policies including ethics policy for good corporate governance; and
  - Director's Report and any other published information to ensure that it is consistent with the financial statements.
- Facilitates the external audit and discusses with the external auditors major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of the Management, where necessary).
- Reviews Management's letter issued by external auditors and management's response thereto.
- Ensures coordination between the internal and external auditors of the company to avoid duplication or incomplete coverage as far as possible.
- Ascertain that the internal control systems including financial and operational controls, accounting system and reporting structure are adequate and effective, including risk management and security, and meets or exceeds standards for professional practice.
- Ensures continuing suitability of the organization structure at all levels.
- Determines appropriate measures to safeguard Company's assets and their performance including post facto review of major investment projects and programs.
- Reviews the exposure of the Company to risk and any matters that might have a material effect on the Company's fiscal position.
- Reviews the Company's statement on internal control systems prior to endorsement by the Board of Directors.
- Institutes special projects, value for money studies or other investigations on any matter on its own initiative, or if so directed by the Board of Directors, in consultation with the chief executive and to consider remittance of any matter to the external auditors or to any external body.
- Determines compliance with the relevant statutory requirements.
- Monitors compliance with the best practices of corporate governance and identification of significant violations; and
- Considers any other issue or matter on its own or as may be assigned by the Board of Directors.





## BOARD RISK MANAGEMENT AND LITIGATION COMMITTEE

The Board Risk Management and Litigation Committee comprises of the following:

- Mirza Mahmood Ahmad - Chairman
- Khalid Rahman - Member (Managing Director)
- Agha Sher Shah - Member
- Mobin Saulat - Member

The Board Risk Management and Litigation Committee performs the following functions:

- Reviews and approves the identification of Strategic, Compliance, Operational and Financial Risks (Principal Risks) of the Company by the Management.
- Reviews and approves the strategy devised by the Management to mitigate the Principal Risks.
- Reviews and approves the procedures laid down by the Management on risk assessment.
- Reviews and approves the Company's capability to identify and manage current and new Principal Risk Categories.
- Oversees and advises the Board on the current risk exposures of the Company within and outside the principal Risk Categories and advise on the Company's future risk strategy.
- Considers reports on the nature and extent of the risk being faced by the Company, likelihood of their recurrence and their individual and cumulative impact on the Company's key performance matrix.
- Assesses whether the company's current exposure to the risks it faces is acceptable and, if not, the ability to reduce such exposure by reference to Risk treatment and mitigation options.
- Identifies internal and external risk trends and concentrations.
- Reviews and approves the statements included in the Company's Report and Accounts in relation to the Company's "Principal risks and uncertainties" and the internal controls and assurance in place within the Company for the identification and management of risk.
- Advises the Board on the Company's overall risk appetite and tolerance/resilience within and outside principal Risk Categories, taking Account of the current and prospective Macro-Economic, Financial, Political, Business and Sector Environments.

## SPECIAL COMMITTEE OF DIRECTORS ON UFG

The Special Committee of Directors on UFG is composed of the following:

- Sardar Rizwan Kehar – Chairman
- Mr. Khalid Rahman – Member (Managing Director)
- Mr. Furqan Bahadur Khan – Member
- Qazi Mohammad Saleem Siddiqui – Member
- Nawabzada Riaz Noshervani – Member
- Muhammad Riaz Khan – Member

UFG Committee assist the Board in effective monitoring and control of Unaccounted-for-Gas(UFG)/ line losses. The Committee performs the following functions:

- Holds regular meetings to review, provide feedback, make recommendations and take actions out of information/data presented.
- Reviews monthly UFG statistical data of the Company and its different regions, in order to identify the geographical areas contributing to UFG and to assign tasks to relevant departments for performing UFG-reduction activities.



**A view of HQ-3 Jamshoro,  
one of the nerve centers of  
SSGC's Transmission Network**





# NOTICE OF 62<sup>ND</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 62<sup>nd</sup> Annual General Meeting of Sui Southern Gas Company Limited ("the "Company") will be held at Pearl Continental Hotel, Karachi on Friday June 30, 2017 at 2.30 pm for the purpose of transacting the following business:

## ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the year ended June 30, 2016 together with the Directors' and Auditors' Report thereon.
2. To appoint External Auditors for the year ending June 30, 2017 and to fix their remuneration. The retiring auditors, M/s. Deloitte Yousof Adil & Co., Chartered Accountants, being eligible for re-appointment for the year ending June 30, 2017, have offered themselves for re-appointment.

## SPECIAL BUSINESS

### Dissemination of Annual Accounts to the Shareholders through CD/DVD/USB

3. To consider dissemination of Annual Audited accounts through CD/DVD/USB to the shareholders instead of transmitting the same in the form of hard copies. However, for convenience of the shareholders Standard Request Form will be uploaded on the Company's website for those who opt to receive hard copies (in book form) of the Annual Audited accounts at their registered addresses:

## IT IS HEREBY RESOLVED

"That dissemination of Annual Audited Accounts to the shareholders in soft form through CD/DVD/USB as notified by Securities and Exchange Commission of Pakistan vide SRO No. 470(I)/2016 dated May 31, 2016 be and is hereby approved.

Resolved further that the Managing Director of the Company and the Company Secretary, be and is hereby authorized and empowered to do or cause to be done all acts, deeds and things that may be necessary to give effect to the above resolution, either singly or jointly."

4. To transact any other Business of the Company with the permission of the Chairman.

The Share Transfer Books of the Company will remain closed from June 23, 2017 to June 30, 2017(both days inclusive) when no transfer of shares will be accepted for registration.

By Order of the Board  
Shoaib Ahmed  
Company Secretary  
June 7, 2017  
Karachi

## Notes:

### 1. Participation in Annual General Meeting:

- i) All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A corporate entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of corporate entities, a resolution of the Board of Directors / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted to the Company along with complete proxy form. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.
- ii) The proxy must be signed in order to be effective, and should be deposited at the Shares Registrar of the Company but not later than 48 hours before the time of holding the meeting. A detachable Proxy Form is attached at the end of annual report.





## Further Guidelines for CDC Account Holders:

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

### A For attending the meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entities, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

### B For appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the requirements mentioned below.

ii) The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

iv) The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

### 2. Submission of Copy of CNIC/NTN Certificate (Mandatory):

Valid copy of CNIC/NTN has to be provided to our Shares Registrar in case of physical shareholders and in case of CDC account to its Participant/Investor Account Services.

### 3. Notice of Shareholders who have not provided their CNICs

In accordance with the notification of the Securities and Exchange Commission of Pakistan (SECP), SRO 831 (I) 2012 dated July 05, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person. Accordingly members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company with members folio no. mentioned thereon. It may kindly be noted that in case of non-receipt of the copy of valid CNIC, the Company in the light of SECP Notification No. S.R.O 275 (I)/2016 dated March 31, 2016 would be constrained to consider withholding dividend. List of shareholders who have not provided copies of their CNICs/NTN has been uploaded on Company's website for shareholders' information.

### 4. Deduction of Income Tax from Dividend:

Pursuant to the provision of Finance Act, 2016 the rates of income tax deduction from dividend payment under section 150 of the Income Tax Ordinance, 2001 have been revised as under:

- For filers-12.5%
- For non-filers-20%

All members may check their status from the Active Tax Payers list available on FBR website

Please note that the Shares Registrar will check status of the members (Filer or Non-Filer) from the Active Tax Payers list on the basis of valid CNIC/NTN numbers and would deduct tax as per provisions of the law, therefore all shareholders are requested to make it sure that copy of their valid CNIC/NTN should be available with the Shares Registrar, as in case of non-availability of CNIC/NTN the Share Registrar can not check their status and would constrain to apply tax rate prescribed for non-filers.

### 5. Payment of Cash Dividend through Electronic Mode (Mandatory):

The SECP vide Circular No/CLD/CO.516/2016-3056 dated December 2, 2016 has directed all the listed Companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

All the entitled shareholders of the Company are requested to provide the particulars of their bank account to enable the Company to credit the dividend amount (if any) through electronic dividend mandate to ensure the mandatory requirements of SECP. The Dividend Mandate Form is available on the Company's website i.e. [www.ssgc.com.pk](http://www.ssgc.com.pk).





**6. Payment of Dividend Electronically (optional):**

Shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholders bank account. To opt for the dividend mandate option, the Dividend Mandate Form is available at the Company's website.

**7. Electronic Transmission of Annual Audited Financial Statements and Annual General Meeting Notice through e-mail (optional):**

Shareholders who desire to receive the Company's Annual Audited Financial Statements and Annual General Meeting Notices through e-mail are requested to fill the requisite form available on the Company's website.

**8. Consent for Video Conference Facility**

Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if Company receives consent form from members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to registered office of the Company:

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of Sui Southern Gas Company Limited, holding \_\_\_\_\_ ordinary shares as per Register Folio/CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of Member(s)

The Company will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

**9. Change in Address:**

Shareholders are requested to notify any change in address immediately quoting their folio number(s) to our Shares Registrar.

**10. Statement under Section 134(3)/160(1)(b) of the Companies Ordinance, 1984:**

A statement under Section 134(3)/160(1) (b) of the Companies Ordinance, 1984 pertaining to the Special resolution is being sent to the shareholders along with the notice.

**11. Minutes of Last Meeting:**

Copies of the minutes of the 61<sup>st</sup> Annual General Meeting held on May 14, 2016 will be available to the Members on request, free of cost.

**REGISTERED OFFICE**

SSGC House  
Sir Shah Muhammad Suleman Road,  
Gulshan-e-Iqbal, Block 14,  
Karachi 76300, Pakistan

**SHARES REGISTRAR**

Central Depository Company of Pakistan  
CDC House, 99-B, Block B,  
SMCHS, Main Sharah-e-Faisal,  
Karachi, Pakistan

**STATEMENT UNDER SECTION 134(3)/160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

**THIS STATEMENT SETS OUT THE MATERIAL FACTS CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON JUNE 30, 2017.**

**ITEM NO. 3 OF THE AGENDA - DISSEMINATION OF ANNUAL ACCOUNTS TO THE SHAREHOLDERS THROUGH CD/DVD/USB:**

The Board of Directors has recommended that a proposal should be presented to the shareholders of the Company at a general meeting for dissemination of Annual Accounts to the shareholders through CD/DVD/USB instead of transmission of the same in book form as notified by Securities and Exchange Commission of Pakistan vide SRO No. 470(I)/2016 dated May 31, 2016. All necessary requirements of law will be complied with in this regard.



## **HQ Dadu - Another strategically located part of SSGC's Transmission Network**





## ATTENDANCE OF DIRECTORS AT MEETINGS

### BOARD MEETINGS

Name of Directors	Total Number of Board Meetings*	Number of Meeting(s) Attended
Mr. Miftah Ismail	13	13
Mr. Khalid Rahman	13	11
Agha Sher Shah	13	10
Ms. Azra Mujtaba	11	00
Mr. Muhammad Arif Hameed	02	02
Mr. Muhammad Bilal Sheikh	13	09
Mr. Mobin Saulat	13	12
Nawabzada Riaz Noshervani	13	13
Sardar Rizwan Kehar	13	13
Mirza Mahmood Ahmad	13	13
Mr. Saleem Zamindar	13	13
Mr. Muhammad Riaz Khan	13	13
Ms. NargisGhaloo	13	09
Mr. Shazad Dada	08	07
Mr. Furqan Bahadur Khan	13	12
Qazi Mohammad Saleem Siddiqui	11	10

### BOARD AUDIT COMMITTEE MEETINGS

Name of Directors	Total Number of Board Meetings*	Number of Meeting(s) Attended
Agha Sher Shah	02	02
Mr. Shazad Dada	02	01
Mr. Mobin Saulat	10	08
Nawabzada Riaz Noshervani	03	03
Sardar Rizwan Kehar	10	10
Mr. Saleem Zamindar	08	08
Mirza Mahmood Ahmad	02	02
Ms. Nargis Ghaloo	08	07
Mr. Furqan Bahadur Khan	01	01
Mr. Muhammad Bilal Shaikh	01	00

### BOARD FINANCE AND PROCUREMENT COMMITTEE MEETINGS

Name of Directors	Total Number of Board Meetings*	Number of Meeting(s) Attended
Ms. Nargis Ghaloo	10	10
Mr. Khalid Rahman	10	09
Ms. Azra Mujtaba	03	00
Mr. Muhammad Bilal Shaikh	01	00
Qazi Mohammad Saleem Siddiqui	07	07
Mirza Mahmood Ahmad	10	10
Mr. Muhammad Riaz Khan	04	04
Nawabzada Riaz Noshervani	03	03
Mr. Shazad Dada	06	04
Mr. Furqan Bahadur Khan	07	07
Mr. Saleem Zamindar	02	02
Sardar Rizwan Kehar	01	01







## BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETINGS

Name of Directors	Total Number of Board Meetings*	Number of Meeting(s) Attended
Mr. Miftah Ismail	06	05
Mr. Khalid Rahman	06	05
Mirza Mahmood Ahmad	02	02
Mr. M. Arif Hameed	01	01
Mr. Furqan Bahadur Khan	02	02
Mr. Saleem Zamindar	06	06
Sardar Rizwan Kehar	06	06
Agha Sher Shah	04	04
Mr. Muhammad Riaz Khan	04	04

## BOARD RISK MANAGEMENT AND LITIGATION COMMITTEE MEETINGS

Name of Directors	Total Number of Board Meetings*	Number of Meeting(s) Attended
Mirza Mahmood Ahmad	04	04
Mr. Khalid Rahman	02	02
Mr. Furqan Bahadur Khan	02	01
Mr. Muhammad Riaz Khan	02	02
Nawabzada Riaz Noshervani	04	04
Mr. Saleem Zamindar	02	02
Sardar Rizwan Kehar	03	03
Ms. Nargis Ghaloo	01	01
Mr. Mobin Saulat	02	00
Agha Sher Shah	02	02

## BOARD SPECIAL COMMITTEE ON UFG MEETINGS

Name of Directors	Total Number of Board Meetings*	Number of Meeting(s) Attended
Sardar Rizwan Kehar	07	07
Mr. Khalid Rahman	07	06
Agha Sher Shah	03	02
Mr. M. Arif Hameed	01	01
Mirza Mahmood Ahmad	04	04
Nawabzada Riaz Noshervani	07	07
Mr. Muhammad Riaz Khan	07	07
Mr. Saleem Zamindar	03	03
Qazi Mohammad Saleem Siddiqui	06	05
Mr. Furqan Bahadur Khan	04	03

\*Held during the period concerned Director was on the Board / Committee.



**The Belgian Ship *Exquisite* that brought in  
the first shipment of LNG in March 2015**



# GENERAL OVERVIEW

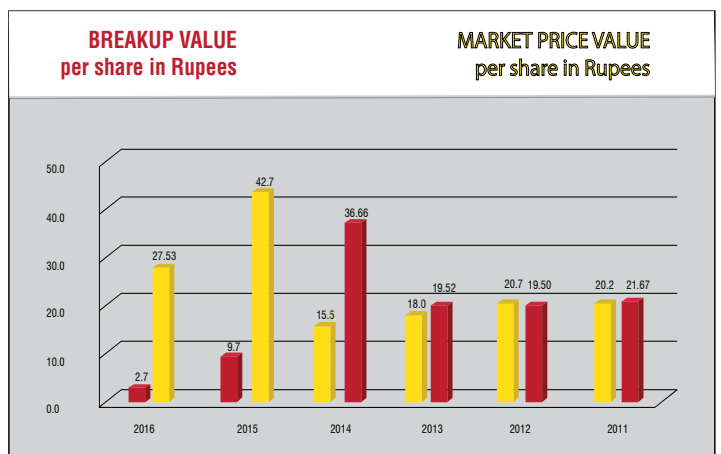
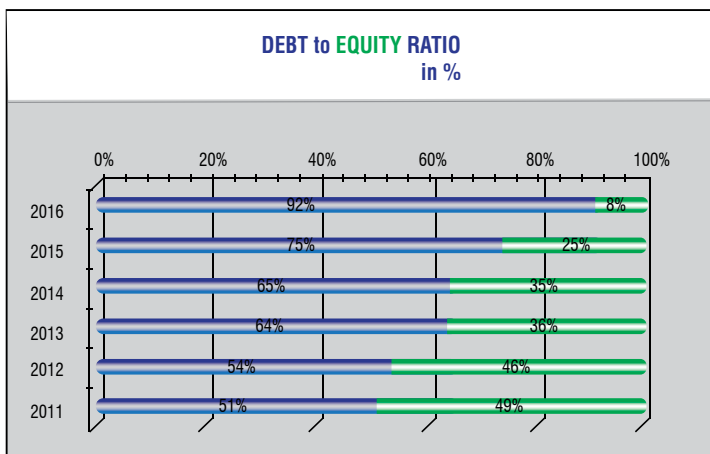
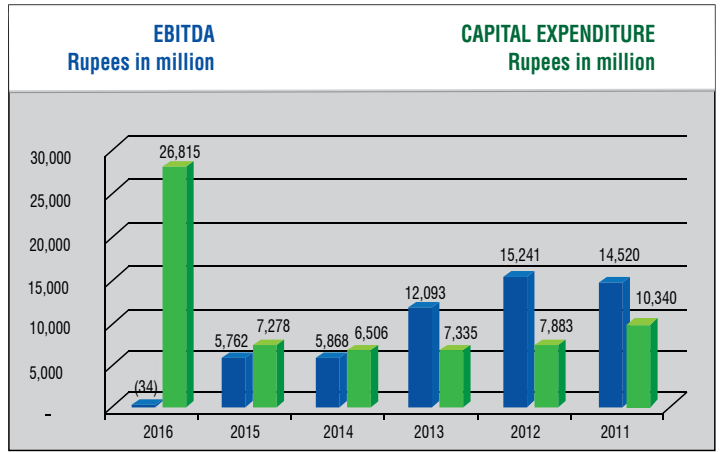
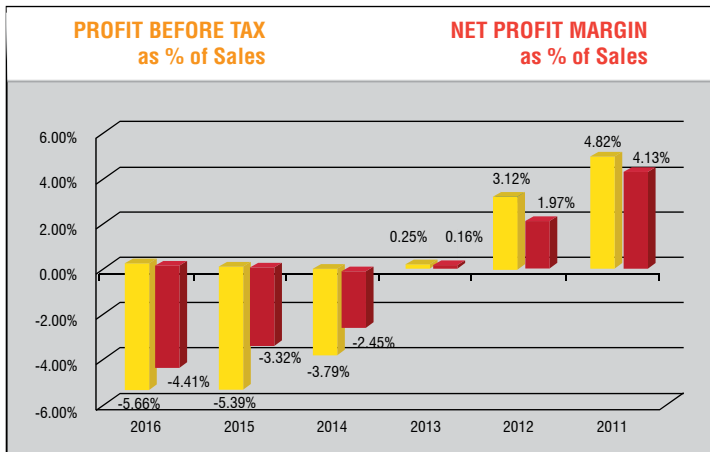
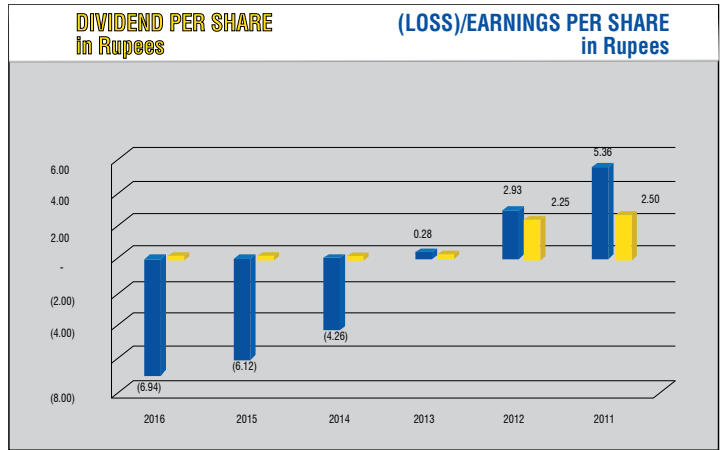
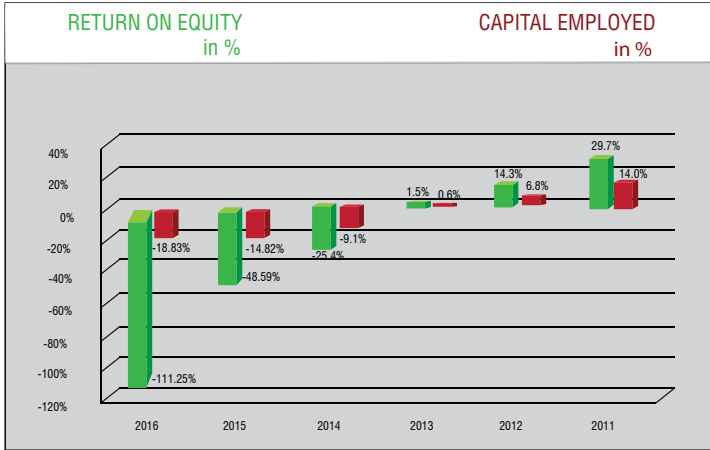
This section outlines Performance Indicators in the form of graphical representation of financial data and provides Details of Distribution Network and 6-Year Financial Highlights.

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# Performance Indicators





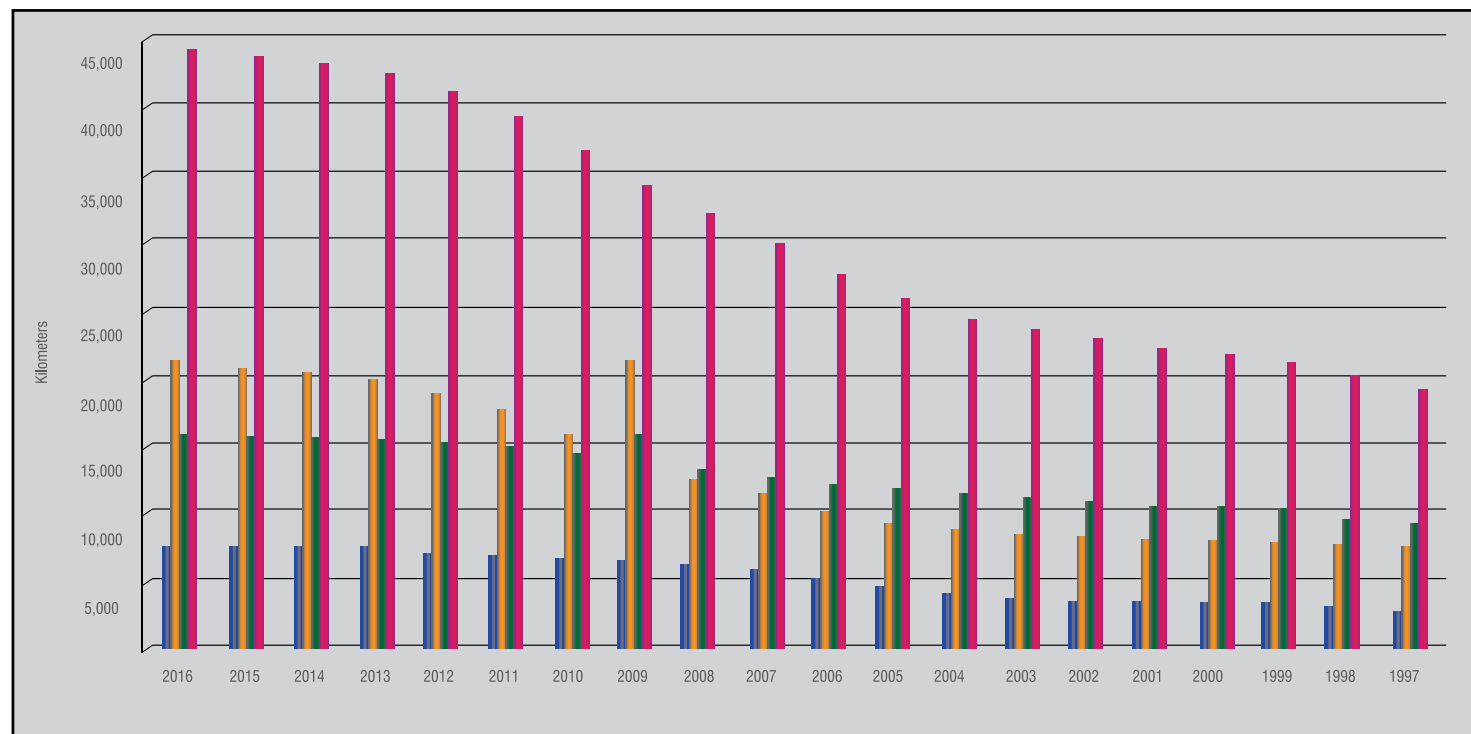
# Details of Distribution Network In Kilometers

## LEGEND # 1 (1997 to 2006)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Balochistan	2,677	3,033	3,316	3,487	3,576	3,699	3,817	4,109	4,619	5,250
Interior Sindh	7,281	7,603	7,786	7,975	8,062	8,310	8,478	8,809	9,361	10,077
Karachi	9,243	9,615	9,978	10,323	10,521	10,881	11,121	11,422	11,784	12,215
Total	19,201	20,251	21,080	21,785	22,159	22,890	23,416	24,340	25,764	27,542

## LEGEND # 2 (2007 to 2016)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Balochistan	5,796	6,193	6,505	6,690	6,841	7,117	7,263	7,368	7,518	7,685
Interior Sindh	11,375	12,484	13,951	15,697	17,626	18,826	19,937	20,347	20,757	21,280
Karachi	12,659	13,252	13,826	14,398	14,786	15,019	15,217	15,374	15,615	15,796
Total	29,830	31,930	34,282	36,785	33,253	40,962	42,417	43,089	43,890	44,761





## Six-Year Financial Highlights

### Key Indicators

	2016	2015	2014	2013	2012	2011	
<b>Trading Results</b>							
	<b>Rs Million</b>						
Sales (excluding Gas Development Surcharge)	183,403	158,853	152,541	142,198	133,875	110,402	
Gross profit / (loss)	(24,824)	(6,436)	(8,968)	3,490	2,668	2,245	
Profit before tax	(7,840)	(8,769)	(5,810)	380	4,086	5,519	
Profit after tax	(6,115)	(5,391)	(3,753)	248	2,581	4,724	
<b>Operating Ratios</b>							
	<b>%</b>						
Gross margin	-17.91%	-4.05%	-5.85%	2.30%	2.04%	1.96%	
Pre tax margin	-5.66%	-5.39%	-3.79%	0.25%	3.12%	4.82%	
Net margin	-4.41%	-3.32%	-2.45%	0.16%	1.97%	4.13%	
<b>Financial position</b>							
	<b>Rs Million</b>						
Shareholders equity	2,418	8,575	13,615	15,883	18,248	17,775	
Property, plant and equipment	96,711	73,943	70,165	67,736	64,260	59,645	
Net current assets	(39,332)	(15,581)	(5,774)	1,665	2,117	2,066	
Long term assets	4,470	2,241	1,955	2,051	2,048	1,141	
Long term liabilities	47,702	41,776	42,479	45,317	39,925	34,825	
Capital employed	30,747	34,213	38,521	44,251	39,791	36,518	
<b>Performance</b>							
	<b>Rs Million</b>						
Capital expenditure	26,815	7,278	6,506	7,335	7,883	10,340	
Return on total assets	%	-2.19%	-1.95%	-1.61%	0.13%	1.49%	3.37%
Asset turnover ratio		0.50	0.64	0.71	0.82	0.83	0.91
Fixed assets turnover ratio		1.62	2.26	2.22	2.30	2.11	2.26
Inventory Turnover	Days	2.06	2.07	1.71	1.74	2.11	1.88
Return on equity	%	-111.25%	-48.59%	-25.45%	1.45%	14.33%	29.67%
Return on capital employed	%	-18.83%	-14.82%	-9.07%	0.59%	6.77%	14.05%
<b>Valuation and other Ratios</b>							
Earnings per share	<b>Rs</b>	(6.94)	(6.12)	(4.26)	0.28	2.93	5.36
Cash dividend - per share		-	-	-	-	2.25	2.50
Dividend payout ratio	%	0%	0%	0%	0%	77%	47%
Net assets per share (breakup value)	<b>Rs</b>	2.74	9.73	15.46	18.03	20.72	20.18
Market value per share at 30 June	<b>Rs</b>	27.53	42.70	36.66	19.52	19.50	21.67
Price earnings ratio		(3.97)	(6.98)	(8.60)	69.28	6.65	4.04
Dividend yield	%	0.00%	0.00%	0.00%	0.00%	11.54%	11.54%
Debt : Equity ratio		92:08	75:25	65: 35	64:36	54 : 46	51 : 49
Current ratio		0.82	0.93	0.97	1.01	1.02	1.03
Debt service coverage ratio		(0.00)	0.84	0.93	2.22	2.19	1.27



# CHAIRMAN'S REVIEW AND DIRECTORS' REPORT

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**Miftah Ismail**  
Chairman, SSGC





“In pursuit of the Government’s vision to give the nation a secure energy plan, SSGC is implementing LNG project to bridge demand-supply gap of natural gas.”

Dear Shareholder,

I am pleased to present and share the Company’s 62<sup>nd</sup> Annual Report and Audited Financial Statements for the financial year June 30, 2016, together with the Auditors’ Report thereon.

## Energy Overview

Energy plays an important role in socio-economic development of a country. A desired level of economic growth can only be achieved if energy inputs at required levels are made available. The country’s natural gas market has been under increasing stress in the recent years. Pakistan produces 4 billion cubic feet of natural gas per day (bcfd) against the constrained demand for over 6 bcfd. Production grew strongly at 9.5% per annum between 2000 and 2006 from the gas discoveries made in the 1990s. Since 2002, however, there has not been major discoveries (1 tcf or bigger). Consequently, natural gas production peaked in 2012 and since then has been on a continuous decline.

To balance this widening gap between demand and supply, the Company has followed the Government’s Gas Load management program to rationalize the consumption of gas.

The Company, with full support from the Ministry of Petroleum and Natural Resources, has been pursuing ambitious plans to increase supplies by building a dedicated infrastructure for transmission of Re-gasified LNG, and promoting alternative sources of energy by installing LPG-Air Mix Plants and supplying LPG through its subsidiary Company.

## Towards Changing Energy Dynamics

In order to bridge the demand and supply gap of natural gas of around 2 bcfd, the Government of Pakistan fully supported the idea of importing LNG.

In pursuit of the Government’s vision to give the nation a secure energy plan, SSGC is implementing a plan to augment its existing network for supplying 400 mmcf during 2015-16 and 600 mmcf LNG by 2016-17 to power generating plants and for general use by all the sectors.

During 2015-16, in the Phase 1 of the project (RLNG-1), for supply of 400 mmcf imported RLNG, SSGC laid down 42” dia. x 17-km pipeline from Custody Transfer Station (CTS) to SMS Pakland in Karachi. As part of the RLNG-1 project, the Company has also completed work on 42” dia. x 14-km from Nara to Sawan and on 24” dia. x 33 km Tando-Massu pipeline. SSGC has also relocated 2 compressors from Dadu to Nawabshah in order to boost gas pressure.

In the second phase, for the supply of another 200 mmcf RLNG (RLNG-2), SSGC is installing 6 more imported compressors of 200 mmcf each in HQ-2 Daur near Nawabshah as well as lay down 342-km of the 42” dia. pipeline from SMS Pakland to Nara. Work on RLNG-II pipeline is expected to be completed in 2017.





# Financial Overview

During the period under review, the Company recorded a net loss after tax of Rs. 6,115 million after incorporating major disallowances and financial costs due to outstanding debts.

The summary of financial highlights is given below:

	<b>2015-16</b> <i>(Rupees in Million)</i>
Loss before taxation	(7,840)
Taxation	1,725
Loss after taxation	(6,115)

This state of affairs is based on various reasons including but not limited to:

## 1. High UFG Disallowance

High UFG volume disallowance, which is at 4.5% benchmark stands at 9.23% i.e. at 43.2 bcf, having an impact of Rs.14.1 billion. In FY 2014-15, it was at 6.62% i.e. 28.7 bcf, having an impact of Rs.10.3 billion at 7.0% benchmark as per stay granted by honourable High Court of Sindh.

The main factors responsible for high UFG volumes include gas theft, measurement errors and leakages in overhead and underground pipelines. In addition to these factors, there are some external factors that are beyond the Company's control i.e., bulk to retail ratio, volatile law and order situation, the Government's moratorium on new connections and new towns' extension, all of which contributed to marked increase in UFG. The Company made concerted efforts to control UFG by replacing defective meters, rectifying leakages, installing cyber locks at industrial premises and regularly conducting anti-gas theft raids.



## 2. Issues Contested in the Honorable Sindh High Court

Since 2011, SSGC was preparing its accounts based on stay granted by Sindh High Court (SHC) in the following matters:

- (i) 7% UFG benchmark and
- (ii) Treatment of Late Payment Surcharge, Gas Condensate, Royalty from JJVL and Profit from Meter Manufacturing as non-operating incomes against each OGRA determination from FY 2010-11 to FY 2014-15.

On the same lines, SSGC submitted Auditor's initialed Financial Statements for FY 2015-16 along with Final Revenue Requirement (FRR) to OGRA in August 2016. While determination of FRR was awaited, SHC issued its decision dismissing all the appeals filed by SSGC against OGRA Determinations since 2011. In consequence of the decision of SHC, the benefit of Ad-Interim Injunction in Pre-tax profit has been eliminated resulting an impact for Rs. 36.7 billion on the overall profitability of the Company.

Due to significant impact of the loss on the financial statements and liquidity position of the Company, the management approached the Securities & Exchange Commission of Pakistan ("SECP") with a request to consider peculiar situation of SSGC and as a special case allow staggering the financial impact of losses resulting from Order of the Honorable High Court of Sindh referred above in next three years i.e. upto FY 2017-18.

The Commission considered the request of the Company favorably and allowed recording of losses in the financial years ending 30 June 2016 and 30 June 2017 equally.

## Modifications in the External Auditor's Report:

The External Auditors, M/s. Deoitte Yousuf Adil Chartered Accountants had expressed certain reservations in their audit report for the financial year ended 30 June 2016 on amount due from KE, PSML and SNGPL. Our respective para wise comments on these reservations are as follows:

**Receivables from KE and PSML:** During FY 2015-16, receivable situation of Pakistan Steel Mills Limited (PSML) remained almost the same as in previous years whereas receivable from K-Electric (KE) is partially reduced. The Management is vigorously pursuing recovery suit filed against KE for the recovery of amounts. The management is confident that it will get favorable outcome in these court cases. At the same time, the Management is in constant liaison with the concerned



ministries to expedite the recovery of outstanding dues from KE and PSML. It is expected that as soon as the matter is permanently resolved by the Government of Pakistan, the overall financial position of the Company will improve. The claim of the Company against KE and PSML, as of June 30, 2016 is Rs. 67,838 million and Rs. 43,266 million, respectively.

**Receivable from SNGPL on account of RLNG:** During the year under review, the Company has continued swapping natural gas with SNGPL in lieu of RLNG, which it received from Engro Elengy Terminal (Pvt.) Ltd. (EETPL). In this regard, PSO purchases LNG from external LNG suppliers which is re-gasified at Floating Storage and Regasification Unit (FSRU) by EETPL for onward supply to the Company (SSGC) on behalf of SNGPL or other buyers. Company is swapping natural gas with SNGPL in lieu of RLNG which the Company receives from EETPL. The Company has invoiced Rs. 14,963 million from March 2015 till June 30, 2016 to SNGPL in respect of actual capacity and utilization charges, which were billed to the Company by EETPL. However, SNGPL acknowledged and paid the charges to the extent of Rs. 7,763 million based on \$ 0.66 / MMBTU determined by OGRA for quantities actually received by SNGPL. SNGPL also refused to pay charges pertaining to RLNG purchased by Pak Arab Fertilizer Company Limited (PAFCL) from SNGPL. The Company has taken up the matter with PAFCL and partial amount has been recovered from them.

The Company pursued the matter of price determination by OGRA based on actual re-gasification charges paid to EETPL through Ministry of Petroleum and Natural Resources (MP&NR). In this regard, a committee comprising of Federal Secretaries of Ministries of P&NR, Water & Power, Finance and Law Division was constituted and upon its recommendations to the Economic Coordination Committee (ECC) the ECC approved the policy guidelines that all charges under LSA including, but not limited to capacity, utilization and flexibility charges are to be included at actual.

Subsequently, in October 2016 OGRA determined RLNG price, reflecting actual capacity, utilization and flexibility charges and SNGPL also paid Rs 3.2 billion for price differential for the quantities received by them.

In addition to the above, the External Auditors, M/s. Deoitte Yousuf Adil Chartered Accountants had drawn attention in their audit report for the financial year ended 30 June 2016. Our respective para wise comments on these matters are as follows:

(i) To evaluate the financial resilience of the Company, the management has prepared financial projections for next five years with following major factors confirming management's assertion regarding sustainability of its operations:

- (a) Investment would be capitalized for Rs. 45 billion and Rs.65 billion by June 2017 against RLNG-2 and December 2018 against RLNG-3 respectively.
  - (b) A further investment of Rs. 14 billion would be capitalized by June 2019 against LPG Air Mix Projects in Sindh and Baluchistan.
  - (c) OGRA would revise UFG benchmark as per the consultant's report. Revision in UFG benchmark would be allowed effective from FY 2016-17 and previous determinations since FY 2011 which were made by OGRA on provisional basis would also be revised. The Management has engaged a consultant to perform detailed examination of the reasonableness of the projections, criteria and assumptions which were confirmed by the Consultant.
- (ii) **LPS Payable to Government-controlled E&P Companies:** SSGC has discontinued recording of LPS from KE and PSML from 01 July 2012 and decided to record the LPS on receipt basis as per International Accounting Standards (IAS) 18 "Revenue". However, SSGC continued recording of LPS expenses payable to E&P Companies. This accounting treatment has converted profitability of SSGC into losses and started wiping out the equity of SSGC.

SSGC, with the concurrence of MP&NR modified accounting treatment by virtue of which it will not recognize the LPS expenses payable to the Government Controlled E&P companies (OGDCL, PPL and GHPL) effective from July 01, 2012 till the time SSGC receives LPS income from PSML and K-Electric. SSGC has also obtained legal and technical opinions which confirmed that it can adopt the modified accounting treatment.

- (iii) **Departure from IAS 8 (Changes in Accounting Policies, Estimates and Errors):** SSGC due to significant impact of losses on the financial statements and liquidity position of the Company resulting from Order of the Honorable High Court of Sindh amounting to Rs. 36 billion, approached the Securities & Exchange Commission of Pakistan ("SECP") with a request to consider peculiar situation of SSGC and as a special case allow staggering of losses. SECP considered the request of the Company favorably and allowed departure from the requirements of IAS 8 by allowing recording of losses in the financial years ending 30 June 2016 and 30 June 2017 equally.

The above facts are disclosed in detail in respective notes to the financial statements.





Total Commitment: Work on RLNG project in full swing in Lower Sindh

## Operational Review

SSGC is guided by its core values of integrity, excellence, creativity, team work, transparency and responsibility to stakeholders. In alignment with the Company's mission, SSGC endeavors to provide natural gas facilities to an expanding customer base in a safe, reliable and affordable manner. Division and department-wise details of projects and achievements during FY 2015-16 are hereunder:

### From Planning to Construction

#### Projects related to RLNG under implementation or completed:

**42" dia. x 14-km Nara-Sawan Pipeline Project:** This pipeline was laid to transport RLNG to SNGPL as its share in LNG import. The pipeline was commissioned on December 2015 at a total cost of Rs. 1.128 million in December 2015.

**42" dia. x 342-km Pakland to RS Nara Project:** This project, currently under implementation involves laying a dedicated 42" dia. x 337-km pipeline from SMS Pakland to RS Nara for transporting 600 mmcf/d RLNG to SNGPL.

The project is expected to be commissioned in 2017, at an estimated cost of Rs. 34,905 million. The pipeline laying is divided into three segments, considering the design requirements.

- Segment-1 comprises of laying 42" dia. x 129-km transmission pipeline from SMS Pakland to Hyderabad (HQ-3). The construction activities are in progress on a fast track and overall 30% work has been completed as of June 30, 2016.
- Segment-2 involves laying 42" dia. x 131-km transmission pipeline from Hyderabad to Nawabshah (HQ-2). The construction activities are in progress on a fast track and 12% work has been completed as of June 30, 2016.
- Segment-3 comprises of laying 42" dia. x 82-km pipeline from Nawabshah to Nara. The construction activities are in progress on fast track and 60% of the work has been completed as of June 30, 2016.

The contract for Indus River Crossing through Horizontal Directional Drilling (HDD) was awarded to China Petroleum Bureau. The completion of the project is expected by early 2017 at an estimated cost of Rs. 1,438 million. Pilot boring was in progress as of June 30, 2016.





#### **Installation of six compressors at HQ-2 Daur:**

As part of 42" dia. x 337-km RLNG Pipeline, six turbo compressor units of approximately 46,000 HP compression with flow capacity of 200 mmcf/d (each) are required at Daur near Nawabshah to boost 1.2 bcf/d gas for meeting desired delivery pressure of 1,115 psig at Sawan. The manufacturing of ordered machines is in progress at the vendor's facility. Civil works at site have started and are in full swing. The project will be completed in 2017 at a cost of Rs. 7,000 million.

#### **24" dia. x 21-km Interlink between Pakland and Khadeji:**

This 24" dia. x 21 km pipeline was proposed for transmission of RLNG from Indus Left Bank System (Pakland) to Right bank pipeline system (Khadeji). The objective was to provide flexibility of transportation of gas volumes from Left to Right Bank Transmission Network. This pipeline is expected to be commissioned by September 2016 at an estimated cost of Rs 1,039 million.

#### **Others projects under implementation or completed**

##### **24" dia. x 33-km Masu to Tando Adam loonline:**

This project involved laying of 24" dia. x 33-km Transmission Pipeline from Masu to Tando Adam Valve Assembly to complete the 24" dia. Sanghar-Hyderabad-Karachi pipeline. The aim was to cater to additional gas volumes at Naimat Basal Gas Field. The pipeline was commissioned in January 2016 at an estimated cost of Rs. 1,630 million.

##### **8" dia. x 85 km pipeline from Jhal Magsi to Shori:**

This project involved laying of 8" dia. x 85-km transmission pipeline to integrate Jhal Magsi Gas Field to Quetta Pipeline (QPL) System at Shori for projected supply of 15 mmcf/d gas to Jhal Magsi and adjoining areas. This project has been delayed due to adverse law and order situation in the project area.

The Company has now started detailed engineering survey and for the purpose, material including Filtration, Metering Equipment and Pipe Fittings have been already procured. The procurement of long lead items i.e. Line Pipe, Assorted Valves and Pigging Equipment are in progress. After a detailed engineering survey, acquisition of right of way and construction activities will be initiated simultaneously. This project is expected to be commissioned by June 2017 with an estimated cost of Rs.1,180 million.

##### **24" dia. x 31 km pipeline from Attock Cement (ACPL) to Surjani:**

The industrial and commercial customers of SITE Industrial Area have for long been faced with low pressure issues. In order to mitigate the

gas pressure issues, a 24" dia. x 31-km Pipeline Project has been planned. The project is expected to be commissioned by December 2017 at an estimated cost of Rs. 1,428 million.

##### **24" dia x 34-km loonline from Shikarpur to Jacobabad:**

In order to mitigate low pressure bottlenecks, a 24" dia. x 34-km loonline from Shikarpur to Jacobabad has been planned to arrange additional gas volumes to meet the growing demand in Balochistan region. The project is expected to be commissioned by December 2016 at an estimated cost of Rs.1,430 million.

#### **Other commissioned projects:**

- 12" dia.x 18-km Sindh-Nooriabad Power Plant Company, Karachi.
- 16" dia.Orange/Green Line Bus Rapid Transit near Board Office in Nazimabad, Karachi

#### **Other ongoing projects:**

- 24" dia. x 21-km Khadeji to Pakland Interlink Pipeline Project.
- Construction of LPG-Air mix plants in Awaran and Bella.

#### **Future projects:**

- Quetta Pipeline Enhancement Projects for 24" dia. x 34-km and 12" dia x 23-km Segments.
- 8" dia. x 85-km Jhal Magsi Gas Field Integration Project.



**Winding paths:** A pipeline construction activity in progress





**For achieving desired pressure:** Installation of compressors in progress at HQ-2 Daur

## Transmission Works

### Cathodic Protection

During the year under review, the Company focused on many facets of Cathodic Protection (CP) for the aim of controlling pipeline corrosion. Transmission team carried out coating and wrapping of 14.63 kilometers (48,025 running feet) of transmission pipelines. They included sections of Indus Left Bank Pipeline (ILBP), Indus Right Bank Pipeline (IRBP) and Quetta Pipelines (QPL and QPCEP). Close Interval Potential Survey covering a network of 409 kilometers was carried out on ILBP, Indus IRBP, QPL and IRBP-CEP. In addition, the team up-graded nine solar powered stations on ILBP, IRBP and BGFIP by adding solar modules and replacing old exhausted batteries and charge controllers.

### Pipeline Maintenance

As part of the RLNG project, the Transmission team was involved in the welding and fabrication of 20", 6" and 12" dia. line for compressors at HQ-2 Daur. Welding, fabrication and installation of four 12" dia. valves for suction and discharge line of Compressors at HQ-2 were also carried out. The team also lowered 2,200 running feet (Rft) of exposed portion on 18" dia. QPL line at Bolan River in Quetta section and 2,700 Rft. on 12" dia. QPL line in the Sibi section. 35 cold cutting jobs were carried out on different pipelines of entire Transmission and Distribution network and 18" dia. Actuator Ball valve was replaced on QPL line at Abe-gum Valve Assembly. Cold cutting jobs in of 16" dia. pipeline of M/S UEPL were carried out by the Transmission team. In addition, complete fabrication and installation of overhead crane were carried out at the HQ3 Compressor station HQ3. Meanwhile, integration of 16" dia. ILBP and 20" dia. Kadanwari pipeline was completed at MVA Tando Adam and Baran in HQ-3 section.

### Compression

The Transmission team also repaired DR-990 Gas Turbine at Shikarpur Compressor Station and also repaired Accessory Gear Box Compressor. Overhauling of parallel Axis Gear box of DR 990 Turbo Compressor units was also carried out.

### Relocation of Compressors from Dadu to HQ-2 Daur and related jobs

- Installation and commissioning of Dadu compressor units at HQ-2 Daur in November 2015.
- Accessory Gear Box overhaul job and Rotor bundle refurbishment job of both the Compressor units.
- Refurbishment of Lube oil, Seal oil and process gas cooler system of both units.
- Replacement of compressor unit-A and Unit-B suction, discharge, loading and vent valve with new equipments.

### Main Pipeline Instrumentation

- Up-gradation of Sales Meter Stations (SMSs) in Tando Mohammad Khan and Shahdadpur completed in HQ-3 Section to meet present and future gas load requirements.
- Replacement of four 6" Control Valve with 8" Control Valve at Karachi Terminal (KT) SMS completed to increase gas flow capacity.
- 1" dia., two control valves replaced with 630 Regulators at SMS Sita in Dadu Section and SMS Memon Goth in KT section to increase gas flow capacity.
- One Flow Computer installed and commissioned at 20" dia. Kadanwari, 24" dia. Sanghar-Karachi pipeline in HQ-2 section and 18" dia. Interlink pipeline in the KT section.
- 42" dia. x 14.5 km newly laid RLNG pipeline was purged, pressurized and commissioned.
- Calibration of 14 safety valves was completed in KT-Section.





“Distribution South remained dedicated towards rehabilitating pipelines to control rising UFG.”



## Distribution South

Distribution South is responsible for all areas of Karachi city. In FY-2015-16, Distribution South added 46,000 new connections in the system and ensured uninterrupted gas supply to the customers by adding 13 Town Border Stations (TBSs) in the System.

To ensure effective reconciliation of Sale and Purchase of gas and for monitoring/controlling UFG, 90 high capacity meters were installed on TBSs in Karachi and Electro Volume Correctors and Remote Data Access devices were summarily installed. In addition, segregation of network for micro analysis of UFG continued and an additional 50 UFG zones were created. By the end of FY 2015-16, cumulatively 140 UFG Zones were segregated/created and reconciled for effective UFG control.

During the year under review, a pipeline network spanning 2,700 kms were surveyed for underground leakages and more than 100,000 overhead leak surveys were conducted. On the basis of underground leak survey, rehabilitation schemes spanning 300 kms for countering a leakage-ridden network were planned and replacement of pipeline network was initiated on war footing in order to control the UFG.

Besides the above, 80 kms of pipeline network expansion of different diameters was carried out and 13-km network was laid to reinforce existing network in order to overcome low pressure problem and ensure adequate supply of gas to customers. In the best interest of the public, Orange and Green Line Rapid Bus Transport Projects were facilitated by re-locating the 2.5 km large diameter supply mains of 20 inches and 16 inches coinciding with the construction work of the project, without interruption of gas supply to our valued customers.



Countering UFG: SSGC team undertaking a pipeline rehabilitation activity in Karachi





## Distribution North

The Distribution North covers all areas in Sindh (excluding Karachi) and the entire Balochistan. During 2015-16, the North team conducted a number of infrastructure maintenance and expansion activities as well as UFG reduction activities that included rehabilitation of pipeline mains and services, reinforcement, underground and overhead leak rectification, replacement of PUG meters and new connections.

During the year under review, 49 kms of supply mains and services were rehabilitated and 49.03 kms of reinforcement lines were laid. In all, 9,108 kms of underground leak surveys and 8,599 kms of underground leak rectifications were carried out during the year. Moreover, 51,3557 overhead leak surveys and 26,0781 leak rectifications were undertaken.

In all, 75,159 Passing Unregistered Gas (PUG) meters were replaced during the year. 2 Town Borders Stations (TBSs) were added and 12 TBSs were modified. Moreover, 21 Pressure Regulatory Stations (PRSs) were added to the system. In all, 49,186 domestic connections were provided.



**Through rough terrains:** Pipeline laying activity in progress in Balochistan







# MANAGEMENT COMMITTEE\*



L to R: Saeed Rizvi, ASGM (Engineering Services), Syed Fasihuddin Fawad, Acting CFO, Saeed Larik, Acting SGM (Distribution-South), Mohammad Wasim, Acting DMD (Operations), Asim Tirmizi, Project Director, (Liquefied Gases) and Dr. Ejaz Ahmed, SGM (Customer Services)

\* Current Members



L to R: Irfan Zafar, SGM (UFG), Asad Saeed Khan, SGM (HR), Mohammad Amin Rajput, Acting MD, Nisar Ahmed Sheikh, ASGM (Distribution-North), Imran Farookhi, Acting DMD (Corporate Services), Shoaib Ahmed, Company Secretary and Amir Mumtaz Khan, ASGM (General Services)

*Not in Picture: Adnan Saghir Siddiqui, ASGM (Transmission) and Mohammad Salim, ACLA*

The background depicts a sketch of HQ-2 Daur, near Nawabshah, which is the center point for the installation of eight compressors as part of the RLNG Transmission Project.



## LNG Import

The Company's Liquefied Gases (LG) Department has played a pivotal role in procuring services for storage and re-gasification of LNG from Elengy Terminal Pakistan Limited (ETPL). Till June 30, 2016, 37 cargoes of LNG procured by Pakistan State Oil (PSO) at the Terminal have been successfully re-gasified. Approximately, 107 billion cubic feet equivalent to energy content of 113 million mmbtu RLNG has been injected into the Company's high pressure transmission network and an equivalent energy content of indigenous gas of the same volume has been swapped with SNGPL from various gas fields.

The Company has already successfully commissioned Phase 1 or RLNG-I project, for supply of 400 mmcf/d imported RLNG. In this regard, the Company has laid down 42" dia x 17-km pipeline from Custody Transfer Station (CTS) to Pakland in Port Qasim, Karachi. As

part of the RLNG-1 project, the Company has completed work on 42' dia x 14-km pipeline from Nara to Sawan and on 24" dia, x 33-km Tando Massu pipeline. In addition, the Company has also relocated 2 compressors from Dadu to Nawabshah in order to boost gas pressure.

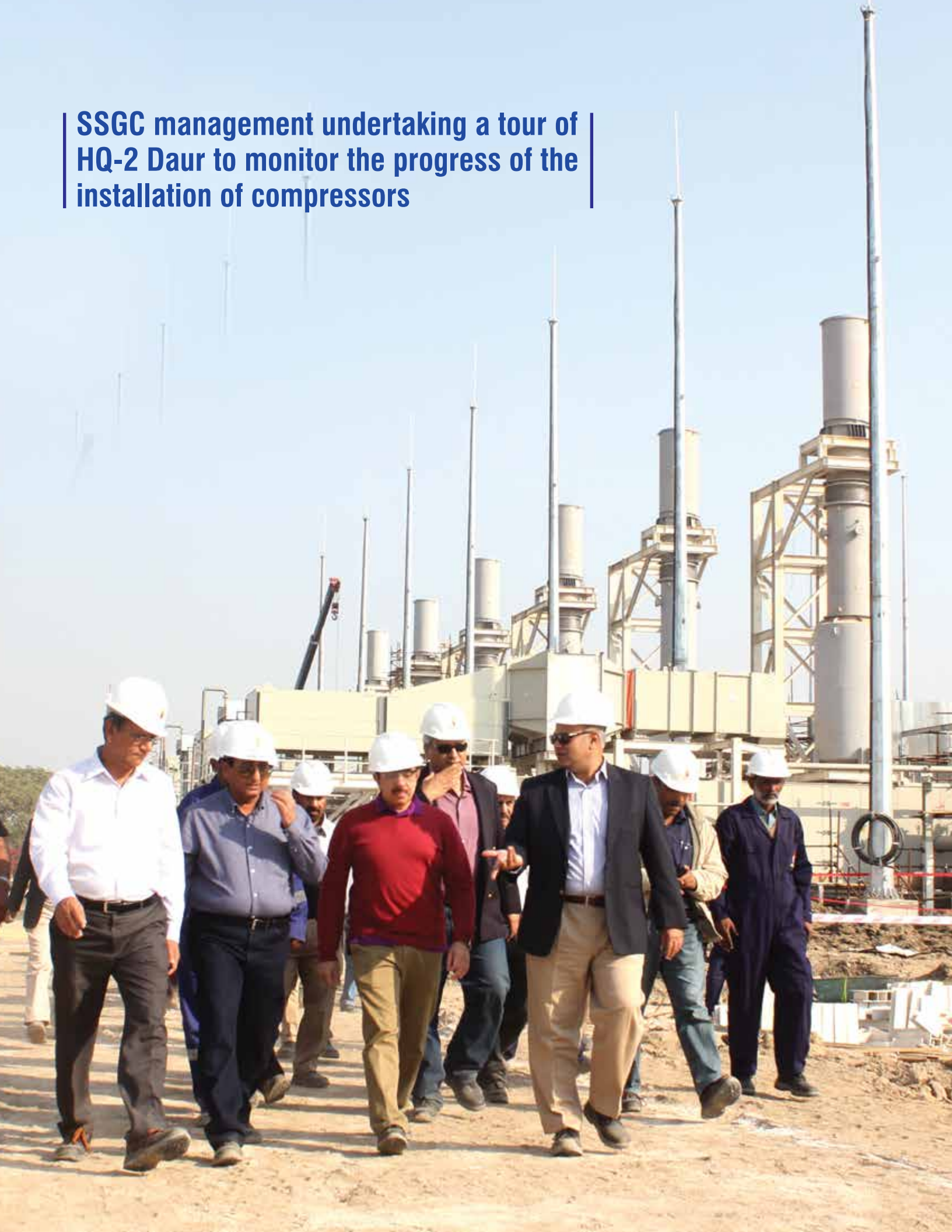
In the second phase or RLNG-II Project, for the supply of 600 mmcf/d RLNG, SSGC is in process of installing 6 more compressors of 200 mmcf/d each at HQ-2 Nawabshah and laying 342-kms of the 42' Dia pipeline from Pakland to Repeater Station Nara. Work is progressing well on the proposed pipeline for transporting 1.2 bcf/d RLNG from Karachi to SNGPL network. Till June 30, 2016, welding of 160-kms line has been completed and work on Horizontal Directional Drilling (HDD) for Indus River Crossing has also commenced.



**Mitigating shortfall:** Ship-to-Ship transfer of LNG underway at Elengy Terminal Pakistan Ltd.



**SSGC management undertaking a tour of HQ-2 Daur to monitor the progress of the installation of compressors**





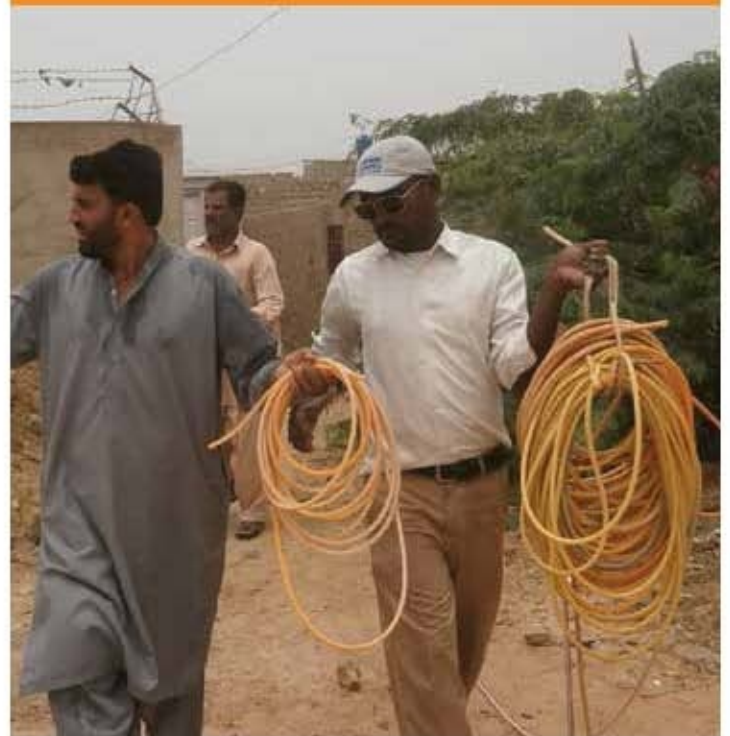
## Unaccounted-for-Gas (UFG) Control

UFG is the difference between the amount of gas entering a distribution system during custody transfer and the amount which is measured and billed at all delivery points over a defined period of time. UFG results from a number of factors, which, inter alia, comprises of the following:

- Gas Theft (meter/regulator tampering and illegal direct connections, self-load enhancement)
- Measurement errors, meter tampering and meter going slow with time and use; and
- Leakages in overhead and underground pipelines due to corrosion, poor workmanship and external damages.

During the year under review, UFG stood at 13.73%. The Company took concerted efforts to control UFG by replacing defective meters, rectifying leakages and installation of cyber locks at industrial premises. In addition, the Company continued to undertake anti-gas theft raids which helped to save volumes. However, some external factors are beyond Company's control. These include like Bulk to Retail Ratio, deteriorating law and order situation, government moratorium on new connections and new towns' extensions.

**Taking on a menace:** SSGC teams have intensified their efforts to clamp down on rising gas theft cases





## Regulation and Tariff

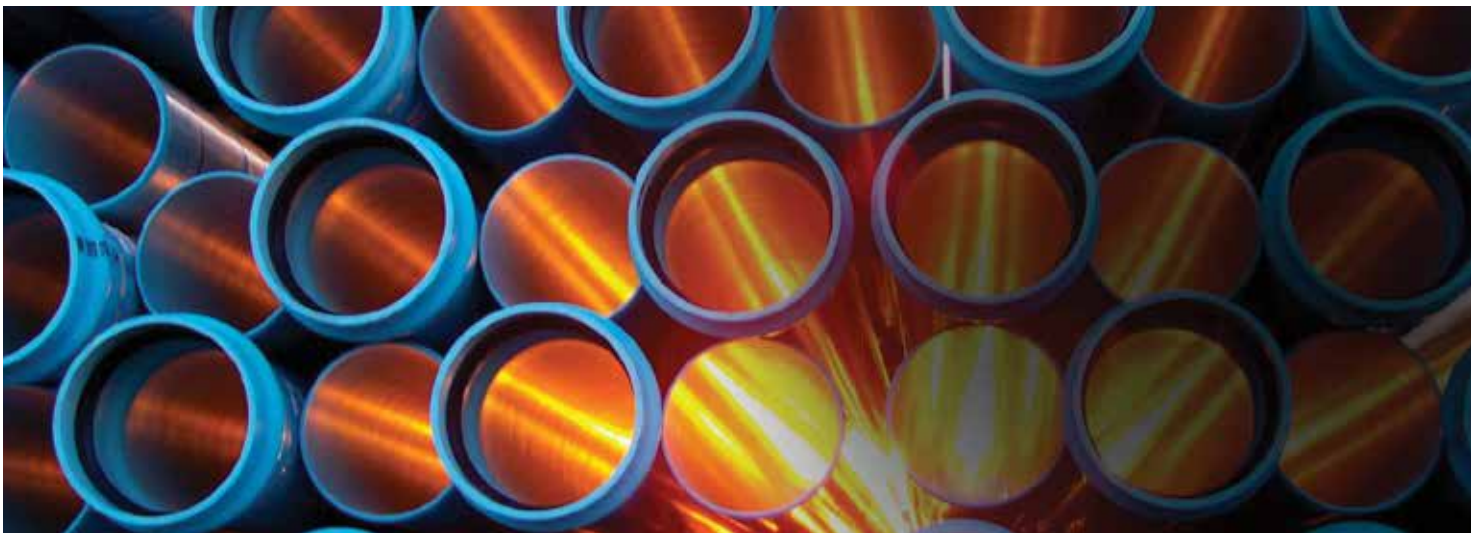
- SSGC successfully complied with the Oil and Gas Regulatory Authority (OGRA) specified Performance and Service Standards and License Conditions for undertaking regulated activities of transmission, distribution and sale of natural gas.
- In order to secure receivables from the domestic consumers, the Authority has requested that minimum threshold of Rs. 4,500 should be fixed for all the consumers. The said deposit will be refundable on termination of the contract. Any shortfall from minimum threshold may be recovered in a maximum of 12 equal installments allowing minimum burden on the lifeline consumers. OGRA held public hearing on November 17, 2015 on this matter, decision of which is pending.
- During the year under review, on March 15, 2016, the Company filed a petition before OGRA for determination of its Estimated Revenue Requirement (ERR) for FY 2016-17 in which SSGC requested an increase of Rs 17.42 per mmbtu. Public hearing was conducted on August 16, 2016 in Karachi and on August 18, 2016 in Quetta.
- Final Revenue Requirement (FRR) for FY 2014-15 on 28 August 2015 for increase of Rs 191.95 / mmbtu including prior years' shortfall of Rs 122.67/mmbtu. OGRA held hearing for the same on October 28, 2015 in Islamabad.  
The Economic Coordination Committee of the Federal Cabinet also approved provision for doubtful debts at a minimum of 1% of the sales which has been claimed in line with the ECC decision.
- During the period under review, SSGC filed its Motion for Review against DFRR for FY 2012-13 on December 3, 2015 requesting for

an increase in prescribed prices by Rs. 9.24 per mmbtu.

- During the year under review, Motion for Review Petition against DFRR for FY 2013-14 on December 7, 2015 requesting for an increase in prescribed prices by Rs. 43.18 per mmbtu.
- During the year, Motion for Review Petition against DFRR for FY 2014-15 on December 23, 2015 requesting for an increase in prescribed prices by Rs. 75.99 per mmbtu.
- SSGC submitted its petition for Total Revenue Requirement for FY 2015-16 requesting net increase of Rs. 34,822 million or Rs 90.69 per mmbtu. However in Determination, the Authority determined a surplus of Rs. 27,508 million translating into decrease in SSGC's prescribed prices effective July 1, 2015 by Rs. 71.64 per mmbtu.

## Other developments

- With respect to transmission projects, the authority during FY 2015-16 has approved GSPA of Gambat, Sinjhoru, Bobi, Adam West X-1, Mehar and Lund Ali gas fields.
- ECC of the Federal Cabinet approved policy guidelines under section 21 of the OGRA Ordinance 2002 regarding the determination of Sale Price of RLNG wherein important parameters are allowed for RLNG Pricing.
- OGRA initiated and appointed M/s Taseer Hadi & Associates as UFG consultants for conducting and processing UFG Benchmarking Study. The ground work of the study is completed and the same is expected to be implemented soon.





“The Audit Plan for FY 2015-16 was implemented with full vigor and numerous internal audit reports were issued.”



## Internal Audit

The Company's Internal Audit's function is carried out through an independent in-house Internal Audit Department to assist the Board of Directors and the Management in sustaining and persistently improving internal controls in accordance with business risks appraisal. The Departmental Head functionally reports to the Audit Committee and administratively to the Managing Director of the Company. The performance of the Internal Audit Department is monitored through Audit Committee of the Board of Directors.

The Charter of the Department has been approved by the Board as recommended by the Audit Committee and the Department has free and unfettered access to management information needed to carry out its work. Internal Audit is also required to abide by a Code of Ethics approved by the Audit Committee.

Internal Audits are conducted under Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, IIA and Standards for Information Systems Auditing issued by the Information Systems Audit and Control Association, ISACA.

The Company was awarded a certificate of ACCA Approved Employer-Trainee Development, Gold Level. The Chief Internal Auditor was the focal person for the ACCA Trainee Development Program, that started in 2013. The program is tapping young and dynamic talent and developing them in to a pool of qualified professionals, who can contribute to the business. The program aims to give the trainees, experience in a variety of operational settings, which allows them to acquire job-related skills and knowledge. With such support, ACCA students can choose Accounting, Finance, Taxation, Audit and Assurance and plan their path to success. The hiring of qualified Finance and IT professionals at managerial levels has also been completed in the year under review which shows the management intention to improve risk, control and governance structure.

The Audit Plan for FY 2015-16 was implemented with full vigor and numerous internal audit reports were issued. Significant audit findings were reported to Audit Committee of Directors. Corrective actions resulted in improving controls, adding value to the organization and savings through improved efficiency of operations and optimum utilization of resources.

## Procurement Processes

During FY 2015-16, in addition to normal procurement, the Company's Procurement Department played a pivotal role for the implementation of 342-km x 42" dia. RLNG-II pipeline from SMS Pakland to MVA-Nara. It was ensured by Procurement Department that all related items pertaining to the RLNG Project were received on the site and the leftover tenders of the project were completed within shortest possible response time, as per PPRA Rules. The

Procurement Department helped import more than 176,500 meters of 42" dia. line pipes from China without incurring any demurrages at the port. The Department remained focused in obtaining the best value for money by adopting PPRA Rules in true spirit and keeping itself self-abreast for meeting any type of challenges for accomplishment of the projects.







## Health, Safety, Environment and Quality Assurance

The Company is committed towards the health and safety of its employees and preservation of environment and works practically by reducing potential hazards, preventing pollution, conserving resources and adhering to applicable laws and regulation, in all its activities relating to the transmission and distribution of natural gas. HSE Management system is a guiding tool for safety of employees and assets for all SSGC's processes i.e. transmission and distribution. Biannual external audits throughout the company are based on ISO 14001: 2004 and OHSAS 18001: 2007 standards.

The Public hearing of the Environmental Impact Assessment of the Company's RLNG Pipeline project was held in March 2016 in Hyderabad. Individuals belonging to NGOs, Academia, Civil Society and general public participated in the public hearing. Senior SSGC management and representatives of all departments were present to

respond to any query of the participating stakeholders. In compliance with National Environmental Quality Standards (NEQS) and Pakistan Environmental Protection Act 1997-2000, environmental parameters of effluent discharges, air emissions SO<sub>x</sub>, NO<sub>x</sub>, CO and Noise emissions were conducted in the Company's franchise areas of Sindh and Balochistan.

Various workshops especially designed for the HSE&QA executives were convened in the Company's Gas Training Institute. The target of the training was focused on the importance of team work, role of HSE&QA in controlling UFG, ensuring safety at construction sites and prevention of occupational illness. The HSE&QA Department has regularly conducted the Environmental Monitoring and Quality Assurance of the RLNG pipeline Project. SSGC's commitment towards HSE&QA is evident from various awards, the Company won during 2016 including the 6<sup>th</sup> Fire and Safety Award which was organized by Fire Protection Association of Pakistan and NFEH in April 2016.





Responding well: SSGC's Contact Center Agents provide dashboard service to their 2.7 million customers on 24/7 basis

## Customer Services

### Customer Relations Department (CRD)

During the year under review, CRD performed a number of activities including:

- Contact Center (1199) agents received approximately 472,000 telephone calls and responded to 419,000 calls within 60 seconds.
- The FIR Cell was established under CRD's supervision in April 2015. To date, 137 FIRs have been lodged against gas theft culprits.
- CFC representatives dealt with cases of nearly 700,000 customers regarding installment, queries, duplicate bills, reconnection and unlocking activities.
- Decentralization of Store in Korangi was carried out for easy issuance of material to fitters.
- Volume gained against registered / un-registered customers was calculated at 4.9 bcf.
- Volume gained against replacement of PUG Meters came to 3.2 bcf.
- Volume gained from Rehabilitation / Leak Rectification on flat sites worked out at 111 mmcf.

Activities	2015-16		2016-17
	Target	Achieved	Target
■ Schedule Meter Replacement (Aging Base)	55,000	56,863	155,000
■ PUG Meter Replacement	100,000	105,733	103,000
■ Routine Meter Replacement	30,000	40,280	35,000
■ Commercial Meter Replacement	3,000	3,401	3,200
■ Customer Service Calls	100,000	115,199	90,400
■ Leak Rectification	30,000	43,642	35,000
■ Pressure Survey (Commercial)	22,600	21,857	22,550
■ Rehabilitation / Leak Rectification on Flat sites	75	50	100
■ Gas theft raids of Domestic Customers (bcf)	4	4.9	5
■ Internal House Line checking (2% of domestic customers in Karachi)	34,239	33,279	34,000



## Billing

The Billing Department is responsible for accurate and timely meter reading till distribution of bills to 2.7 million customers on a monthly basis. The Department is involved in handling customer queries, carrying out analysis of different aspects of sales and conducting multiple surveys. The historical increasing trend in gas sales continued and gas bills to a customer base of 2.7 million were raised with a monthly sales of around Rs.15 billion.

During the year under review, the Department carried out 313,282 surveys of nil consumption and minimum billed customers to identify PUG meters. 122,935 PUG and tampered meters were identified in all categories of customers. In addition, Rs. 1,604 million were collected to enhance the Gas Supply Deposit (GSD) of all categories of customers. Moreover, extensive efforts were made for recovery of outstanding dues from Industrial and commercial customers.

A volume of 2.86 bcf was claimed on account of defective meters. Furthermore, 48 sites were segregated and redefined as UFG zones. In all, 30,334 cases were identified for rehabilitation. The Department identified 49,347 theft cases. A volume of 6.69 bcf was claimed by raising theft claims and 2.467 bcf was claimed against the law and order affected areas.

The Billing Department has always considered training of its staff as an essential part of its operations. During the year, following trainings were conducted on regular basis:

- HSE Management System for focal person(s) of the department.
- Customer Care and Billing training to staff and executives to improve their skills throughout the franchise areas.
- Hand-held Computers workshop to meter readers posted in the franchise areas.
- Statistics Analyzing System (COGNOS) training to billing executives and staff for developing the skills to analyze sale volume and resolution of billing queries.

## Recovery of Dues

The basic task of Recovery Department is to take necessary steps for realization of maximum possible amount due against gas bills. For the stated purpose, various tools are applied. During the year under review, the Recovery Department undertook the following measures:

- a) **Issuance of Notices/Reminders:** One million notices/reminders were issued to defaulting customers in order to remind them of their moral/legal responsibility.
- b) **Media Campaign:** Aggressive media campaign was conducted both through press and TV channels.
- c) **Persuasion of High Value Defaulters:** High value defaulters of government/bulk/domestic users were personally contacted by the Department in order to convince them for making payments.
- d) **Disconnection of Domestic Defaulters:** 201,030 defaulting domestic customers were disconnected who owed Rs. 3,447 million to the Company. Reconnections to the tune of Rs. 1,204 million were made in favour of those customers who settled their bills.
- e) **Establishment of Facilitating Camps:** Camps were established at various apartments and localities to provide them convenience of making installment payments for prompt reconnection.

## Surveillance and Monitoring (S&M)

During the year under review, S&M Department took a number of initiatives to reduce UFG. These initiatives are:

- a) Close collaboration of SSGC and FIA teams in carrying out raids against gas thieves. In this regard, the Company nominated regional in-charges of S&M Department to coordinate with FIA officials. The involvement of FIA officials has created deterrence against the customers. FIA is also helping teams carry out operations against gas theft culprits in No-Go areas where access was virtually impossible in the past.
- b) Surveillance activities have increased manifold in order to comb out areas where UFG level is high.
- c) Almost all industrial customers have been cyber locked in order to avoid unauthorized access to the Customer Meter Station (CMS) with only authorized persons given rights to access CMSs.
- d) Ultrasonic meters have been installed on potential theft industrial/commercial customers to help monitor meter reversals/direct gas use.
- e) Paid special visits to final billed customers (industrial and commercial)
- f) Electronic Volume Correctors have been installed at almost all the industries for a strict check and balance on gas consumption/abnormalities.
- g) Carrying out of pre and post inspection analysis of customers.
- h) Carrying out frequent surprise checking of Customer Meter Stations.





## Meter Manufacturing Plant (MMP)

Established in 1975, the Company’s Meter Manufacturing Plant (MMP), fulfills the country’s gas domestic meter requirements. It is also a statutory requirement of gas companies to ensure that volume of gas consumed by the consumer shall be measured by an accurate measuring device installed by the Company. In this regard the Plant has been certified ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:1999.

At present, two types of domestic gas meters are under production at the MMP. They are: Remus G-1.6 meters (2,500 liter/hour capacity) and completely indigenized and 3rd Generation G-4 (6,000 liter/hour capacity) meters manufactured under the license of Itron, France (measuring unit is being procured under proprietary status).

Besides catering to internal SSGC requirement, MMP supplies meters to SNGPL, its biggest customer. The Plant is also engaged in exporting limited quantities of G-1.6 Gas Meters to Germany since 2009.

### MMP’s Production, Sales and Revenues during FY 2015-16

The following table provides a snapshot of the performance of Meter Manufacturing Plant during FY 2015-16.

	FY 2015 -16			
	G 1.6	G-4	3 <sup>rd</sup> Gen. G-4	Total
Production	222,300	116,600	151,999	490,899
Sales				
SSGC	206,800	34,113	116,607	357,520
SNGPL	15,500	87,900	100	103,500

The profit generated from meter manufacturing operations is Rs. 14.8 Million.

In order to control meter tampering and gas theft, MMP in collaboration with SNGPL and Itron, France has developed 3<sup>rd</sup> Generation G-4 Gas meters to replace the old version of G-4 Gas Meter. The new meter is being developed to address the major issue of UFG to ensure tamper proofing and dust proofing features.





# SSGC-LPG (Pvt.) Ltd.

The Company has been turned-around and has become profitable after covering all operating and finance costs. It earned an audited net profit of PKR 211 million in FY 2015-16, an improvement of PKR 349 million (253%), compared to last year's audited net loss of 138 million.

Nearly all key performance indicators (KPI) when compared to prior years confirms a turnaround, brought about by the executive management, through significant growth and improvement in: (1) profitability, (2) short-term liquidity, (3) cash flows, (4) business activity, (5) efficient utilization of (LPG terminal) fixed assets, (6) capital expenditure, (7) efficient utilization of working capital, (8) long-term solvency, (9) employee productivity, (10) internal process (11) overall return on capital employed and (12) return on equity.

## Business profitability

Company's strong earnings performance is reflected in EBITDA growth of PKR 247 million (146%) to PKR 415 million. Lower volume and margins in LPG business, were fully offset by significantly improved volumes and margins in terminal business; and cost control initiative further contributed through reduction of operating fixed costs by PKR 23 M.

## LPG terminal business

The management team successfully achieved the strategic objective of the board of directors to make the LPG terminal a viable business; with clear focus on increasing market share of LPG imports. The Company has been successful in increasing market share by 31 % to around 50% of overall imports via sea into Pakistan; as a result, the terminal business grew around 19 times i.e. recorded YOY growth of around 136,001 MT as the Company handled 153,301 MT during FY15-16 (FY14-15: 17,300 MT). Also maximized average realized pricing & margins / MT compared to all prior years.

## LPG business

Volume dropped to 23,923 MT (FY14-15: 31,654 MT) due to unavailability of supplies in the peak season (Oct'15 to Dec:15), discontinuation of LPG sales to SNG LPG air-mix plants of SSGCL (from Jan'16 onwards), and a levy of signature bonus (Jan'16 to Jun'16) that resulted in lower margins and volumes as customers shifted to cheaper sources. of local and imported LPG. The short-fall in LPG supplies was partially covered by purchase of imported LPG (4,275 MT) from local sources / importers which also impacted margins. However, despite facing adverse market and supply conditions, the LPG business segment earned a profit in FY15-16.

## Operating leverage

Fixed costs reduced by around PKR 23 million as a result of: reduction in manpower costs, rentals (as company shifted head office from Clifton to SSGC's GTI building in Dec'15), and other cost saving measures.

## Financial leverage

Due to overall decline in market interest rates, weighted average cost of debt declined by around 17% (150 bps) to 7.3% per annum; as a result, finance costs, reduced by PKR 30 million (24%), to PKR 126 million as compared to in FY 2014-15.

## Short-term liquidity

Company's strategic cash position improved 230%, by PKR 167 million, to PKR 240 million at FY year end; improvement in this short-term liquidity reflects improved profitability, combined with reduced investment in working capital, improvement in cash conversion cycle brought about by increased inventory and receivable turnover.

## Cash flows

The profits were successfully converted to cash and prior year's receivables were also realized. Cash flow from operations, compared to FY14-15, increased by PKR 487 million (216 %) to PKR 262 million. The turnaround that was initiated in CY 2015 has been successfully concluded in FY 2015-16 as Company is both profitable and cash flow positive.

## Working capital management

Company successfully managed the business operations despite negative working capital by improving the cash conversation cycle; and with improved cash flows, management settled long outstanding inter-company trade receivables and payables with the holding company.

## Utilization of fixed assets (LPG Terminal)

LPG terminal utilization improved as 39 ships (FYM-15: 6 ships) were handled during the financial year; throughput increased by 136,001 MT, (786%), to 153,301 MT. Management focused on effective utilization of the terminal and other fixed assets including LPG bottling plant at Muridke.

## Capital expenditure

Out of the total investment in tangible fixed assets of PKR 94.5 million, PKR 53.7 million was invested in 15,469 LPG cylinders to strengthen company position in the packed segment.

## Employee productivity

There were significant improvements in productivity as net profit per employee increased by PKR 8.5 million (237%), to PKR 4.8 million.

## Internal process improvements

Inefficiencies in internal processes have been to some extent controlled as evident from a reduced accounting-close cycle time from 18 months to 9 months and then 3 months. Management introduced quarterly audits from Mar'16 to ensure timely completion of accounts and correction of errors. ►





### Financial risk and long-term solvency

Debt was around 5.6 times equity on 30 Jun 16, previously debt was around 16 times equity on 30 Jun 15; thus, there has been a significant reduction in financial risk due to increase in net equity from retained earnings.

### Return on investment

The return on total average assets, (profit before interest and tax divided by total average assets), a well-known international measure of management's performance, increased five times from around 2% in FY14-15 to 10% in FY15-16. Similarly, the return on equity, i.e. profit after tax divided by equity at the start of the year, a well-known measure of shareholder value addition, for FY15-16 is around 193% - a top quartile performance compared to the similar companies in the Oil & Gas Sector.

### Surplus on revaluation of fixed assets

As at 30 Jun 16, an independent valuation firm, MYK Associates has re-valued tangible fixed assets of the Company at around PKR 2.78 billion vs. net book value of PKR 2.17 billion. The surplus on revaluation of fixed assets amounting to PKR 636 million, if recognized in the company books, shall increase the net equity PKR 943 million.

The Company has been turned around and has become profitable after covering all operating and finance costs. It earned an audited net profit of PKR 211 million, an improvement of PKR 349 million (253%), compared to last year's audited net loss of 138 million.

## Measurement

**Measurement Distribution:** The Measurement Distribution is responsible for ensuring accurate measurement of gas volume through Operations and Maintenance of Customer Meter Stations (CMSs) of industrial customers, throughout the franchise areas of Sindh and Balochistan. During the year under review, the Measurement Distribution performed the following activities:

- i) Installed 369 Electronic Volume Corrector (EVC) on Large Industrial customer meters with pressure and temperature transducers for improved gas measurement accuracy.
- ii) Replaced 360 PUG, suspected tampered, slow and undersized (overload) meters to ensure accurate registration of gas volume and to minimize measurement errors.
- iii) Tested 1,188 Industrial Meters at CMSs for accuracy within tolerable limits.
- iv) Installed an additional 674 Remote Monitoring units on Industrial customers for hourly monitoring of gas consumption of these Industries.
- v) For reconciliation of gas sales and purchase of Distribution segments, 200 Remote Monitoring units were installed on meters of TBSs / PRSs.
- vi) Remote Monitoring Web based software being upgraded for expected completion by FY 2016-17.

**Meter Repair Shop KT and Hyderabad:** The Shop proved 191 industrial meters in-house and repaired 448 faulty Industrial meters and 3,283 commercial meters.



**Positive Change:** A view of SSGC-LPG Terminal in Port Qasim, Karachi





# Information Technology

**Seamless Integration of Customer Care and Billing (CC&B) and Enterprise Resource Planning (ERP) Applications:** ERP and CC&B teams successfully completed a business applications integration project, scope of which was to monitor and control costs related to “Pits” and “Main Lines Repair” starting from Field Activity creation to its payment to contractor. More functionalities will be integrated between CC&B and ERP applications in future.

**Deployed Storage Area Networks (SANs):** The IT Department with support of EMC2 team successfully deployed today’s leading Storage infrastructure “Storage Area Network” to simplify storage management and improved data access, movement, and backup.

**Bill Printing:** The Company has a major edge in generating informative and easily legible monthly utility bills for its customers. The IT Department ensures the quality of bill generation and door to door delivery by underpinning contracts with reputed suppliers. Around 2.7 million bills are generated and distributed every month. After the bill generation contract from the previous vendor concluded in February 2016, following a procurement process, a new vendor came on board that apart from the usual functions offered additional value-adding services that were not part of the previous contract.

A major challenge before the Department now was to introduce “cost-efficiency” in the new bill printing contract, without compromising on the quality of service. The transition in the vendors resulted in cost savings of approximately Rs. 2.3 million per annum.

**Transition of Business-Critical Applications on IBM Power System E850:** The Department has been seeking new ways to deliver business value. To ensure faster insights and analyze more data in new ways, the Department deployed business-critical applications on IBM Power System E850.

**KPIs and Dashboard System:** The Department developed an MIS system for KPIs using UNICOM Rational Focal Point product. The system is successfully running in Gas Distribution, Measurement, S&M, CRD, and Cathodic Protection departments.

**Meter Manufacturing Mapping:** The ERP Team automated the manual process of meter manufacturing process mapping and implementation in ERP system. This improvement will benefit in the standardization of Bills of Material, beside standardization of inventory cost and complete manufacturing operations of V3 meters manufacturing.

**Established IT Governance, Risk, Compliance and Security Function:** This is a newly established function conceptualized with a core objective of providing mechanisms to align IT service deliveries with business objectives, develop Information Security awareness within the enterprise, and control serious risk of data leakage for protecting corporate information. Also, a rigorous IT Risk Management Framework has been introduced with the objective of ensuring that all possible risks are identified and treated within the existing IT Service Domains and also for new IT services in pipeline.

**Business Intelligence in handling of Gas Emergency:** GIS team has developed a customized Web GIS tool “Valve Isolation Trace” which helps business in identification of nearest gas valve to be closed from the point of emergency on Supply Mains.



**Adding value:** SSGC’s IT Department team at the Bill Printing Center located in the vicinity of the Company’s Head Office





**Drive against Gas Defaulters:** GIS team has developed an application tool to identify areas with Gas Bill Defaulters for domestic customers on monthly basis.

**Better Gas Consumption Analysis Component:** GIS team integrated a component within application which facilitates business in better identification of low to high consumption domestic customers on monthly basis.

**Migration of GIS Database:** Migration from ArcGIS version 10.1 to 10.2 was successfully done by GIS team.

**E-Bill Delivery:** SSGC customers will receive their monthly gas consumption bills through emails. In order to build database of customer emails and cell numbers, the Department recently launched customer registration campaign through advertisement over Gas Bills and media.

**Employee Medical History:** Company employees can view their incurred medical expenditure over intranet. This has brought transparency in availing medical facilities, as the employee gets to know the breakup of availed medical services of years' time.

## IT - Future Plans

**Create a Paperless Environment:** Currently, EDMS is successfully running in HR, Sales, Billing, Procurement, Measurement and S&M departments. IT Department has planned to implement this application in other departments to create paperless environment within SSGC.

**Establishment of Program Management Office:** The IT Department is working to implement Oracle Primavera Enterprise Project Portfolio Management software to establish a centralized Program Management Office. The PMO is the backbone of a successful project management approach at an organization which provides governance, transparency, reusability, delivery support and traceability.

**SMS Alerts:** SSGC plans to introduce SMS-based services through which customers will be able to obtain their current bill and other details via SMS. Customers applied for new connections, will receive continuous update of status of their application via SMS.

**HSE Online Portal:** An online portal for HSE Department is under development, which will enable HSE to collect data and information related to HSE activities from the Company's entire franchise areas.



Men at work: Company's IT professionals at work in the main server room





“ The aim of the ELP program is to enroll fresh candidates from reputable universities and develop them into tomorrow’s leaders. ”

## Human Resource

One of the core functions of HR Department is to identify resource gaps in an organization and accordingly recruit the right person for the right job. Recruiting the best resources from the market helps bridge skill and succession gaps. Towards this end, the HR Department initiated a massive recruitment Drive in FY 2015-16. This encompassed hiring across multiple grade bands - from Assistant Managers/Engineers to Senior General Managers.

For the first time in the Company’s history, the pre-qualification process kick started for headhunting firms through PPRA compliant process. The entire process comprised of multiple checks for merit to ensure hiring of quality professionals which included aptitude test and potential assessment prior to the final selection interviews by senior management. These newly hired executives will bring with them new ideas and innovative ways which will add to productivity of the Company and contribute positively to our diversity and organizational culture.

### Emerging Leadership Program (ELP)

The Company management with the approval of the Board initiated the enrollment of Management/Engineer Trainees under the title “Emerging Leadership Program.” The aim of the program is to enroll fresh candidates from reputable universities and develop them into tomorrow’s leaders. Organizational exposure through on-job training and rotation across functions over a period of service creates a leadership pipeline for the Company. It also enables MTs to understand the organization's core values. To enroll young talent, leading universities of Sindh and Balochistan were contacted for campus hiring of their best students. During the drive, candidates from Balochistan region were also enrolled. This initiative was taken to remove a sense of deprivation from the region as trainees from far flung areas of least developed province ranging from Lasbela to Quetta were enrolled.

The Management has enrolled a batch of 55 young graduates having a brilliant academic career and high potential to grow within the Company. Engineering graduates have mostly been posted in core engineering functions, while business graduates are being provided training in business functions. These trainees will undergo a rigorous two years on-the-job training. The previous batch of successful trainees were offered a permanent career term of Grade II as Assistant Manager/Engineer.

### Promotion Cycle

During FY 2015-16, the HR Department also initiated the long due promotion cycle for Grades III to VII. More than 1,100 executives who were eligible for promotion were put through the potential assessment exercise to assess their behavioral competencies based on the grade level. The Potential Assessments were carried across the franchise areas of the Company and the HR Department completed the mammoth exercise of compilation of assessment data, arranging interviews and finalizing data for promotions of Grade V and above executives, within the stipulated timeframe. The Promotion exercise also removed a backlog for Grade III-IV and Grade IV-V of eight years that has boosted the motivation level of employees who will be more willing to work for organizational goals of SSGC.

### Job Rotation

According to the Executive Job Rotation Plan, a total of 538 employees have been identified to be transferred as per Job Rotation Plan in the second phase of the plan. Proposals for transfers were forwarded to all the department/division heads, along with three proposals for each executive. After obtaining necessary recommendations from respective department/division heads 379 executives have been transferred as per the Job Rotation Plan.



# STANDING TALL AGAINST CHALLENGES





## Training and Development

A total of 187 trainings were conducted at GTI during FY 2015-16. In all, 1,915 executives and 1,243 subordinate staff were provided training at the Institute. 1,325 participants were provided soft skill training sessions while 1,831 went through technical trainings. Customer Care and Billing system (CC&B) training was provided to the front line staff and other concerned staff for effective complaint



handling. This training aims at increasing efficiency and productivity leading to satisfied customers who are dealt with in a minimum turnaround time. Eleven trainings were conducted by GTI during FY 2015-16 for the executives company wide. Apprenticeship Training was conducted at GTI whereby a new batch of 75 apprentices for the 2016-18 period were inducted.



## Medical Services

During the year under review, the Medical Services Department continued to create health awareness among the Company employees and their families by conducting seminars and sessions on medical conditions such as diabetes, breast cancer and many facets of medical health. Free sugar camps and voluntary blood donation sessions were also held. The Department's core team also visited all the medical centers of Sindh and Balochistan to evaluate the treatment being provided to chronic patients in order to optimize the quality of health care and bring them at par with the quality of care being available at Karachi. During the medical checkup, some of the patients were diagnosed as suffering from the critical conditions developed due to cardiac disease, which were being poorly treated there. These patients were referred to Karachi for further proper management of disease.

In order to improve the health of the Company's employees and to bring uniformity in system comparable with other centers, a full-fledged medical centre with four doctors and an ambulance has

been established in Sukkur. Previously medical facilities were provided to employees through retainer doctors.

To improve the quality of medical services, the Department brought on panel two well reputed medical stores at Nawabshah and Larkana. New hospitals were also taken on Company's panel for providing quality care treatment in cost effective manner.

Company doctors attended around ten seminars on different diseases for their growth and development to keep themselves abreast with new guidelines thus reducing treatment variation based on scientific knowledge, new concepts and paradigm shift in treatment strategies of diabetes and hypertension.

A full day free medical camp was conducted at Machar Colony Karachi. A blood donation camp was also arranged at the head office in collaboration with Corporate Communication Department in which executives and employees actively participated.





“Through CSR, the company aims to bring tangible difference in the lives of the marginalized communities.”

## Corporate Social Responsibility

The Company has carved out an enviable reputation of being a corporate citizen driven towards a sustainable development in the areas of education, health, environment and community development in its franchise areas of Sindh and Balochistan. These initiatives are taken by the CSR Unit of the Corporate Communication Department.

**Education:** During 2015-16, SSGC continued to support the deserving pursuing their academic goals at some of the most reputable educational institutions in the country. Some notable partnerships included providing scholarships to the deserving students of IBA (Karachi), NEDUET (Karachi), FCC (Lahore), MUET (Jamshoro), QUEST (Nawabshah), IoBM (Karachi), Sukkur IBA and Al-Hijrah Schools Trust (Ziarat).

Other worthy associations included providing educational assistance to school students of Pakistan Army's Chamalang Balochistan Education Program (Quetta), supporting TCF students of TCF schools in Quetta and Larkana, providing monetary support to students of Indus Resource Centre, FESF and The Hunar Foundation.

Monetary support was provided to Rimsha Khan, a determined position holder to help her pursue her MBBS program in DUHS. The Company also sponsored TCF Golf Tournament, with the proceeds to be utilized by TCF for educating nine of its students.

**Health:** During the year under review, the CSR unit provided monetary support to Marie Adelaide Leprosy Centre's Triple Merger Centre in Mirpurkhas and Eye Clinic in Gwadar.

The Company also gave financial support to Fatimid Kidney Centre, Quetta for sponsoring treatment of 94 thalassaemic patients of Balochistan region as well as to AMTF, Karachi for bearing the annual expense of blood transfusion of chronic patients. The Company also provided dialyzer re-processor for Kidney Dialysis Clinic in Karachi and provided 600 units of anti-snake injections to Jhal Magsi Rural Health Centre. The CSR Unit also helped set up a Free Medical Camp in Machar Colony in collaboration with Imkaan Welfare Organization and also supported Saylani Welfare Trust through provision of dialysis machines. HASWA was also supported for providing artificial limbs to 30 people.

**Environment and Community Development:** In the area of environment, the Company collaborated with IUCN in its drive to save mangroves in the vicinity of the SSGC-LPG Terminal in Port Qasim area. The Company also collaborated with WWF-Pakistan in the NGO's Beach Cleaning Activity in Clifton beach that involved about 500 students from the government schools of Karachi. The CSR Unit also continued with its collaboration with Thal Limited for the production of 140,000 bio-degradable environmental friendly paper bags. The Company provided monetary support to Alamgir Welfare Trust for establishing five heat stroke camps in different localities of Karachi.





## Acknowledgements

The Directors wish to express their appreciation for the continued support and patronage received from the shareholders and its valued customers. At the same time, we wish to acknowledge the dedication of all the employees who soldiered on, despite a number of challenges being confronted by the Company. We also place on record our acknowledgment for the continued guidance and support received from the Government of Pakistan, the Ministry of Petroleum and Natural Resources and the Oil and Gas Regulatory Authority. The Board would especially like to thank all the outgoing Directors for the role they played in the policy making and their focused approach in addressing the issues.

On behalf of the Board,

Chairman, Board of Directors

Managing Director



# HORIZONTAL DIRECTIONAL DRILLING

The RLNG Project involves crossing of River Indus along with other Canal crossings in Hyderabad District.

The project involves replacing existing overhead pipeline crossings into submerged crossing through Horizontal Drilling Technology (HDD), covering a distance of 2.5 kms.

HDD is a trenchless technology which can be performed without disturbing the existing soil condition.



## Advantages of HDD

- ✓ Desired length and depth can be achieved
- ✓ No pipeline maintenance is required
- ✓ Ensures uninterrupted supply of gas

# CORPORATE GOVERNANCE

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## Corporate Governance

The Board gives prime importance to conducting its business in accordance with the best practices of corporate governance. The Directors spend quality time at Board and Committee meetings and in discussions with executives to ensure the presence of a strong and effective governance system.

### Casual Vacancy on the Board

The following casual vacancies occurred on the Board during the year:

1. Mr. Muhammad Arif Hameed was replaced by Qazi Mohammad Saleem Siddiqui on September 4, 2015.
2. Mr. Shazad Dada resigned on February 29, 2016.
3. Ms. Azra Mujtaba ceased to hold office on April 18, 2016.

The Board welcomed the new director and records its appreciation for the valuable services rendered by the outgoing directors.

The Board, in accordance with the directions given by the Ministry of Petroleum and Natural Resources, authorized Mohammad Amin Rajput to exercise all the powers and authority of the Managing Director as provided under Delegation of Authority Manual and to act as an Acting Managing Director SSGC as Mr. Khalid Rahman, Managing Director, was given a new responsibility of heading the Gas Sector Structural Reforms Programs assigned by the Government.

### Composition of the Board

The status of each Director on the Board, whether non-executive, executive or independent has been disclosed at the relevant portion of the annual report in accordance with the requirements of the Code of Corporate Governance, 2012 (CCG) and the Public Sector Companies (Corporate Governance) Rules, 2013 (PSR) issued by the Securities and Exchange Commission of Pakistan.

### Statement on Corporate and Financial Reporting Framework

SSGC, being a public sector entity, adheres to Public Sector Companies (Corporate Governance) Rules, 2013. The Company is also listed on Pakistan Stock Exchange which requires a listed Company to follow the Code of Corporate Governance applicable on listed Companies.

Specific statements to comply with the requirements of the Code of Corporate Governance are given below:

- i) The Board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with, the period in which such non-compliance continued and reasons for non-compliance.
- ii) The financial statements, prepared by the management of the Company, fairly present its state of affairs, result of its operations, cash flows and changes in equity.
- iii) The Company has maintained proper books of account.
- iv) Appropriate accounting policies have been applied in preparation of financial statements and any changes if any, in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- v) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure thereof has been adequately disclosed and explained.
- vi) The system of internal control is sound in design and has been effectively implemented, regularly reviewed and monitored.







- vii) There are no significant doubts upon the Company's ability to continue as a going concern.
- viii) The appointment of the Chairman and other Members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interest of the Company as well as in line with best practices. Disclosure on remuneration of members of the Board, Chief Executive/Managing Director and Executives is given on page 241 of the Annual Report.
- ix) Reasons for significant deviations from last year's operating results have been explained in the relevant sections of the Directors Report.
- x) Key operating and financial data for the last six years has been given on page 46 of the Annual Report.
- xi) Key performance indicators of the Company relating to its social objectives and outcomes have been disclosed in relevant sections of the Directors' Report.
- xii) Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.
- xiii) Future prospects, risks and uncertainties have been disclosed in relevant sections of the Directors' Report.
- xiv) Details of the value of investments by the following funds based on respective audited financial statements as at June 30, 2016 are follows:

	Rs. in 000	
	2016	2015
Pension Fund - Executives	1,015,000	945,053
Gratuity Fund - Executives	2,082,000	2,036,934
Pension Fund - Non-executives	195,000	207,815
Gratuity Fund - Non-executives	2,580,000	2,474,703
Provident Fund - Executives	2 833,000	2,656,763
Provident Fund - Non-executives	2,777,000	2,697,572
Benevolent Fund – Executives	141,000	125,576

- xv) Number of Board and its Committee meetings held during the year and attendance by each Director has been disclosed at the relevant section of the Annual Report. Leave of absence was granted to Directors who were unable to attend meetings.
- xvi) A statement of the Pattern of Shareholding in the Company as at 30 June 2016 of certain classes of shareholders whose disclosure is required under the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, along with the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on page 265 of the Annual Report.

#### Auditors

The present auditors M/s. Deloitte Yousuf Adil and Co. Chartered Accountants retire and being eligible, have offered themselves for re-appointment.

#### Dividend

In view of the Company's losses, the payment of dividend is not recommended. Accordingly, the Directors recommend, subject to approval by the Members at the Annual General Meeting to be held on June 30, 2017 that no Cash Dividend be paid to the shareholders for the FY 2015-16.

On behalf of the Board,

Chairman, BoD

Managing Director





# Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

**Name of Company: Sui Southern Gas Company Limited.**

**Name of the Ministry: Ministry of Petroleum and Natural Resources.**

**For the year ended: June 30, 2016**

I. This statement is being presented to comply with the Code of Corporate Governance (hereinafter called "the Code") contained in Regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange and Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance..

II. The company has complied with the provisions of the Rules in the following manner:

Sr. #	Provision of the Rules	Rule No.	Y	N																																
			Tick the Relevant Box																																	
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√																																	
2	The Board has the requisite percentage of independent directors. At present the Board includes: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Independent Directors</td> <td>1. Mr. Agha Sher Shah</td> <td>30-10-13</td> </tr> <tr> <td>2. Mr. Sardar Rizwan Kehar</td> <td>30-10-13</td> </tr> <tr> <td>3. Mr. Saleem Zamindar</td> <td>30-10-13</td> </tr> <tr> <td>4. Mr. Nawabzada Riaz Noshervani</td> <td>30-10-13</td> </tr> <tr> <td>5. Mr. Muhammad Riaz Khan*</td> <td>18-10-14</td> </tr> <tr> <td>Executive Directors</td> <td>1. Mr. Khalid Rahman</td> <td>03-01-15</td> </tr> <tr> <td rowspan="7">Non-Executive Directors</td> <td>1. Mr. Miftah Ismail</td> <td>30-10-13</td> </tr> <tr> <td>2. Mr. Qazi Mohammad Saleem Siddiqui</td> <td>04-09-15</td> </tr> <tr> <td>3. Mr. Furqan Bahadur Khan</td> <td>25-04-15</td> </tr> <tr> <td>4. Mr. Mobin Saulat</td> <td>30-10-13</td> </tr> <tr> <td>5. Ms. Nargis Ghaloo</td> <td>05-11-14</td> </tr> <tr> <td>6. Mr. Mirza Mahmood Ahmad</td> <td>30-10-13</td> </tr> <tr> <td>7. Mr. M. Bilal Shaikh</td> <td>30-10-13</td> </tr> </tbody> </table>	Category	Names	Date of Appointment	Independent Directors	1. Mr. Agha Sher Shah	30-10-13	2. Mr. Sardar Rizwan Kehar	30-10-13	3. Mr. Saleem Zamindar	30-10-13	4. Mr. Nawabzada Riaz Noshervani	30-10-13	5. Mr. Muhammad Riaz Khan*	18-10-14	Executive Directors	1. Mr. Khalid Rahman	03-01-15	Non-Executive Directors	1. Mr. Miftah Ismail	30-10-13	2. Mr. Qazi Mohammad Saleem Siddiqui	04-09-15	3. Mr. Furqan Bahadur Khan	25-04-15	4. Mr. Mobin Saulat	30-10-13	5. Ms. Nargis Ghaloo	05-11-14	6. Mr. Mirza Mahmood Ahmad	30-10-13	7. Mr. M. Bilal Shaikh	30-10-13	3(2)		√
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*Cooling off period for independence criteria ended on June 12, 2016.																																				



Sr. #	Provision of the Rules	Rule No.	Tick the Relevant Box	
			Y	N
3	A casual vacancy occurring on the Board was filled up by the directors within ninety days.	3(4)		√
4	The directors have confirmed that none of them is serving as a director on more than five public sector companies simultaneously, except their subsidiaries.	3(5)	√	
5	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	Not Applicable	
6	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	√	
7	The Chairman of the Board has been elected from amongst the independent Directors.	4(4)	Exempted	
8	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	Not Applicable	
9	(a) The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company’s Website: <a href="http://www.ssgc.com.pk">www.ssgc.com.pk</a> (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√  √	
10	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√	
11	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and procedure for disclosing such interest.	5(5)(b) (ii)	√	
12	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	√	





Sr. #	Provision of the Rules	Rule No.	Y	N
			Tick the Relevant Box	
13	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of services. (b) A Committee has been formed to investigating deviations from the Company's code of conduct.	5(5)(c) (ii)	√	
			√	
14	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	√	
15	The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant polies along with the dates on which they were approved or amended has been maintained.	5(6)	√	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its report for appropriate compensation to the Government for consideration.	5(8)	Not applicable	
17	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1)	√	
		6(2)	√	
		6(3)	√	
18	The Board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of process, based on specified criteria, developed by it. The Board has also monitored and assessed the performance of senior management on annual basis.	8		√
19	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	√	
20	The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the Board members.	10		√



Sr. #	Provision of the Rules	Rule No.	Y	N																		
			Tick the Relevant Box																			
21	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11		√																		
22	<p>a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>b) The Committee was provided with written term of reference defining their duties, authority and composition.</p> <p>c) The minutes of the meetings of the Committees were circulated to all the Board members.</p> <p>d) The Committees were chaired by the following non-executive directors;</p> <table border="1"> <thead> <tr> <th>Committee</th> <th>No. of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>1. Audit Committee</td> <td>4</td> <td>Mr. Sardar Rizwan Kehar</td> </tr> <tr> <td>2. Human Resource and Remuneration Committee</td> <td>6</td> <td>Mr. Miftah Ismail</td> </tr> <tr> <td>3. Finance and Procurement Committee</td> <td>6</td> <td>Ms. Nargis Ghaloo</td> </tr> <tr> <td>4. Risk Management Committee</td> <td>4</td> <td>Mr. Mirza Mahmood Ahmad</td> </tr> <tr> <td>5. Nomination Committee</td> <td>2</td> <td>Mr. Miftah Ismail</td> </tr> </tbody> </table>	Committee	No. of Members	Name of Chair	1. Audit Committee	4	Mr. Sardar Rizwan Kehar	2. Human Resource and Remuneration Committee	6	Mr. Miftah Ismail	3. Finance and Procurement Committee	6	Ms. Nargis Ghaloo	4. Risk Management Committee	4	Mr. Mirza Mahmood Ahmad	5. Nomination Committee	2	Mr. Miftah Ismail	12	√	
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4. Risk Management Committee	4	Mr. Mirza Mahmood Ahmad																				
5. Nomination Committee	2	Mr. Miftah Ismail																				
23	The Board has approved appointment of Chief Financial Officer, Company Secretary, and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per the prescribed qualifications.	13/14	√																			
24	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (1) of sub-section (3) of section 234 of the Ordinance.	16	√																			
25	The Director's report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	√																			
26	The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.	18	√																			
27	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director.	19	√																			





Sr. #	Provision of the Rules	Rule No.	Y	N															
			Tick the Relevant Box																
29	<p>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members.</p> <table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Qualification</th> </tr> </thead> <tbody> <tr> <td>Mr. Sardar Rizwan Kehar(Chairman)</td> <td>Non-Executive Independent</td> <td>MBA</td> </tr> <tr> <td>Ms. Nargis Ghaloo</td> <td>Non-Executive</td> <td>CSS and Masters in English</td> </tr> <tr> <td>Mr. Mobin Saulat</td> <td>Non-Executive</td> <td>FCMA</td> </tr> <tr> <td>Mr. Saleem Zamindar</td> <td>Non-Executive Independent</td> <td>MBA</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not members of the Audit Committee.</p>	Name of Member	Category	Professional Qualification	Mr. Sardar Rizwan Kehar(Chairman)	Non-Executive Independent	MBA	Ms. Nargis Ghaloo	Non-Executive	CSS and Masters in English	Mr. Mobin Saulat	Non-Executive	FCMA	Mr. Saleem Zamindar	Non-Executive Independent	MBA	21	√	
Name of Member	Category	Professional Qualification																	
Mr. Sardar Rizwan Kehar(Chairman)	Non-Executive Independent	MBA																	
Ms. Nargis Ghaloo	Non-Executive	CSS and Masters in English																	
Mr. Mobin Saulat	Non-Executive	FCMA																	
Mr. Saleem Zamindar	Non-Executive Independent	MBA																	
30	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.	22	√																
31	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	√																
32	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√																
33	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	√																
34	The Company has complied with all the corporate and financial reporting requirements of the Rules except for the non-compliances reported in schedule II.		√																



Following are other non-compliances with the Rules which are not covered above.

Sr. #	Provision of the Rules	Rule No.	Y	N
			Tick the Relevant Box	
1.	The Board Committees shall be chaired by non-executive directors and the majority of their members shall be independent. However, the independent directors in the committee shall not be less than their proportionate strength during the first four years of the Code.			12(2)

Certain additional disclosures as required under Code of Corporate Governance (the Code).

- 1) All the Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 2) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board/shareholders.
- 3) All the meetings of the board were presided over by the Chairman.
- 4) During the year, one director of the Company obtained certification as required under the Code.
- 5) The “closed period”, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to Directors, employees and Pakistan Stock Exchange.
- 6) The Statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm their spouses and minor children do not hold shares of the company.
- 7) Material/Price Sensitive information has been disseminated among all market participations at once through stock exchange.
- 8) We confirm that all material principles enshrined in the CCG have been complied with except that one of the immaterial instance, where a Director has acquired 2000 shares during the year end the same has been presented to the Board but not immediately in the next board meeting subsequent to such transaction. However, for this immaterial instance, all other disclosure, reporting and filing requirements were complied in a timely manner.

For and on behalf of the Board,

Chairman

Managing Director

June 3, 2017  
Karachi



**Schedule II****Explanation for Non-Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year:

S.No.	Rule / sub-rule no.	Rule / sub-rule / observation	Reasons for non-compliance	Future course of action
1.	3(2)	The Board shall have forty percent of its total members as independent directors within the first two years of this notification, which shall be raised to a majority of independent directors in the next two years, and the majority shall be maintained subsequently. The public Sector company shall disclose in the annual report Non-executive, Executive and Independent directors. However, as at the year end, the Company have five independent directors, which is below the percentage prescribed by the Rule.	The Government of Pakistan is the major shareholder in the Company. The Company has communicated the non-compliance of the requirement of the Public Sector Companies (Corporate Governance) Rules 2013 to the Government of Pakistan, with a request that nominations at the Board be revised for compliance of the requirement. . Subsequent to year end, the elections of the board were held on 28 <sup>th</sup> October, 2016 in which 1/3 of the Directors are Independent which is in compliance with the revised requirement of having 1/3 members of the board of directors.	Noted for compliance
2.	3(4)	Any casual vacancy in the Board shall be filled up by the directors at the earliest but not later than ninety days thereof. However, casual vacancy occurring in the place of Ms. Azra Mujtabawas filled up in 127 days with appointment of Syed Ghazanfer Abbas Jilani, as director.  Furthermore, a casual vacancy occurring due to resignation of Mr. Shazad Dada remained vacant till the election of directors held on October 28, 2016	The delay on one occasion occurred due to late response from the Government of Pakistan regarding nomination in place of Ms. Azra Mujtaba.	Noted for compliance







S.No.	Rule / sub-rule no.	Rule / sub-rule / observation	Reasons for non-compliance	Future course of action
			The delay on this occasion occurred due to delay in response from the Government of Pakistan.	
3.	8(1)	The performance evaluation of the members of the Board including the chairman and the chief executive shall be undertaken for which the Board shall establish a process, based on specified criteria, and the chairman of the Board shall take ownership of such an evaluation. The committees shall also carry out their evaluation on an annual basis. However, we observed that the Board did not carry out performance evaluation of its members on a periodic basis.	The Board has engaged Pakistan Institute of Corporate Governance ("PICG") for conducting evaluation of the Board including its members and its Committees Subsequent to the year end the performance evaluation of the members of the Board shall be undertaken annually by the government.	Noted for compliance
4.	10(1)	Every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website.  Quarterly accounts are not prepared for the Board's approval within one month from the close of the accounts. Further first quarter is neither prepared nor presented to the Board for approval.	The reasons for non-compliance with the requirement was due to delay by OGRA in determining Final Revenue Requirement for FY 2012-13, FY 2013-14 and FY 2014 -15, primarily due to lack of quorum in the Authority resulting delay in issuance of quarterly accounts for the year 2015-16.  The reasons for the delay are further explained in detail in the relevant portion of the Directors Report.	Noted for compliance
5.	10(2)	Every Public Sector Company shall also prepare monthly accounts, for circulation amongst the Board members. However, no monthly accounts were prepared for circulation amongst the Board members.	Subsequent to year end, the requirement to circulate monthly accounts to Board members has been omitted.	Noted for compliance





S.No.	Rule / sub-rule no.	Rule / sub-rule / observation	Reasons for non-compliance	Future course of action
5.	11 (1&3)	<p>Orientation courses shall be held by a Public Sector Company, to enable directors to better comprehend the specific context in which it operates, including its operations and environment, awareness of Public Sector Company's value and standards of probity and accountability as well as their duties as directors.</p> <p>In order to acquaint the board members with the wider scope of responsibilities concerning the use of public resources, to act in good faith and in the best interests of Public Sector Company at least one orientation course shall be arranged annually for the directors. However, no orientation course was arranged by the Company during the year for its directors.</p>	<p>The Company has engaged PICG in the current year and orientation course has been conducted subsequent to year end.</p>	<p>Noted for compliance</p>
6.	12(2)	<p>The Board committees shall be chaired by non-executive directors and the majority of their members shall be independent. However, the independent directors in the committee shall not be less than their proportionate strength during the first four years of the Code. However, we noted that some of the Board committees does not have majority of independent directors as its members.</p>	<p>All the Committees of the Board are chaired by non-executive directors. However, requirement of having majority of members being independent directors was not addressed due to limited number of independent directors on the Board. Subsequent to year end, the requirement of having majority of independent directors has been omitted.</p>	<p>Noted for compliance</p>

For and on behalf of the Board,

Chairman

June 3, 2017  
Karachi

Managing Director





# Review Report to the Members on the Statement of Compliance with I Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (Cc) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) (both hereinafter referred to as 'Codes') prepared by the Board of Directors of Sill Southern Gas Company Limited for the year ended June 30, 2016 to comply with the requirements of the Pakistan Stock Exchange Limited where the Company is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required to ensure compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended June 30, 2016.

We highlight below instances of non-compliance with the requirements of the Rules as disclosed in the Statement of Compliance:

S. No.	Reference	Description
i.	3(2)	Independent directors are less than forty percent.
ii.	3(4)	Casual vacancies arising in the Board were not filled by the directors within ninety days.
iii.	8(1)	The Board has not carried out performance evaluation of its members on periodic basis.
iv.	10(1)	No quarterly accounts were prepared during the year by the Company for the Board's approval.
v.	10(2)	No monthly accounts were prepared for circulation amongst the Board members.
vi.	11(1&3)	No orientation course was arranged by the company during the year for its directors.
vii.	12(2)	Some of the Board committees do not have majority of independent directors as its members. Furthermore, the independent directors in the committees are also less than their proportionate strength.

Further we highlight below instance of non-compliance with the requirement of CCG as disclosed in Paragraph (h) of the Statement of Compliance:

Viii 5.19.15 Notice of acquisition of shares acquired by one of the Director during the year was not presented immediately before the Board.

**Deloitte Yousuf Adil**  
Chartered Accountants  
**Engagement Partner:**  
Mushtaq Ali Hirani

June 03, 2017  
Karachi



# FINANCIAL STATEMENTS





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Sui Southern Gas Company Limited ("the Company") as at June 30, 2016, 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 matters as stated in paragraphs (a) and (b) 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 matters as stated in paragraphs (a) and (b) 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 27.1 and 27.2 to the unconsolidated financial statements, trade debts include receivables of Rs. 35,949 million (2015: Rs. 40,073 million) and Rs. 21,708 million (2015: Rs. 20,879 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 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) as described in note 31.2, and 31.2.1 to the unconsolidated financial statements, Rs. 7,191 million is receivable from Sui Northern Gas Pipelines Limited (SNGPL), which is being disputed by SNGPL for the reasons mentioned in note 31.2.1, due to which we were unable to determine the extent to which the receivable amount is likely to be recovered and time frame over which such recovery will be made.
- c) In our opinion, except for the possible effects of the matters stated in paragraphs (a) and (b) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- d) in our opinion:
- (i) except for the possible effects of the matters stated in paragraphs (a) and (b) 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;
- e) except for the possible effects of the matters stated in paragraphs (a) and (b) 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, 2016 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to:

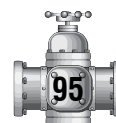
- (i) note 1.3 to the unconsolidated financial statements that describes the reasons why Company has incurred losses and the steps / plans of the management/ Board which will result in improvement in the Company's profitability and its financial position in the next few years.
- (ii) note 38.8 to the unconsolidated financial statements that describes that the Company has reversed the late payment surcharge (LPS) expense on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2015 of Rs. 17,570 million and not recorded LPS expense of Rs. 8,651 million for the current year for reasons described in the said note.
- (iii) note 2.1.1 to the unconsolidated financial statements that describes the reasons why the Company has departed from the requirements of IAS - 8 "Changes in Accounting Policies, Estimates and Errors" by staggering the effect of Sindh High Court decision in the financial years 2016 and 2017 based on the permission received from SECP and OGRA.

Our opinion is not qualified in respect of above matters.

**Deloitte Yousof Adil**  
Chartered Accountants

Audit Engagement Partner:  
Mushtaq Ali Hirani

June 03, 2017  
Karachi



**UNCONSOLIDATED BALANCE SHEET**

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Share capital and reserves</b>			
<b>Authorised share capital:</b>			
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		201,787	239,992
Accumulated losses		(11,500,489)	(5,381,402)
		2,417,862	8,575,154
Surplus on revaluation of fixed assets	6	11,728,265	10,251,946
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term finance	7	22,573,040	17,492,582
Long term deposits	8	12,462,204	10,613,059
Employee benefits	10	4,704,086	4,687,944
Obligation against pipeline	11	1,027,886	1,069,173
Deferred credit	12	5,842,485	7,114,856
Long term advances	13	1,092,831	798,163
Total non-current liabilities		47,702,532	41,775,777
<b>Current liabilities</b>			
Current portion of long term finance	14	5,756,246	8,145,591
Short term borrowings	15	4,860,212	989,191
Trade and other payables	16	189,609,842	173,142,462
Current portion of obligation against pipeline	11	41,287	37,750
Current portion of deferred credit	12	427,547	429,981
Interest accrued	17	16,532,459	34,069,206
Total current liabilities		217,227,593	216,814,181
<b>Total liabilities</b>		264,930,125	258,589,958
Contingencies and commitments	18		
<b>Total equity and liabilities</b>		279,076,252	277,417,058

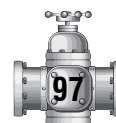
The annexed notes 1 to 55 form an integral part of these unconsolidated financial statements.



	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19	96,711,045	73,942,853
Intangible assets	20	24,643	35,911
Deferred tax	9	2,668,942	291,557
Long term investments	21	1,243,416	1,281,621
Net investment in finance lease	22	362,394	472,555
Long term loans and advances	23	162,426	151,476
Long term deposits		8,302	7,557
Total non-current assets		101,181,168	76,183,530
<b>Current assets</b>			
Stores, spares and loose tools	24	2,146,869	1,821,143
Stock-in-trade	25	801,819	859,852
Current maturity of net investment in finance lease	22	110,161	110,161
Customers' installation work in progress	26	184,508	183,128
Trade debts	27	86,285,447	90,351,824
Loans and advances	28	2,643,911	2,312,019
Advances, deposits and short term prepayments	29	481,877	282,590
Interest accrued	30	9,191,342	7,661,077
Other receivables	31	55,108,009	79,224,858
Taxation - net	32	19,986,902	17,442,747
Cash and bank balances	33	954,239	984,129
Total current assets		177,895,084	201,233,528
<b>Total assets</b>		<b>279,076,252</b>	<b>277,417,058</b>

Chairman

Managing Director





## UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Sales		214,637,472	182,791,953
Sales tax		(31,234,047)	(23,938,506)
		<u>183,403,425</u>	<u>158,853,447</u>
Gas development surcharge		(44,787,323)	3,729,723
Net sales		<u>138,616,102</u>	<u>162,583,170</u>
Cost of sales	34	(163,440,128)	(169,020,109)
<b>Gross loss</b>		<u>(24,824,026)</u>	<u>(6,436,939)</u>
Administrative and selling expenses	35	(3,840,688)	(3,733,602)
Other operating expenses	36	(2,355,905)	(1,588,587)
		(6,196,593)	(5,322,189)
		<u>(31,020,619)</u>	<u>(11,759,128)</u>
Other operating income	37	2,694,871	2,475,025
<b>Operating loss</b>		<u>(28,325,748)</u>	<u>(9,284,103)</u>
Other non-operating income	38	23,104,574	10,211,117
Finance cost	39	(2,618,390)	(9,696,368)
<b>Loss before taxation</b>		<u>(7,839,564)</u>	<u>(8,769,354)</u>
Taxation	40	1,724,611	3,378,305
<b>Loss for the year</b>		<u>(6,114,953)</u>	<u>(5,391,049)</u>
			(Rupees)
<b>Basic and diluted loss per share</b>	42	<u>(6.94)</u>	<u>(6.12)</u>

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

Chairman

Managing Director







## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

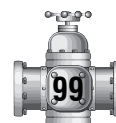
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Loss for the year		(6,114,953)	(5,391,049)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss account:			
- Unrealised (loss) / gain on re-measurement of available for sale securities		(38,205)	117,230
Items that will not be reclassified subsequently to profit and loss account:			
- Remeasurement of post retirement benefits obligation		13,779	(780,083)
- Impact of deferred tax		(4,134)	234,025
- Gas development surcharge	31.1.2	(13,779)	780,083
		(4,134)	234,025
Total comprehensive loss for the year		(6,157,292)	(5,039,794)

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

Chairman

Managing Director





## UNCONSOLIDATED CASH FLOW STATEMENT

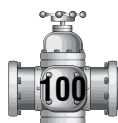
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(7,839,564)	(8,769,354)
Adjustments for non-cash and other items	43	(8,414,083)	13,671,422
Working capital changes	44	41,660,169	9,337,226
Financial charges paid		(2,231,930)	(2,784,904)
Employee benefits paid		(95,386)	(98,476)
Payment for retirement benefits		(599,282)	(617,442)
Long term deposits received - net		1,849,145	2,257,941
Deposits paid - net		(745)	(1,916)
Loans and advances to employees - net		(342,842)	(306,574)
Interest income received		426,693	332,691
Income taxes paid		(3,201,063)	(6,968,118)
Net cash generated from operating activities		21,211,112	6,052,496
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(26,795,223)	(7,270,248)
Payments for intangible assets		(19,661)	(8,344)
Proceeds from sale of property, plant and equipment		135,770	48,427
Long term investments		-	(28,000)
Lease rental from net investment in finance lease		216,378	217,094
Payment for obligation against pipeline		(135,732)	(33,933)
Dividend received		1,186	356
Net cash used in investing activities		(26,597,282)	(7,074,648)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from local currency loans		9,613,527	7,000,000
Repayments of local currency loans		(8,094,563)	(4,003,679)
Customer finance received		-	13,763
Repayment of customer finance		(32,877)	(50,180)
Dividend paid		(828)	(1,414)
Net cash generated from financing activities		1,485,259	2,958,490
Net (decrease) / increase in cash and cash equivalents		(3,900,911)	1,936,338
Cash and cash equivalents at beginning of the year		(5,062)	(1,941,400)
Cash and cash equivalents at end of the year		(3,905,973)	(5,062)
<b>Cash and cash equivalent comprises:</b>			
Cash and bank balances		954,239	984,129
Short term borrowings		(4,860,212)	(989,191)
		(3,905,973)	(5,062)

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

Chairman

Managing Director





## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

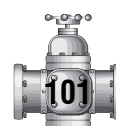
FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Accumulated losses	Total
(Rupees in '000)						
Balance as at June 30, 2014	8,809,163	234,868	4,672,533	122,762	(224,378)	13,614,948
Total comprehensive loss for the year ended June 30, 2015						
Loss for the year	-	-	-	-	(5,391,049)	(5,391,049)
Other comprehensive income for the year	-	-	-	117,230	234,025	351,255
Total comprehensive loss for the year	-	-	-	117,230	(5,157,024)	(5,039,794)
Balance as at June 30, 2015	8,809,163	234,868	4,672,533	239,992	(5,381,402)	8,575,154
Total comprehensive loss for the year ended June 30, 2016						
Loss for the year	-	-	-	-	(6,114,953)	(6,114,953)
Other comprehensive loss for the year	-	-	-	(38,205)	(4,134)	(42,339)
Total comprehensive loss for the year	-	-	-	(38,205)	(6,119,087)	(6,157,292)
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	(11,500,489)	2,417,862

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

Chairman

Managing Director





## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### 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 the 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 Financial Performance

The Company has been incurring losses since financial year 2014. These losses are mainly attributable to high percentage of unaccounted for gas (UFG) and its disallowance over and above the limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Company's petitions by Sindh High Court (refer note 1.4.1). For the year ended June 30, 2016, the Company has incurred a loss of Rs.6,115 million and its accumulated losses stood at Rs.11,500 million leaving equity of Rs.2,418 million only. As at year end, current liabilities exceed its current asset by Rs.39,333 million and debt to equity ratio has also deteriorated beyond the limit allowed by bankers of the Company.

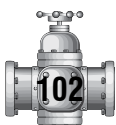
In order to improve the financial position and performance of the Company, the management / Board of Directors (Board) have taken / planned following steps:

- The Company has started work on RLNG I and II projects having an estimated cost of Rs. 42 billion and is expected to be completed by financial year 2017.
- The Board has conceptually approved the RLNG III project with an estimated cost of approximately Rs. 65 billion based on the letter received from MP & NR subject to certain conditions and approvals from authorities and the project is expected to be completed in financial year 2019.
- The Board of Directors has conceptually approved to construct 30 LPG air mix plants with an estimated cost of Rs. 14 billion.

Upon capitalization of the above mentioned assets, the Company will be entitled to 17% return.

- Banks have relaxed debt to equity ratio of the Company from 80:20 to 95:05 from financial year 2016 to 2019.
- OGRA in its decision for financial years 2011 to 2016 has allowed UFG provisionally till the time UFG study is finalized and any variations will be adjusted accordingly. The management is confident that draft UFG study will be finalized soon and will have a positive impact on the financial performance of the Company which will be accounted for in the year it is allowed by OGRA.
- Subject to finalization of UFG study, management is hopeful to achieve 65% of Key performance indicator (KPI's) and Key monitoring indicators (KMI's) in future which will not only increase the allowable limit for UFG benchmark but also decrease actual UFG which will reduce the UFG disallowance by OGRA and will have positive impact on the financial performance of the Company.
- The Company is also evaluating the option to issue shares to improve the equity and cash flows of the Company.

Board / management believes that in view of above mentioned steps / plans, the Company's profitability and financial position will improve in the next few years.





## 1.4 Determination of revenue requirements

- 1.4.1 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 Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income, which OGRA 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%.

Being aggrieved by the above decision, the Company had filed an appeal against the decision of 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, pertaining to FY 2010 till final decision of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Afterwards, management estimated the revenue requirement of the Company for the financial years 2011 to 2015 based on the interim relief of the Court, and OGRA also accepted position taken up by the Company for the said financial years, subject to the final decision of the Court.

Subsequent to the year end, Honorable Sindh High Court has dismissed the Company's petitions through its judgement dated November 25, 2016. Consequently, OGRA in its decision dated December 22, 2016 for determination of FRR for FY 2016 has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge, and Sale of Gas Condensate as operating income. Refer note 2.1.1 for impact on these financial statements.

The Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017, against the abovementioned Sindh High Court judgement.

- 1.4.2 In determining the Final Revenue Requirements (FRRs) for the years ended June 30, 2013, 2014 and 2015, the OGRA treated income from royalty (arrears) and income of Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as operating income. Consequently, the Company filed application in the already pending Judicial Miscellaneous petitions in the High Court of Sindh and obtained the stay orders to the effect 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 decided by the Court. In this respect, the Court had earlier suspended the relevant paragraphs of OGRA orders, wherein, above income were treated as operating income, thus, requiring the revision of FRR for 2013, 2014 and 2015; however, no revised FRR had been issued by OGRA.

Subsequent to the year end, Honorable Sindh High Court has dismissed the Company's petitions through its judgement dated November 25, 2016 and treated Royalty Income from Jamshoro Joint Venture Limited, income of Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as operating income. The Company has filed a civil petition for leave to appeal against this order of the Sindh High Court in the Supreme Court of Pakistan.

## 2. BASIS FOR PREPARATION

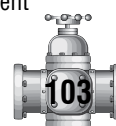
### 2.1 Statement of compliance

These unconsolidated financial statements ("the financial statements") have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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.

#### 2.1.1 Departure from IAS 8 "Changes in accounting policies, estimates and errors"

As disclosed in note 1.4.1, OGRA has disallowed certain expenses for the years ended 2011 to 2015. Consequently, management had approached Securities and Exchange Commission of Pakistan (SECP) through its letter dated December 14, 2016, to allow staggered recognition of the disallowed expenses of Rs. 36.7 billion in 3 years i.e. up to financial statements for the year ended June 30, 2018. The permission from SECP was sought based on the grounds that recognition of such disallowances in one year will reflect very adverse results and financial position of the Company, considering that OGRA's determination of some significant aspects of revenue requirements are provisional and are likely to be revised.

Accordingly, SECP through its letter dated December 20, 2016 has granted permission to stagger disallowed expense in the financial statements for the years ended / ending June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis, facts and circumstances are adequately disclosed and compliance with the disclosure requirement of IFRSs for departing with IFRSs.





OGRA through its decision dated December 22, 2016, for determining the final revenue requirement for the year ended June 30, 2016, has decided UFG benchmark of 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as operating income. In the said decision, OGRA has also considered the permission granted by SECP and therefore, included 50% of the effect of Sindh High Court judgement in the determination of FRR for the year ended June 30, 2016.

Based on the above, these unconsolidated financial statements include 50% impact of the decision of Sindh High Court for financial years 2011 to 2015. Had the management complied with the requirement of IAS 8 and recognized the effect of Sindh High Court decision in the current year, the effect on these financial statements would be as follows:

	<u>(Rupees in '000)</u>
- Increase in loss before tax	18,358,923
- Increase in loss after tax / accumulated losses	12,851,246
- Increase in loss per share - Rupees	14.59

## 2.2 Basis of measurement

The unconsolidated financial statements have been prepared under the historical cost convention, except for certain investments stated in note 21 which are carried at their fair values, employee 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

The unconsolidated 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 unconsolidated 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 51.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. 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 period beginning on or after)
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
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015

Certain annual improvements have also been made to a number of IFRSs.

### 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, 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.

Effective Date  
(accounting period  
beginning on or after)

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions January 01, 2018

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture Effective date is deferred indefinitely  
Earlier adoption is permitted

Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception January 01, 2016

Amendments to IFRS 11 'Joint Arrangements'- Accounting for acquisitions of interests in joint operations January 01, 2016

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative January 01, 2016

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses January 01, 2017

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization January 01, 2016

Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants January 01, 2016

Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

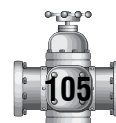
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

### 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 accumulated impairment loss, if any.

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

### The cost of the property, plant and equipment includes:

- (a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and
- (b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### Subsequent expenditure (including normal repairs and maintenance)

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditure (including 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 accumulated impairment loss, if any. The cost consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to the relevant asset category as and when assets are available for intended use.

### Depreciation

#### Compressors and transmission lines

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

#### Other operating assets

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

Useful lives of the assets are mentioned in the note 19.1 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

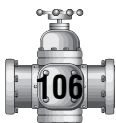
An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

#### Definite life

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

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the asset 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 which are assets that necessarily take a substantial period of time to get ready for their intended use are capitalised up to the date the respective assets are available for the intended use.

Actual borrowing cost is capitalised on funds borrowed specifically for the purpose of construction of qualifying assets, less any investment income on the temporary investment of those borrowings.

The Company determines a weighted average capitalisation rate in case of general borrowings attributable to qualifying assets.

All other borrowing costs are charged to 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 financing

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

Long term loans received from 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.

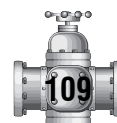
#### Deferred

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

The Company assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial asset is impaired. A financial asset or group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In case of quoted equity securities, classified as AFS impairment is assessed based on significant or prolonged decline in market prices of securities.

An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss had been recognised. An impairment loss is reversed only to the extent that the financial assets carrying value after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised. Reversal of impairment is recognised in profit and loss account except in the case of available for sale instruments where the reversal is included in the other comprehensive income.

#### 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.

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

Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognised in other comprehensive income, instead of profit and loss account.

Past service cost is recognised in the unconsolidated profit and loss account at the earlier of when the amendment or curtailment occurs.

- 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 that is carried out annually under the projected unit credit method. The free gas supply facilities have been discontinued for employees retiring after December 31, 2000.

Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognised in other comprehensive income, instead of profit and loss account.

- 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. Financial 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 losses 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 Off-setting

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

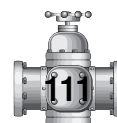
Gas transmission and distribution segment is engaged in transmission and distribution of natural gas and construction contracts for laying of pipelines in Sindh and Balochistan.

#### 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 and 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 shares 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.

3.26 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016 (Numbers)			2016 (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
<u>880,916,309</u>	<u>880,916,309</u>		<u>8,809,163</u>	<u>8,809,163</u>

4.1 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	2016 (Rupees in '000)	2015
<b>5. RESERVES</b>			
<b>Capital reserves</b>			
Share capital restructuring reserve	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>
<b>Revenue reserves</b>			
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	5.5	2,015,653	2,015,653
Reserve for interest on sales tax refund	5.6	487,739	487,739
		<u>4,672,533</u>	<u>4,672,533</u>
		<u>4,907,401</u>	<u>4,907,401</u>

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

This represents the reserve created by the Company to transfer certain amount from / to inappropriate profit from / to general reserve for the payment of dividends.

### 5.6 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 an independent valuer K.G. Traders (Private) Limited to determine the fair value as of June 30, 2016. The valuation was based on market research. The last valuation was carried out by Oceanic Surveyors (Private) Limited in 2011.

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

	2016 (Rupees in '000)	2015
Freehold land	454,156	56,751
Leasehold land	208,352	208,352
	662,508	265,103

6.1 Details of the Company's freehold and leasehold land and information about fair value hierarchy, explained in note 48.4.1, as at June 30, 2016 are as follows.

	Level 1	Level 2 (Rupees in '000)	Level 3	Total
Freehold land	-	5,453,583	-	5,453,583
Leasehold land	-	6,937,190	-	6,937,190

There were no transfers between levels of fair value hierarchy during the year.

	Note	2016 (Rupees in '000)	2015
<b>7. LONG TERM FINANCE</b>			
<b>Secured</b>			
Loans from banking companies	7.1	19,437,725	14,891,200
<b>Unsecured</b>			
Front end fee of foreign currency loan	7.2	23,950	23,950
Customer finance	7.3	194,236	215,329
Government of Sindh loans	7.4	2,917,129	2,362,103
		3,135,315	2,601,382
		22,573,040	17,492,582



7.1	Loans from banking companies	Installment payable	Repayment period	Mark-up rate p.a. (above 3 months KIBOR)	Note	2016	2015
						(Rupees in '000)	
	Allied Bank Limited	quarterly	2013 - 2016	1.00% 7.1.3		-	250,000
	Allied Bank Limited	quarterly	2013 - 2016	1.00% 7.1.3		-	333,333
	Askari Bank Limited	quarterly	2013 - 2015	1.00% 7.1.3		-	166,667
	Askari Bank Limited	quarterly	2013 - 2016	1.00% 7.1.3		-	166,667
	Bank Alfalah Limited	quarterly	2015 - 2017	0.75% 7.1.3		500,000	1,000,000
	Bank Alfalah Limited	quarterly	2013 - 2016	1.00% 7.1.3		-	250,000
	Bank Alfalah Limited - Led Consortium	quarterly	2018 - 2019	0.40% 7.1.3		7,000,000	7,000,000
	Bank Al-Habib Limited	quarterly	2013 - 2016	1.00% 7.1.3		-	166,667
	Faysal Bank Limited	quarterly	2015 - 2018	0.70% 7.1.3		1,000,000	1,500,000
	Habib Bank Limited	quarterly	2015 - 2018	0.70% 7.1.3		666,667	1,000,000
	Meezan Bank Limited	quarterly	2013 - 2015	1.00% 7.1.3		-	500,000
	Meezan Bank Limited	quarterly	2015 - 2017	0.75% 7.1.3		1,000,000	2,000,000
	Meezan Bank Limited	quarterly	2015 - 2018	0.70% 7.1.3		1,333,333	2,000,000
	Standard Chartered Bank (Pakistan) Limited	quarterly	2012 - 2015	1.00% 7.1.3		-	285,714
	United Bank Limited	quarterly	2015 - 2017	0.75% 7.1.3		750,000	1,750,000
	United Bank Limited - Led Consortium	quarterly	2015 - 2018	0.70% 7.1.3		2,666,667	4,000,000
	Habib Bank Limited	quarterly	2018 - 2022	0.50% 7.1.3		3,000,000	-
	United Bank Limited - Led Consortium	semi annually	2018 - 2022	0.50%* 7.1.1 & 7.1.3		3,000,000	-
	Habib Bank Limited	semi annually	2018 - 2026	1.10%* 7.1.2		4,000,000	-
	Unamortised transaction cost					(395,609)	(25,467)
	Less: Current portion shown under current liabilities				14	24,521,058 (5,083,333)	22,343,581 (7,452,381)
						19,437,725	14,891,200

7.1.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at June 30, 2016 the Company has utilised Rs. 3,000 million out of total sanctioned amount.

7.1.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at June 30, 2016 the Company has utilised Rs. 4,000 million out of the total sanctioned amount. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

7.1.3 These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

7.1.4 The Company is required to maintain debt to equity at 80:20. However, as per the relaxation letter issued by banks, debt to equity ratio has been revised from 80:20 to 95:05 from financial year 2016 to 2019.

7.2 Front end fee of foreign currency loan

	Intstallment payable	Repayment period	Mark-up rate per annum	Note	2016	2015
					(Rupees in '000)	
IBRD LOAN - 81540	Half-yearly	2020 - 2036	11.80%	7.2.1	23,950	23,950

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





	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>7.3 Customer finance</b>			
Customer finance	7.3.1	217,149	250,026
Less: Current portion shown under current liabilities	14	(22,913)	(34,697)
		<u>194,236</u>	<u>215,329</u>

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	2016 (Rupees in '000)	2015 (Rupees in '000)
Government of Sindh loan - I	yearly	2007 - 2016	2%	7.4.1	-	8,513
Government of Sindh loan - II	yearly	2011 - 2020	4%	7.4.1	360,000	450,000
Government of Sindh loan - III	yearly	2012 - 2021	4%	7.4.1	500,000	600,000
Government of Sindh loan - IV	yearly	2014 - 2023	4%	7.4.1	700,000	800,000
Government of Sindh loan - V	yearly	2015 - 2024	4%	7.4.1	880,000	990,000
Government of Sindh loan - VI	yearly	2015 - 2024	4%	7.4.1	800,000	900,000
Government of Sindh loan - VII	yearly	2016 - 2025	4%	7.4.1	1,350,000	1,500,000
Less: Impact of discounting of Government of Sindh loans				7.4.2	(1,022,871)	(2,227,897)
					<u>3,567,129</u>	<u>3,020,616</u>
Less: Current portion shown under current liabilities				14	(650,000)	(658,513)
					<u>2,917,129</u>	<u>2,362,103</u>

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.

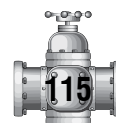
7.4.2 This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V, VI and VII and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II, III, IV, V, VI and VII amounting to Rs. 6,500 million, and its initial fair value amounting to Rs. 4,272 million. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised in profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>8. LONG TERM DEPOSITS</b>			
Security deposits from:			
- gas customers	8.1	12,281,193	10,460,881
- gas contractors	8.2	181,011	152,178
		<u>12,462,204</u>	<u>10,613,059</u>

8.1 These represent deposits from industrial, commercial and domestic customers. The customer 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 customer, 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:

	2016			Closing
	Opening	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	
(Rupees in '000)				
<b>Taxable temporary differences</b>				
Accelerated tax depreciation	10,079,985	379,401	-	10,459,386
Net investment in finance lease	174,815	(33,048)	-	141,767
<b>Deductible temporary differences</b>				
Provision against employee benefits	(1,406,383)	(167,157)	162,314	(1,411,226)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,291,999)	(564,712)	(41,627)	(3,898,338)
Provision against impaired store and spares	(74,767)	(9,751)	-	(84,518)
Liability not paid within three years	(3,718,884)	(2,850,159)	-	(6,569,043)
Carry forward of tax losses	(1,721,372)	761,328	-	(960,044)
Obligation under finance lease	(332,077)	11,325	-	(320,752)
Others	(875)	91,254	(116,553)	(26,174)
	(291,557)	(2,381,519)	4,134	(2,668,942)
<b>2015</b>				
	Opening	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	Closing
(Rupees in '000)				
<b>Taxable temporary differences</b>				
Accelerated tax depreciation	11,568,300	(1,488,315)	-	10,079,985
Net investment in finance lease	242,507	(67,692)	-	174,815
<b>Deductible temporary differences</b>				
Provision against employee benefits	(1,214,653)	53,638	(245,368)	(1,406,383)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,803,454)	504,987	6,468	(3,291,999)
Provision against impaired store and spares	(107,973)	33,206	-	(74,767)
Liability not paid within three years	(2,148,262)	(1,570,622)	-	(3,718,884)
Carry forward of tax losses	(384,628)	(1,336,744)	-	(1,721,372)
Obligation against pipeline	-	(332,077)	-	(332,077)
Others	(831,064)	825,314	4,875	(875)
	3,320,773	(3,378,305)	(234,025)	(291,557)



	Note	2016 (Rupees in '000)	2015
<b>10. EMPLOYEE BENEFITS</b>			
Provision for post retirement medical and free gas supply facilities - executives	41.2	4,050,285	4,111,259
Provision for compensated absences - executives	10.1	653,801	576,685
		<u>4,704,086</u>	<u>4,687,944</u>
<b>10.1 Provision for compensated absences - executives</b>			
Balance as at July 01		576,685	569,470
Provision during the year		77,116	7,215
Balance as at June 30		<u>653,801</u>	<u>576,685</u>
<b>11. OBLIGATION AGAINST PIPELINE</b>			
Principal amount of obligation against pipeline	11.1	1,069,173	1,106,923
Less: current portion of obligation against pipeline		(41,287)	(37,750)
		<u>1,027,886</u>	<u>1,069,173</u>

11.1 The Company entered into an agreement with Engro Elengy Terminal Limited (EETL) previously Engro Elengy Terminal Private Limited (EETPL) under which the pipeline has been transferred to the Company from EETL and corresponding liability has been recognised using discounted cash flow technique.

	Note	2016 (Rupees in '000)	2015
<b>12. DEFERRED CREDIT</b>			
<b>Government of Pakistan contributions / grants</b>			
Balance as at July 01		3,821,638	3,775,607
Additions / adjustments during the year		150,028	297,996
Transferred to unconsolidated profit and loss account	12.1	(264,633)	(251,965)
Balance as at June 30		<u>3,707,033</u>	<u>3,821,638</u>
<b>Contribution from customers</b>			
Balance as at July 01		1,495,302	1,673,245
Transferred to unconsolidated profit and loss account	12.2	(168,457)	(177,943)
Balance as at June 30		<u>1,326,845</u>	<u>1,495,302</u>
<b>Government of Sindh grants</b>			
Balance as at July 01		2,227,897	2,227,897
Transferred to unconsolidated profit and loss account	7.4.2	(991,743)	-
Balance as at June 30		<u>1,236,154</u>	<u>2,227,897</u>
		<u>6,270,032</u>	<u>7,544,837</u>
Less: Current portion of deferred credit		(427,547)	(429,981)
		<u>5,842,485</u>	<u>7,114,856</u>

12.1 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.



12.2 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.

12.3 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.

### 13. 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	2016 (Rupees in '000)	2015
<b>14. CURRENT PORTION OF LONG TERM FINANCE</b>			
Loans from banking companies	7.1	5,083,333	7,452,381
Customer finance	7.3	22,913	34,697
Government of Sindh loans	7.4	650,000	658,513
		<u>5,756,246</u>	<u>8,145,591</u>

### 15. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 9,625 million (2015: Rs. 989 million) and subject to markup up to 0.60% (2015: 0.30%) above the one month KIBOR. These 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. 4,765 million (2015: Rs. 5,426 million).

	Note	2016 (Rupees in '000)	2015
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors for:			
- Gas supplies	16.1	142,435,625	145,385,454
- Supplies		1,346,667	589,234
		<u>143,782,292</u>	<u>145,974,688</u>
Amount received from customers for laying of mains, etc.		2,182,955	1,861,627
Engro Elengy Terminal (Private) Limited		1,392,301	1,022,850
Accrued liabilities		4,099,054	3,048,161
Advance from LPG customers		182,135	433
Provision for compensated absences - non executives	16.2	220,431	219,207
Payable to staff gratuity fund	41.1	2,562,657	2,192,783
Deposits / retention money		563,973	364,319
Bills payable		323,849	599,999
Advance for sharing right of way	16.3	18,088	18,088
Unclaimed dividend		285,837	286,665
Withholding tax		147,209	196,410
Sales tax and Federal excise duty		324,338	305,055
Sindh sales tax		159,174	37,231
Processing charges payable to JJVL		5,782,506	7,433,204
Gas infrastructure development cess payable	16.4	8,680,409	9,324,042
Gas development surcharge payable to GoP	16.6	18,604,884	-
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		20,321	11,019
Others	16.5	275,629	244,881
		<u>189,609,842</u>	<u>173,142,462</u>



- 16.1 As at June 30, 2016, amount of Rs. 112,690 million (2015: Rs. 107,933 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. 15,832 million (2015: Rs. 33,379 million) on their balances which have been presented in note 17. During the year, the management has reversed LPS expenses as disclosed in note 38.8.

	2016 (Rupees in '000)	2015
<b>16.2 Provision for compensated absences - non-executives</b>		
Balance as at July 01	219,207	143,528
Provision during the year	1,224	75,679
Balance as at June 30	<u>220,431</u>	<u>219,207</u>

- 16.3 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.

- 16.4 Gas Infrastructure Development (GID) Cess was levied with effect from 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 (MP & NR) 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 vide its findings 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 promulgated GID Cess Ordinance 2014, which is applicable to the whole of 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 was passed by Parliament applicable on all consumers. Following the imposition of the said Act, many consumers 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.

On October 26, 2016, the Learned single Judge of Honorable Sindh High Court had passed an order to refund / adjust the GID Cess collected in the future bills of the respective plaintiff. The said order was stayed by the Honorable Sindh High Court through order dated November 10, 2016.

The Company is a collecting agent and depositing GID Cess to the MP & NR and the Company will refund to the customers once it will be received from MP & NR.

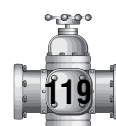
- 16.5 This includes Rs. 102.824 million (2015: Rs. 100.524 million) on account of amount payable to disconnected customers for gas supply deposits.

**16.6 Gas development surcharge payable to GoP**

- 16.6.1 This includes Rs. 390 million (2015: 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.

- 16.6.2 The Company has accounted for actuarial gains and losses in determining revenue requirement of the Company for the year ended June 30, 2016 having total impact of Rs.14 million (2015: Rs. 780 million).

The Company has recognized such Gas Development Surcharge in other comprehensive income instead of profit and loss account on the premise that actuarial gains have also been recognized in other comprehensive income.





		2016 (Rupees in '000)	2015
<b>16.6.3 Gas Development Surcharge</b>			
GDS receivable		(25,798,540)	(20,737,160)
Recovered during the year		16,325,254	-
Impact of staggering		18,358,923	-
Price decrease / (increase) adjustment during the year	2.1.1	9,705,468	(4,281,297)
Claim under IAS 19 during the year		13,779	(780,083)
		18,604,884	(25,798,540)

	Note	2016 (Rupees in '000)	2015
<b>17. INTEREST ACCRUED</b>			
Long term finance - loans from banking companies		192,158	230,836
Long term deposits from customers		309,941	283,265
Short term borrowings		26,035	15,538
Late payment surcharge on processing charges		167,088	132,110
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	16.1, 18.1.3 & 38.8	15,832,411	33,402,631
		16,532,459	34,069,206

**18. CONTINGENCIES AND COMMITMENTS**

**18.1 Contingencies**

<b>18.1.1</b> Guarantees issued on behalf of the Company	4,402,534	5,058,696
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**18.1.2** Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 35,182 million (June 30, 2015: Rs. 35,182 million) for short supply of gas under the provisions of an agreement dated April 10, 1995, between the Company and JPCL and Rs. 5.793 million (2015: 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. The MP & NR vide its letter dated April 24, 2017, has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

No provision has been made against the said claims as management is confident that ultimately these claims will not be payable. Further, management believes that in case matter is decided against the Company, the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Company.

**18.1.3** As disclosed in note 38.8, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2015 amounting to Rs. 17,570 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the current year amounting to Rs. 8,651 million in these unconsolidated financial statements. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

**18.1.4** Habibullah Coastal Power Company (Private) Limited (HCPCL) has claimed Rs.3,067 million as at July 26, 2016, from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996, between the Company and HCPCL. HCPCL has also disputed late payment surcharge (LPS) charged by the Company and errors in previous billing amounting to Rs. 660.09 million and is not paying full amount of gas bills including LPS. Consequently, the receivable balance due from HCPCL has increased to Rs. 4,257 million as at year end. HCPCL has also invoked arbitration as per article of Gas Sale Agreement. In the instant arbitral proceedings, the Company has also raised a counter claim of Rs. 9,116.86 million which represents claim on account of failing to 'take or pay' for the gas made available to HCPCL, outstanding gas deposit and unpaid gas bills.



On February 24, 2017, the International Chamber of Commerce (ICC) has issued partial award on preliminary is ... was held by the Tribunal that in line with past decision, HCPCL would be eligible to claim the liquidated damages from SSGC subject to verification of amount by technical expert. However, the ICC also accepted SSGC right to assert its 'take or pay' counter claim from December 2009 which amounts to Rs. 5,233 million up to December 2015. The net claim is in favor of the Company.

In case matter is decided against the Company, the entire amount would be claimed from the OGRA in the determination of revenue requirements of the Company in line with decision made by the OGRA on the similar matter in the financial year 2009.

**18.1.5** As disclosed in note 31.6, 31.7, 38.2, 38.5, 38.6 and for other matters arbitration proceedings between JJVL and Company has been initiated under the Pakistan Arbitration Act 1940 to settle the outstanding disputes between the parties. Accordingly, both the parties have appointed their respective arbitrators and filed their respective claims. The matter is under arbitration proceedings.

No provision has been made as management is confident that ultimately these claims will not be payable.

**18.1.6** Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, and the company's investment in shares having a face value of Rs. 0.5 million (2015: Rs. 0.5 million). Loan outstanding at the year end was Rs. Nil (2015: Rs.2.190 million).

**18.1.7** 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, are confident that the matter would be resolved in favor of the Company.

**18.1.8** 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 are confident that the outcome of the case will be in favor of the Company.

**18.1.9** 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 are confident that the outcome of the case will be in favor of the Company.

**18.1.10** Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008 to 2015, 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, disallowance of depreciation on fixed assets held under musharka arrangement and disallowances for Unaccounted For Gas (UFG). No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

**18.1.11** 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.

The case was contested upto the level of Appellate Tribunal Inland Revenue (ATIR) and the ATIR, while upholding the decision of the Commissioner (Appeals), allowed credit of input Sales Tax on UFG to the extent of OGRA benchmark. This has resulted in reduction of demand to Rs. 149 million. The Company has filed Reference to High Court to avail benefit of full input tax credit.

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 stayed proceedings for the said year.

Further to this, the sales tax authorities vide their recent Show Cause Notice, have also raised the matter of allowability of input tax on UFG in excess of the OGRA's defined limit of 4.5% in the years from FY 2010-11 to FY 2014-15 confronting disallowance of input tax to the tune of Rs. 8.2 billion. However, on filing of application by the Company, the Honourable High Court of Sindh has stayed proceedings for the FY 2010-11 to FY 2014-15.





The Company and its legal counsel are of the opinion that the Company has a strong case on merits since Sales Tax Law does not specifically disallow input tax credit on line losses and further electricity distribution Companies are being allowed input tax credit on line losses by FBR in normal manner. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

- 18.1.12 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.

The Commissioner (Appeals) has decided the issue of exchange loss in Company's favour while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favour of Company by the Commissioner (Appeals). No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 18.1.13 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million along with default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. 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 are confident that the outcome of the case will be in favor of the Company.

- 18.1.14 The Deputy Commissioner Inland Revenue (DCIR) 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 adjustment. Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing, whereas, the Tax Department has also filed appeal before Appellate Tribunal on issue decided in the Company's favour. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 18.1.15 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 & 2014. The Company has filed an appeal in the Honorable High Court of Sindh, which through its order dated March 10, 2017 has remanded back the matter to the Department. No order has been passed as yet in the remanded back proceedings. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

- 18.1.16 The Company is subject to various other claims totalling Rs. 162 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

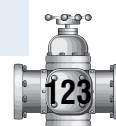
- 18.1.17 The Company is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Company's legal department, the management is confident that the outcome of these cases will be in favor of the Company. Accordingly, no provision has been made in respect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

	Note	2016 (Rupees in '000)	2015
18.1.18 Claims against the Company not acknowledge as debt		77,477	103,741
The management is confident that ultimately these claims would not be payable.			
18.2 Commitments			
Commitments for capital and other expenditure		13,228,470	7,286,408
19. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	19.1	73,277,736	64,406,460
Capital work in progress	19.5	23,433,309	9,536,393
		96,711,045	73,942,853





	2016							
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	Useful Life
	As at July 01, 2015	Additions / (deletions) / transfers * revaluation ** impairment ***	As at June 30, 2016	As at July 01, 2015	Depreciation / (deletions) / transfers *	As at June 30, 2016	As at June 30, 2016	
Freehold land	4,434,792	397,405	5,453,582	-	-	-	5,453,582	-
		621,385 **						
Leasehold land	6,082,257	-	6,937,190	-	-	-	6,937,190	-
		854,933 **						
Buildings on freehold land	324,492	-	324,492	247,406	13,964	261,370	63,122	20
		-			-			
Buildings on leasehold land	2,197,929	169,376	2,367,305	1,260,438	126,724	1,387,162	980,143	20
		-			-			
Roads, pavements and related infrastructures	656,926	-	656,926	189,993	8,242	198,235	458,691	20
		-			-			
Gas transmission pipelines	24,932,520	2,147,292	27,079,812	13,680,629	324,144	14,004,773	13,075,039	40
		-			-			
Gas distribution system	65,265,695	7,082,196 (76,634) (1,190,000)***	71,081,257	26,911,250	4,020,452 (76,634)	30,855,068	40,226,189	10-20
		-			-			
Compressors	2,464,372	1,151,924	3,616,296	2,319,769	92,131	2,411,900	1,204,396	8-16
		-			-			
Telecommunication	896,838	149,412	1,046,250	591,251	67,920	659,171	387,079	2 & 6.67
		-			-			
Plant and machinery	2,636,211	419,563	3,055,802	1,565,115	189,438	1,753,032	1,302,770	10
		28 *			(1,521) *			
Tools and equipment	377,109	34,436 663 *	412,208	341,433	27,784 545 *	369,762	42,446	3
		-			-			
Motor vehicles	2,321,191	429,564 (159,679)	2,591,076	1,453,044	169,885 (122,045)	1,500,885	1,090,191	5
		-			1 *			
Furniture and fixture	549,419	23,338	572,199	462,125	30,574	492,141	80,058	5
		(558) *			(558) *			
Office equipment	404,425	34,035	438,328	321,997	31,065	352,930	85,398	5
		(132) *			(132) *			
Computer and ancillary equipments	856,136	117,485	974,240	785,302	58,769	844,690	129,550	3
		619 *			619 *			
Supervisory control and data acquisition system	684,772	457,705	1,142,477	646,816	20,592	667,408	475,069	6.67
		-			-			
Construction equipment	1,131,415	1,250,027 (11,257)	2,370,185	1,033,471	59,482 (11,257) 1,666 *	1,083,362	1,286,823	5
		-			-			
2016	116,216,499	13,863,758 (247,570) 620 * 1,476,318 ** (1,190,000)***	130,119,625	51,810,039	5,241,166 (209,936) 620 *	56,841,889	73,277,736	





	2015							Useful Life
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	
	As at July 01, 2014	Additions / (deletions) / transfers *	As at June 30, 2015	As at July 01, 2014	Depreciation / (deletions) / transfers *	As at June 30, 2015	As at June 30, 2015	
Freehold land	4,434,792	-	4,434,792	-	-	-	4,434,792	-
Leasehold land	6,082,257	-	6,082,257	-	-	-	6,082,257	-
Buildings on freehold land	324,492	-	324,492	233,442	13,964	247,406	77,086	20
Buildings on leasehold land	2,083,266	114,663	2,197,929	1,164,523	95,915	1,260,438	937,491	20
Roads, pavements and related infrastructures	656,926	-	656,926	157,026	32,967	189,993	466,933	20
Gas transmission pipelines	23,587,703	1,344,820	24,932,520	13,253,166	427,466	13,680,629	11,251,891	40
		(3) *			(3) *			
Gas distribution system	60,403,329	4,946,854	65,265,695	23,358,337	3,637,401	26,911,250	38,354,445	10-20
		(84,488)			(84,488)			
Compressors	2,464,372	-	2,464,372	2,285,751	34,018	2,319,769	144,603	8-16
Telecommunication	755,337	146,014	896,838	539,072	56,505	591,251	305,587	2 & 6.67
		(4,513)			(4,326)			
Plant and machinery	2,388,924	252,267	2,636,211	1,411,535	157,035	1,565,115	1,071,096	10
		(359)			(354)			
		(4,621) *			(3,101) *			
Tools and equipment	350,629	23,898	377,109	309,330	30,782	341,433	35,676	3
		(2,042)			(2,042)			
		4,624 *			3,363 *			
Motor vehicles	2,169,463	222,305	2,321,191	1,362,903	141,427	1,453,044	868,147	5
		(70,577)			(51,287)			
		-			1 *			
Furniture and fixture	507,667	42,230	549,419	436,871	25,992	462,125	87,294	5
		(474)			(474)			
		(4) *			(264) *			
Office equipment	369,580	38,727	404,425	300,962	24,917	321,997	82,428	5
		(3,433)			(3,433)			
		(449) *			(449) *			
Computer and ancillary equipments	838,600	53,352	856,136	751,150	69,968	785,302	70,834	3
		(36,269)			(36,269)			
		453 *			453 *			
Supervisory control and data acquisition system	685,425	-	684,772	610,900	36,536	646,816	37,956	6.67
		(653)			(620)			
Construction equipment	1,131,404	11	1,131,415	1,027,874	5,597	1,033,471	97,944	5
		-			-			
		-			-			
2015	109,234,166	7,185,141	116,216,499	47,202,842	4,790,490	51,810,039	64,406,460	
		(202,808)			(183,293)			
		- *			- *			



2016  
2015  
(Rupees in '000)

19.2 Details of depreciation for the year are as follows:

Transmission and distribution costs	4,848,963	4,477,731
Administrative expenses	209,956	209,944
Selling expenses	15,263	10,635
	5,074,182	4,698,310
Meter manufacturing division	25,939	20,231
LPG air mix	55,925	55,255
Capitalised on projects	85,120	16,694
	<u>5,241,166</u>	<u>4,790,490</u>

19.3 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
<b>Gas distribution system</b>							
Written down value not exceeding Rs. 50,000 each	76,634	76,634	-	-	-	Replacement	Not applicable
<b>Construction equipment</b>							
Written down value not exceeding Rs. 50,000 each	11,257	11,257	-	9,070	9,070	Open auction	Various
<b>Motor vehicles</b>							
Written down value not exceeding Rs. 50,000 each	31,299	31,085	214	29,848	29,634	Open auction	Various
Written down value not exceeding Rs. 50,000 each	154	85	69	107	38	3rd party claim	Insurance claim - NICL



(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyers
<b>Motor vehicles</b>							
Isuzu Truck	271	217	54	1,085	1,031	Open auction	Saqib Nisar
Suzuki Pickup	354	292	62	250	188	Open auction	Inam Khan
Toyota Corolla	1,099	769	330	825	495	Open auction	Islam Sarwar
Suzuki Cultus	667	467	200	455	255	Open auction	Musarat Iqbal
Honda Civic	785	615	170	470	300	Open auction	Nauman Ahmed
Suzuki Cultus	572	400	172	455	283	Open auction	Taj Mohammad Khan
Suzuki Cultus	560	392	168	375	207	Open auction	Noman Ahmed Siddiqui
Suzuki Cultus	691	484	207	540	333	Open auction	Mohammad Islam
Suzuki Cultus	600	420	180	450	270	Open auction	Abdul Latif Jatoi
Toyota Corolla	1,033	723	310	935	625	Open auction	Nusrat Iqbal
Toyota Corolla	1,016	711	305	730	425	Open auction	Imran Ali
Suzuki Van	465	372	93	410	317	Open auction	Muzaffar Gul
Honda City	829	580	249	550	301	Open auction	Khalid Anwer
Honda Civic	1,197	838	359	790	431	Open auction	Mohammad Anis
Hyundai Grace Van	1,245	996	249	725	476	Open auction	Ramzan Ali
Jeep Deffender	2,419	1,935	484	1,210	726	Open auction	Muhammad Asif
Jeep Kia	1,549	1,239	310	625	315	Open auction	Mohammad Suleman
Jeep Kia	1,602	1,281	321	625	304	Open auction	Abdul Ghaffar
Jeep Rexton	2,505	2,004	501	1,325	824	Open auction	Nusrat Iqbal
Jeep Suzuki	780	624	156	735	579	Open auction	Atif Essani
Jeep Suzuki	652	522	130	610	480	Open auction	Taufiq Ali Khan
Mitsubishi Pickup	2,126	1,701	425	900	475	Open auction	Atif Ali
Mitsubishi Pickup	2,501	2,001	500	905	405	Open auction	Salman
Suzuki Pickup	350	280	70	415	345	Open auction	Khalid Anwer
Toyota Pickup	799	639	160	780	620	Open auction	Mohammad Atif Essani
Suzuki Pickup	353	282	71	395	324	Open auction	Awaz Mir
Suzuki Pickup	353	282	71	320	249	Open auction	Mohammad Javed
Suzuki Van	447	358	89	355	266	Open auction	Syed Qalib Hassan
Suzuki Car Alto	459	321	138	365	227	Open auction	Bashir Ahmed
Suzuki Car Alto	459	321	138	335	197	Open auction	Mohammad Shafiq
Suzuki Car Alto	459	321	138	305	167	Open auction	Samran Ahmed
Suzuki Cultus	590	413	177	430	253	Open auction	Muhammad Haleem
Suzuki Cultus	600	420	180	420	240	Open auction	Hafiz Mohammad Adil
Suzuki Cultus	560	439	121	375	254	Open auction	Shoukal Ali Akbar
Suzuki Cultus	595	417	178	485	307	Open auction	Waseem Parvez
Suzuki Cultus	595	417	178	510	332	Open auction	Abdul Latif Jatoi
Suzuki Cultus	595	417	178	400	222	Open auction	Nusrat Iqbal
Suzuki Van	396	317	79	400	321	Open auction	Yousaf Khan
Suzuki Pickup	353	290	63	315	252	Open auction	Zia Uddin
Suzuki Pickup	314	251	63	310	247	Open auction	Khalid Mehmood
Suzuki Pickup	353	283	70	305	235	Open auction	Muhammad Naveed
Suzuki Pickup	351	281	70	310	240	Open auction	Rashid Ayub Khan
Suzuki Pickup	351	281	70	335	265	Open auction	Khalid Anwar
Suzuki Pickup	355	292	63	285	222	Open auction	Ziauddin
Suzuki Pickup	357	294	63	280	217	Open auction	Muhammad Atiq Zia
Suzuki Pickup	357	294	63	280	217	Open auction	Imtiaz Ali
Suzuki Pickup	355	292	63	350	287	Open auction	Shahid
Suzuki Pickup	357	294	63	285	222	Open auction	Shakil
Suzuki Pickup	357	294	63	315	252	Open auction	Shakil
Suzuki Pickup	357	294	63	285	222	Open auction	Muhammad Atiq Zia
Suzuki Pickup	355	292	63	335	272	Open auction	Raees Khan
Suzuki Pickup	355	292	63	305	242	Open auction	Muhammad Jalal



(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Suzuki Pickup	338	270	68	250	182	Open auction	Muzaffar Gul
Suzuki Pickup	338	270	68	250	182	Open auction	Gul Zamin
Suzuki Pickup	338	270	68	285	217	Open auction	Muhammad Naveed
Suzuki Pickup	525	457	68	305	237	Open auction	Murtaza Khan Babar
Suzuki Pickup	471	403	68	305	237	Open auction	Mohammad Waqar
Suzuki Pickup	469	401	68	285	217	Open auction	Abdul Kareem
Suzuki Pickup	494	395	99	295	196	Open auction	Mohammad Ashraf Javed
Suzuki Pickup	494	395	99	295	196	Open auction	Ayaz Mohammad
Suzuki Pickup	346	277	69	300	231	Open auction	Taj Muhammad
Suzuki Pickup	332	269	63	365	302	Open auction	Imran Khan
Suzuki Pickup	332	265	67	280	213	Open auction	Gul Zamin
Suzuki Pickup	339	271	68	305	237	Open auction	Muzaffar Gul
Suzuki Pickup	312	250	62	340	278	Open auction	Rashid Ayoob
Suzuki Pickup	455	364	91	385	294	Open auction	Taufiq Ali Khan
Suzuki Pickup	494	395	99	310	211	Open auction	Zia Ud Din
Suzuki Pickup	339	271	68	250	182	Open auction	Taj Muhammad
Suzuki Pickup	339	271	68	290	222	Open auction	Ziauddin
Suzuki Pickup	339	271	68	315	247	Open auction	Muhammad Jalal
Suzuki Pickup	338	271	67	290	223	Open auction	Rasheed Ahmed
Suzuki Pickup	338	271	67	280	213	Open auction	Umra Khan
Suzuki Pickup	338	271	67	280	213	Open auction	Muhammad Umer
Suzuki Pickup	452	384	68	320	252	Open auction	Umra Khan
Suzuki Pickup	497	397	100	290	190	Open auction	Ayaz Mohammad
Suzuki Pickup	480	384	96	285	189	Open auction	Aqeel Akhtar
Suzuki Pickup	584	467	117	335	218	Open auction	Mohammad Haleem
Suzuki Pickup	494	395	99	305	206	Open auction	Manzoor Ahmed
Suzuki Pickup	494	395	99	300	201	Open auction	Mujeeb Alam
Suzuki Pickup	495	396	99	310	211	Open auction	Aqeel Akhtar
Suzuki Pickup	494	395	99	310	211	Open auction	Mohammad Hussain
Suzuki Pickup	494	395	99	340	241	Open auction	Awaz Mir
Suzuki Pickup	529	423	106	300	194	Open auction	Rasheed Ahmed
Suzuki Pickup	381	312	69	355	286	Open auction	Dilawar
Suzuki Pickup	339	271	68	375	307	Open auction	Khalid Anwar
Suzuki Pickup	344	275	69	290	221	Open auction	Mujeeb Alam
Suzuki Pickup	344	275	69	310	241	Open auction	Ayaz Mohammad
Suzuki Pickup	537	430	107	330	223	Open auction	Muhammad Naveed
Suzuki Pickup	367	294	73	290	217	Open auction	Muhammad Naveed
Suzuki Pickup	406	325	81	265	184	Open auction	Gul Zamin
Suzuki Pickup	367	294	73	300	227	Open auction	Hazrat Bulland Khan
Suzuki Pickup	391	320	71	300	229	Open auction	Rashid Ayoob
Suzuki Pickup	353	282	71	335	264	Open auction	Muhammad Jalal
Suzuki Pickup	363	290	73	360	287	Open auction	Usman Ghani
Suzuki Pickup	363	290	73	330	257	Open auction	Murtaza Khan Babar
Suzuki Pickup	363	290	73	335	262	Open auction	Muhammad Yousaf
Suzuki Pickup	386	309	77	320	243	Open auction	Zia Uddin
Suzuki Pickup	339	271	68	330	262	Open auction	Inam Khan
Suzuki Pickup	352	282	70	340	270	Open auction	Khalid Anwer
Suzuki Pickup	354	283	71	380	309	Open auction	Khalid Anwer
Suzuki Pickup	344	275	69	295	226	Open auction	Muhammad Yousaf
Suzuki Pickup	344	275	69	315	246	Open auction	Ayaz Mohammad
Suzuki Pickup	344	275	69	350	281	Open auction	Ahmed Raza Khan
Suzuki Pickup	344	275	69	330	261	Open auction	Ayaz Mohammad
Suzuki Pickup	486	389	97	340	243	Open auction	Muhammad Umar



(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Suzuki Pickup	351	282	69	345	276	Open auction	Muhammad Jalal
Suzuki Pickup	344	275	69	305	236	Open auction	Inam Khan
Suzuki Pickup	486	389	97	320	223	Open auction	Muhammad Jalal
Suzuki Pickup	486	389	97	325	228	Open auction	Khurram Shaukat
Suzuki Pickup	339	271	68	340	272	Open auction	Murtaza Khan Babar
Suzuki Pickup	339	271	68	320	252	Open auction	Murtaza Khan Babar
Suzuki Pickup	352	281	71	350	279	Open auction	Raees Khan
Suzuki Van	411	329	82	380	298	Open auction	Nouman Ahmed
Suzuki Van	367	294	73	360	287	Open auction	Muhammad Jalal
Suzuki Van	373	298	75	350	275	Open auction	Tariq Khan
Suzuki Van	402	321	81	415	334	Open auction	Taufiq Ali Khan
Suzuki Van	402	321	81	335	254	Open auction	Khalid Anwar
Suzuki Van	416	336	80	435	355	Open auction	Taj Mohammad
Suzuki Van	465	372	93	440	347	Open auction	Shakil
Suzuki Van	453	362	91	415	324	Open auction	Rashid Ayoob
Suzuki Van	465	372	93	435	342	Open auction	Khalid Anwer
Suzuki Van	423	339	84	435	351	Open auction	Ramzan Ali
Suzuki Van	423	339	84	425	341	Open auction	Rashid Ayoob
Suzuki Van	463	370	93	445	352	Open auction	Shakil
Suzuki Van	396	317	79	400	321	Open auction	Khalid Anwar
Suzuki Van	406	325	81	395	314	Open auction	Rashid Ayoob
Suzuki Van	449	374	75	340	265	Open auction	Syed Naseem Ahmed
Suzuki Van	405	324	81	380	299	Open auction	Umra Khan
Suzuki Van	401	321	80	370	290	Open auction	Noman Ahmed Siddiqui
Suzuki Van	449	374	75	355	280	Open auction	Ayaz Mohammad
Suzuki Van	396	317	79	385	306	Open auction	M. Ashraf Javed
Suzuki Van	396	317	79	390	311	Open auction	Shakil
Suzuki Van	401	321	80	410	330	Open auction	Mohammad Yusaf
Suzuki Van	401	321	80	385	305	Open auction	Javed Iqbal
Suzuki Van	401	321	80	340	260	Open auction	Hafiz Mohammad Adil
Suzuki Van	353	282	71	330	259	Open auction	Ayaz Mohammad
Suzuki Van	353	282	71	335	264	Open auction	Muzaffar Gul
Suzuki Van	353	282	71	400	329	Open auction	Khalid Anwer
Suzuki Cultus	569	399	170	375	205	Open auction	Bashir Ahmed
Toyota Corolla	959	671	288	750	462	Open auction	Bashir Ahmed
Toyota Corolla	969	678	291	780	489	Open auction	Nusrat Iqbal
Toyota Corolla	969	678	291	835	544	Open auction	Mohammad Qasimuddin
Toyota Corolla	1,099	769	330	810	480	Open auction	Mohammad Khurshid
Toyota Corolla	1,099	769	330	900	570	Open auction	Taj Mohammad Khan
Toyota Corolla	1,009	707	302	765	463	Open auction	Nusrat Iqbal
Toyota Corolla	1,118	782	336	775	439	Open auction	Mohammad Qasimuddin
Toyota Corolla	1,139	797	342	745	403	Open auction	Nusrat Iqbal
Toyota Corolla	1,079	755	324	745	421	Open auction	Nusrat Iqbal
Toyota Corolla	1,016	711	305	775	470	Open auction	Rashid Ayub Khan
Toyota Corolla	989	692	297	805	508	Open auction	Nusrat Iqbal
Toyota Corolla	969	678	291	795	504	Open auction	Nusrat Iqbal
Toyota Corolla	939	657	282	780	498	Open auction	Muhammad Arshad
Toyota Pickup	803	643	160	925	765	Open auction	Mohammad Hussain
Toyota Pickup	799	639	160	780	620	Open auction	Tahir
Toyota Pickup	959	767	192	710	518	Open auction	Muzaffar
Toyota Pickup	813	651	162	950	788	Open auction	Khalid Anwer
Toyota Pickup	813	651	162	985	823	Open auction	Gulam Murtuza
Toyota Pickup	959	767	192	1,170	978	Open auction	Rafiq



(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Toyota Pickup	1,076	861	215	1,100	885	Open auction	Rashid Ayub Khan
Toyota Pickup	973	779	194	1,120	926	Open auction	Inam Khan
Toyota Pickup	813	651	162	750	588	Open auction	Islam Sarwar
Toyota Pickup	828	662	166	1,135	969	Open auction	Taufiq Ali Khan
Toyota Pickup	813	651	162	700	538	Open auction	Mohammad Nafees
Toyota Pickup	813	651	162	1,025	863	Open auction	Inam Khan
Toyota Pickup	815	652	163	905	742	Open auction	Muhammad Sufain
Toyota Pickup	815	652	163	1,020	857	Open auction	Muhammad Haleem
Toyota Pickup	835	668	167	1,235	1,068	Open auction	Taufiq Ali Khan
Suzuki Van	396	317	79	410	331	Open auction	Muhammad Arshad
Suzuki Van	371	297	74	365	291	Open auction	Abdul Kareem
Suzuki Van	396	317	79	385	306	Open auction	Khalid Anwar
Suzuki Cultus	961	415	546	830	284	3rd party claims	Insurance claim - NICL
Toyota Corolla	1,554	1,088	466	1,180	714	3rd party claims	Insurance claim - NICL
Jeep Potohar	678	542	136	480	344	3rd party claims	Insurance claim - NICL
Toyota Corolla	1,850	325	1,525	1,730	205	3rd party claims	Insurance claim - NICL
Suzuki Van	703	149	554	530	(24)	3rd party claims	Insurance claim - NICL
Suzuki Pickup	595	246	349	530	181	3rd party claims	Insurance claim - NICL
Suzuki Pickup	601	302	299	480	181	3rd party claims	Insurance claim - NICL
Toyota Pickup	3,278	1,614	1,664	2,680	1,016	3rd party claims	Insurance claim - NICL
Toyota Pickup	1,076	861	215	780	565	3rd party claims	Insurance claim - NICL
Suzuki Pickup	354	292	62	130	68	3rd party claims	Insurance claim - NICL
Suzuki Van	423	339	84	300	216	3rd party claims	Insurance claim - NICL
Suzuki Van	609	358	251	580	329	3rd party claims	Insurance claim - NICL
Suzuki Van	571	434	137	480	343	3rd party claims	Insurance claim - NICL
Honda Civic	2,229	961	1,268	167	(1,101)	Service rules	Sohaib Warsi
Honda Civic	2,683	412	2,271	1,944	(327)	Service rules	Shakil Ahmed Bhukari
Honda Civic	2,298	963	1,335	455	(880)	Service rules	Abdul Majid Malik
Toyota Corolla	1,517	902	615	114	(501)	Service rules	Syed Arsalan Iqbal
Toyota Corolla	1,759	595	1,164	730	(434)	Service rules	Mansoor Ahmed
Suzuki Cultus	924	548	376	69	(307)	Service rules	M.Azhar Kamal
Suzuki Cultus	844	591	253	63	(190)	Service rules	Abdul Wahab Siddiqui
Suzuki Cultus	924	548	376	69	(307)	Service rules	Fazal Rasheed
Suzuki Cultus	1,076	240	836	634	(202)	Service rules	Farokh D. Variava
June 30, 2016	247,570	209,936	37,634	135,770	98,136		
June 30, 2015	202,808	183,293	19,515	48,427	28,912		



19.4 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 950.002 million (2015: Rs. 351.977 million). Borrowing costs related to general borrowings were capitalised at the rate of 6.57% (2015: 8.72%).

19.4.1 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. 131,862 million as per the valuation carried out as at June 30, 2016 by an independent valuer namely K.G. Traders (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

	Note	2016 (Rupees in '000)	2015
<b>19.5 Capital work in progress</b>			
Projects:			
- Gas distribution system		3,317,275	4,759,209
- Gas transmission system		10,081,016	1,047,625
- Cost of buildings under construction and others		167,244	285,770
		<u>13,565,535</u>	<u>6,092,604</u>
Stores and spares held for capital projects	19.5.1	9,960,532	3,307,209
LPG air mix plant		112,970	282,567
		<u>10,073,502</u>	<u>3,589,776</u>
Impairment of capital work in progress		(205,728)	(145,987)
		<u>23,433,309</u>	<u>9,536,393</u>
<b>19.5.1 Stores and spares held for capital projects</b>			
Gas distribution and transmission		10,100,178	3,436,904
Provision for impaired stores and spares		(139,646)	(129,695)
		<u>9,960,532</u>	<u>3,307,209</u>

20. INTANGIBLE ASSETS

		(Rupees in '000)						
		COST		AMORTISATION			Written down value as at June 30,	Useful life (years)
		As at July 01,	As at June 30,	As at July 01,	For the year	As at June 30,		
Computer software	2016	498,618	518,279	462,707	30,929	493,636	24,643	3
	2015	490,274	498,618	401,376	61,331	462,707	35,911	3



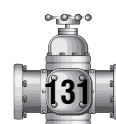


	Note	Percentage of holding (if over 10%)	2016 (Rupees in '000)	2015
<b>21. LONG TERM INVESTMENTS</b>				
<b>Investments in related parties</b>				
<b>Subsidiary:</b>				
SSGC LPG (Private) Limited 100,000,000 (2015: 100,000,000) ordinary shares of Rs.10 each		100	1,000,000	1,000,000
Sui Southern Gas Provident Fund Trust Company (Private) Limited 100 (2015: 100) ordinary shares of Rs. 10 each		100	1	1
<b>Associate:</b>				
<b>Unquoted companies - available for sale</b>				
Inter State Gas Systems (Private) Limited (ISGSL) 510,000 (2015: 510,000) ordinary shares of Rs. 10 each	21.1 & 21.2		5,100	5,100
<b>Quoted companies - available for sale</b>				
Sui Northern Gas Pipelines Limited (SNGPL) 2,414,174 (2015: 2,414,174) ordinary shares of Rs. 10 each	21.1 & 21.3		87,610	64,314
			1,092,711	1,069,415
<b>Other investments</b>				
<b>Quoted companies - available for sale</b>				
Pakistan Refinery Limited 3,150,000 (2015: 3,150,000) ordinary shares of Rs. 10 each			129,717	191,930
United Bank Limited 118,628 (2015: 118,628) ordinary shares of Rs. 10 each			20,988	20,276
<b>Unquoted companies (at cost)</b>				
Pakistan Tourism Development Corporation 5,000 (2015: 5,000) ordinary shares of Rs. 10 each			50	50
			150,755	212,256
Provision against impairment in value of investments at cost			(50)	(50)
			150,705	212,206
			1,243,416	1,281,621

21.1 Investments in SNGPL and ISGSL represent investment in 'associated companies' in terms of provisions of Companies Ordinance 1984. However, the Company has not accounted for them as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Company does not have significant influence in these associated companies.

21.2 Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise 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 (ECC) of the Cabinet. Subsequent to the year end, ECC in its meeting dated December 15, 2016 has decided that Government Holding (Private) Limited being the parent company shall fund in expenditure of ISGSL.

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





22. NET INVESTMENT IN FINANCE LEASE

	June 30, 2016		
	Gross investment in finance lease	Finance income for future periods (Rupees in '000)	Principal outstanding
Not later than one year	180,941	70,780	110,161
Later than one year and not later than five years	409,439	165,691	243,748
Later than five years	142,543	23,897	118,646
	551,982	189,588	362,394
	<u>732,923</u>	<u>260,368</u>	<u>472,555</u>

	June 30, 2015		
	Gross investment in finance lease	Finance income for future periods (Rupees in '000)	Principal outstanding
Not later than one year	200,611	90,450	110,161
Later than one year and not later than five years	503,407	213,684	289,723
Later than five years	229,433	46,601	182,832
	732,840	260,285	472,555
	<u>933,451</u>	<u>350,735</u>	<u>582,716</u>

22.1 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. The agreement with OGDCL and ENI Pakistan expired on June 30, 2013 and November 25, 2015 respectively and management is negotiating for renewal of these agreements.

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.

	Note	2016 (Rupees in '000)	2015
<b>23. LONG TERM LOANS AND ADVANCES - secured, considered good</b>			
Due from executives	23.1	1,608	2,252
Less: receivable within one year	28	(408)	(602)
		<u>1,200</u>	<u>1,650</u>
Due from other employees	23.1 & 23.2	194,362	182,324
Less: receivable within one year	28	(33,136)	(32,498)
		<u>161,226</u>	<u>149,826</u>
		<u>162,426</u>	<u>151,476</u>



23.1 Reconciliation of the carrying amount of loans and advances:

	2016		2015	
	Executives	Other employees (Rupees in '000)	Executives	Other employees
Balance at the beginning of the year	2,252	182,324	3,375	169,225
Disbursements	-	50,909	-	51,974
Repayments	(644)	(38,871)	(1,123)	(38,875)
	<u>1,608</u>	<u>194,362</u>	<u>2,252</u>	<u>182,324</u>

23.2 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. The Company has not discounted these loans at market interest rate as effect of such discounting is not material to these financial statements.

23.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 2.252 million (2015: Rs. 3.375 million).

	2016 (Rupees in '000)	2015
<b>24. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	361,497	236,907
Spares	1,457,406	1,083,051
Stores and spares in transit	579,540	733,144
Loose tools	768	807
	<u>2,399,211</u>	<u>2,053,909</u>
<b>Provision against impaired inventory</b>		
Balance as at July 01	(232,766)	(296,015)
(Provision) / reversal made during the year	(19,576)	63,249
Balance as at June 30	<u>(252,342)</u>	<u>(232,766)</u>
	<u>2,146,869</u>	<u>1,821,143</u>
<b>24.1 Stores, spares and loose tools are held for the following operations:</b>		
Transmission	1,324,215	1,555,668
Distribution	822,654	265,475
	<u>2,146,869</u>	<u>1,821,143</u>
<b>25. STOCK-IN-TRADE</b>		
<b>Gas</b>		
Gas in pipelines	336,034	341,904
Stock of Synthetic Natural Gas	13,578	4,247
	<u>349,612</u>	<u>346,151</u>
<b>Gas meters</b>		
Components	345,810	399,243
Work-in-process	7,328	19,374
Finished meters	122,827	14,761
	<u>475,965</u>	<u>433,378</u>
Stock of Natural Gas Liquids	-	96,779
Stock of Liquefied Petroleum Gas	5,626	-
<b>Provision against impaired inventory</b>		
Balance as at July 01	(16,456)	(12,481)
Provision made during the year	(12,928)	(3,975)
Balance as at June 30	<u>(29,384)</u>	<u>(16,456)</u>
	<u>801,819</u>	<u>859,852</u>

**26. CUSTOMERS' INSTALLATION WORK IN PROGRESS**

This represents cost of work carried out by the Company on behalf of the consumers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such consumers are shown as deduction there from as reflected in note 34.2 of these financial statements.

	Note	2016 (Rupees in '000)	2015
<b>27. TRADE DEBTS</b>			
<b>Considered good</b>			
- Secured		17,426,817	18,551,015
- Unsecured		80,021,993	81,016,295
	27.1 & 27.2	97,448,810	99,567,310
Provision against impaired debts	27.3	(11,163,363)	(9,215,486)
		<u>86,285,447</u>	<u>90,351,824</u>

**27.1** 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 IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 35,949 million (2015: Rs. 40,073 million) as at June 30, 2016 receivables from KE. Out of this, Rs. 31,402 million (2015: Rs. 36,502 million) as at June 30, 2016 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 67,838 million (2015: Rs. 62,641 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 the 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 account 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 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.

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 01, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 01, 2016 till March 31, 2017.

**27.2** 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 IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.



In accordance with the revised accounting treatment, the trade debts includes Rs. 21,708 million (2015: Rs. 20,879 million) including overdue balance of Rs. 21,659 million (2015: Rs. 20,618 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 43,266 million (2015: Rs. 35,383 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.

The Company filed a suit in the High Court of Sindh in April 2016, for recovery of its aggregate claim amounting to Rs. 41,354 million along with LPS. On April 06, 2016, the High Court of Sindh passed an order restraining PSML from creating any third party interest in relation to its assets including but not limited to immovable assets owned by it.

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.

	2016 (Rupees in '000)	2015
<b>27.3 Movement of provision against impaired debts</b>		
Balance as at July 01	9,215,486	9,180,586
Provision for the year	1,947,877	34,900
Balance as at June 30	<u>11,163,363</u>	<u>9,215,486</u>

**27.4 Aging of trade debts from related parties**

	2016			Total
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	
	(Rupees in '000)			
Not due balances	6,709,271	-	-	6,709,271
Past due but not impaired	-	22,078,322	34,931,689	57,010,011
	<u>6,709,271</u>	<u>22,078,322</u>	<u>34,931,689</u>	<u>63,719,282</u>

	2015			Total
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	
	(Rupees in '000)			
Not due balances	8,169,793	-	-	8,169,793
Past due but not impaired	-	18,973,426	39,603,605	58,577,031
	<u>8,169,793</u>	<u>18,973,426</u>	<u>39,603,605</u>	<u>66,746,824</u>

	Note	2016 (Rupees in '000)	2015
<b>28. LOANS AND ADVANCES - considered good</b>			
Loan to a related party	28.1	1,710,103	1,710,103
Advances to:			
- executives	28.2	98,546	89,063
- other employees	28.2	801,718	479,753
		900,264	568,816
Current portion of long term loans:			
- executives	23	408	602
- other employees	23	33,136	32,498
		33,544	33,100
		<u>2,643,911</u>	<u>2,312,019</u>



- 28.1 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.
- 28.2 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	2016 (Rupees in '000)	2015
<b>29. ADVANCES, DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Advances for goods and services - unsecured, considered good		367,864	157,092
Trade deposits - unsecured, considered good		9,174	29,775
Prepayments		104,839	95,723
		<u>481,877</u>	<u>282,590</u>
<b>30. INTEREST ACCRUED</b>			
Interest accrued on late payment of bills / invoices from:			
- WAPDA		2,978,891	2,737,277
- SNGPL		4,967,624	3,820,805
- JJVL		375,424	352,791
		<u>8,321,939</u>	<u>6,910,873</u>
Interest accrued on bank deposits		2,785	2,370
Interest accrued on sales tax refund	5.6	487,739	487,739
Interest accrued on loan to related party	30.1	463,271	344,487
		<u>9,275,734</u>	<u>7,745,469</u>
Provision against impaired accrued income	30.2	(84,392)	(84,392)
		<u>9,191,342</u>	<u>7,661,077</u>

- 30.1 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. 427 million (2015: Rs. 302 million) and interest accrued on late payment of bills against sale of LPG amounting to Rs. 36 million (2015: Rs. 42 million).

<b>30.2 Movement of provision against accrued income</b>			
Balance as at July 01		84,392	84,392
Provision made during the year		-	-
Balance as at June 30		<u>84,392</u>	<u>84,392</u>

	Note	2016 (Rupees in '000)	2015
<b>31. OTHER RECEIVABLES - considered good</b>			
Gas development surcharge receivable from GoP	31.1	-	25,798,540
Staff pension fund	41.1	515,263	672,909
Receivable for sale of gas condensate		78,972	253,228
Sui Northern Gas Pipelines Limited	31.2	25,677,084	22,227,096
Jamshoro Joint Venture Limited	31.6 & 31.7	10,435,616	14,636,955
SSGC LPG (Private) Limited		242,819	565,837
Workers' Profit Participation Fund	31.3	161,655	1,567,655
Sales tax receivable	31.4	19,665,771	14,710,812
Sindh sales tax		112,569	112,569
Pipeline rentals		18,154	49,984
Receivable against asset contribution	31.8	389,907	448,587
Miscellaneous receivables		156,558	527,045
		<u>57,454,368</u>	<u>81,571,217</u>
Provision against impaired receivables	31.5	(2,346,359)	(2,346,359)
		<u>55,108,009</u>	<u>79,224,858</u>



### 31.1 Gas development surcharge receivable from GoP

- 31.1.1 This includes Rs. 390 million (2015: 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.
- 31.1.2 The Company has accounted for actuarial gains and losses in determining revenue requirement of the Company for the year ended June 30, 2016 having total impact of Rs. 14 million (2015: Rs. 780 million).

The Company has recognized such Gas development surcharge in other comprehensive income instead of profit and loss account on the premise that actuarial gain have also been recognized in other comprehensive income.

### 31.2 As at year end, receivable balance from SNGPL comprises of the following:

	Note	2016 (Rupees in '000)	2015
Uniform cost of gas		17,565,056	20,016,375
Lease rentals		58,729	84,811
Contingent rent		3,535	3,422
Capacity and utilisation charges of RLNG	31.2.1	7,191,242	2,122,488
LSA margins of RLNG		334,867	-
RLNG transportation income		523,655	-
		<u>25,677,084</u>	<u>22,227,096</u>

- 31.2.1 The Company has invoiced an amount of Rs.14,963 million, including Sindh Sales Tax of Rs. 1,861 million, till June 30, 2016 to SNGPL in respect of capacity and utilization charges (terminal charges) relating to RLNG.

SNGPL has recorded total billed amount of capacity, utilization and flexibility charges of Rs. 2,708 million and Rs. 4,077 million as part of cost of gas sold, in its financial statements for the year ended June 30, 2015 and June 30, 2016 respectively. However, it has disputed the terminal charges that have not been allowed to it by OGRA, terminal charges of a third party (i.e. Pak-Arab Fertilized Company Limited (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Company.

In June 2016, the Economic Coordination Committee (ECC) approved the policy guidelines that all charges under LSA including, but not limited to capacity and utilization charges as well as retainage are to be included at actual. Subsequent to the year-end the OGRA in its decision dated October 07, 2016 regarding determination of RLNG price, has allowed the terminal charges at actual. Based on that decision management is confident that it will received the disputed amount from SNGPL and once the dedicated pipeline is constructed and multi-party agreement is signed other disputes will also be resolved.

	2016 (Rupees in '000)	2015
<b>31.3 Workers' profit participation fund</b>		
Balance as at July 01	1,567,655	1,229,655
Amount (received) / paid by the Company	(1,406,000)	338,000
Allocation for the year	-	-
Balance as at June 30	<u>161,655</u>	<u>1,567,655</u>

- 31.4 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 through a letter 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. The management is making vigorous efforts for realization of these refunds.

Subsequent to the year end, the FBR has released further sales tax refunds of Rs. 4.9 billion as a result of vigorous follow up on the matter.



	2016 (Rupees in '000)	2015
<b>31.5 Movement of provision against other receivables</b>		
Balance as at July 01	2,346,359	2,346,359
Provision made during the year	-	-
Balance as at June 30	<u>2,346,359</u>	<u>2,346,359</u>

**31.6** During the year 2013-14, 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 (JJVL) 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 amount is yet to be finalized for which the Court has appointed an Advocate Supreme Court to determine the matter which is still pending. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

**31.7** This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, sale of natural gas liquids, Federal Excise Duty and Sindh Sales Tax on Franchise Services amounting to Rs. 260 million (2015: Rs. 230 million), Rs. 6,921 million (2015: Rs. 8,918 million), Rs. 1,564 million (2015: Rs. 3,773 million), Rs. 1,070 million (2015: Rs. 1,070 million) and Rs. 646 million (2015: Rs. 646 million) respectively.

As at year end, amount payable to JJVL is Rs. 5,783 million (2015: Rs. 7,433 million) as disclosed in note 16 to these financial statements. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

**31.8** This represents receivable from Mari Gas Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cash flow technique.

	Note	2016 (Rupees in '000)	2015
<b>32. TAXATION - NET</b>			
Advance tax		27,078,029	23,876,968
Provision for tax		(7,091,127)	(6,434,221)
		<u>19,986,902</u>	<u>17,442,747</u>
<b>33. CASH AND BANK BALANCES</b>			
<b>Cash at banks</b>			
- deposit accounts		508,208	634,674
- current accounts		435,884	342,323
		944,092	976,997
<b>Cash in hand</b>	33.1	10,147	7,132
		<u>954,239</u>	<u>984,129</u>

**33.1** This includes foreign currency cash in hand amounting to Rs. 1.572 million (2015: Rs. 0.898 million).





	Note	2016 (Rupees in '000)	2015
<b>34. COST OF SALES</b>			
Cost of gas	34.1	147,284,596	154,261,300
Transmission and distribution costs	34.2	16,155,532	14,758,809
		<u>163,440,128</u>	<u>169,020,109</u>
<b>34.1 Cost of gas</b>			
Gas in pipelines as at July 01		341,904	332,529
Gas purchases		180,777,694	194,671,452
		<u>181,119,598</u>	<u>195,003,981</u>
Gas consumed internally		(4,122,110)	(2,115,589)
Inward price adjustment	34.1.1	(29,376,858)	(38,285,188)
Gas in pipelines as at June 30		(336,034)	(341,904)
		<u>(33,835,002)</u>	<u>(40,742,681)</u>
		<u>147,284,596</u>	<u>154,261,300</u>

**34.1.1** Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Company and Sui Northern Gas Pipelines Limited effective from July 01, 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.

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

The 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, 2016 is 13.73% (2015: 13.62%). OGRA has restricted UFG to 4.5%.



	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>34.2 Transmission and distribution costs</b>			
Salaries, wages and benefits		7,408,232	7,191,975
Contribution / accrual in respect of staff retirement benefit schemes	34.2.1	1,300,904	1,186,485
Depreciation on operating assets	19.2	4,848,963	4,477,731
Repairs and maintenance		1,138,275	1,147,858
Stores, spares and supplies consumed		529,903	596,603
Gas consumed internally		467,935	596,278
Legal and professional		157,391	163,791
Software maintenance		8,417	27,754
Electricity		102,558	105,466
Security expenses		460,318	383,280
Insurance and royalty		102,547	95,857
Travelling		43,751	51,641
Material and labor used on customers' installation		37,485	16,486
Impairment of capital work in progress		59,740	70,091
Impairment of operating assets	34.2.2	1,190,000	-
Postage and revenue stamps		2,844	2,723
Rent, rates and taxes		114,930	209,920
Others		293,916	253,827
		18,268,109	16,577,766
<b>Recoveries / allocations to:</b>			
Gas distribution system capital expenditure		(1,581,809)	(1,588,718)
Installation costs recovered from customers		(82,357)	(25,606)
		(1,664,166)	(1,614,324)
<b>Recoveries of service cost from:</b>			
- Sui Northern Gas Pipelines Limited - a related party	34.2.3	(407,573)	(135,603)
- Other customers		(17,072)	(43,368)
		(424,645)	(178,971)
Allocation to sale of gas condensate		(23,766)	(25,662)
		16,155,532	14,758,809
		2016 (Rupees in '000)	2015 (Rupees in '000)
<b>34.2.1 Contribution / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		184,424	180,195
Charge in respect of pension funds:			
- executives		162,133	141,969
- non-executives		81,119	108,202
Charge in respect of gratuity funds:			
- executives		142,259	135,361
- non-executives		81,283	66,963
Accrual in respect of unfunded post retirement medical facility		571,346	470,901
Accrual in respect of compensated absences			
- executives		77,116	7,215
- non-executives		1,224	75,679
		1,300,904	1,186,485



34.2.2 This represents impaired operating assets which have been disallowed by OGRA in determination of 17% return on operating assets, as these assets exceeded the per consumer cost criteria prescribed by Ministry of Petroleum and Natural Resources.

34.2.3 This includes recovery in respect of obligation against pipeline transferred to the Company from Engro Elengy Terminal Limited amounting to Rs. 135 million.

	Note	2016 (Rupees in '000)	2015
<b>35. ADMINISTRATIVE AND SELLING EXPENSES</b>			
Administrative expenses	35.1	2,383,645	2,293,438
Selling expenses	35.2	1,457,043	1,440,164
		<b>3,840,688</b>	<b>3,733,602</b>
<b>35.1 Administrative expenses</b>			
Salaries, wages and benefits		1,416,552	1,323,207
Contribution / accrual in respect of staff retirement benefit schemes	35.1.1	100,569	120,893
Depreciation on operating assets	19.2	209,956	209,944
Amortisation of intangible assets	20	30,929	61,331
Repairs and maintenance		127,879	129,278
Stores, spares and supplies consumed		52,133	58,427
Legal and professional		136,408	80,232
Software maintenance		96,853	112,653
Electricity		5,473	7,429
Security expenses		10,068	8,680
Insurance and royalty		16,856	12,629
Travelling		52,935	56,590
Postage and revenue stamps		9,820	6,636
Rent, rates and taxes		17,067	10,768
Others		158,856	148,865
		<b>2,442,354</b>	<b>2,347,562</b>
Allocation to meter manufacturing division		(58,709)	(54,124)
		<b>2,383,645</b>	<b>2,293,438</b>



	2016 (Rupees in '000)	2015
<b>35.1.1 Contribution / accrual in respect of staff retirement benefit schemes</b>		
Contribution to the provident fund	34,308	34,290
Charge in respect of pension funds:		
- executives	28,242	27,621
- non-executives	3,687	4,984
Charge in respect of gratuity funds:		
- executives	26,490	24,039
- non-executives	3,731	3,626
Accrual in respect of unfunded post retirement:		
- gas facility	4,111	6,915
- medical facility	-	19,418
	100,569	120,893

	Note	2016 (Rupees in '000)	2015
<b>35.2 Selling expenses</b>			
Salaries, wages and benefits		803,088	826,673
Contribution / accrual in respect of staff retirement benefit schemes	35.2.1	87,051	90,258
Depreciation on operating assets	19.2	15,263	10,635
Repairs and maintenance		2,481	2,621
Stores, spares and supplies consumed		20,407	28,204
Electricity		84,788	70,969
Insurance and royalty		809	652
Travelling		1,047	985
Billing and collection charges		396,538	359,828
Postage and revenue stamps		584	569
Rent, rates and taxes		30,364	38,915
Others		14,623	9,855
		1,457,043	1,440,164

<b>35.2.1 Contribution / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		25,721	26,690
Charge in respect of pension funds:			
- executives		16,965	16,941
- non-executives		14,231	19,582
Charge in respect of gratuity funds:			
- executives		15,908	14,693
- non-executives		14,226	12,352
		87,051	90,258



	Note	2016 (Rupees in '000)	2015
<b>36. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration			
- Statutory audit		3,750	3,000
- Fee for other audit related services		2,530	5,700
- Fee for taxation services		16,645	14,597
- Out of pocket expenses		268	250
		<u>23,193</u>	<u>23,547</u>
Sports expenses		58,897	50,013
Corporate social responsibility		46,463	62,526
Provision against impaired debts and other receivables		1,947,877	119,292
Provision against impaired stores and spares		29,527	34,192
Exchange loss		243,441	1,299,017
Reversal of LPS from SSGC LPG (Private) Limited		6,507	-
		<u>2,355,905</u>	<u>1,588,587</u>
<b>37. OTHER OPERATING INCOME</b>			
<b>Income from other than financial assets</b>			
Meter rentals		718,779	700,078
RLNG transportation income		459,347	-
Recognition of income against deferred credit		406,096	402,909
Income from new service connections and asset contribution		299,543	884,743
Income from LPG air mix distribution - net	37.1	128,886	116,083
Recoveries from customers		78,940	71,627
Gain on disposal of property, plant and equipment	19.3	98,136	28,912
Liquidated damages recovered		264,175	17,790
Advertising income		4,657	5,420
Income from sale of tender documents		5,001	5,775
Scrap sales		49,943	10,803
Miscellaneous		181,368	230,885
		<u>2,694,871</u>	<u>2,475,025</u>
<b>37.1 Income from LPG air mix distribution - net</b>			
Sales		23,866	20,517
Cross subsidy		397,735	551,574
Cost of sales		(199,492)	(369,513)
Gross profit		<u>222,109</u>	<u>202,578</u>
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(31,254)	(27,491)
Depreciation expenses	19.2	(55,925)	(55,255)
Other operating expenses		(35,507)	(32,338)
		<u>(122,686)</u>	<u>(115,084)</u>
Amortisation of deferred credit		26,994	26,999
Other income		2,469	1,590
Profit for the year		<u>128,886</u>	<u>116,083</u>



	Note	2016 (Rupees in '000)	2015
<b>38. OTHER NON-OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Late payment surcharge		2,197,704	1,791,017
Income from net investment in finance lease		27,257	65,417
Income for receivable against asset contribution		40,559	41,677
Interest income on loan to related party		125,181	149,189
Return on:			
- term deposits and profit and loss bank accounts		174,110	240,047
		<b>2,564,811</b>	<b>2,287,347</b>
<b>Interest income on late payment of gas bills from</b>			
- Jamshoro Joint Venture Limited (JJVL)	38.2	275,630	252,342
- Water & Power Development Authority (WAPDA)		241,614	105,348
- Sui Northern Gas Pipelines Limited (SNGPL)		1,146,820	1,024,711
- SSGC LPG (Private) Limited		110	14,920
		<b>1,664,174</b>	<b>1,397,321</b>
Dividend income		1,186	356
		<b>4,230,171</b>	<b>3,685,024</b>
<b>Income from investment in debts, loans, advances and receivables from related party</b>			
Income from net investment in finance lease	38.1	78,959	90,389
<b>Others</b>			
Sale of gas condensate - net	38.7	(249,333)	197,557
Income from LPG and NGL - net	38.4, 38.5 38.6 & 38.7	174,271	6,123,459
Rental income from SSGC LPG (Private) Limited		352	-
Meter manufacturing division profit - net	38.3	14,805	114,688
		<b>(59,905)</b>	<b>6,435,704</b>
Reversal of finance cost	38.8	17,570,220	-
Income against LNG service agreement		293,386	-
Amortisation of government grant		991,743	-
		<b>23,104,574</b>	<b>10,211,117</b>

38.1 This represents income from SNGPL amounting to Rs. 78.959 million (2015: Rs. 90.389 million).

38.2 Interest is charged on the receivable from JJVL at the State Bank of Pakistan discount rate plus 2%. Interest is charged at KIBOR + 1% on reconciled outstanding amount as at December 31, 2014 to be repaid in 12 equal quarterly installments. Refer note 18.1.5 for status of arbitration proceeding with JJVL.



	Note	2016 (Rupees in '000)	2015
<b>38.3 Meter manufacturing division profit - net</b>			
Gross sales of gas meters			
- Company's consumption		1,388,422	1,079,732
- Outside sales		430,946	1,432,459
		<u>1,819,368</u>	<u>2,512,191</u>
Sales tax		(261,405)	(385,559)
Net sales		<u>1,557,963</u>	<u>2,126,632</u>
Cost of sales			
- Raw material consumed		930,098	1,432,687
- Stores and spares		6,539	17,682
- Fuel, power and electricity		12,373	18,508
- Salaries wages and other benefits	38.3.2	498,479	458,993
- Insurance		706	946
- Repairs and maintenance		2,714	4,747
- Depreciation	19.2	25,939	20,231
- Transportation		3,419	4,949
- Other expenses		13,589	1,571
Cost of goods sold		<u>1,493,856</u>	<u>1,960,314</u>
Gross profit		64,107	166,318
Administrative expenses		(58,709)	(54,124)
Operating profit		<u>5,398</u>	<u>112,194</u>
Other income		9,407	2,494
Net profit		<u>14,805</u>	<u>114,688</u>
<b>38.3.1 Gas meters used by the Company are included in operating assets at manufacturing cost.</b>			
<b>38.3.2 Salaries, wages and other benefits</b>		485,169	445,264
Provident fund contribution		5,411	5,239
Pension fund		3,984	4,823
Gratuity		3,915	3,667
		<u>498,479</u>	<u>458,993</u>

**38.4** This amount includes sale of LPG to SSGC LPG (Private) Limited (wholly owned subsidiary) amounting to Rs. 556 million (2015: Rs. 1,398 million).



- 38.5 The Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Company with mutually agreed quantity of LPG extracted and retain the rest for onward use. The Company paid processing charges of \$235/MT for the months on which JJVL's production share is below 53.55% and \$220/MT if JJVL's production share is more than 53.55%.

The net income from LPG business has declined due to steady decline in LPG prices globally, in line with decline in global oil prices. Since, the Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Company sent termination notices of MoU with JJVL dated May 04, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

- 38.6 It includes sale of NGL to JJVL amounting to Rs. 1,979 million on the basis of provisional selling prices and after adjusting extraction charges and shrinkage cost the net loss from sale of NGL is Rs. 355 million. The provisional sales are subject to change as result of negotiation / arbitration from JJVL. Refer note 18.1.5 for status of arbitration proceeding with JJVL.
- 38.7 The shrinkage cost charged during the year is based on MMBTU, however till last year shrinkage cost was based on MMCF.
- 38.8 As disclosed in note 27.1 and 27.2, effective from July 01, 2012, the Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". However, the Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 01, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

In response to the Company's above request, the MP & NR vide their letter dated January 03, 2017 has supported the contention of the Company that it will not recognize LPS expense payable to the Government Controlled E & P Companies (OGDCL, PPL and GHPL), effective from July 01, 2012, till the time Company receives payment for LPS income from KE and PSML and it would be settled simultaneously subject to fulfillment of all the codal formalities. Based on the letter received from MP & NR, and the legal opinion, the Company has reversed the LPS expense on delayed payments on gas supplies effective from July 01, 2012. Further it has been decided that the Company will record and pay such expense in the period only when it receives LPS income from KE and PSML.

Had the management not reversed the LPS expense payable from July 01, 2012 to June 30, 2015 of Rs. 17,570 million and recorded LPS expense for the year of Rs. 8,651 million on outstanding payables to Government Controlled E&P Companies, the effect on these unconsolidated financial statements would be as follows:

	<u>(Rupees in '000)</u>
- Increase in loss before tax	26,221,647
- Increase in loss after tax / accumulated losses	18,355,153
- Increase in loss per share - Rupees	20.84





	Note	2016	2015
		(Rupees in '000)	
<b>39. FINANCE COST</b>			
Mark-up on:			
- loans from banking companies		1,615,985	2,216,473
- short term borrowings		70,509	53,763
- customers' deposits		286,154	278,093
- customer finance		1,050	1,848
- delayed payment on gas supplies	38.8	-	7,089,712
- Government of Sindh loans		1,414,797	229,937
- obligation against pipeline		97,982	25,012
- others		81,935	153,507
		3,568,412	10,048,345
Less: Finance cost capitalised during the year		(950,022)	(351,977)
		<u>2,618,390</u>	<u>9,696,368</u>
<b>40. TAXATION</b>			
Current year			
Current tax		(656,908)	-
Deferred tax		2,381,519	3,378,305
		<u>1,724,611</u>	<u>3,378,305</u>
<b>40.1 Relationship between unconsolidated accounting profit and tax expense for the year is as follows:</b>			
Accounting loss for the year		(7,839,564)	(8,769,354)
Tax rate		32%	33%
Tax charge @ 32% (2015: 33%)		(2,508,660)	(2,893,887)
Effect of change in rate		127,141	(484,336)
Effect of lower tax rate on dividend income		119	(82)
Super tax		75,667	-
Minimum income tax u/s 153 (1) (b)		581,122	-
		<u>(1,724,611)</u>	<u>(3,378,305)</u>



41. STAFF RETIREMENT BENEFITS

41.1 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, 2016 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:

	2016			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
<b>(Asset) / liability in unconsolidated balance sheet</b>				
Fair value of plan assets	(1,125,981)	(2,360,896)	(227,087)	(2,923,614)
Present value of defined benefit obligation	820,786	4,381,868	17,019	3,465,299
	<u>(305,195)</u>	<u>2,020,972</u>	<u>(210,068)</u>	<u>541,685</u>
<b>Movement in present value of defined benefit obligation</b>				
Obligation as at July 01, 2015	700,883	3,923,930	17,249	3,485,623
Current service cost	58,692	232,399	-	172,904
Interest cost	67,417	371,704	1,600	334,725
Remeasurement	18,172	318,057	683	(294,428)
Benefits paid	(24,378)	(464,222)	(2,513)	(233,525)
Obligation as at June 30, 2016	<u>820,786</u>	<u>4,381,868</u>	<u>17,019</u>	<u>3,465,299</u>
<b>Movement in fair value of plan assets</b>				
Fair value as at July 01, 2015	1,153,990	2,387,118	237,051	2,829,652
Expected return on plan assets	118,412	219,851	27,968	273,675
Remeasurement	(129,671)	194,158	(9,087)	(180,094)
Benefits paid	(24,378)	(464,222)	(2,513)	(233,525)
Contribution to the fund	201,786	189,922	103,732	103,842
Amount transferred (out) / in	(194,158)	(165,931)	(130,064)	130,064
Fair value as at June 30, 2016	<u>1,125,981</u>	<u>2,360,896</u>	<u>227,087</u>	<u>2,923,614</u>
<b>Movement in (asset) / liability in unconsolidated balance sheet</b>				
(Asset) / liability as at July 01, 2015	(453,107)	1,536,812	(219,802)	655,971
Expense recognised for the year	201,855	190,094	103,696	103,890
Remeasurement	147,843	483,988	9,770	(114,334)
Contribution to the fund	(201,786)	(189,922)	(103,732)	(103,842)
(Asset) / liability in unconsolidated balance sheet	<u>(305,195)</u>	<u>2,020,972</u>	<u>(210,068)</u>	<u>541,685</u>



## 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:

	2016			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	58,692	232,399	-	172,904
Interest cost	67,417	371,704	1,600	334,725
Interest income on plan assets	(118,412)	(219,851)	(27,968)	(273,675)
Amount transferred out / (in)	194,158	(194,158)	130,064	(130,064)
	<u>201,855</u>	<u>190,094</u>	<u>103,696</u>	<u>103,890</u>
<b>Total remeasurements recognised in other comprehensive income</b>				
<b>Remeasurement on obligation arising on</b>				
- financial assumptions	(100,470)	(346,661)	(262)	(158,675)
- demographic assumptions	-	-	-	-
- experience adjustments	82,298	28,604	(421)	453,103
	<u>(18,172)</u>	<u>(318,057)</u>	<u>(683)</u>	<u>294,428</u>
<b>Remeasurement on plan assets arising on</b>				
Actual return on plan assets	12,132	(111,978)	42,692	(111,749)
Expected return on plan assets	118,412	219,851	27,968	273,675
Net return on plan assets over interest income	(130,544)	(107,873)	(70,660)	(161,926)
Difference in opening fair value of assets after audit	873	(58,058)	61,573	(18,168)
Adjustment for previous amount	-	-	-	-
	<u>(129,671)</u>	<u>(165,931)</u>	<u>(9,087)</u>	<u>(180,094)</u>
	<u>(147,843)</u>	<u>(483,988)</u>	<u>(9,770)</u>	<u>114,334</u>
<b>Composition / fair value of plan assets used by the fund</b>				
Quoted Shares	14.05%	6.68%	41.34%	7.70%
Debt instruments	82.04%	90.59%	46.76%	87.18%
Mutual funds	1.80%	2.13%	7.43%	4.74%
Others including cash & cash equivalents	2.11%	0.60%	4.47%	0.38%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Quoted Shares	158,203	157,763	93,860	225,078
Debt instruments	923,744	2,138,781	106,193	2,548,945
Mutual funds	20,297	50,317	16,876	138,570
Others including cash & cash equivalents	23,737	14,035	10,158	11,021
Total	<u>1,125,981</u>	<u>2,360,896</u>	<u>227,087</u>	<u>2,923,614</u>



	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
<b>(Asset) / liability in unconsolidated balance sheet</b>				
Fair value of plan assets	(1,153,990)	(2,387,118)	(237,051)	(2,829,652)
Present value of defined benefit obligation	700,883	3,923,930	17,249	3,485,623
	<u>(453,107)</u>	<u>1,536,812</u>	<u>(219,802)</u>	<u>655,971</u>

**Movement in present value of defined benefit obligation**

Obligation as at July 01, 2014	647,081	3,491,853	18,002	3,383,717
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Remeasurement	(61,051)	120,983	(1,155)	(226,321)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Obligation as at June 30, 2015	<u>700,883</u>	<u>3,923,930</u>	<u>17,249</u>	<u>3,485,623</u>

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
<b>Movement in fair value of plan assets</b>				
Fair value as at July 01, 2014	1,079,998	2,141,413	209,519	2,553,389
Interest income	154,072	270,642	36,772	335,910
Remeasurement	(30,701)	(57,464)	25,554	(67,122)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Contribution to the fund	191,897	163,363	143,677	118,505
Amount transferred (out) / in	(216,001)	216,001	(176,598)	176,598
Fair value as at June 30, 2015	<u>1,153,990</u>	<u>2,387,118</u>	<u>237,051</u>	<u>2,829,652</u>

**Movement in (asset) / liability in unconsolidated balance sheet**

(Asset) / liability as at July 01, 2014	(462,917)	1,380,440	(197,017)	835,828
Expense recognised for the year	202,057	171,288	142,101	103,347
Remeasurement	(350)	148,447	(21,209)	(164,699)
Contribution to the fund	(191,897)	(163,363)	(143,677)	(118,505)
(Asset) / liability in unconsolidated balance sheet	<u>(453,107)</u>	<u>1,536,812</u>	<u>(219,802)</u>	<u>655,971</u>



## 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:

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Expected return on plan assets	(154,072)	(270,642)	(36,772)	(335,910)
Amount transferred out / (in)	216,001	(216,001)	176,598	(176,598)
	<u>202,057</u>	<u>171,288</u>	<u>142,101</u>	<u>103,347</u>
<b>Total remeasurements recognised in other comprehensive income</b>				
<b>Remeasurement on obligation arising on</b>				
- financial assumptions	2,892	(1,887)	250	(143,581)
- demographic assumptions	-	-	-	-
- experience adjustments	58,159	(119,096)	905	369,902
	<u>61,051</u>	<u>(120,983)</u>	<u>1,155</u>	<u>226,321</u>
<b>Remeasurement on plan assets arising on</b>				
Actual return on plan assets	(117,143)	(249,818)	(40,554)	(306,875)
Expected return on plan assets	154,072	270,642	36,772	335,910
Net return on plan assets over interest income	(36,929)	(20,824)	3,782	(29,035)
Difference in opening fair value of assets after audit	6,228	(36,640)	21,772	(38,087)
Adjustment for previous amount	(30,000)	30,000	(5,500)	5,500
	<u>(60,701)</u>	<u>(27,464)</u>	<u>20,054</u>	<u>(61,622)</u>
	<u>350</u>	<u>(148,447)</u>	<u>21,209</u>	<u>164,699</u>
<b>Composition / fair value of plan assets used by the fund</b>				
Quoted shares	21.26%	10.15%	61.41%	12.25%
Debt instruments	69.94%	84.34%	22.20%	81.73%
Mutual funds	1.90%	1.95%	6.22%	4.49%
Other including cash and cash equivalents	6.90%	3.56%	10.17%	1.53%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Quoted shares	245,378	242,274	145,580	346,614
Debt instruments	807,145	2,013,346	52,616	2,312,534
Mutual funds	21,908	46,613	14,747	127,173
Others including cash and cash equivalents	79,559	84,885	24,108	43,331
Total	<u>1,153,990</u>	<u>2,387,118</u>	<u>237,051</u>	<u>2,829,652</u>



Significant actuarial assumptions

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

	Executives and Non-executives	
	2016 (%)	2015 (%)
Discount rate	7.25	9.75
Expected rate of increase in salary level	5.25	7.75
Increase in pension	1.25	2.75

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of salary and pension increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Change in assumption			Impact of change in assumptions in present value of defined benefit obligation			
			Executives		Non-executives	
			Pension	Gratuity	Pension	Gratuity
(Rupees in '000)						
Discount rate	1%	Increase in assumption	(82,964)	(277,123)	(987)	(249,934)
Salary increase rate	1%	assumption	42,340	289,473	-	266,674
Pension increase rate	1%		54,979	-	1,171	-
Discount rate	1%	Decrease in assumption	99,769	308,545	1,113	281,546
Salary growth rate	1%	assumption	(38,728)	(265,070)	-	(241,351)
Pension increase rate	1%		(47,319)	-	(1,052)	-

In presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the unconsolidated balance sheet.

The expected pension and gratuity expense for the next one year from July 01, 2016 is as follows:

	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
(Rupees in '000)				
Current service cost	30,543	253,150	-	164,971
Interest cost	60,223	310,872	1,153	246,527
Interest income on plan assets	(81,588)	(169,391)	(15,859)	(208,605)
Interest cost	(21,365)	141,481	(14,706)	37,922
Expected return on plan assets	192,356	(192,356)	103,773	(103,773)
Amount transferred out / (in)	201,534	202,275	89,067	99,120



#### 41.2 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, 2016 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 2,350 (2015: 2,584) and 166 (2015: 174) for medical and gas facility respectively

	Post retirement medical facility	2016 Post retirement gas facility	Total
	(Rupees in '000)		
<b>Liability in unconsolidated balance sheet</b>			
Present value of defined benefit obligation	4,004,327	45,958	4,050,285
<b>Movement in present value of defined benefit obligation</b>			
Liability as at July 01, 2015	4,067,619	43,640	4,111,259
Expense recognised for the year	571,347	4,111	575,458
Payments during the year	(92,153)	(3,233)	(95,386)
Remeasurement	(542,486)	1,440	(541,046)
Liability as at June 30, 2016	4,004,327	45,958	4,050,285
<b>Expense recognised in the unconsolidated profit and loss account</b>			
Current service cost	158,114	-	158,114
Interest cost	413,233	4,111	417,344
	571,347	4,111	575,458
<b>Total remeasurements recognised in other comprehensive income</b>			
<b>Remeasurement on obligation arising on</b>			
- financial assumptions	22,277	5,892	28,169
- demographic assumptions	-	-	-
- experience adjustments	(564,763)	(4,452)	(569,215)
	(542,486)	1,440	(541,046)



	Post retirement medical facility	2015 Post retirement gas facility (Rupees in '000)	Total
<b>Liability in unconsolidated balance sheet</b>			
Present value of defined benefit obligation	4,067,619	43,640	4,111,259
<b>Movement in present value of defined benefit obligation</b>			
Liability as at July 01, 2014	2,847,258	53,708	2,900,966
Expense recognised for the year	483,989	6,886	490,875
Payments during the year	(95,556)	(2,920)	(98,476)
Remeasurement	831,928	(14,034)	817,894
Liability as at June 30, 2015	4,067,619	43,640	4,111,259
<b>Expense recognised in the unconsolidated profit and loss account</b>			
Current service cost	104,188	-	104,188
Interest cost	379,801	6,886	386,687
	483,989	6,886	490,875
<b>Total remeasurements recognised in other comprehensive income</b>			
<b>Remeasurement on obligation arising on</b>			
- financial assumptions	829,304	(7,701)	821,603
- demographic assumptions	-	-	-
- experience adjustments	2,624	(6,333)	(3,709)
	831,928	(14,034)	817,894

**Significant actuarial assumptions**

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

	Executives	
	2016 (%)	2015 (%)
Discount rate	7.25	9.75
Medical inflation rate	7.25	9.75
Gas inflation rate	7.25	9.75





Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of medical and gas increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Change in assumption	Impact of change in assumptions in present value of defined benefit obligation			
	Post retirement medical facility	Post retirement gas facility		
(Rupees in '000)				
Discount rate	1%	Increase in assumption	(820,692)	(3,511)
Medical inflation rate	1%		237,175	-
Gas inflation rate	1%		-	3,975
Discount rate	1%	Decrease in assumption	1,073,217	4,015
Medical inflation rate	1%		(216,738)	-
Gas inflation rate	1%		-	(3,542)

The expected medical and gas expense for the next one year from July 01, 2016 is as follows:

Current service cost	198,104	-
Net interest cost	361,054	3,216
	559,158	3,216

#### 41.3 Defined contribution plan - Recognized provident fund

The information related to the provident funds established by the Company based on the management records are as follows:

	Executives		Non-Executives	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
(Rupees in '000)				
Size of provident fund	3,664,516	3,283,000	3,545,043	3,165,000
Cost of investments made	2,829,763	2,656,763	2,771,833	2,697,572
Percentage of investments made	77%	81%	78%	85%
Fair value of investment	3,180,971	3,033,510	3,137,653	2,988,479
<b>Break-up of investments:</b>				
<b>- Balance in savings accounts</b>				
Amount of investment	49,585	86,387	41,524	55,395
Percentage of investment as size of the fund	1%	3%	1%	2%
<b>- Term deposit receipts</b>				
Amount of investment	983,801	824,428	386,290	515,252
Percentage of investment as size of the fund	27%	25%	11%	16%



	Executives		Non-Executives	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
	(Rupees in '000)			
- Units of mutual fund				
Amount of investment	58,442	56,781	-	-
Percentage of investment as size of the fund	2%	2%	0%	0%
- Special savings certificate				
Amount of investment	1,469,264	1,202,226	2,116,034	1,499,573
Percentage of investment as size of the fund	40%	37%	60%	47%
- Treasury bills				
Amount of investment	-	103,902	-	248,876
Percentage of investment as size of the fund	0%	3%	0%	8%
- Pakistan Investment Bonds (PIBs)				
Amount of investment	525,651	541,925	458,265	472,428
Percentage of investment as size of the fund	14%	17%	13%	15%
- Term Finance Certificates (TFCs)				
Amount of investment	19,533	19,533	12,650	12,650
Percentage of investment as size of the fund	1%	1%	0.36%	0.40%
- Quoted shares				
Amount of investment	74,695	198,328	122,890	184,305
Percentage of investment as size of the fund	2%	6%	3%	6%

41.3.1 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.

#### 42. LOSS PER SHARE - BASIC AND DILUTED

		2016	2015
Loss for the year	Rupees in '000	(6,114,953)	(5,391,049)
Average number of ordinary shares	Number of shares	880,916,309	880,916,309
Loss per share - basic and diluted	Rupees	(6.94)	(6.12)



	Note	2016 (Rupees in '000)	2015
<b>43. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS</b>			
Provisions	43.1	3,303,405	1,420,112
Depreciation		5,156,046	4,773,796
Amortisation of intangibles		30,929	61,331
Finance cost		2,504,077	9,664,117
Amortisation of transaction cost		16,331	7,239
Recognition of income against deferred credit		(433,090)	(429,908)
Dividend income		(1,186)	(356)
Interest income		(1,956,958)	(1,786,557)
Income from net investment in finance lease		(106,216)	(106,933)
Gain on disposal of property, plant and equipment		(98,136)	(28,912)
Increase / (decrease) in long term advances		294,668	(225,515)
Increase in deferred credit		150,028	297,996
Markup on obligation against pipeline		97,982	25,012
Reversal of finance cost		(17,570,220)	-
Impairment of operating assets		1,190,000	-
Amortization of Government grant		(991,743)	-
		<u>(8,414,083)</u>	<u>13,671,422</u>
<b>43.1 Provisions</b>			
Provision against slow moving / obsolete stores		42,455	38,167
Provision against impaired debts and other receivables		1,947,877	119,292
Provision for compensated absences		78,340	82,894
Provision for post retirement medical and free gas supply facilities		575,458	490,875
Provision for retirement benefits		599,535	618,793
Impairment of capital work in progress		59,740	70,091
		<u>3,303,405</u>	<u>1,420,112</u>
<b>44. WORKING CAPITAL CHANGES</b>			
<b>(Increase) / decrease in current assets</b>			
Stores and spares & loose tools		(345,302)	416,593
Stock-in-trade		45,105	24,678
Customers' installation work in progress		(1,380)	(3,297)
Trade debts		2,118,500	(11,481,031)
Advances, deposits and short term prepayments		(199,287)	(145,206)
Other receivables		23,945,423	(19,484,385)
		<u>25,563,059</u>	<u>(30,672,648)</u>
<b>Increase in current liabilities</b>			
Trade and other payables		16,097,110	40,009,874
		<u>41,660,169</u>	<u>9,337,226</u>



45. 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:

	2016		2015	
	Managing Director	Executives	Managing Director	Executives
	(Rupees in '000)			
Managerial remuneration	28,443	2,237,410	24,827	2,086,805
Housing	11,801	861,238	10,008	805,289
Utilities	2,622	191,385	2,224	178,952
Retirement benefits	791	431,893	874	392,846
	<u>43,657</u>	<u>3,721,926</u>	<u>37,933</u>	<u>3,463,892</u>
Number	<u>2</u>	<u>1,796</u>	<u>3</u>	<u>1,776</u>

45.1 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. 0.153 million (2015: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

45.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 30.2 million (2015: Rs. 9.45 million for 14 directors).

45.3 Total number of employees and average number of employees as at year end are 7,205 and 7,250 respectively (2015: 7,294 and 7,306).

46. CAPACITY AND ACTUAL PERFORMANCE

46.1 Natural gas transmission

	2016		2015	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	<u>537,490</u>	<u>151,431,626</u>	<u>532,535</u>	<u>150,035,612</u>
Utilisation - volume of gas transmitted	<u>560,890</u>	<u>158,024,307</u>	<u>450,177</u>	<u>126,832,193</u>
Capacity utilisation factor (%)	<u>104.4</u>	<u>104.4</u>	<u>84.5</u>	<u>84.5</u>

46.2 Natural gas distribution

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

46.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 491,799 meters (2015: 614,680 meters) against an annual capacity of 356,000 meters on a single shift basis.

47. 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 Oil and Gas Regulatory Authority. Remuneration of key management personnel are in accordance with the term of employment / appointment. The prices and other conditions are not influenced by the Company. Other transaction with the related parties are carried out as per agreed terms. The details of transactions with related parties not disclosed else where in these financial statements are as follows:



	Relationship	2016 (Rupees in '000)	2015
<b>Astro Plastic (Private) Limited</b>	Associate		
- Billable charges		139,737	152,236
<b>Attock Cement Limited</b>	Associate		
- Billable charges		29,861	49,308
<b>Fauji Fertilizer Company Limited</b>	Associate		
- Billable charges		16	120
<b>Gadoon Textile Mills Limited</b>			
- Billable charges		511	338
<b>Government related entities - various</b>			
- Purchase of fuel and lubricant		19,896	10,198
- Billable charges		79,484,871	51,254,021
- Mark-up on short term finance		7,240	426
- Mark-up on Long term finance		6,859	2,260
- Sharing of expenses		104,652	83,770
- Income from net investment in finance lease		78,959	90,389
- Gas purchases		72,568,855	77,823,884
- Sale of gas meters		365,514	1,424,891
- Rent of premises		15,103	13,501
- Insurance premium		120,212	142,207
- Uniform cost of gas		29,814,588	38,850,975
- Electricity expense		192,819	183,864
- Interest income		1,388,434	1,130,059
- Markup on delayed payment on gas supplies		-	7,089,712
- Clearing charges		-	27
- Reversal of finance cost		17,570,220	-
- RLNG transportation income		459,347	-
- Income against LNG service agreement		293,386	-
<b>Habib Bank Limited</b>	Associate		
- Profit on investment		10,485	60,384
- Mark-up on short term finance		19,078	11,448
- Mark-up on long term finance		178,267	101,217
- Billable Charges		12,767	10,986
- Loan arrangement fee paid		297,336	-
<b>International Industries Limited</b>	Associate		
- Line pipe purchases		122,858	218,274
- Billable charges		1,213,577	1,118,002
<b>*Ismail Industries Limited</b>	Associate		
- Billable charges		-	289,152
<b>Key management personnel</b>			
- Remuneration		183,093	160,627
<b>*Kohinoor Silk Mills Limited</b>	Associate		
- Billable charges		-	87
<b>Minto &amp; Mirza</b>	Associate		
- Professional charges		14,400	13,250
<b>Pakistan Cables Limited</b>	Associate		
- Billable charges		89,630	94,389



	Relationship	2016 (Rupees in '000)	2015
<b>Pakistan Engineering Company Limited</b>	Associate		
- Billable charges		60	56
<b>*Pakistan Synthetic Limited</b>	Associate		
- Billable charges		-	19,758
<b>Pakistan Stock Exchange Limited</b>	Associate		
- Billable charges		285	328
<b>PERAC - Research &amp; Development Foundation</b>	Associate		
- Professional charges		2,027	508
- Billable charges		184	8
<b>Petroleum Institute of Pakistan</b>	Associate		
- Subscription / contribution		2,500	1,380
<b>*Premium Textile Mills Limited</b>	Associate		
- Billable charges		-	103,504
<b>SSGC LPG (Private) Limited</b>	Wholly owned subsidiary		
- Interest on loan		125,181	149,189
- Reversal of LPS income		6,507	-
- Interest on delayed payment of gas bill		110	14,920
- LPG purchases		117,966	358,442
- LPG sales		556,002	1,594,494
- Capital expenditure on operating fixed assets		10,937	-
- Rent on premises		352	-
<b>Staff Retirement Benefit Plans</b>	Associate		
- Contribution to provident fund		255,248	252,124
- Contribution to pension fund		305,518	344,158
- Contribution to gratuity fund		293,764	274,635
<b>**Standard Chartered Bank Limited</b>	Associate		
- Profit on investment		2,458	-
- Markup on local currency finance		4,209	-
- Markup on short term finance		1,026	-
<b>Thatta Cement Company Limited</b>	Associate		
- Billable charges		14,904	7,252

\* 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, 16, 31 and 41 to these financial statements.

Remuneration to the executive officers of the Company (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in notes 23 and 28 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.



#### 47.1 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	2016 (Rupees in '000)	2015
<b>Astro Plastic (Private) Limited</b>	Associate		
- Billable charges		12,785	19,846
- Gas supply deposit		(141,904)	(53,208)
<b>Attock Cement Limited</b>			
- Billable charges		2,691	5,350
- Gas supply deposit		(30,566)	(30,566)
<b>Attock Refinery Limited</b>	Associate		
- Sale of gas condensate		42,105	42,105
<b>Fauji Fertilizer Company Limited</b>	Associate		
- Billable charges		-	5
- Gas supply deposit		-	(124)
<b>Gadoon Textile Mills Limited</b>	Associate		
- Billable charges		14	27
- Gas supply deposit		(117)	(113)
<b>Government related entities - various</b>			
- Billable charges		63,604,130	66,590,353
- Mark up accrued on borrowings		2,186,389	-
- Sharing of expenses		(20,321)	(11,019)
- Net investment in finance lease		58,729	84,811
- Gas purchases		(115,513,943)	(112,069,923)
- Gas meters		558,732	710,123
- Uniform cost of gas		17,565,056	20,016,375
- Cash at bank		103,055	73,858
- Stock Loan		(2,304)	(2,523)
- Recoverable from insurance		950	50
- Gas supply deposit		(66,524)	(66,537)
- Interest expense accrued - late payment surcharge on gas bills		(15,832,411)	(33,402,629)
- Interest income accrued - late payment on gas bills		7,946,515	6,558,082
- Contingent rent		3,535	3,422
- Capacity and utilisation charges of RLNG		7,191,242	2,122,488
- RLNG transportation income		523,655	-
- Income against LNG service agreement		334,868	-
<b>Habib Bank Limited</b>	Associate		
- Long term finance		(4,185,625)	(1,000,000)
- Short term finance		(1,497,943)	(572,109)
- Cash at bank		128,301	28,020
- Accrued mark-up		(37,641)	(10,929)
- Billable charges		1,371	1,468
- Gas supply deposit		(3,589)	(4,041)
<b>International Industries Limited</b>	Associate		
- Billable charges		90,011	119,559
- Gas supply deposit		(333,850)	(70,997)
<b>Pakistan Cables Limited</b>	Associate		
- Billable charges		8,160	9,911
- Gas supply deposit		(23,418)	(21,968)
<b>Pakistan Engineering Company Limited</b>	Associate		
- Billable charges		5	5
- Gas supply deposit		(15)	(12)



	Relationship	2016 (Rupees in '000)	2015
<b>*Pakistan Stock Exchange</b>	Associate		
- Billable charges		-	207
- Gas supply deposit		-	(85)
<b>PERAC - Research &amp; Development Foundation</b>	Associate		
- Professional charges		57	57
- Billable charges		9	-
- Gas supply deposit		(220)	(220)
<b>SSGC LPG (Private) Limited</b>	Wholly owned subsidiary		
- Long term investment		1,000,000	1,000,000
- Short term loan		1,710,103	1,710,103
- Interest on loan		463,271	344,487
- LPG purchases		-	(217,782)
- LPG sales		242,439	565,837
- Capital expenditure on operating fixed assets		10,937	-
- Rent on premises		352	-
<b>Thatta Cement Company Limited</b>	Associate		
- Billable charges		481	94
- Gas supply deposit		(45,000)	(45,000)

\* 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.

## 48 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

### 48.1 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. Gas supply deposits of industrial, commercial and domestic customers equivalent of three months estimated gas consumption as per the OGRA notification 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:





	2016	2015
	(Rupees in '000)	
Trade debts	86,285,447	90,351,824
Net investment in finance lease	472,555	582,716
Loans and advances	2,806,337	2,463,495
Deposits	17,476	37,332
Bank balances	944,092	976,997
Interest accrued	8,703,603	7,173,338
Other receivables	35,042,751	36,752,373
	134,272,261	138,338,075

#### 48.1.1 Collateral and other credit enhancements obtained

Security against supply of gas to industrial, commercial and domestic customers is taken on the basis of average three months gas consumption as per OGRA notification. These collaterals are adjusted / called following on disconnection of gas supply. Details of security held at year end is as follows:

	2016	2015
	(Rupees in '000)	
Cash deposits	12,281,193	10,460,881
Bank guarantee / irrevocable letter of credit	26,553,567	25,482,423

#### 48.1.2 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 48.1.3 below:

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

Bank	Rating Agency	Rating	
		Short Term	Long Term
National Bank of Pakistan Limited	PACRA	A1+	AAA
Allied Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
The Bank of Punjab	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	A-
Summit Bank Limited	JCR-VIS	A-1	A-
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank Islami (Pakistan) Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	BBB+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Tameer Micro Finance Bank Limited	PACRA	A1	A+
Citi Bank N. A.	Moody's	P-1	A1
Deutsche Bank A.G.	Standard & Poor's	A2	BBB+
The Bank of Tokyo- Mitsubishi- UFJ, Limited	Standard & Poor's	Standard & A-1	A+



48.1.3 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:

	2016		2015	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
(Rupees in '000)				
Not due balances	19,012,350	-	20,427,304	-
Past due but not impaired	56,930,968	-	60,282,846	-
Past due and impaired	8,025,538	4,282,191	6,073,823	3,403,085
Disconnected customers	879,534	879,534	768,007	683,432
<b>Total</b>	<b>84,848,390</b>	<b>5,161,725</b>	<b>87,551,980</b>	<b>4,086,517</b>

Past due but not impaired balances include aggregate overdue balances of K-Electric, PSML and WAPDA amounting to Rs. 55,003 million and are subject to inter corporate circular debt of government entities and K-Electric.

The Company has collateral / security against industrial and commercial customers amounting to Rs. 32,789 million (2015: Rs. 31,184 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:

	2016		2015	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
(Rupees in '000)				
Not due balances	1,625,361	-	1,549,491	-
Past due but not impaired: Past due 1 - 6 month	2,521,002	-	2,629,043	-
Past due and impaired:				
Past due 7 - 9 months	545,228	-	555,652	-
Past due 10 - 12 months	448,493	-	472,585	-
Past due 13 - 18 months	649,691	281,022	701,950	-
Past due 19 - 24 months	323,217	323,217	563,732	407,072
Past due over 2 years	1,311,414	1,311,414	1,542,468	1,542,468
	3,278,043	1,915,653	3,836,387	1,949,540
Disconnected customers	5,176,014	4,085,985	4,000,409	3,179,429
<b>Total</b>	<b>12,600,420</b>	<b>6,001,638</b>	<b>12,015,330</b>	<b>5,128,969</b>



The Company has collateral / security against domestic customers amounting to Rs. 6,046 million (2015: Rs. 4,759 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, 2016 interest accrued net of provision was Rs. 8,704 million (2015: Rs. 7,173 million). Interest is mainly accrued on customer balances which are past due. Interest on past due balances includes receivable from WAPDA and SNGPL amounting to Rs. 7,947 million (2015: 6,558 million), recovery of which is subject to inter corporate circular debt of Government entities.

#### Other receivables

As at June 30, 2016 other receivable financial assets amounted to Rs. 35,043 million (2015: Rs.36,572 million). Past due other receivables amounting to Rs. 30,770 million (2015: Rs. 27,512 million) include over due balances of SNGPL amounting to Rs. 20,473 million (2015: Rs. 14,702 million), JJVL amounting to Rs. 10,008 million (2015: Rs. 12,092 million) and of SSGC LPG amounting to Rs. 226 million (2015: Rs. 491 million).

#### 48.1.4 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:

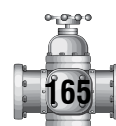
#### Trade debts

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

	2016	2015
	(Rupees in '000)	
Power generation companies	45,628,836	45,688,906
Cement industries	12,870	16,228
Fertilizer and steel industries	22,829,251	21,545,635
Other industries	8,300,377	13,915,228
Total industrial customers	76,771,334	81,165,997
Commercial customers	1,227,994	1,305,522
Domestic customers	8,286,119	7,880,305
	<u>86,285,447</u>	<u>90,351,824</u>

At year end the Company's most significant receivable balances were K-Electric, PSML and WAPDA which amounted to Rs. 35,948 million (2015: Rs. 40,073 million), Rs. 21,708 million (2015: Rs.20,879 million) and Rs. 5,930 million (2015: Rs. 5,616 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:





	2016	2015
	(Rupees in '000)	
Karachi	69,500,311	74,658,815
Sindh (excluding Karachi)	9,815,266	11,266,843
Balochistan	6,969,870	4,426,166
	<u>86,285,447</u>	<u>90,351,824</u>

#### Net investment in finance lease

The Company's most significant investment in finance lease amounted to Rs. 431 million (2015: Rs. 496 million) in respect of SNGPL.

#### Interest accrued

Most significant counter parties of the Company in respect of interest accrued are disclosed in note 30 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 31.2 to these financial statements. These balances are subject to inter circular corporate debt.

## 48.2 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.



	Carrying amount	Contractual cash flows	Not later than six months	Later than six months but not later than 1 year (Rupees in '000)	Later than one year but not later than 2 years	Later than 2 years
<b>As at June 30, 2016</b>						
Long term finance	28,329,286	(36,647,716)	(3,517,841)	(4,057,912)	(7,453,533)	(21,618,430)
Obligation against pipeline	1,069,173	(1,866,314)	(67,866)	(67,866)	(135,732)	(1,594,850)
Short term borrowings	4,860,212	(4,860,212)	(4,860,212)	-	-	-
Trade and other payables	156,527,562	(156,527,562)	(156,527,562)	-	-	-
Interest accrued	16,532,459	(16,532,459)	(16,532,459)	-	-	-
Long term deposits	12,462,204	(24,932,168)	(155,875)	(155,875)	(311,749)	(24,308,670)
	<u>219,780,896</u>	<u>(241,366,431)</u>	<u>(181,661,815)</u>	<u>(4,281,653)</u>	<u>(7,901,014)</u>	<u>(47,521,950)</u>
<b>As at June 30, 2015</b>						
Long term finance	25,638,173	(32,066,372)	(5,119,324)	(4,706,755)	(6,892,031)	(15,348,262)
Obligation against pipeline	1,106,923	(2,035,979)	(67,866)	(67,866)	(135,732)	(1,764,515)
Short term borrowings	989,191	(1,011,960)	(1,011,960)	-	-	-
Trade and other payables	158,987,586	(158,987,586)	(158,987,586)	-	-	-
Interest accrued	34,069,206	(34,069,206)	(34,069,206)	-	-	-
Long term deposits	10,613,059	(22,015,989)	(142,537)	(142,537)	(285,073)	(21,445,842)
	<u>231,404,138</u>	<u>(250,187,092)</u>	<u>(199,398,479)</u>	<u>(4,917,158)</u>	<u>(7,312,836)</u>	<u>(38,558,619)</u>

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.

#### 48.3 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).

##### 48.3.1 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:

	2016		2015	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
	(Rupees in '000)			
Creditors for gas	24,728,597	238,924	28,289,192	276,982
Estimated forecast gas purchases	161,703,128	1,562,349	139,355,569	1,375,744
Net exposure	<u>186,431,725</u>	<u>1,801,273</u>	<u>167,644,761</u>	<u>1,652,726</u>



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

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2016	2015	2016	2015
	(Rupees)		(Rupees)	
US Dollars	103.95	101.29	103.50	101.77

#### Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at June 30, 2016 would have (decreased) / increased trade creditors by Rs. 2,473 million (2015: Rs. 2,819 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 2015.

#### 48.3.2 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:

	2016	2015
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Net investment in finance lease	472,555	582,716
Loan and advances	1,608	2,252
Trade debts	32,626,397	25,667,788
Cash and bank balances	508,208	634,674
	33,608,768	26,887,430
<b>Financial liabilities</b>		
Long term deposits	(6,234,982)	(5,701,464)
Government of Sindh loan	(3,567,129)	(3,020,616)
Foreign currency loan	(23,950)	(23,950)
Obligation against pipeline	(1,069,173)	(1,106,923)
Trade and other payables	(11,601,290)	(18,611,954)
	(22,496,524)	(28,464,907)
	11,112,244	(1,577,477)
<b>Variable rate instruments</b>		
<b>Financial assets</b>		
Trade debts	33,344,088	37,938,825
Other receivables	29,846,779	27,124,374
Loan to related party	1,710,103	1,710,103
	64,900,970	66,773,302
<b>Financial liabilities</b>		
Long term loan except Government of Sindh loan	(24,762,157)	(22,617,557)
Short term borrowings	(4,860,212)	(989,191)
Trade and other payables	(130,834,334)	(126,555,747)
	(160,456,703)	(150,162,495)
	(95,555,733)	(83,389,193)



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, 2016 by Rs. 956 million (2015: Rs. 834 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 2015.

### 48.3.3 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, 2016 is Rs. 238.315 million (2015: Rs. 276.520 million).

A ten percent 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. 23.831 million (2015: Rs.27.650 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

### 48.4 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

#### 48.4.1 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).

	2016			Total
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
<b>Available-for-sale financials assets</b>				
Quoted equity securities	238,315	-	-	238,315
	238,315	-	-	238,315
	2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Available-for-sale financials assets</b>				
Quoted equity securities	276,520	-	-	276,520
	276,520	-	-	276,520

There have been no transfers during the year (2015: no transfers in either direction).



48.5 Financial instruments by categories

	Financial assets		
	Loans and receivables	Available for sale	Total
(Rupees in '000)			
<b>As at June 30, 2016</b>			
Trade debts	86,285,447	-	86,285,447
Net investment in finance lease	472,555	-	472,555
Loans and advances	2,806,337	-	2,806,337
Deposits	17,476	-	17,476
Cash and bank balances	954,239	-	954,239
Interest accrued	8,703,603	-	8,703,603
Other receivables	35,042,751	-	35,042,751
Long term investments	-	238,315	238,315
	134,282,408	238,315	134,520,723
<b>As at June 30, 2015</b>			
Trade debts	90,351,824	-	90,351,824
Net investment in finance lease	582,716	-	582,716
Loans and advances	2,463,495	-	2,463,495
Deposits	37,332	-	37,332
Cash and bank balances	984,129	-	984,129
Interest accrued	7,257,730	-	7,257,730
Other receivables	36,667,981	-	36,667,981
Long term investments	-	276,520	276,520
	138,345,207	276,520	138,621,727

	Financial liabilities at amortised cost	
	2016	2015
(Rupees in '000)		
Long term finance	28,329,286	27,866,070
Obligation against pipeline	1,069,173	1,106,923
Short term borrowings	4,860,212	989,191
Trade and other payables	156,527,562	158,987,586
Interest accrued	16,532,459	34,069,206
Long term deposits	12,462,204	10,613,059
	219,780,896	233,632,035

48.6 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, 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:

	2016	2015
	(Rupees in '000)	
<b>Total borrowings</b>		
Long term finance	22,573,040	17,492,582
Short term borrowings	4,860,212	989,191
Current portion of long term finance	5,756,246	8,145,591
	33,189,498	26,627,364
Less: Cash and bank balances	(954,239)	(984,129)
Net debts	32,235,259	25,643,235
<b>Capital employed</b>	35,607,360	37,430,415
<b>Gearing ratio</b>	91%	69%

#### 49. 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 assess 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).

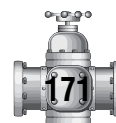
#### Segment revenue and results

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

	Segment revenue		Segment loss	
	2016	2015	2016	2015
	(Rupees in '000)			
Gas transmission and distribution	183,403,425	158,853,447	(26,755,801)	(8,001,822)
Meter manufacturing	1,557,963	2,126,632	14,805	114,688
<b>Total segments results</b>	<b>184,961,388</b>	<b>160,980,079</b>	<b>(26,740,996)</b>	<b>(7,887,134)</b>
Unallocated - other expenses				
- Other operating expenses			(401,521)	(1,469,295)
Unallocated - other income				
- Non-operating income			19,302,953	587,075
<b>Loss before tax</b>			<b>(7,839,564)</b>	<b>(8,769,354)</b>

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,190 million (2015: Rs. 1,080 million).

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





Segment assets and liabilities

	2016	2015
	(Rupees in '000)	
<b>Segment assets</b>		
Gas transmission and distribution	252,040,378	253,322,479
Meter manufacturing	2,797,872	2,714,099
Total segment assets	254,838,250	256,036,578
<b>Unallocated</b>		
- Loans and advances	2,806,337	2,463,495
- Taxation - net	19,986,902	17,442,747
- Interest accrued	490,524	490,109
- Cash and bank balances	954,239	984,129
	24,238,002	21,380,480
<b>Total assets as per balance sheet</b>	<b>279,076,252</b>	<b>277,417,058</b>
<b>Segment liabilities</b>		
Gas transmission and distribution	259,525,031	253,245,349
Meter manufacturing	701,008	652,201
Total segment liabilities	260,226,039	253,897,550
<b>Unallocated</b>		
- Employee benefits	4,704,086	4,692,408
<b>Total liabilities as per balance sheet</b>	<b>264,930,125</b>	<b>258,589,958</b>

50. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at June 30, 2016 and 2015 are as follows:

	2016	2015
	(Rupees in '000)	
	Based on un-audited financial statements	
Pension fund - executives	1,015,000	945,053
Gratuity fund - executives	2,082,000	2,036,934
Pension fund - non executives	195,000	207,815
Gratuity fund - non executives	2,580,000	2,474,703
Provident fund - executives	2,833,000	2,656,763
Provident fund - non executives	2,777,000	2,697,572
Benevolent fund - executives	140,700	125,576



## 51. ACCOUNTING ESTIMATES AND JUDGMENTS

### 51.1 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.

### 51.2 Staff retirement and other service benefit obligations

Certain actuarial assumptions have been adopted as disclosed in note 41 to the 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.

### 51.3 Property, plant and equipment

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

### 51.4 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.

### 51.5 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.

### 51.6 Fair value of investments

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

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

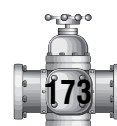
Income from sale of NGL to Jamshoro Joint Venture Limited is recognized based on provisional invoice price / quantity being the best estimate available. Any change in provisional price / quantity will be accounted for prospectively in the year in which there is change in price / quantity.

### 51.8 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 1.4.1. Further, gas development surcharge does not include the impact of stay orders as mentioned in note 1.4.2 since no revised FRR has been issued by OGRA in this regard.

### 51.9 Purchases of gas

Company records purchases of gas at the rates notified by Oil and Gas Regulatory Authority. Effect of adjustments, if any, arising from revision in purchase price is reflected as and when the prices are approved by OGRA.



**52. 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 net profit 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.

**53. RECLASSIFICATION**

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follow:

Description	(Rupees in '000)	Reclassified	
		From	To
Shrinkage cost on extraction of LPG and NGL	1,424,639	Cost of sales - gas consumed internally	Other non-operating income - Income from LPG and NGL - net
Shrinkage cost on gas condensate	94,672	Cost of sales - gas consumed internally	Other non-operating income - Sale of gas condensate
Operating expense on gas condensate	25,662	Transmission and distribution costs - allocation to sale of gas condensate	Other non-operating income - Sale of gas condensate
Gas bills printing charges	57,403	Administrative expenses Stores, spares and supplies consumed	Selling expenses Gas bills collection charges
Bills delivery through contractors	65,720	Administrative expenses Postage and revenue stamps	Selling expenses Gas bills collection charges
Provision against accrued income	84,392	Other Receivable - Provision against impaired receivables	Accrued Income - Provision against accrued income

**54. GENERAL**

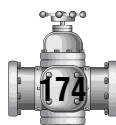
54.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

**55. DATE OF AUTHORISATION**

These financial statements were authorised for issue in Board of Directors meeting held on 03 June, 2017.

Chairman

Managing Director



## A picturesque view of slug catcher in HQ-3 Jamshoro

A slug is a large quantity of gas that exits in the pipeline.



# CONSOLIDATED FINANCIAL STATEMENTS





## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Sui Southern Gas Company Limited ("the Holding Company") and its subsidiary companies, namely, Sui Southern Gas Provident Fund Trust Company (Private) Limited and SSGC LPG (Private) Limited as at June 30, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other audit procedures as we considered necessary in the circumstances.

- a) as described in notes 27.1 and 27.2 to the consolidated financial statements, trade debts include receivables of Rs. 35,949 million (2015: Rs. 40,073 million) and Rs. 21,708 million (2015: Rs. 20,879 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 Holding 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; and

- b) as described in note 31.2, and 31.2.1 to the consolidated financial statements, Rs. 7,191 million is receivable from Sui Northern Gas Pipelines Limited (SNGPL), which is being disputed by SNGPL for the reasons mentioned in note 31.2.1, due to which we were unable to determine the extent to which the receivable amount is likely to be recovered and time frame over which such recovery will be made.

In our opinion, except for the possible effects of the matters described in the paragraphs (a) and (b) above, the consolidated financial statements present fairly the financial position of Sui Southern Gas Company Limited and its subsidiary companies as at June 30, 2016 and the results of their operations for the year then ended.

We draw attention to:

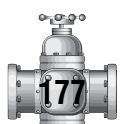
- (i) note 1.4 to the consolidated financial statements that describes the reasons why Company has incurred losses and the steps / plans of the management / Board which will result in improvement in the Company's profitability and its financial position in the next few years.
- (ii) note 38.7 to the consolidated financial statements that describes that the Company has reversed the late payment surcharge (LPS) expense on delayed payables pertaining to gas supplied by Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) with effect from July 01, 2012 to June 30, 2015 of Rs. 17,570 million and not recorded LPS expense of Rs. 8,651 million for the current year for reasons described in the said note.
- (iii) note 2.1.1 to the consolidated financial statements that describes the reasons why the Company has departed from the requirements of IAS - 8 "Changes in Accounting Policies, Estimates and Errors" by staggering the effect of Sindh High Court decision in the financial years 2016 and 2017 based on the permission received from SECP and OGRA.

Our opinion is not qualified in respect of above matters.

**Deloitte Yousuf Adil**  
Chartered Accountants

Audit Engagement Partner:  
Mushtaq Ali Hirani

June 03, 2017  
Karachi



**CONSOLIDATED BALANCE SHEET**

AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised share capital:</b>			
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		201,787	239,992
Accumulated losses		(12,185,561)	(6,320,809)
		1,732,790	7,635,747
Surplus on revaluation of fixed assets	6	11,728,265	10,251,946
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term finance	7	22,573,040	17,492,582
Long term deposits	8	12,456,759	10,613,059
Employee benefits	10	4,716,523	4,696,573
Obligation against pipeline	11	1,027,886	1,069,173
Deferred credit	12	5,842,485	7,114,856
Long term advances	13	1,092,831	798,163
Total non-current liabilities		47,709,524	41,784,406
<b>Current liabilities</b>			
Current portion of long term finance	14	5,756,246	8,145,591
Short term borrowings	15	4,860,212	989,191
Trade and other payables	16	189,684,080	173,056,280
Short term deposits		192,438	131,008
Current portion of obligation against pipeline	11	41,287	37,750
Current portion of deferred credit	12	427,547	429,981
Interest accrued	17	16,532,459	34,069,206
Total current liabilities		217,494,269	216,859,007
<b>Total liabilities</b>		<b>265,203,793</b>	<b>258,643,413</b>
Contingencies and commitments	18		
<b>Total equity and liabilities</b>		<b>278,664,848</b>	<b>276,531,106</b>

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





	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19	98,877,569	76,157,174
Intangible assets	20	24,643	35,911
Deferred tax	9	2,882,244	434,365
Long term investments	21	243,415	281,620
Net investment in finance lease	22	362,394	472,555
Long term loans and advances	23	162,426	151,476
Long term deposits		9,872	9,347
<b>Total non-current assets</b>		<b>102,562,563</b>	<b>77,542,448</b>
<b>Current assets</b>			
Stores, spares and loose tools	24	2,150,514	1,824,793
Stock-in-trade	25	834,656	947,061
Current maturity of net investment in finance lease	22	110,161	110,161
Customers' installation work in progress	26	184,508	183,128
Trade debts	27	86,307,335	90,417,718
Loans and advances	28	934,200	603,220
Advances, deposits and short term prepayments	29	497,052	329,579
Interest accrued	30	8,728,073	7,316,593
Other receivables	31	54,943,899	78,727,336
Taxation - net	32	20,053,925	17,472,139
Cash and bank balances	33	1,357,962	1,056,930
<b>Total current assets</b>		<b>176,102,285</b>	<b>198,988,658</b>
<b>Total assets</b>		<b>278,664,848</b>	<b>276,531,106</b>

Chairman

Managing Director



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Sales		214,637,472	182,791,953
Sales tax		(31,234,047)	(23,938,506)
		<u>183,403,425</u>	<u>158,853,447</u>
Gas development surcharge		(44,787,323)	3,729,723
Net sales		<u>138,616,102</u>	<u>162,583,170</u>
Cost of sales	34	(163,440,128)	(169,020,109)
<b>Gross loss</b>		<u>(24,824,026)</u>	<u>(6,436,939)</u>
Administrative and selling expenses	35	(3,922,013)	(3,834,957)
Other operating expenses	36	(2,350,098)	(1,589,425)
		(6,272,111)	(5,424,382)
		<u>(31,096,137)</u>	<u>(11,861,321)</u>
Other operating income	37	2,727,678	2,554,027
<b>Operating loss</b>		<u>(28,368,459)</u>	<u>(9,307,294)</u>
Other non-operating income	38	23,354,690	10,197,519
Finance cost	39	(2,618,868)	(9,698,218)
<b>Loss before taxation</b>		<u>(7,632,637)</u>	<u>(8,807,993)</u>
Taxation	40	1,771,750	3,378,305
<b>Loss for the year</b>		<u>(5,860,887)</u>	<u>(5,429,688)</u>
			(Rupees)
<b>Basic and diluted loss per share</b>	42	<u>(6.65)</u>	<u>(6.16)</u>

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

Chairman

Managing Director





## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

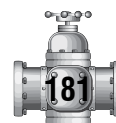
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
Loss for the year		(5,860,887)	(5,429,688)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss account:			
- Unrealised (loss) / gain on re-measurement of available for sale securities		(38,205)	117,230
Items that will not be reclassified subsequently to profit and loss account:			
- Remeasurement of post retirement benefits obligation		14,048	(776,857)
- Impact of deferred tax		(4,134)	234,025
- Gas development surcharge	31.1.2	(13,779)	780,083
		(3,865)	237,251
Total comprehensive loss for the year		(5,902,957)	(5,075,207)

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

Chairman

Managing Director



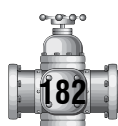


## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(7,632,637)	(8,807,993)
Adjustments for non-cash and other items	43	(8,141,771)	13,979,253
Working capital changes	44	41,618,487	8,841,202
Financial charges paid		(2,232,409)	(2,786,754)
Employee benefits paid		(95,386)	(98,476)
Payment for retirement benefits		(599,476)	(621,231)
Long term deposits received - net		1,904,929	2,303,283
Deposits paid - net		(525)	(2,036)
Loans and advances to employees - net		(342,842)	(306,574)
Interest income received		420,191	332,697
Income taxes paid		(3,262,048)	(7,006,113)
Net cash generated from operating activities		21,636,513	5,827,258
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(26,889,702)	(7,386,000)
Payments for intangible assets		(19,661)	(8,344)
Proceeds from sale of property, plant and equipment		135,770	48,480
Long term investments		-	(28,000)
Lease rental from net investment in finance lease		216,378	217,094
Payment for obligation against pipeline		(135,732)	(33,933)
Dividend received		1,186	356
Net cash used in investing activities		(26,691,761)	(7,190,347)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from local currency loans		9,613,527	7,000,000
Repayments of local currency loans		(8,094,563)	(4,003,679)
Customer finance received		-	13,763
Repayment of customer finance		(32,877)	(50,180)
Dividend paid		(828)	(1,414)
Net cash generated from financing activities		1,485,259	2,958,490
Net (decrease) / increase in cash and cash equivalents		(3,569,989)	1,595,401
Cash and cash equivalents at beginning of the year		67,739	(1,527,662)
Cash and cash equivalents at end of the year		(3,502,250)	67,739
<b>Cash and cash equivalent comprises:</b>			
Cash and bank balances		1,357,962	1,056,930
Short term borrowings		(4,860,212)	(989,191)
		(3,502,250)	67,739

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



Chairman

Managing Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Accumulated losses	Total
(Rupees in '000)						
Balance as at June 30, 2014	8,809,163	234,868	4,672,533	122,762	(1,128,372)	12,710,954
Total comprehensive loss for the year ended June 30, 2015						
Loss for the year	-	-	-	-	(5,429,688)	(5,429,688)
Other comprehensive income for the year	-	-	-	117,230	237,251	354,481
Total comprehensive loss for the year	-	-	-	117,230	(5,192,437)	(5,075,207)
Balance as at June 30, 2015	8,809,163	234,868	4,672,533	239,992	(6,320,809)	7,635,747
Total comprehensive loss for the year ended June 30, 2016						
Loss for the year	-	-	-	-	(5,860,887)	(5,860,887)
Other comprehensive loss for the year	-	-	-	(38,205)	(3,865)	(42,070)
Total comprehensive loss for the year	-	-	-	(38,205)	(5,864,752)	(5,902,957)
Balance as at June 30, 2016	8,809,163	234,868	4,672,533	201,787	(12,185,561)	1,732,790

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

Chairman

Managing Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### 1. THE GROUP AND ITS OPERATIONS

#### 1.1 The "Group" consists of:

##### Holding Company

- Sui Southern Gas Company Limited

##### Subsidiary Companies

- SSGC LPG (Private) Limited
- Sui Southern Gas Provident Fund Trust Company (Private) Limited

	Percentage of holding	
	2016	2015
	100	100
	100	100

The Group is principally engaged in transmission and distribution of natural gas and liquefied petroleum gas in Sindh and Balochistan. Brief profiles of the Holding Company and subsidiaries are as follows:

#### Sui Southern Gas Company Limited

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

#### Sui Southern Gas Provident Fund Trust Company (Private) Limited

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

#### SSGC LPG (Private) Limited

SSGC LPG (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at ST-4/B, Block-14, Sir Shah Muhammad Suleman Road, Gulshan-e-Iqbal, Karachi and its main activity is supply of liquefied petroleum gas and provision of terminal and storage services.

#### 1.2 Basis of consolidation

- The consolidated financial statements include the financial statements of the Holding Company and its Subsidiary Companies, together "the Group".
- The financial statements of the subsidiaries are prepared for the same reporting year as the Holding Company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiaries have been consolidated on a line by line basis.
- Minority interest represents the portion of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the Holding Company.
- Material intra-group balances and transactions have been eliminated.



### 1.3 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Holding 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.

### 1.4 Financial Performance

The Holding Company has been incurring losses since financial year 2014. These losses are mainly attributable to high percentage of unaccounted for gas (UFG) and its disallowance over and above limit allowed by OGRA, disallowance of bad debts over and above the limit allowed by OGRA and dismissal of Holding Company's petitions by Sindh High Court (refer note 1.5.1). For the year ended June 30, 2016, the Holding Company has incurred a loss of Rs. 6,115 million and its accumulated losses stood at Rs. 11,500 million leaving equity of Rs. 2,418 million only. As at year end, current liabilities exceed its current asset by Rs. 39,333 million and debt to equity ratio has also deteriorated beyond the limit allowed by bankers of the Holding Company.

In order to improve the financial position and performance of the Holding Company, the management / Board of Directors (Board) have taken / planned following steps:

- The Holding Company has started work on RLNG I and II projects having an estimated cost of Rs. 42 billion and is expected to be completed by financial year 2017.
- The Board has conceptually approved the RLNG III project with an estimated cost of approximately Rs. 65 billion based on the letter received from MP & NR subject to certain conditions and approvals from authorities and the project is expected to be completed in financial year 2019.
- The Board of Directors has conceptually approved to construct 30 LPG air mix plants with an estimated cost of Rs. 14 billion.

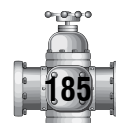
Upon capitalization of the above mentioned assets, the Holding Company will be entitled to 17% return.

- Banks have relaxed debt to equity ratio of the Holding Company from 80:20 to 95:05 from financial year 2016 to 2019.
- OGRA in its decision for financial years 2011 to 2016 has allowed UFG provisionally till the time UFG study is finalized and any variations will be adjusted accordingly. The management is confident that draft UFG study will be finalized soon and will have a positive impact on the financial performance of the Holding Company which will be accounted for in the year it is allowed by OGRA.
- Subject to finalization of UFG study, management is hopeful to achieve 65% of Key Performance Indicator (KPI's) and Key Monitoring Indicators (KMI's) in future which will not only increase the allowable limit for UFG benchmark but also decrease actual UFG which will reduce the UFG disallowance by OGRA and will have positive impact on the financial performance of the Holding Company.
- The Holding Company is also evaluating the option to issue shares to improve the equity and cash flows of the Holding Company.

Board / management believes that in view of above mentioned steps / plans, the Holding Company's profitability and financial position will improve in the next few years.

### 1.5 Determination of revenue requirements

- 1.5.1 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 Limited, Profit from Meter Manufacturing, Late Payment Surcharge (LPS), and Sale of Gas Condensate as operating income which OGRA 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%.





Being aggrieved by the above decision, the Holding Company had filed an appeal against the decision of 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 pertaining to FY 2010 till final decision of the Court. However, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Afterwards, management estimated the revenue requirement of the Holding Company for the financial years 2011 to 2015 based on the interim relief of the Court, and OGRA also accepted position taken up by the Holding Company for the said financial years, subject to the final decision of the Court.

Subsequent to the year end, Honorable Sindh High Court has dismissed the Holding Company's petitions through its judgement dated November 25, 2016. Consequently, OGRA in its decision dated December 22, 2016 for determination of FRR for FY 2016 has allowed UFG at 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge, and Sale of Gas Condensate as operating income. Refer note 2.1.1 for impact on these consolidated financial statements.

The Holding Company has filed civil petition for leave to appeal in the Supreme Court of Pakistan on January 25, 2017 against the abovementioned Sindh High Court judgement.

- 1.5.2 In determining the Final Revenue Requirements (FRRs) for the years ended June 30, 2013, 2014 and 2015, the OGRA treated income from royalty (arrears) and income of Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as operating income. Consequently, the Holding Company filed application in the already pending Judicial Miscellaneous petitions in the High Court of Sindh, and obtained the stay orders to the effect 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 decided by the Court. In this respect, the Court had earlier suspended the relevant paragraphs of OGRA orders wherein above income were treated as operating income thus requiring the revision of FRR for 2013, 2014 and 2015; however, no revised FRR had been issued by OGRA.

Subsequent to the year end, Honorable Sindh High Court has dismissed the Holding Company's petitions through its judgement dated November 25, 2016 and treated Royalty Income from Jamshoro Joint Venture Limited, income of Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as operating income. The Holding Company has filed a civil petition for leave to appeal against this order of the Sindh High Court in the Supreme Court of Pakistan.

## 2. BASIS FOR PREPARATION

### 2.1 Statement of compliance

These consolidated financial statements ("the financial statements") have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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.

#### 2.1.1 Departure from IAS 8 "Changes in accounting policies, estimates and errors"

As disclosed in note 1.5.1, OGRA has disallowed certain expenses for the years ended 2011 to 2015. Consequently, management had approached Securities and Exchange Commission of Pakistan (SECP) through its letter dated December 14, 2016 to allow staggered recognition of the disallowed expenses of Rs. 36.7 billion in 3 years i.e. up to financial statements for the year ended June 30, 2018. The permission from SECP was sought based on the grounds that recognition of such disallowances in one year will reflect very adverse results and financial position of the Holding Company, considering that OGRA's determination of some significant aspects of revenue requirements are provisional and are likely to be revised.

Accordingly, SECP through its letter dated December 20, 2016 has granted permission to stagger disallowed expense in the financial statements for the years ended / ending June 30, 2016 and 2017 subject to the conditions that disallowed expense will be staggered on equal basis, facts and circumstances are adequately disclosed and compliance with the disclosure requirement of IFRSs for departing with IFRSs.





OGRA through its decision dated December 22, 2016, for determining the final revenue requirement (FRR) for the year ended June 30, 2016, has decided UFG benchmark of 4.5% and treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as operating income. In the said decision, OGRA has also considered the permission granted by SECP and therefore included 50% of the effect of Sindh High Court judgement in the determination of FRR for the year ended June 30, 2016.

Based on the above, these consolidated financial statements include 50% impact of the decision of Sindh High Court for financial years 2011 to 2015. Had the management complied with the requirement of IAS 8 and recognized the effect of Sindh High Court decision in the current year, the effect on these consolidated financial statements would be as follows:

	<u>(Rupees in '000)</u>
- Increase in loss before tax	18,358,923
- Increase in loss after tax / accumulated losses	12,851,246
- Increase in loss per share - Rupees	14.59

## 2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain investments stated in note 21 which are carried at their fair values, employee benefits which are valued at their present value using actuarial assumptions and freehold land and leasehold land which are carried at revalued amount.

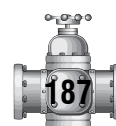
## 2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Group'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 51.





### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

##### Standards / Amendments / Interpretations

	Effective Date (accounting period beginning on or after)
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
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
Certain annual improvements have also been made to a number of IFRSs.	January 01, 2015

#### 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, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

	Effective Date (accounting period beginning on or after)
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely. Earlier adoption is permitted.
Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 01, 2016
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 01, 2016
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017



Effective Date  
(accounting period  
beginning on or after)

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 01, 2016
Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

### 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 accumulated impairment loss, if any.

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

The cost of the property, plant and equipment includes:

- (a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and
- (b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

#### Subsequent expenditure (including normal repairs and maintenance)

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



### Capital work in progress

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

### Depreciation

#### Compressors and transmission lines

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

#### Other operating assets

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

Useful lives of the assets are mentioned in the note 19.1 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 losses, if any.

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

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

### Borrowing costs

Borrowing costs incurred on long term finances attributable for the construction of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are capitalised up to the date the respective assets are available for the intended use.

Actual borrowing cost is capitalised on funds borrowed specifically for the purpose of construction of qualifying assets, less any investment income on the temporary investment of those borrowings.

The Holding Company determines a weighted average capitalisation rate in case of general borrowings attributable to qualifying assets.

All other borrowing costs are charged to consolidated profit and loss account.

### Gains and losses on disposal

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

### Leased assets

Leased assets in terms of which the Holding Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of 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 consolidated profit and loss account. Impairment losses recognised in consolidated profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through consolidated 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 consolidated profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in consolidated profit and loss account.

#### Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial 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 consolidated profit and loss account.

#### 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 Holding 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 Holding 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 Holding Company's net investment in finance lease.

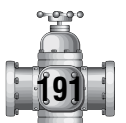
### 3.6 Stores, spares and loose tools

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 consolidated balance sheet date and net realisable value less impairment loss, if any.

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

### 3.7 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.





#### Liquefied petroleum gas

Stocks of liquified petroleum gas in storage is valued at the lower of cost or net realisable value. Cost is recognised on weighted average basis on net realisable value which is arrived at after deducting impairment loss, if any.

#### Meter manufacturing division

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

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

### 3.8 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 Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

### 3.9 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 Group.

### 3.10 Mark-up bearing borrowings

#### Long term financing

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

### 3.11 Provisions

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

### 3.12 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 consolidated 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 consolidated 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 Group 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.
- Revenue from terminal and storage services are recognised on the basis of services rendered to the customers.
- Deferred credit from Government and customers before July 01, 2009 is amortised and related income is recognised in the consolidated 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 consolidated 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 consolidated 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

The Holding Company assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial asset is impaired. A financial asset or group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In case of quoted equity securities classified as AFS, impairment is assessed based on significant or prolonged decline in market prices of securities.





An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss had been recognised. An impairment loss is reversed only to the extent that the financial assets carrying value after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised. Reversal of impairment is recognised in profit and loss account except in the case of available for sale instruments where the reversal is included in the other comprehensive income.

#### Non-financial assets

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

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

### 3.16 Staff retirement benefits

The Holding Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognised in other comprehensive income, instead of profit and loss account.

Past service cost is recognised in the consolidated profit and loss account at the earlier of when the amendment or curtailment occurs.

- 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 that is carried out annually 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 arising from the actuarial valuation are recognized immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognized in other comprehensive income, instead of consolidated profit and loss account.

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

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

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

- SSGC LPG (Private) Limited operates an unfunded gratuity scheme for its permanent and contractual employees who served for 1 year. The Company's net obligation in respect of unfunded gratuity scheme is determined annually by a qualified actuary using the Projected Unit Credit method.

- Remeasurement component, which is the net of actuarial gains and losses is recognised immediately in other comprehensive income whereas service cost and net interest income / expense are charged to consolidated profit and loss account.





### 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 consolidated profit and loss account.

### 3.19 Financial instruments

Financial assets and financial liabilities are recognised when the Holding Company becomes a party to the contractual provisions of the instrument. Financial 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 Holding 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 losses on derecognition of financial assets and financial liabilities are taken to the consolidated 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 consolidated profit and loss account, along with any changes in the carrying value of the hedged liability. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

### 3.21 Off-setting

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group 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 Group. An operating segment is an identifiable component of the Group 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 Group'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 Group and 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 shares 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.

3.26 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016 (Numbers)			2016 (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
<u>880,916,309</u>	<u>880,916,309</u>		<u>8,809,163</u>	<u>8,809,163</u>

4.1 The Holding 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 Holding Company's residual assets.

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>5. RESERVES</b>			
<b>Capital reserves</b>			
Share capital restructuring reserve	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>
<b>Revenue reserves</b>			
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	5.5	2,015,653	2,015,653
Reserve for interest on sales tax refund	5.6	487,739	487,739
		<u>4,672,533</u>	<u>4,672,533</u>
		<u>4,907,401</u>	<u>4,907,401</u>

5.1 Share capital restructuring reserve

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



## 5.2 Fixed assets replacement reserve

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

## 5.3 Special reserve I

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

## 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 Holding Company.

## 5.5 General reserve

This represents the reserve created by the Holding Company to transfer certain amount from / to unappropriate profit from / to general reserve for the payment of dividends.

## 5.6 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 Holding Company's freehold and leasehold land carried out by an independent valuer K.G. Traders (Private) Limited to determine the fair value as of June 30, 2016. The valuation was based on market research. The last valuation of the Holding Company's assets was carried out by Oceanic Surveyors (Private) Limited in 2011.

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

	(Rupees in '000)
Freehold land	454,156
Leasehold land	208,352
	662,508

### 6.1 Details of the Holding Company's freehold and leasehold land and information about fair value hierarchy, explained in note 48.4.1, as at June 30, 2016 are as follows.

	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Freehold land	-	5,453,583	-	5,453,583
Leasehold land	-	6,937,190	-	6,937,190

There were no transfers between levels of fair value hierarchy during the year.



	Note	2016 (Rupees in '000)	2015
<b>7. LONG TERM FINANCE</b>			
<b>Secured</b>			
Loans from banking companies	7.1	19,437,725	14,891,200
<b>Unsecured</b>			
Front end fee of foreign currency loan	7.2	23,950	23,950
Customer finance	7.3	194,236	215,329
Government of Sindh loans	7.4	2,917,129	2,362,103
		<u>3,135,315</u>	<u>2,601,382</u>
		<u>22,573,040</u>	<u>17,492,582</u>

	Note	2016 (Rupees in '000)	2015
<b>7.1 Loans from banking companies</b>			

	Installment payable	Repayment period	Mark-up rate p.a. (above 3 months KIBOR)		2016	2015
Allied Bank Limited	quarterly	2013 - 2016	1.00% 7.1.3	-	-	250,000
Allied Bank Limited	quarterly	2013 - 2016	1.00% 7.1.3	-	-	333,333
Askari Bank Limited	quarterly	2013 - 2015	1.00% 7.1.3	-	-	166,667
Askari Bank Limited	quarterly	2013 - 2016	1.00% 7.1.3	-	-	166,667
Bank Alfalah Limited	quarterly	2015 - 2017	0.75% 7.1.3	500,000	500,000	1,000,000
Bank Alfalah Limited	quarterly	2013 - 2016	1.00% 7.1.3	-	-	250,000
Bank Alfalah Limited - Led Consortium	quarterly	2018 - 2019	0.40% 7.1.3	7,000,000	7,000,000	7,000,000
Bank Al-Habib Limited	quarterly	2013 - 2016	1.00% 7.1.3	-	-	166,667
Faysal Bank Limited	quarterly	2015 - 2018	0.70% 7.1.3	1,000,000	1,000,000	1,500,000
Habib Bank Limited	quarterly	2015 - 2018	0.70% 7.1.3	666,667	666,667	1,000,000
Meezan Bank Limited	quarterly	2013 - 2015	1.00% 7.1.3	-	-	500,000
Meezan Bank Limited	quarterly	2015 - 2017	0.75% 7.1.3	1,000,000	1,000,000	2,000,000
Meezan Bank Limited	quarterly	2015 - 2018	0.70% 7.1.3	1,333,333	1,333,333	2,000,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012 - 2015	1.00% 7.1.3	-	-	285,714
United Bank Limited	quarterly	2015 - 2017	0.75% 7.1.3	750,000	750,000	1,750,000
United Bank Limited - Led Consortium	quarterly	2015 - 2018	0.70% 7.1.3	2,666,667	2,666,667	4,000,000
Habib Bank Limited	quarterly	2018 - 2022	0.50% 7.1.3	3,000,000	3,000,000	-
United Bank Limited - Led Consortium	semi annually	2018 - 2022	0.50% * 7.1.1 & 7.1.3	3,000,000	3,000,000	-
Habib Bank Limited - Led Consortium	semi annually	2018 - 2026	1.10% * 7.1.2	4,000,000	4,000,000	-
Unamortised transaction cost					(395,609)	(25,467)
					<u>24,521,058</u>	<u>22,343,581</u>
Less: Current portion shown under current liabilities	14				(5,083,333)	(7,452,381)
					<u>19,437,725</u>	<u>14,891,200</u>

7.1.1 A long term finance facility amounting to Rs. 15,000 million was sanctioned in October 2015 from a syndicate of banks. As at June 30, 2016 the Holding Company has utilised Rs. 3,000 million out of total sanctioned amount.

7.1.2 A long term finance facility amounting to Rs. 39,800 million was sanctioned in May 2016 from a syndicate of banks. As at June 30, 2016 the Holding Company has utilised Rs. 4,000 million out of the total sanctioned amount. The financial arrangements have been secured by GoP guarantee and ranking charge created by way of hypothecation over all present and future movable fixed Regasified Liquefied Natural Gas assets of the Holding Company including but not limited to compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

7.1.3 These loans / financial arrangements are secured by pari passu charge by way of hypothecation on all present and future movable fixed assets of the Holding Company comprising of compressor stations, transmission pipelines, distribution pipelines, pipeline construction machinery and equipments.

7.1.4 The Holding Company is required to maintain debt to equity at 80:20. However, as per the relaxation letter issued by banks, debt to equity ratio has been revised from 80:20 to 95:05 from financial year 2016 to 2019.



## 7.2 Front end fee of foreign currency loan

	Installment payable	Repayment period	Mark-up rate per annum		2016	2015
IBRD LOAN - 81540	Half-yearly	2020 - 2036	11.80%	7.2.1	23,950	23,950

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

	Note	2016 (Rupees in '000)	2015
Customer finance	7.3.1	217,149	250,026
Less: Current portion shown under current liabilities	14	(22,913)	(34,697)
		<u>194,236</u>	<u>215,329</u>

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.

	Note	2016 (Rupees in '000)	2015
Customer finance	7.3.1	217,149	250,026
Less: Current portion shown under current liabilities	14	(22,913)	(34,697)
		<u>194,236</u>	<u>215,329</u>

## 7.4 Government of Sindh loans

	Installment payable	Principal repayment period	Mark-up rate p.a.		2016	2015
Government of Sindh loan - I	yearly	2007 - 2016	2%	7.4.1	-	8,513
Government of Sindh loan - II	yearly	2011 - 2020	4%	7.4.1	360,000	450,000
Government of Sindh loan - III	yearly	2012 - 2021	4%	7.4.1	500,000	600,000
Government of Sindh loan - IV	yearly	2013 - 2022	4%	7.4.1	700,000	800,000
Government of Sindh loan - V	yearly	2015 - 2024	4%	7.4.1	880,000	990,000
Government of Sindh loan - VI	yearly	2015 - 2024	4%	7.4.1	800,000	900,000
Government of Sindh loan - VII	yearly	2016 - 2025	4%	7.4.1	1,350,000	1,500,000
Less: Impact of discounting of Government of Sindh loans				7.4.2	(1,022,871)	(2,227,897)
Subtotal					<u>3,567,129</u>	<u>3,020,616</u>
Less: Current portion shown under current liabilities				14	(650,000)	(658,513)
					<u>2,917,129</u>	<u>2,362,103</u>

7.4.1 The Holding 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. 6,500 million, and its initial fair value amounting to Rs. 4,272 million. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised in profit or loss on the basis of pattern of recognition, as expenses, the cost the grant intends to compensate.

	Note	2016 (Rupees in '000)	2015
Government of Sindh loans		2,917,129	2,362,103

## 8. LONG TERM DEPOSITS

Security deposits from:			
- gas customers	8.1	12,281,193	10,460,881
- gas contractors	8.2	175,566	152,178
		<u>12,456,759</u>	<u>10,613,059</u>



8.1 These represent deposits from industrial, commercial and domestic customers. The customer 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.

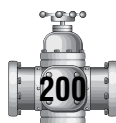
The Holding Company may at its option, use these deposits for its own purpose from time to time and shall, on disconnection of gas supply to the customer, return the security deposits as per the terms and conditions of the contract.

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

9. DEFERRED TAX

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

	2016			Closing
	Opening	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	
(Rupees in '000)				
<b>Taxable temporary differences</b>				
Accelerated tax depreciation	10,386,852	362,139	-	10,748,991
Net investment in finance lease	174,815	(33,048)	-	141,767
<b>Deductible temporary differences</b>				
Provision against employee benefits	(1,409,144)	239,493	(245,368)	(1,415,019)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,302,461)	(612,317)	6,468	(3,908,310)
Provision against impaired store and spares	(74,767)	(9,751)	-	(84,518)
Liability not paid within three years	(3,718,884)	(2,850,159)	-	(6,569,043)
Carry forward of tax losses	(2,157,824)	708,638	-	(1,449,186)
Obligation under finance lease	(332,077)	11,325	-	(320,752)
Others	(875)	(30,174)	4,875	(26,174)
	<u>(434,365)</u>	<u>(2,213,854)</u>	<u>(234,025)</u>	<u>(2,882,244)</u>
	2015			Closing
	Opening	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	
(Rupees in '000)				
<b>Taxable temporary differences</b>				
Accelerated tax depreciation	11,864,206	(1,477,354)	-	10,386,852
Net investment in finance lease	242,507	(67,692)	-	174,815
<b>Deductible temporary differences</b>				
Provision against employee benefits	(1,217,473)	53,697	(245,368)	(1,409,144)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,814,341)	505,412	6,468	(3,302,461)
Provision against impaired store and spares	(107,973)	33,206	-	(74,767)
Liability not paid within three years	(2,148,262)	(1,570,622)	-	(3,718,884)
Carry forward of tax losses	(809,635)	(1,348,189)	-	(2,157,824)
Obligation under finance lease	-	(332,077)	-	(332,077)
Others	(831,064)	825,314	4,875	(875)
	<u>3,177,965</u>	<u>(3,378,305)</u>	<u>(234,025)</u>	<u>(434,365)</u>





	Note	2016 (Rupees in '000)	2015
<b>10. EMPLOYEE BENEFITS - unfunded</b>			
Provision for post retirement medical and free gas supply facilities - executives	41.2	4,050,285	4,111,259
Provision for compensated absences - executives	10.1	653,801	576,685
Provision for gratuity	10.2 & 41.3.1	12,437	8,629
		<b>4,716,523</b>	<b>4,696,573</b>
<b>10.1 Provision for compensated absences - executives</b>			
Balance as at July 01		576,685	569,470
Provision during the year		77,116	7,215
Balance as at June 30		<b>653,801</b>	<b>576,685</b>
<b>10.2 Provision for gratuity</b>			
Balance as at July 01		8,629	8,547
Provision during the year		3,808	82
Balance as at June 30		<b>12,437</b>	<b>8,629</b>
<b>11. OBLIGATION AGAINST PIPELINE</b>			
Principal amount of obligation against pipeline	11.1	1,069,173	1,106,923
Less: current portion of obligation against pipeline		(41,287)	(37,750)
		<b>1,027,886</b>	<b>1,069,173</b>
<b>11.1</b> The Holding Company entered into an agreement with Engro Elengy Terminal Limited (EETL) previously Engro Elengy Terminal Private Limited (EETPL) under which the pipeline has been transferred to the Holding Company from EETL and corresponding liability has been recognised using discounted cash flow technique.			
	Note	2016 (Rupees in '000)	2015
<b>12. DEFERRED CREDIT</b>			
<b>Government contributions / grants</b>			
Balance as at July 01		3,821,638	3,775,607
Additions / adjustments during the year		150,365	297,996
Transferred to consolidated profit and loss account	12.1	(264,970)	(251,965)
Balance as at June 30		<b>3,707,033</b>	<b>3,821,638</b>
<b>Contribution from customers</b>			
Balance as at July 01		1,495,302	1,673,245
Transferred to consolidated profit and loss account	12.2	(168,457)	(177,943)
Balance as at June 30		<b>1,326,845</b>	<b>1,495,302</b>
<b>Government of Sindh grants</b>			
Balance as at July 01		2,227,897	2,227,897
Transferred to consolidated profit and loss account	7.4.2	(991,743)	-
Balance as at June 30		<b>1,236,154</b>	<b>2,227,897</b>
		<b>6,270,032</b>	<b>7,544,837</b>
Less: Current portion of deferred credit		(427,547)	(429,981)
		<b>5,842,485</b>	<b>7,114,856</b>



- 12.1 This represents amount received from the Government of Pakistan 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.
- 12.2 This represents amount received from consumers for the cost of service lines and gas mains, etc. These are taken to consolidated profit and loss account based on the policy stated in note 3.12 to these financial statements.
- 12.3 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 Holding Company's guaranteed return.

### 13. 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	2016 (Rupees in '000)	2015
<b>14. CURRENT PORTION OF LONG TERM FINANCE</b>			
Loans from banking companies	7.1	5,083,333	7,452,381
Customer finance	7.3	22,913	34,697
Government of Sindh loans	7.4	650,000	658,513
		<u>5,756,246</u>	<u>8,145,591</u>

### 15. SHORT TERM BORROWINGS

These represent facilities for short term running finance / short term money market loan available from various banks amounting to Rs. 9,625 million (2015: Rs. 989 million) and subject to markup up to 0.60% (2015: 0.30%) above the one month KIBOR. These 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 Group.

The aggregate unavailed short term borrowing facilities amounted to Rs. 4,765 million (2015: Rs. 5,426 million).

	Note	2016 (Rupees in '000)	2015
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors for:			
- Gas supplies	16.1	142,449,420	145,188,954
- Supplies		1,332,146	589,234
		<u>143,781,566</u>	<u>145,778,188</u>
Amount received from customers for laying of mains, etc.		2,182,955	1,861,627
Engro Elengy Terminal (Private) Limited		1,392,301	1,022,850
Accrued liabilities		4,099,054	3,048,161
Advance from LPG customers		159,147	433
Provision for compensated absences - non executives	16.2	220,431	219,207
Payable to staff gratuity fund	41.1	2,562,657	2,192,783
Deposits / retention money		563,973	364,319
Bills payable		323,849	599,999
Advance for sharing right of way	16.3	18,088	18,088
Unclaimed dividend		285,837	286,665
Withholding tax		147,378	200,254
Sales tax and Federal excise duty		324,338	305,055
Sindh sales tax		159,174	37,231
Processing charges payable to JJVL		5,782,506	7,433,204
Gas infrastructure development cess payable	16.4	8,680,409	9,324,042
Gas development surcharge payable to GoP	16.6	18,604,884	-
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		20,321	11,019
Advances from customers and distributors		38,739	28,298
Transport and advertisement services		20,474	30,714
Others	16.5	314,199	292,343
		<u>189,684,080</u>	<u>173,056,280</u>







- 16.1 As at June 30, 2016, amount of Rs. 112,690 million (2015: Rs. 107,933 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. 15,832 million (2015: Rs. 33,379 million) on their balances which have been presented in note 17. During the year, the management has reversed LPS expenses as disclosed in note 38.8.

	2016 (Rupees in '000)	2015
<b>16.2 Provision for compensated absences - non-executives</b>		
Balance as at July 01	219,207	143,528
Provision during the year	1,224	75,679
Balance as at June 30	220,431	219,207

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

- 16.4 Gas Infrastructure Development (GID) Cess was levied with effect from 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 (MP & NR) 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 vide its findings 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 promulgated GID Cess Ordinance 2014, which is applicable to the whole of 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 was passed by Parliament applicable on all consumers. Following the imposition of the said Act, many consumers filed a petition in Honorable Sindh High Court and obtained stay order against Act passed by the Parliament. The Holding Company has obtained legal opinion, which states that management has to comply with the stay order of Honorable High Court of Sindh.

On October 26, 2016 the Learned single Judge of Honorable Sindh High Court had passed an order to refund / adjust the GID Cess collected in the future bills of the respective plaintiff. The said order was stayed by the Honorable Sindh High Court through order dated November 10, 2016.

The Holding Company is a collecting agent and depositing GID Cess to the MP & NR and the Holding Company will refund to the customers once it will be received from MP & NR.

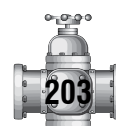
- 16.5 This includes Rs. 102.824 million (2015: Rs. 100.524 million) on account of amount payable to disconnected customers for gas supply deposits.

#### 16.6 Gas development surcharge payable to GoP

- 16.6.1 This includes Rs. 390 million (2015: 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.

- 16.6.2 The Holding Company has accounted for actuarial gains and losses in determining revenue requirement of the Holding Company for the year ended June 30, 2016 having total impact of Rs. 14 million (2015: Rs. 780 million).

The Holding Company has recognized such Gas Development Surcharge in other comprehensive income instead of profit and loss account on the premise that actuarial gains have also been recognized in other comprehensive income.





	Note	2016 (Rupees in '000)	2015
<b>16.6.3 Gas Development Surcharge</b>			
GDS receivable		(25,798,540)	(20,737,160)
Recovered during the year		16,325,254	-
Impact of staggering	2.1.1	18,358,923	-
Price decrease / (increase) adjustment during the year		9,705,468	(4,281,297)
Claim under IAS 19 during the year		13,779	(780,083)
		<u>18,604,884</u>	<u>(25,798,540)</u>
<b>17. INTEREST ACCRUED</b>			
Long term finance - loans from banking companies		192,158	230,836
Long term deposits from customers		309,941	283,265
Short term borrowings		26,035	15,538
Late payment surcharge on processing charges		167,088	132,110
Late payment surcharge on gas development surcharge		4,826	4,826
Late payment surcharge on gas supplies	16.1, 18.1.3 & 38.8	15,832,411	33,402,631
		<u>16,532,459</u>	<u>34,069,206</u>
<b>18. CONTINGENCIES AND COMMITMENTS</b>			
<b>18.1 Contingencies</b>			
<b>18.1.1</b>	Guarantees issued on behalf of the Group	<u>4,429,184</u>	<u>5,085,346</u>

*In respect of Holding Company:*

**18.1.2** Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged claims against the Company amounting to Rs. 35,182 million (June 30, 2015: Rs. 35,182 million) for short supply of gas under the provisions of an agreement dated April 10, 1995 between the Company and JPCL and Rs. 5.793 million (2015: 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. The MP & NR vide its letter dated April 24, 2017 has also directed that the outstanding issues pertaining to the claims by JPCL be resolved and has proposed that a committee be constituted comprising of members from two companies and the concerned ministries to resolve the matter as it involves parties who represent / relate to Government of Pakistan.

No provision has been made against the said claims as management is confident that ultimately these claims will not be payable. Further, management believes that in case matter is decided against the Company, the entire amount will be claimed from the OGRA in the determination of revenue requirements of the Company.

**18.1.3** As disclosed in note 38.8, the management has reversed LPS expense with effect from July 01, 2012 to June 30, 2015 amounting to Rs. 17,570 million on Government Controlled E&P Companies liabilities and has not recorded LPS expense for the current year amounting to Rs. 8,651 million in these consolidated financial statements. The Company will record and pay such LPS expense in the period only when it receives LPS income on amount receivable from KE and PSML.

**18.1.4** Habibullah Coastal Power Company (Private) Limited (HCPCL) has claimed Rs.3,067 million as at July 26, 2016 from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996, between the Company and HCPCL. HCPCL has also disputed late payment surcharge (LPS) charged by the Company and errors in previous billing amounting to Rs. 660.09 million and is not paying full amount of gas bills including LPS. Consequently, the receivable balance due from HCPCL has increased to Rs. 4,257 million as at year end. HCPCL has also invoked arbitration as per article of Gas Sale Agreement. In the instant arbitral proceedings, the Company has also raised a counter claim of Rs. 9,116.86 million which represents claim on account of failing to 'take or pay' for the gas made available to HCPCL, outstanding gas deposit and unpaid gas bills.

On February 24, 2017, the International Chamber of Commerce (ICC) has issued partial award on preliminary issues wherein it was held by the Tribunal that in line with past decision, HCPCL would be eligible to claim the liquidated damages from SSGC subject to verification of amount by technical expert. However, the ICC also accepted SSGC right to assert its 'take or pay' counter claim from December 2009 which amounts to Rs. 5,233 million up to Dec 2015. The net claim is in favor of the Company.

In case matter is decided against the Company, the entire amount would be claimed from the OGRA in the determination of revenue requirements of the Company in line with decision made by the OGRA on the similar matter in the financial year 2009.



18.1.5 As disclosed in note 31.6, 31.7, 38.2, 38.5, 38.6 and for other matters arbitration proceedings between JJVL and Company has been initiated under the Pakistan Arbitration Act 1940 to settle the outstanding disputes between the parties. Accordingly, both the parties have appointed their respective arbitrators and filed their respective claims. The matter is under arbitration proceedings.

No provision has been made as management is confident that ultimately these claims will not be payable.

18.1.6 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, and the company's investment in shares having a face value of Rs. 0.5 million (2015: Rs. 0.5 million). Loan outstanding at the year end was Rs. Nil (2015: Rs.2.190 million).

18.1.7 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 consolidated financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

18.1.8 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 consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.9 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 consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.10 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008 to 2015, 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, disallowance of depreciation on fixed assets held under musharka arrangement and disallowances for Unaccounted For Gas (UFG). No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.11 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.

The case was contested upto the level of Appellate Tribunal Inland Revenue (ATIR) and the ATIR, while upholding the decision of the Commissioner (Appeals), allowed credit of input Sales Tax on UFG to the extent of OGRA benchmark. This has resulted in reduction of demand to Rs. 149 million. The Company has filed Reference to High Court to avail benefit of full input tax credit.

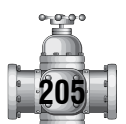
Further, issue of allowability of input sales tax on UFG was also raised by Tax Department for financial year 2007-08. On filing of suit by the Company, the Honourable High Court of Sindh stayed proceedings for the said year.

Further to this, the sales tax authorities vide their recent Show Cause Notice, have also raised the matter of allowability of input tax on UFG in excess of the OGRA's defined limit of 4.5% in the years from FY 2010-11 to FY 2014-15 confronting disallowance of input tax to the tune of Rs. 8.2 billion. However, on filing of application by the Company, the Honourable High Court of Sindh has stayed proceedings for the FY 2010-11 to FY 2014-15.

The Company and its legal counsel are of the opinion that the Company has a strong case on merits since Sales Tax Law does not specifically disallow input tax credit on line losses and further electricity distribution Companies are being allowed input tax credit on line losses by FBR in normal manner. No provision has been made in these consolidated financial statements as the Company and its legal counsel is confident that the outcome of the cases will be in favor of the Company.

18.1.12 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.

The Commissioner (Appeals) has decided the issue of exchange loss in Company's favour while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favour of Company by the Commissioner (Appeals). No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.





- 18.1.13 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million along with default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. 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 consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.
- 18.1.14 The Deputy Commissioner Inland Revenue (DCIR) 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 adjustment. Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issue decided in the Company's favour. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.
- 18.1.15 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 & 2014. The Company has filed an appeal in the Honorable High Court of Sindh, which through its order dated March 10, 2017 has remanded back the matter to the Department. No order has been passed as yet in the remanded back proceedings. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.
- 18.1.16 The Company is subject to various other claims totalling Rs. 162 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.
- 18.1.17 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 consolidated financial statements.

**In respect of SSGC LPG (Private) Limited:**

- 18.1.18 Federal Board of Revenue has issued show cause notice that the Company has not deposited 5% advance tax, amounting to Rs. 112.5 million, from the gross amount paid to Sindh High Court (SHC) relating to the purchase of assets through SHC auction. The Company has filed petition in SHC against said show cause notice, where SHC has granted stay to the Company through its order dated March 17, 2015. No provision has been made in these financial statements as the Company and its legal counsel is confident that outcome of the case will be in favor of the Company.
- 18.1.19 The Commissioner Inland Revenue withdrew the exemption earlier granted against deduction of withholding tax. An order was passed against the Company with a demand of Rs. 46.2 million, on basis that withholding tax was not deducted on sale of LPG by the Company and final tax was demanded as the Company is not a manufacturer. The Company had previously obtained exemption certificate against the said deduction; however the certificate was cancelled after its expiry in previous year. This demand was made relating to the period in which the Company was exempted from deduction of withholding tax, therefore the Company has filed an appeal in the Appellate Tribunal against the order for which the Company and its legal counsel are confident that the outcome will be in favor of the Company.
- 18.1.20 Sindh Revenue Board (SRB) has sent notices to the Company on short payment of Provincial tax on services rendered, amounting to Rs. 3.6 million, during the year 2013 and 2014. The Company was registered with SRB in the month of October 2015 and SRB is demanding taxes for the period prior to the registration. The Company has filed an appeal against the notice, the proceedings for the same are pending with SRB.
- 18.1.21 The Company is subject to various other claims amounting Rs. 14.37 million by the tax authorities. The management is confident that ultimately these claims would not be payable. Furthermore, notice from Income Tax Authorities have been received where the Company has been selected for audit for tax year 2014 and the proceedings are in progress under section 176 and 177 of the Income Tax Ordinance, 2001.

	Note	2016 (Rupees in '000)	2015
<b>Other contingencies:</b>			
18.1.22 Claims against the Holding Company not acknowledge as debt		77,477	103,741
The management is confident that ultimately these claims would not be payable.			
18.2 <b>Commitments</b>			
Commitments for capital and other expenditure		13,324,315	7,318,318





	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>19. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	19.1	75,433,139	66,609,660
Capital work in progress	19.5	23,444,430	9,547,514
		<b>98,877,569</b>	<b>76,157,174</b>

	2016 (Rupees in '000)							
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value As at June 30, 2016	Useful Life
	As at July 01, 2015	Additions / (deletions) / transfers * Revaluation Impairment ***	As at June 30, 2016	As at July 01, 2015	Depreciation / (deletions) / transfers *	As at June 30, 2016		
Freehold land	4,479,558	397,405 - 621,385 **	5,498,348	-	- - *	-	5,498,348	-
Leasehold land	6,156,827	- 854,933 **	7,011,760	-	- - *	-	7,011,760	-
Leasehold land Terminal QP-5	32,500	- - *	32,500	5,299	1,413 - *	6,712	25,788	23
Civil structure on leasehold land - Trestle and Jetty	1,144,729	3,758	1,148,487	183,767	49,833	233,600	914,887	23
Buildings on freehold land	324,492	- - *	324,492	247,406	13,964 - *	261,370	63,122	20
Buildings on leasehold land	2,236,127	170,417 - *	2,406,544	1,265,111	128,675 - *	1,393,786	1,012,758	20
Roads, pavements and related infrastructures	657,720	- - *	657,720	190,143	8,282 - *	198,425	459,295	20
Gas transmission pipelines	24,932,522	2,147,292 - *	27,079,814	13,680,629	324,144 - *	14,004,773	13,075,041	40
Gas distribution system	65,265,695	7,082,196 (76,634) (1,190,000)**	71,081,257	26,911,250	4,020,452 (76,634) - *	30,855,068	40,226,189	10-20
Compressors	2,464,372	1,151,924 - *	3,616,296	2,319,769	92,131 - *	2,411,900	1,204,396	8-16
Telecommunication	897,104	149,624 - *	1,046,728	591,285	67,936 - *	659,221	387,507	2-20
Plant and machinery	3,841,418	494,858 28 *	4,336,304	1,791,089	263,296 (1,521) *	2,052,864	2,283,440	5-20
Tools and equipment	396,466	44,705 663 *	441,834	348,735	29,999 545 *	379,279	62,555	3-10
Bowsers	68,889	3,473	72,362	13,424	6,924	20,348	52,014	10
Motor vehicles	2,337,984	429,638 (159,679) - *	2,607,943	1,460,402	173,251 (122,044) - *	1,511,610	1,096,333	5
Furniture and fixture	552,228	23,338 (558) *	575,008	463,525	31,136 (558) *	494,103	80,905	5
Office equipment	407,456	34,391 (132) *	441,715	323,168	31,709 (132) *	354,745	86,970	3-5
Computer and ancillary equipments	861,527	117,485 619 *	979,631	788,852	60,221 619 *	849,692	129,939	3
Supervisory control and data acquisition system	684,772	457,705 - *	1,142,477	646,816	20,592 - *	667,408	475,069	6.67
Construction equipment	1,131,415	1,250,027 (11,257) - *	2,370,185	1,033,471	59,482 (11,257) 1,666 *	1,083,362	1,286,823	5
2016	118,873,801	13,958,236 (247,570) 620 * 1,476,318 ** (1,190,000)***	132,871,405	52,264,141	5,383,440 (209,935) 620 * - ** - ***	57,438,266	75,433,139	



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	2015							Useful Life
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	
	As at July 01, 2014	Additions / (deletions) / transfers * Revaluation ** Impairment ***	As at June 30, 2015	As at July 01, 2014	Depreciation / (deletions) / transfers *	As at June 30, 2015	As at June 30, 2015	
Freehold land	4,479,558	-	4,479,558	-	-	-	4,479,558	-
		- *			- *			
Leasehold land	6,156,827	-	6,156,827	-	-	-	6,156,827	-
		- *			- *			
Leasehold land - Terminal QP-5	32,500	-	32,500	3,886	1,413	5,299	27,201	23
		- *			- *			
Civil structure on leasehold land - Trestle and Jetty	1,144,437	292	1,144,729	133,898	49,869	183,767	960,962	23
Buildings on freehold land	324,492	-	324,492	233,442	13,964	247,406	77,086	20
		- *			- *			
Buildings on leasehold land	2,121,464	114,663	2,236,127	1,167,340	97,771	1,265,111	971,016	20
		- *			- *			
Roads, pavements and related infrastructures	657,720	-	657,720	157,136	33,007	190,143	467,577	20
		- *			- *			
Gas transmission pipelines	23,587,703	1,344,822	24,932,522	13,253,166	427,466	13,680,629	11,251,893	40
		(3) *			(3) *			
Gas distribution system	60,403,329	4,946,854	65,265,695	23,358,337	3,637,401	26,911,250	38,354,445	10-20
		(84,488) *			(84,488) *			
Compressors	2,464,372	-	2,464,372	2,285,751	34,018	2,319,769	144,603	8-16
		- *			- *			
Telecommunication	755,603	146,014	897,104	539,093	56,518	591,285	305,819	2-20
		(4,513) *			(4,326) *			
Plant and machinery	3,485,263	361,135	3,841,418	1,571,884	222,660	1,791,089	2,050,329	5-20
		(359) *			(354) *			
		(4,621) *			(3,101) *			
Tools and equipment	367,317	26,567	396,466	313,758	33,656	348,735	47,731	3-10
		(2,042) *			(2,042) *			
		4,624 *			3,363 *			
Browsers	68,889	-	68,889	6,535	6,889	13,424	55,465	10
Motor vehicles	2,187,084	223,150	2,337,984	1,367,243	145,114	1,460,402	877,582	5
		(72,250) *			(51,956) *			
		- *			1 *			
Furniture and fixture	510,421	42,285	552,228	437,717	26,546	463,525	88,703	5
		(474) *			(474) *			
		(4) *			(264) *			
Office equipment	371,764	39,631	407,456	301,559	25,494	323,168	84,288	3-5
		(3,490) *			(3,436) *			
		(449) *			(449) *			
Computer and ancillary equipments	843,733	53,610	861,527	752,861	71,807	788,852	72,675	3
		(36,269) *			(36,269) *			
		453 *			453 *			
Supervisory control and data acquisition system	685,425	-	684,772	610,900	36,536	646,816	37,956	6.67
		(653) *			(620) *			
		- *			- *			
Construction equipment	1,131,404	11	1,131,415	1,027,874	5,597	1,033,471	97,944	5
		- *			- *			
		- *			- *			
		- *			- *			
2015	111,779,305	7,299,034	118,873,801	47,522,380	4,925,726	52,264,141	66,609,660	
		(204,538) *			(183,965) *			



2016  
(Rupees in '000)

2015

19.2 Details of depreciation for the year are as follows:

Transmission and distribution costs	4,848,963	4,477,731
Administrative expenses	215,390	216,122
Selling expenses	15,747	10,635
	5,080,100	4,704,488
Meter manufacturing division	25,939	20,231
LPG air mix	55,925	55,255
Capitalised on projects	85,120	16,694
Income from LPG and NGL - net	136,356	129,058
	<u>5,383,440</u>	<u>4,925,726</u>

19.3 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyers
(Rupees in '000)							
<b>Gas distribution system</b>							
Written down value not exceeding Rs. 50,000 each	76,634	76,634	-	-	-	Replacement	Not applicable
<b>Construction equipment</b>							
Written down value not exceeding Rs. 50,000 each	11,257	11,257	-	9,070	9,070	Open auction	Various
<b>Motor vehicles</b>							
Written down value not exceeding Rs. 50,000 each	31,299	31,085	214	29,848	29,634	Open auction	Various
Written down value not exceeding Rs. 50,000 each	154	85	69	107	38	3rd party claim	Insurance claim - NICL



	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
<b>Motor vehicles</b>							
Isuzu Truck	271	217	54	1,085	1,031	Open auction	Saqib Nisar
Suzuki Pickup	354	292	62	250	188	Open auction	Inam Khan
Toyota Corolla	1,099	769	330	825	495	Open auction	Islam Sarwar
Suzuki Cultus	667	467	200	455	255	Open auction	Musarat Iqbal
Honda Civic	785	615	170	470	300	Open auction	Nauman Ahmed
Suzuki Cultus	572	400	172	455	283	Open auction	Taj Mohammad Khan
Suzuki Cultus	560	392	168	375	207	Open auction	Noman Ahmed Siddiqui
Suzuki Cultus	691	484	207	540	333	Open auction	Mohammad Islam
Suzuki Cultus	600	420	180	450	270	Open auction	Abdul Latif Jatoi
Toyota Corolla	1,033	723	310	935	625	Open auction	Nusrat Iqbal
Toyota Corolla	1,016	711	305	730	425	Open auction	Imran Ali
Suzuki Van	465	372	93	410	317	Open auction	Muzaffar Gul
Honda City	829	580	249	550	301	Open auction	Khalid Anwer
Honda Civic	1,197	838	359	790	431	Open auction	Mohammad Anis
Hyundai Grace Van	1,245	996	249	725	476	Open auction	Ramzan Ali
Jeep Deffender	2,419	1,935	484	1,210	726	Open auction	Muhammad Asif
Jeep Kia	1,549	1,239	310	625	315	Open auction	Mohammad Suleman
Jeep Kia	1,602	1,281	321	625	304	Open auction	Abdul Ghaffar
Jeep Rexton	2,505	2,004	501	1,325	824	Open auction	Nusrat Iqbal
Jeep Suzuki	780	624	156	735	579	Open auction	Atif Essani
Jeep Suzuki	652	522	130	610	480	Open auction	Taufiq Ali Khan
Mitsubishi Pickup	2,126	1,701	425	900	475	Open auction	Atif Ali
Mitsubishi Pickup	2,501	2,001	500	905	405	Open auction	Salman
Suzuki Pickup	350	280	70	415	345	Open auction	Khalid Anwer
Toyota Pickup	799	639	160	780	620	Open auction	Mohammad Atif Essani
Suzuki Pickup	353	282	71	395	324	Open auction	Awaz Mir
Suzuki Pickup	353	282	71	320	249	Open auction	Mohammad Javed
Suzuki Van	447	358	89	355	266	Open auction	Syed Qalib Hassan
Suzuki Car Alto	459	321	138	365	227	Open auction	Bashir Ahmed
Suzuki Car Alto	459	321	138	335	197	Open auction	Mohammad Shafiq
Suzuki Car Alto	459	321	138	305	167	Open auction	Samran Ahmed
Suzuki Cultus	590	413	177	430	253	Open auction	Muhammad Haleem
Suzuki Cultus	600	420	180	420	240	Open auction	Hafiz Mohammad Adil
Suzuki Cultus	560	439	121	375	254	Open auction	Shoukal Ali Akbar
Suzuki Cultus	595	417	178	485	307	Open auction	Waseem Parvez
Suzuki Cultus	595	417	178	510	332	Open auction	Abdul Latif Jatoi
Suzuki Cultus	595	417	178	400	222	Open auction	Nusrat Iqbal
Suzuki Van	396	317	79	400	321	Open auction	Yousaf Khan
Suzuki Pickup	353	290	63	315	252	Open auction	Zia Uddin
Suzuki Pickup	314	251	63	310	247	Open auction	Khalid Mehmood
Suzuki Pickup	353	283	70	305	235	Open auction	Muhammad Naveed
Suzuki Pickup	351	281	70	310	240	Open auction	Rashid Ayub Khan
Suzuki Pickup	351	281	70	335	265	Open auction	Khalid Anwar
Suzuki Pickup	355	292	63	285	222	Open auction	Ziauddin
Suzuki Pickup	357	294	63	280	217	Open auction	Muhammad Atiq Zia





	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Suzuki Pickup	357	294	63	280	217	Open auction	Imtiaz Ali
Suzuki Pickup	355	292	63	350	287	Open auction	Shahid
Suzuki Pickup	357	294	63	285	222	Open auction	Shakil
Suzuki Pickup	357	294	63	315	252	Open auction	Shakil
Suzuki Pickup	357	294	63	285	222	Open auction	Muhammad Atiq Zia
Suzuki Pickup	355	292	63	335	272	Open auction	Raees Khan
Suzuki Pickup	355	292	63	305	242	Open auction	Muhammad Jalal
Suzuki Pickup	338	270	68	250	182	Open auction	Muzaffar Gul
Suzuki Pickup	338	270	68	250	182	Open auction	Gul Zamin
Suzuki Pickup	338	270	68	285	217	Open auction	Muhammad Naveed
Suzuki Pickup	525	457	68	305	237	Open auction	Murtaza Khan Babar
Suzuki Pickup	471	403	68	305	237	Open auction	Mohammad Waqar
Suzuki Pickup	469	401	68	285	217	Open auction	Abdul Kareem
Suzuki Pickup	494	395	99	295	196	Open auction	Mohammad Ashraf Javed
Suzuki Pickup	494	395	99	295	196	Open auction	Ayaz Mohammad
Suzuki Pickup	346	277	69	300	231	Open auction	Taj Muhammad
Suzuki Pickup	332	269	63	365	302	Open auction	Imran Khan
Suzuki Pickup	332	265	67	280	213	Open auction	Gul Zamin
Suzuki Pickup	339	271	68	305	237	Open auction	Muzaffar Gul
Suzuki Pickup	312	250	62	340	278	Open auction	Rashid Ayoob
Suzuki Pickup	455	364	91	385	294	Open auction	Taufiq Ali Khan
Suzuki Pickup	494	395	99	310	211	Open auction	Zia Ud Din
Suzuki Pickup	339	271	68	250	182	Open auction	Taj Muhammad
Suzuki Pickup	339	271	68	290	222	Open auction	Ziauddin
Suzuki Pickup	339	271	68	315	247	Open auction	Muhammad Jalal
Suzuki Pickup	338	271	67	290	223	Open auction	Rasheed Ahmed
Suzuki Pickup	338	271	67	280	213	Open auction	Umra Khan
Suzuki Pickup	338	271	67	280	213	Open auction	Muhammad Umer
Suzuki Pickup	452	384	68	320	252	Open auction	Umra Khan
Suzuki Pickup	497	397	100	290	190	Open auction	Ayaz Mohammad
Suzuki Pickup	480	384	96	285	189	Open auction	Aqeel Akhtar
Suzuki Pickup	584	467	117	335	218	Open auction	Mohammad Haleem
Suzuki Pickup	494	395	99	305	206	Open auction	Manzoor Ahmed
Suzuki Pickup	494	395	99	300	201	Open auction	Mujeeb Alam
Suzuki Pickup	495	396	99	310	211	Open auction	Aqeel Akhtar
Suzuki Pickup	494	395	99	310	211	Open auction	Mohammad Hussain
Suzuki Pickup	494	395	99	340	241	Open auction	Awaz Mir
Suzuki Pickup	529	423	106	300	194	Open auction	Rasheed Ahmed
Suzuki Pickup	381	312	69	355	286	Open auction	Dilawar
Suzuki Pickup	339	271	68	375	307	Open auction	Khalid Anwar
Suzuki Pickup	344	275	69	290	221	Open auction	Mujeeb Alam
Suzuki Pickup	344	275	69	310	241	Open auction	Ayaz Mohammad
Suzuki Pickup	537	430	107	330	223	Open auction	Muhammad Naveed
Suzuki Pickup	367	294	73	290	217	Open auction	Muhammad Naveed
Suzuki Pickup	406	325	81	265	184	Open auction	Gul Zamin
Suzuki Pickup	367	294	73	300	227	Open auction	Hazrat Bulland Khan
Suzuki Pickup	391	320	71	300	229	Open auction	Rashid Ayoob



	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Suzuki Pickup	353	282	71	335	264	Open auction	Muhammad Jalal
Suzuki Pickup	363	290	73	360	287	Open auction	Usman Ghani
Suzuki Pickup	363	290	73	330	257	Open auction	Murtaza Khan Babar
Suzuki Pickup	363	290	73	335	262	Open auction	Muhammad Yousaf
Suzuki Pickup	386	309	77	320	243	Open auction	Zia Uddin
Suzuki Pickup	339	271	68	330	262	Open auction	Inam Khan
Suzuki Pickup	352	282	70	340	270	Open auction	Khalid Anwer
Suzuki Pickup	354	283	71	380	309	Open auction	Khalid Anwer
Suzuki Pickup	344	275	69	295	226	Open auction	Muhammad Yousaf
Suzuki Pickup	344	275	69	315	246	Open auction	Ayaz Mohammad
Suzuki Pickup	344	275	69	350	281	Open auction	Ahmed Raza Khan
Suzuki Pickup	344	275	69	330	261	Open auction	Ayaz Mohammad
Suzuki Pickup	486	389	97	340	243	Open auction	Muhammad Umar
Suzuki Pickup	351	282	69	345	276	Open auction	Muhammad Jalal
Suzuki Pickup	344	275	69	305	236	Open auction	Inam Khan
Suzuki Pickup	486	389	97	320	223	Open auction	Muhammad Jalal
Suzuki Pickup	486	389	97	325	228	Open auction	Khurram Shaukat
Suzuki Pickup	339	271	68	340	272	Open auction	Murtaza Khan Babar
Suzuki Pickup	339	271	68	320	252	Open auction	Murtaza Khan Babar
Suzuki Pickup	352	281	71	350	279	Open auction	Raees Khan
Suzuki Van	411	329	82	380	298	Open auction	Nouman Ahmed
Suzuki Van	367	294	73	360	287	Open auction	Muhammad Jalal
Suzuki Van	373	298	75	350	275	Open auction	Tariq Khan
Suzuki Van	402	321	81	415	334	Open auction	Taufiq Ali Khan
Suzuki Van	402	321	81	335	254	Open auction	Khalid Anwar
Suzuki Van	416	336	80	435	355	Open auction	Taj Mohammad
Suzuki Van	465	372	93	440	347	Open auction	Shakil
Suzuki Van	453	362	91	415	324	Open auction	Rashid Ayoob
Suzuki Van	465	372	93	435	342	Open auction	Khalid Anwer
Suzuki Van	423	339	84	435	351	Open auction	Ramzan Ali
Suzuki Van	423	339	84	425	341	Open auction	Rashid Ayoob
Suzuki Van	463	370	93	445	352	Open auction	Shakil
Suzuki Van	396	317	79	400	321	Open auction	Khalid Anwar
Suzuki Van	406	325	81	395	314	Open auction	Rashid Ayoob
Suzuki Van	449	374	75	340	265	Open auction	Syed Naseem Ahmed
Suzuki Van	405	324	81	380	299	Open auction	Umra Khan
Suzuki Van	401	321	80	370	290	Open auction	Noman Ahmed Siddiqui
Suzuki Van	449	374	75	355	280	Open auction	Ayaz Mohammad
Suzuki Van	396	317	79	385	306	Open auction	M. Ashraf Javed
Suzuki Van	396	317	79	390	311	Open auction	Shakil
Suzuki Van	401	321	80	410	330	Open auction	Mohammad Yusaf
Suzuki Van	401	321	80	385	305	Open auction	Javed Iqbal
Suzuki Van	401	321	80	340	260	Open auction	Hafiz Mohammad Adil
Suzuki Van	353	282	71	330	259	Open auction	Ayaz Mohammad
Suzuki Van	353	282	71	335	264	Open auction	Muzaffar Gul
Suzuki Van	353	282	71	400	329	Open auction	Khalid Anwer
Suzuki Cultus	569	399	170	375	205	Open auction	Bashir Ahmed



	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Toyota Corolla	959	671	288	750	462	Open auction	Bashir Ahmed
Toyota Corolla	969	678	291	780	489	Open auction	Nusrat Iqbal
Toyota Corolla	969	678	291	835	544	Open auction	Mohammad Qasimuddin
Toyota Corolla	1,099	769	330	810	480	Open auction	Mohammad Khurshid
Toyota Corolla	1,099	769	330	900	570	Open auction	Taj Mohammad Khan
Toyota Corolla	1,009	707	302	765	463	Open auction	Nusrat Iqbal
Toyota Corolla	1,118	782	336	775	439	Open auction	Mohammad Qasimuddin
Toyota Corolla	1,139	797	342	745	403	Open auction	Nusrat Iqbal
Toyota Corolla	1,079	755	324	745	421	Open auction	Nusrat Iqbal
Toyota Corolla	1,016	711	305	775	470	Open auction	Rashid Ayub Khan
Toyota Corolla	989	692	297	805	508	Open auction	Nusrat Iqbal
Toyota Corolla	969	678	291	795	504	Open auction	Nusrat Iqbal
Toyota Corolla	939	657	282	780	498	Open auction	Muhammad Arshad
Toyota Pickup	803	643	160	925	765	Open auction	Mohammad Hussain
Toyota Pickup	799	639	160	780	620	Open auction	Tahir
Toyota Pickup	959	767	192	710	518	Open auction	Muzaffar
Toyota Pickup	813	651	162	950	788	Open auction	Khalid Anwer
Toyota Pickup	813	651	162	985	823	Open auction	Gulam Murtuza
Toyota Pickup	959	767	192	1,170	978	Open auction	Rafiq
Toyota Pickup	1,076	861	215	1,100	885	Open auction	Rashid Ayub Khan
Toyota Pickup	973	779	194	1,120	926	Open auction	Inam Khan
Toyota Pickup	813	651	162	750	588	Open auction	Islam Sarwar
Toyota Pickup	828	662	166	1,135	969	Open auction	Taufiq Ali Khan
Toyota Pickup	813	651	162	700	538	Open auction	Mohammad Nafees
Toyota Pickup	813	651	162	1,025	863	Open auction	Inam Khan
Toyota Pickup	815	652	163	905	742	Open auction	Muhammad Sufain
Toyota Pickup	815	652	163	1,020	857	Open auction	Muhammad Haleem
Toyota Pickup	835	668	167	1,235	1,068	Open auction	Taufiq Ali Khan
Suzuki Van	396	317	79	410	331	Open auction	Muhammad Arshad
Suzuki Van	371	297	74	365	291	Open auction	Abdul Kareem
Suzuki Van	396	317	79	385	306	Open auction	Khalid Anwar
Suzuki Cultus	961	415	546	830	284	3rd party claims	Insurance claim - NICL
Toyota Corolla	1,554	1,088	466	1,180	714	3rd party claims	Insurance claim - NICL
Jeep Potohar	678	542	136	480	344	3rd party claims	Insurance claim - NICL
Toyota Corolla	1,850	325	1,525	1,730	205	3rd party claims	Insurance claim - NICL
Suzuki Van	703	149	554	530	(24)	3rd party claims	Insurance claim - NICL
Suzuki Pickup	595	246	349	530	181	3rd party claims	Insurance claim - NICL
Suzuki Pickup	601	302	299	480	181	3rd party claims	Insurance claim - NICL
Toyota Pickup	3,278	1614	1,664	2,680	1,016	3rd party claims	Insurance claim - NICL
Toyota Pickup	1,076	861	215	780	565	3rd party claims	Insurance claim - NICL
Suzuki Pickup	354	292	62	130	68	3rd party claims	Insurance claim - NICL
Suzuki Van	423	339	84	300	216	3rd party claims	Insurance claim - NICL
Suzuki Van	609	358	251	580	329	3rd party claims	Insurance claim - NICL
Suzuki Van	571	434	137	480	343	3rd party claims	Insurance claim - NICL
Honda Civic	2,229	961	1,268	167	(1,101)	Service rules	Sohaib Warsi
Honda Civic	2,683	412	2,271	1,944	(327)	Service rules	Shakil Ahmed Bhukari
Honda Civic	2,298	963	1,335	455	(880)	Service rules	Abdul Majid Malik



	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain /(loss) on disposal	Mode of disposal	Particulars of buyers
Toyota Corolla	1,517	902	615	114	(501)	Service rules	Syed Arsalan Iqbal
Toyota Corolla	1,759	595	1,164	730	(434)	Service rules	Mansoor Ahmed
Suzuki Cultus	924	548	376	69	(307)	Service rules	M.Azhar Kamal
Suzuki Cultus	844	591	253	63	(190)	Service rules	Abdul Wahab Siddiqui
Suzuki Cultus	924	548	376	69	(307)	Service rules	Fazal Rasheed
Suzuki Cultus	1,076	240	836	634	(202)	Service rules	Farokh D. Variava
June 30, 2016	247,570	209,936	37,634	135,770	98,136		
June 30, 2015	202,808	183,293	19,515	48,427	28,912		

19.4 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 950.002 million (2015: Rs. 351.977 million). Borrowing costs related to general borrowings were capitalised at the rate of 6.57% (2015: 8.72%).

19.4.1 In respect of Holding Company:

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. 131,862 million as per the valuation carried out as at June 30, 2016 by an independent valuer namely K.G. Traders (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

19.4.2 In respect of SSGC LPG (Private) Limited:

Market value of land, building, jetty civil work, plant and machinery and bottling plants at PQA, Haripur and Muridke is Rs. 2,781 million as per the valuation carried as of June 30, 2016 by an independent valuer named MYK Associates (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

	Note	2016 (Rupees in '000)	2015
<b>19.5 Capital work in progress</b>			
Projects:			
- Gas distribution system		3,317,275	4,759,209
- Gas transmission system		10,081,016	1,047,625
- Cost of buildings under construction and others		173,465	291,991
		13,571,756	6,098,825
Stores and spares held for capital projects	19.5.1	9,960,532	3,307,209
LPG air mix plant		112,970	282,567
Others		4,900	4,900
		10,078,402	3,594,676
Impairment of capital work in progress		(205,728)	(145,987)
		23,444,430	9,547,514
<b>19.5.1 Stores and spares held for capital projects</b>			
Gas distribution and transmission		10,100,178	3,436,904
Provision for impaired stores and spares		(139,646)	(129,695)
		9,960,532	3,307,209



- 19.6 Assets of SSGC LPG (Private) Limited, with a carrying amount of approximately Rs.1,334 million have been pledged to secure borrowing from Standard Chartered Bank. SSGC LPG (Private) Limited is not allowed to pledge these assets as security for other borrowings or to sell them to another entity, without obtaining no objection certificate from Standard Chartered Bank.

## 20. INTANGIBLE ASSETS

		COST			AMORTISATION		Written down value as at June 30,	Useful life (years)	
		As at July 01,	Additions	As at June 30,	As at July 01,	For the year			As at June 30,
Computer software	2016	498,729	19,661	518,390	462,818	30,929	493,747	24,643	3
	2015	490,385	8,344	498,729	401,474	61,344	462,818	35,911	3

	Note	2016 (Rupees in '000)	2015
<b>21. LONG TERM INVESTMENTS</b>			
Investments in related parties			
Associate:			
Unquoted companies - available for sale			
Inter State Gas Systems (Private) Limited 510,000 (2015: 510,000) ordinary shares of Rs. 10 each	21.2	5,100	5,100
Quoted companies - available for sale			
Sui Northern Gas Pipelines Limited (SNGPL) 2,414,174 (2015: 2,414,174) ordinary shares of Rs. 10 each	21.3	87,610	64,314
		92,710	69,414
Other investments			
Quoted companies - available for sale			
Pakistan Refinery Limited 3,150,000 (2015: 3,150,000) ordinary shares of Rs. 10 each		129,717	191,930
United Bank Limited 118,628 (2015: 118,628) ordinary shares of Rs. 10 each		20,988	20,276
Unquoted companies (at cost)			
Pakistan Tourism Development Corporation 5,000 (2015: 5,000) ordinary shares of Rs. 10 each		50	50
Provision against impairment in value of investments at cost		150,755 (50)	212,256 (50)
		150,705	212,206
		243,415	281,620



- 21.1 Investments in SNGPL and ISGSL represent investment in 'associated companies' in terms of provisions of Companies Ordinance 1984. However, the Holding Company has not accounted for them as associates under IAS 28 "Investment in Associates and Joint Ventures", as management has concluded that the Holding Company does not have significant influence in these associated companies.
- 21.2 Inter State Gas System (Private) Limited (ISGSL) entered into a service agreement with the Holding Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise the Holding 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 Holding Company and SNGPL. The Holding Company bears 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee (ECC) of the Cabinet. Subsequent to the year end, ECC in its meeting dated December 15, 2016 has decided that Government Holding (Private) Limited being the parent company shall fund in expenditure of ISGSL.
- 21.3 Sale of these shares has been restricted by the Government of Pakistan due to its privatisation, till further directives.

22. NET INVESTMENT IN FINANCE LEASE

	June 30, 2016		
	Gross investment in finance lease	Finance income for future periods (Rupees in '000)	Principal outstanding
Not later than one year	180,941	70,780	110,161
Later than one year and not later than five years	409,439	165,691	243,748
Later than five years	142,543	23,897	118,646
	551,982	189,588	362,394
	<u>732,923</u>	<u>260,368</u>	<u>472,555</u>

	June 30, 2015		
	Gross investment in finance lease	Finance income for future periods (Rupees in '000)	Principal outstanding
Not later than one year	200,611	90,450	110,161
Later than one year and not later than five years	503,407	213,684	289,723
Later than five years	229,433	46,601	182,832
	732,840	260,285	472,555
	<u>933,451</u>	<u>350,735</u>	<u>582,716</u>

- 22.1 The Holding Company entered into agreements with Oil and Gas Development Company Limited (OGDCL), Sui Northern Gas Pipelines Limited and ENI Pakistan Limited to use the Holding 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. The agreement with OGDCL and ENI Pakistan expired on June 30, 2013 and November 25, 2015 respectively and management is negotiating for renewal of these agreements.

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.



	Note	2016 (Rupees in '000)	2015
<b>23. LONG TERM LOANS AND ADVANCES - secured, considered good</b>			
Due from executives	23.1	1,608	2,252
Less: receivable within one year	28	(408)	(602)
		1,200	1,650
Due from other employees	23.1 & 23.2	194,362	182,324
Less: receivable within one year	28	(33,136)	(32,498)
		161,226	149,826
		162,426	151,476

**23.1 Reconciliation of the carrying amount of loans and advances:**

	2016		2015	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	2,252	182,324	3,375	169,225
Disbursements	-	50,909	-	51,974
Repayments	(644)	(38,871)	(1,123)	(38,875)
	1,608	194,362	2,252	182,324

**23.2** 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 Holding Company w.e.f. January 1, 2001. Loans to non-executive employees are free from mark-up. The Holding Company has not discounted these loans at market interest rate as effect of such discounting is not material to these financial statements.

**23.3** The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 2.252 million (2015: Rs. 3.375 million).



	2016	2015
	(Rupees in '000)	
<b>24. STORES, SPARES AND LOOSE TOOLS</b>		
Stores	365,142	240,557
Spares	1,457,406	1,083,051
Stores and spares in transit	579,540	733,144
Loose tools	768	807
	2,402,856	2,057,559
<b>Provision against impaired inventory</b>		
Balance as at July 01	(232,766)	(296,015)
Reversal / (provision) made during the year	(19,576)	63,249
Balance as at June 30	(252,342)	(232,766)
	2,150,514	1,824,793
<b>24.1 Stores, spares and loose tools are held for the following operations:</b>		
Transmission	1,324,215	1,555,668
Distribution	826,299	269,125
	2,150,514	1,824,793
<b>25. STOCK-IN-TRADE</b>		
<b>Gas</b>		
Gas in pipelines	336,034	341,904
Stock of Synthetic Natural Gas	13,578	4,247
Stock of Liquefied Petroleum Gas	36,773	77,069
Stock in transit	1,690	10,140
	388,075	433,360
<b>Gas meters</b>		
Components	345,810	399,243
Work-in-process	7,328	19,374
Finished meters	122,827	14,761
	475,965	433,378
Stock of Natural Gas Liquids	-	96,779
<b>Provision against impaired inventory</b>		
Balance as at July 01	(16,456)	(12,481)
Provision made during the year	(12,928)	(3,975)
Balance as at June 30	(29,384)	(16,456)
	834,656	947,061

**26. CUSTOMERS' INSTALLATION WORK IN PROGRESS**

This represents cost of work carried out by the Holding Company on behalf of the consumers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such consumers are shown as deduction there from as reflected in note 34.2 of these financial statements.

	Note	2016	2015
		(Rupees in '000)	
<b>27. TRADE DEBTS</b>			
<b>Considered good</b>			
- Secured		17,417,189	18,560,233
- Unsecured		80,086,203	81,105,665
	27.1 & 27.2	97,503,392	99,665,898
Provision against impaired debts	27.3	(11,196,057)	(9,248,180)
		86,307,335	90,417,718





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

In accordance with the revised accounting treatment, the trade debts includes Rs. 35,949 million (2015: Rs. 40,073 million) as at June 30, 2016 receivables from KE. Out of this, Rs. 31,402 million (2015: Rs. 36,502 million) as at June 30, 2016 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 67,838 million (2015: Rs. 62,641 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

Considering that the Holding Company has valid legal claim for recovery of LPS together with outstanding principal amount, the Holding Company filed the 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 Holding Company and KE for making outstanding payment in 18 installments, the Holding 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 account which confirm management's assertion that the Holding Company has legal claim over KE for charging of LPS.

KE also filed case against the Holding Company in the High Court of Sindh for recovery of damages / losses of Rs. 61,614 million as KE claimed that the Holding Company had not supplied the committed quantity of natural gas to KE. However, the legal counsel of the Holding 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 Holding 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 Holding 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 Holding Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel also viewed that the Holding Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Holding 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.

In March, 2014, management signed a payment plan with KE in order to streamline the payment modalities in relation to current monthly bills and old outstanding principal amount, in which the issue of LPS was not addressed. The plan expired on March 31, 2015, and first addendum was included to the original payment plan effective from April 1, 2015 till March 31, 2016. Upon expiry, the second addendum was included to the original payment plan on June 18, 2016 effective from April 1, 2016 till March 31, 2017.

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

In accordance with the revised accounting treatment, the trade debts includes Rs. 21,708 million (2015: Rs. 20,879 million) including overdue balance of Rs. 21,659 million (2015: Rs. 20,618 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 43,266 million (2015: Rs. 35,383 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

The Holding Company filed a suit in the High Court of Sindh in April 2016, for recovery of its aggregate claim amounting to Rs. 41,354 million along with LPS. On April 6, 2016, the High Court of Sindh passed an order restraining PSML from creating any third party interest in relation to its assets including but not limited to immovable assets owned by it.

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.



		2016 (Rupees in '000)	2015
<b>27.3</b>	<b>Movement of provision against impaired debts</b>		
	Balance as at July 01	9,248,180	9,213,280
	Provision for the year	1,947,877	34,900
	Balance as at June 30	<u>11,196,057</u>	<u>9,248,180</u>

**27.4 Aging of trade debts from related parties**

	2016			Total
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	
(Rupees in '000)				
Not due balances	6,709,271	-	-	6,709,271
Past due but not impaired	-	22,078,322	34,931,689	57,010,011
	<u>6,709,271</u>	<u>22,078,322</u>	<u>34,931,689</u>	<u>63,719,282</u>

	2015			Total
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	
(Rupees in '000)				
Not due balances	8,169,793	-	-	8,169,793
Past due but not impaired	-	18,973,426	39,603,605	58,577,031
	<u>8,169,793</u>	<u>18,973,426</u>	<u>39,603,605</u>	<u>66,746,824</u>

		Note	2016 (Rupees in '000)	2015
<b>28.</b>	<b>LOANS AND ADVANCES - considered good</b>			
	Advances to:			
	- executives	28.1	98,546	89,063
	- other employees	28.1	802,110	481,057
			<u>900,656</u>	<u>570,120</u>
	Current portion of long term loans:			
	- executives	23	408	602
	- other employees	23	33,136	32,498
			<u>33,544</u>	<u>33,100</u>
			<u>934,200</u>	<u>603,220</u>

**28.1** 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	2016 (Rupees in '000)	2015
<b>29. ADVANCES, DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Advances for goods and services - unsecured, considered good		344,296	193,955
Trade deposits - unsecured, considered good		46,904	37,560
Prepayments		105,852	98,064
		<u>497,052</u>	<u>329,579</u>
<b>30. INTEREST ACCRUED</b>			
Interest accrued on late payment of bills / invoices from:			
- WAPDA		2,978,891	2,737,277
- SNGPL		4,967,624	3,820,805
- JJVL		375,424	352,791
		<u>8,321,939</u>	<u>6,910,873</u>
Interest accrued on bank deposits		2,787	2,373
Interest accrued on sales tax refund	5.6	487,739	487,739
Provision against impaired accrued income	30.1	(84,392)	(84,392)
		<u>8,728,073</u>	<u>7,316,593</u>
<b>30.1 Movement of provision against accrued income</b>			
Balance as at July 01		84,392	84,392
Provision made during the year		-	-
Balance as at June 30		<u>84,392</u>	<u>84,392</u>

	Note	2016 (Rupees in '000)	2015
<b>31. OTHER RECEIVABLES - considered good</b>			
Gas development surcharge receivable from GoP	31.1	-	25,798,540
Staff pension fund	41.1	515,263	672,909
Receivable for sale of gas condensate		78,972	253,228
Sui Northern Gas Pipelines Limited	31.2	25,677,084	22,227,096
Jamshoro Joint Venture Limited	31.6 & 31.7	10,435,616	14,636,955
Workers' Profit Participation Fund	31.3	161,655	1,567,655
Sales tax receivable	31.4	19,714,428	14,777,451
Sindh sales tax		112,569	112,569
Pipeline rentals		18,154	49,984
LC margin for import of cylinders		39,105	-
Receivable against asset contribution	31.8	389,907	448,587
Miscellaneous receivables		147,505	528,721
		<u>57,290,258</u>	<u>81,073,695</u>
Provision against impaired receivables	31.5	(2,346,359)	(2,346,359)
		<u>54,943,899</u>	<u>78,727,336</u>

#### 31.1 Gas development surcharge receivable from GoP

31.1.1 This includes Rs. 390 million (2015: 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.

31.1.2 The Holding Company has accounted for actuarial gains and losses in determining revenue requirement of the Holding Company for the year ended June 30, 2016 having total impact of Rs. 14 million (2015: Rs. 780 million).

The Holding Company has recognized such Gas development surcharge in other comprehensive income instead of profit and loss account on the premise that actuarial gain have also been recognized in other comprehensive income.



31.2 As at year end, receivable balance from SNGPL comprises of the following:

	Note	2016 (Rupees in '000)	2015
Uniform cost of gas		17,565,056	20,016,375
Lease rentals		58,729	84,811
Contingent rent		3,535	3,422
Regasification and capacity utilisation charges of RLNG	31.2.1	7,191,242	2,122,488
LSA margins of RLNG		334,867	-
RLNG transportation income		523,655	-
		<u>25,677,084</u>	<u>22,227,096</u>

31.2.1 The Holding Company has invoiced an amount of Rs. 14,963 million, including Sindh Sales Tax of Rs. 1,861 million, till June 30, 2016 to SNGPL in respect of capacity and utilization charges (terminal charges) relating to RLNG.

SNGPL has recorded total billed amount of capacity, utilization and flexibility charges of Rs. 2,708 million and Rs. 4,077 million as part of cost of gas sold, in its financial statements for the year ended June 30, 2015 and June 30, 2016 respectively. However, it has disputed the terminal charges that have not been allowed to it by the OGRA, terminal charges of a third party (i.e. Pak-Arab Fertilizer Company Limited (PAFCL) and terminal charges with respect to those quantities which were not supplied to SNGPL. SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and for those quantities which are actually supplied to SNGPL and not the actual cost billed by the Holding Company.

In June 2016, the Economic Coordination Committee (ECC) approved the policy guidelines that all charges under LSA including, but not limited to capacity and utilization charges as well as retainage are to be included at actual. Subsequent to the year-end the OGRA in its decision dated October 7, 2016 regarding determination of RLNG price, has allowed the terminal charges at actual. Based on that decision management is confident that it will receive the disputed amount from SNGPL and once the dedicated pipeline is constructed and multi-party agreement is signed other disputes will also be resolved.

	2016 (Rupees in '000)	2015
<b>31.3 Workers' Profit Participation Fund</b>		
Balance as at July 01	1,567,655	1,229,655
Amount (received) / paid by the Holding Company	(1,406,000)	338,000
Balance as at June 30	<u>161,655</u>	<u>1,567,655</u>

31.4 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 through a letter 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. The management is making vigorous efforts for realization of these refunds.

Subsequent to the year end, the FBR has released further sales tax refunds of Rs. 4.9 billion as a result of vigorous follow up on the matter.

	2016 (Rupees in '000)	2015
<b>31.5 Movement of provision against other receivables</b>		
Balance as at July 01	2,346,359	2,346,359
Provision made during the year	-	-
Balance as at June 30	<u>2,346,359</u>	<u>2,346,359</u>



31.6 During the year 2013-14, 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 Holding Company and Jamshoro Joint Venture Limited (JJVL) 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 amount is yet to be finalized for which the Court has appointed an Advocate Supreme Court to determine the matter which is still pending. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

31.7 This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, sale of natural gas liquids, Federal Excise Duty and Sindh Sales Tax on Franchise Services amounting to Rs. 260 million (2015: Rs. 230 million), Rs. 6,921 million (2015: Rs. 8,918 million), Rs. 1,564 million (2015: Rs. 3,773 million), Rs. 1,070 million (2015: Rs. 1,070 million) and Rs. 646 million (2015: Rs. 646 million) respectively.

As at year end, amount payable to JJVL is Rs. 5,783 million (2015: Rs. 7,433 million) as disclosed in note 16 to these financial statements. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

31.8 This represents receivable from Mari Gas Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cash flow technique.

	Note	2016 (Rupees in '000)	2015
<b>32. TAXATION - NET</b>			
Advance tax		27,204,837	23,942,792
Provision for tax		(7,150,912)	(6,470,653)
		<u>20,053,925</u>	<u>17,472,139</u>

### 33. CASH AND BANK BALANCES

#### Cash at banks

- deposit accounts
- current accounts

#### Cash in hand

33.1 This includes foreign currency cash in hand amounting to Rs. 1.572 million (2015: Rs. 0.898 million).

	Note	2016 (Rupees in '000)	2015
		880,663	707,370
		466,867	342,323
		<u>1,347,530</u>	<u>1,049,693</u>
	33.1	10,432	7,237
		<u>1,357,962</u>	<u>1,056,930</u>

### 34. COST OF SALES

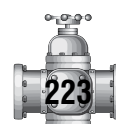
- Cost of gas
- Transmission and distribution costs

#### 34.1 Cost of gas

- Gas in pipelines as at July 01
- Gas purchases

- Gas consumed internally
- Inward price adjustment
- Gas in pipelines as at June 30

	Note	2016 (Rupees in '000)	2015
	34.1	147,284,596	154,261,300
	34.2	16,155,532	14,758,809
		<u>163,440,128</u>	<u>169,020,109</u>
		341,904	332,529
		180,777,694	194,671,452
		<u>181,119,598</u>	<u>195,003,981</u>
		(4,122,110)	(2,115,589)
	34.1.1	(29,376,858)	(38,285,188)
		(336,034)	(341,904)
		<u>(33,835,002)</u>	<u>(40,742,681)</u>
		<u>147,284,596</u>	<u>154,261,300</u>





- 34.1.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Holding 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.
- 34.1.2 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 Holding Company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. While it is almost impossible to estimate the amount of gas theft in UFG, it is estimated that it is a significant percentage of the total UFG.

The Holding 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 Holding 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, 2016 is 13.73% (2015: 13.62%). OGRA has restricted UFG to 4.5%.

	Note	2016 (Rupees in '000)	2015
<b>34.2 Transmission and distribution costs</b>			
Salaries, wages and benefits		7,408,232	7,191,975
Contribution / accrual in respect of staff retirement benefit schemes	34.2.1	1,300,904	1,186,485
Depreciation on operating assets	19.2	4,848,963	4,477,731
Repairs and maintenance		1,138,275	1,147,858
Stores, spares and supplies consumed		529,903	596,603
Gas consumed internally		467,935	596,278
Legal and professional		157,391	163,791
Software maintenance		8,417	27,754
Electricity		102,558	105,466
Security expenses		460,318	383,280
Insurance and royalty		102,547	95,857
Travelling		43,751	51,641
Material and labor used on customers' installation		37,485	16,486
Impairment of capital work in progress		59,740	70,091
Impairment of operating assets	34.2.2	1,190,000	-
Postage and revenue stamps		2,844	2,723
Rent, rates and taxes		114,930	209,920
Others		293,916	254,993
		<b>18,268,109</b>	<b>16,578,932</b>
<b>Recoveries / allocations to:</b>			
Gas distribution system capital expenditure		(1,581,809)	(1,588,718)
Installation costs recovered from customers		(82,357)	(25,606)
		<b>(1,664,166)</b>	<b>(1,614,324)</b>
<b>Recoveries of service cost from:</b>			
- Sui Northern Gas Pipelines Limited - a related party	34.2.3	(407,573)	(135,603)
- Other customers		(17,072)	(43,368)
		<b>(424,645)</b>	<b>(178,971)</b>
Allocation to sale of gas condensate		(23,766)	(25,662)
		<b>16,155,532</b>	<b>14,759,975</b>



	Note	2016 (Rupees in '000)	2015
<b>34.2.1 Contribution / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		184,424	180,195
Charge in respect of pension funds:			
- executives		162,133	141,969
- non-executives		81,119	108,202
Charge in respect of gratuity funds:			
- executives		142,259	135,361
- non-executives		81,283	66,963
Accrual in respect of unfunded post retirement medical facility		571,346	470,901
Accrual in respect of compensated absences			
- executives		77,116	7,215
- non-executives		1,224	75,679
		<u>1,300,904</u>	<u>1,186,485</u>

**34.2.2** This represents impaired operating assets which have been disallowed by OGRA in determination of 17% return on operating assets, as these assets exceeded the per consumer cost criteria prescribed by Ministry of Petroleum and Natural Resources.

**34.2.3** This includes recovery in respect of obligation against pipeline transferred to the Holding Company from Engro Elengy Terminal Limited amounting to Rs. 135 million.

	Note	2016 (Rupees in '000)	2015
<b>35. ADMINISTRATIVE AND SELLING EXPENSES</b>			
Administrative expenses	35.1	2,447,592	2,373,605
Selling expenses	35.2	1,474,421	1,461,352
		<u>3,922,013</u>	<u>3,834,957</u>
<b>35.1 Administrative expenses</b>			
Salaries, wages and benefits		1,447,637	1,367,880
Contribution / accrual in respect of staff retirement benefit schemes	35.1.1	100,569	120,893
Depreciation on operating assets	19.2	215,390	216,122
Amortisation of intangible assets	20	30,929	61,344
Repairs and maintenance		130,546	130,715
Stores, spares and supplies consumed		52,133	58,427
Legal and professional		142,076	86,610
Software maintenance		96,853	112,653
Electricity		7,695	10,526
Security expenses		10,068	9,109
Insurance and royalty		21,177	17,411
Travelling		53,549	57,025
Postage and revenue stamps		10,307	7,908
Rent, rates and taxes		19,924	14,846
Others		167,448	156,260
		<u>2,506,301</u>	<u>2,427,729</u>
Allocation to meter manufacturing division		(58,709)	(54,124)
		<u>2,447,592</u>	<u>2,373,605</u>



		2016	2015
		(Rupees in '000)	
<b>35.1.1 Contribution / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		34,308	34,290
Charge in respect of pension funds:			
- executives		28,242	27,621
- non-executives		3,687	4,984
Charge in respect of gratuity funds:			
- executives		26,490	24,039
- non-executives		3,731	3,626
Accrual in respect of unfunded post retirement:			
- gas facility		4,111	6,915
- medical facility		-	19,418
		100,569	120,893
		2016	2015
	Note	(Rupees in '000)	
<b>35.2 Selling expenses</b>			
Salaries, wages and benefits		814,362	842,668
Contribution / accrual in respect of staff retirement benefit schemes	35.2.1	87,051	90,258
Legal and professional		3,053	3,000
Depreciation on operating assets	19.2	15,747	10,635
Repairs and maintenance		2,481	2,621
Stores, spares and supplies consumed		20,407	28,204
Electricity		84,788	70,969
Insurance and royalty		809	652
Travelling		2,123	1,771
Billing and collection charges		396,538	359,828
Postage and revenue stamps		584	569
Rent, rates and taxes		30,364	38,915
Others		16,114	11,262
		1,474,421	1,461,352
<b>35.2.1 Contribution / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		25,721	26,690
Charge in respect of pension funds:			
- executives		16,965	16,941
- non-executives		14,231	19,582
Charge in respect of gratuity funds:			
- executives		15,908	14,693
- non-executives		14,226	12,352
		87,051	90,258





	Note	2016 (Rupees in '000)	2015
<b>36. OTHER OPERATING EXPENSES</b>			
<b>Auditors' remuneration</b>			
- Statutory audit		4,150	3,400
- Fee for other audit related services		2,780	6,103
- Fee for taxation services		16,645	14,597
- Out of pocket expenses		318	285
		<u>23,893</u>	<u>24,385</u>
Workers' Profit Participation Fund			-
Sports expenses		58,897	50,013
Corporate social responsibility		46,463	62,526
Provision against impaired debts and other receivables	27.3 & 31.5	1,947,877	119,292
Provision against impaired stores and spares		29,527	34,192
Exchange loss		243,441	1,299,017
		<u>2,350,098</u>	<u>1,589,425</u>
<b>37. OTHER OPERATING INCOME</b>			
<b>Income from other than financial assets</b>			
Meter rentals		718,779	700,078
RLNG transportation income		459,347	-
Recognition of income against deferred credit		406,096	402,909
Income from new service connections and asset contribution		299,543	884,743
Income from LPG air mix distribution - net	37.1	158,974	193,883
Recoveries from customers		78,940	71,627
Gain on disposal of property, plant and equipment	19.3	98,136	29,382
Liquidated damages recovered		264,175	17,790
Advertising income		4,657	5,420
Income from sale of tender documents		5,001	5,775
Scrap sales		49,943	10,803
Miscellaneous		184,087	231,617
		<u>2,727,678</u>	<u>2,554,027</u>
<b>37.1 Income from LPG air mix distribution - net</b>			
Sales		23,866	20,517
Cross subsidy		397,735	551,574
Cost of sales		(169,404)	(291,713)
		<u>252,197</u>	<u>280,378</u>
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(31,254)	(27,491)
Depreciation expenses	19.2	(55,925)	(55,255)
Other operating expenses		(35,507)	(32,338)
		<u>(122,686)</u>	<u>(115,084)</u>
Amortisation of deferred credit		26,994	26,999
Other income		2,469	1,590
		<u>158,974</u>	<u>193,883</u>



	Note	2016 (Rupees in '000)	2015
<b>38. OTHER NON-OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Late payment surcharge		2,197,704	1,791,017
Income from net investment in finance lease		27,257	65,417
Income for receivable against asset contribution		40,559	41,677
Return on:			
- term deposits and profit and loss bank accounts		187,634	258,656
		2,453,154	2,156,767
<b>Interest income on late payment of gas bills from</b>			
- Jamshoro Joint Venture Limited (JJVL)	38.2	275,630	252,342
- Water & Power Development Authority (WAPDA)		241,614	105,348
- Sui Northern Gas Pipelines Limited (SNGPL)		1,146,820	1,024,711
		1,664,064	1,382,401
Dividend income		1,186	356
		4,118,404	3,539,524
<b>Income from investment in debts, loans, advances and receivables from related party</b>			
Income from net investment in finance lease	38.1	78,959	90,389
<b>Others</b>			
Sale of gas condensate		(249,333)	197,557
Income from LPG and NGL - net	38.4 & 38.5	536,506	6,255,361
Meter manufacturing division profit - net	38.3	14,805	114,688
		301,978	6,567,606
Reversal of Finance Cost		17,570,220	-
Income against LNG service agreement		293,386	-
Amortisation of government grant		991,743	-
		23,354,690	10,197,519

38.1 This represents income from SNGPL amounting to Rs.78.959 million (2015: Rs. 90.389 million).

38.2 Interest is charged on the receivable from JJVL at the State Bank of Pakistan discount rate plus 2%. Interest is charged at KIBOR + 1% on reconciled outstanding amount as at December 31, 2014 to be repaid in 12 equal quarterly installments. Refer note 18.1.5 for status of arbitration proceeding with JJVL.



	Note	2016 (Rupees in '000)	2015
<b>38.3 Meter manufacturing division profit - net</b>			
Gross sales of gas meters			
- Holding Company's consumption		1,388,422	1,079,732
- Outside sales		430,946	1,432,459
		<u>1,819,368</u>	<u>2,512,191</u>
Sales tax		(261,405)	(385,559)
Net sales		<u>1,557,963</u>	<u>2,126,632</u>
Cost of sales			
- Raw material consumed		930,098	1,432,687
- Stores and spares		6,539	17,682
- Fuel, power and electricity		12,373	18,508
- Salaries wages and other benefits	38.3.2	498,479	458,993
- Insurance		706	946
- Repairs and maintenance		2,714	4,747
- Depreciation	19.2	25,939	20,231
- Transportation		3,419	4,949
- Other expenses		13,589	1,571
Cost of goods sold		<u>1,493,856</u>	<u>1,960,314</u>
Gross profit		64,107	166,318
Administrative expenses		(58,709)	(54,124)
Operating profit		5,398	112,194
Other income		9,407	2,494
Net profit		<u>14,805</u>	<u>114,688</u>
<b>38.3.1</b> Gas meters used by the Holding Company are included in operating assets at manufacturing cost.			
<b>38.3.2</b> Salaries, wages and other benefits		485,169	445,264
Provident fund contribution		5,411	5,239
Pension fund		3,984	4,823
Gratuity		3,915	3,667
		<u>498,479</u>	<u>458,993</u>

**38.4** The Holding Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields and provide the Holding Company with mutually agreed quantity of LPG extracted and retain the rest for onward use. The Holding Company paid processing charges of \$235/MT for the months on which JJVL's production share is below 53.55% and \$220/MT if JJVL's production share is more than 53.55%.

The net income from LPG business has declined due to steady decline in LPG prices globally, in line with decline in global oil prices. Since, the Holding Company is paying fixed processing charges to JJVL, it has to fully absorb the effect of declining prices of LPG. Consequently, the Holding Company sent termination notices of MoU with JJVL dated May 4, 2016; however, JJVL has taken stay order from Sindh High Court against such termination on May 16, 2016. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

**38.5** It includes sale of NGL to JJVL amounting to Rs. 1,979 million on the basis of provisional selling prices and after adjusting extraction charges and shrinkage cost the net loss from sale of NGL is Rs. 355 million. The provisional sales are subject to change as result of negotiation / arbitration from JJVL. Refer note 18.1.5 for status of arbitration proceeding with JJVL.

**38.6** The shrinkage cost charged during the year is based on MMBTU, however till last year shrinkage cost was based on MMCF.



38.7 As disclosed in note 27.1 and 27.2, effective from July 1, 2012, the Holding Company has been accounting for LPS from KE and PSML on receipt basis as per IAS 18 "Revenue". However, the Holding Company continued recognition of the LPS expenses payable on outstanding payables of the Government Controlled E & P Companies i.e. Oil and Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL) and Government Holding (Private) Limited (GHPL) to comply with the requirements of the accounting standards, as such standards do not allow the Holding Company to offset its LPS income against the mark-up expense in absence of legal right of set off, despite the fact that the Holding Company has never paid such LPS to Government Controlled E&P Companies. Therefore, the management approached MP & NR through its letter dated September 1, 2016 to allow similar treatment of its LPS payable to the Government Controlled E&P Companies due to special and unusual circumstances arising from circular debt. Management's request was also based on, besides the unique situation of circular debt, past settlement record on net basis which was approved by ECC in 2001 and the fact that OGDCL, PPL and GHPL have adopted the accounting policy whereby such LPS incomes will be recorded in their financial statements only when the same are received.

In response to the Holding Company's above request, the MP & NR vide their letter dated January 3, 2017 has supported the contention of the Holding Company that it will not recognize LPS expense payable to the Government Controlled E & P Companies (OGDCL, PPL and GHPL), effective from July 1, 2012, till the time Holding Company receives payment for LPS income from KE and PSML and it would be settled simultaneously subject to fulfillment of all the codal formalities. Based on the letter received from MP & NR, and the legal opinion, the Holding Company has reversed the LPS expense on delayed payments on gas supplies effective from July 1, 2012. Further it has been decided that the Holding Company will record and pay such expense in the period only when it receives LPS income from KE and PSML.

Had the management not reversed the LPS expense payable from July 1, 2012 to June 30, 2015 of Rs. 17,570 million and recorded LPS expense for the year of Rs. 8,651 million on outstanding payables to Government Controlled E&P Companies, the effect on these consolidated financial statements would be as follows:

	(Rupees in '000)
- Increase in loss before tax	26,221,647
- Increase in loss after tax / accumulated losses	18,355,153
- Increase in loss per share - Rupees	20.84

	2016	2015
	(Rupees in '000)	
<b>39. FINANCE COST</b>		
<b>Mark-up on:</b>		
- loans from banking companies	1,615,985	2,218,323
- short term borrowings	70,509	53,763
- consumers deposits	286,154	278,093
- customer finance	1,050	1,848
- delayed payment on gas supplies	-	7,089,712
- Government of Sindh loans	1,414,797	229,937
- obligation against pipeline	97,982	25,012
- others	82,413	153,507
	<u>3,568,890</u>	<u>10,050,195</u>
Less: Finance cost capitalised during the year	(950,022)	(351,977)
	<u>2,618,868</u>	<u>9,698,218</u>
<b>40. TAXATION</b>		
<b>Current year</b>		
Current tax	(680,263)	-
Deferred tax	2,452,013	(3,378,305)
	<u>1,771,750</u>	<u>(3,378,305)</u>





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

	2016	2015
	(Rupees in '000)	
Accounting loss for the year	(7,632,637)	(8,807,993)
Tax rate	32%	33%
Tax charge @ 32% (2015: 33%)	(2,442,444)	(2,906,638)
Effect of minimum tax	(25,418)	25,108
Deferred tax asset not recognised	-	26,973
Minimum income tax u/s 153 (1)(b)	581,122	-
Effect of change in rate	127,181	(534,052)
Effect of adjustments recognised in the current year in respect of prior year	(87,977)	10,386
Super tax	75,667	-
Effect of lower tax rate on dividend income	119	(82)
	<u>(1,771,750)</u>	<u>(3,378,305)</u>



41. STAFF RETIREMENT BENEFITS

41.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.16 to these financial statements, the Holding Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial valuation. Latest actuarial valuations were carried out as at June 30, 2016 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:

	2016			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
<b>(Asset) / liability in consolidated balance sheet</b>				
Fair value of plan assets	(1,125,981)	(2,360,896)	(227,087)	(2,923,614)
Present value of defined benefit obligation	820,786	4,381,868	17,019	3,465,299
	<u>(305,195)</u>	<u>2,020,972</u>	<u>(210,068)</u>	<u>541,685</u>
<b>Movement in present value of defined benefit obligation</b>				
Obligation as at July 01, 2015	700,883	3,923,930	17,249	3,485,623
Current service cost	58,692	232,399	-	172,904
Interest cost	67,417	371,704	1,600	334,725
Remeasurement	18,172	318,057	683	(294,428)
Benefits paid	(24,378)	(464,222)	(2,513)	(233,525)
Obligation as at June 30, 2016	<u>820,786</u>	<u>4,381,868</u>	<u>17,019</u>	<u>3,465,299</u>
<b>Movement in fair value of plan assets</b>				
Fair value as at July 01, 2015	1,153,990	2,387,118	237,051	2,829,652
Expected return on plan assets	118,412	219,851	27,968	273,675
Remeasurement	(129,671)	(165,931)	(9,087)	(180,094)
Benefits paid	(24,378)	(464,222)	(2,513)	(233,525)
Contribution to the fund	201,786	189,922	103,732	103,842
Amount transferred (out) / in	(194,158)	194,158	(130,064)	130,064
Fair value as at June 30, 2016	<u>1,125,981</u>	<u>2,360,896</u>	<u>227,087</u>	<u>2,923,614</u>
<b>Movement in (asset) / liability in consolidated balance sheet</b>				
(Asset) / liability as at July 01, 2015	(453,107)	1,536,812	(219,802)	655,971
Expense recognised for the year	201,855	190,094	103,696	103,890
Remeasurement	147,843	483,988	9,770	(114,334)
Contribution to the fund	(201,786)	(189,922)	(103,732)	(103,842)
(Asset) / liability in consolidated balance sheet	<u>(305,195)</u>	<u>2,020,972</u>	<u>(210,068)</u>	<u>541,685</u>



## Expense recognised in the consolidated profit and loss account

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

	2016			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	58,692	232,399	-	172,904
Interest cost	67,417	371,704	1,600	334,725
Expected return on plan assets	(118,412)	(219,851)	(27,968)	(273,675)
Amount transferred out / (in)	194,158	(194,158)	130,064	(130,064)
	<u>201,855</u>	<u>190,094</u>	<u>103,696</u>	<u>103,890</u>
<b>Total remeasurements recognised in other comprehensive income</b>				
<b>Remeasurement on obligation arising on</b>				
- financial assumptions	(100,470)	(346,661)	(262)	(158,675)
- demographic assumptions	-	-	-	-
- experience adjustments	82,298	28,604	(421)	453,103
	<u>(18,172)</u>	<u>(318,057)</u>	<u>(683)</u>	<u>294,428</u>
<b>Remeasurement on plan assets arising on</b>				
Return on plan assets excluding expected return	12,132	(111,978)	42,692	(111,749)
Expected return on plan assets	118,412	219,851	27,968	273,675
Net return on plan assets over interest income	(130,544)	(107,873)	(70,660)	(161,926)
Difference in opening fair value of assets after audit	873	(58,058)	61,573	(18,168)
	<u>(129,671)</u>	<u>(165,931)</u>	<u>(9,087)</u>	<u>(180,094)</u>
	<u>(147,843)</u>	<u>(483,988)</u>	<u>(9,770)</u>	<u>114,334</u>
<b>Actual Return on plan asset</b>	<u>12,132</u>	<u>(111,978)</u>	<u>42,692</u>	<u>(111,749)</u>
<b>Composition / fair value of plan assets used by the fund</b>				
Quoted Shares	14.05%	6.68%	41.34%	7.70%
Debt instruments	82.04%	90.59%	46.76%	87.18%
Mutual funds	1.80%	2.13%	7.43%	4.74%
Others including cash & cash equivalents	2.11%	0.60%	4.47%	0.38%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Quoted Shares	158,203	157,763	93,860	225,078
Debt instruments	923,744	2,138,781	106,193	2,548,945
Mutual funds	20,297	50,317	16,876	138,570
Others including cash & cash equivalents	23,737	14,035	10,158	11,021
Total	<u>1,125,981</u>	<u>2,360,896</u>	<u>227,087</u>	<u>2,923,614</u>



	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
<b>(Asset) / liability in consolidated balance sheet</b>				
Fair value of plan assets	(1,153,990)	(2,387,118)	(237,051)	(2,829,652)
Present value of defined benefit obligation	700,883	3,923,930	17,249	3,485,623
	<u>(453,107)</u>	<u>1,536,812</u>	<u>(219,802)</u>	<u>655,971</u>
<b>Movement in present value of defined benefit obligation</b>				
Obligation as at July 1, 2014	647,081	3,491,853	18,002	3,383,717
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Remeasurement	(61,051)	120,983	(1,155)	(226,321)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Obligation as at June 30, 2015	<u>700,883</u>	<u>3,923,930</u>	<u>17,249</u>	<u>3,485,623</u>

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
<b>Movement in fair value of plan assets</b>				
Fair value as at July 1, 2014	1,079,998	2,141,413	209,519	2,553,389
Interest income	154,072	270,642	36,772	335,910
Remeasurement	(30,701)	(57,464)	25,554	(67,122)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Contribution to the fund	191,897	163,363	143,677	118,505
Amount transferred (out) / in	(216,001)	216,001	(176,598)	176,598
Fair value as at June 30, 2015	<u>1,153,990</u>	<u>2,387,118</u>	<u>237,051</u>	<u>2,829,652</u>
<b>Movement in (asset) / liability in consolidated balance sheet</b>				
(Asset) / liability as at July 01, 2014	(462,917)	1,380,440	(197,017)	835,828
Expense recognised for the year	202,057	171,288	142,101	103,347
Remeasurement	(350)	148,447	(21,209)	(164,699)
Contribution to the fund	(191,897)	(163,363)	(143,677)	(118,505)
(Asset) / liability in consolidated balance sheet	<u>(453,107)</u>	<u>1,536,812</u>	<u>(219,802)</u>	<u>655,971</u>





## Expense recognised in the consolidated profit and loss account

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

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Expected return on plan assets	(154,072)	(270,642)	(36,772)	(335,910)
Amount transferred out / (in)	216,001	(216,001)	176,598	(176,598)
	<u>202,057</u>	<u>171,288</u>	<u>142,101</u>	<u>103,347</u>
<b>Total remeasurements recognised in other comprehensive income</b>				
<b>Remeasurement on obligation arising on</b>				
- financial assumptions	2,892	(1,887)	250	(143,581)
- demographic assumptions	-	-	-	-
- experience adjustments	58,159	(119,096)	905	369,902
	<u>61,051</u>	<u>(120,983)</u>	<u>1,155</u>	<u>226,321</u>
<b>Remeasurement on plan assets arising on</b>				
Return on plan assets excluding interest income	(117,143)	(249,818)	(40,554)	(306,875)
Expected return on plan assets	154,072	270,642	36,772	335,910
Net return on plan assets over interest income	(36,929)	(20,824)	3,782	(29,035)
Difference in opening fair value of assets after audit	6,228	(36,640)	21,772	(38,087)
Adjustment for previous amount	(30,000)	30,000	(5,500)	5,500
	<u>(60,701)</u>	<u>(27,464)</u>	<u>20,054</u>	<u>(61,622)</u>
	<u>350</u>	<u>(148,447)</u>	<u>21,209</u>	<u>164,699</u>
<b>Composition / fair value of plan assets used by the fund</b>				
Quoted shares	21.26%	10.15%	61.41%	12.25%
Debt instruments	69.94%	84.34%	22.20%	81.73%
Mutual funds	1.90%	1.95%	6.22%	4.49%
Other including cash and cash equivalents	6.90%	3.56%	10.17%	1.53%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Quoted shares	245,378	242,274	145,580	346,614
Debt instruments	807,145	2,013,346	52,616	2,312,534
Mutual funds	21,908	46,613	14,747	127,173
Others including cash and cash equivalents	79,559	84,885	24,108	43,331
Total	<u>1,153,990</u>	<u>2,387,118</u>	<u>237,051</u>	<u>2,829,652</u>



Significant actuarial assumptions

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

	Executives and Non-executives	
	2016 (%)	2015 (%)
Discount rate	7.25	9.75
Expected rate of increase in salary level	5.25	7.75
Increase in pension	1.25	2.75

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of salary and pension increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Change in assumption	Impact of change in assumptions in present value of defined benefit obligation					
	Executives		Non-executives			
	Pension	Gratuity	Pension	Gratuity		
(Rupees in '000)						
Discount rate	1%	Increase in assumption	(82,964)	(277,123)	(987)	(249,934)
Salary increase rate	1%	Increase in assumption	42,340	289,473	-	266,674
Pension increase rate	1%	Increase in assumption	54,979	-	1,171	-
Discount rate	1%	Decrease in assumption	99,769	308,545	1,113	281,546
Salary growth rate	1%	Decrease in assumption	(38,728)	(265,070)	-	(241,351)
Pension increase rate	1%	Decrease in assumption	(47,319)	-	(1,052)	-

In presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated balance sheet.

The expected pension and gratuity expense for the next one year from July 01, 2016 is as follows:

	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
(Rupees in '000)				
Current service cost	30,543	253,150	-	164,971
Interest cost	60,223	310,872	1,153	246,527
Interest income on plan assets	(81,588)	(169,391)	(15,859)	(208,605)
Interest cost	(21,365)	141,481	(14,706)	37,922
Expected return on plan assets				
Amount transferred out / (in)	192,356	(192,356)	103,773	(103,773)
	201,534	202,275	89,067	99,120



#### 41.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.16 to these financial statements, the Holding Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after December 31, 2000. The latest actuarial valuations of the liability under these schemes were carried out as at June 30, 2016 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 2,350 (2015: 2,584) and 166 (2015: 174) for medical and gas facility respectively.

	Post retirement medical facility	2016 Post retirement gas facility	Total
	(Rupees in '000)		
<b>Liability in consolidated balance sheet</b>			
Present value of defined benefit obligation	4,004,327	45,958	4,050,285
<b>Movement in present value of defined benefit obligation</b>			
Liability as at July 01, 2015	4,067,619	43,640	4,111,259
Expense recognised for the year	571,347	4,111	575,458
Payments during the year	(92,153)	(3,233)	(95,386)
Remeasurement	(542,486)	1,440	(541,046)
Liability as at June 30, 2016	4,004,327	45,958	4,050,285
<b>Expense recognised in the consolidated profit and loss account</b>			
Current service cost	158,114	-	158,114
Interest cost	413,233	4,111	417,344
	571,347	4,111	575,458
<b>Total remeasurements recognised in other comprehensive income</b>			
<b>Remeasurement on obligation arising on</b>			
- financial assumptions	22,277	5,892	28,169
- demographic assumptions	-	-	-
- experience adjustments	(564,763)	(4,452)	(569,215)
	(542,486)	1,440	(541,046)



	Post retirement medical facility	2015 Post retirement gas facility (Rupees in '000)	Total
<b>Liability in consolidated balance sheet</b>			
Present value of defined benefit obligation	4,067,619	43,640	4,111,259
<b>Movement in present value of defined benefit obligation</b>			
Liability as at July 01, 2014	2,847,258	53,708	2,900,966
Expense recognised for the year	483,989	6,886	490,875
Payments during the year	(95,556)	(2,920)	(98,476)
Remeasurement	831,928	(14,034)	817,894
Liability as at June 30, 2015	4,067,619	43,640	4,111,259
<b>Expense recognised in the consolidated profit and loss account</b>			
Current service cost	104,188	-	104,188
Interest cost	379,801	6,886	386,687
	483,989	6,886	490,875
<b>Total remeasurements recognised in other comprehensive income</b>			
<b>Remeasurement on obligation arising on</b>			
- financial assumptions	829,304	(7,701)	821,603
- demographic assumptions	-	-	-
- experience adjustments	2,624	(6,333)	(3,709)
	831,928	(14,034)	817,894

**Significant actuarial assumptions**

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

	Executives	
	2016 (%)	2015 (%)
Discount rate	7.25	9.75
Medical inflation rate	7.25	9.75
Gas inflation rate	7.25	9.75



Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of medical and gas increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Change in assumption	Impact of change in assumptions in present value of defined benefit obligation		
	Post retirement medical facility	Post retirement gas facility	
(Rupees in '000)			
Discount rate	1% Increase in assumption	(820,692)	(3,511)
Medical inflation rate	1%	237,175	-
Gas inflation rate	1%	-	1,498
Discount rate	1% Decrease in assumption	1,073,217	1,535
Medical inflation rate	1%	(216,738)	-
Gas inflation rate	1%	-	(5,716)

The expected medical and gas expense for the next one year from July 01, 2015 is as follows:

	2016	2015
(Rupees in '000)		
Current service cost	198,104	-
Net interest cost	361,054	3,216
	559,158	3,216

#### 41.3 Unfunded gratuity scheme

As stated in note 3.16, the SSGC LPG (Private) Limited operates an unfunded gratuity scheme for its permanent and contractual employees who served for 1 year. The details of employee retirement benefit obligations based on actuarial valuations carried out by independent actuary as at June 30, 2016 under the projected unit credit method are as follows:

##### 41.3.1 Liability in consolidated balance sheet

	2016	2015
(Rupees in '000)		
Present value of defined benefit obligation	12,437	8,629
<b>Movement in present value of defined benefit obligation</b>		
Present value of defined benefit obligations at beginning of the year	8,629	8,547
Current service cost	3,418	6,215
Interest cost	853	881
Benefits paid during the year	(194)	(3,789)
Remeasurement of actuarial gain	(269)	(3,225)
Present value of defined benefit obligations at end of the year	12,437	8,629
<b>Expense recognised in consolidated profit and loss account</b>		
Current service cost	3,418	6,215
Net interest expense	853	881
Expense for the year	4,271	7,096
<b>Remeasurement gain recognised in other comprehensive income</b>		
Actuarial gain on defined benefit obligation	(269)	(3,225)



41.3.2 The principal assumptions used in the actuarial valuations carried out as of June 30, 2016, using the 'projected unit credit' method, are as follows:

	2016 (%)	2015 (%)
Discount rate	9.00	10.50
Salary increase rate short run	10.00	10.50
Salary increase rate long run (p.a)	9.00	10.50

41.3.3 The expected maturity analysis of undiscounted retirement benefit plan is:

	2016 (Rupees in '000)	2015
Year 1	1,387	1,119
Year 2	346	285
Year 3	320	274
Year 4	321	261
Year 5	671	517
Year 6 to Year 10	4,129	2,993
Year 11 to above	32,395	29,272

41.3.4 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Present Value of Obligation (Rupees in '000)	% Change from base
<b>Base</b>	<b>12,437</b>	
Discount rate (1% increase)	11,236	-9.65%
Discount rate (1% decrease)	13,837	11.26%
Salary growth rate (1% increase)	13,880	11.60%
Salary growth rate (1% decrease)	11,180	-10.10%
Withdrawal rate (10% increase)	12,437	0%
Withdrawal rate (10% decrease)	12,437	0%
1 year Mortality age set back	12,437	0%
1 year Mortality age set forward	12,437	0%

The defined benefit obligation exposed SSGC LPG (Private) Limited to actuarial risks such as:

#### Longevity risks

The risk arises when the actual lifetime of the retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### Salary increase risk

The risk arises when the actual increases are higher or lower than the expectation and impacts the liability accordingly.

#### Withdrawal risks

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.



41.3.5 The following table shows the analysis of remeasurement as at the valuation date:

	2016 (Rupees in '000)
Remeasurment (gain) / loss on obligation arising on:	
- financial assumption	51
- demographic assumption	
Experience adjustment	
- due to actual salary increase	(149)
- due to withdrawals	(171)
Total remeasurement on obligation	(269)
Total remeasurement recognized in Other Comprehensive Income	(269)

41.3.6 The expected gratuity expense for the year ending June 30, 2017 is Rs. 4,775,432

#### 41.4 Defined contribution plan - Recognized provident fund

The information related to the provident funds established by the Holding Company based on management records are as follows:

	Executives		Non-Executives	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
	(Rupees in '000)			
Size of provident fund	3,664,516	3,283,000	3,545,043	3,165,000
Cost of investments made	2,829,763	2,656,763	2,771,833	2,697,572
Percentage of investments made	77%	81%	78%	85%
Fair value of investment	3,180,971	3,033,510	3,137,653	2,988,479
Break-up of investments:				
- Balance in savings accounts				
Amount of investment	49,585	86,387	41,524	55,395
Percentage of investment as size of the fund	1%	3%	1%	2%
- Term deposit receipts				
Amount of investment	983,801	824,428	386,290	515,252
Percentage of investment as size of the fund	27%	25%	11%	16%
- Units of mutual fund				
Amount of investment	58,442	56,781	-	-
Percentage of investment as size of the fund	2%	2%	0%	0%



	Executives		Non-Executives	
	2016 (Unaudited)	2015 (Unaudited) (Rupees in '000)	2016 (Unaudited)	2015 (Unaudited)
<b>- Special savings certificate</b>				
Amount of investment	1,469,264	1,202,226	2,116,034	1,499,573
Percentage of investment as size of the fund	40%	37%	60%	47%
<b>- Treasury bills</b>				
Amount of investment	-	103,902	-	248,876
Percentage of investment as size of the fund	0%	3%	0%	8%
<b>- Pakistan Investment Bonds (PIBs)</b>				
Amount of investment	525,651	541,925	458,265	472,428
Percentage of investment as size of the fund	14%	17%	13%	15%
<b>- Term Finance Certificates (TFCs)</b>				
Amount of investment	19,533	19,533	12,650	12,650
Percentage of investment as size of the fund	1%	1%	0%	0%
<b>- Quoted shares</b>				
Amount of investment	74,695	198,328	122,890	184,305
Percentage of investment as size of the fund	2%	6%	3%	6%

41.4.1 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.

#### 42. LOSS PER SHARE - BASIC AND DILUTED

		2016	2015
Loss for the year	Rupees in '000	(5,860,887)	(5,429,688)
Average number of ordinary shares	Number of shares	880,916,309	880,916,309
Loss per share - basic and diluted	Rupees	(6.65)	(6.16)





	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
<b>43. ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS</b>			
Provisions	43.1	3,307,676	1,427,209
Depreciation		5,298,321	4,909,034
Amortisation of intangibles		30,929	61,344
Finance cost		2,504,556	9,665,967
Amortisation of transaction cost		16,331	7,239
Recognition of income against deferred credit		(433,427)	(429,908)
Dividend income		(1,186)	(356)
Interest income		(1,831,671)	(1,622,454)
Income from net investment in finance lease		(106,216)	(106,933)
Gain on disposal of property, plant and equipment		(98,136)	(29,382)
Increase / (decrease) in long term advances		294,668	(225,515)
Increase in deferred credit		150,365	297,996
Markup on obligation against pipeline	34.2.3	97,982	25,012
Reversal of finance cost		(17,570,220)	-
Impairment of operating assets		1,190,000	-
Amortization of Government grant		(991,743)	-
		<b>(8,141,771)</b>	<b>13,979,253</b>
<b>43.1 Provisions</b>			
Provision against slow moving / obsolete stores		42,455	38,167
Provision against impaired debts and other receivables		1,947,877	119,292
Provision for compensated absences		78,340	82,894
Provision for post retirement medical and free gas supply facilities		575,458	490,875
Provision for retirement benefits		599,535	618,793
Provision for gratuity		4,271	7,097
Impairment of capital work in progress		59,740	70,091
		<b>3,307,676</b>	<b>1,427,209</b>
<b>44. WORKING CAPITAL CHANGES</b>			
<b>(Increase) / decrease in current assets</b>			
Stores and spares & loose tools		(345,297)	414,821
Stock-in-trade		99,477	48,608
Customers' installation work in progress		(1,380)	(3,297)
Trade debts		2,380,288	(11,369,742)
Advances, deposits and short term prepayments		(166,560)	(181,686)
Other receivables		24,177,848	(18,881,258)
		<b>26,144,376</b>	<b>(29,972,554)</b>
<b>Increase in current liabilities</b>			
Trade and other payables		15,474,111	38,813,756
		<b>41,618,487</b>	<b>8,841,202</b>
<b>45. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES</b>			

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

	2016		2015	
	Managing Director	Executives	Managing Director	Executives
	(Rupees in '000)			
Managerial remuneration	28,443	2,254,188	31,227	2,102,912
Housing	11,801	868,098	12,888	811,867
Utilities	3,072	193,510	2,864	180,995
Retirement benefits	791	432,087	3,541	393,755
	<b>44,107</b>	<b>3,747,883</b>	<b>50,520</b>	<b>3,489,529</b>
Number	<b>4</b>	<b>1,813</b>	<b>4</b>	<b>1,793</b>



- 45.1 The Chairman, Managing Director and certain executives are also provided the Group maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Group was paid Rs. 0.153 million (2015: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.
- 45.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 30.2 million (2015: Rs. 9.45 million for 14 directors).
- 45.3 Total number of employees and average number of employees as at year end are 7,205 and 7,250 respectively (2015: 7,393 and 7,413).

46. CAPACITY AND ACTUAL PERFORMANCE

46.1 Natural gas transmission

	2016		2015	
	MMCF	HM3	MMCF	HM3
<b>Transmission operation</b>				
Capacity - annual rated capacity at 100% load factor with compression	537,490	151,431,626	532,535	150,035,612
Utilisation - volume of gas transmitted	560,890	158,024,307	450,177	126,832,193
Capacity utilisation factor (%)	104.4	104.4	84.5	84.5

46.2 Liquefied petroleum gas operations

	Available capacity		Actual utilisation	
	2016	2015	2016	2015
	(Metric tons)			
Terminal	1,051,200	1,051,200	153,301	17,316
Bottling plant	67,160	67,160	5,930	4,468
Hospitalities	18,360	18,360	10,776	15,696

- Production planned as per liquefied petroleum gas market and market demand.

46.3 Natural gas distribution

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

46.4 Meter manufacturing division

During the year meter manufacturing division produced and assembled 491,799 meters (2015: 614,680 meters) against an annual capacity of 356,000 meters on a single shift basis.

47. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of 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 Oil and Gas Regulatory Authority. Remuneration of key management personnel are in accordance with the term of employment / appointment. The prices and other conditions are not influenced by the Company. Other transaction with the related parties are carried out as per agreed terms. The details of transactions with related parties not disclosed else where in these financial statements are as follows:



	Relationship	2016 (Rupees in '000)	2015
<b>Astro Plastic (Private) Limited</b>	Associate		
- Billable charges		139,737	152,236
<b>Attock Cement Limited</b>	Associate		
- Billable charges		29,861	49,308
<b>Fauji Fertilizer Company Limited</b>	Associate		
- Billable charges		16	120
<b>Gadoon Textile Mills Limited</b>	Associate		
- Billable charges		511	338
<b>Government related entities - various</b>			
- Purchase of fuel and lubricant		19,896	10,198
- Billable charges		79,484,871	51,254,021
- Mark-up on short term finance		7,240	426
- Mark-up on Long term finance		6,859	2,260
- Sharing of expenses		104,652	83,770
- Income from net investment in finance lease		78,959	90,389
- Gas purchases		72,568,855	77,823,884
- Sale of gas meters		365,514	1,424,891
- Rent of premises		15,103	13,501
- Insurance premium		120,212	142,207
- Uniform cost of gas		29,814,588	38,850,975
- Electricity expense		192,819	183,864
- Interest income		1,388,434	1,130,059
- Markup on delayed payment on gas supplies		-	7,089,712
- Clearing charges		-	27
- Reversal of finance cost		17,570,220	-
- RLNG transportation income		459,347	-
- Income against LNG service agreement		293,386	-
<b>Habib Bank Limited</b>	Associate		
- Profit on investment		10,485	60,384
- Mark-up on short term finance		19,078	11,448
- Mark-up on long term finance		178,267	101,217
- Billable Charges		12,767	10,986
- Loan arrangement fee paid		297,336	-
<b>International Industries Limited</b>	Associate		
- Line pipe purchases		122,858	218,274
- Billable charges		1,213,577	1,118,002
<b>*Ismail Industries Limited</b>	Associate		
- Billable charges		-	289,152
<b>Key management personnel</b>			
- Remuneration		183,093	160,627
<b>*Kohinoor Silk Mills Limited</b>	Associate		
- Billable charges		-	87
<b>Minto &amp; Mirza</b>	Associate		
- Professional charges		14,400	13,250
<b>Pakistan Cables Limited</b>	Associate		
- Billable charges		89,630	94,389
<b>Pakistan Engineering Company Limited</b>	Associate		
- Billable charges		60	56
<b>*Pakistan Synthetic Limited</b>	Associate		
- Billable charges		-	19,758



	Relationship	2016 (Rupees in '000)	2015
<b>Pakistan Stock Exchange Limited</b>	Associate		
- Billable charges		285	328
<b>PERAC - Research &amp; Development Foundation</b>	Associate		
- Professional charges		2,027	508
- Billable charges		184	8
<b>Petroleum Institute of Pakistan</b>	Associate		
- Subscription / contribution		2,500	1,380
<b>*Premium Textile Mills Limited</b>	Associate		
- Billable charges		-	103,504
<b>Staff Retirement Benefit Plans</b>	Associate		
- Contribution to provident fund		255,248	252,124
- Contribution to pension fund		305,518	344,158
- Contribution to gratuity fund		293,764	274,635
<b>**Standard Chartered Bank Limited</b>	Associate		
- Profit on investment		2,458	-
- Markup on local currency finance		4,209	-
- Markup on short term finance		1,026	-
<b>Thatta Cement Company Limited</b>	Associate		
- Billable charges		14,904	7,252

\* 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 Holding Company is the only manufacturer of gas meters in the country.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 10, 16, 31 and 41 to these financial statements.

Remuneration to the executive officers of the Group (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in notes 23 and 28 to these financial statements) are determined in accordance with the terms of their employment. Mark-up free security deposits for gas connections to the executive staff of the Holding Company is received at rates prescribed by the Government of Pakistan.



#### 47.1 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	2016 (Rupees in '000)	2015
<b>Astro Plastic (Private) Limited</b>	Associate		
- Billable charges		12,785	19,846
- Gas supply deposit		(141,904)	(53,208)
<b>Attock Cement Limited</b>	Associate		
- Billable charges		2,691	5,350
- Gas supply deposit		(30,566)	(30,566)
<b>Attock Refinery Limited</b>			
- Sale of condensate		42,105	42,105
<b>*Fauji Fertilizer Company Limited</b>	Associate		
- Billable charges		-	5
- Gas supply deposit		-	(124)
<b>Gadoon Textile Mills Limited</b>	Associate		
- Billable charges		14	27
- Gas supply deposit		(117)	(113)
<b>Government related entities - various</b>			
- Billable charges		63,604,130	66,590,353
- Mark up accrued on borrowings		2,186,389	-
- Sharing of expenses		(20,321)	(11,019)
- Net investment in finance lease		58,729	84,811
- Gas purchases		(115,513,943)	(112,069,923)
- Gas meters		558,732	710,123
- Uniform cost of gas		17,565,056	20,016,375
- Cash at bank		103,055	73,858
- Stock Loan		(2,304)	(2,523)
- Recoverable from insurance		950	50
- Gas supply deposit		(66,524)	(66,537)
- Interest expense accrued - late payment surcharge on gas bills		(15,832,411)	(33,402,629)
- Interest income accrued - late payment on gas bills		7,946,515	6,558,082
- Contingent rent		3,535	3,422
- Capacity and utilisation charges of RLNG		7,191,242	2,122,488
- RLNG transportation income		523,655	-
- Income against LNG service agreement		334,868	-
<b>Habib Bank Limited</b>	Associate		
- Long term finance		(4,185,625)	(1,000,000)
- Short term finance		(1,497,943)	(572,109)
- Cash at bank		128,301	28,020
- Accrued mark-up		(37,641)	(10,929)
- Billable charges		1,371	1,468
- Gas supply deposit		(3,589)	(4,041)
<b>International Industries Limited</b>	Associate		
- Billable charges		90,011	119,559
- Gas supply deposit		(333,850)	(70,997)
<b>Pakistan Cables Limited</b>	Associate		
- Billable charges		8,160	9,911
- Gas supply deposit		(23,418)	(21,968)
<b>Pakistan Engineering Company Limited</b>	Associate		
- Billable charges		5	5
- Gas supply deposit		(15)	(12)



	Relationship	2016 (Rupees in '000)	2015
<b>Pakistan Stock Exchange</b>	Associate		
- Billable charges		-	207
- Gas supply deposit		-	(85)
<b>PERAC - Research &amp; Development Foundation</b>	Associate		
- Professional charges		57	57
- Billable charges		9	-
- Gas supply deposit		(220)	(220)
<b>Thatta Cement Company Limited</b>	Associate		
- Billable charges		481	94
- Gas supply deposit		(45,000)	(45,000)

\* 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.



## 48 FINANCIAL RISK MANAGEMENT

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

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

- Credit risk
- Liquidity risk
- Market risk

### 48.1 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 consumer category wise credit limits and terms have been established. In case of industrial and commercial consumers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic consumers as per rates notified by OGRA are taken to reduce credit exposure. The Holding Company continuously monitors the credit given to consumers 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 Holding 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:

	2016	2015
	(Rupees in '000)	
Trade debts	86,307,335	90,417,718
Net investment in finance lease	472,555	582,716
Loans and advances	1,096,626	754,696
Deposits	56,776	46,907
Bank balances	1,347,530	1,049,693
Interest accrued	8,240,334	6,828,854
Other receivables	34,400,879	35,798,212
	<u>131,922,035</u>	<u>135,478,796</u>

#### 48.1.1 Collateral and other credit enhancements obtained

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

	2016	2015
	(Rupees in '000)	
Cash deposits	<u>12,281,193</u>	<u>10,460,881</u>
Bank guarantee / irrevocable letter of credit	<u>26,553,567</u>	<u>25,482,423</u>

#### 48.1.2 Credit Quality

The Group 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 48.1.3 below:



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

Bank	Rating Agency	Rating	
		Short Term	Long Term
National Bank of Pakistan Limited	PACRA	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank of Punjab Limited	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	A-
Summit Bank Limited	JCR-VIS	A-1	A-
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank Islami Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	BBB+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Tameer Micro Finance Bank Limited	PACRA	A1	A+
City Bank N. A.	Moody's	P-1	A1
Deutsche Bank A.G.	Standard & Poor's	A2	BBB+
Bank of Tokyo Mitsubishi	Standard & Poor's	A-1	A+

#### 48.1.3 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:

	2016		2015	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
(Rupees in '000)				
Not due balances	19,012,350	-	20,427,304	-
Past due but not impaired	56,952,856	-	60,348,740	-
Past due and impaired	8,058,232	4,314,885	6,106,517	3,435,779
Disconnected customers	879,534	879,534	768,007	683,432
<b>Total</b>	<b>84,902,972</b>	<b>5,194,419</b>	<b>87,650,568</b>	<b>4,119,211</b>

Past due but not impaired balances include aggregate overdue balances of K-Electric, PSML and WAPDA amounting to Rs. 55,003 million and are subject to inter corporate circular debt of government entities and K-Electric.





The Holding Company has collateral / security against industrial and commercial customers amounting to Rs. 32,789 million (2015: Rs. 31,184 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 Holding Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected 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:

	2016		2015	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
(Rupees in '000)				
Not due balances	1,625,361	-	1,549,491	-
Past due but not impaired:				
Past due 1 - 6 month	2,521,002	-	2,629,043	-
Past due and impaired:				
Past due 7 - 9 months	545,228	-	555,652	-
Past due 10 - 12 months	448,493	-	472,585	-
Past due 13 - 18 months	649,691	281,022	701,950	-
Past due 19 - 24 months	323,217	323,217	563,732	407,072
Past due over 2 years	1,311,414	1,311,414	1,542,468	1,542,468
	3,278,043	1,915,653	3,836,387	1,949,540
Disconnected customers	5,176,014	4,085,985	4,000,409	3,179,429
<b>Total</b>	<b>12,600,420</b>	<b>6,001,638</b>	<b>12,015,330</b>	<b>5,128,969</b>

The Holding Company has collateral / security against domestic consumers amounting to Rs. 6,046 million (2015: Rs. 4,759 million) and replenishes such collateral based on gas consumption and requirement of the consumers. When recovery is not made within one month, such consumers balances are generally considered past due.

#### Interest accrued

As at June 30, 2016 interest accrued net of provision was Rs. 8,240 million (2015: Rs. 6,829 million). Interest is mainly accrued on customer balances which are past due. Interest on past due balances includes receivable from WAPDA and SNGPL amounting to Rs. 7,947 million (2015: 6,558 million), recovery of which is subject to inter corporate circular debt of Government entities.

#### Other receivables

As at June 30, 2016 other receivable financial assets amounted to Rs. 34,791 million (2015: Rs.36,104 million). Past due other receivables amounting to Rs. 30,770 million (2015: Rs. 27,512 million) include over due balances of SNGPL amounting to Rs. 20,473 million (2015: Rs. 14,702 million) and JJVL amounting to Rs. 10,008 million (2015: Rs. 12,092 million).

#### 48.1.4 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 Holding Company's performance to developments affecting a particular industry. Concentration of credit risk is determined with references to the individual consumers / counter parties, type as well as geographical distribution of consumers / counterparties. Concentration of credit risk in financial assets of the Holding Company is as follows:



### Trade debts

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

	2016	2015
	(Rupees in '000)	
Power generation companies	45,628,836	45,688,906
Cement industries	12,870	16,228
Fertilizer and steel industries	22,829,251	21,545,635
Other industries	8,305,494	13,972,270
LPG marketing companies	16,771	8,852
Total industrial customers	76,793,222	81,231,891
Commercial customers	1,227,994	1,305,522
Domestic customers	8,286,119	7,880,305
	<u>86,307,335</u>	<u>90,417,718</u>

At year end the Holding Company's most significant receivable balances were K-Electric, PSML and WAPDA which amounted to Rs. 35,948 million (2015: Rs. 40,073 million), Rs. 21,708 million (2015: Rs.20,879 million) and Rs. 5,930 million (2015: Rs. 5,616 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:

	2016	2015
	(Rupees in '000)	
Karachi	69,522,199	74,724,709
Sindh (excluding Karachi)	9,815,266	11,266,843
Balochistan	6,969,870	4,426,166
	<u>86,307,335</u>	<u>90,417,718</u>

### Net investment in finance lease

The Holding Company's most significant investment in finance lease amounted to Rs. 431 million (2015: Rs. 496 million) in respect of SNGPL.

### Interest accrued

Most significant counter parties of the Holding Company in respect of interest accrued are disclosed in note 29 to these financial statements.

### Other receivables

Most significant other receivables of the Holding Company are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 31.2 to these financial statements. These balances are subject to inter circular corporate debt.

## 48.2 Liquidity risk

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

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



	Carrying amount	Contractual cash flows	Not later than six months	Later than six months but not later than 1 year (Rupees in '000)	Later than one year but not later than 2 years	Later than 2 years
<b>As at June 30, 2016</b>						
Long term finance	28,329,286	(36,647,716)	(3,517,841)	(4,057,912)	(7,453,533)	(21,618,430)
Obligation against pipeline	1,069,173	(1,866,314)	(67,866)	(67,866)	(135,732)	(1,594,850)
Short term borrowings	4,860,212	(4,860,212)	(4,860,212)	-	-	-
Trade and other payables	156,565,406	(156,565,406)	(156,565,406)	-	-	-
Interest accrued	16,532,459	(42,754,107)	(42,754,107)	-	-	-
Deposits	12,649,197	(25,124,607)	(348,313)	(155,875)	(311,749)	(24,308,670)
	<u>220,005,733</u>	<u>(267,818,362)</u>	<u>(208,113,745)</u>	<u>(4,281,653)</u>	<u>(7,901,014)</u>	<u>(47,521,950)</u>
<b>As at June 30, 2015</b>						
Long term finance	25,638,173	(32,066,372)	(5,119,324)	(4,706,755)	(6,892,031)	(15,348,262)
Obligation against pipeline	1,106,923	(2,035,979)	(67,866)	(67,866)	(135,732)	(1,764,515)
Short term borrowings	989,191	(1,011,960)	(1,011,960)	-	-	-
Trade and other payables	158,838,548	(158,838,548)	(158,838,548)	-	-	-
Interest accrued	34,069,206	(34,069,206)	(34,069,206)	-	-	-
Deposits	10,744,067	(22,146,997)	(273,545)	(142,537)	(285,073)	(21,445,842)
	<u>231,386,108</u>	<u>(250,169,062)</u>	<u>(199,380,449)</u>	<u>(4,917,158)</u>	<u>(7,312,836)</u>	<u>(38,558,619)</u>

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.

#### 48.3 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).

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

	2016		2015	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
	(Rupees in '000)			
Creditors for gas	24,728,597	238,924	28,289,192	276,982
Estimated forecast gas purchases	161,703,128	1,562,349	139,355,569	1,375,744
Net exposure	<u>186,431,725</u>	<u>1,801,273</u>	<u>167,644,761</u>	<u>1,652,726</u>



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

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2016	2015	2016	2015
	(Rupees in '000)			
US Dollars	103.95	101.29	103.50	101.77

#### Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at June 30, 2016 would have (decreased) / increased trade creditors by Rs. 2,473 million (2015: Rs. 2,819 million). There is no effect of strengthening / (weakening) of US dollar on consolidated equity and consolidated profit and loss account of the Holding 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 2015.

#### 48.3.2 Interest rate risk

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

	2016	2015
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Net investment in finance lease	472,555	582,716
Loan and advances	1,608	2,252
Trade debts	32,626,397	25,667,788
Bank balances	508,208	634,674
	33,608,768	26,887,430
<b>Financial liabilities</b>		
Long term deposits	(6,234,982)	(5,701,464)
Government of Sindh loan	(3,567,129)	(5,248,513)
Front end fee of foreign currency loan	(23,950)	(23,950)
Obligation against pipeline	(1,069,173)	(1,106,923)
Trade and other payables	(11,601,290)	(18,611,954)
	(22,496,524)	(30,692,804)
	11,112,244	(3,805,374)
<b>Variable rate instruments</b>		
<b>Financial assets</b>		
Trade debts	33,344,088	37,938,825
Other receivables	29,846,779	27,124,374
Bank balances	208,781	59,326
	63,399,648	65,122,525
<b>Financial liabilities</b>		
Long term loan except Government of Sindh loan	(24,762,157)	(22,617,557)
Short term borrowings	(4,860,212)	(989,191)
Trade and other payables	(130,834,334)	(126,555,747)
	(160,456,703)	(150,162,495)
	(97,057,055)	(85,039,970)



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 Group 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 Group 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 consolidated profit and loss account and the consolidated equity of the Group.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the consolidated profit or loss of the Company as at June 30, 2016 by Rs. 973 million (2015: Rs. 850 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 2015.

#### 48.3.3 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 Holding Company's investments in listed equity securities. This arises from investments held by the Holding Company for which prices in the future are uncertain. The fair value of listed equity investments of the Holding Company that are exposed to price risk as at June 30, 2016 is Rs. 238.315 million (2015: Rs. 276.520 million).

A ten percent increase / decrease in the prices of listed equity securities of the Holding Company at the reporting date would have increased or (decreased) long term investment and consolidated equity by Rs. 23.831 million (2015: Rs.27.652 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

#### 48.4 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

#### 48.4.1 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).

	2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Available-for-sale financials assets</b>				
Quoted equity securities	238,315	-	-	238,315
	238,315	-	-	238,315
	2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>Available-for-sale financials assets</b>				
Quoted equity securities	276,520	-	-	276,520
	276,520	-	-	276,520



There have been no transfers during the year (2015: no transfers in either direction).

#### 48.5 Financial instruments by categories

	Financial assets		
	Loans and receivables	Available for sale	Total
(Rupees in '000)			
<b>As at June 30, 2016</b>			
Trade debts	86,307,335	-	86,307,335
Net investment in finance lease	472,555	-	472,555
Loans and advances	1,096,626	-	1,096,626
Deposits	56,776	-	56,776
Cash and bank balances	1,357,962	-	1,357,962
Interest accrued	8,240,334	-	8,240,334
Other receivables	34,400,879	-	34,400,879
Long term investments	-	238,315	238,315
	<b>131,932,467</b>	<b>238,315</b>	<b>132,170,782</b>
<b>As at June 30, 2015</b>			
Trade debts	90,417,718	-	90,417,718
Net investment in finance lease	582,716	-	582,716
Loans and advances	754,696	-	754,696
Deposits	46,907	-	46,907
Bank balances	1,056,930	-	1,056,930
Interest accrued	6,828,854	-	6,828,854
Other receivables	35,798,212	-	35,798,212
Long term investments	-	276,520	276,520
	<b>135,486,033</b>	<b>276,520</b>	<b>135,762,553</b>

	Financial liabilities at amortised cost	
	2016	2015
(Rupees in '000)		
Long term finance	28,329,286	25,638,173
Obligation against pipeline	1,069,173	1,106,923
Short term borrowings	4,860,212	989,191
Trade and other payables	156,565,406	158,838,548
Interest accrued	16,532,459	34,069,206
Long term deposits	12,649,197	10,744,067
	<b>220,005,733</b>	<b>231,386,108</b>

#### 48.6 Capital risk management

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

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



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

The gearing ratio as at June 30 is as follows:

	2016	2015
	(Rupees in '000)	
<b>Total borrowings</b>		
Long term finance	22,573,040	17,492,582
Short term borrowings	4,860,212	989,191
Current portion of long term finance	5,756,246	8,145,591
	33,189,498	26,627,364
Less: Cash and bank balances	(1,357,962)	(1,056,930)
Net debts	31,831,536	25,570,434
<b>Capital employed</b>	34,922,288	34,263,111
<b>Gearing ratio</b>	91%	75%

#### 49. 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 assess 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 Group's revenue and results by reportable segment.

	Segment revenue		Segment loss	
	2016	2015	2016	2015
	(Rupees in '000)			
Gas transmission and distribution	183,403,425	158,853,447	(27,240,607)	(10,849,309)
Meter manufacturing	1,557,963	2,126,632	14,805	114,688
<b>Total segments results</b>	<b>184,961,388</b>	<b>160,980,079</b>	<b>(27,225,802)</b>	<b>(10,734,621)</b>
Unallocated - other expenses				
- Other operating expenses			402,221	1,470,133
Unallocated - other income				
- Non-operating income			19,190,944	456,495
<b>Loss before tax</b>			<b>(7,632,637)</b>	<b>(8,807,993)</b>



The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,190 million (2015: Rs. 1,080 million).

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

Segment assets and liabilities

	2016	2014
	(Rupees in '000)	
<b>Segment assets</b>		
Gas transmission and distribution	252,867,937	253,297,854
Meter manufacturing	2,797,872	2,714,099
<b>Total segment assets</b>	<b>255,665,809</b>	<b>256,011,953</b>
<b>Unallocated</b>		
- Loans and advances	1,096,626	2,463,495
- Taxation - net	20,053,925	17,442,747
- Interest accrued	490,526	490,109
- Cash and bank balances	1,357,962	984,129
	<b>22,999,039</b>	<b>21,380,480</b>
<b>Total assets as per balance sheet</b>	<b>278,664,848</b>	<b>277,392,433</b>
<b>Segment liabilities</b>		
Gas transmission and distribution	259,786,262	253,245,349
Meter manufacturing	701,008	652,201
<b>Total segment liabilities</b>	<b>260,487,270</b>	<b>253,897,550</b>
<b>Unallocated</b>		
- Employee benefits	4,716,523	4,692,408
<b>Total liabilities as per balance sheet</b>	<b>265,203,793</b>	<b>258,589,958</b>

50. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on the management records are as follows:

		2016	2015
		(Rupees in '000)	
Pension fund - executives	*	1,015,000	945,053
Gratuity fund - executives	*	2,082,000	2,036,934
Pension fund - non executives	*	195,000	207,815
Gratuity fund - non executives	*	2,580,000	2,474,703
Provident fund - executives	*	2,833,000	2,656,763
Provident fund - non executives	*	2,777,000	2,697,572
Benevolent fund - executives	*	140,700	125,576

\* Based on unaudited management records.





## 51. ACCOUNTING ESTIMATES AND JUDGMENTS

### 51.1 Income tax

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

### 51.2 Staff retirement and other service benefit obligations

Certain actuarial assumptions have been adopted as disclosed in note 41 to the 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.

### 51.3 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 Group reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

### 51.4 Trade debts and other receivables

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

### 51.5 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.

### 51.6 Fair value of investments

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

### 51.7 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.

### 51.8 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 1.4.1. Further, gas development surcharge does not include the impact of stay orders as mentioned in note 1.4.2 since no revised FRR has been issued by OGRA in this regard.

### 51.9 Purchases of gas

Company records purchases of gas at the rates notified by Oil and Gas Regulatory Authority. Effect of adjustments, if any, arising from revision in purchase price is reflected as and when the prices are approved by OGRA.



52. 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 Holding 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 net profit of the Holding Company as the annual return of the Holding Company is determined under the regulatory revenue requirement, which would have covered any additional cost if incurred by the Holding Company in respect of the aforesaid Scheme.



### 53. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follow;

Description	(Rupees in 000)	Reclassified	
		From	To
Shrinkage cost on extraction of LPG and NGL	1,424,639	Cost of sales - gas consumed internally	Other non-operating income - Income from LPG and NGL - net
Shrinkage cost on gas condensate	94,672	Cost of sales - gas consumed internally	Other non-operating income - Sale of gas condensate
Operating expense on gas condensate	25,662	Transmission and distribution costs - allocation to sale of gas condensate	Other non-operating income - Sale of gas condensate
Gas bills printing charges	57,403	Administrative expenses - Stores, spares and supplies consumed	Selling expenses - Gas bills collection charges
Bills delivery through contractors	65,720	Administrative expenses - Postage and revenue stamps	Selling expenses - Gas bills collection charges
Provision against accrued income	84,392	Other Receivable - Provision against impaired receivables	Accrued Income - Provision against accrued income

### 54. GENERAL

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

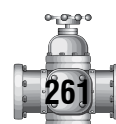
54.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

### 55. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 03 June, 2017.

Chairman

Managing Director



# STATISTICAL INFORMATION

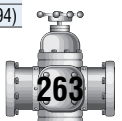




# TEN YEARS SUMMARY

## Key Statistical Data

For the year ended 30 June	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gas purchased	MMCF	387,008	410,316	423,194	428,541	395,779	405,322	419,275	423,760	434,871	469,381
Gas sold	MMCF	357,910	377,265	384,522	388,828	356,040	364,409	373,645	356,628	362,510	384,988
Mains - transmission	Km	3,290	3,309	3,320	3,320	3,337	3,401	3,490	3,551	3,551	3,614
Mains & services - distribution - additions	Km	2,290	2,079	2,352	2,503	2,468	1,709	1,455	673	801	871
New connections	Millions	92,139	95,969	114,846	112,732	112,748	128,601	86,210	81,411	96,366	95,353
LPG sales	Matric Ton	-	-	-	-	9,065	37,492	83,065	80,853	133,457	134,709
Gas meters - produced / assembled	Each	550,150	513,250	650,460	750,000	612,903	675,521	690,129	851,460	614,680	491,799
<b>Income Statement</b>		<b>(Rupees in million)</b>									
Sales		85,717	84,543	118,585	127,614	126,403	153,269	164,354	176,545	182,792	214,637
GST		(9,398)	(9,548)	(14,446)	(15,340)	(16,001)	(19,394)	(22,156)	(24,004)	(23,939)	(31,234)
Sales excluding GST		76,319	74,995	104,139	112,274	110,402	133,875	142,198	152,541	158,853	183,403
Gas Development Surcharge		(7,234)	(369)	4,012	(4,537)	4,127	(2,971)	9,440	742	3,730	(44,787)
Net sales		69,085	74,626	108,151	107,737	114,529	130,904	151,638	153,283	162,583	138,616
Cost of gas		(63,157)	(69,238)	(102,388)	(95,333)	(102,890)	(117,763)	(135,449)	(150,516)	(154,261)	(147,285)
Transmission and distribution costs		(3,513)	(3,671)	(3,898)	(7,019)	(6,395)	(7,086)	(8,938)	(7,836)	(10,281)	(11,306)
Administrative and selling expenses		(939)	(1,347)	(2,012)	(2,252)	(2,905)	(2,697)	(3,071)	(3,212)	(3,514)	(3,616)
Depreciation		(2,055)	(2,129)	(2,594)	(2,782)	(3,177)	(3,565)	(3,981)	(4,128)	(4,698)	(5,075)
Other operating expenses		(148)	(968)	(2,353)	(752)	(1,645)	(2,873)	(4,952)	(2,181)	(1,588)	(2,356)
Other operating income		2,651	5,707	3,910	3,789	3,760	3,358	3,816	2,801	2,475	2,695
Total operating profit		1,924	2,980	(1,184)	3,388	1,277	278	(937)	(11,789)	(9,284)	(28,326)
Other non-operating income		1,190	1,772	6,009	8,641	10,028	11,340	8,925	13,395	10,211	23,104
Profit before finance cost		3,114	4,752	4,825	12,029	11,305	11,618	7,988	1,606	927	(5,222)
Finance cost		(1,779)	(2,370)	(4,410)	(5,016)	(5,786)	(7,532)	(7,608)	(7,416)	(9,696)	(2,618)
Profit before taxation		1,335	2,382	415	7,013	5,519	4,086	380	(5,810)	(8,769)	(7,840)
Taxation		(1,045)	(1,391)	(159)	(2,614)	(795)	(1,505)	(132)	2,057	3,378	1,725
Profit after taxation		290	991	256	4,399	4,724	2,581	248	(3,753)	(5,391)	(6,115)
<b>Balance Sheet</b>											
Share capital		6,712	6,712	6,712	6,712	8,390	8,809	8,809	8,809	8,809	8,809
Reserves		3,027	3,603	2,972	7,360	9,385	9,439	7,074	4,806	(234)	(6,391)
Share capital and reserves		9,739	10,315	9,684	14,072	17,775	18,248	15,883	13,615	8,575	2,418
Surplus on revaluation of fixed assets		-	-	-	-	10,252	10,252	10,252	10,252	10,252	11,728
Deferred tax		3,879	4,854	5,014	7,018	7,651	7,622	5,865	3,321	-	-
Employees post-retirement benefits		999	1,096	1,308	1,530	1,825	2,154	2,518	3,470	4,688	4,704
Long term deposits & advances		2,364	2,579	4,282	4,873	5,359	6,497	6,416	9,379	11,411	13,555
Obligation against pipeline		-	-	-	-	-	-	-	-	1,069	1,028
Deferred credit		2,977	3,820	4,847	4,989	5,519	5,337	5,748	5,449	7,115	5,842
Long term financing		12,581	15,583	17,496	11,646	14,471	18,315	24,770	20,860	17,493	22,573
Non-current liabilities		22,800	27,932	32,947	30,056	34,825	39,925	45,317	42,479	41,776	47,702
Current portion of long term financing		2,286	377	4,969	5,035	4,272	3,227	3,598	4,046	8,146	5,756
Short term borrowings		1,000	-	-	3,721	-	-	4,018	3,141	989	4,860
Trade payables		18,108	25,607	45,490	44,560	56,717	78,532	80,522	114,771	145,975	143,782
Other payables		6,688	5,217	3,282	6,487	5,498	7,079	15,477	18,311	27,167	45,829
Current portion of obligation against pipeline		-	-	-	-	-	-	-	-	38	41
Current portion of deferred credit		-	-	-	-	-	-	-	-	430	428
Interest and mark-up accrued		1,134	2,038	4,182	6,829	10,823	16,197	21,904	26,831	34,069	16,532
Taxation - net		165	217	-	-	-	-	-	-	-	-
Current liabilities		29,381	33,456	57,923	66,632	77,310	105,035	125,519	167,100	216,814	217,228
<b>Total equity and liabilities</b>		<b>61,920</b>	<b>71,703</b>	<b>100,554</b>	<b>110,760</b>	<b>140,162</b>	<b>173,460</b>	<b>196,971</b>	<b>233,446</b>	<b>277,417</b>	<b>279,076</b>
Work in progress		4,313	4,006	3,538	4,751	5,664	6,905	7,183	8,134	9,536	23,433
Operating tangible fixed assets		27,021	29,802	34,558	36,915	53,981	57,355	60,553	62,031	64,406	73,278
Property, plant & equipment		31,334	33,808	38,096	41,666	59,645	64,260	67,736	70,165	73,942	96,711
Intangible assets		62	69	44	5	16	46	125	89	36	25
Long term financial assets		354	1,547	1,381	1,254	1,125	2,002	1,926	1,866	1,913	1,776
Deferred tax		-	-	-	-	-	-	-	-	292	2,669
Non-current assets		31,750	35,424	39,521	42,925	60,786	66,308	69,787	72,120	76,183	101,181
Stores spares & loose tools		1,022	1,155	1,703	2,037	2,263	2,080	2,166	2,174	1,821	2,147
Stock in trade		369	512	491	455	703	780	629	889	860	802
Trade debts		16,119	20,045	32,568	43,816	49,182	70,613	76,285	78,906	90,352	86,285
Other receivables		7,133	9,746	23,318	17,799	19,975	25,886	38,774	61,253	81,831	58,047
Interest and mark-up accrued		6	198	1,198	2,834	3,474	4,681	5,529	6,292	7,661	9,191
Taxation - net		-	-	167	90	2,306	1,428	2,788	10,475	17,443	19,987
Trade deposits & prepayments		253	267	111	183	388	181	166	137	282	482
Cash & bank balances		5,268	4,356	1,477	621	1,085	1,503	847	1,200	984	954
Current assets		30,170	36,279	61,033	67,835	79,376	107,152	127,184	161,326	201,234	177,895
<b>Total Assets</b>		<b>61,920</b>	<b>71,703</b>	<b>100,554</b>	<b>110,760</b>	<b>140,162</b>	<b>173,460</b>	<b>196,971</b>	<b>233,446</b>	<b>277,417</b>	<b>279,076</b>
<b>Earning Per share</b>	<b>(Rupees)</b>	<b>0.43</b>	<b>1.48</b>	<b>0.38</b>	<b>6.55</b>	<b>5.63</b>	<b>2.93</b>	<b>0.28</b>	<b>(4.26)</b>	<b>(6.12)</b>	<b>(6.94)</b>





## TEN YEARS OF PROGRESS

Gas Customers	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Industrial</b>										
Karachi	2,759	3,039	3,197	3,245	3,380	3,447	3,428	3,457	3,457	3,474
Sindh (Interior)	381	476	549	564	607	626	636	643	639	643
Balochistan	44	46	55	54	55	56	55	56	57	57
Sub - total	3,184	3,561	3,801	3,863	4,042	4,129	4,119	4,156	4,153	4,174
<b>Commercial</b>										
Karachi	15,642	16,796	17,362	17,673	17,998	17,442	17,102	16,763	16,366	16,064
Sindh (Interior)	3,622	3,875	4,266	4,465	4,872	4,854	4,756	4,617	4,527	4,393
Balochistan	1,707	1,887	1,978	2,018	2,128	2,198	2,261	2,360	2,515	2,624
Sub - total	20,971	22,558	23,606	24,156	24,998	24,494	24,119	23,740	23,408	23,081
<b>Domestic</b>										
Karachi	1,337,692	1,407,848	1,438,769	1,482,439	1,544,709	1,597,926	1,635,129	1,667,817	1,692,138	1,720,164
Sindh (Interior)	418,052	458,737	497,545	535,736	582,916	640,452	682,238	710,844	742,712	772,925
Balochistan	164,354	179,372	191,279	200,963	211,228	222,116	229,252	240,145	248,174	253,113
Sub - total	1,920,098	2,045,957	2,127,593	2,219,138	2,338,853	2,460,494	2,546,619	2,618,806	2,683,024	2,746,202
<b>Total</b>										
Karachi	1,356,093	1,427,683	1,459,328	1,503,357	1,566,087	1,618,815	1,655,659	1,688,037	1,711,961	1,739,702
Sindh (Interior)	422,055	463,088	502,360	540,765	588,395	645,932	687,630	716,104	747,878	777,961
Balochistan	166,105	181,305	193,312	203,035	213,411	224,370	231,568	242,561	250,746	255,794
Grand Total	1,944,253	2,072,076	2,155,000	2,247,157	2,367,893	2,489,117	2,574,857	2,646,702	2,710,585	2,773,457

### Gas Sales in million cubic feet

<b>Industrial</b>										
Karachi	208,392	223,921	235,244	231,943	210,321	211,209	209,866	209,704	206,459	207,654
Sindh (Interior)	63,154	65,841	60,343	61,990	45,828	42,645	48,577	46,058	52,215	74,164
Balochistan	9,066	9,264	9,854	10,637	9,425	9,167	9,091	9,118	9,648	8,379
Sub - total	280,612	299,026	305,441	304,570	265,574	263,021	267,534	264,880	268,322	290,197
<b>Commercial</b>										
Karachi	7,050	8,451	7,803	8,036	7,864	8,040	7,938	7,843	7,869	7,772
Sindh (Interior)	1,330	1,394	1,464	1,559	1,672	1,780	1,748	1,737	1,645	1,641
Balochistan	535	582	581	610	649	709	711	736	773	843
Sub - total	8,915	10,427	9,848	10,205	10,185	10,529	10,397	10,316	10,287	10,256
<b>Domestic</b>										
Karachi	47,798	44,707	45,766	49,038	52,632	59,236	62,021	52,127	52,829	52,938
Sindh (Interior)	13,119	14,954	15,593	16,770	18,633	21,319	23,523	19,995	21,538	22,151
Balochistan	7,466	8,151	7,874	8,245	9,016	10,304	10,170	9,310	9,534	9,447
Sub - total	68,383	67,812	69,233	74,053	80,281	90,859	95,714	81,432	83,901	84,536
<b>Total</b>										
Karachi	263,240	277,079	288,813	289,017	270,817	278,485	279,825	269,674	267,157	268,364
Sindh (Interior)	77,603	82,189	77,400	80,319	66,133	65,744	73,848	67,790	75,398	97,956
Balochistan	17,067	17,997	18,309	19,492	19,090	20,180	19,972	19,164	19,955	18,669
Grand Total	357,910	377,265	384,522	388,828	356,040	364,409	373,645	356,628	362,510	384,989



## PATTERN OF SHAREHOLDING

As at June 30, 2015

# of Shareholders	Shareholdings' Slab			Total Shares Held
6350	1	to	100	148,511
3122	101	to	500	936,861
1637	501	to	1000	1,365,389
8913	1001	to	5000	15,421,196
781	5001	to	10000	5,854,139
267	10001	to	15000	3,411,663
156	15001	to	20000	2,847,229
97	20001	to	25000	2,254,846
69	25001	to	30000	1,949,831
45	30001	to	35000	1,492,457
25	35001	to	40000	959,411
31	40001	to	45000	1,342,594
60	45001	to	50000	2,962,301
14	50001	to	55000	741,289
15	55001	to	60000	883,115
16	60001	to	65000	1,004,009
8	65001	to	70000	543,351
13	70001	to	75000	969,112
6	75001	to	80000	469,548
10	80001	to	85000	827,569
9	85001	to	90000	802,500
6	90001	to	95000	559,500
24	95001	to	100000	2,400,000
6	100001	to	105000	615,629
8	105001	to	110000	866,409
5	110001	to	115000	565,688
5	115001	to	120000	593,000
2	120001	to	125000	247,000
1	125001	to	130000	130,000
5	130001	to	135000	656,500
1	135001	to	140000	135,500
2	140001	to	145000	287,000
4	145001	to	150000	600,000
4	150001	to	155000	608,367
2	155001	to	160000	320,000
1	160001	to	165000	163,543
1	165001	to	170000	170,000
3	170001	to	175000	520,187
2	175001	to	180000	355,475
1	185001	to	190000	186,000
1	190001	to	195000	192,535
4	195001	to	200000	800,000
2	200001	to	205000	402,271
2	205001	to	210000	419,600
1	215001	to	220000	220,000
3	230001	to	235000	702,800
7	245001	to	250000	1,750,000
1	250001	to	255000	254,437
1	265001	to	270000	265,500
3	270001	to	275000	823,500
1	275001	to	280000	278,900
1	280001	to	285000	283,500
1	285001	to	290000	288,000
5	295001	to	300000	1,496,636
2	320001	to	325000	650,000
1	325001	to	330000	329,150
2	340001	to	345000	683,389
1	350001	to	355000	352,937
1	365001	to	370000	369,000
1	370001	to	375000	375,000
1	375001	to	380000	379,000
3	395001	to	400000	1,197,000
1	455001	to	460000	457,371
1	460001	to	465000	463,000
1	470001	to	475000	474,500
1	475001	to	480000	479,187
1	480001	to	485000	484,500
3	495001	to	500000	1,500,000





# of Shareholders	Shareholdings' Slab			Total Shares Held
1	500001	to	505000	500,251
1	505001	to	510000	510,000
3	515001	to	520000	1,553,508
1	520001	to	525000	521,000
1	540001	to	545000	543,812
5	595001	to	600000	2,997,751
1	605001	to	610000	605,500
1	645001	to	650000	649,500
1	650001	to	655000	651,500
1	665001	to	670000	666,500
1	685001	to	690000	685,500
1	695001	to	700000	700,000
1	715001	to	720000	717,000
2	745001	to	750000	1,492,500
1	750001	to	755000	750,500
1	765001	to	770000	770,000
1	800001	to	805000	802,500
1	820001	to	825000	824,243
2	845001	to	850000	1,700,000
1	895001	to	900000	900,000
1	910001	to	915000	912,500
1	945001	to	950000	950,000
1	965001	to	970000	969,500
5	995001	to	1000000	5,000,000
1	1000001	to	1005000	1,000,438
1	1030001	to	1035000	1,030,500
1	1060001	to	1065000	1,062,801
1	1065001	to	1070000	1,065,500
1	1085001	to	1090000	1,088,000
1	1155001	to	1160000	1,157,000
1	1295001	to	1300000	1,300,000
1	1315001	to	1320000	1,317,000
1	1340001	to	1345000	1,344,661
1	1345001	to	1350000	1,350,000
1	1400001	to	1405000	1,403,000
1	1520001	to	1525000	1,525,000
1	1560001	to	1565000	1,560,500
1	1595001	to	1600000	1,600,000
1	1845001	to	1850000	1,850,000
1	1920001	to	1925000	1,925,000
1	2055001	to	2060000	2,055,152
1	2685001	to	2690000	2,686,000
1	2725001	to	2730000	2,725,500
1	2770001	to	2775000	2,774,500
1	2895001	to	2900000	2,900,000
1	2980001	to	2985000	2,981,219
1	2995001	to	3000000	3,000,000
1	3435001	to	3440000	3,436,100
1	3645001	to	3650000	3,648,750
1	3695001	to	3700000	3,700,000
1	3735001	to	3740000	3,735,679
1	3905001	to	3910000	3,906,051
1	4045001	to	4050000	4,048,000
1	4995001	to	5000000	5,000,000
1	5210001	to	5215000	5,214,500
1	5640001	to	5645000	5,643,257
1	6795001	to	6800000	6,796,823
1	7820001	to	7825000	7,824,500
1	8190001	to	8195000	8,192,028
1	10320001	to	10325000	10,320,674
1	10940001	to	10945000	10,941,554
1	11295001	to	11300000	11,296,500
1	11865001	to	11870000	11,867,700
1	12690001	to	12695000	12,694,227
1	14310001	to	14315000	14,314,772
1	17615001	to	17620000	17,617,000
1	57750001	to	57755000	57,754,179
1	63880001	to	63885000	63,882,029
1	468465001	to	468470000	468,468,218
21861				880,916,309







## CATEGORIES OF SHAREHOLDING

As at June 30, 2016

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
KHALID RAHMAN	1	5,000	0.00
NARGIS ALI AKBER GHALOO	1	2,000	0.00
MIRZA MAHMOOD AHMED	2	7,218	0.00
AGHA SHER SHAH	1	1,000	0.00
Associated Companies, undertakings and related parties	-	-	-
Executives	5	8,021	0.00
Public Sector Companies and Corporations	19	108,473,720	12.31
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	39	13,780,285	1.56
<b>Mutual Funds</b>			
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	325,000	0.04
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	57,343	0.01
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	2,686,000	0.30
CDC - TRUSTEE NIT STATE ENTERPRISE FUND	1	11,867,700	1.35
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	254,437	0.03
CDC - TRUSTEE PICIC INCOME FUND - MT	1	329,150	0.04
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	1	177,000	0.02
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	1,317,000	0.15
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	6,796,823	0.77
CDC - TRUSTEE FIRST HABIB INCOME FUND	1	100,000	0.01
CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	1	101,000	0.01
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	288,000	0.03
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	44,500	0.01
CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	1	802,500	0.09
CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	1	41,000	0.00
CDC - TRUSTEE FAYSAL MTS FUND - MT	1	109,000	0.01
<b>General Public</b>			
a. Local 21569	117,351,275	13.32	-
b. Foreign	4	21,822	0.00
Foreign Companies	34	21,520,041	2.44
<b>Others</b>			
A. THE PRESIDENT ISLAMIC REPUBLIC OF PAKISTAN	1	468,468,218	53.18
B. SSGC EMPLOYEES EMPOWERMENT TRUST	1	63,882,029	7.25
C. JOINT STOCK COMPANIES	126	21,579,814	2.45
D. RETIREMENT FUNDS AND CHARITABLE TRUSTS	18	37,292,785	4.23
E. ALL OTHERS	24	3,226,628	0.37
<b>Totals</b>	<b>21861</b>	<b>880,916,309</b>	<b>100.00</b>

Shareholders holding 5% or more	Shares Held	Percentage
THE PRESIDENT ISLAMIC REPUBLIC OF PAKISTAN	468,468,218	53.18
SSGC EMPLOYEES EMPOWERMENT TRUST	63,882,029	7.25
STATE LIFE INSURANCE CORP. OF PAKISTAN	57,754,179	6.56



# FORM OF PROXY

## 62<sup>nd</sup> Annual General Meeting

I \_\_\_\_\_  
of \_\_\_\_\_  
Being a Member of Sui Southern Gas Company Limited and holder of \_\_\_\_\_ ordinary shares as per  
Share Register Folio No. /CCD participant I/O No./ Account No. \_\_\_\_\_

Hereby appoint (Name) \_\_\_\_\_  
Who is also member of Sui Southern Gas Company Limited, as my Proxy to vote for me and on my behalf at the 62<sup>nd</sup> Annual General Meeting  
of the Company to be held on June 30, 2017 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Folio No.	Witnesses:
1.	Signature _____
	Name _____
	Address _____
	_____
	CNIC _____
	or
	Passport No. _____
2.	Signature _____
	Name _____
	Address _____
	_____
	CNIC or Passport No. _____



The Signature should agree  
with the specimen registered  
with the Company.

### Notes:

1. This form must be signed across Five Rupees Revenue Stamp and it should be deposited in Share Registrar's Office of the Company not later than 48 hours before the time of holding the meeting (Article 67).
2. No person shall be appointed a proxy who is not the member of the Company and qualified to vote, save that a Corporation being a member of the Company may appoint as its proxy, any person though not to be a member. An agent duly authorized under a power of attorney shall not be entitled to be present and vote on behalf of his appointer unless the agent is himself a member qualified to vote at the time of his being present at the meeting at which he proposes to vote as such agent (Article 65).

For CDC account holders/corporate entities:

In addition to the above, the following requirements have to be met:

- i) The Proxy Form shall be witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy Form.
- iii) The Proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the board of Director, resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.





# EXPANDING HORIZONS

The historic RLNG Pipeline Project that SSGC is close to commissioning will open floodlights for more such transmission projects in the near future. These mega projects will ensure Pakistan's energy sustainability by further bridging the demand-supply gap of natural gas.



