

**SUINORTHERN GAS PIPELINES LIMITED**

**BALANCE SHEET AS AT JUNE 30, 2002**

	Note	2002	2001
(Rupees in thousand)			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
1,500,000,000 (2001: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital	3	4,991,866	4,991,866
Reserves		2,647,682	1,758,682
Unappropriated profit		1,255	1,803
		<u>7,640,803</u>	<u>6,752,351</u>
<b>NON-PARTICIPATORY REDEEMABLE CAPITAL - SECURED</b>	4	4,254,384	2,211,682
<b>DEFERRED CREDIT</b>	5	3,980,851	3,820,602
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
Long term loans and other liabilities - unsecured	6	8,311,870	9,365,083
Security deposits	7	3,301,454	3,040,623
Liabilities against assets subject to finance lease	8	-	54,967
Deferred taxation	9	4,551,906	4,128,560
Employee benefits	10	1,075,325	744,190
		<u>17,240,555</u>	<u>17,333,423</u>
<b>CURRENT LIABILITIES</b>			
Current portion of non-participatory redeemable capital - secured	4	760,560	1,457,755
Current portion of long term loans and other liabilities - unsecured	6	1,230,225	1,209,464
Current portion of liabilities against assets subject to finance lease	8	54,967	69,625
Creditors, accrued and other liabilities	11	9,467,181	9,533,703
Proposed dividend		998,373	848,617
		<u>12,511,306</u>	<u>13,119,164</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		<u>45,627,899</u>	<u>43,237,222</u>
	Note	2002	2001
(Rupees in thousand)			
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	13	27,095,667	24,718,532
Assets subject to finance lease	14	102,200	224,600
Capital work-in-progress	15	2,995,254	3,889,060
Advances for land		78,181	101,674
		<u>30,271,302</u>	<u>28,933,866</u>
<b>LONG TERM LOANS</b>	16	183,958	181,510
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>	17	3,169	15,760
<b>LONG TERM INVESTMENTS</b>	18	69,202	85,001
<b>CURRENT ASSETS</b>			
Stores and spares	19	568,314	647,083
Stock-in-trade	20	154,273	131,895
Trade debts	21	9,200,156	8,798,261
Loans, advances, deposits, prepayments and other receivables	22	1,870,396	1,220,883
Income tax recoverable		535,142	636,362
Cash and bank balances	23	2,771,987	2,586,601
		<u>15,100,268</u>	<u>14,021,085</u>

45,627,899

43,237,222

The annexed notes form an integral part of these accounts

Chief Executive

Director

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2002**

	Note	2002 (Rupees in thousand)	2001
Gas sales	24	42,005,148	36,522,243
Less: Gas development surcharge		4,084,195	2,442,668
		37,920,953	34,079,575
Rental and service income	25	585,016	589,680
Surcharge and interest on gas sales arrears	26	475,570	110,493
Amortisation of deferred credit		312,849	278,447
		39,294,388	35,058,195
Less: Cost of gas sold	27	28,549,844	24,849,097
Operating cost excluding depreciation	28	4,081,747	3,843,842
Depreciation		2,751,201	2,641,050
		35,382,792	31,333,989
		3,911,596	3,724,206
Less: Operating loss Liquefied Petroleum Gas Project (LPG)	29	3,192	13,807
		3,908,404	3,710,399
Net gain on sale of fixed assets		13,213	5,210
Other income	31	250,652	177,011
		4,172,269	3,892,620
Less: Financial charges	32	1,398,174	1,440,695
Other charges	33	201,727	122,602
		1,599,901	1,563,297
		2,572,368	2,329,323
Gain on sale of LPG business	30	191,871	-
Profit before taxation		2,764,239	2,329,323
Provision for taxation	34	877,414	992,754
Profit after taxation		1,886,825	1,336,569
Unappropriated profit brought forward		1,803	1,851
		1,888,628	1,338,420
Appropriations			
Transfer to general reserves		889,000	488,000
Proposed dividend @ 20% (2001: @17% )		998,373	848,617
		1,887,373	1,336,617
Unappropriated profit carried forward		1,255	1,803
Earnings per share (Rupees)	40	3.78	2.68

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

	Note	2002	2001
		(Rupees in thousand)	
<b>Cash flow from operating activities</b>			
Cash generated from operations	35	5,543,596	6,787,461
Financial charges paid		(1,303,033)	(1,253,879)
Taxes paid		(352,848)	(423,428)
Employee benefits paid		(232,613)	(218,500)
Security deposits		331,115	1,369,702
Security deposit LPG business		27	-
Deferred credit		473,098	904,699
Long term loans - staff		(9,204)	13,672
Long term deposits and prepayments		12,591	(5,601)
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		4,462,729	7,174,126
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(3,886,596)	(2,472,407)
Sale proceeds of fixed assets		13,976	7,052
Proceeds from sale of LPG business		142,000	-
Return on bank deposits		177,553	122,235
		<hr/>	<hr/>
<b>Net cash (outflow) from investing activities</b>		(3,553,067)	(2,343,120)
<b>Cash flow from financing activities</b>			
Proceeds from long term loans		155,838	213,500
Repayment of long term loans		(1,188,290)	(2,809,096)
Proceeds from non participatory redeemable capital		2,679,000	770,000
Repayment of non participatory redeemable capital		(1,457,756)	(1,169,708)
Dividends paid		(818,605)	(1)
Lease rentals paid		(94,463)	(420,065)
		<hr/>	<hr/>
<b>Net cash (outflow) from financing activities</b>		(724,276)	(3,415,370)
<b>Net increase in cash and cash equivalents</b>		<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of the year</b>		2,586,601	1,170,965
<b>Cash and cash equivalents at the end of the year</b>	23	<hr/> <hr/>	<hr/> <hr/>

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2002**

	Share capital	Reserve for issue of bonus shares	General reserve	Dividend equalization reserve	Total reserves	Unapprop- riated profit	
Balance as at June 30, 2000	4,340,753	651,113	1,200,682	70,000	1,921,795	1,851	6,264,399
Net profit for the year	-	-	-	-	-	1,336,569	1,336,569
Transfer to revenue reserves	-	-	488,000	-	488,000	(488,000)	-
Proposed dividend @ 17%	-	-	-	-	-	(848,617)	(848,617)
Bonus shares issued	651,113	(651,113)	-	-	3)	-	-
Balance as at June 30, 2001	4,991,866	-	1,688,682	70,000	1,758,682	1,803	6,752,351
Net profit for the year	-	-	-	-	-	1,886,825	1,886,825
Transfer to revenue reserves	-	-	889,000	-	889,000	(889,000)	-
Proposed dividend @ 20%	-	-	-	-	-	(998,373)	(998,373)
Balance as at June 30, 2002	4,991,866	-	2,577,682	70,000	2,647,682	1,255	7,640,803

**CHIEF EXECUTIVE**

**DIRECTOR**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2002**

**1. The Company and its operations**

Sui Northern Gas Pipelines Limited 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 principal activity of the company is the purchase, purification, transmission, distribution and supply of natural gas.

The transfer of LPG business to M/s Shell Gas LPG (Pakistan) Limited was effectuated on October 15, 2001 against sale proceeds of Rs 142.000 million on the basis of auction conducted by the Privatization Commission. The divestment of LPG business was approved by the shareholders of the company in annual general meeting held on December 30, 1999. The gain on disposal of the business has been shown in note 30.

**2. Summary of significant accounting policies**

**2.1 Compliance with International Accounting Standards (IAS)**

These accounts have been prepared in accordance with accounting standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC as applicable in Pakistan and the requirements of Companies Ordinance, 1984.

**2.2 Accounting convention**

These accounts have been prepared under the historical cost convention, modified by capitalization of exchange differences referred in Note 2.10 and recognition of certain employee benefits at present value.

**2.3 Employee benefits**

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

(a) The company operates an approved funded pension scheme for all employees and an approved funded gratuity scheme for executives and non-executives with a qualifying service period of five years and six years respectively. Contribution to the funds are payable on the basis of actuarial valuation. 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.

The company provides free gas facility to non executive staff and reimbursement of medical expenditure to all employees after their retirement. However, all executives retired upto December 31, 2000 are also entitled to avail free gas facility. Provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently. The most recent valuations were carried out as of June 30, 2002 using the projected unit credit method.

On adoption of IAS 19 "Employee Benefits", the actuarial valuations for the above plans determined a transitional liability for post employment benefits amounting to Rs 568.648 million attributable to medical benefit and free gas facility and Rs 44.941 million for pension and gratuity for non-executive staff. Under the transitional provisions of IAS 19, the transitional liability is being amortized over a period of five years.

The principal actuarial assumptions used in the valuation of these schemes as of June 30, 2002 are:

	Gratuity Fund		Pension Fund	
	Executives	Non executives	Executives	Non executives
Expected rate of growth per annum in future salaries	9%	9%	9%	9%
Discount rate	11%	11%	11%	11%
Expected rate of return per annum on fund	13%	13%	13%	13%

  

	Medical		Free Gas	
	Executives	Non executives	Executives	Non executives
Discount rate	11%	11%	11%	11%
Expected rate of growth per annum in average cost of facility	8%	8%	9%	9%
Increase in average cost of medical facility per employee due to increase in age of recipient	2%	2%	-	-
Rate of utilization of facility by future entitled employees	-	-	-	100%

The company's policy with regard to actuarial gains and losses is to follow the minimum recommended approach under IAS 19 (revised 2000).

b) The company provides annually for the expected cost of accumulated absences and leave fare assistance on the basis of actuarial valuations. However, executives of the company are not entitled to avail leave fare assistance after December 31, 2000. As at June 30, 2000 the change in accounting policy resulted in a transitional liability, which has been recognized over a period of three years as permitted by Securities and Exchange Commission of Pakistan through Circular 17 dated November 21, 2000. The portion of the transitional liability unrecognized as at June 30, 2002 is Rs Nil (2001: Rs 53.027 million).

Executives of the company are entitled to accumulate the un-utilized privilege leaves upto 60 days and such accumulation is encashable only at the time of retirement or leaving the company.

Non-executives of the Company are entitled to accumulate the un-utilized privilege leaves upto 90 days. Any leave in excess of 90 days would be credited to a special account, upto maximum of 90 days. Non-executives retiring from July 1, 2001 to June 30, 2005 would be allowed encashment of special leave upto 90 days in addition to the privilege leave due for encashment upto maximum of 90 days. However, non-executives would be allowed to avail their accumulated privilege leave/special leave during service beyond 180 days upto June 2005, without any restriction. From July 1, 2005 encashment of privilege leave only upto 90 days would be allowed at the time of retirement.

c) The company operates an approved defined contribution provident fund for all permanent employees. During the year Rs 81.347 million (2001: Rs 64.922 million) has been charged as an expense by the company.

## **2.4 Taxation**

### **Current**

The charge for current taxation is based on taxable income at the current rates of tax after taking into account tax credits available, if any.

### **Deferred**

The company accounts for deferred tax using the liability method on all significant timing differences, if these are likely to reverse in the foreseeable future and will not be replaced.

## **2.5 Fixed capital expenditure and depreciation**

Operating fixed assets except freehold and leasehold land are stated at cost less accumulated depreciation.

Freehold and leasehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain assets signifies historical cost and exchange differences referred to in Note 2.10 and borrowing cost referred to in Note 2.11.

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 13. Transmission and distribution system, meter and compressor stations and equipments are depreciated at annual rates in accordance with the terms of loan agreement (3252-PAK) with the World Bank. This agreement requires that depreciation be charged at rates not less than 6% per annum of the average cost of such assets in operation. Impairment loss, if any, is also charged to income.

Half year's depreciation is charged on additions during the year. No depreciation is charged on assets deleted during the year, except for assets transferred to executives under service rules where depreciation is charged until the date of executive's retirement.

Pipelines uplifted during the year are deleted from operating fixed assets. 60% - 65% of the written down value of the uplifted pipelines representing cost of linepipes 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.

Major renewals and improvements are capitalized. Minor replacements, repairs and maintenance are charged to income.

## **2.6 Assets subject to finance lease**

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets acquired on lease. The aggregate amount of obligations relating to assets subject to finance lease is accounted for at the net present value of liabilities. Value of the leased assets is depreciated over the useful lives of assets using the straight line method at the rates given in Note 14. Depreciation of leased assets is charged to income. The related obligations of the lease are accounted for as liabilities.

## **2.7 Deferred credit**

Amount received from consumers and the Government as contributions and grants towards the cost of supplying and laying transmission lines, service lines and mains are deferred for amortization over the estimated useful lives of related assets.

## **2.8 Stores and spares**

These are valued at monthly moving average cost, while items considered obsolete are carried at Nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

## **2.9 Stock-in-trade**

Stock of gas in pipelines is valued at the lower of cost determined on an 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.

## **2.10 Foreign currencies**

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date.

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

## **2.11 Borrowing cost**

Mark-up, interest, profit and other charges on non-participatory redeemable capital and long term loans are capitalized for the period, upto 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.

## **2.12 Revenue recognition**

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

(b) Meter rentals are recognized monthly on the basis of specified rates for various categories of consumers.

(c) Interest on bank deposits is recognized on accrual basis.

## **2.13 Gas Development Surcharge**

Under the provisions of World Bank loan 3252-PAK, the Company is operating on an annual return of not less than 17.50% 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.

## **2.14 Financial Instruments**

Financial instruments carried at the balance sheet date include investments, receivables, cash and bank balances, finances under mark-up arrangements, liabilities subject to finance lease, long term loans and other payables, deposits, creditors, accrued and other liabilities. The particular recognition method adopted is disclosed in the individual policy statement associated with each item.

## **2.15 Cash and bank balances**

Cash in hand and at banks and short term deposits which are held to maturity are carried at cost. For the purposes of the cash flow statement, cash equivalents are short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

#### 2.16 Trade and other receivables

Trade debts and other receivables considered irrecoverable are written-off and provision is made for debts considered doubtful of recovery.

#### 2.17 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past event, 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.

#### 2.18 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 the future for goods and services.

#### 2.19 Investments

#### Associated companies

Investments initially are measured at cost. At subsequent reporting dates, the company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss if any. Impairment losses are recognised as expenses.

Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of the initial cost of the investment. A reversal of the impairment loss is recognised in income.

#### 2.20 Adoption of International Accounting Standards (IAS)

In the current year, the company has adopted IAS 39, Financial Instruments: Recognition and Measurement. The IAS has introduced a comprehensive framework in accounting for all financial instruments. The principal effect of the adoption of IAS 39 is that certain financial instruments including derivatives are now required to be carried at fair value. However, in the current year there is no effect on the financial statements from the adoption of the policy.

Revision to a number of IAS also took effect during the year. These revisions concern matters of detailed application which have no significant effect on the amounts reported for the current year.

	2002	2001
	(Rupees in thousand)	
<b>3. Issued, subscribed and paid up share capital</b>		
121,146,000 (2001: 121,146,000) ordinary shares of Rs 10 each		
issued as fully paid for cash	1,211,460	1,211,460

3,329,000 (2001: 3,329,000) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
374,711,600 (2001: 374,711,600) ordinary shares of Rs 10 each issued as fully paid bonus shares	3,747,116	3,747,116
	<u>4,991,866</u>	<u>4,991,866</u>

#### 4. Non participatory redeemable capital - secured

Long term running finance utilised under mark-up arrangements

	1	2	3	4	5	6
	National Bank of Pakistan	Citibank Syndicate	National Bank of Pakistan	National Development Finance Corporation	Faysal Bank Limited	United Bank Limited
Marked-up price	394,832	1,916,222	566,947	1,255,060	370,461	313,639
Less: Mark-up	215,247	457,027	320,995	545,246	100,461	66,639
Prompt payment rebate	29,585	530,195	45,952	209,814	-	-
	<u>244,832</u>	<u>987,222</u>	<u>366,947</u>	<u>755,060</u>	<u>100,461</u>	<u>66,639</u>
	150,000	929,000	200,000	500,000	270,000	247,000
Mark-up accrued during grace period	49,343	-	71,638	50,000	-	-
	<u>199,343</u>	<u>929,000</u>	<u>271,638</u>	<u>550,000</u>	<u>270,000</u>	<u>247,000</u>
Less: Aggregate repayments to June 30, 2002	124,090	-	91,026	550,000	270,000	247,000
Current portion included in current liabilities	34,663	-	34,289	-	-	-
	<u>158,753</u>	<u>-</u>	<u>125,315</u>	<u>550,000</u>	<u>270,000</u>	<u>247,000</u>
<b>Total</b>	<u>40,590</u>	<u>929,000</u>	<u>146,323</u>	<u>-</u>	<u>-</u>	<u>-</u>

Rate of profit/mark up	16.425%	11.00% p.a. for the 1st year and not less than 11.75% p.a. thereafter subject to maximum of 18% p.a.	17.885%	20.00%	SBP Discount rate + 2.50% subject to minimum of 19.25%	3% above STFB subject to minimum of 17.50%
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Number of installments outstanding

- Quarterly	-	-	-	-	-	-
- Half yearly	4	8	8	-	-	-
- Yearly	-	-	-	-	-	-
- Varied interval	-	-	-	-	-	-

Repayment Commencement date	December 1, 1996	August 13, 2004	August 28, 1998	August 19, 1998	December 8, 1999	April 26, 1999
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7	8	9	10	11	12	13	2002	2001
National Bank of Pakistan	Faysal Bank Limited	Faysal Bank Limited	ANZ Grindlays Bank	ABN AMRO Bank Syndicate	National Bank of Pakistan	Habib Bank Limited Syndicate	(Rupees in thousand)	(Rupees in thousand)
1,197,198	696,260	348,749	624,384	979,041	1,766,579	2,584,710	13,014,082	10,707,335
620,552	183,172	91,749	103,289	144,041	638,760	622,113	4,109,291	4,081,792
76,646	-	-	121,095	-	107,819	462,597	1,583,703	826,281
697,198	183,172	91,749	224,384	144,041	746,579	1,084,710	5,692,994	4,908,073
500,000	513,088	257,000	400,000	835,000	1,020,000	1,500,000	7,321,088	5,799,262
164,450	-	-	-	-	125,097	-	460,528	623,238
664,450	513,088	257,000	400,000	835,000	1,145,097	1,500,000	7,781,616	6,422,500
106,256	359,162	179,900	266,667	572,571	-	-	2,766,672	2,753,063
64,820	153,926	77,100	133,333	262,429	-	-	760,560	1,457,755
171,076	513,088	257,000	400,000	835,000	-	-	3,527,232	4,210,818
493,374	-	-	-	-	1,145,097	1,500,000	4,254,384	2,211,682

13.87%	17.00%	17.00%	13.7385%	Cut-off yield of six months treasury bills plus 2.75% with a mini- mum of 12% and maximum of 17 %	13.00%	0.75% p.a. + SBP discount rate with a floor of 9.25% p.a. and maximum of 16% p.a.
-	-	-	-	-	16	-
12	-	-	2	-	-	8
-	1	1	-	-	-	-
-	-	-	-	8	-	-
July 1, 2000	July 1, 2000	August 9, 2000	November 4, 2000	September 4, 2000	July 1, 2003	December 28, 2004

#### Terms of redeemable capital

These represent long term running finances obtained under mark-up arrangements from financial institutions and banking companies. Prompt payment rebate is allowed to the extent shown above against payments made on due dates.

#### Security

Repayment of the marked-up price is secured by first charge on the company's fixed assets ranking pari passu and a floating charge over the company's assets.

	2002	2001
	(Rupees in thousand)	
<b>5. Deferred credit</b>		
Consumer's contributions	5,987,265	5,514,167
Government grant	183,206	183,206
	<u>6,170,471</u>	<u>5,697,373</u>
Less: Accumulated amortization	2,189,620	1,876,771
	<u>3,980,851</u>	<u>3,820,602</u>
<b>6. Long term loans and other liabilities - unsecured</b>		
Foreign currency loans	- Note 6.1	4,167,517
		4,530,609
Local currency		
- Loans	- Note 6.2	2,386,539
		2,443,317
- Other liabilities	- Note 6.3	2,988,039
		3,600,621
		9,542,095
Less: Current portion shown under current liabilities		
Foreign currency	362,465	363,092
Local currency		
- Loans	234,005	212,617
- Others	633,755	633,755
	1,230,225	1,209,464
	8,311,870	9,365,083



**2002** **2001**

**(Rupees in thousand)**

**6.3 Other liabilities**

These are composed of :

Interest on Medium Term Loan	- Note 6.3.1	2,209,724	2,455,249
Interest payable to OGDCL	- Note 6.3.2	778,315	1,145,372
		2,988,039	3,600,621
		2,988,039	3,600,621

**6.3.1** Under an agreement reached with the Government of Pakistan, interest on medium term loan amounting to Rs 2,455.249 million due on June 30, 2001 is payable in 10 equal annual installments commencing June 30, 2002 and does not carry mark-up.

**6.3.2** Mark-up @ 10% per annum accrued on late payments amounting to Rs 1,164.691 million to Oil and Gas Development Corporation Limited upto December 31, 1999 is payable in 36 equal monthly installments starting July 1, 2001.

**2002** **2001**

**(Rupees in thousand)**

**7. Security deposits**

Consumers	- Note 7.1	3,289,167	2,957,572
LPG dealers	- Note 7.2	-	70,284
Contractors - Houselines	- Note 7.3	12,287	12,767
		3,301,454	3,040,623
		3,301,454	3,040,623

**7.1** Consumer deposits represent security against amount due from them 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% per annum on deposits amounting to Rs 2,159.300 million (2001: Rs 2006.905 million) from certain consumers. However, for Kot Addu Power Company (KAPCO) and Liberty Power, the rate of interest is 1% above 3 months State Bank of Pakistan (SBP) treasury bills cut off rate with a maximum of 10% per annum and at the rate equal to 3 months treasury bills of SBP subject to a floor of 7% per annum respectively.

**7.2** The liability of repaying the security deposits against gas cylinders with distributors has been taken over by the purchaser of the LPG business.

**7.3** No interest is payable on the deposits from houseline contractors. These are refundable on cancellation of contract or dealership agreement.

**8. Liabilities against assets subject to finance lease**

The amount of future payments and the period in which these payments become due are:

(Rupees in thousand)

	2002			2001		
	Total Payments	Finance charge	Principal	Total Payments	Finance charge	Principal
2002	-	-	-	94,463	24,838	69,625
2003	62,452	7,485	54,967	62,452	7,485	54,967
	<u>62,452</u>	<u>7,485</u>	<u>54,967</u>	<u>156,915</u>	<u>32,323</u>	<u>124,592</u>

The value of minimum lease payments has been discounted at implicit interest rates ranging from 19.25% to 21% to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rs 62.452 million (2001: Rs 156.915 million) and are payable in equal quarterly installments between July 2002 and June 2003. Taxes, repairs and insurance costs are to be borne by the lessee. The lease agreements are renewable on such terms as may be agreed upon. The liability is partly secured by a deposit of Rs 5.500 million (2001: Rs 5.500 million) included in trade deposits and prepayments in Note 22.

2002                      2001  
(Rupees in thousand)

**9. Deferred taxation**

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation allowance	5,448,629	4,885,955
Lease rentals	16,531	35,002
	<u>5,465,160</u>	<u>4,920,957</u>
Less: Provision for doubtful debts	524,221	475,217
Others	389,033	317,180
	<u>913,254</u>	<u>792,397</u>
	<u>4,551,906</u>	<u>4,128,560</u>

**10. Employee benefits**

Accumulating compensated absences		114,133	70,387
Post employment benefits	-Note 10.1	961,192	673,803
		<u>1,075,325</u>	<u>744,190</u>

## 10.1 Post employment benefits

These are composed of

	Medical	Free gas facility	Pension and Gratuity		2002	2001
			Executives	Non Executives		
Present Value of defined benefit obligation	1,431,434	264,345	636,289	1,400,831	3,732,899	2,639,900
Fair value of plan assets	-	-	(464,480)	(1,102,105)	(1,566,585)	(1,306,355)
Past service cost to be recognized in later periods	(177,306)	(68,925)	(46,713)	(200,114)	(493,058)	(559,609)
Actuarial (losses)/gains to be recognized in later periods	(308,148)	(24,373)	(231,100)	89,029	(474,592)	256,073
Transitional liability to be recognized in later periods	(202,779)	(16,715)	-	(17,978)	(237,472)	(356,206)
	<u>743,201</u>	<u>154,332</u>	<u>(106,004)</u>	<u>169,663</u>	<u>961,192</u>	<u>673,803</u>
Liability/(asset) at the beginning of the year	537,534	107,622	(116,647)	145,294	673,803	360,973
Charge for the year	229,687	52,903	72,517	154,217	509,324	482,575
Benefits paid during the year	(24,020)	(6,193)	(61,874)	(129,848)	(221,935)	(169,745)
Liability/(asset) at the end of the year	<u>743,201</u>	<u>154,332</u>	<u>(106,004)</u>	<u>169,663</u>	<u>961,192</u>	<u>673,803</u>
				<b>2002</b>	<b>2001</b>	
				<b>(Rupees in thousand)</b>		

## 11. Creditors, Accrued and other liabilities

Trade creditors	-Note 11.1	5,381,602	5,398,961
Accrued liabilities		1,335,593	1,648,827
Interest free deposits repayable on demand		5,122	5,985
Earnest money received from contractors		13,081	13,257
Mobilization and other advances		45,930	44,196
Gas development surcharge	-Note 11.2	649,745	716,802
Interest, markup, profit, commitment and other charges accrued on:			
- Long term loans (unsecured)		225,949	490,595
- Redeemable capital (secured)		164,805	171,915
Exchange risk and guarantee fee payable to Government of Pakistan		1,165,483	788,107
Sales tax payable		259,410	127,409
Workers' profit participation fund	-Note 11.3	150,615	126,235
Workers' Welfare Fund		38,420	-
Unclaimed dividend		1,401	1,414
Unpaid dividend		30,025	-
		9,467,181	9,533,703

11.1 Included in trade creditors is an amount of Rs Nil (2001: Rs 0.482 million) due to suppliers attributable to LPG business.

11.2 Under the Natural Gas (Development Surcharge) Ordinance, 1967 the sale prices at which gas is to be sold to various consumers (the fixed sale price) and the price to be retained there from by the company (the prescribed price) are fixed by the Government as Development Surcharge. This carries interest @ 20% per annum with a grace period of two months from the date on which it becomes due. This amount represents the balance outstanding of the Development Surcharge.

**11.3 Workers' Profit Participation Fund****2002** **2001****(Rupees in thousand)**

Balance at the beginning of the year	126,235	76,738
Allocation for the year	147,508	122,596
	<u>273,743</u>	<u>199,334</u>
Interest on funds utilized in the company's business	28	12
	<u>273,771</u>	<u>199,346</u>
Less: Payments to workers	365	867
Payments to workers welfare fund	122,272	71,000
Amount written back no longer considered payable	519	1,244
	<u>123,156</u>	<u>73,111</u>
	<u>150,615</u>	<u>126,235</u>

**12. Contingencies and commitments**

**12.1** Claims against the Company not acknowledged as debts amount to Rs 397.088 million (2001: Rs 597.241 million).

(i) Included in claims against the company not acknowledged as debts are claims by the contractors, suppliers and consumers aggregating Rs 75.752 million (2001: Rs 41.903 million). Pending the outcome of these claims, which are in arbitration before the various courts, no provision has been made in these accounts as in the management's view the company has strong grounds in the cases lodged.

(ii) Included in claims against the Company not acknowledged as debts is the claim of employees union for bonus amounting to Rs 255 million (2001: Rs. 255 million) 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 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 orders of NIRC are without jurisdiction and are void. The appeal has not so far been fixed for hearing. No provision has been made in these accounts 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.

(iii) During the previous years, the Collector of Customs, Sales Tax and Excise raised demand for excise duty amounting to Rs 59.987 million and Rs 35.775 million in respect of excise duty not charged by the company on interest and late payment surcharge billed to consumers during the period October 1996 to February 1998 and March 1998 to March 1999 respectively. The company has paid these amounts which are included in Note 22 to the accounts. The company filed appeals before the Customs, Sales Tax and Excise Appellate Tribunal. In case of demand of Rs 35.775 million, the case was decided against the company by the Tribunal and in further appeals, the High Court and Supreme Court also decided against the company. The company has filed a review petition before the Supreme Court, which has been admitted for hearing. The appeal against the demand of Rs 59.987 million is still pending hearing by the Tribunal. During the year further demand of additional duty on the above mentioned excise duty amounting to Rs 35.246 million has been raised by the Collector of Customs, Sales Tax and Excise.

Pending decision of the review petition, no provision has been made in these accounts, since the company's legal advisor is of the view that there is a reasonably fair chance that the review petition will be decided in the favour of the company.

(iv) Pending before the Customs, Sales tax and Excise Appellate Tribunal Excise is an appeal filed by the company against demand raised for excise duty not paid by the Company on free gas facility provided to its employees during March 1997 to March 1999 amounting to Rs.2.809 million. No provision has been made in these accounts since the company's legal advisor is of the view that the company has strong grounds for the decision to be made in favour of the company.

**12.2 Taxation**

(i) 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 1987-88. The Commissioner of Income Tax (Appeals) [CIT (Appeals)], in line with the ITAT's orders upheld the company's contention in the appeals filed on identical grounds for the assessment years 1988-89 through 1999-00. The department has filed appeals against the orders of ITAT before the High Court and against orders of the CIT (Appeals) before ITAT respectively. Pending the outcome of appeals filed by the tax department with the High Court, no provision has been made in these accounts for additional demands in respect of assessment years 1980-81 to 2002-2003 which on a similar basis as used in the past by the tax authorities would amount to Rs 505.077 million.

(ii) In framing the assessment for the years 1989-90 through 2001-02 the tax authorities, in addition to the above mentioned demands, raised further additional 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 further additional 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 1993-94, however, the department has filed appeals against the orders of ITAT before the High Court. Pending the outcome of these appeals, no provision has been made in the accounts for these additional demands for the assessment years 1989-90 to 2002-2003, which on the basis adopted by the authorities would amount to Rs 1,203.650 million (2001: Rs 1,151.206 million), since the Company has strong grounds against the assessment framed by the tax authorities.

In the event of an adverse decision in the cases referred to in (i) and (ii) above, the balance demands, will represent the tax relief on the expenses disallowed resulting in timing differences and creation of a corresponding debit on the deferred tax account to be released to profit and loss account as these expenses are realized for tax purposes in future years. The adhoc payments made against these demands have been included in current assets.

**12.3** The company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/99 in respect of custom duty and sales tax on certain imported items amounting to Rs 497.144 million (2001: Rs 493.848 million). Liabilities in respect of the 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.

#### **12.4 Commitments in respect of**

- (i) Contracts for capital expenditure amount to Rs 2,315.570 million (2001: Rs 789.343 million).
- (ii) Letters of credit other than for capital expenditure amount to Rs 34.567 million (2001: Rs 41.560 million).

#### **12.5 Interest on overdue WAPDA balances**

The company has claimed interest amounting to Rs 238.608 million from WAPDA on overdue payments for gas supplied. To date this interest has not been paid by WAPDA. In previous years the company had charged WAPDA interest on overdue payments according to contractual terms with WAPDA, however, the interest was subsequently settled at reduced amount on the basis of agreement with WAPDA through the Government of Pakistan. Consequently based on these circumstances the company's management is of the view that at present settlement of the interest is uncertain and as such revenue that would flow to the company cannot be measured reliably.

In view thereof the company's management considers it prudent not to recognise the interest claimed as income till such time, that the amount of such interest which will flow to the company can be measured reliably. However, in case the interest was recognised as income, there would be no effect on the profit for the year as the gas development surcharge payable to the Government of Pakistan would increase by the same amount.

13. Operating fixed assets - tangible

Description	Cost as at	Additions/	Cost as at	Accumulated	Depreciation	Transfers	Accumulated	Book value	Rate
	July 1, 2001	adjustments/ (deletions)	June 30, 2002	depreciation as at July 1, 2001	charge/ (deletion) for the year	from assets subject to finance lease	depreciation as at June 30, 2002	as at June 30, 2002	%
	( R u p e e s			I n			T h o u s a n d )		
Freehold land	294,242	19,785	314,027	-	-	-	-	314,027	-
Leasehold land	392	-	392	-	-	-	-	392	-
Buildings and civil construction on freehold land	689,337	18,753	702,461	345,064	35,638	-	375,073	327,388	6
Buildings on leasehold land	8,461	(5,629)	8,461	8,461	(5,629)	-	8,461	-	6
Transmission system	18,661,909	3,014,555	21,629,055	8,094,479	1,152,396	-	9,199,466	12,429,589	6-10
Distribution system	10,755,111	(47,409)	11,875,360	3,939,863	(47,409)	36,000	4,612,183	7,263,177	6
Consumer meter and town border stations	5,114,754	1,120,249	5,763,311	1,673,666	636,320	-	1,980,367	3,782,944	6
Telecommunication system and facilities	1,936,932	649,687	2,019,457	849,022	307,831	-	1,098,890	920,567	15
Compressor station and equipments	3,050,673	82,525	3,146,325	1,462,057	249,868	-	1,623,625	1,522,700	6-9
Purification plant	656,181	95,652	656,181	557,829	161,568	-	586,275	69,906	7.5
Plant and machinery	2,146,307	-	2,072,619	1,809,882	28,446	-	1,807,183	265,436	6-20
Furniture and equipment	324,246	46,664	364,412	210,047	110,906	-	247,670	116,742	15-20
Tools and equipment	31,977	(567)	33,957	25,546	(567)	-	29,320	4,637	33.33
Transport vehicles	441,056	1,984	486,991	417,130	3,778	-	408,829	78,162	25
		(4)			(4)				
		72,813	486,991	417,130	17,860	-	408,829	78,162	25
		(26,878)			(26,161)				
<b>2002</b>	44,111,578	5,163,400	49,073,009	19,393,046	2,742,801	36,000	21,977,342	27,095,667	
		(201,969)			(194,505)				
<b>2001</b>	41,391,350	2,742,018	44,111,578	16,555,809	2,628,134	229,050	19,393,046	24,718,532	
		(21,790)			(19,947)				

Included in additions to transmission systems is borrowing cost of Rs. 152.279 million (2001: Rs Nil) capitalized during the year. The capitalisation rate used to determine amount of borrowing cost is 8.12 %.

Included in furniture and equipment above are assets of Rs 59.258 million (2001: Rs 71.132 million) and Rs 0.201 million (2001: Rs 1.529 million) held by Sui Joint Services Capexpool and Civic Centres Company (Private) Limited respectively on behalf of the company. Included in the above assets is an amount of Rs. Nil (2001: Rs. 6.701 million) representing assets attributable to LPG business.

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

	2002 (Rupees in Thousand)	2001 (Rupees in Thousand)
Operating - Gas	2,742,801	2,628,134
Less: Allocated to LPG	-	4,484
	<u>2,742,801</u>	2,623,650
Leased assets	8,400	17,400
	<u><u>2,751,201</u></u>	2,641,050

13.2

Description	Cost (Rupees)	Accumulated depreciation (Rupees)	Book value (Rupees)	Sale proceeds (Rupees)	Mode of disposal	Sold to
Suzuki Khyber	364,000	351,534	12,466	27,300	Service rules	Saulat Kamal Executive
Suzuki Khyber	342,000	342,000	-	25,650	-do-	Sarfraz Ali Sheikh -do-
Suzuki Margalla	486,800	486,800	-	36,510	-do-	Shahid Hameed -do-
Suzuki Margalla	397,100	397,100	-	29,783	-do-	S. I. H. Gillani -do-
Suzuki Margalla	397,100	397,100	-	29,783	-do-	Muhammad Illyas -do-
Toyota Corolla	774,000	203,838	570,162	570,162	-do-	Masieh-ul-Islam -do-
Toyota Corolla	665,450	531,676	133,774	133,774	-do-	Raja Abdul Wahid Ex- Managing Director
Air conditioners	24,000	-	24,000	24,000	-do-	Shamshad Ahmad Executive
Air conditioners	24,470	24,470	-	1,835	-do-	Irshad Hussain -do-
Air conditioners	22,500	21,384	1,116	1,687	-do-	S. I. H. Gillani -do-
Air conditioners	24,737	19,810	4,927	4,927	-do-	Fida Hussain Pasha -do-
Air conditioners	20,400	19,388	1,012	1,012	-do-	Raja Abdul Wahid Ex- Managing Director
Stabilizers	3,000	2,101	899	899	-do-	Saulat Kamal Executive
Stabilizers	11,500	4,605	6,895	6,895	-do-	S. I. H. Gillani -do-
Stabilizers	550	220	330	330	-do-	S. I. H. Gillani -do-
Stabilizers	5,000	2,002	2,998	2,998	-do-	Fida Hussain Pasha -do-
Stabilizers	5,750	274	5,476	5,476	-do-	Raja Abdul Wahid Ex- Managing Director

14. ASSETS SUBJECT TO FINANCE LEASE

	Cost as at July 1, 2001	Additions/ (Transfers to fixed assets) (Rupees)	Cost as at June 30, 2002 In	Accumulated depreciation as at July 1, 2001 thousand	Depreciation Charge for the year	Transfers to fixed assets	Accumulated depreciation as at June 30, 2002	Book value as at June 30, 2002	Rate (%)
Distribution system	290,000	(150,000)	140,000	65,400	8,400	(36,000)	37,800	102,200	6
<b>2002</b>	290,000	(150,000)	140,000	65,400	8,400	(36,000)	37,800	102,200	
<b>2001</b>	1,185,000	(895,000)	290,000	277,050	17,400	(229,050)	65,400	224,600	

		2002	2001
		(Rupees in thousand)	
<b>15. CAPITAL WORK-IN-PROGRESS</b>			
Transmission system	-	165,479	369,298
	Note 15.1		
Distribution system		531,993	610,436
Stores and spares including in transit Rs 159.387 million (2001: Rs 68.102 million)		<u>2,297,782</u>	<u>2,909,326</u>
		<u>2,995,254</u>	<u>3,889,060</u>

15.1 Included in additions to transmission system is borrowing cost of Rs 7.301 million (2001: Nil). The capitalisation rate used to determine amount of borrowing cost is 8.12 %.

**16. Long term loans - considered good**

							(Rupees in thousands)	
	House building		Car		Motorcycle/Scooter		Total	Total
	2002	2001	2002	2001	2002	2001	2002	2001
Due from employees	209,990	215,417	9,705	2,481	19,340	1,933	239,035	229,831
Amount due within one year shown under current assets - note 22	44,629	44,507	2,086	2,320	8,362	1,494	55,077	48,321
	<u>165,361</u>	<u>170,910</u>	<u>7,619</u>	<u>10,161</u>	<u>10,978</u>	<u>439</u>	<u>183,958</u>	<u>181,510</u>
Outstanding for more than three years	98,815	79,891	5,357	5,734	-	-	104,172	85,625
Others	66,546	91,019	2,262	4,427	10,978	439	79,786	95,885
	<u>165,361</u>	<u>170,910</u>	<u>7,619</u>	<u>10,161</u>	<u>10,978</u>	<u>439</u>	<u>183,958</u>	<u>181,510</u>

House building and car loans are repayable in 10 years, while motorcycle/scooter loans are repayable in 3 years. Interest upto 10% per annum is charged on these loans. Loans to employees are secured by deposit of the title deeds and joint registration of vehicles. These building and car loans include Rs 65.015 million (2001: Rs 76.768 million) due from executives of the company.

The maximum amount due from the Chief Executive and Executives at any month end during the year was Rs Nil (2001: Rs 0.754 million) and Rs 77.504 million (2001: Rs 88.119 million) respectively.

	2002	2001
	(Rupees in thousand)	
<b>17. Long term deposits and prepayments</b>		
Prepaid rent	3,169	10,260
Security deposits against leased assets	-	5,500
	3,169	15,760

**18. Long term investments****In associated undertakings**

Civic Centres Company (Private) Limited	-Note 18.1	85,000	85,000
Provision for impairment in value of investment		(15,799)	-
		69,201	85,000
Inter State Gas Systems (Private) Limited	-Note 18.2	1	1
		69,202	85,001

**18.1 Civic Centres Company (Private) Limited**

8,500,000 (2001: 8,500,000) fully paid ordinary shares of Rs 10 each

Equity held - 19%. Value of investments based on the net assets shown in the audited accounts as at June 30, 2001 is Rs. 69.201 million.

Civic Centers Company (Private) Limited has disclosed in its annual accounts for the year ended June 30, 2001 that the directors are contemplating the voluntary liquidation of the Company. This may impact the valuation of the investment which will be accounted for as and when it occurs.

Mr. Mohammad Asad is the Chief Executive of the company.

**18.2 Inter State Gas Systems (Private) Ltd.**

This is an advance for 49 ordinary shares of Rs 10 each.

**19. Stores and spares**

Stores including in transit Rs 5.226 million (2001: Rs 3.981 million)	271,596	308,486
Spares including in transit Rs 6.823 million (2001: Rs 58.349 million)	336,975	380,097
	608,571	688,583
Less: Provision for obsolescence	40,257	41,500
	568,314	647,083

Included in the above stores and spares is an amount of Rs Nil (2000: Rs 2.047 million) representing stores and spares attributable to LPG business.

**20. Stock-in-trade**

	2002	2001
	(Rupees in thousand)	
Gas in pipelines	154,273	130,736
Gas in LPG containers	-	1,159
	154,273	131,895

**21. Trade debts**

Considered good	9,200,156	8,798,261
Considered doubtful	1,461,684	1,327,843
	10,661,840	10,126,104
Less: Provision for doubtful debts	1,461,684	1,327,843
	9,200,156	8,798,261

Included in trade debts considered good are secured debts of Rs 4,040.730 million (2001: Rs 3,382.246 million).

**21.1 Movement in provision for doubtful debts**

Opening balance	1,327,843	1,225,410
Additions	228,821	266,935
Less: Recovered	(94,980)	(15,807)

Charge for the year	-Note 28	133,841	251,128
		<u>1,461,684</u>	<u>1,476,538</u>
Less: Written off		-	(148,695)
Closing balance		<u>1,461,684</u>	<u>1,327,843</u>

**22. Loans, advances, deposits, prepayments and other receivables**

Loans to employees - considered good	- Note 16	55,077	48,321
Advances to employees - considered good	- Note 22.1	7,662	14,240
Advances to suppliers and contractors less provision for doubtful receivables Rs 10.584 million (2001: Rs 4.415 million)	- Note 22.2	47,179	32,863
Trade deposits and prepayments less provision for doubtful receivables Rs 25.505 million (2001: Rs 25.505 million)	- Note 22.3	97,965	115,068
Accrued gas sales		119,635	93,132
Claims receivables		-	22,584
Exchange differences on long term loans recoverable from the Government of Pakistan		1,189,709	830,095
Accrued return on bank deposits	- Note 22.4	39,460	32,284
Excise duty recoverable	- Note 12.1 (iii)	95,762	-
Others	- Note 22.5	217,947	32,296
		<u>1,870,396</u>	<u>1,220,883</u>

**22.1** Included in advances to employees are Rs. 0.770 million (2001: Rs 1.135 million) due from executives. The maximum amount outstanding at any month end during the year was Rs 1.638 million (2001: Rs 1.181 million).

**22.2** Included in advances to suppliers and contractors is an amount of Rs Nil (2001: Rs 9.519 million) representing advance for supply of LPG and is attributable to LPG business.

**22.3** Included in trade deposits and prepayments is an amount of Rs 5.500 million (2001: Rs Nil) being security deposit against leased assets which has been transferred from long term deposits and prepayments during the year.

**22.4** Included in accrued return on bank deposits is an amount of Rs 6.108 million (2001: Rs 4.442 million) accrued on bank deposits with Muslim Commercial Bank Limited being an associated undertaking.

**22.5** Included in others is an amount of Rs 150.000 million (2001: Rs Nil) recoverable from Government of Pakistan under deferred tariff adjustment.

	2002	2001
	(Rupees in thousand)	
<b>23. Cash and bank balances</b>		
At banks		
On deposits, including Rs 14.262 million (2001: Rs 13.374 million) in special account and cheques under clearance of Rs 151.403 million (2001: Rs 110.429 million)	2,227,256	2,008,982
On current accounts, including remittances in transit and cheques under Clearance Rs 521.687 million (2001: Rs 551.731 million)	544,406	576,937
	2,771,662	2,585,919
In hand	325	682
	2,771,987	2,586,601

**23.1** Included in cash and bank balances is Rs.211.835 million (2001: 162.665 million) and Rs 86.717 million (2001: Rs 71.876 million) deposited in deposit accounts and current accounts of Muslim Commercial Bank Limited respectively, an associated undertaking.

**24. Gas sales**

Gross sales	48,318,709	42,002,379
Less: Sales tax	6,313,561	5,480,136
	<u>42,005,148</u>	<u>36,522,243</u>

Sales are exclusive of discount of Rs 1.535 million (2001: Rs 1.488 million).

	2002	2001	
	(Rupees in thousand)		
<b>25. Rental and service income</b>			
Transmission charges	3,690	6,619	
Meter rental exclusive of sales tax of Rs 79.679 million (2001: Rs 76.431 million)	531,192	509,577	
Testing and reconnection charges	9,529	10,107	
Income from repair work	40,605	63,377	
	<u>585,016</u>	<u>589,680</u>	
<b>26. Surcharge and interest on gas sales arrears</b>			
Interest on gas sales arrears	270,682	240,424	
Surcharge on late payments	204,888	185,365	
	<u>475,570</u>	<u>425,789</u>	
Less: Interest on gas sales arrears - WAPDA	-	315,296	
	<u>475,570</u>	<u>110,493</u>	
<b>27. Cost of gas sold</b>			
Opening stock of gas in pipelines	130,736	93,958	
Gas purchases:			
- Southern system	24,992,826	21,470,676	
- Northern system	4,162,528	3,942,431	
	<u>29,155,354</u>	<u>25,413,107</u>	
	29,286,090	25,507,065	
Less: Gas internally consumed	581,973	527,232	
Closing stock of gas in pipelines	154,273	130,736	
	<u>736,246</u>	<u>657,968</u>	
	<u>28,549,844</u>	<u>24,849,097</u>	
<b>28. Operating cost excluding depreciation</b>			
Salaries, wages and benefits	- Note 28.1	2,626,823	2,316,750
Employees medical and welfare	- Note 28.1	375,817	419,811
Stores and spares consumed		167,057	131,845
Fuel and power		635,368	581,250
Repairs and maintenance		180,032	188,071
Rent, rates, electricity and telephone		52,778	59,307
Insurance		100,447	96,949
Travelling		44,730	45,670
Stationery, telegrams and postage		30,491	28,476
Dispatch of gas bills		32,075	28,116
Transport		116,973	98,306
Provision for doubtful debts - net	- Note 21.1	133,841	251,128
Provision for doubtful receivables		6,169	4,168
Professional services	- Note 28.2	15,194	18,009
Gathering charges of gas bills collection data		32,869	59,154
Stores and spares written off		38,404	11,990
Loans to deceased employees written off		45	174
Gas bills collection charges		38,036	35,851
Others		108,402	72,316
		<u>4,735,551</u>	<u>4,447,341</u>
Less: Allocated to fixed capital expenditure		653,804	603,499
		<u>4,081,747</u>	<u>3,843,842</u>

28.1 Included in salaries, wages and benefits and employees medical and welfare are the following retirement benefits:

	(Rupees in thousand)			
	Post employment		Pension and	Total
	Medical	Free gas	Gratuity	
Current service cost	44,260	11,279	109,806	165,345
Interest cost	90,035	24,750	228,401	343,186
Past service cost	23,579	8,615	29,956	62,150
Non vested past service cost	-	-	4,402	4,402
Expected return on assets	-	-	(169,826)	(169,826)
Actuarial (gains)/losses	(29,576)	(99)	15,008	(14,667)
Amortisation of Transitional liability	101,389	8,358	8,987	118,734
<b>2002</b>	<u>229,687</u>	<u>52,903</u>	<u>226,734</u>	<u>509,324</u>
<b>2001</b>	<u>281,600</u>	<u>64,849</u>	<u>135,185</u>	<u>481,634</u>

	Pension		Gratuity	
	Executives	Non executives	Executives	Non executives
	Actual return on plan assets during the year (Rupees in thousand)	4,886	62,722	61,069

	2002	2001
	(Rupees in thousand)	
<b>28.2 Professional services</b>		
The charges for professional services include the following in respect of:		
Statutory audit:		
- A.F. Ferguson & Co	200	200
- Taseer Hadi Khalid & Co	200	200
	<u>400</u>	<u>400</u>
Tax representation and advisory services:		
- A.F. Ferguson & Co	1,111	950
Provident fund, audit certification for lending agencies and sundry advisory services:		
- A.F. Ferguson & Co	95	295
- Taseer Hadi Khalid & Co	180	9
Gas development surcharge:		
- A.F. Ferguson & Co	40	-
- Taseer Hadi Khalid & Co	-	40
Out of pocket expenses:		
- A.F. Ferguson & Co	91	63
- Taseer Hadi Khalid & Co	90	55
	2,007	1,812

	2002	2001
	(Rupees in thousand)	
<b>29. Operating loss - LPG</b>		
Sales	2,631	19,674
Cost of gas sold	2,220	15,003
	411	4,671
Less: Operating cost		
Salaries, wages and benefits	1,196	5,690
Employees medical and welfare	70	909
Stores and spares consumed	49	811

Fuel and power	64	307
Repairs and maintenance	792	1,367
Rent, rates and taxes	188	237
Travelling	43	134
Stationery, telegrams and postage	-	5
Transport	84	291
Professional services	300	-
Transportation of cylinders	149	1,755
Depreciation	-	4,484
Others	668	2,488
	3,603	18,478
	(3,192)	(13,807)

-Note 13.1

### 30. Gain on sale of LPG business

Sale proceeds	142,000	-
Less: Privatization Commission's fee	2,470	-
Net sale proceeds	139,530	-
Extinguishment of LPG dealers securities and advances	70,586	-
	210,116	-
Book value on the date of transfer of business:		
- Stores and spares	2,025	-
- Advance for LPG purchase to PARCO and others	9,519	-
	11,544	-
	198,572	-
Less: Book value of fixed assets as at October 15, 2001		
- Original cost	126,911	-
- Accumulated depreciation	(120,210)	-
	6,701	-
Gain on disposal	191,871	-

The related tax charge on this gain at the company's effective tax rate would approximate to Rs 67.155 million.

	2002	2001
	(Rupees in thousand)	
<b>31. Other income</b>		
Sale of tender documents	3,390	6,448
Liquidated damages recovered	5,377	22,529
Interest on staff loans and advances	8,318	8,655
Return on bank deposits	184,729	131,363
Insurance claim	44,954	1,260
Others	3,884	6,756
	250,652	177,011
<b>32. Financial charges</b>		
Mark-up/profit on:		
- Non participatory redeemable capital-secured	449,404	551,304
- Finance lease	24,838	135,865
- Short term finances-secured	-	29,340
Interest and commitment charges on:		
- Long term loans-unsecured	521,583	622,047
- Security deposits	139,538	111,837
- Worker's Profit Participation Fund	28	12
Term loan raising expenses	7,410	2,970
Exchange risk coverage fee	414,953	451,031
	1,557,754	1,904,406
Less: Interest on late payment - Gas creditors	-	(463,711)
	1,557,754	1,440,695
Less: Allocated to fixed capital expenditure	159,580	-
	1,398,174	1,440,695
<b>33. Other charges</b>		
Workers' Profit Participation Fund	147,508	122,596

Workers' welfare fund	38,420	-
Provision for impairment in the value of investment	15,799	-
Donations	-	3
Miscellaneous	-	3
	<u>201,727</u>	<u>122,602</u>

#### 34. Provision for taxation

- Current year	- Current	454,068	182,125
	- Deferred	385,816	646,405
		<u>839,884</u>	<u>828,530</u>
- Prior year	- Current	-	8,878
	- Deferred	37,530	155,346
		<u>37,530</u>	<u>164,224</u>
		<u>877,414</u>	<u>992,754</u>

2002

%

2001

%

#### 34.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate:

Applicable tax rate as per Income Tax Ordinance, 1979	35.00	34.65
Tax effect of amounts that are:		
- Not deductible for tax purpose	2.61	3.12
- Others	0.18	0.76
Effect of changes in prior years tax/surcharge	1.36	7.33
Effect of tax credit	(7.41)	(3.24)
	<u>(3.26)</u>	<u>7.97</u>
Average effective tax rate charged to profit and loss account	<u>31.74</u>	<u>42.62</u>

2002

(Rupees in thousand)

2001

#### 35. Cash generated from operations

Profit before taxation	2,764,239	2,329,323
Adjustment for non-cash charges and other items		
- Depreciation		
- Own assets	2,742,801	2,628,134
- Leased assets	8,400	17,400
Employee benefits	513,823	488,666
Amortisation of deferred credit	(312,849)	(278,447)
Net gain on sale of fixed assets	(13,213)	(5,210)
Gain on sale of LPG business	(191,871)	-
Financial charges	1,398,174	1,904,406
Return on bank deposits	(184,729)	(131,363)
Interest on gas sales arrears - WAPDA	-	315,296
Interest on late payment - Gas creditors	-	(463,711)
Provision for doubtful debts	133,841	255,296
Provision for doubtful receivables	6,169	-
Provision for impairment in the value of investment	15,799	-
Changes in working capital of LPG business	(1,496)	-
Working capital changes	(1,335,492)	(272,329)
	<u>5,543,596</u>	<u>6,787,461</u>

#### 35.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	76,722	(79,710)
Stock-in-trade	(23,537)	(37,739)
Trade debts	(535,736)	(3,906,677)
Loans, advances, deposits, prepayments and other receivables	(651,269)	788,651
	<u>(1,133,820)</u>	<u>(3,235,475)</u>
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(201,672)	2,963,146
	<u>(1,335,492)</u>	<u>(272,329)</u>

**36. Remuneration of Chief executive and executives**

The aggregate amount charged in accounts for the year for remuneration including certain benefits to the Chief Executive and Executives of the company is as follows:

					(Rupees in thousand)	
	2002		2001		Chief Executive	Chief Executive
	July 1, 2001 to July 8, 2001	July 9, 2001 to June 30, 2002	July 1, 2000 to February 2, 2001	February 3, 2001 to June 30, 2001	2002	2001
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>643</b>	<b>629</b>
Managerial remuneration	30	1,632	481	578	232,872	170,871
Contribution to provident, pension and gratuity fund	-	351	112	-	57,408	38,584
Housing and utilities	14	748	277	265	119,275	85,560
Leave encashment	-	-	84	-	2,548	39,213
Leave fare assistance	-	-	-	-	-	6,544
Club subscriptions	-	4	5	-	33	45
	44	2,735	959	843	412,136	340,817

The above figure of executives excludes 544 sub-ordinate staff drawing salary more than Rs 100,000. Aggregate amount charged during the year was Rs 237.189 million.

In addition, the Chief Executive is provided with free use of company's vehicle subject to certain specified limits for petrol consumption, residential telephone facilities for both business and personal use and reimbursement of medical expenses. Certain executives are also allowed these facilities.

The aggregate amount charged in the accounts in respect of directors' fee paid to fourteen (2000: fourteen) directors was Rs 34,500 (2000: Rs 40,000).

**37. Transactions with associated companies**

The company received return from and paid mark-up to associated companies aggregating Rs 12.715 million (2001: Rs 7.624 million) and Rs Nil (2001: Rs 3.820 million) respectively.

	2002	2001
<b>38. Number of employees</b>		
Number of employees as at year end	7,599	7,703

**39. Capacity and actual performance**

The average daily gas transmitted during the year was 276,069 hm<sup>3</sup> (2001: 267,120 hm<sup>3</sup>) against the designed capacity of 316,956 hm<sup>3</sup> (2001: 309,912 hm<sup>3</sup>).

		2002	2001
		(Rupees in thousand)	
<b>40. Earnings per share</b>			
Net profit for the year	<b>Rupees in thousands</b>	1,886,825	1,336,569
Average ordinary shares in issue	<b>Numbers</b>	499,186,600	499,186,600
Earnings per share	<b>Rupees</b>	3.78	2.68

41. Financial Assets and liabilities

	Interest/ mark-up bearing					
	Maturity upto one year		Maturity after one year		Sub total	
	2002	2001	2002	2001	2002	2001
<b>Financial assets</b>						
Loans to employees	55,077	48,321	183,958	181,510	239,035	229,831
Long term security deposits	-	-	-	5,500	-	5,500
Trade debts	-	-	-	-	-	-
Advances, deposits, prepayments and other receivables	39,460	32,284	-	-	39,460	32,284
Cash and bank balances	2,227,256	2,008,982	-	-	2,227,256	2,008,982
	<u>2,321,793</u>	<u>2,089,587</u>	<u>183,958</u>	<u>187,010</u>	<u>2,505,751</u>	<u>2,276,597</u>

**Financial liabilities**

Non-participatory redeemable capital secured	760,560	1,457,755	4,254,384	2,211,682	5,014,944	3,669,437
Long term loans-unsecured	596,470	575,709	5,957,586	6,398,217	6,554,056	6,973,926
Security deposits	-	-	2,159,300	2,006,905	2,159,300	2,006,905
Liabilities against assets subject to finance lease	54,967	69,625	-	54,967	54,967	124,592
Short term running finance	-	-	-	-	-	-
Creditors, accrued and other liabilities	-	-	-	-	-	-
Commitments	-	-	-	-	-	-
Letter of credits	-	-	-	-	-	-
	<u>1,411,997</u>	<u>2,103,089</u>	<u>12,371,270</u>	<u>10,671,771</u>	<u>13,783,267</u>	<u>12,774,860</u>

**Non interest/markup bearing**

Maturity upto one year		Maturity after one year		Sub total		2002	2001
2002	2001	2002	2001	2002	2001	(Rupees in thousand)	
-	-	-	-	-	-	239,035	229,831
-	-	-	-	-	-	-	5,500
9,200,156	8,798,261	-	-	9,200,156	8,798,261	9,200,156	8,798,261
1,382,647	1,074,257	-	-	1,382,647	1,074,257	1,422,107	1,106,541
544,731	577,619	-	-	544,731	577,619	2,771,987	2,586,601
11,127,534	10,450,137	-	-	11,127,534	10,450,137	13,633,285	12,726,734
-	-	-	-	-	-	5,014,944	3,669,437
633,755	633,755	2,354,284	2,966,866	2,988,039	3,600,621	9,542,095	10,574,547
-	-	1,142,154	1,033,718	1,142,154	1,033,718	3,301,454	3,040,623
-	-	-	-	-	-	54,967	124,592
-	-	-	-	-	-	-	-
8,315,802	9,367,679	-	-	8,315,802	9,367,679	8,315,802	9,367,679
2,315,570	789,343	-	-	2,315,570	789,343	2,315,570	789,343
34,567	41,560	-	-	34,567	41,560	34,567	41,560
11,299,694	10,832,337	3,496,438	4,000,584	14,796,132	14,832,921	28,579,399	27,607,781

#### **41.1 Concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs 13,633.285 million (2001: Rs 12,726.734 million), the financial assets which are subject to credit risk amounted to Rs 9,592.230 million (2001: Rs 9,343.806 million). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure of credit risk, the Company obtains security deposit and bank guarantees from customers.

#### **41.2 Foreign exchange risk management**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered mainly through exchange risk cover.

#### **41.3 Fair value of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### **42. Post balance sheet events**

The company has entered into an agreement with Pakistan Petroleum Limited on July 01, 2002 for the sale of Sui Gas Purification Plant along with the company's share of the Sui Joint Services and Capex Pool Assets situated at Sui Gas Field, Balochistan.

The consideration for this sale is the net written down value of the assets appearing in the audited accounts of the company for the year ended June 30, 2002 along with the additional tax liability which will be borne by the company as a result of gain on sale of assets. The actual amount of the net written down value of assets and the additional tax liability will be determined through an independent audit.

#### **43. Date of authorization for issue**

These financial statements were authorized for issue on October 25, 2002 by the Board of Directors of the company.

#### **44. Corresponding figures**

Corresponding figures have been restated, wherever necessary, for the purposes of comparison. However, no significant reclassifications have been made.

**CHIEF EXECUTIVE**

**DIRECTOR**