CHARTING THE COURSE TO PROSPERITY

61st ANNUAL REPORT 2015

SSGC | Sui Southern Gas Company Limited

CHARTING THE COURSE

LEARN
from the people.
PLAN
with the people.
Begin with what they have.
Build on what they know.
With the best of
leaders,
when the task is
accomplished,
the people will
REMARK,
we have done it ourselves.

– Lao-Tzu

About the Cover

On March 26, 2015, Pakistan became the newest member of global LNG importing nations with the arrival of M/V Exquisite, the Belgian-flagged ship carrying 147,000 cubic meters of LNG into the shores of Karachi. This first-ever shipment was the result of the efforts of the Government of Pakistan and stakeholders like SSGC, that almost a year earlier had signed an LNG Services Agreement (LSA) which marked the way forward for the re-gasification of 400 million cubic feet per day (mmcfd) of imported LNG. Currently, SSGC is living up to the challenge of developing a dedicated pipeline to facilitate the transmission of RLNG to the consumption nodes. The Company is working full throttle towards developing a 42" dia. 352-km pipeline in order to provide 1.2 billion cubic feet per day (bcfd) RLNG to sectors that require it most. LNG is fast proving to be a game-changer. It will not be wrong to say that the viability of Pakistan's energy future is directly linked to LNG.

Vision

To be a model utility, providing quality service by maintaining a high level of ethical and professional standards and through optimum use of resources.

Mission

To meet the energy requirements of customers through reliable, environment-friendly and sustainable supply of natural gas, while conducting company business professionally, efficiently, ethically and with responsibility to all our stakeholders, community and the nation.

Company Information

Board of Directors
As on June 30, 2015

- **Mr. Miftah Ismail**
  Chairman (Non-executive Director)
- **Mr. Khalid Rahman**
  (Executive Director)
- **Agha Sher Shah**
  (Independent, Non-executive Director)
- **Mirza Mahmood Ahmad**
  (Non-executive Director)
- **Mr. Furqan Bahadur Khan**
  (Non-executive Director)
- **Mr. Saleem Zamindar**
  (Independent, Non-executive Director)
- **Mr. Mobin Saulat**
  (Non-executive Director)
- **Nawabzada Riaz Nosherwani**
  (Independent, Non-executive Director)
- **Sardar Rizwan Kehar**
  (Independent, Non-executive Director)
- **Ms. Azra Mujtaba**
  (Non-executive Director)
- **Ms. Nargis Ghaloo**
  (Non-executive Director)
- **Mr. Muhammad Riaz Khan**
  (Non-executive Director)
- **Mr. Shazad Dada**
  (Independent, Non-executive Director)
- **Mr. Mohammad Bilal Sheikh**
  (Non-executive Director)
- **Mr. M. Arif Hameed**
  (Non-executive Director)

Company Secretary
Faiza Kapadia Raffay

Auditors
M/s. Deloitte Yousuf Adil,
Chartered Accountants

Registered Office
SSGC House,
Sir Shah Suleman Road,
Gulshan-e-Iqbal, Block 14,
Karachi - 75300, Pakistan.

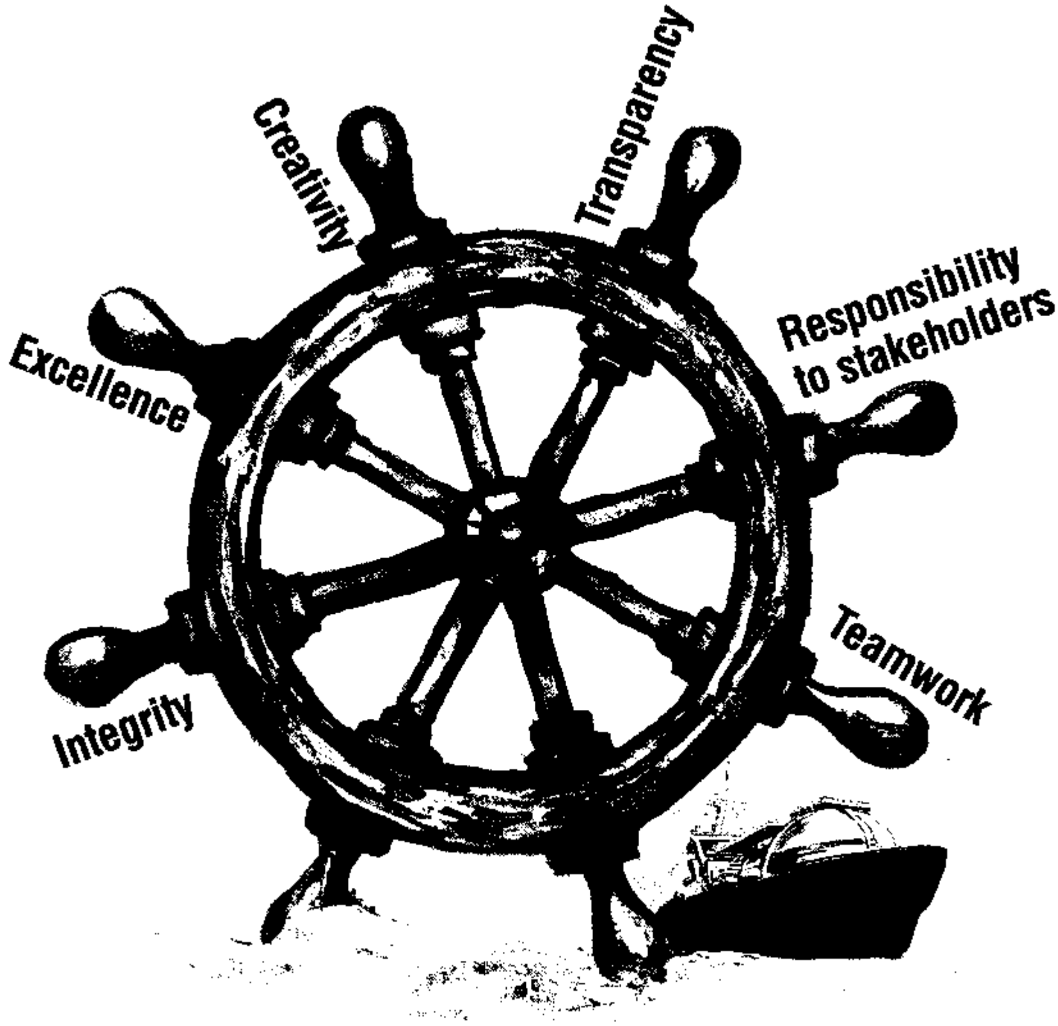
Contact Details
Ph: 0092-21-99021000
Fax: 0092-21-9923-1702
Email: info@ssgc.com.pk
Web: www.ssgc.com.pk

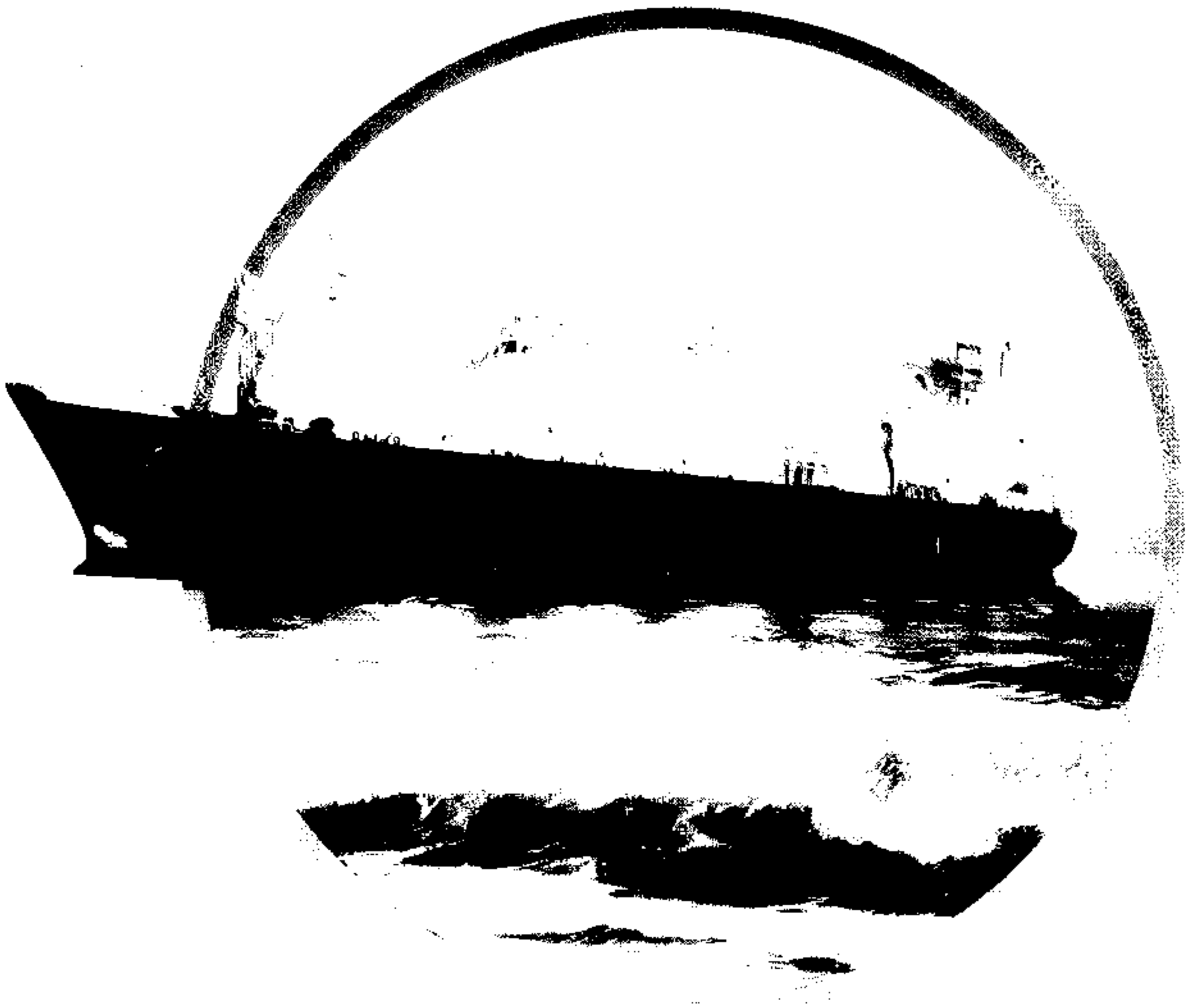
Shares Registrar
Central Depository Company of Pakistan,
CDC House, 99-B, Block B, SMCHS,
Main Sharah-e-Faisal,
Karachi, Pakistan.

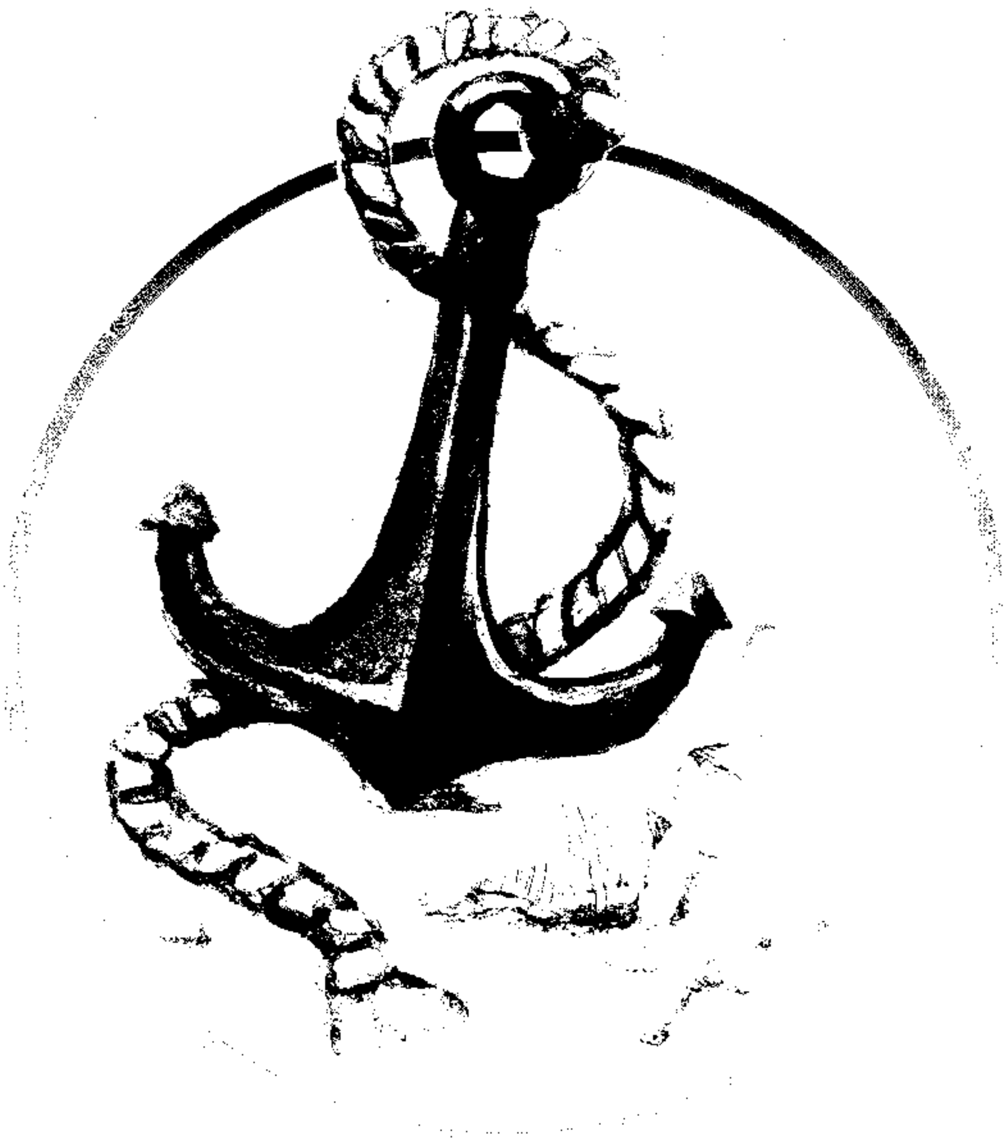
Legal Advisor
M/s Haidermota and Company,
Barrister-at-Law and Corporate Counsels

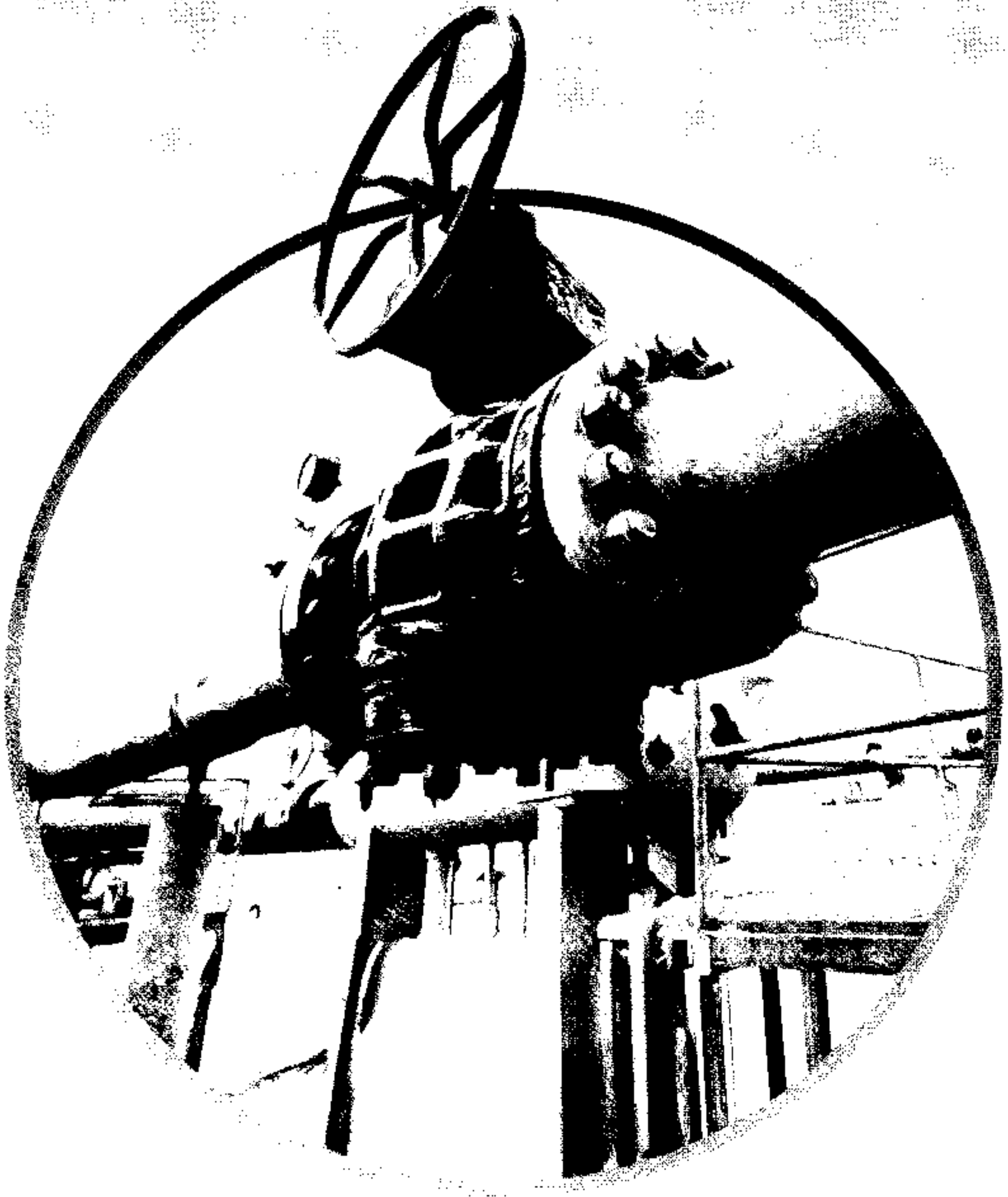
Contents

Core Values


Creativity
Transparency
Excellence
Responsibility
to stakeholders
Integrity
Teamwork







Board of Directors and Committees

Board of Directors
As on June 30, 2015

Miftah Ismail
Chairman

Mr. Miftah Ismail holds a PhD in Public Finance and Political Economy from the Wharton School of Business, University of Pennsylvania. A professional economist, Mr. Ismail was associated with the International Monetary Fund (IMF) before returning to Pakistan. Mr. Ismail is also CEO and Director at Ismail Industries Ltd., Pakistan's largest confectionery company. He is also a Director of Astroplastics (Pvt.) Ltd., Delmare Foods and Pakistan International Airlines Corporation (PIAC).

Khalid Rahman
Managing Director

Mr. Khalid Rahman's professional experience spans over 35 years in senior management positions in oil, gas and banking industries and the accounting profession in Pakistan and abroad, including Europe and the Far East. Mr. Rahman worked in the United Kingdom and Hong Kong for 17 years, and handled regional responsibilities. He has also been the CEO of Pakistan Petroleum Ltd., Mr. Rahman has also been associated with the Institute of Chartered Accountants of Pakistan as its Chief Operating Officer.

Agha Sher Shah
Director

Agha Sher Shah is the Chairman and Chief Executive of Bandhi Sugar Mills. Prior to his current role, he was the Senior Portfolio Manager of a multi-billion dollar portfolio in Abu Dhabi Investment Authority (ADIA), one of the world's largest sovereign wealth funds. Mr. Shah started his career as an investment analyst covering consumer, energy and finance sectors of the S&P 500 in the U.S. Equity Market.

Mirza Mahmood Ahmad
Director

A barrister with a career spanning over 24 years, Mirza Mahmood Ahmad is a partner at Minto and Mirza, Advocates and Solicitors. Mr. Ahmad has represented a number of public and private sector companies during a prolific career. Mr. Ahmad is BA and LLB from the University of Punjab and LLM from University of Cambridge.

Saleem Zamindar
Director

Mr. Saleem Zamindar has over 21 years of experience in four countries in the areas of investment management, board-level general management and international banking. Mr. Zamindar serves on the Board of Directors of several publicly listed and private limited companies. Mr. Saleem Zamindar has an MBA from Durham University Business School, UK.

Mobin Saulat
Director

Mr.Mobin Saulat is MD and CEO of Inter State Gas Systems Pvt. Ltd. (ISGS). Mr. Saulat has over 20 years of experience in commercial and professional environments in Pakistan and abroad. He has served as the Company Secretary and Finance Director of the Islamabad Electric Supply Corporation (IESCO) Pvt. Ltd.. Mr. Saulat was elected as the first Chairman of Board of Directors of TAPI (Pvt.) Ltd. formed by the Consortium of Turkmenistan, Afghanistan, Pakistan and India for the execution and operation of TAPI Pipeline Project.

Nawabzada Riaz Nosherwani
Director

A scion of Balochistan's eminent Nosherwani family, Nawabzada Riaz Nosherwani specializes in the field of minerals and natural resources. He is the owner of Charkohan Mining in Quetta and Royal Minerals Corporation and KSN Associates in Karachi.

Sardar Rizwan Kehar
Director

Sardar Rizwan Kehar has over 36 years of experience in Pakistan and the USA in various fields including Hi-Tech, International Banking, Finance, Management, Agriculture and Consulting. Mr. Kehar holds a Bachelor's Degree in Engineering and a Master's Degrees in Information Systems and Finance. He is also an MBA in Marketing.

Azra Mujtaba
Director

Ms. Azra Mujtaba has served as Additional Finance Secretary, Ministry of Finance, Government of Pakistan. She has held various senior management positions including Member (SP&S) at Federal Board of Revenue, Commissioner (TFC/IP), Commercial Counselor, Embassy of Pakistan in Italy, Deputy Secretary at Prime Minister's Secretariat and Additional Director at Central Board of Revenue. She have served as Director on the Board of Pakistan Steel Mills.

Bilal Sheikh
Director

Mr. Bilal Sheikh is a seasoned banker with over 48 years of diversified experience in banking to his credit since 1967. Mr. Sheikh has been CEO of various scheduled commercial banks for the last 17 years. He is a former CEO at Sindh Bank Ltd.. Prior to that, Mr. Sheikh served as President and CEO at My Bank Ltd., PICIC Commercial Bank Ltd., Chairman, National Development Finance Corporation (NDFC) and Deputy Managing Director, PICIC Ltd..

Muhammad Riaz Khan
Director

Muhammad Riaz Khan has served as MD and CEO of OGDCL, Pakistan's premier Oil and Gas Company. He has over 30 years of diversified experience in the Oil and Gas Sector, especially in petroleum and gas engineering, production, joint ventures, leadership/managerial skills and Human Resource Management. Mr. Khan is a Director on the boards of SSGC-LPG (Pvt.) Ltd. and State Petroleum Refining and Petrochemical Corporation (Pvt.) Ltd..

Nargis Ghaloo
Director

Ms. Nargis Ghaloo, an officer of Federal Government in BS-22, is presently posted as Chairperson of State Life Insurance Corporation of Pakistan. She is a Certified Director from Pakistan Institute of Corporate Governance (PICG). Previously, she has held positions of Additional Secretary Cabinet Division, Government of Pakistan, Secretary Women Development and Executive Director, State Life Insurance Corporation of Pakistan. She recently attained certification in Company Direction from the Institute of Directors, UK.

Furqan Bahadur Khan
Director

Mr. Furqan Bahadur Khan is Additional Secretary, Ministry of Petroleum and Natural Resources, Government of Pakistan. Mr. Khan has experience of laying the policy framework related to sectorial reform process including privatization and deregulation and is also responsible for managing and implementing the approved policies in furtherance of the Economics Reforms Agenda of the Government of Pakistan. After his promotion to BS-21, Mr. Khan joined the Ministry of Inter-Provincial Coordination as Additional Secretary and served till March 2014.

Muhammad Arif Hameed
Director

Mr. Muhammad Arif Hameed, Chief Executive and MD, Sui Northern Gas Pipeline Ltd. (SNGPL), is a mechanical engineer by profession, registered with the Pakistan Engineering Council. Mr. Hameed has 36 years of experience in the natural gas industry, particularly in the planning, designing, construction and operation of transmission and distribution networks in Pakistan.

Shazad Dada
Director

Mr. Shazad Dada is CEO and a member of the Board of Directors at Standard Chartered Bank (Pakistan) Ltd.. As a seasoned banker and a prominent capital market professional, Mr. Dada has over 25 years of diverse experience to his credit. He has also served as the Managing Director and Country Chief at Deutsche Bank AG Pakistan and is a member of the Board of Directors at Karachi Stock Exchange and AISEC. Mr. Dada is an MBA graduate from the Wharton School of University of Pennsylvania.

In Session - Present Board of Directors

Present Board of Directors meeting in session at Head Office, Karachi
and via video conferencing

Present Board of Directors

[illegible] a PhD in Public Finance and Political Economy [illegible] of Pennsylvania [illegible] with the International [illegible] kistan. Mr. Ismail is also CEO [illegible] Ltd., [illegible] are [illegible] (AC) [illegible] ail [illegible] he [illegible] rachi [illegible]

Khalid Rahman Managing Director

in Pakistan and

Banking,

Consulting. Mr. Kehar holds

in

Muhammad Riaz Khan Director

[illegible] Nawabzada Riaz [illegible] minerals and natural resources. [illegible]

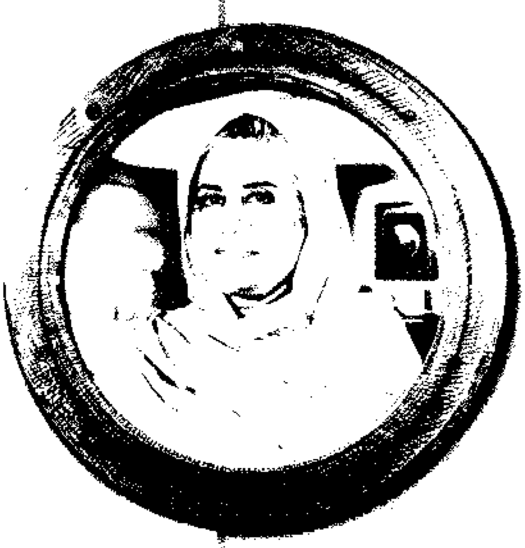
[illegible] sherw[illegible]a

Agha Sher Shah Director

Mr. Mobin Saulat is Managing Director and Chief Executive Officer of Inter State Gas Systems Pvt. Ltd. (ISGSL). With Mr. Saulat at the helm of affairs, ISGSL witnessed impressive growth, becoming the first Pakistani company in the energy sector to negotiate, conclude and implement transnational energy projects such as the Iran-Pakistan (IP) and [illegible] (TAPI) Gas Pipeline [illegible] commercial and [illegible] abroad. He has served as the [illegible] of [illegible] Pipeline [illegible] for [illegible] as [illegible]

Shazad Dada* Director

[illegible] has over 21 years of experience in four countries [illegible] board level general management and [illegible] by the Pakistan [illegible] also holds the [illegible] from the Institute [illegible] serves on the Board of [illegible]



Nargis Ghaloo Director

Mirza Mahmood Ahmad is an established advocate and is a partner at the prestigious law firm Minto and Mirza, Advocates and Solicitors. His professional career as a lawyer spans over 24 years in which he has provided [illegible] services to the fields of corporate, constitutional, [illegible] laws. He has been involved with some of the [illegible] having represented several [illegible] authorities including the [illegible] Pakistan, the Oil and Gas [illegible] Mr. Ahmad has [illegible] research papers to his name [illegible]

Muhammad Bilal Sheikh Director

Mr. Furqan Bahadur Khan is Additional Secretary, Ministry of Petroleum and Natural Resources, Government of Pakistan. Mr. Khan has experience of laying the policy framework related to sectorial reform processes, including privatization and deregulation, and is also responsible for managing and implementing approved policies in furtherance of the Economic Reform Agenda of the Government of Pakistan. Mr. Khan communicates on regular basis with the public sector [illegible] CNG stations and [illegible] Pakistan. District [illegible] started his career as [illegible] in Dera Ghazi Khan and later o[illegible] [illegible]as [illegible]tion D[illegible]ent [illegible] in [illegible]icts [illegible]ab[illegible]d. [illegible]

Qazi Mohammad Saleem Siddiqui Director

Pathway to Energy Security

Board of Directors

Standing (L to R): Mirza Mahmood Ahmad | Furqan Bahadur Khan | Shazad Dada | Saleem Zamindar
Sitting (L to R): Agha Sher Shah | Khalid Rahman

Standing (L to R): Nawabzada Riaz Nosherwani | Nargis Ghaloo | Muhammad Riaz Khan | Mobin Saulat
Qazi Mohammad Saleem Siddiqui

Sitting (L to R): Miftah Ismail (Chairman) | Sardar Rizwan Keher

Human Resource and Remuneration Committee

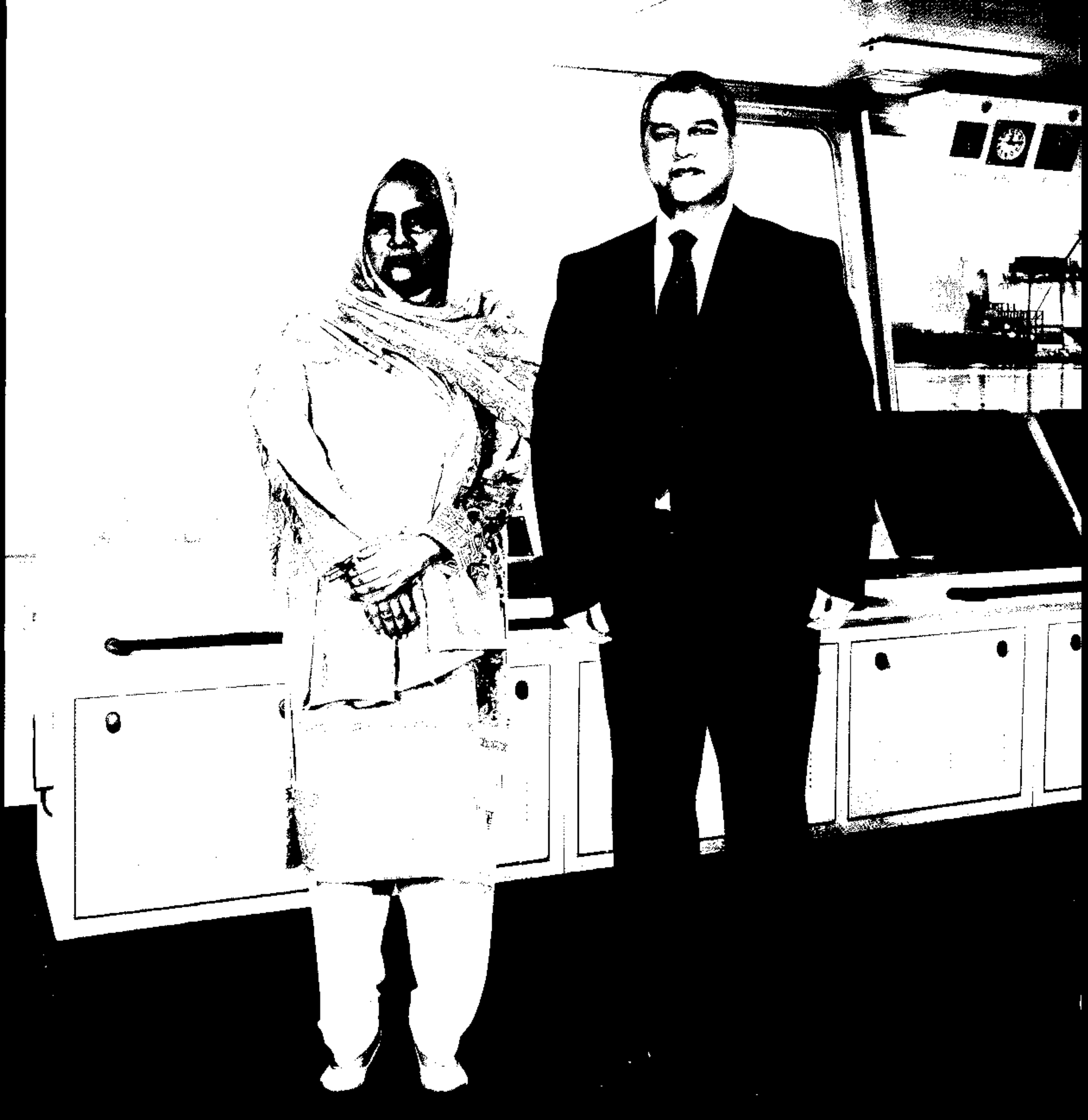
L to R: Agha Sher Shah | Miftah Ismail (Chairman) | Sardar Rizwan Keher

L to R: Muhammad Riaz Khan | Khalid Rahman | Saleem Zamindar

L to R: Furqan Bahadur Khan | Khalid Rahman

L to R: Nargis Ghaloo (Chairperson) | Mirza Mahmood Ahmad | Qazi Mohammad Saleem Siddiqui

Audit Committee



L to R: Nargis Ghaloo | Mobin Saulat

L to R: Sardar Rizwan Keher (Chairman) | Saleem Zamindar

Special Committee on UFG

L to R: Qazi Mohammad Saleem Siddiqui | Sardar Rizwan Keher (Chairman) | Khalid Rahman

L to R: Furqan Bahadur Khan | Nawabzada Riaz Nosherwani | Muhammad Riaz Khan

Committees of the Board
As on June 30, 2015

The Board of Directors has established four committees namely Human Resource and Remuneration Committee, Finance and Procurement Committee, Audit and Risk Committee and Special Committee of Directors on UFG. The primary function of these committees is to assist the Board in effective and efficient discharge of its functions and to provide feedback on matters of significant importance for the Board's working.

The Board has approved Terms of Reference for each of the committees to ensure that the interest of the Company is safeguarded. The composition each of these committees along with a synopsis of their Terms of Reference is given below:

Board HR and Remuneration Committee

The Board HR and Remuneration Committee is composed of the following:
- Mr. Miftah Ismail - Chairman
- Mr. Khalid Rahman - Member (Managing Director)
- Mr. Furqan Bahadur Khan - Member
- Mr. M. Arif Hameed - Member
- Mirza Mahmood Ahmad - Member
- Mr. Saleem Zamindar - Member

The Terms of Reference of Board HR and Remuneration Committee include the following:
- To study and evaluate all HR-related issues presented by the Management and formulate concise recommendations for the Board.
- To review performance of the Managing Director on an annual basis and recommend the increment there of.
- To review and endorse performance/potential assessment of GMs and SGMs.
- To review and endorse the promotions / demotions and other significant matters pertaining to the assignments of executives in Grades VIII and IX.
- To review the Recruitment Policy and Procedure and recommend hiring of executives in Grades VIII and IX.
- To review and endorse the HR plan including, but not limited to, Executive Training, Development, Career Planning, Potential Assessment and Succession Planning.

Board Finance and Procurement Committee

The Board Finance and Procurement Committee is composed of the following:
- Mr. Shazad Dada - Chairman
- Mr. Khalid Rahman - Member (Managing Director)
- Mirza Mahmood Ahmad - Member
- Ms. Nargis Ghaloo - Member
- Muhammad Riaz Khan - Member
- Nawabzada Riaz Nosherwani - Member

The Board Finance and Procurement Committee reviews, provides feedback and takes constructive action in the following areas:
- Corporate objectives and strategies developed by the Management.
- Annual revenue and capital budgets.
- Additional capital expenditure plans.
- Authority limits and approval policies of the Management.
- Borrowing or financial arrangements.
- Procurement Policies.
- Procurement of materials and services exceeding the authority limits of the Management.

Board Audit and Risk Management Committee

The Board Audit and Risk Management Committee is composed of the following:
- Agha Sher Shah - Chairman
- Mr. Furqan Bahadur Khan - Member
- Mr. Mobin Saulat - Member
- Nawabzada Riaz Nosherwani - Member
- Sardar Rizwan Keher- Member

The Board Audit and Risk Management Committee performs the following functions:

- Ensures independence of external auditors; reviews the extent of non-audit work undertaken and the fees involved.
- Reviews quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors with focus on:

    - ★ Major Departmental issues.
    - ★ Significant adjustments resulting from the audit.
    - ★ The Going Concern assumption.
    - ★ Any changes in accounting policies and practices.
    - ★ Compliance with applicable accounting standards.
    - ★ Compliance with listing regulations and other statutory and regulatory authorities.
    - ★ Compliance with Management Control Standards and Company Policies including ethics policy for good corporate governance; and
    - ★ Director's Report and any other published information to ensure that it is consistent with the financial statements.

- Facilitates the external audit and discusses with the external auditors major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of the Management, where necessary).
- Reviews Management's Letter issued by external auditors and Management's response thereto.
- Ensures coordination between the internal and external auditors of the Company to avoid duplication or incomplete coverage as far as possible.
- Ascertains that the internal control systems including financial and operational controls, accounting system and reporting structure are adequate and effective, including risk management and security, and meets or exceeds the standards for professional practice,
- Ensures continuing suitability of the organization structure at all levels.
- Determines appropriate measures to safeguard the Company's assets and their performance including post facto review of major investment projects and programs.
- Reviews the exposure of the Company to risk and any matters that might have a material effect on the Company's fiscal position,
- Reviews the Company's Statement on Internal Control Systems prior to endorsement by the Board of Directors.
- Institutes special projects, value for money studies or other investigations on any matter on its own initiative, or if so directed by the Board of Directors, in consultation with the Chief Executive and to consider the remittance of any matter to the external auditors or to any external body.
- Determines compliance with the relevant statutory requirements.
- Monitors compliance with the Best Practices of Corporate Governance and identification of significant violations.
- Considers any other issue or matter on its own or as may be assigned by the Board of Directors.

Board Special Committee of Directors on UFG

The Board Special Committee of Directors on UFG is composed of the following:

- Sardar Rizwan Keher - Chairman
- Mr. Khalid Rahman - Member (Managing Director)
- Agha Sher Shah - Member
- Mr. M. Arif Hameed - Member
- Mirza Mahmood Ahmad - Member
- Nawabzada Riaz Nosherwani - Member
- Mr. Saleem Zamindar - Member
- Muhammad Riaz Khan - Member

UFG Committee assists the Board in effective monitoring and control of Unaccounted-for-Gas (UFG)/gas losses. The Committee performs the following functions:

- Holds regular meetings to review, provides feedback, makes recommendations and take actions based on the information/data presented.
- Reviews monthly UFG statistical data of the Company and its different regions, in order to identify the geographical areas contributing to UFG and assigns tasks to relevant departments for performing UFG-reduction activities.

Notice of 61st Annual General Meeting

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of Sui Southern Gas Company Limited ("the "Company") will be held at Pearl Continental Hotel, Karachi on Saturday, May 14, 2016 at 2:30 pm for the purpose of transacting the following business:

Ordinary Business

1 To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.
2 To confirm the appointment of M/s. Deloitte Yousuf Adil, Chartered Accountants as auditors of the Company for the year ended June 30, 2016 and to fix their remuneration.

Special Business

3 To consider and amend Article 102 of the Articles of Association of the Company and pass the following special resolution, with or without modification:

"**Resolved that** Article 102 of the Articles of Association of the Company be and is hereby amended to be read as under:

102. The remuneration to be paid to the Directors for attending the Board of Directors and its Committees Meeting, shall be Rs. 100,000/- per BoD and its Committees' Meeting.

"**Resolved further that** the Company Secretary be and is hereby authorized to do all acts to effect the above Special Resolution of the Company and to comply with all the necessary requirements of the law in this behalf."

Other Business

4 To transact any other Business of the Company with the permission of the Chairman.

The Share Transfer Books of the Company will remain closed from May 7, 2016 to May 14, 2016 (both days inclusive) when no transfer of shares will be accepted for registration.

By the Order of the Board

Shoaib Ahmed
Company Secretary

April 9, 2016
Karachi

Statement under Section 160(1)(B) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on May 14, 2016.

Remuneration of Directors

The Board of Directors has recommended that the proposals should be presented to the shareholders of the Company at the Annual General Meeting for alterations/amendments in the Articles of Association of the Company.

To revise the remuneration of the Directors for attending meetings of the Board of Directors and its Committees in accordance with the law, in order to attract and retain high profile/independent individuals on the Board of the Company successfully and in accordance with good governance practices. In this regard, the Company is required to amend Article 102 of the Articles of Association of the Company. All necessary requirements of law will be complied with in this regard.

The proposal for amendment in the Articles of Association of the Company is therefore being placed before the shareholders for their consideration and if deemed appropriate to pass the following Special Resolution, with or without modification(s).

"**Resolved that** Article 102 of the Articles of Association of the Company be and is hereby amended to be read as under:

102. The remuneration to be paid to the Directors for attending the meetings of the Board of Directors and its Committees, shall be Rs. 100,000/- per Board and its Committees' Meetings.

"**Resolved further that** the Company Secretary be and is hereby authorized to do all acts to effect the above Special Resolution of the Company and to comply with all the necessary requirements of the law in this behalf."

Notes:

1 Participation in Annual General Meeting:

i) All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A corporate entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of Corporate entities, a resolution of the Board of Directors / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity shall be submitted to the Company along with complete Proxy Form. The proxy holders are required to produce their original CNIC or original passport at the time of the meeting.

ii) The Proxy Form must be signed in order to be effective, and should be deposited at the Shares Registrar of the Company but not later than 48 hours before the time of holding the meeting.

Further Guidelines for CDC Account Holders:

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A For attending the meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entities, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B For appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the Proxy Form as per the requirements mentioned below.

ii) The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

2 Submission of Copy of CNIC/NTN Certificate (Mandatory):

Valid copy of CNIC/NTN has to be provided to our Shares Registrar in case of physical shareholders and in case of CDC account to its Participant/Investor Account Services.

3 Payment of Dividend Electronically (Optional):

Shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholders bank account. To opt for the dividend mandate option, the Dividend Mandate Form is available at the Company's website i.e. www.ssgc.com.pk.

4 Electronic Transmission of Annual Audited Financial Statements and Annual General Meeting Notice through E-mail (Optional):

Shareholders who desire to receive the Company's Annual Audited Financial Statements and Annual General Meeting Notices through e-mail are requested to fill the requisite form available on the Company's website i.e. www.ssgc.com.pk.

5 Change in Address:

Shareholders are requested to notify any change in address immediately quoting their folio number(s) to our Shares Registrar.

6 Minutes of Last Meeting:

Copies of the minutes of the 60th Annual General Meeting held on April 16, 2016 will be available to the Members on request, free of cost.

REGISTERED OFFICE
SSGC House,
Sir Shah Suleman Road,
Gulshan-e-Iqbal, Block -14,
Karachi 76300, Pakistan

SHARES REGISTRAR
Central Depository Company of Pakistan
CDC House, 99-B, Block B,
SMCHS, Main Sharah-e-Faisal,
Karachi, Pakistan

Attendance of Directors at Meetings

Board Meetings

Name of Director	Total Number of Board Meetings*	Number of Meeting(s) Attended
Mr. Miftah Ismail	17	15
Mr. Khalid Rahman	07	06
Mr. Aamir Amin	06	06
Agha Sher Shah	17	11
Ms. Azra Mujtaba	17	02
Mr. M. Arif Hameed	17	12
Mr. M. Bilal Sheikh	17	07
Mr. Mobin Saulat	17	16
Nawabzada Riaz Nosherwani	17	17
Sardar Rizwan Kehar	17	17
Mirza Mahmood Ahmad	17	17
Mr. Saleem Zamindar	17	17
Mr. M. Riaz Khan	11	11
Mr. M. Raeesuddin Paracha	08	06
Ms. Nargis Ghaloo	09	07
Mr. Shazad Dada	10	06
Mr. Furqan Bahadur Khan	04	04
Mr. Zuhair Siddiqui	01	01
Mr. Shoaib Warsi	09	09
Mr. Arshad Mirza	13	13

Board Audit Committee Meetings

Name of Director	Total Number of Meetings*	Number of Meeting(s) Attended
Agha Sher Shah	05	05
Mr. Arshad Mirza	04	04
Mr. Mobin Saulat	05	03
Nawabzada Riaz Nosherwani	05	05
Sardar Rizwan Kehar	05	05
Mr. Saleem Zamindar	05	05
Mirza Mahmood Ahmad	04	04
Mr. M. Riaz Khan	01	01
Mr. Furqan Bahadur Khan	01	01

Board Finance and Procurement Committee Meetings

Name of Director	Total Number of Meetings*	Number of Meeting(s) Attended
Ms. Nargis Ghaloo	07	06
Mr. Khalid Rahman	04	04
Ms. Azra Mujtaba	12	02
Mr. Zuhair Siddiqui	02	02
Mr. Aamir Amin	03	02
Mirza Mahmood Ahmad	12	12
Mr. Shoaib Warsi	06	06
Mr. M. Raeesuddin Paracha	03	03
Mr. M. Riaz Khan	08	07
Nawabzada Riaz Nosherwani	08	08
Mr. Shazad Dada	07	03
Mr. M. Arif Hameed	04	04
Mr. Saleem Zamindar	01	01
Sardar Rizwan Kehar	01	01

Board Human Resource and Remuneration Committee Meetings

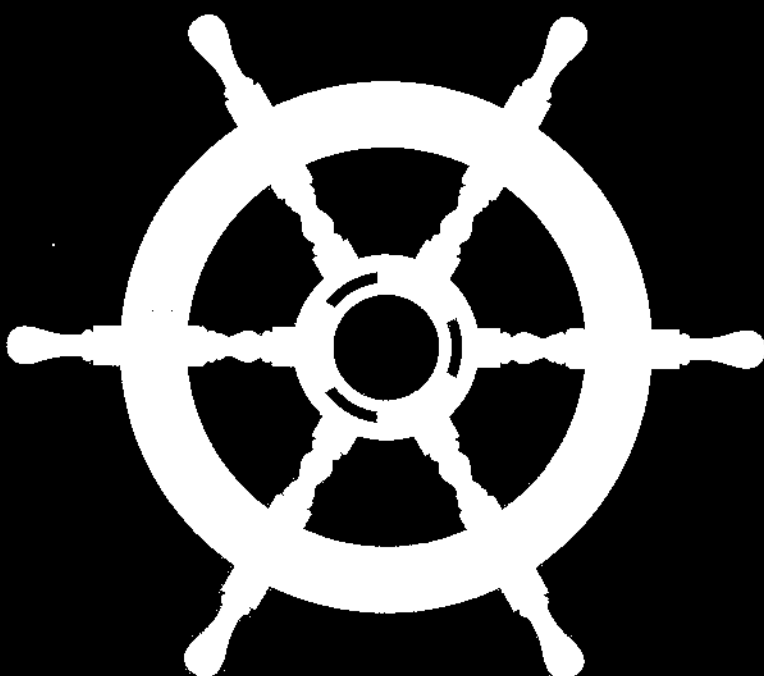
Name of Director	Total Number of Meetings*	Number of Meeting(s) Attended
Mr. Miftah Ismail	09	08
Mr. Zuhair Siddiqui	01	01
Mr. Arshad Mirza	08	08
Mr. M. Arif Hameed	09	08
Mirza Mahmood Ahmad	09	09
Mr. Saleem Zamindar	09	09
Sardar Rizwan Kehar	09	09
Mr. Shoaib Warsi	03	03
Mr. Khalid Rahman	04	03
Agha Sher Shah	01	01
Furqan Bahadur Khan	01	01

Board Special Committee of Directors on UFG Meetings

Name of Director	Total Number of Meetings*	Number of Meeting(s) Attended
Sardar Rizwan Kehar	07	07
Mr. Shoaib Warsi	03	03
Agha Sher Shah	07	06
Mr. M. Arif Hameed	07	03
Mirza Mahmood Ahmad	07	07
Nawabzada Riaz Nosherwani	07	07
Mr. Saleem Zamindar	07	07
Mr. M. Riaz Khan	05	05
Mr. Khalid Rahman	04	04

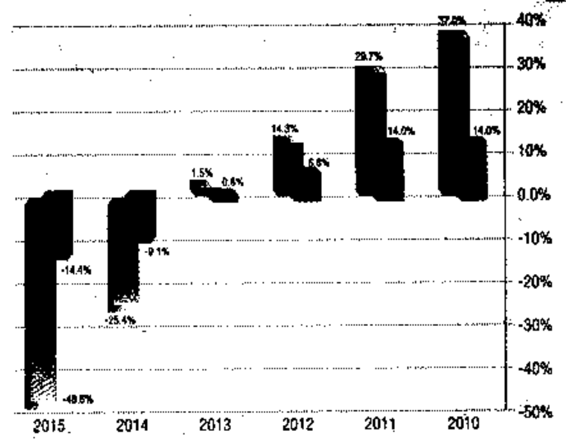
*Held during the period concerned Director was on the Board / Committee

This section outlines Performance Indicators in the form of graphical representations of financial data and provides Details of Distribution Network and 6-Year Financial Highlights.

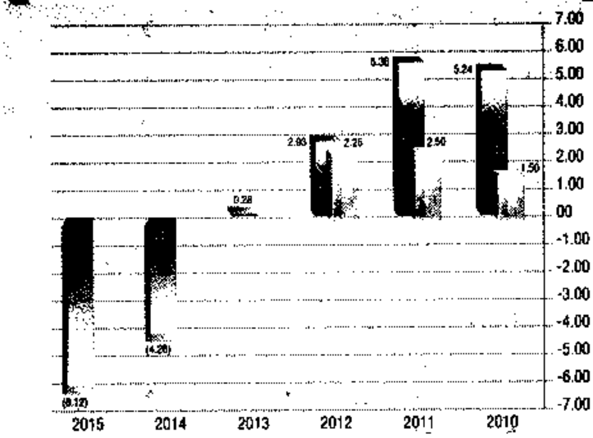


Performance Indicators

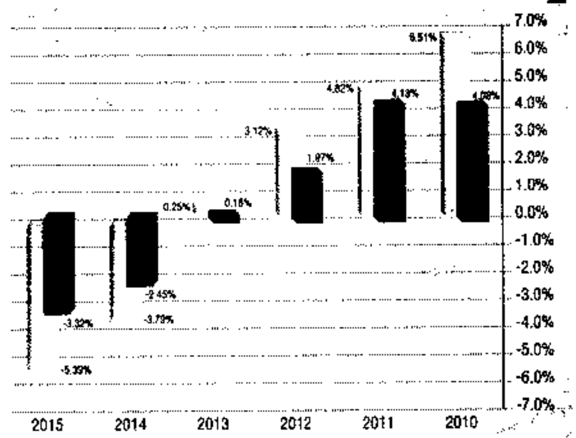
RETURN ON EQUITY in % | CAPITAL EMPLOYED in %



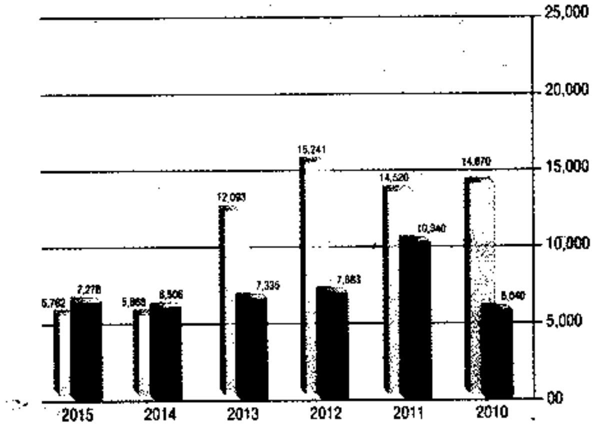
DIVIDEND PER SHARE in rupees



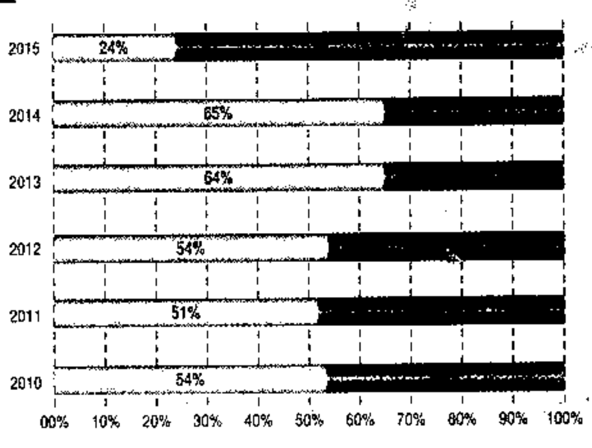
NET PROFIT MARGIN as % of sales



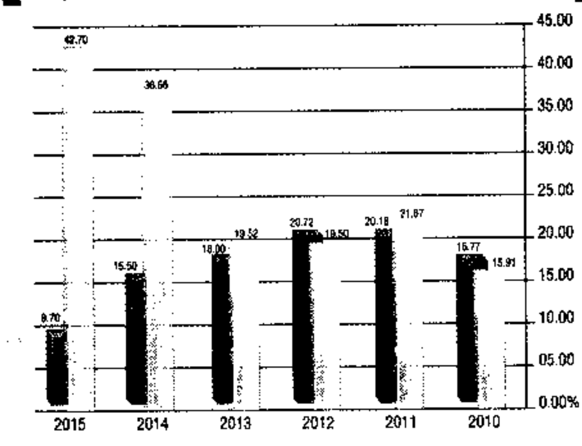
EBTIDA rupees in million | CAPITAL EXPENDITURE rupees in million



DEBT to EQUITY RATIO in %



BREAKUP VALUE per share in rupees



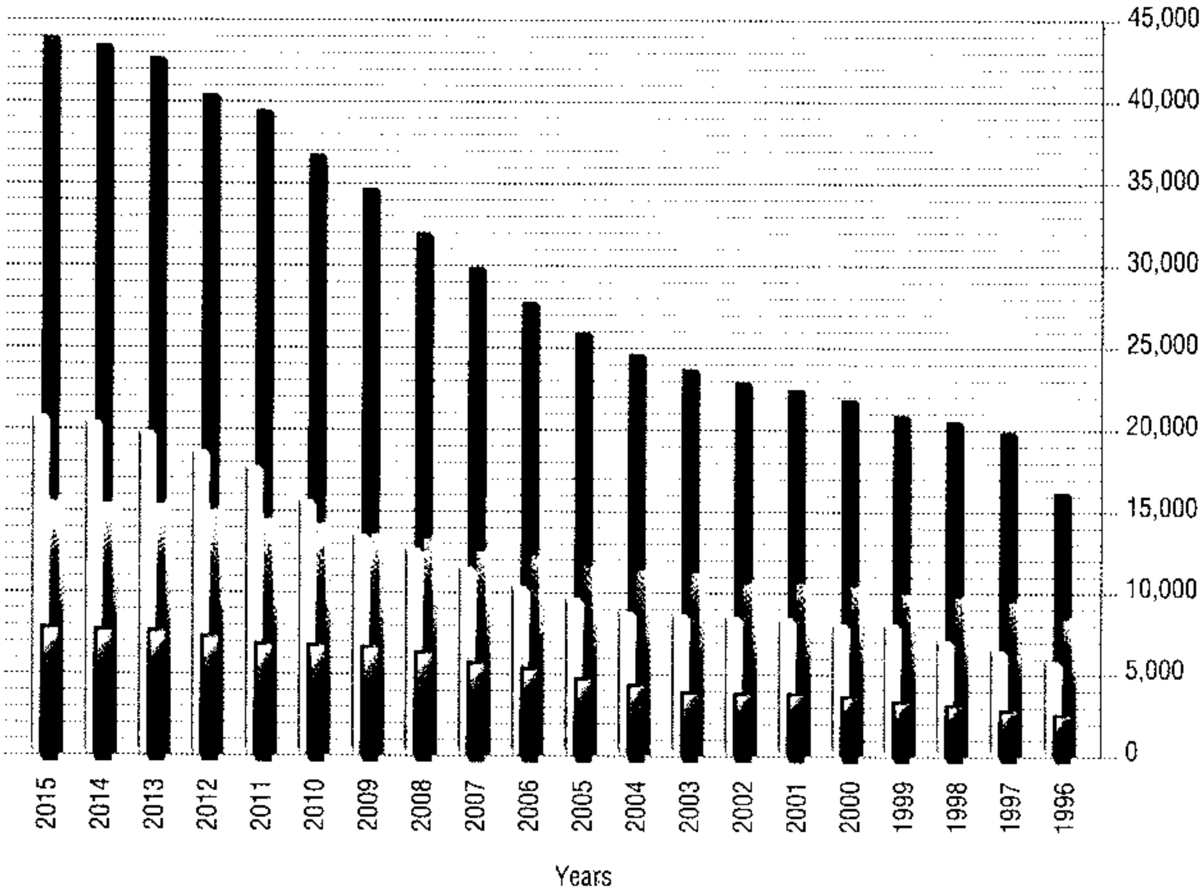
Details of Distribution Network
In Kilometers

LEGEND # 1 (1996 to 2005)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BALOCHISTAN	2,401	2,677	3,033	3,316	3,487	3,576	3,699	3,817	4,109	4,619
INTERIOR SINDH	[illegible]	[illegible]	7,603	7,786	7,976	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KARACHI	8,517	9,243	9,615	9,978	10,323	10,521	10,881	11,121	11,422	11,784
TOTAL	17,268	19,201	20,251	21,080	21,785	22,159	22,890	23,416	24,340	25,764

LEGEND # 2 (2006 to 2015)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
BALOCHISTAN	5,250	5,796	6,193	6,505	6,690	6,841	7,117	7,263	7,368	7,518
INTERIOR SINDH	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KARACHI	12,215	12,659	13,253	13,826	14,398	14,786	15,019	15,217	15,374	15,615
TOTAL	25,764	29,830	31,930	34,282	36,785	39,253	40,962	42,417	43,089	43,890

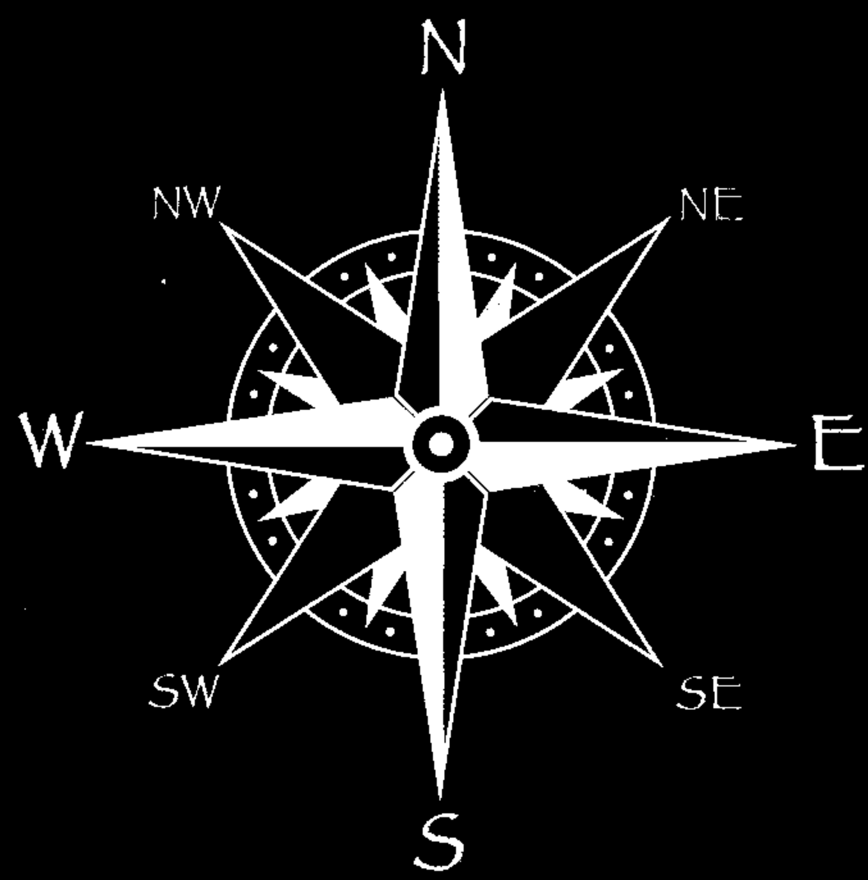


Six-year Financial Highlights
Key Statistical Data

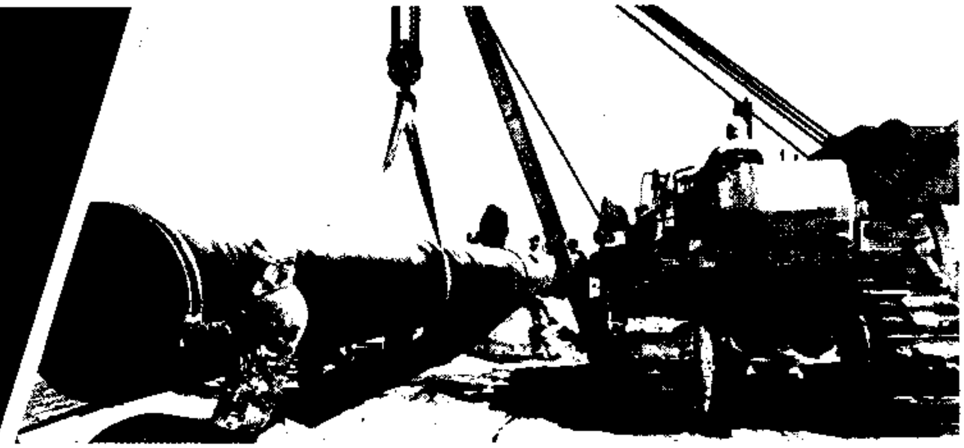
		2015	2014	2013	2012	2011	2010
Trading Results	Rs. in million						
Sales (excluding Gas Development Surcharge)		158,853	152,541	142,198	133,875	110,402	112,274
Gross profit / (loss)		(7,982)	(8,968)	3,490	2,668	2,245	2,800
Profit before tax		(8,769)	(5,810)	380	4,086	5,519	7,013
Profit after tax		(5,391)	(3,753)	248	2,581	4,724	4,399
Operating Ratios	%						
Gross margin		-4.91%	-5.85%	2.30%	2.04%	1.96%	2.60%
Pre tax margin		-5.39%	-3.79%	0.25%	3.12%	4.82%	6.51%
Net margin		-3.32%	-2.45%	0.16%	1.97%	4.13%	4.08%
Financial Position	Rs. in million						
Shareholders equity		8,575	13,615	15,883	18,248	17,775	14,072
Property, plant & equipment		73,943	70,165	67,736	64,260	59,645	41,666
Net current assets		(15,151)	(5,774)	1,665	2,117	2,066	1,203
Long term assets		2,241	1,955	2,051	2,048	1,141	1,259
Long term liabilities		42,205	42,479	45,317	39,925	34,825	30,056
Capital employed		36,441	38,521	44,251	39,791	36,518	30,752
Performance	Rs. in million						
Capital expenditure		7,278	6,506	7,335	7,883	10,340	6,040
Return on total assets	%	-1.95%	-1.61%	0.13%	1.49%	3.37%	3.97%
Asset turnover ratio		0.64	0.71	0.82	0.83	0.91	1.02
Fixed assets turnover ratio		2.26	2.22	2.30	2.11	2.26	2.70
Inventory Turnover	Days	1.87	1.71	1.74	2.11	1.88	1.65
Return on equity	%	-48.59%	-25.45%	1.45%	14.33%	29.67%	37.04%
Return on capital employed	%	-14.38%	-9.07%	0.59%	6.77%	14.05%	13.99%
Valuation and Other Ratios							
Earnings per share	Rupees	(6.12)	(4.26)	0.28	2.93	5.36	5.24
Cash dividend - per share	Rupees	-	-	-	2.25	2.50	1.50
Dividend payout ratio	%	0%	0%	0%	77%	47%	29%
Net assets per share (breakup value)	Rupees	9.73	15.46	18.03	20.72	20.18	16.77
Market value per share at 30 June	Rupees	42.70	36.66	19.52	19.50	21.67	15.91
Price earnings ratio		(6.98)	(8.60)	69.28	6.65	4.04	3.03
Dividend yield	%	0.00%	0.00%	0.00%	11.54%	11.54%	9.43%
Debt : Equity ratio		76:24	65:35	64:36	54:46	51:49	54:46
Current ratio		0.93	0.97	1.01	1.02	1.03	1.02
Debt service coverage ratio		0.84	0.93	2.22	2.19	1.27	1.54

Chairman's Review and Directors' Report

This section comprehensively covers the performances and achievements of core and non-core divisions and departments during FY 2014-15 and dilates on progress of status related to LNG project and UFG-related activities.



> "The year 2014-15 was marked by a distinctive transformation with the advent of a new source of energy in the country - the import of LNG."



Dear Shareholder,

I am pleased to present and share the Company's 61st Annual Report and Audited Financial Statements for the financial year ending June 30, 2015, together with the Auditors' Report thereon.

Energy Overview

Since past one decade, Pakistan's economy has been under severe stress. While the demand for energy has risen significantly, supply has remained range-bound. Natural gas exploration has continued to dip and consequently demand-supply gap has risen. Gas output has tapered to around 4 billion cubic feet per day (bcfd), while the demand has risen to 6 bcfd.

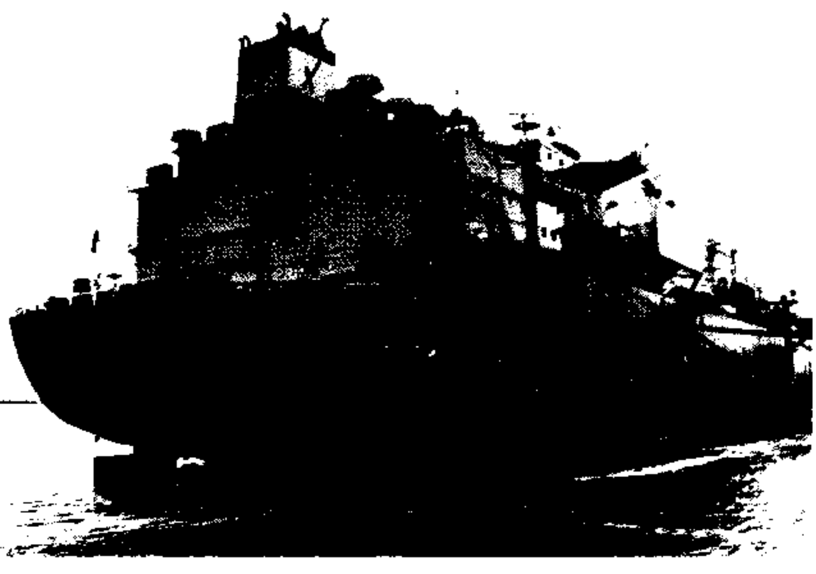
Fortunately, FY 2014-15 was marked by a distinctive transformation with the advent of new sources of energy in the country-the import of LNG. In January 2015, Pakistan's first LNG terminal was commissioned in a record time at Port Qasim Authority in Karachi. The first consignment of LNG arrived at Floating Storage Re-gasification Unit (FSRU) arrived three months later in March 2015, effectively making Pakistan the newest member of the LNG Club.

Arrival of LNG - Sailing towards Sustainability

As one of the key stakeholders in the LNG project, the Company, during the year under review, embarked on developing an ambitious infrastructure for transmitting re-gasified LNG to the consumers.

The Company's scope of responsibility includes receiving re-gasified LNG and transferring the same to its customers and Sui Northern Gas Pipelines Ltd. (SNGPL) network through a dedicated pipeline it is constructing. Work is fast progressing on the proposed 42" dia., 352-km long pipeline for transporting 1.2 billion cubic feet (bcf) capacity from Karachi to SNGPL network in Sawan.

During the year, significant progress was made on RLNG project. which is expected to be commissioned by December 2016.



Delay in finalization of the Financial Statements for the year ended June 30, 2015

The delay in finalizing the financial statements and holding of AGM was due to the inability of OGRA in determining Final Revenue Requirement for FYs 2012-13 and 2013-14, primarily due to lack of quorum in the Authority.

In its decision for FYs 2012-13, 2013-14 and 2014-15, OGRA, while allowing the benefit of Non-Operating Income as per stay granted by High Court, did not allow the following benefits:

- Arrears of Royalty received from Jamshoro Joint Venture Limited (JJVL), under the Supreme Court Judgment of December 2013, was not allowed as Non-Operating Income for the reason that no Stay was available for that period.
- Sale of LPG/NGL was also treated as Operating Income, which was claimed by SSGC as Non-operating Income.

Aggrieved by the above treatment, the Company moved to Sindh High Court and the Court, in its order, suspended OGRA's decision wherein above incomes was treated as operating income.

Despite Sindh High Court's order, OGRA did not issue the revised Determination. The matter was again referred to the High Court with a request that OGRA be directed to comply with the Court Order already passed on 20 November 2015. However, in spite of subsequent hearings, the matter remains unresolved till the date of approval of Financial Statements by the Board of Directors.

Accordingly, the benefit of the above stay has not been availed by the Company for want of revised OGRA Determination. This is explained in detail in Note 1.3.2 of the Financial Statements.

Consequently, the Financial Statements of FY 2014-15 got delayed due to non-finalization of Financial Statements for FYs 2012-13 and 2013-14 as stated above.

Financial Overview

During the period under review, the Company recorded a net loss after tax of Rs. 5,391 million after incorporating major disallowances and financial costs due to outstanding debts.

The summary of financial highlights is given below:

	2014-15 (Rupees in Million)
Profit / (Loss) before taxation	(8,769)
Provision for taxation	3,378
Profit / (Loss) after taxation	(5,391)

This net loss after tax was recorded after incorporating major disallowances by Oil and Gas Regulatory Authority (OGRA), treatment of income from sale of Liquefied Petroleum Gas (LPG) / Natural Gas Liquid (NGL), determined by OGRA, and financial cost due to outstanding debts.

Loss incurred during the year is primarily attributable to:

a) Disallowance of UFG by OGRA.

b) Disallowance of provision for bad debts over and above an amount set by the regulator; and

c) Delay in revision of consumer sales price resulting in excessive financial charges incurred by the Company on delayed payments to its creditors affecting adversely the financial position of the Company.

During the year under review, the volumetric loss due to UFG was 59 bcf compared to 58.4 bcf during 2013-14. This resulted in UFG disallowance of Rs. 10.2 billion during current year as compared to Rs. 9.9 billion during 2013-14. To arrest the rising UFG trend, the Company took a number of steps within its control. The Company recognized the uncontrollable factors and consequently raised the matter with the Ministry of Petroleum and Natural Resources (MP&NR) at the Economic Coordination Committee (ECC) level. Policy guidelines were subsequently issued to OGRA for allowing the volume pilfered by non-consumers, volume consumed in law and order affected areas and impact of change in bulk to retail ratio on UFG, using 2003-04 as the base year. Policy guidelines emphasized that provision for doubtful debts may also be determined at minimum of 1% of sales. In its determination for FY 2014-15, OGRA recognized the impact of law and order affected areas and non-consumers to only a certain extent. However, neither the impact of bulk to retail ratio was allowed at all by OGRA nor was the provision for doubtful debts permitted as 1% of sales. This non-compliance of ECC guidelines by OGRA has adversely affected the financial health of the Company. The Company is following up extensively with OGRA for implementation of complete ECC guidelines. If the complete benefit of ECC guidelines is allowed to the Company, the additional after tax profit would be Rs. 8.1 billion.

In FY 2014-15, the Company earned a revenue of Rs. 4.9 billion from the sale of LPG and Rs. 2.6 billion from the sale of NGL. However, in its determination of Final Revenue Requirement for FY 2014-15, OGRA did not allow treatment of income from sale of LPG and NGL as Non-Operating Income.

On taking up the matter to Sindh High Court, the Court suspended the above treatment, thus requiring OGRA to issue a revised revenue determination which has not been issued till date. If the OGRA had issued the revised determination, the Financial Statements would have reflected an after tax profit of Rs. 4.9 billion.

Receivables Situation

Receivables from KE and PSML

During FY 2014-15, receivable situation of K-Electric (KE) and Pakistan Steel Mills Corporation (Pvt.) Ltd. (PSML) remained the same as in the previous years. The Management is vigorously pursuing recovery suit filed against KE amounting to Rs. 55.7 billion. At the same time, the Management is in constant liaison with the concerned ministries to expedite the recovery of outstanding dues from KE and PSML. It is expected that as soon as the matter is permanently resolved by the Government of Pakistan, the overall financial position of the Company will improve. The claim of the Company against KE and PSML, as of June 30, 2015 is Rs. 62,641 million and Rs. 35,383 million, respectively.

Receivables from SNGPL on account of RLNG

During the year under review, the Company started swapping natural gas with SNGPL in lieu of RLNG, which it received from Engro Elengy Terminal Pvt. Ltd. (EETPL), In this regard, PSO purchases LNG from external LNG suppliers which is regasified at Floating Storage and Regasification Unit (FSRU) by EETPL for onward supply to the Company (SSGC) on behalf of SNGPL or other buyers. Company is swapping natural gas with SNGPL in lieu of RLNG which the Company receives from EETPL.

The Company has billed an amount of Rs. 3,115 million till June 30, 2015 to SNGPL in respect of actual re-gasification charges, which were billed to the Company by EETPL. However, SNGPL acknowledged to the extent of Rs. 995 million based on RLNG price determination by OGRA at the rate of $ 0.66/MMBTU. Further, SNGPL has also refused to pay the capacity and utilization charges pertaining to RLNG purchased by Pakarab Fertilizer Company Limited (PFL). The Company has written a letter to the MP&NR to resolve the matter, the reply of which is awaited.

The Company is pursuing the matter of price determination by OGRA based on actual regasification charges paid to EETPL through the MP&NR. In this regard, a committee comprising of Federal Secretaries of Ministries of P&NR, Water and Power, Finance and Law Division has been constituted which is working to provide its recommendations to the ECC on the matter.

Helm of Affairs: On January 3, 2015, industry veteran Mr. Khalid Rahman was appointed as Chief Executive and Managing Director of SSGC

Dedication: Projects and Construction workers focused on a pipeline laying project in Sindh

Operational Review

SSGC is driven by its core values of integrity, creativity, excellence, teamwork, transparency and responsibility to stakeholders. In alignment with the Company's mission, SSGC endeavors to provide natural gas facilities to an expanding customer base in a safe, reliable and affordable manner. Division and Department-wise details of projects and achievements during FY 2014-15 are as under:

Projects - Engineering Services

As the import of LNG to Pakistan became a reality in 2014-15, after years of formulation, the Company embarked on implementing the first phase of the LNG project. In the first phase, the Company commissioned a 42" dia. x 17-km pipeline from Custody Transfer Station (CTS) from Bin Qasim to Pakland in Karachi, in March 2015.

The Company laid down the pipeline as a service contractor. Work on several segments for eventual transmission of RLNG to required consumption nodes will be carried out in the next fiscal year.

Augmentation Project: The augmentation of 20" dia. 6-km supply main from Karachi Terminal to Hasan Square in Karachi was completed in September 2014. The completed segment helped boost gas distribution system of Karachi's Western Region for provision of uninterrupted gas supply to the residential areas of Liaquatabad, Nazimabad and SITE Industrial Area.

Upcoming Projects related to LNG

42" dia. x 14-km Nara-Sawan Pipeline Project: This transmission pipeline is required to transport RLNG as per allocation mechanism to SNGPL at Sawan. The project will be commissioned by October 2015 at an estimated cost of Rs. 2,341 million.

42" dia. x 342-km Pakland to RS-Nara Project: This project involves laying a 42" dia. x 342-km pipeline from SMS Pakland to RS-Nara for transporting 1.2 bcf RLNG independently to SNGPL. The project is expected to be commissioned by December 2016 at an estimated cost of Rs. 34,905 million.

Installation of 6 Compressors at HQ-2 Nawabshah: On materialization of a 42" dia. x 342-km pipeline (Pakland to Sawan) project for transporting RLNG to SNGPL, six Turbo Compressor Units of approximately 30,000 HP compression with flow capacity of 200 million standard cubic feet of gas per day (mmscfd) each are required at Nawabshah to boost 1.2 bcfd gas for meeting desired delivery pressure of 1,115 psig at Sawan.

The project is expected to be commissioned by December 2016 at an estimated cost of Rs. 8,239 million.

24" dia. x 21-km Interlink Pipeline between Pakland to Khadeji: In order to transmit RLNG from Pakland to Khadeji, near Karachi, a 24" dia. x 21-km Interlink Pipeline has been envisaged. The project is expected to be commissioned by March 2016 at an estimated cost of Rs. 1,039 million.

Relocation of Dadu Compressor: Dadu Compressor Station was commissioned in 1994 when two units were installed at the station, each with a flow capacity of 120 mmscfd. The Station remained operational till January 2013. Recently, the Company Management decided to make the units functional once again by re-installing them at Daur, near Nawabshah, HQ-2.

The objective behind this exercise was to achieve the desired delivery pressure of 1,115 pounds per square inch gage (psig) at Sawan for eventual SNGPL consumption. The project will be commissioned by November 2015 at an estimated cost of Rs. 1,400 million.

Other Upcoming Projects

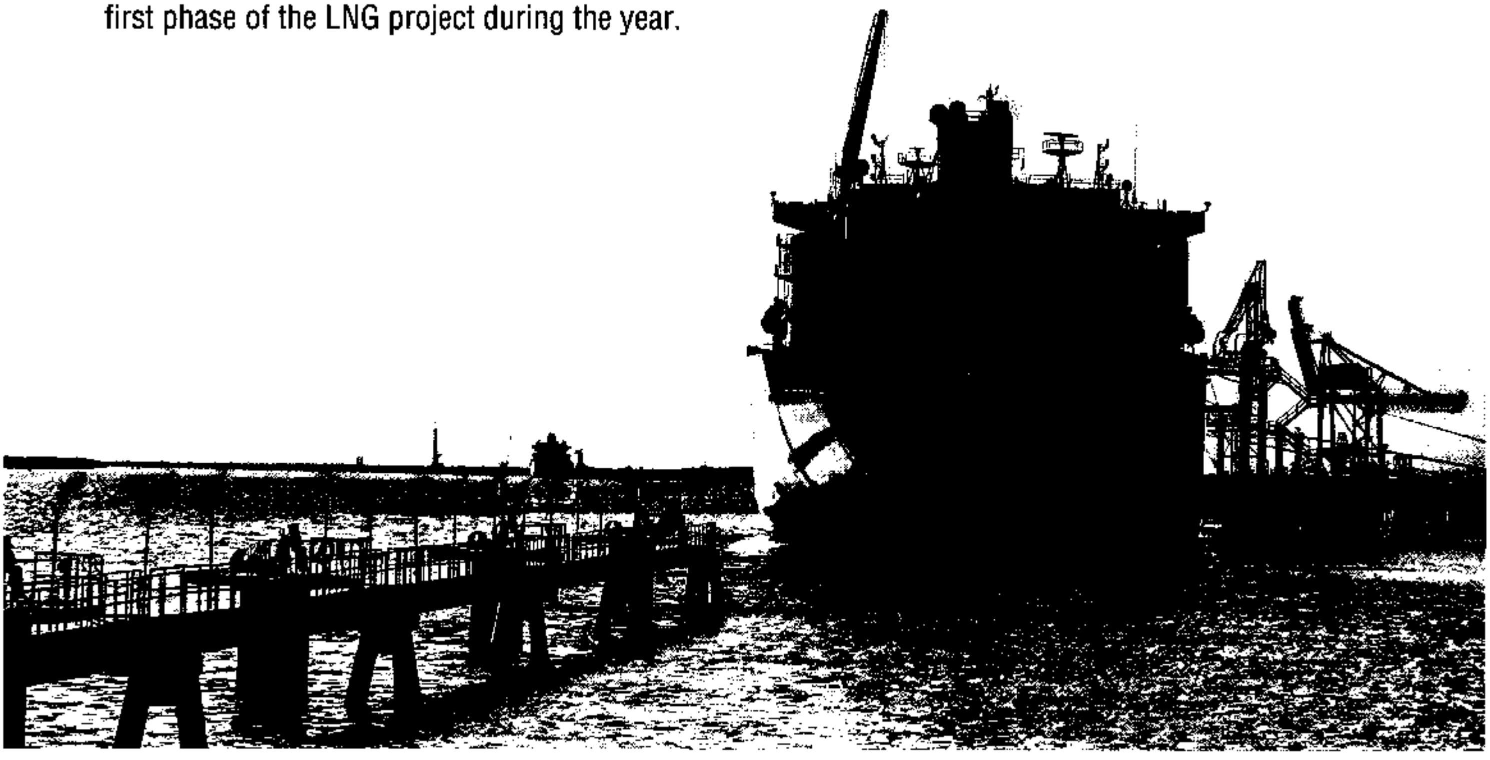
8" dia. x 85-km pipeline from Jhal Magsi to Shori: This project involves laying an 8" dia. x 85-km transmission pipeline to integrate Jhal Magsi field to QPL system at Shori for a projected supply of 14 mmscfd gas. The project is expected to be commissioned by December 2017 at an estimated cost of Rs. 1,116 million.

24" dia. x 33-km Tando Adam to Masu Loopline Project: This project involves laying a 24" dia. x 33-km transmission pipeline from Tando Adam to Masu in Sindh for catering to United Energy Pakistan Ltd's (UEPL) Naimat-Basal gas volumes to Karachi. The project is expected to be commissioned by the end of 2015 at an estimated cost of Rs. 1,630 million.

24" dia. x 31-km pipeline from Attock Cement Pakistan Ltd. (ACPL) to Surjani: The industrial and commercial customers of SITE Industrial Area have for long been faced with low pressure issues. In order to lessen the gas pressure issues, a 24" dia. x 31-km project has been planned. The project is expected to be commissioned by December 2017 at an estimated cost of Rs. 1,408 million.

24" dia. x 34-km pipeline from Shikarpur to Jacocabad: In order to mitigate low pressure bottlenecks, a 24" dia. x 34-km loopline from Shikarpur to Jacocabad has been planned to make additional gas available to meet the growing demand in Balochistan region. The project is expected to be commissioned by December 2017 at an estimated cost of Rs. 1,435 million.

As the import of LNG into Pakistan became a reality in 2014-15 after years of formulation, the Company embarked on implementing the first phase of the LNG project during the year.



Pipeline Integrity: Company engineers and workers involved in pipeline coating and other related jobs

Transmission

Cathodic Protection

During the year under review, the Company continued to focus on many facets of Cathodic Protection (CP) for the aim of controlling pipeline corrosion. The Transmission team carried out coating and wrapping of 10.5 kms (34,425 Running Feet) of Indus Left Bank Pipeline (ILBP) and Indus Right Bank Pipeline (IRBP). In addition, 7 ground beds were renewed on ILBP, IRBP and Quetta Pipeline (QPL). Moreover, Close Interval Potential Survey spread over a distance of 223 kms was carried out at ILBP and IRBP. In addition, four new CP stations were installed on ILBP and IRBP and 13 solar powered stations were upgraded on ILBP, IRBP and BGFIP by adding solar modules and replacing old exhausted batteries.

Pipeline Maintenance

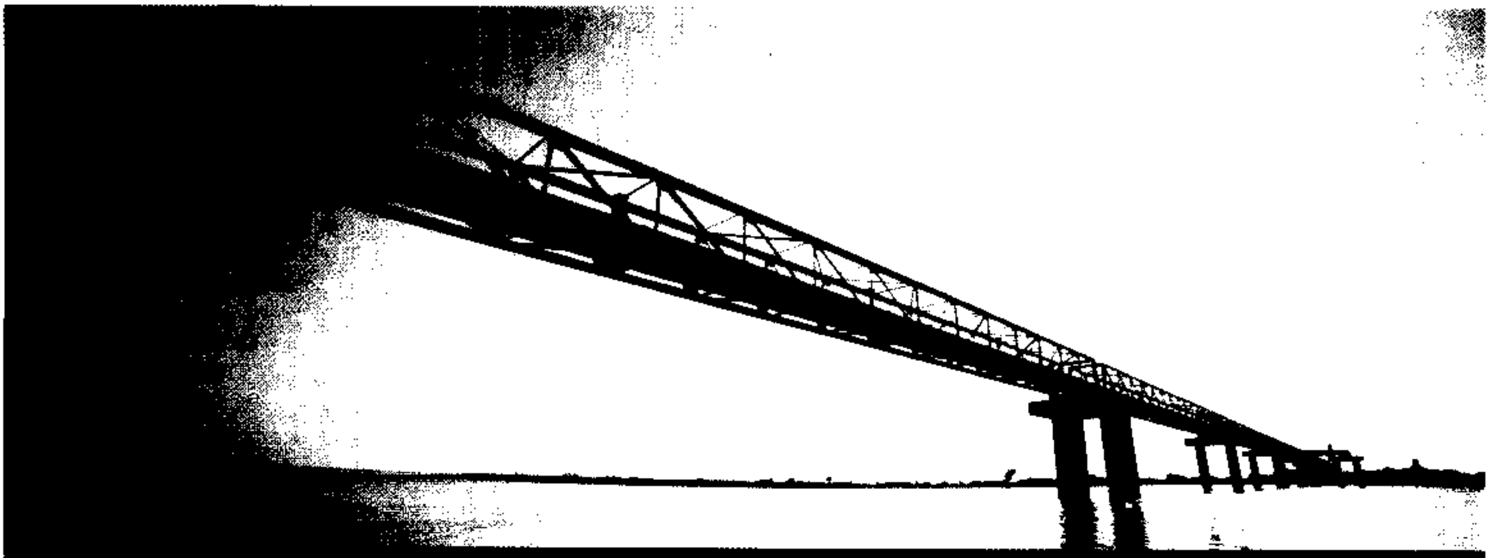
- Welding and fabrication of 20' and 24" dia. pipelines and their integration with 24" dia. Kadanwari and 20" dia. Sawan gas pipelines were carried out at RS-Nara for swapping gas to SNGPL.
- 320 feet of exposed and damaged 16" dia. ILBP was replaced with the new one and buried under a 13 feet depth. For the flow of rain water, the surface was leveled and water path was widened at Sukkan Nadi.
- Fabrication, welding, installation and commissioning of a new regulation setup at HQ-2 was undertaken for gas swapping with SNGPL.
- Retrieval of regulation set up, fittings and valves from Sales Meter Station (SMS) Fauji Fertilizers (FJFC) was undertaken for installation at Pakland Valve Assembly for RLNG project.
- Retrieval of fittings and valves from Pak Steel Valve Assembly was undertaken for installation at Pakland Valve Assembly for RLNG project.
- 18" and 12' dia. pipelines were interconnected with each other at Valve Assembly in Shori.

Compression

In-house overhauling of Caterpillar and Waukesha gas generators were carried out at Shikarpur and Dadu compressor stations.

Main Pipeline Instrumentation

- Installation of a new Actuator, in place of gear operator and power gas tubing, was carried out at SMS Thatta to make it operational through SCADA System.
- Two low capacity control valves were replaced with high capacity control valves at SMSs Chemivisco and Naudero to meet increasing gas load demand.
- Installation and commission of a new Flow Computer at HQ-2 for the measurement of gas swapping with SNGPL.



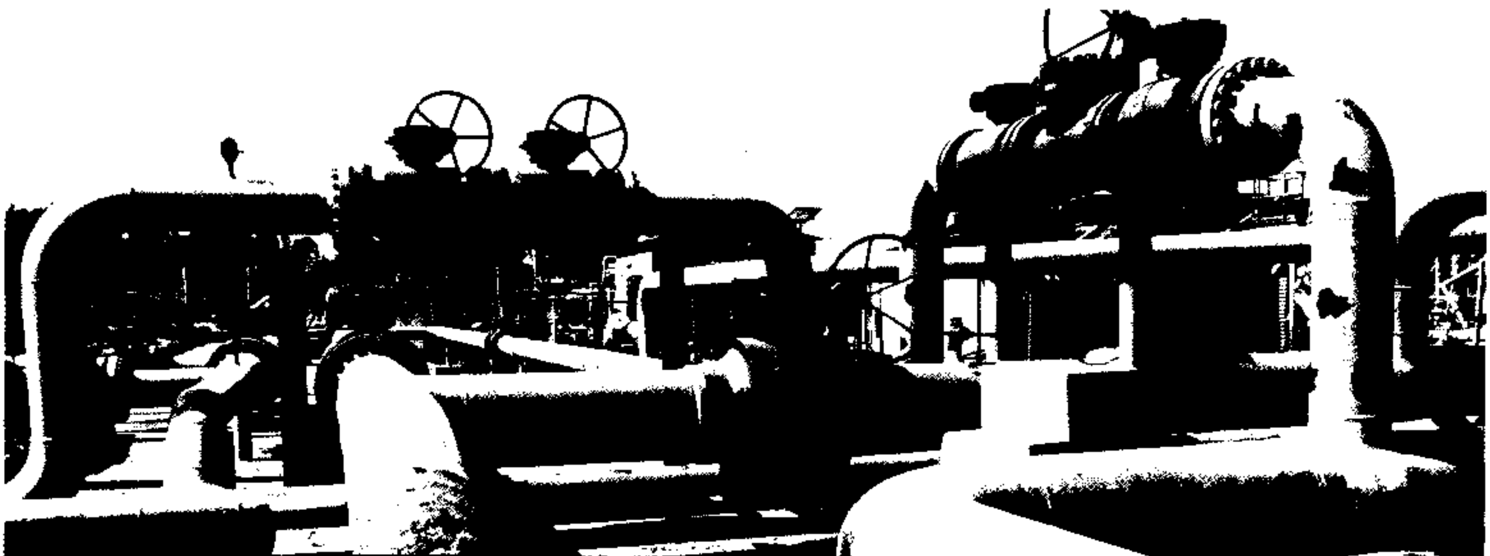
Engineering Feat: A view of an overhead pipeline installation in Jamshoro

- 42" dia. x 17 km newly laid RLNG pipeline was purged, pressurized and commissioned from Engro CTS (Zero Point) to Pakland.
- Installation and commission of new regulation setup was carried out at MVA Bajara and HQ-Dadu for gas swapping with SNGPL.

Measurement Transmission

Measurement Transmission Department works towards ensuring accurate measurement of gas volume and energy at purchase and sale points. To achieve this objective, the following major jobs were carried-out, in addition to routine activities of operation and maintenance of gas measurement equipment:

- Installation of a Custody Transfer Meter Station was carried out for delivering RLNG to SNGPL. The Meter Station has been equipped with state-of-the-art gas flow computers, Gas Chromatographs and an environment-friendly solar system to provide reliable power to metering equipment.
- Installation and commission of check meters at Points of Deliveries (PoDs) at Zarghun, Sinjhoro, Meher Nur Bagla and Sujawal for verification of gas volumes delivered by gas producers.
- Installation of environment friendly solar power systems to provide reliable power for gas metering equipment at PODs Check Meter Sui, Mazarani, Zamzama and Hassan Re-delivery meter for SNGPL at Sui.
- Installation of oxygen analyzer, H2S analyzer and hydrocarbon dew point analyzer was carried out to further enhance the testing capability of Gas Quality Measuring Laboratory at Karachi Terminal.



Nerve Centre: A view of HQ Dadu transmission network

" During the year under review, Distribution South continued to concentrate on pipeline augumentation and rehabilitation works in its territory. "

Distribution South

Distribution South is responsible for all areas of Karachi city. During FY 2014-15, Distribution South was engaged in a number of infrastructure expansion and UFG-reduction activities.

While, 125 kms of normal expansion work was carried out, a total of 18 kms of pipeline were laid to reinforce the existing network. In addition, 17 new Town Border Stations (TBSs) and 13 new Pressure Reducing Stations (PRSs) were also installed. 22 TBSs were modified during the year under review.

During the year, 2,290 kms and 1,6548 kms of underground leak survey and rectification, respectively, were carried out.

In addition, 78,874 overhead leak survey and rectification jobs were undertaken for the objective of reducing UFG and environmental hazards.

The Distribution team also made 12,477 disconnections of customers involved in blatant gas thefts. In addition, 73 meters were installed at TBSs and 17 segments were created. The Department carried out reconciliation of 90 UFG zones.

Through Tough Terrains: Pipeline laying work in progress in Balochistan

> Distribution North conducted a number of infrastructure, maintenance and expansion activities in its areas of operation.

Distribution North

The Distribution North covers all areas in Sindh (excluding Karachi) and the entire Balochistan. During FY 2014-15, in Hyderabad and Nawabshah regions, the North team conducted a number of infrastructure maintenance and expansion activities, as well as UFG reduction tasks, which included the rehabilitation of pipeline mains and services, reinforcements, underground and overhead leak rectifications, replacement of PUG meters and new connections.

Lower Sindh (Hyderabad and Nawabshah)

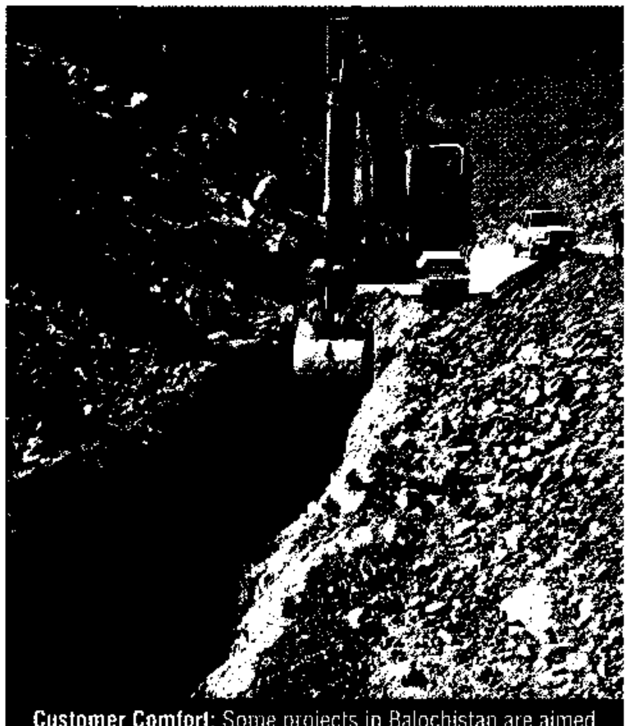
During the year under review, 24 new towns and villages were connected to the existing network by laying over 69 kms of distribution mains and service lines. In addition, 13.6 kms of distribution mains and service lines were rehabilitated. While normal pipeline expansion of 32 kms was carried out, 2.4 kms of reinforcement work was also carried out. On the other hand, as part of UFG-reduction activities, whereas 163,055 overhead leak surveys were conducted, 76,162 overhead leak rectifications and underground leak rectifications, spreading over 4,046 kms, were carried out. 14 Town Border Stations were also added and modified and 5 PRSs were added to the network. In addition, 22,895 new domestic connections were given.

Balochistan Region (Quetta, Pishin, Sibi, Dera Allah Yar and Sui)

During the year under review, the Balochistan Region Team laid down 26 kms and 70 kms of distribution mains and service lines respectively. In addition, 34.3 kms of distribution lines and 10.2 kms of service lines were reinforced and rehabilitated. Moreover, 12,407 new gas connections were given during the year.

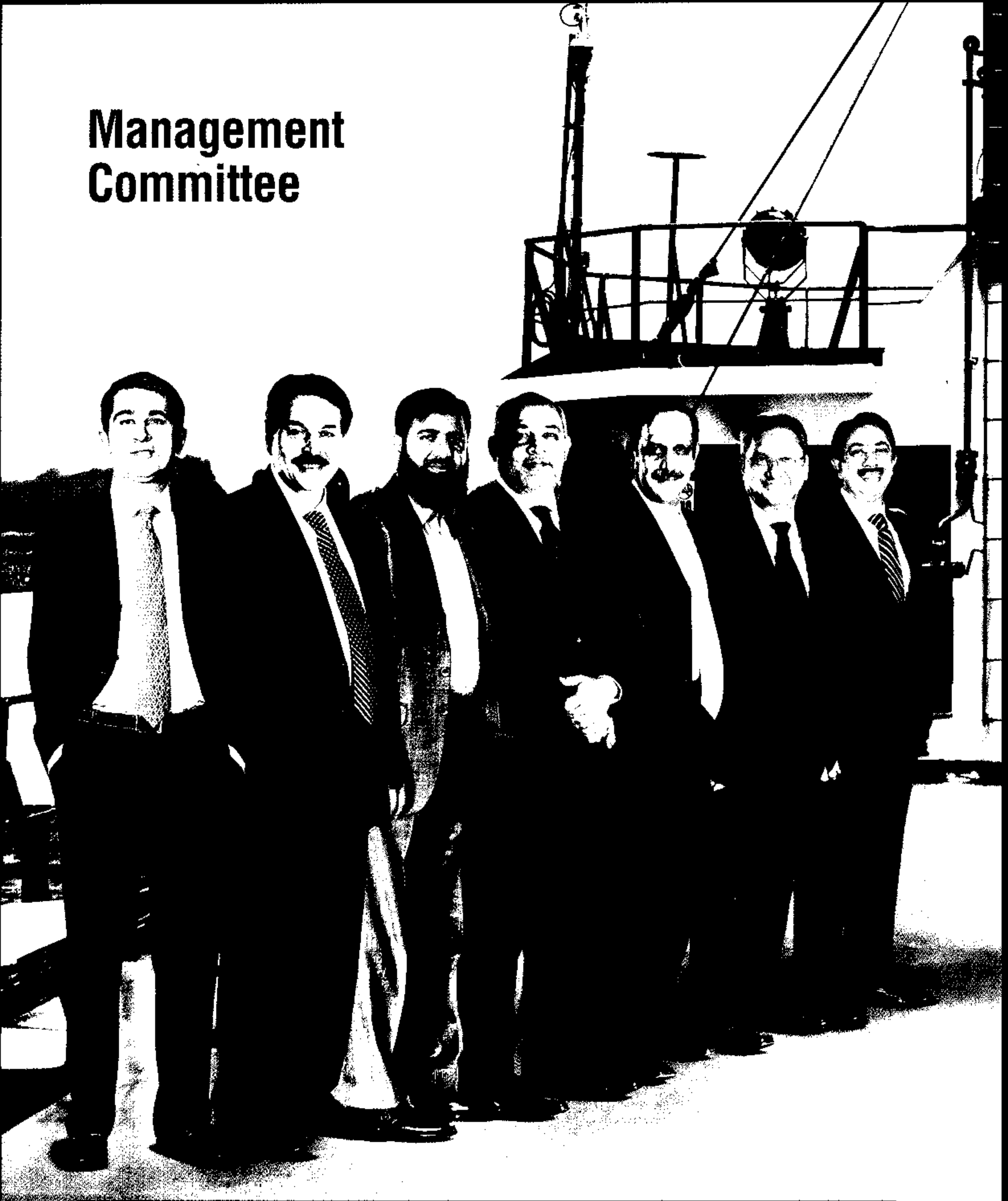
During the year under review, 931 kms of underground leak survey was carried out as part of UFG-reduction activities. Moreover, 74,956 overhead leak survey activities were also undertaken. The concerned UFG-control team performed caging of 26,783 meters and disconnected the lines of 372 commercial and 13,848 domestic defaulters. During the same year, 16 new TBSs were added to the system while 12,705 domestic gas meters Passing Unregistered Gas (PUG) and 18,915 old meters were changed.

Work is afoot in laying down 16" dia. 39-km parallel line from Quetta to Mastung as part of the Company's reinforcement and rehabilitation plan. The project is being built at a cost of Rs. 840 million and stands to benefit more than 12,000 residents of Mastung, Kalat and en-route villages by solving the low pressure problems faced by the population. The project is being carried out in two phases. The first phase kicked off on March 1, 2015 and was completed on June 30, 2015.



Customer Comfort: Some projects in Balochistan are aimed towards easing low pressure problems

Management Committee



L to R: Irfan Zafar (SGM-Special Projects) | Dr. Ejaz Ahmed (ASGM-Customer Services) | Syed Fasihuddin Fawad (GM-Regulatory Affairs) | Shoaib Ahmed (Company Secretary) | Asim Tirmizi (Project Director-Liquified Gases) | Fayyaz Merchant (SGM-Engineering Services) | Muhammad Amin Rajput (Chief Financial Officer)

L to R: Khalid Rahman (Managing Director) | Mohammad Ahmed Siddiqui (ASGM-Procurement and Inventory Management) | Saeed Larik (ASGM-Distribution South) | Nisar Ahmed Sheikh (GM/Incharge-Distribution North) | Asad Saeed Khan (SGM-Human Resource) | Amir Mumtaz Khan (ASGM-General Services)

Not in Picture: Adnan Saghir Siddiqui (ASGM-Transmission)

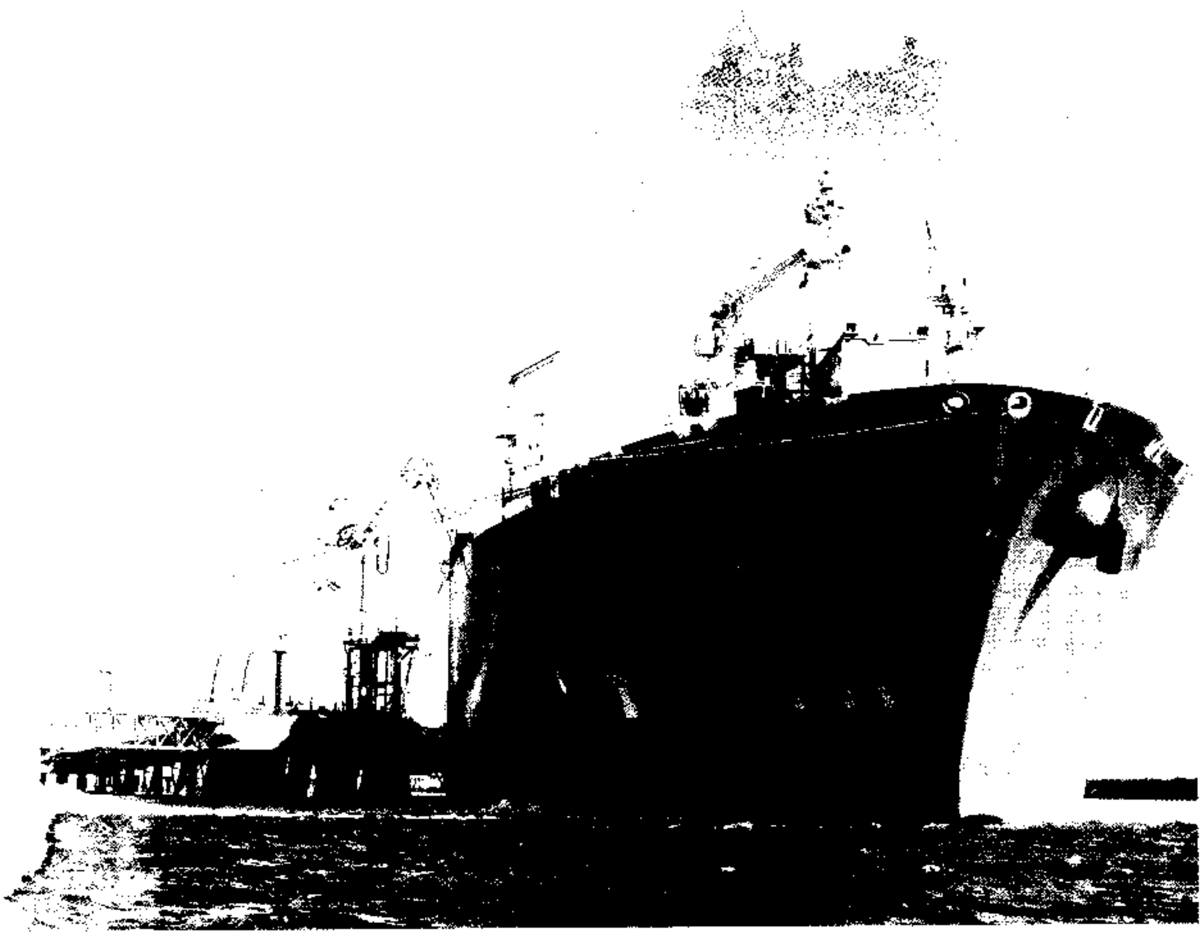
LNG Import

Pakistan is currently facing an acute shortage of natural gas. The Country's constrained demand for gas has reached 6 BCFD whereas local gas production hovers around 4 BCFD. This widening gap between supply and demand of energy has posed a grave threat to the accelerated growth of country and is estimated to cost approximately two percent of GDP annually.

To overcome the shortage of natural gas, the Government of Pakistan (GoP) has chalked out various energy mix options. Of these, bringing LNG to the shores of Pakistan has finally materialized.

By virtue of the efforts of the Company's Liquefied Gases (LGs) Department, services for storage and regasification of LNG were procured from Engro Elengy Terminal (Pvt.) Limited (EETPL). The Terminal was developed in a record time of eleven months and was successfully commissioned on March 28, 2015. Five cargoes of LNG procured by PSO (nominated by GoP) till June 30, 2015 at EETPL terminal were successfully re-gasified.

Approximately, 15 bcf equivalent to the energy content of 16 Million MMBTU of RLNG has been injected into the Company's high pressure transmission network and an equivalent energy content of indigenous gas of the same volume has been swapped with SNGPL from various gas fields.



> "The Company intensified its efforts to curb gas theft by conducting regular raids in its franchise areas."

Unaccounted-for-Gas (UFG) Control

UFG, in parlance of Gas Distribution and Transmission Company means the difference between gas purchased in volume and gas used internally by the Company for its operations. UFG results from a number of factors, which, inter alia, comprises of the following:

(i) Gas Theft (meter/regulator tampering, illegal direct connections and self-load enhancement)
(ii) Measurement errors, meter tampering and meter getting slow with time and use; and
(iii) Leakages in overhead and underground pipelines due to corrosion, poor workmanship and external damages.

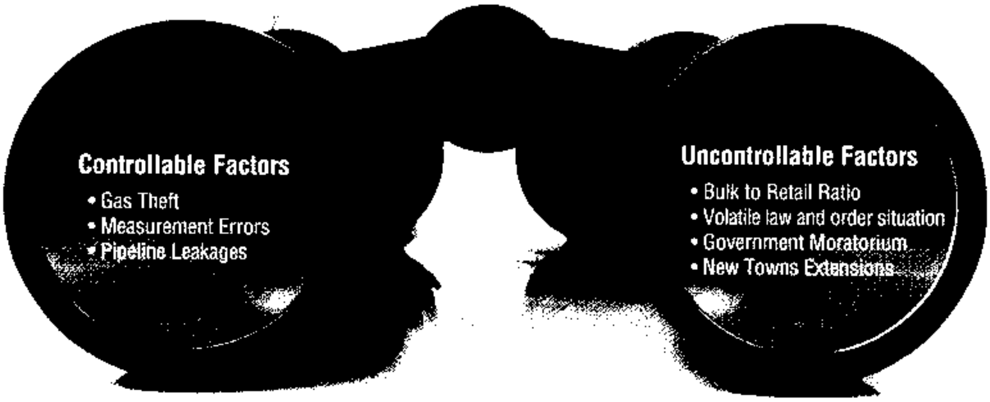
During the year under review, UFG stood at 13.62%.

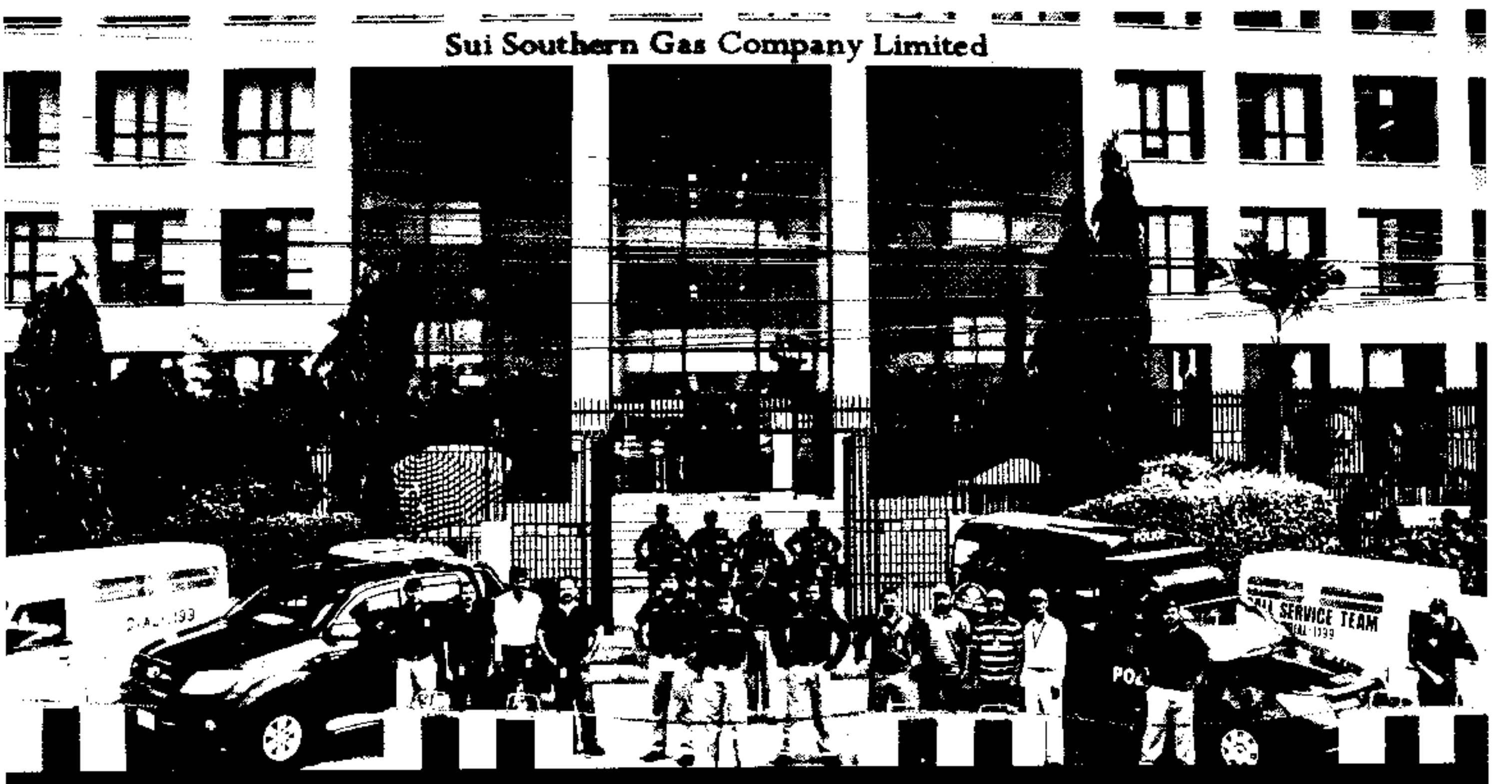
In addition to the above three factors, there are some external factors that are beyond the Company's control. These factors include bulk to retail ratio, volatile law and order situation, government's moratorium on new connections and new towns' extension. All these factors continued to contribute towards

The Menace: After a raid, Balochistan team displaying accessories used in gas theft

significant increase in UFG. The Company, nonetheless, took concerted efforts to control UFG by replacing defective meters, rectifying leakages and installing cyber locks at industrial premises. In addition, the Company continued to undertake anti-gas theft raids which helped to save volumes.

In April 2015, SSGC became the first ever utility to set up a police station dedicated to bring to book miscreants involved in gas theft. This dedicated police station facilitates the Company in registering FIRs, collecting evidence and presenting challans before courts.





Tightening Grip: Teaming up of SSGC UFG Control units and dedicated police force has given a new impetus to the Company's efforts against gas theft

Customer Services

Customer Relations Department (CRD)

The Company's commitment towards providing quality service to its customers is its Unique Selling Proposition. During the year under review, the Department's executives and staff, facilitated by 1199 Emergency Vans, Contact Centres and Task Forces, received and rectified complaints of various nature from 2.7 million customers while fighting the menace of UFG in Sindh and Balochistan.

While the teams attended to 377,841 customer complaints of various nature, the Contact Centre agents responded to 514,398 customers' calls. The Department also continued to create mass awareness about energy conservation and hazards resulting from gas leakages and theft through print and electronic media advertisements. In all, 102,000 PUG meters were replaced.

Gas theft control: The CRD Task Force intensified its drive against gas theft, a major factor behind UFG, by undertaking more than 1,024 raids against 85,879 non-customers in Karachi, Hyderabad, Nawabshah, Sukkur, Larkana and Balochistan. In doing so, 4,948 mmcf of gas volume was saved, which in monetary terms amount to Rs. 1,392 million. The Department raised gas theft claims against non-customers through installation of bulk meters by conducting 739 raids in Karachi, Hyderabad, Nawabshah and Larkana. In doing so, 5,181 mmcf volume of gas was saved, that amounts to Rs. 1,812 million in monetary terms.

Billing

The Company is committed towards conducting accurate and timely reading and bill distribution of its rising customer base on a monthly basis. The billing department is also involved in number of activities including handling of customer queries, analyzing different aspects of sale and conducting multiple surveys. Like the previous year, the Department made strenuous efforts to secure its debts. In this regard an amount of Rs. 2,941 million was collected to enhance the Gas Supply Deposit (GSD) of all the categories of customers.

As part of its UFG-reducing activity, during the year under review, the Billing Department segregated and redefined 30 sites as UFG zones. The Department also identified those consumers, who were involved in theft / slowing down of gas meters and charged 196 mmcf on such consumers.

Nil and minimum consumption customers' survey was carried out to identify PUG / tempered cases. 323,950 from all the categories of customers were surveyed and over 87,000 tampered and PUG cases were identified. In addition, 46,048 gas theft cases and 33,893 cases for rehabilitation were identified for necessary action.

Workshops were organized to provide training on hand-held computers and data processing to meter readers and data processing personnel. In addition, boot camps for Billing's executives and staff on Customer Care and Billing System and Statistic Analyzing System were arranged to analyze sales volume and billing queries.

Recovery of Dues

The primary task of Recovery Department is to take necessary steps for realization of maximum possible amount due against gas bills. During the year under review, the Department carried out the following activities:

- **Issuance of Notices/Reminders:** Issued one million notices/reminders to defaulting customers to remind them of their moral/legal responsibility.
- **Disconnection of Domestic Defaulters:** 126,733 defaulting domestic customers, who owed Rs. 2,688 million to the Company, had their connections disconnected on failure to settle their bills despite repeated persuasion.
- **Persuasion of High Value Defaulters:** Contacted high value government/bulk/domestic defaulters in order to convince them to settle their dues.
- **Media Campaign:** Conducted aggressive media campaign through press and TV channels.
- **Facilitation Camps:** Set up camps at thickly populated apartments and localities to provide them convenience of installment, and prompt reconnection.

Surveillance and Monitoring (S&M)

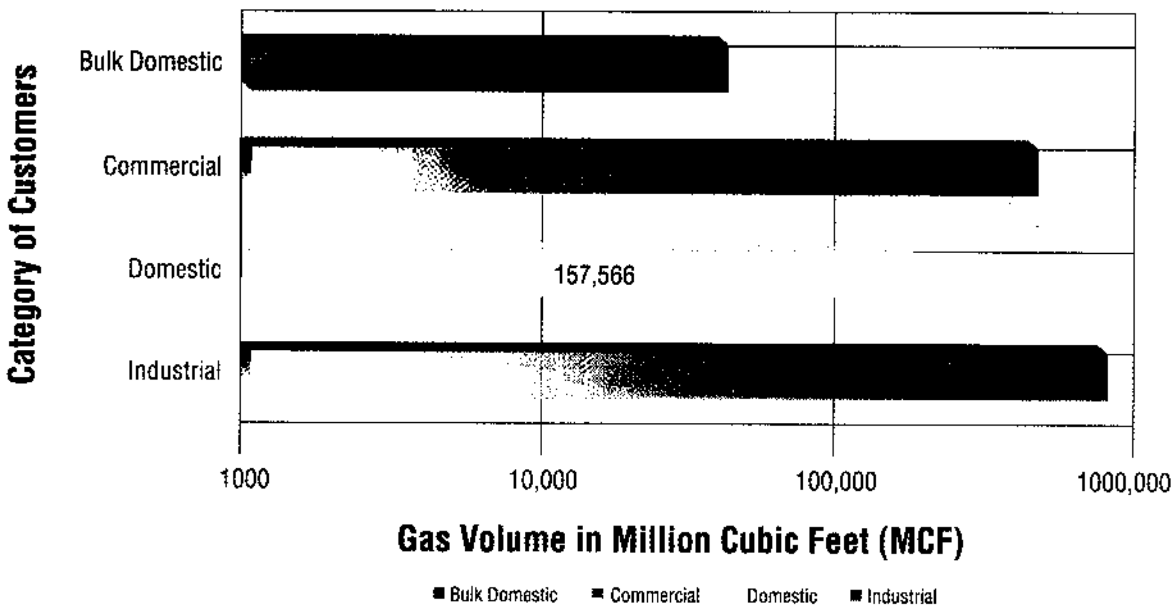
During the year in review, the S&M teams were involved in the following activities:

- The year saw FIA and SSGC teams carrying out joint raids against gas theft. In this regard, the Company nominated regional in-charges of S&M Department who coordinated with FIA officials in their regions to affect crackdown against gas theft. Involvement of FIA has helped the Department in creating deterrence against the customers.

  FIA is also helping the Company's field teams to carry out operation against gas theft culprits in No-Go Areas, where access to these areas was impossible in the past. 40 FIRs were lodged against culprits in coordination with FIA and SSGC police station. In addition, 28 applications were submitted in local police stations against gas thieves. Furthermore, more than 775 legal notices were sent to unacknowledged claimed customers for recovery of outstanding claim amount.

- Surveillance activities have been increased their manifold, in order to comb out areas where UFG level is high.
- Almost all industrial customers are being cyber locked, in order to avoid unauthorized access to the Customer Meter Station (CMS). Only authorized persons our given the right to access CMSs.
- Ultrasonic meters were installed on selected potential theft industrial/commercial customers to help monitor meter reversals/direct use of gas.
- Electronic Volume Correctors (EVCs) were installed, across all the industries, in order to keep a strict check and balance on Gas consumption/Abnormalities.

Category-wise volume claimed from gas theft raids undertaken by S&M



Built to Last: A meter plant worker ensuring quality control of meters being manufactured at the plant

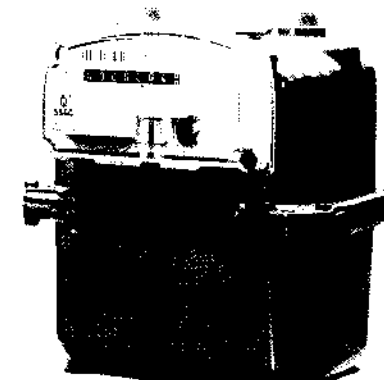
Meter Manufacturing Plant

SSGC established its Meter Manufacturing Plant (MMP) in 1975 for the primary aim of fulfilling the country's domestic gas meter requirement. At present, two types of domestic gas meters are under production / assembly at MMP: namely Remus G-1.6 (0.8 liter capacity, completely indigenized) and Gallus 2000 G-4 (1.2 liter capacity) meters manufactured under the license of M/s Itron, France. Besides catering to internal requirements of the gas meters, the meter plant supplies units to SNGPL, its biggest customer. The Meter Plant is also engaged in exporting limited quantities of G-1.6 Gas Meters to Germany since 2009.

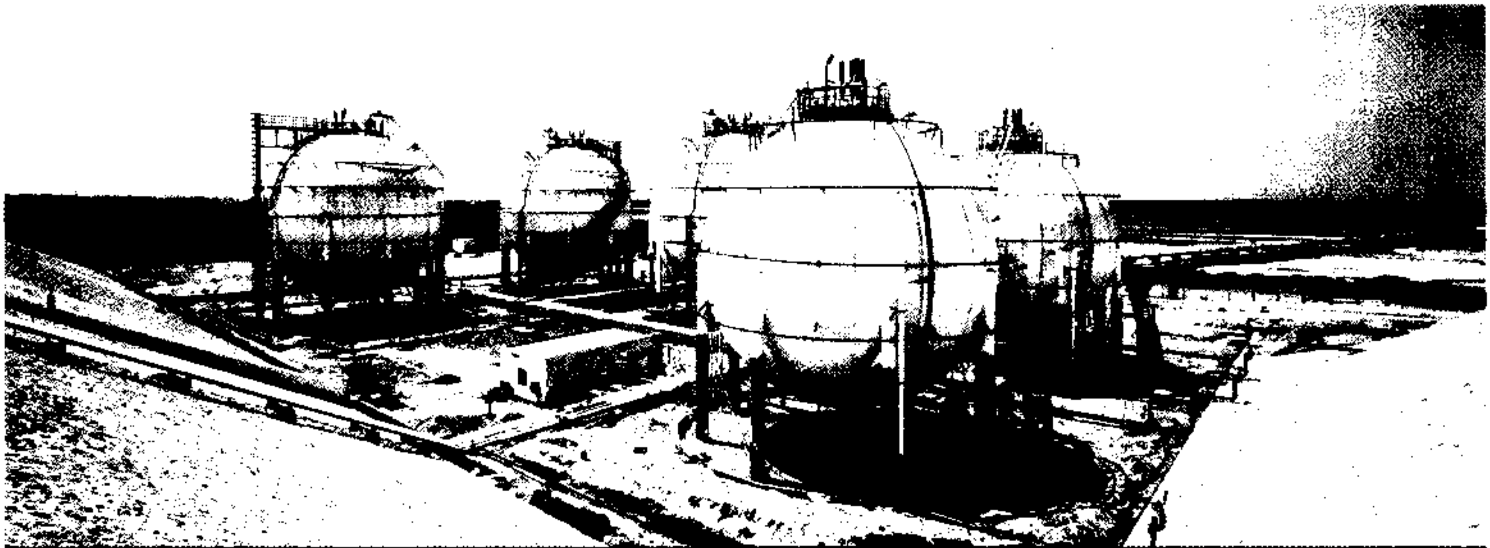
During the year 2014-15, the Meter Plant produced 614,680 gas meters. In addition, the Plant also supplied 368,540 gas meters to SNGPL and 293,339 gas meters to SSGC to fulfill the requirements of gas meters for new connections and scheduled replacements. The profit generated from meter plant operations amounted to Rs. 115 million. During the year, MMP made the following changes to its facilities to ensure quality improvement and enhance productivity of existing G-1.6 and G-4 Gas Meters:

- Incorporated Jigs and Fixtures to check parts, sub-assemblies and assemblies.
- Added two state-of-the-art Calibrations Ramps in Calibration Section.
- Installed computerized Under Water Leak Test Machine for G-4 Gas Meters.
- Installed and commissioned Automatic Screw Driving Unit for G-1.6 Gas Meters.
- Installed and commissioned Automatic Gluing Machine for G-1.6 Gas Meters.

In view of the rising UFG trend, the Meter Plant, in collaboration with SNGPL and Itron, made appreciable efforts to develop and improved version of existing G-4 meter with additional anti-tampering and dust proof features.



For Controlling UFG: G-4 meter being produced by the Plant is much more robust against meter tampering



On the Rebound: LPG Plant at Port Qasim Authority registered impressive operational profit

SSGC-LPG (Pvt.) Ltd. (Subsidiary Company)

During the year under review, SSGC-LPG (Pvt.) Ltd. sales volume was 31,654 MT (2013-14: 34,211 MT). Significant growth was seen during the year in Bulk Business Segment. Decline in volume was mainly due to short supplies, otherwise the volumes would have been higher. Market share remained at 4% and the Company, for the first time since 2011-12, was able to cover all its operating cost and depreciation and earned an operating profit of Rs. 53 million, compared to the corresponding period last year.

The Company is clearly on a recovery path and after making a loss of Rs. 447 million in 2013-14, achieved an operating profit this year.

The Terminal business remained closed for 6 months due to pipeline repair work, which started in January 2015. The Company handled 17,300 MT (19% market share) till June 2015, earning a revenue of about Rs. 60 million from terminal operations. Despite partial operation of the Terminal, the Company earned operating profit. However, there was a loss after tax amounting to PKR 138 million which was due to heavy financial charges and taxation. The Company is expected to become profitable from 2015-16 onwards.

Measurement

Measurement Distribution: The Measurement Department is responsible for ensuring accurate measurement of gas volume through Operations and Maintenance of Customer Meter Stations (CMSs) of Industrial customers, throughout the franchise areas of Sindh and Balochistan. During the year under review, Measurement Distribution performed the following activities:

- For reconciliation of gas sales and purchase of distribution segments, 365 Remote Monitoring Units were installed on meters of TBSs and PRSs.
- For hourly monitoring of gas consumption of industrial units, an additional 504 Remote Monitoring Units were installed.
- To ensure accuracy of industrial meters, field proved 1,399 meters at customer sites with the help of a 10M field prover.
- Replaced 360 faulty / PUG / Slow industrial meters.
- For precise measurement of gas sale, the Department installed 523 Electronic Volume Corrector (EVCs) on large industrial customers.
- Upgraded electronic hardware of 1,000 existing Remote Monitoring Units.

Precise Measurement: Field prover is used to check accuracy of industrial meters

Meter Repair Shop KT and Hyderabad: The Meter Repair Shop repaired 390 faulty industrial meters and 2,791 commercial meters. 12,124 meters tested for theft/tampering were sent by CRD and S&M Departments. In addition, in-house proving of 150 industrial meters was conducted. Furthermore, a 20M Prover was installed at Meter Repair Shop, Hyderabad.

Regulation and Tariff

- The Company successfully complied with Oil and Gas Regulatory Authority (OGRA) specified Performance and Service Standards and License Conditions for undertaking regulated activities of transmission, distribution and sale of natural gas.

- During the year under review, the Company filed its petition before OGRA for determination of its Estimated Revenue Requirement (ERR) for FY 2015-16 in which it requested net shortfall of Rs 155.24 per MMBTU. This included decrease in prescribed prices by Rs. 14.68 per MMBTU for FY 2015-16 and Rs 169.92 per MMBTU for previous years. The public hearing was conducted on September 16, 2015 in Karachi and September 18, 2015 in Quetta.

- Final Revenue Requirement for FY 2013-14 was filed on March 20, 2015. OGRA held hearing for the same on August 25, 2015 at Karachi. In the instant petition pursuant to Cabinet Committee directives and subsequently the Economic Coordination Committee (ECC) decision dated November 20, 2014, volumes related to the following have been taken into revenue requirements:
  a. Volume pilfered by non-consumers.
  b. Volume consumed in law and order affected areas; and
  c. Impact of change in Bulk Retail Ratio.

  The ECC also approved provision for doubtful debts at a minimum of 1% of the sales.

- During the period under review, the Company filed its Motion for Review Petition against DERR for FY 2014-15 on July 28, 2014, requesting for an increase in prescribed prices by Rs. 12.25 per MMBTU and subsequently on October 31, 2014 filed a Review Petition for FY 2014-15 to allow price increase of Rs. 27.74 per MMBTU, consequent upon changes in well-head prices and estimates of gas off-takes with the request to treat the MFR as an integral part of the instant Review Petition. However, due to lack of quorum at OGRA, the Petitions could not be considered prior to close of FY 2014-15, therefore becoming irrelevant owing to the availability of actual accounts.

  The Company submitted its petition for Total Revenue Requirement for FY 2014-15, requesting net increase of Rs. 68,138 million or Rs 191.95 per MMBTU which included Rs. 24,594 million for FY 2014-15. However, in the Determination, the Authority determined a shortfall of Rs. 23,468 million including Rs. 5,695 million for FY 2014-15 or an increase in the Company's prescribed prices, effective July 1, 2014 by Rs. 66.11 per MMBTU (Rs. 16.04 per MMBTU for FY 2014-15).

  The Authority allowed UFG target at 7% and treated Late Payment Surcharge, Meter Manufacturing Profit, Sale of Condensate and Royalty from JJVL as Non-operating Incomes in line with the stay order granted by Sindh High Court (SHC).

Internal Audit

Internal Audit's function in the Company is carried out through an independent in-house Internal Audit Department to assist the Board of Directors and the Management in sustaining and persistently improving internal controls in accordance with the business risks appraisal. The Internal Audit Department is headed by a Chief Internal Auditor, functionally reporting to Board Audit Committee (BAC) and administratively to the Managing Director of the Company. The performance of the Internal Audit Department is monitored through BAC.

The Internal Audit Department has free and unfettered access to management information as per the Internal Audit Charter. Internal Audit is also required to abide by a Code of Ethics, as approved by the Board. The Internal Audits are conducted under Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) and Standards for Information Systems Auditing issued by the Information Systems Audit and Control Association (ISACA).

The Audit Plan for FY 2014-15 was implemented with full vigor and numerous internal audit reports were issued. Significant audit findings were reported to Audit Committee of Directors.

The Company started with the Silver Level and now is a Gold Level ACCA Approved Employer. The transformation from Silver to Gold Level symbolizes the Company's attainment of best practice standards relating to development of students aspiring for professional qualifications. The Company is tapping young and dynamic talent and developing them in to a pool of qualified professionals, who are contributing to the business.

Procurement Processes

In the year under review, the Company embarked upon an ambitious LNG pipeline project that entailed the construction of a 42" dia. 352-km pipeline from SMS Pakland to RS-Nara. During the year, floating of all tenders was completed within the shortest allowable response time as per PPRA Rules.

The Procurement Department played a pivotal role in the timely procurement of a wide array of goods and services for the Company, worth around Rs 8.6 billion, in order to cater for other operational and project base departments' requirement. The Department aims to remain focused in obtaining the best value of money by following PPRA Rules in true spirit.

> "Monitoring of projects is carried out as per standards through bi-annual HSE internal audits and external surveillance audits by an external certification body."

Health, Safety, Environment and Quality Assurance

Health, Safety, Environment and Quality Assurance (HSE&QA) Department has played a pivotal role in implementing an effective HSE Management System in the Company. Rehabilitation and pipeline jobs are monitored by HSE&QA teams in Karachi, Interior Sindh and Balochistan. Inspection and monitoring of workmanship and quality of work are carried out regularly to achieve compliance with the SOPs and implementation of good quality practices. Environmental Impact Assessment of all major development projects are carried out as per the Pakistan Environmental Protection Act (PEPA), Environmental Impact Assessment (EIA) regulations and OGRA condition 16.1. HSE&QA's good quality practices have enhanced the life span of pipeline network and infrastructure.

Monitoring and measurement are carried out as per the standards through bi-annual HSE internal audits and external surveillance audits by the external certification body M/s. Bureau Veritas Certification, in order to evaluate the effectiveness of Company's HSE Management System.

During the year under review, LNG terminal was successfully connected with SMS Pakland and currently 42" dia. 352-km pipeline project is a major national project in which welding, jointing, laying and construction will be carried out as per international standards.

HSE&QA team will ensure quality of work and safety of employees/assets and will consequently monitor and record activities of the concerned departments. During FY 2014-15, inspection and performance test of more than 6 million locally manufactured fittings, regulators, service valves and service Tees was carried out at the Development and Inspection Shop of HSE&QA Department to ensure the availability of best quality product for service connections and fittings as per international standards.

HSE&QA Department is in the process of acquiring ISO-9001:2008 Certification. Going forward, in addition to ISO 14001:2004 and OHSAS 18001:2007 standards of occupational health and safety, QMS Certification Services will also help in controlling UFG by standardizing the material and establishing selection criteria for suppliers/vendors/contractors and effective monitoring of processes.

LNG Trail: IT and Distribution personnel examining a project map prior to conducting a pipeline survey

Information Technology

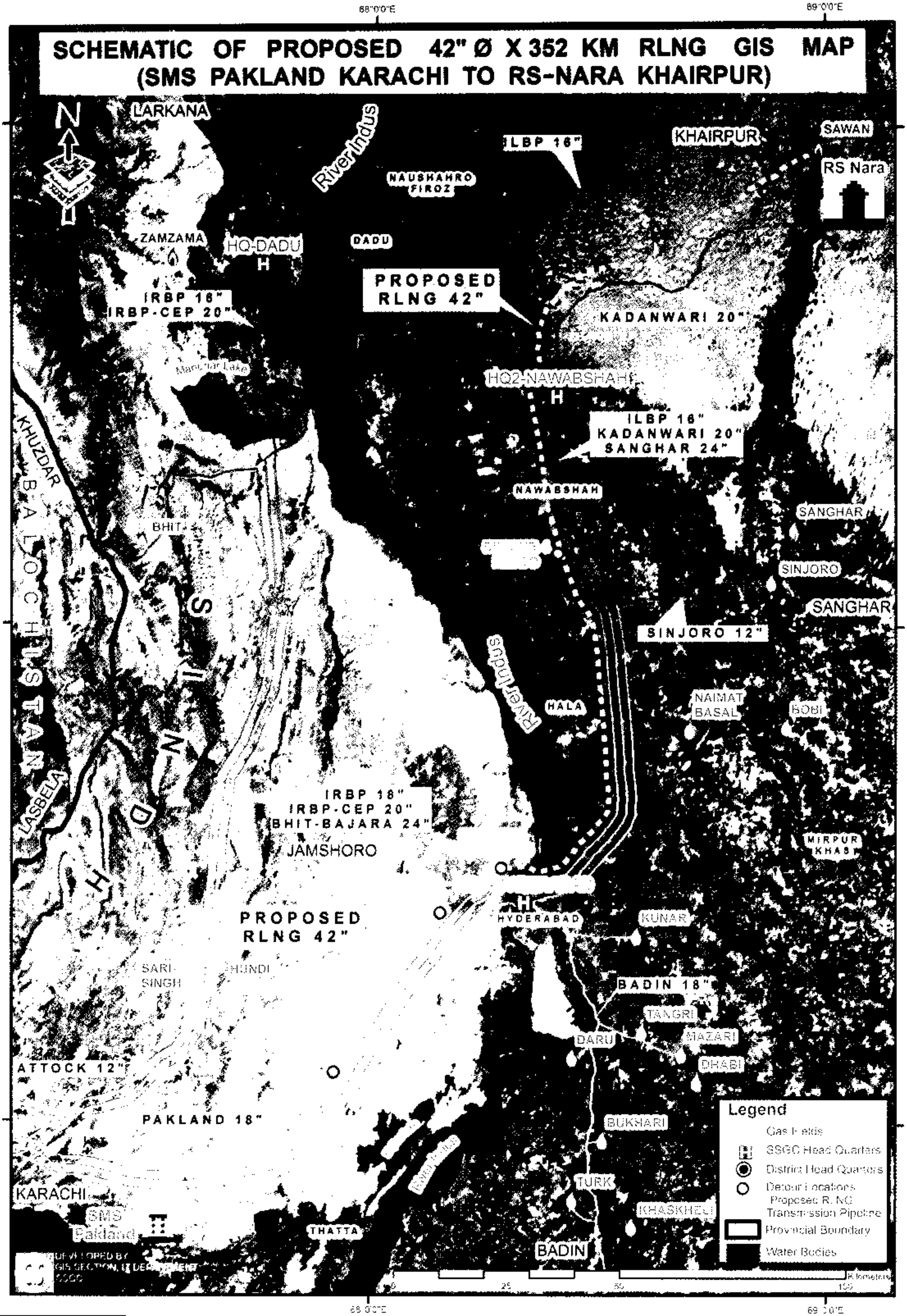
Enterprise Resource Planning: The Company's ERP team successfully upgraded Oracle e-Business suite from Oracle 11i to Oracle R12 version. The ERP team also implemented Funds Accounting System that covers Provident Funds, Gratuity, and Benevolent Fund. The team also improved many Business Processes for the improvement of transparency and traceability of transactions.

Geographical Information System (GIS): The GIS section released and published "Base Map-Version 2014-15" on existing web GIS applications. Several new societies and areas have been updated. Also, new customized web GIS tools such as "Gas Customer Summary" and "Calculate Line Pack in MCF" have been introduced in the application for identifying billing area wise number of domestic, commercial and industrial customers and calculating gas distribution pipeline pack in MCF (material and diameter wise along with network length) in user's "Area of Interest".

Newer version of CC&B: SSGC has a comprehensive state-of-the art Customer Care and Billing System catering around 2.7 million customers across Sindh and Balochistan. The CC&B application is used for processing, reviewing, analyzing, billing, correcting, adjusting and raising claims on an individual customer through one centralized interface for integrating accounting data with ERP. During the year 2014-15, segmentation and tagging of customers to monitor Sales Trends/UFG Analysis on SMS/TBS/PRS level and to establish strategic business units was implemented.

IBM Rational Focal Point & Collaborative Lifecycle Management: IT Department successfully customized and implemented the Enterprise Project Portfolio Management Solutions in Distribution South Division (Karachi Central, Eastern and Western regions) using IBM Rational Focal Point Software. Gas Distribution engineers are now able to use Rational Focal Point to create stakeholder register, risk register, project scope, project schedule, budget, quality management plan, resource pool, and communications management plan.

The Company's ERP team successfully upgraded Oracle e-Business suite from Oracle 11i to Oracle R12 version. The ERP team also implemented Funds Accounting System that covers Provident Funds, Gratuity, and Benevolent Fund. The team also improved many Business Processes for the improvement of transparency and traceability of transactions.


SCHEMATIC OF PROPOSED 42" Ø X 352 KM RLNG GIS MAP
(SMS PAKLAND KARACHI TO RS-NARA KHAIRPUR)
LARKANA
River Indus
NAUSHAHRO FIROZ
ILBP 16"
KHAIRPUR
SAWAN
RS Nara
ZAMZAMA
HQ-DADU
DADU
PROPOSED RLNG 42"
IRBP 16"
IRBP-CEP 20"
KADANWARI 20"
HQ2-NAWABSHAH
ILBP 16"
KADANWARI 20"
SANGHAR 24"
KHUZDAR
NAWABSHAH
BHIT
SANGHAR
SINJORO
SANGHAR
BALOCHISTAN
SINDH
SINJORO 12"
River Indus
NAIMAT BASAL
BOBI
HALA
LASBELA
IRBP 18"
IRBP-CEP 20"
BHIT-BAJARA 24"
JAMSHORO
MIRPUR KHAS
PROPOSED RLNG 42"
HYDERABAD
KUNAR
SARI SINGH
HUNDI
BADIN 18"
TANGRI
MAZARI
DARU
DHABI
ATTOCK 12"
PAKLAND 18"
BUKHARI
Legend
Gas Fields
SSGC Head Quarters
District Head Quarters
Detour Locations
Proposed RLNG Transmission Pipeline
Provincial Boundary
Water Bodies
KARACHI
SMS Pakland
TURK
KHASKHELI
THATTA
BADIN
68°0'0"E
69°0'0"E
27°0'0"N
0
25
50
100
Kilometers

“In order to increase the quality of the workforce and ensure that the Company has an available talent pool ready to fill critical positions within the Company, the Department introduced the Emerging Leadership Program.”

Human Resource

The Human Resource Department took a number of initiatives in 2014-15 to streamline its operations and maximize its efficiency. In order to increase the quality of the workforce and ensure that the Company has an available talent pool ready to fill critical positions within the Company, the Department introduced the Emerging Leadership Program in 2014. Young, fresh graduates having engineering and management background, are encouraged to apply for the program. Successful candidates are placed in training for two years on a contractual basis, to help them gain valuable knowledge and skills that will benefit their career and the Company. Succession planning exercise was also carried out by the HR Department for key positions identified within the Company in order to cover any succession gap occurring due to separation, transfer or retirement of the concerned executives.

In addition, a draft of organization manual was developed by the Department in which organizational charts and hierarchy reporting structure for the entire company were incorporated-along with roles and responsibilities for each function under the directives of the Management.

In order to facilitate executives and to increase clarity on the Performance Management Process, a Performance Awareness Program was conducted company wide in FY 2014-15. Focal persons and representatives from each department attended the training sessions which covered the methodology and concept behind the Performance Management Process along with discussion with regard to its various formats and features.

The Management of SSGC introduced a "Whistle Blowing Policy" in FY 2014-15 to encourage the Company employees to come forward and report suspected or actual occurrence of illegal, unethical or inappropriate events (behaviors or practices) without retribution within the Company, rather than overlooking a problem or "blowing the whistle" outside.

In order to increase sharing of knowledge and motivation within the organization, "Job Rotation Policy" was introduced by the HR Department in 2014 and implemented in FY 2014-15 in which executives, spending at least five years within a certain department, were required by the Company to be rotated to another department or alternatively to a different section/location within the same department in order to gain alternative skills set and knowledge: thus preparing the executives for higher responsibilities.

The Industrial Relations Section successfully arranged a referendum, through secret ballot, for the determination of a Collective Bargaining Agent (CBA) in SSGC. It was held on 26 November 2014 under the supervision of Registrar/Authorized Officer, National Industrial Relations Commission (NIRC) Islamabad. The IR Section successfully arranged Long Service Awards ceremonies in Karachi, Hyderabad, Sukkur and Quetta to acknowledge the contribution of Company veterans who had completed 10, 15, 20, 25, 35 and 40 years of service.

Human Assets: Maximizing its human resource's potential is fundamental to the Company's success

Knowledge Transfer: A view of Gas Training Institute in Karachi Terminal

Training and Development

During FY 2014-15, major training and development initiatives were taken to focus on quality workmanship with the aim of improving organizational efficiency. A number of Technical courses were conducted by Subject Matter Experts identified within the Company to allow for knowledge transfer and skill enhancement.

Topics such as Corrosion Control Techniques, Underground/ Overhead Gas Leak Survey and Rectification, Managing Pipeline Integrity, Techniques for Controlling UFG, Welding Techniques, Gas Distribution Pipeline System, Gas Quality Measurement and Gas Chromatographs were conducted across the franchise areas, so that equal opportunity for learning and development is provided. Besides this, soft skill trainings were also conducted with the purpose of improving managerial competency within the Company and also to prepare executives for next level positions in order to create a leadership pipeline for succession planning.

Soft skill trainings were competency-based and several were conducted by market based trainers so that updated and quality training material can ensure that the human capital of the Company is competitive in terms of Learning and Development. Computer-based trainings including Management Information Systems/Dashboard for KPIs, GIS Awareness and CC&B were conducted which were all geared to improve organizational capabilities. A total of 114 technical courses and 68 Soft Skills training sessions were held in 2014-15.

Technical Training: A Cathodic Protection engineer conducting field training in Hyderabad

Towards Disease Management: The Medical Department is focused towards disease prevention, detection and early intervention

Medical Services

During the FY 2014-15, the Medical Services Department went through an operational revamping. It also re-organized its KPIs keeping in view the vision of the Department.

This year, the Department approached ongoing medical challenges through a critical analysis that helped it in identifying patients with high medical costs and multiple medical problems. A solution tree was developed after closely reviewing the problem trend.

This analytical approach helped the Department to start developing a comprehensive screening protocols and Health Related Quality of Life (HRQL) measurement program. This is a long term program and will be completed in the coming two years.

The Department continued to undertake awareness programs on chronic medical conditions. The CMO visited all regional medical centers, personally assessed the conditions of chronic patients in rural areas and referred a number of them to Karachi for their treatment purposes. The purpose was to bring the quality of healthcare of rural population at par with that of urban population.

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> “Through CSR initiatives in the areas of education, health and environment, the Company endeavours to create a long-term value for the society.”

Corporate Social Responsibility

The Company has carved out an enviable reputation of being a corporate citizen driven towards sustainable development in the areas of education, health, environment and community development in its franchise provinces of Sindh and Balochistan.

Education: During 2014-15, SSGC continued to support the deserving students pursuing their academic goals at some of the most reputable educational institutes in the country. Some notable partnerships included providing 4-year scholarships to 3 students in IBA Karachi, scholarship funding of 2 students in BUITEMS, awarding 10 scholarships to students of QUEST, signing MoU with MUET to provide scholarships to 10 students and partnership with IoBM to provide financial help to 2 students. Other worthy associations included IBA Sukkur, FCC-Lahore, NEDUET, DBEP-Quetta and a partnership with The Hunar Foundation.

Health: This year, the CSR Unit continued to focus on supporting diverse healthcare. This year marked the renewal of ties between various organizations, such as MALC with SSGC, to provide monetary support to MALC's two Triple Merger Centers (TMCs) in Gwadar and Mirpurkhas. The Company also provided monetary support to Fatimid Foundation Kidney Centre (FFKC) and Imkan Welfare Organization to help them meet their operational expenses. In addition, monetary support was provided to SIUT Sukkur for purchase of 2 Dialysis Machines. The Company also made financial contribution to Omair Sana Foundation (OSF) to help it purchase of 3,060 blood bags for 170 patients of thalassemia. Monetary support were also provided to Children Cancer Hospital, Child Aid Association and Poor Patient Aid Society.

Environment: The CSR Unit has a dynamic vision for the welfare of the communities where the company operates. The Company has been instrumental in conducting relief activities, whenever the country encountered sudden calamities such as floods and earthquakes. The Company provided relief goods to over 1,000 drought-ridden families of Tharparkar. Apart from the contributions to Prime Minister's Relief Fund for IDPs, SSGC collaborated with WWF to meet its bio-diversity goals. Financial support was also provided to SOS Village in Quetta, Make-a-Wish Foundation and Estanara Institute.

Acknowledgments

The Directors wish to express their appreciation for the continued support and patronage received from the shareholders and its valued customers. At the same time, we wish to acknowledge the dedication of all the employees who soldiered on, despite a myriad of challenges confronting the Company.

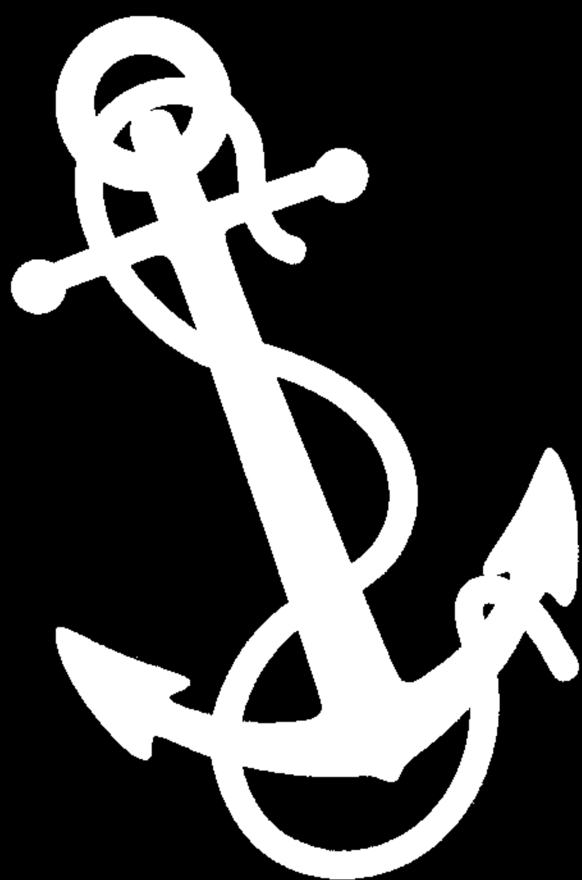
We also place on record our acknowledgment for the continued guidance and support received from the Government of Pakistan, the Ministry of Petroleum and Natural Resources and the Oil and Gas Regulatory Authority. The Board would especially like to thank all the outgoing directors for the role they played in the policy making and their focused approach in addressing issues.

On behalf of the Board,

Miftah Ismail
Chairman, BoD

Khalid Rahman
Managing Director


SMS-PAKLAND



Corporate Governance

The Board gives prime importance to conducting its business in accordance with the best practices of corporate governance. The Directors spend quality time at Board and Committee meetings and in discussions with executives to ensure the presence of a strong and effective governance system.

Appointment of Managing Director/Chief Executive Officer

Mr. Zuhair Siddiqui (MD) was replaced by Mr. Shoaib Warsi as the Managing Director on July 16, 2014, on interim basis. On January 3, 2015, Mr. Khalid Rahman was appointed as the Managing Director of Sui Southern Gas Company Limited in place of Mr. Shoaib Warsi. The Board welcomed the new Chief Executive and Managing Director and recorded its appreciation for the valuable services rendered by Mr. Zuhair Siddiqui and Mr. Shoaib Warsi (Acting) as Managing Directors of the Company.

Casual Vacancy on the Board

The following casual vacancies occurred on the Board during the year:

1) Mr. Arshad Mirza was replaced by Mr. Furqan Bahadur Khan on April 25, 2015.
2) Mr. Zuhair Siddiqui resigned on July 16, 2014 and Ms. Azra Mujtaba filled the casual vacancy on October 31, 2014.
3) Ms. Azra Mujtaba was replaced by Mr. Shazad Dada on October 18, 2014.
4) Mr. Aamir Amin was replaced by Mr. M. Riaz Khan on October 18, 2014.
5) Mr. M. Raeesuddin Paracha was replaced by Ms. Nargis Ghaloo on November 5, 2014.

The Board welcomed the new Directors and recorded its appreciation for the valuable services rendered by the outgoing Directors.

Composition of the Board

The status of each Director on the Board, whether Non-executive, Executive or Independent has been disclosed in the relevant portion of the Annual Report in accordance with the Code of Corporate Governance, 2012 (CCG) and the Public Sector Companies (Corporate Governance) Rules, 2013 (PSR) issued by the Securities and Exchange Commission of Pakistan.

Statement on Corporate and Financial Reporting Framework

SSGC, being a public sector entity, adheres to the Public Sector Companies (Corporate Governance) Rules, 2013. The Company is also listed on Karachi, Lahore and Islamabad Stock Exchanges which requires a Listed Company to follow the Code of Corporate Governance applicable on listed Companies.

Specific statements to comply with the requirements of the Code of Corporate Governance are given below:

i) The Board has complied with the relevant principles of corporate governance and has identified the rules that have not been complied with, the period in which such non-compliance continued and the reasons for non-compliance.

ii) The financial statements, prepared by the management of the Company, fairly present its state of affairs, result of its operations, cash flows and changes in equity.

iii) The Company has maintained proper books of account.

iv) Appropriate accounting policies have been applied in the preparation of financial statements and changes, if any, in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

v) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure, thereof, has been adequately disclosed and explained.

vi) The system of internal control is sound in design and has been effectively implemented, regularly reviewed and monitored.

vii) There are no significant doubts upon the Company's ability to continue as a going concern.

viii) The appointment of the Chairman and other Members of the Board and the terms of their appointment, along with the remuneration policy adopted, are in the best interest of the Company as well as in line with the best practices. Disclosure on remuneration of Members of the Board, Chief Executive/Managing Director and Executives is given on page 143 of the Annual Report.

ix) Reasons for significant deviations from last year's operating results have been explained in the relevant sections of the Directors' Report.

x) Key operating and financial data for the last six years has been given on page 42 of the Annual Report.

xi) Key Performance Indicators of the Company, relating to its social objectives and outcomes, have been disclosed in relevant sections of the Directors' Report.

xii) Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.

xiii) Future prospects, risks and uncertainties have been disclosed in relevant sections of the Directors' Report.

xiv) Details of the value of investments by the following funds, based on Management record, as at June 30, 2015, are as follows:

	2015	2014
	(Rupees in '000)	
Pension Fund - Executives	945.053	1,059,942
Gratuity Fund - Executives	2,036.934	2,160,209
Pension Fund - Non-executives	207.815	304,925
Gratuity Fund - Non-executives	2,474,703	2,655,441
Provident Fund - Executives	2,656,763	2,409.680
Provident Fund - Non-executives	2,697.572	2,392,801
Benevolent Fund - Executives	125.576	132,880

(xv) Number of Board and its Committee meetings held during the year and attendance by each Director has been disclosed in the relevant section of the Annual Report. Leave of absence was granted to Directors who were unable to attend the meetings.

(xvi) A statement of the Pattern of Shareholding in the Company as at 30 June, 2015, of certain classes of shareholders whose disclosure is required under the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, along with the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on page 241 of the Annual Report.

Auditors

The present auditors Messrs. Deloitte Yousuf Adil, Chartered Accountants retire and being eligible, have offered themselves for re-appointment.

Dividend

In view of the Company's losses and reliance upon the Stay granted by the Sindh High Court against the Orders passed by OGRA on matters relating to UFG and non-operating income, the payment of dividend is not recommended.

Accordingly, the Directors recommend, subject to approval by the Members at the Annual General Meeting to be held on May 14, 2016 that no Cash Dividend be paid to the shareholders for FY 2014-15.

On behalf of the Board,

Miftah Ismail
Chairman, BoD

Khalid Rahman
Managing Director

Schedule i
[see paragraph 2(1)]
Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company: Sui Southern Gas Company Limited
Name of the Ministry: Ministry of Petroleum and Natural Resources
For the year ended: June 30, 2015

I. This statement is being presented to comply with the Code of Corporate Governance (hereinafter called "the Code") contained in the listing regulations of Pakistan Stock Exchange (formerly Karachi, Lahore and Islamabad Stock Exchange) and Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Code, the provisions of the Rules shall prevail.

II. The Company has complied with the provisions of the Rules in the following manner:

Sr. #	Provision of the Rules	Rules No.	Yes	No
			Tick the Relevant Box	
1	The Independent Directors meet the criteria of independence, as defined under the Rules.	2(d)	✓	
2	The Board has the requisite percentage of Independent Directors. At present, the Board includes:	3(2)		✓

Category	Names	Date of Appointment
Independent Directors	1. Mr. Agha Sher Shah	30-10-13
	2. Mr. Shazad Dada	18-10-14
	3. Sardar Rizwan Kehar	30-10-13
	4. Mr. Saleem Zamindar	30-10-13
	5. Nawabzada Riaz Nosherwani	30-10-13
Executive Directors	1. Mr. Khalid Rahman	03-01-15
Category	**Names**	**Date of Appointment**
Non-executive Directors	1. Mr. Miftah Ismail	30-10-13
	2. Mr. M. Arif Hameed	30-10-13
	3. Mr. Furqan Bahadur Khan	25-04-15
	4. Mr. Mobin Saulat	30-10-13
	5. Ms. Azra Mujtaba	31-10-14
	6. Mr. Muhammad Riaz Khan	18-10-14
	7. Ms. Nargis Ghaloo	05-11-14
	8. Mirza Mahmood Ahmad	30-10-13
	9. Mr. M. Bilal Shaikh	30-10-13

Sr. #	Provision of the Rules	Rules No.	Yes	No
			Tick the Relevant Box	
3	A casual vacancy occurring on the Board was filled up by the Directors within ninety days.	3(4)		✓
4	The Directors have confirmed that none of them is serving as a Director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓	
5	The appointing authorities have applied the fit and proper criteria, given in the Annexure, in making nominations of the persons for election as Board Members under the provisions of the Ordinance.	3(7)	✓	
6	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	✓	
7	The Chairman of the Board has been elected from among the Independent Directors.	4(4)		✓
8	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria, as well as the guidelines specified by the Commission.	5(2)	✓	
9	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website: www.ssgc.com.pk (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓	
10	The Board has established a system of sound internal control to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty, and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
11	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	✓	
12	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	✓	

Sr. #	Provision of the Rules	Rules No.	Yes	No
			Tick the Relevant Box	
13	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of services. (b) A Committee has been formed to investigate deviations from the Company's Code of Conduct.	5(5)(c) (ii)	✓	
14	The Board has ensured compliance with the law as well as the company's internal rules and procedures, relating to public procurement, tender regulations and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	✓	
15	The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its report for appropriate compensation to the Government for consideration.	5(8)	Not Applicable.	
17	(a) The Board has met at least four times during the year. (b) Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓	
18	The Board has carried out performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of process, based on specified criteria, developed by it.	8(1)		✓
19	The Board has also monitored and assessed the performance of the senior management on an annual basis.	8(2)	✓	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party-wise record of transactions entered into with the related parties, during the year, has been maintained.	9	✓	
21	The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the Board Members.	10		✓

Sr. #	Provision of the Rules	Rules No.	Yes	No
			Tick the Relevant Box	
22	All the Board Members underwent an orientation course, arranged by the Company, to apprise them of the material developments and information as specified in the Rules.	11		✓
23	a) The Board has formed the requisite Committees, as specified in the Rules. b) The Committee was provided with written terms of reference defining their duties, authority and composition. c) The minutes of the meetings of the Committees were circulated to all the Board Members. d) The Committees were chaired by the following Non-executive Directors;	12	✓ ✓ ✓ ✓	

Committee	No. of Members	Name of Chairman
1. Audit Committee	5	Mr. Agha Sher Shah
2. Human Resource and Remuneration Committee	7	Mr. Miftah Ismail
3. Finance and Procurement Committee	4	Mr. Shazad Dada
4. Risk Management Committee	5	Mr. Mirza Mahmood Ahmad
5. Nomination Committee	3	Ms. Azra Mujtaba

Sr. #	Provision of the Rules	Rules No.	Yes	No
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per the prescribed qualifications.	13/14	✓	
25	The Company has adopted International Financial Reporting Standards, notified by the Commission, under clause (1) of sub-section (3) of section 234 of the Ordinance.	16	✓	
26	The Directors' Report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.	17	✓	
27	The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.	18	✓	
28	A formal and transparent procedure for fixing the remuneration packages of individual Directors has been set in place.	19(1)	✓	
29	The Annual Report of the Company contains criteria and details of remuneration of each Director.	19(4)	✓	

<table>
<tr><th rowspan="2">Sr. #</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rules No.</th><th>Yes</th><th>No</th></tr>
<tr><th colspan="2">Tick the Relevant Box</th></tr>
<tr><td>30</td><td>The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.</td><td>20</td><td>✓</td><td></td></tr>
<tr><td>31</td><td>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members.
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr>
<tr><td>Agha Sher Shah (Chairman)</td><td>Independent</td><td>CEO Bhandi Sugar Mills</td></tr>
<tr><td>Mr. Furqan Bahadur Khan</td><td>Non-executive</td><td>Additional Secretary, Ministry of P&NR</td></tr>
<tr><td>Mr. Mobin Saulat</td><td>Non-executive</td><td>MD/CEO Inter State Gas Systems (Pvt.) Ltd.</td></tr>
<tr><td>Nawabzada Riaz Nosherwani</td><td>Non-executive</td><td>Businessman</td></tr>
<tr><td>Sardar Rizwan Kehar</td><td>Non-executive</td><td>Businessman</td></tr>
</table>
The Chief Executive and Chairman of the Board are not members of the Audit Committee.</td><td>21</td><td>✓</td><td></td></tr>
<tr><td>32</td><td>The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.</td><td>22</td><td>✓</td><td></td></tr>
<tr><td>33</td><td>The Company has appointed its external auditors in line with the requirements envisaged under the Rules</td><td>23</td><td>✓</td><td></td></tr>
<tr><td>34</td><td>The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✓</td><td></td></tr>
<tr><td>35</td><td>The external auditors have been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.</td><td>23(5)</td><td>✓</td><td></td></tr>
<tr><td>36</td><td>The Company has complied with all the corporate and financial reporting requirements of the Rules, except for the non-compliances reported in schedule II.</td><td></td><td>✓</td><td></td></tr>
</table>

Certain additional disclosures as required under Code of Corporate Governance (CCG) 2012:

1. All the Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

2. All the powers of the Board have been duly exercised and the decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board/shareholders.

3. During the year, one director of the Company obtained certification as required under CCG.

4. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose.

5. During the FY 2014-15 the 'closed period' was not declared.

6. One of the directors, Ms. Nargis Ghaloo, held directorship in more than five listed companies and public sector companies simultaneously, for which she has obtained exemption from compliance with the provision of the Rule, from Securities and Exchange Commission of Pakistan.

Following are other non-compliances with the Rules which are not covered above.

Sr. #	Provision of the Rules	Rules / Sub-Rule No.
1	A "Register of Interests" is maintained to record all relevant personal, financial and business interests, of directors and executives who have any decision-making role in the company, and the same shall be made publicly available. Such interests may include, for instance, any significant political activity, including office holding, elected positions, public appearances and candidature for election, undertaken in the last five years.	5(5)(b)(iv)
2	A Board meeting held and attended through video-conferencing shall be a valid meeting, as long as its proceedings are properly recorded and the requirements specified by the Commission for public companies for holding Board meetings through video-conferencing are met.	6(5)
3	The Board Committees shall be chaired by Non-executive Directors and the majority of their members shall be independent. However, the Independent Directors in the Committee shall not be less than their proportionate strength during the first four years of the Code.	12(2)

For and on behalf of the Board of Directors,

Khalid Rahman
Managing Director

April 9, 2016
Karachi

Schedule ii
[See paragraph 2(1)]
Explanation for Non-compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year:

Sr. #	Rule / sub-rule no.	Rule / sub-rule / observation	Reasons for non-compliance	Future course of action
1.	3(2)	The Board shall have forty percent of its total members as Independent Directors within the first two years of this notification, which shall be raised to a majority of Independent Directors in the next two years, and the majority shall be maintained subsequently. The public sector company shall disclose in the Annual Report Non-executive, Executive and Independent Directors. However, as at the year end, the Company has three Independent Directors, which is below the percentage prescribed by the Rule.	The Government of Pakistan is the major shareholder in the Company. The Company has communicated the non-compliance of the requirement of the Public Sector Companies (Corporate Governance) Rules 2013 to the Government of Pakistan, with a request that nominations at the Board be revised for compliance of the requirement.	Noted for compliance.
2.	3(4)	Any casual vacancy in the Board shall be filled up by the Directors at the earliest but not later than ninety days thereof. However, casual vacancy occurring due to resignation of Mr. Zuhair Siddiqui was filled up in 94 days with appointment of Mr. Shazad Dada as Director.	The delay on one occasion occurred due to late response from the Government of Pakistan regarding the nomination in place of Mr. Zuhair Siddiqui.	Noted for compliance.
3.	4(4)	The Board shall elect its Chairman from amongst the Independent Directors so as to achieve an appropriate balance of power, increasing accountability and improving the Board's capacity for exercising independent judgment. However, the Chairman of the Board was not an Independent Director.	The Chairman is not in the service of the Government and is providing his services as Chairman Board of Investment without receiving any honorarium for the job. Further, the Board has elected its Chairman relying on principle of best person for the job· and since the term of the Director is for three years, which will expire in October 2016, it was considered prudent to continue with the existing Chairman on merit consideration.	Noted for compliance.

Sr. #	Rule / sub-rule no.	Rule / sub-rule / observation	Reasons for non-compliance	Future course of action
4.	5(5)(b)(iv)	A "Register of Interests" is maintained to record all relevant personal, financial and business interests of Directors and executives who have any decision-making role in the Company, and the same shall be made publicly available. Such interests may include, for instance, any significant political activity, including office holding, elected positions, public appearances and candidature for election, undertaken in the last five years. However, we observed that the Company did not maintain a Register of Interest of Directors and executives.	As per practice, the Directors and executives disclose their direct or indirect conflict of interest on agenda items of the Board and its Committees' meetings. If any conflict of interest arises, the Directors are asked to leave the proceedings of the meetings for the particular agenda item and this matter is also recorded in the minutes. However, the same is not maintained in the form of separate register.	Noted for compliance.
5.	6(5)	A Board meeting held and attended through video-conferencing shall be a valid meeting, as long as its proceedings are properly recorded and the requirements specified by the Commission for public companies for holding Board meetings through video-conferencing are met. However, we observed that the meetings attended by the Directors through video conferencing were not conducted in compliance with the directives issued by the Commission.	The Company has a practice of circulating minutes of the Board meetings to members of the Board within 14 days of the meeting for review and seeking comments. Further, the minutes of the meetings are presented as a separate agenda item in the subsequent Board meeting for confirmation. However, the minutes are not individually signed by each member.	Noted for compliance.
6.	8(1)	The performance evaluation of the members of the Board, including the Chairman and the Chief Executive, shall be undertaken for which the Board shall establish a process, based on specified criteria, and the Chairman of the Board shall take ownership of such an evaluation. The Committees shall also carry out their evaluation on an annual basis. However, we observed that the Board did not carry out performance evaluation of its members on a periodic basis.	The Board has engaged Pakistan Institute of Corporate Governance ("PICG") for conducting evaluation of the Board including its members and its Committees subsequent to the year end.	Noted for compliance.

Sr. #	Rule / sub-rule no.	Rule / sub-rule / observation	Reasons for non-compliance	Future course of action
7.	10(1)	Every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance-sheet as at the end of that quarter, whether audited or otherwise, for the Board's approval. Annual Report including annual financial statements shall be placed on the Public Sector Company's website. However, no quarterly accounts were prepared during the year by the Company for the Board's approval.	The reasons for non-compliance with the requirement was due to inability of OGRA in determining Final Revenue Requirement for FY 2012-13, FY 2013-14 and FY 2014 -15, primarily due to lack of quorum in the Authority, resulting in a delay in issuance of interim and annual financial statements for the year 2014-15. The reasons for the delay are further explained in detail in the relevant portion of the Directors' Report.	Noted for compliance.
8.	10(2)	Every Public Sector Company shall also prepare monthly accounts for circulation amongst the Board members. However, no monthly accounts were prepared for circulation amongst the Board members	The reasons for non-compliance with the requirement was due to inability of OGRA in determining Final Revenue Requirement for FY 2012-13, FY 2013-14 and FY 2014 -15, primarily due to lack of quorum in the Authority, resulting in a delay in issuance of interim and annual financial statements for the year 2014-15.	Noted for compliance.
9.	11(1&3)	Orientation courses shall be held by a Public Sector Company, to enable Directors to better comprehend the specific context in which it operates, including its operations and environment, awareness of Public Sector Company's value and standards of probity and accountability as well as their duties as Directors. However, no orientation course was arranged by the Company during the year for its Directors.	The last orientation session of Directors was held in 2014. The Company has engaged PICG to conduct orientation session for its directors and key management personnel, subsequent to year end.	Noted for compliance.
10.	12(2)	The Board Committees shall be chaired by Non-executive Directors and the majority of their members shall be independent. However, the Independent Directors in the Committee shall not be less than their proportionate strength during the first four years of the Code. However, we noted that some of the Board Committees does not have majority of Independent Directors as its members.	All the Committees of the Board are chaired by Non-executive Directors. However, requirement of having majority of members being Independent Directors can be addressed after having required number of Independent Directors on the Board.	Noted for compliance.

For and on behalf of the Board of Directors,

Khalid Rahman
Managing Director

April 9, 2016 - Karachi

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both hereinafter referred to as 'Codes') prepared by the Board of Directors of Sui Southern Gas Company Limited for the year ended June 30, 2015 to comply with the requirements of the Pakistan Stock Exchange (formerly Karachi, Islamabad and Lahore Stock Exchange Limited) where the Company is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required to ensure compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended June 30, 2015.

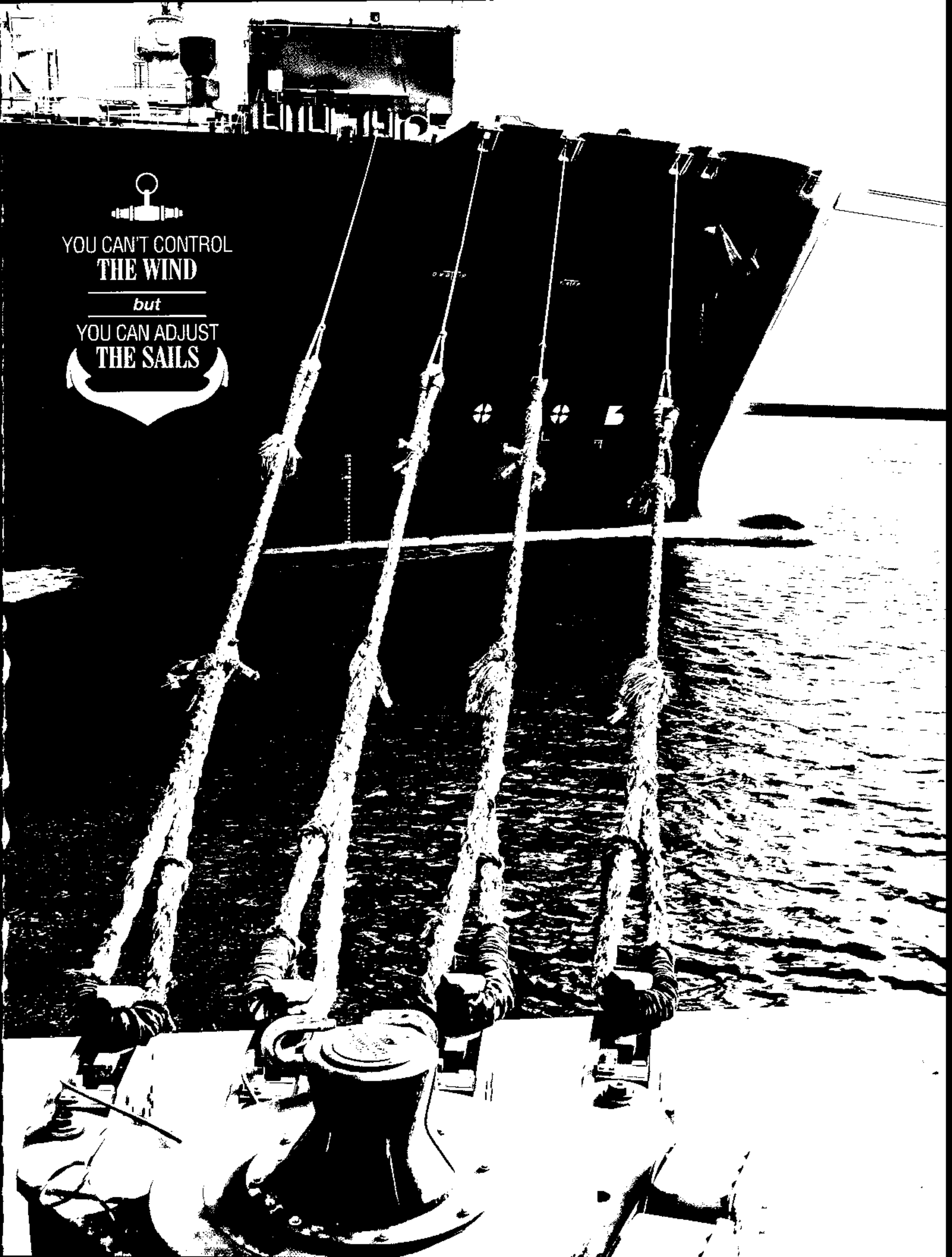
Further, we highlight in the next page instances of non-compliance with the requirements of the Codes as disclosed in the Statement of Compliance:

Sr. #	Reference	Description
i.	3(2)	Independent Directors are less than forty percent.
ii.	3(4)	Casual vacancy arising in the Board was not filled up by the Directors within ninety days.
iii.	4(4)	The chairman of the Board is not an Independent Director.
iv.	5(5)(b)(iv)	The Company did not maintain a 'Register of Interest'.
v.	6(5)	Proceeding of the meetings attended by Directors through video conferencing were not held in compliance with directives issued by the SECP in this respect.
vi.	8(1)	The Board has not carried out performance evaluation of its members on periodic basis.
vii.	10(1)	No quarterly accounts were prepared during the year by the Company for the Board's approval.
viii.	10(2)	No monthly accounts were prepared for circulation amongst the Board Members.
ix.	11(1&3)	No orientation course was arranged by the Company during the year for its Directors.
x.	12(2)	Some of the Board Committees do not have majority of Independent Directors as its members. Furthermore, the Independent Directors in the Committees are less than their proportionate strength.

Chartered Accountants

Engagement Partner:
Naresh Kumar

April 9, 2016
Karachi


YOU CAN'T CONTROL
THE WIND
but
YOU CAN ADJUST
THE SAILS


744.6
698.3
565.1
528.0
518.5
499.4
2
0
1

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of Sui Southern Gas Company Limited ("the Company") as at June 30, 2015, and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in after referred to as unconsolidated financial statements), for the year then ended and we state that except for the matter as stated in paragraphs (a) and (b) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matter as stated in paragraphs (a) and (b) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) as described in notes 27.1 and 27.2 to the unconsolidated financial statements, trade debts include receivables of Rs. 40,073 million (2014: Rs. 41,302 million) and Rs. 20,879 million (2014: Rs. 16,944 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. As described in the aforesaid notes, significant portion of such receivables include overdue amounts, which have been considered good by the management and classified as current assets in these financial statements. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances and the financial condition of PSML is such that it has not been able to pay its obligations, due to which management has decided to recognize LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

   Due to the adverse financial condition of PSML, disputes by KE and PSML with the Company on LPS, and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the total amounts due from KE and PSML are likely to be recovered and the time frame over which such recovery will be made;

b) as described in note 31.2, and 31.2.1 to the unconsolidated financial statements, Rs. 2,122 million is receivable from Sui Northern Gas Pipelines Limited (SNGPL), which is being disputed by SNGPL for the reasons mentioned in note 31.2.1, due to which we were unable to determine the extent to which the receivable amount is likely to be recovered and time frame over which such recovery will be made;

c) in our opinion, except for the possible effects of the matter stated in paragraphs (a) and (b) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

d) in our opinion:

(i) except for the possible effects of the matter stated in paragraphs (a) and (b) above, the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

e) except for the possible effects of the matter stated in paragraphs (a) and (b) above, in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and the unconsolidated statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

We draw attention to:

(i) note 1.3 to the unconsolidated financial statements that describes that revenue requirements for the years ended June 30, 2011, 2012, 2013, 2014 and 2015, have been determined provisionally on the basis of stay orders of the High Court of Sindh (the Court) which was considered by OGRA while determining revenue requirements, except for impact of the orders dated November 20, 2015 and March 29, 2016, whereby OGRA was directed to treat income from royalty (arrears) and income from Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as non-operating income which was not considered by OGRA while determining revenue requirements of the Company for the years ended June 30, 2013, 2014 and 2015. Our opinion is not qualified in respect of the said matter.

Deloitte Yousuf Adil

Deloitte Yousuf Adil
Chartered Accountants
Audit Engagement Partner:
Naresh Kumar

09 April, 2016
Karachi

UNCONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
EQUITY AND LIABILITIES			
EQUITY			
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	8,809,163	8,809,163
Reserves	5	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		239,992	122,762
Accumulated losses		(5,381,402)	(224,378)
		8,575,154	13,614,948
Surplus on revaluation of fixed assets	6	10,251,946	10,251,946
LIABILITIES			
Non-current liabilities			
Long term finance	7	19,720,479	20,859,892
Long term deposits	8	10,613,059	8,355,118
Deferred tax	9	-	3,320,773
Employee benefits	10	4,687,944	3,470,436
Obligation against pipeline	11	1,069,173	-
Deferred credit	12	5,316,940	5,448,852
Long term advances	13	798,163	1,023,678
Total non-current liabilities		42,205,758	42,478,749
Current liabilities			
Current portion of long term finance	14	8,145,591	4,046,274
Short term borrowings	15	989,191	3,141,237
Trade and other payables	16	173,142,462	133,081,808
Current portion of obligation against pipeline	11	37,750	-
Interest accrued	17	34,069,206	26,830,778
Total current liabilities		216,384,200	167,100,097
Total liabilities		258,589,958	209,578,846
Contingencies and commitments	18		
Total equity and liabilities		277,417,058	233,445,740

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	19	73,942,853	70,165,627
Intangible assets	20	35,911	88,898
Deferred tax	9	291,557	-
Long term investments	21	1,281,621	1,136,391
Net investment in finance lease	22	472,555	582,716
Long term loans and advances	23	151,476	140,508
Long term deposits		7,557	5,641
Total non-current assets		76,183,530	72,119,781
Current assets			
Stores, spares and loose tools	24	1,821,143	2,174,487
Stock-in-trade	25	859,852	888,505
Current maturity of net investment in finance lease	22	110,161	110,161
Customers' installation work in progress	26	183,128	179,831
Trade debts	27	90,351,824	78,905,693
Loans and advances	28	2,312,019	2,016,413
Advances, deposits and short term prepayments	29	282,590	137,385
Interest accrued	30	7,745,469	6,291,603
Other receivables	31	79,140,466	58,947,415
Taxation - net	32	17,442,747	10,474,629
Cash and bank balances	33	984,129	1,199,837
Total current assets		201,233,528	161,325,959
Total assets		277,417,058	233,445,740

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
Sales		182,791,953	176,545,162
Sales tax		(23,938,506)	(24,003,620)
		158,853,447	152,541,542
Gas development surcharge		3,729,723	742,280
Net sales		162,583,170	153,283,822
Cost of sales	34	(170,565,082)	(162,252,203)
Gross loss		(7,981,912)	(8,968,381)
Administrative and selling expenses	35	(3,733,602)	(3,440,422)
Other operating expenses	36	(1,588,587)	(2,181,582)
		(5,322,189)	(5,622,004)
		(13,304,101)	(14,590,385)
Other operating income	37	2,475,025	2,801,286
Operating loss		(10,829,076)	(11,789,099)
Other non-operating income	38	11,756,090	13,395,307
Finance cost	39	(9,696,368)	(7,416,614)
Loss before taxation		(8,769,354)	(5,810,406)
Taxation	40	3,378,305	2,056,945
Loss for the year		(5,391,049)	(3,753,461)
		(Rupees)	
Basic and diluted loss per share	42	(6.12)	(4.26)

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
Loss for the year		**(5,391,049)**	(3,753,461)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss account:			
- **Unrealised gain on re-measurement of available for sale securities**		**117,230**	41,606
Items that will not be reclassified subsequently to profit and loss account:			
- **Remeasurement of post retirement benefits obligation**		**(780,083)**	(1,391,735)
- **Impact of deferred tax**		**234,025**	487,107
- Gas development surcharge	31.1.2	**780,083**	2,348,752
		234,025	1,444,124
Total comprehensive loss for the year		**(5,039,794)**	(2,267,731)

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in 000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(8,769,354)	(5,810,406)
Adjustments for non-cash and other items	43	13,637,489	12,813,453
Working capital changes	44	9,337,226	11,533,422
Financial charges paid		(2,784,904)	(2,722,263)
Employee benefits paid		(98,476)	(65,366)
Payment for retirement benefits		(617,442)	(406,098)
Long term deposits received - net		2,257,941	3,094,571
Deposits paid - net		(1,916)	(1,111)
Loans and advances to employees - net		(306,574)	(185,084)
Return on term deposits received		332,691	276,998
Income taxes paid		(6,968,118)	(7,686,964)
Net cash generated from operating activities		6,018,563	10,841,152
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(7,270,248)	(6,476,092)
Payments for intangible assets		(8,344)	(30,288)
Proceeds from sale of property, plant and equipment		48,427	62,830
Long term investments		(28,000)	-
Lease rental from net investment in finance lease		217,094	301,413
Dividend received		356	1,235
Net cash used in investing activities		(7,040,715)	(6,140,902)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		7,000,000	-
Repayments of local currency loans		(4,003,679)	(3,536,279)
Customer finance received		13,763	138,095
Repayment of customer finance		(50,180)	(70,371)
Dividend paid		(1,414)	(2,822)
Net cash generated from / (used in) financing activities		2,958,490	(3,471,377)
Net increase in cash and cash equivalents		1,936,338	1,228,873
Cash and cash equivalents at beginning of the year		(1,941,400)	(3,170,273)
Cash and cash equivalents at end of the year		(5,062)	(1,941,400)
Cash and cash equivalent comprises:			
Cash and bank balances		984,129	1,199,837
Short term borrowings		(989,191)	(3,141,237)
		(5,062)	(1,941,400)

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit / (accumulated losses)	Total
			(Rupees in 000)			
Balance as at June 30, 2013	8,809,163	234,868	4,672,533	81,156	2,084,959	15,882,679
Total comprehensive loss for the year ended June 30, 2014						
Loss for the year	-	-	-	-	(3,753,461)	(3,753,461)
Other comprehensive income for the year	-	-	-	41,606	1,444,124	1,485,730
Total comprehensive loss for the year	-	-	-	41,606	(2,309,337)	(2,267,731)
Balance as at June 30, 2014	8,809,163	234,868	4,672,533	122,762	(224,378)	13,614,948
Total comprehensive loss for the year ended June 30, 2015						
Loss for the year	-	-	-	-	(5,391,049)	(5,391,049)
Other comprehensive income for the year	-	-	-	117,230	234,025	351,255
Total comprehensive loss for the year	-	-	-	117,230	(5,157,024)	(5,039,794)
Balance as at June 30, 2015	8,809,163	234,868	4,672,533	239,992	(5,381,402)	8,575,154

The annexed notes 1 to 54 form an integral part of these unconsolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. STATUS AND NATURE OF BUSINESS

1.1 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 (now Pakistan Stock Exchange). 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.

1.2 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Company is provided 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 expenses and non-operating income. The determination of annual required 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 the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.3 Determination of revenue requirements

1.3.1 The Oil and Gas Regulatory Authority (OGRA) in its order dated December 02, 2010 and May 24, 2011 treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as operating income which it had previously allowed as non-operating income in its decision dated September 24, 2010, for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25 % - 5%. Aggrieved by the above decision, the Company had filed an appeal against the decision of the OGRA in the High Court of Sindh (the Court), on which the Court provided interim relief whereby OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, till final order of the Court. Also, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Therefore, the revenue requirement for June 30, 2011, was determined based on the relief provided by the Court.

For subsequent years including current year ended June 30, 2015, the Company also obtained stay orders from the Court on the same principles which were fixed in the interim relief as discussed above, and thereafter, OGRA considered such principles in determining revenue requirement of the Company. Management is confident that the final decision of the Court would be in favor of the Company.

Had there been no stay in the current year, and these financial statements been prepared in accordance with the OGRA's decisions dated December 02, 2010 and May 24, 2011, the Company would have reported loss for the year amounting to Rs. 32,024 million.

1.3.2 In determining the Final Revenue Requirements (FRRs) for the years ended June 30, 2013, 2014 and 2015, the OGRA treated income from royalty (arrears) and income of LPG and NGL as operating income amounting to Rs. 2,501 million, Rs. 6,600 million and Rs. 6,123 million respectively, on which the Company filed application in the already pending Judicial Miscellaneous petitions in the High Court of Sindh that these income should have been treated as non-operating income as it was already decided by the Court in previous stay orders, while the cases are still to be finalised by the Court. The Court suspended the relevant paragraphs of OGRA orders wherein above income were treated as operating income thus requiring revision of FRR for 2013, 2014 and 2015; however, no revised FRR has been issued by the OGRA till the date of issue of these financial statements. Consequently, the impact of the new stay orders have not been taken and the aforesaid income was treated as operating income in the financial statements of the Company for the years ended June 30, 2013, 2014 and 2015.

The management, based on the opinion of its legal counsel intends to get the above Court decision enforced and is confident that the OGRA will provide benefit of the aforesaid income to the Company.

Had OGRA issued revised FRR based on the above mentioned stay orders of the Court and these financial statements been prepared in accordance with the revised FRR, the Company would have claimed Rs. 15,224 million as non-operating income which OGRA treated as operating income while determining revenue requirement of the Company and the Company would have reported profit for the year amounting to Rs. 4,981 million.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements ("the financial statements") have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain investments stated in note 21 which are carried at their fair values, employee benefits which are valued at their present value using actuarial assumptions and freehold land and leasehold land which are carried at revalued amount.

2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of the 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. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including reasonable expectation of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in the subsequent year are discussed in note 51.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments 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 additional disclosures.

Standards / Amendments / Interpretations	Effective Date (accounting period beginning on or after)
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments 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 additional disclosures.

Amendments to IAS 16 and 38 Clarification of acceptable methods of depreciation and amotisation	January 01, 2016
Amendments to IAS 16 and 41 Agriculture: Bearer plants	January 01, 2016
IAS 27 (Revised 2011) - Separate Financial Statements	January 01, 2015, IAS 27 (Revised 2011) will concurrenttly apply with IFRS 10
IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures	January 01, 2015

	Effective Date (accounting period beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015 Early adoption is encouraged
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
Amendments to IAS 1 - Disclosure initiative	January 01, 2016
Amendments to IAS 27 - Equity method in separate financial statements	January 01, 2016
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

3.3 Property, plant and equipment

Initial recognition

The cost of an item of property plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment except freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment, if any. Capital work in progress are stated at cost, less accumulated impairment loss, if any.

Freehold land and leasehold land are stated at revalued amount and surplus arising on revaluation of freehold land and leasehold land is disclosed as surplus on revaluation of fixed assets.

The cost of the property, plant and equipment includes:

(a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and

(b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 normal repairs and maintenance) is recognised in the unconsolidated profit and loss account as an expense when it is incurred.

Capital work in progress

Capital work in progress is stated at cost less accumulated impairment loss, if any. The cost consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to the relevant asset category as and when assets are available for intended use.

Depreciation

Compressors and transmission lines

Depreciation on compressors and transmission lines is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciable value of operating assets other than compressors and transmission lines is depreciated over their estimated service life from the month the assets are available for use in service till the month they are disposed off or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged up to the date of disposal.

Useful lives of the assets are mentioned in the note 19.1 to these financial statements.

Assets' residual values and their useful lives are reviewed and adjusted at each balance sheet date if significant and appropriate.

Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases when the asset is derecognised. Amortisation charge is recognised in the unconsolidated profit and loss account.

The amortisation period for intangible assets with a finite useful life is reviewed at each year-end and is changed to reflect the useful life expected at respective year end.

Borrowing costs

Borrowing costs incurred on long term finances attributable for the construction of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are capitalised up to the date the respective assets are available for the intended use.

Actual borrowing cost is capitalised on funds borrowed specifically for the purpose of construction of qualifying assets, less any investment income on the temporary investment of those borrowings.

The Company determines a weighted average capitalisation rate in case of general borrowings attributable to qualifying assets.

All other borrowing costs are charged to unconsolidated profit and loss account.

Gains and losses on disposal

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

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 their fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment loss, if any. Depreciation on assets subject to finance lease is recognised in the same manner as for owned operating assets.

3.4 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given and transaction cost. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in unconsolidated profit and loss account. Impairment losses recognised in unconsolidated profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through unconsolidated profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in unconsolidated profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in unconsolidated profit and loss account.

Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are measured at amortised cost using effective interest method. All investments categorised under held to maturity are subject to annual review for impairment. Provision for impairment in value, if any, is taken to unconsolidated profit and loss account.

Investment in subsidiary

Investment in subsidiary is valued at cost less impairment loss, if any. A reversal of an impairment loss on subsidiary is recognised as it arises provided the increased carrying value does not exceed cost.

Gain or loss on sale of investment in subsidiary is recognised in the unconsolidated profit and loss account for the year.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention (regular way) are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investments.

De-recognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

3.5 Net investment in finance lease

Contractual arrangements, the fulfillment of which is dependent upon the use of a specific asset and whereby the right to use the underlying asset is conveyed to the customer, are classified as finance lease. Net investment in finance lease is recognised at an amount equal to the present value of the lease payments receivable, including any guaranteed residual value determined at the inception of lease. Discount rate used in the calculation of the present value of minimum lease payments is the interest rate implicit in the lease. Any recoveries from customers in respect of the service cost and contingent rent are excluded from the minimum lease payments and are recorded as recoveries of transmission and distribution cost from the lessee and gas transportation income respectively. Interest income from net investment in finance lease is recognised on a pattern reflecting a constant periodic return on the Company's net investment in finance lease.

3.6 Stores, spares and loose tools

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the moving average basis. Goods-in-transit are valued at lower of cost incurred up to the unconsolidated balance sheet date and net realisable value less impairment loss, if any.

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

3.7 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 less impairment loss, if any. 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 labor and production overheads. Components in transit are stated at cost incurred up to the unconsolidated balance sheet date less impairment losses, if any.

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.

3.8 Trade debts and other receivables

Trade debts and other receivables are recognised at fair values plus directly attributable cost, if any.

A provision for impairment of trade and other receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.9 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.

3.10 Mark-up bearing borrowings

Long term financing

Mark-up bearing borrowings are recognised initially at fair value which is usually the cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the unconsolidated profit and loss account over the period of the borrowings. Transaction cost is amortised over the term of the loan.

Long term loans received from the Government of Sindh with interest rate lower than prevailing market interest rates for a similar instrument are initially measured at fair value. The fair value is estimated at the present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. Difference between fair value and proceed received is treated as government grant and is amortised over the useful life of related asset constructed.

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 recognised in the unconsolidated profit and loss account.

3.11 Provisions

Provisions are recognised 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.

3.12 Deferred credit

Amounts received from customers before July 01, 2009 and the Government as contributions and grants for providing service connections, extension of gas mains, laying of distribution lines, etc. are deferred and recognised in the unconsolidated profit and loss account over the useful lives of the related assets starting from the commissioning of such assets.

Contribution from customers

Advance taken from customers on or after July 01, 2009 for laying of distribution lines is recognised in the unconsolidated profit and loss account when the connection to the network is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".

3.13 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 recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognises a deferred tax asset to the extent that it is probable that the taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Revenue recognition

- Revenue from gas sales is recognised on the basis of gas supplied to customers at rates periodically announced by the OGRA.
- Meter rental income is recognised monthly at specified rates for various categories of customers.
- Revenue from sale of meters, liquid petroleum gas and gas condensate is recognised on dispatch to the customers.
- Deferred credit from Government and customers before July 01, 2009 is amortised and related income is recognised in the unconsolidated profit and loss account over the useful lives on commissioning of the related assets.
- Deferred credit from customers after July 01, 2009 for laying of distribution lines is recognised in the unconsolidated profit and loss when the network connection is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".
- Income from new service connections is recognised in unconsolidated profit and loss account immediately on commissioning of related assets.
- Dividend income on equity investments is recognised when right to receive the payment is established.
- Return on term deposits and royalty income are recognised on time proportion basis by reference to the principal outstanding at the effective interest rate.
- Late payment surcharge is recognised from the date the billed amount is overdue.

3.15 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial asset is impaired. A financial asset or group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In case of quoted equity securities, impairment is assessed based on significant or prolonged decline in market prices of securities.

An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss had been recognised. An impairment loss is reversed only to the extent that the financial assets carrying value after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised. Reversal of impairment is recognised in profit and loss account except in the case of available for sale instruments where the reversal is included in the other comprehensive income.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the unconsolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Staff retirement benefits

The Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

  Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognised in other comprehensive income, instead of profit and loss account.

  Past service cost is recognised in the unconsolidated profit and loss account at the earlier of when the amendment or curtailment occurs.

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

  Liability under these schemes is recognised in the period in which the benefit is earned based on the actuarial valuations that is carried out annually under the projected unit credit method. The medical and free gas supply facilities have been discontinued for employees retiring after December 31, 2000.

  Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognised in other comprehensive income, instead of profit and loss account.

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

  The Company operates a recognised provident fund for all its employees. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 7.5% of basic salary in the case of executive employees and 8.33% of basic salary and adhoc relief cost of living allowance in the case of non executive employees and the same is charged to the unconsolidated profit and loss account.

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

3.17 Compensated absences

The liability for accumulated compensated absences of employees is recognised based on actuarial valuation in the period in which employees render services that increase their entitlement to future compensated absences.

3.18 Foreign currency translation

Transactions in foreign currencies 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 unconsolidated profit and loss account.

3.19 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value and subsequently at fair value or amortised cost as the case may be. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to the unconsolidated profit and loss account immediately.

3.20 Derivative financial instruments

Derivative financial instruments if any are recognised initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instruments are recognised in the unconsolidated profit and loss account, along with any changes in the carrying value of the hedged liability. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.21 Off-setting

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

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is an identifiable component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are as follows:

Gas transmission and distribution

Gas transmission and distribution segment is engaged in transmission and distribution of natural gas and construction contracts for laying of pipelines in Sindh and Balochistan.

Meter manufacturing

Meter manufacturing segment is engaged in manufacture and sale of gas meters.

3.23 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits in banks, short term running finance under mark-up arrangement availed by the Company and short term liquid investments that are readily convertible to known amounts of cash.

3.24 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

3.25 Dividend and reserves appropriation

Dividend is recognised as a liability in the financial statements in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

3.26 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
(Numbers)			(Rupees in '000)	
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	**2,195,666**	2,195,666
661,349,755	661,349,755	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**6,613,497**	6,613,497
880,916,309	880,916,309		**8,809,163**	8,809,163

4.1 The Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders. All shares rank equally with regard to the Company's residual assets.

	Note	2015	2014
		(Rupees in '000)	
5. RESERVES			
Capital reserves			
Share capital restructuring reserve	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 I	5.3	333,141	333,141
Special reserve II	5.4	1,800,000	1,800,000
General reserve		2,015,653	2,015,653
Reserve for interest on sales tax refund	5.5	487,739	487,739
		4,672,533	4,672,533
		4,907,401	4,907,401

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 the Company's working capital.

5.3 Special reserve I

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the Company by the Government of Pakistan in January 1987 retrospectively from July 1, 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.

5.4 Special reserve II

This represents special undistributable reserve created as per the decision of the board of directors to meet the future requirements of the Company.

5.5 Reserve for interest on sales tax refund

This represents the reserve for the interest accrued on the sales tax refundable under Section 67 of the Sales Tax Act, 1990, which is not available for distribution to shareholders till the time it is received.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of the Company's freehold and leasehold land carried out by means of an independent valuation by Oceanic Surveyors (Private) Limited to determine the fair value as of June 30, 2011. The valuation was based on market research.

Had the Company's freehold and leasehold land been measured on historical cost basis, the carrying amount would have been as follows:

	(Rupees in '000)
Freehold land	56,751
Leasehold land	208,352
	265,103

		Note	2015	2014
			(Rupees in '000)	
7.	LONG TERM FINANCE			
	Secured			
	Loans from banking companies	7.1	14,891,200	15,350,819
	Unsecured			
	Front end fee of foreign currency loan	7.2	23,950	23,950
	Customer finance	7.3	215,329	236,610
	Government of Sindh loans	7.4	4,590,000	5,248,513
			4,829,279	5,509,073
			19,720,479	20,859,892

7.1 Loans from banking companies

	installment payable	Repayment period	Mark-up rate p.a. (above 3 months KIBOR)	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	250,000	583,333
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	333,333	666,667
Askari Bank Limited	quarterly	2013 - 2015	1.00%	7.1.1	166,667	500,000
Askari Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	166,667	333,333
Bank Alfalah Limited	quarterly	2015 - 2017	0.75%	7.1.1	1,000,000	1,000,000
Bank Alfalah Limited	quarterly	2013 - 2016	1.00%	7.1.1	250,000	583,333
Bank AlFalah Limited - Led Consortium	quarterly	2018 - 2019	0.40%	7.1.1	7,000,000	-
Bank Al-Habib Limited	quarterly	2013 - 2016	1.00%	7.1.1	166,667	333,333
Faysal Bank Limited	quarterly	2015 - 2018	0.70%	7.1.1	1,500,000	1,500,000
Habib Bank Limited	quarterly	2015 - 2018	0.70%	7.1.1	1,000,000	1,000,000
Meezan Bank Limited	quarterly	2013 - 2015	1.00%	7.1.1	500,000	1,500,000
Meezan Bank Limited	quarterly	2015 - 2017	0.75%	7.1.1	2,000,000	2,000,000
Meezan Bank Limited	quarterly	2015 - 2018	0.70%	7.1.1	2,000,000	2,000,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012 - 2015	1.00%	7.1.1	285,714	857,143
United Bank Limited	quarterly	2015 - 2017	0.75%	7.1.1	1,750,000	2,000,000
United Bank Limited - Led Consortium	quarterly	2015 - 2018	0.70%	7.1.1	4,000,000	4,000,000
Unamortised transaction cost					(25,467)	(18,228)
					22,343,581	18,838,914
Less: Current portion shown under current liabilities				14	(7,452,381)	(3,488,095)
					14,891,200	15,350,819

7.1.1 These loans / financial arrangements are secured by a ranking charge created by way of hypothecation over all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipeline construction machinery and equipments.

7.2 Front end fee of foreign currency loan

	Installment payable	Repayment period	Mark-up rate per annum		2015	2014
IBRD LOAN - 81540	Half-yearly	2020 - 2036	11.80%	7.2.1	23,950	23,950

7.2.1 This represents front end fee in respect of USD 100 million loan from the Government of Pakistan through International Bank for Reconstruction and Development (IBRD) for Natural Gas Efficiency Project.

		Note	2015	2014
			(Rupees in '000)	
7.3	Customer finance			
	Customer finance	7.3.1	250,026	286,443
	Less: Current portion shown under current liabilities	14	(34,697)	(49,833)
			215,329	236,610

7.3.1 This represents 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 25% of 3 year average ask side KIBOR less 2% per annum for laying of distribution mains. Principal and interest are adjustable in 48 equal installments through credits in the monthly gas bills of the customers.

		Installment payable	Principal repayment period	Mark-up rate p.a.	Note	2015	2014
						(Rupees in '000)	
7.4	Government of Sindh loans						
	Government of Sindh loan - I	yearly	2007 - 2016	2%	7.4.1	8,513	16,859
	Government of Sindh loan - II	yearly	2011 - 2020	4%	7.4.1	450,000	540,000
	Government of Sindh loan - III	yearly	2012 - 2021	4%	7.4.1	600,000	700,000
	Government of Sindh loan - IV	yearly	2013 - 2022	4%	7.4.1	800,000	900,000
	Government of Sindh loan - V	yearly	2015 - 2024	4%	7.4.1	990,000	1,100,000
	Government of Sindh loan - VI	yearly	2015 - 2024	4%	7.4.1	900,000	1,000,000
	Government of Sindh loan - VII	yearly	2016 - 2025	4%	7.4.1	1,500,000	1,500,000
	Government grant				7.4.2	(2,412,186)	(2,412,186)
	Subtotal					2,827,814	3,327,814
	Government grant - Government of Sindh loans				7.4.2	2,412,186	2,412,186
						5,248,513	5,756,859
	Less: Current portion shown under current liabilities				14	(658,513)	(508,346)
						4,590,000	5,248,513

7.4.1 The company has obtained unsecured development loans from Government of Sindh for supply of gas to various districts and areas of Sindh.

7.4.2 This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V, VI and VII and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II, III, IV, V, VI and VII amounting to Rs. 900 million, Rs. 1,000 million, Rs. 1,000 million, Rs. 1,100 million, Rs. 1,000 million and Rs. 1,500 million respectively, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million, Rs. 625.281 million, Rs. 736.958 million, Rs. 768.534 million and Rs. 714.077 million respectively. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

		Note	2015	2014
			(Rupees in '000)	
8.	LONG TERM DEPOSITS			
	Security deposits from:			
	- gas customers	8.1	10,460,881	8,305,883
	- gas contractors	8.2	152,178	49,235
			10,613,059	8,355,118

8.1 These represent deposits from industrial, commercial and domestic customers. The customer deposits are based on annual average gas sales of 3 months.

Mark-up is payable on deposits of industrial and commercial customers at the rate of 5% per annum, while no mark-up is paid on deposits from domestic customers.

The Company may at its option, use these deposits for its own purpose from time to time and shall, on disconnection of gas supply to the customer, return the security deposits as per the terms and conditions of the contract.

8.2 These represent security deposits received from contractors. These deposits are free of mark-up and are refundable upon completion / cancellation of the contract.

9. DEFERRED TAX

Deferred tax liability comprises of taxable / deductible temporary differences in respect of the following:

	2015			
	Closing	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	Closing
	(Rupees in '000)			
Taxable temporary differences				
Accelerated tax depreciation	11,568,300	(1,488,315)	-	10,079,985
Net investment in finance lease	242,507	(67,692)	-	174,815
Deductible temporary differences				
Provision against employee benefits	(1,214,653)	53,638	(245,368)	(1,406,383)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,803,454)	504,987	6,468	(3,291,999)
Provision against impaired store and spares	(107,973)	33,206	-	(74,767)
Liability not paid within three years	(2,148,262)	(842,584)	-	(2,990,846)
Carry forward of tax losses	(384,628)	(1,336,744)	-	(1,721,372)
Obligation under finance lease	-	(332,077)	-	(332,077)
Others	(831,064)	97,276	4,875	(728,913)
	3,320,773	(3,378,305)	(234,025)	(291,557)

	2014			
	Closing	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	Closing
	(Rupees in '000)			
Taxable temporary differences				
Accelerated tax depreciation	11,442,608	125,692	-	11,568,300
Net investment in finance lease	281,032	(38,525)	-	242,507
Deductible temporary differences				
Provision against employee benefits	(863,046)	(125,551)	(226,056)	(1,214,653)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,335,545)	(471,864)	3,955	(3,803,454)
Provision against impaired store and spares	(77,976)	(29,997)	-	(107,973)
Liability not paid within three years	(1,216,214)	(932,048)	-	(2,148,262)
Carry forward of tax losses	-	(384,628)	-	(384,628)
Others	(366,034)	(200,024)	(265,006)	(831,064)
	5,864,825	(2,056,945)	(487,107)	3,320,773

	Note	2015	2014
		(Rupees in '000)	
10 EMPLOYEE BENEFITS			
Provision for post retirement medical and free gas supply facilities - executives	41.2	4,111,259	2,900,966
Provision for compensated absences - executives	10.1	576,685	569,470
		4,687,944	3,470,436

10.1 Provision for compensated absences - executives

		2015	2014
Balance as at July 01		569,470	497,059
Provision during the year		7,215	72,411
Balance as at June 30		576,685	569,470

	Note	2015	2014
		(Rupees in '000)	
11. OBLIGATION AGAINST PIPELINE			
Principal amount of obligation against pipeline	11.1	1,106,923	-
Less: current portion of obligation against pipeline		(37,750)	-
		1,069,173	-

11.1 The Company entered into an agreement with Engro Elengy Terminal (Private) Limited (EETPL) under which the pipeline has been transferred to the Company from EETPL and corresponding liability has been recognised using discounted cashflow technique.

	Note	2015	2014
		(Rupees in '000)	
12. DEFERRED CREDIT			
Government contributions / grants			
Balance as at July 01		3,775,607	3,887,838
Additions / adjustments during the year		297,996	131,522
Transferred to unconsolidated profit and loss account	12.1	(251,965)	(243,753)
Balance as at June 30		3,821,638	3,775,607
Contribution from customers			
Balance as at July 01		1,673,245	1,859,805
Transferred to unconsolidated profit and loss account	12.2	(177,943)	(186,560)
Balance as at June 30		1,495,302	1,673,245
		5,316,940	5,448,852

12.1 This represents amount received from the Government for supply of gas to new towns and villages and is recognised as grant when the conditions specified by the Government are met and is amortised over the useful life of related projects.

12.2 This represents amount received from customers for the cost of service lines and gas mains, etc. These are taken to unconsolidated profit and loss account based on the policy stated in note 3.12 to these financial statements.

12.3 Pipelines constructed / built under deferred credit arrangement are not given 17% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of the Company's guaranteed return.

13. LONG TERM ADVANCES

These represent amounts received from Government of Pakistan for gas supply to new towns and villages and laying of distribution lines, etc. These advances are transferred to deferred credit once the related projects are commissioned. As stated in note 3.12 to these financial statements, such deferred credit is amortised over the estimated useful lives of related assets.

	Note	2015	2014
		(Rupees in '000)	
14. CURRENT PORTION OF LONG TERM FINANCE			
Loans from banking companies	7.1	7,452,381	3,488,095
Customer finance	7.3	34,697	49,833
Government of Sindh loans	7.4	658,513	508,346
		8,145,591	4,046,274

15. SHORT TERM BORROWINGS

This represent facilities for short term running finance and short term loan available from various banks amounting to Rs. 989 million (2014: Rs. 3,141 million) and subject to mark-up up to 0.30% (2014: 0.80%) above the one month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Company.

The aggregate unavailed short term borrowing facilities amounted to Rs. 5,426 million (2014: Rs. 8,109 million).

	Note	2015	2014
		(Rupees in 000)	
16. TRADE AND OTHER PAYABLES			
Creditors for:			
- Gas supplies	16.1	145,385,454	114,287,769
- Supplies		589,234	483,341
		145,974,688	114,771,110
Amount received from customers for laying of mains, etc.		1,861,627	2,028,086
Engro Elengy Terminal (Private) Limited		1,022,850	-
Accrued liabilities		3,048,161	1,649,095
Advance from LPG customers		433	-
Provision for compensated absences - non executives	16.2	219,207	143,528
Payable to staff gratuity fund	41.1	2,192,783	2,216,268
Deposits / retention money		364,319	321,981
Bills payable		599,999	55,582
Advance for sharing right of way	16.3	18,088	18,088
Unclaimed dividend		286,665	288,079
Withholding tax		196,410	588,459
Sales tax and Federal excise duty		305,055	297,228
Sindh sales tax		37,231	38,850
Processing charges payable to JJVL		7,433,204	3,298,123
Gas infrastructure development cess payable	16.4	9,324,042	7,178,607
Unclaimed term finance certificate redemption profit		1,800	1,800
Inter State Gas System (Private) Limited (ISGSL)		11,019	9,286
Others	16.5	244,881	177,638
		173,142,462	133,081,808

16.1 As at June 30, 2015, amount of Rs. 107,933 million (2014: Rs. 84,195 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs.33,379 million (2014: Rs. 26,289 million) on their balances which have been presented in note 17.

		2015	2014
		(Rupees in '000)	
16.2	Provision for compensated absences - non-executives		
	Balance as at July 01	143,528	138,969
	Provision during the year	75,679	4,559
	Balance as at June 30	219,207	143,528

16.3 This amount was received by the Company from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated October 12, 1988. It represents consideration for 50% 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 the Company. The final liability of the Company 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.

16.4 Gas Infrastructure Development (GID) Cess has been levied since December 15, 2011 and is chargeable from industrial gas customers at different rates as prescribed by the Federal Government through OGRA notification. GID Cess is collected and deposited with the Ministry of Petroleum and Natural Resources (MPNR) in a manner prescribed by the Federal Government.

On June 13, 2013 the Honorable Peshawar High Court declared the levy, imposition and recovery of the Cess unconstitutional with the direction to refund the "Cess" so far collected. Honorable Supreme Court of Pakistan examined the case and in its decision dated August 22, 2014 concluded that GID Cess is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was therefore not validly levied in accordance with the Constitution. However, on September 25, 2014 the President of Pakistan had passed GID Cess Ordinance 2014, which is applicable in whole Pakistan and has to be complied by all parties.

On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential order on September 25, 2014.

On May 22, 2015 the GID Cess Act is passed by Parliament applicable on all parties. Following the imposition of the said Act, many customers filed a petition in Honorable Sindh High Court and obtained stay order against Act passed by the Parliament. The Company has obtained legal opinion, which states that management has to comply with the stay order of Honorable High Court of Sindh.

The Company is a collecting agent and depositing GID Cess to the MPNR and the Company will refund to the customers once it will be received from MPNR.

16.5 This includes Rs. 100.524 million (2014: Rs. 101.725 million) on account of amount payable to disconnected customers for gas supply deposits.

		Note	2015	2014
			(Rupees in '000)	
17.	INTEREST ACCRUED			
	Long term finance - loans from banking companies		230,836	210,015
	Long term deposits from customers		283,265	210,097
	Short term borrowings		15,538	49,753
	Late payment surcharge on processing charges		132,110	43,167
	Late payment surcharge on gas development surcharge		4,826	4,826
	Late payment surcharge on gas supplies	16.1 & 18.1.16	33,402,631	26,312,920
			34,069,206	26,830,778

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

		2015	2014
18.1.1	Guarantees issued on behalf of the Company	5,058,696	125,032

18.1.2 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged a claim against the Company amounting to Rs. 35,182 million (2014: Rs. 23,000 million) for short supply of gas under the provisions of an agreement dated April 10, 1995 between the Company and JPCL. Management has not made provision against the said amounts in the books of the Company as management is confident that ultimately this claim would not be payable.

18.1.3 JPCL has raised another claim of Rs. 5.793 million (2014: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. Management has not made provision against the said amount in the books of the Company as management is confident that ultimately this claim would not be payable.

18.1.4 Habibullah Coastal Power Company (Private) Limited (HCPC) has claimed Rs. 2,382.76 million (2014: Rs. 1,899.96 million) from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996 between the Company and HCPC. As at December 31, 2015, this amount has increased to Rs. 2,625.33 million. HCPC has also disputed late payment surcharge charged by the Company amounting to Rs. 360 million. HCPC has also invoked arbitration as per article of Gas Sale Agreement it may be noted that in the instant arbitral proceedings SSGC has also raised a counter claim of Rs. 5.34 billion on account of Take or Pay. The net claim is in favor of SSGC.

18.1.5 Demand finance facilities have been given to the Company's employees by certain banks for purchase of vehicles against the Company's guarantee and hypothecation of the Company's present and future stocks, book debts, receivables and the Company's investment in shares having a face value of Rs. 0.5 million (2013: Rs. 0.5 million). Loan outstanding at the year end was Rs. 2.190 million (2014: Rs. 3.130 million).

18.1.6 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before Honorable High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001. Accordingly, no provision regarding the said claim has been made in these unconsolidated financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

18.1.7 Income tax authorities have passed an amended assessment order for the tax year 2005 resulting in additional tax liability amounting to Rs. 103.745 million, which has been adjusted from the sales tax refund of the Company. The Company preferred appeal in this case. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.8 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs. 311.397 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.9 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008, 2009, 2010 and 2011, disallowing certain expenses. The Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of the Honorable Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct withholding tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001 and disallowance of depreciation on fixed assets held under musharka arrangement. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.10 The Deputy Commissioner Inland Revenue passed an order for the financial year 2009-10 against the Company with a demand of Rs. 1,635 million, along with default surcharge and penalty on account of disallowance of input sales tax on line losses / Unaccounted for Gas (UFG) along with other observations. Upon appeal, the Commissioner (Appeals) has reduced the demand to Rs. 230 million plus default surcharge. The Company has filed appeal with Appellate Tribunal Inland Revenue on issues decided against the Company by Commissioner (Appeals) whereas the Tax Department has also filed appeal before Appellate Tribunal on issues decided in the Company's favor. Further, issue of allowability of input sales tax on UFG was also raised by Tax Department for financial year 2007-08.

On filing of suit by the Company, the Honourable High Court of Sindh has stayed demand for FY 2009-10 and stayed proceedings for FY 2007-08. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

18.1.11 The Additional Commissioner Inland Revenue passed an order against the Company with a demand of Rs. 1,725 million in respect of disallowance of tax depreciation on additions to fixed assets and exchange loss in income tax audit for tax year 2011. The Commissioner (Appeals) has decided the issue of exchange loss in Company's favour while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favour of Company by the Commissioner (Appeals). No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.12 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million along with default surcharge and penalty for illegal adjustment of withholding sales tax against input invoices. The principal tax demand was recovered by the authority. However, the Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Honorable High Court of Sindh has also stayed the recovery of the additional tax and penalties. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.13 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Company with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06, 2007-08 and 2008-09 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-2006 and FY 2008-09 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund adjustment. Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issued decided in the Company's favour.. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.14 Income tax authorities have issued show cause notice to the Company for recovery of additional tax of Rs. 422 million for late deposit of withholding income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013. The Company has filed an appeal in the Honorable High Court of Sindh, which has stayed the recovery proceedings. No provision has been made in these unconsolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.15 The Company is subject to various other claims totaling Rs. 873 million by income tax and sales tax authorities. The management is confident that ultimately these claims would not be payable.

18.1.16 One of the gas supplier has claimed excess amount of Rs. 1,732 million pertaining to late payment surcharge on gas bills payable by the Company as at June 30, 2014. Management is of the view that amount recorded by the Company is adequate and believe that no further provision is required to be recorded in these unconsolidated financial statements.

18.1.17 The Company is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Company's legal department, the management is confident that the outcome of these cases will be in favor of the Company. Accordingly, no provision has been made in respect of those cases in these unconsolidated financial statements.

		Note	2015	2014
			(Rupees in '000)	
18.1.18	Claims against the Company not acknowledge as debt		103,741	97,741
	The management is confident that ultimately these claims would not be payable.			
18.2	Commitments			
	Commitments for capital and other expenditure		7,286,408	2,217,794
19.	PROPERTY, PLANT AND EQUIPMENT			
	Operating assets	19.1	64,406,460	62,031,324
	Capital work in progress	19.5	9,536,393	8,134,303
			73,942,853	70,165,627

19.1 Operating assets

	2015						(Rupees in '000)	
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	Useful Life
	As at July 01, 2014	Additions / (deletions) / transfers *	As at June 30, 2015	As at July 01, 2014	Depreciation / (deletions) / transfers *	As at June 30, 2015	As at June 30 2015	Remaining life in years**
Freehold land	4,434,792	- - - *	4,434,792	-	- - - *	-	4,434,792	-
Leasehold land	6,082,257	- - - *	6,082,257	-	- - - *	-	6,082,257	-
Buildings on freehold land	324,492	- - - *	324,492	233,442	13,964 - - *	247,406	77,086	20
Buildings on leasehold land	2,083,266	114,663 - - *	2,197,929	1,164,523	95,915 - - *	1,260,438	937,491	20
Roads, pavements and related infrastructures	656,926	- - - *	656,926	157,026	32,967 - - *	189,993	466,933	20
Gas transmission pipelines	23,587,703	1,344,820 - (3) *	24,932,520	13,253,166	427,466 - (3) *	13,680,629	11,251,891	1-40**
Gas distribution system	60,403,329	4,946,854 (84,488) - *	65,265,695	23,358,337	3,637,401 (84,488) - *	26,911,250	38,354,445	10-20
Compressors	2,464,372	- - - *	2,464,372	2,285,751	34,018 - - *	2,319,769	144,603	4**
Telecommunication	755,337	146,014 (4,513) - *	896,838	539,072	56,505 (4,326) - *	591,251	305,587	2 & 6.67
Plant and machinery	2,388,924	252,267 (359) (4,621) *	2,636,211	1,411,535	157,035 (354) (3,101) *	1,565,115	1,071,096	10
Tools and equipment	350,629	23,898 (2,042) 4,624 *	377,109	309,330	30,782 (2,042) 3,363 *	341,433	35,676	3
Motor vehicles	2,169,463	222,305 (70,577) - *	2,321,191	1,362,903	141,427 (51,287) 1 *	1,453,044	868,147	5
Furniture and fixture	507,667	42,230 (474) (4) *	549,419	436,871	25,992 (474) (264) *	462,125	87,294	5
Office equipment	369,580	38,727 (3,433) (449) *	404,425	300,962	24,917 (3,433) (449) *	321,997	82,428	5
Computer and ancillary equipments	838,600	53,352 (36,269) 453 *	856,136	751,150	69,968 (36,269) 453 *	785,302	70,834	3
Supervisory control and data acquisition system	685,425	- (653) - *	684,772	610,900	36,536 (620) - *	646,816	37,956	6.67
Construction equipment	1,131,404	11 - - *	1,131,415	1,027,874	5,597 - - *	1,033,471	97,944	5
2015	109,234,166	7,185,141 (202,808) - *	116,216,499	47,202,842	4,790,490 (183,293) - *	51,810,039	64,406,460	

2014 (Rupees in '000)

	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	Useful Life
	As at July 01, 2013	Additions / (deletions) / transfers *	As at June 30, 2014	As at July 01, 2013	Depreciation / (deletions) / transfers *	As at June 30, 2014	As at June 30, 2014	Remaining life in years**
Freehold land	4,434,792	- - - *	4,434,792	-	- - - *	-	4,434,792	-
Leasehold land	6,082,257	- - - *	6,082,257	-	- - - *	-	6,082,257	-
Buildings on freehold land	324,492	- - - *	324,492	229,634	3,808 - - *	233,442	91,050	20
Buildings on leasehold land	2,012,254	71,012 - - *	2,083,266	1,063,220	101,322 - (19) *	1,164,523	918,743	20
Roads, pavements and related infrastructures	656,843	83 - - *	656,926	124,059	32,967 - - *	157,026	499,900	20
Gas transmission pipelines	22,471,889	1,115,814 - - *	23,587,703	12,842,738	410,428 - - *	13,253,166	10,334,537	1-40**
Gas distribution system	56,869,086	3,748,701 (214,458) - *	60,403,329	20,438,237	3,125,911 (205,811) - *	23,358,337	37,044,992	10-20
Compressors	2,464,372	- - - *	2,464,372	2,251,733	34,018 - - *	2,285,751	178,621	5**
Telecommunication	643,302	114,795 - (2,760) *	755,337	504,958	33,996 - 118 *	539,072	216,265	2 & 6.67
Plant and machinery	2,086,910	318,806 - (16,792) *	2,388,924	1,281,050	127,418 - 3,067 *	1,411,535	977,389	10
Tools and equipment	340,537	27,863 - (17,771) *	350,629	295,168	27,827 - (13,665) *	309,330	41,299	3
Motor vehicles	2,006,594	233,656 (94,262) 23,475 *	2,169,463	1,301,881	119,595 (75,354) 16,781 *	1,362,903	806,560	5
Furniture and fixture	461,828	29,562 - 16,277 *	507,667	412,025	23,176 - 1,670 *	436,871	70,796	5
Office equipment	330,188	35,750 - 3,642 *	369,580	278,148	19,965 - 2,849 *	300,962	68,618	5
Computer and ancillary equipments	814,907	23,356 - 337 *	838,600	657,773	93,040 - 337 *	751,150	87,450	3
Supervisory control and data acquisition system	685,425	- - - *	685,425	557,149	53,751 - - *	610,900	74,525	6.67
Construction equipment	1,118,455	19,357 - (6,408) *	1,131,404	1,012,590	26,422 - (11,138) *	1,027,874	103,530	5
2014	103,804,131	5,738,755 (308,720) - *	109,234,166	43,250,363	4,233,644 (281,165) - *	47,202,842	62,031,324	

	2015	2014
	(Rupees in '000)	

19.2 Details of depreciation for the year are as follows:

	2015	2014
Transmission and distribution costs	4,477,731	3,900,507
Administrative expenses	209,944	219,487
Selling expenses	10,635	7,794
	4,698,310	4,127,788
Meter manufacturing division	20,231	11,919
LPG air mix	55,255	55,742
Capitalised on projects	16,694	38,195
	4,790,490	4,233,644

19.3 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 / (loss) on sales	Mode of disposal	Particulars of buyers
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	84,488	84,488	-	-	-	Replacement	Not applicable
Telecommunication system							
Written down value not exceeding Rs. 50,000 each	750	728	22	8	(14)	Tender	Various
PABX System	3,763	3,598	165	41	(124)	Tender	Various
Plant and machinery							
Written down value not exceeding Rs. 50,000 each	359	354	5	78	73	Tender & 3rd party claim	Various
Tools and equipments							
Written down value not exceeding Rs. 50,000 each	2,042	2,042	-	138	138	Tender & 3rd party claim	Various
Furniture and Fixture							
Written down value not exceeding Rs. 50,000 each	474	474	-	3	3	Tender	Various
Office and equipments							
Written down value not exceeding Rs. 50,000 each	3,433	3,433	-	42	42	Tender & 3rd party claim	Various
Computer and ancillary equipment							
Written down value not exceeding Rs. 50,000 each	36,269	36,269	-	541	541	Tender & 3rd party claim	Various
Scada							
Written down value not exceeding Rs. 50,000 each	653	620	33	7	(26)	Tender	Various

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / loss on sales	Mode of disposal	Particulars of buyers
Motor vehicles							
Toyota Pickup	867	698	169	695	526	Tender	Mr. Abdul Aleem
Suzuki Van	367	293	74	445	371	Tender	Mr. Abdul Hameed
Hyundai	625	437	188	425	237	Tender	Mr. Abdul Manan
Suzuki Pickup	354	292	62	305	243	Tender	Mr. Ayaz Muhammad
Toyota Pickup	815	652	163	900	737	Tender	Mr. Ayaz Muhammad
Toyota Pickup	851	681	170	615	445	Tender	Mr. Azim-Ullah
Suzuki Pickup	314	251	63	300	237	Tender	Mr. Chinar Din
Suzuki Pickup	339	271	68	260	192	Tender	Mr. Chinar Din
Suzuki Pickup	339	271	68	325	257	Tender	Mr. Chinar Din
Suzuki Cultus	595	417	178	480	302	Tender	Mr. Chinar Din
Toyota Pickup	813	651	162	850	688	Tender	Mr. Inam Khan
Kia Jeep	1,609	1,287	322	340	18	Tender	Mr. Inam Khan
Suzuki Pickup	353	291	62	270	208	Tender	Mr. Jamal Shah
Suzuki Pickup	353	291	62	315	253	Tender	Mr. Kamran Ellahi
Suzuki Pickup	339	271	68	285	217	Tender	Mr. Kamran Ellahi
Toyota Pickup	813	651	162	795	633	Tender	Mr. Khadim Ali
Toyota Pickup	815	652	163	830	667	Tender	Mr. Khadim Ali
Suzuki Cultus	607	425	182	440	258	Tender	Mr. Khadim Ali
Mitsubishi Pickup	2,126	1,701	425	660	235	Tender	Mr. Muhammad Abdul Raheem
Mitsubishi Pickup	2,130	1,704	426	659	233	Tender	Mr. Muhammad Abdul Raheem
Toyota Pickup	851	681	170	685	515	Tender	Mr. Muhammad Afzal
Suzuki Pickup	344	275	69	360	291	Tender	Mr. Muhammad Arif Jamsa
Hyundai	609	426	183	385	202	Tender	Mr. Muhammad Arsahd
Suzuki Van	465	372	93	320	227	Tender	Mr. Muhammad Ashraf Javeed
Suzuki Pickup	353	290	63	335	272	Tender	Mr. Muhammad Haleem Gobol
Suzuki Pickup	344	275	69	315	246	Tender	Mr. Muhammad Hamza
Suzuki Pickup	352	289	63	380	317	Tender	Mr. Muhammad Hanif Gobol
Suzuki Pickup	339	271	68	410	342	Tender	Mr. Muhammad Hanif Gobol
Suzuki Pickup	344	275	69	370	301	Tender	Mr. Muhammad Hanif Gobol
Suzuki Pickup	338	270	68	270	202	Tender	Mr. Muhammad Jalal
Suzuki Pickup	338	270	68	275	207	Tender	Mr. Muhammad Javaid
Toyota Pickup	815	652	163	820	657	Tender	Mr. Muhammad Javaid
Hyundai	609	426	183	400	217	Tender	Mr. Muhammad Javaid
Suzuki Van	396	317	79	425	346	Tender	Mr. Muhammad Khan
Suzuki Cultus	595	417	178	470	292	Tender	Mr. Muhammad Khan
Suzuki Van	446	357	89	400	311	Tender	Mr. Muhammad Shaukat Qureshi
Suzuki Pickup	339	271	68	350	282	Tender	Mr. Muhammad Shaukat Qureshi
Suzuki Pickup	344	275	69	335	266	Tender	Mr. Muhammad Shaukat Qureshi
Toyota Pickup	799	639	160	700	540	Tender	Mr. Muhammad Siddiqui
Toyota Pickup	815	652	163	810	647	Tender	Mr. Muhammad Siddiqui
Toyota Pickup	851	680	171	610	439	Tender	Mr. Muhammad Siddiqui
Hyundai Shehzore Pickup	678	543	135	720	585	Tender	Mr. Muhammad Younis
Toyota Pickup	850	680	170	610	440	Tender	Mr. Murtaza Khan
Suzuki Pickup	354	292	62	295	233	Tender	Mr. Nusrat Iqbal
Suzuki Pickup	339	271	68	255	187	Tender	Mr. Nusrat Iqbal

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / loss on sales	Mode of disposal	Particulars of buyers
Toyota Pickup	813	651	162	765	603	Tender	Mr. Nusrat Iqbal
Toyota Pickup	843	679	164	730	566	Tender	Mr. Nusrat Iqbal
Suzuki Pickup	354	292	62	275	213	Tender	Mr. Qamar Zaman
Suzuki Pickup	352	290	62	330	268	Tender	Mr. Qamar Zaman
Suzuki Pickup	351	289	62	285	223	Tender	Mr. Qamar Zaman
Suzuki Pickup	338	270	68	275	207	Tender	Mr. Qamar Zaman
Suzuki Pickup	338	271	67	295	228	Tender	Mr. Qamar Zaman
Suzuki Pickup	344	275	69	370	301	Tender	Mr. Qamar Zaman
Suzuki Pickup	344	275	69	350	281	Tender	Mr. Qamar Zaman
Suzuki Pickup	391	320	71	340	269	Tender	Mr. Qamar Zaman
Suzuki Pickup	396	316	80	350	270	Tender	Mr. Qamar Zaman
Suzuki Pickup	354	291	63	315	252	Tender	Mr. Raees Khan
Toyota Pickup	815	652	163	860	697	Tender	Mr. Raees Khan
Suzuki Pickup	357	294	63	280	217	Tender	Mr. Rasheed Ahmed
Suzuki Pickup	339	271	68	240	172	Tender	Mr. Rasheed Ahmed
Suzuki Pickup	314	251	63	355	292	Tender	Mr. Sabir Hussain
Suzuki Van	367	294	73	365	292	Tender	Mr. Sabir Hussain
Suzuki Van	367	294	73	390	317	Tender	Mr. Saeed Ahmed
Suzuki Pickup	354	292	62	325	263	Tender	Mr. Sawab Gul Khan
Suzuki Van	367	294	73	285	212	Tender	Mr. Sawab Gul Khan
Suzuki Pickup	355	292	63	275	212	Tender	Syed Asghar Ali Rizvi
Suzuki Pickup	338	270	68	295	227	Tender	Syed Asghar Ali Rizvi
Suzuki Cultus	595	417	178	470	292	Tender	Syed Noor Muhammad
Hyundi Terracan	2,659	2,127	532	1,480	948	3rd party claims	Insurance claim - NICL
Honda Civic	2,572	599	1,973	1,579	(394)	Service rules	Mr. Zuhair Saddiqui
Honda Civic	2,572	599	1,973	1,490	(483)	Service rules	Mr. Yusuf Jamil Ansari
Toyota Corolla	1,756	429	1,327	633	(694)	Service rules	Major Muhammad Akhtar
Toyota Corolla	1,756	428	1,328	961	(367)	Service rules	Mr. M Aminullah Khan
Toyota Corolla	1,725	520	1,205	467	(738)	Service rules	Mr. Muhammad Amin
Suzuki Cultus	854	528	326	64	(262)	Service rules	Mr. Ashfaq Ahmed
Suzuki Cultus	639	448	191	48	(143)	Service rules	Mr. Javed Akhter
Suzuki Cultus	934	425	509	126	(383)	Service rules	Mr. Tariq Muhammad
Suzuki Cultus	981	256	725	463	(262)	Service rules	Mr. Muhammad Taufique
Suzuki Cultus	941	286	655	250	(405)	Service rules	Mr. Saleem Akhtar Shaikh
Suzuki Cultus	933	425	508	70	(438)	Service rules	Mr. Muhammad Sohail
Written down value not exceeding Rs. 50,000 each	14,136	14,023	113	9,619	9,505	Tender	Various
June 30, 2015	202,808	183,293	19,515	48,427	28,912		
June 30, 2014	308,720	281,165	27,555	62,830	35,275		

19.4 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 351.977 million (2014: Rs. 238.427 million). Borrowing costs related to general borrowings were capitalised at the rate of 8.72% (2014: 8.93%).

19.4.1 Market value of buildings / civil works, roads, pavements and related infrastructure, compressors, plant and machinery, construction equipment, motor vehicles and gas transmission and distribution pipelines is Rs. 106,749 million as per the valuation carried out as at June 30, 2011 by an independent valuer namely Oceanic Surveyors (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

		Note	2015	2014
			(Rupees in '000)	
19.5	Capital work in progress			
	Projects:			
	- Gas distribution system		4,759,209	4,146,778
	- Gas transmission system		1,047,625	400,065
	- Cost of buildings under construction and others		285,770	319,080
			6,092,604	4,865,923
	Stores and spares held for capital projects	19.5.1	3,307,209	3,190,459
	LPG air mix plant		282,567	153,817
			3,589,776	3,344,276
	Impairment of capital work in progress		(145,987)	(75,896)
			9,536,393	8,134,303
19.5.1	Stores and spares held for capital projects			
	Gas distribution and transmission		3,436,904	3,222,713
	Provision for impaired stores and spares		(129,695)	(32,254)
			3,307,209	3,190,459

20. INTANGIBLE ASSEST

(Rupees in '000)

		COST			AMORTISATION			Written down value as at June 30,	Useful life (years)
		As at July 01,	Additions	As at June 30,	As at July 01,	For the year	As at June 30,		
Computer software	2015	490,274	8,344	498,618	401,376	61,331	462,707	35,911	3
	2014	459,986	30,288	490,274	335,258	66,118	401,376	88,898	3

	Note	Percentage of holding (if over 10%)	2015	2014
			(Rupees in '000)	
21. LONG TERM INVESTMENTS				
Investments in related parties				
Subsidiary:				
SSGC LPG (Private) Limited				
100,000,000 (2014: 100,000,000) ordinary shares of Rs.10 each		100	1,000,000	1,000,000
Sui Southern Gas Provident Fund Trust Company (Private) Limited				
100 (2014: 100) ordinary shares of Rs. 10 each		100	1	1
Associate:				
Unquoted companies - available for sale				
Inter State Gas Systems (Private) Limited				
510,000 (2014: 510,000) ordinary shares of Rs. 10 each	21.1		5,100	5,100
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited (SNGPL)				
2,414,174 (2014: 2,414,174) ordinary shares of Rs. 10 each	21.2		64,314	54,681
			1,069,415	1,059,782
Other investments				
Quoted companies - available for sale				
Pakistan Refinery Limited				
3,150,000 (2014: 350,000) ordinary shares of Rs. 10 each			191,930	56,613
United Bank Limited				
118,628 (2014: 118,628) ordinary shares of Rs. 10 each			20,276	19,996
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation				
5,000 (2014: 5,000) ordinary shares of Rs. 10 each			50	50
			212,256	76,659
Provision against impairment in value of investments at cost			(50)	(50)
			212,206	76,609
			1,281,621	1,136,391

21.1 Inter State Gas Systems (Private) Limited (ISGSL) entered into a service agreement with the Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise the Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, is carried out in connection with the service agreement and ISGSL, was allowed under the agreement to recover its cost / expenditure from the Company and SNGPL. The Company bears 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee of the Cabinet.

21.2 Sale of these shares has been restricted by the Government of Pakistan due to its privatisation, till further directives.

	June 30, 2015		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
		(Rupees in '000)	
22. NET INVESTMENT IN FINANCE LEASE			
Not later than one year	200,611	90,450	110,161
Later than one year and not later than five years	503,407	213,684	289,723
Later than five years	229,433	46,601	182,832
	732,840	260,285	472,555
	933,451	350,735	582,716

	June 30, 2014		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
		(Rupees in '000)	
Not later than one year	217,094	106,933	110,161
Later than one year and not later than five years	606,942	267,974	338,968
Later than five years	326,509	82,761	243,748
	933,451	350,735	582,716
	1,150,545	457,668	692,877

The Company entered into agreements with Oil and Gas Development Company Limted (OGDCL), Sui Northern Gas Pipelines Limited and ENI Pakistan Limited to use the Company's transmission pipelines for distribution of gas. The terms of the agreements entered into are for a substantial portion of the useful economic lives of the related assets. On June 30, 2013, agreement with OGDCL expired and the management is negotiating for renewal of agreement. The effective interest rate ranges from 11.4% to to 34.6% per annum.

The interest rates used to discount future minimum lease payments under the leases are based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in finance leases.

	Note	2015	2014
		(Rupees in '000)	
23. LONG TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	23.1	2,252	3,375
Less: receivable within one year	28	(602)	(980)
		1,650	2,395
Due from other employees	23.1 & 23.2	182,324	169,225
Less: receivable within one year	28	(32,498)	(31,112)
		149,826	138,113
		151,476	140,508

23.1 Reconciliation of the carrying amount of loans and advances:

	2015		2014	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	3,375	169,225	4,650	159,665
Disbursements	-	51,974	-	48,210
Repayments	(1,123)	(38,875)	(1,275)	(38,650)
	2,252	182,324	3,375	169,225

23.2 These loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of 6 to 10 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. January 1, 2001. Loans to non-executive employees are free from mark-up.

23.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 3.375 million (2014: Rs. 4.650 million).

	2015	2014
	(Rupees in '000)	
24. STORES, SPARES AND LOOSE TOOLS		
Stores	236,907	1,107,552
Spares	1,083,051	985,479
Stores and spares in transit	733,144	376,666
Loose tools	807	805
	2,053,909	2,470,502
Provision against impaired inventory		
Balance as at July 01	(296,015)	(216,579)
Reversal / (provision) made during the year	63,249	(79,436)
Balance as at June 30	(232,766)	(296,015)
	1,821,143	2,174,487
24.1 Stores, spares and loose tools are held for the following operations:		
Transmission	1,555,668	1,701,487
Distribution	265,475	473,000
	1,821,143	2,174,487
25. STOCK-IN-TRADE		
Gas		
Gas in pipelines	341,904	332,529
Stock of Synthetic Natural Gas	4,247	15,318
	346,151	347,847
Gas meters		
Components	399,243	397,495
Work-in-process	19,374	11,531
Finished meters	14,761	144,113
	433,378	553,139
Stock of Natural Gas Liquids	96,779	-
Provision against impaired inventory		
Balance as at July 01	(12,481)	(6,209)
Provision made during the year	(3,975)	(6,272)
Balance as at June 30	(16,456)	(12,481)
	859,852	888,505

26. CUSTOMERS INSTALLATION WORK IN PROGRESS

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 34.2 to these financial statements.

	Note	2015	2014
		(Rupees in '000)	
27. TRADE DEBTS			
Considered good			
- Secured		18,551,015	16,038,079
- Unsecured		81,016,295	72,048,200
	27.1 & 27.2	99,567,310	88,086,279
Provision against impaired debts	27.3	(9,215,486)	(9,180,586)
		90,351,824	78,905,693

27.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 40,073 million (2014: Rs. 41,302 million) as at June 30, 2015 receivables from KE. Out of this, Rs. 36,502 million (2014: Rs. 37,450 million) as at June 30, 2015 are overdue. However, the aggregate legal claim of the Company from KE amounts to Rs. 62,641 million (2014: Rs. 55,458 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

Considering that the Company has valid legal claim for recovery of LPS together with outstanding principal amount, the Company filed the aforementioned suit against KE amounting to Rs. 55,705 million. The above suit has been filed based on the following grounds:

- As per the agreement dated June 30, 2009 which was entered between the Company and KE for making outstanding payment in 18 installments, the Company was entitled to charge LPS on outstanding principal amount at rate of:

  a. Highest OD rate being paid by SSGC or;
  b. Highest rate at which interest is payable on gas producer bills.

- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Company has legal claim over KE for charging of LPS.

KE also filed case against the Company in the High Court of Sindh for recovery of damages / losses of Rs. 61,614 million as KE claimed that the Company had not supplied the committed quantity of natural gas to KE. However, the legal counsel of the Company is of the view that claim of KE is not valid and is not as per terms of the agreement where it was agreed that the Company would make excess supply of natural gas if KE would make timely payments. As KE defaulted on many instances in making payments on due dates, the Company was not bound to supply excess quantity of natural gas as per terms of the agreement.

Management has consulted with its legal counsel, who is of the view that the Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel also viewed that the Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

27.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 20,879 million (2014: Rs. 16,944 million) including overdue balance of Rs. 20,618 million (2014: Rs. 16,488 million) receivable from PSML. However, the aggregate legal claim of the Company from PSML amounts to Rs. 35,383 million (2014: Rs. 24,443 million). This amount has been arrived at as per the practice of the Company to charge LPS to customers who do not make timely payments.

Although PSML's financial position is adverse, and it has no capacity to repay its obligations on its own, management is confident that the entire amount will be ultimately recovered because PSML is a government-owned entity and is continuously being supported by the Government of Pakistan.

		2015	2014
		(Rupees in '000)	
27.3	Movement of provision against impaired debts		
	Balance as at July 01	9,180,586	7,595,958
	Provision for the year	34,900	1,584,628
	Balance as at June 30	9,215,486	9,180,586

27.4 Aging of trade debts from related parties

	2015			
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	Total
	(Rupees in '000)			
Not due balances	8,169,793	-	-	8,169,793
Past due but not impaired	-	18,973,426	39,603,605	58,577,031
	8,169,793	18,973,426	39,603,605	66,746,824

	2014			
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	Total
	(Rupees in '000)			
Not due balances	5,518,415	-	-	5,518,415
Past due but not impaired	-	18,870,757	35,737,781	54,608,538
	5,518,415	18,870,757	35,737,781	60,126,953

		Note	2015	2014
			(Rupees in '000)	
28.	LOANS AND ADVANCES - considered good			
	Loan to a related party	28.1	1,710,103	1,710,103
	Advances to:			
	- executives	28.2	89,063	80,740
	- other employees	28.2	479,753	193,478
			568,816	274,218
	Current portion of long term loans:			
	- executives	23	602	980
	- other employees	23	32,498	31,112
			33,100	32,092
			2,312,019	2,016,413

28.1 This amount represents unsecured loan provided to SSGC LPG (Private) Limited (a wholly owned subsidiary), carrying mark-up equivalent to the weighted average borrowing rate of the Company.

28.2 Advances represent interest free establishment advance and festival advance to the employees according to the terms of employment. These are repayable in ten equal installments and are secured against the retirement benefit balances of the related employees.

		Note	2015	2014
			(Rupees in '000)	
29.	ADVANCES, DEPOSITS AND SHORT TERM PREPAYMENTS			
	Advances for goods and services - unsecured, considered good		157,092	41,738
	Trade deposits - unsecured, considered good		29,775	1,423
	Prepayments		95,723	94,224
			282,590	137,385
30.	INTEREST ACCRUED			
	Interest accrued on late payment of bills / invoices from:			
	- WAPDA		2,737,277	2,631,928
	- SNGPL		3,820,805	2,796,094
	- JJVL		352,791	193,094
			6,910,873	5,621,116
	Interest accrued on bank deposits		2,370	2,370
	Interest accrued on sales tax refund	5.5	487,739	487,739
	Interest accrued on loan to related party	30.1	344,487	180,378
			7,745,469	6,291,603

30.1 This amount represents interest accrued to SSGC LPG (Private) Limited (a wholly owned subsidiary). The amount includes interest accrued on a short term loan amounting to Rs. 302 million (2014: Rs. 153 million) and interest accrued on late payment of bills against sale of LPG amounting to Rs. 42 million (2014: Rs. 27 million).

		Note	2015	2014
			(Rupees in '000)	
31.	OTHER RECEIVABLES - considered good			
	Gas development surcharge receivable from GoP	31.1	25,798,540	20,737,160
	Staff pension fund	41.1	672,909	659,934
	Receivable for sale of gas condensate		253,228	206,909
	Sui Northern Gas Pipelines Limited	31.2	22,227,096	12,354,923
	Jamshoro Joint Venture Limited	31.6 & 31.7	14,636,955	14,349,882
	SSGC LPG (Private) Limited		565,837	1,134,998
	Workers' Profit Participation Fund	31.3	1,567,655	1,229,655
	Sales tax receivable	31.4	14,710,812	10,391,068
	Sindh sales tax		112,569	112,569
	Pipeline rentals		49,984	33,779
	Receivable against asset contribution	31.8	448,587	-
	Miscellaneous receivables		527,045	82,897
			81,571,217	61,293,774
	Provision against impaired receivables	31.5	(2,430,751)	(2,346,359)
			79,140,466	58,947,415

31.1 Gas development surcharge receivable from GoP

31.1.1 This includes Rs. 390 million (2014: Rs. 390 million) recoverable from the Government of Pakistan (GoP) on account of remission of gas receivables from people of Ziarat under instructions from GoP. Although, management is confident that this amount is fully recoverable, as a matter of abundant caution full provision has been made in these financial statements.

31.1.2 The Company has accounted for actuarial gains and losses in determining revenue requirement of the Company for the year ended June 30, 2015 having total impact of Rs. 780 million (2014: Rs. 2,348 million).

The Company has recognized such Gas development surcharge in other comprehensive income instead of profit and loss account on the premise that actuarial losses have also been recognized in other comprehensive income.

31.2 As at year end, receivable balance from SNGPL comprises of the following:

	Note	2015	2014
		(Rupees in 000)	
Uniform cost of gas		20,016,375	12,210,925
Lease rentals		84,811	142,093
Contingent rent		3,422	1,905
Capacity and utilisation charges of RLNG	31.2.1	2,122,488	-
		22,227,096	12,354,923

31.2.1 The Company has invoiced an amount of Rs. 3,115 million, including Sindh Sales Tax of Rs. 406 million, till June 30, 2015 to SNGPL in respect of capacity and utilization charges (terminal charges) relating to RLNG.

SNGPL has recorded total billed amount of capacity and utilization charges of Rs. 2,708 million as part of cost of gas sold, in its financial statements. However, it has disputed the terminal charges that have not been allowed to it by OGRA and terminal charges of a third party (i.e. Pak-Arab Fertilized Company Limited (PFL). SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and not the actual cost billed by SSGC.

In this regard, the Company has written a letter to the Ministry of Petroleum and Natural Resources (MP&NR) to resolve this matter, but the response to this letter is still awaited.

	2015	2014
	(Rupees in 000)	
31.3 Workers' profit participation fund		
Balance as at July 01	1,229,655	452,655
Amount paid by the Company	338,000	777,000
Balance as at June 30	1,567,655	1,229,655

31.4 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales Tax refunds are processed through FBR's Sales Tax Automated Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012. After withdrawal of said dispensation, the deferred refunds are issued to the Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds.

	2015	2014
	(Rupees in '000)	
31.5 Movement of provision against other receivables		
Balance as at July 01	2,346,359	2,028,106
Provision made during the year	84,392	318,253
Balance as at June 30	2,430,751	2,346,359

31.6 During the year 2013-14, the Supreme Court of Pakistan passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Company and Jamshoro Joint Venture Limited was declared void from the date of its inception. The Court constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the "Reference Price" for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the Court has appointed an Advocate Supreme Court to determine the matter which is still pending.

31.7 This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, sale of natural gas liquids, Federal Excise Duty and Sindh Sales Tax on Franchise Services amounting to Rs. 230 million (2014: Rs. 7,474 million), Rs. 8,918 million (2014: Rs. 5,160 million), Rs. 3,773 million (2014: Rs. Nil), Rs. 1,070 million (2014: Rs. 1,070 million) and Rs. 646 million (2014: Rs. 646 million) respectively.

As at year end, amount payable to JJVL is Rs. 7,433 million (2014: Rs. 3,298 million) as disclosed in note 16 to these financial statements.

31.8 This represents receivable from Mari Gas Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cashflow technique.

		Note	2015	2014
			(Rupees in '000)	
32.	TAXATION - NET			
	Advance tax		23,876,968	16,908,850
	Provision for tax		(6,434,221)	(6,434,221)
			17,442,747	10,474,629
33.	CASH AND BANK BALANCES			
	Cash at banks			
	- deposit accounts		634,674	855,263
	- current accounts		342,323	333,919
			976,997	1,189,182
	Cash in hand	33.1	7,132	10,655
			984,129	1,199,837

33.1 This includes foreign currency cash in hand amounting to Rs. 0.898 million (2014: Rs. 1.912 million).

		Note	2015	2014
			(Rupees in '000)	
34.	COST OF SALES			
	Cost of gas	34.1	155,780,611	150,516,071
	Transmission and distribution costs	34.2	14,784,471	11,736,132
			170,565,082	162,252,203

		Note	2015	2014
			(Rupees in '000)	
34.1	Cost of gas			
	Gas in pipelines as at July 01		332,529	272,267
	Gas purchases		194,671,452	188,809,213
			195,003,981	189,081,480
	Gas consumed internally		(596,278)	(603,328)
	Inward price adjustment	34.1.1	(38,285,188)	(37,629,552)
	Gas in pipelines as at June 30		(341,904)	(332,529)
			(39,223,370)	(38,565,409)
			155,780,611	150,516,071

34.1.1 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 customers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the Company and Sui Northern Gas Pipelines Limited effective from July 1, 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.

34.1.2 UFG in parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both above ground and underground , measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. While it is almost impossible to estimate the amount of gas theft in UFG, it is estimated that it is a significant percentage of the total UFG.

The Company is taking a number of measures to control and reduce UFG. These are elaborated below:

- Vigilance for identification of theft cases, illegal networks and necessary remedial measures thereafter.
- Measurement errors identification and rectification.
- Above ground and underground leakage identification and rectification.

The Company's actions are likely to be more effective with the co-operation of various stakeholders and law enforcement agencies.

Actual UFG for the year ended June 30, 2015 is 13.62% (2014: 13.82%). OGRA has restricted UFG to 7% due to stay order granted by the Honorable High Court of Sindh.

		Note	2015	2014
			(Rupees in '000)	
34.2	Transmission and distribution costs			
	Salaries, wages and benefits		7,191,975	5,865,422
	Contribution / accrual in respect of staff retirement benefit schemes	34.2.1	1,186,485	820,754
	Depreciation on operating assets	19.2	4,477,731	3,900,507
	Repairs and maintenance		1,147,858	924,331
	Stores, spares and supplies consumed		595,437	524,109
	Gas consumed internally		596,278	603,328
	Legal and professional		163,791	133,652
	Software maintenance		27,754	29,505
	Electricity		105,466	105,995
	Security expenses		383,280	318,659
	Insurance and royalty		95,857	91,114
	Travelling		51,641	40,426
	Material and labor used on customers' installation		16,486	36,005
	Impairment of capital work in progress		70,091	51,223
	Postage and revenue stamps		2,723	2,313
	Rent, rates and taxes		209,920	81,820
	Others		254,993	226,954
			16,577,766	13,756,117
	Recoveries / allocations to:			
	Gas distribution system capital expenditure		(1,588,718)	(1,419,323)
	Installation costs recovered from customers		(25,606)	(53,473)
			(1,614,324)	(1,472,796)
	Recoveries of service cost from:			
	- Sui Northern Gas Pipelines Limited - a related party	34.2.2	(135,603)	(504,937)
	- Other customers		(43,368)	(42,252)
			(178,971)	(547,189)
			14,784,471	11,736,132

	2015	2014
	(Rupees in '000)	
34.2.1 Contribution / accrual in respect of staff retirement benefit schemes		
Contribution to the provident fund	180,195	159,675
Charge in respect of pension funds:		
- executives	141,969	92,899
- non-executives	108,202	35,536
Charge in respect of gratuity funds:		
- executives	135,361	114,784
- non-executives	66,963	59,560
Accrual in respect of unfunded post retirement medical facility	470,901	282,364
Accrual in respect of compensated absences		
- executives	7,215	71,547
- non-executives	75,679	4,389
	1,186,485	820,754

34.2.2 This includes recovery in respect of obligation against pipeline transferred to the Company from Engro Elengy Terminal (Private) Limited amounting to Rs. 33.9 million.

	Note	2015	2014
		(Rupees in '000)	
35. ADMINISTRATIVE AND SELLING EXPENSES			
Administrative expenses	35.1	2,416,562	2,249,677
Selling expenses	35.2	1,317,040	1,190,745
		3,733,602	3,440,422

	Note	2015	2014
35.1 Administrative expenses			
Salaries, wages and benefits		1,323,207	1,214,728
Contribution / accrual in respect of staff retirement benefit schemes	35.1.1	120,893	91,359
Depreciation on operating assets	19.2	209,944	219,487
Amortisation of intangible assets	20	61,331	66,118
Repairs and maintenance		129,278	111,504
Stores, spares and supplies consumed		115,831	127,024
Legal and professional		80,232	64,097
Software maintenance		112,653	107,512
Electricity		7,429	9,395
Security expenses		8,680	7,427
Insurance and royalty		12,629	9,888
Travelling		56,590	63,729
Postage and revenue stamps		72,356	60,692
Rent, rates and taxes		10,768	7,575
Others		148,865	140,736
		2,470,686	2,301,271
Allocation to meter manufacturing division		(54,124)	(51,594)
		2,416,562	2,249,677

		2015	2014
		(Rupees in '000)	
35.1.1	Contribution / accrual in respect of staff retirement benefit schemes		
	Contribution to the provident fund	34,290	31,482
	Charge in respect of pension funds:		
	- executives	27,621	17,410
	- non-executives	4,984	1,581
	Charge in respect of gratuity funds:		
	- executives	24,039	21,537
	- non-executives	3,626	2,650
	Accrual in respect of unfunded post retirement:		
	- gas facility	6,915	4,934
	- medical facility	19,418	11,765
		120,893	91,359

		Note	2015	2014
			(Rupees in '000)	
35.2	Selling expenses			
	Salaries, wages and benefits		826,673	774,043
	Contribution / accrual in respect of staff retirement benefit schemes	35.2.1	90,258	67,316
	Depreciation on operating assets	19.2	10,635	7,794
	Repairs and maintenance		2,621	2,765
	Stores, spares and supplies consumed		28,204	25,565
	Meter reading by contractors		58,933	49,781
	Electricity		70,969	61,196
	Insurance and royalty		652	552
	Travelling		985	942
	Gas bills collection charges		177,771	175,353
	Postage and revenue stamps		569	473
	Rent, rates and taxes		38,915	18,745
	Others		9,855	6,220
			1,317,040	1,190,745
35.2.1	Contribution / accrual in respect of staff retirement benefit schemes			
	Contribution to the provident fund		26,690	23,939
	Charge in respect of pension funds:			
	- executives		16,941	11,622
	- non-executives		19,582	6,499
	Charge in respect of gratuity funds:			
	- executives		14,693	14,359
	- non-executives		12,352	10,897
			90,258	67,316

	Note	2015	2014
		(Rupees in '000)	
36. OTHER OPERATING EXPENSES			
Auditors' remuneration			
- Statutory audit		3,000	3,000
- Fee for other audit related services		5,700	1,200
- Fee for taxation services		14,597	13,422
- Out of pocket expenses		250	250
		23,547	17,872
Sports expenses		50,013	29,935
Corporate social responsibility		62,526	54,871
Provision against impaired debts and other receivables	27.3 & 31.5	119,292	1,902,881
Provision against impaired stores and spares		34,192	90,439
Exchange loss on payment of gas purchases		1,299,017	85,584
		1,588,587	2,181,582
37. OTHER OPERATING INCOME			
Income from other than financial assets			
Meter rentals		700,078	681,656
Recognition of income against deferred credit		402,909	403,349
Income from new service connections and asset contribution		884,743	238,711
Gas shrinkage charged to JJVL	37.2	-	1,017,393
Income from gas transportation		-	15,757
Income from LPG air mix distribution - net	37.1	116,083	124,971
Recoveries from customers		71,627	78,787
Gain on disposal of property, plant and equipment	19.3	28,912	35,275
Liquidated damages recovered		17,790	9,664
Advertising income		5,420	6,164
Income from sale of tender documents		5,775	2,787
Scrap sales		10,803	-
Miscellaneous		230,885	186,772
		2,475,025	2,801,286
37.1 Income from LPG air mix distribution - net			
Sales		20,517	18,305
Cross subsidy		551,574	486,649
Cost of sales		(369,513)	(294,325)
Gross profit		202,578	210,629
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(27,491)	(24,403)
Depreciation expenses	19.2	(55,255)	(55,742)
Other operating expenses		(32,338)	(33,935)
		(115,084)	(114,080)
Amortisation of deferred credit		26,999	26,994
Other income		1,590	1,428
Profit for the year		116,083	124,971

37.2 The Company entered into Implementation Agreement with Jamshoro Joint Venture Limited (JJVL) and granted 'exclusive rights' to process and extract Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) from Composite Associated Gas Mixture (CAGM) made available at JJVL plant.

Gas Shrinkage charged to JJVL means the amount payable by JJVL to the Company as compensation for loss in volume and gross calorific value of CAGM due to recovery of LPG and NGL at the JJVL plant. This is in fact consideration for loss in volume of gas and its gross calorific value between Tie in Point and delivery point.

This amount was being recovered under the Implementation Agreement which has been declared void by the Supreme Court of Pakistan vide its Order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009. Thus no shrinkage has been charged after Supreme Court Order.

	Note	2015	2014
		(Rupees in '000)	
38. OTHER NON-OPERATING INCOME			
Income from financial assets			
Late payment surcharge		1,791,017	1,608,082
Income from net investment in finance lease		65,417	66,126
Income for receivable against asset contribution		41,677	-
Interest income on loan to related party		149,189	152,712
Return on:			
- term deposits and profit and loss bank accounts		240,047	251,101
- staff loans		-	5
		2,287,347	2,078,026
Interest income on late payment of gas bills from			
- Jamshoro Joint Venture Limited (JJVL)	38.2	252,342	167,644
- Water & Power Development Authority (WAPDA)		105,348	70,127
- Sui Northern Gas Pipelines Limited (SNGPL)		1,024,711	376,805
- SSGC LPG (Private) Limited		14,920	21,093
		1,397,321	635,669
Dividend income		356	1,235
		3,685,024	2,714,930
Income from investment in debts, loans, advances and receivables from related party			
Income from net investment in finance lease	38.1	90,389	125,214
Others			
Sale of gas condensate		317,891	751,850
Royalty income from JJVL		-	5,330,644
Income from LPG and NGL - net	38.4, 38.5 & 38.6	7,548,098	3,850,415
Meter manufacturing division profit - net	38.3	114,688	622,254
		7,980,677	10,555,163
		11,756,090	13,395,307

38.1 This represents income from SNGPL amounting to Rs.90.389 million (2014: Rs. 125.214 million).

38.2 Interest is charged on the receivable from JJVL at the State Bank of Pakistan discount rate plus 2%.

	Note	2015	2014
		(Rupees in '000)	

38.3 Meter manufacturing division profit - net

	Note	2015	2014
Gross sales of gas meters			
- Company's consumption		1,079,732	996,165
- Outside sales		1,432,459	2,574,323
		2,512,191	3,570,488
Sales tax		(385,559)	(569,099)
Net sales		2,126,632	3,001,389
Cost of sales			
- Raw material consumed		1,311,178	1,944,782
- Stores and spares		17,682	13,911
- Fuel, power and electricity		18,508	21,502
- Salaries wages and other benefits	38.3.2	458,993	450,001
- Insurance		946	892
- Repairs and maintenance		4,747	7,202
- Depreciation	19.2	20,231	11,919
- Transportation		4,949	-
- Other expenses		1,571	1,958
		1,838,805	2,452,167
Opening work in process		11,531	22,363
Closing work in process		(19,375)	(11,531)
		(7,844)	10,832
Cost of goods manufactured		1,830,961	2,462,999
Opening stock of finished goods		144,113	13,636
Closing stock of finished goods		(14,761)	(144,113)
		129,352	(130,477)
Cost of goods sold		1,960,314	2,332,522
Gross profit		166,318	668,867
Administrative expenses		(54,124)	(51,594)
Operating profit		112,194	617,273
Other income		2,494	4,981
Net profit		114,688	622,254

38.3.1 Gas meters used by the Company are included in operating assets at manufacturing cost.

		2015	2014
38.3.2	Salaries, wages and other benefits	445,264	440,584
	Provident fund contribution	5,239	4,506
	Pension fund	4,823	1,961
	Gratuity	3,667	2,950
		458,993	450,001

38.4 This amount includes sale of LPG to SSGC LPG (Private) Limited (wholly owned subsidiary) amounting to Rs. 1,398 million (2014: Rs. 2,215 million).

38.5 The Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields. As per the arrangement, 50% of extracted quantity is sold out to JJVL and 50% to other customers.

38.6 It represents sale of NGL to JJVL amounting to Rs. 3,712 million on the basis of provisional selling prices and after adjusting extraction charges the net income from sale of NGL is Rs. 2,644 million. The provision sales are subject to change as result of negotiation / arbitration from JJVL.

		2015	2014
		(Rupees in 000)	
39.	FINANCE COST		
	Mark-up on:		
	- loans from banking companies	2,216,473	2,163,993
	- short term borrowings	53,763	79,744
	- customers' deposits	278,093	193,234
	- customer finance	1,848	2,694
	- delayed payment on gas supplies	7,089,712	4,926,612
	- Government of Sindh loans	229,937	241,701
	- obligation against pipeline	25,012	-
	- others	153,507	47,063
		10,048,345	7,655,041
	Less: Finance cost capitalised during the year	(351,977)	(238,427)
		9,696,368	7,416,614
40.	TAXATION		
	Current year		
	Current tax	-	-
	Deferred tax	(3,378,305)	(2,056,945)
		(3,378,305)	(2,056,945)
40.1	Relationship between unconsolidated accounting profit and tax expense for the year is as follows:		
	Accounting loss for the year	(8,769,354)	(5,810,406)
	Tax rate	33%	34%
	Tax charge @ 33% (2014: 34%)	(2,893,887)	(1,975,538)
	Effect of change in rate	(484,336)	(81,111)
	Effect of lower tax rate on dividend income	(82)	(296)
		(3,378,305)	(2,056,945)

41. STAFF RETIREMENT BENEFITS

41.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.16 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 valuation. Latest actuarial valuations were carried out as at June 30, 2015 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:

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(1,153,990)	(2,387,118)	(237,051)	(2,829,652)
Present value of defined benefit obligation	700,883	3,923,930	17,249	3,485,623
	(453,107)	1,536,812	(219,802)	655,971
Movement in present value of defined benefit obligation				
Obligation as at July 01, 2014	647,081	3,491,853	18,002	3,383,717
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Remeasurement	(61,051)	120,983	(1,155)	(226,321)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Obligation as at June 30, 2015	700,883	3,923,930	17,249	3,485,623
Movement in fair value of plan assets				
Fair value as at July 01, 2014	1,079,998	2,141,413	209,519	2,553,389
Expected return on plan assets	154,072	270,642	36,772	335,910
Remeasurement	(30,701)	(57,464)	25,554	(67,122)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Contribution to the fund	191,897	163,363	143,677	118,505
Amount transferred (out) / in	(216,001)	216,001	(176,598)	176,598
Fair value as at June 30, 2015	1,153,990	2,387,118	237,051	2,829,652
Movement in (asset) / liability in unconsolidated balance sheet				
(Asset) / liability as at July 01, 2014	(462,917)	1,380,440	(197,017)	835,828
Expense recognised for the year	202,057	171,288	142,101	103,347
Remeasurement	(350)	148,447	(21,209)	(164,699)
Contribution to the fund	(191,897)	(163,363)	(143,677)	(118,505)
(Asset) / liability in unconsolidated balance sheet	(453,107)	1,536,812	(219,802)	655,971

Expense recognised in the unconsolidated profit and loss account

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

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in 000)			
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Expected return on plan assets	(154,072)	(270,642)	(36,772)	(335,910)
Amount transferred out / (in)	216,001	(216,001)	176,598	(176,598)
	202,057	171,288	142,101	103,347
Total remeasurements recognised in other comprehensive income				
Remeasurement on obligation arising on				
- financial assumptions	2,892	(1,887)	250	(143,581)
- demographic assumptions	-	-	-	-
- experience adjustments	58,159	(119,096)	905	369,902
	61,051	(120,983)	1,155	226,321
Remeasurement on plan assets arising on				
Return on plan assets excluding expected return	117,143	249,818	40,554	306,875
Expected return on plan assets	(154,072)	(270,642)	(36,772)	(335,910)
Net return on plan assets over interest income	(36,929)	(20,824)	3,782	(29,035)
Difference in opening fair value of assets after audit	6,228	(36,640)	21,772	(38,087)
Adjustment for previous amount	(30,000)	30,000	(5,500)	5,500
	(60,701)	(27,464)	20,054	(61,622)
	350	(148,447)	21,209	164,699
Actual Return on plan asset	117,143	249,818	40,554	306,875
Composition / fair value of plan assets used by the fund				
Quoted Shares	21.26%	10.15%	61.41%	12.25%
Debt instruments	69.94%	84.34%	22.20%	81.73%
Mutual funds	1.90%	1.95%	6.22%	4.49%
Others including cash & cash equivalents	6.89%	3.56%	10.17%	1.53%
Total	100%	100%	100%	100%
Quoted Shares	245,378	242,274	145,580	346,614
Debt instruments	807,145	2,013,346	52,616	2,312,534
Mutual funds	21,908	46,613	14,747	127,173
Others including cash & cash equivalents	79,559	84,885	24,108	43,331
Total	1,153,990	2,387,118	237,051	2,829,652

	2014			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in unconsolidated balance sheet				
Fair value of plan assets	(1,079,998)	(2,141,413)	(209,519)	(2,553,389)
Present value of defined benefit obligation	647,081	3,491,853	18,002	3,383,717
Amount payable / (receivable) against Company's liability	(30,000)	30,000	(5,500)	5,500
	(462,917)	1,380,440	(197,017)	835,828
Movement in present value of defined benefit obligation				
Obligation as at July 1, 2013	553,063	3,233,652	7,907	2,582,285
Current service cost	21,819	175,895	-	123,879
Interest cost	60,716	342,822	815	278,206
Remeasurement	38,690	165,207	11,005	705,019
Benefits paid	(27,207)	(425,723)	(1,725)	(305,672)
Obligation as at June 30, 2014	647,081	3,491,853	18,002	3,383,717

	2014			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Movement in fair value of plan assets				
Fair value as at July 1, 2013	928,978	2,035,279	245,127	2,357,051
Interest income	99,911	217,873	25,549	254,721
Remeasurment	95,692	13,140	(34,698)	99,925
Benefits paid	(27,207)	(425,723)	(1,725)	(305,672)
Contribution to the fund	126,745	156,723	45,824	76,806
Amount transferred (out) / in	(144,121)	144,121	(70,558)	70,558
Fair value as at June 30, 2014	1,079,998	2,141,413	209,519	2,553,389
Movement in (asset) / liability in unconsolidated balance sheet				
(Asset) / liability as at July 01, 2013	(405,915)	1,228,373	(242,720)	230,734
Expense recognised for the year	126,745	156,723	45,824	76,806
Remeasurement	(57,002)	152,067	45,703	605,094
Contribution to the fund	(126,745)	(156,723)	(45,824)	(76,806)
(Asset) / liability in unconsolidated balance sheet	(462,917)	1,380,440	(197,017)	835,828

Expense recognised in the unconsolidated profit and loss account

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

	2014			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in 000)			
Current service cost	21,819	175,895	-	123,879
Interest cost	60,716	342,822	815	278,206
Expected return on plan assets	(99,911)	(217,873)	(25,549)	(254,721)
Amount transferred out / (in)	144,121	(144,121)	70,558	(70,558)
	126,745	156,723	45,824	76,806
Total remeasurements recognised in other comprehensive income				
Remeasurement on obligation arising on				
- financial assumptions	(1,795)	(13,307)	-	(44,943)
- demographic assumptions	(918)	(5,264)	-	2,879
- experience adjustments	(35,977)	(146,636)	(11,005)	(662,955)
	(38,690)	(165,207)	(11,005)	(705,019)
Remeasurement on plan assets arising on				
Return on plan assets excluding interest income	173,042	290,044	76,585	379,569
Expected return on plan assets	(99,911)	(217,873)	(25,549)	(254,721)
Net return on plan assets over interest income	73,131	72,171	51,036	124,848
Difference in opening fair value of assets after audit	22,561	(59,031)	(85,734)	(24,923)
	95,692	13,140	(34,698)	99,925
	57,002	(152,067)	(45,703)	(605,094)
Actual return on plan assets	173,042	290,044	76,585	379,569
Composition / fair value of plan assets used by the fund				
Quoted shares	19.5%	9.97%	59.65%	11.87%
Debt instruments	75.66%	86.10%	29.49%	84.21%
Mutual funds	1.60%	1.79%	5.88%	3.80%
Other including cash and cash equivalents	3.23%	2.14%	4.98%	0.12%
Total	100%	100%	100%	100%
Quoted shares	210,669	213,474	124,988	303,100
Debt instruments	606,390	1,391,515	12,328	97,081
Mutual funds	17,322	38,294	157,104	2,003,932
Others including cash and cash equivalents	245,617	498,130	(84,901)	149,276
Total	1,079,998	2,141,413	209,519	2,553,389

Significant actuarial assumptions

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

	Executives and Non-executives 2015 (%)	2014 (%)
Discount rate	**9.75**	13.25
Expected rate of increase in salary level	**7.75**	11.25
Increase in pension	**2.75**	6.25

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of salary and pension increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption		Impact of change in assumptions in present value of defined benefit obligation — Executives Pension	Executives Gratuity	Non-executives Pension	Non-executives Gratuity
			(Rupees in '000)			
Discount rate	1%	Increase in assumption	(67,270)	(247,956)	(1,008)	(255,173)
Salary increase rate	1%		40,035	299,010	-	308,267
Pension increase rate	1%		43,956	-	1,210	-
Discount rate	1%	Decrease in assumption	80,344	276,856	1,139	287,968
Salary growth rate	1%		(36,356)	(271,612)	-	(276,910)
Pension increase rate	1%		(38,079)	-	(1,082)	-

In presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the unconsolidated balance sheet.

The expected pension and gratuity expense for the next one year from July 01, 2015 is as follows:

	Executives Pension	Executives Gratuity	Non-executives Pension	Non-executives Gratuity
	(Rupees in '000)			
Current service cost	58,692	232,399	-	172,904
Interest cost	(50,995)	151,854	(26,368)	61,050
Expected return on plan assets				
Amount transferred out / (in)	194,158	(194,158)	130,064	(130,064)
	201,855	190,095	103,696	103,890

41.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.16 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 December 31, 2000. The latest actuarial valuations of the liability under these schemes were carried out as at June 30, 2015 under the projected unit credit method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,584 (2014: 2,455).

	2015		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in unconsolidated balance sheet			
Present value of defined benefit obligation	4,067,619	43,640	4,111,259
Movement in present value of defined benefit obligation			
Liability as at July 01, 2014	2,847,258	53,708	2,900,966
Expense recognised for the year	483,989	6,886	490,875
Payments during the year	(95,556)	(2,920)	(98,476)
Remeasurement	831,928	(14,034)	817,894
Liability as at June 30, 2015	4,067,619	43,640	4,111,259
Expense recognised in the unconsolidated profit and loss account			
Current service cost	104,188	-	104,188
Interest cost	379,801	6,886	386,687
	483,989	6,886	490,875
Total remeasurements recognised in other comprehensive income			
Remeasurement on obligation arising on			
- financial assumptions	829,304	(7,701)	821,603
- demographic assumptions	-	-	-
- experience adjustments	2,624	(6,333)	(3,709)
	831,928	(14,034)	817,894

	2014		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in unconsolidated balance sheet			
Present value of defined benefit obligation	2,847,258	53,708	2,900,966
Movement in present value of defined benefit obligation			
Liability as at July 01, 2013	1,974,536	46,859	2,021,395
Expense recognised for the year	294,130	4,934	299,064
Payments during the year	(61,971)	(3,395)	(65,366)
Remeasurement	640,563	5,310	645,873
Liability as at June 30, 2014	2,847,258	53,708	2,900,966
Expense recognised in the unconsolidated profit and loss account			
Current service cost	76,488	-	76,488
Interest cost	217,642	4,934	222,576
	294,130	4,934	299,064
Total remeasurements recognised in other comprehensive income			
Remeasurement on obligation arising on			
- financial assumptions	680,200	8,094	688,294
- demographic assumptions	135,886	1,430	137,316
- experience adjustments	(175,523)	(4,214)	(179,737)
	640,563	5,310	645,873

Significant actuarial assumptions

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

	Executives	
	2015 (%)	2014 (%)
Discount rate	9.75	13.25
Medical inflation rate	9.75	13.25
Gas inflation rate	9.75	13.25

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of medical and gas increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption		Impact of change in assumptions in present value of defined benefit obligation	
			Post retirement medical facility	Post retirement gas facility
			(Rupees in 000)	
Discount rate	1%	Increase in assumption	(590,634)	(3,369)
Medical inflation rate	1%		737,976	-
Gas inflation rate	1%		-	3,816
Discount rate	1%	Decrease in assumption	747,538	3,853
Medical inflation rate	1%		(593,594)	-
Gas inflation rate	1%		-	(3,398)

The expected medical and gas expense for the next one year from July 01, 2015 is as follows:

Current service cost	140,784	-
Net interest cost	398,624	4,111
	539,408	4,111

41.3 Defined contribution plan - Recognized provident fund

The information related to the provident funds established by the Company based on the managment records are as follows:

	Executives		Non-Executives	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
	(Rupees in 000)			
Size of provident fund	3,283,000	2,802,091	3,165,000	2,864,418
Cost of investments made	2,656,763	2,326,913	2,697,572	2,385,899
Percentage of investments made	81%	83%	85%	83%
Fair value of investment	3,033,510	2,607,045	2,988,479	2,698,232

Break-up of investments:

- Balance in savings accounts

Amount of investment	86,387	78,714	55,395	56,319
Percentage of investment as size of the fund	3%	3%	2%	2%

- Term deposit receipts

Amount of investment	824,428	692,642	515,252	226,018
Percentage of investment as size of the fund	25%	25%	16%	8%

	Executives		Non-Executives	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
	(Rupees in 000)			
- Units of mutual fund				
Amount of investment	56,781	39,401	-	-
Percentage of investment as size of the fund	2%	1%	0%	0%
- Special savings certificate				
Amount of investment	1,202,226	1,104,384	1,499,573	1,315,650
Percentage of investment as size of the fund	37%	39%	47%	46%
- Treasury bills				
Amount of investment	103,902	493,307	248,876	741,193
Percentage of investment as size of the fund	3%	18%	8%	26%
- Pakistan Investment Bonds (PIBs)				
Amount of investment	541,925	179,034	472,428	326,337
Percentage of investment as size of the fund	17%	6%	15%	11%
- Term Finance Certificates (TFCs)				
Amount of investment	19,533	19,563	12,650	32,715
Percentage of investment as size of the fund	1%	1%	0%	1%
- Quoted shares				
Amount of investment	198,328	-	184,305	-
Percentage of investment as size of the fund	6%	0%	6%	0%

41.3.1 Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

42. LOSS PER SHARE - BASIC AND DILUTED

		2015	2014
Loss for the year	Rupees in '000	(5,391,049)	(3,753,461)
Average number of ordinary shares	Number of shares	880,916,309	880,916,309
Loss per share - basic and diluted	Rupees	(6.12)	(4.26)

		Note	2015	2014
			(Rupees in '000)	
43	ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
	Provisions	43.1	1,420,112	2,832,947
	Depreciation		4,773,796	4,195,449
	Amortisation of intangibles		61,331	66,118
	Finance cost		9,689,129	7,410,150
	Amortisation of transaction cost		7,239	6,464
	Recognition of income against deferred credit		(429,908)	(430,313)
	Dividend income		(356)	(1,235)
	Return on term deposits		(1,786,557)	(1,039,482)
	Income from net investment in finance lease		(106,933)	(191,340)
	Gain on disposal of property, plant and equipment		(28,912)	(35,275)
	Decrease in long term advances		(225,515)	(131,552)
	Decrease in deferred credit		297,996	131,522
	Recovery in respect of obligation against pipeline	34.2.2	(33,933)	-
			13,637,489	12,813,453
43.1	Provisions			
	Provision against slow moving / obsolete stores		38,167	96,711
	Provision against impaired debts and other receivables		119,292	1,902,881
	Provision for compensated absences		82,894	76,970
	Provision for post retirement medical and free gas supply facilities		490,875	299,064
	Provision for retirement benefits		618,793	406,098
	Impairment of capital work in progress		70,091	51,223
			1,420,112	2,832,947
44.	Working capital changes			
	(Increase) / decrease in current assets			
	Stores and spares & loose tools		416,593	(88,239)
	Stock-in-trade		24,678	(266,166)
	Customers' installation work in progress		(3,297)	(5,914)
	Trade debts		(11,481,031)	(4,205,569)
	Advances, deposits and short term prepayments		(145,206)	28,903
	Other receivables		(19,484,385)	(20,276,373)
			(30,672,648)	(24,813,358)
	Increase in current liabilities			
	Trade and other payables		40,009,874	36,346,780
			9,337,226	11,533,422

45. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to Managing Director, Directors and Executives of the Company are given below:

	2015		2014	
	Managing Director	Executives	Managing Director	Executives
	(Rupees in 000)			
Managerial remuneration	24,827	2,086,805	14,987	1,908,526
Housing	10,008	805,289	5,787	734,932
Utilities	2,224	178,952	1,286	163,317
Retirement benefits	874	392,846	-	315,748
	37,933	3,463,892	22,060	3,122,523
Number	* 3	1,776	1	1,668

45.1 The Chairman, Managing Director and certain executives are also provided the Company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Company was paid Rs. 0.300 million (2014: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

45.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 9.45 million (2014: Rs. 1.266 million for 14 directors).

45.3 Total number of employees and average number of employees as at year end are 7,294 and 7,306 respectively (2014: 7,317 and 7,416).

* During the year, Mr. Zuhair Siddiqui resigned and Mr. Shoaib Warsi was appointed as Managing Director of the Company, on lookafter basis. Mr. Khalid Rehman was then appointed as Managing Director of the Company.

46. CAPACITY AND ACTUAL PERFORMANCE

46.1 Natural gas transmission

	2015		2014	
	MMCF	HM3	MMCF	HM3
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	532,535	150,035,612	523,410	147,464,748
Utilisation - volume of gas transmitted	450,177	126,832,193	425,797	119,963,408
Capacity utilisation factor (%)	84.5	84.5	81.4	81.4

46.2 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 customers.

46.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 614,680 meters (2014: 851,460 meters) against an annual capacity of 356,000 meters on a single shift basis.

47. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiary companies, associated companies due to common directorship, Government related entities, staff retirement benefits plans, directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority. The prices and other conditions are not influenced by the Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2015	2014
		(Rupees in '000)	
Attock Refinery Limited	Associate		
- Sale of gas condensate		-	24,030
Astro Plastic (Private) Limited	Associate		
- Billable charges		152,236	73,992
Fauji Fertilizer Company Limited	Associate		
- Billable charges		120	111
Government related entities - various			
- Purchase of fuel and lubricant		10,198	54,237
- Billable charges		51,254,021	45,285,570
- Mark-up on short term finance		426	2,474
- Sharing of expenses		83,770	71,262
- Income from net investment in finance lease		90,389	125,214
- Gas purchases		77,823,884	78,379,893
- Sale of gas meters		1,424,891	2,187,366
- Rent of premises		13,501	171
- Insurance premium		142,207	139,528
- Uniform cost of gas		38,850,975	37,679,617
- Electricity expense		183,864	176,586
- Interest income		1,130,059	446,932
- Markup on delayed payment on gas supplies		7,089,712	4,926,612
Habib Bank Limited	Associate		
- Profit on investment		60,384	28,941
- Mark-up on short term finance		11,448	17,159
- Mark-up on long term finance		101,217	105,306
- Billable Charges		10,986	10,401
* Hydrocarbon Development Institute of Pakistan	Associate		
- Billable charges		-	9,334
International Industries Limited	Associate		
- Line pipe purchases		218,274	316,819
- Billable charges		1,118,002	1,120,645
Ismail Industries Limited	Associate		
- Billable charges		289,152	225,659
Key management personnel			
- Remuneration		160,627	174,605
Kohinoor Silk Mills Limited	Associate		
- Billable charges		87	263
Minto & Mirza	Associate		
- Professional charges		13,250	11,615
* Packages Limited	Associate		
- Billable charges		-	13,477

	Relationship	2015	2014
		(Rupees in '000)	
Pakistan Cables Limited	Associate		
- Billable charges		94,389	83,573
Pakistan Engineering Company Limited	Associate		
- Billable charges		56	56
Pakistan Synthetic Limited	Associate		
- Billable charges		19,758	245,829
PERAC - Research & Development Foundation	Associate		
- Professional charges		508	639
Petroleum Institute of Pakistan	Associate		
- Subscription / contribution		1,380	1,336
Premium Textile Mills Limited	Associate		
- Billable charges		103,504	299,540
Security Papers Limited	Associate		
- Billable charges		-	99,097
* Shezan International Limited	Associate		
- Billable charges		-	10,278
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Interest on loan		149,189	152,712
- Interest on delayed payment of gas bill		14,920	21,093
- LPG purchases		358,442	293,806
- LPG sales		1,594,494	2,533,575
Staff Retirement Benefit Plans	Associate		
- Contribution to provident fund		252,124	225,205
- Contribution to pension fund		344,158	172,569
- Contribution to gratuity fund		274,635	233,529
Thatta Cement Company Limited	Associate		
- Billable charges		7,252	11,553
** Gadoon Textile Mills Limited	Associate		
- Billable charges		338	-
** Attock Cement Limited	Associate		
- Billable charges		49,308	-
** Pakistan Stock Exchange Limited	Associate		
- Billable charges		328	-

* Current year transactions with these parties have not been disclosed as they did not remain related parties during the year.

** Comparative transactions with these parties have not been disclosed as these parties were not related parties in last year.

Sale of gas meters is made at cost plus method. The Company is the only manufacturer of gas meters in the country.

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 10, 16, 31 and 41 to these financial statements.

Remuneration to the executive officers of the Company (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in notes 23 and 28 to these 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.

47.1 Amount (due to) / receivable from related parties

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

	Relationship	2015	2014
		(Rupees in '000)	
Attock Refinery Limited	Associate		
- Sale of gas condensate		42,105	42,105
Astro Plastic (Private) Limited	Associate		
- Billable charges		19,846	10,645
- Gas supply deposit		(53,208)	(53,208)
Fauji Fertilizer Company Limited	Associate		
- Billable charges		5	5
- Gas supply deposit		(124)	(124)
Government related entities - various			
- Billable charges		66,590,353	60,012,605
- Mark up accrued on borrowings		-	(2,454)
- Sharing of expenses		(11,019)	(9,286)
- Net investment in finance lease		84,811	142,093
- Gas purchases		(112,069,923)	(87,021,301)
- Gas meters		710,123	390,366
- Uniform cost of gas		20,016,375	12,210,925
- Cash at bank		73,858	9,043
- Stock Loan		(2,523)	(12,796)
- Recoverable from insurance		50	271
- Gas supply deposit		(66,537)	(52,625)
- Interest expense accrued - late payment surcharge on gas bills		(33,402,629)	(26,312,920)
- Interest income accrued - late payment on gas bills		6,558,082	5,428,023
Habib Bank Limited	Associate		
- Long term finance		(1,000,000)	(1,000,000)
- Short term finance		(572,109)	-
- Cash at bank		28,020	105,774
- Accrued mark-up		(10,929)	(19,913)
- Billable charges		1,468	10,401
- Gas supply deposit		(4,041)	(3,589)
International Industries Limited	Associate		
- Billable charges		119,559	22,705
- Gas supply deposit		(70,997)	(48,925)
* Ismail Industries Limited	Associate		
- Billable charges		-	29,745
- Gas supply deposit		-	(5,857)
* Kohinoor Silk Mills Limited	Associate		
- Billable charges		-	22
- Gas supply deposit		-	(60)

	Relationship	2015	2014
		(Rupees in '000)	
* Packages Limited	Associate		
- Billable charges		-	1,156
- Gas supply deposit		-	(3,044)
Pakistan Cables Limited	Associate		
- Billable charges		9,911	7,415
- Gas supply deposit		(21,968)	(17,159)
Pakistan Engineering Company Limited	Associate		
- Billable charges		5	5
- Gas supply deposit		(12)	(12)
* Pakistan Synthetic Limited	Associate		
- Billable charges		-	5,814
- Gas supply deposit		-	(67,765)
PERAC - Research & Development Foundation	Associate		
- Professional charges		57	57
* Premium Textile Limited	Associate		
- Billable charges		-	25,330
- Gas supply deposit		-	(22,300)
** Shezan International Limited	Associate		
- Billable charges		-	822
- Gas supply deposit		-	(4,032)
SSGC LPG (Private) Limited	Wholly owned subsidiary		
- Long term investment		1,000,000	1,000,000
- Short term loan		1,710,103	1,710,103
- Interest on loan		344,487	180,378
- LPG purchases		(217,782)	(171,244)
- LPG sales		565,837	1,134,998
Thatta Cement Company Limited	Associate		
- Billable charges		94	283
- Gas supply deposit		(45,000)	(45,000)
** Gadoon Textile Mills Limited	Associate		
- Billable charges		27	-
- Gas supply deposit		(113)	-
** Attock Cement Limited	Associate		
- Billable charges		5,350	-
- Gas supply deposit		(30,566)	-
** Pakistan Stock Exchange	Associate		
- Billable charges		207	-
- Gas supply deposit		(85)	-

* Current balances with these parties have not been disclosed as they did not remain related parties as at year end.

** Comparative balances with these parties have not been disclosed as these parties were not related parties in last year.

48 FINANCIAL RISK MANAGEMENT

The objective of Company's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management frame work and policies.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

48.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. Credit risk arises from trade debts, net investment in finance lease, loans and advances, trade deposits, bank balances, interest accrued and other receivables. To reduce the exposure toward the credit risk, comprehensive customer category wise credit limits and terms have been established. In case of industrial and commercial customers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic customers as per rates notified by OGRA are taken to reduce credit exposure. The Company continuously monitors the credit given to customers and interest accrued thereon and has established a dedicated recovery department for follow-up, recovery or disconnection of gas supply as the case may be. Loans and advances given to employees are secured against retirement benefits of the employees and title deed of properties of employees. Balances are maintained with banks of sound credit rating. The Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counterparties.

The maximum exposure to credit risk before any credit enhancement at year end is the carrying amount of the financial assets as set out below:

	2015	2014
	(Rupees in '000)	
Trade debts	90,351,824	78,905,693
Net investment in finance lease	582,716	692,877
Loans and advances	2,463,495	2,156,921
Deposits	37,332	7,064
Bank balances	976,997	1,189,182
Interest accrued	7,257,730	5,803,864
Other receivables	36,667,981	25,817,029
	138,338,075	114,572,630

48.1.1 Collateral and other credit enhancements obtained

Security against supply of gas to industrial and commercial customers is taken on the basis of average three months, gas consumption estimated at the time of connection in form of cash deposits (gas supply deposits) / bank guarantee / irrevocable letter of credit. Security against supply of gas to domestic customers are obtained at rates notified by the OGRA. These collaterals are adjusted / called following on disconnection of gas supply. Details of security held at year end is as follows:

	2015	2014
	(Rupees in '000)	
Cash deposits	10,460,881	8,305,883
Bank guarantee / irrevocable letter of credit	25,482,423	24,637,936

48.1.2 Credit Quality

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 48.1.3 below:

The credit quality of the Company's major bank accounts is assessed with reference to external credit ratings which are as follows:

Bank	Rating Agency	Rating Short Term	Rating Long Term
National Bank of Pakistan Limited	PACRA	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Askari Bank Limited	PACRA	A1+	AA
Bank of Punjab Limited	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	BBB+
Summit Bank Limited	JCR-VIS	A-1	A
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank Islami Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	A-
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Tameer Micro Finance Bank Limited	PACRA	A1	A+
City Bank N. A.	Moody's	P-1	A2
Deutsche Bank A.G,	Standard & Poor's	A2	BBB+
Bank of Tokyo Mitsubishi	Standard & Poor's	A-1	A+

48.1.3 Past due and impaired financial assets

Industrial and commercial customers

The age analysis of trade debt balances relating to industrial and commercial customers at year end is as follows:

	2015		2014	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	20,427,304	-	16,745,784	-
Past due but not impaired	60,282,846	-	55,468,158	-
Past due and impaired	6,073,823	3,403,085	3,801,603	2,646,215
Disconnected customers	768,007	683,432	612,918	574,015
Total	87,551,980	4,086,517	76,628,463	3,220,230

Past due but not impaired balances include aggregate overdue balances of K-Electric, PSML and WAPDA amounting to Rs. 58,557 million and are subject to inter corporate circular debt of government entities and K-Electric.

The Company has collateral / security against industrial and commercial customers amounting to Rs. 31,184 million (2014: Rs. 25,876 million) and replenishes such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due. In case of past due balances the Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected customers) is considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired debts.

Domestic customers

The age analysis of trade debt balances relating to domestic customers at year end is as follows:

	2015		2014	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in 000)			
Not due balances	1,549,491	-	1,470,478	-
Past due but not impaired:				
Past due 1 - 6 month	2,629,043	-	1,011,197	-
Past due and impaired:				
Past due 7 - 9 months	555,652	-	582,368	-
Past due 10 - 12 months	472,585	-	499,546	-
Past due 13 - 18 months	701,950	-	954,176	-
Past due 19 - 24 months	563,732	407,072	509,658	-
Past due over 2 years	1,542,468	1,542,468	3,489,640	3,376,699
	3,836,387	1,949,540	6,035,388	3,376,699
Disconnected customers	4,000,409	3,179,429	2,940,753	2,583,657
Total	12,015,330	5,128,969	11,457,816	5,960,356

The Company has collateral / security against domestic customers amounting to Rs. 4,759 million (2014: Rs. 4,068 million) and replenishes such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due.

Interest accrued

As at June 30, 2015 interest accrued net of provision was Rs. 7,258 million (2014: Rs. 5,804 million). Interest is mainly accrued on customer balances which are past due. Interest on past due balances includes receivable from WAPDA and SNGPL amounting to Rs. 6,558 million (2014: 5,428 million), recovery of which is subject to inter corporate circular debt of Government entities.

Other receivables

As at June 30, 2015 other receivable financial assets amounted to Rs. 36,752 million (2014: Rs. 25,817 million). Past due other receivables amounting to Rs. 27,512 million (2014: Rs. 10,236 million) include over due balances of SNGPL amounting to Rs. 14,702 (2014: Rs. 4,987 million), JJVL amounting to Rs. 12,092 million (2014: Rs. 4,128 million) and of SSGC LPG amounting to Rs. 491 million (2014:Rs. 977 million).

48.1.4 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. Concentration of credit risk is determined with references to the individual customers / counter parties, type as well as geographical distribution of customers / counterparties. Concentration of credit risk in financial assets of the Company is as follows:

Trade debts

Customer category wise concentration of credit risk in respect of trade debts at year end is as follows:

	2015	2014
	(Rupees in '000)	
Power generation companies	45,688,906	43,216,317
Cement industries	16,228	31,970
Fertilizer and steel industries	21,545,635	17,812,032
Other industries	13,915,228	10,985,706
Total industrial customers	81,165,997	72,046,025
Commercial customers	1,305,522	1,362,208
Domestic customers	7,880,305	5,497,460
	90,351,824	78,905,693

At year end the Company's most significant receivable balances were K-Electric, PSML and WAPDA which amounted to Rs. 40,073 million (2014: Rs. 41,302 million), Rs. 20,879 million (2014: Rs.16,944 million) and Rs. 5,616 million (2014: Rs. 1,749 million) respectively. These balances have aggregated due to inter corporate circular debt.

Geographical region wise concentration of credit risk in respect of trade debts at year end is as follows:

	2015	2014
	(Rupees in '000)	
Karachi	74,658,815	69,883,672
Sindh (excluding Karachi)	11,266,843	6,635,627
Balochistan	4,426,166	2,386,394
	90,351,824	78,905,693

Net investment in finance lease

The Company's most significant investment in finance lease amounted to Rs. 496 million (2014: Rs. 561 million) in respect of SNGPL.

Interest accrued

Most significant counter parties of the Company in respect of interest accrued are disclosed in note 29 to these financial statements.

Other receivables

Most significant other receivables of the Company are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 31.2 to these financial statements. These balances are subject to inter circular corporate debt.

48.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Due to nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation, monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Carrying amount	Contractual cash flows	Not later than six months	Later than six months but not later than 1 year	Later than one year but not later than 2 years	Later than 2 years
			(Rupees in '000)			
As at June 30, 2015						
Long term finance	27,866,070	(32,066,372)	(5,119,324)	(4,706,755)	(6,892,031)	(15,348,262)
Obligation against pipeline	1,106,923	(2,035,979)	(67,866)	(67,866)	(135,732)	(1,764,515)
Short term borrowings	989,191	(1,011,960)	(1,011,960)	-	-	-
Trade and other payables	158,987,586	(158,987,586)	(158,987,586)	-	-	-
Interest accrued	34,069,206	(34,069,206)	(34,069,206)	-	-	-
Long term deposits	10,613,059	(22,015,989)	(142,537)	(142,537)	(285,073)	(21,445,842)
	233,632,035	(250,187,092)	(199,398,479)	(4,917,158)	(7,312,836)	(38,558,619)
As at June 30, 2014						
Long term finance	24,906,166	(30,152,278)	(2,414,519)	(3,598,743)	(9,823,363)	(14,315,653)
Obligation against pipeline	-	-	-	-	-	-
Short term borrowings	3,141,237	(3,141,237)	(3,141,237)	-	-	-
Trade and other payables	120,590,782	(120,590,782)	(120,590,782)	-	-	-
Interest accrued	26,830,778	(26,830,778)	(26,830,778)	-	-	-
Long term deposits	8,355,118	(16,831,308)	(105,952)	(105,952)	(211,905)	(16,407,499)
	183,824,081	(197,546,383)	(153,083,268)	(3,704,695)	(10,035,268)	(30,723,152)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of latest available market rates. The rates of mark-up have been disclosed in notes 7 and 8 to these financial statements. Contractual cash flows of the long term deposits are determined on the assumption that adjusted / refund of these deposits will not be required before expiry of 40 years from balance sheet date.

48.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The market risk comprises of currency risk, interest rate risk and other price risk (equity price risk).

48.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on creditors for gas that are denominated in a currency other than functional currency of the Company. The currency in which these transactions primarily are denominated is US Dollars. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
		(Rupees in '000)		
Creditors for gas	28,289,192	276,982	25,332,313	256,530
Estimated forecast gas purchases	139,355,569	1,375,744	142,280,012	1,382,702
Net exposure	167,644,761	1,652,726	167,612,325	1,639,232

Above net exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtain forward cover against the gross exposure as exchange loss / gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return.

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2015	2014	2015	2014
	(Rupees in '000)			
US Dollars	101.29	102.90	101.77	98.75

Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at June 30, 2015 would have (decreased) / increased trade creditors by Rs. 2,819 million (2014: Rs.2,532 million). There is no effect of strengthening / (weakening) of US dollar on unconsolidated equity and unconsolidated profit and loss account of the Company as exchange loss / gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

48.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments were as follows:

	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	582,716	692,877
Loan and advances	2,252	3,375
Trade debts	25,667,788	28,195,466
Cash and bank balances	634,674	855,263
	26,887,430	29,746,981
Financial liabilities		
Long term deposits	(5,701,464)	(4,238,095)
Government of Sindh loan	(5,248,513)	(5,756,859)
Foreign currency loan	(23,950)	(23,950)
Obligation against pipeline	(1,106,923)	-
Trade and other payables	(18,611,954)	(20,000,606)
	(30,692,804)	(30,019,510)
	(3,805,374)	(272,529)
Variable rate instruments		
Financial assets		
Trade debts	37,938,825	37,642,158
Other receivables	27,124,374	26,139,898
Loan to related party	1,710,103	1,710,103
	66,773,302	65,492,159
Financial liabilities		
Long term loan except Government of Sindh loan	(22,617,557)	(19,125,357)
Short term borrowings	(989,191)	(3,141,237)
Trade and other payables	(126,555,747)	(94,115,919)
	(150,162,495)	(116,382,513)
	(83,389,193)	(50,890,354)

Fixed rate instrument bear fixed interest rate while all other borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of business needs. The Company analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect unconsolidated profit and loss account and the unconsolidated equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the unconsolidated profit or loss of the Company as at June 30, 2015 by Rs. 1,121 million (2014: Rs.509 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

48.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in listed equity securities. This arises from investments held by the Company for which prices in the future are uncertain. The fair value of listed equity investments of the Company that are exposed to price risk as at June 30, 2015 is Rs. 276.520 million (2014: Rs. 131.290 million).

A ten percent increase / decrease in the prices of listed equity securities of the Company at the reporting date would have increased or (decreased) long term investment and unconsolidated equity by Rs. 27.652 million (2014: Rs.13.129 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

48.4 Fair value of financial assets and liabilities

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.

48.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	276,520	-	-	276,520
	276,520	-	-	276,520

	2014			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale financials assets				
Quoted equity securities	131,290	-	-	131,290
	131,290	-	-	131,290

There have been no transfers during the year (2014: no transfers in either direction).

48.5 Financial instruments by categories

	Financial assets		
	Loans and receivables	Available for sale	Total
		(Rupees in 000)	
As at June 30, 2015			
Trade debts	90,351,824	-	90,351,824
Net investment in finance lease	582,716	-	582,716
Loans and advances	2,463,495	-	2,463,495
Deposits	37,332	-	37,332
Cash and bank balances	984,129	-	984,129
Interest accrued	7,257,730	-	7,257,730
Other receivables	36,667,981	-	36,667,981
Long term investments	-	276,520	276,520
	138,345,207	276,520	138,621,727
As at June 30, 2014			
Trade debts	78,905,693	-	78,905,693
Net investment in finance lease	692,877	-	692,877
Loans and advances	2,156,921	-	2,156,921
Deposits	7,064	-	7,064
Cash and bank balances	1,199,837	-	1,199,837
Interest accrued	5,803,864	-	5,803,864
Other receivables	25,817,029	-	25,817,029
Long term investments	-	131,290	
	114,583,285	131,290	114,583,285

	Financial liabilities at amorised cost	
	2015	2014
	(Rupees in 000)	
Long term finance	27,866,070	24,906,166
Obligation against pipeline	1,106,923	-
Short term borrowings	989,191	3,141,237
Trade and other payables	158,987,586	120,590,782
Interest accrued	34,069,206	26,830,778
Long term deposits	10,613,059	8,355,118
	233,632,035	183,824,081

48.6 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

The Company is not subject to externally imposed regulatory capital requirements.

The gearing ratio as at June 30 is as follows:

	2015	2014
	(Rupees in '000)	
Total borrowings		
Long term finance	19,720,479	20,859,892
Short term borrowings	989,191	3,141,237
Current portion of long term finance	8,145,591	4,046,274
	28,855,261	28,047,403
Less: Cash and bank balances	(984,129)	(1,199,837)
Net debts	27,871,132	26,847,566
Capital employed	37,430,415	41,662,351
Gearing ratio	74%	64%

49. OPERATING SEGMENTS

IFRS 8 -Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

1) Gas transmission and distribution (sale of gas); and

2) Meter manufacturing (manufacturing and sale of gas meters).

Segment revenue and results

The following is analysis of the Company's revenue and results by reportable segment.

	Segment revenue		Segment loss	
	2015	2014	2015	2014
	(Rupees in '000)			
Gas transmission and distribution	158,853,447	152,541,542	(8,001,822)	(6,750,352)
Meter manufacturing	2,126,632	3,001,389	114,688	622,254
Total segments results	160,980,079	155,542,931	(7,887,134)	(6,128,098)
Unallocated - other expenses				
- Other operating expenses			(1,469,295)	(278,701)
Unallocated - other income				
- Non-operating income			587,075	596,393
Loss before tax			(8,769,354)	(5,810,406)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,080 million (2014: Rs. 996 million).

The accounting policies of the reportable segments are same as disclosed in note 3.

Segment assets and liabilities

	2015	2014
	(Rupees in '000)	
Segment assets		
Gas transmission and distribution	203,622,655	216,690,196
Meter manufacturing	52,413,923	2,457,125
Total segment assets	256,036,578	219,147,321
Unallocated		
- Loans and advances	2,463,495	2,156,921
- Taxation - net	17,442,747	10,474,629
- Interest accrued	490,109	490,109
- Cash and bank balances	984,129	1,199,837
	21,380,480	14,321,496
Total assets as per balance sheet	277,417,058	233,468,817
Segment liabilities		
Gas transmission and distribution	203,545,525	205,641,732
Meter manufacturing	50,356,489	489,755
Total segment liabilities	253,902,014	206,131,487
Unallocated		
- Employee benefits	4,687,944	3,470,436
Total liabilities as per balance sheet	258,589,958	209,601,923

50. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on management records are as follows:

	2015	2014
	(Rupees in '000)	
Pension fund - executives	945,053	1,059,942
Gratuity fund - executives	2,036,934	2,160,209
Pension fund - non executives	207,815	304,925
Gratuity fund - non executives	2,474,703	2,655,441
Provident fund - executives	2,656,763	2,409,680
Provident fund - non executives	2,697,572	2,392,801
Benevolent fund - executives	125,576	132,880

51. ACCOUNTING ESTIMATES AND JUDGMENTS

51.1 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.

51.2 Staff retirement and other service benefit obligations

Certain actuarial assumptions have been adopted as disclosed in note 41 to the financial statements for valuation of these obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

51.3 Property, plant and equipment

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of property, plant and equipment. 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.

51.4 Trade debts and other receivables

The Company 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.

51.5 Stock in trade and stores, spares and loose tools

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.

51.6 Fair value of investments

Management has determined fair value of certain investments by using quotations from active market of the financial instruments.

51.7 Recognition of income from sale of Natural Gas Liquid (NGL) and Liquefied Petroleum Gas (LPG)

Income from sale of NGL and LPG to Jamshoro Joint Venture Limited is recognized based on provisional invoice price / quantity being the best estimate available. Any change in provisional price / quantity will be accounted for prospectively in the year in which there is change in price / quantity.

51.8 Recognition of gas development surcharge

Management has recognised income from gas development surcharge according to Final Revenue Requirement (FRR) issued by OGRA based on stay orders as mentioned in note 1.3.1. Further, gas development surcharge does not include the impact of stay orders as mentioned in note 1.3.2 since no revised FRR has been issued by OGRA in this regard.

51.9 Purchases of gas

Company records purchases of gas at the rates notified by Oil and Gas Regulatory Authority. Effect of adjustments, if any, arising from revision in purchase price is reflected as and when the prices are approved by OGRA.

52. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted there would have been no impact on the net profit of the Company as the annual return of the Company is determined under the regulatory revenue requirement, which would have covered any additional cost if incurred by the Company in respect of the aforesaid Scheme.

53. GENERAL

53.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

53.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

54. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 09 April, 2016.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Sui Southern Gas Company Limited ("the Holding Company") and its subsidiary companies, namely, Sui Southern Gas Provident Fund Trust Company (Private) Limited and SSGC LPG (Private) Limited as at June 30, 2015, and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other audit procedures as we consider necessary in the circumstances.

a) as described in notes 27.1 and 27.2 to the consolidated financial statements, trade debts include receivables of Rs. 40,073 million (2014: Rs. 41,302 million) and Rs. 20,879 million (2014: Rs. 16,944 million) from K-Electric Limited (KE) and Pakistan Steel Mills Corporation (Private) Limited (PSML) respectively. As described in the aforesaid notes, significant portion of such receivables include overdue amounts, which have been considered good by management and classified as current assets in these financial statements. Further, KE and PSML have disputed Late Payment Surcharge (LPS) on their respective balances and the financial condition of PSML is such that it has not been able to pay its obligations, due to which management has decided to recognize LPS on a receipt basis from the aforesaid entities effective from July 01, 2012.

   Due to the adverse financial condition of PSML, disputes by KE and PSML with the Holding Company on LPS, and large accumulation of their respective overdue amounts, we were unable to determine the extent to which the total amounts due from KE and PSML are likely to be recovered and the time frame over which such recovery will be made; and

b) as described in note 31.2, and 31.2.1 to the consolidated financial statements, Rs. 2,122 million is receivable from Sui Northern Gas Pipelines Limited (SNGPL), which is being disputed by SNGPL for the reasons mentioned in note 31.2.1, due to which we were unable to determine the extent to which the receivable amount is likely to be recovered and time frame over which such recovery will be made;

In our opinion, except for possible effects of the matter described in the preceding paragraphs, the consolidated financial statements present fairly the financial position of Sui Southern Gas Company Limited and its subsidiary companies as at June 30, 2015, and the results of their operations for the year then ended.

We draw attention to note 1.4 to the consolidated financial statements that describes that revenue requirements for the years ended June 30, 2011, 2012, 2013, 2014 and 2015, have been determined provisionally on the basis of stay orders of the High Court of Sindh (the Court) which were also considered by OGRA while determining revenue requirements except for impact of the orders dated November 20, 2015 and March 29, 2016, whereby OGRA was directed to treat income from royalty (arrears) and income from Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) as non-operating income which was not considered by OGRA while determining revenue requirements of the Holding Company for the years ended June 30, 2013, 2014 and 2015. Our opinion is not qualified in respect of this matter.

Deloitte Yousuf Adil

Deloitte Yousuf Adil
Chartered Accountants
Audit Engagement Partner:
Naresh Kumar

09 April, 2016
Karachi

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
EQUITY AND LIABILITIES			
EQUITY			
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	8,809,163	8,809,163
Reserves	5	4,907,401	4,907,401
Surplus on re-measurement of available for sale securities		239,992	122,762
Accumulated losses		(6,320,809)	(1,128,372)
		7,635,747	12,710,954
Surplus on revaluation of fixed assets	6	10,251,946	10,251,946
LIABILITIES			
Non-current liabilities			
Long term finance	7	19,720,479	20,859,892
Long term deposits	8	10,613,059	8,355,118
Deferred tax	9	-	3,177,965
Employee benefits	10	4,696,573	3,478,983
Obligation against pipeline	11	1,069,173	-
Deferred credit	12	5,316,940	5,448,852
Long term advances	13	798,163	1,023,678
Total non-current liabilities		42,214,387	42,344,488
Current liabilities			
Current portion of long term finance	14	8,145,591	4,046,274
Short term borrowings	15	989,191	3,141,237
Trade and other payables	16	173,056,280	132,885,500
Short term deposits		131,008	85,667
Current portion of obligation against pipeline	11	37,750	-
Interest accrued	17	34,069,206	26,830,778
Total current liabilities		216,429,026	166,989,456
Total liabilities		258,643,413	209,333,944
Contingencies and commitments	18		
Total equity and liabilities		276,531,106	232,296,844

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

	Note	2015	2014
		(Rupees in 000)	
ASSETS			
Non-current assets			
Property, plant and equipment	19	**76,157,174**	72,400,489
Intangible assets	20	**35,911**	88,911
Deferred tax	9	**434,365**	-
Long term investments	21	**281,620**	136,390
Net investment in finance lease	22	**472,555**	582,716
Long term loans and advances	23	**151,476**	140,508
Long term deposits		**9,347**	7,311
Total non-current assets		**77,542,448**	73,356,325
Current assets			
Stores, spares and loose tools	24	**1,824,793**	2,176,365
Stock-in-trade	25	**947,061**	999,644
Current maturity of net investment in finance lease	22	**110,161**	110,161
Customers' installation work in progress	26	**183,128**	179,831
Trade debts	27	**90,417,718**	78,911,633
Loans and advances	28	**603,220**	308,865
Advances, deposits and short term prepayments	29	**329,579**	145,168
Interest accrued	30	**7,400,985**	6,111,228
Other receivables	31	**78,642,944**	57,918,023
Taxation - net	32	**17,472,139**	10,466,026
Cash and bank balances	33	**1,056,930**	1,613,575
Total current assets		**198,988,658**	158,940,519
Total assets		**276,531,106**	232,296,844

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
Sales		182,791,953	176,545,162
Sales tax		(23,938,506)	(24,003,620)
		158,853,447	152,541,542
Gas development surcharge		3,729,723	742,280
Net sales		162,583,170	153,283,822
Cost of sales	34	(170,565,082)	(162,252,203)
Gross loss		(7,981,912)	(8,968,381)
Administrative and selling expenses	35	(3,834,957)	(3,555,934)
Other operating expenses	36	(1,589,425)	(2,214,476)
		(5,424,382)	(5,770,410)
		(13,406,294)	(14,738,791)
Other operating income	37	2,554,027	2,859,079
Operating loss		(10,852,267)	(11,879,712)
Other non-operating income	38	11,742,492	13,009,899
Finance cost	39	(9,698,218)	(7,426,011)
Loss before taxation		(8,807,993)	(6,295,824)
Taxation	40	3,378,305	2,026,372
Loss for the year		(5,429,688)	(4,269,452)
		(Rupees)	
Basic and diluted loss per share	42	(6.16)	(4.85)

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in 000)	
Loss for the year		(5,429,688)	(4,269,452)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss account:			
- Unrealised gain on re-measurement of available for sale securities		117,230	41,606
Items that will not be reclassified subsequently to profit and loss account:			
- Remeasurement of post retirement benefits obligation		(776,857)	(1,391,779)
- Impact of deferred tax		234,025	487,107
- Gas development surcharge	31.1.2	780,083	2,348,752
		237,251	1,444,080
Total comprehensive loss for the year		(5,075,207)	(2,783,766)

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(8,807,993)	(6,295,824)
Adjustments for non-cash and other items	43	13,945,320	13,161,046
Working capital changes	44	8,841,202	12,334,328
Financial charges paid		(2,786,754)	(2,739,535)
Employee benefits paid		(98,476)	(65,366)
Payment for retirement benefits		(621,231)	(406,700)
Long term deposits received - net		2,303,283	3,123,450
Deposits paid - net		(2,036)	(1,591)
Loans and advances to employees - net		(306,574)	(187,366)
Return on term deposits received		332,697	277,004
Income taxes paid		(7,006,113)	(7,707,264)
Net cash generated from operating activities		5,793,325	11,492,182
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(7,386,000)	(6,551,601)
Payments for intangible assets		(8,344)	(30,314)
Proceeds from sale of property, plant and equipment		48,480	62,830
Long term investments		(28,000)	-
Lease rental from net investment in finance lease		217,094	301,413
Dividend received		356	1,235
Net cash used in investing activities		(7,156,414)	(6,216,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from local currency loans		7,000,000	-
Repayments of local currency loans		(4,003,679)	(3,536,279)
Customer finance received		13,763	138,095
Repayment of customer finance		(50,180)	(70,371)
Dividend paid		(1,414)	(2,822)
Net cash generated from / (used in) financing activities		2,958,490	(3,471,377)
Net increase in cash and cash equivalents		1,595,401	1,804,368
Cash and cash equivalents at beginning of the year		(1,527,662)	(3,332,030)
Cash and cash equivalents at end of the year		67,739	(1,527,662)
Cash and cash equivalent comprises:			
Cash and bank balances		1,056,930	1,613,575
Short term borrowings		(989,191)	(3,141,237)
		67,739	(1,527,662)

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Miftah Ismail	Khalid Rahman
Chairman	Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid-up capital	Capital reserves (Note 5)	Revenue reserves (Note 5)	Surplus on re-measurement of available for sale securities	Unappropriated profit / (accumulated losses)	Total
			(Rupees in '000)			
Balance as at June 30, 2013	8,809,163	234,868	4,672,533	81,156	1,697,000	15,494,720
Total comprehensive loss for the year ended June 30, 2014						
Loss for the year	-	-	-	-	(4,269,452)	(4,269,452)
Other comprehensive income for the year	-	-	-	41,606	1,444,080	1,485,686
Total comprehensive loss for the year	-	-	-	41,606	(2,825,372)	(2,783,766)
Balance as at June 30, 2014	8,809,163	234,868	4,672,533	122,762	(1,128,372)	12,710,954
Total comprehensive loss for the year ended June 30, 2015						
Loss for the year	-	-	-	-	(5,429,688)	(5,429,688)
Other comprehensive income for the year	-	-	-	117,230	237,251	354,481
Total comprehensive loss for the year	-	-	-	117,230	(5,192,437)	(5,075,207)
Balance as at June 30, 2015	8,809,163	234,868	4,672,533	239,992	(6,320,809)	7,635,747

The annexed notes 1 to 54 form an integral part of these consolidated financial statements.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group consists of:
Holding Company
- Sui Southern Gas Company Limited

	Percentage of holding	
	2015	2014
Subsidiary Companies		
- SSGC LPG (Private) Limited	100	100
- Sui Southern Gas Provident Fund Trust Company (Private) Limited	100	100

The Group is principally engaged in transmission and distribution of natural gas and liquefied petroleum gas in Sindh and Balochistan. Brief profiles of the Holding Company and subsidiaries are as follows:

Sui Southern Gas Company Limited

Sui Southern Gas Company Limited ("the Holding Company") is a public limited Company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges (now Pakistan Stock Exchange). The main activity of the Holding Company is transmission and distribution of natural gas in Sindh and Balochistan. The Holding 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 Company (Private) Limited

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

SSGC LPG (Private) Limited

SSGC LPG (Private) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited. Its registered office is situated at ST-4/B, Block-14, Sir Shah Muhammad Suleman Road, Gulshan-e-Iqbal, Karachi and its main activity is supply of liquefied petroleum gas and provision of terminal and storage services.

1.2 Basis of consolidation

- The consolidated financial statements include the financial statements of the Holding Company and its Subsidiary Companies, together "the Group".

- The financial statements of the subsidiaries are prepared for the same reporting year as the Holding Company for the purpose of consolidation, using consistent accounting policies.

- The assets, liabilities, income and expenses of subsidiaries have been consolidated on a line by line basis.

- Minority interest represents the portion of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the Holding Company.

- Material intra-group balances and transactions have been eliminated.

1.3 Regulatory framework

Under the provisions of license given by the Oil and Gas Regulatory Authority (OGRA), the Holding Company is provided 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 expenses and non-operating income. The determination of annual required 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 the Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from the GoP.

1.4 Determination of revenue requirements

1.4.1 The Oil and Gas Regulatory Authority (OGRA) in its order dated December 02, 2010 and May 24, 2011 treated Royalty Income from Jamshoro Joint Venture Limited, Profit from Meter Manufacturing, Late Payment Surcharge and Sale of Gas Condensate as operating income which it had previously allowed as non-operating income in its decision dated September 24, 2010, for the year ended June 30, 2010. OGRA also in its aforesaid decision reduced benchmark of the allowable Unaccounted for Gas (UFG) from 7% to 4.25 % - 5%. Aggrieved by the above decision, the Holding Company had filed an appeal against the decision of the OGRA in the High Court of Sindh (the Court), on which the Court provided interim relief whereby OGRA was directed to determine the revenue requirements on the same principles as per its decision of September 24, 2010, till final order of the Court. Also, with regard to UFG benchmark, OGRA was directed to carry out an impact assessment study and submit its report to the Court. Therefore, the revenue requirement for June 30, 2011, was determined based on the relief provided by the Court.

For subsequent years including current year ended June 30, 2015, the Holding Company also obtained stay orders from the Court on the same principles which were fixed in the interim relief as discussed above, and thereafter, OGRA considered such principles in determining revenue requirement of the Holding Company. Management is confident that the final decision of the Court would be in favor of the Company.

Had there been no stay in the current year, and these financial statements been prepared in accordance with the OGRA's decisions dated December 02, 2010 and May 24, 2011, the Holding Company would have reported loss for the year amounting to Rs. 32,024 million.

1.4.2 In determining the Final Revenue Requirements (FRRs) for the years ended June 30, 2013, 2014 and 2015, the OGRA treated income from royalty (arrears) and income of LPG and NGL as operating income amounting to Rs. 2,501 million, Rs. 6,600 million and Rs. 6,123 million respectively, on which the Holding Company filed application in the already pending Judicial Miscellaneous petitions in the High Court of Sindh that these income should have been treated as non-operating income as it was already decided by the Court in previous stay orders, while the cases are still to be finalised by the Court. The Court suspended the relevant paragraphs of OGRA orders wherein above income were treated as operating income thus requiring revision of FRR for 2013, 2014 and 2015; however, no revised FRR has been issued by the OGRA till the date of issue of these financial statements. Consequently, the impact of the new stay orders have not been taken and the aforesaid income was treated as operating income in the consolidated financial statements of the Holding Company for the years ended June 30, 2013, 2014 and 2015.

The management, based on the opinion of its legal counsel intends to get the above Court decision enforced and is confident that the OGRA will provide benefit of the aforesaid income to the Company.

Had OGRA issued revised FRR based on the above mentioned stay orders of the Court and these financial statements been prepared in accordance with the revised FRR, the Holding Company would have claimed Rs. 15,224 million as non-operating income which OGRA treated as operating income while determining revenue requirement of the Holding Company and the Holding Company would have reported profit for the year amounting to Rs. 4,981 million.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

These consolidated financial statements ("the financial statements") have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain investments stated in note 21 which are carried at their fair values, employee benefits which are valued at their present value using actuarial assumptions and freehold land and leasehold land which are carried at revalued amount.

2.3 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of the 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. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including reasonable expectation of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by management that may have a significant risk of material adjustments to the financial statements in the subsequent year are discussed in note 51.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments 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 additional disclosures.

Standards / Amendments / Interpretations	Effective Date (accounting period beginning on or after)
Amendments to IAS 19 Employee Benefits: Employee contributions	July 01, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets	January 01, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments 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 additional disclosures.

	Effective Date (accounting period beginning on or after)
Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization	January 01, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants	January 01, 2016
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015 IAS 27 (Revised 2011) will concurrently apply with IFRS 10
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2015 Early adoption is encouraged
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
Amendments to IAS 1 - Disclosure initiative	January 01, 2016
Amendments to IAS 27 - Equity method in separate financial statements	January 01, 2016
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation exception	January 01, 2016
Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations	January 01, 2016

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

3.3 Property, plant and equipment

Initial recognition

The cost of an item of property plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment except freehold land, leasehold land and capital work in progress are stated at cost less accumulated depreciation and impairment, if any. Capital work in progress are stated at cost, less accumulated impairment loss, if any.

Freehold land and leasehold land are stated at revalued amount and surplus arising on revaluation of freehold land and leasehold land is disclosed as surplus on revaluation of fixed assets.

The cost of the property, plant and equipment includes:

(a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates; and

(b) any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 normal repairs and maintenance) is recognised in the unconsolidated profit and loss account as an expense when it is incurred.

Capital work in progress

Capital work in progress is stated at cost less accumulated impairment loss, if any. The cost consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to the relevant asset category as and when assets are available for intended use.

Depreciation

Compressors and transmission lines

Depreciation on compressors and transmission lines is charged from the dates these projects are available for intended use up to the date these are disposed off.

Other operating assets

Depreciable value of operating assets other than compressors and transmission lines is depreciated over their estimated service life from the month the assets are available for use in service till the month they are disposed off or fully depreciated, except for assets sold to employees under the service rules, in which case, depreciation is charged up to the date of disposal.

Useful lives of the assets are mentioned in the note 19.1 to these financial statements.

Assets' residual values and their useful lives are reviewed and adjusted at each balance sheet date if significant and appropriate.

Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Definite life

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Intangible asset with a finite useful life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases when the asset is derecognised. Amortisation charge is recognised in the unconsolidated profit and loss account.

The amortisation period for intangible assets with a finite useful life is reviewed at each year-end and is changed to reflect the useful life expected at respective year end.

Borrowing costs

Borrowing costs incurred on long term finances attributable for the construction of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are capitalised up to the date the respective assets are available for the intended use.

Actual borrowing cost is capitalised on funds borrowed specifically for the purpose of construction of qualifying assets, less any investment income on the temporary investment of those borrowings.

The Company determines a weighted average capitalisation rate in case of general borrowings attributable to qualifying assets.

All other borrowing costs are charged to unconsolidated profit and loss account.

Gains and losses on disposal

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

Leased assets

Leased assets in terms of which the Holding 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 their fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment loss, if any. Depreciation on assets subject to finance lease is recognised in the same manner as for owned operating assets.

3.4 Investments

Available-for-sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These investments are initially recognised at fair value, being the cost of the consideration given and transaction cost. After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in consolidated profit and loss account. Impairment losses recognised in consolidated profit and loss for an investment in an equity instrument classified as available for sale shall not be reversed through consolidated profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognised in consolidated profit and loss account.

Held to maturity

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction costs that are directly attributable to these investments. Subsequent to initial measurement, held to maturity investments are measured at amortised cost using effective interest method. All investments categorised under held to maturity are subject to annual review for impairment. Provision for impairment in value, if any, is taken to consolidated profit and loss account.

Date of recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention (regular way) are recognised at the trade date. Trade date is the date on which the Holding Company commits to purchase or sell the investments.

De-recognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Holding Company has transferred substantially all risk and rewards of ownership.

3.5 Net investment in finance lease

Contractual arrangements, the fulfillment of which is dependent upon the use of a specific asset and whereby the right to use the underlying asset is conveyed to the customer, are classified as finance lease. Net investment in finance lease is recognised at an amount equal to the present value of the lease payments receivable, including any guaranteed residual value determined at the inception of lease. Discount rate used in the calculation of the present value of minimum lease payments is the interest rate implicit in the lease. Any recoveries from customers in respect of the service cost and contingent rent are excluded from the minimum lease payments and are recorded as recoveries of transmission and distribution cost from the lessee and gas transportation income respectively. Interest income from net investment in finance lease is recognised on a pattern reflecting a constant periodic return on the Holding Company's net investment in finance lease.

3.6 Stores, spares and loose tools

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the moving average basis. Goods-in-transit are valued at lower of cost incurred up to the consolidated balance sheet date and net realisable value less impairment loss, if any.

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

3.7 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.

Liquefied petroleum gas

Stocks of liquified petroleum gas in storage is valued at the lower of cost or net realisable value. Cost is recognised on weighted average basis on net realisable value which is arrived at after deducting impairment loss, if any.

Meter manufacturing division

Components (materials) are valued at lower of moving average cost and net realisable value less impairment loss, if any. 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 labor and production overheads. Components in transit are stated at cost incurred up to the consolidated balance sheet date less impairment losses, if any.

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.

3.8 Trade debts and other receivables

Trade debts and other receivables are recognised at fair values plus directly attributable cost, if any.

A provision for impairment of trade and other receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.9 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.

3.10 Mark-up bearing borrowings

Long term financing

Mark-up bearing borrowings are recognised initially at fair value which is usually the cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the consolidated profit and loss account over the period of the borrowings. Transaction cost is amortised over the term of the loan.

Long term loans received from the Government of Sindh with interest rate lower than prevailing market interest rates for a similar instrument are initially measured at fair value. The fair value is estimated at the present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating. Difference between fair value and proceed received is treated as government grant and is amortised over the useful life of related asset constructed.

Leases

The Holding 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 recognised in the consolidated profit and loss account.

3.11 Provisions

Provisions are recognised 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.

3.12 Deferred credit

Amounts received from customers before July 01, 2009 and the Government as contributions and grants for providing service connections, extension of gas mains, laying of distribution lines, etc. are deferred and recognised in the consolidated profit and loss account over the useful lives of the related assets starting from the commissioning of such assets.

Contribution from customers

Advance taken from customers on or after July 01, 2009 for laying of distribution lines is recognised in the consolidated profit and loss account when the connection to the network is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".

3.13 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 recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Group recognises a deferred tax asset to the extent that it is probable that the taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Revenue recognition

- Revenue from gas sales is recognised on the basis of gas supplied to customers at rates periodically announced by the OGRA.

- Meter rental income is recognised monthly at specified rates for various categories of customers.

- Revenue from sale of meters, liquid petroleum gas and gas condensate is recognised on dispatch to the customers.

- Revenue from terminal and storage services are recognised on the basis of services rendered to the customers.

- Deferred credit from Government and customers before July 01, 2009 is amortised and related income is recognised in the consolidated profit and loss account over the useful lives on commissioning of the related assets.

- Deferred credit from customers after July 01, 2009 for laying of distribution lines is recognised in the consolidated profit and loss when the network connection is completed, immediately in accordance with the requirements of IFRIC-18 "Transfer of Assets from Customers".

- Income from new service connections is recognised in consolidated profit and loss account immediately on commissioning of related assets.

- Dividend income on equity investments is recognised when right to receive the payment is established.

- Return on term deposits and royalty income are recognised on time proportion basis by reference to the principal outstanding at the effective interest rate.

- Late payment surcharge is recognised from the date the billed amount is overdue.

3.15 Impairment

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial asset is impaired. A financial asset or group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In case of quoted equity securities, impairment is assessed based on significant or prolonged decline in market prices of securities.

An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss had been recognised. An impairment loss is reversed only to the extent that the financial assets carrying value after the reversal does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised. Reversal of impairment is recognised in profit and loss account except in the case of available for sale instruments where the reversal is included in the other comprehensive income.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Staff retirement benefits

The Holding Company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

  Actuarial gains and losses arising from the actuarial valuation are recognised immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognised in other comprehensive income, instead of profit and loss account.

  Past service cost is recognised in the consolidated profit and loss account at the earlier of when the amendment or curtailment occurs.

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

  Liability under these schemes is recognised in the period in which the benefit is earned based on the actuarial valuations that is carried out annually under the projected unit credit method. The medical and free gas supply facilities have been discontinued for employees retiring after December 31, 2000.

  Actuarial gains and losses arising from the actuarial valuation are recognized immediately and presented in statement of comprehensive income. Gas development surcharge with respect to actuarial gains / losses are recognized in other comprehensive income, instead of consolidated profit and loss account.

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

  The Holding Company operates a recognised provident fund for all its employees. Equal contributions are made, both by the Holding Company and the employees, to the fund at the rate of 7.5% of basic salary in the case of executive employees and 8.33% of basic salary and adhoc relief cost of living allowance in the case of non executive employees and the same is charged to the consolidated profit and loss account.

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

- SSGC LPG (Private) Limited operates an unfunded gratuity scheme for its permanent and contractual employees who served for 1 year. The Company's net obligation in respect of unfunded gratuity scheme is determined annually by a qualified actuary using the Projected Unit Credit method.

- Remeasurement component, which is the net of actuarial gains and losses is recognised immediately in other comprehensive income whereas service cost and net interest income / expense are charged to consolidated profit and loss account.

3.17 Compensated absences

The liability for accumulated compensated absences of employees is recognised based on actuarial valuation in the period in which employees render services that increase their entitlement to future compensated absences.

3.18 Foreign currency translation

Transactions in foreign currencies 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 consolidated profit and loss account.

3.19 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value and subsequently at fair value or amortised cost as the case may be. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognised at the time when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. Any gains or losses on derecognition of financial assets and financial liabilities are taken to the unconsolidated profit and loss account immediately.

3.20 Derivative financial instruments

Derivative financial instruments if any are recognised initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. Changes in fair value of derivative financial instruments are recognised in the consolidated profit and loss account, along with any changes in the carrying value of the hedged liability. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.21 Off-setting

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

3.22 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is an identifiable component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are as follows:

Gas transmission and distribution

Gas transmission and distribution segment is engaged in transmission and distribution of natural gas and construction contracts for laying of pipelines in Sindh and Balochistan.

Meter manufacturing

Meter manufacturing segment is engaged in manufacture and sale of gas meters.

3.23 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits in banks, short term running finance under mark-up arrangement availed by the Group and short term liquid investments that are readily convertible to known amounts of cash.

3.24 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

3.25 Dividend and reserves appropriation

Dividend is recognised as a liability in the financial statements in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

3.26 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Discount on issue of shares is separately reported in statement of changes in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
(Numbers)			(Rupees in '000)	
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	**2,195,666**	2,195,666
661,349,755	661,349,755	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**6,613,497**	6,613,497
880,916,309	880,916,309		**8,809,163**	8,809,163

4.1 The Holding Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the shareholders. All shares rank equally with regard to the Holding Company's residual assets.

	Note	2015	2014
		(Rupees in '000)	
5. RESERVES			
Capital reserves			
Share capital restructuring reserve	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 I	5.3	**333,141**	333,141
Special reserve II	5.4	**1,800,000**	1,800,000
General reserve		**2,015,653**	2,015,653
Reserve for interest on sales tax refund	5.5	**487,739**	487,739
		4,672,533	4,672,533
		4,907,401	4,907,401

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 the Company's working capital.

5.3 Special reserve I

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the Company by the Government of Pakistan in January 1987 retrospectively from July 1, 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.

5.4 Special reserve II

This represents special undistributable reserve created as per the decision of the board of directors to meet the future requirements of the Holding Company.

5.5 Reserve for interest on sales tax refund

This represents the reserve for the interest accrued on the sales tax refundable under Section 67 of the Sales Tax Act, 1990, which is not available for distribution to shareholders till the time it is received.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of the Company's freehold and leasehold land carried out by means of an independent valuation by Oceanic Surveyors (Private) Limited to determine the fair value as of June 30, 2011. The valuation was based on market research.

Had the Company's freehold and leasehold land been measured on historical cost basis, the carrying amount would have been as follows:

	(Rupees in '000)
Freehold land	56,751
Leasehold land	208,352
	265,103

		Note	2015	2014
			(Rupees in '000)	
7.	LONG TERM FINANCE			
	Secured			
	Loans from banking companies	7.1	14,891,200	15,350,819
	Unsecured			
	Front end fee of foreign currency loan	7.2	23,950	23,950
	Customer finance	7.3	215,329	236,610
	Government of Sindh loans	7.4	4,590,000	5,248,513
			4,829,279	5,509,073
			19,720,479	20,859,892

7.1 Loans from banking companies

	Installment payable	Repayment period	Mark-up rate p.a. (above 3 months KIBOR)	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	250,000	583,333
Allied Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	333,333	666,667
Askari Bank Limited	quarterly	2013 - 2015	1.00%	7.1.1	166,667	500,000
Askari Bank Limited	quarterly	2013 - 2016	1.00%	7.1.1	166,667	333,333
Bank Alfalah Limited	quarterly	2015 - 2017	0.75%	7.1.1	1,000,000	1,000,000
Bank Alfalah Limited	quarterly	2013 - 2016	1.00%	7.1.1	250,000	583,333
Bank AlFalah Limited - Led Consortium	quarterly	2018 - 2019	0.40%	7.1.1	7,000,000	-
Bank Al-Habib Limited	quarterly	2013 - 2016	1.00%	7.1.1	166,667	333,333
Faysal Bank Limited	quarterly	2015 - 2018	0.70%	7.1.1	1,500,000	1,500,000
Habib Bank Limited	quarterly	2015 - 2018	0.70%	7.1.1	1,000,000	1,000,000
Meezan Bank Limited	quarterly	2013 - 2015	1.00%	7.1.1	500,000	1,500,000
Meezan Bank Limited	quarterly	2015 - 2017	0.75%	7.1.1	2,000,000	2,000,000
Meezan Bank Limited	quarterly	2015 - 2018	0.70%	7.1.1	2,000,000	2,000,000
Standard Chartered Bank (Pakistan) Limited	quarterly	2012 - 2015	1.00%	7.1.1	285,714	857,143
United Bank Limited	quarterly	2015 - 2017	0.75%	7.1.1	1,750,000	2,000,000
United Bank Limited - Led Consortium	quarterly	2015 - 2018	0.70%	7.1.1	4,000,000	4,000,000
Unamortised transaction cost					(25,467)	(18,228)
					22,343,581	18,838,914
Less: Current portion shown under current liabilities				14	(7,452,381)	(3,488,095)
					14,891,200	15,350,819

7.1.1 These loans / financial arrangements are secured by a ranking charge created by way of hypothecation over all present and future movable fixed assets of the Company comprising of compressor stations, transmission pipelines, distribution pipelines and pipeline construction machinery and equipments.

7.2 Front end fee of foreign currency loan

	Installment payable	Repayment period	Mark-up rate per annum	Note	2015	2014
IBRD LOAN - 81540	Half-yearly	2020 - 2036	11.80%	7.2.1	23,950	23,950

7.2.1 This represents front end fee in respect of USD 100 million loan from the Government of Pakistan through International Bank for Reconstruction and Development (IBRD) for Natural Gas Efficiency Project.

	Note	2015	2014
		(Rupees in '000)	
7.3 Customer finance			
Customer finance	7.3.1	250,026	286,443
Less: Current portion shown under current liabilities	14	(34,697)	(49,833)
		215,329	236,610

7.3.1 This represents 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 25% of 3 year average ask side KIBOR less 2% per annum for laying of distribution mains. Principal and interest are adjustable in 48 equal installments through credits in the monthly gas bills of the customers.

	Installment payable	Principal repayment period	Mark-up rate p.a.	Note	2015	2014
					(Rupees in '000)	
7.4 Government of Sindh loans						
Government of Sindh loan - I	yearly	2007 - 2016	2%	7.4.1	8,513	16,859
Government of Sindh loan - II	yearly	2011 - 2020	4%	7.4.1	450,000	540,000
Government of Sindh loan - III	yearly	2012 - 2021	4%	7.4.1	600,000	700,000
Government of Sindh loan - IV	yearly	2013 - 2022	4%	7.4.1	800,000	900,000
Government of Sindh loan - V	yearly	2015 - 2024	4%	7.4.1	990,000	1,100,000
Government of Sindh loan - VI	yearly	2015 - 2024	4%	7.4.1	900,000	1,000,000
Government of Sindh loan - VII	yearly	2016 - 2025	4%	7.4.1	1,500,000	1,500,000
Government grant				7.4.2	(2,412,186)	(2,412,186)
Subtotal					2,827,814	3,327,814
Government grant - Government of Sindh loans				7.4.2	2,412,186	2,412,186
					5,248,513	5,756,859
Less: Current portion shown under current liabilities				14	(658,513)	(508,346)
					4,590,000	5,248,513

7.4.1 The Holding Company has obtained unsecured development loans from Government of Sindh for supply of gas to various districts and areas of Sindh.

7.4.2 This represents the benefit of lower interest rate on Government of Sindh Loan II, III, IV, V, VI and VII and is calculated as difference between the proceeds received in respect of Government of Sindh Loan II, III, IV, V, VI and VII amounting to Rs. 900 million, Rs. 1,000 million, Rs. 1,000 million, Rs. 1,100 million, Rs. 1,000 million and Rs. 1,500 million respectively, and its initial fair value amounting to Rs. 582.076 million, Rs. 660.888 million, Rs. 625.281 million, Rs. 736.958 million, Rs. 768.534 million and Rs. 714.077 million respectively. These are calculated at 3 month KIBOR prevailing at respective year ends in which the loans were disbursed. This benefit is treated as Government grant and would be amortised over the estimated useful life of related assets when constructed.

	Note	2015	2014
		(Rupees in '000)	
8. LONG TERM DEPOSITS			
Security deposits from:			
- gas customers	8.1	10,460,881	8,305,883
- gas contractors	8.2	152,178	49,235
		10,613,059	8,355,118

8.1 These represent deposits from industrial, commercial and domestic customers. The customer deposits are based on annual average gas sales of 3 months.

Mark-up is payable on deposits of industrial and commercial customers at the rate of 5% per annum, while no mark-up is paid on deposits from domestic customers.

The Holding Company may at its option, use these deposits for its own purpose from time to time and shall, on disconnection of gas supply to the customer, return the security deposits as per the terms and conditions of the contract.

8.2 These represent security deposits received from contractors. These deposits are free of mark-up and are refundable upon completion / cancellation of the contract.

9. DEFERRED TAX

Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of the following:

	2015			
	Closing	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	Closing
	(Rupees in '000)			
Taxable temporary differences				
Accelerated tax depreciation	11,864,206	(1,477,354)	-	10,386,852
Net investment in finance lease	242,507	(67,692)	-	174,815
Deductible temporary differences				
Provision against employee benefits	(1,217,473)	53,697	(245,368)	(1,409,144)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,814,341)	505,412	6,468	(3,302,461)
Provision against impaired store and spares	(107,973)	33,206	-	(74,767)
Liability not paid within three years	(2,148,262)	(842,584)	-	(2,990,846)
Carry forward of tax losses	(809,635)	(1,348,189)	-	(2,157,824)
Obligation against pipeline	-	(332,077)	-	(332,077)
Others	(831,064)	97,276	4,875	(728,913)
	3,177,965	(3,378,305)	(234,025)	(434,365)

	2014			
	Closing	Charge / (reversal) to profit and loss account	Charge / (reversal) to OCI	Closing
	(Rupees in '000)			
Taxable temporary differences				
Accelerated tax depreciation	11,687,245	176,961	-	11,864,206
Net investment in finance lease	281,032	(38,525)	-	242,507
Deductible temporary differences				
Provision against employee benefits	(864,242)	(127,175)	(226,056)	(1,217,473)
Provision against impaired debts and other receivables and receivable from staff pension fund	(3,335,545)	(482,751)	3,955	(3,814,341)
Provision against impaired store and spares	(77,976)	(29,997)	-	(107,973)
Liability not paid within three years	(1,216,214)	(932,048)	-	(2,148,262)
Carry forward of tax losses	(386,249)	(423,386)	-	(809,635)
Others	(366,034)	(200,024)	(265,006)	(831,064)
	5,722,017	(2,056,945)	(487,107)	3,177,965

		Note	2015	2014
			(Rupees in 000)	
10.	EMPLOYEE BENEFITS - unfunded			
	Provision for post retirement medical and free gas supply facilities - executives	41.2	4,111,259	2,900,966
	Provision for compensated absences - executives	10.1	576,685	569,470
	Provision for gratuity	10.2	8,629	8,547
			4,696,573	3,478,983
10.1	Provision for compensated absences - executives			
	Balance as at July 01		569,470	497,059
	Provision during the year		7,215	72,411
	Balance as at June 30		576,685	569,470
10.2	Provision for gratuity			
	Balance as at July 01		8,547	3,519
	Provision during the year		82	5,028
	Balance as at June 30		8,629	8,547
11.	OBLIGATION AGAINST PIPELINE			
	Principal amount of obligation against pipeline	11.1	1,106,923	-
	Less: current portion of obligation against pipeline		(37,750)	-
			1,069,173	-

11.1 The Holding Company entered into an agreement with Engro Elengy Terminal (Private) Limited (EETPL) under which the pipeline has been transferred to the Holding Company from EETPL and corresponding liablity has been recognised using discounted cashflow technique.

		Note	2015	2014
			(Rupees in 000)	
12.	DEFERRED CREDIT			
	Government contributions / grants			
	Balance as at July 01		3,775,607	3,887,838
	Additions / adjustments during the year		297,996	131,522
	Transferred to consolidated profit and loss account	12.1	(251,965)	(243,753)
	Balance as at June 30		3,821,638	3,775,607
	Contribution from customers			
	Balance as at July 01		1,673,245	1,859,805
	Transferred to consolidated profit and loss account	12.2	(177,943)	(186,560)
	Balance as at June 30		1,495,302	1,673,245
			5,316,940	5,448,852

12.1 This represents amount received from the Government for supply of gas to new towns and villages and is recognised as grant when the conditions specified by the Government are met and is amortised over the useful life of related projects.

12.2 This represents amount received from customers for the cost of service lines and gas mains, etc. These are taken to unconsolidated profit and loss account based on the policy stated in note 3.12 to these financial statements.

12.3 Pipelines constructed / built under deferred credit arrangement are not given 17% minimum guaranteed return. However, Unaccounted for Gas ("UFG") losses on such pipelines are considered in the determination of the Holding Company's guaranteed return.

13. LONG TERM ADVANCES

These represent amounts received from Government of Pakistan for gas supply to new towns and villages and laying of distribution lines, etc. These advances are transferred to deferred credit once the related projects are commissioned. As stated in note 3.12 to these financial statements, such deferred credit is amortised over the estimated useful lives of related assets.

		Note	2015	2014
			(Rupees in '000)	
14.	CURRENT PORTION OF LONG TERM FINANCE			
	Loans from banking companies	7.1	7,452,381	3,488,095
	Customer finance	7.3	34,697	49,833
	Government of Sindh loans	7.4	658,513	508,346
			8,145,591	4,046,274

15. SHORT TERM BORROWINGS

This represent facilities for short term running finance and short term loan available from various banks amounting to Rs. 989 million (2014: Rs. 3,141 million) and subject to mark-up up to 0.30% (2014: 1%) above the range of average one month KIBOR and average three month KIBOR. The facilities are secured by first pari passu, first joint supplemental hypothecation and ranking charge over present and future stock in trade and book debts of the Group.

The aggregate unavailed short term borrowing facilities amounted to Rs. 5,526 million (2014: Rs. 8,809 million).

		Note	2015	2014
			(Rupees in '000)	
16.	TRADE AND OTHER PAYABLES			
	Creditors for:			
	- Gas supplies	16.1	145,188,954	114,015,193
	- Supplies		589,234	483,341
			145,778,188	114,498,534
	Amount received from customers for laying of mains, etc.		1,861,627	2,028,086
	Engro Elengy Terminal (Private) Limited		1,022,850	-
	Accrued liabilities		3,048,161	1,649,095
	Advance from LPG customers		433	-
	Provision for compensated absences - non executives	16.2	219,207	143,528
	Payable to staff gratuity fund	41.1	2,192,783	2,216,268
	Deposits / retention money		364,319	321,981
	Bills payable		599,999	55,582
	Advance for sharing right of way	16.3	18,088	18,088
	Unclaimed dividend		286,665	288,079
	Withholding tax		200,254	589,051
	Sales tax and Federal excise duty		305,055	297,228
	Sindh sales tax		37,231	38,850
	Processing charges payable to JJVL		7,433,204	3,298,123
	Gas infrastructure development cess payable	16.4	9,324,042	7,178,607
	Unclaimed term finance certificate redemption profit		1,800	1,800
	Inter State Gas System (Private) Limited (ISGSL)		11,019	9,286
	Advances from customers and distributors		28,298	15,778
	Purchase of cylinders		-	-
	Transport and advertisement services		30,714	46,771
	Others	16.5	292,343	190,765
			173,056,280	132,885,500

16.1 As at June 30, 2015, amount of Rs. 107,933 million (2014: Rs. 84,195 million) is payable to Oil and Gas Development Company Limited, Pakistan Petroleum Limited and Government Holdings (Private) Limited in respect of gas purchases along with interest of Rs.33,379 million (2014: Rs. 26,289 million) on their balances which have been presented in note 17.

		2015	2014
		(Rupees in '000)	
16.2	Provision for compensated absences - non-executives		
	Balance as at July 01	143,528	138,969
	Provision during the year	75,679	4,559
	Balance as at June 30	219,207	143,528

16.3 This amount was received by the Holding Company from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated October 12, 1988. It represents consideration for 50% 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 the Holding Company. The final liability of the Holding Company 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.

16.4 Gas Infrastructure Development (GID) Cess has been levied since December 15, 2011 and is chargeable from industrial gas customers at different rates as prescribed by the Federal Government through OGRA notification. GID Cess is collected and deposited with the Ministry of Petroleum and Natural Resources (MPNR) in a manner prescribed by the Federal Government.

On June 13, 2013 the Honorable Peshawar High Court declared the levy, imposition and recovery of the Cess unconstitutional with the direction to refund the "Cess" so far collected. Honorable Supreme Court of Pakistan examined the case and in its decision dated August 22, 2014 concluded that GID Cess is a fee and not a tax and on either count the "Cess" could not have been introduced through a money bill under Article 73 of the Constitution and the same was therefore not validly levied in accordance with the Constitution. However, on September 25, 2014 the President of Pakistan had passed GID Cess Ordinance 2014, which is applicable in whole Pakistan and has to be complied by all parties.

On September 29, 2014, the Honorable Sindh High Court gave a stay order to various parties against the promulgation of Presidential order on September 25, 2014.

On May 22, 2015 the GID Cess Act is passed by Parliament applicable on all parties. Following the imposition of the said Act, many customers filed a petition in Honorable Sindh High Court and obtained stay order against Act passed by the Parliament. The Holding Company has obtained legal opinion, which states that management has to comply with the stay order of Honorable High Court of Sindh.

The Holding Company is a collecting agent and depositing GID Cess to the MPNR and the Holding Company will refund to the customers once it will be received from MPNR.

16.5 This includes Rs. 100.524 million (2014: Rs. 101.725 million) on account of amount payable to disconnected customers for gas supply deposits.

		Note	2015	2014
			(Rupees in '000)	
17.	INTEREST ACCRUED			
	Long term finance - loans from banking companies		230,836	210,015
	Long term deposits from customers		283,265	210,097
	Short term borrowings		15,538	49,753
	Late payment surcharge on processing charges		132,110	43,167
	Late payment surcharge on gas development surcharge		4,826	4,826
	Late payment surcharge on gas supplies	16.1 & 18.1.16	33,402,631	26,312,920
			34,069,206	26,830,778

18\. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

		2015	2014
18.1.1	Guarantees issued on behalf of the Group	5,085,346	172,362

In respect of Holding Company:

18.1.2 Jamshoro Power Company Limited [(JPCL) WAPDA] has lodged a claim against the Company amounting to Rs. 35,182 million (2014: Rs. 23,000 million) for short supply of gas under the provisions of an agreement dated April 10, 1995 between the Company and JPCL. Management has not made provision against the said amounts in the books of the Company as management is confident that ultimately this claim would not be payable.

18.1.3 JPCL has raised another claim of Rs. 5.793 million (2014: Rs. 5.793 million) for the alleged low Gas Calorific Value (GCV) measurement for the period from January 2002 to December 2002 and for the month of February 2003 as compared to the actual GCV billed by the Company. Management has not made provision against the said amount in the books of the Company as management is confident that ultimately this claim would not be payable.

18.1.4 Habibullah Coastal Power Company (Private) Limited (HCPC) has claimed Rs. 2,382.76 million (2014: Rs. 1,899.96 million) from the Company for short supply of gas under the provisions of an agreement dated March 31, 1996 between the Company and HCPC. As at December 31, 2015, this amount has increased to Rs. 2,625.33 million. HCPC has also disputed late payment surcharge charged by the Company amounting to Rs. 360 million. HCPC has also invoked arbitration as per article of Gas Sale Agreement it may be noted that in the instant arbitral proceedings SSGC has also raised a counter claim of Rs. 5.34 billion on account of Take or Pay. The net claim is in favor of SSGC.

18.1.5 Demand finance facilities have been given to the Company's employees by certain banks for purchase of vehicles against the Company's guarantee and hypothecation of the Company's present and future stocks, book debts, receivables and the Company's investment in shares having a face value of Rs. 0.5 million (2013: Rs. 0.5 million). Loan outstanding at the year end was Rs. 2.190 million (2014: Rs. 3.130 million).

18.1.6 Previously the Income Tax Appellate Tribunal (ITAT) had decided an Appeal in favor of Income Tax Department on the issue of capital gain made on disposal of LPG business in the financial year 2001 resulting in tax impact of Rs. 143 million. Management has filed an appeal before Honorable High Court. The management is of the view that sale of LPG business being in nature of slump transaction was not chargeable to tax under the Income Tax Ordinance, 2001. Accordingly, no provision regarding the said claim has been made in these consolidated financial statements as the management, based on its legal advisor's opinion, are confident that the matter would be resolved in favor of the Company.

18.1.7 Income tax authorities have passed an amended assessment order for the tax year 2005 resulting in additional tax liability amounting to Rs. 103.745 million, which has been adjusted from the sales tax refund of the Company. The Company preferred appeal in this case. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.8 The Additional Collector (Adjudication) Sales Tax and Federal Excise passed an order against the Company with a demand of Rs. 311.397 million for the years 2002-03, 2003-04 and 2005-06 in respect of sales tax on disposal of fixed assets, incorrect adjustment against exempt supplies, non-payment of sales tax on transportation charges, late payment surcharge and service connection charges along with default surcharge and penalty. The Income Tax Appellate Tribunal has set-aside the case and remanded back to Tax Department for hearing the case afresh. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.9 Income tax authorities have issued notices under section 122 / 177 of the Income Tax Ordinance, 2001 for the tax years 2008, 2009, 2010 and 2011, disallowing certain expenses. The Company has filed petition in the High Court of Sindh to seek the authoritative interpretation of the Honorable Court, in respect of disallowance of interest on delayed payment of gas bills on account of failure to deduct with tax under section 151(1)(d) read with section 158 of the Income Tax Ordinance, 2001 and disallowance of depreciation on fixed assets held under musharka arrangement. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.10 The Deputy Commissioner Inland Revenue passed an order for the financial year 2009-10 against the Company with a demand of Rs. 1,635 million, along with default surcharge and penalty on account of disallowance of input sales tax on line losses / Unaccounted for Gas (UFG) along with other observations. Upon appeal, the Commissioner (Appeals) has reduced the demand to Rs. 230 million plus default surcharge. The Company has filed appeal with Appellate Tribunal Inland Revenue on issues decided against the Company by Commissioner (Appeals) whereas the Tax Department has also filed appeal before Appellate Tribunal on issues decided in the Company's favor. Further, issue of allowability of input sales tax on UFG was also raised by Tax Department for financial year 2007-08, however, Company has obtained stay order from the High Court of Sindh on this issue.

On filing of suit by the Company, the Honourable High Court of Sindh has stayed demand for FY 2009-10 and stayed proceedings for FY 2007-08. No provision has been made in these consolidated financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

18.1.11 The Additional Commissioner Inland Revenue passed an order against the Company with a demand of Rs. 1,725 million in respect of disallowance of tax depreciation on additions to fixed assets and exchange loss in income tax audit for tax year 2011. The Commissioner (Appeals) has decided the issue of exchange loss in Company's favour while the issue of tax depreciation has been remanded back to tax department for hearing the case afresh. Tax department has also filed appeal before Appellate Tribunal on issue of exchange loss which has been decided in favour of Company by the Commissioner (Appeals). No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.12 The Additional Commissioner Inland Revenue passed an order against the Company with demand of Rs. 1,314 million along with default surcharge and penalty for illegal adjustment of with sales tax against input taxes. The principal tax demand was recovered by the authority. However, the Company has filed a reference with FBR for waiver of default surcharge and penalty, which is pending. The Honorable High Court of Sindh has also stayed the recovery of the additional tax and penalties. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.13 The Deputy Commissioner Inland Revenue (DCIR) passed an order against the Company with a demand of Rs. 432 million. The demand is in respect of disallowance of exchange loss, addition on account of gain on disposal of fixed assets, interest free loans to employees and addition under section 34(5) of the Ordinance. Further the DCIR has not allowed credit for taxes paid, refund adjustment relating to tax year 2009 and adjustment of carry forward of minimum tax for financial years 2005-06, 2007-08 and 2008-09 claimed in the Income Tax Return for the financial year 2009-10. The Commissioner (Appeals) has maintained the disallowances except for interest free loans and directed tax department that credit of taxes paid, and minimum tax adjustments for FY 2005-2006 and FY 2008-09 be allowed after verification. The Commissioner (Appeals) has not given decision on addition under section 34(5) and refund adjustment. Against the Commissioner (Appeals) order, the Company has filed appeal before Appellate Tribunal Inland Revenue which is pending for hearing whereas the Tax Department has also filed appeal before Appellate Tribunal on issues decided in the Company's favor. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.14 Income tax authorities have issued show cause notice to the Company for recovery of additional tax of Rs. 422 million for late deposit of with income tax on payment to permanent establishments of non-resident Exploration and Production Companies for the year 2013. The Company has filed an appeal in the Honorable High Court of Sindh, which has stayed the recovery proceedings. No provision has been made in these consolidated financial statements as the Company and its legal counsel are confident that the outcome of the case will be in favor of the Company.

18.1.15 The Company is subject to various other claims totaling Rs. 873 million by income tax and sales tax authorities . The management is confident that ultimately these claims would not be payable.

18.1.16 One of the gas supplier has claimed excess amount of Rs. 1,732 million pertaining to late payment surcharge on gas bills payable by the Company. Management is of the view that amount recorded by the Company is adequate and believe that no further provision is required to be recorded in these consolidated financial statements.

18.1.17 The Company is party to number of cases in respect of billing disputes and related matters. Based on the opinion of the Company's legal department, the management is confident that the outcome of these cases will be in favor of the Company. Accordingly, no provision has been made in respect of those cases in these consolidated financial statements.

In respect of SSGC LPG (Private) Limited:

18.1.18 Federal Board of Revenue has issued show cause notice that the Company has not deposited 5% advance tax, amounting to Rs. 112.5 million, from the gross amount paid to Sindh High Court (SHC) relating to the purchase of assets through SHC auction. The Company has filed petition in SHC against said show cause notice, where SHC has granted stay to the Company through its order dated March 17, 2015. No provision has been made in these financial statements as the Company and its legal counsel is confident that the outcome of the case will be in favor of the Company.

18.1.19 During the year, Commissioner Inland Revenue withdrew the exemption earlier granted against deduction of with tax. An order was passed against the Company with a demand of Rs. 46.2 million, on basis that with tax was not deducted on sale of LPG by the Company and final tax was demanded as the Company is not a manufacturer. The Company had previously obtained exemption certificate against the said deduction, however the certificate was cancelled after its expiry in previous year. This demand was made relating to the period in which the Company was exempted from deduction of with tax, therefore the Company has filed an appeal in the Appellate Tribunal against the order for which the Company and its legal counsel are confident that the outcome will be in favor of the Company.

18.1.20 The Company is subject to various other claims amounting Rs. 14.37 million by the tax authorities. The management is confident that ultimately these claims would not be payable.

		Note	2015	2014
			(Rupees in 000)	
	Other contingencies:			
18.1.21	Claims against the Holding Company not acknowledge as debt		103,741	97,741
	The management is confident that ultimately these claims would not be payable.			
18.2	Commitments			
	Commitments for capital and other expenditure		7,318,318	2,278,011
19.	PROPERTY, PLANT AND EQUIPMENT			
	Operating assets	19.1	66,609,660	64,256,925
	Capital work in progress	19.5	9,547,514	8,143,564
			76,157,174	72,400,489

15.1 Operating assets

	2015						(Rupees in '000)	
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	Useful Life
	As at July 01 2014	Additions / (deletions) transfers *	As at June 30 2015	As at July 01, 2014	Depreciation (deletions) transfers *	As at June 30, 2015	As at June 30 2015	Remaining life in years **
Freehold land	**4,479,558**	- - - *	**4,479,558**	-	- - - *	-	**4,479,558**	-
Leasehold land	**6,156,827**	- - - *	**6,156,827**	-	- - - *	-	**6,156,827**	-
Leasehold land Terminal QP-5	**32,500**	- - - *	**32,500**	**3,886**	**1,413** - - *	**5,299**	**27,201**	**23**
Civil structure on leasehold land - Trestle and Jetty	**1,144,437**	**292**	**1,144,729**	**133,898**	**49,869**	**183,767**	**960,962**	**23**
Buildings on freehold land	**324,492**	- - - *	**324,492**	**233,442**	**13,964** - - *	**247,406**	**77,086**	**20**
Buildings on leasehold land	**2,121,464**	**114,663** - - *	**2,236,127**	**1,167,340**	**97,771** - - *	**1,265,111**	**971,016**	**20**
Roads, pavements and related infrastructures	**657,720**	- - - *	**657,720**	**157,136**	**33,007** - - *	**190,143**	**467,577**	**20**
Gas transmission pipelines	**23,587,703**	**1,344,822** - (3) *	**24,932,522**	**13,253,166**	**427,466** - (3) *	**13,680,629**	**11,251,893**	**1-40****
Gas distribution system	**60,403,329**	**4,946,854** (84,468) - *	**65,265,695**	**23,358,337**	**3,637,401** (84,488) - *	**26,911,250**	**38,354,445**	**10-20**
Compressors	**2,464,372**	- - - *	**2,464,372**	**2,285,751**	**34,018** - - *	**2,319,769**	**144,603**	**4****
Telecommunication	**755,603**	**146,014** (4,513) - *	**897,104**	**539,093**	**56,518** (4,326) - *	**591,285**	**305,819**	**2-20**
Plant and machinery	**3,485,263**	**361,135** (359) (4,621) *	**3,841,418**	**1,571,884**	**222,660** (354) (3,101) *	**1,791,089**	**2,050,329**	**5-20**
Tools and equipment	**367,317**	**26,587** (2,042) 4,624 *	**396,486**	**313,758**	**33,656** (2,042) 3,363 *	**348,735**	**47,731**	**3-10**
Bowsers	**68,889**	-	**68,889**	**6,535**	**6,889**	**13,424**	**55,465**	**10**
Motor vehicles	**2,187,084**	**223,150** (72,250) - *	**2,337,984**	**1,367,243**	**145,114** (51,956) 1 *	**1,460,402**	**877,582**	**5**
Furniture and fixture	**510,421**	**42,285** (474) (4) *	**552,228**	**437,717**	**26,546** (474) (264) *	**463,525**	**88,703**	**5**
Office equipment	**371,764**	**39,631** (3,490) (449) *	**407,456**	**301,559**	**25,494** (3,436) (449) *	**323,168**	**84,288**	**3-5**
Computer and ancillary equipments	**843,733**	**53,610** (36,269) 453 *	**861,527**	**752,861**	**71,807** (36,269) 453 *	**788,852**	**72,675**	**3**
Supervisory control and data acquisition system	**685,425**	- (653) - *	**684,772**	**610,900**	**36,536** (620) - *	**646,816**	**37,956**	**6.67**
Construction equipment	**1,131,404**	**11** - - *	**1,131,415**	**1,027,874**	**5,597** - - *	**1,033,471**	**97,944**	**5**
2015	**111,779,305**	**7,299,034** (204,538) - *	**118,873,601**	**47,522,380**	**4,925,726** (183,965) - *	**52,264,141**	**66,609,660**	

2014 (Rupees in '000)

	COST / REVALUATION			ACCUMULATED DEPRECIATION			Written Down Value	Useful Life
	As at July 01, 2014	Additions / (deletions) / transfers *	As at June 30, 2015	As at July 01, 2014	Depreciation / (deletions) / transfers *	As at June 30 2015	As at June 30 2015	Remaining life in years**
Freehold land	4,479,558	- - - *	4,479,558	-	- - - *	-	4,479,558	-
Leasehold land	6,156,827	- - - *	6,156,827	-	- - - *	-	6,156,827	-
Leasehold land - Terminal OP-5	32,500	- - - *	32,500	2,473	1,413 - - *	3,886	28,614	23
Civil structure on leasehold land - Trestle and Jetty	1,133,724	10,713	1,144,437	84,149	49,749	133,898	1,010,539	23
Buildings on freehold land	324,492	- - - *	324,492	229,634	3,808 - - *	233,442	91,050	20
Buildings on leasehold land	2,033,555	87,909 - - *	2,121,464	1,064,860	102,499 - (19) *	1,167,340	954,124	20
Roads, pavements and related infrastructures	657,637	83 - - *	657,720	124,129	33,007 - - *	157,136	500,584	20
Gas transmission pipelines	22,471,889	1,115,814 - - *	23,587,703	12,842,738	410,428 - - *	13,253,166	10,334,537	1-40**
Gas distribution system	56,869,086	3,748,701 (214,458) - *	60,403,329	20,438,237	3,125,911 (205,811) - *	23,358,337	37,044,992	10-20
Compressors	2,464,372	- - - *	2,464,372	2,251,733	34,018 - - *	2,285,751	178,621	5**
Telecommunication	643,568	114,795 - (2,760) *	755,603	504,966	34,009 - 118 *	539,093	216,510	2-20
Plant and machinery	3,148,540	355,697 (2,182) (16,792) *	3,485,263	1,379,105	189,803 (91) 3,067 *	1,571,884	1,913,379	5-20
Tools and equipment	356,436	28,652 - (17,771) *	367,317	297,931	29,492 - (13,665) *	313,758	53,559	3-10
Bowsers	14,291	54,598 - - *	68,889	1,992	4,543 - -	6,535	62,354	10
Motor vehicles	2,019,813	238,058 (94,262) 23,475 *	2,187,084	1,302,911	122,905 (75,354) 16,781 *	1,367,243	819,841	5
Furniture and fixture	464,306	29,838 - 16,277 *	510,421	412,344	23,703 - 1,670 *	437,717	72,704	5
Office equipment	331,418	36,704 - 3,642 *	371,764	278,330	20,380 - 2,849 *	301,559	70,205	3-5
Computer and ancillary equipments	818,445	24,951 - 337 *	843,733	658,091	94,433 - 337 *	752,861	90,872	3
Supervisory control and data acquisition system	685,425	- - - *	685,425	557,149	53,751 - - *	610,900	74,525	6.67
Construction equipment	1,118,455	19,357 - (6,408) *	1,131,404	1,012,590	26,422 - (11,138) *	1,027,874	103,530	5
2014	106,224,337	5,865,870 (310,902) - *	111,779,305	43,443,362	4,360,274 (281,256) - *	47,522,380	64,256,925	

	2015	2014
	(Rupees in '000)	
19.2 Details of depreciation for the year are as follows:		
Transmission and distribution costs	4,477,731	3,900,507
Administrative expenses	216,122	224,544
Selling expenses	10,635	7,794
	4,704,488	4,132,845
Meter manufacturing division	20,231	11,919
LPG air mix	55,255	55,742
Capitalised on projects	16,694	38,195
Income from LPG and NGL - net	129,058	121,573
	4,925,726	4,360,274

19.3 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 / loss on sales	Mode of disposal	Particulars of buyers
Gas distribution system							
Written down value not exceeding Rs. 50,000 each	84,488	84,488	-	-	-	Replacement	Not applicable
Telecommunication system							
Written down value not exceeding Rs. 50,000 each	750	728	22	8	(14)	Tender	Various
PABX System	3,763	3,598	165	41	(124)	Tender	Various
Plant and machinery							
Written down value not exceeding Rs. 50,000 each	359	354	5	78	73	Tender & 3rd party claim	Various
Tools and equipments							
Written down value not exceeding Rs. 50,000 each	2,042	2,042	-	138	138	Tender & 3rd party claim	Various
Furniture and Fixture							
Written down value not exceeding Rs. 50,000 each	474	474	-	3	3	Tender	Various
Office and equipments							
Written down value not exceeding Rs. 50,000 each	3,433	3,433	-	42	42	Tender & 3rd party claim	Various
Computer and ancillary equipment							
Written down value not exceeding Rs. 50,000 each	36,269	36,269	-	541	541	Tender & 3rd party claim	Various
Scada							
Written down value not exceeding Rs. 50,000 each	653	620	33	7	(26)	Tender	Various

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / loss on sales	Mode of disposal	Particulars of buyers
Motor vehicles							
Toyota Pickup	867	698	169	695	526	Tender	Mr. Abdul Aleem
Suzuki Van	367	293	74	445	371	Tender	Mr. Abdul Hameed
Hyundai	625	437	188	425	237	Tender	Mr. Abdul Manan
Suzuki Pickup	354	292	62	305	243	Tender	Mr. Ayaz Muhammad
Toyota Pickup	815	652	163	900	737	Tender	Mr. Ayaz Muhammad
Toyota Pickup	851	681	170	615	445	Tender	Mr. Azim-Ullah
Suzuki Pickup	314	251	63	300	237	Tender	Mr. Chinar Din
Suzuki Pickup	339	271	68	260	192	Tender	Mr. Chinar Din
Suzuki Pickup	339	271	68	325	257	Tender	Mr. Chinar Din
Suzuki Cultus	595	417	178	480	302	Tender	Mr. Chinar Din
Toyota Pickup	813	651	162	850	688	Tender	Mr. Inam Khan
Kia Jeep	1,609	1,287	322	340	18	Tender	Mr. Inam Khan
Suzuki Pickup	353	291	62	270	208	Tender	Mr. Jamal Shah
Suzuki Pickup	353	291	62	315	253	Tender	Mr. Kamran Ellahi
Suzuki Pickup	339	271	68	285	217	Tender	Mr. Kamran Ellahi
Toyota Pickup	813	651	162	795	633	Tender	Mr. Khadim Ali
Toyota Pickup	815	652	163	830	667	Tender	Mr. Khadim Ali
Suzuki Cultus	607	425	182	440	258	Tender	Mr. Khadim Ali
Mitsubishi Pickup	2,126	1,701	425	660	235	Tender	Mr. Muhammad Abdul Raheem
Mitsubishi Pickup	2,130	1,704	426	659	233	Tender	Mr. Muhammad Abdul Raheem
Toyota Pickup	851	681	170	685	515	Tender	Mr. Muhammad Afzal
Suzuki Pickup	344	275	69	360	291	Tender	Mr. Muhammad Arif Jamsa
Hyundai	609	426	183	385	202	Tender	Mr. Muhammad Arsahd
Suzuki Van	465	372	93	320	227	Tender	Mr. Muhammad Ashraf Javeed
Suzuki Pickup	353	290	63	335	272	Tender	Mr. Muhammad Haleem Gobol
Suzuki Pickup	344	275	69	315	246	Tender	Mr. Muhammad Hamza
Suzuki Pickup	352	289	63	380	317	Tender	Mr. Muhammad Hanif Gobol
Suzuki Pickup	339	271	68	410	342	Tender	Mr. Muhammad Hanif Gobol
Suzuki Pickup	344	275	69	370	301	Tender	Mr. Muhammad Hanif Gobol
Suzuki Pickup	338	270	68	270	202	Tender	Mr. Muhammad Jalal
Suzuki Pickup	338	270	68	275	207	Tender	Mr. Muhammad Javaid
Toyota Pickup	815	652	163	820	657	Tender	Mr. Muhammad Javaid
Hyundai	609	426	183	400	217	Tender	Mr. Muhammad Javaid
Suzuki Van	396	317	79	425	346	Tender	Mr. Muhammad Khan
Suzuki Cultus	595	417	178	470	292	Tender	Mr. Muhammad Khan
Suzuki Van	446	357	89	400	311	Tender	Mr. Muhammad Shaukat Qureshi
Suzuki Pickup	339	271	68	350	282	Tender	Mr. Muhammad Shaukat Qureshi
Suzuki Pickup	344	275	69	335	266	Tender	Mr. Muhammad Shaukat Qureshi
Toyota Pickup	799	639	160	700	540	Tender	Mr. Muhammad Siddiqui
Toyota Pickup	815	652	163	810	647	Tender	Mr. Muhammad Siddiqui
Toyota Pickup	851	680	171	610	439	Tender	Mr. Muhammad Siddiqui
Hyundai Shehzore Pickup	678	543	135	720	585	Tender	Mr. Muhammad Younis
Toyota Pickup	850	680	170	610	440	Tender	Mr. Murtaza Khan
Suzuki Pickup	354	292	62	295	233	Tender	Mr. Nusrat Iqbal
Suzuki Pickup	339	271	68	255	187	Tender	Mr. Nusrat Iqbal

(Rupees in '000)

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / loss on sales	Mode of disposal	Particulars of buyers
Toyota Pickup	813	651	162	765	603	Tender	Mr. Nusrat Iqbal
Toyota Pickup	843	679	164	730	566	Tender	Mr. Nusrat Iqbal
Suzuki Pickup	354	292	62	275	213	Tender	Mr. Qamar Zaman
Suzuki Pickup	352	290	62	330	268	Tender	Mr. Qamar Zaman
Suzuki Pickup	351	289	62	285	223	Tender	Mr. Qamar Zaman
Suzuki Pickup	338	270	68	275	207	Tender	Mr. Qamar Zaman
Suzuki Pickup	338	271	67	295	228	Tender	Mr. Qamar Zaman
Suzuki Pickup	344	275	69	370	301	Tender	Mr. Qamar Zaman
Suzuki Pickup	344	275	69	350	281	Tender	Mr. Qamar Zaman
Suzuki Pickup	391	320	71	340	269	Tender	Mr. Qamar Zaman
Suzuki Pickup	396	316	80	350	270	Tender	Mr. Qamar Zaman
Suzuki Pickup	354	291	63	315	252	Tender	Mr. Raees Khan
Toyota Pickup	815	652	163	860	697	Tender	Mr. Raees Khan
Suzuki Pickup	357	294	63	280	217	Tender	Mr. Rasheed Ahmed
Suzuki Pickup	339	271	68	240	172	Tender	Mr. Rasheed Ahmed
Suzuki Pickup	314	251	63	355	292	Tender	Mr. Sabir Hussain
Suzuki Van	367	294	73	365	292	Tender	Mr. Sabir Hussain
Suzuki Van	367	294	73	390	317	Tender	Mr. Saeed Ahmed
Suzuki Pickup	354	292	62	325	263	Tender	Mr. Sawab Gul Khan
Suzuki Van	367	294	73	285	212	Tender	Mr. Sawab Gul Khan
Suzuki Pickup	355	292	63	275	212	Tender	Syed Asghar Ali Rizvi
Suzuki Pickup	338	270	68	295	227	Tender	Syed Asghar Ali Rizvi
Suzuki Cultus	595	417	178	470	292	Tender	Syed Noor Muhammad
Hyundi Terracan	2,659	2,127	532	1,480	948	3rd party claims	Insurance claim - NICL
Honda Civic	2,572	599	1,973	1,579	(394)	Service rules	Mr. Zuhair Saddiqui
Honda Civic	2,572	599	1,973	1,490	(483)	Service rules	Mr. Yusuf Jamil Ansari
Toyota Corolla	1,756	429	1,327	633	(694)	Service rules	Major Muhammad Akhtar
Toyota Corolla	1,756	428	1,328	961	(367)	Service rules	Mr. M Aminullah Khan
Toyota Corolla	1,725	520	1,205	467	(738)	Service rules	Mr. Muhammad Amin
Suzuki Cultus	854	528	326	64	(262)	Service rules	Mr. Ashfaq Ahmed
Suzuki Cultus	639	448	191	48	(143)	Service rules	Mr. Javed Akhter
Suzuki Cultus	934	425	509	126	(383)	Service rules	Mr. Tariq Muhammad
Suzuki Cultus	981	256	725	463	(262)	Service rules	Mr. Muhammad Taufique
Suzuki Cultus	941	286	655	250	(405)	Service rules	Mr. Saleem Akhtar Shaikh
Suzuki Cultus	933	425	508	70	(438)	Service rules	Mr. Muhammad Sohail
Written down value not exceeding Rs. 50,000 each	14,136	14,023	113	9,619	9,505	Tender	Various
June 30, 2015	202,808	183,293	19,515	48,427	28,912		
June 30, 2014	308,720	281,165	27,555	62,830	35,275		

19.4 Borrowing costs capitalised during the year in the gas transmission and distribution system and related capital work in progress amounted to Rs. 351.977 million (2014: Rs. 238.427 million). Borrowing costs related to general borrowings were capitalised at the rate of 8.72% (2014: 8.93%).

19.4.1 In respect of Holding Company:

Market value of buildings / civil works, roads, pavements and related infrastructure, compressors, plant and machinery, construction equipment, motor vehicles and gas transmission and distribution pipelines is Rs. 106,749 million as per the valuation carried out as at June 30, 2011 by an independent valuer namely Oceanic Surveyors (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

19.4.2 In respect of SSGC LPG (Private) Limited:

Market value of land, building, jetty civil work, plant and machinery and bottling plants at PQA, Haripur and Muridke is Rs. 2,820 million as per the valuation carried out on November 21, 2013 by an independent valuer named K.G. Traders (Private) Limited. However, no impact of revaluation has been incorporated in these financial statements as cost model has been adopted for aforesaid assets.

		Note	2015	2014
			(Rupees in '000)	
19.5	Capital work in progress			
	Projects:			
	- Gas distribution system		4,759,209	4,146,778
	- Gas transmission system		1,047,625	400,065
	- Cost of buildings under construction and others		291,991	325,231
			6,098,825	4,872,074
	Stores and spares held for capital projects	19.5.1	3,307,209	3,190,459
	LPG air mix plant		282,567	153,817
	Others		4,900	3,110
			3,594,676	3,347,386
	Impairment of capital work in progress		(145,987)	(75,896)
			9,547,514	8,143,564
19.5.1	Stores and spares held for capital projects			
	Gas distribution and transmission		3,436,904	3,222,713
	Provision for impaired stores and spares		(129,695)	(32,254)
			3,307,209	3,190,459

19.6 Assets of SSGC LPG (Private) Limited, with a carrying amount of approximately Rs.1,334 million (revalued amount Rs.1,573 million) have been pledged to secure borrowing from Standard Chartered Bank. SSGC LPG (Private) Limited is not allowed to pledge these assets as security for other borrowings or to sell them to another entity, without obtaining no objection certificate from Standard Chartered Bank.

20. INTANGIBLE ASSETS

(Rupees in '000)

		COST			AMORTISATION			Written down value as at June 30,	Useful life (years)
		As at July 01,	Additions	As at June 30,	As at July 01,	For the year	As at June 30		
Computer software	2015	490,385	8,344	498,729	401,474	61,344	462,818	35,911	3
	2014	460,071	30,314	490,385	335,311	66,163	401,474	88,911	3

		Note	2015	2014
			(Rupees in '000)	
21.	LONG TERM INVESTMENTS			
	Investments in related parties			
	Associate:			
	Unquoted companies - available for sale			
	Inter State Gas Systems (Private) Limited			
	510,000 (2014: 510,000) ordinary shares of Rs. 10 each	21.1	5,100	5,100
	Quoted companies - available for sale			
	Sui Northern Gas Pipelines Limited (SNGPL)			
	2,414,174 (2014: 2,414,174) ordinary shares of Rs. 10 each	21.2	64,314	54,681
			69,414	59,781
	Other investments			
	Quoted companies - available for sale			
	Pakistan Refinery Limited			
	3,150,000 (2014: 350,000) ordinary shares of Rs. 10 each		191,930	56,613
	United Bank Limited			
	118,628 (2014: 118,628) ordinary shares of Rs. 10 each		20,276	19,996
	Unquoted companies (at cost)			
	Pakistan Tourism Development Corporation			
	5,000 (2014: 5,000) ordinary shares of Rs. 10 each		50	50
			212,256	76,659
	Provision against impairment in value of investments at cost		(50)	(50)
			212,206	76,609
			281,620	136,390

21.1 Inter State Gas Systems (Private) Limited (ISGSL) entered into a service agreement with the Holding Company and SNGPL which was effective from July 01, 2003, whereby ISGSL is mainly required to ascertain, identify and advise the Holding Company and SNGPL on the most convenient and reliable sources of natural gas, which can be imported. The whole operation of ISGSL, is carried out in connection with the service agreement and ISGSL, was allowed under the agreement to recover its cost / expenditure from the Holding Company and SNGPL. The Holding Company bears 51% of the expenses of ISGSL, as per the directives of Economic Coordination Committee of the Cabinet.

21.2 Sale of these shares has been restricted by the Government of Pakistan due to its privatisation, till further directives.

22. NET INVESTMENT IN FINANCE LEASE

	June 30, 2015		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
		(Rupees in 000)	
Not later than one year	200,611	90,450	110,161
Later than one year and not later than five years	503,407	213,684	289,723
Later than five years	229,433	46,601	182,832
	732,840	260,285	472,555
	933,451	350,735	582,716

	June 30, 2014		
	Gross investment in finance lease	Finance income for future periods	Principal outstanding
		(Rupees in 000)	
Not later than one year	217,094	106,933	110,161
Later than one year and not later than five years	606,942	267,974	338,968
Later than five years	326,509	82,761	243,748
	933,451	350,735	582,716
	1,150,545	457,668	692,877

The Holding Company entered into agreements with Oil and Gas Development Company Limted (OGDCL), Sui Northern Gas Pipelines Limited and ENI Pakistan Limited to use the Company's transmission pipelines for distribution of gas. The terms of the agreements entered into are for a substantial portion of the useful economic lives of the related assets. On June 30, 2013, agreement with OGDCL expired and the management is negotiating for renewal of agreement. The effective interest rate ranges from 11.4% to to 34.6% per annum.

The interest rates used to discount future minimum lease payments under the leases are based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in finance leases.

	Note	2015	2014
		(Rupees in 000)	
23. LONG TERM LOANS AND ADVANCES - secured, considered good			
Due from executives	23.1	2,252	3,375
Less: receivable within one year	28	(602)	(980)
		1,650	2,395
Due from other employees	23.1 & 23.2	182,324	169,225
Less: receivable within one year	28	(32,498)	(31,112)
		149,826	138,113
		151,476	140,508

23.1 Reconciliation of the carrying amount of loans and advances:

	2015		2014	
	Executives	Other employees	Executives	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	3,375	169,225	4,650	159,665
Disbursements	-	51,974	-	48,210
Repayments	(1,123)	(38,875)	(1,275)	(38,650)
	2,252	182,324	3,375	169,225

23.2 These loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of 6 to 10 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. January 1, 2001. Loans to non-executive employees are free from mark-up.

23.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 3.375 million (2014: Rs. 4.650 million).

		2015	2014
		(Rupees in '000)	
24.	STORES, SPARES AND LOOSE TOOLS		
	Stores	240,557	1,109,430
	Spares	1,083,051	985,479
	Stores and spares in transit	733,144	376,666
	Loose tools	807	805
		2,057,559	2,472,380
	Provision against impaired inventory		
	Balance as at July 01	(296,015)	(216,579)
	Reversal / (provision) made during the year	63,249	(79,436)
	Balance as at June 30	(232,766)	(296,015)
		1,824,793	2,176,365
24.1	Stores, spares and loose tools are held for the following operations:		
	Transmission	1,555,668	1,701,487
	Distribution	269,125	474,878
		1,824,793	2,176,365
25.	STOCK-IN-TRADE		
	Gas		
	Gas in pipelines	341,904	332,529
	Stock of Synthetic Natural Gas	4,247	15,318
	Stock of Liquefied Petroleum Gas	77,069	100,507
	Stock in transit	10,140	10,632
		433,360	458,986
	Gas meters		
	Components	399,243	397,495
	Work-in-process	19,374	11,531
	Finished meters	14,761	144,113
		433,378	553,139
	Stock of Natural Gas Liquids	96,779	-
	Provision against impaired inventory		
	Balance as at July 01	(12,481)	(6,209)
	Provision made during the year	(3,975)	(6,272)
	Balance as at June 30	(16,456)	(12,481)
		947,061	999,644

26 CUSTOMERS' INSTALLATION WORK IN PROGRESS

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 34.2 to these financial statements.

	Note	2015	2014
		(Rupees in 000)	
27. TRADE DEBTS			
Considered good			
- Secured		18,560,233	16,038,080
- Unsecured		81,105,665	72,086,833
	27.1 & 27.2	99,665,898	88,124,913
Provision against impaired debts	27.3	(9,248,180)	(9,213,280)
		90,417,718	78,911,633

27.1 As K-Electric Limited (KE) has been defaulting and not making payment of Late Payment Surcharge (LPS) and the Holding Company filed a suit in the High Court of Sindh in November 2012, for recovery of its aggregate claim, the Holding Company effective from July 01, 2012 decided to account for LPS from KE on receipt basis as per IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 40,073 million (2014: Rs. 41,302 million) as at June 30, 2015 receivables from KE. Out of this, Rs. 36,502 million (2014: Rs. 37,450 million) as at June 30, 2015 are overdue. However, the aggregate legal claim of the Holding Company from KE amounts to Rs. 62,641 million (2014: Rs. 55,458 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

Considering that the Holding Company has valid legal claim for recovery of LPS together with outstanding principal amount, the Holding Company filed the aforementioned suit against KE amounting to Rs. 55,705 million. The above suit has been filed based on the following grounds:

- As per the agreement dated June 30, 2009 which was entered between the Holding Company and KE for making outstanding payment in 18 installments, the Holding Company was entitled to charge LPS on outstanding principal amount at rate of:

  a. Highest OD rate being paid by SSGC or;
  b. Highest rate at which interest is payable on gas producer bills.

- As per the above agreement and as per the audited financial statements of KE as at June 30, 2010, KE, itself, acknowledged and recognized LPS till June 30, 2010, in its books of account which confirm management's assertion that the Holding Company has legal claim over KE for charging of LPS.

KE also filed case against the Holding Company in the High Court of Sindh for recovery of damages / losses of Rs. 61,614 million as KE claimed that the Holding Company had not supplied the committed quantity of natural gas to KE. However, the legal counsel of the Holding Company is of the view that claim of KE is not valid and is not as per terms of the agreement where it was agreed that the Holding Company would make excess supply of natural gas if KE would make timely payments. As KE defaulted on many instances in making payments on due dates, the Holding Company was not bound to supply excess quantity of natural gas as per terms of the agreement.

Management has consulted with its legal counsel, who is of the view that the Holding Company has a strong case over recovery of the outstanding amount due to which management considers outstanding balance good and recoverable. The legal counsel also viewed that the Holding Company has a good claim over LPS on outstanding balance, but considering that the matter is in dispute, as discussed above, the Holding Company has decided to recognize LPS from KE when either such claimed amounts are recovered or when these are decreed and their recovery is assured.

27.2 As Pakistan Steel Mills Corporation (Private) Limited (PSML) has been defaulting and not making payment of Late Payment Surcharge (LPS), the Holding Company effective from July 01, 2012 decided to account for LPS from PSML on receipt basis as per IAS 18 "Revenue" based on opinions from firms of Chartered Accountants.

In accordance with the revised accounting treatment, the trade debts includes Rs. 20,879 million (2014: Rs. 16,944 million) including overdue balance of Rs. 20,618 million (2014: Rs. 16,488 million) receivable from PSML. However, the aggregate legal claim of the Holding Company from PSML amounts to Rs. 35,383 million (2014: Rs. 24,443 million). This amount has been arrived at as per the practice of the Holding Company to charge LPS to customers who do not make timely payments.

Although PSML's financial position is adverse, and it has no capacity to repay its obligations on its own, management is confident that the entire amount will be ultimately recovered because PSML is a government-owned entity and is continuously being supported by the Government of Pakistan.

	2015	2014
	(Rupees in '000)	
27.3 Movement of provision against impaired debts		
Balance as at July 01	9,213,280	7,595,958
Provision for the year	34,900	1,617,322
Balance as at June 30	9,248,180	9,213,280

27.4 Aging of trade debts from related parties

	2015			
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	Total
	(Rupees in '000)			
Not due balances	8,169,793	-	-	8,169,793
Past due but not impaired	-	18,973,426	39,603,605	58,577,031
	8,169,793	18,973,426	39,603,605	66,746,824

	2014			
	Not later than 1 month	Later than 1 month but not later than 6 months	Later than 6 months	Total
	(Rupees in '000)			
Not due balances	5,518,415	-	-	5,518,415
Past due but not impaired	-	18,870,757	35,737,781	54,608,538
	5,518,415	18,870,757	35,737,781	60,126,953

	Note	2015	2014
		(Rupees in '000)	
28. LOANS AND ADVANCES - considered good			
Advances to:			
- executives	28.1	89,063	80,740
- other employees	28.1	481,057	196,033
		570,120	276,773
Current portion of long term loans:			
- executives	23	602	980
- other employees	23	32,498	31,112
		33,100	32,092
		603,220	308,865

28.1 Advances represent interest free establishment advance and festival advance to the employees according to the terms of employment. These are repayable in ten equal installments and are secured against the retirement benefit balances of the related employees.

		Note	2015	2014
			(Rupees in '000)	
29.	ADVANCES, DEPOSITS AND SHORT TERM PREPAYMENTS			
	Advances for goods and services - unsecured, considered good		193,955	41,762
	Trade deposits - unsecured, considered good		37,560	3,523
	Prepayments		98,064	99,883
			329,579	145,168
30.	INTEREST ACCRUED			
	Interest accrued on late payment of bills / invoices from:			
	- WAPDA		2,737,277	2,631,928
	- SNGPL		3,820,805	2,796,094
	- JJVL		352,791	193,094
			6,910,873	5,621,116
	Interest accrued on bank deposits		2,373	2,373
	Interest accrued on sales tax refund	5.5	487,739	487,739
			7,400,985	6,111,228

		Note	2015	2014
			(Rupees in '000)	
31.	OTHER RECEIVABLES - considered good			
	Gas development surcharge receivable from GoP	31.1	25,798,540	20,737,160
	Staff pension fund	41.1	672,909	659,934
	Receivable for sale of gas condensate		253,228	206,909
	Sui Northern Gas Pipelines Limited	31.2	22,227,096	12,354,923
	Jamshoro Joint Venture Limited	31.6 & 31.7	14,636,955	14,349,882
	Workers' Profit Participation Fund	31.3	1,567,655	1,229,655
	Sales tax receivable	31.4	14,777,451	10,496,392
	Sindh sales tax		112,569	112,569
	Pipeline rentals		49,984	33,779
	Receivable against asset contribution	31.8	448,587	-
	Miscellaneous receivables		528,721	83,179
			81,073,695	60,264,382
	Provision against impaired receivables	31.5	(2,430,751)	(2,346,359)
			78,642,944	57,918,023

31.1 Gas development surcharge receivable from GoP

31.1.1 This includes Rs. 390 million (2014: Rs. 390 million) recoverable from the Government of Pakistan (GoP) on account of remission of gas receivables from people of Ziarat under instructions from GoP. Although, management is confident that this amount is fully recoverable, as a matter of abundant caution full provision has been made in these financial statements.

31.1.2 The Holding Company has accounted for actuarial gains and losses in determining revenue requirement of the Holding Company for the year ended June 30, 2015 having total impact of Rs. 780 million (2014: Rs. 2,348 million).

The Holding Company has recognized such Gas development surcharge in other comprehensive income instead of profit and loss account on the premise that actuarial losses have also been recognized in other comprehensive income.

31.2 As at year end, receivable balance from SNGPL comprises of the following:

	Note	2015	2014
		(Rupees in '000)	
Uniform cost of gas		20,016,375	12,210,925
Lease rentals		84,811	142,093
Contingent rent		3,422	1,905
Regasification and capacity utilisation charges of RLNG	31.2.1	2,122,488	-
		22,227,096	12,354,923

31.2.1 The Holding Company has invoiced an amount of Rs. 3,115 million, including Sindh Sales Tax of Rs. 406 million, till June 30, 2015 to SNGPL in respect of capacity and utilization charges (terminal charges) relating to RLNG.

SNGPL has recorded total billed amount of capacity and utilization charges of Rs. 2,708 million as part of cost of gas sold, in its financial statements. However, it has disputed the terminal charges that have not been allowed to it by OGRA and terminal charges of a third party (i.e. Pak-Arab Fertilized Company Limited (PFL). SNGPL is of the view that it will only pay terminal charges as per OGRA Notification and not the actual cost billed by SSGC.

In this regard, the Holding Company has written a letter to the Ministry of Petroleum and Natural Resources (MP&NR) to resolve this matter, but the response to this letter is still awaited.

	2015	2014
	(Rupees in '000)	
31.3 Workers Profit Participation Fund		
Balance as at July 01	1,229,655	452,655
Amount paid by the Holding Company	338,000	777,000
Balance as at June 30	1,567,655	1,229,655

31.4 Sales tax refunds arise due to uniform purchase price adjustment with SNGPL and zero rating of sales tax on gas sales for various industries. Sales Tax refunds are processed through FBR's Sales Tax Automated Refund Repository (STARR) system. Due to several snags in the functioning of STARR, valid input sales tax claims of the Holding Company are deferred. Realizing the problems of STARR, in August 2010, dispensation from processing of sales tax refunds through the STARR system was allowed by FBR and substantial refunds were released after issuance of this letter under corporate guarantee (subject to post refund audit). However, above said dispensation was also withdrawn by FBR in May 2012. After withdrawal of said dispensation, the deferred refunds are issued to the Holding Company on the basis of manual verification of documents (third party vendor sales tax returns) by tax authorities. The management is making vigorous efforts for realization of these refunds.

	2015	2014
	(Rupees in '000)	
31.5 Movement of provision against other receivables		
Balance as at July 01	2,346,359	2,028,106
Provision made during the year	84,392	318,253
Balance as at June 30	2,430,751	2,346,359

31.6 During the year 2013-14, the Supreme Court of Pakistan passed an order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009, whereby the Implementation Agreement of Badin gas field dated August 12, 2003 signed between the Holding Company and Jamshoro Joint Venture Limited was declared void from the date of its inception. The Court constituted a committee to calculate royalty payments (on the LPG extracted to date) on the basis of the Saudi Aramco reference price plus freight charges instead of the "Reference Price" for the full period during which the Implementation Agreement had been operational. However, the freight amount is yet to be finalized for which the Court has appointed an Advocate Supreme Court to determine the matter which is still pending.

31.7 This amount comprises of receivable in respect of royalty income, sale of liquid petroleum gas, sale of natural gas liquids, Federal Excise Duty and Sindh Sales Tax on Franchise Services amounting to Rs. 230 million (2014: Rs. 7,474 million), Rs. 8,918 million (2014: Rs. 5,160 million), Rs. 3,773 million (2014: Rs. Nil), Rs. 1,070 million (2014: Rs. 1,070 million) and Rs. 646 million (2014: Rs. 646 million) respectively.

As at year end, amount payable to JJVL is Rs. 7,433 million (2014: Rs. 3,298 million) as disclosed in note 16 to these financial statements.

31.8 This represents receivable from Mari Gas Company Limited, Spud Energy Pty Limited, PKP Exploration Limited and Government Holdings (Private) Limited (referred as BJV); in respect of Zarghun gas transmission pipeline under pipeline contribution agreement. The receivable has been recognised using discounted cashflow technique.

		Note	2015	2014
			(Rupees in '000)	
32.	TAXATION - NET			
	Advance tax		23,942,792	16,936,679
	Provision for tax		(6,470,653)	(6,470,653)
			17,472,139	10,466,026
33.	CASH AND BANK BALANCES			
	Cash at banks			
	- deposit accounts		707,370	1,268,585
	- current accounts		342,323	334,057
			1,049,693	1,602,642
	Cash in hand	33.1	7,237	10,933
			1,056,930	1,613,575

33.1 This includes foreign currency cash in hand amounting to Rs. 0.898 million (2014: Rs. 1.912 million).

		Note	2015	2014
			(Rupees in '000)	
34.	COST OF SALES			
	Cost of gas	34.1	155,780,611	150,516,071
	Transmission and distribution costs	34.2	14,784,471	11,736,132
			170,565,082	162,252,203

		Note	2015	2014
			(Rupees in '000)	
34.1	Cost of gas			
	Gas in pipelines as at July 01		332,529	272,267
	Gas purchases		194,671,452	188,809,213
			195,003,981	189,081,480
	Gas consumed internally		(596,278)	(603,328)
	Inward price adjustment	34.1.1	(38,285,188)	(37,629,552)
	Gas in pipelines as at June 30		(341,904)	(332,529)
			(39,223,370)	(38,565,409)
			155,780,611	150,516,071

34.1.1 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 customers 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 July 1, 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.

34.1.2 UFG in parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the Holding Company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both above ground and underground , measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. While it is almost impossible to estimate the amount of gas theft in UFG, it is estimated that it is a significant percentage of the total UFG.

The Holding Company is taking a number of measures to control and reduce UFG. These are elaborated below:

- Vigilance for identification of theft cases, illegal networks and necessary remedial measures thereafter.
- Measurement errors identification and rectification.
- Above ground and underground leakage identification and rectification.

The Holding Company's actions are likely to be more effective with the co-operation of various stakeholders and law enforcement agencies.

Actual UFG for the year ended June 30, 2015 is 13.62% (2014: 13.82%). OGRA has restricted UFG to 7% due to stay order granted by the Honorable High Court of Sindh.

		Note	2015 (Rupees in '000)	2014 (Rupees in '000)
34.2	Transmission and distribution costs			
	Salaries, wages and benefits		7,191,975	5,865,422
	Contribution / accrual in respect of staff retirement benefit schemes	34.2.1	1,186,485	820,754
	Depreciation on operating assets	19.2	4,477,731	3,900,507
	Repairs and maintenance		1,147,858	924,331
	Stores, spares and supplies consumed		595,437	524,109
	Gas consumed internally		596,278	603,328
	Legal and professional		163,791	133,652
	Software maintenance		27,754	29,505
	Electricity		105,466	105,995
	Security expenses		383,280	318,659
	Insurance and royalty		95,857	91,114
	Travelling		51,641	40,426
	Material and labor used on customers' installation		16,486	36,005
	Impairment of capital work in progress		70,091	51,223
	Postage and revenue stamps		2,723	2,313
	Rent, rates and taxes		209,920	81,820
	Others		254,993	226,954
			16,577,766	13,756,117
	Recoveries / allocations to:			
	Gas distribution system capital expenditure		(1,588,718)	(1,419,323)
	Installation costs recovered from customers		(25,606)	(53,473)
			(1,614,324)	(1,472,796)
	Recoveries of service cost from:			
	- Sui Northern Gas Pipelines Limited - a related party	34.2.2	(135,603)	(504,937)
	- Other customers		(43,368)	(42,252)
			(178,971)	(547,189)
			14,784,471	11,736,132

		2015	2014
		(Rupees in '000)	
34.2.1	Contribution / accrual in respect of staff retirement benefit schemes		
	Contribution to the provident fund	180,195	159,675
	Charge in respect of pension funds:		
	- executives	141,969	92,899
	- non-executives	108,202	35,536
	Charge in respect of gratuity funds:		
	- executives	135,361	114,784
	- non-executives	66,963	59,560
	Accrual in respect of unfunded post retirement medical facility	470,901	282,364
	Accrual in respect of compensated absences		
	- executives	7,215	71,547
	- non-executives	75,679	4,389
		1,186,485	820,754

34.2.2 This includes recovery in respect of obligation against pipeline transferred to the Holding Company from Engro Elengy Terminal (Private) Limited amounting to Rs. 33.9 million.

		Note	2015	2014
			(Rupees in '000)	
35.	ADMINISTRATIVE AND SELLING EXPENSES			
	Administrative expenses	35.1	2,496,729	2,343,525
	Selling expenses	35.2	1,338,228	1,212,409
			3,834,957	3,555,934
35.1	Administrative expenses			
	Salaries, wages and benefits		1,367,880	1,261,954
	Contribution / accrual in respect of staff retirement benefit schemes	35.1.1	120,893	91,359
	Depreciation on operating assets	19.2	216,122	224,544
	Amortisation of intangible assets	20	61,344	66,163
	Repairs and maintenance		130,715	113,395
	Stores, spares and supplies consumed		115,831	127,024
	Legal and professional		86,610	73,451
	Software maintenance		112,653	107,512
	Electricity		10,526	12,828
	Security expenses		9,109	10,865
	Insurance and royalty		17,411	11,345
	Travelling		57,025	64,858
	Postage and revenue stamps		73,628	62,258
	Rent, rates and taxes		14,846	12,763
	Others		156,260	154,800
			2,550,853	2,395,119
	Allocation to meter manufacturing division		(54,124)	(51,594)
			2,496,729	2,343,525

	2015	2014
	(Rupees in '000)	
35.1.1 Contribution / accrual in respect of staff retirement benefit schemes		
Contribution to the provident fund	34,290	31,482
Charge in respect of pension funds:		
- executives	27,621	17,410
- non-executives	4,984	1,581
Charge in respect of gratuity funds:		
- executives	24,039	21,537
- non-executives	3,626	2,650
Accrual in respect of unfunded post retirement:		
- gas facility	6,915	4,934
- medical facility	19,418	11,765
	120,893	91,359

	Note	2015	2014
		(Rupees in '000)	
35.2 Selling expenses			
Salaries, wages and benefits		842,668	789,934
Contribution / accrual in respect of staff retirement benefit schemes	35.2.1	90,258	67,316
Legal and professional		3,000	2,933
Depreciation on operating assets	19.2	10,635	7,794
Repairs and maintenance		2,621	2,765
Stores, spares and supplies consumed		28,204	25,565
Meter reading by contractors		58,933	49,781
Electricity		70,969	61,196
Insurance and royalty		652	552
Travelling		1,771	2,299
Gas bills collection charges		177,771	175,353
Postage and revenue stamps		569	473
Rent, rates and taxes		38,915	18,745
Others		11,262	7,703
		1,338,228	1,212,409

	2015	2014
35.2.1 Contribution / accrual in respect of staff retirement benefit schemes		
Contribution to the provident fund	26,690	23,939
Charge in respect of pension funds:		
- executives	16,941	11,622
- non-executives	19,582	6,499
Charge in respect of gratuity funds:		
- executives	14,693	14,359
- non-executives	12,352	10,897
	90,258	67,316

	Note	2015	2014
		(Rupees in '000)	

36. OTHER OPERATING EXPENSES

	Note	2015	2014
Auditors' remuneration			
- Statutory audit		3,400	3,200
- Fee for other audit related services		6,103	1,200
- Fee for taxation services		14,597	13,422
- Out of pocket expenses		285	250
		24,385	18,072
Sports expenses		50,013	29,935
Corporate social responsibility		62,526	54,871
Provision against impaired debts and other receivables	27.3 & 31.5	119,292	1,935,575
Provision against impaired stores and spares		34,192	90,439
Exchange loss on payment of gas purchases		1,299,017	85,584
		1,589,425	2,214,476

37 OTHER OPERATING INCOME

	Note	2015	2014
Income from other than financial assets			
Meter rentals		700,078	681,656
Recognition of income against deferred credit		402,909	403,349
Income from new service connections and asset contribution		884,743	238,711
Gas shrinkage charged to JJVL	37.2	-	1,017,393
Income from gas transportation		-	15,757
Income from LPG air mix distribution - net	37.1	193,883	182,710
Recoveries from customers		71,627	78,787
Gain on disposal of property, plant and equipment	19.3	29,382	35,275
Liquidated damages recovered		17,790	9,664
Advertising income		5,420	6,164
Income from sale of tender documents		5,775	2,787
Scrap sales		10,803	-
Miscellaneous		231,617	186,826
		2,554,027	2,859,079

37.1 Income from LPG air mix distribution - net

	Note	2015	2014
Sales		20,517	18,305
Cross subsidy		551,574	486,649
Cost of sales		(291,713)	(236,586)
Gross profit		280,378	268,368
Distribution, selling and administrative expenses			
Salaries, wages and other benefits		(27,491)	(24,403)
Depreciation expenses	19.2	(55,255)	(55,742)
Other operating expenses		(32,338)	(33,935)
		(115,084)	(114,080)
Amortisation of deferred credit		26,999	26,994
Other income		1,590	1,428
Profit for the year		193,883	182,710

37.2 The Holding Company entered into Implementation Agreement with Jamshoro Joint Venture Limited (JJVL) and granted 'exclusive rights' to process and extract Liquefied Petroleum Gas (LPG) and Natural Gas Liquids (NGL) from Composite Associated Gas Mixture (CAGM) made available at JJVL plant.

Gas Shrinkage charged to JJVL means the amount payable by JJVL to the Holding Company as compensation for loss in volume and gross calorific value of CAGM due to recovery of LPG and NGL at the JJVL plant. This is in fact consideration for loss in volume of gas and its gross calorific value between Tie in Point and delivery point.

This amount was being recovered under the Implementation Agreement which has been declared void by the Supreme Court of Pakistan vide its Order dated December 04, 2013 with respect to the Constitution Petition No. 5 of 2011 and Human Rights Case No.15744 - P of 2009. Thus no shrinkage has been charged after Supreme Court Order

	Note	2015	2014
		(Rupees in '000)	
38. OTHER NON-OPERATING INCOME			
Income from financial assets			
Late payment surcharge		1,791,017	1,608,082
Income from net investment in finance lease		65,417	66,126
Income for receivable against asset contribution		41,677	-
Return on:			
- term deposits and profit and loss bank accounts		258,656	281,104
- staff loans		-	5
		2,156,767	1,955,317
Interest income on late payment of gas bills from			
- Jamshoro Joint Venture Limited (JJVL)	38.2	252,342	167,644
- Water & Power Development Authority (WAPDA)		105,348	70,127
- Sui Northern Gas Pipelines Limited (SNGPL)		1,024,711	376,805
		1,382,401	614,576
Dividend income		356	1,235
		3,539,524	2,571,128
Income from investment in debts, loans, advances and receivables from related party			
Income from net investment in finance lease	38.1	90,389	125,214
Others			
Sale of gas condensate		317,891	751,850
Royalty income from JJVL		-	5,330,644
Income from LPG and NGL - net	38.4 & 38.5	7,680,000	3,608,809
Meter manufacturing division profit - net	38.3	114,688	622,254
		8,112,579	10,313,557
		11,742,492	13,009,899

38.1 This represents income from SNGPL amounting to Rs.90.389 million (2014: Rs. 125.214 million).

38.2 Interest is charged on the receivable from JJVL at the State Bank of Pakistan discount rate plus 2%.

	Note	2015	2014
		(Rupees in '000)	
38.3 Meter manufacturing division profit - net			
Gross sales of gas meters			
- Holding Company's consumption		1,079,732	996,165
- Outside sales		1,432,459	2,574,323
		2,512,191	3,570,488
Sales tax		(385,559)	(569,099)
Net sales		2,126,632	3,001,389
Cost of sales			
- Raw material consumed		1,311,178	1,944,782
- Stores and spares		17,682	13,911
- Fuel, power and electricity		18,508	21,502
- Salaries wages and other benefits	38.3.2	458,993	450,001
- Insurance		946	892
- Repairs and maintenance		4,747	7,202
- Depreciation	19.2	20,231	11,919
- Transportation		4,949	-
- Other expenses		1,571	1,958
		1,838,805	2,452,167
Opening work in process		11,531	22,363
Closing work in process		(19,375)	(11,531)
		(7,844)	10,832
Cost of goods manufactured		1,830,961	2,462,999
Opening stock of finished goods		144,113	13,636
Closing stock of finished goods		(14,760)	(144,113)
		129,353	(130,477)
Cost of goods sold		1,960,314	(2,332,522)
Gross profit		166,318	668,867
Administrative expenses		(54,124)	(51,594)
Operating profit		112,194	617,273
Other income		2,494	4,981
Net profit		114,688	622,254

38.3.1 Gas meters used by the Holding Company are included in operating assets at manufacturing cost.

		2015	2014
38.3.2	Salaries, wages and other benefits	445,264	440,584
	Provident fund contribution	5,239	4,506
	Pension fund	4,823	1,961
	Gratuity	3,667	2,950
		458,993	450,001

38.4 The Holding Company has an arrangement with Jamshoro Joint Venture Limited (JJVL) wherein JJVL was allowed to extract LPG from various gas fields. As per the arrangement, 50% of extracted quantity is sold out to JJVL and 50% to other customers.

38.5 This amount includes sale of NGL to JJVL amounting to Rs. 3,712 million on the basis of provisional selling prices and after adjusting extraction charges the net income from sale of NGL is Rs. 2,644 million. The provision sales are subject to change as result of negotiation / arbitration from JJVL.

	2015	2014
	(Rupees in '000)	

39. FINANCE COST

Mark-up on:		
- loans from banking companies	2,218,323	2,173,390
- short term borrowings	53,763	79,744
- customers' deposits	278,093	193,234
- customer finance	1,848	2,694
- delayed payment on gas supplies	7,089,712	4,926,612
- Government of Sindh loans	229,937	241,701
- obligation against pipeline	25,012	-
- others	153,507	47,063
	10,050,195	7,664,438
Less: Finance cost capitalised during the year	(351,977)	(238,427)
	9,698,218	7,426,011

40. TAXATION

Current year		
Current tax	-	30,573
Deferred tax	(3,378,305)	(2,056,945)
	(3,378,305)	(2,026,372)

40.1 Relationship between consolidated accounting profit and tax expense for the year is as follows:

Accounting loss for the year	(8,807,993)	(6,295,824)
Tax rate	33%	34%
Tax charge @ 33% (2014: 34%)	(2,906,638)	(2,140,580)
Effect of minimum tax	25,108	30,573
Effect of prior year charge	-	33,936
Deferred tax asset not recognised	26,973	110,551
Effect of change in rate	(534,052)	-
Effect of adjustments recognised in the current year in respect of prior year	10,386	(73,436)
Effect of tax on permanent differences	-	12,880
Effect of lower tax rate on dividend income	(82)	(296)
	(3,378,305)	(2,026,372)

41. STAFF RETIREMENT BENEFITS

41.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.16 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 valuation. Latest actuarial valuations were carried out as at June 30, 2015 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:

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / Liability in consolidated balance sheet				
Fair value of plan assets	(1,153,990)	(2,387,118)	(237,051)	(2,829,652)
Present value of defined benefit obligation	700,883	3,923,930	17,249	3,485,623
	(453,107)	1,536,812	(219,802)	655,971
Movement in present value of defined benefit obligation				
Obligation as at July 01, 2014	647,081	3,491,853	18,002	3,383,717
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Remeasurement	(61,051)	120,983	(1,155)	(226,321)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Obligation as at June 30, 2015	700,883	3,923,930	17,249	3,485,623
Movement in fair value of plan assets				
Fair value as at July 01, 2014	1,079,998	2,141,413	209,519	2,553,389
Expected return on plan assets	154,072	270,642	36,772	335,910
Remeasurement	(30,701)	(57,464)	25,554	(67,122)
Benefits paid	(25,275)	(346,837)	(1,873)	(287,628)
Contribution to the fund	191,897	163,363	143,677	118,505
Amount transferred (out) / in	(216,001)	216,001	(176,598)	176,598
Fair value as at June 30, 2015	1,153,990	2,387,118	237,051	2,829,652
Movement in (asset) / liability in consolidated balance sheet				
(Asset) / liability as at July 01, 2014	(462,917)	1,380,440	(197,017)	835,828
Expense recognised for the year	202,057	171,288	142,101	103,347
Remeasurement	(350)	148,447	(21,209)	(164,699)
Contribution to the fund	(191,897)	(163,363)	(143,677)	(118,505)
(Asset) / liability in consolidated balance sheet	(453,107)	1,536,812	(219,802)	655,971

Expense recognised in the consolidated profit and loss account

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

	2015			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	52,986	206,120	-	176,563
Interest cost	87,142	451,811	2,275	439,292
Expected return on plan assets	(154,072)	(270,642)	(36,772)	(335,910)
Amount transferred out / (in)	216,001	(216,001)	176,598	(176,598)
	202,057	171,288	142,101	103,347
Total remeasurements recognised in other comprehensive income				
Remeasurement on obligation arising on				
- financial assumptions	2,892	(1,887)	250	(143,581)
- demographic assumptions	-	-	-	-
- experience adjustments	58,159	(119,096)	905	369,902
	61,051	(120,983)	1,155	226,321
Remeasurement on plan assets arising on				
Return on plan assets excluding expected return	117,143	249,818	40,554	306,875
Expected return on plan assets	(154,072)	(270,642)	(36,772)	(335,910)
Net return on plan assets over interest income	(36,929)	(20,824)	3,782	(29,035)
Difference in opening fair value of assets after audit	6,228	(36,640)	21,772	(38,087)
Adjustment for previous amount	(30,000)	30,000	(5,500)	5,500
	(60,701)	(27,464)	20,054	(61,622)
	350	(148,447)	21,209	164,699
Actual Return on plan asset	117,143	249,818	40,554	306,875
Composition / fair value of plan assets used by the fund				
Quoted Shares	21.26%	10.15%	61.41%	12.25%
Debt instruments	69.94%	84.34%	22.20%	81.73%
Mutual funds	1.90%	1.95%	6.22%	4.49%
Others including cash & cash equivalents	6.89%	3.56%	10.17%	1.53%
Total	100%	100%	100%	100%
Quoted Shares	245,378	242,274	145,580	346,614
Debt instruments	807,145	2,013,346	52,616	2,312,534
Mutual funds	21,908	46,613	14,747	127,173
Others including cash & cash equivalents	79,559	84,885	24,108	43,331
Total	1,153,990	2,387,118	237,051	2,829,652

	2014			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
(Asset) / liability in consolidated balance sheet				
Fair value of plan assets	(1,079,998)	(2,141,413)	(209,519)	(2,553,389)
Present value of defined benefit obligation	647,081	3,491,853	18,002	3,383,717
Amount payable / (receivable) against Company's liability	(30,000)	30,000	(5,500)	5,500
	(462,917)	1,380,440	(197,017)	835,828
Movement in present value of defined benefit obligation				
Obligation as at July 1, 2013	553,063	3,233,652	7,907	2,582,285
Current service cost	21,819	175,895	-	123,879
Interest cost	60,716	342,822	815	278,206
Remeasurement	38,690	165,207	11,005	705,019
Benefits paid	(27,207)	(425,723)	(1,725)	(305,672)
Obligation as at June 30, 2014	647,081	3,491,853	18,002	3,383,717

	2014			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Movement in fair value of plan assets				
Fair value as at July 1, 2013	928,978	2,035,279	245,127	2,357,051
Interest income	99,911	217,873	25,549	254,721
Remeasurment	95,692	13,140	(34,698)	99,925
Benefits paid	(27,207)	(425,723)	(1,725)	(305,672)
Contribution to the fund	126,745	156,723	45,824	76,806
Amount transferred (out) / in	(144,121)	144,121	(70,558)	70,558
Fair value as at June 30, 2014	1,079,998	2,141,413	209,519	2,553,389
Movement in (asset) / liability in consolidated balance sheet				
(Asset) / liability as at July 01, 2013	(405,915)	1,228,373	(242,720)	230,734
Expense recognised for the year	126,745	156,723	45,824	76,806
Remeasurement	(57,002)	152,067	45,703	605,094
Contribution to the fund	(126,745)	(156,723)	(45,824)	(76,806)
(Asset) / liability in consolidated balance sheet	(462,917)	1,380,440	(197,017)	835,828

Expense recognised in the consolidated profit and loss account

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

	2014			
	Executives		Non-executives	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	21,819	175,895	-	123,879
Interest cost	60,716	342,822	815	278,206
Expected return on plan assets	(99,911)	(217,873)	(25,549)	(254,721)
Amount transferred out / (in)	144,121	(144,121)	70,558	(70,558)
	126,745	156,723	45,824	76,806
Total remeasurements recognised in other comprehensive income				
Remeasurement on obligation arising on				
- financial assumptions	(1,795)	(13,307)	-	(44,943)
- demographic assumptions	(918)	(5,264)	-	2,879
- experience adjustments	(35,977)	(146,636)	(11,005)	(662,955)
	(38,690)	(165,207)	(11,005)	(705,019)
Remeasurement on plan assets arising on				
Return on plan assets excluding interest income	173,042	290,044	76,585	379,569
Expected return on plan assets	(99,911)	(217,873)	(25,549)	(254,721)
Net return on plan assets over interest income	73,131	72,171	51,036	124,848
Difference in opening fair value of assets after audit	22,561	(59,031)	(85,734)	(24,923)
	95,692	13,140	(34,698)	99,925
	57,002	(152,067)	(45,703)	(605,094)
Actual return on plan assets	173,042	290,044	76,585	379,569
Composition / fair value of plan assets used by the fund				
Quoted shares	19.5%	9.97%	59.65%	11.87%
Debt instruments	75.66%	86.10%	29.49%	84.21%
Mutual funds	1.60%	1.79%	5.88%	3.80%
Other including cash and cash equivalents	3.23%	2.14%	4.98%	0.12%
Total	100%	100%	100%	100%
Quoted shares	210,669	213,474	124,988	303,100
Debt instruments	606,390	1,391,515	12,328	97,081
Mutual funds	17,322	38,294	157,104	2,003,932
Others including cash and cash equivalents	245,617	498,130	(84,901)	149,276
Total	1,079,998	2,141,413	209,519	2,553,389

Significant actuarial assumptions

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

	Executives and Non-executives 2015 (%)	2014 (%)
Discount rate	9.75	13.25
Expected rate of increase in salary level	7.75	11.25
Increase in pension	2.75	6.25

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of salary and pension increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption		Impact of change in assumptions in present value of defined benefit obligation — Executives Pension	Executives Gratuity	Non-executives Pension	Non-executives Gratuity
			(Rupees in '000)			
Discount rate	1%	Increase in assumption	(67,270)	(247,956)	(1,008)	(255,173)
Salary increase rate	1%		40,035	299,010	-	308,267
Pension increase rate	1%		43,956	-	1,210	-
Discount rate	1%	Decrease in assumption	80,344	276,856	1,139	287,968
Salary growth rate	1%		(36,356)	(271,612)	-	(276,910)
Pension increase rate	1%		(38,079)	-	(1,082)	-

In presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated balance sheet.

The expected pension and gratuity expense for the next one year from July 01, 2015 is as follows:

	Executives Pension	Executives Gratuity	Non-executives Pension	Non-executives Gratuity
	(Rupees in '000)			
Current service cost	58,692	232,399	-	172,904
Interest cost	(50,995)	151,854	(26,368)	61,050
Expected return on plan assets				
Amount transferred out / (in)	194,158	(194,158)	130,064	(130,064)
	201,855	190,095	103,696	103,890

41.2 Unfunded post retirement medical benefit and gas supply facilities

As mentioned in note 3.16 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 December 31, 2000. The latest actuarial valuations of the liability under these schemes were carried out as at June 30, 2015 under the projected unit credit method, results of which are as follows:

Number of employees under the scheme

The number of employees covered under the following defined benefit plans are 2,584 (2014: 2,455).

	2015		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in consolidated balance sheet			
Present value of defined benefit obligation	**4,067,619**	**43,640**	**4,111,259**
Movement in present value of defined benefit obligation			
Liability as at July 01, 2014	**2,847,258**	**53,708**	**2,900,966**
Expense recognised for the year	**483,989**	**6,886**	**490,875**
Payments during the year	**(95,556)**	**(2,920)**	**(98,476)**
Remeasurement	**831,928**	**(14,034)**	**817,894**
Liability as at June 30, 2015	**4,067,619**	**43,640**	**4,111,259**
Expense recognised in the consolidated profit and loss account			
Current service cost	**104,188**	**-**	**104,188**
Interest cost	**379,801**	**6,886**	**386,687**
	483,989	**6,886**	**490,875**
Total remeasurements recognised in other comprehensive income			
Remeasurement on obligation arising on			
- financial assumptions	**829,304**	**(7,701)**	**821,603**
- demographic assumptions	**-**	**-**	**-**
- experience adjustments	**2,624**	**(6,333)**	**(3,709)**
	831,928	**(14,034)**	**817,894**

	2014		
	Post retirement medical facility	Post retirement gas facility	Total
		(Rupees in '000)	
Liability in consolidated balance sheet			
Present value of defined benefit obligation	2,847,258	53,708	2,900,966
Movement in present value of defined benefit obligation			
Liability as at July 01, 2013	1,974,536	46,859	2,021,395
Expense recognised for the year	294,130	4,934	299,064
Payments during the year	(61,971)	(3,395)	(65,366)
Remeasurement	640,563	5,310	645,873
Liability as at June 30, 2014	2,847,258	53,708	2,900,966
Expense recognised in the consolidated profit and loss account			
Current service cost	76,488	-	76,488
Interest cost	217,642	4,934	222,576
	294,130	4,934	299,064
Total remeasurements recognised in other comprehensive income			
Remeasurement on obligation arising on			
- financial assumptions	680,200	8,094	688,294
- demographic assumptions	135,886	1,430	137,316
- experience adjustments	(175,523)	(4,214)	(179,737)
	640,563	5,310	645,873

Significant actuarial assumptions

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

	Executives	
	2015 (%)	2014 (%)
Discount rate	**9.75**	**13.25**
Medical inflation rate	**9.75**	**13.25**
Gas inflation rate	**9.75**	**13.25**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected rate of medical and gas increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption		Impact of change in assumptions in present value of defined benefit obligation: Post retirement medical facility	Post retirement gas facility
			(Rupees in '000)	
Discount rate	1%	Increase in assumption	(590,634)	(3,369)
Medical inflation rate	1%		737,976	-
Gas inflation rate	1%		-	3,816
Discount rate	1%	Decrease in assumption	747,538	3,853
Medical inflation rate	1%		(593,594)	-
Gas inflation rate	1%		-	(3,398)

The expected medical and gas expense for the next one year from July 01, 2015 is as follows:

Current service cost	140,784	-
Net interest cost	398,624	4,111
	539,408	4,111

41.3 Unfunded gratuity scheme

As stated in note 3.16, the SSGC LPG (Private) Limited operates an unfunded gratuity scheme for its permanent and contractual employees who served for 1 year. The details of employee retirement benefit obligations based on actuarial valuations carried out by independent actuary as at June 30, 2015 under the projected unit credit method are as follows:

41.3.1 Liability in consolidated balance sheet

	2015	2014
	(Rupees in '000)	
Present value of defined benefit obligation	8,629,062	8,546,960
Movement in present value of defined benefit obligation		
Present value of defined benefit obligations at beginning of the year	8,547	3,519
Current service cost	6,215	5,116
Interest cost	881	470
Benefits paid during the year	(3,789)	(602)
Remeasurement of actuarial (gain) / loss	(3,225)	44
Present value of defined benefit obligations at end of the year	8,629	8,547
Expense recognised in consolidated profit and loss account		
Current service cost	6,215	5,116
Net interest expense	881	470
Expense for the year	7,096	5,586
Remeasurement on obligation arising on		
Actuarial (gain) / loss on defined benefit obligation	(3,225)	44

41.3.2 The principal assumptions used in the actuarial valuations carried out as of June 30, 2015, using the 'projected unit credit' method, are as follows:

	2015 (%)	2014 (%)
Discount rate	10.50%	13.25%
Salary increase rate short run	10.50%	15.00%
Salary increase rate long run (p.a)	10.50%	13.25%

41.3.3 The expected maturity analysis of undiscounted retirement benefit plan is:

	2015	2014
	(Rupees in '000)	
Year 1	1,119	3,648
Year 2	285	1,802
Year 3	274	743
Year 4	261	875
Year 5	517	985
Year 6 to Year 10	2,993	16,430
Year 11 to above	29,272	706,959

41.3.4 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Present Value of Obligation	% Change from base
	(Rupees in 000)	
Base	8,629	
Discount rate (1% increase)	7,763	-10%
Discount rate (1% decrease)	9,645	12%
Salary growth rate (1% increase)	9,679	12%
Salary growth rate (1% decrease)	7,721	-11%
Withdrawal rate (10% increase)	8,629	0%
Withdrawal rate (10% decrease)	8,629	0%
1 year Mortality age set back	8,629	0%
1 year Mortality age set forward	8,629	0%

The defined benefit obligation exposed SSGC LPG (Private) Limited to actuarial risks such as:

Investment Risk
The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks
The risk arises when the actual lifetime of the retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk
The risk arises when the actual increases are higher or lower than the expectation and impacts the liability accordingly.

Withdrawal risks
The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

41.3.5 The following table shows the analysis of remeasurement as at the valuation date:

	2015 (Rupees in '000)
Remeasurment (gain) / loss on obligation arising on:	
- financial assumption	(262)
- demographic assumption	
Experience adjustment	
- due to actual salary increase	(1,074)
- due to withdrawals	(1,890)
Total remeasurement on obligation	(3,226)
Total remeasurement recognized in Other Comprehensive Income	(3,226)

41.3.6 **The expected gratuity expense for the year ending June 30, 2016 is Rs. 4,224,580**

41.4 Defined contribution plan - Recognized provident fund

The information related to the provident funds established by the Holding Company based on management records are as follows:

	Executives		Non-Executives	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
	(Rupees in '000)			
Size of provident fund	3,283,000	2,802,091	3,165,000	2,864,418
Cost of investments made	2,656,763	2,326,913	2,697,572	2,385,899
Percentage of investments made	81%	83%	85%	83%
Fair value of investment	3,033,510	2,607,045	2,988,479	2,698,232
Break-up of investments:				
- Balance in savings accounts				
Amount of investment	86,387	78,714	55,395	56,319
Percentage of investment as size of the fund	3%	3%	2%	2%
- Term deposit receipts				
Amount of investment	824,428	692,642	515,252	226,018
Percentage of investment as size of the fund	25%	25%	16%	8%
- Units of mutual fund				
Amount of investment	56,781	39,401	-	-
Percentage of investment as size of the fund	2%	1%	0%	0%

	Executives		Non-Executives	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
	(Rupees in '000)			
- Special savings certificate				
Amount of investment	1,202,226	1,104,384	1,499,573	1,315,650
Percentage of investment as size of the fund	37%	39%	47%	46%
- Treasury bills				
Amount of investment	103,902	493,307	248,876	741,193
Percentage of investment as size of the fund	3%	18%	8%	26%
- Pakistan Investment Bonds (PIBs)				
Amount of investment	541,925	179,034	472,428	326,337
Percentage of investment as size of the fund	17%	6%	15%	11%
- Term Finance Certificates (TFCs)				
Amount of investment	19,533	19,563	12,650	32,715
Percentage of investment as size of the fund	1%	1%	0%	1%
- Quoted shares				
Amount of investment	198,328	-	184,305	-
Percentage of investment as size of the fund	6%	0%	6%	0%

41.4.1 Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

42. LOSS PER SHARE - BASIC AND DILUTED

		2015	2014
Loss for the year	Rupees in '000	(5,429,688)	(4,269,452)
Average number of ordinary shares	Number of shares	880,916,309	880,916,309
Loss per share - basic and diluted	Rupees	(6.16)	(4.85)

		Note	2015	2014
			(Rupees in '000)	
43.	ADJUSTMENTS FOR NON-CASH AND OTHER ITEMS			
	Provisions	43.1	1,427,209	2,870,669
	Depreciation		4,909,034	4,322,079
	Amortisation of intangibles		61,344	66,163
	Finance cost		9,690,979	7,419,547
	Amortisation of transaction cost		7,239	6,464
	Recognition of income against deferred credit		(429,908)	(430,313)
	Dividend income		(356)	(1,235)
	Return on term deposits		(1,622,454)	(865,683)
	Income from net investment in finance lease		(106,933)	(191,340)
	Gain on disposal of property, plant and equipment		(29,382)	(35,275)
	Decrease in long term advances		(225,515)	(131,552)
	Decrease in deferred credit		297,996	131,522
	Recovery in respect of obligation against pipeline	34.2.2	(33,933)	-
			13,945,320	13,161,046
43.1	Provisions			
	Provision against slow moving / obsolete stores		38,167	96,711
	Provision against impaired debts and other receivables		119,292	1,935,575
	Provision for compensated absences		82,894	76,970
	Provision for post retirement medical and free gas supply facilities		490,875	299,064
	Provision for retirement benefits		618,793	406,098
	Provision for gratuity		7,097	5,028
	Impairment of capital work in progress		70,091	51,223
			1,427,209	2,870,669
44.	WORKING CAPITAL CHANGES			
	(Increase) / decrease in current assets			
	Stores and spares & loose tools		414,821	(89,092)
	Stock-in-trade		48,608	(144,374)
	Customers' installation work in progress		(3,297)	(5,914)
	Trade debts		(11,369,742)	(4,002,648)
	Advances, deposits and short term prepayments		(181,686)	(8,928)
	Other receivables		(18,881,258)	(19,178,352)
			(29,972,554)	(23,429,308)
	Increase in current liabilities			
	Trade and other payables		38,813,756	35,763,636
			8,841,202	12,334,328

45. REMUNERATION OF MANAGING DIRECTOR AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to Managing Director, Directors and Executives of the Group are given below:

	2015		2014	
	Managing Director	Executives	Managing Director	Executives
	(Rupees in '000)			
Managerial remuneration	31,227	2,102,912	24,587	1,923,768
Housing	12,888	811,867	10,107	741,324
Utilities	2,864	180,995	2,246	164,841
Retirement benefits	3,541	393,755	-	315,748
	50,520	3,489,529	36,940	3,145,681
Number	* 4	1,793	2	1,680

45.1 The Chairman, Managing Director and certain executives are also provided the Group maintained vehicles in accordance with their entitlement. In addition, the Chairman of the Group was paid Rs. 0.300 million (2014: Rs. 0.300 million). Executives are also provided medical facilities in accordance with their entitlement.

45.2 Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 9.45 million (2014: Rs. 1.266 million for 14 directors).

45.3 Total number of employees and average number of employees as at year end are 7,393 and 7,413 respectively (2014: 7,432 and 7,521).

* During the year, Mr. Zuhair Siddiqui resigned and Mr. Shoaib Warsi was appointed as Managing Director of the Holding Company, on lookafter basis. Mr. Khalid Rehman was then appointed as Managing Director of the Holding Company.

46. CAPACITY AND ACTUAL PERFORMANCE

46.1 Natural gas transmission

	2015		2014	
	MMCF	HM3	MMCF	HM3
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	**532,535**	**150,035,612**	523,410	147,464,748
Utilisation - volume of gas transmitted	**450,177**	**126,832,193**	425,797	119,963,408
Capacity utilisation factor (%)	**84.5**	**84.5**	81.4	81.4

46.2 Liquefied petroleum gas operations

	Available capacity		Actual utilisation	
	2015	2014	2015	2014
Terminal	**1,051,200**	1,051,200	**17,316**	-
Bottling plant	**67,160**	67,160	**4,468**	3,739
Hospitalities	**18,360**	24,480	**15,696**	23,129

- Production planned as per liquefied petroleum gas market and market demand.

46.3 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 customers.

46.4 Meter manufacturing division

During the year, meter manufacturing division produced and assembled 614,680 meters (2014: 851,460 meters) against an annual capacity of 356,000 meters on a single shift basis.

47. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies due to common directorship, Government related entities, staff retirement benefits plans, directors and key management personnel (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalised and notified by the Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority. The prices and other conditions are not influenced by the Company. The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	Relationship	2015	2014
		(Rupees in '000)	
Attock Refinery Limited	Associate		
- Sale of gas condensate		-	24,030
Astro Plastic (Private) Limited	Associate		
- Billable charges		152,236	73,992
Fauji Fertilizer Company Limited	Associate		
- Billable charges		120	111
Government related entities - various			
- Purchase of fuel and lubricant		10,198	54,237
- Billable charges		51,254,021	45,285,570
- Mark-up on short term finance		426	2,474
- Sharing of expenses		83,770	71,262
- Income from net investment in finance lease		90,389	125,214
- Gas purchases		77,823,884	78,379,893
- Sale of gas meters		1,424,891	2,187,366
- Rent of premises		13,501	171
- Insurance premium		142,207	139,528
- Uniform cost of gas		38,850,975	37,679,617
- Electricity expense		183,864	176,586
- Interest income		1,130,059	446,932
- Markup on delayed payment on gas supplies		7,089,712	4,926,612
Habib Bank Limited	Associate		
- Profit on investment		60,384	28,941
- Mark-up on short term finance		11,448	17,159
- Mark-up on long term finance		101,217	105,306
- Billable Charges		10,986	10,401
* Hydrocarbon Development Institute of Pakistan	Associate		
- Billable charges		-	9,334
International Industries Limited	Associate		
- Line pipe purchases		218,274	316,819
- Billable charges		1,118,002	1,120,645
Ismail Industries Limited	Associate		
- Billable charges		289,152	225,659
Key management personnel			
- Remuneration		160,627	174,605
Kohinoor Silk Mills Limited	Associate		
- Billable charges		87	263
Minto & Mirza	Associate		
- Professional charges		13,250	11,615
* Packages Limited	Associate		
- Billable charges		-	13,477

	Relationship	2015	2014
		(Rupees in '000)	
Pakistan Cables Limited	Associate		
- **Billable charges**		94,389	83,573
Pakistan Engineering Company Limited	Associate		
- **Billable charges**		56	56
Pakistan Synthetic Limited	Associate		
- **Billable charges**		19,758	245,829
PERAC - Research & Development Foundation	Associate		
- **Professional charges**		508	639
Petroleum Institute of Pakistan	Associate		
- **Subscription / contribution**		1,380	1,336
Premium Textile Mills Limited	Associate		
- **Billable charges**		103,504	299,540
* Security Papers Limited	Associate		
- **Billable charges**		-	99,097
* Shezan International Limited	Associate		
- **Billable charges**		-	10,278
Staff Retirement Benefit Plans	Associate		
- **Contribution to provident fund**		252,124	225,205
- **Contribution to pension fund**		344,158	172,569
- **Contribution to gratuity fund**		274,635	233,529
Thatta Cement Company Limited	Associate		
- **Billable charges**		7,252	11,553
** Gadoon Textile Mills Limited	Associate		
- **Billable charges**		338	-
** Attock Cement Limited	Associate		
- **Billable charges**		49,308	-
** Pakistan Stock Exchange Limited	Associate		
- **Billable charges**		328	-

* Current year transactions with these parties have not been disclosed as they did not remain related parties during the year.

** Comparative transactions with these parties have not been disclosed as these parties were not related parties in last year.

Sale of gas meters is made at cost plus method. The Holding Company is the only manufacturer of gas meters in the country.

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 10, 16, 31 and 41 to these financial statements.

Remuneration to the executive officers of the Group (disclosed in note 45 to these financial statements) and loans and advances to them (disclosed in notes 23 and 28 to these 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.

47.1 Amount (due to) / receivable from related parties

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

	Relationship	2015	2014
		(Rupees in 000)	
Attock Refinery Limited	Associate		
- Sale of gas condensate		42,105	42,105
Astro Plastic (Private) Limited	Associate		
- Billable charges		19,846	10,645
- Gas supply deposit		(53,208)	(53,208)
Fauji Fertilizer Company Limited	Associate		
- Billable charges		5	5
- Gas supply deposit		(124)	(124)
Government related entities - various			
- Billable charges		66,590,353	60,012,605
- Mark up accrued on borrowings		-	(2,454)
- Sharing of expenses		(11,019)	(9,286)
- Net investment in finance lease		84,811	142,093
- Gas purchases		(112,069,923)	(87,021,301)
- Gas meters		710,123	390,366
- Uniform cost of gas		20,016,375	12,210,925
- Cash at bank		73,858	9,043
- Stock Loan		(2,523)	(12,796)
- Recoverable from insurance		50	271
- Gas supply deposit		(66,537)	(52,625)
- Interest expense accrued - late payment surcharge on gas bills		(33,402,629)	(26,312,920)
- Interest income accrued - late payment on gas bills		6,558,082	5,428,023
Habib Bank Limited	Associate		
- Long term finance		(1,000,000)	(1,000,000)
- Short term finance		(572,109)	-
- Cash at bank		28,020	105,774
- Accrued mark-up		(10,92[illegible])	(19,913)
- Billable charges		1,468	10,401
- Gas supply deposit		(4,041)	(3,589)
International Industries Limited	Associate		
- Billable charges		119,559	22,705
- Gas supply deposit		(70,997)	(48,925)
* Ismail Industries Limited	Associate		
- Billable charges		-	29,745
- Gas supply deposit		-	(5,857)
* Kohinoor Silk Mills Limited	Associate		
- Billable charges		-	22
- Gas supply deposit		-	(60)

	Relationship	2015	2014
		(Rupees in '000)	
* Packages Limited	Associate		
- Billable charges		-	1,156
- Gas supply deposit		-	(3,044)
Pakistan Cables Limited	Associate		
- Billable charges		9,911	7,415
- Gas supply deposit		(21,968)	(17,159)
Pakistan Engineering Company Limited	Associate		
- Billable charges		5	5
- Gas supply deposit		(12)	(12)
* Pakistan Synthetic Limited	Associate		
- Billable charges		-	5,814
- Gas supply deposit		-	(67,765)
PERAC - Research & Development Foundation	Associate		
- Professional charges		57	57
* Premium Textile Limited	Associate		
- Billable charges		-	25,330
- Gas supply deposit		-	(22,300)
** Shezan International Limited	Associate		
- Billable charges		-	822
- Gas supply deposit		-	(4,032)
Thatta Cement Company Limited	Associate		
- Billable charges		94	283
- Gas supply deposit		(45,000)	(45,000)
** Gadoon Textile Mills Limited	Associate		
- Billable charges		27	-
- Gas supply deposit		(113)	-
** Attock Cement Limited	Associate		
- Billable charges		5,350	-
- Gas supply deposit		(30,566)	-
** Pakistan Stock Exchange	Associate		
- Billable charges		207	-
- Gas supply deposit		(85)	-

* Current balances with these parties have not been disclosed as they did not remain related parties as at year end.

** Comparative balances with these parties have not been disclosed as these parties were not related parties in last year.

48 FINANCIAL RISK MANAGEMENT

The objective of Group's overall financial risk management is to minimize earnings volatility and provide maximum return to shareholders. The Board of Directors of the Holding Company has overall responsibility for the establishment and oversight of the Group's risk management frame work and policies.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

48.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral. Credit risk arises from trade debts, net investment in finance lease, loans and advances, trade deposits, bank balances, interest accrued and other receivables. To reduce the exposure toward the credit risk, comprehensive customer category wise credit limits and terms have been established. In case of industrial and commercial customers gas supply deposits equivalent of three months estimated gas consumption and deposit from domestic customers as per rates notified by OGRA are taken to reduce credit exposure. The Holding Company continuously monitors the credit given to customers and interest accrued thereon and has established a dedicated recovery department for follow-up, recovery or disconnection of gas supply as the case may be. Loans and advances given to employees are secured against retirement benefits of the employees and title deed of properties of employees. Balances are maintained with banks of sound credit rating. The Holding Company attempts to control credit risk in respect of other receivables by monitoring credit exposures of counterparties.

The maximum exposure to credit risk before any credit enhancement at year end is the carrying amount of the financial assets as set out below:

	2015	2014
	(Rupees in '000)	
Trade debts	90,417,718	78,911,633
Net investment in finance lease	582,716	692,877
Loans and advances	754,696	449,373
Deposits	46,907	10,834
Bank balances	1,049,693	1,602,642
Interest accrued	6,913,246	5,623,489
Other receivables	36,103,820	24,817,959
	135,868,796	112,108,807

48.1.1 Collateral and other credit enhancements obtained

Security against supply of gas to industrial and commercial customers is taken on the basis of average three months, gas consumption estimated at the time of connection in form of cash deposits (gas supply deposits) / bank guarantee / irrevocable letter of credit. Security against supply of gas to domestic customers are obtained at rates notified by the OGRA. These collaterals are adjusted / called following on disconnection of gas supply. Details of security held at year end is as follows:

	2015	2014
	(Rupees in '000)	
Cash deposits	10,460,881	8,305,883
Bank guarantee / irrevocable letter of credit	25,482,423	24,637,936

48.1.2 Credit Quality

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and where available external credit ratings. The carrying values of all financial assets which are neither past due nor impaired are given in the note 48.1.3 below:

The credit quality of the Group's major bank accounts is assessed with reference to external credit ratings which are as follows:

Bank	Rating Agency	Rating Short Term	Rating Long Term
National Bank of Pakistan Limited	PACRA	A1+	AAA
Allied Bank of Pakistan Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A-1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Faysal Bank Limited	JCR-VIS	A-1+	AA
MCB Bank Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Askari Bank Limited	PACRA	A1+	AA
Bank of Punjab Limited	PACRA	A1+	AA-
First Women Bank Limited	PACRA	A2	BBB+
Summit Bank Limited	JCR-VIS	A-1	A
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank Islami Limited	PACRA	A1	A+
Burj Bank Limited	JCR-VIS	A-2	A-
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Tameer Micro Finance Bank Limited	PACRA	A1	A+
City Bank N. A.	Moody's	P-1	A2
Deutsche Bank A.G,	Standard & Poor's	A2	BBB+
Bank of Tokyo Mitsubishi	Standard & Poor's	A-1	A+

48.1.3 Past due and impaired financial assets

Industrial and commercial customers

The age analysis of trade debt balances relating to industrial and commercial customers at year end is as follows:

	2015		2014	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	20,427,304	-	16,745,784	-
Past due but not impaired	60,348,740	-	55,506,792	-
Past due and impaired	6,106,517	3,435,779	3,801,603	2,678,909
Disconnected customers	768,007	683,432	612,918	574,015
Total	87,650,568	4,119,211	76,667,097	3,252,924

Past due but not impaired balances include aggregate overdue balances of K-Electric, PSML and WAPDA amounting to Rs. 58,557 million and are subject to inter corporate circular debt of government entities and K-Electric.

The Holding Company has collateral / security against industrial and commercial customers amounting to Rs. 31,184 million (2014: Rs. 25,876 million) and replenishes such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due. In case of past due balances the Holding Company starts recovery process through recovery department and where the amount is in excess of collateral and is not recovered by recovery department, then disconnection of meter (disconnected customers) is considered. Receivables which are past due and against which recoveries are not made or which are disconnected are considered as impaired debts.

Domestic customers

The age analysis of trade debt balances relating to domestic customers at year end is as follows:

	2015		2014	
	Gross carrying amount	Impairment	Gross carrying amount	Impairment
	(Rupees in '000)			
Not due balances	1,549,491	-	1,470,478	-
Past due but not impaired:				
Past due 1 - 6 month	2,629,043	-	1,011,197	-
Past due and impaired:				
Past due 7 - 9 months	555,652	-	582,368	-
Past due 10 - 12 months	472,585	-	499,546	-
Past due 13 - 18 months	701,950	-	954,176	-
Past due 19 - 24 months	563,732	407,072	509,658	-
Past due over 2 years	1,542,468	1,542,468	3,489,640	3,376,699
	3,836,387	1,949,540	6,035,388	3,376,699
Disconnected customers	4,000,409	3,179,429	2,940,753	2,583,657
Total	12,015,330	5,128,969	11,457,816	5,960,356

The Holding Company has collateral / security against domestic customers amounting to Rs. 4,759 million (2014: Rs. 4,068 million) and replenishes such collateral based on gas consumption and requirement of the customers. When recovery is not made within one month, such customers balances are generally considered past due.

Interest accrued

As at June 30, 2015 interest accrued net of provision was Rs. 6,913 million (2014: Rs. 5,623 million). Interest is mainly accrued on customer balances which are past due. Interest on past due balances includes receivable from WAPDA and SNGPL amounting to Rs. 6,558 million (2014: 5,428 million), recovery of which is subject to inter corporate circular debt of Government entities.

Other receivables

As at June 30, 2015 other receivable financial assets amounted to Rs. 36,104 million (2014: Rs. 24,818 million). Past due other receivables amounting to Rs. 27,512 million (2014: Rs. 10,236 million) include over due balances of SNGPL amounting to Rs. 14,702 (2014: Rs. 4,987 million), JJVL amounting to Rs. 12,092 million (2014: Rs. 4,128 million).

48.1.4 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Holding Company's performance to developments affecting a particular industry. Concentration of credit risk is determined with references to the individual customers / counter parties, type as well as geographical distribution of customers / counterparties. Concentration of credit risk in financial assets of the Holding Company is as follows:

Trade debts

Customer category wise concentration of credit risk in respect of trade debts at year end is as follows:

	2015	2014
	(Rupees in 000)	
Power generation companies	45,688,906	43,216,317
Cement industries	16,228	31,970
Fertilizer and steel industries	21,545,635	17,812,032
Other industries	13,972,270	10,991,646
LPG marketing companies	8,852	-
Total industrial customers	81,231,891	72,051,965
Commercial customers	1,305,522	1,362,208
Domestic customers	7,880,305	5,497,460
	90,417,718	78,911,633

At year end the Holding Company's most significant receivable balances were K-Electric, PSML and WAPDA which amounted to Rs. 40,073 million (2014: Rs. 41,302 million), Rs. 20,879 million (2014: Rs.16,944 million) and Rs. 5,616 million (2014: Rs. 1,749 million) respectively. These balances have aggregated due to inter corporate circular debt.

Geographical region wise concentration of credit risk in respect of trade debts at year end is as follows:

	2015	2014
	(Rupees in '000)	
Karachi	74,724,709	69,889,612
Sindh (excluding Karachi)	11,266,843	6,635,627
Balochistan	4,426,166	2,386,394
	90,417,718	78,911,633

Net investment in finance lease

The Holding Company's most significant investment in finance lease amounted to Rs. 496 million (2014: Rs. 561 million) in respect of SNGPL.

Interest accrued

Most significant counter parties of the Holding Company in respect of interest accrued are disclosed in note 29 to these financial statements.

Other receivables

Most significant other receivables of the Holding Company are in respect of lease rental, lease service cost, contingent rent and uniform cost of gas agreement with SNGPL as disclosed in note 31.2 to these financial statements. These balances are subject to inter circular corporate debt.

48.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Due to nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available. The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation, monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Carrying amount	Contractual cash flows	Not later than six months	Later than six months but not later than 1 year	Later than one year but not later than 2 years	Later than 2 years
	(Rupees in '000)					
As at June 30, 2015						
Long term finance	27,866,070	(32,066,372)	(5,119,324)	(4,706,755)	(6,892,031)	(15,348,262)
Obligation against pipeline	1,106,923	(2,035,979)	(67,866)	(67,866)	(135,732)	(1,764,515)
Short term borrowings	989,191	(1,011,960)	(1,011,960)	-	-	-
Trade and other payables	158,838,548	(158,838,548)	(158,838,548)	-	-	-
Interest accrued	34,069,206	(34,069,206)	(34,069,206)	-	-	-
Deposits	10,744,067	(22,146,997)	(273,545)	(142,537)	(285,073)	(21,445,842)
	233,614,005	(250,169,062)	(199,380,449)	(4,917,158)	(7,312,836)	(38,558,619)
As at June 30, 2014						
Long term finance	24,906,166	(30,152,278)	(2,414,519)	(3,598,743)	(9,823,363)	(14,315,653)
Short term borrowings	3,141,237	(3,141,237)	(3,141,237)	-	-	-
Trade and other payables	120,393,882	(120,393,882)	(120,393,882)	-	-	-
Interest accrued	26,830,778	(26,830,778)	(26,830,778)	-	-	-
Deposits	8,440,785	(16,916,975)	(191,619)	(105,952)	(211,905)	(16,407,499)
	183,712,848	(197,435,150)	(152,972,035)	(3,704,695)	(10,035,268)	(30,723,152)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of latest available market rates. The rates of mark-up have been disclosed in notes 7 and 8 to these financial statements. Contractual cash flows of the long term deposits are determined on the assumption that adjusted / refund of these deposits will not be required before expiry of 40 years from balance sheet date.

48.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The market risk comprises of currency risk, interest rate risk and other price risk (equity price risk).

48.3.1 Currency risk

Foreign currency risk is the risk that the value of financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Holding Company is exposed to currency risk on creditors for gas that are denominated in a currency other than functional currency of the Holding Company. The currency in which these transactions primarily are denominated is US Dollars. The Holding Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
	(Rupees in '000)			
Creditors for gas	28,289,192	276,982	25,332,313	256,530
Estimated forecast gas purchases	139,355,569	1,375,744	142,280,012	1,382,702
Net exposure	167,644,761	1,652,726	167,612,325	1,639,232

Above net exposure is payable by the Holding Company in Rupees at the rate on which these are settled by the Holding Company. Currently, the Holding Company does not obtain forward cover against the gross exposure as exchange loss / gain on purchases of gas and supplies is recovered from / paid to Government of Pakistan as part of guaranteed return.

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2015	2014	2015	2014
	(Rupees in '000)			
US Dollars	101.29	102.90	101.77	98.75

Sensitivity analysis

A ten percent strengthening / (weakening) of the Rupee against US Dollar at June 30, 2015 would have (decreased) / increased trade creditors by Rs. 2,819 million (2014: Rs.2,532 million). There is no effect of strengthening / (weakening) of US dollar on consolidated equity and consolidated profit and loss account of the Holding Company as exchange loss / gain on purchases of gas and store and supplies is recovered from / paid to Government of Pakistan as part of 17% guaranteed return. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

48.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments were as follows:

	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Financial assets		
Net investment in finance lease	582,716	692,877
Loan and advances	2,252	3,375
Trade debts	25,667,788	28,195,466
Bank balances	634,674	1,268,585
	26,887,430	30,160,303
Financial liabilities		
Long term deposits	(5,701,464)	(4,238,095)
Government of Sindh loan	(5,248,513)	(5,756,859)
Front end fee of foreign currency loan	23,950	23,950
Obligation against pipeline	1,106,923	-
Trade and other payables	(18,611,954)	(20,000,606)
	(28,431,058)	(29,971,610)
	(1,543,628)	188,693
Variable rate instruments		
Financial assets		
Trade debts	37,938,825	37,642,158
Other receivables	27,124,374	26,139,898
Bank balances	59,326	-
	65,122,525	63,782,056
Financial liabilities		
Long term loan except Government of Sindh loan	(22,617,557)	(19,125,357)
Short term borrowings	(989,191)	(3,141,237)
Trade and other payables	(126,555,747)	(94,115,919)
	(150,162,495)	(116,382,513)
	(85,039,970)	(52,600,457)

Fixed rate instrument bear fixed interest rate while all other borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of business needs. The Group analyses its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into account various other financing options available.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect consolidated profit and loss account and the consolidated equity of the Group.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have net increased or (net decreased) the consolidated profit or loss of the Group as at June 30, 2015 by Rs. 850 million (2014: Rs. 509 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

48.3.3 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Group's investments in listed equity securities. This arises from investments held by the Group for which prices in the future are uncertain. The fair value of listed equity investments of the Group that are exposed to price risk as at June 30, 2015 is Rs. 276.520 million (2014: Rs. 131.290 million).

A ten percent increase / decrease in the prices of listed equity securities of the Group at the reporting date would have increased or (decreased) long term investment and consolidated equity by Rs. 27.652 million (2014: Rs.13.129 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

48.4 Fair value of financial assets and liabilities

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.

48.4.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in 000)			
Available-for-sale financials assets				
Quoted equity securities	276,520	-	-	276,520
	276,520	-	-	276,520

	2014			
	Level 1	Level 2	Level 3	Total
	(Rupees in 000)			
Available-for-sale financials assets				
Quoted equity securities	131,290	-	-	131,290
	131,290	-	-	131,290

There have been no transfers during the year (2014: no transfers in either direction).

48.5 Financial instruments by categories

	Financial assets		
	Loans and receivables	Available for sale	Total
	(Rupees in '000)		
As at June 30, 2015			
Trade debts	90,417,718	-	90,417,718
Net investment in finance lease	582,716	-	582,716
Loans and advances	754,696	-	754,696
Deposits	46,907	-	46,907
Cash and bank balances	1,056,930	-	1,056,930
Interest accrued	6,913,246	-	6,913,246
Other receivables	36,103,820	-	36,103,820
Long term investments	-	276,520	276,520
	135,876,033	276,520	136,152,553
As at June 30, 2014			
Trade debts	78,911,633	-	78,911,633
Net investment in finance lease	692,877	-	692,877
Loans and advances	449,373	-	449,373
Deposits	10,834	-	10,834
Bank balances	1,602,642	-	1,602,642
Interest accrued	5,623,489	-	5,623,489
Other receivables	24,817,959	-	24,817,959
Long term investments	-	131,290	131,290
	112,108,807	131,290	112,240,097

	Financial liabilities at amorised cost	
	2015	2014
	(Rupees in 000)	
Long term finance	27,866,070	24,906,166
Obligation against pipeline	1,106,923	-
Short term borrowings	989,191	3,141,237
Trade and other payables	158,838,548	120,393,882
Interest accrued	34,069,206	26,830,778
Long term deposits	10,744,067	8,440,785
	233,614,005	183,712,848

48.6 Capital risk management

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to the shareholders or issue new shares.

The Group is not subject to externally imposed regulatory capital requirements.

The gearing ratio as at June 30 is as follows:

	2015	2014
	(Rupees in '000)	
Total borrowings		
Long term finance	19,720,479	20,859,892
Short term borrowings	989,191	3,141,237
Current portion of long term finance	8,145,591	4,046,274
	28,855,261	28,047,403
Less: Cash and bank balances	(1,056,930)	(1,613,575)
Net debts	27,798,331	26,433,828
Capital employed	36,491,008	40,758,357
Gearing ratio	76%	65%

49. OPERATING SEGMENTS

IFRS 8 -Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief operating decision maker in order to allocate resources to segments and to asses their performance. As a result, management has identified the following two segments:

1) Gas transmission and distribution (sale of gas); and

2) Meter manufacturing (manufacturing and sale of gas meters).

Segment revenue and results

The following is analysis of the Group's revenue and results by reportable segment.

	Segment revenue		Segment loss	
	2015	2014	2015	2014
	(Rupees in '000)			
Gas transmission and distribution	158,853,447	152,541,542	(10,849,309)	(7,112,861)
Meter manufacturing	2,126,632	3,001,389	114,688	622,254
Total segments results	160,980,079	155,542,931	(10,734,621)	(6,490,607)
Unallocated - other expenses				
- Other operating expenses			1,470,133	(278,901)
Unallocated - other income				
- Non-operating income			456,495	473,684
Loss before tax			(8,807,993)	(6,295,824)

The above revenue includes sale of meters by meter manufacturing segment to gas transmission and distribution amounting to Rs. 1,080 million (2014: Rs. 996 million).

The accounting policies of the reportable segments are same as disclosed in note 3.

Segment assets and liabilities

	2015	2014
	(Rupees in 000)	
Segment assets		
Gas transmission and distribution	204,343,306	216,843,710
Meter manufacturing	52,413,923	2,457,125
Total segment assets	256,757,229	219,300,835
Unallocated		
- Loans and advances	754,696	449,373
- Taxation - net	17,472,139	10,466,026
- Interest accrued	490,112	490,112
- Cash and bank balances	1,056,930	1,613,575
	19,773,877	13,019,086
Total assets as per balance sheet	276,531,106	232,319,921
Segment liabilities		
Gas transmission and distribution	203,590,351	205,388,283
Meter manufacturing	50,356,489	489,755
Total segment liabilities	253,946,840	205,878,038
Unallocated		
- Employee benefits	4,696,573	3,478,983
Total liabilities as per balance sheet	258,643,413	209,357,021

50. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on the management records are as follows:

	2015	2014
	(Rupees in '000)	
Pension fund - executives	945,053	1,059,942
Gratuity fund - executives	2,036,934	2,160,209
Pension fund - non executives	207,815	304,925
Gratuity fund - non executives	2,474,703	2,655,441
Provident fund - executives	2,656,763	2,409,680
Provident fund - non executives	2,697,572	2,392,801
Benevolent fund - executives	125,576	132,880

51. ACCOUNTING ESTIMATES AND JUDGMENTS

51.1 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.

51.2 Staff retirement and other service benefit obligations

Certain actuarial assumptions have been adopted as disclosed in note 41 to the financial statements for valuation of these obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

51.3 Property, plant and equipment

In accordance with the accounting policy, the management carries out an annual assessment of depreciable amount and useful lives of property, plant and equipment. 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.

51.4 Trade debts and other receivables

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.

51.5 Stock in trade and stores, spares and loose tools

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.

51.6 Fair value of investments

Management has determined fair value of certain investments by using quotations from active market of the financial instruments.

51.7 Recognition of income from sale of Natural Gas Liquid (NGL) and Liquefied Petroleum Gas (LPG)

Income from sale of NGL and LPG to Jamshoro Joint Venture Limited is recognized based on provisional invoice price / quantity being the best estimate available. Any change in provisional price / quantity will be accounted for prospectively in the year in which there is change in price / quantity.

51.8 Recognition of gas development surcharge

Management has recognised income from gas development surcharge according to Final Revenue Requirement (FRR) issued by OGRA based on stay orders as mentioned in note 1.4.1. Further, gas development surcharge does not include the impact of stay orders as mentioned in note 1.4.2 since no revised FRR has been issued by OGRA in this regard.

51.9 Purchases of gas

Company records purchases of gas at the rates notified by Oil and Gas Regulatory Authority. Effect of adjustments, if any, arising from revision in purchase price is reflected as and when the prices are approved by OGRA.

52. BENAZIR EMPLOYEE STOCK OPTION SCHEME (BESOS)

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

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

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Holding Company, under the provisions of amended International Financial Reporting Standard 2 – Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted there would have been no impact on the net profit of the Holding Company as the annual return of the Holding Company is determined under the regulatory revenue requirement, which would have covered any additional cost if incurred by the Holding Company in respect of the aforesaid Scheme.

53. GENERAL

53.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

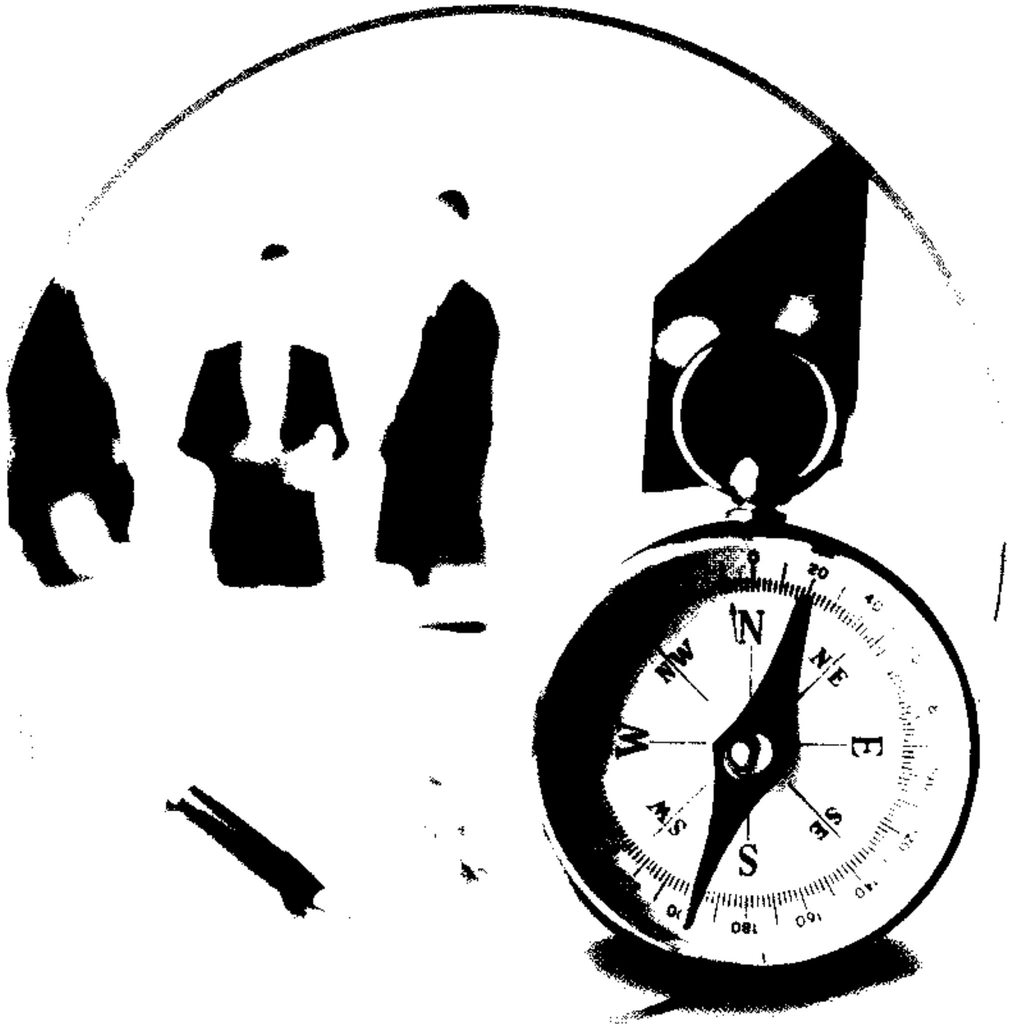
53.2 Corresponding figures have been rearranged and reclassified, wherever necessary.

54. DATE OF AUTHORISATION

These financial statements were authorised for issue in Board of Directors meeting held on 09 April, 2016.

Miftah Ismail
Chairman

Khalid Rahman
Managing Director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TEN YEARS SUMMARY

Key Statistical Data

For the year ended 30 June	Unit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gas purchased	MMCF	385,362	387,008	410,316	423,194	428,541	395,779	405,322	419,275	423,760	434,871
Gas sold	MMCF	358,959	357,910	377,265	384,522	388,828	356,040	364,409	373,645	356,628	362,510
Mains - transmission	Km	3,062	3,290	3,309	3,320	3,320	3,337	3,401	3,490	3,551	3,551
Mains & services - distribution - additions	Km	1,778	2,290	2,079	2,352	2,503	2,468	1,709	1,455	673	801
New connections	Millions	81,026	92,139	95,969	114,846	112,732	112,748	128,601	86,210	81,411	96,366
LPG sales	Matric Ton	-	-	-	-	-	9,065	37,492	83,065	80,853	133,457
Gas meters - produced / assembled	Millions	513,500	550,150	513,250	650,460	750,000	612,903	675,521	690,129	851,460	614,680
Income Statement					(Rupees in million)						
Sales		77,562	85,717	84,543	118,585	127,614	126,403	153,269	164,354	176,545	182,792
Sales Tax		(9,075)	(9,398)	(9,548)	(14,446)	(15,340)	(16,001)	(19,394)	(22,156)	(24,004)	(23,939)
Sales excluding Sales Tax		68,487	76,319	74,995	104,139	112,274	110,402	133,875	142,198	152,541	158,853
Gas Development Surcharge		(2,183)	(7,234)	(369)	4,012	(4,537)	4,127	(2,971)	9,440	742	3,730
Net sales		66,304	69,085	74,626	108,151	107,737	114,529	130,904	151,638	153,283	162,583
Cost of gas		(59,594)	(63,157)	(69,238)	(102,388)	(95,333)	(102,890)	(117,763)	(135,449)	(150,516)	(155,781)
Transmission and distribution costs		(3,550)	(3,513)	(3,671)	(3,898)	(7,019)	(6,395)	(7,086)	(8,938)	(7,836)	(10,307)
Administrative and selling expenses		(873)	(939)	(1,347)	(2,012)	(2,252)	(2,905)	(2,697)	(3,071)	(3,212)	(3,514)
Depreciation		(2,149)	(2,055)	(2,129)	(2,594)	(2,782)	(3,177)	(3,565)	(3,981)	(4,128)	(4,698)
Other operating expenses		(178)	(148)	(968)	(2,353)	(752)	(1,645)	(2,873)	(4,952)	(2,181)	(1,588)
Other operating income		3,151	2,651	5,707	3,910	3,789	3,760	3,358	3,816	2,801	2,475
Total operating profit		3,111	1,924	2,980	(1,184)	3,388	1,277	278	(937)	(11,789)	(10,829)
Other non-operating income		-	1,190	1,772	6,009	8,641	10,028	11,340	8,925	13,395	11,756
Profit before finance cost		3,111	3,114	4,752	4,825	12,029	11,305	11,618	7,988	1,606	927
Finance cost		(1,390)	(1,779)	(2,370)	(4,410)	(5,016)	(5,786)	(7,532)	(7,608)	(7,416)	(9,696)
Profit before taxation		1,721	1,335	2,382	415	7,013	5,519	4,086	380	(5,810)	(8,769)
Taxation		(829)	(1,045)	(1,391)	(159)	(2,614)	(795)	(1,505)	(132)	2,057	3,378
Profit after taxation		892	290	991	256	4,399	4,724	2,581	248	(3,753)	(5,391)
Balance Sheet											
Share capital		6,712	6,712	6,712	6,712	6,712	8,390	8,809	8,809	8,809	8,809
Reserves		3,630	3,027	3,603	2,972	7,360	9,385	9,439	7,074	4,806	(234)
Share capital and reserves		10,342	9,739	10,315	9,684	14,072	17,775	18,248	15,883	13,615	8,575
Surplus on revaluation of fixed assets		-	-	-	-	-	10,252	10,252	10,252	10,252	10,252
Deferred tax		3,204	3,879	4,854	5,014	7,018	7,651	7,622	5,865	3,321	-
Employees post-retirement benefits		904	999	1,096	1,308	1,530	1,825	2,154	2,518	3,470	4,688
Long term deposits and advances		2,090	2,364	2,579	4,282	4,873	5,359	6,497	6,416	9,379	11,411
Obligation against pipeline		-	-	-	-	-	-	-	-	-	1,069
Deferred credit		2,246	2,977	3,820	4,847	4,989	5,519	5,337	5,748	5,449	5,317
Long term financing		8,725	12,581	15,583	17,496	11,646	14,471	18,315	24,770	20,860	19,720
Non-current liabilities		17,169	22,800	27,932	32,947	30,056	34,825	39,925	45,317	42,479	42,205
Current portion of long term financing		1,519	2,286	377	4,969	5,035	4,272	3,227	3,598	4,046	8,146
Short term borrowings		1,165	1,000	-	-	3,721	-	-	4,018	3,141	989
Trade payables		12,589	18,108	25,607	45,490	44,560	56,717	78,532	80,522	114,771	145,975
Other payables		3,621	6,688	5,217	3,282	6,487	5,498	7,079	15,477	18,311	27,168
Current portion of obligation against pipeline		-	-	-	-	-	-	-	-	-	38
Interest and mark-up accrued		675	1,134	2,038	4,182	6,829	10,823	16,197	21,904	26,831	34,069
Taxation - net		-	165	217	-	-	-	-	-	-	-
Current liabilities		19,569	29,381	33,456	57,923	66,632	77,310	105,035	125,519	167,100	216,385
Total Equity and Liabilities		47,080	61,920	71,703	100,554	110,760	140,162	173,460	196,971	233,446	277,417
Capital work in progress		2,675	4,313	4,006	3,538	4,751	5,664	6,905	7,183	8,134	9,536
Operating tangible fixed assets		22,225	27,021	29,802	34,558	36,915	53,981	57,355	60,553	62,031	64,406
Property, plant and equipment		24,900	31,334	33,808	38,096	41,666	59,645	64,260	67,736	70,165	73,942
Intangible assets		56	62	69	44	5	16	46	125	89	36
Long term financial assets		383	354	1,547	1,381	1,254	1,125	2,002	1,926	1,866	1,913
Deferred tax		-	-	-	-	-	-	-	-	-	292
Non-current assets		25,339	31,750	35,424	39,521	42,925	60,786	66,308	69,787	72,120	76,183
Stores spares and loose tools		1,012	1,022	1,155	1,703	2,037	2,263	2,080	2,166	2,174	1,821
Stock in trade		281	369	512	491	455	703	780	629	889	860
Trade debts		10,898	16,061	20,045	32,568	43,816	49,182	70,613	76,285	78,906	90,352
Other receivables		5,028	7,456	9,746	23,318	17,799	19,975	25,886	38,774	61,253	81,747
Interest and mark-up accrued		8	6	198	1,198	2,834	3,474	4,681	5,529	6,292	7,745
Taxation - net		556	-	-	167	90	2,306	1,428	2,788	10,475	17,443
Trade deposits and prepayments		143	106	267	111	183	388	181	166	137	282
Cash and bank balances		3,815	5,268	4,356	1,477	621	1,085	1,503	847	1,200	984
Current assets		21,741	30,288	36,279	61,033	67,835	79,376	107,152	127,184	161,326	201,234
Total Assets		47,080	61,920	71,703	100,554	110,760	140,162	173,460	196,971	233,446	277,417
Earning Per Share	(Rupees)	1.33	0.43	1.48	0.38	6.55	5.63	2.93	0.28	(4.26)	(6.12)

TEN YEARS OF PROGRESS

Gas Customers	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Industrial										
Karachi	2,621	2,759	3,039	3,197	3,245	3,380	3,447	3,428	3,457	3,457
Sindh (Interior)	318	381	476	549	564	607	626	636	643	639
Balochistan	39	44	46	55	54	55	56	55	56	57
Sub - total	2,978	3,184	3,561	3,801	3,863	4,042	4,129	4,119	4,156	4,153
Commercial										
Karachi	14,793	15,642	16,796	17,362	17,673	17,998	17,442	17,102	16,763	16,366
Sindh (Interior)	3,505	3,622	3,875	4,266	4,465	4,872	4,854	4,756	4,617	4,527
Balochistan	1,640	1,707	1,887	1,978	2,018	2,128	2,198	2,261	2,360	2,515
Sub - total	19,938	20,971	22,558	23,606	24,156	24,998	24,494	24,119	23,740	23,408
Domestic										
Karachi	1,293,046	1,337,692	1,407,848	1,438,769	1,482,439	1,544,709	1,597,926	1,635,129	1,667,817	1,692,138
Sindh (Interior)	390,046	418,052	458,737	497,545	535,736	582,916	640,452	682,238	710,844	742,712
Balochistan	154,403	164,354	179,372	191,279	200,963	211,228	222,116	229,252	240,145	248,174
Sub - total	1,837,495	1,920,098	2,045,957	2,127,593	2,219,138	2,338,853	2,460,494	2,546,619	2,618,806	2,683,024
Total										
Karachi	1,310,460	1,356,093	1,427,683	1,459,328	1,503,357	1,566,087	1,618,815	1,655,659	1,688,037	1,711,961
Sindh (Interior)	393,869	422,055	463,088	502,360	540,765	588,395	645,932	687,630	716,104	747,878
Balochistan	156,082	166,105	181,305	193,312	203,035	213,411	224,370	231,568	242,561	250,746
Grand Total	1,860,411	1,944,253	2,072,076	2,155,000	2,247,157	2,367,893	2,489,117	2,574,857	2,646,702	2,710,585

Gas Sales in million cubic feet										
Industrial										
Karachi	213,569	208,392	223,921	235,244	231,943	210,321	211,209	209,866	209,704	206,459
Sindh (Interior)	67,098	63,154	65,841	60,343	61,990	45,828	42,645	48,577	46,058	52,215
Balochistan	10,242	9,066	9,264	9,854	10,637	9,425	9,167	9,091	9,118	9,648
Sub - total	290,909	280,612	299,026	305,441	304,570	265,574	263,021	267,534	264,880	268,322
Commercial										
Karachi	6,703	7,050	8,451	7,803	8,036	7,864	8,040	7,938	7,843	7,869
Sindh (Interior)	1,271	1,330	1,394	1,464	1,559	1,672	1,780	1,748	1,737	1,645
Balochistan	515	535	582	581	610	649	709	711	736	773
Sub - total	8,489	8,915	10,427	9,848	10,205	10,185	10,529	10,397	10,316	10,287
Domestic										
Karachi	39,930	47,798	44,707	45,766	49,038	52,632	59,236	62,021	52,127	52,829
Sindh (Interior)	12,574	13,119	14,954	15,593	16,770	18,633	21,319	23,523	19,995	21,538
Balochistan	7,057	7,466	8,151	7,874	8,245	9,016	10,304	10,170	9,310	9,534
Sub - total	59,561	68,383	67,812	69,233	74,053	80,281	90,859	95,714	81,432	83,901
Total										
Karachi	260,202	263,240	277,079	288,813	289,017	270,817	278,485	279,825	269,674	267,157
Sindh (Interior)	80,943	77,603	82,189	77,400	80,319	66,133	65,744	73,848	67,790	75,398
Balochistan	17,814	17,067	17,997	18,309	19,492	19,090	20,180	19,972	19,164	19,955
Grand Total	358,959	357,910	377,265	384,522	388,828	356,040	364,409	373,645	356,628	362,510

PATTERN OF SHAREHOLDING
As at June 30, 2015

# of Shareholders	Shareholdings' Slab			Total Shares Held
5955	1	to	100	144,204
2678	101	to	500	718,572
1198	501	to	1000	927,210
8394	1001	to	5000	13,666,314
597	5001	to	10000	4,335,626
211	10001	to	15000	2,681,528
135	15001	to	20000	2,422,083
84	20001	to	25000	1,957,815
45	25001	to	30000	1,258,451
24	30001	to	35000	795,538
29	35001	to	40000	1,108,233
20	40001	to	45000	851,767
40	45001	to	50000	1,982,656
8	50001	to	55000	428,244
14	55001	to	60000	819,221
12	60001	to	65000	758,697
6	65001	to	70000	403,126
6	70001	to	75000	448,500
9	75001	to	80000	699,132
6	80001	to	85000	499,467
3	85001	to	90000	265,500
5	90001	to	95000	460,100
30	95001	to	100000	2,998,437
4	100001	to	105000	408,829
2	105001	to	110000	213,125
4	110001	to	115000	449,188
4	115001	to	120000	480,000
1	120001	to	125000	125,000
3	125001	to	130000	390,000
6	130001	to	135000	791,300
1	135001	to	140000	140,000
2	140001	to	145000	285,500
8	145001	to	150000	1,196,500
3	150001	to	155000	456,328
2	160001	to	165000	327,043
2	165001	to	170000	339,500
5	170001	to	175000	870,187
1	175001	to	180000	178,475
2	180001	to	185000	361,500
1	185001	to	190000	187,500
3	190001	to	195000	580,615
10	195001	to	200000	2,000,000
6	200001	to	205000	1,209,396
1	205001	to	210000	208,000
1	210001	to	215000	215,000
1	220001	to	225000	225,000
2	230001	to	235000	466,800
11	245001	to	250000	2,750,000
1	250001	to	255000	254,437
1	255001	to	260000	259,500
1	265001	to	270000	265,500
2	275001	to	280000	558,000
1	280001	to	285000	280,500
1	285001	to	290000	290,000
1	320001	to	325000	325,000
1	340001	to	345000	342,690
1	350001	to	355000	352,937
1	355001	to	360000	357,500
1	360001	to	365000	363,199
1	380001	to	385000	384,000
3	395001	to	400000	1,200,000
1	410001	to	415000	413,000
1	420001	to	425000	422,125
1	445001	to	450000	450,000

# of Shareholders	Shareholdings Slab			Total Shares Held
1	470001	to	475000	475,000
1	480001	to	485000	483,125
1	495001	to	500000	500,000
2	500001	to	505000	1,001,751
1	510001	to	515000	514,187
1	515001	to	520000	516,008
1	540001	to	545000	543,812
1	545001	to	550000	550,000
1	570001	to	575000	571,000
2	595001	to	600000	1,197,751
1	610001	to	615000	612,500
1	690001	to	695000	692,500
3	695001	to	700000	2,097,500
1	715001	to	720000	717,000
1	725001	to	730000	728,000
1	745001	to	750000	745,500
1	750001	to	755000	753,000
1	760001	to	765000	761,052
1	770001	to	775000	772,000
1	775001	to	780000	775,500
1	840001	to	845000	842,000
1	885001	to	890000	889,500
2	945001	to	950000	1,897,000
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,008,000
1	1060001	to	1065000	1,062,801
1	1125001	to	1130000	1,125,938
1	1145001	to	1150000	1,150,000
1	1210001	to	1215000	1,214,500
1	1220001	to	1225000	1,225,000
1	1310001	to	1315000	1,314,500
1	1345001	to	1350000	1,350,000
1	1370001	to	1375000	1,373,500
1	1395001	to	1400000	1,400,000
1	1455001	to	1460000	1,459,500
1	1470001	to	1475000	1,475,000
1	1495001	to	1500000	1,500,000
2	1595001	to	1600000	3,200,000
1	1995001	to	2000000	2,000,000
1	2365001	to	2370000	2,370,000
1	2495001	to	2500000	2,500,000
1	2795001	to	2800000	2,800,000
1	2865001	to	2870000	2,869,719
1	3175001	to	3180000	3,179,000
1	3320001	to	3325000	3,325,000
1	3390001	to	3395000	3,394,000
1	3645001	to	3650000	3,648,750
1	3735001	to	3740000	3,735,679
1	3920001	to	3925000	3,920,437
1	4945001	to	4950000	4,950,000
1	5495001	to	5500000	5,500,000
1	6375001	to	6380000	6,380,000
1	8190001	to	8195000	8,192,028
1	10695001	to	10700000	10,696,823
1	10940001	to	10945000	10,941,554
1	11195001	to	11200000	11,196,500
1	12190001	to	12195000	12,192,700
1	12690001	to	12695000	12,694,227
1	14310001	to	14315000	14,314,772
1	16995001	to	17000000	17,000,000
1	17770001	to	17775000	17,771,500
1	23140001	to	23145000	23,141,174
1	57750001	to	57755000	57,754,179
1	63880001	to	63885000	63,882,029
1	468465001	to	468470000	468,468,218
19687				880,916,309

CATEGORIES OF SHAREHOLDING

As at June 30, 2015

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MIRZA MAHMOOD AHMED	2	7,218	0.00
AGHA SHER SHAH	1	1,000	0.00
KHALID RAHMAN	1	5,000	0.00
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	16	118,096,220	13.41
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	38	20,055,935	2.28
Mutual Funds			
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	1,314,500	0.15
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	3,394,000	0.39
CDC - TRUSTEE FAYSAL BALANCED GROWTH FUND	1	280,000	0.03
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	46,343	0.01
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	1,600,000	0.18
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	1	1,150,000	0.13
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	1	250,000	0.03
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	163,500	0.02
CDC - TRUSTEE NIT STATE ENTERPRISE FUND	1	12,192,700	1.38
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	254,437	0.03
CDC - TRUSTEE PICIC INCOME FUND - MT	1	36,000	0.00
CDC - TRUSTEE ASKARI EQUITY FUND	1	250,000	0.03
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	1	86,500	0.01
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND - MT	1	42,000	0.00
CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	1	947,000	0.11
CDC - TRUSTEE FAYSAL INCOME & GROWTH FUND - MT	1	413,000	0.05
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	10,696,823	1.21
CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	1	571,000	0.06
General Public			
a. Local	19401	84,049,731	9.54
b. Foreign	2	6,312	0.00
Foreign Companies	28	7,818,966	0.89
Others			
A. THE PRESIDENT ISLAMIC REPUBLIC OF PAKISTAN	1	468,468,218	53.18
B. SSGC EMPLOYEES EMPOWERMENT TRUST	1	63,882,029	7.25
C. JOINT STOCK COMPANIES	120	34,417,685	3.91
D. RETIREMENT FUNDS AND CHARITABLE TRUSTS	17	31,076,807	3.53
E. ALL OTHERS	42	19,348,385	2.20
Totals	19687	880,916,309	100.00

Shareholders holding 5% or more	Shares Held	Percentage
THE PRESIDENT ISLAMIC REPUBLIC OF PAKISTAN	468,468,218	53.18
SSGC EMPLOYEES EMPOWERMENT TRUST	63,882,029	7.25
STATE LIFE INSURANCE CORP. OF PAKISTAN	57,754,179	6.56

NOTES

FORM OF PROXY

61st Annual General Meeting

I ____

of ____

Being a Member of Sui Southern Gas Company Limited and holder of ____________________ ordinary shares as per Share Register Folio No./CCD participant I/O No./ Account No. ____________________

____

Hereby appoint (Name) ____

Who is also member of Sui Southern Gas Company Limited, as my Proxy to vote for me and on my behalf at the 61st Annual General Meeting of the Company to be held on May 14, 2016 and at any adjournment therof.

Signed this ____________________ day of ____________________ 2016

Folio No. **Witnesses:**

1. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC ____________________
   or
   Passport No. ____________________

2. Signature ____________________
   Name ____________________
   Address ____________________
   ____
   CNIC ____________________
   or
   Passport No. ____________________

SIGNATURE ON RUPEES FIVE REVENUE STAMP

The Signature should agree with the specimen registered with the Company.

Notes:

1. This form must be signed across Five Rupees Revenue Stamp and it should be deposited in Share Registrar's Office of the Company not later than 48 hours before the time of holding the meeting (Article 67).
2. No person shall be appointed a proxy who is not the member of the Company and qualified to vote, save that a Corporation being a member of the Company may appoint as its proxy, any person though not to be a member. An agent duly authorized under a power of attorney shall not be entitled to be present and vote on behalf of his appointer unless the agent is himself a member qualified to vote at the time of his being present at the meeting at which he proposes to vote as such agent (Article 65).

For CDC account holders/corporate entities:
In addition to the above, the following requirements have to be met:

i) The Proxy Form shall be witnessed by two persons whose name, addresses and CNIC numbers shall be mentioned on the form.
ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy Form.
iii) The Proxy shall produce his original CNIC or original passport at the time of the meeting.
iv) In case of corporate entity, the board of Director, resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

NOTES

Anchored for Sustainability