

1. STATUS AND NATURE OF BUSINESS

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

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

Inter State Gas Systems (Private) Limited ("The Jointly Controlled Entity") is incorporated in Pakistan as a Private Limited Company is a joint venture between Sui Southern Gas Company Limited (SSGC) and Sui Northern Gas Pipelines Limited (SNGPL). Inter State Gas System (Private) Limited has been established to explore and make arrangements for import of natural gas from neighbouring countries. The controlling interest of holding company in Inter State Gas Systems (Private) Limited is 51%.

Basis of consolidation

The Group consists of:

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

The consolidated financial statements include the financial Statements of SSGCL - holding company and its subsidiary company "The Group".

The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements.

Intra-group balances and transactions have been eliminated.

2. BASIS FOR 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 Financial Reporting Standards as are 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 19 which are carried at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the functional currency of the holding company and its subsidiary.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are disclosed in note 48 to these financial statements.

2.5 New accounting standards, IFRIC interpretations and amendments that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures
- IAS 23 - Borrowing Costs (as revised)
- IAS 41 - Agriculture
- IFRS 2 - Share-based Payment
- IFRS 3 - Business Combinations
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Cost

Property, plant and equipment except freehold land, leasehold land and capital work-in-progress are stated at cost less accumulated depreciation. Freehold land, leasehold land and capital work-in-progress are stated at cost.

3.1.2 Depreciation

Compressors and transmission lines

Depreciation is calculated under the straight-line method over the estimated remaining useful lives of assets. Depreciation on these assets is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciation on other operating assets is calculated so as to write off the assets over their estimated remaining useful lives under the straight-line method.

Depreciable value of an asset is written off over its estimated service life from the month the asset is available for use in service till the month it is disposed off or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

3.1.2.1 Depreciation is charged at rates mentioned in the notes 17.2, 17.3, 17.4 and 17.5 to these financial statements.

3.1.3 Subsequent expenditure (including normal repairs and maintenance)

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

3.1.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

3.1.5 Borrowing costs

Borrowing costs incurred on long-term finances attributable for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.1.6 Gains and losses on disposal

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

3.1.7 Leased assets

Leased assets in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 3.7 to these financial statements.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned operating assets.

3.2 Investments

Available-for-sale

All investments classified as available-for-sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments are determined based on appropriate valuation method if practicable to determine it. Any resultant gains or losses being recognized directly in equity.

When the carrying amount of the investment is impaired the cumulative gain or loss recognised in equity is removed from equity and recognised in the profit and loss account. Impairment loss once recognised through profit and loss account is not reversed.

Held to maturity

Financial assets with fixed or determinable payments and fixed maturity for which the Group has ability to hold them till maturity are classified as held to maturity investments. These investments are initially recognized in the balance sheet at cost inclusive of transaction cost if any and subsequently stated at amortized cost using effective interest rate method.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the settlement date. Settlement date is the date on which the Group settles the purchase or sale of the investment.

3.3 Stores, spares and loose tools

These are valued at cost determined under the moving average basis less impairment losses, if any. Goods-in-transit are valued at cost incurred up to the balance sheet date.

3.4 Stock-in-trade

Gas in pipelines

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value.

Meter manufacturing division

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

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

3.5 Trade debts and other receivables

- Trade debts are carried at cost (invoiced amount, which is the fair value of the consideration receivable for sale of gas) less an estimate for impaired receivables.
- Other receivables are stated at cost less impairment losses, if any.
- Bad debts are written off when identified.

3.6 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3.7 Mark-up bearing borrowings

Long-term financing

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

Leases

The Group accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective mark-up rate method.

3.8 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Deferred credit

Amounts received from customers and the Government as contributions and grants for providing service connections, extension of gas mains, laying of transmission lines, etc. are deferred and recognized in the profit and loss account over the useful lives of the related assets.

3.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

Deferred

Deferred tax is recognized using the balance sheet liability method on all significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

3.11 Revenue recognition

- Revenue from gas sales is recognized on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).
- Meter rental income is recognized monthly at specified rates for various categories of customers on an accrual basis.
- Revenue from sale of meters and gas condensate is recognized on dispatch to the customers.
- Deferred credit income is amortized to the profit and loss account over the useful lives of related assets (refer note 3.9).
- Dividend income on equity investments is recognized when right to receive the same is established.
- Profit on term deposits, royalty income and pipeline rental income are recognized on time proportion basis.
- Late payment surcharge is recognized from the date the billed amount is overdue.
- Revenue from gas shrinkage in LPG extraction plant of Jamshoro Joint Venture Limited is recognized on accrual basis.
- Under the provisions of license given by OGRA, the holding company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating charges and non-operating income. The determination of annual required rate of return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from GoP.

3.12 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.13 Staff retirement benefits

The holding company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise the actuarial gains or losses are not recognized.

Past service cost is recognized in the profit and loss account over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

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

The free gas supply facility has been discontinued for employees retiring after 31 December 2000.

Actuarial gains/losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gains or losses are not recognized.

- Approved contributory provident funds for all employees (defined contribution scheme).
Contributions by the holding company and employees are made on the basis of basic salary.
- A non-contributory benevolent fund, under which only the employees contribute to the fund.

3.14 Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render services that increase their entitlement to future compensated absences.

3.15 Foreign currency translation

Transactions in foreign currencies during the year are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account currently.

3.16 Derivative financial instruments

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instrument are recognised in the profit and loss account, along with any changes in the carrying value of the hedged liability.

3.17 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the Group and accordingly are not included in these financial statements.

3.18 Off-setting

Financial assets and liabilities are off-set and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.19 Cash in cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of consolidated cash flow statement, cash and cash equivalents comprise cash in hand and deposits in banks, short-term running finance under mark-up arrangement, term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007 (Number)	2006	Note	2007 (Rupees in '000)	2006
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
<u>671,174,331</u>	<u>671,174,331</u>		<u>6,711,743</u>	<u>6,711,743</u>

5. RESERVES

Capital reserves

Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>

Revenue reserves

Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		1,884,653	1,884,653
		<u>2,253,794</u>	<u>2,253,794</u>
		<u>2,488,662</u>	<u>2,488,662</u>

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the holding company by the Government of Pakistan (GoP) in January 1987 retrospectively from 1 July 1985 to enable the holding company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

6. LONG-TERM FINANCING

	Note	2007	2006
		(Rupees in '000)	
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	9,472,511	8,666,667
- Other loans			
Redeemable capital	6.2	2,987,686	-
Unsecured			
Consumer financing	6.3	121,258	58,385
		12,581,455	8,725,052
6.1 Local currency loans			
	Instalment payable	Repayment period	
United Bank Limited - term loan	half-yearly	2005 - 2009	6.1.1
Standard Chartered Bank led syndicated loan	half-yearly	2006 - 2009	6.1.2
National Bank of Pakistan led syndicated loan - I	half-yearly	2007 - 2010	6.1.3
National Bank of Pakistan - term loan	quarterly	2008 - 2011	6.1.4
MCB Bank Limited led syndicated loan	quarterly	2008 - 2011	6.1.5
National Bank of Pakistan led syndicated loan - II	quarterly	2009 - 2012	6.1.6
Government of Sindh loan	annually	2007 - 2016	6.1.7
		500,000	750,000
		2,166,667	3,000,000
		3,000,000	3,000,000
		1,500,000	1,500,000
		1,500,000	1,500,000
		2,992,234	-
		70,876	-
		11,729,777	9,750,000
Less: Current portion shown under current liabilities			
United Bank Limited - term loan		(250,000)	(250,000)
Standard Chartered Bank led syndicated loan		(1,000,000)	(833,333)
National Bank of Pakistan led syndicated loan - I		(1,000,000)	-
Government of Sindh loan		(7,266)	-
		(2,257,266)	(1,083,333)
		9,472,511	8,666,667

6.1.1 The loan is secured by a first pari passu fixed charge created by way of hypothecation over movable fixed assets of the holding company comprising compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1 percent above last six months treasury bills auction cut-off rate and is repayable in equal semi-annual instalments of Rs. 125 million (principal amount) commencing on 25 December 2005.

6.1.2 The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 0.9 percent above the average six months ask side KIBOR rate. The loan was drawn in tranches of Rs. 2.0 billion and Rs. 1.0 billion on 29 June 2004 and 30 September 2004 respectively. First tranche of Rs. 2.0 billion is payable in equal semi-annual instalments of Rs. 333.34 million (principal amount) commencing from 28 December 2006 whereas second tranche of Rs. 1.0 billion is payable in equal semi annual instalments of Rs. 166.67 million (principal amount) commencing on 30 March 2007.

6.1.3 The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising of compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.25 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2005. The principal amount is repayable in semi-annual instalments of Rs. 500 million commencing on 30 December 2007.

6.1.4 The loan is secured by a ranking pari passu charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.30 percent above the average three months ask side KIBOR payable quarterly starting from 30 September 2006. The principal amount is repayable in quarterly instalments of Rs. 125 million commencing on 30 September 2008.

- 6.1.5** The loan is secured by a ranking charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.30 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2006. The principal amount is repayable in quarterly instalments of Rs. 125 million commencing on 29 September 2008.
- 6.1.6** The loan is secured by a ranking charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.40 percent above the average three months ask side KIBOR payable quarterly starting from 30 June 2007. The principal amount is repayable in quarterly instalments of Rs. 250 million commencing on 30 June 2009.
- 6.1.7** An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 percent. The loan together with mark-up shall be repaid in 12 years instalments with grace period of 2 years commencing on 30 June 2009.

		Note	2007 (Rupees in '000)	2006
6.2	Redeemable capital - secured			
		Instalment payable	Repayment period	
	Islamic Sukuk bond under musharaka agreements	quarterly	2009 - 2012	6.2.1
	Term Finance Certificates (TFC 2)	half-yearly	2002 - 2007	
			2,987,686	-
			-	416,330
			2,987,686	416,330
	Less: Current portion shown under current liabilities		-	(416,330)
			2,987,686	-

- 6.2.1** Islamic Sukuk bonds are issued under two separate musharaka arrangements with various banking companies. The loan is secured by a ranking charge created by way of hypothecation over all present and future moveable fixed assets of the holding Company, comprising gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facilities carry mark-up at 1.40 and 0.80 percent above the average three months ask side KIBOR payable quarterly, respectively. The principal amount is repayable in quarterly instalments of Rs. 83.333 million commencing on 30 June 2009 and in quarterly instalments of Rs. 166.666 million commencing on 28 September, 2009, respectively.

6.3 Consumer financing

Consumer financing	6.3.1	150,473	78,205
Less: Current portion shown under current liabilities		(29,215)	(19,820)
		121,258	58,385

- 6.3.1** This represents the outstanding balance of contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at varying rates up to 15 percent per annum and are adjustable in 48 instalments through credits in their monthly gas bills.

7. LONG-TERM DEPOSITS

Security deposits from:

- gas customers	7.1	2,323,291	2,063,973
- gas contractors	7.2	40,338	25,454
		2,363,629	2,089,427

7.1 Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. These deposits are repayable / adjustable on disconnection of gas supply. Mark-up at 5 percent per annum is payable by the holding company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.

7.2 These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.

8. DEFERRED TAX

	Note	2007 (Rupees in '000)	2006
<i>Deferred tax (credits) / debits arising in respect of:</i>			
Taxable temporary difference:			
- accelerated depreciation		5,465,359	4,171,708
Deductible temporary differences:			
- provision against employee benefits		(349,700)	(316,542)
- provision against doubtful trade debts		(540,624)	(457,180)
- Carry forward of unused tax losses		(662,647)	-
- others		(33,127)	(193,352)
		(1,586,098)	(967,074)
Net deferred tax liability		3,879,261	3,204,634

9. EMPLOYEE BENEFITS

Provision for post retirement medical and free gas supply facilities - executives		888,514	795,559
Provision for compensated absences - executives	9.1	110,628	108,846
		999,142	904,405

9.1 Provision for compensated absences - executives

Balance as at 1 July		108,846	129,133
Provision made during the year		1,782	(20,287)
Balance as at 30 June		110,628	108,846

10. DEFERRED CREDIT

- Government contributions / grants			
Balance as at 1 July		571,661	183,823
Additions during the year	10.1	443,259	418,539
		1,014,920	602,362
Transferred to profit and loss account		(51,932)	(30,701)
Balance as at 30 June		962,988	571,661
- Contribution from customers			
Balance as at 1 July		1,673,869	1,607,541
Additions during the year	10.2	519,887	220,131
		2,193,756	1,827,672
Transferred to profit and loss account		(179,839)	(153,803)
Balance as at 30 June		2,013,917	1,673,869
		2,976,905	2,245,530

10.1 This represents amount received from Government for supply of gas to new towns and villages and is recognized as grant when the conditions specified by Government are met.

10.2 This represents amount received from customers for the cost of service lines and gas mains, etc. As stated in note 3.9 to these financial statements, deferred credit is amortized over estimated useful life of related assets.

11. CURRENT PORTION OF LONG-TERM FINANCING

	Note	2007 (Rupees in '000)	2006
Local currency loans	6.1	2,257,266	1,083,333
Redeemable capital	6.2	-	416,330
Consumer financing	6.3	29,215	19,820
		<u>2,286,481</u>	<u>1,519,483</u>

12. TRADE AND OTHER PAYABLES

Creditors for:			
- gas		18,107,781	12,589,293
- supplies		170,067	49,510
		<u>18,277,848</u>	<u>12,638,803</u>
Amount received from customers / Government of Pakistan for laying of mains, etc.		2,599,402	2,217,207
Gas development surcharge payable to GoP		2,774,961	-
Accrued liabilities		675,025	974,548
Provision for compensated absences - non-executives	12.1	75,497	57,029
Payable to staff pension fund - executives	37.1	857	-
Payable to gratuity fund - non-executives	37.1	30,840	30,872
Payable to provident fund		1,276	-
Workers' profit participation fund	12.2	310	20,595
Deposits / retention money		162,348	109,717
Bills payable		20,078	15,515
Advance for sharing right of way	12.3	18,088	18,088
Unclaimed dividend		32,710	26,914
Withholding tax payable		7,370	2,063
Unclaimed Term Finance Certificate redemption profit		5,667	4,238
Inter State Gas Systems (Private) Limited (ISGSL)		9,327	14,896
Others	12.4	102,726	79,746
		<u>24,794,330</u>	<u>16,210,231</u>

12.1 Provision for compensated absences - non-executives

Balance as at 1 July	57,029	55,422
Provision made during the year	18,468	1,607
Balance as at 30 June	<u>75,497</u>	<u>57,029</u>

12.2 Workers' profit participation fund

Balance as at 1 July	20,595	83,658
Allocation for the year	70,310	90,595
Mark-up on funds utilised in the Company's business	664	1,072
	<u>91,569</u>	<u>175,325</u>
Amount deposited with the Government / paid to employees	(91,259)	(154,730)
Balance as at 30 June	<u>310</u>	<u>20,595</u>

12.3 This amount was received by Sui Gas Transmission Company Limited (now Sui Southern Gas Company Limited - SSGCL) from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated 12 October 1988. It represents consideration for 50 percent share of PARCO in the Indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by SSGCL. The final liability of SSGCL has not been estimated, as the amount of compensation due to land owners has not been determined by the authorities. Accordingly, the amount received from PARCO has been classified as an advance.

12.4 This includes Rs. 44.701 million (2006: Rs. 44.779 million) on account of amount payable to disconnected customers for gas supply deposits.

13. INTEREST AND MARK-UP ACCRUED

	Note	2007 (Rupees in '000)	2006
Long-term financing :			
- Local currency loans		34,685	48,423
- Redeemable capital		-	3,410
Long-term deposits from customers		62,813	58,866
Short-term borrowing		17,012	50,642
Late payment of gas development surcharge		2,168	86
Delayed payment on gas bills		1,017,743	513,289
		<u>1,134,421</u>	<u>674,716</u>

14. SHORT-TERM BORROWINGS - secured

from banking companies

Money market loan		1,000,000	220,000
Running finance		-	944,753
		<u>1,000,000</u>	<u>1,164,753</u>

The facilities for short-term running finance/short-term money market loan available from various banks amount to Rs. 4,420 million (2006: Rs. 4,170 million) and carry mark-up at 0.25 to 0.90 percent (2006: 0.25 to 0.90 percent) above the average one month KIBOR or that for the tenure of the facility which ever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the holding company.

15. TAXATION - NET

Provision for tax		370,219	499,116
Advance tax		(204,857)	(1,055,399)
		<u>165,362</u>	<u>(556,283)</u>

16. CONTINGENCIES AND COMMITMENTS

16.1 Claims against the Company not acknowledged as debt	16.13	892,407	747,126
16.2 Commitments for capital and other expenditure		2,027,710	3,354,242
16.3 Guarantees issued on behalf of the holding company		20,371	4,814

16.4 Demand finance facilities have been given to the holding company's employees by certain banks for the purchase of vehicles against the holding company's guarantee and hypothecation of holding company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million and holding company's investment in shares having a face value of Rs. 0.5 million (2006: Rs. 0.5 million). Loan outstanding at the year end was Rs. 19.621 million (2006: Rs. 21.887 million).

16.5 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the holding company amounting to Rs. 381.374 million for short supply of gas under the provisions of an agreement dated 10 April 1995 between the holding company and JPCL. The holding company has not accepted the claim and has filed a counter claim due to JPCL failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the holding company is confident that ultimately the resolution of the claim lodged would be in its favour.

16.6 JPCL has also raised a claim of Rs. 5.793 million for the alleged low Gas Chlorofic Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the holding company. Provision against this liability has not been made as the holding company is confident that ultimately the resolution of the claim would be in its favour.

16.7 The holding company is in litigation against certain temporary assignees who were relieved in the previous years. The Federal Services Tribunal (FST) had initially ordered the holding company to absorb these assignees. The holding company preferred to file an appeal before the Honourable Supreme Court of Pakistan against the orders of the FST, which was dismissed by the Honourable Supreme Court. The holding company then filed two Review Petitions before the Honourable Supreme Court against the rejection of the holding company's appeal. In addition the Federation of Pakistan has also filed four Civil Miscellaneous Application (CMAs) and three Review Petitions against the said order.

During in interim hearing held in May 2007, Honorable Supreme Court ordered SSGC to absorb 109 individuals which was complied with by SSGC. Supreme Court further ordered in September 2007 that remaining 551 individuals be also absorbed and the pending CMAs and Review Petitions pertaining to the issue filled by SSGC, Federation of Pakistan and Temporary Assignees will be kept for hearing at any date fixed by Supreme Court. No provision has been made in these financial statements as the same cannot be quantified be quantified at this stage.

16.8 Oil and Gas Development Company Limited (OGDCL) has lodged a claim of Rs. 657.853 million (2006: Rs. 533.371 million) for supply of gas to the customers of Dera Bugti and Pirkoh areas from its Loti gas field from June 2001 to June 2007, after the discontinuation of gas purchases by the Company due to full dedication of Loti gas field to Sui Northern Gas Pipelines Limited (SNGPL). The holding company has not accepted the claim as neither a formal agreement has been executed with them for the above supply of gas, nor has the holding company received any gas in its system. During the previous years, the holding company approached the Director General (Gas), Ministry of Petroleum and Natural Resources, Government of Pakistan for the resolution of the matter. Provision has not been made in these financial statements for the claim as the holding company is confident that ultimately the resolution of claim will be in its favour.

16.9 WAPDA has lodged liquidated damages claim on Habibullah Coastal Power Company (HCPC) for forced outages and partial de rating of its plant. HCPC in turn attributed part of these liquidated damages (Rs. 79.702 million) to SSGCL and lodged a claim on the grounds that SSGCL failed to deliver the gas in accordance with the gas sales agreement. In addition, HCPC has also lodged a claim on SSGCL amounting to Rs. 31.203 million in respect of alternative fuel cost consumed by HCPC due to short gas supplied by SSGCL as agreed in the gas sales agreement.

The holding company has not accepted the claim lodged by HCPC as management considers that short supply was due to force majeure which is beyond the control of the holding company. The matter has been referred to arbitration and the management is confident that this matter would be resolved in favour of the holding company. Hence, no provision regarding the above said amount has been made in these financial statements.

16.10 Sui Northern Gas Pipeline Limited (SNGPL) has lodged a claim on SSGCL amounting to Rs. 36.946 million in respect of gas lost during December 2003 to September 2005 in respect of ILBP (Hassan to Sui) and IRBP-CEP (Dadu to Sui).

The holding company has not accepted the claim as management considers that gas losses was due to force majeure and beyond the control of the holding company. Hence, no provision regarding the above said amount has been made in these financial statements.

16.11 In previous year, Income Tax Appellate Tribunal (ITAT) had decided an appeal in favour of Income Tax Department on the issue of capital gain made on disposal of LPG business in financial year 2001 resulting in tax impact of Rs. 1.43 million. Management has filed an appeal before Honourable High Court in which SSGCL management is of the view that sale of LPG business being in nature of "slump transaction" was not chargeable to tax under Rule 7 and 8 of the 2nd Schedule of the Income Tax Ordinance, 1979. Accordingly, no provision regarding the said claim has been made in these financial statements as management and the holding company's legal advisor is confident that the matter would be resolved in favour of the holding company.

16.12 The tax audit proceedings have been initiated by the tax department in respect of Tax Year 2005 under section 177 of the Income Tax Ordinance, 2001. The management of the Company is confident that no further tax liability would arise in this respect.

16.13 The management is confident that ultimately these claims (note 16.1) would not be payable.

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2007	2006
(Rupees in '000)			
Operating assets	17.1	27,020,409	22,224,931
Capital work-in-progress	17.9	4,313,402	2,674,956
		<u>31,333,811</u>	<u>24,899,887</u>

17.1 Operating assets

		2007					(Rupees in '000)	
		COST			DEPRECIATION			
		As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007	Written down value as at 30 June 2007
Gas transmission system	17.2	24,061,563	3,642,459 (27,277) 1,930*	27,678,675	15,306,186	1,091,426 (25,496) 3,747*	16,375,863	11,302,812
Gas distribution system	17.3							
- Karachi, Sindh		11,090,991	1,452,575 (88,344) (485)*	12,454,737	4,605,125	566,642 (88,229) (3,753)*	5,079,785	7,374,952
- Other areas of Sindh		6,810,959	1,439,329 (52,957) (9,299)*	8,188,032	2,792,018	350,284 (52,957) (449)*	3,088,896	5,099,136
- Balochistan		4,262,292	480,001 (6,414) 8,797*	4,744,676	1,416,842	222,931 (5,251) 232*	1,634,754	3,109,922
		22,164,242	3,371,905 (147,715) (987)*	25,387,445	8,813,985	1,139,857 (146,437) (3,970)*	9,803,435	15,584,010
Meter manufacturing division	17.4	257,374	27,260 - 702*	285,336	225,020	12,375 - (343)*	237,052	48,284
		46,483,179	7,041,624 (174,992) 1,645*	53,351,456	24,345,191	2,243,658 (171,933) (566)*	26,416,350	26,935,106
Gwadar operations Gas distribution system	17.5	88,847	2,315 - -	91,162	1,904	4,716 - (761)*	5,859	85,303
		46,572,026	7,043,939 (174,992) 1,645*	53,442,618	24,347,095	2,248,374 (171,933) (1,327)*	26,422,209	27,020,409

	2006						(Rupees in '000)
	COST			DEPRECIATION			Written down value as at 30 June 2006
	As at 1 July 2005	Additions / (deletions) / transfers *	As at 30 June 2006	As at 1 July 2005	For the year / (deletions) / transfers *	As at 30 June 2006	
Gas transmission system	22,159,532	2,010,316 (108,285) -	24,061,563	14,253,989	1,161,049 (107,713) (1,139)*	15,306,186	8,755,377
Gas distribution system							
- Karachi, Sindh	9,724,529	1,451,382 (84,920) -	11,090,991	4,157,884	517,150 (70,257) 348*	4,605,125	6,485,866
- Other areas of Sindh	5,907,761	923,138 (19,940) -	6,810,959	2,509,164	302,543 (19,934) 245*	2,792,018	4,018,941
- Balochistan	3,535,111	730,105 (2,924) -	4,262,292	1,231,262	188,358 (2,716) (62)*	1,416,842	2,845,450
	19,167,401	3,104,625 (107,784) -	22,164,242	7,898,310	1,008,051 (92,907) 531*	8,813,985	13,350,257
Meter manufacturing division	230,236	27,441 (303) -	257,374	169,663	55,378 (22) 1*	225,020	32,354
	41,557,169	5,142,382 (216,372) -	46,483,179	22,321,962	2,224,478 (200,642) (607)*	24,345,191	22,137,988
Gwadar operations							
Gas distribution system	-	88,847 - -	88,847	-	1,904 - -	1,904	86,943
	41,557,169	5,231,229 (216,372) -	46,572,026	22,321,962	2,226,382 (200,642) (607)*	24,347,095	22,224,931

17.2 Operating assets - gas transmission system

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)/ remaining Life (years)**
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Freehold land	47,747	-	46,778	-	-	-	46,778	-
		(969)*			-			
Leasehold land	126,470	529	126,999	-	-	-	126,999	-
Buildings on freehold land	279,291	-	279,291	127,401	7,823	135,224	144,067	5
Buildings on leasehold land	948,321	45,802	994,123	473,608	39,771	513,418	480,705	5
		-			39*			
Gas transmission pipelines 17.2.1	17,203,493	2,809,136 (13,600)	19,999,029	10,493,962	693,037 (13,600)	11,173,399	8,825,630	4-40**
Compressors	2,320,251	-	2,320,251	2,072,387	52,341	2,124,647	195,604	9**
		-			(81)*			
Telecommunication	503,893	3,498	507,453	490,645	1,797	492,504	14,949	15
		62*			62*			
Plant and machinery	429,481	47,341	476,843	277,175	33,173	310,429	166,414	10
		21*			81*			
Roads, pavements and related infrastructures	-	172,575	172,575	-	719	719	171,856	5
Tools and equipment	122,546	10,151	132,697	102,564	12,286	114,850	17,847	33.33
Motor vehicles	524,439	174,598 (13,677) 128,457*	813,817	286,513	75,100 (11,896) 29,807*	379,524	434,293	20
Furniture and Fixture	228,846	24,153	246,477	166,372	19,784	185,840	60,637	20
		(6,522)*			(316)*			
Office Equipment	153,660	46,304	201,542	105,484	22,931	129,867	71,675	20
		1,578*			1,452*			
Computer and ancillary equipments	181,046	82,758	265,776	130,160	34,774	166,824	98,952	33.33
		1,972*			1,890*			
Supervisory control and data acquisition system	302,429	7,390	309,819	101,565	42,717	144,282	165,537	15
Construction equipment	689,650	218,224	785,205	478,350	55,173	504,336	280,869	20
		(122,669)*			(29,187)*			
2007	24,061,563	3,642,459 (27,277) 1,930*	27,678,675	15,306,186	1,091,426 (25,496) 3,747*	16,375,863	11,302,812	
2006	22,159,532	2,010,316 (108,285)	24,061,563	14,253,989	1,161,049 (107,713) (1,139)*	15,306,186	8,755,377	

17.2.1 This includes assets held by the Company on behalf of and in trust for the investors under the musharka arrangements entered into by the Company. Assets held under these musharka arrangements are as follows:

24" x 116 km Sanghar-Hyderabad-Karachi Pipeline
24" x 200 km Bajara-Karachi Pipeline

As at 30 June 2007 (Rupees in '000)	
Cost	Written down value
1,579,014	1,497,790
2,200,722	2,181,373
3,779,736	3,679,163

17.3 Operating assets - gas distribution system

	(Rupees in '000)							
	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Freehold land	9,859	-	9,859	-	-	-	9,859	-
Leasehold land	34,277	-	34,277	-	-	-	34,277	-
Buildings on freehold land	45,201	-	45,201	27,283	2,118	29,401	15,800	5
Buildings on leasehold land	120,931	17,631	138,562	50,804	5,363	56,167	82,395	5
Gas distribution system, related facilities and equipment	20,805,835	3,181,090 (128,322)	23,858,603	7,935,185	1,044,714 (127,159)	8,852,740	15,005,863	5 to 20
Telecommunication	9,761	1,021 (62)*	10,720	7,512	508 (62)*	7,958	2,762	15
Plant and machinery	316,771	99,860 235*	416,866	211,825	19,350 -	231,175	185,691	10
Roads, pavements and related infrastructures	1,010	-	1,010	1,010	-	1,010	-	5
Tools and equipment	66,983	11,440 (19) 232*	78,636	52,659	9,245 (19) 232*	62,117	16,519	33.33
Motor vehicles	443,295	44,319 (19,207) 2,950*	471,357	257,097	42,641 (19,092) (94)*	280,552	190,805	20
Furniture and Fixture	48,768	10,844 (909)*	58,703	32,380	5,609 (877)*	37,112	21,591	20
Office equipment	42,238	5,420 (1,460)*	46,198	32,790	3,308 (1,452)*	34,646	11,552	20
Computer and ancillary equipment	120,197	280 (167) (1,973)*	118,337	106,324	7,001 (167) (1,717)*	111,441	6,896	33.33
Supervisory control and data acquisition system	99,116	-	99,116	99,116	-	99,116	-	15
2007	22,164,242	3,371,905 (147,715) (987)*	25,387,445	8,813,985	1,139,857 (146,437) (3,970)*	9,803,435	15,584,010	
2006	19,167,401	3,104,625 (107,784) -	22,164,242	7,898,310	1,008,051 (92,907) 531*	8,813,985	13,350,257	

17.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Building on leasehold land	8,260	1,073	9,333	7,155	81	7,236	2,097	5
Telecommunication	80	586	666	57	12	69	597	15
Plant and machinery	211,225	20,429	232,356	206,067	2,340	208,579	23,777	10
Tools and equipment	27,299	3,922	31,221	5,395	8,579	13,974	17,247	33.33
Furniture and equipment	5,947	895	6,842	3,228	1,117	4,345	2,497	20
Office equipment	3,233	355	3,588	1,884	214	2,098	1,490	20
Computer and ancillary equipment	1,330	-	1,330	1,234	32	751	579	33.33
					(515)*			
2007	257,374	27,260	285,336	225,020	12,375	237,052	48,284	
		702*			(343)*			
2006	230,236	27,441	257,374	169,663	55,378	225,020	32,354	
		(303)			(22)			
					1*			

17.5 Operating assets - Gwadar Operations

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Leasehold land	14,040	-	14,040	-	-	-	14,040	-
Gas distribution system	56,386	1,901	58,287	1,637	2,875	3,752	54,535	5 to 20
					(760)*			
Plant and machinery	15,132	-	15,132	157	1,438	1,595	13,537	10
Tools and equipment	118	-	118	3	40	43	75	33.33
Furniture and equipment	3,166	-	3,166	106	325	431	2,735	20
Office equipment	5	334	339	1	23	24	315	20
Computer and ancillary equipments	-	80	80	-	15	14	66	33.33
					(1)*			
2007	88,847	2,315	91,162	1,904	4,716	5,859	85,303	
					(761)*			
2006	-	88,847	88,847	-	1,904	1,904	86,943	

17.6 Details of the depreciation for the year are as follows:

	2007	2006
	(Rupees in '000)	
Profit and loss account		
- Transmission, distribution and selling costs	2,040,185	1,758,901
- Administrative Expenses	131,665	390,258
- Gwadar operation	4,716	1,904
	<u>2,176,566</u>	<u>2,151,063</u>
Meter manufacturing division		
- Profit and loss account	9,314	52,707
- Gas meters components produced	3,061	2,671
	<u>12,375</u>	<u>55,378</u>
Capital projects	59,433	19,941
	<u>2,248,374</u>	<u>2,226,382</u>

17.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows

	(Rupees in '000)						
	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on sale	Mode of disposal	Particulars of buyers
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	119	119	-	61	61	Recovery	Various
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	48	48	-	28	28	Claim	National Insurance Company
Tools							
Written down value not exceeding Rs. 50,000 each	19	19	-	11	11	Recovery	Various
Gas distribution system							
Written down value above Rs. 50,000 each	128,322	127,159	1,163	-	(1,163)	Replacement	Various
Gas transmission pipeline							
Written down value not exceeding Rs. 50,000 each	13,600	13,600	-	-	-	Replacement	Various
Motor vehicles							
Written down value not exceeding Rs. 50,000 each	28,633	28,367	266	18,826	18,560	Tender	Various
Toyota Corolla 1300 CC GII	999	326	673	439	(234)	Service rules	Mr. Usmanul Haque (Ex-GM - Billing)
Suzuki Cultus	590	192	398	280	(118)	Service rules	Mr. Essa Jamali (Ex-DGM - Civil work)
Suzuki Cultus	560	551	9	42	33	Service rules	Mr. K. Imdad Ali (Ex-DGM - Transmission)
Suzuki Cultus	560	551	9	42	33	Service rules	Mr. Samadullah Khan (Ex-DGM - Distribution)
Two Motorcycles CD70	112	-	112	450	338	Insurance claim	National Insurance Company
Toyota Hiace	1,430	1,001	429	-	(429)	Donation	University of Balochistan
	<u>32,884</u>	<u>30,988</u>	<u>1,896</u>	<u>20,079</u>	<u>18,183</u>		
30 June 2007	<u>174,992</u>	<u>171,933</u>	<u>3,059</u>	<u>20,179</u>	<u>17,120</u>		
30 June 2006	<u>216,372</u>	<u>200,642</u>	<u>15,730</u>	<u>36,254</u>	<u>20,524</u>		

17.8 Borrowing costs capitalised during the year in gas transmission system amounted to Rs. 163.293 million (2006: Rs. 100.943 million). Borrowing cost relating to general borrowings were capitalised at the rate of 10.85% (2006: 9.87%).

17.9 Capital work-in-progress

	Note	2007 (Rupees in '000)	2006
Projects:			
- Gas distribution system		1,081,977	497,299
- Cost of buildings under construction		137,456	108,119
- Gas infrastructure rehabilitation and expansion project		4,405	123,472
		<u>1,223,838</u>	<u>728,890</u>
Stores and spares held for capital projects	17.9.1	3,009,950	1,878,074
Advances for land acquisition		61,295	67,601
Others		18,319	391
		<u>3,089,564</u>	<u>1,946,066</u>
		<u>4,313,402</u>	<u>2,674,956</u>

17.9.1 Stores and spares held for capital projects

Gas transmission	1,063,503	643,779
Gas distribution	1,948,359	1,235,883
	<u>3,011,862</u>	<u>1,879,662</u>
Provision for impaired stores and spares	(1,912)	(1,588)
	<u>3,009,950</u>	<u>1,878,074</u>

Stores and spares held for capital projects include goods in transit amounting to Rs. 0.745 million (2006: Rs. 8.675 million).

18. INTANGIBLE ASSET

(Rupees in '000)

		COST			AMORTIZATION			Written down value at 30 June 2007	Amortization rate on original cost (%)
		As at 1 July 2006	Additions/ (deletions)	As at 30 June 2007	As at 1 July 2006	For the year	As at 30 June 2007		
Computer software	2007	130,086	45,252	175,338	73,819	39,417	113,236	62,102	33.33
	2006	91,393	38,693	130,086	30,461	43,358	73,819	56,267	

19. LONG-TERM INVESTMENTS

	Note	Percentage of holding (if over 10%)	2007 (Rupees in '000)	2006
Investments in related parties				
Quoted companies - available-for-sale				
Sui Northern Gas Pipelines Limited 2,090,195 (2006: 1,900,178) ordinary shares of Rs. 10 each 19.1 (Associated company)			147,881	190,018
			<u>147,881</u>	<u>190,018</u>
Other investments				
Quoted companies - available-for-sale				
Pakistan Refinery Limited 300,000 (2006: 250,000) ordinary shares of Rs. 10 each			66,585	53,475
United Bank Limited 78,432 (2006: 62,746) ordinary shares of Rs. 10 each			17,251	8,643
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation 5,000 (2006: 5,000) ordinary shares of Rs. 10 each			50	50
			<u>83,886</u>	<u>62,168</u>
Provision against impairment in value of investments at cost			(50)	(50)
			<u>83,836</u>	<u>62,118</u>
Government securities-held to maturity defence saving certificates			62	56
			<u>231,779</u>	<u>252,192</u>

19.1 Sale of 2,090,195 shares of Sui Northern Gas Pipelines Limited is restricted by the Government of Pakistan due to its privatisation, till the further directives.

20. SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY

Inter State Gas System (Private) Limited 510,000 (2006: 510,000) ordinary shares of Rs. 10 each	20.1	5,100	5,100
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20.1 This represents a 51% (2006: 51%) interest of SSGCL in Inter State Gas System (Private) Limited (the jointly controlled entity).

21. LONG-TERM LOANS AND ADVANCES - secured, considered good

Due from executives Less: receivable within one year	26	8,291 (2,796) 5,495	9,799 (2,719) 7,080
Due from other employees Less: receivable within one year	26	136,806 (27,897) 108,909	140,982 (26,068) 114,914
		<u>114,404</u>	<u>121,994</u>

21.1 Reconciliation of the carrying amount of loans and advances

	2007		2006	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	9,799	140,982	10,325	145,886
Disbursements	-	31,754	-	30,351
Transfers	1,918	(1,918)	2,817	(2,817)
Repayment	(3,426)	(34,012)	(3,343)	(32,438)
	<u>8,291</u>	<u>136,806</u>	<u>9,799</u>	<u>140,982</u>

21.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly instalments over a period of six to twelve years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the holding company w.e.f. 01 January 2001. Loans to non-executive employees do not carry mark-up.

21.3 The maximum aggregate amount of long-term loans due from the executives at the end of any month during the year was Rs. 10.325 million (2006: Rs. 12.736 million).

22. STORES, SPARES AND LOOSE TOOLS

Note 2007 2006
(Rupees in '000)

Stores	372,258	387,415
Spares	664,713	652,137
Stores and spares in transit	32,826	35,494
Loose tools	1,312	1,403
	<u>1,071,109</u>	<u>1,076,449</u>
Provision against impaired inventory		
Balance as at 1 July	(64,392)	(15,999)
Provision made during the year	(30,304)	(48,394)
Written off during the year	45,752	1
Balance as at 30 June	<u>(48,944)</u>	<u>(64,392)</u>
	22.1 <u>1,022,165</u>	<u>1,012,057</u>
22.1 Stores, spares and loose tools are held for the following operations		
Transmission	805,597	814,607
Distribution	216,568	197,450
	<u>1,022,165</u>	<u>1,012,057</u>
23. STOCK-IN-TRADE		
Gas		
Gas in pipelines	149,198	125,386
Stock of Synthetic Natural Gas	241	323
	<u>149,439</u>	<u>125,709</u>
Gas meters		
Components	198,898	138,971
Work-in-process	6,340	16,231
Finished meters	17,565	4,268
	<u>222,803</u>	<u>159,470</u>
Provision against impaired inventory	(3,339)	(3,817)
	<u>219,464</u>	<u>155,653</u>
	<u>368,903</u>	<u>281,362</u>
24. CUSTOMERS' INSTALLATION WORK-IN-PROGRESS - at cost		

This represents cost of work carried out by the holding company on behalf of the customers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such customers are shown as deduction there from as reflected in note 31 to these financial statements.

25. TRADE DEBTS

	Note	2007 (Rupees in '000)	2006
Considered good			
- secured		3,861,202	3,645,863
- unsecured		12,257,749	7,252,480
		16,118,951	10,898,343
Considered doubtful		1,544,639	1,306,229
		17,663,590	12,204,572
Provision against impaired debts	25.1	(1,544,639)	(1,306,229)
		16,118,951	10,898,343
25.1 Movement of provision against impaired debts			
Balance as at 1 July		1,306,229	1,133,334
Provision for the year		238,410	172,895
		1,544,639	1,306,229

26. LOANS AND ADVANCES - considered good

Current portion of long-term loans:			
- executives	21	2,796	2,719
- other employees	21	27,897	26,068
		30,693	28,787
Advances to :			
- executives	26.1	4,487	3,465
- other employees		59,937	60,992
		64,424	64,457
		95,117	93,244

26.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 4.487 million (2006: Rs. 5.224 million).

27. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Advances for goods and services - unsecured, considered good	37,279	86,109
Trade deposits - unsecured, considered good	23,947	19,137
Prepayments	45,238	37,437
	106,464	142,683

28. OTHER RECEIVABLES - considered good

Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		343,102	1,170,924
Gas development surcharge receivable from GoP		-	710,303
Receivable from staff pension fund - non-executives	37.1	83,529	30,889
Receivable from staff gratuity fund - executives	37.1	12,651	1
Balance receivable for sale of gas condensate		92,600	106,253
Receivable from Sui Northern Gas Pipelines Limited	28.1	1,783,881	351,306
Receivable from Jamshoro Joint Venture Limited		190,936	402,969
Insurance claim receivable		5,486	2,731
Sales tax receivable		4,123,690	1,622,796
Claims receivable		757	757
Miscellaneous receivables	28.2	404,696	391,668
		7,041,328	4,790,597
Provision against impaired receivables		(1,485)	(1,485)
		7,039,843	4,789,112

28.1 This includes pipeline rental receivable of Rs. 77.226 million (2006: Rs. 99.999 million) and Rs. 1,706.656 million (2006: Rs. 250.571 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 30.1 to these financial statements for detail).

28.2 This includes Rs. 376.156 million (2006: Rs. 376.156 million) recoverable from GoP under deferred tariff adjustment.

29. CASH AND BANK BALANCES

	Note	2007 (Rupees in '000)	2006
Cash at banks			
- deposit accounts	29.1	4,199,058	3,701,819
- current accounts		1,057,639	107,962
		<u>5,256,697</u>	<u>3,809,781</u>
Cash in hand		10,952	4,871
		<u>5,267,649</u>	<u>3,814,652</u>

29.1 This includes Rs. 2.484 million (2006: Rs. 0.465 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the holding company.

30. COST OF GAS

	Note	2007		2006	
		Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
Gas in pipelines as at 1 July		809,447	125,386	884,925	113,166
Gas purchases from:					
Pakistan Petroleum Limited		41,473,627	4,101,255	43,277,283	3,532,123
Oil and Gas Development Company Limited		3,683,474	495,722	3,467,539	408,707
BP (Pakistan) Exploration and Production Incorporated		75,063,852	14,174,226	79,279,778	13,544,340
Orient Petroleum Inc.		30,644,129	4,871,419	26,556,074	4,318,991
Eni Pakistan Limited		118,450,213	28,186,222	113,263,420	23,505,253
Mari Gas Company Limited		320,778	9,811	290,845	7,283
Sui Northern Gas Pipelines Limited		398,877	53,450	283,604	33,377
BHP Petroleum (Pakistan) Pty Limited		41,106,263	6,369,751	35,934,222	4,901,220
OMV (Pak) Exploration GmbH		75,946,970	15,248,512	83,009,255	14,871,222
		<u>387,088,183</u>	<u>73,510,368</u>	<u>385,362,020</u>	<u>65,122,516</u>
Gas available for sale		<u>387,897,630</u>	<u>73,635,754</u>	<u>386,246,945</u>	<u>65,235,682</u>
Gas consumed internally		(1,114,473)	(185,475)	(966,049)	(169,808)
Inward price adjustment	30.1	-	(10,143,974)	-	(5,346,011)
Shrinkage of gas at LHF		(83,898)	-	(115,802)	-
Gas in pipelines as at 30 June		(940,661)	(149,198)	(809,447)	(125,386)
		<u>(2,139,032)</u>	<u>(10,478,647)</u>	<u>(1,891,298)</u>	<u>(5,641,205)</u>
		<u>385,758,598</u>	<u>63,157,107</u>	<u>384,355,647</u>	<u>59,594,477</u>

* Metric Cubic Feet.

30.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the holding company and Sui Northern Gas Pipelines Limited effective from 1 July 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement, the Company with lower weighted average cost of gas is required to pay to the other company so that the overall weighted average rate of well head gas price of both the companies is the same. However, this averaging has not affected the profit and loss account of the holding company as in the absence of averaging, the simultaneous effect would have been to gas development surcharge account in the profit and loss account.

31. TRANSMISSION, DISTRIBUTION AND SELLING COSTS

	Note	2007 (Rupees in '000)	2006
Salaries, wages and benefits		2,138,387	2,202,975
Contribution / accruals in respect of staff retirement benefit schemes	31.1	131,832	239,174
Depreciation on operating assets	17.6	2,040,185	1,758,901
Amortization of intangible assets		39,417	43,358
Repairs and maintenance		385,958	302,782
Stores, spares and supplies consumed		410,665	293,253
Provision against impaired debts		238,410	172,895
Gas consumed internally		185,475	169,808
Legal and professional charges		103,676	37,194
Electricity		56,094	44,778
Security expenses		109,901	102,014
Insurance and royalty		60,504	57,137
Travelling		29,696	17,697
Material and labour used on consumers' installation		123,301	69,109
Gas bills collection charges		137,677	119,077
Postage and revenue stamps		38,564	38,802
Rent, rates and taxes		39,285	27,226
Infrastructure development fee	31.2	50,000	50,000
Revenue expenses related to Liquefied Natural Gas		67,894	79,639
Others	31.3	83,941	67,332
		6,470,862	5,893,151
Recoveries / allocations to:			
Gas distribution system capital expenditure		(672,066)	(528,911)
Installation costs recovered from customers	24	(219,481)	(114,841)
		(891,547)	(643,752)
		5,579,315	5,249,399

31.1 Contributions to / accrual in respect of staff retirement benefit schemes

Contribution to the provident fund		63,025	56,691
Charge in respect of amount due to the pension funds:			
- executives		14,278	86,339
- non-executives		(51,402)	(25,526)
Charge in respect of amount due to the gratuity funds:			
- executives		(8,059)	3,894
- non-executives		(1,073)	51,619
Accrual in respect of unfunded post retirement:			
- medical facility		113,082	94,918
- gas facility		721	888
Expenses relating to the meter manufacturing division and construction division		1,260	(29,649)
		131,832	239,174

31.2 This represents amount paid to Ministry of Petroleum & Natural Resources being the holding company's share for infrastructural development fees.

31.3 Transmission, distribution and selling costs - others

Note 2007 (Rupees in '000) 2006

Communication		16,585	20,339
Advertisement		38,483	506
Water charges		3,554	5,892
Subscriptions		1,436	5,786
Bank charges		6,841	5,153
Freight and handling		3,360	4,562
Miscellaneous		13,682	25,094
		83,941	67,332

32. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		717,663	614,550
Contribution / accruals in respect of staff retirement benefit schemes	32.1	13,977	18,451
Depreciation on operating assets	17.6	131,665	390,258
Repairs and maintenance		70,707	42,694
Stores, spares and supplies consumed		34,274	61,320
Legal and professional charges		47,811	55,799
Electricity		9,222	8,695
Security expenses		2,243	116
Insurance and royalty		7,501	10,395
Travelling		32,137	22,674
Postage and revenue stamps		675	1,067
Rent, rates and taxes		6,832	7,807
Others	32.2	23,841	52,344
		1,098,548	1,286,170
Recoveries / allocations to:			
Meter manufacturing division		(21,154)	(15,052)
Recoveries from others		(8,083)	(7,749)
		(29,237)	(22,801)
		1,069,311	1,263,369

32.1 Contributions to / accrual in respect of staff retirement benefit schemes

Contribution to the provident fund		10,671	14,088
Charge in respect of amount due to the pension funds:			
- executives		939	1,239
- non-executives		(1,255)	(1,657)
Charge in respect of amount due to the gratuity funds:			
- executives		43	56
- non-executives		2,538	3,350
Accrual in respect of unfunded post retirement:			
- medical facility		1,032	1,362
- gas facility		9	13
		13,977	18,451

32.2 Administrative expenses - others

Advertisement		2,396	34,265
Miscellaneous		21,445	18,079
		23,841	52,344

33. OTHER OPERATING EXPENSES

	Note	2007 (Rupees in '000)	2006
Auditors' remuneration			
- Statutory audit		1,000	1,000
- Special audits and certifications		80	50
- Out of pocket expenses		200	200
		<u>1,280</u>	<u>1,250</u>
Workers' profit participation fund	12.2	70,310	90,595
Sports expenses		18,085	18,820
Corporate social responsibility		17,099	10,000
Net loss on gas distribution Gwadar operation		10,820	7,285
Provision against impaired stores and spares		30,629	3,498
Earth quake relief activities		-	30,000
Exchange loss on payment of gas purchases		-	16,756
Donation		-	50
		<u>148,223</u>	<u>178,254</u>

34. OTHER OPERATING INCOME

Income from financial assets			
Late payment surcharge		321,811	292,097
Return on:			
- term and profit and loss bank deposits		95,158	110,212
- staff loans		2,928	3,425
Interest income - Karachi Electric Supply Corporation		504,454	557,950
Interest income - Jamshoro Joint Venture Limited (JJVL)		15,803	-
Profit from defence saving certificate		6	9
Dividend income		188	125
		<u>940,348</u>	<u>963,818</u>
Income from investment in debts, loans, advances and receivables from related party			
Income from gas transportation - Sui Northern Gas Pipelines Ltd.		386,126	367,893
Dividend income - Sui Northern Gas Pipelines Ltd.		5,701	5,701
		<u>391,827</u>	<u>373,594</u>
Income from other than financial assets			
Meter rentals		502,251	472,285
Recognition of income against deferred credit		231,771	184,504
Sale of gas condensate		336,323	408,360
Income from gas transportation		150,460	187,666
Royalty income from JJVL		1,263,755	367,105
Meter manufacturing division profit - net	34.1	120,956	80,299
Recoveries from consumers		22,956	47,606
Gain on sale of fixed assets	17.7	17,120	20,524
Liquidated damages recovered		37,940	26,620
Advertising income		8,614	5,492
Income from sale of tender documents		377	1,315
Realised gain on foreign transactions		36,126	-
Miscellaneous		8,274	11,595
		<u>2,736,923</u>	<u>1,813,371</u>
		<u>4,069,098</u>	<u>3,150,783</u>

34.1 Meter manufacturing division profit - net

	Note	2007	2006
(Rupees in '000)			
Gross sales of gas meters			
- Holding company's consumption	34.1.1	266,242	296,643
- Outside sales		853,799	721,198
		<u>1,120,041</u>	<u>1,017,841</u>
Sales tax		(151,917)	(137,368)
Net sales		<u>968,124</u>	<u>880,473</u>
Cost of sales			
- Raw material consumed		746,763	654,820
- Packing cost		6,473	5,158
- Stores and spares		1,980	3,105
- Fuel, power and electricity		1,473	1,142
- Salaries wages and other benefits	34.1.2	69,218	69,814
- Insurance		982	1,149
- Repairs and maintenance		4,591	1,937
- Depreciation	17.6	9,314	52,707
- Other expenses		1,349	1,045
		<u>842,143</u>	<u>790,877</u>
Opening work in process		12,299	5,096
Closing work in process		(5,382)	(12,299)
		<u>6,917</u>	<u>(7,203)</u>
Cost of goods manufactured		<u>849,060</u>	<u>783,674</u>
Opening stock of finished goods		4,268	8,848
Closing stock of finished goods		(17,565)	(4,268)
		<u>(13,297)</u>	<u>4,580</u>
Cost of goods sold		<u>835,763</u>	<u>788,254</u>
Gross profit		132,361	92,219
Administrative expenses		(14,808)	(14,944)
Operating profit		117,553	77,275
Other income		3,403	3,024
Net profit		<u>120,956</u>	<u>80,299</u>

34.1.1 Gas meters used by the holding company are included in operating assets at manufacturing cost (including sales tax). However, sales tax thereon is paid at commercial selling prices, under the provisions of Sales Tax Act, 1990.

	Note	2007 (Rupees in '000)	2006
34.1.2 Salaries, wages and other benefits		69,297	67,041
Provident fund contribution		1,021	972
Pension Fund		(1,158)	1,069
Gratuity		58	732
		<u>69,218</u>	<u>69,814</u>
35. FINANCE COST			
Interest, commitment charges, exchange risk coverage fee and Government guarantee fee on foreign currency loans		-	23,807
Mark-up on:			
- redeemable capital		32,498	109,033
- local currency financing		1,007,944	578,553
- short-term financing		171,099	97,716
- consumers' deposits		57,008	56,889
- workers' profit participation fund	12.2	664	1,072
- delayed payment on gas bills		509,527	523,390
		<u>1,778,740</u>	<u>1,390,460</u>
36. TAXATION			
For the year:			
- current		370,219	417,116
- deferred		674,627	329,393
- prior		-	82,000
	36.1	<u>1,044,846</u>	<u>828,509</u>
36.1 Relationship between accounting profit and tax expense for the year is as follows:			
Accounting profit for the year		1,335,231	1,720,235
Tax rate		35%	35%
Tax charge @ 35% (2006: 35%)		467,331	602,082
Minimum tax @ 0.5%		370,219	-
Tax effect of expenses that are not deductible in determining taxable profit		29,949	124,781
Effect of lower tax rate on dividend income		(1,767)	(1,748)
Prior years' tax charge		-	82,000
Effect of adjustment in opening written down value		179,114	21,414
Others		-	(20)
		<u>1,044,846</u>	<u>828,509</u>
37. STAFF RETIREMENT BENEFITS			
37.1 Funded post retirement pension and gratuity schemes			
As mentioned in note 3.13 to these financial statements, the holding company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at 30 June 2007 under the projected unit credit method for both non-executive and executive staff members.			

Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in balance sheet				
Fair value of plan assets	(718,001)	(1,405,498)	(354,912)	(1,410,681)
Present value of defined benefit obligation	471,480	1,400,696	7,952	1,029,557
Net (surplus) / deficit	(246,521)	(4,802)	(346,960)	(381,124)
Unrecognised past service gain/ (cost)	(84,951)	179,227	-	-
Unrecognised actuarial (loss) / gain	332,329	(187,076)	263,431	411,964
	857	(12,651)	(83,529)	30,840

Changes in present value of defined benefit obligation

Obligation as at 1 July 2006	452,255	1,320,893	7,014	883,080
Current service cost	20,962	60,448	-	41,124
Interest cost	45,225	132,089	701	88,308
Past service cost	-	-	-	-
Actuarial loss/(gain)	(35,615)	(24,005)	937	67,045
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Obligation as at 30 June 2007	471,480	1,400,696	7,952	1,029,557

Changes in fair value of plan assets

Fair value as at 1 July 2006	662,797	1,291,147	349,276	1,154,880
Expected return on plan assets	66,280	129,115	34,928	115,488
Net actuarial gain/(loss)	(14,072)	70,856	(28,592)	188,816
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Contribution to fund	14,343	3,109	-	1,497
Fair value as at 30 June 2007	718,001	1,405,498	354,912	1,410,681

Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / Liability as at 1 July 2006	(17)	(1)	(30,872)	30,872
Expense recognised for the year	15,217	(9,541)	(52,657)	1,465
Contribution to the fund/ benefits paid	(14,343)	(3,109)	-	(1,497)
(Asset) / liability in Balance Sheet	857	(12,651)	(83,529)	30,840

Expense recognised in the profit and loss account

Expense recognised in the profit and loss account during the current year in respect of the above schemes were as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	20,962	60,448	-	41,124
Mark-up Cost	45,225	132,089	702	88,308
Expected return on plan assets	(66,280)	(129,115)	(34,928)	(115,488)
Recognition of actuarial loss / (gain)	(27,167)	16,650	(18,431)	(12,479)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>15,217</u>	<u>(9,541)</u>	<u>(52,657)</u>	<u>1,465</u>

Composition / fair value of plan assets used by the fund

Equity	10.7%	2.4%	3.0%	20.0%
Debt instruments	74.5%	66.0%	66.5%	56.5%
Others	14.8%	31.6%	30.5%	23.5%

Actual return on plan assets is as follows:

Expected return on plan assets	66,280	129,115	34,928	115,488
Actuarial gain/(loss) on plan assets	(14,072)	70,856	(28,592)	188,816
Actual return on plan assets	<u>52,208</u>	<u>199,971</u>	<u>6,336</u>	<u>304,304</u>

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
(Asset) / liability in balance sheet				
Fair value of plan assets	(662,797)	(1,291,147)	(349,276)	(1,154,880)
Present value of defined benefit obligation	452,255	1,320,893	7,014	883,080
Net (surplus) / deficit	<u>(210,542)</u>	<u>29,746</u>	<u>(342,262)</u>	<u>(271,800)</u>
Unrecognised past service gain/ (cost)	(127,428)	268,840	-	-
Unrecognised actuarial (loss) / gain	337,953	(298,587)	311,390	302,672
	<u>(17)</u>	<u>(1)</u>	<u>(30,872)</u>	<u>30,872</u>

Changes in present value of defined benefit obligation

Obligation as at 1 July 2005	604,231	1,073,625	7,354	951,700
Current service cost	32,053	69,600	-	53,968
Interest cost	54,959	92,369	629	85,861
Past service cost	-	-	-	-
Actuarial loss/(gain)	(230,677)	166,063	(256)	(169,797)
Benefits paid	(8,311)	(80,764)	(713)	(38,652)
Obligation as at 30 June 2006	<u>452,255</u>	<u>1,320,893</u>	<u>7,014</u>	<u>883,080</u>

Changes in fair value of plan assets

Fair value as at 1 July 2005	431,493	1,116,249	197,057	955,511
Expected return on plan assets	41,911	93,251	16,479	84,860
Net actuarial gain/(loss)	129,723	202,703	132,764	129,064
Benefits paid	(8,311)	(80,764)	(713)	(38,652)
Contribution to fund	67,981	(40,292)	3,689	24,097
Fair value as at 30 June 2006	<u>662,797</u>	<u>1,291,147</u>	<u>349,276</u>	<u>1,154,880</u>

Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) as at 1 July 2005	(19,615)	(44,243)	-	-
Expense recognised for the year	87,578	3,950	(27,183)	54,969
Contribution to the fund/ benefits paid	(67,980)	40,292	(3,689)	(24,097)
(Asset) / liability in Balance Sheet	<u>(17)</u>	<u>(1)</u>	<u>(30,872)</u>	<u>30,872</u>

Expense recognised in the profit and loss account

Expense recognised in the profit and loss account during the current year in respect of the above schemes were as follows:

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	32,053	69,600	-	53,968
Mark-up cost	54,959	92,369	629	85,861
Expected return on plan assets	(41,911)	(93,251)	(16,479)	(84,860)
Recognition of actuarial loss / (gain)	-	24,845	(11,333)	-
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>87,578</u>	<u>3,950</u>	<u>(27,183)</u>	<u>54,969</u>

Composition/ fair value of plan assets used by the fund

Equity	11%	0.7%	3.4%	14.3%
Debt instruments	88%	97.6%	95.4%	75.6%
Others	1%	1.7%	1.2%	10.1%

Actual return on plan assets is as follows:

Expected return on plan assets	41,911	93,251	16,479	84,860
Actuarial gain/(loss) on plan assets	129,723	202,703	132,764	129,064
Actual return on plan assets	<u>171,634</u>	<u>295,954</u>	<u>149,243</u>	<u>213,924</u>

Historical information	2007	2006	2005	2004	2003
	(Rupees in '000)				
Pension - Executives					
Present value of defined benefit obligation	471,480	452,255	604,231	550,282	109,380
Fair value of planned assets	(718,001)	(662,797)	(431,493)	(257,181)	(228,134)
(Surplus) / deficit	(246,521)	(210,542)	172,738	293,101	(118,754)
Unrecognised past service gain/ (cost)	(84,951)	(127,428)	(169,905)	(212,383)	(254,859)
Unrecognised actuarial (loss) / gain	332,329	337,953	(22,448)	(143,484)	308,260
(Asset) / liability in balance sheet	857	(17)	(19,615)	(62,766)	(65,353)
Experience adjustment arising on plan liabilities (gains) / losses	(35,615)	(230,677)	(999)	429,347	887
Experience adjustment arising on plan assets gains / (losses)	(14,072)	129,723	109,061	28,979	30,473
Gratuity - Executives					
Present value of defined benefit obligation	1,400,696	1,320,893	1,073,625	1,010,954	1,193,906
Fair value of planned assets	(1,405,498)	(1,291,147)	(1,116,249)	(1,035,178)	(874,860)
(Surplus) / deficit	(4,802)	29,746	(42,624)	(24,224)	319,046
Unrecognised past service gain/ (cost)	179,227	268,840	358,453	448,066	537,679
Unrecognised actuarial (loss) / gain	(187,076)	(298,587)	(360,072)	(341,337)	(792,549)
(Asset) / liability in balance sheet	(12,651)	(1)	(44,243)	82,505	64,176
Experience adjustment arising on plan liabilities (gains) / losses	(24,005)	166,063	17,580	(258,702)	54,903
Experience adjustment arising on plan assets gains / (losses)	70,856	202,703	(25,179)	60,418	7,529
Pension - Non-Executives					
Present value of defined benefit obligation	7,952	7,014	7,354	8,134	5,825
Fair value of planned assets	(354,912)	(349,276)	(197,057)	(224,551)	(155,658)
(Surplus) / deficit	(346,960)	(342,262)	(189,703)	(216,417)	(149,833)
Unrecognised past service gain/ (cost)	-	-	-	-	-
Unrecognised actuarial (loss) / gain	263,431	311,390	189,703	125,896	55,493
(Asset) / liability in balance sheet	(83,529)	(30,872)	-	(90,521)	(94,340)
Experience adjustment arising on plan liabilities (gains) / losses	937	(256)	(796)	1,713	546
Experience adjustment arising on plan assets gains / (losses)	(28,592)	132,764	50,925	73,336	26,928
Gratuity - Non-Executives					
Present value of defined benefit obligation	1,029,557	883,080	951,700	862,829	658,289
Fair value of planned assets	(1,410,681)	(1,154,880)	(955,511)	(772,612)	(731,267)
(Surplus) / deficit	(381,124)	(271,800)	(3,811)	90,217	(72,978)
Unrecognised past service gain/ (cost)	-	-	-	-	-
Unrecognised actuarial (loss) / gain	411,964	302,672	3,811	(19,380)	127,662
(Asset) / liability in balance sheet	30,840	30,872	-	70,837	54,684
Experience adjustment arising on plan liabilities (gains) / losses	67,045	(169,797)	(910)	218,474	(28,094)
Experience adjustment arising on plan liabilities (gains) / losses	188,816	129,064	22,281	68,019	36,379

Significant actuarial assumptions

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

	Executives and Non-Executive	
	2007 %	2006 %
Discount rate	10	10
Expected rate of increase in salary level	9	9
Expected rate of return on plan assets	10	10
Increase in pension	3	3

37.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.13 to these financial statements the holding company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2007 under the projected unit current cost method, results of which are as follows:

(Asset) / liability in balance sheet	30 June 2007	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Projected benefit obligation	834,683	34,720
Unrecognised actuarial (loss) / gain	895	18,216
	835,578	52,936
Movement in net liability recognized		
Movements in net liability recognized during the year are as follows:		
(Asset) / liability as at 1 July 2006	741,660	53,899
Charge for the year	114,115	730
Payments during the year	(20,197)	(1,693)
(Asset) / liability as at 30 June 2007	835,578	52,936
Expense recognised in the profit and loss account		
Current service cost	35,881	-
Mark-up cost - net	78,234	2,810
Amortization of actuarial (gain)/ loss	-	(2,080)
	114,115	730

Significant actuarial assumptions

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

	Executives	
	2007 %	2006 %
Discount rate	10	10
Medical inflation rate	6.5	6.5
Gas inflation rate	7	7

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Medical facility - Executives					
Present value of defined benefit obligation	834,683	782,340	700,260	616,733	565,579
Fair value of planned assets	-	-	-	-	-
(Surplus) / deficit	834,683	782,340	700,260	616,733	565,579
Unrecognized part of transitional liability	-	-	-	-	(70,003)
Unrecognised actuarial (loss) / gain	895	(40,680)	(35,952)	(21,628)	(12,490)
	835,578	741,660	664,308	595,105	483,086
Experience adjustment arising on plan liabilities (gains) / losses	(41,575)	4,728	14,296	9,138	7,588
Experience adjustment arising on plan assets (gains) / losses	-	-	-	-	-
Gas facility - Executives					
Present value of defined benefit obligation	34,720	28,202	30,291	30,367	27,961
Fair value of planned assets	-	-	-	-	-
(Surplus) / deficit	34,720	28,202	30,291	30,367	27,961
Unrecognized part of transitional liability	-	-	-	-	(9,011)
Unrecognised actuarial (loss) / gain	18,216	25,697	24,200	24,597	29,204
(Asset) / liability in balance sheet	52,936	53,899	54,491	54,964	48,154
Experience adjustment arising on plan liabilities (gains) / losses	5,401	(3,261)	(1,399)	2,406	(820)
Experience adjustment arising on plan assets (gains) / losses	-	-	-	-	-

38. EARNINGS PER SHARE - BASIC AND DILUTED

		2007	2006
Profit after taxation	<i>Rupees in '000</i>	290,385	891,726
Average number of ordinary shares	<i>Number of shares</i>	671,174,331	671,174,331
Earnings per share - basic and diluted	<i>Rupees</i>	0.43	1.33

39. WORKING CAPITAL CHANGES

	2007	2006
	(Rupees in '000)	
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(40,414)	(131,140)
Stock-in-trade	(87,062)	(57,861)
Consumers' installation work-in-progress	900	(60,713)
Trade debts	(5,459,018)	(2,316,311)
Trade deposits and prepayments	36,219	(24,231)
Other receivables	(2,185,441)	(1,133,149)
	(7,734,816)	(3,723,405)
<i>Increase in current liabilities</i>		
Creditors, accrued and other liabilities	8,637,000	5,243,776
	902,184	1,520,371

40. CASH AND CASH EQUIVALENTS

	2007	2006
	(Rupees in '000)	
Cash and bank balances	5,267,649	3,814,652
Short-term borrowings	(1,000,000)	(1,164,753)
	<u>4,267,649</u>	<u>2,649,899</u>

41. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the consolidated financial statements for remuneration, including all benefits, to chief executive, directors and executives of the holding company are given below:

	30 June 2007		30 June 2006	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	1,960	264,009	1,818	196,777
Housing	667	111,124	600	82,800
Utilities	129	24,694	109	18,400
Retirement benefits	133	21,570	392	40,293
	<u>2,889</u>	<u>421,397</u>	<u>2,919</u>	<u>338,270</u>
Number	<u>1</u>	<u>305</u>	<u>1</u>	<u>232</u>

41.1 The Chairman, Chief Executive and certain Executives are also provided company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the holding company was paid Rs. 0.3 million (2006: Rs. 0.3 million). Executives are also provided medical facilities in accordance with their entitlement.

41.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.034 million (2006: Rs. 0.031 million for 14 directors).

42. CAPACITY AND ACTUAL PERFORMANCE

Natural gas transmission	30 June 2007		30 June 2006	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	<u>431,015</u>	<u>121,433,520</u>	<u>385,805</u>	<u>108,696,122</u>
Utilisation - volume of gas transmitted	<u>385,142</u>	<u>108,509,329</u>	<u>383,808</u>	<u>108,133,490</u>
Capacity utilisation factor (%)	<u>89.4</u>	<u>89.4</u>	<u>99.5</u>	<u>99.5</u>

Natural gas distribution

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

Meter manufacturing division

During the year meter manufacturing division produced and assembled 550,150 meters (2006: 513,500 meters) against an annual capacity of 356,000 meters on a single shift basis.

43. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationship with Sui Northern Gas Pipeline Limited (associated company), employees benefit plans (notes 3.13 and 37) and the holding company's directors and executive officers (including their associates). Purchase and sale of gas from/to related parties are determined at rates finalized and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the holding company (comparable uncontrolled price method).

The details of transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows:

	2007	2006
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Pipeline rental income	386,126	367,893
- Sale of gas meters	738,240	622,233
- Sale of pipes	-	251
- Gas Purchases	53,450	33,377
- Cost of gas levelisation	(10,143,974)	(5,346,011)
- Dividend Income	5,701	5,701
Oil and Gas Development Company Limited		
- Pipeline rental income	13,063	40,980
- Gas Purchases	15,443,977	14,110,622
Pakistan Petroleum Limited		
- Gas Purchases	6,994,494	6,131,774
Pakistan Machine Tool Factory Limited		
- Purchase of meter parts	55,874	28,520
- Gas sales	38,209	34,898
Pakistan State Oil Company Limited		
- Purchase of Oil and Lubricants	64,426	12,423
Staff retirement benefit plans		
- Contribution to provident fund	70,473	67,725
- Contribution to pension fund	(34,845)	87,261
- Contribution to gratuity fund	(6,446)	26,809
Remuneration of key management personnel (executive staff)	31,974	26,192

Pipeline rental income is determined at cost plus method and comparable prices for the specific category of pipeline and other conditions affecting the determination of pipeline rental are not identifiable.

Sale of gas meters is made at cost plus method. The holding company is the only manufacturer of gas meters in the country and as such it is difficult to determine the comparable uncontrolled prices in the country. However, the prices of comparable goods available in international market are not materially different from the prices at which the goods (meters) are sold by the holding company.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 12, 28 and 37 to these financial statements.

Remuneration to the executive officers of the holding company (disclosed in note 41 to the financial statements) and loans and advances to them (disclosed in notes 21 and 26 to the consolidated financial statements) are determined in accordance with the terms of their employment.

Mark-up free security deposits for gas connections to the executive staff of the holding company is received at rates prescribed by the Government of Pakistan.

44. MARK-UP / INTEREST RATE RISK

Interest / mark-up risk arises from the possibility that changes in interest / mark-up will affect the value of consolidated financial instrument. Information about the company's exposures to mark-up / interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, at 30 June 2007 is as follows:

		2007				(Rupees in '000)	
		Effective mark-up / interest rate (%)	Mark-up / interest bearing			Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	15.6 to 18.04	-	-	66	-	231,779	231,845
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Loans and advances	10	-	-	-	-	209,521	209,521
Trade debts	-	-	-	-	-	16,118,951	16,118,951
Trade deposits and prepayments	-	-	-	-	-	26,997	26,997
Interest accrued	-	-	-	-	-	6,295	6,295
Other receivables	-	-	-	-	-	2,478,356	2,478,356
Cash and bank balances	0.5 to 7.5	4,199,058	-	-	-	-	4,199,058
		<u>4,199,058</u>	-	66	-	<u>19,076,999</u>	<u>23,276,123</u>
Financial liabilities							
Long-term financing	7.57 to 10.56	-	2,286,481	12,581,455	-	-	14,867,936
Long-term deposits	5	-	-	-	1,489,449	874,180	2,363,629
Trade and other payables	-	-	-	-	-	22,187,248	22,187,248
Interest and mark-up accrued	-	-	-	-	-	1,134,421	1,134,421
ShortTerm borrowing	8.63 to 10.06	-	1,000,000	-	-	-	1,000,000
		-	<u>3,286,481</u>	<u>12,581,455</u>	<u>1,489,449</u>	<u>24,195,849</u>	<u>41,553,234</u>
On-balance sheet gap (a)	2007	<u>4,199,058</u>	<u>(3,286,481)</u>	<u>(12,581,389)</u>	<u>(1,489,449)</u>	<u>(5,118,850)</u>	<u>(18,277,111)</u>
	2006	<u>3,702,786</u>	<u>(2,675,820)</u>	<u>(8,694,849)</u>	<u>(1,230,131)</u>	<u>(3,240,600)</u>	<u>(12,138,614)</u>

	2006					(Rupees in '000)	
	Effective mark-up / interest rate (%)	Mark-up / interest bearing			Maturity after five years	Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years			
Financial assets							
Investments	15.6 to 18.04	-	-	56	-	252,136	252,192
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Loans and advances	10	967	8,416	30,147	-	175,708	215,238
Trade debts	-	-	-	-	-	10,898,343	10,898,343
Trade deposits and prepayments	-	-	-	-	-	22,263	22,263
Interest accrued	-	-	-	-	-	8,237	8,237
Other receivables	-	-	-	-	-	789,158	789,158
Cash and bank balances	1 to 4	3,701,819	-	-	-	112,833	3,814,652
		<u>3,702,786</u>	<u>8,416</u>	<u>30,203</u>	<u>-</u>	<u>12,263,778</u>	<u>16,005,183</u>
Financial liabilities							
Long-term financing	3.23 to 15	-	1,519,483	8,725,052	-	-	10,244,535
Long-term deposits	5	-	-	-	1,230,131	859,296	2,089,427
Trade and other payables	11.25	-	-	-	-	13,970,366	13,970,366
Interest and mark-up accrued	-	-	-	-	-	674,716	674,716
Short-term borrowing	5.21 to 8.21	-	1,164,753	-	-	-	1,164,753
		<u>-</u>	<u>2,684,236</u>	<u>8,725,052</u>	<u>1,230,131</u>	<u>15,504,378</u>	<u>28,143,797</u>
On-balance sheet gap (a)		<u>3,702,786</u>	<u>(2,675,820)</u>	<u>(8,694,849)</u>	<u>(1,230,131)</u>	<u>(3,240,600)</u>	<u>(12,138,614)</u>

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

45. CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted.

At 30 June 2007, the financial assets which were subject to credit risk amounted to Rs. 18.388 billion (2006: Rs. 11.993 billion). The Group believes that it is not exposed to major concentration of credit risk. The Group attempts to control credit risks by monitoring credit exposures, including transactions with specific customers and continuing assessment of credit worthiness of customers.

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial instruments reflected in the consolidated financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

47. FOREIGN CURRENCY RISK MANAGEMENT POLICY

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The holding company is exposed to foreign risk on gas purchases, imports and borrowings that are entered in a currency other than Pak Rupees. However, the holding company was not exposed to any foreign currency risk on foreign currency loan which was hedged under exchange risk guarantee scheme of Government of Pakistan.

48. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at 30 June 2007 and 2006, are as follows:

	2007 (Rupees in '000)	2006
	Based on unaudited financial statements	Based on audited financial statements
Pension fund - executives	357,456	280,592
Gratuity fund - executives	796,384	454,228
Pension fund - non-executives	204,141	111,703
Gratuity fund - non-executives	830,119	593,374
Provident fund - executives	900,917	429,963
Provident fund - non-executives	737,784	386,007
Benevolent fund - executives	41,148	25,367

49. ACCOUNTING ESTIMATES AND JUDGEMENTS

49.1 Income tax

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

49.2 Pension and gratuity

Certain actuarial assumptions have been adopted as disclosed in note 37.1 to the consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

49.3 Property, plant and equipment

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

49.4 Trade debtors

The Group reviews its receivable against provision required there against on a ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

49.5 Provision for impaired inventory

The management continuously reviews its inventory for existence of any items which may have become obsolete. The estimates against slow moving and obsolete items are made based on systematic basis as approved by the Board of Directors.

49.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

50. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the holding company have proposed a final dividend for the year ended 30 June 2007 of Rs. 0.50 per share (2006: Rs. 1.30 per share), amounting to Rs. 335.587 million (2006: Rs. 872.527 million) at their meeting held on 27 September 2007 for approval for the members at the annual general meeting to be held on 26 October 2007. For this purpose, the board decided to transfer Rs. 21 million from general reserve to unappropriated profit.

51. DATE OF AUTHORISATION

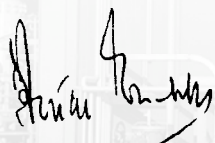
These consolidated financial statements were authorised for issue in Board of Directors meeting held on 27 September 2007.

52. CORRESPONDING FIGURES

The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparisons.

53. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

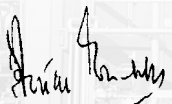


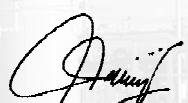
Cash Flow Statement

For the year ended 30 June 2007

	Note	2007 (Rupees in '000)	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,335,225	1,720,226
Adjustments for:			
Depreciation		2,248,374	2,226,382
Amortization of intangible assets		39,417	43,358
Finance cost		1,778,740	1,390,460
Provision against impaired inventory		30,150	7,314
Provision against impaired debts		238,410	172,895
Provision / (reversal of provision) for compensated absences		20,250	(18,680)
Provision for post retirement medical and free gas supply facilities		92,955	97,181
(Reversal of provision)/provision for retirement benefits		(45,506)	119,314
Recognition of income against deferred credit		(231,771)	(184,504)
Dividend income		(5,889)	(5,826)
Profit / interest on bank deposits		(95,158)	(110,212)
Depreciation on transfers of fixed assets		(1,327)	(607)
Gain on sale of fixed assets		(17,120)	(20,524)
		5,386,750	5,436,777
Working capital changes	38	902,184	1,520,371
Cash generated from operations		6,288,934	6,957,148
Retirement benefits paid		(18,950)	(75,895)
Tax recovered / (paid)		351,429	(555,558)
Financial charges paid		(1,482,845)	(1,001,707)
Service charges received from new customers		963,146	638,670
Long-term deposits received - net		274,202	282,732
Long-term loans and advances		5,717	9,507
Long-term deposits		76	1,332
Net cash generated from operating activities		6,381,709	6,256,229
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(8,565,797)	(5,393,118)
Proceeds from sale of fixed assets		20,179	36,254
Dividend received		5,889	10,577
Profit / interest on bank deposits		97,100	109,433
Net cash used in investing activities		(8,442,629)	(5,236,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		2,992,234	3,000,000
Proceeds raised from issue of Islamic Sukuk Bonds		2,987,686	-
Repayment of local currency loans		(1,090,456)	(250,000)
Repayment of redeemable capital		(416,330)	(749,415)
Consumer finance received		100,383	42,176
Repayment of consumer finance		(28,116)	(16,839)
Repayment of foreign currency loans		-	(445,711)
Dividend paid		(866,731)	(998,900)
Net cash generated from financing activities		3,678,670	581,311
Net increase in cash and cash equivalents		1,617,750	1,600,686
Cash and cash equivalents at beginning of the year		2,649,889	1,049,203
Cash and cash equivalents at end of the year	39	4,267,639	2,649,889

The annexed notes 1 to 52 form an integral part of these financial statements.


Aitzaz Shahbaz
 Chairman

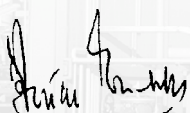

Azim Iqbal Siddiqui
 Chief Executive Officer

Statement of Changes in Equity

For the year ended 30 June 2007

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Gain / (loss) on remeasurement of available-for- sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at 1 July 2005	6,711,743	234,868	2,253,794	152,896	1,012,501	10,365,802
Changes in equity for the year ended 30 June 2006						
Net gain on remeasurement of available-for-sale securities	-	-	-	90,712	-	90,712
Profit for the year	-	-	-	-	891,717	891,717
Total income and expenses recognized during the year	-	-	-	90,712	891,717	982,429
Final dividend for the year ended 30 June 2005	-	-	-	-	(1,006,761)	(1,006,761)
Balance as at 30 June 2006	6,711,743	234,868	2,253,794	243,608	897,457	10,341,470
Changes in equity for the year ended 30 June 2007						
Net loss on remeasurement of available-for-sale securities	-	-	-	(20,419)	-	(20,419)
Profit for the year	-	-	-	-	290,379	290,379
Total income and expenses recognized during the year	-	-	-	(20,419)	290,379	269,960
Final dividend for the year ended 30 June 2006	-	-	-	-	(872,527)	(872,527)
Balance as at 30 June 2007	6,711,743	234,868	2,253,794	223,189	315,309	9,738,903

The annexed notes 1 to 52 form an integral part of these financial statements.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

Consolidated Balance Sheet

As at 30 June 2007

Note 2007 2006
(Rupees in '000)

EQUITY AND LIABILITIES

Share capital and reserves

Authorised share capital

1,000,000,000 ordinary shares of Rs. 10 each

10,000,000

10,000,000

Issued, subscribed and paid-up capital

4

6,711,743

6,711,743

Reserves

5

2,488,662

2,488,662

Gain on remeasurement of available-for-sale securities

223,189

243,608

Unappropriated profit

315,370

897,512

9,738,964

10,341,525

Non-current liabilities

Long-term financing

6

12,581,455

8,725,052

Long-term deposits

7

2,363,629

2,089,427

Deferred tax

8

3,879,261

3,204,634

Employee benefits

9

999,142

904,405

Deferred credit

10

2,976,905

2,245,530

22,800,392

17,169,048

Current liabilities

Current portion of long-term financing

11

2,286,481

1,519,483

Trade and other payables

12

24,794,330

16,210,231

Interest and mark-up accrued

13

1,134,421

674,716

Short-term borrowings

14

1,000,000

1,164,753

Taxation - net

15

165,362

-

29,380,594

19,569,183

Contingencies and commitments

16

61,919,950

47,079,756

The annexed notes 1 to 53 form an integral part of these financial statements.

Note 2007 2006
(Rupees in '000)

ASSETS

Non-current assets

Property, plant and equipment	17	31,333,811	24,899,887
Intangible assets	18	62,102	56,267
Long-term investments	19	231,779	252,192
Share of investment in jointly controlled entity	20	5,100	5,100
Long-term loans and advances	21	114,404	121,994
Long-term deposits		3,050	3,126

31,750,246

25,338,566

Current assets

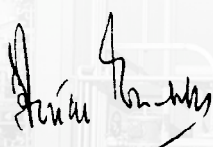
Stores, spares and loose tools	22	1,022,165	1,012,057
Stock-in-trade	23	368,903	281,362
Customers' installation work-in-progress	24	144,317	145,217
Trade debts	25	16,118,951	10,898,343
Loans and advances	26	95,117	93,244
Trade deposits and short-term prepayments	27	106,464	142,683
Interest accrued		6,295	8,237
Other receivables	28	7,039,843	4,789,112
Taxation - net	15	-	556,283
Cash and bank balances	29	5,267,649	3,814,652

30,169,704

21,741,190

61,919,950

47,079,756



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

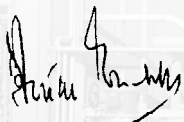


Consolidated Cash Flow Statement

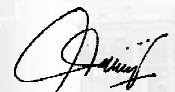
For the year ended 30 June 2007

	Note	2007 (Rupees in '000)	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,335,231	1,720,235
Adjustments for:			
Depreciation		2,248,374	2,226,382
Amortization of intangible assets		39,417	43,358
Finance cost		1,778,740	1,390,460
Provision against impaired inventory		30,150	7,314
Provision against impaired debts		238,410	172,895
Provision / (reversal of provision) for compensated absences		20,250	(18,680)
Provision for post retirement medical and free gas supply facilities		92,955	97,181
(Reversal of provision)/provision for retirement benefits		(45,506)	119,314
Recognition of income against deferred credit		(231,771)	(184,504)
Dividend income		(5,889)	(5,826)
Profit / interest on bank deposits		(95,158)	(110,212)
Depreciation on transfers of fixed assets		(1,327)	(607)
Return on defence saving certificates		(6)	(9)
Gain on sale of fixed assets		(17,120)	(20,524)
		<u>5,386,750</u>	<u>5,436,777</u>
Working capital changes	39	902,184	1,520,371
Cash generated from operations		<u>6,288,934</u>	<u>6,957,148</u>
Retirement benefits paid		(18,950)	(75,895)
Tax recovered / (paid)		351,429	(555,558)
Financial charges paid		(1,482,845)	(1,001,707)
Service charges received from new customers		963,146	638,670
Long-term deposits received - net		274,202	282,732
Long-term loans and advances		5,717	9,507
Long-term deposits		76	1,332
Net cash generated from operating activities		<u>6,381,709</u>	<u>6,256,229</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(8,565,797)	(5,393,118)
Proceeds from sale of fixed assets		20,179	36,254
Dividend received		5,889	10,577
Profit / interest on bank deposits		97,100	109,433
Net cash used in investing activities		<u>(8,442,629)</u>	<u>(5,236,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		2,992,234	3,000,000
Proceeds raised from issue of Islamic Sukuk Bonds		2,987,686	-
Repayment of local currency loans		(1,090,456)	(250,000)
Repayment of redeemable capital		(416,330)	(749,415)
Consumer finance received		100,383	42,176
Repayment of consumer finance		(28,116)	(16,839)
Repayment of foreign currency loans		-	(445,711)
Dividend paid		(866,731)	(998,900)
Net cash generated from financing activities		<u>3,678,670</u>	<u>581,311</u>
Net increase in cash and cash equivalents		1,617,750	1,600,686
Cash and cash equivalents at beginning of the year		2,649,899	1,049,213
Cash and cash equivalents at end of the year	40	<u>4,267,649</u>	<u>2,649,899</u>

The annexed notes 1 to 53 form an integral part of these financial statements.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

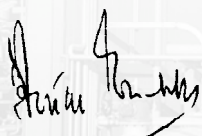


Consolidated Statement of Changes in Equity


For the year ended 30 June 2007

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Gain/(loss) on remeasurement of available for sale securities	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at 1 July 2005	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>152,896</u>	<u>1,012,547</u>	<u>10,365,848</u>
Changes in equity for the year ended 30 June 2006						
Net gain on remeasurement of available-for-sale securities	-	-	-	90,712	-	90,712
Profit for the year	-	-	-	-	891,726	891,726
Total income and expenses recognised during the year	-	-	-	90,712	891,726	982,438
Final dividend for the year ended 30 June 2005	-	-	-	-	(1,006,761)	(1,006,761)
Balance as at 30 June 2006	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>243,608</u>	<u>897,512</u>	<u>10,341,525</u>
Changes in equity for the year ended 30 June 2007						
Net loss on remeasurement of available-for-sale securities	-	-	-	(20,419)	-	(20,419)
Profit for the year	-	-	-	-	290,385	290,385
Total income and expenses recognised during the year	-	-	-	(20,419)	290,385	269,966
Final dividend for the year ended 30 June 2006	-	-	-	-	(872,527)	(872,527)
Balance as at 30 June 2007	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>223,189</u>	<u>315,370</u>	<u>9,738,964</u>

The annexed notes 1 to 53 form an integral part of these financial statements.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

1. STATUS AND NATURE OF BUSINESS

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

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

Inter State Gas Systems (Private) Limited ("The Jointly Controlled Entity") is incorporated in Pakistan as a Private Limited Company is a joint venture between Sui Southern Gas Company Limited (SSGC) and Sui Northern Gas Pipelines Limited (SNGPL). Inter State Gas System (Private) Limited has been established to explore and make arrangements for import of natural gas from neighbouring countries. The controlling interest of holding company in Inter State Gas Systems (Private) Limited is 51%.

Basis of consolidation

The Group consists of:

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

The consolidated financial statements include the financial Statements of SSGCL - holding company and its subsidiary company "The Group".

The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements.

Intra-group balances and transactions have been eliminated.

2. BASIS FOR 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 Financial Reporting Standards as are 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 19 which are carried at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the functional currency of the holding company and its subsidiary.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are disclosed in note 48 to these financial statements.

2.5 New accounting standards, IFRIC interpretations and amendments that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures
- IAS 23 - Borrowing Costs (as revised)
- IAS 41 - Agriculture
- IFRS 2 - Share-based Payment
- IFRS 3 - Business Combinations
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Cost

Property, plant and equipment except freehold land, leasehold land and capital work-in-progress are stated at cost less accumulated depreciation. Freehold land, leasehold land and capital work-in-progress are stated at cost.

3.1.2 Depreciation

Compressors and transmission lines

Depreciation is calculated under the straight-line method over the estimated remaining useful lives of assets. Depreciation on these assets is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciation on other operating assets is calculated so as to write off the assets over their estimated remaining useful lives under the straight-line method.

Depreciable value of an asset is written off over its estimated service life from the month the asset is available for use in service till the month it is disposed off or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

3.1.2.1 Depreciation is charged at rates mentioned in the notes 17.2, 17.3, 17.4 and 17.5 to these financial statements.

3.1.3 Subsequent expenditure (including normal repairs and maintenance)

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

3.1.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

3.1.5 Borrowing costs

Borrowing costs incurred on long-term finances attributable for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.1.6 Gains and losses on disposal

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

3.1.7 Leased assets

Leased assets in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 3.7 to these financial statements.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned operating assets.

3.2 Investments

Available-for-sale

All investments classified as available-for-sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments are determined based on appropriate valuation method if practicable to determine it. Any resultant gains or losses being recognized directly in equity.

When the carrying amount of the investment is impaired the cumulative gain or loss recognised in equity is removed from equity and recognised in the profit and loss account. Impairment loss once recognised through profit and loss account is not reversed.

Held to maturity

Financial assets with fixed or determinable payments and fixed maturity for which the Group has ability to hold them till maturity are classified as held to maturity investments. These investments are initially recognized in the balance sheet at cost inclusive of transaction cost if any and subsequently stated at amortized cost using effective interest rate method.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the settlement date. Settlement date is the date on which the Group settles the purchase or sale of the investment.

3.3 Stores, spares and loose tools

These are valued at cost determined under the moving average basis less impairment losses, if any. Goods-in-transit are valued at cost incurred up to the balance sheet date.

3.4 Stock-in-trade

Gas in pipelines

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value.

Meter manufacturing division

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

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

3.5 Trade debts and other receivables

- Trade debts are carried at cost (invoiced amount, which is the fair value of the consideration receivable for sale of gas) less an estimate for impaired receivables.
- Other receivables are stated at cost less impairment losses, if any.
- Bad debts are written off when identified.

3.6 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

3.7 Mark-up bearing borrowings

Long-term financing

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

Leases

The Group accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective mark-up rate method.

3.8 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Deferred credit

Amounts received from customers and the Government as contributions and grants for providing service connections, extension of gas mains, laying of transmission lines, etc. are deferred and recognized in the profit and loss account over the useful lives of the related assets.

3.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

Deferred

Deferred tax is recognized using the balance sheet liability method on all significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

3.11 Revenue recognition

- Revenue from gas sales is recognized on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).
- Meter rental income is recognized monthly at specified rates for various categories of customers on an accrual basis.
- Revenue from sale of meters and gas condensate is recognized on dispatch to the customers.
- Deferred credit income is amortized to the profit and loss account over the useful lives of related assets (refer note 3.9).
- Dividend income on equity investments is recognized when right to receive the same is established.
- Profit on term deposits, royalty income and pipeline rental income are recognized on time proportion basis.
- Late payment surcharge is recognized from the date the billed amount is overdue.
- Revenue from gas shrinkage in LPG extraction plant of Jamshoro Joint Venture Limited is recognized on accrual basis.
- Under the provisions of license given by OGRA, the holding company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating charges and non-operating income. The determination of annual required rate of return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from GoP.

3.12 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.13 Staff retirement benefits

The holding company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise the actuarial gains or losses are not recognized.

Past service cost is recognized in the profit and loss account over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

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

The free gas supply facility has been discontinued for employees retiring after 31 December 2000.

Actuarial gains/losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gains or losses are not recognized.

- Approved contributory provident funds for all employees (defined contribution scheme).
Contributions by the holding company and employees are made on the basis of basic salary.
- A non-contributory benevolent fund, under which only the employees contribute to the fund.

3.14 Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render services that increase their entitlement to future compensated absences.

3.15 Foreign currency translation

Transactions in foreign currencies during the year are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account currently.

3.16 Derivative financial instruments

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instrument are recognised in the profit and loss account, along with any changes in the carrying value of the hedged liability.

3.17 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the Group and accordingly are not included in these financial statements.

3.18 Off-setting

Financial assets and liabilities are off-set and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.19 Cash in cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of consolidated cash flow statement, cash and cash equivalents comprise cash in hand and deposits in banks, short-term running finance under mark-up arrangement, term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007 (Number)	2006	Note	2007 (Rupees in '000)	2006
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
<u>671,174,331</u>	<u>671,174,331</u>		<u>6,711,743</u>	<u>6,711,743</u>

5. RESERVES

Capital reserves

Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>

Revenue reserves

Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		1,884,653	1,884,653
		<u>2,253,794</u>	<u>2,253,794</u>
		<u>2,488,662</u>	<u>2,488,662</u>

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the holding company by the Government of Pakistan (GoP) in January 1987 retrospectively from 1 July 1985 to enable the holding company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

6. LONG-TERM FINANCING

	Note	2007	2006
		(Rupees in '000)	
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	9,472,511	8,666,667
- Other loans			
Redeemable capital	6.2	2,987,686	-
Unsecured			
Consumer financing	6.3	121,258	58,385
		12,581,455	8,725,052
6.1 Local currency loans			
	Instalment payable	Repayment period	
United Bank Limited - term loan	half-yearly	2005 - 2009	6.1.1
Standard Chartered Bank led syndicated loan	half-yearly	2006 - 2009	6.1.2
National Bank of Pakistan led syndicated loan - I	half-yearly	2007 - 2010	6.1.3
National Bank of Pakistan - term loan	quarterly	2008 - 2011	6.1.4
MCB Bank Limited led syndicated loan	quarterly	2008 - 2011	6.1.5
National Bank of Pakistan led syndicated loan - II	quarterly	2009 - 2012	6.1.6
Government of Sindh loan	annually	2007 - 2016	6.1.7
		500,000	750,000
		2,166,667	3,000,000
		3,000,000	3,000,000
		1,500,000	1,500,000
		1,500,000	1,500,000
		2,992,234	-
		70,876	-
		11,729,777	9,750,000
Less: Current portion shown under current liabilities			
United Bank Limited - term loan		(250,000)	(250,000)
Standard Chartered Bank led syndicated loan		(1,000,000)	(833,333)
National Bank of Pakistan led syndicated loan - I		(1,000,000)	-
Government of Sindh loan		(7,266)	-
		(2,257,266)	(1,083,333)
		9,472,511	8,666,667

6.1.1 The loan is secured by a first pari passu fixed charge created by way of hypothecation over movable fixed assets of the holding company comprising compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1 percent above last six months treasury bills auction cut-off rate and is repayable in equal semi-annual instalments of Rs. 125 million (principal amount) commencing on 25 December 2005.

6.1.2 The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 0.9 percent above the average six months ask side KIBOR rate. The loan was drawn in tranches of Rs. 2.0 billion and Rs. 1.0 billion on 29 June 2004 and 30 September 2004 respectively. First tranche of Rs. 2.0 billion is payable in equal semi-annual instalments of Rs. 333.34 million (principal amount) commencing from 28 December 2006 whereas second tranche of Rs. 1.0 billion is payable in equal semi annual instalments of Rs. 166.67 million (principal amount) commencing on 30 March 2007.

6.1.3 The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising of compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.25 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2005. The principal amount is repayable in semi-annual instalments of Rs. 500 million commencing on 30 December 2007.

6.1.4 The loan is secured by a ranking pari passu charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.30 percent above the average three months ask side KIBOR payable quarterly starting from 30 September 2006. The principal amount is repayable in quarterly instalments of Rs. 125 million commencing on 30 September 2008.

- 6.1.5** The loan is secured by a ranking charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.30 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2006. The principal amount is repayable in quarterly instalments of Rs. 125 million commencing on 29 September 2008.
- 6.1.6** The loan is secured by a ranking charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.40 percent above the average three months ask side KIBOR payable quarterly starting from 30 June 2007. The principal amount is repayable in quarterly instalments of Rs. 250 million commencing on 30 June 2009.
- 6.1.7** An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 percent. The loan together with mark-up shall be repaid in 12 years instalments with grace period of 2 years commencing on 30 June 2009.

		Note	2007 (Rupees in '000)	2006
6.2	Redeemable capital - secured			
		Instalment payable	Repayment period	
	Islamic Sukuk bond under musharaka agreements	quarterly	2009 - 2012	6.2.1
	Term Finance Certificates (TFC 2)	half-yearly	2002 - 2007	
			2,987,686	-
			-	416,330
			2,987,686	416,330
	Less: Current portion shown under current liabilities		-	(416,330)
			2,987,686	-

- 6.2.1** Islamic Sukuk bonds are issued under two separate musharaka arrangements with various banking companies. The loan is secured by a ranking charge created by way of hypothecation over all present and future moveable fixed assets of the holding Company, comprising gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facilities carry mark-up at 1.40 and 0.80 percent above the average three months ask side KIBOR payable quarterly, respectively. The principal amount is repayable in quarterly instalments of Rs. 83.333 million commencing on 30 June 2009 and in quarterly instalments of Rs. 166.666 million commencing on 28 September, 2009, respectively.

6.3 Consumer financing

Consumer financing	6.3.1	150,473	78,205
Less: Current portion shown under current liabilities		(29,215)	(19,820)
		121,258	58,385

- 6.3.1** This represents the outstanding balance of contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at varying rates up to 15 percent per annum and are adjustable in 48 instalments through credits in their monthly gas bills.

7. LONG-TERM DEPOSITS

Security deposits from:

- gas customers	7.1	2,323,291	2,063,973
- gas contractors	7.2	40,338	25,454
		2,363,629	2,089,427

7.1 Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. These deposits are repayable / adjustable on disconnection of gas supply. Mark-up at 5 percent per annum is payable by the holding company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.

7.2 These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.

8. DEFERRED TAX

	Note	2007 (Rupees in '000)	2006
<i>Deferred tax (credits) / debits arising in respect of:</i>			
Taxable temporary difference:			
- accelerated depreciation		5,465,359	4,171,708
Deductible temporary differences:			
- provision against employee benefits		(349,700)	(316,542)
- provision against doubtful trade debts		(540,624)	(457,180)
- Carry forward of unused tax losses		(662,647)	-
- others		(33,127)	(193,352)
		(1,586,098)	(967,074)
Net deferred tax liability		3,879,261	3,204,634

9. EMPLOYEE BENEFITS

Provision for post retirement medical and free gas supply facilities - executives		888,514	795,559
Provision for compensated absences - executives	9.1	110,628	108,846
		999,142	904,405

9.1 Provision for compensated absences - executives

Balance as at 1 July		108,846	129,133
Provision made during the year		1,782	(20,287)
Balance as at 30 June		110,628	108,846

10. DEFERRED CREDIT

- Government contributions / grants			
Balance as at 1 July		571,661	183,823
Additions during the year	10.1	443,259	418,539
		1,014,920	602,362
Transferred to profit and loss account		(51,932)	(30,701)
Balance as at 30 June		962,988	571,661
- Contribution from customers			
Balance as at 1 July		1,673,869	1,607,541
Additions during the year	10.2	519,887	220,131
		2,193,756	1,827,672
Transferred to profit and loss account		(179,839)	(153,803)
Balance as at 30 June		2,013,917	1,673,869
		2,976,905	2,245,530

10.1 This represents amount received from Government for supply of gas to new towns and villages and is recognized as grant when the conditions specified by Government are met.

10.2 This represents amount received from customers for the cost of service lines and gas mains, etc. As stated in note 3.9 to these financial statements, deferred credit is amortized over estimated useful life of related assets.

11. CURRENT PORTION OF LONG-TERM FINANCING

	Note	2007 (Rupees in '000)	2006
Local currency loans	6.1	2,257,266	1,083,333
Redeemable capital	6.2	-	416,330
Consumer financing	6.3	29,215	19,820
		<u>2,286,481</u>	<u>1,519,483</u>

12. TRADE AND OTHER PAYABLES

Creditors for:			
- gas		18,107,781	12,589,293
- supplies		170,067	49,510
		<u>18,277,848</u>	<u>12,638,803</u>
Amount received from customers / Government of Pakistan for laying of mains, etc.		2,599,402	2,217,207
Gas development surcharge payable to GoP		2,774,961	-
Accrued liabilities		675,025	974,548
Provision for compensated absences - non-executives	12.1	75,497	57,029
Payable to staff pension fund - executives	37.1	857	-
Payable to gratuity fund - non-executives	37.1	30,840	30,872
Payable to provident fund		1,276	-
Workers' profit participation fund	12.2	310	20,595
Deposits / retention money		162,348	109,717
Bills payable		20,078	15,515
Advance for sharing right of way	12.3	18,088	18,088
Unclaimed dividend		32,710	26,914
Withholding tax payable		7,370	2,063
Unclaimed Term Finance Certificate redemption profit		5,667	4,238
Inter State Gas Systems (Private) Limited (ISGSL)		9,327	14,896
Others	12.4	102,726	79,746
		<u>24,794,330</u>	<u>16,210,231</u>

12.1 Provision for compensated absences - non-executives

Balance as at 1 July	57,029	55,422
Provision made during the year	18,468	1,607
Balance as at 30 June	<u>75,497</u>	<u>57,029</u>

12.2 Workers' profit participation fund

Balance as at 1 July	20,595	83,658
Allocation for the year	70,310	90,595
Mark-up on funds utilised in the Company's business	664	1,072
	<u>91,569</u>	<u>175,325</u>
Amount deposited with the Government / paid to employees	(91,259)	(154,730)
Balance as at 30 June	<u>310</u>	<u>20,595</u>

12.3 This amount was received by Sui Gas Transmission Company Limited (now Sui Southern Gas Company Limited - SSGCL) from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated 12 October 1988. It represents consideration for 50 percent share of PARCO in the Indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by SSGCL. The final liability of SSGCL has not been estimated, as the amount of compensation due to land owners has not been determined by the authorities. Accordingly, the amount received from PARCO has been classified as an advance.

12.4 This includes Rs. 44.701 million (2006: Rs. 44.779 million) on account of amount payable to disconnected customers for gas supply deposits.

13. INTEREST AND MARK-UP ACCRUED

	Note	2007 (Rupees in '000)	2006
Long-term financing :			
- Local currency loans		34,685	48,423
- Redeemable capital		-	3,410
Long-term deposits from customers		62,813	58,866
Short-term borrowing		17,012	50,642
Late payment of gas development surcharge		2,168	86
Delayed payment on gas bills		1,017,743	513,289
		<u>1,134,421</u>	<u>674,716</u>

14. SHORT-TERM BORROWINGS - secured

from banking companies

Money market loan		1,000,000	220,000
Running finance		-	944,753
		<u>1,000,000</u>	<u>1,164,753</u>

The facilities for short-term running finance/short-term money market loan available from various banks amount to Rs. 4,420 million (2006: Rs. 4,170 million) and carry mark-up at 0.25 to 0.90 percent (2006: 0.25 to 0.90 percent) above the average one month KIBOR or that for the tenure of the facility which ever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the holding company.

15. TAXATION - NET

Provision for tax		370,219	499,116
Advance tax		(204,857)	(1,055,399)
		<u>165,362</u>	<u>(556,283)</u>

16. CONTINGENCIES AND COMMITMENTS

16.1 Claims against the Company not acknowledged as debt	16.13	892,407	747,126
16.2 Commitments for capital and other expenditure		2,027,710	3,354,242
16.3 Guarantees issued on behalf of the holding company		20,371	4,814

16.4 Demand finance facilities have been given to the holding company's employees by certain banks for the purchase of vehicles against the holding company's guarantee and hypothecation of holding company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million and holding company's investment in shares having a face value of Rs. 0.5 million (2006: Rs. 0.5 million). Loan outstanding at the year end was Rs. 19.621 million (2006: Rs. 21.887 million).

16.5 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the holding company amounting to Rs. 381.374 million for short supply of gas under the provisions of an agreement dated 10 April 1995 between the holding company and JPCL. The holding company has not accepted the claim and has filed a counter claim due to JPCL failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the holding company is confident that ultimately the resolution of the claim lodged would be in its favour.

16.6 JPCL has also raised a claim of Rs. 5.793 million for the alleged low Gas Chlorofic Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the holding company. Provision against this liability has not been made as the holding company is confident that ultimately the resolution of the claim would be in its favour.

16.7 The holding company is in litigation against certain temporary assignees who were relieved in the previous years. The Federal Services Tribunal (FST) had initially ordered the holding company to absorb these assignees. The holding company preferred to file an appeal before the Honourable Supreme Court of Pakistan against the orders of the FST, which was dismissed by the Honourable Supreme Court. The holding company then filed two Review Petitions before the Honourable Supreme Court against the rejection of the holding company's appeal. In addition the Federation of Pakistan has also filed four Civil Miscellaneous Application (CMAs) and three Review Petitions against the said order.

During in interim hearing held in May 2007, Honorable Supreme Court ordered SSGC to absorb 109 individuals which was complied with by SSGC. Supreme Court further ordered in September 2007 that remaining 551 individuals be also absorbed and the pending CMAs and Review Petitions pertaining to the issue filled by SSGC, Federation of Pakistan and Temporary Assignees will be kept for hearing at any date fixed by Supreme Court. No provision has been made in these financial statements as the same cannot be quantified be quantified at this stage.

16.8 Oil and Gas Development Company Limited (OGDCL) has lodged a claim of Rs. 657.853 million (2006: Rs. 533.371 million) for supply of gas to the customers of Dera Bugti and Pirkoh areas from its Loti gas field from June 2001 to June 2007, after the discontinuation of gas purchases by the Company due to full dedication of Loti gas field to Sui Northern Gas Pipelines Limited (SNGPL). The holding company has not accepted the claim as neither a formal agreement has been executed with them for the above supply of gas, nor has the holding company received any gas in its system. During the previous years, the holding company approached the Director General (Gas), Ministry of Petroleum and Natural Resources, Government of Pakistan for the resolution of the matter. Provision has not been made in these financial statements for the claim as the holding company is confident that ultimately the resolution of claim will be in its favour.

16.9 WAPDA has lodged liquidated damages claim on Habibullah Coastal Power Company (HCPC) for forced outages and partial de rating of its plant. HCPC in turn attributed part of these liquidated damages (Rs. 79.702 million) to SSGCL and lodged a claim on the grounds that SSGCL failed to deliver the gas in accordance with the gas sales agreement. In addition, HCPC has also lodged a claim on SSGCL amounting to Rs. 31.203 million in respect of alternative fuel cost consumed by HCPC due to short gas supplied by SSGCL as agreed in the gas sales agreement.

The holding company has not accepted the claim lodged by HCPC as management considers that short supply was due to force majeure which is beyond the control of the holding company. The matter has been referred to arbitration and the management is confident that this matter would be resolved in favour of the holding company. Hence, no provision regarding the above said amount has been made in these financial statements.

16.10 Sui Northern Gas Pipeline Limited (SNGPL) has lodged a claim on SSGCL amounting to Rs. 36.946 million in respect of gas lost during December 2003 to September 2005 in respect of ILBP (Hassan to Sui) and IRBP-CEP (Dadu to Sui).

The holding company has not accepted the claim as management considers that gas losses was due to force majeure and beyond the control of the holding company. Hence, no provision regarding the above said amount has been made in these financial statements.

16.11 In previous year, Income Tax Appellate Tribunal (ITAT) had decided an appeal in favour of Income Tax Department on the issue of capital gain made on disposal of LPG business in financial year 2001 resulting in tax impact of Rs. 1.43 million. Management has filed an appeal before Honourable High Court in which SSGCL management is of the view that sale of LPG business being in nature of "slump transaction" was not chargeable to tax under Rule 7 and 8 of the 2nd Schedule of the Income Tax Ordinance, 1979. Accordingly, no provision regarding the said claim has been made in these financial statements as management and the holding company's legal advisor is confident that the matter would be resolved in favour of the holding company.

16.12 The tax audit proceedings have been initiated by the tax department in respect of Tax Year 2005 under section 177 of the Income Tax Ordinance, 2001. The management of the Company is confident that no further tax liability would arise in this respect.

16.13 The management is confident that ultimately these claims (note 16.1) would not be payable.

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2007	2006
(Rupees in '000)			
Operating assets	17.1	27,020,409	22,224,931
Capital work-in-progress	17.9	4,313,402	2,674,956
		<u>31,333,811</u>	<u>24,899,887</u>

17.1 Operating assets

		2007					(Rupees in '000)	
		COST			DEPRECIATION			
		As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007	Written down value as at 30 June 2007
Gas transmission system	17.2	24,061,563	3,642,459 (27,277) 1,930*	27,678,675	15,306,186	1,091,426 (25,496) 3,747*	16,375,863	11,302,812
Gas distribution system	17.3							
- Karachi, Sindh		11,090,991	1,452,575 (88,344) (485)*	12,454,737	4,605,125	566,642 (88,229) (3,753)*	5,079,785	7,374,952
- Other areas of Sindh		6,810,959	1,439,329 (52,957) (9,299)*	8,188,032	2,792,018	350,284 (52,957) (449)*	3,088,896	5,099,136
- Balochistan		4,262,292	480,001 (6,414) 8,797*	4,744,676	1,416,842	222,931 (5,251) 232*	1,634,754	3,109,922
		22,164,242	3,371,905 (147,715) (987)*	25,387,445	8,813,985	1,139,857 (146,437) (3,970)*	9,803,435	15,584,010
Meter manufacturing division	17.4	257,374	27,260 - 702*	285,336	225,020	12,375 - (343)*	237,052	48,284
		46,483,179	7,041,624 (174,992) 1,645*	53,351,456	24,345,191	2,243,658 (171,933) (566)*	26,416,350	26,935,106
Gwadar operations Gas distribution system	17.5	88,847	2,315 - -	91,162	1,904	4,716 - (761)*	5,859	85,303
		46,572,026	7,043,939 (174,992) 1,645*	53,442,618	24,347,095	2,248,374 (171,933) (1,327)*	26,422,209	27,020,409

	2006						(Rupees in '000)
	COST			DEPRECIATION			Written down value as at 30 June 2006
	As at 1 July 2005	Additions / (deletions) / transfers *	As at 30 June 2006	As at 1 July 2005	For the year / (deletions) / transfers *	As at 30 June 2006	
Gas transmission system	22,159,532	2,010,316 (108,285) -	24,061,563	14,253,989	1,161,049 (107,713) (1,139)*	15,306,186	8,755,377
Gas distribution system							
- Karachi, Sindh	9,724,529	1,451,382 (84,920) -	11,090,991	4,157,884	517,150 (70,257) 348*	4,605,125	6,485,866
- Other areas of Sindh	5,907,761	923,138 (19,940) -	6,810,959	2,509,164	302,543 (19,934) 245*	2,792,018	4,018,941
- Balochistan	3,535,111	730,105 (2,924) -	4,262,292	1,231,262	188,358 (2,716) (62)*	1,416,842	2,845,450
	19,167,401	3,104,625 (107,784) -	22,164,242	7,898,310	1,008,051 (92,907) 531*	8,813,985	13,350,257
Meter manufacturing division	230,236	27,441 (303) -	257,374	169,663	55,378 (22) 1*	225,020	32,354
	41,557,169	5,142,382 (216,372) -	46,483,179	22,321,962	2,224,478 (200,642) (607)*	24,345,191	22,137,988
Gwadar operations							
Gas distribution system	-	88,847 - -	88,847	-	1,904 - -	1,904	86,943
	41,557,169	5,231,229 (216,372) -	46,572,026	22,321,962	2,226,382 (200,642) (607)*	24,347,095	22,224,931

17.2 Operating assets - gas transmission system

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)/ remaining Life (years)**
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Freehold land	47,747	-	46,778	-	-	-	46,778	-
		(969)*			-			
Leasehold land	126,470	529	126,999	-	-	-	126,999	-
Buildings on freehold land	279,291	-	279,291	127,401	7,823	135,224	144,067	5
Buildings on leasehold land	948,321	45,802	994,123	473,608	39,771	513,418	480,705	5
		-			39*			
Gas transmission pipelines 17.2.1	17,203,493	2,809,136 (13,600)	19,999,029	10,493,962	693,037 (13,600)	11,173,399	8,825,630	4-40**
Compressors	2,320,251	-	2,320,251	2,072,387	52,341	2,124,647	195,604	9**
		-			(81)*			
Telecommunication	503,893	3,498	507,453	490,645	1,797	492,504	14,949	15
		62*			62*			
Plant and machinery	429,481	47,341	476,843	277,175	33,173	310,429	166,414	10
		21*			81*			
Roads, pavements and related infrastructures	-	172,575	172,575	-	719	719	171,856	5
Tools and equipment	122,546	10,151	132,697	102,564	12,286	114,850	17,847	33.33
Motor vehicles	524,439	174,598 (13,677) 128,457*	813,817	286,513	75,100 (11,896) 29,807*	379,524	434,293	20
Furniture and Fixture	228,846	24,153	246,477	166,372	19,784	185,840	60,637	20
		(6,522)*			(316)*			
Office Equipment	153,660	46,304	201,542	105,484	22,931	129,867	71,675	20
		1,578*			1,452*			
Computer and ancillary equipments	181,046	82,758	265,776	130,160	34,774	166,824	98,952	33.33
		1,972*			1,890*			
Supervisory control and data acquisition system	302,429	7,390	309,819	101,565	42,717	144,282	165,537	15
Construction equipment	689,650	218,224	785,205	478,350	55,173	504,336	280,869	20
		(122,669)*			(29,187)*			
2007	24,061,563	3,642,459 (27,277) 1,930*	27,678,675	15,306,186	1,091,426 (25,496) 3,747*	16,375,863	11,302,812	
2006	22,159,532	2,010,316 (108,285)	24,061,563	14,253,989	1,161,049 (107,713) (1,139)*	15,306,186	8,755,377	

17.2.1 This includes assets held by the Company on behalf of and in trust for the investors under the musharka arrangements entered into by the Company. Assets held under these musharka arrangements are as follows:

24" x 116 km Sanghar-Hyderabad-Karachi Pipeline
24" x 200 km Bajara-Karachi Pipeline

As at 30 June 2007 (Rupees in '000)	
Cost	Written down value
1,579,014	1,497,790
2,200,722	2,181,373
3,779,736	3,679,163

17.3 Operating assets - gas distribution system

	(Rupees in '000)							
	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Freehold land	9,859	-	9,859	-	-	-	9,859	-
Leasehold land	34,277	-	34,277	-	-	-	34,277	-
Buildings on freehold land	45,201	-	45,201	27,283	2,118	29,401	15,800	5
Buildings on leasehold land	120,931	17,631	138,562	50,804	5,363	56,167	82,395	5
Gas distribution system, related facilities and equipment	20,805,835	3,181,090 (128,322)	23,858,603	7,935,185	1,044,714 (127,159)	8,852,740	15,005,863	5 to 20
Telecommunication	9,761	1,021 (62)*	10,720	7,512	508 (62)*	7,958	2,762	15
Plant and machinery	316,771	99,860 235*	416,866	211,825	19,350 -	231,175	185,691	10
Roads, pavements and related infrastructures	1,010	-	1,010	1,010	-	1,010	-	5
Tools and equipment	66,983	11,440 (19) 232*	78,636	52,659	9,245 (19) 232*	62,117	16,519	33.33
Motor vehicles	443,295	44,319 (19,207) 2,950*	471,357	257,097	42,641 (19,092) (94)*	280,552	190,805	20
Furniture and Fixture	48,768	10,844 (909)*	58,703	32,380	5,609 (877)*	37,112	21,591	20
Office equipment	42,238	5,420 (1,460)*	46,198	32,790	3,308 (1,452)*	34,646	11,552	20
Computer and ancillary equipment	120,197	280 (167) (1,973)*	118,337	106,324	7,001 (167) (1,717)*	111,441	6,896	33.33
Supervisory control and data acquisition system	99,116	-	99,116	99,116	-	99,116	-	15
2007	22,164,242	3,371,905 (147,715) (987)*	25,387,445	8,813,985	1,139,857 (146,437) (3,970)*	9,803,435	15,584,010	
2006	19,167,401	3,104,625 (107,784) -	22,164,242	7,898,310	1,008,051 (92,907) 531*	8,813,985	13,350,257	

17.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Building on leasehold land	8,260	1,073	9,333	7,155	81	7,236	2,097	5
Telecommunication	80	586	666	57	12	69	597	15
Plant and machinery	211,225	20,429	232,356	206,067	2,340	208,579	23,777	10
Tools and equipment	27,299	3,922	31,221	5,395	8,579	13,974	17,247	33.33
Furniture and equipment	5,947	895	6,842	3,228	1,117	4,345	2,497	20
Office equipment	3,233	355	3,588	1,884	214	2,098	1,490	20
Computer and ancillary equipment	1,330	-	1,330	1,234	32	751	579	33.33
					(515)*			
2007	257,374	27,260	285,336	225,020	12,375	237,052	48,284	
		702*			(343)*			
2006	230,236	27,441	257,374	169,663	55,378	225,020	32,354	
		(303)			(22)			
					1*			

17.5 Operating assets - Gwadar Operations

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Leasehold land	14,040	-	14,040	-	-	-	14,040	-
Gas distribution system	56,386	1,901	58,287	1,637	2,875	3,752	54,535	5 to 20
					(760)*			
Plant and machinery	15,132	-	15,132	157	1,438	1,595	13,537	10
Tools and equipment	118	-	118	3	40	43	75	33.33
Furniture and equipment	3,166	-	3,166	106	325	431	2,735	20
Office equipment	5	334	339	1	23	24	315	20
Computer and ancillary equipments	-	80	80	-	15	14	66	33.33
					(1)*			
2007	88,847	2,315	91,162	1,904	4,716	5,859	85,303	
					(761)*			
2006	-	88,847	88,847	-	1,904	1,904	86,943	

17.6 Details of the depreciation for the year are as follows:

	2007	2006
	(Rupees in '000)	
Profit and loss account		
- Transmission, distribution and selling costs	2,040,185	1,758,901
- Administrative Expenses	131,665	390,258
- Gwadar operation	4,716	1,904
	<u>2,176,566</u>	<u>2,151,063</u>
Meter manufacturing division		
- Profit and loss account	9,314	52,707
- Gas meters components produced	3,061	2,671
	<u>12,375</u>	<u>55,378</u>
Capital projects	59,433	19,941
	<u>2,248,374</u>	<u>2,226,382</u>

17.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows

	(Rupees in '000)						
	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on sale	Mode of disposal	Particulars of buyers
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	119	119	-	61	61	Recovery	Various
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	48	48	-	28	28	Claim	National Insurance Company
Tools							
Written down value not exceeding Rs. 50,000 each	19	19	-	11	11	Recovery	Various
Gas distribution system							
Written down value above Rs. 50,000 each	128,322	127,159	1,163	-	(1,163)	Replacement	Various
Gas transmission pipeline							
Written down value not exceeding Rs. 50,000 each	13,600	13,600	-	-	-	Replacement	Various
Motor vehicles							
Written down value not exceeding Rs. 50,000 each	28,633	28,367	266	18,826	18,560	Tender	Various
Toyota Corolla 1300 CC GII	999	326	673	439	(234)	Service rules	Mr. Usmanul Haque (Ex-GM - Billing)
Suzuki Cultus	590	192	398	280	(118)	Service rules	Mr. Essa Jamali (Ex-DGM - Civil work)
Suzuki Cultus	560	551	9	42	33	Service rules	Mr. K. Imdad Ali (Ex-DGM - Transmission)
Suzuki Cultus	560	551	9	42	33	Service rules	Mr. Samadullah Khan (Ex-DGM - Distribution)
Two Motorcycles CD70	112	-	112	450	338	Insurance claim	National Insurance Company
Toyota Hiace	1,430	1,001	429	-	(429)	Donation	University of Balochistan
	<u>32,884</u>	<u>30,988</u>	<u>1,896</u>	<u>20,079</u>	<u>18,183</u>		
30 June 2007	<u>174,992</u>	<u>171,933</u>	<u>3,059</u>	<u>20,179</u>	<u>17,120</u>		
30 June 2006	<u>216,372</u>	<u>200,642</u>	<u>15,730</u>	<u>36,254</u>	<u>20,524</u>		

17.8 Borrowing costs capitalised during the year in gas transmission system amounted to Rs. 163.293 million (2006: Rs. 100.943 million). Borrowing cost relating to general borrowings were capitalised at the rate of 10.85% (2006: 9.87%).

17.9 Capital work-in-progress

	Note	2007 (Rupees in '000)	2006
Projects:			
- Gas distribution system		1,081,977	497,299
- Cost of buildings under construction		137,456	108,119
- Gas infrastructure rehabilitation and expansion project		4,405	123,472
		<u>1,223,838</u>	<u>728,890</u>
Stores and spares held for capital projects	17.9.1	3,009,950	1,878,074
Advances for land acquisition		61,295	67,601
Others		18,319	391
		<u>3,089,564</u>	<u>1,946,066</u>
		<u>4,313,402</u>	<u>2,674,956</u>

17.9.1 Stores and spares held for capital projects

Gas transmission	1,063,503	643,779
Gas distribution	1,948,359	1,235,883
	<u>3,011,862</u>	<u>1,879,662</u>
Provision for impaired stores and spares	(1,912)	(1,588)
	<u>3,009,950</u>	<u>1,878,074</u>

Stores and spares held for capital projects include goods in transit amounting to Rs. 0.745 million (2006: Rs. 8.675 million).

18. INTANGIBLE ASSET

(Rupees in '000)

		COST			AMORTIZATION			Written down value at 30 June 2007	Amortization rate on original cost (%)
		As at 1 July 2006	Additions/ (deletions)	As at 30 June 2007	As at 1 July 2006	For the year	As at 30 June 2007		
Computer software	2007	130,086	45,252	175,338	73,819	39,417	113,236	62,102	33.33
	2006	91,393	38,693	130,086	30,461	43,358	73,819	56,267	

19. LONG-TERM INVESTMENTS

Investments in related parties	Note	Percentage of holding (if over 10%)	2007 (Rupees in '000)	2006
Quoted companies - available-for-sale				
Sui Northern Gas Pipelines Limited 2,090,195 (2006: 1,900,178) ordinary shares of Rs. 10 each 19.1 (Associated company)			147,881	190,018
			<u>147,881</u>	<u>190,018</u>
Other investments				
Quoted companies - available-for-sale				
Pakistan Refinery Limited 300,000 (2006: 250,000) ordinary shares of Rs. 10 each			66,585	53,475
United Bank Limited 78,432 (2006: 62,746) ordinary shares of Rs. 10 each			17,251	8,643
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation 5,000 (2006: 5,000) ordinary shares of Rs. 10 each			50	50
			<u>83,886</u>	<u>62,168</u>
Provision against impairment in value of investments at cost			(50)	(50)
			<u>83,836</u>	<u>62,118</u>
Government securities-held to maturity defence saving certificates			62	56
			<u>231,779</u>	<u>252,192</u>

19.1 Sale of 2,090,195 shares of Sui Northern Gas Pipelines Limited is restricted by the Government of Pakistan due to its privatisation, till the further directives.

20. SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY

Inter State Gas System (Private) Limited 510,000 (2006: 510,000) ordinary shares of Rs. 10 each	20.1	5,100	5,100
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20.1 This represents a 51% (2006: 51%) interest of SSGCL in Inter State Gas System (Private) Limited (the jointly controlled entity).

21. LONG-TERM LOANS AND ADVANCES - secured, considered good

Due from executives Less: receivable within one year	26	8,291 (2,796) 5,495	9,799 (2,719) 7,080
Due from other employees Less: receivable within one year	26	136,806 (27,897) 108,909	140,982 (26,068) 114,914
		<u>114,404</u>	<u>121,994</u>

21.1 Reconciliation of the carrying amount of loans and advances

	2007		2006	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	9,799	140,982	10,325	145,886
Disbursements	-	31,754	-	30,351
Transfers	1,918	(1,918)	2,817	(2,817)
Repayment	(3,426)	(34,012)	(3,343)	(32,438)
	<u>8,291</u>	<u>136,806</u>	<u>9,799</u>	<u>140,982</u>

21.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly instalments over a period of six to twelve years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the holding company w.e.f. 01 January 2001. Loans to non-executive employees do not carry mark-up.

21.3 The maximum aggregate amount of long-term loans due from the executives at the end of any month during the year was Rs. 10.325 million (2006: Rs. 12.736 million).

22. STORES, SPARES AND LOOSE TOOLS

Note 2007 2006
(Rupees in '000)

Stores	372,258	387,415
Spares	664,713	652,137
Stores and spares in transit	32,826	35,494
Loose tools	1,312	1,403
	<u>1,071,109</u>	<u>1,076,449</u>
Provision against impaired inventory		
Balance as at 1 July	(64,392)	(15,999)
Provision made during the year	(30,304)	(48,394)
Written off during the year	45,752	1
Balance as at 30 June	<u>(48,944)</u>	<u>(64,392)</u>
	22.1 <u>1,022,165</u>	<u>1,012,057</u>
22.1 Stores, spares and loose tools are held for the following operations		
Transmission	805,597	814,607
Distribution	216,568	197,450
	<u>1,022,165</u>	<u>1,012,057</u>
23. STOCK-IN-TRADE		
Gas		
Gas in pipelines	149,198	125,386
Stock of Synthetic Natural Gas	241	323
	<u>149,439</u>	<u>125,709</u>
Gas meters		
Components	198,898	138,971
Work-in-process	6,340	16,231
Finished meters	17,565	4,268
	<u>222,803</u>	<u>159,470</u>
Provision against impaired inventory	(3,339)	(3,817)
	<u>219,464</u>	<u>155,653</u>
	<u>368,903</u>	<u>281,362</u>
24. CUSTOMERS' INSTALLATION WORK-IN-PROGRESS - at cost		

This represents cost of work carried out by the holding company on behalf of the customers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such customers are shown as deduction there from as reflected in note 31 to these financial statements.

25. TRADE DEBTS

	Note	2007 (Rupees in '000)	2006
Considered good			
- secured		3,861,202	3,645,863
- unsecured		12,257,749	7,252,480
		16,118,951	10,898,343
Considered doubtful		1,544,639	1,306,229
		17,663,590	12,204,572
Provision against impaired debts	25.1	(1,544,639)	(1,306,229)
		16,118,951	10,898,343
25.1 Movement of provision against impaired debts			
Balance as at 1 July		1,306,229	1,133,334
Provision for the year		238,410	172,895
		1,544,639	1,306,229

26. LOANS AND ADVANCES - considered good

Current portion of long-term loans:			
- executives	21	2,796	2,719
- other employees	21	27,897	26,068
		30,693	28,787
Advances to :			
- executives	26.1	4,487	3,465
- other employees		59,937	60,992
		64,424	64,457
		95,117	93,244

26.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 4.487 million (2006: Rs. 5.224 million).

27. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Advances for goods and services - unsecured, considered good	37,279	86,109
Trade deposits - unsecured, considered good	23,947	19,137
Prepayments	45,238	37,437
	106,464	142,683

28. OTHER RECEIVABLES - considered good

Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		343,102	1,170,924
Gas development surcharge receivable from GoP		-	710,303
Receivable from staff pension fund - non-executives	37.1	83,529	30,889
Receivable from staff gratuity fund - executives	37.1	12,651	1
Balance receivable for sale of gas condensate		92,600	106,253
Receivable from Sui Northern Gas Pipelines Limited	28.1	1,783,881	351,306
Receivable from Jamshoro Joint Venture Limited		190,936	402,969
Insurance claim receivable		5,486	2,731
Sales tax receivable		4,123,690	1,622,796
Claims receivable		757	757
Miscellaneous receivables	28.2	404,696	391,668
		7,041,328	4,790,597
Provision against impaired receivables		(1,485)	(1,485)
		7,039,843	4,789,112

28.1 This includes pipeline rental receivable of Rs. 77.226 million (2006: Rs. 99.999 million) and Rs. 1,706.656 million (2006: Rs. 250.571 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 30.1 to these financial statements for detail).

28.2 This includes Rs. 376.156 million (2006: Rs. 376.156 million) recoverable from GoP under deferred tariff adjustment.

29. CASH AND BANK BALANCES

	Note	2007 (Rupees in '000)	2006
Cash at banks			
- deposit accounts	29.1	4,199,058	3,701,819
- current accounts		1,057,639	107,962
		<u>5,256,697</u>	<u>3,809,781</u>
Cash in hand		10,952	4,871
		<u>5,267,649</u>	<u>3,814,652</u>

29.1 This includes Rs. 2.484 million (2006: Rs. 0.465 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the holding company.

30. COST OF GAS

	Note	2007		2006	
		Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
Gas in pipelines as at 1 July		809,447	125,386	884,925	113,166
Gas purchases from:					
Pakistan Petroleum Limited		41,473,627	4,101,255	43,277,283	3,532,123
Oil and Gas Development Company Limited		3,683,474	495,722	3,467,539	408,707
BP (Pakistan) Exploration and Production Incorporated		75,063,852	14,174,226	79,279,778	13,544,340
Orient Petroleum Inc.		30,644,129	4,871,419	26,556,074	4,318,991
Eni Pakistan Limited		118,450,213	28,186,222	113,263,420	23,505,253
Mari Gas Company Limited		320,778	9,811	290,845	7,283
Sui Northern Gas Pipelines Limited		398,877	53,450	283,604	33,377
BHP Petroleum (Pakistan) Pty Limited		41,106,263	6,369,751	35,934,222	4,901,220
OMV (Pak) Exploration GmbH		75,946,970	15,248,512	83,009,255	14,871,222
		<u>387,088,183</u>	<u>73,510,368</u>	<u>385,362,020</u>	<u>65,122,516</u>
Gas available for sale		<u>387,897,630</u>	<u>73,635,754</u>	<u>386,246,945</u>	<u>65,235,682</u>
Gas consumed internally		(1,114,473)	(185,475)	(966,049)	(169,808)
Inward price adjustment	30.1	-	(10,143,974)	-	(5,346,011)
Shrinkage of gas at LHF		(83,898)	-	(115,802)	-
Gas in pipelines as at 30 June		(940,661)	(149,198)	(809,447)	(125,386)
		<u>(2,139,032)</u>	<u>(10,478,647)</u>	<u>(1,891,298)</u>	<u>(5,641,205)</u>
		<u>385,758,598</u>	<u>63,157,107</u>	<u>384,355,647</u>	<u>59,594,477</u>

* Metric Cubic Feet.

30.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the holding company and Sui Northern Gas Pipelines Limited effective from 1 July 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement, the Company with lower weighted average cost of gas is required to pay to the other company so that the overall weighted average rate of well head gas price of both the companies is the same. However, this averaging has not affected the profit and loss account of the holding company as in the absence of averaging, the simultaneous effect would have been to gas development surcharge account in the profit and loss account.

31. TRANSMISSION, DISTRIBUTION AND SELLING COSTS

	Note	2007 (Rupees in '000)	2006
Salaries, wages and benefits		2,138,387	2,202,975
Contribution / accruals in respect of staff retirement benefit schemes	31.1	131,832	239,174
Depreciation on operating assets	17.6	2,040,185	1,758,901
Amortization of intangible assets		39,417	43,358
Repairs and maintenance		385,958	302,782
Stores, spares and supplies consumed		410,665	293,253
Provision against impaired debts		238,410	172,895
Gas consumed internally		185,475	169,808
Legal and professional charges		103,676	37,194
Electricity		56,094	44,778
Security expenses		109,901	102,014
Insurance and royalty		60,504	57,137
Travelling		29,696	17,697
Material and labour used on consumers' installation		123,301	69,109
Gas bills collection charges		137,677	119,077
Postage and revenue stamps		38,564	38,802
Rent, rates and taxes		39,285	27,226
Infrastructure development fee	31.2	50,000	50,000
Revenue expenses related to Liquefied Natural Gas		67,894	79,639
Others	31.3	83,941	67,332
		6,470,862	5,893,151
Recoveries / allocations to:			
Gas distribution system capital expenditure		(672,066)	(528,911)
Installation costs recovered from customers	24	(219,481)	(114,841)
		(891,547)	(643,752)
		5,579,315	5,249,399

31.1 Contributions to / accrual in respect of staff retirement benefit schemes

Contribution to the provident fund		63,025	56,691
Charge in respect of amount due to the pension funds:			
- executives		14,278	86,339
- non-executives		(51,402)	(25,526)
Charge in respect of amount due to the gratuity funds:			
- executives		(8,059)	3,894
- non-executives		(1,073)	51,619
Accrual in respect of unfunded post retirement:			
- medical facility		113,082	94,918
- gas facility		721	888
Expenses relating to the meter manufacturing division and construction division		1,260	(29,649)
		131,832	239,174

31.2 This represents amount paid to Ministry of Petroleum & Natural Resources being the holding company's share for infrastructural development fees.

31.3 Transmission, distribution and selling costs - others

Note 2007 (Rupees in '000) 2006

Communication		16,585	20,339
Advertisement		38,483	506
Water charges		3,554	5,892
Subscriptions		1,436	5,786
Bank charges		6,841	5,153
Freight and handling		3,360	4,562
Miscellaneous		13,682	25,094
		83,941	67,332

32. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		717,663	614,550
Contribution / accruals in respect of staff retirement benefit schemes	32.1	13,977	18,451
Depreciation on operating assets	17.6	131,665	390,258
Repairs and maintenance		70,707	42,694
Stores, spares and supplies consumed		34,274	61,320
Legal and professional charges		47,811	55,799
Electricity		9,222	8,695
Security expenses		2,243	116
Insurance and royalty		7,501	10,395
Travelling		32,137	22,674
Postage and revenue stamps		675	1,067
Rent, rates and taxes		6,832	7,807
Others	32.2	23,841	52,344
		1,098,548	1,286,170
Recoveries / allocations to:			
Meter manufacturing division		(21,154)	(15,052)
Recoveries from others		(8,083)	(7,749)
		(29,237)	(22,801)
		1,069,311	1,263,369

32.1 Contributions to / accrual in respect of staff retirement benefit schemes

Contribution to the provident fund		10,671	14,088
Charge in respect of amount due to the pension funds:			
- executives		939	1,239
- non-executives		(1,255)	(1,657)
Charge in respect of amount due to the gratuity funds:			
- executives		43	56
- non-executives		2,538	3,350
Accrual in respect of unfunded post retirement:			
- medical facility		1,032	1,362
- gas facility		9	13
		13,977	18,451

32.2 Administrative expenses - others

Advertisement		2,396	34,265
Miscellaneous		21,445	18,079
		23,841	52,344

33. OTHER OPERATING EXPENSES

	Note	2007 (Rupees in '000)	2006
Auditors' remuneration			
- Statutory audit		1,000	1,000
- Special audits and certifications		80	50
- Out of pocket expenses		200	200
		<u>1,280</u>	<u>1,250</u>
Workers' profit participation fund	12.2	70,310	90,595
Sports expenses		18,085	18,820
Corporate social responsibility		17,099	10,000
Net loss on gas distribution Gwadar operation		10,820	7,285
Provision against impaired stores and spares		30,629	3,498
Earth quake relief activities		-	30,000
Exchange loss on payment of gas purchases		-	16,756
Donation		-	50
		<u>148,223</u>	<u>178,254</u>

34. OTHER OPERATING INCOME

Income from financial assets			
Late payment surcharge		321,811	292,097
Return on:			
- term and profit and loss bank deposits		95,158	110,212
- staff loans		2,928	3,425
Interest income - Karachi Electric Supply Corporation		504,454	557,950
Interest income - Jamshoro Joint Venture Limited (JJVL)		15,803	-
Profit from defence saving certificate		6	9
Dividend income		188	125
		<u>940,348</u>	<u>963,818</u>
Income from investment in debts, loans, advances and receivables from related party			
Income from gas transportation - Sui Northern Gas Pipelines Ltd.		386,126	367,893
Dividend income - Sui Northern Gas Pipelines Ltd.		5,701	5,701
		<u>391,827</u>	<u>373,594</u>
Income from other than financial assets			
Meter rentals		502,251	472,285
Recognition of income against deferred credit		231,771	184,504
Sale of gas condensate		336,323	408,360
Income from gas transportation		150,460	187,666
Royalty income from JJVL		1,263,755	367,105
Meter manufacturing division profit - net	34.1	120,956	80,299
Recoveries from consumers		22,956	47,606
Gain on sale of fixed assets	17.7	17,120	20,524
Liquidated damages recovered		37,940	26,620
Advertising income		8,614	5,492
Income from sale of tender documents		377	1,315
Realised gain on foreign transactions		36,126	-
Miscellaneous		8,274	11,595
		<u>2,736,923</u>	<u>1,813,371</u>
		<u>4,069,098</u>	<u>3,150,783</u>

34.1 Meter manufacturing division profit - net

	Note	2007	2006
(Rupees in '000)			
Gross sales of gas meters			
- Holding company's consumption	34.1.1	266,242	296,643
- Outside sales		853,799	721,198
		<u>1,120,041</u>	<u>1,017,841</u>
Sales tax		(151,917)	(137,368)
Net sales		<u>968,124</u>	<u>880,473</u>
Cost of sales			
- Raw material consumed		746,763	654,820
- Packing cost		6,473	5,158
- Stores and spares		1,980	3,105
- Fuel, power and electricity		1,473	1,142
- Salaries wages and other benefits	34.1.2	69,218	69,814
- Insurance		982	1,149
- Repairs and maintenance		4,591	1,937
- Depreciation	17.6	9,314	52,707
- Other expenses		1,349	1,045
		<u>842,143</u>	<u>790,877</u>
Opening work in process		12,299	5,096
Closing work in process		(5,382)	(12,299)
		<u>6,917</u>	<u>(7,203)</u>
Cost of goods manufactured		<u>849,060</u>	<u>783,674</u>
Opening stock of finished goods		4,268	8,848
Closing stock of finished goods		(17,565)	(4,268)
		<u>(13,297)</u>	<u>4,580</u>
Cost of goods sold		<u>835,763</u>	<u>788,254</u>
Gross profit		132,361	92,219
Administrative expenses		(14,808)	(14,944)
Operating profit		117,553	77,275
Other income		3,403	3,024
Net profit		<u>120,956</u>	<u>80,299</u>

34.1.1 Gas meters used by the holding company are included in operating assets at manufacturing cost (including sales tax). However, sales tax thereon is paid at commercial selling prices, under the provisions of Sales Tax Act, 1990.

	Note	2007 (Rupees in '000)	2006
34.1.2 Salaries, wages and other benefits		69,297	67,041
Provident fund contribution		1,021	972
Pension Fund		(1,158)	1,069
Gratuity		58	732
		<u>69,218</u>	<u>69,814</u>
35. FINANCE COST			
Interest, commitment charges, exchange risk coverage fee and Government guarantee fee on foreign currency loans		-	23,807
Mark-up on:			
- redeemable capital		32,498	109,033
- local currency financing		1,007,944	578,553
- short-term financing		171,099	97,716
- consumers' deposits		57,008	56,889
- workers' profit participation fund	12.2	664	1,072
- delayed payment on gas bills		509,527	523,390
		<u>1,778,740</u>	<u>1,390,460</u>
36. TAXATION			
For the year:			
- current		370,219	417,116
- deferred		674,627	329,393
- prior		-	82,000
	36.1	<u>1,044,846</u>	<u>828,509</u>
36.1 Relationship between accounting profit and tax expense for the year is as follows:			
Accounting profit for the year		1,335,231	1,720,235
Tax rate		35%	35%
Tax charge @ 35% (2006: 35%)		467,331	602,082
Minimum tax @ 0.5%		370,219	-
Tax effect of expenses that are not deductible in determining taxable profit		29,949	124,781
Effect of lower tax rate on dividend income		(1,767)	(1,748)
Prior years' tax charge		-	82,000
Effect of adjustment in opening written down value		179,114	21,414
Others		-	(20)
		<u>1,044,846</u>	<u>828,509</u>
37. STAFF RETIREMENT BENEFITS			
37.1 Funded post retirement pension and gratuity schemes			
As mentioned in note 3.13 to these financial statements, the holding company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at 30 June 2007 under the projected unit credit method for both non-executive and executive staff members.			

Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in balance sheet				
Fair value of plan assets	(718,001)	(1,405,498)	(354,912)	(1,410,681)
Present value of defined benefit obligation	471,480	1,400,696	7,952	1,029,557
Net (surplus) / deficit	(246,521)	(4,802)	(346,960)	(381,124)
Unrecognised past service gain/ (cost)	(84,951)	179,227	-	-
Unrecognised actuarial (loss) / gain	332,329	(187,076)	263,431	411,964
	857	(12,651)	(83,529)	30,840

Changes in present value of defined benefit obligation

Obligation as at 1 July 2006	452,255	1,320,893	7,014	883,080
Current service cost	20,962	60,448	-	41,124
Interest cost	45,225	132,089	701	88,308
Past service cost	-	-	-	-
Actuarial loss/(gain)	(35,615)	(24,005)	937	67,045
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Obligation as at 30 June 2007	471,480	1,400,696	7,952	1,029,557

Changes in fair value of plan assets

Fair value as at 1 July 2006	662,797	1,291,147	349,276	1,154,880
Expected return on plan assets	66,280	129,115	34,928	115,488
Net actuarial gain/(loss)	(14,072)	70,856	(28,592)	188,816
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Contribution to fund	14,343	3,109	-	1,497
Fair value as at 30 June 2007	718,001	1,405,498	354,912	1,410,681

Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / Liability as at 1 July 2006	(17)	(1)	(30,872)	30,872
Expense recognised for the year	15,217	(9,541)	(52,657)	1,465
Contribution to the fund/ benefits paid	(14,343)	(3,109)	-	(1,497)
(Asset) / liability in Balance Sheet	857	(12,651)	(83,529)	30,840

Expense recognised in the profit and loss account

Expense recognised in the profit and loss account during the current year in respect of the above schemes were as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	20,962	60,448	-	41,124
Mark-up Cost	45,225	132,089	702	88,308
Expected return on plan assets	(66,280)	(129,115)	(34,928)	(115,488)
Recognition of actuarial loss / (gain)	(27,167)	16,650	(18,431)	(12,479)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>15,217</u>	<u>(9,541)</u>	<u>(52,657)</u>	<u>1,465</u>

Composition / fair value of plan assets used by the fund

Equity	10.7%	2.4%	3.0%	20.0%
Debt instruments	74.5%	66.0%	66.5%	56.5%
Others	14.8%	31.6%	30.5%	23.5%

Actual return on plan assets is as follows:

Expected return on plan assets	66,280	129,115	34,928	115,488
Actuarial gain/(loss) on plan assets	(14,072)	70,856	(28,592)	188,816
Actual return on plan assets	<u>52,208</u>	<u>199,971</u>	<u>6,336</u>	<u>304,304</u>

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
(Asset) / liability in balance sheet				
Fair value of plan assets	(662,797)	(1,291,147)	(349,276)	(1,154,880)
Present value of defined benefit obligation	452,255	1,320,893	7,014	883,080
Net (surplus) / deficit	<u>(210,542)</u>	<u>29,746</u>	<u>(342,262)</u>	<u>(271,800)</u>
Unrecognised past service gain/ (cost)	(127,428)	268,840	-	-
Unrecognised actuarial (loss) / gain	337,953	(298,587)	311,390	302,672
	<u>(17)</u>	<u>(1)</u>	<u>(30,872)</u>	<u>30,872</u>

Changes in present value of defined benefit obligation

Obligation as at 1 July 2005	604,231	1,073,625	7,354	951,700
Current service cost	32,053	69,600	-	53,968
Interest cost	54,959	92,369	629	85,861
Past service cost	-	-	-	-
Actuarial loss/(gain)	(230,677)	166,063	(256)	(169,797)
Benefits paid	(8,311)	(80,764)	(713)	(38,652)
Obligation as at 30 June 2006	<u>452,255</u>	<u>1,320,893</u>	<u>7,014</u>	<u>883,080</u>

Changes in fair value of plan assets

Fair value as at 1 July 2005	431,493	1,116,249	197,057	955,511
Expected return on plan assets	41,911	93,251	16,479	84,860
Net actuarial gain/(loss)	129,723	202,703	132,764	129,064
Benefits paid	(8,311)	(80,764)	(713)	(38,652)
Contribution to fund	67,981	(40,292)	3,689	24,097
Fair value as at 30 June 2006	<u>662,797</u>	<u>1,291,147</u>	<u>349,276</u>	<u>1,154,880</u>

Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) as at 1 July 2005	(19,615)	(44,243)	-	-
Expense recognised for the year	87,578	3,950	(27,183)	54,969
Contribution to the fund/ benefits paid	(67,980)	40,292	(3,689)	(24,097)
(Asset) / liability in Balance Sheet	<u>(17)</u>	<u>(1)</u>	<u>(30,872)</u>	<u>30,872</u>

Expense recognised in the profit and loss account

Expense recognised in the profit and loss account during the current year in respect of the above schemes were as follows:

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	32,053	69,600	-	53,968
Mark-up cost	54,959	92,369	629	85,861
Expected return on plan assets	(41,911)	(93,251)	(16,479)	(84,860)
Recognition of actuarial loss / (gain)	-	24,845	(11,333)	-
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>87,578</u>	<u>3,950</u>	<u>(27,183)</u>	<u>54,969</u>

Composition/ fair value of plan assets used by the fund

Equity	11%	0.7%	3.4%	14.3%
Debt instruments	88%	97.6%	95.4%	75.6%
Others	1%	1.7%	1.2%	10.1%

Actual return on plan assets is as follows:

Expected return on plan assets	41,911	93,251	16,479	84,860
Actuarial gain/(loss) on plan assets	129,723	202,703	132,764	129,064
Actual return on plan assets	<u>171,634</u>	<u>295,954</u>	<u>149,243</u>	<u>213,924</u>

Historical information	2007	2006	2005	2004	2003
	(Rupees in '000)				
Pension - Executives					
Present value of defined benefit obligation	471,480	452,255	604,231	550,282	109,380
Fair value of planned assets	(718,001)	(662,797)	(431,493)	(257,181)	(228,134)
(Surplus) / deficit	(246,521)	(210,542)	172,738	293,101	(118,754)
Unrecognised past service gain/ (cost)	(84,951)	(127,428)	(169,905)	(212,383)	(254,859)
Unrecognised actuarial (loss) / gain	332,329	337,953	(22,448)	(143,484)	308,260
(Asset) / liability in balance sheet	857	(17)	(19,615)	(62,766)	(65,353)
Experience adjustment arising on plan liabilities (gains) / losses	(35,615)	(230,677)	(999)	429,347	887
Experience adjustment arising on plan assets gains / (losses)	(14,072)	129,723	109,061	28,979	30,473
Gratuity - Executives					
Present value of defined benefit obligation	1,400,696	1,320,893	1,073,625	1,010,954	1,193,906
Fair value of planned assets	(1,405,498)	(1,291,147)	(1,116,249)	(1,035,178)	(874,860)
(Surplus) / deficit	(4,802)	29,746	(42,624)	(24,224)	319,046
Unrecognised past service gain/ (cost)	179,227	268,840	358,453	448,066	537,679
Unrecognised actuarial (loss) / gain	(187,076)	(298,587)	(360,072)	(341,337)	(792,549)
(Asset) / liability in balance sheet	(12,651)	(1)	(44,243)	82,505	64,176
Experience adjustment arising on plan liabilities (gains) / losses	(24,005)	166,063	17,580	(258,702)	54,903
Experience adjustment arising on plan assets gains / (losses)	70,856	202,703	(25,179)	60,418	7,529
Pension - Non-Executives					
Present value of defined benefit obligation	7,952	7,014	7,354	8,134	5,825
Fair value of planned assets	(354,912)	(349,276)	(197,057)	(224,551)	(155,658)
(Surplus) / deficit	(346,960)	(342,262)	(189,703)	(216,417)	(149,833)
Unrecognised past service gain/ (cost)	-	-	-	-	-
Unrecognised actuarial (loss) / gain	263,431	311,390	189,703	125,896	55,493
(Asset) / liability in balance sheet	(83,529)	(30,872)	-	(90,521)	(94,340)
Experience adjustment arising on plan liabilities (gains) / losses	937	(256)	(796)	1,713	546
Experience adjustment arising on plan assets gains / (losses)	(28,592)	132,764	50,925	73,336	26,928
Gratuity - Non-Executives					
Present value of defined benefit obligation	1,029,557	883,080	951,700	862,829	658,289
Fair value of planned assets	(1,410,681)	(1,154,880)	(955,511)	(772,612)	(731,267)
(Surplus) / deficit	(381,124)	(271,800)	(3,811)	90,217	(72,978)
Unrecognised past service gain/ (cost)	-	-	-	-	-
Unrecognised actuarial (loss) / gain	411,964	302,672	3,811	(19,380)	127,662
(Asset) / liability in balance sheet	30,840	30,872	-	70,837	54,684
Experience adjustment arising on plan liabilities (gains) / losses	67,045	(169,797)	(910)	218,474	(28,094)
Experience adjustment arising on plan liabilities (gains) / losses	188,816	129,064	22,281	68,019	36,379

Significant actuarial assumptions

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

	Executives and Non-Executive	
	2007 %	2006 %
Discount rate	10	10
Expected rate of increase in salary level	9	9
Expected rate of return on plan assets	10	10
Increase in pension	3	3

37.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.13 to these financial statements the holding company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2007 under the projected unit current cost method, results of which are as follows:

(Asset) / liability in balance sheet	30 June 2007	
	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Projected benefit obligation	834,683	34,720
Unrecognised actuarial (loss) / gain	895	18,216
	835,578	52,936
Movement in net liability recognized		
Movements in net liability recognized during the year are as follows:		
(Asset) / liability as at 1 July 2006	741,660	53,899
Charge for the year	114,115	730
Payments during the year	(20,197)	(1,693)
(Asset) / liability as at 30 June 2007	835,578	52,936
Expense recognised in the profit and loss account		
Current service cost	35,881	-
Mark-up cost - net	78,234	2,810
Amortization of actuarial (gain)/ loss	-	(2,080)
	114,115	730

Significant actuarial assumptions

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

	Executives	
	2007 %	2006 %
Discount rate	10	10
Medical inflation rate	6.5	6.5
Gas inflation rate	7	7

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Medical facility - Executives					
Present value of defined benefit obligation	834,683	782,340	700,260	616,733	565,579
Fair value of planned assets	-	-	-	-	-
(Surplus) / deficit	834,683	782,340	700,260	616,733	565,579
Unrecognized part of transitional liability	-	-	-	-	(70,003)
Unrecognised actuarial (loss) / gain	895	(40,680)	(35,952)	(21,628)	(12,490)
	835,578	741,660	664,308	595,105	483,086
Experience adjustment arising on plan liabilities (gains) / losses	(41,575)	4,728	14,296	9,138	7,588
Experience adjustment arising on plan assets (gains) / losses	-	-	-	-	-
Gas facility - Executives					
Present value of defined benefit obligation	34,720	28,202	30,291	30,367	27,961
Fair value of planned assets	-	-	-	-	-
(Surplus) / deficit	34,720	28,202	30,291	30,367	27,961
Unrecognized part of transitional liability	-	-	-	-	(9,011)
Unrecognised actuarial (loss) / gain	18,216	25,697	24,200	24,597	29,204
(Asset) / liability in balance sheet	52,936	53,899	54,491	54,964	48,154
Experience adjustment arising on plan liabilities (gains) / losses	5,401	(3,261)	(1,399)	2,406	(820)
Experience adjustment arising on plan assets (gains) / losses	-	-	-	-	-

38. EARNINGS PER SHARE - BASIC AND DILUTED

		2007	2006
Profit after taxation	Rupees in '000	290,385	891,726
Average number of ordinary shares	Number of shares	671,174,331	671,174,331
Earnings per share - basic and diluted	Rupees	0.43	1.33

39. WORKING CAPITAL CHANGES

	2007	2006
	(Rupees in '000)	
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(40,414)	(131,140)
Stock-in-trade	(87,062)	(57,861)
Consumers' installation work-in-progress	900	(60,713)
Trade debts	(5,459,018)	(2,316,311)
Trade deposits and prepayments	36,219	(24,231)
Other receivables	(2,185,441)	(1,133,149)
	(7,734,816)	(3,723,405)
<i>Increase in current liabilities</i>		
Creditors, accrued and other liabilities	8,637,000	5,243,776
	902,184	1,520,371

40. CASH AND CASH EQUIVALENTS

	2007	2006
	(Rupees in '000)	
Cash and bank balances	5,267,649	3,814,652
Short-term borrowings	(1,000,000)	(1,164,753)
	<u>4,267,649</u>	<u>2,649,899</u>

41. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the consolidated financial statements for remuneration, including all benefits, to chief executive, directors and executives of the holding company are given below:

	30 June 2007		30 June 2006	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	1,960	264,009	1,818	196,777
Housing	667	111,124	600	82,800
Utilities	129	24,694	109	18,400
Retirement benefits	133	21,570	392	40,293
	<u>2,889</u>	<u>421,397</u>	<u>2,919</u>	<u>338,270</u>
Number	<u>1</u>	<u>305</u>	<u>1</u>	<u>232</u>

41.1 The Chairman, Chief Executive and certain Executives are also provided company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the holding company was paid Rs. 0.3 million (2006: Rs. 0.3 million). Executives are also provided medical facilities in accordance with their entitlement.

41.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.034 million (2006: Rs. 0.031 million for 14 directors).

42. CAPACITY AND ACTUAL PERFORMANCE

Natural gas transmission	30 June 2007		30 June 2006	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	<u>431,015</u>	<u>121,433,520</u>	<u>385,805</u>	<u>108,696,122</u>
Utilisation - volume of gas transmitted	<u>385,142</u>	<u>108,509,329</u>	<u>383,808</u>	<u>108,133,490</u>
Capacity utilisation factor (%)	<u>89.4</u>	<u>89.4</u>	<u>99.5</u>	<u>99.5</u>

Natural gas distribution

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

Meter manufacturing division

During the year meter manufacturing division produced and assembled 550,150 meters (2006: 513,500 meters) against an annual capacity of 356,000 meters on a single shift basis.

43. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationship with Sui Northern Gas Pipeline Limited (associated company), employees benefit plans (notes 3.13 and 37) and the holding company's directors and executive officers (including their associates). Purchase and sale of gas from/to related parties are determined at rates finalized and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the holding company (comparable uncontrolled price method).

The details of transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows:

	2007	2006
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Pipeline rental income	386,126	367,893
- Sale of gas meters	738,240	622,233
- Sale of pipes	-	251
- Gas Purchases	53,450	33,377
- Cost of gas levelisation	(10,143,974)	(5,346,011)
- Dividend Income	5,701	5,701
Oil and Gas Development Company Limited		
- Pipeline rental income	13,063	40,980
- Gas Purchases	15,443,977	14,110,622
Pakistan Petroleum Limited		
- Gas Purchases	6,994,494	6,131,774
Pakistan Machine Tool Factory Limited		
- Purchase of meter parts	55,874	28,520
- Gas sales	38,209	34,898
Pakistan State Oil Company Limited		
- Purchase of Oil and Lubricants	64,426	12,423
Staff retirement benefit plans		
- Contribution to provident fund	70,473	67,725
- Contribution to pension fund	(34,845)	87,261
- Contribution to gratuity fund	(6,446)	26,809
Remuneration of key management personnel (executive staff)	31,974	26,192

Pipeline rental income is determined at cost plus method and comparable prices for the specific category of pipeline and other conditions affecting the determination of pipeline rental are not identifiable.

Sale of gas meters is made at cost plus method. The holding company is the only manufacturer of gas meters in the country and as such it is difficult to determine the comparable uncontrolled prices in the country. However, the prices of comparable goods available in international market are not materially different from the prices at which the goods (meters) are sold by the holding company.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 12, 28 and 37 to these financial statements.

Remuneration to the executive officers of the holding company (disclosed in note 41 to the financial statements) and loans and advances to them (disclosed in notes 21 and 26 to the consolidated financial statements) are determined in accordance with the terms of their employment.

Mark-up free security deposits for gas connections to the executive staff of the holding company is received at rates prescribed by the Government of Pakistan.

44. MARK-UP / INTEREST RATE RISK

Interest / mark-up risk arises from the possibility that changes in interest / mark-up will affect the value of consolidated financial instrument. Information about the company's exposures to mark-up / interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, at 30 June 2007 is as follows:

		2007				(Rupees in '000)	
		Effective mark-up / interest rate (%)	Mark-up / interest bearing			Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	15.6 to 18.04	-	-	66	-	231,779	231,845
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Loans and advances	10	-	-	-	-	209,521	209,521
Trade debts	-	-	-	-	-	16,118,951	16,118,951
Trade deposits and prepayments	-	-	-	-	-	26,997	26,997
Interest accrued	-	-	-	-	-	6,295	6,295
Other receivables	-	-	-	-	-	2,478,356	2,478,356
Cash and bank balances	0.5 to 7.5	4,199,058	-	-	-	-	4,199,058
		4,199,058	-	66	-	19,076,999	23,276,123
Financial liabilities							
Long-term financing	7.57 to 10.56	-	2,286,481	12,581,455	-	-	14,867,936
Long-term deposits	5	-	-	-	1,489,449	874,180	2,363,629
Trade and other payables	-	-	-	-	-	22,187,248	22,187,248
Interest and mark-up accrued	-	-	-	-	-	1,134,421	1,134,421
ShortTerm borrowing	8.63 to 10.06	-	1,000,000	-	-	-	1,000,000
		-	3,286,481	12,581,455	1,489,449	24,195,849	41,553,234
On-balance sheet gap (a)	2007	4,199,058	(3,286,481)	(12,581,389)	(1,489,449)	(5,118,850)	(18,277,111)
	2006	3,702,786	(2,675,820)	(8,694,849)	(1,230,131)	(3,240,600)	(12,138,614)

	2006					(Rupees in '000)	
	Effective mark-up / interest rate (%)	Mark-up / interest bearing			Maturity after five years	Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years			
Financial assets							
Investments	15.6 to 18.04	-	-	56	-	252,136	252,192
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Loans and advances	10	967	8,416	30,147	-	175,708	215,238
Trade debts	-	-	-	-	-	10,898,343	10,898,343
Trade deposits and prepayments	-	-	-	-	-	22,263	22,263
Interest accrued	-	-	-	-	-	8,237	8,237
Other receivables	-	-	-	-	-	789,158	789,158
Cash and bank balances	1 to 4	3,701,819	-	-	-	112,833	3,814,652
		<u>3,702,786</u>	<u>8,416</u>	<u>30,203</u>	<u>-</u>	<u>12,263,778</u>	<u>16,005,183</u>
Financial liabilities							
Long-term financing	3.23 to 15	-	1,519,483	8,725,052	-	-	10,244,535
Long-term deposits	5	-	-	-	1,230,131	859,296	2,089,427
Trade and other payables	11.25	-	-	-	-	13,970,366	13,970,366
Interest and mark-up accrued	-	-	-	-	-	674,716	674,716
Short-term borrowing	5.21 to 8.21	-	1,164,753	-	-	-	1,164,753
		<u>-</u>	<u>2,684,236</u>	<u>8,725,052</u>	<u>1,230,131</u>	<u>15,504,378</u>	<u>28,143,797</u>
On-balance sheet gap (a)		<u>3,702,786</u>	<u>(2,675,820)</u>	<u>(8,694,849)</u>	<u>(1,230,131)</u>	<u>(3,240,600)</u>	<u>(12,138,614)</u>

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

45. CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted.

At 30 June 2007, the financial assets which were subject to credit risk amounted to Rs. 18.388 billion (2006: Rs. 11.993 billion). The Group believes that it is not exposed to major concentration of credit risk. The Group attempts to control credit risks by monitoring credit exposures, including transactions with specific customers and continuing assessment of credit worthiness of customers.

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial instruments reflected in the consolidated financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

47. FOREIGN CURRENCY RISK MANAGEMENT POLICY

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The holding company is exposed to foreign risk on gas purchases, imports and borrowings that are entered in a currency other than Pak Rupees. However, the holding company was not exposed to any foreign currency risk on foreign currency loan which was hedged under exchange risk guarantee scheme of Government of Pakistan.

48. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at 30 June 2007 and 2006, are as follows:

	2007 (Rupees in '000)	2006
	Based on unaudited financial statements	Based on audited financial statements
Pension fund - executives	357,456	280,592
Gratuity fund - executives	796,384	454,228
Pension fund - non-executives	204,141	111,703
Gratuity fund - non-executives	830,119	593,374
Provident fund - executives	900,917	429,963
Provident fund - non-executives	737,784	386,007
Benevolent fund - executives	41,148	25,367

49. ACCOUNTING ESTIMATES AND JUDGEMENTS

49.1 Income tax

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

49.2 Pension and gratuity

Certain actuarial assumptions have been adopted as disclosed in note 37.1 to the consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

49.3 Property, plant and equipment

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

49.4 Trade debtors

The Group reviews its receivable against provision required there against on a ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

49.5 Provision for impaired inventory

The management continuously reviews its inventory for existence of any items which may have become obsolete. The estimates against slow moving and obsolete items are made based on systematic basis as approved by the Board of Directors.

49.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

50. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the holding company have proposed a final dividend for the year ended 30 June 2007 of Rs. 0.50 per share (2006: Rs. 1.30 per share), amounting to Rs. 335.587 million (2006: Rs. 872.527 million) at their meeting held on 27 September 2007 for approval for the members at the annual general meeting to be held on 26 October 2007. For this purpose, the board decided to transfer Rs. 21 million from general reserve to unappropriated profit.

51. DATE OF AUTHORISATION

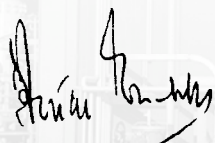
These consolidated financial statements were authorised for issue in Board of Directors meeting held on 27 September 2007.

52. CORRESPONDING FIGURES

The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparisons.

53. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

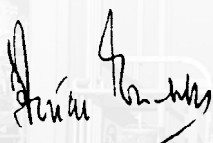


Consolidated Profit and Loss Account

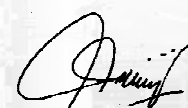
For the year ended 30 June 2007

	Note	2007 (Rupees in '000)	2006
Sales		85,716,663	77,562,255
Sales tax		(9,397,996)	(9,075,053)
		<u>76,318,667</u>	<u>68,487,202</u>
Gas development surcharge		(7,234,264)	(2,183,614)
Net sales		<u>69,084,403</u>	<u>66,303,588</u>
Cost of gas	30	(63,157,107)	(59,594,477)
Gross profit		<u>5,927,296</u>	<u>6,709,111</u>
Transmission, distribution and selling costs	31	(5,579,315)	(5,249,399)
Administrative expenses	32	(1,069,311)	(1,263,369)
Share of expenses of joint venture		(85,574)	(58,177)
Other operating expenses	33	(148,223)	(178,254)
		<u>(6,882,423)</u>	<u>(6,749,199)</u>
		<u>(955,127)</u>	<u>(40,088)</u>
Other operating income	34	4,069,098	3,150,783
Operating profit before finance cost		<u>3,113,971</u>	<u>3,110,695</u>
Finance cost	35	(1,778,740)	(1,390,460)
Profit before taxation		<u>1,335,231</u>	<u>1,720,235</u>
Taxation	36	(1,044,846)	(828,509)
Profit for the year		<u>290,385</u>	<u>891,726</u>
Basic and diluted earnings per share	38	<u>0.43</u>	<u>1.33</u>

The annexed notes 1 to 53 form an integral part of these financial statements.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer

1. STATUS AND NATURE OF BUSINESS

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

These financial statements represent financial statements of the holding company and consolidated financial statements are prepared separately.

2. BASIS FOR 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 Financial Reporting Standards as are 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for certain investments stated in note 19 which are carried at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are disclosed in note 48 to these financial statements.

2.5 New accounting standards, IFRIC interpretations and amendments that are not yet effective

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures
- IAS 23 - Borrowing Costs (as revised)
- IAS 41 - Agriculture
- IFRS 2 - Share-based Payment
- IFRS 3 - Business Combinations

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Cost

Property, plant and equipment except freehold land, leasehold land and capital work-in-progress are stated at cost less accumulated depreciation. Freehold land, leasehold land and capital work-in-progress are stated at cost.

3.1.2 Depreciation

Compressors and transmission lines

Depreciation is calculated under the straight-line method over the estimated remaining useful lives of assets. Depreciation on these assets is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciation on other operating assets is calculated so as to write off the assets over their estimated remaining useful lives under the straight-line method.

Depreciable value of an asset is written off over its estimated service life from the month the asset is available for use in service till the month it is disposed off or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

3.1.2.1 Depreciation is charged at rates mentioned in the notes 17.2, 17.3, 17.4 and 17.5 to these financial statements.

3.1.3 Subsequent expenditure (including normal repairs and maintenance)

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

3.1.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over their estimated useful lives.

3.1.5 Borrowing costs

Borrowing costs incurred on long-term finances attributable for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.1.6 Gains and losses on disposal

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

3.1.7 Leased assets

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 3.7 to these financial statements.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned operating assets.

3.2 Investments

Available-for-sale

All investments classified as available-for-sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments are determined based on appropriate valuation method if practicable to determine it. Any resultant gains or losses being recognized directly in equity.

When the carrying amount of the investment is impaired the cumulative gain or loss recognised in equity is removed from equity and recognised in the profit and loss account. Impairment loss once recognised through profit and loss account is not reversed.

Associated / subsidiary

Investments in associates and subsidiaries (not held for disposal purpose) are carried at cost less impairment losses, if any.

Held to maturity

Financial assets with fixed or determinable payments and fixed maturity for which the Company has ability to hold them till maturity are classified as held to maturity investments. These investments are initially recognized in the balance sheet at cost inclusive of transaction cost, if any, and subsequently stated at amortized cost using effective interest rate method.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the settlement date. Settlement date is the date on which the Company settle the purchase or sale of the investment.

3.3 Stores, spares and loose tools

These are valued at cost determined under the moving average basis less impairment losses, if any. Goods-in-transit are valued at cost incurred up to the balance sheet date.

3.4 Stock-in-trade

Gas in pipelines

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value.

Meter manufacturing division

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

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

3.5 Trade debts and other receivables

- Trade debts are carried at cost (invoiced amount, which is the fair value of the consideration receivable for sale of gas) less an estimate for impaired receivables.
- Other receivables are stated at cost less impairment losses, if any.
- Bad debts are written off when identified.

3.6 Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.7 Mark-up bearing borrowings

Long-term financing

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

Leases

The Company accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective mark-up rate method.

3.8 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Deferred credit

Amounts received from customers and the Government as contributions and grants for providing service connections, extension of gas mains, laying of transmission lines, etc. are deferred and recognized in the profit and loss account over the useful lives of the related assets.

3.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

Deferred

Deferred tax is recognized using the balance sheet liability method on all significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

3.11 Revenue recognition

- Revenue from gas sales is recognized on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).
- Meter rental income is recognized monthly at specified rates for various categories of customers on an accrual basis.
- Revenue from sale of meters and gas condensate is recognized on dispatch to the customers.
- Deferred credit income is amortized to the profit and loss account over the useful lives of related assets (refer note 3.9).
- Dividend income on equity investments is recognized when right to receive the same is established.
- Profit on term deposits, royalty income and pipeline rental income are recognized on time proportion basis.
- Late payment surcharge is recognized from the date the billed amount is overdue.
- Revenue from gas shrinkage in LPG extraction plant of Jamshoro Joint Venture Limited is recognised on accrual basis.
- Under the provisions of license given by OGRA, the Company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating charges and non operating income. The determination of annual required rate of return is reviewed by OGRA under the terms of the license for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from GoP.

3.12 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

3.13 Staff retirement benefits

The Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise the actuarial gains or losses are not recognized.

Past service cost is recognized in the profit and loss account over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

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

The free gas supply facility has been discontinued for employees retiring after 31 December 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognized in the profit and loss account

over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gains or losses are not recognized.

- Approved contributory provident funds for all employees (defined contribution scheme).

Contributions by the Company and employees are made on the basis of basic salary.

- A non-contributory benevolent fund, under which only the employees contribute to the fund.

3.14 Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render services that increase their entitlement to future compensated absences.

3.15 Foreign currency translation

Transactions in foreign currencies during the year are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account currently.

3.16 Derivative financial instruments

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instrument are recognized in the profit and loss account, along with any changes in the carrying value of the hedged liability.

3.17 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.18 Off-setting

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand and deposits in banks, short-term running finance under mark-up arrangement, term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007 (Number)	2006	Note	2007 (Rupees in '000)	2006
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
671,174,331	671,174,331		6,711,743	6,711,743

5. RESERVES

Capital reserves

Share capital restructuring reserve (due to merger)	5.1	146,868	146,868
Fixed assets replacement reserve	5.2	88,000	88,000
		234,868	234,868

Revenue reserves

Dividend equalisation reserve		36,000	36,000
Special reserve	5.3	333,141	333,141
General reserve		1,884,653	1,884,653
		2,253,794	2,253,794
		2,488,662	2,488,662

5.1 Share capital restructuring reserve

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

5.2 Fixed assets replacement reserve

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

5.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the Company by the Government of Pakistan (GoP) in January 1987 retrospectively from 1 July 1985 to enable the Company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

6. LONG-TERM FINANCING

	Note	2007	2006
		(Rupees in '000)	
Secured			
- Loans from banking companies and financial institutions			
Local currency loans	6.1	9,472,511	8,666,667
- Other loans			
Redeemable capital	6.2	2,987,686	-
Unsecured			
Consumer financing	6.3	121,258	58,385
		12,581,455	8,725,052
6.1 Local currency loans			
		Instalment payable	Repayment period
United Bank Limited - term loan	half-yearly	2005 - 2009	6.1.1
Standard Chartered Bank led syndicated loan	half-yearly	2006 - 2009	6.1.2
National Bank of Pakistan led syndicated loan - I	half-yearly	2007 - 2010	6.1.3
National Bank of Pakistan - term loan	quarterly	2008 - 2011	6.1.4
MCB Bank Limited led syndicated loan	quarterly	2008 - 2011	6.1.5
National Bank of Pakistan led syndicated loan - II	quarterly	2009 - 2012	6.1.6
Government of Sindh loan	annually	2007 - 2016	6.1.7
		500,000	750,000
		2,166,667	3,000,000
		3,000,000	3,000,000
		1,500,000	1,500,000
		1,500,000	1,500,000
		2,992,234	-
		70,876	-
		11,729,777	9,750,000
Less: Current portion shown under current liabilities			
United Bank Limited - term loan		(250,000)	(250,000)
Standard Chartered Bank led syndicated loan		(1,000,000)	(833,333)
National Bank of Pakistan led syndicated loan - I		(1,000,000)	-
Government of Sindh loan		(7,266)	-
		(2,257,266)	(1,083,333)
		9,472,511	8,666,667

6.1.1 The loan is secured by a first pari passu fixed charge created by way of hypothecation over movable fixed assets of the Company comprising compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1 percent above last six months treasury bills auction cut-off rate and is repayable in equal semi-annual instalments of Rs. 125 million (principal amount) commencing on 25 December 2005.

6.1.2 The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 0.9 percent above the average six months ask side KIBOR rate. The loan was drawn in tranches of Rs. 2.0 billion and Rs. 1.0 billion on 29 June 2004 and 30 September 2004 respectively. First tranche of Rs. 2.0 billion is payable in equal semi-annual instalments of Rs. 333.34 million (principal amount) commencing from 28 December 2006 whereas second tranche of Rs. 1.0 billion is payable in equal semi annual instalments of Rs. 166.67 million (principal amount) commencing on 30 March 2007.

6.1.3 The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising of compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.25 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2005. The principal amount is repayable in semi annual instalments of Rs. 500 million commencing on 30 December 2007.

6.1.4 The loan is secured by a ranking pari passu charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.30 percent above the average three months ask side KIBOR payable quarterly starting from 30 September 2006. The principal amount is repayable in quarterly instalments of Rs. 125 million commencing on 30 September 2008.

- 6.1.5** The loan is secured by a ranking charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.30 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2006. The principal amount is repayable in quarterly instalments of Rs. 125 million commencing on 29 September 2008.
- 6.1.6** The loan is secured by a ranking charge created by way of hypothecation over all its present and future moveable fixed assets comprising of gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.40 percent above the average three months ask side KIBOR payable quarterly starting on 30 June 2007. The principal amount is repayable in quarterly instalments of Rs. 250 million commencing on 30 June 2009.
- 6.1.7** An unsecured development loan from Government of Sindh has been availed for supply of gas to various districts and areas of Sindh. The facility carries mark-up at 2 percent. The loan together with mark-up shall be repaid in 12 years instalments with grace period of 2 years commencing on 30 June 2009.

		Note	2007	2006
			(Rupees in '000)	
6.2	Redeemable capital - secured			
		Instalment payable	Repayment period	
	Islamic Sukuk bond under musharaka agreements	quarterly	2009 - 2012	6.2.1
	Term finance certificates (TFC 2)	half-yearly	2002 - 2007	
			2,987,686	-
			-	416,330
			2,987,686	416,330
	Less: Current portion shown under current liabilities		-	(416,330)
			2,987,686	-

- 6.2.1** Islamic Sukuk bonds are issued under two separate musharaka arrangements with various banking companies. The loan is secured by a ranking charge created by way of hypothecation over all present and future moveable fixed assets of the Company, comprising gas pipelines, compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facilities carry mark-up at 1.40 and 0.80 percent above the average three months ask side KIBOR payable quarterly, respectively. The principal amount is repayable in quarterly instalments of Rs. 83.333 million commencing on 30 June 2009 and in quarterly instalments of Rs. 166.666 million commencing on 28 September, 2009, respectively.

6.3 Consumer financing

Consumer financing	6.3.1	150,473	78,205
Less: Current portion shown under current liabilities		(29,215)	(19,820)
		121,258	58,385

- 6.3.1** This represents the outstanding balance of contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at varying rates up to 1.5 percent per annum and are adjustable in 48 instalments through credits in their monthly gas bills.

7. LONG-TERM DEPOSITS

Security deposits from:

- gas customers	7.1	2,323,291	2,063,973
- gas contractors	7.2	40,338	25,454
		2,363,629	2,089,427

7.1 Customer deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. These deposits are repayable / adjustable on disconnection of gas supply. Mark-up at 5 percent per annum is payable by the Company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.

7.2 These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.

8. DEFERRED TAX

	Note	2007 (Rupees in '000)	2006
<i>Deferred tax (credits) / debits arising in respect of:</i>			
Taxable temporary difference:			
- accelerated depreciation		5,465,359	4,171,708
Deductible temporary differences:			
- provision against employee benefits		(349,700)	(316,542)
- provision against doubtful trade debts		(540,624)	(457,180)
- Carry forward of unused tax losses		(662,647)	-
- others		(33,127)	(193,352)
		(1,586,098)	(967,074)
Net deferred tax liability		3,879,261	3,204,634

9. EMPLOYEE BENEFITS

Provision for post retirement medical and free gas supply facilities-executives		888,514	795,559
Provision for compensated absences - executives	9.1	110,628	108,846
		999,142	904,405

9.1 Provision for compensated absences - executives

Balance as at 1 July		108,846	129,133
Provision made during the year		1,782	(20,287)
Balance as at 30 June		110,628	108,846

10. DEFERRED CREDIT

- Government contributions / grants			
Balance as at 1 July	10.1	571,661	183,823
Additions during the year		443,259	418,539
		1,014,920	602,362
Transferred to profit and loss account		(51,932)	(30,701)
Balance as at 30 June		962,988	571,661
- Contribution from customers			
Balance as at 1 July	10.2	1,673,869	1,607,541
Additions during the year		519,887	220,131
		2,193,756	1,827,672
Transferred to profit and loss account		(179,839)	(153,803)
Balance as at 30 June		2,013,917	1,673,869
		2,976,905	2,245,530

10.1 This represents amount received from Government for supply of gas to new towns and villages and is recognized as grant when the conditions specified by Government are met.

10.2 This represents amount received from customers for the cost of service lines and gas mains, etc. As stated in note 3.9 to these financial statements, deferred credit is amortized over estimated useful life of related assets.

11. CURRENT PORTION OF LONG-TERM FINANCING

	Note	2007 (Rupees in '000)	2006
Local currency loans	6.1	2,257,266	1,083,333
Redeemable capital	6.2	-	416,330
Consumer financing	6.3	29,215	19,820
		<u>2,286,481</u>	<u>1,519,483</u>

12. TRADE AND OTHER PAYABLES

Creditors for:			
- gas		18,107,781	12,589,293
- supplies		170,067	49,510
		<u>18,277,848</u>	<u>12,638,803</u>
Amount received from customers / Government of Pakistan for laying of mains, etc.		2,599,402	2,217,207
Gas development surcharge payable to GoP		2,774,961	-
Accrued liabilities		675,025	974,548
Provision for compensated absences - non-executives	12.1	75,497	57,029
Payable to staff pension fund - executives	36.1	857	-
Payable to gratuity fund - non executives	36.1	30,840	30,872
Payable to provident fund		1,276	-
Workers' profit participation fund	12.2	310	20,595
Deposits / retention money		162,348	109,717
Bills payable		20,078	15,515
Advance for sharing right of way	12.3	18,088	18,088
Unclaimed dividend		32,710	26,914
Withholding tax payable		7,370	2,063
Unclaimed term finance certificate redemption profit		5,667	4,238
Inter State Gas Systems (Private) Limited (ISGSL)		9,327	14,896
Others	12.4	102,726	79,746
		<u>24,794,330</u>	<u>16,210,231</u>

12.1 Provision for compensated absences - non-executives

Balance as at 1 July	57,029	55,422
Provision made during the year	18,468	1,607
Balance as at 30 June	<u>75,497</u>	<u>57,029</u>

12.2 Workers' profit participation fund

Balance as at 1 July	20,595	83,658
Allocation for the year	70,310	90,595
Mark-up on funds utilised in the Company's business	664	1,072
	<u>91,569</u>	<u>175,325</u>
Amount deposited with the Government / paid to employees	(91,259)	(154,730)
Balance as at 30 June	<u>310</u>	<u>20,595</u>

12.3 This amount was received by Sui Gas Transmission Company Limited (now Sui Southern Gas Company Limited - SSGCL) from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated 12 October 1988. It represents consideration for 50 percent share of PARCO in the Indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by SSGCL. The final liability of SSGCL has not been estimated, as the amount of compensation due to land owners has not been determined by the authorities. Accordingly, the amount received from PARCO has been classified as an advance.

12.4 This includes Rs. 44.701 million (2006: Rs. 44.779 million) on account of amount payable to disconnected customers for gas supply deposits.

13. INTEREST AND MARK-UP ACCRUED

	Note	2007 (Rupees in '000)	2006
Long-term financing :			
- Local currency loans		34,685	48,423
- Redeemable capital		-	3,410
Long-term deposits from customers		62,813	58,866
Short-term borrowing		17,012	50,642
Late payment of gas development surcharge		2,168	86
Delayed payment on gas bills		1,017,743	513,289
		<u>1,134,421</u>	<u>674,716</u>

14. SHORT-TERM BORROWINGS - secured, from banking companies

Money market loan		1,000,000	220,000
Running finance		-	944,753
		<u>1,000,000</u>	<u>1,164,753</u>

The facilities for short-term running finance / short-term money market loan available from various banks amount to Rs. 4,420 million (2006: Rs. 4,170 million) and carry mark-up at 0.25 to 0.90 percent (2006: 0.25 to 0.90 percent) above the average one month KIBOR or that for the tenure of the facility which ever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the Company.

15. TAXATION - NET

Provision for tax		370,219	499,116
Advance tax		(204,857)	(1,055,399)
		<u>165,362</u>	<u>(556,283)</u>

16. CONTINGENCIES AND COMMITMENTS

16.1 Claims against the Company not acknowledged as debt	16.13	892,407	747,126
16.2 Commitments for capital and other expenditure		2,027,710	3,354,242
16.3 Guarantees issued on behalf of the Company		20,371	4,814

16.4 Demand finance facilities have been given to the Company's employees by certain banks for the purchase of vehicles against the Company's guarantee and hypothecation of Company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million and Company's investment in shares having a face value of Rs. 0.5 million (2006: Rs. 0.5 million). Loan outstanding at the year end was Rs. 19.621 million (2006: Rs. 21.887 million).

16.5 Jamshoro Power Company Limited (JPCL) (formerly WAPDA) has lodged a claim against the Company amounting to Rs. 381.374 million for short supply of gas under the provisions of an agreement dated 10 April 1995 between the Company and JPCL. The Company has not accepted the claim and has filed a counter claim due to JPCL failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim lodged would be in its favour.

16.6 JPCL has also raised a claim of Rs. 5.793 million for the alleged low Gas Chlorofic Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the Company. Provision against this liability has not been made as the Company is confident that ultimately the resolution of the claim would be in its favour.

16.7 The Company is in litigation against certain temporary assignees who were relieved in the previous years. The Federal Services Tribunal (FST) had initially ordered the Company to absorb these assignees. The Company preferred to file an appeal before the Honourable Supreme Court of Pakistan against the orders of the FST, which was dismissed by the Honourable Supreme Court. The Company then filed two Review Petitions before the Honourable Supreme Court against the rejection of the Company's appeal. In addition the Federation of Pakistan has also filed four Civil Miscellaneous Application (CMAs) and three Review Petitions against the said order.

During an interim hearing held in May 2007, Honorable Supreme Court ordered SSGC to absorb 109 individuals which was complied with by SSGC. Supreme Court further ordered in September 2007 that remaining 551 individuals be also absorbed and the pending CMAs and Review Petitions pertaining to the issue filed by SSGC, Federation of Pakistan and Temporary Assignees will be kept for hearing at any date fixed by Supreme Court. No provision has been made in these financial statements as the same cannot be quantified at this stage.

16.8 Oil and Gas Development Company Limited (OGDCL) has lodged a claim of Rs. 657.853 million (2006: Rs. 533.371 million) for supply of gas to the customers of Dera Bugti and Pirkoh areas from its Loti gas field from June 2001 to June 2007, after the discontinuation of gas purchases by the Company due to full dedication of Loti gas field to Sui Northern Gas Pipelines Limited (SNGPL). The Company has not accepted the claim as neither a formal agreement has been executed with them for the above supply of gas, nor has the Company received any gas in its system. During the previous years the Company approached the Director General (Gas), Ministry of Petroleum and Natural Resources, Government of Pakistan for the resolution of the matter. Provision has not been made in these financial statements for the claim as the Company is confident that ultimately the resolution of claim will be in its favour.

16.9 WAPDA has lodged liquidated damages claim on Habibullah Coastal Power Company (HCPC) for forced outages and partial de rating of its plant. HCPC in turn attributed part of these liquidated damages (Rs. 79.702 million) to SSGCL and lodged a claim on the grounds that SSGCL failed to deliver the gas in accordance with the gas sales agreement. In addition, HCPC has also lodged a claim on SSGCL amounting to Rs. 31.203 million in respect of alternative fuel cost consumed by HCPC due to short gas supplied by SSGCL as agreed in the gas sales agreement.

The Company has not accepted the claim lodged by HCPC as management considers that short supply was due to force majeure which is beyond the control of the Company. The matter has been referred to arbitration and the management is confident that this matter would be resolved in favour of the Company. Hence, no provision regarding the above said amount has been made in these financial statements.

16.10 Sui Northern Gas Pipeline Limited (SNGPL) has lodged a claim on SSGCL amounting to Rs. 36.946 million in respect of gas lost during December 2003 to September 2005 in respect of ILBP (Hassan to Sui) and IRBP-CEP (Dadu to Sui).

The Company has not accepted the claim as management considers that gas losses was due to force majeure and beyond the control of the Company. Hence, no provision regarding the above said amount has been made in these financial statements.

16.11 In previous year, Income Tax Appellate Tribunal (ITAT) had decided an appeal in favour of Income Tax Department on the issue of capital gain made on disposal of LPG business in financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before Honourable High Court in which SSGCL management is of the view that sale of LPG business being in nature of "slump transaction" was not chargeable to tax under Rule 7 and 8 of the 2nd Schedule of the Income Tax Ordinance, 1979. Accordingly, no provision regarding the said claim has been made in these financial statements as management and the Company's legal advisor is confident that the matter would be resolved in favour of the Company.

16.12 The tax audit proceedings have been initiated by the tax department in respect of Tax Year 2005 under section 177 of the Income Tax Ordinance, 2001. The management of the Company is confident that no further tax liability would arise in this respect.

16.13 The management is confident that ultimately these claims (note 16.1) would not be payable.

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2007	2006
(Rupees in '000)			
Operating assets	17.1	27,020,409	22,224,931
Capital work-in-progress	17.9	4,313,402	2,674,956
		31,333,811	24,899,887

17.1 Operating assets

		2007					(Rupees in '000)	
		COST			DEPRECIATION			Written down value as at 30 June 2007
		As at 1 July 2006	Additions/(deletions)/transfers *	As at 30 June 2007	As at 1 July 2006	For the year/(deletions)/transfers *	As at 30 June 2007	
Gas transmission system	17.2	24,061,563	3,642,459 (27,277) 1,930*	27,678,675	15,306,186	1,091,426 (25,496) 3,747*	16,375,863	11,302,812
Gas distribution system	17.3							
- Karachi, Sindh		11,090,991	1,452,575 (88,344) (485)*	12,454,737	4,605,125	566,642 (88,229) (3,753)*	5,079,785	7,374,952
- Other areas of Sindh		6,810,959	1,439,329 (52,957) (9,299)*	8,188,032	2,792,018	350,284 (52,957) (449)*	3,088,896	5,099,136
- Balochistan		4,262,292	480,001 (6,414) 8,797*	4,744,676	1,416,842	222,931 (5,251) 232*	1,634,754	3,109,922
		22,164,242	3,371,905 (147,715) (987)*	25,387,445	8,813,985	1,139,857 (146,437) (3,970)*	9,803,435	15,584,010
Meter manufacturing division	17.4	257,374	27,260 - 702*	285,336	225,020	12,375 - (343)*	237,052	48,284
		46,483,179	7,041,624 (174,992) 1,645*	53,351,456	24,345,191	2,243,658 (171,933) (566)*	26,416,350	26,935,106
Gwadar operations	17.5							
Gas distribution system		88,847	2,315 - -	91,162	1,904	4,716 - (761)*	5,859	85,303
		46,572,026	7,043,939 (174,992) 1,645*	53,442,618	24,347,095	2,248,374 (171,933) (1,327)*	26,422,209	27,020,409

	2006						(Rupees in '000)
	COST			DEPRECIATION			Written down value as at 30 June 2006
	As at 1 July 2005	Additions / (deletions) / transfers *	As at 30 June 2006	As at 1 July 2005	For the year / (deletions) / transfers *	As at 30 June 2006	
Gas transmission system	22,159,532	2,010,316 (108,285)	24,061,563	14,253,989	1,161,049 (107,713) (1,139)*	15,306,186	8,755,377
Gas distribution system							
- Karachi, Sindh	9,724,529	1,451,382 (84,920)	11,090,991	4,157,884	517,150 (70,257) 348*	4,605,125	6,485,866
- Other areas of Sindh	5,907,761	923,138 (19,940)	6,810,959	2,509,164	302,543 (19,934) 245*	2,792,018	4,018,941
- Balochistan	3,535,111	730,105 (2,924)	4,262,292	1,231,262	188,358 (2,716) (62)*	1,416,842	2,845,450
	19,167,401	3,104,625 (107,784)	22,164,242	7,898,310	1,008,051 (92,907) 531*	8,813,985	13,350,257
Meter manufacturing division	230,236	27,441 (303)	257,374	169,663	55,378 (22) 1*	225,020	32,354
	41,557,169	5,142,382 (216,372)	46,483,179	22,321,962	2,224,478 (200,642) (607)*	24,345,191	22,137,988
Gwadar operations							
Gas distribution system	-	88,847	88,847	-	1,904	1,904	86,943
	41,557,169	5,231,229 (216,372)	46,572,026	22,321,962	2,226,382 (200,642) (607)*	24,347,095	22,224,931

17.2 Operating assets - gas transmission system

		(Rupees in '000)							
		COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)/ remaining life (years)**
		As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Freehold land		47,747	-	46,778	-	-	-	46,778	-
			(969)*			-			
Leasehold land		126,470	529	126,999	-	-	-	126,999	-
Buildings on freehold land		279,291	-	279,291	127,401	7,823	135,224	144,067	5
Buildings on leasehold land		948,321	45,802	994,123	473,608	39,771	513,418	480,705	5
			-			39*			
Gas transmission pipelines	17.2.1	17,203,493	2,809,136 (13,600)	19,999,029	10,493,962	693,037 (13,600)	11,173,399	8,825,630	4-40**
Compressors		2,320,251	-	2,320,251	2,072,387	52,341	2,124,647	195,604	9**
			-			(81)*			
Telecommunication		503,893	3,498	507,453	490,645	1,797	492,504	14,949	15
			62*			62*			10
Plant and machinery		429,481	47,341	476,843	277,175	33,173	310,429	166,414	
			21*			81*			
Roads, pavements and related infrastructures		-	172,575	172,575	-	719	719	171,856	5
Tools and equipment		122,546	10,151	132,697	102,564	12,286	114,850	17,847	33.33
Motor vehicles		524,439	174,598 (13,677) 128,457*	813,817	286,513	75,100 (11,896) 29,807*	379,524	434,293	20
Furniture and fixture		228,846	24,153	246,477	166,372	19,784	185,840	60,637	20
			(6,522)*			(316)*			
Office equipment		153,660	46,304	201,542	105,484	22,931	129,867	71,675	20
			1,578*			1,452*			
Computer and ancillary equipments		181,046	82,758	265,776	130,160	34,774	166,824	98,952	33.33
			1,972*			1,890*			
Supervisory control and data acquisition system		302,429	7,390	309,819	101,565	42,717	144,282	165,537	15
Construction equipment		689,650	218,224	785,205	478,350	55,173	504,336	280,869	20
			(122,669)*			(29,187)*			
2007		24,061,563	3,642,459 (27,277) 1,930*	27,678,675	15,306,186	1,091,426 (25,496) 3,747*	16,375,863	11,302,812	
2006		22,159,532	2,010,316 (108,285)	24,061,563	14,253,989	1,161,049 (107,713) (1,139)*	15,306,186	8,755,377	

17.2.1 This includes assets held by the Company on behalf of and in trust for the investors under the musharka arrangements entered into by the Company. Assets held under these musharka arrangements are as follows:

24" x 116 km Sanghar-Hyderabad-Karachi Pipeline
24" x 200 km Bajara-Karachi Pipeline

As at 30 June 2007 (Rupees in '000)	
Cost	Written down value
1,579,014	1,497,790
2,200,722	2,181,373
3,779,736	3,679,163

17.3 Operating assets - gas distribution system

	(Rupees in '000)							
	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Freehold land	9,859	-	9,859	-	-	-	9,859	-
Leasehold land	34,277	-	34,277	-	-	-	34,277	-
Buildings on freehold land	45,201	-	45,201	27,283	2,118	29,401	15,800	5
Buildings on leasehold land	120,931	17,631	138,562	50,804	5,363	56,167	82,395	5
Gas distribution system, related facilities and equipment	20,805,835	3,181,090 (128,322)	23,858,603	7,935,185	1,044,714 (127,159)	8,852,740	15,005,863	5 to 20
Telecommunication	9,761	1,021 (62)*	10,720	7,512	508 (62)*	7,958	2,762	15
Plant and machinery	316,771	99,860 235*	416,666	211,825	19,350	231,175	185,691	10
Roads, pavements and related infrastructures	1,010	-	1,010	1,010	-	1,010	-	5
Tools and equipment	66,983	11,440 (19) 232*	78,636	52,659	9,245 (19) 232*	62,117	16,519	33.33
Motor vehicles	443,295	44,319 (19,207) 2,950*	471,357	257,097	42,641 (19,092) (94)*	280,552	190,805	20
Furniture and fixture	48,768	10,844 (909)*	58,703	32,380	5,609 (877)*	37,112	21,591	20
Office equipment	42,238	5,420 (1,460)*	46,198	32,790	3,308 (1,452)*	34,646	11,552	20
Computer and ancillary equipment	120,197	280 (167) (1,973)*	118,337	106,324	7,001 (167) (1,717)*	111,441	6,896	33.33
Supervisory control and data acquisition system	99,116	-	99,116	99,116	-	99,116	-	15
2007	22,164,242	3,371,905 (147,715) (987)*	25,387,445	8,813,985	1,139,857 (146,437) (3,970)*	9,803,435	15,584,010	
2006	19,167,401	3,104,625 (107,784)	22,164,242	7,898,310	1,008,051 (92,907) 531*	8,813,985	13,350,257	

17.4 Operating assets - meter manufacturing division

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Building on leasehold land	8,260	1,073	9,333	7,155	81	7,236	2,097	5
Telecommunication	80	586	666	57	12	69	597	15
Plant and machinery	211,225	20,429	232,356	206,067	2,340	208,579	23,777	10
Tools and equipment	27,299	3,922	31,221	5,395	8,579	13,974	17,247	33.33
Furniture and equipment	5,947	895	6,842	3,228	1,117	4,345	2,497	20
Office equipment	3,233	355	3,588	1,884	214	2,098	1,490	20
Computer and ancillary equipment	1,330	-	1,330	1,234	32	751	579	33.33
					(515)*			
2007	257,374	27,260	285,336	225,020	12,375	237,052	48,284	
		702*			(343)*			
2006	230,236	27,441	257,374	169,663	55,378	225,020	32,354	
		(303)			(22)			
					1*			

17.5 Operating assets - Gwadar Operations

(Rupees in '000)

	COST			DEPRECIATION			Written down value as at 30 June 2007	Depreciation rate (%)
	As at 1 July 2006	Additions / (deletions) / transfers *	As at 30 June 2007	As at 1 July 2006	For the year / (deletions) / transfers *	As at 30 June 2007		
Leasehold land	14,040	-	14,040	-	-	-	14,040	-
Gas distribution system	56,386	1,901	58,287	1,637	2,875	3,752	54,535	5 to 20
					(760)*			
Plant and machinery	15,132	-	15,132	157	1,438	1,595	13,537	10
Tools and equipment	118	-	118	3	40	43	75	33.33
Furniture and equipment	3,166	-	3,166	106	325	431	2,735	20
Office equipment	5	334	339	1	23	24	315	20
Computer and ancillary equipments	-	80	80	-	15	14	66	33.33
					(11)*			
2007	88,847	2,315	91,162	1,904	4,716	5,859	85,303	
					(761)*			
2006	-	88,847	88,847	-	1,904	1,904	86,943	

17.6 Details of the depreciation for the year are as follows:

	2007 (Rupees in '000)	2006
Profit and loss account		
- Transmission, distribution and selling costs	2,040,185	1,758,901
- Administrative expenses	131,665	390,258
- Gwadar operation	4,716	1,904
	<u>2,176,566</u>	<u>2,151,063</u>
Meter manufacturing division		
- Profit and loss account	9,314	52,707
- Gas meters components produced	3,061	2,671
	<u>12,375</u>	<u>55,378</u>
Capital projects	59,433	19,941
	<u>2,248,374</u>	<u>2,226,382</u>

17.7 Disposal of property, plant and equipment

Details of disposal of operating assets are as follows:

	(Rupees in '000)						
	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on sale	Mode of disposal	Particulars of buyers
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	119	119	-	61	61	Recovery	Various
Personal computers and allied equipments							
Written down value not exceeding Rs. 50,000 each	48	48	-	28	28	Claim	National Insurance Company
Tools							
Written down value not exceeding Rs. 50,000 each	19	19	-	11	11	Recovery	Various
Gas distribution system							
Written down value above Rs. 50,000 each	128,322	127,159	1,163	-	(1,163)	Replacement	Various
Gas transmission pipeline							
Written down value not exceeding Rs. 50,000 each	13,600	13,600	-	-	-	Replacement	Various
Motor vehicles							
Written down value not exceeding Rs. 50,000 each	28,633	28,367	266	18,826	18,560	Tender	Various
Toyota Corolla 1300 CC GII	999	326	673	439	(234)	Service rules	Mr. Usmanul Haque (Ex-GM - Billing)
Suzuki Cultus	590	192	398	280	(118)	Service rules	Mr. Essa Jamali (Ex-DGM - Civil work)
Suzuki Cultus	560	551	9	42	33	Service rules	Mr. K. Imdad Ali (Ex-DGM - Transmission)
Suzuki Cultus	560	551	9	42	33	Service rules	Mr. Samadullah Khan (Ex-DGM - Distribution)
Two Motorcycles CD70	112	-	112	450	338	Insurance claim	National Insurance Company
Toyota Hiace	1,430	1,001	429	-	(429)	Donation	University of Balochistan
	<u>32,884</u>	<u>30,988</u>	<u>1,896</u>	<u>20,079</u>	<u>18,183</u>		
30 June 2007	174,992	171,933	3,059	20,179	17,120		
30 June 2006	216,372	200,642	15,730	36,254	20,524		

17.8 Borrowing costs capitalised during the year in gas transmission system amounted to Rs. 163.293 million (2006: Rs. 100.943 million). Borrowing cost relating to general borrowings were capitalised at the rate of 10.85% (2006: 9.87%).

17.9 Capital work-in-progress

	Note	2007 (Rupees in '000)	2006
Projects:			
- Gas distribution system		1,081,977	497,299
- Cost of buildings under construction		137,456	108,119
- Gas infrastructure rehabilitation and expansion project		4,405	123,472
		<u>1,223,838</u>	<u>728,890</u>
Stores and spares held for capital projects	17.9.1	3,009,950	1,878,074
Advances for land acquisition		61,295	67,601
Others		18,319	391
		<u>3,089,564</u>	<u>1,946,066</u>
		<u>4,313,402</u>	<u>2,674,956</u>

17.9.1 Stores and spares held for capital projects

Gas transmission	1,063,503	643,779
Gas distribution	1,948,359	1,235,883
	<u>3,011,862</u>	<u>1,879,662</u>
Provision for impaired stores and spares	(1,912)	(1,588)
	<u>3,009,950</u>	<u>1,878,074</u>

Stores and spares held for capital projects include goods in transit amounting to Rs. 0.745 million (2006: Rs. 8.675 million).

18. INTANGIBLE ASSET

(Rupees in '000)

		COST			AMORTIZATION			Written down value at 30 June 2007	Amortization rate on original cost (%)
		As at 1 July 2006	Additions / (deletions)	As at 30 June 2007	As at 1 July 2006	For the year	As at 30 June 2007		
Computer software	2007	130,086	45,252	175,338	73,819	39,417	113,236	62,102	33.33
	2006	91,393	38,693	130,086	30,461	43,358	73,819	56,267	

19. LONG-TERM INVESTMENTS

	Note	Percentage of holding (if over 10%)	2007 (Rupees in '000)	2006
Investments in related parties				
<i>Associated / subsidiary companies</i>				
Inter State Gas System (Private) Limited 510,000 (2006: 510,000) ordinary shares of Rs. 10 each (Joint venture company)	19.1	51	5,100	5,100
Sui Southern Gas Provident Fund Trust Company (Private) Limited 100 (2006: 100) ordinary shares of Rs. 10 each (Subsidiary company)	19.1	100	1	1
<i>Quoted companies - available-for-sale</i>				
Sui Northern Gas Pipelines Limited 2,090,195 (2006: 1,900,178) ordinary shares of Rs. 10 each (Associated company)	19.2		147,881	190,018
			152,982	195,119
Other investments				
<i>Quoted companies - available-for-sale</i>				
Pakistan Refinery Limited 300,000 (2006: 250,000) ordinary shares of Rs. 10 each			66,585	53,475
United Bank Limited 78,432 (2006: 62,746) ordinary shares of Rs. 10 each			17,251	8,643
<i>Unquoted companies (at cost)</i>				
Pakistan Tourism Development Corporation 5,000 (2006: 5,000) ordinary shares of Rs. 10 each			50	50
Provision against impairment in value of investments at cost			83,886 (50)	62,168 (50)
			83,836	62,118
			236,818	257,237

19.1 These companies are incorporated in Pakistan.

19.2 Sale of 2,090,195 shares of Sui Northern Gas Pipelines Limited is restricted by Government of Pakistan due to its privatisation, till further directives.

20. LONG-TERM LOANS AND ADVANCES - secured, considered good

Due from executives			8,291	9,799
Less: receivable within one year	25		(2,796)	(2,719)
			5,495	7,080
Due from other employees			136,806	140,982
Less: receivable within one year	25		(27,897)	(26,068)
			108,909	114,914
			114,404	121,994

20.1 Reconciliation of the carrying amount of loans and advances:

	2007		2006	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	9,799	140,982	10,325	145,886
Disbursements	-	31,754	-	30,351
Transfers	1,918	(1,918)	2,817	(2,817)
Repayment	(3,426)	(34,012)	(3,343)	(32,438)
	8,291	136,806	9,799	140,982

20.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly instalments over a period of six to twelve years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the Company w.e.f. 01 January 2001. Loans to non-executive employees do not carry mark-up.

20.3 The maximum aggregate amount of long-term loans due from the executives at the end of any month during the year was Rs. 10.325 million (2006: Rs.12.736 million).

21. STORES, SPARES AND LOOSE TOOLS

Note 2007 2006
(Rupees in '000)

Stores	372,258	387,415
Spares	664,713	652,137
Stores and spares in transit	32,826	35,494
Loose tools	1,312	1,403
	<u>1,071,109</u>	<u>1,076,449</u>
Provision against impaired inventory		
Balance as at 1 July	(64,392)	(15,999)
Provision made during the year	(30,304)	(48,394)
Written off during the year	45,752	1
Balance as at 30 June	<u>(48,944)</u>	<u>(64,392)</u>
	21.1 <u>1,022,165</u>	<u>1,012,057</u>

21.1 Stores, spares and loose tools are held for the following operations:

Transmission	805,597	814,607
Distribution	216,568	197,450
	<u>1,022,165</u>	<u>1,012,057</u>

22. STOCK-IN-TRADE

Gas		
Gas in pipelines	149,198	125,386
Stock of Synthetic Natural Gas	241	323
	<u>149,439</u>	<u>125,709</u>
Gas meters		
Components	198,898	138,971
Work-in-process	6,340	16,231
Finished meters	17,565	4,268
	<u>222,803</u>	<u>159,470</u>
Provision against impaired inventory	(3,339)	(3,817)
	<u>219,464</u>	<u>155,653</u>
	<u>368,903</u>	<u>281,362</u>

23. CUSTOMERS' INSTALLATION WORK-IN-PROGRESS - at cost

This represents cost of work carried out by the company on behalf of the customers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such customers are shown as deduction there from as reflected in note 30 to these financial statements.

24. TRADE DEBTS

	Note	2007 (Rupees in '000)	2006
Considered good			
- secured		3,861,202	3,645,863
- unsecured		12,257,749	7,252,480
		16,118,951	10,898,343
Considered doubtful		1,544,639	1,306,229
		17,663,590	12,204,572
Provision against impaired debts	24.1	(1,544,639)	(1,306,229)
		16,118,951	10,898,343
24.1 Movement of provision against impaired debts			
Balance as at 1 July		1,306,229	1,133,334
Provision for the year		238,410	172,895
		1,544,639	1,306,229

25. LOANS AND ADVANCES - considered good

Current portion of long-term loans:			
- executives	20	2,796	2,719
- other employees	20	27,897	26,068
		30,693	28,787
Advances to :			
- executives	25.1	4,487	3,465
- other employees		59,937	60,992
		64,424	64,457
		95,117	93,244

25.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 4.487 million (2006: Rs. 5.224 million).

26. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Advances for goods and services - unsecured, considered good	37,279	86,109
Trade deposits - unsecured, considered good	23,947	19,137
Prepayments	45,238	37,437
	106,464	142,683

27. OTHER RECEIVABLES - considered good

Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		343,102	1,170,924
Gas development surcharge receivable from GoP		-	710,303
Receivable from staff pension fund - non-executives	36.1	83,529	30,889
Receivable from staff gratuity fund - executives	36.1	12,651	1
Balance receivable for sale of gas condensate		92,600	106,253
Receivable from Sui Northern Gas Pipelines Limited	27.1	1,783,881	351,306
Receivable from Jamshoro Joint Venture Limited		190,936	402,969
Insurance claim receivable		5,486	2,731
Sales tax receivable		4,123,690	1,622,796
Claims receivable		757	757
Miscellaneous receivables	27.2	404,706	391,678
		7,041,338	4,790,607
Provision against impaired receivables		(1,485)	(1,485)
		7,039,853	4,789,122

27.1 This includes pipeline rental receivable of Rs. 77.226 million (2006: Rs. 99.999 million) and Rs. 1,706.656 million (2006: Rs. 250.571 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 29.1 to these financial statements for detail).

27.2 This includes Rs. 376.156 million (2006: Rs. 376.156 million) recoverable from GoP under deferred tariff adjustment.

28. CASH AND BANK BALANCES

	Note	2007 (Rupees in '000)	2006
Cash at banks			
- deposit accounts	28.1	4,199,048	3,701,809
- current accounts		1,057,639	107,962
		<u>5,256,687</u>	<u>3,809,771</u>
Cash in hand		10,952	4,871
		<u>5,267,639</u>	<u>3,814,642</u>

28.1 This includes Rs. 2.484 million (2006: Rs. 0.465 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the Company.

29. COST OF GAS

	Note	2007		2006	
		Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
Gas in pipelines as at 1 July		809,447	125,386	884,925	113,166
Gas purchases from:					
Pakistan Petroleum Limited		41,473,627	4,101,255	43,277,283	3,532,123
Oil and Gas Development Company Limited		3,683,474	495,722	3,467,539	408,707
BP (Pakistan) Exploration and Production Incorporated		75,063,852	14,174,226	79,279,778	13,544,340
Orient Petroleum Inc.		30,644,129	4,871,419	26,556,074	4,318,991
Eni Pakistan Limited		118,450,213	28,186,222	113,263,420	23,505,253
Mari Gas Company Limited		320,778	9,811	290,845	7,283
Sui Northern Gas Pipelines Limited		398,877	53,450	283,604	33,377
BHP Petroleum (Pakistan) Pty Limited		41,106,263	6,369,751	35,934,222	4,901,220
OMV (Pak) Exploration GmbH		75,946,970	15,248,512	83,009,255	14,871,222
		<u>387,088,183</u>	<u>73,510,368</u>	<u>385,362,020</u>	<u>65,122,516</u>
Gas available for sale		<u>387,897,630</u>	<u>73,635,754</u>	<u>386,246,945</u>	<u>65,235,682</u>
Gas consumed internally		(1,114,473)	(185,475)	(966,049)	(169,808)
Inward price adjustment	29.1	-	(10,143,974)	-	(5,346,011)
Shrinkage of gas at LHF		(83,898)	-	(115,802)	-
Gas in pipelines as at 30 June		(940,661)	(149,198)	(809,447)	(125,386)
		<u>(2,139,032)</u>	<u>(10,478,647)</u>	<u>(1,891,298)</u>	<u>(5,641,205)</u>
		<u>385,758,598</u>	<u>63,157,107</u>	<u>384,355,647</u>	<u>59,594,477</u>

*Metric Cubic Feet.

- 29.1 Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Company and Sui Northern Gas Pipelines Limited effective from 1 July 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement the Company with lower weighted average cost of gas is required to pay to the other Company so that the overall weighted average rate of well head gas price of both the companies is the same. However, this averaging has not affected the profit and loss account of the Company as in the absence of averaging, the simultaneous effect would have been to gas development surcharge account in the profit and loss account.

30. TRANSMISSION, DISTRIBUTION AND SELLING COSTS

Note 2007 2006
(Rupees in '000)

Salaries, wages and benefits		2,138,387	2,202,975
Contribution / accruals in respect of staff retirement benefit schemes	30.1	131,832	239,174
Depreciation on operating assets	17.6	2,040,185	1,758,901
Amortization of intangible assets		39,417	43,358
Repairs and maintenance		385,958	302,782
Stores, spares and supplies consumed		410,665	293,253
Provision against impaired debts		238,410	172,895
Gas consumed internally		185,475	169,808
Legal and professional charges		103,676	37,194
Electricity		56,094	44,778
Security expenses		109,901	102,014
Insurance and royalty		60,504	57,137
Travelling		29,696	17,697
Material and labour used on consumers' installation		123,301	69,109
Gas bills collection charges		137,677	119,077
Postage and revenue stamps		38,564	38,802
Rent, rates and taxes		39,285	27,226
Infrastructure development fee	30.2	50,000	50,000
Revenue expenses related to Liquefied Natural Gas		67,894	79,639
Others	30.3	169,515	125,509
		6,556,436	5,951,328
Recoveries / allocations to:			
Gas distribution system capital expenditure		(672,066)	(528,911)
Installation costs recovered from customers	23	(219,481)	(114,841)
		(891,547)	(643,752)
		5,664,889	5,307,576

30.1 Contributions to / accrual in respect of staff retirement benefit schemes

Contribution to the provident fund		63,025	56,691
Charge in respect of amount due to the pension funds:			
- executives		14,278	86,339
- non-executives		(51,402)	(25,526)
Charge in respect of amount due to the gratuity funds:			
- executives		(8,059)	3,894
- non-executives		(1,073)	51,619
Accrual in respect of unfunded post retirement:			
- medical facility		113,082	94,918
- gas facility		721	888
Expenses relating to the meter manufacturing division and construction division		1,260	(29,649)
		131,832	239,174

30.2 This represents amount paid to Ministry of Petroleum & Natural Resources being the Company's share for infrastructural development fees.

30.3 Transmission, distribution and selling costs - others

Note 2007 (Rupees in '000) 2006

Communication		16,585	20,339
Advertisement		38,483	506
Water charges		3,554	5,892
Subscriptions		1,436	5,786
Bank charges		6,841	5,153
Freight and handling		3,360	4,562
Miscellaneous	30.3.1	99,256	83,271
		<u>169,515</u>	<u>125,509</u>

30.3.1 This includes expenses amounting to Rs. 85.574 million (2006: Rs. 58.177 million) in respect of Inter State Gas Systems (Private) Limited (ISGCL). Under agreement with Sui Northern Gas Pipelines Limited, ISGCL and the Company, the Company is required to bear 51% expenses of ISGCL.

31. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		717,663	614,550
Contribution / accruals in respect of staff retirement benefit schemes	31.1	13,977	18,451
Depreciation on operating assets	17.6	131,665	390,258
Repairs and maintenance		70,707	42,694
Stores, spares and supplies consumed		34,274	61,320
Legal and professional charges		47,811	55,799
Electricity		9,222	8,695
Security expenses		2,243	116
Insurance and royalty		7,501	10,395
Travelling		32,137	22,674
Postage and revenue stamps		675	1,067
Rent, rates and taxes		6,832	7,807
Others	31.2	23,841	52,344
		<u>1,098,548</u>	<u>1,286,170</u>
Recoveries / allocations to:			
Meter manufacturing division		(21,154)	(15,052)
Recoveries from others		(8,083)	(7,749)
		<u>(29,237)</u>	<u>(22,801)</u>
		<u>1,069,311</u>	<u>1,263,369</u>

	Note	2007	2006
		(Rupees in '000)	
31.1 Contributions to / accrual in respect of staff retirement benefit schemes			
Contribution to the provident fund		10,671	14,088
Charge in respect of amount due to the pension funds:			
- executives		939	1,239
- non-executives		(1,255)	(1,657)
Charge in respect of amount due to the gratuity funds:			
- executives		43	56
- non-executives		2,538	3,350
Accrual in respect of unfunded post retirement:			
- medical facility		1,032	1,362
- gas facility		9	13
		<u>13,977</u>	<u>18,451</u>
31.2 Administrative expenses - others			
Advertisement		2,396	34,265
Miscellaneous		21,445	18,079
		<u>23,841</u>	<u>52,344</u>
32. OTHER OPERATING EXPENSES			
Auditors' remuneration			
- Statutory audit		1,000	1,000
- Special audits and certifications		80	50
- Out of pocket expenses		200	200
		<u>1,280</u>	<u>1,250</u>
Workers' profit participation fund	12.2	70,310	90,595
Sports expenses		18,085	18,820
Corporate social responsibility		17,099	10,000
Net loss on gas distribution Gwadar operation		10,820	7,285
Provision against impaired stores and spares		30,629	3,498
Earth quake relief activities		-	30,000
Exchange loss on payment of gas purchases		-	16,756
Donation		-	50
		<u>148,223</u>	<u>178,254</u>

33. OTHER OPERATING INCOME

Note 2007 2006
(Rupees in '000)

Income from financial assets		
Late payment surcharge		321,811
Return on:		
- term and profit and loss bank deposits		95,158
- staff loans		2,928
Interest income - Karachi Electric Supply Corporation		504,454
Interest income - Jamshoro Joint Venture Limited (JJVL)		15,803
Dividend income		188
		<u>940,342</u>
Income from investment in debts, loans, advances and receivables from related party		
Income from gas transportation - Sui Northern Gas Pipelines Ltd.		386,126
Dividend income - Sui Northern Gas Pipelines Ltd.		5,701
		<u>391,827</u>
Income from other than financial assets		
Meter rentals		502,251
Recognition of income against deferred credit		231,771
Sale of gas condensate		336,323
Income from gas transportation		150,460
Royalty income from JJVL		1,263,755
Meter manufacturing division profit - net	33.1	120,956
Recoveries from consumers		22,956
Gain on sale of fixed assets	17.7	17,120
Liquidated damages recovered		37,940
Advertising income		8,614
Income from sale of tender documents		377
Realised gain on foreign transactions		36,126
Miscellaneous		8,274
		<u>2,736,923</u>
		<u>4,069,092</u>
		<u>292,097</u>
		<u>110,212</u>
		<u>3,425</u>
		<u>557,950</u>
		<u>-</u>
		<u>125</u>
		<u>963,809</u>
		<u>367,893</u>
		<u>5,701</u>
		<u>373,594</u>
		<u>472,285</u>
		<u>184,504</u>
		<u>408,360</u>
		<u>187,666</u>
		<u>367,105</u>
		<u>80,299</u>
		<u>47,606</u>
		<u>20,524</u>
		<u>26,620</u>
		<u>5,492</u>
		<u>1,315</u>
		<u>-</u>
		<u>11,595</u>
		<u>1,813,371</u>
		<u>3,150,774</u>

33.1 Meter manufacturing division profit - net

	Note	2007	2006
(Rupees in '000)			
Gross sales of gas meters			
- Company's consumption	33.1.1	266,242	296,643
- Outside sales		853,799	721,198
		<u>1,120,041</u>	<u>1,017,841</u>
Sales tax		(151,917)	(137,368)
Net sales		<u>968,124</u>	<u>880,473</u>
Cost of sales			
- Raw material consumed		746,763	654,820
- Packing cost		6,473	5,158
- Stores and spares		1,980	3,105
- Fuel, power and electricity		1,473	1,142
- Salaries wages and other benefits	33.1.2	69,218	69,814
- Insurance		982	1,149
- Repairs and maintenance		4,591	1,937
- Depreciation	17.6	9,314	52,707
- Other expenses		1,349	1,045
		<u>842,143</u>	<u>790,877</u>
Opening work in process		12,299	5,096
Closing work in process		(5,382)	(12,299)
		<u>6,917</u>	<u>(7,203)</u>
Cost of goods manufactured		<u>849,060</u>	<u>783,674</u>
Opening stock of finished goods		4,268	8,848
Closing stock of finished goods		(17,565)	(4,268)
		<u>(13,297)</u>	<u>4,580</u>
Cost of goods sold		<u>835,763</u>	<u>788,254</u>
Gross profit		132,361	92,219
Administrative expenses		(14,808)	(14,944)
Operating profit		117,553	77,275
Other income		3,403	3,024
Net profit		<u>120,956</u>	<u>80,299</u>

33.1.1 Gas meters used by the Company are included in operating assets at manufacturing cost (including sales tax). However, sales tax thereon is paid at commercial selling prices, under the provisions of Sales Tax Act, 1990.

	Note	2007 (Rupees in '000)	2006
33.1.2 Salaries, wages and other benefits		69,297	67,041
Provident fund contribution		1,021	972
Pension Fund		(1,158)	1,069
Gratuity		58	732
		69,218	69,814
34. FINANCE COST			
Interest, commitment charges, exchange risk coverage fee and Government guarantee fee on foreign currency loans		-	23,807
Mark-up on:			
- redeemable capital		32,498	109,033
- local currency financing		1,007,944	578,553
- short-term financing		171,099	97,716
- consumers' deposits		57,008	56,889
- workers' profit participation fund	12.2	664	1,072
- delayed payment on gas bills		509,527	523,390
		1,778,740	1,390,460
35. TAXATION			
For the year:			
- current		370,219	417,116
- deferred		674,627	329,393
- prior		-	82,000
	35.1	1,044,846	828,509
35.1 Relationship between accounting profit and tax expense for the year is as follows:			
Accounting profit for the year		1,335,225	1,720,226
Tax rate		35%	35%
Tax charge @ 35% (2006: 35%)		467,329	602,079
Minimum tax @ 0.5%		370,219	-
Tax effect of expenses that are not deductible in determining taxable profit		29,951	124,784
Effect of lower tax rate on dividend income		(1,767)	(1,748)
Prior years' tax charge		-	82,000
Effect of adjustment in opening written down value		179,114	21,414
Others		-	(20)
		1,044,846	828,509
36. STAFF RETIREMENT BENEFITS			
36.1 Funded post retirement pension and gratuity schemes			
As mentioned in note 3.13 to these financial statements, the Company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at 30 June 2007 under the projected unit credit method for both non-executive and executive staff members.			

Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in balance sheet				
Fair value of plan assets	(718,001)	(1,405,498)	(354,912)	(1,410,681)
Present value of defined benefit obligation	471,480	1,400,696	7,952	1,029,557
Net (surplus) / deficit	(246,521)	(4,802)	(346,960)	(381,124)
Unrecognised past service gain / (cost)	(84,951)	179,227	-	-
Unrecognised actuarial (loss) / gain	332,329	(187,076)	263,431	411,964
	857	(12,651)	(83,529)	30,840

Changes in present value of defined benefit obligation

Obligation as at 1 July 2006	452,255	1,320,893	7,014	883,080
Current service cost	20,962	60,448	-	41,124
Interest cost	45,225	132,089	701	88,308
Past service cost	-	-	-	-
Actuarial loss / (gain)	(35,615)	(24,005)	937	67,045
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Obligation as at 30 June 2007	471,480	1,400,696	7,952	1,029,557

Changes in fair value of plan assets

Fair value as at 1 July 2006	662,797	1,291,147	349,276	1,154,880
Expected return on plan assets	66,280	129,115	34,928	115,488
Net actuarial gain / (loss)	(14,072)	70,856	(28,592)	188,816
Benefits paid	(11,347)	(88,729)	(700)	(50,000)
Contribution to fund	14,343	3,109	-	1,497
Fair value as at 30 June 2007	718,001	1,405,498	354,912	1,410,681

Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) as at 1 July 2006	(17)	(1)	(30,872)	30,872
Expense recognised for the year	15,217	(9,541)	(52,657)	1,465
Contribution to the fund / benefits paid	(14,343)	(3,109)	-	(1,497)
(Asset) / liability in balance sheet	857	(12,651)	(83,529)	30,840

Expense recognised in the profit and loss account

Expense recognised in the profit and loss account during the current year in respect of the above schemes were as follows:

	2007			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	20,962	60,448	-	41,124
Mark-up cost	45,225	132,089	702	88,308
Expected return on plan assets	(66,280)	(129,115)	(34,928)	(115,488)
Recognition of actuarial loss / (gain)	(27,167)	16,650	(18,431)	(12,479)
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>15,217</u>	<u>(9,541)</u>	<u>(52,657)</u>	<u>1,465</u>

Composition / fair value of plan assets used by the fund

Equity	10.7%	2.4%	3.0%	20.0%
Debt instruments	74.5%	66.0%	66.5%	56.5%
Others	14.8%	31.6%	30.5%	23.5%

Actual return on plan assets is as follows:

Expected return on plan assets	66,280	129,115	34,928	115,488
Actuarial gain / (loss) on plan assets	(14,072)	70,856	(28,592)	188,816
Actual return on plan assets	<u>52,208</u>	<u>199,971</u>	<u>6,336</u>	<u>304,304</u>

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
(Asset) / liability in balance sheet				
Fair value of plan assets	(662,797)	(1,291,147)	(349,276)	(1,154,880)
Present value of defined benefit obligation	452,255	1,320,893	7,014	883,080
Net (surplus) / deficit	<u>(210,542)</u>	<u>29,746</u>	<u>(342,262)</u>	<u>(271,800)</u>
Unrecognized past service gain / (cost)	(127,428)	268,840	-	-
Unrecognized actuarial (loss) / gain	337,953	(298,587)	311,390	302,672
	<u>(17)</u>	<u>(1)</u>	<u>(30,872)</u>	<u>30,872</u>

Changes in present value of defined benefit obligation

Obligation as at 1 July 2005	604,231	1,073,625	7,354	951,700
Current service cost	32,053	69,600	-	53,968
Interest cost	54,959	92,369	629	85,861
Past service cost	-	-	-	-
Actuarial loss / (gain)	(230,677)	166,063	(256)	(169,797)
Benefits paid	(8,311)	(80,764)	(713)	(38,652)
Obligation as at 30 June 2006	<u>452,255</u>	<u>1,320,893</u>	<u>7,014</u>	<u>883,080</u>

Changes in fair value of plan assets

Fair value as at 1 July 2005	431,493	1,116,249	197,057	955,511
Expected return on plan assets	41,911	93,251	16,479	84,860
Net actuarial gain / (loss)	129,723	202,703	132,764	129,064
Benefits paid	(8,311)	(80,764)	(713)	(38,652)
Contribution to fund	67,981	(40,292)	3,689	24,097
Fair value as at 30 June 2006	<u>662,797</u>	<u>1,291,147</u>	<u>349,276</u>	<u>1,154,880</u>

Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) as at 1 July 2005	(19,615)	(44,243)	-	-
Expense recognised for the year	87,578	3,950	(27,183)	54,969
Contribution to the fund / benefits paid	(67,980)	40,292	(3,689)	(24,097)
(Asset) / liability in balance sheet	<u>(17)</u>	<u>(1)</u>	<u>(30,872)</u>	<u>30,872</u>

Expense recognised in the profit and loss account

Expense recognised in the profit and loss account during the current year in respect of the above schemes were as follows:

	2006			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	32,053	69,600	-	53,968
Mark-up cost	54,959	92,369	629	85,861
Expected return on plan assets	(41,911)	(93,251)	(16,479)	(84,860)
Recognition of actuarial loss / (gain)	-	24,845	(11,333)	-
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
	<u>87,578</u>	<u>3,950</u>	<u>(27,183)</u>	<u>54,969</u>

Composition/ fair value of plan assets used by the fund

Equity	11%	0.7%	3.4%	14.3%
Debt instruments	88%	97.6%	95.4%	75.6%
Others	1%	1.7%	1.2%	10.1%

Actual return on plan assets is as follows:

Expected return on plan assets	41,911	93,251	16,479	84,860
Actuarial gain / (loss) on plan assets	129,723	202,703	132,764	129,064
Actual return on plan assets	<u>171,634</u>	<u>295,954</u>	<u>149,243</u>	<u>213,924</u>

Historical information	2007	2006	2005	2004	2003
	(Rupees in '000)				
Pension - Executives					
Present value of defined benefit obligation	471,480	452,255	604,231	550,282	109,380
Fair value of planned assets	(718,001)	(662,797)	(431,493)	(257,181)	(228,134)
(Surplus) / deficit	(246,521)	(210,542)	172,738	293,101	(118,754)
Unrecognised past service gain / (cost)	(84,951)	(127,428)	(169,905)	(212,383)	(254,859)
Unrecognised actuarial (loss) / gain	332,329	337,953	(22,448)	(143,484)	308,260
(Asset) / liability in balance sheet	857	(17)	(19,615)	(62,766)	(65,353)
Experience adjustment arising					
on plan liabilities (gains) / losses	(35,615)	(230,677)	(999)	429,347	887
Experience adjustment arising					
on plan assets gains / (losses)	(14,072)	129,723	109,061	28,979	30,473
Gratuity - Executives					
Present value of defined benefit obligation	1,400,696	1,320,893	1,073,625	1,010,954	1,193,906
Fair value of planned assets	(1,405,498)	(1,291,147)	(1,116,249)	(1,035,178)	(874,860)
(Surplus) / deficit	(4,802)	29,746	(42,624)	(24,224)	319,046
Unrecognised past service gain / (cost)	179,227	268,840	358,453	448,066	537,679
Unrecognised actuarial (loss) / gain	(187,076)	(298,587)	(360,072)	(341,337)	(792,549)
(Asset) / liability in balance sheet	(12,651)	(1)	(44,243)	82,505	64,176
Experience adjustment arising					
on plan liabilities (gains) / losses	(24,005)	166,063	17,580	(258,702)	54,903
Experience adjustment arising					
on plan assets gains / (losses)	70,856	202,703	(25,179)	60,418	7,529
Pension - Non-Executives					
Present value of defined benefit obligation	7,952	7,014	7,354	8,134	5,825
Fair value of planned assets	(354,912)	(349,276)	(197,057)	(224,551)	(155,658)
(Surplus) / deficit	(346,960)	(342,262)	(189,703)	(216,417)	(149,833)
Unrecognised past service gain / (cost)	-	-	-	-	-
Unrecognised actuarial (loss) / gain	263,431	311,390	189,703	125,896	55,493
(Asset) / liability in balance sheet	(83,529)	(30,872)	-	(90,521)	(94,340)
Experience adjustment arising					
on plan liabilities (gains) / losses	937	(256)	(796)	1,713	546
Experience adjustment arising					
on plan assets gains / (losses)	(28,592)	132,764	50,925	73,336	26,928
Gratuity - Non Executives					
Present value of defined benefit obligation	1,029,557	883,080	951,700	862,829	658,289
Fair value of planned assets	(1,410,681)	(1,154,880)	(955,511)	(772,612)	(731,267)
(Surplus) / deficit	(381,124)	(271,800)	(3,811)	90,217	(72,978)
Unrecognised past service gain / (cost)	-	-	-	-	-
Unrecognised actuarial (loss) / gain	411,964	302,672	3,811	(19,380)	127,662
(Asset) / liability in balance sheet	30,840	30,872	-	70,837	54,684
Experience adjustment arising					
on plan liabilities (gains) / losses	67,045	(169,797)	(910)	218,474	(28,094)
Experience adjustment arising					
on plan liabilities (gains) / losses	188,816	129,064	22,281	68,019	36,379

Significant actuarial assumptions

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

	Executives and Non-Executive	
	2007 %	2006 %
Discount rate	10	10
Expected rate of increase in salary level	9	9
Expected rate of return on plan assets	10	10
Increase in pension	3	3

36.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.13 to these financial statements the Company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2007 under the projected unit current cost method, results of which are as follows:

	30 June 2007	
	Post retirement medical facility	Post retirement gas facility
(Asset) / liability in balance sheet	(Rupees in '000)	
Projected benefit obligation	834,683	34,720
Unrecognised actuarial (loss) / gain	895	18,216
	835,578	52,936
Movement in net liability recognized		
Movements in net liability recognized during the year are as follows:		
(Asset) / liability as at 1 July 2006	741,660	53,899
Charge for the year	114,115	730
Payments during the year	(20,197)	(1,693)
(Asset) / liability as at 30 June 2007	835,578	52,936
Expense recognised in the profit and loss account		
Current service cost	35,881	-
Mark-up cost - net	78,234	2,810
Amortization of actuarial (gain) / loss	-	(2,080)
	114,115	730

Significant actuarial assumptions

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

	Executives	
	2007 %	2006 %
Discount rate	10	10
Medical inflation rate	6.5	6.5
Gas inflation rate	7	7

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Medical facility - Executives					
Present value of defined benefit obligation	834,683	782,340	700,260	616,733	565,579
Fair value of planned assets	-	-	-	-	-
(Surplus) / deficit	834,683	782,340	700,260	616,733	565,579
Unrecognized part of transitional liability	-	-	-	-	(70,003)
Unrecognised actuarial (loss) / gain	895	(40,680)	(35,952)	(21,628)	(12,490)
(Asset) / liability in balance sheet	835,578	741,660	664,308	595,105	483,086
Experience adjustment arising on plan liabilities (gains) / losses	(41,575)	4,728	14,296	9,138	7,588
Experience adjustment arising on plan assets (gains) / losses	-	-	-	-	-
Gas facility - Executives					
Present value of defined benefit obligation	34,720	28,202	30,291	30,367	27,961
Fair value of planned assets	-	-	-	-	-
(Surplus) / deficit	34,720	28,202	30,291	30,367	27,961
Unrecognized part of transitional liability	-	-	-	-	(9,011)
Unrecognised actuarial (loss) / gain	18,216	25,697	24,200	24,597	29,204
(Asset) / liability in balance sheet	52,936	53,899	54,491	54,964	48,154
Experience adjustment arising on plan liabilities (gains) / losses	5,401	(3,261)	(1,399)	2,406	(820)
Experience adjustment arising on plan assets (gains) / losses	-	-	-	-	-

37. EARNINGS PER SHARE - BASIC AND DILUTED

	2007	2006
Profit after taxation	Rupees in '000 290,379	891,717
Average number of ordinary shares	Number of shares 671,174,331	671,174,331
Earnings per share - basic and diluted	Rupees 0.43	1.33

38. WORKING CAPITAL CHANGES

	2007	2006
	(Rupees in '000)	
(Increase) / decrease in current assets	(40,414)	(131,140)
Stores and spares	(87,062)	(57,861)
Stock-in-trade	900	(60,713)
Consumers' installation work-in-progress	(5,459,018)	(2,316,311)
Trade debts	36,219	(24,231)
Trade deposits and prepayments	(2,185,441)	(1,133,149)
Other receivables	(7,734,816)	(3,723,405)
Increase in current liabilities	8,637,000	5,243,776
Creditors, accrued and other liabilities	902,184	1,520,371

39. CASH AND CASH EQUIVALENTS

	2007 (Rupees in '000)	2006
Cash and bank balances	5,267,639	3,814,642
Short-term borrowings	(1,000,000)	(1,164,753)
	<u>4,267,639</u>	<u>2,649,889</u>

40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to Chief Executive, directors and executives of the Company are given below:

	30 June 2007		30 June 2006	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	1,960	264,009	1,818	196,777
Housing	667	111,124	600	82,800
Utilities	129	24,694	109	18,400
Retirement benefits	133	21,570	392	40,293
	<u>2,889</u>	<u>421,397</u>	<u>2,919</u>	<u>338,270</u>
Number	<u>1</u>	<u>305</u>	<u>1</u>	<u>232</u>

40.1 The Chairman, Chief Executive and certain executives are also provided company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Company was paid Rs. 0.3 million (2006: Rs. 0.3 million). Executives are also provided medical facilities in accordance with their entitlement.

40.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.034 million (2006: Rs. 0.031 million for 14 directors).

41. CAPACITY AND ACTUAL PERFORMANCE

Natural gas transmission

Transmission operation

	30 June 2007		30 June 2006	
	MMCF	HM3	MMCF	HM3
Capacity - annual rated capacity at 100% load factor with compression	<u>431,015</u>	<u>121,433,520</u>	<u>385,805</u>	<u>108,696,122</u>
Utilisation - volume of gas transmitted	<u>385,142</u>	<u>108,509,329</u>	<u>383,808</u>	<u>108,133,490</u>
Capacity utilisation factor (%)	<u>89.4</u>	<u>89.4</u>	<u>99.5</u>	<u>99.5</u>

Natural gas distribution

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

Meter manufacturing division

During the year meter manufacturing division produced and assembled 550,150 meters (2006: 513,500 meters) against an annual capacity of 356,000 meters on a single shift basis.

42. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of subsidiary companies, associated companies, joint venture companies, state controlled entities, staff retirement benefits plans and the Company's directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalized and notified by Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the Company (comparable uncontrolled price method).

The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	2007	2006
	(Rupees in '000)	
Sui Northern Gas Pipeline Limited		
- Pipeline rental income	386,126	367,893
- Sale of gas meters	738,240	622,233
- Sale of pipes	-	251
- Gas purchases	53,450	33,377
- Cost of gas levelisation	(10,143,974)	(5,346,011)
- Dividend income	5,701	5,701
Oil and Gas Development Company Limited		
- Pipeline rental income	13,063	40,980
- Gas purchases	15,443,977	14,110,622
Pakistan Petroleum Limited		
- Gas purchases	6,994,494	6,131,774
Pakistan Machine Tool Factory Limited		
- Purchase of meter parts	55,874	28,520
- Gas sales	38,209	34,898
Pakistan State Oil Company Limited		
- Purchase of oil and lubricants	64,426	12,423
Inter State Gas System (Private) Limited		
- Reimbursement of expenses on the basis of joint venture agreement	84,574	58,178
Staff retirement benefit plans		
- Contribution to provident fund	70,473	67,725
- Contribution to pension fund	(34,845)	87,261
- Contribution to gratuity fund	(6,446)	26,809
Remuneration of key management personnel (executive staff)	31,974	26,192

Pipeline rental income is determined at cost plus method and comparable prices for the specific category of pipeline and other conditions affecting the determination of pipeline rental are not identifiable.

Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country and as such it is difficult to determine the comparable uncontrolled prices in the country. However, the prices of comparable goods available in international market are not materially different from the prices at which the goods (meters) are sold by the Company.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 9, 12, 27 and 36 to these financial statements.

Remuneration to the executive officers of the company (disclosed in note 40 to the financial statements) and loans and advances to them (disclosed in notes 20 and 25 to the financial statements) are determined in accordance with the terms of their employment.

Mark-up free security deposits for gas connections to the executive staff of the Company is received at rates prescribed by the Government of Pakistan.

43. MARK-UP / INTEREST RATE RISK

Interest / mark-up risk arises from the possibility that changes in interest / mark-up will affect the value of financial instrument. Information about the Company's exposures to mark-up / interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, at 30 June 2007 is as follows:

	2007					(Rupees in '000)	
Effective mark-up / interest rate (%)	Maturity less than one month	Mark-up / interest bearing			Non mark-up / interest bearing	Total	
		Maturity between one month to one year	Maturity between one year to five years	Maturity after five years			
Financial assets							
Investments	-	-	-	-	236,818	236,818	
Loans and advances	10	-	-	-	209,521	209,521	
Trade debts	-	-	-	-	16,118,951	16,118,951	
Trade deposits and prepayments	-	-	-	-	26,997	26,997	
Interest accrued	-	-	-	-	6,295	6,295	
Other receivables	-	-	-	-	2,478,366	2,478,366	
Cash and bank balances	0.5 to 7.5	4,199,048	-	-	-	4,199,048	
		4,199,048	-	-	19,076,948	23,275,996	
Financial liabilities							
Long-term financing	7.57 to 10.56	-	2,286,481	12,581,455	-	14,867,936	
Long-term deposits	5	-	-	-	1,489,449	874,180	
Trade and other payables	-	-	-	-	22,187,248	22,187,248	
Interest and mark-up accrued	-	-	-	-	1,134,421	1,134,421	
Short-term borrowing	8.63 to 10.06	-	1,000,000	-	-	1,000,000	
		-	3,286,481	12,581,455	1,489,449	24,195,849	
On-balance sheet gap (a)		4,199,048	(3,286,481)	(12,581,455)	(1,489,449)	(5,118,901)	
						(18,277,238)	

	2006					(Rupees in '000)	
	Effective mark-up / interest rate (%)	Mark-up / interest bearing				Non mark-up / interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
Financial assets							
Investments	-	-	-	-	-	257,237	257,237
Loans and advances	10	967	8,416	30,147	-	175,708	215,238
Trade debts	-	-	-	-	-	10,898,343	10,898,343
Trade deposits and prepayments	-	-	-	-	-	22,263	22,263
Interest accrued	-	-	-	-	-	8,237	8,237
Other receivables	-	-	-	-	-	789,168	789,168
Cash and bank balances	1 to 4	3,701,809	-	-	-	112,833	3,814,642
		<u>3,702,776</u>	<u>8,416</u>	<u>30,147</u>	<u>-</u>	<u>12,263,789</u>	<u>16,005,128</u>
Financial liabilities							
Long-term financing	3.23 to 15	-	1,519,483	8,725,052	-	-	10,244,535
Long-term deposits	5	-	-	-	1,230,131	859,296	2,089,427
Trade and other payables	11.25	-	-	-	-	13,970,366	13,970,366
Interest and mark-up accrued	-	-	-	-	-	674,716	674,716
Short-term borrowing	5.21 to 8.21	-	1,164,753	-	-	-	1,164,753
		<u>-</u>	<u>2,684,236</u>	<u>8,725,052</u>	<u>1,230,131</u>	<u>15,504,378</u>	<u>28,143,797</u>
On-balance sheet gap (a)		<u>3,702,776</u>	<u>(2,675,820)</u>	<u>(8,694,905)</u>	<u>(1,230,131)</u>	<u>(3,240,589)</u>	<u>(12,138,669)</u>

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

44. CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted.

At 30 June 2007, the financial assets which were subject to credit risk amounted to Rs. 18.388 billion (2006: Rs. 11.993 billion). The Company believes that it is not exposed to major concentration of credit risk. The Company attempts to control credit risks by monitoring credit exposures, including transactions with specific customers and continuing assessment of credit worthiness of customers.

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial instruments reflected in the financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

46. FOREIGN CURRENCY RISK MANAGEMENT POLICY

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign risk on gas purchases, imports and borrowings that are entered in a currency other than Pak Rupees. However, the Company was not exposed to any foreign currency risk on foreign currency loan which was hedged under exchange risk guarantee scheme of Government of Pakistan.

47. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the provident, gratuity and pension funds based on respective financial statements at 30 June 2007 and 2006, are as follows:

	2007 (Rupees in '000)	2006
	Based on unaudited financial statements	Based on audited financial statements
Pension fund - executives	357,456	280,592
Gratuity fund - executives	796,384	454,228
Pension fund - non-executives	204,141	111,703
Gratuity fund - non-executives	830,119	593,374
Provident fund - executives	900,917	429,963
Provident fund - non-executives	737,784	386,007
Benevolent fund - executives	41,148	25,367

48. ACCOUNTING ESTIMATES AND JUDGEMENTS

48.1 Income tax

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

48.2 Pension and gratuity

Certain actuarial assumptions have been adopted as disclosed in note 36.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

48.3 Property, plant and equipment

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

48.4 Trade debtors

The Company reviews its receivable against provision required there against on an ongoing basis, and appropriate provision is made against outstanding receivable based on systematic basis as approved by the Board of Directors.

48.5 Provision for impaired inventory

The management continuously reviews its inventory for existence of any items which may have become obsolete. The estimates against slow moving and obsolete items are made based on systematic basis as approved by the Board of Directors.

48.6 Fair value of investment

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

49. NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 30 June 2007 of Rs. 0.50 per share (2006: Rs. 1.30 per share), amounting to Rs. 335.587 million (2006: Rs. 872.527 million) at their meeting held on 27 September 2007 for approval for the members at the annual general meeting to be held on 26 October 2007. For this purpose, the board decided to transfer Rs. 21 million from general reserve to unappropriated profit.

50. DATE OF AUTHORISATION

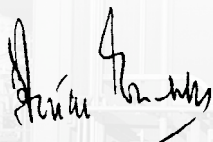
These financial statements were authorised for issue in Board of Directors meeting held on 27 September 2007.

51. CORRESPONDING FIGURES

The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparisons.

52. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Aitzaz Shahbaz
Chairman



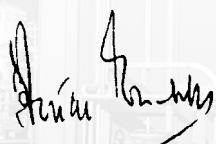
Azim Iqbal Siddiqui
Chief Executive Officer

Profit and Loss Account

For the year ended 30 June 2007

	Note	2007 (Rupees in '000)	2006
Sales		85,716,663	77,562,255
Sales tax		(9,397,996)	(9,075,053)
		76,318,667	68,487,202
Gas development surcharge		(7,234,264)	(2,183,614)
Net sales		69,084,403	66,303,588
Cost of gas	29	(63,157,107)	(59,594,477)
Gross profit		5,927,296	6,709,111
Transmission, distribution and selling costs	30	(5,664,889)	(5,307,576)
Administrative expenses	31	(1,069,311)	(1,263,369)
Other operating expenses	32	(148,223)	(178,254)
		(6,882,423)	(6,749,199)
		(955,127)	(40,088)
Other operating income	33	4,069,092	3,150,774
Operating profit before finance cost		3,113,965	3,110,686
Finance cost	34	(1,778,740)	(1,390,460)
Profit before taxation		1,335,225	1,720,226
Taxation	35	(1,044,846)	(828,509)
Profit for the year		290,379	891,717
			(Rupees)
Basic and diluted earnings per share	37	0.43	1.33

The annexed notes 1 to 52 form an integral part of these financial statements.



Aitzaz Shahbaz
Chairman



Azim Iqbal Siddiqui
Chief Executive Officer