Audited Financial Statements 2011

Sui Northern Gas Pipelines Limited

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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges 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 regarding 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, 2011.

A. F. Ferguson & Co.
A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Imran Farooq Mian

M. Yousuf Adil Saleem & Co.
M Yousaf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Talat Javed

Date: September 28, 2011
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, 2011 and the related profit and loss account, statement of 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 conduct 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;

   (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 comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to following matters, in respect of which our report is not qualified:

a. As explained in note 16.1(g) to the attached financial statements, the revenue requirement for the financial year 2010-11 is dependent upon the outcome of the case filed at the Lahore High Court by the Company against Oil and Gas Regulatory Authority's decision in respect of provisional tariff determination.

b. As explained in note 24.3 to the attached financial statements, 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.

A. F. Ferguson & Co.
Chartered Accountants

M Yousaf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Imran Farooq Mian

Engagement Partner:
Talat Javed

Date: September 28, 2011
Lahore

Balance Sheet
as at June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Equity and Liabilities			
Share capital and reserves			
Authorised share capital			
1,500,000,000 (2010: 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		13,237,836	13,211,026
Shareholders' equity		18,728,889	18,702,079
Non–current liabilities			
Long term financing:			
–Secured	6	9,500,000	–
–Unsecured	7	1,324,177	1,251,220
Security deposits	8	16,477,801	14,899,244
Deferred credit	9	32,768,270	33,017,791
Deferred taxation	10	8,369,991	8,758,231
Employee benefits	11	1,134,352	1,232,171
		69,574,591	59,158,657
Current liabilities			
Trade and other payables	12	41,138,261	54,923,578
Sales tax payable		65,234	152,708
Interest and mark–up accrued on loans and other payables	13	7,995,268	4,560,734
Short term borrowings – secured	14	1,000,000	1,000,000
Current portion of long term financing	15	232,651	739,553
		50,431,414	61,376,573
Contingencies and commitments	16		
		138,734,894	139,237,309

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

M. Arif Hameed
Managing Director/Chief Executive Officer

	Note	2011	2010
		(Rupees in thousand)	
Assets			
Non–current assets			
Property, plant and equipment	17	89,498,248	86,373,079
Intangible assets	18	239,427	355,290
Long term investment	19	4,900	4,900
Long term loans	20	224,434	227,848
Employee benefits	21	1,294,002	1,270,655
Long term deposits and prepayments	22	6,519	9,006
		91,267,530	88,240,778
Current assets			
Stores and spare parts	23	1,620,200	1,669,121
Stock–in–trade – gas in pipelines		685,757	741,128
Trade debts	24	36,454,217	42,874,560
Loans and advances	25	176,417	229,401
Trade deposits and short term prepayments	26	143,561	102,822
Accrued interest		9,555	7,289
Other receivables	27	5,865,926	2,176,846
Taxation–net		557,671	1,186,242
Cash and bank balances	28	1,954,060	2,009,122
		47,467,364	50,996,531
		138,734,894	139,237,309

Mian Misbah–ur–Rehman
Chairman

Profit and Loss Account
for the year ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Gas sales	29	185,060,783	172,994,645
Add / (less) : Differential margin / (Gas development surcharge)		2,776,818	(11,364,817)
		187,837,601	161,629,828
Less: Cost of gas sales	30	184,237,173	156,016,865
Gross profit		3,600,428	5,612,963
Other operating income	32	8,664,184	7,772,320
		12,264,612	13,385,283
Less:			
Selling cost	33	3,577,149	2,092,261
Administrative expenses	34	2,912,904	2,147,649
		6,490,053	4,239,910
Operating profit		5,774,559	9,145,373
Less:			
Finance cost	35	3,877,833	4,650,154
Other operating expenses	36	208,983	615,500
		4,086,816	5,265,654
Profit before taxation and share of associate		1,687,743	3,879,719
Share in profit from associate – before tax		–	212
Profit before taxation		1,687,743	3,879,931
Taxation	37	562,722	1,325,368
Profit after taxation		1,125,021	2,554,563
Earnings per share – basic and diluted – (Rupees)	44	2.05	4.65

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

M. Arif Hameed
Managing Director/Chief Executive Officer

Mian Misbah–ur–Rehman
Chairman

Statement of Other Comprehensive Income
for the year ended June 30, 2011

	2011	2010
	(Rupees in thousand)	
Profit for the year	1,125,021	2,554,563
Other comprehensive income for the year	–	–
Total comprehensive income for the year	1,125,021	2,554,563

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

M. Arif Hameed
Managing Director/Chief Executive Officer

Mian Misbah–ur–Rehman
Chairman

Cash Flow Statement
for the year ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	38	(969,030)	12,024,973
Finance cost paid		(416,764)	(593,518)
Taxes paid		(398,474)	(664,260)
Employee benefits/contributions paid		(1,037,777)	(803,251)
Increase in security deposits		2,808,557	3,459,275
Receipts against government grants and consumer contributions		2,401,235	2,840,774
Increase in long term loans		(9,116)	(6,198)
Decrease / (Increase) in long term deposits and prepayments		2,487	(1,524)
Net cash generated from operating activities		2,381,118	16,256,271
Cash flows from investing activities			
Capital expenditure on property, plant and equipment		(10,586,235)	(14,769,161)
Expenditure on intangible assets		(3,813)	(98,640)
Proceeds from sale of property, plant and equipment		12,555	22,675
Return on bank deposits		348,857	251,458
Net cash used in investing activities		(10,228,636)	(14,593,668)
Cash flows from financing activities			
Proceeds from long term financing – unsecured		20,000	72,049
Repayment of long term financing – unsecured		(635,675)	(1,028,198)
Proceeds / (Repayment) of long term financing – secured		9,500,000	(62,500)
Dividend paid		(1,091,869)	(851)
Net cash from / (used in) financing activities		7,792,456	(1,019,500)
Net (decrease) / increase in cash and cash equivalents		(55,062)	643,103
Cash and cash equivalents at the beginning of the year		1,009,122	366,019
Cash and cash equivalents at the end of the year	38.2	954,060	1,009,122

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

M. Arif Hameed
Managing Director/Chief Executive Officer

Mian Misbah–ur–Rehman
Chairman

Statement of Changes in Equity
for the year ended June 30, 2011

	Share capital	Revenue Reserves				Total equity
		General reserve	Dividend equalization reserve	Unappro–priated profit	Total	
	(Rupees in thousands)					
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
Profit for the year	–	–	–	1,125,021	1,125,021	1,125,021
Final dividend for the year ended 30 June 2010 @ Rupees 2.00 per share	–	–	–	(1,098,211)	(1,098,211)	(1,098,211)
Total other comprehensive income for the year	–	–	–	–	–	–
Balance as at June 30, 2011	5,491,053	4,127,682	480,000	8,630,154	13,237,836	18,728,889

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

M. Arif Hameed
Managing Director/Chief Executive Officer

Mian Misbah–ur–Rehman
Chairman

Notes to the Financial Statements
for the year ended June 30, 2011

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

Following are the amendments that are applicable for accounting periods beginning on or after January 1, 2010:

– IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non–current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It does not have a material impact on the company's financial statements.

– IAS 7, 'Statement of cash flows'. The guidance has been amended to clarify that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment results in an improvement in the alignment of the classification of cash flows from investing activities in the statement of cash flows and the presentation of recognised assets in the statement of financial position. It does not have a material impact on the company's financial statements.

– IAS 17, 'Leases'. The amendment provides that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. However, the IASB has concluded that this is inconsistent with the general principles of lease classification, so the relevant guidance has been deleted. A lease newly classified as a finance lease should be recognised retrospectively. This amendment does not have a material impact on the company's financial statements.

– IAS 36 (amendment), 'Impairment of assets'. The amendment clarifies that the largest cash–generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ' Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

– IAS 38 (amendment), 'Intangible assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

– 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.

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

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

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust fund would be distributed amongst the unit –holder employees. The balance 50 % dividend would be transferred by the respective Trust fund to the Central Revolving Fund managed by the Privatization commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re–purchase commitment would be met by GOP. The Scheme developed in compliance with the stated GOP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended international Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs 73,289 thousand and reserves would have been higher by Rs.121,558 thousand. However, there will be no impact on profit after taxation, EPS and retained earning as Company's management believes that this impact is a pass through item which will be eventually adjusted against gas development surcharge or differential margin as explained in note 4.19.

– IFRS 5 (amendment) 'Non–current assets held for sale and discontinued operations'. 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. This amendment does not have a material impact on the Company's financial statements.

– IFRIC 19 (amendment), 'Extinguishing financial liabilities with equity instruments', is effective from July 1, 2010. IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with paragraph 41 of IAS 39 Financial Instruments: Recognition and Measurement. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. This interpretation does not have a material impact on the Company's financial statements.

Notes to the Financial Statements
for the year ended June 30, 2011

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

The other new standards amendments and interpretations that are mandatory for accounting period beginning on or after July 01, 2010 are considered not to be relevant or to have any significant impact on Company's financial reporting and operations.

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, 2011
– IAS 24 (revised)	Related party disclosures	January 1, 2011
– IAS 34 (amendment)	Interim financial reporting	January 1, 2011
– IFRS 1 (amendment)	First–time adoption of International Financial Reporting Standards	January 1, 2011
– IFRS 7 (amendment)	Financial instruments: Disclosures	January 1, 2011
– IFRIC 13 (amendment)	Customer loyalty programmes	January 1, 2011
– IFRIC 14 (amendment)	Prepayment of a minimum funding requirement	January 1, 2011
– IFRS 1 (amendment)	First–time adoption of International Financial Reporting Standards – severe hyperinflation and removal of fixed dates for first–time adopters	January 1, 2011
– IFRS 9	Financial instruments	January 1, 2013
– IFRS 10	Consolidated financial statements	January 1, 2013
– IFRS 11	Joint arrangements	January 1, 2013
– IFRS 12	Disclosure of interests in other entities	January 1, 2013
– IFRS 13	Fair value measurement	January 1, 2013

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 fulfilment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

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	2011	2010	2009
		(Rupees in thousands)	
Decrease/(increase) in			
Cost of sales			
Transportation charges – Sui Southern Gas Company Limited (SSGCL)	400,841	409,356	414,269
Operating expenses			
Depreciation	(150,984)	(150,984)	(150,984)
Finance cost			
Finance cost – leased assets	(348,002)	(353,320)	(360,476)
Effect on balance sheet			
Decrease / (increase) in			
Written down value of operating assets	(1,207,871)	(1,358,855)	(1,509,839)
Obligation under finance lease			
Long term portion	(2,083,836)	(2,151,258)	(2,212,825)
Short term portion	(67,422)	(57,627)	(49,255)

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. 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.

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.

e) Provision for CBA agreement 2009–11

The agreement with the Company's CBA union has not been renewed since July 01, 2009. In this respect, the Company's management has estimated Rs. 1.7 billion to be the financial impact of the agreement, including bonuses, out of which Rs. 1.3 billion has been provided in the current financial year . OGRA vide its order dated September 21, 2011, in respect of revenue requirements of the Company for the year 2010–11, has allowed the above mentioned amount of provision as operating expense.

Notes to the Financial Statements
for the year ended June 30, 2011

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 contributions 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.

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 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 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 and leave fare assistances on the basis of actuarial valuations. However, executives of the Company were not entitled to avail leave fare assistance after December 31, 2000.

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, 2011 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.

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%. 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.

Notes to the Financial Statements
for the year ended June 30, 2011

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.

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.

Notes to the Financial Statements
for the year ended June 30, 2011

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 obtained foreign currency loans from the World Bank which were covered under the exchange risk coverage scheme of the Government of Pakistan. Under this agreement, the Company was 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 license for transmission and distribution of natural gas granted to the company by OGRA, 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 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 2.10% (2010: 7.72%).

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 7,177,740 thousand (2010: Rupees 4,670,252 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

2011	2010		2011	2010
(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:

	2011	2010
	(Number of Shares)	
Dawood Hercules Chemicals Limited	69,982,155	85,615,450
Sui Southern Gas Company Limited	2,090,195	2,090,195
MCB Bank Limited	47,770,364	47,770,364
Askari Bank Limited	2,800,000	2,506,284
Pakistan Industrial Development Corporation (Private) Limited	33,042,891	33,042,891
Central Insurance Company Limited	88,900	1,075,577
Faysal Bank Limited	200,000	1,100
National Investment Trust Limited	54,485,698	44,956,505
Dawood Foundation	5,116,730	5,474,225
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	1,520,000	900,000
Dawood Corporation (Private) Limited	–	496,221
	217,096,933	223,928,812

	Note	2011	2010
		(Rupees in thousand)	
6. Long term financing – secured			
From banking companies:			
Local currency – Syndicate term finance	6.1	7,000,000	–
		7,000,000	–
Other loans:			
Musharaka arrangement	6.2	2,500,000	
Less: Current portion shown under current liabilities	15	–	–
		9,500,000	–

6.1 Local currency – Syndicate term finance

Lender	Mark–up rate	No. of installments	Repayment commencement date	Maturity date
Askari Bank Limited (investment agent)	Six month KIBOR + 1.25% per annum	8 half yearly installments	December 30, 2012	June 30, 2016

This loan is secured by ranking charge created by way of hypothecation over all the present and future moveable fixed assets of the company.

6.2 Islamic finance under musharaka arrangement

Lender	Mark–up rate	No. of installments	Repayment commencement date	Maturity date
Askari Bank Limited (investment agent)	Six month KIBOR + 1.25% per annum	8 half yearly installments	December 30, 2012	June 30, 2016

Assets under musharaka agreement are secured by a ranking charge created by way of hypothecation over movable fixed assets of the company as given in note 17.1.5.

	Note	2011	2010
		(Rupees in thousand)	

7. Long term financing – unsecured

	Note	2011	2010
From financial institutions:			
Foreign currency – World Bank Loans	7.1	–	326,653
Local currency:			
– Loans	7.2	1,556,828	1,446,841
– Overdue interest on medium term loan	7.3	–	217,279
		1,556,828	1,664,120
		1,556,828	1,990,773
Less: Current portion shown under current liabilities			
Foreign currency – World Bank loans		–	326,653
Local currency:			
– Loans		232,651	195,621
– Overdue interest on medium term loan		–	217,279
	15	232,651	739,553
		1,324,177	1,251,220

7.1 Foreign currency – World Bank loans

The loan was repaid during the year.

Loan No.	Rate of interest per annum (%)	Half yearly installments outstanding (Nos.)	Repayment commencement date/maturity date	Note	2011	2010
					(Rupees in thousand)	
3252 – PAK	0.5% above the base cost of qualified borrowing	–	March 1, 1996/ September 1, 2010		–	652,253
3252–1–PAK	– do –	–	March 1, 1996/ September 1, 2010		–	308,332
				7.1.2	–	960,585
Less: Exchange risk cover guaranteed by the Government of Pakistan.				7.1.3	–	633,932
					–	326,653

7.1.1 The repayment of the World Bank loans was 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 Nil (2010: US Dollar 11,222 thousand) translated at the exchange rate prevailing at balance sheet date.

7.1.3 The Company 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 was 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, 2011 (2010: Nil).

Notes to the Financial Statements
for the year ended June 30, 2011

		Note	2011	2010
			(Rupees in thousand)	
7.2	**Loans**			
	Government – Cash development loans	7.2.1	1,112,502	950,595
	Industrial consumers	7.2.2	265,793	294,735
	Related parties	7.2.3	178,533	201,511
			1,556,828	1,446,841

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 132,459 thousand (2010: Rs 147,875 thousand) carries mark–up at rates ranging between 5% to 9% (2010: 5% to 9%) per annum and Rs 980,043 thousand (2010: Rs 802,720 thousand) carries mark–up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2010: 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% (2010: 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% (2010: 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.

		2011	2010
		(Rate %)	
7.2.5	**The effective interest rates are as follows:**		
	Government – Development loans	8.00 to 14.88	7.54 to 15.21
	Industrial consumers and related parties	2.79 to 14.28	2.79 to 14.24

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

		Note	2011	2010
			(Rupees in thousand)	
8.	**Security deposits**			
	Consumers	8.2	16,407,212	14,831,655
	Contractors – Houseline	8.3	70,589	67,589
			16,477,801	14,899,244

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% (2010: 5%) per annum on deposits from industrial and commercial consumers aggregating to Rs 10,868,825 thousand (2010: Rs 8,731,877 thousand) and 2% (2010: 2%) per annum on deposits from bulk domestic consumers aggregating to Rs 725,597 thousand (2010: Rs 642,942 thousand). However, for one consumer having deposit of Rs 126,714 thousand (2010: Rs 1,346,714 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2010: 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 280 thousand (2010: Rs 25,469 thousand).

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	2011	2010
		(Rupees in thousand)	
9. Deferred credit			
Consumer contribution against			
– Completed jobs		17,361,906	16,191,535
– Jobs–in–progress		3,070,053	2,518,463
		20,431,959	18,709,998
Government grants against:			
– Completed jobs		11,471,696	9,682,503
– Jobs–in–progress		11,410,347	12,657,391
		22,882,043	22,339,894
		43,314,002	41,049,892
Less: Accumulated amortization:			
Opening balance		8,032,101	6,230,985
Amortization for the year	32	2,513,631	1,801,116
		10,545,732	8,032,101
		32,768,270	33,017,791

	2011	2010
	(Rupees in thousand)	
10. Deferred taxation		
The liability for deferred taxation comprises timing differences relating to:		
Taxable temporary differences		
Accelerated tax depreciation	11,937,905	10,971,255
Unamortized balance of loans at fair value	9,404	32,408
	11,947,309	11,003,663
Deductible temporary differences		
Provision for doubtful debts	(1,479,732)	(906,005)
Unpaid trading liabilities	(261,282)	(130,505)
Carried forward tax losses	(597,550)	(597,550)
Minimum tax adjustment	(1,222,204)	(597,598)
Interest payable on security deposits	(16,550)	(13,774)
	(3,577,318)	(2,245,432)
	8,369,991	8,758,231

Notes to the Financial Statements
for the year ended June 30, 2011

		2011	2010
		(Rupees in thousand)	
11.	**Employee benefits**		
	Medical fund – Non executive staff	164,165	185,891
	Medical fund – Executive staff	170,682	100,605
	Free gas facility fund – Non executive staff	164,619	160,517
	Pension fund–Non executive staff	229,132	326,542
	Gratuity fund–Executive staff	393,658	451,274
	Compensated absences–Executive staff	12,096	7,342
		1,134,352	1,232,171

		Note	Medical fund – Non executive staff 2011	2010	Medical fund – Executive staff 2011	2010	Free gas facility fund – Non executive staff 2011	2010	Pension fund – Non Executive staff 2011	2010	Gratuity fund – Executive staff 2011	2010	Accumulating compensated absences Executive staff 2011	2010	Total 2011	2010
									(Rupeesin thousand)							
11.1	**Reconciliation of payable to employee benefit plans:**															
	Present value of funded obligations	11.4	3,575,342	3,361,803	1,451,941	1,257,528	1,365,130	1,326,726	4,484,066	4,118,440	878,345	814,666	88,043	74,451	11,842,867	10,953,614
	Fair value of plan assets	11.5	(3,632,282)	(3,073,364)	(850,163)	(694,007)	(1,072,711)	(824,695)	(3,476,425)	(3,233,228)	(82,846)	(52,155)	(75,947)	(67,109)	(9,190,374)	(7,944,558)
		11.10	(56,940)	288,439	601,778	563,521	292,419	502,031	1,007,641	885,212	795,499	762,511	12,096	7,342	2,652,493	3,009,056
	Unrecognized actuarial gains / (losses)		221,105	(102,548)	(431,096)	(462,916)	(127,800)	(341,514)	(778,509)	(558,670)	(401,841)	(311,237)	–	–	(1,518,141)	(1,776,885)
	Net liability		164,165	185,891	170,682	100,605	164,619	160,517	229,132	326,542	393,658	451,274	12,096	7,342	1,134,352	1,232,171
11.2	**Movement in net liability**															
	Opening liability		185,891	189,600	100,605	91,581	160,517	104,382	326,542	340,777	451,274	435,248	7,342	19,334	1,232,171	1,180,922
	Charge for the year	11.3	173,736	196,304	176,554	105,884	160,881	136,346	327,048	218,897	175,947	175,416	20,984	6,718	1,035,150	839,565
	Contribution paid		(195,462)	(200,013)	(106,477)	(96,860)	(156,779)	(80,211)	(424,458)	(233,132)	(43,563)	(40,190)	(16,230)	(18,710)	(942,969)	(669,116)
	Transfer of funds		–	–	–	–	–	–	–	–	(190,000)	(119,200)	–	–	(190,000)	(119,200)
			164,165	185,891	170,682	100,605	164,619	160,517	229,132	326,542	393,658	451,274	12,096	7,342	1,134,352	1,232,171
11.3	**Amounts recognized in profit and loss account**															
	Current service cost		139,124	129,716	60,766	31,608	79,753	57,893	206,139	140,611	51,622	46,140	6,365	5,602	543,769	411,570
	Interest on obligation		403,416	351,311	150,903	112,809	159,207	130,825	494,213	372,401	97,760	98,276	8,934	8,281	1,314,433	1,073,903
	Expected return on plan assets		(368,804)	(304,524)	(83,281)	(66,797)	(98,963)	(80,624)	(387,987)	(319,131)	(6,259)	(5,532)	(8,053)	(5,961)	(953,347)	(782,569)
	Net actuarial losses recognized in the year		–	–	48,166	28,264	20,884	19,632	14,683	–	32,824	36,532	13,738	(1,204)	130,295	83,224
	Past service cost – Vested		–	19,801	–	–	–	8,620	–	20,615	–	–	–	–	–	49,036
	Past service cost – Non-vested		–	–	–	–	–	–	–	4,401	–	–	–	–	–	4,401
	Total included in employee benefit expense	11.12	173,736	196,304	176,554	105,884	160,881	136,346	327,048	218,897	175,947	175,416	20,984	6,718	1,035,150	839,565
	Actual return on plan assets		430,918	397,668	94,157	82,363	118,016	98,825	16,612	524,544	42,385	(25,815)	8,838	8,437	710,926	1,086,022
11.4	**Changes in the present value of defined benefit obligation**															
	Opening defined benefit obligation		3,361,803	2,927,594	1,257,528	940,078	1,326,726	1,090,211	4,118,440	3,103,339	814,666	818,967	74,451	69,006	10,953,614	8,949,195
	Current service cost		139,124	129,716	60,766	31,608	79,753	57,893	206,139	140,611	97,760	98,276	6,365	5,602	589,907	463,706
	Interest cost		403,416	351,311	150,903	112,809	159,207	130,825	494,213	372,401	51,622	46,140	8,934	8,281	1,268,295	1,021,767
	Actuarial losses		(261,539)	15,195	27,222	214,893	(173,777)	74,008	(136,853)	685,959	159,554	(21,200)	14,523	1,272	(370,870)	970,127
	Benefits paid		(67,462)	(62,013)	(44,478)	(41,860)	(26,779)	(26,211)	(197,873)	(183,870)	(245,257)	(127,517)	(16,230)	(9,710)	(598,079)	(451,181)
	Closing defined benefit obligation		3,575,342	3,361,803	1,451,941	1,257,528	1,365,130	1,326,726	4,484,066	4,118,440	878,345	814,666	88,043	74,451	11,842,867	10,953,614
11.5	**Changes in the fair value of plan assets**															
	Opening fair value of plan assets		3,073,364	2,537,696	694,007	556,644	824,695	671,870	3,233,228	2,659,422	52,155	46,097	67,109	49,672	7,944,558	6,521,401
	Expected return		368,804	304,524	83,281	66,797	98,963	80,624	387,987	319,131	6,259	5,532	8,053	5,961	953,347	782,569
	Actuarial gains / (losses)		62,114	93,144	10,876	15,566	19,053	18,201	(371,375)	205,413	36,126	(31,347)	785	2,476	(242,421)	303,453
	Contributions by employer		195,462	200,013	106,477	96,860	156,779	80,211	424,458	233,132	43,563	40,190	16,230	18,710	942,969	669,116
	Benefits paid		(67,462)	(62,013)	(44,478)	(41,860)	(26,779)	(26,211)	(197,873)	(183,870)	(245,257)	(127,517)	(16,230)	(9,710)	(598,079)	(451,181)
	Transferred from pension fund to gratuity fund		–	–	–	–	–	–	–	–	190,000	119,200	–	–	190,000	119,200
		11.6	3,632,282	3,073,364	850,163	694,007	1,072,711	824,695	3,476,425	3,233,228	82,846	52,155	75,947	67,109	9,190,374	7,944,558

11.6 Plan assets comprise:

	Medical fund - Non executive staff			
	2011		2010	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	3,460,318	95.27	2,916,959	94.91
NIT units	171,107	4.71	138,553	4.51
Cash at bank	857	0.02	17,852	0.58
	3,632,282	100.00	3,073,364	100.00

	Medical fund - Executive staff			
	2011		2010	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	829,181	97.53	676,553	97.49
NIT units	20,501	2.41	16,601	2.39
Cash at bank	481	0.06	853	0.12
	850,163	100.00	694,007	100.00

	Free gas facility fund – Non executive staff			
	2011		2010	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,018,359	94.93	779,218	94.67
NIT units	52,830	4.92	42,780	4.96
Cash at bank	1,522	0.15	2,697	0.37
	1,072,711	100.00	824,695	100.00

	Pension fund – Non executive staff			
	2011		2010	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Mutual funds	215,007	6.18	102,066	3.16
Certificates of deposits	3,146,154	90.50	2,825,314	87.38
Pakistan Investment Bonds	78,000	2.24	116,000	3.59
Cash at Bank	37,264	1.08	189,848	5.87
	3,476,425	100.00	3,233,228	100.00

	Gratuity fund – Executive staff			
	2011		2010	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	9,000	10.86	58,063	111.33
Receivable gratuity fund	–	0.00	(35,000)	(67.11)
Cash at bank	73,846	89.14	29,092	55.78
	82,846	100.00	52,155	100.00

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	Accumulating compensated absences – Executive staff			
	2011		2010	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	74,559	98.17	65,668	97.85
Cash at bank	1,388	1.83	1,441	2.15
	75,947	100.00	67,109	100.00

11.7 Principal actuarial assumptions used (expressed as weighted average)

	Medical fund			
	2011		2010	
	Executive	Non–executive	Executive	Non–executive
Discount rate	14%	14%	12%	12%
Expected rate of growth per annum in average cost of facility	11%	11%	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			
	2011		2010	
	Executive	Non–executive	Executive	Non–executive
Discount rate	14%	14%	12%	12%
Expected rate of growth per annum in average cost of facility	13%	13%	11%	11%
Rate of utilization of facility by future entitled employees	0%	100%	0%	100%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

	Pension fund			
	2011		2010	
	Executive	Non–executive	Executive	Non–executive
Expected increase in salaries	13%	13%	11%	11%
Discount rate	14%	14%	12%	12%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

	Gratuity fund			
	2011		2010	
	Executive	Non–executive	Executive	Non–executive
Expected increase in salaries	13%	13%	11%	11%
Discount rate	14%	14%	12%	12%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

	Accumulating compensated absences			
	2011		2010	
	Executive	Non–executive	Executive	Non–executive
Expected increase in salaries	13%	13%	11%	11%
Discount rate	14%	14%	12%	12%
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:

	2011		2010	
	1% increase	1% decrease	1% increase	1% decrease
	(Rupees in thousand)			
Effect on the aggregate of the service cost and interest cost	85,000	(78,000)	73,000	(67,000)
Effect on defined benefit obligation	1,628,000	(1,493,000)	1,499,000	(1,376,000)

11.10 **(Surplus)/Deficit for current and previous four years**

	Medical fund – Non executive staff				
	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Defined benefit obligation	3,575,342	3,361,803	2,927,594	2,604,223	2,382,652
Plan assets	(3,632,282)	(3,073,364)	(2,537,696)	(2,148,715)	(1,707,872)
(Surplus) / Deficit	(56,940)	288,439	389,898	455,508	674,780
Experience adjustment on plan liabilities	(261,539)	15,195	(47,335)	(70,221)	136,858
Experience adjustment on plan assets	62,114	93,144	(12,865)	94,556	(21,154)

	Medical fund – Executive staff				
	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Defined benefit obligation	1,451,941	1,257,528	940,078	735,774	533,576
Plan assets	(850,163)	(694,007)	(556,644)	(471,889)	(415,980)
Deficit	601,778	563,521	383,434	263,885	117,596
Experience adjustment on plan liabilities	27,222	214,893	103,460	140,770	105,046
Experience adjustment on plan assets	10,876	15,566	10,128	3,811	10,039

	Free gas facility fund – Non executive staff				
	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Defined benefit obligation	1,365,130	1,326,726	1,090,211	795,496	701,399
Plan assets	(1,072,711)	(824,695)	(671,870)	(545,852)	(431,289)
Deficit	292,419	502,031	418,341	249,644	270,110
Experience adjustment on plan liabilities	(173,777)	74,008	170,479	(2,554)	14,236
Experience adjustment on plan assets	19,053	18,201	(484)	4,434	10,986

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	Pension fund – Non executive staff				
	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Defined benefit obligation	4,484,066	4,118,440	3,103,339	2,882,774	2,308,155
Plan assets	(3,476,425)	(3,233,228)	(2,659,422)	(2,288,699)	(1,945,794)
Deficit	1,007,641	885,212	443,917	594,075	362,361
Experience adjustment on plan liabilities	(136,853)	685,959	(139,397)	377,060	(87,333)
Experience adjustment on plan assets	(371,374)	205,413	46,225	7,510	198,065

	Gratuity fund – Executive fund				
	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Defined benefit obligation	878,345	814,666	298,443	275,008	207,993
Plan assets	(82,846)	(52,155)	(1,375,923)	(1,192,956)	(1,083,663)
Deficit / (Surplus)	795,499	762,511	(1,077,480)	(917,948)	(875,670)
Experience adjustment on plan liabilities	159,554	(21,200)	(20,960)	39,749	(32,703)
Experience adjustment on plan assets	36,125	(31,347)	118,136	36,771	121,333

	Accumulating compensated absences – Executive staff				
	2011	2010	2009	2008	2007
	(Rupees in thousand)				
Defined benefit obligation	88,043	74,451	69,006	39,452	32,776
Plan assets	(75,947)	(67,109)	(49,672)	(41,913)	(37,765)
Deficit / (Surplus)	12,096	7,342	19,334	(2,461)	(4,989)
Experience adjustment on plan liabilities	14,523	1,272	6,733	6,628	1,858
Experience adjustment on plan assets	785	2,476	2,729	371	1,115

	Note	2011	2010
		(Rupees in thousand)	
11.11 Estimated future contributions			
Medical fund – Non executive staff		164,164	185,891
Medical fund – Executive staff		170,682	100,605
Free gas facility fund – Non executive staff		164,619	160,517
Pension fund–Non executive staff		193,910	293,505
Gratuity fund–Executive staff		49,245	38,698
Accumulating compensated absences–Executive staff		12,096	7,342
		754,716	786,558
11.12 The charge for the year has been allocated as follows:			
Distribution cost	31	514,691	398,567
Selling costs	33	240,355	190,392
Administrative expenses	34	252,021	188,252
Project work in progress		28,083	62,354
		1,035,150	839,565

	Note	2011	2010
		(Rupees in thousand)	

12. Trade and other payables

	Note	2011	2010
Creditors for:			
– gas	12.1	34,006,332	46,064,977
– supplies	12.2	292,533	891,669
Accrued liabilities	12.2	4,442,368	3,365,702
Interest free deposits repayable on demand		49,187	37,585
Earnest money received from contractors		37,146	31,365
Mobilization and other advances		826,312	736,028
Advances from customers		1,271,687	2,079,964
Due to customers		7,388	41,511
Gas development surcharge		–	1,306,926
Exchange risk and guarantee fee payable to the Government of Pakistan		–	8,181
Workers' Profit Participation Fund	12.3	106,268	224,786
Workers' Welfare fund		34,444	76,629
Unclaimed dividend		64,596	58,255
		41,138,261	54,923,578

12.1 These include Rs 22,876,109 thousand (2010: Rs 34,902,345 thousand) payable to related parties.

12.2 These Include Rs Nil (2010: Rs 3,078 thousand) payable to an associate and Rs 600 thousand (2010: Rs 54,002 thousand) payable to related parties.

12.3 Workers' Profit Participation Fund

		Note	2011	2010
			(Rupees in thousand)	
Balance at the beginning of the year			224,786	118,559
Allocation for the year		36	91,083	208,796
			315,869	327,355
Interest on funds utilized in the Company's business		35	7,418	10,772
			323,287	338,127
Less:	Payments to workers		156,591	113,305
	Deposited into Government treasury		60,428	36
			217,019	113,341
			106,268	224,786

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

	Note	2011	2010
On loans		226,635	112,758
On deposits from customers		980,087	547,126
On late payment of gas creditors		6,788,546	3,900,850
	13.1	7,995,268	4,560,734

13.1 This includes Rs 6,718,830 thousand (2010: Rs 3,867,041 thousand) payable to related parties.

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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 0.25% per annum (2010: 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 12.76% to 14.02% (2010: 12.84% to 13.79%) per annum. There is no unavailed facility as at June 30, 2011 (2010: Nil).

	Note	2011	2010
		(Rupees in thousand)	
15. Current portion of long term financing			
Long term financing – unsecured	7	232,651	739,553

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:

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 262,158 thousand (2010: Rs 286,480 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 925,960 thousand (2010: Rs 962,075 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

c) A demand of Rupees 67,998 thousand (2010: Rupees 67,998 thousand) relating to excess compensation for delayed refunds for assessment years 1988–89, 1990–91, 1991–92 and 1996–97 was raised by the Additional Commissioner of Income Tax by rectifying the orders previously issued under section 171 of the repealed Ordinance. In this regard, while disposing off the appeal filed before ATIR against the order of CIT(A), the ATIR has remanded back the matter of curtailment of compensation on delayed payment/adjustment of refund pertaining to assessment year 1988–89, 1991–92 and 1996–97 for verification of underlying facts afresh. However, no provision has been made in these financial statements as the management is confident of a favorable outcome.

d) During the year 2009, Sales tax authorities issued a show cause notice to the Company involving an amount of Rs 2,792,803 thousand(2010: 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 favour of the Company.

e) 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 45,549 thousand (2010: Rs 32,070 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.

f) During the year the Sales tax authorities have raised a demands of Rs 406,650 thousand and Rs 736,000 thousand for the years 2008 and 2009 respectively. Primary issue involving these demands was inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by OGRA. In this regard appeal filed by the company with Commissioner Inland Revenue (CIR) (Appeals) for the year 2008 is pending adjudication while appeal filed for the year 2009 has been decided against the company. The company is in the process of filing an appeal with ATIR against such decision. No provision has been made in these financial statements for this demand as Company's management is confident of favourable outcome of the appeals.

g) For the purpose of determining the final revenue requirement for the financial year 2009–10, Oil and Gas Regulatory Authority (OGRA) increased the Unaccounted For Gas (UFG) benchmark from 5% to 7% and also allowed the late payment surcharge and interest on gas sales arrears to be treated as non–operating income. However, in response to the review petition filed by the company for revision of estimated revenue requirement for the financial year 2010–11, OGRA in its decision dated December 2, 2010 revised the UFG benchmark from 7% to 4.625% and treated the late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by the OGRA's decision dated December 2, 2010, the company filed a petition with the Honorable Lahore High Court. The Court vide its order dated January 17, 2011 has allowed the petition of the company in terms that for the purpose of calculating the prescribed price, UFG benchmark and the treatment of non–operating income of the company shall continue to be determined in accordance with the final revenue requirement determined for the financial year 2009–10 till such time that a UFG impact assessment study is carried out and produced before the Court. The UFG impact assessment study has not been presented before the court. In view of the interim stay given by the Lahore High Court, OGRA in its order dated September 21, 2011 has determined the revenue requirement of the company for the year 2010–2011 on the basis of parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009–10 dated October 15, 2010.

Had these financial statements been prepared in accordance with the above mentioned decision of OGRA dated December 2, 2010, the company for the year ended June 30, 2011 would have an after tax loss of Rs 3,418 million and a negative EPS of Rs 6.23

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16.1.1 Others

Claims against the Company not acknowledged as debts amount to Rs 343,196 thousand (2010: Rs 465,518 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 (2010: 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 (2010: 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 (2010: Rs 195,731 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.

		Note	2011	2010
			(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		1,779,824	362,102
	Intangible assets		27,624	30,906
	Others		1,263,467	1,794,550
			3,070,915	2,187,558
b)	**Other commitments**		177,172	146,386

		Note	2011	2010
17.	**Property, plant and equipment**			
	Operating fixed assets	17.1	73,909,766	69,819,093
	Capital work–in–progress	17.2	15,588,482	16,553,986
			89,498,248	86,373,079

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, 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
Year ended June 30, 2011															
Opening 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
Additions	171,389	–	22,000	–	1,739,044	6,598,350	2,329,178	33,387	360,701	316,056	15,212	47,826	14,292	84,641	11,732,076
Disposals															
Cost	–	–	–	–	–	–	(57,035)	(10,783)	–	(15,024)	(2,068)	(16,963)	–	(6,481)	(108,354)
Accumulated depreciation	–	–	–	–	–	–	57,035	10,671	–	15,015	1,783	14,311	–	6,481	105,296
	–	–	–	–	–	–	–	(112)	–	(9)	(285)	(2,652)	–	–	(3,058)
Depreciation charge	–	–	(42,980)	–	(2,650,740)	(2,449,447)	(1,456,388)	(34,127)	(458,287)	(270,967)	(22,380)	(141,583)	(23,959)	(87,487)	(7,638,345)
Closing net book value	1,285,706	392	456,909	–	25,359,963	30,900,302	9,827,605	127,928	4,329,691	986,234	52,070	170,076	32,475	380,415	73,909,766
At June 30, 2011															
Cost	1,285,706	392	1,197,655	8,461	50,055,737	47,549,321	19,142,115	2,287,274	8,454,436	4,243,426	247,022	1,186,584	210,319	685,204	136,553,652
Accumulated depreciation	–	–	(740,746)	(8,461)	(24,695,774)	(16,649,019)	(9,314,510)	(2,159,346)	(4,124,745)	(3,257,192)	(194,952)	(1,016,508)	(177,844)	(304,789)	(62,643,886)
Net book value	1,285,706	392	456,909	–	25,359,963	30,900,302	9,827,605	127,928	4,329,691	986,234	52,070	170,076	32,475	380,415	73,909,766
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 970,550 thousand (2010: Rs 799,161 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, 2011 include fully depreciated assets amounting to Rs 20,896,249 thousand (2010: Rs 18,284,411 thousand).

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for the year ended June 30, 2011

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

	Note	2011	2010
		(Rupees in thousand)	
Distribution cost	31	7,382,924	6,638,928
Administrative expenses	34	150,672	170,229
	38	7,533,596	6,809,157
Transmission system		52,926	54,314
Distribution system		51,823	54,479
		104,749	108,793
	17.1	7,638,345	6,917,950

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on sale	Mode of disposal	Sold to
			(R u p e e s)				
Transport vehicles							
Toyota Corolla	889,000	629,708	259,292	270,404	11,112	Service rules	Muhammad Basit SGM (C &CS)
Suzuki Cultus VXR	590,368	455,072	135,296	137,755	2,459	Service rules	Mehmood Ul Hassan (CO HR OPS)
Toyota Corolla	968,800	666,043	302,757	308,139	5,382	Service rules	Hasnat Aziz Banth DMD OPS
Suzuki Cultus	842,000	333,293	508,707	540,867	32,160	Service rules	Ch Nazir Ahmed CE (D) HO
Honda City	1,312,000	546,665	765,335	768,067	2,732	Service rules	Saadat Ali Khan GM (HR OPS)
Toyota Corolla	1,234,980	591,764	643,216	643,216	–	Service rules	Abrar Ahmed DMD/ SA TO MD
Telecommunication system and facilities							
Telecom spares	281,285	168,771	112,514	163,768	51,254	Insurance Claim/ Partial Retirement	NICL

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

17.1.5 Transmission lines includes assets held by the Company on behalf of and in trust for the investors under the musharaka arrangements entered into by the Company. Assets held under these musharaka arrangement are as follows:

Musharaka arrangement

	2011 Cost	2011 Book value	2010 Cost	2010 Book value
	(Rupees in thousand)			
Transmission lines				
36" Dia 68.14 Km AV 29 Mian Chunu Line	2,141,099	1,766,407	–	–
36" Dia 42.11 Km Sms Mian Chunu – Sahiwal Line	1,196,508	987,119	–	–
24" Dia 49.58 Km Kohat – Nowshera Line	908,415	749,443	–	–
24" Dia 42.20 Km Akhtarabad Pattoki – SMS Phool nagar line	345,857	302,625	–	–
	4,591,879	3,805,594	–	–

		Note	2011	2010
			(Rupees in thousand)	
17.2	**Capital work–in–progress**			
	Transmission system		1,941,047	1,872,914
	Distribution system		7,410,465	7,391,769
	Stores and spare parts held for capital expenditure	17.2.1	5,951,491	7,010,355
	Advances for land and other capital expenditure		285,479	278,948
			15,588,482	16,553,986
17.2.1	**Stores and spare parts held for capital expenditure**			
	Stores and spare parts including in–transit Rs 223,147 thousand (2010: Rs 292,522 thousand)		5,968,272	7,034,293
	Less: Provision for obsolescence		16,781	23,938
			5,951,491	7,010,355

18. Intangible assets

		Note	2011	2010
	Computer software and ERP system	18.1	238,085	353,948
	Intangible assets under implementation		1,342	1,342
			239,427	355,290

18.1 Computer software and ERP system

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

	Note	2011	2010
Balance as at July 1			
Cost		415,660	59,320
Accumulated amortization		(61,712)	(47,517)
Net book value		353,948	11,803
Movement during the year			
Additions		3,813	356,340
Amortization charge for the year	34	(119,676)	(14,195)
Balance as at June 30			
Cost		419,473	415,660
Accumulated amortization		(181,388)	(61,712)
Net book value		238,085	353,948
Rate of amortization		33.33%	33.33%

19. Long term investment

	2011	2010
Inter State Gas Systems (Private) Limited 490,000 (2010: 490,000) ordinary shares of Rs 10 each	4,900	4,900

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for the year ended June 30, 2011

20. Long term loans – considered good

	Note	Employee welfare 2011	Employee welfare 2010	House building 2011	House building 2010	Car 2011	Car 2010	Motorcycle/ Scooter 2011	Motorcycle/ Scooter 2010	Total 2011	Total 2010
		(Rupees in thousand)									
Due from:											
Executives	20.1	–	–	1,545	1,340	–	11	–	–	1,545	1,351
Other employees		178,457	142,884	116,439	152,530	–	–	13,509	10,329	308,405	305,743
		178,457	142,884	117,984	153,870	–	11	13,509	10,329	309,950	307,094
Amount due within one year:											
Executives	25	–	–	782	1,010	–	11	–	–	782	1,021
Other employees	25	31,946	23,897	43,389	45,867	–	–	9,399	8,461	84,734	78,225
		31,946	23,897	44,171	46,877	–	11	9,399	8,461	85,516	79,246
		146,511	118,987	73,813	106,993	–	–	4,110	1,868	224,434	227,848

20.1 Reconciliation of balance due from executives:

	Employee welfare 2011	Employee welfare 2010	House building 2011	House building 2010	Car 2011	Car 2010	Motorcycle/ Scooter 2011	Motorcycle/ Scooter 2010	Total 2011	Total 2010
Opening balance	–	–	1,340	3,513	11	69	–	–	1,351	3,582
Disbursements	–	–	1,902	–	–	–	–	–	1,902	–
	–	–	3,242	3,513	11	69	–	–	3,253	3,582
Less: Repayments/adjustments	–	–	(1,697)	(2,173)	(11)	(58)	–	–	(1,708)	(2,231)
Closing balance	–	–	1,545	1,340	–	11	–	–	1,545	1,351

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% (2010: 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 executives at any month end during the year was Rs 1,941 thousand (2010: Rs 3,269 thousand).

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% (2010: 6.84% to 16%) per annum.

	Note	2011	2010
		(Rupees in thousand)	
21. Employee benefits			
Pension fund – Executive staff		641,810	695,264
Gratuity fund – Non executive staff		601,093	549,447
		1,242,903	1,244,711
Free gas facility fund – Executive staff		4,278	(6,615)
Accumulating compensated absences – Non executive staff		46,821	32,559
	21.1	1,294,002	1,270,655

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

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Free gas facility fund – Executive staff		Accumulating compensated absences – Non executive staff		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		(Rupees in thousand)									
Present value of funded obligations	21.4	(422,789)	(326,615)	(1,184,658)	(1,150,101)	(40,725)	(43,579)	(206,762)	(191,570)	(1,854,934)	(1,711,865)
Fair value of plan assets	21.5	1,296,432	1,425,877	1,941,163	1,814,597	45,003	36,964	253,583	224,129	3,536,181	3,501,567
	21.9	873,643	1,099,262	756,505	664,496	4,278	(6,615)	46,821	32,559	1,681,247	1,789,702
Unrecognized actuarial (gains)		(231,833)	(403,998)	(155,412)	(115,049)	–	–	–	–	(387,245)	(519,047)
Net assets		641,810	695,264	601,093	549,447	4,278	(6,615)	46,821	32,559	1,294,002	1,270,655

21.2 Movement in net assets / (liability):

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Free gas facility fund – Executive staff		Accumulating compensated absences – Non executive staff		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		(Rupees in thousand)									
Opening asset / (liability)		695,264	660,467	549,447	435,717	(6,615)	(6,686)	32,559	46,723	1,270,655	1,136,221
Transfer of funds		(190,000)	(119,200)	–	–	–	–	–	–	(190,000)	(119,200)
Credit / (charge) for the year	21.3	136,546	141,024	(23,856)	13,412	5,137	(3,993)	712	(30,943)	118,539	119,500
Contribution paid		–	12,973	75,502	100,318	5,756	4,064	13,550	16,779	94,808	134,134
		641,810	695,264	601,093	549,447	4,278	(6,615)	46,821	32,559	1,294,002	1,270,655

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

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Free gas facility fund – Executive staff		Accumulating compensated absences – Non executive staff		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		(Rupees in thousand)									
Current service cost		(32,709)	(28,191)	(103,596)	(72,878)	–	–	(20,720)	(15,384)	(157,025)	(116,453)
Interest on obligation		(39,194)	(35,813)	(138,012)	(104,184)	(5,229)	(4,766)	(22,988)	(17,779)	(205,423)	(162,542)
Expected return on plan assets		171,105	165,111	217,752	183,352	4,436	3,964	26,895	23,386	420,188	375,813
Net actuarial losses (gains) recognized in the year		37,344	39,917	–	7,122	5,930	(3,191)	17,525	(21,166)	60,799	22,682
Total included in employee benefit expense	21.11	136,546	141,024	(23,856)	13,412	5,137	(3,993)	712	(30,943)	118,539	119,500
Actual return on plan assets		72,353	167,466	137,445	282,248	5,039	3,932	29,454	29,245	244,291	478,959

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

	Pension fund – Executive staff		Gratuity fund – Non executive staff		Free gas facility fund – Executive staff		Accumulating compensated absences – Non executive staff		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in thousand)									
Opening defined benefit obligation	326,615	298,443	1,150,101	868,203	43,579	39,718	191,570	148,161	1,711,865	1,354,525
Service cost	32,709	28,191	103,596	20,742	5,229	–	20,720	15,384	162,254	64,317
Interest cost	39,194	35,813	138,012	156,320	–	4,766	22,988	17,779	200,194	214,678
Actuarial losses (gains)	36,069	(24,547)	(120,670)	200,737	(5,327)	3,159	(14,966)	27,025	(104,894)	206,374
Past service cost	–	–	–	–	–	–	–	–	–	–
Benefits paid	(11,798)	(11,285)	(86,381)	(95,901)	(2,756)	(4,064)	(13,550)	(16,779)	(114,485)	(128,029)
Closing defined benefit obligation	422,789	326,615	1,184,658	1,150,101	40,725	43,579	206,762	191,570	1,854,934	1,711,865

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

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Free gas facility fund – Executive staff		Accumulating compensated absences – Non executive staff		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		(Rupees in thousand)									
Opening fair value of plan assets		1,425,877	1,375,923	1,814,597	1,527,932	36,964	33,032	224,129	194,884	3,501,567	3,131,771
Expected return		171,105	165,111	217,752	183,352	4,436	3,964	26,895	23,386	420,188	375,813
Actuarial gains / (losses)		(98,752)	2,355	(80,307)	98,896	603	(32)	2,559	5,859	(175,897)	107,078
Contributions by employer		–	12,973	75,502	100,318	5,756	4,064	13,550	16,779	94,808	134,134
Benefits paid		(11,798)	(11,285)	(86,381)	(95,901)	(2,756)	(4,064)	(13,550)	(16,779)	(114,485)	(128,029)
Amount transferred from pension fund to gratuity fund		(190,000)	(119,200)	–	–	–	–	–	–	(190,000)	(119,200)
	21.6	1,296,432	1,425,877	1,941,163	1,814,597	45,003	36,964	253,583	224,129	3,536,181	3,501,567

21.6 Plan assets comprises as:

	Pension fund – Executive Staff				Gratuity fund – Non Executive Staff			
	2011		2010		2011		2010	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%
	(Rupees in thousand)							
Mutual funds	59,540	4.59	46,712	3.28	87,450	4.51	68,441	3.79
Certificates of deposits	1,230,000	94.88	1,325,142	92.94	1,779,683	91.68	1,671,082	92.09
Pakistan Investment Bonds	–	0.00	–	0.00	12,000	0.62	28,000	1.53
Receivable from Gratuity fund	–	0.00	35,000	2.45	–	0.00	–	0.00
Cash at bank	6,892	0.53	19,023	1.33	62,031	3.19	47,074	2.59
	1,296,432	100.00	1,425,877	100.00	1,941,164	100.00	1,814,597	100.00

	Free gas facility fund – Executive Staff				Accumulating compensated absences – Non Executive Staff			
	2011		2010		2011		2010	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%
	(Rupees in thousand)							
Certificates of deposits	44,097	17.39	36,488	16.28	253,025	99.78	223,123	99.55
Cash at bank	906	0.36	476	0.21	558	0.22	1,006	0.45
	45,003	17.75	36,964	16.49	253,583	100.00	224,129	100.00

21.7 Principal actuarial assumptions used (expressed as weighted average):

	Pension fund – Executive Staff		Gratuity fund – Non Executive Staff	
	2011	2010	2011	2010
Expected increase in salaries	13%	11%	13%	11%
Discount rate	14%	12%	14%	12%
Expected rate of return per annum on plan assets	12%	12%	12%	12%

	Free gas facility fund – Executive Staff		Accumulating compensated absences – Non Executive Staff	
	2011	2010	2011	2010
Expected increase in salaries	13%	13%	11%	11%
Discount rate	14%	14%	12%	12%
Expected rate of return per annum on plan assets	12%	10%	12%	10%

Pension fund provides 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 – Executive staff				
	2011	**2010**	**2009**	**2008**	**2007**
	(Rupees in thousand)				
Plan assets	1,296,432	1,425,877	1,375,923	1,192,956	1,083,663
Defined benefit obligation	(422,789)	(326,615)	(298,443)	(275,008)	(207,993)
Surplus	873,643	1,099,262	1,077,480	917,948	875,670
Experience adjustment on plan liabilities	36,069	(24,547)	(20,960)	39,749	(32,703)
Experience adjustment on plan assets	(98,752)	2,355	118,136	36,771	121,333

	Gratuity Fund – Non Executive staff				
	2011	**2010**	**2009**	**2008**	**2007**
	(Rupees in thousand)				
Plan assets	1,941,163	1,814,597	1,527,932	1,423,996	1,293,251
Defined benefit obligation	(1,184,658)	(1,150,100)	(868,203)	(855,271)	(737,287)
Surplus	756,505	664,497	659,729	568,725	555,964
Experience adjustment on plan liabilities	(120,670)	200,737	76,422	(40,020)	(32,757)
Experience adjustment on plan assets	(80,307)	98,896	587	104,072	57,566

	Free gas facility fund – Executive staff				
	2011	**2010**	**2009**	**2008**	**2007**
	(Rupees in thousand)				
Plan assets	45,003	36,964	33,032	27,889	25,121
Defined benefit obligation	(40,725)	(43,579)	(39,718)	(31,650)	(25,906)
Surplus / (Deficit)	4,278	(6,615)	(6,686)	(3,761)	(785)
Experience adjustment on plan liabilities	(5,327)	3,159	8,330	5,694	701
Experience adjustment on plan assets	603	(32)	1,796	256	733

	Accumulating compensated absences – Executive staff				
	2011	**2010**	**2009**	**2008**	**2007**
	(Rupees in thousand)				
Plan assets	253,583	224,129	194,884	164,474	148,105
Defined benefit obligation	(206,762)	(191,570)	(148,161)	(142,462)	(132,066)
Surplus	46,821	32,559	46,723	22,012	16,039
Experience adjustment on plan liabilities	(14,966)	27,025	(18,163)	(680)	(9,039)
Experience adjustment on plan assets	2,559	5,859	10,673	1,558	4,336

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		Note	2011	2010
			(Rupees in thousand)	
21.10	**Estimated future contributions**:			
	Pension fund – Executive staff		42,979	33,773
	Gratuity fund – Non executive staff		80,763	80,595
	Free gas facility – Executive staff		–	6,615
			123,742	120,983
21.11	**The charge for the year has been allocated as follows:**			
	Distribution cost	31	49,190	58,635
	Selling cost	33	34,589	40,315
	Administrative expenses	34	38,643	43,607
	Capital work–in–progress		(3,883)	(23,057)
			118,539	119,500
22	**Long term deposits and prepayments**			
	Security and other deposits		5,397	5,326
	Prepayments		56,419	41,419
			61,816	46,745
	Less: Current portion of prepayments	26	54,065	36,507
	Provision against prepayments		1,232	1,232
			55,297	37,739
			6,519	9,006
23.	**Stores and spare parts**			
	Stores [including in–transit Rs 74,909 thousand (2010: Rs 71,294 thousand)]		1,002,374	1,019,132
	Spares [including in–transit Rs 55,906 thousand (2010: Rs 65,678 thousand)]		630,657	661,907
		23.1	1,633,031	1,681,039
	Less: Provision for obsolescence		12,831	11,918
			1,620,200	1,669,121

23.1 This includes stores and spare parts of Rs 21,804 thousand (2010: Rs 26,194 thousand) which are not in possession of the Company.

		Note	2011	2010
			(Rupees in thousand)	
24.	**Trade debts**			
	Considered good:			
	Secured	24.1	16,976,848	24,146,283
	Unsecured	24.1, 24.3	19,536,334	18,771,376
	Deferred / accrued gas sales		(58,965)	(43,099)
			36,454,217	42,874,560
	Considered doubtful		4,092,110	2,452,890
			40,546,327	45,327,450
	Less: Provision for doubtful debts	24.2	(4,092,110)	(2,452,890)
			36,454,217	42,874,560

		Note	2011	2010
			(Rupees in thousand)	
24.1	**These include amounts due from the following related parties:**			
	Nishat Mills Limited		99,111	121,503
	Sui Southern Gas Company Limited		45,830	–
	ICI Pakistan Limited		111,282	145,305
	Glaxo Smith Kline (Pakistan) Limited		98	315
	Packages Limited		29,102	44,951
	Dawood Hercules Chemicals Limited		176,800	204,031
	Lahore University of Management Sciences (LUMS)		–	3,517
	D.G. Khan Cement Company Limited		52,975	119,884
	Engro Chemicals Limited		553,255	226,785
	Pakarab Fertilizers Limited		83,316	282,981
			1,151,769	1,149,272
24.2	**Provision for doubtful debts:**			
	Balance as on July 1		2,452,890	1,996,970
	Provision during the year	33	1,639,220	455,920
	Balance as on June 30		4,092,110	2,452,890

24.3 Included in trade debts are amounts receivable from government owned power generation companies of Rs 1,016,969 thousand (2010: Rs 6,871,252 thousand) along with interest of Rs 2,655,225 thousand (2010: Rs 1,874,142 thousand) on delayed payments. While trade and other payables referred to in note 12 includes an amount of Rs 6,717,045 thousand (2010: Rs 3,864,987 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 interest on delayed payments. The settlement of these amounts is dependent upon the resolution of inter–corporate circular debt by the Government of Pakistan.

		Note	2011	2010
			(Rupees in thousand)	
25.	**Loans and advances**			
	Loans due from employees:			
	Executives	20	782	1,021
	Other employees	20	84,734	78,225
			85,516	79,246
	Advances – considered good			
	– other employees		6,330	5,821
	– suppliers and contractors		84,571	144,334
	Advances to suppliers and contractors			
	– considered doubtful		3,227	3,227
	Less: Provision for doubtful receivables		3,227	3,227
			–	–
			176,417	229,401
26.	**Trade deposits and short term prepayments**			
	Trade deposits and short term prepayments		111,786	88,605
	Less: Provision for doubtful deposits		(22,290)	(22,290)
			89,496	66,315
	Current portion of long term prepayments	22	54,065	36,507
			143,561	102,822

Notes to the Financial Statements
for the year ended June 30, 2011

		Note	2011	2010
			(Rupees in thousand)	
27.	**Other receivables**			
	Exchange differences on long term loans recoverable from the Government of Pakistan		–	1,788,767
	Excise duty recoverable		108,945	108,945
	Less: Provision for doubtful recoverable		(108,945)	(108,945)
			–	–
	Differential margin recoverable		5,035,705	–
	Due from customers	40	280,573	314,538
	Current account with Sui Southern Gas Company Limited		415,826	3,963
	Others		133,822	69,578
			5,865,926	2,176,846
28.	**Cash and bank balances**			
	On deposits accounts	28.1	1,432,225	1,726,292
	On current accounts		520,686	281,633
			1,952,911	2,007,925
	Cash in hand		1,149	1,197
			1,954,060	2,009,122

28.1 Rate of return on bank deposits ranges between 5.0% to 13.0% (2010: 2.5% to 17.5%) per annum.

		Note	2011	2010
			(Rupees in thousand)	
28.2	**Balance with related parties**			
	Askari Commercial Bank Limited		409,544	127,677
	MCB Bank Limited		69,337	247,201
	Bank Al–Habib Limited		437,810	41,639
	Faysal Bank Limited		23,729	39,100
			940,420	455,617
29.	**Gas sales**			
	Gross sales		215,296,923	198,407,317
	Less: Sales tax		(30,236,140)	(25,412,672)
			185,060,783	172,994,645
30.	**Cost of gas sales**			
	Opening stock of gas in pipelines		741,128	783,362
	Gas purchases:			
	Southern system		108,302,650	108,603,179
	Northern system		39,989,930	25,961,635
	Cost equalization adjustment	30.1	24,299,129	11,217,001
			172,591,709	145,781,815
			173,332,837	146,565,177
	Less: Gas internally consumed		2,147,339	2,491,111
	Closing stock of gas in pipelines		685,757	741,128
			2,833,096	3,232,239
	Distribution Cost	31	13,737,432	12,683,927
			184,237,173	156,016,865

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.

30.2 Unaccounted for Gas (UFG) in the parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. However, in order to curb the rising trend of theft the company has launched a campaign to unearth illegal networks. Volume of gas being used by the non consumers worth 6,607 MMCF detected during this compaign has been allowed by OGRA to be deducted from UFG of the company.The UFG for each region of SNGPL network is given below in terms of volume and percentage.

Serial no.	Region	Number of consumers	UFG	
			MMCF	%
1	Multan	337,601	10,501	10.87
2	Bahawalpur	156,525	5,716	7.08
3	Faisalabad	538,753	4,435	4.63
4	Sahiwal	108,407	1,680	9.57
5	Sheikhupura	167,295	10,094	15.19
6	Lahore	799,244	11,553	10.68
7	Gujranwala	581,854	9,666	18.09
8	Islamabad	723,519	9,142	11.92
9	Peshawar	375,038	9,165	17.23
10	Abbottabad	110,338	523	3.74
	Total distribution system	3,898,574	72,475	10.89
	Transmission system	–	2,116	0.32
	Total company	3,898,574	74,591	11.21

	Note	2011	2010
		(Rupees in thousand)	
31. Distribution cost			
Salaries, wages and benefits	11, 31.1	3,191,956	2,459,472
Employees medical and welfare		340,469	300,054
Stores and spare parts consumed		420,179	557,114
Fuel and power		1,888,853	2,253,268
Repairs and maintenance		433,155	536,259
Rent, rates, electricity and telephone		139,471	123,483
Insurance		168,571	137,847
Travelling		85,383	75,404
Stationery and postage		15,664	19,773
Transportation charges		376,984	412,323
Professional services		1,402	6,619
Stores and spare parts written off		–	2,268
Provision for obsolete stores and spare parts		1,772	6,453
Security expenses		152,927	148,226
Depreciation	17.1.3	7,382,924	6,638,928
Others		196,074	136,866
		14,795,784	13,814,357
Less: Allocated to fixed capital expenditure		(1,058,352)	(1,130,430)
	30	13,737,432	12,683,927

Notes to the Financial Statements
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31.1 Included in salaries, wages and benefits is Rs 65,045 thousand (2010: Rs 61,055 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2011	2010
		(Rupees in thousand)	
32. Other operating income			
Income from financial assets			
Interest on staff loans and advances		31,735	30,835
Return on bank deposits		351,123	245,113
		382,858	275,948
Interest Income on late payment of gas bills			
Government owned power generation companies	24.3	781,083	1,874,142
Late payment surcharge	32.1	2,156,080	1,688,068
		2,937,163	3,562,210
Income from assets other than financial assets			
Net gain on sale of fixed assets		9,497	21,336
Meter rentals and repairs charges	32.2	1,126,170	1,091,095
Amortization of deferred credit	9, 38	2,513,631	1,801,116
Net gain on coating of pipelines for SSGCL		517,493	–
Insurance claim	32.4	1,720	1,526
		4,168,511	2,915,073
Others			
Sale of tender documents		2,389	2,079
Sale of scrap		59,655	29,425
Liquidated damages recovered		200,370	72,166
Gain on construction contracts		258,263	229,857
Bad debt recoveries		13,589	31,341
Take or pay income from industrial consumers	32.5	630,259	632,653
Miscellaneous		11,127	21,568
		1,175,652	1,019,089
		8,664,184	7,772,320

Interest approximating to Rs 408,382 thousand on gas sales arrears principally in respect of installments receivable from certain consumers has not been recognised in these financial statements as the recoverability of such amounts is not virtually certain and it is considered prudent not to recognise such interest as income until such time its recoverability is virtually certain.

	Note	2011	2010
		(Rupees in thousand)	
32.1 Late payment surcharge			
Interest on gas sales arrears	32.2	1,500,328	853,793
Surcharge on late payments	32.3	655,752	834,275
		2,156,080	1,688,068

32.2 This represents interest charged on gas sales arrears amounting to Rs 880,939 thousand (2010: Rs 660,293 thousand) at the rate of 1.5% (2010: 1.5%) per month up to one year and thereafter 2% (2010: 2%) per month from other than domestic consumers, and Nil (2010: Rs 139,404 thousand) in respect of certain industrial consumers on overdue take or pay arrears at the rate of 18% (2010: 18%) per annum.

32.3 One time late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2010: 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.

	Note	2011	2010
		(Rupees in thousand)	
33. Selling cost			
Salaries, wages and benefits	11 , 33.1	1,382,223	1,081,631
Employees medical and welfare		166,811	140,650
Stores and spare parts consumed		668	148
Repairs and maintenance		94,261	89,108
Rent, rates, electricity and telephone		14,505	15,542
Travelling		24,140	19,939
Stationery and postage		58,936	55,280
Despatch of gas bills		66,698	64,222
Transportation charges		56,105	53,776
Provision for doubtful debts	24.2	1,639,220	455,920
Professional services		258	1,126
Gathering charges of gas bills collection data		21,361	20,954
Gas bills collection charges		282,899	252,478
Others		13,903	25,781
		3,821,988	2,276,555
Less: Allocated to fixed capital expenditure		(244,839)	(184,294)
		3,577,149	2,092,261

33.1 Included in salaries, wages and benefits is Rs 28,206 thousand (2010: Rs 26,683 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2011	2010
		(Rupees in thousand)	
34. Administrative expenses			
Salaries, wages and benefits	11 , 34.1	1,938,253	1,375,230
Employees medical and welfare		183,645	135,218
Stores and spare parts consumed		45,306	53,798
Fuel and power		20,795	24,997
Repairs and maintenance		47,925	49,308
Rent, rates, electricity and telephone		71,930	60,977
Insurance		6,606	8,525
Travelling		29,066	29,949
Stationery and postage		28,636	25,697
Transportation charges		49,269	36,671
Professional services	34.2	55,277	38,777
Security expenses		36,628	33,490
Service charges		58,968	49,222
OGRA fee and expenses		168,102	108,568
Depreciation	17.1.3	150,672	170,229
Amortization of intangible assets	18.1	119,676	14,195
Others		115,780	145,883
		3,126,534	2,360,734
Less: Allocated to fixed capital expenditure		(213,630)	(213,085)
		2,912,904	2,147,649

34.1 Included in salaries, wages and benefits is Rs 33,997 thousand (2010: Rs 28,934 thousand) in respect of the Company's contribution to the Employees Provident Fund.

Notes to the Financial Statements
for the year ended June 30, 2011

	Note	2011	2010
		(Rupees in thousand)	
34.2 Professional services			
The charges for professional services include the following in respect of:			
Statutory audit			
– A. F. Ferguson & Co.		700	550
– M. Yousaf Adil Saleem & Co.		700	550
		1,400	1,100
Half yearly review and other certifications			
– A. F. Ferguson & Co.		470	310
– M. Yousaf Adil Saleem & Co.		520	350
		990	660
Income tax advisory			
– A. F. Ferguson & Co.		5,996	4,364
Out of pocket expenses			
– A. F. Ferguson & Co.		250	250
– M. Yousaf Adil Saleem & Co.		250	250
		500	500
		8,886	6,624

35. Finance cost

	Note	2011	2010
Mark–up/ interest/commitment charges on:			
– Long term financing:			
Secured		3,912	367
Unsecured		195,465	188,447
– Short term borrowing		89,871	90,566
– Late payment to gas suppliers		2,887,562	3,882,924
– Security deposits		621,753	449,472
– Bank charges	35.1	78,300	–
– Workers' Profit Participation Fund	12.3	7,418	10,772
		3,884,281	4,622,548
– Exchange risk coverage fee		3,440	37,833
		3,887,721	4,660,381
Less: Allocated to fixed capital expenditure		(9,888)	(10,227)
		3,877,833	4,650,154

35.1 This includes Rs 77,140 thousand in respect of fee for loan obtained during the year.

	Note	2011	2010
		(Rupees in thousand)	
36. Other operating expenses			
Workers' Profit Participation Fund	12.3	91,083	208,796
Workers' Welfare Fund		35,410	76,629
Exchange loss		55,536	302,200
Loss on initial recognition of financial assets at fair value		26,754	27,760
Donations	36.1	200	115
		208,983	615,500

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

	Note	2011	2010
		(Rupees in thousand)	

37. Taxation

	2011	2010
Current year		
Current tax	975,308	873,859
Share of profit from associate	–	212
	975,308	874,071
Deferred tax	(388,240)	580,020
	587,068	1,454,091
Prior year		
Current tax	(24,346)	(128,723)
	562,722	1,325,368

37.1 Current tax provision represents minimum tax under section 113 of the Income Tax Ordinance, 2001.

	2011	2010
	(%)	
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	(0.13)	1.57
– Effect of changes in current tax of prior years	(1.44)	(3.32)
– Others	(0.08)	0.91
	(1.65)	(0.84)
Average effective tax rate charged to profit and loss account	33.35	34.16

	Note	2011	2010
		(Rupees in thousand)	

38. Cash generated from operations

	Note	2011	2010
Profit before taxation and share of associate		1,687,743	3,879,719
Adjustment for non–cash charges and other items:			
Depreciation	17.1.3	7,533,596	6,809,157
Amortization of intangible assets		119,676	14,195
Employee benefits		850,911	652,589
Amortization of deferred credit		(2,513,631)	(1,801,116)
Net gain on sale of fixed assets		(9,497)	(21,336)
Finance cost		3,877,833	4,650,154
Return on bank deposits		(351,123)	(245,113)
Provision for doubtful debts		1,639,220	455,920
Stores and spare parts written off		–	8,721
Loss on initial recognition of financial assets at fair value		26,754	27,760
Interest income due to the impact of IAS–39		(20,494)	(19,022)
Working capital changes	38.1	(13,810,018)	(2,386,655)
		(969,030)	12,024,973

Notes to the Financial Statements
for the year ended June 30, 2011

		Note	2011	2010
			(Rupees in thousand)	
38.1	**Working capital changes**			
	(Increase)/ decrease in current assets:			
	Stores and spare parts		48,921	502,832
	Stock–in–trade – gas in pipelines		55,371	42,234
	Trade debts		3,551,123	(17,624,118)
	Loans and advances		59,254	(87,963)
	Trade deposits and short term prepayments		(40,739)	27,580
	Other receivables		(3,689,080)	9,638,894
			(15,150)	(7,500,541)
	(Decrease) / Increase in current liabilities			
	Trade and other payables		(13,794,868)	5,113,886
			(13,810,018)	(2,386,655)
38.2	**Cash and cash equivalents**			
	Cash and bank balances		1,954,060	2,009,122
	Short term borrowing		(1,000,000)	(1,000,000)
			954,060	1,009,122

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:

	Managing Director			Executives	
	2011		2010	2011	2010
Number of persons	1	1	1	534	320
	A. Rashid Lone July to April	Arif Hameed May to June			
	(Rupees in thousand)				
Remuneration	6,435	814	5,467	472,846	269,152
Contribution to provident, pension and gratuity fund	–	188	–	109,227	62,174
Housing and utilities	3,539	448	3,007	247,743	148,034
Special allowance	1,287	86	1,093	–	–
Leave encashment	–	–	–	10,101	9,710
Club subscription	1	–	6	79	67
	11,262	1,536	9,573	839,996	489,137

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 fourteen (2010: twelve) directors was Rs 81 thousand (2010: Rs 88 thousand).

	Note	2011	2010
		(Rupees in thousand)	

40. Long–term construction contracts

	Note	2011	2010
Contract revenue for the year		700,883	1,345,286
Method used to determine revenue		Fixed price contract	
Method used to determine stage of completion		Cost incurred to–date	
Contract cost incurred to date		2,000,478	1,482,561
Contract cost incurred during the year		517,917	490,994
Gross profit realised to date		1,008,720	825,756
Retention money receivable		76,148	36,829
Gross amount due from customers	27	280,573	314,538
Gross amount due to customers	12	7,388	41,511
Estimated future costs to complete projects in progress		159,700	520,735

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	2011	2010
		(Rupees in thousand)	
Gas sales		7,487,837	7,282,709
Purchase of materials		1,264,421	1,559,046
Purchase of gas		124,351,985	104,264,696
Services	34	65,524	54,477
Profit received on bank deposits		229,817	123,762
Contribution to defined contribution plan	41.1	134,538	144,149
Contribution to defined benefit plans		916,612	720,066
Transportation charges		400,841	409,356
Transmission charges		2,683	2,302
Insurance expenses		196,497	157,464
Insurance claimed received		12,940	14,057
Dividend paid		193,145	–

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 1,500,000 thousand (2010: Rs 4,000,000 thousand) out of which Rs 493,356 thousand (2010: Rs 3,309,206 thousand) remained unutilized at the end of the year.

43. Capacity and actual performance

The average daily gas transmitted during the year was 519,066 Hm3 (2010: 507,524 Hm3) against the designed capacity of 459,234 Hm3 (2010: 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.

Notes to the Financial Statements
for the year ended June 30, 2011

			Note	2011	2010
44.	**Earnings per share – basic and diluted**				
	Profit for the year	Rupees in thousand		1,125,021	2,554,563
	Average ordinary shares in issue	Numbers of shares	5	549,105,339	549,105,339
	Basic earnings per share	Rupees		2.05	4.65

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 minimise 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 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 statements.

	2011	2010
	(Rupees in thousand)	
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	85.570	83.884
Reporting date rate	86.050	85.650

(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.

(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:

	2011	2010
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Loans to employees	309,950	307,094
Financial liabilities		
Long term financing	576,785	611,221
Security deposit	11,003,158	10,051,886
Floating rate instruments		
Financial assets		
Bank balances – deposit accounts	1,432,225	1,726,292
Financial liabilities		
Long term financing	10,480,043	1,162,273
Security deposit	126,714	1,346,714
Short term borrowing	1,000,000	1,000,000

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 66,134 thousand (2010: increased/decreased by Rs 11,588 thousand), mainly as a result of higher/lower interest expense in the year ended June 30, 2011. 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:

	2011	2010
	(Rupees in thousand)	
Loans and advances	316,280	312,915
Deposits	16,122	15,951
Trade debts	36,454,217	42,874,560
Interest accrued	9,555	7,289
Other receivables	461,165	2,176,584
Bank balances	1,952,911	2,007,925
	39,210,250	47,395,224

Notes to the Financial Statements
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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			2011	2010
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AA+	PACRA	69,337	247,201
National Bank of Pakistan	A–1+	AAA	JCR–VIS	17,499	375,602
Habib Bank Limited	A–1+	AA+	JCR–VIS	86,146	24,879
United Bank Limited	A–1+	AA+	JCR–VIS	9,855	144,228
Allied Bank Limited	A1+	AA	JCR–VIS	7,260	228,902
Askari Bank Limited	A1+	AA	PACRA	409,544	127,677
Habib Metropolitan Bank	A1+	AA+	PACRA	81,618	150,147
Bank Al–Habib Limited	A1+	AA	PACRA	437,810	41,639
Faysal Bank Limited	A–1+	AA	JCR–VIS	23,729	39,100
Bank Alfalah Limited	A1+	AA	PACRA	99,415	7,650
Soneri Bank Limited	A1+	AA–	PACRA	5,881	10,811
Royal Bank of Scotland	A1+	AA	PACRA	29,138	7,763
The Bank of Punjab	A1+	AA–	PACRA	52,043	63,143
Citi group	A–1	A+	Standard & Poor's	628	14,384
First Women Bank Limited	A2	BBB+	PACRA	388	10,798
Standard Chartered Bank	A1+	AAA	JCR–VIS	20,037	30,106
My Bank Limited	A1	A	PACRA	856	4,337
Albaraka Islamic Bank	A–1	A	JCR–VIS	739	1,895
Summit bank limited					
(formerly)Arif Habib Bank Limited	A–2	A	JCR–VIS	2,729	989
JS Bank Limited	A–2	A–	PACRA	248	1,880
Oman International Bank	A–2	BBB	JCR–VIS	9,355	1,090
KASB Bank Limited	A1	A	PACRA	351	1,432
NIB Bank Limited	A1+	AA–	PACRA	8,213	13,915
Barclays Bank	A–1+	AA–	Standard & Poor's	43,601	104,186
The Bank of Kyber	A–2	A–	JCR–VIS	322	5,869
Punjab Provincial Co–operative Bank				342	1,426
Silk Bank Limited	A–3	A–	JCR–VIS	15,141	11,078
				1,432,225	1,672,127

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

As at June 30, 2011, trade debts of Rs 17,244,148 thousand (2010 : Rs 10,389,811 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:

	2011	2010
	(Rupees in thousand)	
1 to 6 months	14,253,035	8,525,974
More than 6 months	2,991,113	1,863,837
	17,244,148	10,389,811

As at June 30, 2011, trade debts of Rs 4,092,111 thousand (2010 : Rs 2,452,890 thousand) were impaired and provided for. The ageing analysis of these trade debts is as follows:

	2011	2010
	(Rupees in thousand)	
Up to 1 month	202,497	173,804
1 to 6 months	716,481	100,394
More than 6 months	3,173,133	2,178,692
	4,092,111	2,452,890

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(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, 2011					
Long term financing	11,056,828	14,539,476	1,346,006	12,319,709	873,761
Trade and other payables	39,800,614	39,800,614	39,800,614	–	–
Short term borrowings	1,000,000	1,137,900	1,137,900	–	–
	51,857,442	55,477,990	42,284,520	12,319,709	873,761
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

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, 2011. 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.

Notes to the Financial Statements
for the year ended June 30, 2011

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	
	2011	2010
	(Rupees in thousand)	
As at 30 June		
Assets as per balance sheet		
Loans and advances	316,280	312,915
Trade deposits and short term prepayments	16,122	15,951
Trade debts	36,454,217	42,874,560
Interest accrued	9,555	7,289
Other receivables	461,165	2,176,584
Cash and bank balances	1,954,060	2,009,122
	39,211,399	47,396,421

	Financial liabilities at amortized cost	
	2011	2010
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term financing	11,056,828	1,990,773
Security deposit	16,477,801	14,899,244
Accrued mark–up	7,995,268	4,560,734
Short term borrowings	1,000,000	1,000,000
Trade and other payables	39,800,614	52,031,483
	76,330,511	74,482,234

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 or issue new shares.

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. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimise cost of capital.

The gearing ratio as at June 30, 2011 and June 30, 2010 were as follows:

	Note	2011	2010
		(Rupees in thousand)	
Debt	6, 7, 14, 15	12,056,828	2,990,773
Equity	5	18,728,889	18,702,079
Total capital employed		30,785,717	21,692,852
Gearing ratio		39.16%	13.79%

46. Events after balance sheet date

The Board of Directors of the Company in its meeting held on September 28, 2011 has proposed a cash dividend in respect of the year ended June 30, 2011 of Rs 1 per share (2010: Rs 2 per share), amounting to Rs 549,105,339 (2010: Rs 1,098,210,678) and 5% bonus share (2010: Nil) in respect of the year ended June 30, 2011. 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 September 28, 2011 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)
Employee Benefit–Non Current asset	Employee Benefit–Non Current liabilities	For better presentation	778,543
Trade and other payables	Trade deposits and short term prepayments	For better presentation	36,829

49. General

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

M. Arif Hameed
Managing Director/Chief Executive Officer

Mian Misbah–ur–Rehman
Chairman

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 48^{th} Annual General Meeting of the Company to be held on Monday, October 31, 2011 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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Fax (+92–42) 99201317

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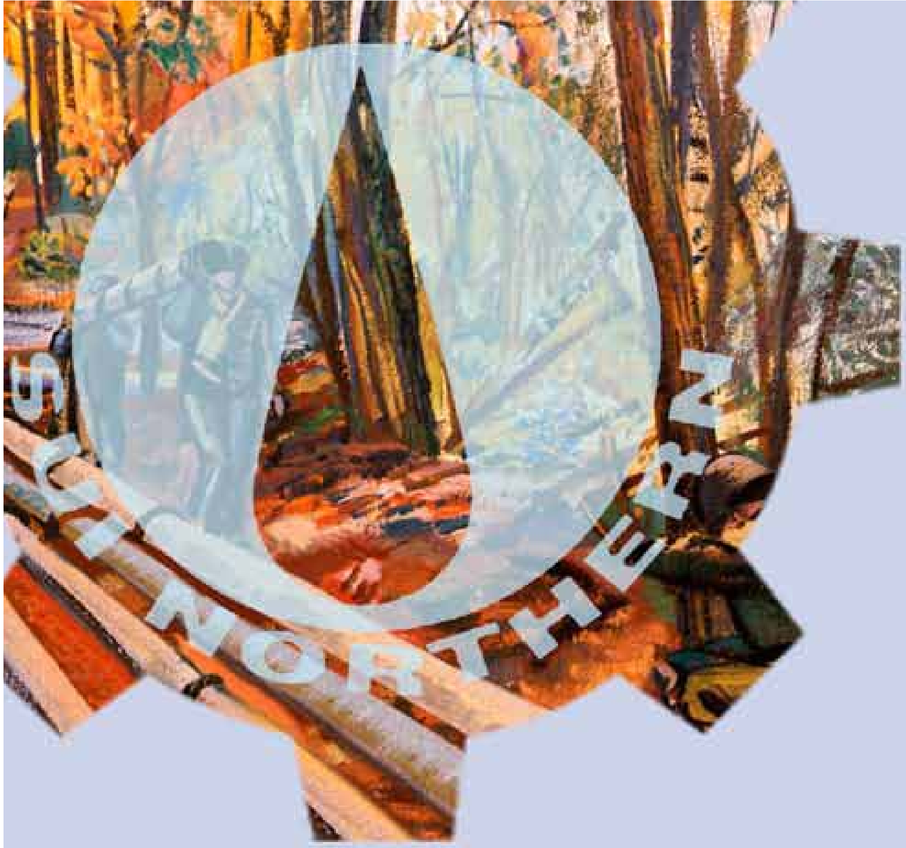

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