Audited Financial Statements 2012

Sui Northern Gas Pipelines Limited

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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 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.

Regulation 35 (x) of the Listing Regulations requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2012.

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

Engagement Partner:
Amer Raza Mir

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

Engagement Partner:
Talat Javed

Lahore
Date: February 13, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Sui Northern Gas Pipelines Limited (the Company) as at June 30, 2012 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, 2012 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 16.1.2 to the attached financial statements, the revenue requirement for the financial years 2010-11 and 2011-12 are 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

Engagement Partner:
Amer Raza Mir

M Yousaf Adil Saleem & Co.
Chartered Accountants

Engagement Partner:
Talat Javed

Lahore
Date: February 13, 2013

Balance Sheet

as at June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Equity and Liabilities			
Share capital and reserves			
Authorised share capital			
1,500,000,000 (2011: 1,500,000,000)			
ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital	5	5,765,606	5,491,053
Revenue reserves		15,458,174	13,237,836
Shareholders' equity		21,223,780	18,728,889
Non-current liabilities			
Long term financing:			
- Secured	6	7,500,000	9,500,000
- Unsecured	7	1,086,313	1,324,177
Security deposits	8	20,227,669	16,477,801
Deferred credit	9	33,315,790	32,768,270
Deferred taxation	10	9,066,835	8,369,991
Employee benefits	11	1,009,794	1,130,074
		72,206,401	69,570,313
Current liabilities			
Trade and other payables	12	65,288,560	41,138,261
Sales tax payable		1,070,339	65,234
Interest / mark-up accrued on loans			
and other payables	13	9,683,085	7,995,268
Short term borrowing - secured	14	1,000,000	1,000,000
Current portion of long term financing	15	2,853,581	232,651
		79,895,565	50,431,414
Contingencies and commitments	16		
		173,325,746	138,730,616

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

M. Arif Hameed
Managing Director/Chief Executive Officer

	Note	2012	2011
		(Rupees in thousand)	
Assets			
Non-current assets			
Property, plant and equipment	17	92,769,426	89,498,248
Intangible assets	18	133,591	239,427
Long term investment	19	4,900	4,900
Long term loans	20	245,067	224,434
Employee benefits	21	1,205,267	1,289,724
Long term deposits and prepayments	22	13,330	6,519
		94,371,581	91,263,252
Current assets			
Stores and spare parts	23	1,839,194	1,620,200
Stock-in-trade - gas in pipelines		848,671	685,757
Trade debts	24	73,330,850	36,454,217
Loans and advances	25	153,926	176,417
Trade deposits and short term prepayments	26	123,375	143,561
Accrued interest		15,814	9,555
Other receivables	27	82,424	5,865,926
Taxation-net		1,434,647	557,671
Cash and bank balances	28	1,125,264	1,954,060
		78,954,165	47,467,364
		173,325,746	138,730,616

Mian Misbah–ur–Rehman
Chairman

Profit and Loss Account

for the year ended June 30, 2012

	Note	2012	2011
		(Rupees in thousand)	
Gas sales	29	230,267,469	185,060,783
(Less) / Add :(Gas development surcharge) / Differential margin		(13,615,152)	2,776,818
		216,652,317	187,837,601
Less: Cost of gas sales	30	209,422,514	184,237,173
Gross profit		7,229,803	3,600,428
Other operating income	32	9,104,253	8,664,184
		16,334,056	12,264,612
Less:			
Selling cost	33	4,158,903	3,577,149
Administrative expenses	34	3,084,620	2,912,904
		7,243,523	6,490,053
Operating profit		9,090,533	5,774,559
Less:			
Finance cost	35	3,412,328	3,877,833
Other operating expenses	36	937,320	208,983
		4,349,648	4,086,816
Profit before taxation		4,740,885	1,687,743
Taxation	37	1,696,889	562,722
Profit for the year		3,043,996	1,125,021
Earnings per share - basic and diluted - (Rupees)	44	5.28	1.95

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, 2012

	2012	2011
	(Rupees in thousand)	
Profit for the year	3,043,996	1,125,021
Other comprehensive income for the year	–	–
Total comprehensive income for the year	3,043,996	1,125,021

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, 2012

	Share capital	Revenue Reserves				Total equity
		General reserve	Dividend equalization reserve	Unappro–priated profit	Total	
	(R u p e e s i n t h o u s a n d s)					
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 June 30, 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
Profit for the year	-	-	-	3,043,996	3,043,996	3,043,996
Bonus shares @ 5% for the year ended June 30, 2011	274,553	-	-	(274,553)	(274,553)	-
Final dividend for the year ended June 30, 2011						
@ Rupees 1.00 per share	-	-	-	(549,105)	(549,105)	(549,105)
Total other comprehensive income for the year	-	-	-	-	-	-
Balance as at June 30, 2012	5,765,606	4,127,682	480,000	10,850,492	15,458,174	21,223,780

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, 2012

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	38	8,356,851	(969,030)
Finance cost paid		(1,688,105)	(416,764)
Taxes paid		(1,781,154)	(398,474)
Employee benefits/contributions paid		(1,187,407)	(1,037,777)
Increase in security deposits		3,749,868	2,808,557
Receipts against government grants and consumer contributions		2,818,819	2,401,235
Increase in long term loans		(46,489)	(9,116)
(Increase) / Decrease in long term deposits and prepayments		(6,812)	2,487
Net cash generated from operating activities		10,215,571	2,381,118
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(11,322,774)	(10,586,235)
Expenditure on intangible assets		(5,748)	(3,813)
Proceeds from sale of property, plant and equipment		14,109	12,555
Return on bank deposits		381,848	348,857
Net cash used in investing activities		(10,932,565)	(10,228,636)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing - unsecured		18,006	20,000
Repayment of long term financing - unsecured		(83,723)	(635,675)
Proceeds from long term financing - secured		500,000	9,500,000
Dividend paid		(546,085)	(1,091,869)
Net cash (used in) / from financing activities		(111,802)	7,792,456
Net decrease in cash and cash equivalents		(828,796)	(55,062)
Cash and cash equivalents at the beginning of the year		954,060	1,009,122
Cash and cash equivalents at the end of the year	38.2	125,264	954,060

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

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, 2011:

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. This amendment does not have a material impact on the company's financial statements.

- IAS 24 (Revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. As this change only impacts presentation aspects, there is no impact on the profit for the year.

- IFRS 1 (Amendment) (effective 1 July 2011) These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The Company has determined that there is no material impact of the above amendment on the financial information.

- IFRS 7, 'Disclosures on transfers of financial assets' (Amendment), issued in October 2010. The new disclosure requirements apply to transferred financial assets. An entity transfers a financial asset when it transfers the contractual rights to receive cash flows of the asset to another party. These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. The Company has determined that there is no significant transfer of financial assets that require disclosure under the guidance above.

- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment does not have a material impact on the company's financial statements.

- IAS 34 (amendment), 'Interim financial reporting', is effective for annual periods beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. This amendment does not have a material impact on the company's financial statements.

- 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 Employees Stock Option Scheme" (the Scheme) for employees of certain State owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in 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. 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 the 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 125,597 thousand (2011:Rs 73,289 thousand) and reserves would have been higher by Rs 291,986 thousand (2011:Rs.121,588 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.

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, 2011 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 date (accounting periods beginning on or after)
-IAS 1	Financial statement presentation	January 1, 2012
-IAS 19	Employee benefits	July 1, 2012
-IAS 32	Financial instruments : Presentation	July 1, 2012
-IAS 27	Separate financial statements	January 1, 2013
-IAS 28	Associates and joint ventures	January 1, 2013
-IFRS 1	First time adoption', on government loans	January 1, 2013
-IFRS 7	Financial instruments: Disclosures	January 1, 2013
-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
-IAS 32	Financial instruments: Presentation', on offsetting financial assets and financial liabilities	January 1, 2014
-IFRS 9	Financial instruments	January 1, 2015

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. 24/2012 dated January 16, 2012 has exempted the application of IFRIC 4 'Determining whether an Arrangement contains a Lease' for all companies. However, the SECP made it mandatory for the 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	**2012**	**2011**	**2010**
		(Rupees in thousands)	
Decrease/(increase) in			
Cost of sales			
Transportation charges - Sui Southern Gas Company Limited (SSGCL)	425,352	400,841	409,356
Operating expenses			
Depreciation	(150,984)	(150,984)	(150,984)
Finance cost			
Finance cost - leased assets	(335,155)	(348,002)	(353,320)
Effect on balance sheet			
Increase in			
Written down value of operating assets	(1,056,887)	(1,207,871)	(1,358,855)
Obligation under finance lease			
Long term portion	(2,004,956)	(2,083,836)	(2,151,258)
Short term portion	(78,880)	(67,422)	(57,627)

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 or 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.

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, 2012 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.

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 18.1 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.

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.

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 4.68 % (2011: 2.10%).

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 6,269,000 thousand (2011: Rupees 7,177,740 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 recognize 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

2012	2011		2012	2011
(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
452,085,605	424,630,339	Ordinary shares of Rs 10 each issued as fully paid bonus shares	4,520,856	4,246,303
576,560,605	549,105,339		5,765,606	5,491,053

5.1 A summary of the movement in ordinary share capital is given below:

	2012		2011	
	Number	Amount Rs '000	Number	Amount Rs '000
Issued, subscribed and paid-up share capital				
As at July 1	549,105,339	5,491,053	549,105,339	5,491,053
Ordinary shares of Rs 10 each	27,455,266	274,553	–	–
As at June 30	576,560,605	5,765,606	549,105,339	5,491,053

5.2 Ordinary shares of the Company held by undertakings associated to the Company, by virtue of common directorship are as follows:

	2012	2011
	(Number of Shares)	
Dawood Hercules Chemicals Limited	73,481,262	69,982,155
Sui Southern Gas Company Limited	2,194,704	2,090,195
MCB Bank Limited	50,158,879	47,770,364
Dawood Foundation	5,372,566	5,116,730
	131,207,411	124,959,444

	Note	2012	2011
		(Rupees in thousand)	
6. Long term financing - secured			
From banking companies:			
Local currency - Syndicate term finance	6.1	7,000,000	7,000,000
		7,000,000	7,000,000
Other loans:			
Islamic finance under Musharaka arrangement	6.2	3,000,000	2,500,000
Less: Current portion shown under current liabilities	15	(2,500,000)	–
		7,500,000	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 first parri passu created by way of hypothecation over all the present and future moveable fixed assets of the company (excluding land and building) to the extent of PKR 10,769,231 thousands.

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 first parri passu created by way of hypothecation over movable fixed assets of the company (excluding land and building) to the extent of PKR 4,615,385 thousands, in respect of assets held under musharika arrangement as given in note 17.1.5.

		Note	2012	2011
			(Rupees in thousand)	
7.	**Long term financing - unsecured**			
	From financial institutions:			
	Local currency loans	7.1	1,439,894	1,556,828
	Less: Current portion shown under current liabilities			
	Local currency loans		(353,581)	(232,651)
		15	1,086,313	1,324,177
7.1	**Loans**			
	Government - Cash development loans	7.1.1	1,052,212	1,112,502
	Related parties	7.1.2	154,494	178,533
	Industrial consumers	7.1.3	233,188	265,793
			1,439,894	1,556,828

7.1.1 These have been obtained from the Federal Government and the Provincial Governments of Punjab and Khyber Pakhtunkhwa (KPK) for supply of gas to new towns. The loan aggregating to Rs 376,991 thousand (2011: Rs 132,459 thousand) carries mark-up at rates ranging between 5% to 9% (2011: 5% to 9%) per annum and Rs 675,221 thousand (2011: Rs 980,043 thousand) carries mark-up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2011: six month SBP treasury bills plus 1.2%) on the outstanding balance or part thereof.

7.1.2 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% (2011: 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.

7.1.3 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% (2011: 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.

7.1.4 The fair value of loans from Federal and Provincial Governments 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.

		2012	2011
		(Rate %)	
7.1.5	**The effective interest rates are as follows:**		
	Government - Development loans	7.54 to 15.00	8.00 to 14.88
	Industrial consumers and related parties	2.79 to 14.24	2.79 to 14.28

		Note	2012	2011
			(Rupees in thousand)	
8.	**Security deposits**			
	Consumers	8.2	20,149,630	16,407,212
	Contractors - Houseline	8.3	78,039	70,589
			20,227,669	16,477,801

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% (2011: 5%) per annum on deposits from industrial and commercial consumers aggregating to Rs 13,418,530 thousand (2011: Rs 10,868,825 thousand) and 2% (2011: 2%) per annum on deposits from bulk domestic consumers aggregating to Rs 807,741 thousand (2011: Rs 725,597 thousand). However, for one consumer having deposit of Rs 711,560 thousand (2011: Rs 126,714 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2011: 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 27,122 thousand (2011: Rs 25,438 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	2012	2011
			(Rupees in thousand)	
9.	**Deferred credit**			
	Consumer contribution against:			
	– Completed jobs		18,410,039	17,361,906
	– Jobs-in-progress		3,065,719	3,070,053
			21,475,758	20,431,959
	Government grants against:			
	– Completed jobs		13,372,353	11,471,696
	– Jobs-in-progress		11,270,754	11,410,347
			24,643,107	22,882,043
			46,118,865	43,314,002
	Less: Accumulated amortization:			
	Opening balance		10,545,732	8,032,101
	Amortization for the year	32	2,257,343	2,513,631
			12,803,075	10,545,732
			33,315,790	32,768,270

		2012	2011
		(Rupees in thousand)	
10.	**Deferred taxation**		
	The liability for deferred taxation comprises timing differences relating to:		
	Taxable temporary differences		
	Accelerated tax depreciation	12,956,070	11,937,905
	Unamortized balance of loans at fair value	24,043	9,404
		12,980,113	11,947,309
	Deductible temporary differences		
	Provision for doubtful debts	(2,088,159)	(1,479,732)
	Unpaid trading liabilities	(396,141)	(261,282)
	Carried forward tax losses	(597,549)	(597,550)
	Minimum tax adjustment	(801,069)	(1,222,204)
	Interest payable on security deposits	(30,360)	(16,550)
		(3,913,278)	(3,577,318)
		9,066,835	8,369,991
11.	**Employee benefits**		
	Medical fund - Non executive staff	164,461	164,165
	Medical fund - Executive staff	204,061	170,682
	Free gas facility fund - Non executive staff	149,968	164,619
	Free gas facility fund - Executive staff	12,519	(4,278)
	Pension fund-Non executive staff	183,188	229,132
	Gratuity fund-Executive staff	261,407	393,658
	Compensated absences-Executive staff	34,190	12,096
		1,009,794	1,130,074

Notes to the Financial Statements
for the year ended June 30, 2012

		Note	Medical fund – Non executive staff 2012	Medical fund – Non executive staff 2011	Medical fund – Executive staff 2012	Medical fund – Executive staff 2011	Free gas facility fund – Non executive staff 2012	Free gas facility fund – Non executive staff 2011	Free gas facility fund – Executive staff 2012	Free gas facility fund – Executive staff 2011	Pension fund – Non Executive staff 2012	Pension fund – Non Executive staff 2011	Gratuity fund – Executive staff 2012	Gratuity fund – Executive staff 2011	Accumulating compensated absences Executive staff 2012	Accumulating compensated absences Executive staff 2011	Total 2012	Total 2011
			(Rupees in thousand)															
11.1	**Reconciliation of payable to employee benefit plans:**																	
	Present value of funded obligations	11.4	3,853,287	3,575,342	1,703,247	1,451,941	1,679,729	1,365,130	62,461	40,725	5,934,770	4,484,066	1,108,578	878,345	119,035	88,043	14,461,107	11,883,592
	Fair value of plan assets	11.5	(4,256,762)	(3,632,282)	(1,101,512)	(850,163)	(1,349,076)	(1,072,711)	(49,942)	(45,003)	(4,494,681)	(3,476,425)	(350,944)	(82,846)	(84,845)	(75,947)	(11,687,762)	(9,235,377)
		11.10	(403,475)	(56,940)	601,735	601,778	330,653	292,419	12,519	(4,278)	1,440,089	1,007,641	757,634	795,499	34,190	12,096	2,773,345	2,648,215
	Unrecognized actuarial gains / (losses)		567,936	221,105	(397,674)	(431,096)	(180,685)	(127,800)	–	–	(1,256,901)	(778,509)	(496,227)	(401,841)	–	–	(1,763,551)	(1,518,141)
	Net liability		164,461	164,165	204,061	170,682	149,968	164,619	12,519	(4,278)	183,188	229,132	261,407	393,658	34,190	12,096	1,009,794	1,130,074
11.2	**Movement in net liability**																	
	Opening liability		164,165	185,891	170,682	100,605	164,619	160,517	(4,278)	6,615	229,132	326,542	393,658	451,274	12,096	7,342	1,130,074	1,238,786
	Charge for the year	11.3	174,498	173,736	213,869	176,554	142,576	160,881	23,123	(5,137)	387,758	327,048	215,214	175,947	42,137	20,984	1,199,175	1,030,013
	Contribution paid		(174,202)	(195,462)	(180,490)	(106,477)	(157,227)	(156,779)	(6,326)	(5,756)	(433,702)	(424,458)	(61,465)	(43,563)	(20,043)	(16,230)	(1,033,455)	(948,725)
	Transfer of funds		–	–	–	–	–	–	–	–	–	–	(286,000)	(190,000)	–	–	(286,000)	(190,000)
			164,461	164,165	204,061	170,682	149,968	164,619	12,519	(4,278)	183,188	229,132	261,407	393,658	34,190	12,096	1,009,794	1,130,074
11.3	**Amounts recognized in profit and loss account**																	
	Current service cost		182,468	139,124	88,778	60,766	101,638	79,753	–	–	213,679	206,139	58,986	51,622	12,919	6,365	658,468	543,769
	Interest on obligation		500,549	403,416	203,272	150,903	191,118	159,207	5,702	5,229	627,769	494,213	122,968	97,760	12,326	8,934	1,663,704	1,319,662
	Expected return on plan assets		(508,519)	(368,804)	(119,023)	(83,281)	(150,180)	(98,963)	(6,300)	(4,436)	(486,700)	(387,987)	(11,598)	(6,259)	(10,633)	(8,053)	(1,292,953)	(957,783)
	Net actuarial losses recognized in the year		–	–	40,842	48,166	–	20,884	23,721	(5,930)	33,010	14,683	44,858	32,824	27,525	13,738	169,956	124,365
	Past service cost - Vested		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Past service cost - Non-vested		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Total included in employee benefit expense	11.12	174,498	173,736	213,869	176,554	142,576	160,881	23,123	(5,137)	387,758	327,048	215,214	175,947	42,137	20,984	1,199,175	1,030,013
	Actual return on plan assets		522,480	430,918	125,349	94,157	158,365	118,016	4,939	5,039	866,549	16,612	186,455	42,385	8,898	8,838	1,873,035	715,965
11.4	**Changes in the present value of defined benefit obligation**																	
	Opening defined benefit obligation		3,575,342	3,361,803	1,451,941	1,257,528	1,365,130	1,326,726	40,725	43,579	4,484,066	4,118,440	878,345	814,666	88,043	74,451	11,883,592	10,997,193
	Current service cost		182,468	139,124	88,778	60,766	101,638	79,753	–	5,229	213,679	206,139	58,986	97,760	12,919	6,365	658,468	595,136
	Interest cost		500,548	403,416	203,272	150,903	191,118	159,207	5,702	–	627,769	494,213	122,968	51,622	12,326	8,934	1,663,703	1,268,295
	Actuarial losses		(332,870)	(261,539)	13,746	27,222	61,070	(173,777)	22,360	(5,327)	891,252	(136,853)	314,100	159,554	25,790	14,523	995,448	(376,197)
	Benefits paid		(72,201)	(67,462)	(54,490)	(44,478)	(39,227)	(26,779)	(6,326)	(2,756)	(281,996)	(197,873)	(265,821)	(245,257)	(20,043)	(16,230)	(740,104)	(600,835)
	Closing defined benefit obligation		3,853,287	3,575,342	1,703,247	1,451,941	1,679,729	1,365,130	62,461	40,725	5,934,770	4,484,066	1,108,578	878,345	119,035	88,043	14,461,107	11,883,592
11.5	**Changes in the fair value of plan assets**																	
	Opening fair value of plan assets		3,632,282	3,073,364	850,163	694,007	1,072,711	824,695	45,003	36,964	3,476,425	3,233,228	82,846	52,155	75,947	67,109	9,235,377	7,981,522
	Expected return		508,519	368,804	119,023	83,281	150,180	98,963	6,300	4,436	486,700	387,987	11,598	6,259	10,633	8,053	1,292,953	957,783
	Actuarial gains / (losses)		13,961	62,114	6,326	10,876	8,185	19,053	(1,361)	603	379,849	(371,375)	174,857	36,126	(1,735)	785	580,082	(241,818)
	Contributions by employer		174,201	195,462	180,490	106,477	157,227	156,779	6,326	5,756	433,703	424,458	61,464	43,563	20,043	16,230	1,033,454	948,725
	Benefits paid		(72,201)	(67,462)	(54,490)	(44,478)	(39,227)	(26,779)	(6,326)	(2,756)	(281,996)	(197,873)	(265,821)	(245,257)	(20,043)	(16,230)	(740,104)	(600,835)
	Transferred from pension fund to gratuity fund		–	–	–	–	–	–	–	–	–	–	286,000	190,000	–	–	286,000	190,000
		11.6	4,256,762	3,632,282	1,101,512	850,163	1,349,076	1,072,711	49,942	45,003	4,494,681	3,476,425	350,944	82,846	84,845	75,947	11,687,762	9,235,377

11.6 Plan assets comprise:

	Medical fund - Non executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	4,043,171	94.99	3,460,318	95.27
NIT units	212,571	4.99	171,107	4.71
Cash at bank	1,020	0.02	857	0.02
	4,256,762	100.00	3,632,282	100.00

	Medical fund - Executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,068,401	96.99	829,181	97.53
NIT units	32,272	2.93	20,501	2.41
Cash at bank	839	0.08	481	0.06
	1,101,512	100.00	850,163	100.00

	Free gas facility fund - Non executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,263,706	93.67	1,018,359	94.93
NIT units	84,422	6.26	52,830	4.92
Cash at bank	948	0.07	1,522	0.15
	1,349,076	100.00	1,072,711	100.00

	Free gas facility fund - Executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	48,077	96.27	44,097	97.99
Cash at bank	1,865	3.73	906	2.01
	49,942	100.00	45,003	100.00

	Pension fund - Non executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Mutual funds	246,879	5.49	215,007	6.18
Certificates of deposits	4,156,345	92.47	3,146,154	90.50
Pakistan Investment Bonds	41,000	0.91	78,000	2.24
Cash at Bank	50,457	1.13	37,264	1.08
	4,494,681	100.00	3,476,425	100.00

	Gratuity fund - Executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	317,703	90.53	9,000	10.86
Receivable gratuity fund	–	–	–	–
Cash at bank	33,241	9.47	73,846	89.14
	350,944	100.00	82,846	100.00

	Accumulating compensated absences - Executive staff			
	2012		2011	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	81,932	96.57	74,559	98.17
Cash at bank	2,913	3.43	1,388	1.83
	84,845	100.00	75,947	100.00

11.7 Principal actuarial assumptions used (expressed as weighted average)

	Medical fund			
	2012		2011	
	Executive	Non–executive	Executive	Non-executive
Discount rate	13%	13%	14%	14%
Expected rate of growth per annum in average cost of facility	10%	10%	11%	11%
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	14%	14%	12%	12%

	Free gas facility fund			
	2012		2011	
	Executive	Non–executive	Executive	Non-executive
Discount rate	13%	13%	14%	14%
Expected rate of growth per annum in average cost of facility	12%	12%	13%	13%
Rate of utilization of facility by future entitled employees	–	–	–	100%
Expected rate of return per annum on plan assets	14%	14%	12%	12%

	Pension fund			
	2012		2011	
	Executive	Non–executive	Executive	Non-executive
Expected increase in salaries	12%	12%	13%	13%
Discount rate	13%	13%	14%	14%
Expected rate of return per annum on plan assets	14%	14%	12%	12%

	Gratuity fund			
	2012		2011	
	Executive	Non–executive	Executive	Non–executive
Expected increase in salaries	12%	12%	13%	13%
Discount rate	13%	13%	14%	14%
Expected rate of return per annum on plan assets	14%	14%	12%	12%

	Accumulating compensated absences			
	2012		2011	
	Executive	Non–executive	Executive	Non-executive
Expected increase in salaries	12%	12%	13%	13%
Discount rate	13%	13%	14%	14%
Expected rate of return per annum on plan assets	14%	14%	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 per cent movement in assumed medical cost trend rates would have the following effects:

	2012		2011	
	1% increase	1% (decrease)	1% increase	1%(decrease)
	(Rupees in thousand)			
Effect on the aggregate of the service cost and interest cost	101,000	(93,000)	85,000	(78,000)
Effect on defined benefit obligation	1,735,000	(1,587,000)	1,628,000	(1,493,000)

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

	Medical fund – Non executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	3,853,287	3,575,342	3,361,803	2,927,594	2,604,223
Plan assets	(4,256,762)	(3,632,282)	(3,073,364)	(2,537,696)	(2,148,715)
(Surplus) / Deficit	(403,475)	(56,940)	288,439	389,898	455,508
Experience adjustment on plan liabilities	(332,870)	(261,539)	15,195	(47,335)	(70,221)
Experience adjustment on plan assets	13,961	62,114	93,144	(12,865)	94,556

	Medical fund - Executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	1,703,247	1,451,941	1,257,528	940,078	735,774
Plan assets	(1,101,512)	(850,163)	(694,007)	(556,644)	(471,889)
Deficit	601,735	601,778	563,521	383,434	263,885
Experience adjustment on plan liabilities	13,746	27,222	214,893	103,460	140,770
Experience adjustment on plan assets	6,326	10,876	15,566	10,128	3,811

	Free gas facility fund - Non executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	1,679,729	1,365,130	1,326,726	1,090,211	795,496
Plan assets	(1,349,076)	(1,072,711)	(824,695)	(671,870)	(545,852)
Deficit	330,653	292,419	502,031	418,341	249,644
Experience adjustment on plan liabilities	61,070	(173,777)	74,008	170,479	(2,554)
Experience adjustment on plan assets	8,185	19,053	18,201	(484)	4,434

	Free gas facility fund - Executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	62,461	40,725	43,579	39,718	31,650
Plan assets	(49,942)	(45,003)	(36,964)	(33,032)	(27,889)
Surplus / (Deficit)	12,519	(4,278)	6,615	6,686	3,761
Experience adjustment on plan liabilities	22,360	(5,327)	3,159	8,330	5,694
Experience adjustment on plan assets	(1,361)	603	(32)	1,796	256

	Pension fund - Non executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	5,934,770	4,484,066	4,118,440	3,103,339	2,882,774
Plan assets	(4,494,681)	(3,476,425)	(3,233,228)	(2,659,422)	(2,288,699)
Deficit	1,440,089	1,007,641	885,212	443,917	594,075
Experience adjustment on plan liabilities	891,252	(136,853)	685,959	(139,397)	377,060
Experience adjustment on plan assets	379,849	(371,374)	205,413	46,225	7,510

	Gratuity fund - Executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	1,108,578	878,345	814,666	298,443	275,008
Plan assets	(350,944)	(82,846)	(52,155)	(1,375,923)	(1,192,956)
Deficit / (Surplus)	757,634	795,499	762,511	(1,077,480)	(917,948)
Experience adjustment on plan liabilities	314,100	159,554	(21,200)	(20,960)	39,749
Experience adjustment on plan assets	174,857	36,125	(31,347)	118,136	36,771

	Accumulating compensated absences - Executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Defined benefit obligation	119,035	88,043	74,451	69,006	39,452
Plan assets	(84,845)	(75,947)	(67,109)	(49,672)	(41,913)
Deficit / (Surplus)	34,190	12,096	7,342	19,334	(2,461)
Experience adjustment on plan liabilities	25,790	14,523	1,272	6,733	6,628
Experience adjustment on plan assets	(1,735)	785	2,476	2,729	371

	Note	2012	2011
		(Rupees in thousand)	
11.11 Estimated future contributions			
Medical fund - Non executive staff		164,461	164,164
Medical fund - Executive staff		204,061	170,682
Free gas facility fund - Non executive staff		149,968	164,619
Free gas- executive staff		12,519	6,615
Pension fund-Non executive staff		252,871	193,910
Gratuity fund-Executive staff		70,176	49,245
Accumulating compensated absences-Executive staff		34,190	12,096
		888,246	761,331

		Note	2012	2011
			(Rupees in thousand)	
11.12	**The charge for the year has been allocated as follows:**			
	Distribution cost	31	452,477	512,628
	Selling costs	33	229,662	250,300
	Administrative expenses	34	247,475	239,002
	Project work in progress		269,561	28,083
			1,199,175	1,030,013
12.	**Trade and other payables**			
	Creditors for:			
	– gas	12.1	45,280,900	34,006,332
	– supplies	12.2	580,076	292,533
	Accrued liabilities	12.2	4,794,404	4,442,368
	Gas infrastructure development cess payable		4,409,324	–
	Interest free deposits repayable on demand		68,819	49,187
	Earnest money received from contractors		27,537	37,146
	Mobilization and other advances		1,089,462	826,312
	Advances from customers		–	1,271,687
	Due to customers		19,313	7,388
	Gas development surcharge		8,579,446	–
	Workers’ Profit Participation Fund	12.3	371,663	106,268
	Workers’ Welfare fund		–	34,444
	Unclaimed dividend		67,616	64,596
			65,288,560	41,138,261

12.1 These include Rs 31,668,854 thousand (2011: Rs 22,876,109 thousand) payable to related parties.

12.2 These Include Rs 37,311 thousand (2011: Rs 600 thousand) payable to related parties.

		Note	2012	2011
			(Rupees in thousand)	
12.3	**Workers’ Profit Participation Fund**			
	Balance at the beginning of the year		106,268	224,786
	Allocation for the year	36	250,323	91,083
			356,591	315,869
	Interest on funds utilized in the Company’s business	35	15,247	7,418
			371,838	323,287
	Less: Payments to workers		175	156,591
	Deposited into Government treasury		–	60,428
			175	217,019
			371,663	106,268
13.	**Interest and mark-up accrued on loans and other payables**			
	On loans		301,312	226,635
	On deposits from customers		1,375,647	980,087
	On late payment of gas creditors		8,006,126	6,788,546
		13.1	9,683,085	7,995,268

13.1 This includes Rs 7,919,774 thousand (2011: Rs 6,718,830 thousand) payable to related parties.

14. Short term borrowing - 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 (2011: 3 months KIBOR plus 0.25% 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 11.75% to 13.79% (2011: 12.76% to 14.02%) per annum. There is no unavailed facility as at June 30, 2012 (2011: Nil).

	Note	2012	2011
		(Rupees in thousand)	
15. Current portion of long term financing			
Long term financing - secured	6	2,500,000	–
Long term financing - unsecured	7	353,581	232,651
		2,853,581	232,651

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:

16.1.1 Taxation

a) The 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 2001-02. 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 Rupees 240,267 thousand (2011: Rupees 262,158 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 Rupees 893,455 thousand (2011: Rs 925,960 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

c) A demand of Rupees 67,998 thousand (2011: 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 Appellate Tribunal Inland Revenue (ATIR) against the order of Commissioner Inland Revenue (Appeals) (CIR(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 tax authorities raised demands of Rs 8,207,290 thousand, Rs 7,366,587 thousand and Rs 2,715,174 for tax year 2011, 2010 and 2006 respectively, mainly by disallowing Cost Equalization Adjustment, Gas Development Surcharge ('GDS') while also adding back consumers contribution and government grants. Company's appeals against amendment orders were disposed off by CIR (A) substantially in company's favour and except for the issue of admissibility of GDS and tax credit referred above, all other material additions/ disallowances were deleted. Both the department and company has preferred appeals against order of CIR(A) before ATIR which are pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that company's stance is based on meritorious grounds and will be upheld by ATIR and/or higher appellate forums.

e) During the year tax authorities raised a demand of Rs 139,476 thousand for tax year 2001 by disallowing provision for post retirement benefits comprising medical, free gas and compensated absences. Company has filed appeals against this demand with CIR (A). No provision has been made in these financial statements as management, based on opinion of the tax consultant, is confident of favorable outcome of the appeals.

f) 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 (2011: Rs 45,549 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.

g) During the year 2011 Sales tax authorities raised a demand of Rupees 406,650 thousand (2011:406,650 thousand) and Rupees 736,000 thousand (2011:Rupees 736,000 thousand) for the year 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 Oil and gas regulatory authority (OGRA), in this regard appeal filed by the company with CIR(A) in respect of the year 2008 and 2009 was decided against the company however company has filed an appeal against the orders of CIR(A) with ATIR for the year 2008 and 2009 respectively which are pending adjudication. No provision has been made in these financial statements as Company's Management is confident of favorable outcome of the appeals.

16.1.2 Revenue determination

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 and 2011-2012, OGRA in its decisions dated December 2, 2010 and May 24, 2011 respectively revised the UFG benchmark from 7% to 4.625% and 7% to 4.5% respectively and treated the late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by the OGRA's decisions dated December 2, 2010 and May 24, 2011 in respect of the financial years 2010-11 and 2011-12, the company filed petitions with the Honorable Lahore High Court. The Court vide orders dated January 17, 2011 and July 13, 2011 respectively 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 for the financial year 2009-10 till such time that the 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 orders dated September 21, 2011 and February 1, 2013 has determined the revenue requirement of the company for the years 2010-11 and 2011-12 respectively on the basis of the same 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 OGRA's decisions dated December 2, 2010 and May 24, 2011, the company for the year ended June 30,2012 would have reported an after tax loss of Rs 1,558 million decrease in opening retained earning by Rs 3,759 million and a negative EPS of Rs 2.70.

16.1.3 Others

Claims against the Company not acknowledged as debts amount to Rupees 524,840 thousand (2011: Rupees 343,196 thousand).

a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating Rs 76,313 thousand (2011: Rupees 76,313 thousand). Pending the outcome of these claims, which are with the 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 Rupees 255,200 thousand (2011: Rupees 255,200 thousand) approximately, which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honorable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC is without jurisdiction and is 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 Rupees 195,731 thousand (2011: Rupees 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	2012	2011
			(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		209,892	1,779,824
	Intangible assets		24,214	27,624
	Stores and Spares		2,577,912	1,263,467
			2,812,018	3,070,915
b)	**Other commitments**		313,848	177,172

		Note	2012	2011
			(Rupees in thousand)	
17.	**Property, plant and equipment**			
	Operating fixed assets	17.1	78,788,091	73,909,766
	Capital work-in-progress	17.2	13,981,335	15,588,482
			92,769,426	89,498,248

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	Telecommunication system and facilities	Compressor stations and equipment	Plant and machinery	Furniture and equipment	Transport vehicles	Tools and accessories	Computer and ancillary equipment	Total
	(Rupees in thousand)														
Year ended 30 June 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 30 June 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
Year ended 30 June 2012															
Opening 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
Additions	70,588	-	257,041	-	712,374	7,710,856	2,687,204	49,450	793,409	386,284	15,145	260,294	8,751	138,235	13,089,631
Disposals															
Cost	-	-	-	-	-	-	(48,691)	(8,010)	-	(13,929)	(1,900)	(23,897)	-	(11,452)	(107,879)
Accumulated depreciation	-	-	-	-	-	-	48,691	8,010	-	13,929	1,655	22,518	-	11,452	106,255
	-	-	-	-	-	-	-	-	-	-	(245)	(1,379)	-	-	(1,624)
Depreciation charge	-	-	(63,420)	-	(2,601,531)	(2,802,527)	(1,616,819)	(48,547)	(478,886)	(311,120)	(22,459)	(143,485)	(23,888)	(97,000)	(8,209,682)
Closing net book value	1,356,294	392	650,530	-	23,470,806	35,808,631	10,897,990	128,831	4,644,214	1,061,398	44,511	285,506	17,338	421,650	78,788,091
At 30 June 2012															
Cost	1,356,294	392	1,454,696	8,461	50,768,111	55,260,177	21,780,628	2,328,714	9,247,845	4,615,781	260,267	1,422,981	219,070	811,987	149,535,404
Accumulated depreciation	-	-	(804,166)	(8,461)	(27,297,305)	(19,451,546)	(10,882,638)	(2,199,883)	(4,603,631)	(3,554,383)	(215,756)	(1,137,475)	(201,732)	(390,337)	(70,747,313)
Net Book Value	1,356,294	392	650,530	-	23,470,806	35,808,631	10,897,990	128,831	4,644,214	1,061,398	44,511	285,506	17,338	421,650	78,788,091
Rate of depreciation in %	-	-	6	6	6-10	6	6-10	15	6-20	10-20	15	15-20	33.33	25	

17.1.1 The land at cost of Rs 1,041,138 thousand (2011: Rs 970,550 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 25,286,826 thousand (2011: Rs 20,896,249 thousand).

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

	Note	2012	2011
		(Rupees in thousand)	
Distribution cost	31	7,959,479	7,382,924
Administrative expenses	34	162,438	150,672
	38	8,121,917	7,533,596
Transmission system		10,798	52,926
Distribution system		76,967	51,823
		87,765	104,749
	17.1	8,209,682	7,638,345

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
			(Rupees)				
Transport vehicles							
Nissan Pickup Double Cabin	2,693,217	2,468,785	224,432	1,848,000	1,623,568	Insurance Claim	National Insurance Corporation Ltd
Toyota Corolla	1,281,000	773,939	507,061	550,645	43,584	Service rules	Ismail Paracha DMD (Services)
Honda City	1,312,000	901,998	410,002	457,380	47,378	Service rules	Sajjad A Minhas GM (Trg & Dev)
Suzuki Cultus	712,000	563,664	148,336	162,674	14,338	Service rules	Azam CE (QA)
Suzuki Cultus	712,000	622,996	89,004	102,354	13,350	Service rules	Muhammad Sarwar CO (Stores)

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

	2012 Cost	2012 Book value	2011 Cost	2011 Book value
	(Rupees in thousand)			
Transmission lines				
36" Dia 68.14 Km AV 29 Mian Chunu Line	2,125,933	1,605,079	2,141,099	1,766,407
36" Dia 42.11 Km SMS Mian Chunu - Sahiwal Line	1,179,890	890,817	1,196,508	987,119
24" Dia 49.58 Km Kohat - Nowshera Line	909,147	686,406	908,415	749,443
24" Dia 42.20 Km Akhtarabad Pattoki - SMS Phool Nagar line	345,857	278,415	345,857	302,625
	4,560,827	3,460,717	4,591,879	3,805,594

		Note	2012	2011
			(Rupees in thousand)	
17.2	**Capital work-in-progress**			
	Transmission system		406,780	1,396,365
	Distribution system		6,285,508	6,790,301
	Stores and spare parts held for capital expenditure	17.2.1	7,015,147	7,116,337
	Advances for land and other capital expenditure		273,900	285,479
			13,981,335	15,588,482
17.2.1	**Stores and spare parts held for capital expenditure**			
	Stores and spare parts including in-transit Rs 282,672 thousand (2011: Rs 223,147 thousand)		7,034,178	7,133,118
	Less: Provision for obsolescence		19,031	16,781
			7,015,147	7,116,337
18.	**Intangible assets**			
	Computer software and ERP system	18.1	132,249	238,085
	Intangible assets under implementation		1,342	1,342
			133,591	239,427
18.1	**Computer software and ERP system**			
	Reconciliation of the carrying amounts at the beginning and end of the year is as follows:			
	Balance as at July 1			
	Cost		419,473	415,660
	Accumulated amortization		(181,388)	(61,712)
	Net book value		238,085	353,948
	Movement during the year			
	Additions		37,058	3,813
	Amortization charge for the year	34	(142,894)	(119,676)
	Balance as at June 30			
	Cost		456,531	419,473
	Accumulated amortization		(324,282)	(181,388)
	Net book value		132,249	238,085
	Rate of amortization		33.33%	33.33%
19.	**Long term investment**			
	Inter State Gas Systems (Private) Limited 490,000 (2011: 490,000) ordinary shares of Rs 10 each		4,900	4,900

20. Long term loans – considered good

	Note	Employee welfare 2012	Employee welfare 2011	House building 2012	House building 2011	Car 2012	Car 2011	Motorcycle/ Scooter 2012	Motorcycle/ Scooter 2011	Total 2012	Total 2011
		(Rupees in thousand)									
Due from:											
Executives	20.1	–	–	1,220	1,545	–	–	–	–	1,220	1,545
Other employees		232,073	178,457	83,606	116,439	–	–	16,198	13,509	331,877	308,405
		232,073	178,457	84,826	117,984	–	–	16,198	13,509	333,097	309,950
Amount due within one year:											
Executives	25	–	–	862	782	–	–	–	–	862	782
Other employees	25	43,596	31,946	32,932	43,389	–	–	10,640	9,399	87,168	84,734
		43,596	31,946	33,794	44,171	–	–	10,640	9,399	88,030	85,516
		188,477	146,511	51,032	73,813	–	–	5,558	4,110	245,067	224,434

20.1 Reconciliation of balance due from executives:

	Employee welfare 2012	Employee welfare 2011	House building 2012	House building 2011	Car 2012	Car 2011	Motorcycle/ Scooter 2012	Motorcycle/ Scooter 2011	Total 2012	Total 2011
Opening balance	–	–	1,545	1,340	–	11	–	–	1,545	1,351
Disbursements	–	–	497	1,902	–	–	–	–	497	1,902
	–	–	2,042	3,242	–	11	–	–	2,042	3,253
Less: Repayments/adjustments	–	–	(822)	(1,697)	–	(11)	–	–	(822)	(1,708)
Closing balance	–	–	1,220	1,545	–	–	–	–	1,220	1,545

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% (2011: 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 2,112 thousand (2011: Rs 1,941 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% (2011: 6.84% to 16%) per annum.

	Note	2012	2011
		(Rupees in thousand)	
21. Employee benefits			
Pension fund - Executive staff		447,959	641,810
Gratuity fund - Non executive staff		730,584	601,093
		1,178,543	1,242,903
Accumulating compensated absences - Non executive staff		26,724	46,821
	21.1	1,205,267	1,289,724

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

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Accumulating compensated absences – Non executive staff		Total	
		2012	2011	2012	2011	2012	2011	2012	2011
		(Rupees in thousand)							
Present value of funded obligations	21.4	(557,179)	(422,789)	(1,589,959)	(1,184,658)	(264,623)	(206,762)	(2,411,761)	(1,814,209)
Fair value of plan assets	21.5	1,265,727	1,296,432	2,348,537	1,941,163	291,347	253,583	3,905,611	3,491,178
	21.9	708,548	873,643	758,578	756,505	26,724	46,821	1,493,850	1,676,969
Unrecognized actuarial (gains)		(260,589)	(231,833)	(27,994)	(155,412)	–	–	(288,583)	(387,245)
Net assets		447,959	641,810	730,584	601,093	26,724	46,821	1,205,267	1,289,724

21.2 Movement in net assets / (liability)

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Accumulating compensated absences – Non executive staff		Total	
		2012	2011	2012	2011	2012	2011	2012	2011
		(Rupees in thousand)							
Opening asset		641,810	695,264	601,093	549,447	46,821	32,559	1,289,724	1,277,270
Transfer of funds		(286,000)	(190,000)	–	–	–	–	(286,000)	(190,000)
Credit / (charge) for the year	21.3	92,149	136,546	(352)	(23,856)	(44,208)	712	47,589	113,402
Contribution paid		–	–	129,843	75,502	24,111	13,550	153,954	89,052
		447,959	641,810	730,584	601,093	26,724	46,821	1,205,267	1,289,724

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

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Accumulating compensated absences – Non executive staff		Total	
		2012	2011	2012	2011	2012	2011	2012	2011
		(Rupees in thousand)							
Current service cost		(44,760)	(32,709)	(106,263)	(103,596)	(21,415)	(20,720)	(172,438)	(157,025)
Interest on obligation		(59,190)	(39,194)	(165,852)	(138,012)	(28,947)	(22,988)	(253,989)	(200,194)
Expected return on plan assets		181,500	171,105	271,763	217,752	35,502	26,895	488,765	415,752
Net actuarial losses (gains) recognized in the year		14,599	37,344	–	–	(29,348)	17,525	(14,749)	54,869
Total included in employee benefit expense	21.11	92,149	136,546	(352)	(23,856)	(44,208)	712	47,589	113,402
Actual return on plan assets		267,338	72,353	424,990	137,445	37,764	29,454	730,092	239,252

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

	Pension fund – Executive staff		Gratuity fund – Non executive staff		Accumulating compensated absences – Non executive staff		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)							
Opening defined benefit obligation	422,789	326,615	1,184,658	1,150,101	206,762	191,570	1,814,209	1,668,286
Service cost	44,760	32,709	106,263	103,596	21,415	20,720	172,438	157,025
Interest cost	59,190	39,194	165,852	138,012	28,947	22,988	253,989	200,194
Actuarial losses (gains)	42,483	36,069	280,646	(120,670)	31,610	(14,966)	354,739	(99,567)
Past service cost	–	–	–	–	–	–	–	–
Benefits paid	(12,043)	(11,798)	(147,460)	(86,381)	(24,111)	(13,550)	(183,614)	(111,729)
Closing defined benefit obligation	557,179	422,789	1,589,959	1,184,658	264,623	206,762	2,411,761	1,814,209

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

	Note	Pension fund – Executive staff		Gratuity fund – Non executive staff		Accumulating compensated absences – Non executive staff		Total	
		2012	2011	2012	2011	2012	2011	2012	2011
		(Rupees in thousand)							
Opening fair value of plan assets		1,296,432	1,425,877	1,941,163	1,814,597	253,583	224,129	3,491,178	3,464,603
Expected return		181,500	171,105	271,763	217,752	35,502	26,895	488,765	415,752
Actuarial gains / (losses)		85,838	(98,752)	153,227	(80,307)	2,262	2,559	241,327	(176,500)
Contributions by employer		–	–	129,844	75,502	24,111	13,550	153,955	89,052
Benefits paid		(12,043)	(11,798)	(147,460)	(86,381)	(24,111)	(13,550)	(183,614)	(111,729)
Amount transferred from pension fund to gratuity fund		(286,000)	(190,000)	–	–	–	–	(286,000)	(190,000)
	21.6	1,265,727	1,296,432	2,348,537	1,941,163	291,347	253,583	3,905,611	3,491,178

21.6 Plan assets comprises as:

	Pension fund – Executive Staff				Gratuity fund – Non Executive Staff			
	2012		2011		2012		2011	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%
	(Rupees in thousand)							
Mutual funds	69,779	5.51	59,540	4.59	142,791	6.08	87,450	4.51
Certificates of deposits	1,185,891	93.69	1,230,000	94.88	2,189,220	93.22	1,779,683	91.68
Pakistan Investment Bonds	–	0.00	–	0.00	9,000	0.38	12,000	0.62
Receivable from Gratuity fund	–	0.00	–	0.00	–	0.00	–	0.00
Cash at bank	10,057	0.80	6,892	0.53	7,526	0.32	62,030	3.19
	1,265,727	100.00	1,296,432	100.00	2,348,537	100.00	1,941,163	100.00

	Accumulating compensated absences – Non Executive Staff			
	2012		2011	
	Fair Value	%	Fair Value	%
	(Rupees in thousand)			
Certificates of deposits	290,231	99.62	253,025	99.78
Cash at bank	1,116	0.38	558	0.22
	291,347	100.00	253,583	100.00

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

	Pension fund – Executive Staff		Gratuity fund – Non Executive Staff	
	2012	2011	2012	2011
Expected increase in salaries	12%	13%	12%	13%
Discount rate	13%	14%	13%	14%
Expected rate of return per annum on plan assets	14%	12%	14%	12%

	Free gas facility fund – Executive Staff		Accumulating compensated absences – Non Executive Staff	
	2012	2011	2012	2011
Expected increase in salaries	12%	13%	12%	11%
Discount rate	13%	14%	13%	12%
Expected rate of return per annum on plan assets	14%	12%	14%	12%

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				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Plan assets	1,265,727	1,296,432	1,425,877	1,375,923	1,192,956
Defined benefit obligation	(557,179)	(422,789)	(326,615)	(298,443)	(275,008)
Surplus	708,548	873,643	1,099,262	1,077,480	917,948
Experience adjustment on plan liabilities	42,483	36,069	(24,547)	(20,960)	39,749
Experience adjustment on plan assets	85,838	(98,752)	2,355	118,136	36,771

	Gratuity Fund – Non Executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Plan assets	2,348,537	1,941,163	1,814,597	1,527,932	1,423,996
Defined benefit obligation	(1,589,959)	(1,184,658)	(1,150,100)	(868,203)	(855,271)
Surplus	758,578	756,505	664,497	659,729	568,725
Experience adjustment on plan liabilities	280,646	(120,670)	200,737	76,422	(40,020)
Experience adjustment on plan assets	153,227	(80,307)	98,896	587	104,072

	Accumulating compensated absences – Non Executive staff				
	2012	2011	2010	2009	2008
	(Rupees in thousand)				
Plan assets	291,347	253,583	224,129	194,884	164,474
Defined benefit obligation	(264,623)	(206,762)	(191,570)	(148,161)	(142,462)
Surplus	26,724	46,821	32,559	46,723	22,012
Experience adjustment on plan liabilities	31,610	(14,966)	27,025	(18,163)	(680)
Experience adjustment on plan assets	2,262	2,559	5,859	10,673	1,558

	Note	2012	2011
		(Rupees in thousand)	
21.10 Estimated future contributions			
Pension fund - Executive staff		61,246	42,979
Gratuity fund - Non executive staff		105,321	80,763
		166,567	123,742

		Note	2012	2011
			(Rupees in thousand)	
21.11	**The charge for the year has been allocated as follows:**			
	Distribution cost	31	48,621	47,127
	Selling cost	33	26,389	32,868
	Administrative expenses	34	27,811	37,290
	Capital work-in-progress		(55,232)	(3,883)
			47,589	113,402
22.	**Long term deposits and prepayments**			
	Security and other deposits		5,370	5,397
	Prepayments		54,649	56,419
			60,019	61,816
	Less: Current portion of prepayments	26	45,457	54,065
	Provision against prepayments		1,232	1,232
			46,689	55,297
			13,330	6,519
23.	**Stores and spare parts**			
	Stores [including in-transit Rs 142,967 thousand (2011: Rs 74,909 thousand)]		1,163,250	1,002,374
	Spares [including in-transit Rs 93,075 thousand (2011: Rs 55,906 thousand)]		697,583	630,657
		23.1	1,860,833	1,633,031
	Less: Provision for obsolescence		21,639	12,831
			1,839,194	1,620,200

23.1 This includes stores and spare parts of Rs 51,600 thousand (2011: Rs 21,804 thousand) which are not in possession of the Company.

		Note	2012	2011
			(Rupees in thousand)	
24.	**Trade debts**			
	Considered good:			
	- Secured	24.1	25,286,222	16,976,848
	- Unsecured	24.1, 24.3	48,169,362	19,536,334
	- Deferred / accrued gas sales		(124,734)	(58,965)
			73,330,850	36,454,217
	Considered doubtful		5,830,472	4,092,110
			79,161,322	40,546,327
	Less: Provision for doubtful debts	24.2	(5,830,472)	(4,092,110)
			73,330,850	36,454,217

		Note	2012	2011
			(Rupees in thousand)	
24.1	**These include amounts due from the following related parties:**			
	Nishat Mills Limited		216,153	99,111
	Sui Southern Gas Company Limited		66,956	45,830
	ICI Pakistan Limited		132,455	111,282
	Glaxo Smith Kline (Pakistan) Limited		-	98
	Packages Limited		32,538	29,102
	Dawood Hercules Chemicals Limited		77,403	176,800
	D.G. Khan Cement Company Limited		77,537	52,975
	DG Khan Captive Power		65,021	40,477
	Engro Chemicals Limited		185,541	553,255
	Lahore University of Management Sciences (LUMS)		41	649
	Pakarab Fertilizers Limited		196,262	83,316
	Engro Foods		13,660	4,254
	WAPDA		14,758,092	4,564,681
			15,821,659	5,761,830
24.2	**Provision for doubtful debts**			
	Balance as on July 1		4,092,110	2,452,890
	Provision during the year	33	1,738,362	1,639,220
	Balance as on June 30		5,830,472	4,092,110

24.3 Included in trade debts are amounts receivable from Government owned power generation companies and independent power producers of Rs 31,360,209 (2011: Rs 6,231,323 thousand) along with interest of Rs 5,156,218 (2011: Rs 2,747,226 thousand) on delayed payments. While trade and other payables referred to in note 12 include an amount of Rs 31,668,854 thousand (2011: Rs 22,876,112) due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holding (Private) Limited on account of gas purchases along with interest of Rs 7,918,264 thousand (2011: 6,717,045 thousand) on delayed payments as referred to in note 13. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

		Note	2012	2011
			(Rupees in thousand)	
25.	**Loans and advances**			
	Loans due from employees:			
	Executives	20	862	782
	Other employees	20	87,168	84,734
			88,030	85,516
	Advances - considered good:			
	– other employees		3,621	6,330
	– suppliers and contractors		62,275	84,571
	Advances to suppliers and contractors:			
	– considered doubtful		3,227	3,227
	Less: Provision for doubtful receivables		3,227	3,227
			–	–
			153,926	176,417

		Note	2012	2011
			(Rupees in thousand)	
26.	**Trade deposits and short term prepayments**			
	Trade deposits and short term prepayments		100,208	111,786
	Less: Provision for doubtful deposits		(22,290)	(22,290)
			77,918	89,496
	Current portion of long term prepayments	22	45,457	54,065
			123,375	143,561
27.	**Other receivables**			
	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	56,466	280,573
	Current account with Sui Southern Gas Company Limited		14,232	415,826
	Others		11,726	133,822
			82,424	5,865,926
28.	**Cash and bank balances**			
	On deposits accounts	28.1	766,653	1,432,225
	On current accounts		356,276	520,686
			1,122,929	1,952,911
	Cash in hand		2,335	1,149
			1,125,264	1,954,060

28.1 Rate of return on bank deposits ranges between 5.0% to 13.0% (2011: 5.0% to 13.0%) per annum.

		2012	2011
		(Rupees in thousand)	
28.2	**Balance with related parties**		
	Askari Commercial Bank Limited	99,116	409,544
	MCB Bank Limited	10,200	69,337
	Bank Al-Habib Limited	90,426	437,810
	Faysal Bank Limited	99,442	23,729
		299,184	940,420
29.	**Gas sales**		
	Gross sales	268,100,998	215,296,923
	Less: Sales tax	(37,833,529)	(30,236,140)
		230,267,469	185,060,783

		Note	2012	2011
			(Rupees in thousand)	
30.	**Cost of gas sales**			
	Opening stock of gas in pipelines		685,757	741,128
	Gas purchases:			
	Southern system		120,833,668	108,302,650
	Northern system		43,671,372	39,989,930
	Cost equalization adjustment	30.1	32,021,443	24,299,129
			196,526,483	172,591,709
			197,212,240	173,332,837
	Less: Gas internally consumed		2,206,298	2,147,339
	Closing stock of gas in pipelines		848,671	685,757
			3,054,969	2,833,096
	Distribution Cost	31	15,265,243	13,737,432
			209,422,514	184,237,173

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 11,172 MMCF(2011:6,607MMCF) identified during this period and claimed as a bonafide deduction while calculating the UFG statement of the company, however, OGRA while determining the Final Revenue Requirement of the company has allowed volume worth 6,607 MMCF on this account.

Serial No.	Region	Number of Consumers	UFG	
			MMCF	%
1	Multan	375,302	11,962	12.71
2	Bahawalpur	168,745	4,472	4.40
3	Sargodha	122,520	1,801	10.36
4	Faisalabad	463,604	2,156	2.82
5	Sahiwal	124,306	1,260	9.35
6	Sheikhupura	194,641	4,158	7.37
7	Lahore	829,205	10,923	10.27
8	Gujranwala	632,875	8,602	14.94
9	Islamabad	767,520	7,300	10.05
10	Peshawar	414,501	8,512	13.63
11	Abbottabad	120,833	492	3.12
	Total Distribution	4,214,052	61,638	10.11
	Transmission System	-	599	0.09
	Total Company	4,214,052	62,237	10.20

	Note	2012	2011
		(Rupees in thousand)	
31. Distribution cost			
Salaries, wages and benefits	11, 31.1	3,939,726	3,191,956
Employees medical and welfare		377,390	340,469
Stores and spare parts consumed		350,802	420,179
Fuel and power		2,028,739	1,888,853
Repairs and maintenance		598,323	433,155
Rent, rates, electricity and telephone		153,567	139,471
Insurance		138,789	168,571
Travelling		83,150	85,383
Stationery and postage		17,493	15,664
Transportation charges		489,351	376,984
Professional services		4,931	1,402
Stores and spare parts written off		13,256	-
Provision for obsolete stores and spare parts		12,562	1,772
Security expenses		210,030	152,927
Depreciation	17.1.3	7,959,479	7,382,924
Others		139,111	196,074
		16,516,699	14,795,784
Less: Allocated to fixed capital expenditure		(1,251,456)	(1,058,352)
	30	15,265,243	13,737,432

31.1 Included in salaries, wages and benefits are Rs 83,576 thousand (2011: Rs 65,045 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2012	2011
			(Rupees in thousand)	
32.	**Other operating income**			
	Income from financial assets			
	Interest on staff loans and advances		34,951	31,735
	Return on bank deposits		388,107	351,123
	Gain on initial recognition of financial liabilities at fair value		104,747	–
			527,805	382,858
	Interest Income on late payment of gas bills			
	Government owned and other power generation companies	24.3	2,411,656	1,321,751
	Interest Income on late payment of gas bills-Other consumers	32.1	2,296,781	1,615,412
			4,708,437	2,937,163
	Income from assets other than financial assets			
	Net gain on sale of fixed assets		12,486	9,497
	Meter rentals and repairs charges		1,345,872	1,126,170
	Amortization of deferred credit	9, 38	2,257,343	2,513,631
	Net gain on coating of pipelines for SSGCL		–	517,493
	Insurance claim	32.4	1,342	1,720
			3,617,043	4,168,511
	Others			
	Sale of tender documents		812	2,389
	Sale of scrap		47,405	59,655
	Credit balance written back		112,039	–
	Liquidated damages recovered		61,946	200,370
	Gain on construction contracts		105	258,263
	Bad debt recoveries		25,854	13,589
	Take or pay income from industrial consumers	32.5	–	630,259
	Miscellaneous		2,807	11,127
			250,968	1,175,652
			9,104,253	8,664,184

Interest approximating to Rs 383,301 thousand (2011: 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	2012	2011
			(Rupees in thousand)	
32.1	**Interest Income on late payment of gas bills-Other consumers**			
	Interest on gas sales arrears	32.2	1,346,451	959,660
	Surcharge on late payments	32.3	950,330	655,752
			2,296,781	1,615,412

32.2 This represents interest charged on gas sales arrears amounting to Rs 1,346,451 thousand (2011: Rs 959,660 thousand) at the rate of 1.5% (2011: 1.5%) per month up to one year and thereafter 2% (2011: 2%) per month from other than domestic consumers.

32.3 One time late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2011: 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	2012	2011
			(Rupees in thousand)	
33.	**Selling cost**			
	Salaries, wages and benefits	11 , 33.1	1,770,802	1,382,223
	Employees medical and welfare		190,129	166,811
	Stores and spare parts consumed		349	668
	Repairs and maintenance		135,546	94,261
	Rent, rates, electricity and telephone		20,771	14,505
	Travelling		30,780	24,140
	Stationery and postage		53,305	58,936
	Dispatch of gas bills		73,898	66,698
	Transportation charges		68,607	56,105
	Provision for doubtful debts	24.2	1,738,362	1,639,220
	Professional services		159	258
	Gathering charges of gas bills collection data		27,014	21,361
	Gas bills collection charges		302,225	282,899
	Others		33,195	13,903
			4,445,142	3,821,988
	Less: Allocated to fixed capital expenditure		(286,239)	(244,839)
			4,158,903	3,577,149

33.1 Included in salaries, wages and benefits is Rs 36,561 thousand (2011: Rs 28,206 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2012	2011
			(Rupees in thousand)	
34.	**Administrative expenses**			
	Salaries, wages and benefits	11 , 34.1	2,015,897	1,938,253
	Employees medical and welfare		199,648	183,645
	Stores and spare parts consumed		78,293	45,306
	Fuel and power		36,751	20,795
	Repairs and maintenance		67,613	47,925
	Rent, rates, electricity and telephone		71,583	71,930
	Insurance		8,420	6,606
	Travelling		38,385	29,066
	Stationery and postage		32,980	28,636
	Transportation charges		54,856	49,269
	Professional services	34.2	60,513	55,277
	Security expenses		57,619	36,628
	Service charges		54,982	58,968
	OGRA fee and expenses		102,240	168,102
	Depreciation	17.1.3	162,438	150,672
	Amortization of intangible assets	18.1	142,894	119,676
	Others		177,169	115,780
			3,362,281	3,126,534
	Less: Allocated to fixed capital expenditure		(277,661)	(213,630)
			3,084,620	2,912,904

34.1 Included in salaries, wages and benefits is Rs 44,357 thousand (2011: Rs 33,997 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2012	2011
			(Rupees in thousand)	
34.2	**Professional services**			
	The charges for professional services include the following in respect of:			
	Statutory audit			
	- A. F. Ferguson & Co.		1,500	700
	- M. Yousaf Adil Saleem & Co.		1,500	700
			3,000	1,400
	Half yearly review and other certifications			
	- A. F. Ferguson & Co.		580	470
	- M. Yousaf Adil Saleem & Co.		720	520
			1,300	990
	Income tax advisory			
	A. F. Ferguson & Co.		2,875	5,996
	Out of pocket expenses			
	- A. F. Ferguson & Co.		300	250
	- M. Yousaf Adil Saleem & Co.		300	250
			600	500
			7,775	8,886
35	**Finance cost**			
	Mark-up/ interest/commitment charges on:			
	– Long term financing:			
	Secured		1,389,193	3,912
	Unsecured		136,934	195,465
	– Short term borrowing		71,995	89,871
	– Late payment to gas suppliers		1,217,714	2,887,562
	– Security deposits		594,442	621,753
	– Bank charges	35.1	5,220	78,300
	– Workers' Profit Participation Fund	12.3	15,247	7,418
			3,430,745	3,884,281
	– Exchange risk coverage fee		–	3,440
			3,430,745	3,887,721
	Less: Allocated to fixed capital expenditure		(18,417)	(9,888)
			3,412,328	3,877,833

35.1 This includes Rs 4,060 thousand (2011: 77,140 thousand) in respect of fee for loan obtained during the year.

		Note	2012	2011
			(Rupees in thousand)	
36.	**Other operating expenses**			
	Workers' Profit Participation Fund	12.3	250,323	91,083
	Workers' Welfare Fund		–	35,410
	Exchange loss		638,266	55,536
	Loss on initial recognition of financial assets at fair value		45,815	26,754
	Donations	36.1	2,916	200
			937,320	208,983

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

			2012	2011
			(Rupees in thousand)	
37.	**Taxation**			
	Current Tax			
	Current year		1,093,966	975,308
	Prior year		(93,919)	(24,346)
			1,000,047	950,962
	Deferred tax		696,842	(388,240)
			1,696,889	562,722

		2012	2011
		(%)	
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	(0.06)	(0.13)
	– Effect of changes in current tax of prior years	0.83	(1.44)
	– Others	0.02	(0.08)
		0.79	(1.65)
	Average effective tax rate charged to profit and loss account	35.79	33.35

		Note	2012	2011
			(Rupees in thousand)	
38.	**Cash generated from operations**			
	Profit before taxation and share of associate		4,740,885	1,687,743
	Adjustment for non-cash charges and other items:			
	Depreciation	17.1.3	8,121,917	7,533,596
	Amortization of intangible assets		142,894	119,676
	Employee benefits		1,053,493	850,911
	Amortization of deferred credit		(2,257,343)	(2,513,631)
	Net gain on sale of fixed assets		(12,486)	(9,497)
	Finance cost		3,412,328	3,877,833
	Return on bank deposits		(388,107)	(351,123)
	Provision for doubtful debts		1,738,362	1,639,220
	Stores and spare parts written off		13,256	-
	Loss on initial recognition of financial assets at fair value		45,815	26,754
	Gain on initial recognition of financial assets at fair value		(104,747)	-
	(Gain) / Loss on initial recognition of financial assets / financial liabilities at fair value		(58,932)	26,754
	Liabilities written back		(112,039)	-
	Interest income due to the impact of IAS-39		(22,473)	(20,494)
	Working capital changes	38.1	(8,014,904)	(13,810,018)
			8,356,851	(969,030)

		Note	2012	2011
			(Rupees in thousand)	
38.1	**Working capital changes**			
	(Increase)/ decrease in current assets:			
	Stores and spare parts		(218,994)	48,921
	Stock-in-trade - gas in pipelines		(162,914)	55,371
	Trade debts		(38,614,995)	3,551,123
	Loans and advances		25,005	59,254
	Trade deposits and short term prepayments		20,186	(40,739)
	Other receivables		5,783,502	(3,689,080)
			(33,168,210)	(15,150)
	Increase / (Decrease) in current liabilities			
	Trade and other payables		25,153,306	(13,794,868)
			(8,014,904)	(13,810,018)
38.2	**Cash and cash equivalents**			
	Cash and bank balances		1,125,264	1,954,060
	Short term borrowing		(1,000,000)	(1,000,000)
			125,264	954,060

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	
	2012	2011		2012	2011
Number of persons	1	1	1	564	534
		A. Rashid Lone June to April	Arif Hameed May to June		
	(Rupees in thousand)				
Remuneration	7,543	6,435	814	576,632	472,846
Contribution to provident, pension and gratuity fund	2,703	–	188	205,827	109,227
Housing and utilities	4,148	3,539	448	290,706	247,743
Conveyance and other allowances	–	–	–	61,676	23,392
Special allowance	1,509	1,287	86	–	–
Leave encashment	–	–	–	12,239	10,101
Club subscription	–	1	–	1,098	79
	15,903	11,262	1,536	1,148,178	863,388

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 (2011: fourteen) directors was Rs 115 thousand (2011: Rs 81 thousand).

		Note	2012	2011
			(Rupees in thousand)	
40.	**Long-term construction contracts**			
	Contract revenue for the year		393,994	700,883
	Method used to determine revenue		Fixed price contract	
	Method used to determine stage of completion		Cost incurred to-date	
	Contract cost incurred to date		2,156,303	2,000,478
	Contract cost incurred during the year		153,002	517,917
	Gross profit realised to date		1,005,820	1,008,720
	Retention money receivable		65,720	76,148
	Gross amount due from customers	27	56,466	280,573
	Gross amount due to customers	12	19,313	7,388
	Estimated future costs to complete projects in progress		154,277	159,700

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	2012	2011
		(Rupees in thousand)	
Gas sales		23,329,419	14,988,554
Purchase of materials		2,109,387	1,264,421
Purchase of gas		143,069,743	124,351,985
Services	34	91,150	65,524
Profit received on bank deposits.		261,486	229,817
Contribution to defined contribution plan	41.1	203,828	134,538
Contribution to defined benefit plans		1,151,586	916,612
Transportation charges		425,352	400,841
Transmission charges		2,954	2,683
Insurance expenses		188,060	196,497
Insurance claimed received		1,784	12,940
Dividend paid		282,506	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 (2011: Rs 1,500,000 thousand) out of which Rs 622,004 thousand (2011: Rs 493,356 thousand) remained unutilized at the end of the year.

43. Capacity and actual performance

The average daily gas transmitted during the year was 358,371 Hm3 (2011: 519,066 Hm3) against the designed capacity of 459,234 Hm3 (2011: 459,234 Hm3). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers.

			Note	2012	2011
44.	**Earnings per share - basic and diluted**				
	Profit for the year	Rupees in thousand		3,043,996	1,125,021
	Average ordinary shares in issue	Numbers of shares	5	576,560,605	549,105,339
	Basic earnings per share	Rupees		5.28	1.95

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 4.19 to the financial statements.

	2012	2011
	(Rupees)	
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	89.63	85.57
Reporting date rate	94.20	86.05

(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:

	2012	2011
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Loans to employees	333,097	309,950
Financial liabilities		
Long term financing	764,764	576,785
Security deposit	14,248,509	11,003,158
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	766,653	1,432,225
Financial liabilities		
Long term financing	8,175,130	10,480,043
Security deposit	711,560	126,714
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 59,281 thousand (2011: increased/decreased by Rs 66,134 thousand), mainly as a result of higher/lower interest expense in the year ended June 30, 2012. 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:

	2012	2011
	(Rupees in thousand)	
Loans and advances	336,718	316,280
Deposits	16,155	16,122
Trade debts	73,330,850	36,454,217
Interest accrued	15,814	9,555
Other receivables	27,770	461,165
Bank balances	1,122,929	1,952,911
	74,850,236	39,210,250

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 counter party default rate. The table below shows the bank balances held with some major counter parties at the balance sheet date:

	Rating			2012	2011
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AA+	PACRA	10,200	69,337
National Bank of Pakistan	A-1+	AAA	JCR-VIS	47,823	17,499
Habib Bank Limited	A-1+	AA+	JCR-VIS	85,279	86,146
United Bank Limited	A-1+	AA+	JCR-VIS	324	9,855
Allied Bank Limited	A1+	AA	PACRA	57,731	7,260
Askari Bank Limited	A1+	AA	PACRA	99,116	409,544
Habib Metropolitan Bank	A1+	AA+	PACRA	189,087	81,618
Bank Al-Habib Limited	A1+	AA+	PACRA	90,426	437,810
Faysal Bank Limited	A-1+	AA	JCR-VIS	99,442	52,867
Bank Alfalah Limited	A1+	AA	PACRA	10,497	99,415
Soneri Bank Limited	A1+	AA-	PACRA	11,529	5,881
The Bank of Punjab	A1+	AA-	PACRA	5,808	52,043
Citi group	A-1	A+	Standard & Poor's	928	628
First Women Bank Limited	A2	BBB+	PACRA	2,542	388
Standard Chartered Bank	A1+	AAA	PACRA	2,260	20,037
Albaraka Islamic Bank	A2	A	PACRA	11,408	739
Summit bank limited (formerly) Arif Habib Bank Limited	A-2	A	JCR-VIS	6,342	3,585
JS Bank Limited	A1	A	PACRA	942	248
Oman International Bank	A-2	BBB	JCR-VIS	590	9,355
KASB Bank Limited	A3	BBB	PACRA	2,379	351
NIB Bank Limited	A1+	AA-	PACRA	945	8,213
Barclays Bank	A-1+	AA-	Standard & Poor's	1,764	43,601
The Bank of Kyber	A2	A-	PACRA	17,928	322
Punjab Provincial Co-operative Bank	–	–	–	2,748	342
Silk Bank Limited	A-2	A-	JCR-VIS	8,616	15,141
				766,654	1,432,225

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

As at June 30, 2012, trade debts of Rs 40,340,170 thousand (2011 : Rs 17,244,148 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:

	2012	2011
	(Rupees in thousand)	
1 to 6 months	33,278,195	14,253,035
More than 6 months	7,061,975	2,991,113
	40,340,170	17,244,148

As at June 30, 2012, trade debts of Rs 5,830,472 thousand (2011 : Rs 4,092,111 thousand) were impaired and provided for. The ageing analysis of these trade debts is as follows:

	2012	2011
	(Rupees in thousand)	
Up to 1 month	352,796	202,497
1 to 6 months	239,616	716,481
More than 6 months	5,238,060	3,173,133
	5,830,472	4,092,111

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, 2012					
Long term financing	11,439,894	15,285,637	4,408,137	10,314,706	562,794
Trade and other payables	50,545,127	50,545,127	50,545,127	–	–
Short term borrowings	1,000,000	1,122,000	1,122,000	–	–
	62,985,021	66,952,764	56,075,264	10,314,706	562,794
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

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

45.2 Fair values of financial assets and liabilities

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

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

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

45.3 Financial instruments by categories

	Loans and receivables	
	2012	2011
	(Rupees in thousand)	
As at 30 June		
Assets as per balance sheet		
Loans and advances	336,718	316,280
Trade deposits and short term prepayments	16,155	16,122
Trade debts	73,330,850	36,454,217
Interest accrued	15,814	9,555
Other receivables	27,770	461,165
Cash and bank balances	1,125,264	1,954,060
	74,852,571	39,211,399

	Financial liabilities at amortized cost	
	2012	2011
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term financing	11,439,894	11,056,828
Security deposit	20,227,669	16,477,801
Accrued mark-up	9,683,085	7,995,268
Short term borrowings	1,000,000	1,000,000
Trade and other payables	50,545,127	39,800,614
	92,895,775	76,330,511

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, 2012 and June 30, 2011 were as follows:

	Note	2012	2011
		(Rupees in thousand)	
Debt	6, 7, 14, 15	12,439,894	12,056,828
Equity	5	21,223,780	18,728,889
Total capital employed		33,663,674	30,785,717
Gearing ratio		36.95%	39.16%

46. Events after balance sheet date

The Board of Directors of the Company in its meeting held on February 13, 2013 has proposed a cash dividend in respect of the year ended June 30, 2012 of Rs 2.50 per share (2011: Rs 1 per share), amounting to Rs 1,441,401,515 (2011: Rs 549,105,339) and 10% bonus share (2011: 5%) in respect of the year ended June 30, 2012. 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 February 13, 2013 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. No significant reclassifications have been made during the year.

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

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 49th Annual General Meeting of the Company to be held on Wednesday, March 20, 2013 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. ____________

Dated:

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.
3. A member shall not be entitled to appoint more than one proxy to attend any one meeting.
4. If any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the Company, all such instruments of proxy shall be rendered invalid.

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 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

The Company Secretary,

SUI NORTHERN GAS PIPELINES LIMITED

Gas House, 21–Kashmir Road, P.O. Box No. 56, Lahore.

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