



Statement of Material Facts

arising after Authorization of Annual Financial Statements for FY 2011-12

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For the purpose of determining the final revenue requirement for the Financial Year 2009-10, Oil and Gas Regulatory Authority (OGRA) increased the Unaccounted for Gas (UFG) benchmark from 5% to 7% and also allowed the late payment surcharge and interest on gas sales arrears to be treated as non-operating income. However, in response to the review petition filed by the Company for revision of estimated revenue requirement for the financial year 2010-11 and 2011-2012, OGRA in its decisions dated December 2, 2010 and May 24, 2011 respectively revised the UFG benchmark from 7% to 4.625% and 7% to 4.5% respectively and treated the late payment surcharge and interest on gas sales arrears as operating income.

Aggrieved by OGRA's decisions dated December 2, 2010 and May 24, 2011 in respect of the Financial Years 2010-11 and 2011-12, the Company filed petitions before the Honorable Lahore High Court, Lahore. The Court vide orders dated January 17, 2011 and July 13, 2011 respectively had allowed the petition of the Company in terms that for the purpose of calculating the prescribed price, UFG benchmark and the treatment of non-operating income of the Company shall continue to be determined in accordance with the final revenue requirement for the financial year 2009-10 till such time that the UFG impact assessment study is carried out and produced before the Court. In view of the interim stay granted by the Lahore High Court, OGRA in its orders dated September 21, 2011 and February 1, 2013 has determined the revenue requirement of the Company for the years 2010-11 and 2011-12 respectively on the basis of the same parameters determined by OGRA in their decision in respect of final revenue requirement for the financial year 2009-10 dated October 15, 2010. Accordingly, the Financial Statements for FY 2010-11 and FY 2011-12 were prepared, presented and approved by the Board on the basis of aforesaid OGRA

determinations, wherein the UFG benchmark of 7% has been allowed and LPS has been treated as non operating income. The Company has duly disclosed the financial impact of any adverse order of the Lahore High Court Lahore, in note 16.1.2 to its Audited Financial Statements for the year ended June 30, 2012. Similarly, adequate disclosures on this account have also been made in all of the Company's Annual, Six monthly and Quarterly Financial Statements published after January 17, 2011, i.e., the date when the first stay order on Company's petition was granted.

On February 15, 2013, i.e., after the date of authorization of Financial Statements of the Company by the Board, the Honorable Lahore High Court, Lahore dismissed the aforesaid petitions for FY 2010-11 as well as FY 2011-12 filed by the Company. Accordingly the Company will now account for the adverse financial impact of this decision amounting to Rs 8,361 million in FY 2012-13. This adverse financial impact has already been intimated to all Stock Exchanges in Pakistan as "Price Sensitive Information".

The Company, however, intends to exhaust all remedies available to it including challenging the above referred decision of Lahore High Court, Lahore before the Court of competent jurisdiction.



Wajiha Anwar
Company Secretary

