Audited Financial Statements 2010

Sui Northern Gas Pipelines Limed

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Sui Northern Gas Pipelines Limited ('the Company') to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement on internal control 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.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Imran Farooq Mian

M Yousaf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Hafiz Muhammad Yousaf

Date: October 25, 2010
Lahore

Auditors' Report to the Members

We have audited the annexed balance sheet of SUI NORTHERN GAS PIPELINES LIMITED ("the Company") as at June 30, 2010 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that 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.

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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion–

  (i) the balance sheet and 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 except for the change in accounting policy as stated in Note 2.2.1 to the financial statements with which we concur;

  (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.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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, 2010 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our audit report, we draw attention to note 24.3 to the attached financial statements, which states that settlement of amounts receivable along with interest on delayed payments from government owned power generation companies and amounts due to government owned entities on account of gas purchases along with interest on delayed payments is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

The financial statements of the Company for the year ended June 30, 2009 were audited by other firms of auditors who expressed a modified opinion on September 28, 2009, with the emphasis of matter paragraph with regards to the Company's return before taxation, interest and other charges on debts being less than the minimum required return.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Imran Farooq Mian

M Yousaf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Hafiz Muhammad Yousaf

Date: October 25, 2010
Lahore

Balance Sheet
as at June 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Equity and Liabilities			
Share capital and reserves			
Authorised share capital			
1,500,000,000 (2009: 1,500,000,000)			
ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital	5	5,491,053	5,491,053
Revenue reserves		13,211,026	10,656,463
Shareholders' equity		18,702,079	16,147,516
Non-current liabilities			
Long term financing:			
– Secured	6	–	–
– Unsecured	7	1,251,220	1,798,312
Security deposits	8	14,899,244	11,439,969
Deferred credit	9	33,017,791	32,000,133
Deferred taxation	10	8,758,231	8,178,211
Employee benefits	11	453,628	392,249
		58,380,114	53,808,874
Current liabilities			
Trade and other payables	12	54,886,749	49,989,574
Sales tax payable		152,708	–
Interest and mark-up accrued on loans			
and other payables	13	4,560,734	552,160
Short term borrowings – secured	14	1,000,000	950,858
Current portion of long term financing	15	739,553	1,102,980
		61,339,744	52,595,572
Contingencies and commitments	16		
		138,421,937	122,551,962

The annexed notes 1 to 49 form an integral part of these financial statements.

A. Rashid Lone
Chief Executive

	Note	2010	2009
		(Rupees in thousand)	
Assets			
Non-current assets			
Property, plant and equipment	17	86,373,079	78,345,432
Intangible assets	18	355,290	270,845
Investment in an associated company	19	4,900	4,900
Long term loans	20	227,848	235,060
Employee benefits	21	492,112	347,547
Long term deposits and prepayments	22	9,006	7,482
		87,462,235	79,211,266
Current assets			
Stores and spare parts	23	1,669,121	2,171,953
Stock-in-trade – gas in pipelines		741,128	783,362
Trade debts	24	42,874,560	25,706,362
Loans and advances	25	229,401	136,766
Trade deposits and short term prepayments	26	65,993	93,573
Accrued interest		7,289	13,634
Other receivables	27	2,176,846	11,380,825
Sales tax refundable		–	434,915
Taxation-net		1,186,242	1,302,429
Cash and bank balances	28	2,009,122	1,316,877
		50,959,702	43,340,696
		138,421,937	122,551,962

Mian Misbah-ur-Rehman
Chairman

Profit and Loss Account
for the year ended June 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Gas sales	29	172,994,645	160,714,737
(Less) / add : (Gas development surcharge) / Differential margin		(11,364,817)	8,219,094
		161,629,828	168,933,831
Less: Cost of gas sales	30	156,016,865	164,309,992
Gross profit		5,612,963	4,623,839
Other operating income	32	7,772,320	4,496,964
		13,385,283	9,120,803
Less:			
Selling cost	33	2,092,261	2,001,988
Administrative expenses	34	2,147,649	1,760,088
		4,239,910	3,762,076
Operating profit		9,145,373	5,358,727
Less:			
Finance cost	35	4,650,154	653,182
Other operating expenses	36	615,500	2,975,305
		5,265,654	3,628,487
Profit before taxation and share of associate		3,879,719	1,730,240
Share in profit from associate – before tax	19.1	212	45
Profit before taxation		3,879,931	1,730,285
Taxation	37	1,325,368	799,749
Profit after taxation		2,554,563	930,536
Earnings per share – basic and diluted – (Rupees)	44	4.65	1.69

The annexed notes 1 to 49 form an integral part of these financial statements.

A. Rashid Lone
Chief Executive

Mian Misbah-ur-Rehman
Chairman

Statement of Other Comprehensive Income
for the year ended June 30, 2010

	2010	2009
	(Rupees in thousand)	
Profit for the year	2,554,563	930,536
Other comprehensive income for the year	–	–
Total comprehensive income for the year	2,554,563	930,536

The annexed notes 1 to 49 form an integral part of these financial statements.

A. Rashid Lone
Chief Executive

Mian Misbah-ur-Rehman
Chairman

Cash Flow Statement

for the year ended June 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	38	12,024,973	14,748,163
Finance cost paid		(593,518)	(426,044)
Taxes paid		(664,260)	(721,817)
Employee benefits/contributions paid		(803,251)	(672,932)
Increase in security deposits		3,459,275	2,371,867
Receipts against government grants and consumer contributions		2,840,774	1,625,722
Increase in investment at fair value through profit and loss		–	524,228
Increase in long term loans		(6,198)	(16,844)
Increase in long term deposits and prepayments		(1,524)	(344)
Net cash generated from operating activities		16,256,271	17,431,999
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		(14,769,161)	(22,138,991)
Expenditure on intangible assets		(98,640)	(121,533)
Proceeds from sale of property, plant and equipment		22,675	46,520
Return on bank deposits		251,458	377,058
Net cash used in investing activities		(14,593,668)	(21,836,946)
Cash flows from financing activities			
Proceeds from long term financing – unsecured		72,049	108,912
Repayment of long term financing – unsecured		(1,028,198)	(963,394)
Repayment of long term financing – secured		(62,500)	(600,000)
Dividend paid		(851)	(1,911,700)
Net cash used in financing activities		(1,019,500)	(3,366,182)
Net increase / (decrease) in cash and cash equivalents		643,103	(7,771,129)
Cash and cash equivalents at the beginning of the year		366,019	8,137,148
Cash and cash equivalents at the end of the year	38.2	1,009,122	366,019

The annexed notes 1 to 49 form an integral part of these financial statements.

A. Rashid Lone
Chief Executive

Mian Misbah-ur-Rehman
Chairman

Statement of Changes in Equity

for the year ended June 30, 2010

	Share capital	General reserve	Dividend equalization reserve	Unappro-priated profit	Total	Total equity
	(Rupees in thousands)					
Balance as at June 30, 2008	5,491,053	4,127,682	480,000	7,040,114	11,647,796	17,138,849
Final dividend for the year ended June 30, 2008 @ Rs 3.50 per share	–	–	–	(1,921,869)	(1,921,869)	(1,921,869)
Profit for the year	–	–	–	930,536	930,536	930,536
Total other comprehensive income for the year	–	–	–	–	–	–
Balance as at June 30, 2009	5,491,053	4,127,682	480,000	6,048,781	10,656,463	16,147,516
Profit for the year	–	–	–	2,554,563	2,554,563	2,554,563
Total other comprehensive income for the year	–	–	–	–	–	–
Balance as at June 30, 2010	5,491,053	4,127,682	480,000	8,603,344	13,211,026	18,702,079

The annexed notes 1 to 49 form an integral part of these financial statements.

A. Rashid Lone
Chief Executive

Mian Misbah-ur-Rehman
Chairman

Notes to the Financial Statements
for the year ended June 30, 2010

1. The company and its operations

Sui Northern Gas Pipelines Limited (The Company) is a public limited Company incorporated in Pakistan under the Companies Act,1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 21 Kashmir Road, Lahore. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

– IAS 1 (Revised), 'Presentation of Financial Statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Company shows all owner related changes in equity in statement of changes in equity, whereas all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with the revised standard.

  The Company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

– IAS 23 'Borrowing Costs' effective from accounting periods beginning on or after January 1, 2009 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. This change will not effect the financial statements as the Company already has the policy to capitalize its borrowing costs.

– IFRS 2 (amendment), 'Share-based payment-Group Cash-settled Share-base Payment Transactions' effective for annual period beginning on or after January 01, 2010.

  The International Accounting Standard Board (IASB) amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

  The Government of Pakistan on August 14, 2009 introduced Benazir Employees Stocks Option Scheme (BESOS), under which all employees of the state owned entities (SOEs) were given free of cost 12% shares from the Government's holding in SOEs. For this purpose, SNGPL Employees Empowerment Trust (the Trust) was created on October 21, 2009. The Government of Pakistan transferred 12% shares from its holding (23,722,693 shares) in SNGPL to the Trust. The amended IFRS 2 would be applicable to the

Company's financial statements from the financial year starting from July 01, 2010 and as such there is no financial impact on the current financial statement. The management is of the opinion that keeping in view the spirit of the IFRS 2, it is not applicable to BESOS due to its unique nature and as such the terms of the scheme are not based on normal stock option scheme. Consequently, the Company has sought opinion from the Technical Advisory Committee of The Institute of Chartered Accountants of Pakistan (ICAP) regarding accounting and reporting implication of BESOS, under the applicable framework including the implication under IFRS2 (Share based payment). Pending clarification on the issue by ICAP, the financial impact, if any, on the future financial statements of the Company arising from implementation of BESOS has not been quantified at the this stage.

– IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009 (effective July 1, 2009). The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. It is not expected to have a material impact on the Company's financial statements.

– IFRS 7 'Financial instruments – Disclosures' (amendment) – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the changes only results in additional disclosures, there is no impact on earnings per share.

– IFRS 8 'Operating Segments' is effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduces detailed disclosures regarding the reportable segments and products. The application of IFRS 8 does not have a significant impact on the Company's financial statements as no segment information is presented for management decision making purposes.

– IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. It is not expected to have any impact on the Company's financial statements.

– IFRIC 18, 'Transfer of Assets from Customers' (to be applied prospectively to transfer of assets from customer received on or after July 1, 2009). This interpretation clarifies the requirement of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to the network or to provide the customer with the ongoing access to the supply of goods or services (such as a supply of gas, electricity or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with an ongoing access to supply of goods and services (or to do both). The Company now recognizes the full amount of consumer contributions received in the profit and loss account once the related assets are built and connected to the network. As a result, the Company has recognized Rs 470,690 thousand in the profit and loss account in the current year. However, in respect of deferred credit balance relating to the period before July 1, 2009 which amounts to Rs 1,330,426 thousand, the Company continues to follow the previous policy which is to amortize deferred credit over the useful life of the relevant asset. Had there been no change in accounting policy, profit for the year would have remained the same as the increase in return on net operating fixed assets would have off set by the decrease in amortisation of deferred credit.

Notes to the Financial Statements
for the year ended June 30, 2010

2.2.2 Standards, amendments to published standards and interpretations that are effective in current year but not relevant to the Company's operations

		Effective for period beginning from
IAS 1 and IAS 32	Puttable financial instruments and obligations arising on liquidation (amendment)	January 1, 2009
IAS 27 (Revised)	Consolidated and separate financial statements	July 1, 2009
IAS 39 (amendment)	Eligible hedged items and initial recognition of financial assets and liabilities	July 1, 2009
IFRS 3 (Revised)	Business combinations	July 1, 2009
IFRIC 9	Embedded derivatives	January 1, 2009
IFRIC 15	Agreement for construction of real estates	January 1, 2009
IFRIC 16	Hedge net investment in a foreign operations	October 1, 2008
IFRIC 17	Distributions of non cash items to owners	July 1, 2009

There are other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or before July 1, 2009, including amendments resulting from IASB's annual improvement project (April 2009), which are considered not to be relevant or to have any significant impact on the Company's financial statements.

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

		Effective for period beginning from
IAS 1 (Amendment)	Presentation of financial Statements	January 1, 2010
IAS 7 (Amendment)	Statement of cash flows	January 1, 2010
IAS 17 (Amendment)	Leases	January 1, 2010
IAS 24 (Revised)	Related party disclosures	January 1, 2011
IAS 32 (Amendment)	Financial instruments: presentation on classification of right issues	February 1, 2010
IFRS 2	Group settled transactions	January 1, 2010
IFRS 5 (Amendment)	Measurement of Non-Current Assets (or disposal groups) Classified as Held-For-Sale	January 1, 2010
IFRS 9	Financial Instruments	January 1, 2013
IFRIC 14 (Amendment)	Prepayment of a minimum funding	January 1, 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 1, 2010

IFRIC 4, - 'Determining whether an Arrangement contains a Lease'. International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC 4 which requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC 4, if an arrangement conveys a right to use the asset to lessee and the fulfillment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

During the previous year, the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 21/2009 dated June 22, 2009 has exempted the application of International Financial Reporting Interpretation Committee (IFRIC) 4 'Determining whether an Arrangement contains a Lease' for all such companies where the date of such agreements with other entities were executed on or before June 30, 2010. However, the SECP made it mandatory for such companies to disclose the impacts of the application of IFRIC 4 on the results of the companies. Consequently, the Company has also been exempted from the application of IFRIC 4 while preparing its financial statements.

The Company reviewed various pipeline rental agreements executed in previous years and has determined that two pipeline rental agreements relating to certain gas transmission pipelines contain embedded leases and are to be recognized as leases in terms of IFRIC 4 and IAS 17 'Leases'.

Under IFRIC 4, the consideration required to be made by the lessee i.e. Sui Northern Gas Pipelines Limited for the right to use the assets is to be accounted for as a finance lease under IAS 17. If the Company was to follow IFRIC 4 and IAS 17, the effects on the financial statements would be as follows:

Effect on profit and loss account	**2010**	**2009**	**2008**
		(Rupees in thousands)	
Decrease/(increase) in			
Cost of sales			
Transportation charges - Sui Southern Gas Company Limited (SSGCL)	409,356	414,269	446,872
Operating expenses			
Depreciation	(150,984)	(150,984)	(150,984)
Finance cost			
Finance cost - leased assets	(353,320)	(360,476)	(366,592)
Effect on balance sheet			
Decrease / (increase) in			
Written down value of operating assets	(1,358,855)	(1,509,839)	(1,660,823)
Obligation under finance lease			
Long term portion	(2,151,258)	(2,212,825)	(2,261,907)
Short term portion	(57,627)	(49,255)	(42,101)

There are number of other amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 (not addressed above). These amendments are unlikely to have any impact on the Company's financial statements and therefore have not been analysed in detail.

3. Basis of measurement

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Employee benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.3.

b) Provision for taxation

The Company takes into account the current income tax law and the 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 views on items of material nature in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

Notes to the Financial Statements
for the year ended June 30, 2010

d) Financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Deferred credit

Deferred credit represents the amount received from the consumers and the Government as contribution and grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life, however where grant received from consumers, after July 1, 2009, which meets the criteria as provided in IFRIC 18, are recognized in the year in which the grant is received as referred to in note 2.2.1

4.2 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductable temporary differences to the extent that it is probable that taxable profit will be available against such deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity in which case it is included in equity.

4.3 Employee retirement and other benefits

The main features of the schemes operated by the Company for its employees are as follows:

4.3.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The future contribution rates of these funds include allowance for deficit and surplus.

4.3.1.1 Pension and gratuity funds

The Company operates an approved funded pension scheme for all employees and an approved funded gratuity scheme for executives and non-executives. In case of gratuity scheme, qualifying service period for executives and non-executives is five years and six years, respectively. Contributions to the schemes are payable on the recommendations of the actuary. The future contribution rates of these schemes include allowance for deficit and surplus.

An executive who qualifies for pension at the time of retirement from the Company and does not surrender his pension, shall be entitled to gratuity at the rate of 20 days basic salary for each completed year of service. An executive who qualifies for pension at the time of retirement from the Company and surrenders his pension, shall be entitled to gratuity at the rate of 50 days basic salary for each completed year of service.

4.3.1.2 Medical and free gas facility schemes

The Company provides free gas facility to non-executives and medical facility to all employees and their dependents after their retirement. However, all executives retired up to December 31, 2000 are also entitled to avail free gas facility.

4.3.1.3 Accumulating compensated absences

The Company provides annually for the expected cost of accumulating compensated absences on the basis of actuarial valuations.

Executives and non-executives of the Company are entitled to accumulate the unutilized privilege leaves up to 60 and 90 days, respectively. Such accumulation is encashable only at the time of retirement or leaving the service of the Company.

The most recent valuations were carried out as on June 30, 2010 using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans, except for compensated absences where actuarial gains or losses are recognized immediately.

4.3.2 Defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund.

4.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.5 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, if 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.6 Operating fixed assets

4.6.1 Property, plant and equipment

Cost

Operating fixed assets except for freehold and leasehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold and leasehold land are stated at cost less impairment loss, if any. Capital work-in-progress is stated at cost less provision for obsolescence of stores and spare parts. Cost in relation to certain assets signifies historical cost and borrowing cost referred to in Note 4.8.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Notes to the Financial Statements
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Depreciation

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 17.1. Transmission and distribution system, meter and compressor stations and equipments are depreciated at annual rates of 6% to 10% which are also in accordance with the terms of loan agreement (3252-PAK) with the World Bank. This agreement requires that depreciation be charged at rates not less than 6% per annum of the average cost of such assets in operation. Depreciation on addition is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Pipelines uplifted during the year are deleted from operating fixed assets. 60% to 65% of the written down value of the uplifted pipelines representing cost of pipelines and fittings is transferred to capital work-in-progress after considering its reuse capability. The balance of the written down value representing construction overheads is charged to income.

4.6.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization at the rates given in Note 17 and impairment loss, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

4.7 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.8 Borrowing cost

Mark-up, interest, profit and other charges on long term financing are capitalized for the period up to the date of commissioning of the respective assets acquired out of the proceeds of such borrowings. All other mark-up, interest, profit and other charges are charged to income during the year.

4.9 Investments

a) Investment in associate

Investment in associate, on which the Company has significant influence but not control, is accounted for using the equity method of accounting wherein the Company's share of underlying net assets of the investee is recognized as the carrying amount of such investment. Difference between the amounts previously recognized and the amount calculated at each year end is recognized as share of profit of associate. Distributions received out of such profits shall be credited to the carrying amount of investment in associated undertaking.

b) Investments held-to-maturity

Investment with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held-to-maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

c) Investments available-for-sale

All investments classified as available-for-sale are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Unrealized gains or losses from changes in fair value are recognized in equity. Realized gains and losses are taken to profit and loss account.

d) Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

4.10 Stores and spare parts

These are valued at lower of monthly moving average cost and net realizable value. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. The Company reviews stores and spare parts for possible impairment on an annual basis. Any change in the estimate in future years might affect the carrying amount of the respective items of stores and spare parts with a corresponding affect on the provision.

4.11 Stock-in-trade

Stock of gas in pipelines is valued at the lower of cost determined on annual average basis and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

4.12 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful of recovery. No provision is made in respect of active consumers considered good.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

4.14 Revenue recognition

Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates fixed by Oil and Gas Regulatory Authority (OGRA), Government of Pakistan. Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end.

Meter rentals are recognized on a monthly basis, at specified rates by OGRA for various categories of consumers.

Interest on gas sales arrears and surcharge on late payment is recognized from the date the billed amount is overdue.

Notes to the Financial Statements
for the year ended June 30, 2010

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Take or pay income is recognized when it is likely that the consumers may not be able to consume gas in future by an agreed date over and above the committed gas supply.

4.15 Foreign currency transactions

The financial statements are presented in Pak Rupees, which is the Company's functional currency and presentation currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency using rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined.

The Company has obtained foreign currency loans from the World Bank which are covered under the exchange risk coverage scheme of the Government of Pakistan. Under this agreement, the Company is entitled to claim from the Government, the differential between actual payment made to the World Bank and the amount at which these loans were recorded on the date of receipt.

4.16 Long term financing

All borrowings are initially recognized at the fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in profit and loss account.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.17 Financial assets and liabilities

Financial instruments comprise loans and advances, deposits, interest accrued, trade debts, other receivables, cash and bank balances, long term financings, short term borrowing, interest / mark-up accrued and trade and other payables.

Financial assets and liabilities are initially recognized at fair value at the time the Company becomes a party to the contractual provisions of the instruments.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account.

4.18 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the Recognized amount and the Company intends to settle either on a net basis or to realize the asset and to settle the liability simultaneously.

4.19 Gas development surcharge / Differential margin

Under the provisions of World Bank loan 3252-PAK, the Company is required to earn an annual return of not less than 17.50% per annum on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income. Any deficit or surplus on account of this is recoverable from or payable to the Government of Pakistan as differential margin or gas development surcharge.

During the year, the Company although met the covenants mentioned above, yet it could not meet the benchmarks prescribed by Oil and Gas Regulatory Authority (OGRA) as discussed in paragraph below and as a result the return for the year on the aforesaid basis works out to 7.72% (2009: 3.74%).

Among other disallowances made by OGRA, the Company has also incorporated the effect of Unaccounted for Gas (UFG), which represents the volume difference of gas purchases and sales, amounting to Rupees 4,670,252 thousand (2009: Rupees 4,601,150 thousand), which is in excess of the UFG benchmark of 7% allowed by OGRA.

4.20 Construction contracts

Contract costs are recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Company uses the percentage of "completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

4.21 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5. Issued, subscribed and paid up capital

2010	2009		2010	2009
(Number of shares)			(Rupees in thousand)	
121,146,000	121,146,000	Ordinary shares of Rs 10 each issued as fully paid for cash	1,211,460	1,211,460
3,329,000	3,329,000	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
424,630,339	424,630,339	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,246,303	4,246,303
549,105,339	549,105,339		5,491,053	5,491,053

Notes to the Financial Statements
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5.1 Ordinary shares of the Company held by undertakings associated to the Company, only by virtue of common directorship are as follows:

	2010	2009
	(Number of Shares)	
Dawood Hercules Chemicals Limited	85,615,450	100,442,350
Dawood Lawrancepur Limited	–	8,272,470
Sui Southern Gas Company Limited	2,090,195	2,090,195
MCB Bank Limited	47,770,364	47,770,364
Askari Commercial Bank Limited	2,506,284	1,851,128
Pakistan Industrial Development Corporation (Private) Limited	33,042,891	33,042,891
Central Insurance Company Limited	1,075,577	4,746,100
Faysal Bank Limited	1,100	3,586,200
Industrial Development Bank Limited	–	281,618
National Investment Trust Limited	44,956,505	141,933
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	900,000	1,252,950
Dawood Corporation (Private) Limited	496,221	1,500,000
	218,454,587	204,978,199

	Note	2010	2009
		(Rupees in thousand)	
6. Long term financing - secured			
From banking companies:			
Standard Chartered Bank (Limited) Pakistan [Syndicate (SCB-2) (b)]	6.1	–	62,500
Less: Current portion shown under current liabilities	15	–	62,500
		–	–

6.1 **This loan was fully repaid during the year.**

7. Long term financing - unsecured

	Note	2010	2009
From financial institutions:			
Foreign currency - World Bank loans	7.1	326,653	943,532
Local currency:			
- Loans	7.2	1,446,841	1,485,699
- Overdue interest on medium term loan	7.3	217,279	409,561
		1,664,120	1,895,260
		1,990,773	2,838,792
Less: Current portion shown under current liabilities			
Foreign currency - World Bank loans		326,653	616,879
Local currency:			
- Loans		195,621	178,076
- Overdue interest on medium term loan		217,279	245,525
	15	739,553	1,040,480
		1,251,220	1,798,312

7.1 Foreign currency - World Bank loans

These are composed of:

Loan No.	Rate of interest per annum (%)	Half yearly installments outstanding (Nos.)	Repayment commencement date/maturity date	Note	2010	2009
					(Rupees in thousand)	
3252 - PAK	0.5% above the base cost of					
	qualified borrowing	1	March 1, 1996/ September 1, 2010		652,253	1,752,379
3252-1-PAK	- do -	1	March 1, 1996/ September 1, 2010		308,332	869,732
				7.1.2	960,585	2,622,111
Less: Exchange risk cover guaranteed by the Government of Pakistan.				7.1.3	633,932	1,678,579
					326,653	943,532

7.1.1 The repayment of the World Bank loans is guaranteed by the Government of Pakistan (GOP) for a fee payable on half yearly basis at an annual rate of 0.5% on the outstanding balance.

7.1.2 This represents outstanding loan of equivalent to US Dollar 11,222 thousand (2009: US Dollar 32,252 thousand) translated at the exchange rate prevailing at balance sheet date.

7.1.3 The Company has obtained exchange risk cover from GOP in respect of foreign currency acquired from the World Bank. The exchange risk coverage arrangement allows the Company to claim the difference between the actual repayment made to the World Bank and the amount at which these loans were recorded on the date of receipt. Exchange risk fee payable to GOP on these loans is the difference between 14% per annum and the rate of interest intimated by the World Bank subject to minimum of 5% per annum.

7.1.4 There is no unavailed facility as at June 30, 2010 (2009: Nil).

	Note	2010	2009
		(Rupees in thousand)	
7.2 Loans			
Government - Cash development loans	7.2.1	950,595	948,619
Industrial consumers	7.2.2	294,735	313,574
Related parties	7.2.3	201,511	223,506
		1,446,841	1,485,699

7.2.1 These have been obtained from the Federal Government and the Provincial Government of Punjab and Khyber Pakhtunkhwa (KPK) for supply of gas to new towns. The loan aggregating to Rs 147,875 thousand (2009: Rs 201,964 thousand) carries mark-up at rates ranging between 5% to 9% (2009: 5% to 9%) per annum and Rs 802,720 thousand (2009: Rs 746,655 thousand) carries mark-up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2009: six month SBP treasury bills plus 1.2%) on the outstanding balance or part thereof.

7.2.2 These have been obtained from certain industrial consumers for laying of gas pipelines and carry mark-up at rates ranging between 1.5% to 2% (2009: 1.5% to 2%) per annum on the outstanding balance or part thereof and are repayable over a period of 8 to 10 years with a grace period of 2 years.

7.2.3 These have been obtained from DG Khan Cement Company Limited and Packages Limited for laying of gas pipelines and carry mark-up at the rates ranging between 1.5% to 2.0% (2009: 1.5% to 2.0%) per annum on the outstanding balance and are repayable over a period of 10 years with a grace period of 2 years.

7.2.4 The fair value of loans from Federal and Provincial Government are estimated as present value of all future cash flows discounted using Pakistan Investment Bonds (PIBs) rate prevailing at the time of initial recognition of respective loans. Loans from industrial consumers are estimated as present value of all future cash flows discounted using 1.1% above State Bank of Pakistan's cut off yield rates prevailing at the time of initial recognition of these loans.

Notes to the Financial Statements
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		2010	2009
		(Rate %)	
7.2.5	**The effective interest rates are as follows:**		
	Government - Development loans	7.54 to 15.21	7.54 to 14.24
	Industrial consumers and related parties	2.79 to 14.24	2.79 to 14.24

7.3 This represents overdue interest on medium term loan. Under an agreement reached with the Government of Pakistan, this overdue interest amounting to Rs 2,455,249 thousand due on June 30, 2001, is payable in 10 equal annual installments which commenced on June 30, 2002 and does not carry any mark-up.

		Note	2010	2009
			(Rupees in thousand)	
8.	**Security deposits**			
	Consumers	8.2	14,831,655	11,389,885
	Contractors - Houseline	8.3	67,589	50,084
			14,899,244	11,439,969

8.1 Consumer deposits represent security against amount due from consumers on account of gas sales. These are repayable on cancellation of contract for supply of gas or on submission of bank guarantees in lieu of security deposits. Interest is payable at the rate of 5% (2009: 2%) per annum on deposits from industrial and commercial consumers aggregating to Rs 8,712,572 thousand (2009: Rs 6,675,920 thousand) and 2% (2009: 2%) per annum on deposits from bulk domestic consumers aggregating to Rs 642,942 thousand (2009: Rs 426,177 thousand). However, for one consumer having deposit of Rs 1,346,714 thousand (2009: Rs 718,174 thousand) interest rate is 3 months SBP treasury bills cut off rate subject to a floor of 7% (2009: 3 months SBP treasury bills cut off rate subject to a floor of 7%) per annum.

8.2 These include security deposits from related parties amounting to Rs 25,469 thousand (2009: Rs 751,527).

8.3 No interest is payable on the deposits from houseline contractors and domestic consumers. These are refundable on cancellation of contract or dealership agreement.

		Note	2010	2009
			(Rupees in thousand)	
9.	**Deferred credit**			
	Consumer contribution against			
	- Completed jobs		16,191,535	14,921,724
	- Jobs-in-progress		2,518,463	2,390,945
			18,709,998	17,312,669
	Government grants against:			
	- Completed jobs		9,682,503	7,193,622
	- Jobs-in-progress		12,657,391	13,724,827
			22,339,894	20,918,449
			41,049,892	38,231,118
	Less: Accumulated amortization:			
	Opening balance		6,230,985	5,134,952
	Amortization for the year	32	1,801,116	1,096,033
			8,032,101	6,230,985
			33,017,791	32,000,133

		Note	2010	2009
			(Rupees in thousand)	
10.	**Deferred taxation**			
	The liability for deferred taxation comprises timing differences relating to:			
	Taxable temporary differences			
	Accelerated tax depreciation		10,971,255	9,896,263
	Unamortized balance of loans at fair value	10.1	32,408	–
			11,003,663	9,896,263
	Deductible temporary differences			
	Provision for doubtful debts		(906,005)	(746,433)
	Unpaid trading liabilities		(14,631)	(6,622)
	Carried forward tax losses		(137,479)	(617,154)
	Minimum tax adjustment		(1,173,543)	(335,871)
	Interest payable on security deposits		(13,774)	(11,972)
			(2,245,432)	(1,718,052)
			8,758,231	8,178,211

10.1 Deferred tax reconciliation

	Deferred tax liability				Deferred tax assets						
	Accelerated tax depreciation	Investment at fair value	Unamortized balance of loans at fair value	Total	Provision for doubtful debt	Minimum tax	Tax losses carry forward	Unpaid trading liability	Interest payable on gas security deposits	Total	Net liability / (assets)
	(R u p e e s i n t h o u s a n d)										
Balance as at July 1, 2008	**8,460,140**	**3,884**	**–**	**8,464,024**	**(547,357)**	**(335,871)**	**–**	**(6,719)**	**(11,665)**	**(901,612)**	**7,562,412**
Charged/(credited) to income statement	1,436,123	(3,884)	–	1,432,239	(199,076)	–	(617,154)	97	(307)	(816,440)	615,799
Balance as at June 30, 2009	**9,896,263**	**–**	**–**	**9,896,263**	**(746,433)**	**(335,871)**	**(617,154)**	**(6,622)**	**(11,972)**	**(1,718,052)**	**8,178,211**
Charged/(credited) to income statement	1,074,992	–	32,408	1,107,400	(159,572)	(837,672)	479,675	(8,009)	(1,802)	(527,380)	580,020
Balance as at June 30, 2010	**10,971,255**	**–**	**32,408**	**11,003,663**	**(906,005)**	**(1,173,543)**	**(137,479)**	**(14,631)**	**(13,774)**	**(2,245,432)**	**8,758,231**

		Note	2010	2009
			(Rupees in thousand)	
11.	**Employee benefits**			
	Medical fund	11.1	286,496	281,181
	Free gas facility fund	11.1	167,132	111,068
			453,628	392,249

11.1 Reconciliation of (receivable from) / payable to employee benefit plans:

	Note	Medical fund 2010	Medical fund 2009	Free gas facility fund 2010	Free gas facility fund 2009	Total 2010	Total 2009
		(Rupees in thousand)					
Present value of funded obligations	11.4	4,619,331	3,867,672	1,370,305	1,129,929	5,989,636	4,997,601
Fair value of plan assets	11.5	(3,767,371)	(3,094,340)	(861,659)	(704,902)	(4,629,030)	(3,799,242)
	11.10	851,960	773,332	508,646	425,027	1,360,606	1,198,359
Unrecognized actuarial gains / (losses)		(565,464)	(472,350)	(341,514)	(305,339)	(906,978)	(777,689)
Unrecognized past service cost		–	(19,801)	–	(8,620)	–	(28,421)
Net liability		286,496	281,181	167,132	111,068	453,628	392,249

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	Note	Medical fund 2010	Medical fund 2009	Free gas facility fund 2010	Free gas facility fund 2009	Total 2010	Total 2009
		(Rupees in thousand)					
11.2 Movement in net liability							
Opening liability		281,181	245,476	111,068	91,191	392,249	336,667
Charge for the year	11.3	302,188	292,392	140,339	109,707	442,527	402,099
Contribution paid		(296,873)	(256,687)	(84,275)	(89,830)	(381,148)	(346,517)
		286,496	281,181	167,132	111,068	453,628	392,249

11.3 Amounts recognized in profit and loss account

	Note	Medical fund 2010	Medical fund 2009	Free gas facility fund 2010	Free gas facility fund 2009	Total 2010	Total 2009
		(Rupees in thousand)					
Current service cost		161,324	165,437	57,893	57,606	219,217	223,043
Interest on obligation		464,120	400,800	135,591	99,258	599,711	500,058
Expected return on plan assets		(371,321)	(314,473)	(84,588)	(68,849)	(455,909)	(383,322)
Net actuarial losses recognized in the year		28,264	20,824	22,823	13,077	51,087	33,901
Past service cost - Vested		19,801	19,804	8,620	8,615	28,421	28,419
Total included in employee benefit expense	11.12	302,188	292,392	140,339	109,707	442,527	402,099
Actual return on plan assets		480,031	311,736	102,757	70,161	582,788	381,897

11.4 Changes in the present value of defined benefit obligation

	Medical fund 2010	Medical fund 2009	Free gas facility fund 2010	Free gas facility fund 2009	Total 2010	Total 2009
	(Rupees in thousand)					
Opening defined benefit obligation	3,867,672	3,339,997	1,129,929	827,146	4,997,601	4,167,143
Current service cost	161,324	165,437	57,893	57,606	219,217	223,043
Interest cost	464,120	400,800	135,591	99,258	599,711	500,058
Actuarial losses	230,088	56,125	77,167	174,749	307,255	230,874
Benefits paid	(103,873)	(94,687)	(30,275)	(28,830)	(134,148)	(123,517)
Closing defined benefit obligation	4,619,331	3,867,672	1,370,305	1,129,929	5,989,636	4,997,601

11.5 Changes in the fair value of plan assets

	Note	Medical fund 2010	Medical fund 2009	Free gas facility fund 2010	Free gas facility fund 2009	Total 2010	Total 2009
		(Rupees in thousand)					
Opening fair value of plan assets		3,094,340	2,620,604	704,902	573,741	3,799,242	3,194,345
Expected return		371,321	314,473	84,588	68,849	455,909	383,322
Actuarial gains / (losses)		108,710	(2,737)	18,169	1,312	126,879	(1,425)
Contributions by employer		296,873	256,687	84,275	89,830	381,148	346,517
Benefits paid		(103,873)	(94,687)	(30,275)	(28,830)	(134,148)	(123,517)
	11.6	3,767,371	3,094,340	861,659	704,902	4,629,030	3,799,242

11.6 Plan assets comprise:

	Medical fund			
	2010		2009	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	3,593,512	95.40	2,942,851	95.11
NIT units	155,154	4.10	148,623	4.80
Cash at bank	18,705	0.50	2,866	0.09
	3,767,371	100.00	3,094,340	100.00

	Free gas facility fund			
	2010		2009	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	815,706	94.67	662,057	93.93
NIT units	42,780	4.96	40,978	5.81
Cash at bank	3,173	0.37	1,867	0.26
	861,659	100.00	704,902	100

11.7 Principal actuarial assumptions used (expressed as weighted average)

	Medical fund			
	2010		2009	
	Executive	Non-executive	Executive	Non-executive
Discount rate	12%	12%	12%	12%
Expected rate of growth per annum in average cost of facility	9%	9%	9%	9%
Increase in average cost of medical facility per employee due to increase in age of recipient	2%	2%	2%	2%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

	Free gas facility fund			
	2010		2009	
	Executive	Non-executive	Executive	Non-executive
Discount rate	12%	12%	12%	12%
Expected rate of growth per annum in average cost of facility	11%	11%	11%	11%
Rate of utilization of facility by future entitled employees	–	100%	–	100%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

11.8 Calculations are based on complex mathematical model which takes into account the yield at maturity of the existing investment present at the beginning of the financial year. The model also considers the expected return on the reinvestment of the maturity proceeds in similar instruments (based on their yield as at the valuation date) up till the life of the related obligation.

11.9 The effect of one percent movement in assumed medical cost trend rates would have the following effects:

	2010		2009	
	1% increase	1% decrease	1% increase	1% decrease
	(Rupees in thousand)		(Rupees in thousand)	
Effect on the aggregate of the service cost and interest cost	10,000	(9,000)	74,000	(68,000)
Effect on defined benefit obligation	357,000	(325,000)	1,262,000	(1,158,000)

Notes to the Financial Statements
for the year ended June 30, 2010

11.10 Deficit for current and previous four years

	Medical fund				
	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Defined benefit obligation	4,619,331	3,867,672	3,339,997	2,916,228	2,343,029
Plan assets	(3,767,371)	(3,094,340)	(2,620,604)	(2,123,852)	(1,809,144)
Deficit	851,960	773,332	719,393	792,376	533,885
Experience adjustment on plan liabilities	230,088	56,125	70,549	241,904	(32,954)
Experience adjustment on plan assets	108,710	(2,737)	98,367	(11,115)	24,249

	Free gas facility fund				
	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Defined benefit obligation	1,370,305	1,129,929	827,146	727,305	630,979
Plan assets	(861,659)	(704,902)	(573,741)	(456,410)	(361,184)
Deficit	508,646	425,027	253,405	270,895	269,795
Experience adjustment on plan liabilities	77,167	174,749	3,140	14,937	97,647
Experience adjustment on plan assets	18,169	1,312	4,690	11,719	4,746

	Note	2010	2009
		(Rupees in thousand)	
11.11 Estimated future contributions			
Medical fund		286,496	281,181
Free gas facility fund		167,132	111,068
		453,628	392,249
11.12 The charge for the year has been allocated as follows:			
Distribution cost	31	344,764	343,956
Administrative expenses	34	97,763	58,143
		442,527	402,099

12. Trade and other payables

	Note	2010	2009
Creditors for:			
- gas	12.1	46,064,977	45,225,670
- supplies	12.2	891,669	484,980
Accrued liabilities	12.2	3,365,702	3,021,308
Interest free deposits repayable on demand		37,585	25,708
Earnest money received from contractors		31,365	25,336
Mobilization and other advances		740,710	969,004
Advances from customers		2,079,964	–
Gas development surcharge		1,306,926	–
Exchange risk and guarantee fee payable to the Government of Pakistan		8,181	24,592
Workers' Profit Participation Fund	12.3	224,786	118,559
Workers' Welfare fund		76,629	35,311
Unclaimed dividend		58,255	59,106
		54,886,749	49,989,574

12.1 These include Rs 34,902,345 thousand (2009: Rs 25,393,065 thousand) payable to related parties.

12.2 These Include Rs 3,078 thousand (2009: Rs 8,784 thousand) payable to an associate and Rs 54,002 thousand (2009: Rs 4,992 thousand) payable to related parties.

		Note	2010	2009
			(Rupees in thousand)	
12.3	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		118,559	210,012
	Allocation for the year	36	208,796	94,092
			327,355	304,104
	Interest on funds utilized in the Company's business	35	10,772	22,202
			338,127	326,306
	Less: Payments to workers		113,305	110,989
	Deposited into Government treasury		36	96,758
			113,341	207,747
			224,786	118,559

13. Interest and mark-up accrued on loans and other payables

		Note	2010	2009
	On loans		112,758	323,512
	On deposits from customers		547,126	210,589
	On late payment of gas creditors		3,900,850	18,059
		13.1	4,560,734	552,160

13.1 This includes Rs 3,867,041 (2009: Rs 2,328 thousand) payable to a related party.

14. Short term borrowings - secured

Short term running finance facility amounting to Rs 1,000,000 thousand obtained from a commercial bank carries mark-up at the rate of 3 months KIBOR plus 0.50% per annum on the balance outstanding. It is secured by way of first pari passu hypothecation charge on all present and future current assets of the Company to the extent of Rs 1,334,000 thousand. Mark-up is payable on quarterly basis. The effective interest rate during the year ranged from 12.84% to 13.79% (2009: 13.77% to 13.79%) per annum. There is no unavailed facility as at June 30, 2010 (2009: 49,142 thousand).

		Note	2010	2009
			(Rupees in thousand)	
15.	**Current portion of long term financing**			
	Long term financing - secured	6	–	62,500
	Long term financing - unsecured	7	739,553	1,040,480
			739,553	1,102,980

16. Contingencies and commitments

16.1 Contingencies

The Company has the following significant contingent liabilities in respect of legal claims arising in the ordinary course of business:

Notes to the Financial Statements
for the year ended June 30, 2010

16.1.1 Taxation

a) Appellate Tribunal Inland Revenue [(ATIR) (formerly Income Tax Appellate Tribunal (ITAT))] upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1980-81 through 2002-03. The department has filed appeals against the orders of ITAT before the High Court for the assessment years 1980-81 through 1993-94. Pending the outcome of appeals filed by the tax department with the High Court, no provision has been made in these financial statements for additional demands in respect of assessment years 1980-81 to 2002-2003 and tax year 2003 which on similar basis as used in the past by the tax authorities would amount to Rs 286,480 thousand (2009: Rs 313,505 thousand).

b) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further demands due to a change in treatment by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these demands and has filed appeals with the ITAT against the orders of the tax authorities. The ITAT upheld the Company's contentions in the appeals filed for the assessment years 1989-90 to 2001-02, however, the department has filed appeals against the orders of ITAT before the High Court for the assessment years 1989-90 through 1993-94. Pending the outcome of these appeals no provision has been made in the financial statements for these additional demands for the years 1989-90 through 2002-03, which on the basis adopted by the authorities would amount to Rs 962,075 thousand (2009: Rs 1,002,204 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

c) During the year 2008, a demand of Rs 67,998 thousand relating to excess compensation for delayed refunds for assessment years 1988-89, 1990-91, 1991-92 and 1996-97 has been raised by the Additional Commissioner of Income Tax by rectifying the orders previously issued under section 171 of the repealed Ordinance. In this regard, appeal filed by the Company before the Commissioner Income Tax (Appeals) CIT(A) is pending adjudication. However, no provision has been made in these financial statements as the management is confident of a favourable outcome of the appeal.

d) For the tax year 2007, the Commissioner Inland Revenue (CIR) through an amendment order, disallowed certain expenses and Government grants received during the year as taxable income, which resulted in an additional demand to the Company of Rs 1,525,800 thousand. The Commissioner Inland Revenue (Appeals) (CIR(A)) upheld the decision given by CIR in respect of certain expenses except for Rs 3,867 thousand in respect of expenses incurred on construction contracts, which were taxable under presumptive tax regime. The Company has filed an appeal against the tax demand with ATIR.

The member of the Division Bench, ATIR have unanimously held that addition on account of the Government grants (approximately Rs 3,811,477 thousand) was illegally made by the Additional Commissioner and hence the same has been deleted. However, on the issues of the post retirement benefits and gas bills collection charges, there is a difference of opinion between the two members, therefore, the matter has been referred to another member ('referee') for resolution in accordance with prescribed procedure. The referee member has already heard the appeal, however, the decision thereof has not yet been released.

e) During the year, amendment proceedings in respect of tax year 2008, taken up in consequence of the audit of the Company's tax affairs conducted under section 177 of the Income Tax Ordinance, 2001, were concluded and a tax demand of Rs 2,208,203 thousand was raised against the Company. Company's appeal against the amendment order is pending before Commissioner Inland Revenue, Appeals and under the instructions from Lahore High Court, such appeal will be disposed off in the light of ratio to be decided by Appellate Tribunal Inland Revenue in respect of tax year 2007, as primarily, the issues in respect of both the years are identical. No liability on this account has been provided for in these financial statements as management, based on favourable decisions in respect of earlier years on similar issues, is confident that amendment order will not sustain the appellate review and the demand will eventually vitiate.

f) In the previous year, Sales tax authorities issued a show cause notice to the Company involving an amount of Rs 2,792,803 thousand (2009: Rs 2,792,803 thousand) , the issue primarily dealt by the notice was collection of 25% sales tax on sale of natural gas to CNG stations including 9% in lieu of value addition made by the CNG stations, which has been included as output tax in the monthly sales tax return and failed to deposit the same 9%.The Company obtained stay order from the Honorable High Court against the recovery of this possible demand. The management and the legal counsel are confident that the outcome of show cause notice will be in the favor of the Company.

g) Sales tax authorities raised a demand of Rs 916,337 thousand (2009:Rs 916,337 thousand) and Rs 1,157,126 thousand (Rs 1,157,126 thousand) for the year 2006 and 2007 respectively, the primary issue involving these demand was non payment of sales tax on receipt against Government grants and consumer contribution . In this regard appeals filed by the Company for the respective years before Commissioner are pending adjudication . Stay against the possible recovery of the said demands was granted by the Honorable High Court . No provision has been made in these financial statement as Company's management is confident of favorable outcome of the appeals.

h) The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal against the orders of Collector of Sales Tax (Appeals) regarding various issues such as apportionment of input tax, admissibility of input tax on natural gas lost in ruptures, etc. The amount under adjudication is Rs 32,070 thousand (2009: Rs 42,438 thousand). Pending the outcome of appeals, no provision against Sales tax refundable has been recognized in the financial statements based on the opinion of legal counsel of the Company.

16.1.2 Others

Claims against the Company not acknowledged as debts amount to Rs 465,518 thousand (2009: Rs 391,396 thousand).

a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating to Rs 76,313 thousand (2009: Rupees 76,313 thousand). Pending the outcome of these claims, which are with various courts no provision has been made in these financial statements as in the management's view, the Company has strong grounds in the cases lodged.

b) Included in claims against the Company not acknowledged as debt is the claim of employees union for bonus amounting to Rs 255,200 thousand (2009: Rs 255,200 thousand) approximately, which was decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company filed an appeal with the Honourable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC was without jurisdiction and was void. The appeal has not so far been fixed for hearing. No provision has been made in these financial statements for the amount of bonus, as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favour of the Company.

c) The Company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/94 in respect of custom duty and sales tax on certain imported items amounting to Rs 195,731 thousand (2009: Rs 273,452 thousand). Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.

		2010	2009
		(Rupees in thousand)	
16.2	**Commitments**		
a)	**Capital commitments**		
	Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:		
	Property, plant and equipment	255,586	332,151
	Intangible assets	30,906	202,385
	Others	1,901,066	3,844,739
		2,187,558	4,379,275
b)	**Other commitments**	146,386	1,142,633

Notes to the Financial Statements

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	Note	2010	2009
		(Rupees in thousand)	
17. Property, plant and equipment			
Operating fixed assets	17.1	69,819,093	63,395,893
Capital work-in-progress	17.2	16,553,986	14,949,539
		86,373,079	78,345,432

17.1 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

Operating Fixed Assets

	Freehold land	Leasehold land	Buildings and civil construction on freehold land	Buildings on leasehold land	Transmission system	Distribution system	Consumer meter and town border stations	Telecommu-cation system and facilities	Compressor stations and equipment	Plant and machinery	Furniture and fittings	Transport vehicles	Tools and accessories	Computer and ancillary equipment	Total
	(Rupees in thousand)														
At July 1, 2008															
Cost	800,398	392	943,039	8,461	41,655,892	28,255,677	11,549,186	2,193,409	5,392,561	3,347,305	186,323	1,027,492	135,938	312,484	95,808,557
Accumulated depreciation	–	–	(594,663)	(8,461)	(18,482,362)	(10,448,011)	(5,709,002)	(2,075,838)	(2,935,229)	(2,574,773)	(138,248)	(679,294)	(121,213)	(146,173)	(43,913,267)
Net book value	800,398	392	348,376	–	23,173,530	17,807,666	5,840,184	117,571	2,457,332	772,532	48,075	348,198	14,725	166,311	51,895,290
Year ended June 30, 2009															
Opening net book value	800,398	392	348,376	–	23,173,530	17,807,666	5,840,184	117,571	2,457,332	772,532	48,075	348,198	14,725	166,311	51,895,290
Additions	234,108	–	232,235	–	5,158,453	5,960,659	2,807,439	66,936	2,210,944	395,418	39,784	214,676	39,751	112,907	17,473,310
Disposals															
Cost	–	–	–	–	–	–	(26,428)	(3,635)	–	(29,280)	(2,788)	(69,384)	–	(12,470)	(143,985)
Accumulated depreciation	–	–	–	–	–	–	26,428	3,635	–	29,280	2,570	68,000	–	12,470	142,383
	–	–	–	–	–	–	–	–	–	–	(218)	(1,384)	–	–	(1,602)
Depreciation charge	–	–	(49,839)	–	(2,352,723)	(1,734,995)	(1,027,093)	(36,272)	(310,257)	(240,417)	(18,631)	(145,257)	(11,979)	(43,642)	(5,971,105)
Closing net book value	1,034,506	392	530,772	–	25,979,260	22,033,330	7,620,530	148,235	4,358,019	927,533	69,010	416,233	42,497	235,576	63,395,893
At June 30, 2009															
Cost	1,034,506	392	1,175,274	8,461	46,814,345	34,216,336	14,330,197	2,256,710	7,603,505	3,713,443	223,319	1,172,784	175,689	412,921	113,137,882
Accumulated depreciation	–	–	(644,502)	(8,461)	(20,835,085)	(12,183,006)	(6,709,667)	(2,108,475)	(3,245,486)	(2,785,910)	(154,309)	(756,551)	(133,192)	(177,345)	(49,741,989)
Net book value	1,034,506	392	530,772	–	25,979,260	22,033,330	7,620,530	148,235	4,358,019	927,533	69,010	416,233	42,497	235,576	63,395,893
Year ended June 30, 2010															
Opening net book value	1,034,506	392	530,772	–	25,979,260	22,033,330	7,620,530	148,235	4,358,019	927,533	69,010	416,233	42,497	235,576	63,395,893
Additions	79,811	–	381	–	2,971,684	6,734,635	2,655,222	15,490	490,230	270,263	12,411	8,303	20,481	211,001	13,469,912
Disposals															
Cost	–	–	–	–	(1,469,336)	–	(115,447)	(7,530)	–	(41,312)	(1,852)	(25,366)	(143)	(16,878)	(1,677,864)
Accumulated depreciation	–	–	–	–	1,341,913	–	115,447	7,530	–	41,310	1,075	24,806	143	16,878	1,549,102
	–	–	–	–	(127,423)	–	–	–	–	(2)	(777)	(560)	–	–	(128,762)
Depreciation charge	–	–	(53,264)	–	(2,551,862)	(2,016,566)	(1,320,937)	(34,945)	(420,972)	(256,640)	(21,121)	(157,491)	(20,836)	(63,316)	(6,917,950)
Closing net book value	1,114,317	392	477,889	–	26,271,659	26,751,399	8,954,815	128,780	4,427,277	941,154	59,523	266,485	42,142	383,261	69,819,093
At June 30, 2010															
Cost	1,114,317	392	1,175,655	8,461	48,316,693	40,950,971	16,869,972	2,264,670	8,093,735	3,942,394	233,878	1,155,721	196,027	607,044	124,929,930
Accumulated depreciation	–	–	(697,766)	(8,461)	(22,045,034)	(14,199,572)	(7,915,157)	(2,135,890)	(3,666,458)	(3,001,240)	(174,355)	(889,236)	(153,885)	(223,783)	(55,110,837)
Net book value	1,114,317	392	477,889	–	26,271,659	26,751,399	8,954,815	128,780	4,427,277	941,154	59,523	266,485	42,142	383,261	69,819,093
Rate of depreciation in %	–	–	6	6	6–10	6	6–10	15	6–20	10–20	15–20	25	33.33	15	

17.1.1 The land at cost of Rs 799,161 thousand (2009: Rs 719,349 thousand) is subject to restriction under The Land Acquisition Act, 1894 and can not be sold by the Company without the prior approval from the respective Provincial Governments.

17.1.2 The cost of assets as on June 30, 2010 include fully depreciated assets amounting to Rs 18,284,411 thousand (2009: Rs 15,884,453 thousand).

17.1.3 The depreciation charge for the year has been allocated as follows:

	Note	2010	2009
		(Rupees in thousand)	
Distribution cost	31	6,638,928	5,714,957
Administrative expenses	34	170,229	145,613
	38	6,809,157	5,860,570
Transmission system		54,314	68,175
Distribution system		54,479	42,361
		108,793	110,536
	17.1	6,917,950	5,971,106

17.1.4 Detail of certain assets disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Sold to
	(R u p e e s)						
Transport vehicles							
Toyota Corolla	889,000	629,709	259,291	262,876	3,585	Service rules	Mujahid Anwar (SGM Distribution)
Suzuki Cultus	590,368	307,480	282,888	342,399	59,511	Service rules	Momin Khan (Chief Engineer PSR)

Net book value of all other assets disposed off during the year was less than Rs. 50,000 each.

		Note	2010	2009
			(Rupees in thousand)	
17.2	**Capital work-in-progress**			
	Transmission system		1,872,914	2,333,874
	Distribution system		7,391,769	6,127,208
	Stores and spare parts held for capital expenditure	17.2.1	7,010,355	6,304,123
	Advances for land and other capital expenditure		278,948	184,334
			16,553,986	14,949,539

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		Note	2010	2009
			(Rupees in thousand)	
17.2.1	**Stores and spare parts held for capital expenditure**			
	Stores and spare parts including in-transit Rs 292,522 thousand (2009: Rs 636,653 thousand)		7,034,293	6,320,088
	Less: Provision for obsolescence		23,938	15,965
			7,010,355	6,304,123

18. Intangible assets

	Note	2010	2009
Computer software and ERP	18.1	353,948	11,803
Intangible assets under implementation		1,342	259,042
		355,290	270,845

18.1 Computer software and ERP

Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Note	2010	2009
		(Rupees in thousand)	
Balance as at July 1			
Cost		59,320	57,445
Accumulated amortization		(47,517)	(28,004)
Net book value		11,803	29,441
Movement during the year			
Additions		356,340	1,875
Amortization charge for the year	34	(14,195)	(19,513)
Balance as at June 30			
Cost		415,660	59,320
Accumulated amortization		(61,712)	(47,517)
Net book value		353,948	11,803
Rate of amortization		33.33%	33.33%

19. Investment in an associated company

	Note	2010	2009
Inter State Gas Systems (Private) Limited 490,000 (2009: 490,000) ordinary shares of Rs 10 each	19.1	4,900	4,900

		2010	2009
		(Rupees in thousand)	
19.1	**Reconciliation of carrying amount of investment in associate:**		
	Opening balance	4,900	4,900
	Share of profit for the year before tax	212	45
	Share of tax:		
	- Current	(212)	(45)
	- Prior year	–	–
		(212)	(45)
		4,900	4,900

19.2 The gross amount of assets, liabilities, net assets and revenue of the Inter State Gas System (Private) Limited are as follows:

	Audited 2010	Audited 2009
	(Rupees in thousand)	
Assets	34,915	28,075
Liabilities	(24,915)	(18,075)
Net assets	10,000	10,000
Revenue	78,507	87,945
Profit for the year - after tax	–	–
Percentage of interest held	49%	49%

20. Long term loans - considered good

	Note	Employee welfare		House building		Car		Motorcycle/ Scooter		Total	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
		(Rupees in thousand)									
Due from:											
Executives	20.1	–	–	1,340	3,513	11	69	–	–	1,351	3,582
Other employees		142,884	101,045	152,530	187,318	–	–	10,329	17,689	305,743	306,052
		142,884	101,045	153,870	190,831	11	69	10,329	17,689	307,094	309,634
Amount due within one year:											
Executives	25	–	–	1,010	1,808	11	69	–	–	1,021	1,877
Other employees	25	23,897	15,044	45,867	46,038	–	–	8,461	11,615	78,225	72,697
		23,897	15,044	46,877	47,846	11	69	8,461	11,615	79,246	74,574
		118,987	86,001	106,993	142,985	–	–	1,868	6,074	227,848	235,060

20.1 Reconciliation of balance due from executives:

Opening balance	–	–	3,513	6,008	69	173	–	–	3,582	6,181
Disbursements	–	–	–	357	–	70	–	–	–	427
	–	–	3,513	6,365	69	243	–	–	3,582	6,608
Less: Repayments/adjustments	–	–	(2,173)	(2,852)	(58)	(174)	–	–	(2,231)	(3,026)
Closing balance	–	–	1,340	3,513	11	69	–	–	1,351	3,582

Notes to the Financial Statements
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20.2 House building and car loans are repayable in 10 years, while motorcycle/ scooter loans are repayable in 3 years. Interest at the rate ranging between 1% and 10% (2009: 1% and 10%) per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles in the name of the Company and the employees.

20.3 The maximum amount due from the Chief Executive and executives at any month end during the year was Rs Nil (2009: Rs Nil) and Rs 3,269 thousand (2009: Rs 6,366 thousand), respectively.

20.4 Fair values of long term loans to employees are estimated at the present value of all future cash flows discounted using rate prevailing on Regular Income Certificates for the relevant year.

20.5 Effective interest rates on the above loans range between 6.84% to 16% (2009: 6.84% to 16%) per annum.

	Note	2010	2009
		(Rupees in thousand)	
21. Employee benefits			
Pension fund		368,724	319,690
Gratuity fund		98,172	468
		466,896	320,158
Accumulating compensated absences		25,216	27,389
	21.1	492,112	347,547

21.1 Reconciliation of receivable from / (payable to) employee benefit plans:

	Note	Pension fund 2010	Pension fund 2009	Gratuity fund 2010	Gratuity fund 2009	Accumulating compensated absences 2010	Accumulating compensated absences 2009	Total 2010	Total 2009
		(Rupees in thousand)							
Present value of funded obligations	21.4	(4,445,055)	(3,401,782)	(1,964,767)	(1,687,170)	(266,021)	(217,167)	(6,675,843)	(5,306,119)
Fair value of plan assets	21.5	4,659,107	4,035,345	1,864,742	1,572,019	291,237	244,556	6,815,086	5,851,920
	21.9	214,052	633,563	(100,025)	(115,151)	25,216	27,389	139,243	545,801
Unrecognized actuarial gains / (losses)		154,672	(338,889)	198,197	115,619	–	–	352,869	(223,270)
Unrecognized past service cost		–	25,016	–	–	–	–	–	25,016
Net assets		368,724	319,690	98,172	468	25,216	27,389	492,112	347,547

21.2 Movement in net assets / (liability)

	Note	Pension fund 2010	Pension fund 2009	Gratuity fund 2010	Gratuity fund 2009	Accumulating compensated absences 2010	Accumulating compensated absences 2009	Total 2010	Total 2009
		(Rupees in thousand)							
Opening asset / (liability)		319,690	333,295	468	(628)	27,389	24,473	347,547	357,140
Transfer of funds		(119,200)	(95,000)	119,200	95,000	–	–	–	–
Charge for the year	21.3	(77,873)	(130,321)	(162,004)	(189,778)	(37,661)	(15,908)	(277,538)	(336,007)
Contribution paid		246,107	211,716	140,508	95,874	35,488	18,824	422,103	326,414
		368,724	319,690	98,172	468	25,216	27,389	492,112	347,547

21.3 Amounts recognized in profit and loss account are as follows:

	Note	Pension fund 2010	Pension fund 2009	Gratuity fund 2010	Gratuity fund 2009	Accumulating compensated absences 2010	Accumulating compensated absences 2009	Total 2010	Total 2009
		(Rupees in thousand)							
Current service cost		(168,802)	(170,609)	(119,018)	(119,813)	(20,986)	(20,477)	(308,806)	(310,899)
Interest on obligation		(408,214)	(378,934)	(202,460)	(202,287)	(26,060)	(21,829)	(636,734)	(603,050)
Expected return on plan assets		484,242	417,799	188,884	175,157	29,347	24,767	702,473	617,723
Net actuarial losses (gains) recognized in the year		39,917	26,437	(29,410)	(42,835)	(19,962)	24,832	(9,455)	8,434
Past service cost		(25,016)	(25,014)	–	–	–	(23,201)	(25,016)	(48,215)
Total included in employee benefit expense	21.11	(77,873)	(130,321)	(162,004)	(189,778)	(37,661)	(15,908)	(277,538)	(336,007)
Actual return on plan assets		692,010	582,160	256,433	112,094	37,682	38,169	986,125	732,423

21.4 Changes in the present value of defined benefit obligation are as follows:

	Note	Pension fund 2010	Pension fund 2009	Gratuity fund 2010	Gratuity fund 2009	Accumulating compensated absences 2010	Accumulating compensated absences 2009	Total 2010	Total 2009
		(Rupees in thousand)							
Opening defined benefit obligation		(3,401,782)	(3,157,782)	(1,687,170)	(1,685,720)	(217,167)	(181,914)	(5,306,119)	(5,025,416)
Service cost		(168,802)	(170,609)	(119,018)	(119,813)	(20,986)	(20,477)	(308,806)	(310,899)
Interest cost		(408,214)	(378,934)	(202,460)	(202,287)	(26,060)	(21,829)	(636,734)	(603,050)
Actuarial losses (gains)		(661,412)	160,357	(179,537)	132,072	(28,297)	11,430	(869,246)	303,859
Past service cost		–	–	–	–	–	(23,201)	–	(23,201)
Benefits paid		195,155	145,186	223,418	188,578	26,489	18,824	445,062	352,588
Closing defined benefit obligation		(4,445,055)	(3,401,782)	(1,964,767)	(1,687,170)	(266,021)	(217,167)	(6,675,843)	(5,306,119)

21.5 Changes in the fair value of plan assets are as follows:

	Note	Pension fund 2010	Pension fund 2009	Gratuity fund 2010	Gratuity fund 2009	Accumulating compensated absences 2010	Accumulating compensated absences 2009	Total 2010	Total 2009
		(Rupees in thousand)							
Opening fair value of plan assets		4,035,345	3,481,655	1,572,019	1,459,639	244,556	206,387	5,851,920	5,147,681
Expected return		484,242	417,799	188,884	175,157	29,347	24,767	702,473	617,723
Actuarial gains / (losses)		207,768	164,361	67,549	(65,073)	8,335	13,402	283,652	112,690
Contributions by employer		246,107	211,716	140,508	95,874	35,488	18,824	422,103	326,414
Benefits paid		(195,155)	(145,186)	(223,418)	(188,578)	(26,489)	(18,824)	(445,062)	(352,588)
Amount transferred from pension fund to gratuity fund		(119,200)	(95,000)	119,200	95,000	–	–	–	–
	21.6	4,659,107	4,035,345	1,864,742	1,572,019	291,237	244,556	6,815,086	5,851,920

21.6 Plan assets comprises as:

	Pension fund 2010 Fair Value	Pension fund 2010 %	Pension fund 2009 Fair Value	Pension fund 2009 %	Gratuity fund 2010 Fair Value	Gratuity fund 2010 %	Gratuity fund 2009 Fair Value	Gratuity fund 2009 %
	(Rupees in thousand)							
Defence Saving Certificates	–	0.00	112,155	2.78	–	0.00	69,092	4.40
Mutual funds	148,778	3.20	116,244	2.88	68,441	3.67	64,952	4.13
Certificates of deposits	4,150,456	89.08	3,661,112	90.73	1,727,135	92.62	1,377,466	87.63
Pakistan Investment Bonds	116,000	2.49	116,000	2.87	28,000	1.50	28,000	1.77
Receivable from Gratuity fund	35,000	0.75	–	0.00	(35,000)	(1.88)	–	0.00
Cash at bank	208,873	4.48	29,834	0.74	76,166	4.09	32,509	2.07
	4,659,107	100.00	4,035,345	100.00	1,864,742	100.00	1,572,019	100.00

Notes to the Financial Statements
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	Accumulating compensated absences			
	2010		2009	
	Fair Value	%	Fair Value	%
	(Rupees in thousand)			
Certificates of deposits	288,790	99.16	243,407	99.53
Cash at bank	2,447	0.84	1,149	0.47
	291,237	100.00	244,556	100

21.7 Principal actuarial assumptions used (expressed as weighted average)

	Pension fund				Gratuity fund			
	2010		2009		2010		2009	
	Executive	Non-executive	Executive	Non-executive	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	11%	11%	11%	11%	11%	11%	11%	11%
Discount rate	12%	12%	12%	12%	12%	12%	12%	12%
Expected rate of return per annum on plan assets	12%	12%	12%	12%	12%	12%	12%	12%

	Accumulating compensated absences			
	2010		2009	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	11%	11%	11%	11%
Discount rate	12%	12%	12%	12%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

Pension fund provide pension increase in line with the pension enhancements announced by the Government. Pension increase assumption of 6% per annum used in the actuarial valuation is a long term economic assumption and is based on long term inflation expectation of Government which is 6% to 8% per annum.

21.8 The overall expected rate of return on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

21.9 Surplus / (deficit) for current and previous four years are as follows:

	Pension Fund				
	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Plan assets	4,659,107	4,035,345	3,481,655	3,029,457	2,392,993
Defined benefit obligation	(4,445,055)	(3,401,782)	(3,157,782)	(2,516,148)	(2,389,599)
Surplus	214,052	633,563	323,873	513,309	3,394
Experience adjustment on plan liabilities	(661,412)	160,357	(416,809)	120,036	(58,657)
Experience adjustment on plan assets	207,768	(164,361)	44,281	319,398	174,370

	Gratuity Fund				
	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Plan assets	1,864,742	1,572,019	1,459,639	1,325,099	1,127,642
Defined benefit obligation	(1,964,767)	(1,687,170)	(1,685,720)	(1,360,363)	(1,272,873)
Deficit	(100,025)	(115,151)	(226,081)	(35,264)	(145,231)
Experience adjustment on plan liabilities	(179,537)	132,072	(313,324)	(16,618)	2,073
Experience adjustment on plan assets	67,549	63,060	9,050	101,723	60,144

	Accumulating compensated absences 2010	2009	2008	2007	2006
	(Rupees in thousand)				
Plan assets	291,237	244,556	206,387	164,842	161,090
Defined benefit obligation	(266,021)	(217,167)	(181,914)	(185,870)	(165,522)
Surplus / (deficit)	25,216	27,389	24,473	(21,028)	(4,432)
Experience adjustment on plan liabilities	(28,297)	(11,430)	(5,948)	7,181	4,025
Experience adjustment on plan assets	8,335	13,402	1,929	5,451	2,439

		Note	2010	2009
			(Rupees in thousand)	
21.10	**Estimated future contributions**			
	Pension fund		327,279	275,904
	Gratuity fund		119,293	96,641
			446,572	372,545
21.11	**The charge for the year has been allocated as follows:**			
	Distribution cost	31	145,300	232,676
	Administrative expenses	34	42,940	81,820
	Capital work-in-progress		89,298	21,511
			277,538	336,007
22.	**Long term deposits and prepayments**			
	Security and other deposits		5,326	4,270
	Prepayments		41,419	19,330
			46,745	23,600
	Less: Current portion of prepayments	26	36,507	14,886
	Provision against prepayments		1,232	1,232
			37,739	16,118
			9,006	7,482
23.	**Stores and spare parts**			
	Stores [including in-transit Rs 71,294 thousand (2009: Rs 117,728 thousand)]		1,019,132	1,025,571
	Spares [including in-transit Rs 65,678 thousand (2009: Rs 535,400 thousand)]		661,907	1,158,489
		23.1	1,681,039	2,184,060
	Less: Provision for obsolescence		11,918	12,107
			1,669,121	2,171,953

23.1 This includes stores and spare parts of Rs 26,194 thousand (2009: Rs 61,631 thousand) which are not in possession of the Company.

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for the year ended June 30, 2010

		Note	2010	2009
			(Rupees in thousand)	
24.	**Trade debts**			
	Considered good:			
	Secured	24.1	24,146,283	15,840,226
	Unsecured	24.1, 24.3	18,771,376	9,857,342
	Deferred / accrued gas sales		(43,099)	8,794
			42,874,560	25,706,362
	Considered doubtful		2,452,890	1,996,970
			45,327,450	27,703,332
	Less: Provision for doubtful debts	24.2	(2,452,890)	(1,996,970)
			42,874,560	25,706,362

24.1 These include amounts due from the following related parties:

	2010	2009
Nishat Mills Limited	121,503	119,466
Sui Southern Gas Company Limited	–	26,305
ICI Pakistan Limited	145,305	117,412
Glaxo Smith Kline (Pakistan) Limited	315	–
Packages Limited	44,951	70,539
Dawood Hercules Chemicals Limited	204,031	220,555
Lahore University of Management Sciences (LUMS)	3,517	–
D.G. Khan Cement Company Limited	119,884	50,595
Service Industries Limited	–	7,197
Engro Chemicals Limited	226,785	–
	866,291	612,069

24.2 Provision for doubtful debts

	Note	2010	2009
Balance as on 1st July		1,996,970	1,428,181
Provision during the year	33	455,920	568,789
Balance as on 30th June		2,452,890	1,996,970

24.3 Included in trade debts is an amount receivable from Government owned power generation companies of Rs 6,871,252 thousand along with interest of Rs 1,874,142 thousand on delayed payments. While trade and other payables referred to in note 12 includes an amount of Rs 34,902,344 thousand due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holding (Private) Limited on account of gas purchases along with interest of Rs 3,864,987 thousand on delayed payments. In addition, Rs 1,306,926 thousand is payable to the Government of Pakistan being the gas development surcharge as referred to in note 12. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

		Note	2010	2009
			(Rupees in thousand)	
25.	**Loans and advances**			
	Loans due from employees:			
	Executives	20	1,021	1,877
	Other employees	20	78,225	72,697
			79,246	74,574
	Advances - considered good			
	- other employees		5,821	3,783
	- suppliers and contractors		144,334	58,409
	Advances to suppliers and contractors			
	- considered doubtful		3,227	3,227
	Less: Provision for doubtful receivables		3,227	3,227
			–	–
			229,401	136,766

		Note	2010	2009
			(Rupees in thousand)	
26.	**Trade deposits and short term prepayments**			
	Trade deposits and short term prepayments		51,776	100,977
	Less: Provision for doubtful deposits		(22,290)	(22,290)
			29,486	78,687
	Current portion of long term prepayments	22	36,507	14,886
			65,993	93,573
27.	**Other receivables**			
	Exchange differences on long term loans recoverable from the Government of Pakistan		1,788,767	1,080,249
	Excise duty recoverable		108,945	108,945
	Less: Provision for doubtful recoverable		(108,945)	(108,945)
			-	-
	Differential margin recoverable		-	10,057,891
	Due from customers	40	314,538	203,838
	Others		73,541	38,847
			2,176,846	11,380,825
28.	**Cash and bank balances**			
	On deposits accounts	28.1	1,726,292	1,123,277
	On current accounts		281,633	191,120
			2,007,925	1,314,397
	Cash in hand		1,197	2,480
			2,009,122	1,316,877

28.1 Rate of return on bank deposits ranges between 2.5% to 17.5% (2009: 2.5% to 17.5%) per annum.

28.2 Balance with related parties:

		2010	2009
	Askari Commercial Bank Limited	127,677	106,137
	Prime Commercial Bank Limited	-	23
	MCB Bank Limited	247,201	156,263
	Bank Al-Habib Limited	41,639	70,718
	Faysal Bank Limited	39,100	10,725
		455,617	343,866

		2010	2009
29.	**Gas sales**		
	Gross sales	198,407,317	183,711,903
	Less: Sales tax	(25,412,672)	(22,997,166)
		172,994,645	160,714,737

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		Note	2010	2009
			(Rupees in thousand)	
30.	**Cost of gas sales**			
	Opening stock of gas in pipelines		783,362	525,370
	Gas purchases:			
	Southern system		108,603,179	112,695,850
	Northern system		25,961,635	13,968,479
	Cost equalization adjustment	30.1	11,217,001	28,320,835
			145,781,815	154,985,164
			146,565,177	155,510,534
	Less: Gas internally consumed		2,491,111	3,389,833
	Closing stock of gas in pipelines		741,128	783,362
			3,232,239	4,173,195
	Distribution Cost	31	12,683,927	12,972,653
			156,016,865	164,309,992

30.1 In accordance with the policy guidelines issued by the Government of Pakistan, under section 21 of the Oil & Gas Regulatory Authority Ordinance, 2002, the Company has entered into an agreement with Sui Southern Gas Company Limited (SSGCL) for uniform pricing of gas. Under this agreement, the Company with a higher weighted average cost of gas will raise a demand to the other company of the amount necessary to equalize the cost of gas for both the companies. As a consequence of this agreement, SSGCL has raised a demand of differential of cost for the equalization of cost of gas.

		Note	2010	2009
			(Rupees in thousand)	
31.	**Distribution cost**			
	Salaries, wages and benefits	11, 31.1	2,459,472	2,423,837
	Employees medical and welfare		300,054	271,515
	Stores and spare parts consumed		557,114	529,211
	Fuel and power		2,253,268	3,237,497
	Repairs and maintenance		536,259	524,753
	Rent, rates, electricity and telephone		123,483	108,146
	Insurance		137,847	118,786
	Travelling		75,404	85,912
	Stationery and postage		19,773	20,979
	Transportation charges		412,323	368,287
	Professional services		6,619	1,892
	Stores and spare parts written off		8,721	22,733
	Provision for obsolete stores and spare parts		–	9,114
	Security expenses		148,226	112,638
	Depreciation	17.1.3	6,638,928	5,714,957
	Others		136,866	151,845
			13,814,357	13,702,102
	Less: Allocated to fixed capital expenditure		(1,130,430)	(729,449)
		30	12,683,927	12,972,653

31.1 Included in salaries, wages and benefits is Rs 61,055 thousand (2009: Rs 49,329 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2010	2009
			(Rupees in thousand)	
32.	**Other operating income**			
	Income from financial assets			
	Interest on staff loans and advances		30,835	27,594
	Return on bank deposits		245,113	349,704
	Gain on initial recognition of financial liabilities at fair value		–	15,704
	Gain on sale of investment		–	13,132
			275,948	406,134
	Interest Income on late payment of gas bills			
	Government owned power generation companies	24.3	1,874,142	–
	Late payment surcharge	32.1	1,633,972	1,022,889
	Others		54,096	177,933
			3,562,210	1,200,822
	Income from assets other than financial assets			
	Net gain on sale of fixed assets		21,336	37,493
	Meter rentals and repairs charges	32.2	1,091,095	990,101
	Amortization of deferred credit	9, 38	1,801,116	1,096,033
	Insurance claim	32.4	1,526	836
			2,915,073	2,124,463
	Others			
	Sale of tender documents		2,079	1,006
	Sale of scrap		29,425	55,152
	Credit balances written back		–	3,865
	Liquidated damages recovered		72,166	29,138
	Gain on construction contracts		229,857	655,371
	Bad debt recoveries		31,341	15,668
	Take or pay income from industrial consumers	32.5	632,653	–
	Miscellaneous		21,568	5,345
			1,019,089	765,545
			7,772,320	4,496,964
32.1	**Late payment surcharge**			
	Interest on gas sales arrears	32.2	799,697	475,882
	Surcharge on late payments	32.3	834,275	547,007
			1,633,972	1,022,889

32.2 This represents interest charged on gas sales arrears amounting to Rs 660,293 thousand (2009: Rs 475,882 thousand) at the rate of 1.5% (2009: 1.5%) per month up to one year and thereafter 2% (2009: 2%) per month from other than domestic consumers, and Rs 139,404 thousand (2009: Rs Nil) in respect of certain industrial consumers on overdue take or pay arrears at the rate of 18% (2009: 18%) per annum.

32.3 One time late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2009: 10%) per annum.

32.4 This mainly represents claims received on account of rupture of gas pipelines.

32.5 This represents Take or Pay income charged to certain industrial customers with whom the Company has an agreed committed supply agreement, which is not adjustable against future gas supply.

Notes to the Financial Statements
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		Note	2010	2009
			(Rupees in thousand)	
33.	**Selling cost**			
	Salaries, wages and benefits	11, 33.1	1,081,631	962,180
	Employees medical and welfare		140,650	119,660
	Stores and spare parts consumed		148	3,018
	Repairs and maintenance		89,108	52,786
	Rent, rates, electricity and telephone		15,542	6,042
	Travelling		19,939	21,889
	Stationery and postage		55,280	55,394
	Dispatch of gas bills		64,222	51,085
	Transportation charges		53,776	46,672
	Provision for doubtful debts	24.2	455,920	568,789
	Professional services		1,126	1,836
	Gathering charges of gas bills collection data		20,954	23,439
	Gas bills collection charges		252,478	238,538
	Others		25,781	16,742
			2,276,555	2,168,070
	Less: Allocated to fixed capital expenditure		(184,294)	(166,082)
			2,092,261	2,001,988

33.1 Included in salaries, wages and benefits is Rs 26,683 thousand (2009: Rs 21,559 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2010	2009
			(Rupees in thousand)	
34.	**Administrative expenses**			
	Salaries, wages and benefits	11, 34.1	1,375,230	1,121,697
	Employees medical and welfare		135,218	116,664
	Stores and spare parts consumed		53,798	57,333
	Fuel and power		24,997	18,451
	Repairs and maintenance		49,308	53,882
	Rent, rates, electricity and telephone		60,977	37,831
	Insurance		8,525	6,737
	Travelling		29,949	31,221
	Stationery and postage		25,697	29,522
	Transportation charges		36,671	39,962
	Professional services	34.2	38,777	26,352
	Security expenses		33,490	29,895
	Service charges	34.3	49,222	36,888
	OGRA fee and expenses		108,568	85,685
	Depreciation	17.1.3	170,229	145,613
	Amortization of intangible assets	18.1	14,195	19,513
	Others		145,883	71,333
			2,360,734	1,928,579
	Less: Allocated to fixed capital expenditure		(213,085)	(168,491)
			2,147,649	1,760,088

34.1 Included in salaries, wages and benefits is Rs 28,934 thousand (2009: Rs 24,164 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2010	2009
			(Rupees in thousand)	
34.2	**Professional services**			
	The charges for professional services include the following in respect of:			
	Statutory audit			
	- A. F. Ferguson & Co. (2009: Ford Rhodes Sidat Hyder & Co.)		550	450
	- M. Yousaf Adil Saleem & Co. (2009: Riaz Ahmed & Co.)		550	450
			1,100	900
	Half yearly review, other certification for lending agencies and sundry advisory services			
	- A. F. Ferguson & Co. (2009: Ford Rhodes Sidat Hyder & Co.)		310	320
	- M. Yousaf Adil Saleem & Co. (2009: Riaz Ahmed & Co.)		350	260
			660	580
	Income tax advisory			
	A. F. Ferguson & Co.		4,364	2,611
	Out of pocket expenses			
	- A. F. Ferguson & Co. (2009: Ford Rhodes Sidat Hyder & Co.)		250	200
	- M. Yousaf Adil Saleem & Co. (2009: Riaz Ahmed & Co.)		250	200
			500	400
			6,624	4,491

34.3 This represents reimbursable expenses to Inter State Gas Systems (Private) Limited, an associate undertaking.

		Note	2010	2009
			(Rupees in thousand)	
35.	**Finance cost**			
	Mark–up/ interest/commitment charges on:			
	– Long term financing:			
	Secured		367	52,554
	Unsecured		188,447	317,152
	– Short term borrowing		90,566	39,980
	– Late payment to gas suppliers		3,882,924	18,059
	– Late payment of gas development surcharge		–	1,234
	– Security deposits		449,472	171,024
	– Workers' Profit Participation Fund	12.3	10,772	22,202
			4,622,548	622,205
	– Exchange risk coverage fee		37,833	78,991
			4,660,381	701,196
	Less: Allocated to fixed capital expenditure		(10,227)	(48,014)
			4,650,154	653,182
36.	**Other operating expenses**			
	Workers' Profit Participation Fund	12.3	208,796	94,092
	Workers' Welfare Fund		76,629	35,311
	Exchange loss		302,200	2,774,869
	Loss on initial recognition of financial assets at fair value		27,760	27,750
	Donations	36.1	115	10,102
	Others		–	33,181
			615,500	2,975,305

36.1 None of the directors or their spouses have any interest in any of the donees.

Notes to the Financial Statements
for the year ended June 30, 2010

	Note	2010	2009
		(Rupees in thousand)	
37. Taxation			
Current year			
Current tax	37.1	873,859	–
Share of profit from associate		212	45
		874,071	45
Deferred tax	10.1	580,020	615,799
		1,454,091	615,844
Prior year			
Current tax		(128,723)	183,905
Share of profit from associate		–	–
		(128,723)	183,905
		1,325,368	799,749

37.1 In view of tax losses available for carry forward, the charge for the current year is on the basis of minimum tax under Section 113 of the Income Tax Ordinance, 2001.

	2010 (%)	2009 (%)
37.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate as per Income Tax Ordinance, 2001	35.00	35.00
(Less) / add Tax effect of amounts that are:		
– Not deductible for tax purpose	1.57	2.08
– Effect of changes in current tax of prior years	(3.32)	10.63
– Others	0.91	(1.49)
	(0.84)	11.22
Average effective tax rate charged to profit and loss account	34.16	46.22

38. Cash generated from operations	Note	2010	2009
Profit before taxation and share of associate		3,879,719	1,730,240
Adjustment for non–cash charges and other items:			
Depreciation	17.1.3	6,809,157	5,860,570
Amortization of intangible assets		14,195	19,513
Employee benefits		652,589	713,142
Amortization of deferred credit		(1,801,116)	(1,096,033)
Net gain on sale of fixed assets		(21,336)	(37,493)
Investment income		–	(13,132)
Finance cost		4,650,154	653,182
Return on bank deposits		(245,113)	(349,704)
Provision for doubtful debts		455,920	568,789
Stores and spare parts written off		8,721	22,733
Gain on initial recognition of financial assets at fair value		–	(15,704)
Loss on initial recognition of financial assets at fair value		27,760	27,750
Interest income due to the impact of IAS–39		(19,022)	(16,594)
Working capital changes	38.1	(2,386,655)	6,680,904
		12,024,973	14,748,163

		Note	2010	2009
			(Rupees in thousand)	
38.1	**Working capital changes**			
	(Increase)/ decrease in current assets:			
	Stores and spare parts		502,832	115,131
	Stock–in–trade – gas in pipelines		42,234	(257,992)
	Trade debts		(17,624,118)	(7,517,766)
	Loans and advances		(87,963)	6,910
	Trade deposits and short term prepayments		27,580	1,855
	Other receivables		9,638,894	(8,020,122)
			(7,500,541)	(15,671,984)
	Increase in current liabilities			
	Trade and other payables		5,113,886	22,352,888
			(2,386,655)	6,680,904
38.2	**Cash and cash equivalents**			
	Cash and bank balances		2,009,122	1,316,877
	Short term borrowing		(1,000,000)	(950,858)
			1,009,122	366,019

39. Remuneration of Chief Executive, executives and directors

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits, to the Chief Executive and executives of the Company is as follows:

	Chief Executive		Executives	
	2010	2009	2010	2009
Number of persons	1	1	320	287
	(Rupees in thousand)			
Remuneration	5,467	5,400	269,152	262,358
Contribution to provident, pension and gratuity fund	–	–	62,174	55,526
Housing and utilities	3,007	2,970	148,034	129,953
Special allowance	1,093	1,080	–	–
Leave encashment	–	–	9,710	2,270
Club subscription	6	5	67	43
	9,573	9,455	489,137	450,150

In addition, the Chief Executive and certain executives are provided with free transport subject to certain specified limits for petrol consumption, residential telephone/mobile facilities for both business and personal use and free medical facilities.

The aggregate amount charged in the financial statements in respect of directors' fee paid to twelve (2009: twelve) directors was Rs 88 thousand (2009: Rs 81 thousand).

Notes to the Financial Statements
for the year ended June 30, 2010

		Note	2010	2009
			(Rupees in thousand)	
40.	**Long-term construction contracts**			
	Contract revenue for the year		1,345,286	1,561,665
	Method used to determine revenue		Fixed price contract	
	Method used to determine stage of completion		Cost incurred to-date	
	Contract cost incurred to date		1,493,213	991,566
	Contract cost incurred during the year		528,405	803,740
	Gross profit realised to date		848,194	688,298
	Retention money receivable		36,829	30,352
	Gross amount due from customers	27	314,538	203,838
	Gross amount due to customers	12	41,511	76,523
	Estimated future costs to complete projects in progress		520,735	73,684

41. Transactions with related parties

The related parties comprise associated undertaking, other related group companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 39. Other significant transactions with related parties are as follows:

	Note	2010	2009
		(Rupees in thousand)	
Gas sales		7,282,709	6,466,971
Purchase of materials		1,559,046	1,084,232
Purchase of gas		104,674,052	80,510,505
Services	34	54,477	36,888
Profit received on bank deposits.		14,982	71,853
Contribution to defined contribution plan	41.1	144,149	100,844
Contribution to defined benefit plans		720,066	672,932
Transportation charges		409,356	414,269
Transmission charges		2,302	2,108
Insurance expenses		157,464	138,855
Insurance claimed received		14,057	9,880
Dividend paid		–	704,106

41.1 Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and/or actuarial advice.

42. Unutilized credit facilities

The Company has the facilities for opening of letters of credit amounting to Rs 4,000,000 thousand (2009: Rs 6,500,000 thousand) out of which Rs 3,309,206 thousand (2009: Rs 2,357,210 thousand) remained unutilized at the end of the year.

43. Capacity and actual performance

The average daily gas transmitted during the year was 507,524 Hm3 (2009: 504,034 Hm3) against the designed capacity of 459,234 Hm3 (2009: 459,234 Hm3). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers.

		Note	2010	2009

44. Earnings per share - basic and diluted

		Note	2010	2009
Profit for the year	Rupees in thousand		2,554,563	930,536
Average ordinary shares in issue	Numbers of shares	5	549,105,339	549,105,339
Basic earnings per share	Rupees		4.65	1.69

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

45. Financial risk management

45.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the gas suppliers. The Company has obtained foreign currency loans from the World Bank which are covered under the exchange risk coverage scheme of the Government of Pakistan. Under this agreement, the Company is entitled to claim from the Government, the differential between actual payment made to the World Bank and the amount at which these loans were recorded on the date of receipt. Similarly, the exchange gain / loss on the payment to gas suppliers is passed on to the Government, due to the reason more fully explained in note 4.18 to the financial instruments.

	2010	2009
	(Rupees)	
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	83.884	79.001
Reporting date rate	85.650	81.100

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

Notes to the Financial Statements

for the year ended June 30, 2010

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2010	2009
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Loans to employees	307,094	309,634
Financial liabilities		
Long term financing	611,221	739,044
Security deposit	10,051,886	7,102,098
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	1,726,292	1,123,277
Financial liabilities		
Long term financing	1,162,273	1,752,687
Security deposit	1,346,714	718,000
Short term borrowing	1,000,000	950,858

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 or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after taxation for the year would have decreased/increased by Rs 11,588 thousand (2009: increased/decreased by Rs 14,939 thousand), mainly as a result of higher/lower interest expense in the year ended June 30, 2010. This analysis is prepared assuming the amount of floating rate instruments outstanding at the balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010	2009
	(Rupees in thousand)	
Loans and advances	312,915	313,417
Deposits	15,951	17,115
Trade debts	42,874,560	25,706,362
Interest accrued	7,289	13,634
Other receivables	2,176,584	1,118,835
Bank balances	2,007,925	1,314,397
	47,395,224	28,483,760

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

	Rating			2010	2009
	Short Term	**Long term**	**Agency**	**(Rupees in thousand)**	
Banks					
MCB Bank Limited	A1+	AA+	PACRA	247,201	156,263
National Bank of Pakistan	A-1+	AAA	JCR-VIS	375,602	64,463
Habib Bank Limited	A-1+	AA+	JCR-VIS	24,879	59,883
United Bank Limited	A-1+	AA+	JCR-VIS	144,228	48,658
Allied Bank Limited	A1+	AA	JCR-VIS	228,902	56,307
Askari Bank Limited	A1+	AA	PACRA	127,677	106,137
Habib Metropolitan Bank	A1+	AA+	PACRA	150,147	198,700
Bank Al-Habib Limited	A1+	AA	PACRA	41,639	70,718
Faysal Bank Limited	A-1+	AA	JCR-VIS	39,100	10,725
Bank Alfalah Limited	A1+	AA	PACRA	7,650	87,316
Soneri Bank Limited	A1+	AA-	PACRA	10,811	4,110
Royal Bank of Scotland	A1+	AA	PACRA	7,763	11,272
The Bank of Punjab	A1+	AA-	PACRA	63,143	98,242
Citi group	A-1	A+	Standard & Poor's	14,384	1,004
First Women Bank Limited	A2	BBB+	PACRA	10,798	1,023
Standard Chartered Bank	A1+	AAA	JCR-VIS	30,106	15,174
My Bank Limited	A1	A	PACRA	4,337	2,095
Albaraka Islamic Bank	A-1	A	JCR-VIS	1,895	1,584
Arif Habib Bank Limited	A-2	A	JCR-VIS	989	1,384
JS Bank Limited	A-2	A-	PACRA	1,880	1,207
Oman International Bank	A-2	BBB	JCR-VIS	1,090	3,342
KASB Bank Limited	A1	A	PACRA	1,432	1,439
NIB Bank Limited	A1+	AA-	PACRA	13,915	36,695
Barclays Bank	A-1+	AA-	Standard & Poor's	104,186	–
The Bank of Khyber	A-3	BBB+		5,869	–
Punjab Provincial Co-operative Bank		Not available		1,426	–
Silk Bank Limited	A-3	A-	JCR-VIS	11,078	5,977
				1,672,127	1,043,718

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed as follows:

As at June 30, 2010, trade debts of Rs 10,389,811 thousand (2009 : Rs 8,675,092 thousand) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2010	2009
	(Rupees in thousand)	
1 to 6 months	8,525,974	6,589,099
More than 6 months	1,863,837	2,085,993
	10,389,811	8,675,092

Notes to the Financial Statements
for the year ended June 30, 2010

As at June 30, 2010, trade debts of Rs 2,452,890 thousand (2009 : Rs 1,996,970 thousand) were impaired and provided for. The ageing analysis of these trade debts is as follows:

	2010	2009
	(Rupees in thousand)	
Up to 1 month	173,804	58,682
1 to 6 months	100,394	165,375
More than 6 months	2,178,692	1,772,913
	2,452,890	1,996,970

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing 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. Inspite the fact that the Company is in a negative working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 year
			(Rupees in thousand)		
June 30, 2010					
Long term financing	1,990,773	2,852,591	923,819	1,131,038	797,734
Trade and other payables	52,031,483	52,031,483	52,031,483	–	–
Short term borrowings	1,000,000	1,125,245	1,125,245	–	–
	55,022,256	56,009,319	54,080,547	1,131,038	797,734
June 30, 2009					
Long term financing	2,901,292	4,211,721	1,587,475	1,673,123	951,123
Trade and other payables	48,628,981	48,628,981	48,628,981		
Short term borrowings	950,858	1,016,325	1,016,325		
	52,481,131	53,857,027	51,232,781	1,673,123	951,123

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2010. The rates of mark-up have been disclosed in respective notes to the financial statements.

45.2 Fair values of financial assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS-39. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

45.3 Financial instruments by categories

	Loans and receivables	
	2010	**2009**
	(Rupees in thousand)	
As at 30 June		
Assets as per balance sheet		
Loans and advances	312,915	313,417
Trade deposits and short term prepayments	15,951	17,115
Trade debts	42,874,560	25,706,362
Interest accrued	7,289	13,634
Other receivables	2,176,584	1,118,835
Cash and bank balances	2,009,122	1,316,877
	47,396,421	28,486,240

	Financial liabilities at amortized cost	
	2010	**2009**
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term financing	1,990,773	2,901,292
Security deposit	14,899,244	11,439,969
Accrued mark-up	4,560,734	552,160
Short term borrowings	1,000,000	950,858
Trade and other payables	52,031,483	48,628,981
	74,482,234	64,473,260

45.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion) plus short term borrowing obtained by the Company as referred to in note 7, 14 and 15. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. Under the World Bank loan covenant, the Company is required to maintain a gearing ratio of 70% debt and 30% equity at maximum. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at June 30, 2010 and June 30, 2009 were as follows:

	Note	**2010**	**2009**
		(Rupees in thousand)	
Debt	6,7,14, 15	2,990,773	3,852,150
Equity	5	18,702,079	16,147,516
Total capital employed		21,692,852	19,999,666
Gearing ratio		13.79%	19.26%

Notes to the Financial Statements
for the year ended June 30, 2010

46. Events after the balance sheet date

The Board of Directors of the Company in its meeting held on October 25, 2010 has proposed a cash dividend in respect of the year ended June 30, 2010 of Rs 2 per share (2009: Rs Nil per share), amounting to Rs 1,098,210,678 (2009: Rs Nil) and Nil % bonus share (2009: Nil) in respect of the year ended June 30, 2010. The appropriation will be approved by the members in the forth coming Annual General Meeting. The financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

47. Date of authorization for issue

The financial statements were authorised for issue on October 25, 2010 by the Board of Directors of the Company.

48. Corresponding figures

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant reclassifications are as follows:

From	To	Reason	Amount
			(Rupees in thousand)
Selling cost	Administrative Expenses	For better presentation	36,888
Distribution cost	**Cost of Gas Sold**		
Salaries, wages and benefits	Cost of Gas Sold	For better presentation	2,423,837
Employees medical and welfare	Cost of Gas Sold	For better presentation	271,515
Stores and spare parts consumed	Cost of Gas Sold	For better presentation	529,210
Fuel and power	Cost of Gas Sold	For better presentation	3,237,497
Repairs and maintenance	Cost of Gas Sold	For better presentation	524,753
Rent, rates, electricity and telephone	Cost of Gas Sold	For better presentation	108,146
Travelling	Cost of Gas Sold	For better presentation	85,913
Stationery and postage	Cost of Gas Sold	For better presentation	20,979
Transportation charges	Cost of Gas Sold	For better presentation	368,287
Professional services	Cost of Gas Sold	For better presentation	1,892
Security expenses	Cost of Gas Sold	For better presentation	112,639
Stores and spare parts written off	Cost of Gas Sold	For better presentation	22,733
Provision for obsolete Stores and spare parts	Cost of Gas Sold	For better presentation	9,114
Advertisement	Cost of Gas Sold	For better presentation	57,998
Depreciation	Cost of Gas Sold	For better presentation	5,714,957
Insurance	Cost of Gas Sold	For better presentation	118,786
Others	Cost of Gas Sold	For better presentation	93,847
Allocated to fixed capital expenditure	Cost of Gas Sold	For better presentation	(729,449)
Trade and other payable			
Creditors for supplies	Accrued Liabilities	For better presentation	276,092
Mobilization and other advances	Due to customers	For better presentation	76,523
Mobilization and other advances	Due from customers	For better presentation	203,838

49. General

The figures have been rounded off to the nearest thousand Rupees.

A. Rashid Lone
Chief Executive

Mian Misbah-ur-Rehman
Chairman

Notes

Notes

Form of Proxy

Sui Northern Gas Pipelines Limited

I ______________________________ of ______________________________

being a member of **SUI NORTHERN GAS PIPELINES LIMITED** and holder of ____________________

ordinary shares vide Registered Folio/CDC Participant I.D. No. ______________________________

hereby appoint Mr. /Mrs./Miss.____

who is a member of the Company vide Registered Folio/CDC Participant I.D. No. _______________ or

failing whom Mr./Mrs./Miss ______________________________ who is also a

member of the Company vide Registered Folio/CDC Participant I.D. No. _______________ as my proxy

to attend and vote for me and on my behalf at the 47th Annual General Meeting of the Company to be held on Tuesday, November 30, 2010 at 11:30 a.m. and/or at any adjournment thereof.

WITNESSES:

1. Signature ______________________________

   Name ______________________________

   Address ______________________________

   ____

   CNIC or Passport No.______________________________

(Signature on Rupees Five Revenue Stamp)

(Signature should agree with the specimen signature registered with the Company)

2. Signature ______________________________

   Name ______________________________

   Address ______________________________

   ____

   CNIC or Passport No.______________________________

Date ______________

NOTES

1. The Proxy Form must be signed across Rupees Five revenue stamp and it should be deposited in the office of the Company Secretary not less than 48 hours before the time of holding the meeting.
2. A member entitled to attend may appoint another member as his/her proxy or may by Power of Attorney authorize any other person as his/her agent to attend, speak and vote at the meeting. The Federal Government, a Provincial Government, a corporation or a company, as the case may be, being a member of the Company, may appoint any of its officials or any other person to act as its representative and the person so authorized shall be entitled to the same powers as if he were an individual shareholder.

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 names, addresses and CNIC or Passport numbers shall be mentioned in 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 Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

AFFIX
CORRECT
POSTAGE

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