

BALANCE SHEET

	Note	2005	2004 Restated
(Rupees in thousand)			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 1,500,000,000 (2004: 1,500,000,000) ordinary shares of Rs 10 each		<u>15,000,000</u>	<u>15,000,000</u>
Issued, subscribed and paid up share capital	4	4,991,866	4,991,866
Revenue reserves		<u>7,368,821</u>	<u>5,861,970</u>
Shareholders' equity		12,360,687	10,853,836
DEFERRED CREDIT	5	10,279,438	8,098,044
NON-CURRENT LIABILITIES			
Long term financing:			
-Secured	6	3,473,672	5,035,759
-Unsecured	7	7,217,992	6,028,730
Security deposits	8	5,279,975	4,441,952
Deferred taxation	9	6,112,252	5,546,779
Employee benefits	10	381,719	1,989,201
		<u>22,465,610</u>	<u>23,042,421</u>
CURRENT LIABILITIES			
Trade and other payables	11	17,279,637	13,090,960
Accrued mark up/ interest		200,730	155,069
Current portion of long term financing	12	2,254,509	1,610,282
Provision for taxation		<u>235,748</u>	<u>74,158</u>
		19,970,624	14,930,469
CONTINGENCIES AND COMMITMENTS	13	-	-
		<u>65,076,359</u>	<u>56,924,770</u>

AS AT JUNE 30, 2005

	Note	2005	2004 Restated
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	40,448,733	36,935,447
Long term investment	15	4,900	4,900
Long term loans	16	262,104	227,184
Long term deposits and prepayments	17	6,506	6,281
		40,722,243	37,173,812
CURRENT ASSETS			
Stores and spares	18	710,984	599,605
Stock in trade- gas in pipelines		346,382	275,800
Trade debts	19	14,195,231	9,742,062
Loans and advances	20	111,931	140,724
Trade deposits and prepayments	21	88,725	34,932
Accrued interest	22	56,071	34,739
Other receivables	23	529,708	357,362
Short term investment		-	46,134
Cash and bank balances	24	8,315,084	8,519,600
		24,354,116	19,750,958
		65,076,359	56,924,770

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

A. Rashid Lone
Chief Executive

M. Iqbal Awan
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
(Rupees in thousand)			
GAS SALES	25	84,710,404	64,276,145
LESS: GAS DEVELOPMENT SURCHARGE		1,333,069	70,064
		<u>83,377,335</u>	<u>64,206,081</u>
LESS: COST OF GAS SOLD	26	71,192,390	52,627,542
GROSS PROFIT		12,184,945	11,578,539
RENTAL AND SERVICE INCOME	27	699,036	638,648
SURCHARGE AND INTEREST ON			
GAS SALES ARREARS	28	646,662	526,729
AMORTISATION OF DEFERRED CREDIT	5	397,671	359,145
		<u>13,928,314</u>	<u>13,103,061</u>
LESS: OPERATING EXPENSES			
Distribution cost	29	8,379,050	7,737,375
Administrative expenses	30	910,074	941,883
		<u>9,289,124</u>	<u>8,679,258</u>
		4,639,190	4,423,803
OTHER OPERATING INCOME	31	781,180	406,283
		<u>5,420,370</u>	<u>4,830,086</u>
LESS:			
Finance cost	32	913,758	968,918
Other charges	33	226,295	196,791
		<u>1,140,053</u>	<u>1,165,709</u>
PROFIT BEFORE TAXATION		4,280,317	3,664,377
PROVISION FOR TAXATION	34	1,525,499	1,366,899
PROFIT AFTER TAXATION		<u>2,754,818</u>	<u>2,297,478</u>
BASIC EARNING PER SHARE - (RUPEES)	40	5.52	4.60

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

A. Rashid Lone
Chief Executive

M. Iqbal Awan
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Note</u>	<u>2005</u>	<u>2004</u>
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	35	7,933,309	12,104,030
Finance cost		(891,048)	(1,229,320)
Taxes paid		(798,436)	(664,461)
Employee benefits/contributions paid		(2,167,976)	(282,795)
Security deposits		838,023	697,491
Deferred credit		2,505,585	4,128,889
Long term loans		(40,596)	(47,818)
Long term deposits and prepayments		(225)	(1,122)
Net cash inflow from operating activities		7,378,636	14,704,894
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(7,097,773)	(6,622,296)
Proceeds from sale of property, plant and equipment		15,113	22,589
Proceeds from disposal of shares of associated undertaking		68,000	-
Investment in associated undertaking		-	(4,899)
Return on bank deposits		323,779	162,335
Net cash used in investing activities		(6,690,881)	(6,442,271)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term financing- secured		-	500,000
Proceeds from long term financing - unsecured		1,963,414	657,655
Repayment of long term financing - secured		(593,945)	(238,003)
Repayment of long term financing - unsecured		(1,024,587)	(2,566,745)
Dividend paid		(1,237,153)	(1,091,921)
Net cash used in financing activities		(892,271)	(2,739,014)
Net (decrease) / increase in cash and cash equivalents		(204,516)	5,523,609
Cash and cash equivalents at the beginning of the year		8,519,600	2,995,991
Cash and cash equivalents at the end of the year	24	8,315,084	8,519,600

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

A. Rashid Lone
Chief Executive

M. Iqbal Awan
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2005

	REVENUE RESERVES				TOTAL	TOTAL SHAREHOLDERS' EQUITY
	SHARE CAPITAL	GENERAL RESERVE	DIVIDEND EQUALIZATION RESERVE	UNAPPRO- PRIATED PROFIT		
(R u p e e s i n t h o u s a n d)						
Balance as at June 30, 2003						
-As previously reported	4,991,866	3,277,682	270,000	16,810	3,564,492	8,556,358
Effect of change in accounting policy (Note 3.2)	-	-	-	1,098,211	1,098,211	1,098,211
Balance as at June 30, 2003-As restated	4,991,866	3,277,682	270,000	1,115,021	4,662,703	9,654,569
Final dividend for the year ended June 30, 2003 @ Rupees 2.20 per share	-	-	-	(1,098,211)	(1,098,211)	(1,098,211)
Net profit for the year	-	-	-	2,297,478	2,297,478	2,297,478
Transfer to revenue reserves	-	850,000	210,000	(1,060,000)	-	-
Balance as at June 30, 2004-As restated	4,991,866	4,127,682	480,000	1,254,288	5,861,970	10,853,836
Final dividend for the year ended June 30, 2004 @ Rupees 2.50 per share	-	-	-	(1,247,967)	(1,247,967)	(1,247,967)
Net profit for the year	-	-	-	2,754,818	2,754,818	2,754,818
Balance as at June 30, 2005	4,991,866	4,127,682	480,000	2,761,139	7,368,821	12,360,687

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

A. Rashid Lone
Chief Executive

M. Iqbal Awan
Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. THE COMPANY AND ITS OPERATIONS

Sui Northern Gas Pipelines Limited is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 21- Kashmir Road, Lahore. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except modified by recognition of certain employee benefits at present value.

3.2 Dividend

In the previous years, proposed or declared dividend after the balance sheet date was recognized as a liability. After the amendments in the Fourth Schedule to the Companies Ordinance, 1984, promulgated by Notification No. 589(I)/2004, dated July 05, 2004, dividend will be recognized as a liability in the year in which it is declared and approved to meet the requirement of International Accounting Standard (IAS) 10 "Events After the Balance Sheet Date".

The effect of change in accounting policy has been reflected in the statement of changes in equity in accordance with the recommended benchmark treatment of IAS - 8, Net Profit or Loss for the period, Fundamental Errors and changes in Accounting Policies. The change in accounting policy has not resulted in any change in the profit for the current year.

Had there been no change, the unappropriated profit and the current liabilities for the year ended June 30, 2005 would have been lower and higher respectively by Rupees 1,497.560 million.

The Board of Directors has proposed a final dividend for the year ended June 30, 2005 of Rupees 3.00 per share, amounting to Rs. 1,497.560 million at their meeting held on September 30, 2005 for approval of the members at the Annual General Meeting to be held on October 31, 2005.

3.3 Deferred credit

Deferred credit represents the amount received from the consumers and the Government as contribution and grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life.

3.4 Taxation

Current

Provision for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing current tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity in which case it is included in equity.

3.5 Employee Benefits

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

- a) The Company operates an approved funded pension scheme for all employees and an approved funded gratuity scheme for executives and non-executives with a qualifying service period of five years and six years respectively. Contribution to the funds are payable on the basis of actuarial valuation. The future contribution rates of these schemes include allowance for deficit and surplus.

An executive who qualifies for pension at the time of retirement from the Company and does not surrender his pension, shall be entitled to gratuity at the rate of 20 days basic salary for each completed year of service. An executive who qualifies for pension at the time of retirement from the Company and surrenders his pension, shall be entitled to gratuity at the rate of 50 days basic salary for each completed year of service.

The Company provides free gas facility to non-executive staff and reimbursement of medical expenditure to all employees after their retirement. However, all executives retired upto December 31, 2000 are also entitled to avail free gas facility. During the year the Company has established funded schemes for medical and free gas facilities. Contributions to the funds are made as per actuarial valuation. The most recent valuations were carried out as on June 30, 2005 using the projected unit credit method.

The principal actuarial assumptions used in the valuation of these schemes as on June 30, 2005 are:

	FUNDED			
	GRATUITY FUND		PENSION FUND	
	Executives	Non-executives	Executives	Non-executives
Expected rate of growth per annum in future salaries	8%	8%	8%	8%
Discount rate	9%	9%	9%	9%
Expected rate of return per annum on fund	12%	12%	12%	12%

	MEDICAL FUND		FREE GAS FUND	
	Executives	Non-executives	Executives	Non-executives
	Discount rate	9%	9%	9%
Expected rate of growth per annum in average cost of facility	6%	6%	8%	8%
Increase in average cost of medical facility per employee due to increase in age of recipient	2%	2%	-	-
Rate of utilization of facility by future entitled employees	-	-	-	100%
Expected rate of return per annum on fund	9%	9%	9%	9%

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

- b) The Company provides annually for the expected cost of accumulated absences and leave fare assistances on the basis of actuarial valuations. However, executives of the Company were not entitled to avail leave fare assistance after December 31, 2000.

Executives of the Company are entitled to accumulate the unutilized privilege leaves upto 60 days and such accumulation is encashable only at the time of retirement or leaving the service of the Company.

Non-executives of the Company are entitled to accumulate the unutilized privilege leaves upto 90 days. Any leave in excess of 90 days would be credited to a special account, upto maximum of 90 days. Non-executives retiring from July 01, 2001 to June 30, 2005 would be allowed encashment of special leave upto 90 days in addition to the privilege leave due for encashment upto maximum of 90 days. However, non-executives would be allowed to avail their accumulated privilege leave/ special leave during service beyond 180 days upto June 30, 2005, without any restriction. From July 01, 2005 encashment of privilege leave only upto 90 days would be allowed at the time of retirement.

- c) The Company operates an approved defined contribution provident fund for all permanent employees.

3.6 Trade and other payables

Liabilities for trade and other amounts payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

3.7 Provisions

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



3.8 Property, plant, equipment and depreciation

a) Cost

Operating fixed assets except freehold and leasehold land are stated at cost less accumulated depreciation. Freehold and leasehold land are stated at cost. Capital work-in-progress is stated at cost less provision for obsolescence of stores and spares. Cost in relation to certain assets signifies historical cost and borrowing cost referred to in Note 3.8(d).

b) Depreciation

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 14.1. Transmission and distribution system, meter and compressor stations and equipments are depreciated at annual rates in accordance with the terms of loan agreement (3252-PAK) with the World Bank. This agreement requires that depreciation be charged at rates not less than 6% per annum of the average cost of such assets in operation. Impairment loss if any is also charged to income.

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

Pipelines uplifted during the year are deleted from operating fixed assets. 60% - 65% of the written down value of the uplifted pipelines representing cost of pipelines and fittings is transferred to capital work-in-progress after considering its reuse capability. The balance of the written down value representing construction overheads is charged to income.

c) Repairs and maintenance

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

d) Borrowing cost

Mark-up, interest, profit and other charges on long term financing are capitalized for the period upto the date of commissioning of the respective assets acquired out of the proceeds of such borrowings. All other mark-up, interest, profit and other charges are charged to income during the year.

3.9 Related party transactions

Transactions with related parties are carried out on arm's length bases except for the asset sold to employees at written down value as approved by the Board of Directors. Prices for transactions with related parties are determined on the bases of comparable uncontrolled price method. The sale and purchase prices of natural gas are controlled by the Government of Pakistan whereas purchases other than natural gas are made through tender/bidding system.

3.10 Investments - Associated companies

These are initially measured at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have impaired. In case such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense.





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

3.11 Stores and spares

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

3.12 Stock-in-trade

Stock of gas in pipelines is valued at the lower of cost determined on annual average bases and net realizable value. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale.

3.13 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount, debts considered irrecoverable are written off and provision is made for debts considered doubtful of recovery. No provision is made in respect of active consumers considered good.

3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

3.15 Revenue recognition

- a) Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates fixed by Oil and Gas Regulatory Authority (OGRA) - Government of Pakistan. Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end.
- b) Meter rentals are recognized monthly, on the basis of specified rates for various categories of consumers.
- c) Interest on bank deposits is recognized on accrual basis.

3.16 Foreign currencies

Transactions in foreign currency during the year are translated into Pak Rupees at the rates of exchange prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing on the balance sheet date. Exchange gains and losses are taken to the profit and loss account.

The Company has obtained foreign currency loans from the World Bank which are covered under the exchange risk coverage scheme of Government of Pakistan. Under this agreement, the Company is entitled to claim from the Government the differential between the actual payment made to the World Bank and the amount at which these loans were recorded on the date of receipt. The agreement with the Government for these loans qualify as a fair value hedge.





During the current year, the Company has changed its accounting policy with respect to capitalization of exchange differences in pursuance of revised Fourth Schedule to the Companies Ordinance, 1984. Previously exchange differences on loans utilized for the acquisition of fixed assets were capitalized and all other exchange differences were charged to income. The Company now charges all exchange differences to profit and loss account.

The change in accounting policy as referred to above has no effect on the amounts reported for the current year.

3.17 Financial assets and liabilities

Financial assets and liabilities are recognized at the time the Company becomes a party to the contractual provisions of the instruments. These are measured at cost, which is fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realises the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently.

3.18 Gas development surcharge

Under the provisions of World Bank loan 3252-PAK, the Company is required to earn an annual return of not less than 17.50% p.a on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income. Any deficit or surplus on account of this is recoverable from or payable to the Government of Pakistan as differential margin or gas development surcharge.

During the year the Company although met the covenants mentioned above, yet it could not meet the benchmarks prescribed by the Regulator and as a result the return for the year on the aforesaid basis works out to 15.47% (2004: 15.80 %).

3.19 Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company uses the percentage of “completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.





	2005	2004
	(Rupees in thousand)	
4. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
121,146,000 (2004: 121,146,000) ordinary shares of Rs 10 each issued as fully paid for cash	1,211,460	1,211,460
3,329,000 (2004: 3,329,000) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
374,711,600 (2004: 374,711,600) ordinary shares of Rs 10 each issued as fully paid bonus shares	3,747,116	3,747,116
	4,991,866	4,991,866

4.1 Ordinary shares of the Company held by associated undertakings as at June 30, 2005 are as follows:

	2005	2004
	(Number of Shares)	
Dawood Hercules Chemicals Limited	58,593,500	112,000,000
Dawood Lawrancepur Limited	9,122,300	-
Sui Southern Gas Company Limited	1,900,178	1,900,178
MCB Bank Limited (Formerly Muslim Commercial Bank Limited)	33,561,707	29,790,307
Askari Commercial Bank Limited	2,200,020	2,200,020
Prime Commercial Bank Limited	10,108	14,388
Pakistan Industrial Credit and Investment Corporation Limited	36,319	889,319
Pakistan Industrial Development Corporation (Private) Limited	30,038,992	30,038,992
Central Insurance Company Limited	11,500,000	-
Faysal Bank Limited	675,000	538,500
	147,638,124	177,371,704

	2005	2004
	(Rupees in thousand)	
5. DEFERRED CREDIT		
Consumers contributions	9,359,165	7,821,846
Government grants	4,200,703	3,158,957
	13,559,868	10,980,803
Less: Accumulated amortisation;		
Opening balance	2,882,759	2,523,614
Amortisation for the year	397,671	359,145
	3,280,430	2,882,759
	10,279,438	8,098,044





2005 **2004**
(Rupees in thousand)

6. LONG TERM FINANCING - SECURED
From banking companies

National Bank of Pakistan (NBP)	714,009	1,031,346
Citi Bank Syndicate (CB)	696,750	929,000
Habib Bank Ltd. Syndicate (HBL)	1,125,000	1,500,000
Standard Chartered Bank Syndicate (SCB-1)	1,400,000	1,500,000
Standard Chartered Bank Syndicate (SCB-2)	1,000,000	1,000,000
	4,935,759	5,960,346
Less: Current portion shown under current liabilities (Note 12)	1,462,087	924,587
	3,473,672	5,035,759

6.1 Lender	Mark-up rate p.a. (%)	No of instalments outstanding		Repayment commencement date
		Half yearly	Quarterly	
NBP	Six month treasury bill + 1.2 % p.a.	-	9	October 01, 2003
CB	Six month treasury bill + 1.2 % p.a.	6	-	August 13, 2004
HBL	Six month treasury bill + 1.2 % p.a.	6	-	December 28, 2004
SCB-1	Six month treasury bill + 1.1 % p.a.	8	-	September 29, 2005
SCB-2	Six month treasury bill + 1.1 % p.a.	8	-	December 31, 2005

All the above finances are secured by first charge on the Company's present and future assets, ranking pari passu.

2005 **2004**
(Rupees in thousand)

7. LONG TERM FINANCING- UNSECURED

World bank loans - Foreign currency	(Note 7.1)	2,992,191	3,414,091
Other loans - Local currency:			
- Loans	(Note 7.2)	3,545,073	1,581,659
- Other liabilities	(Note 7.3)	1,473,150	1,718,675
		5,018,223	3,300,334
		8,010,414	6,714,425
Less: Current portion shown under current liabilities			
World bank loans - Foreign currency		455,411	421,900
Other loans - Local currency:			
- Loans		91,486	18,270
- Other liabilities		245,525	245,525
	(Note 12)	792,422	685,695
		7,217,992	6,028,730





7.1 World bank loans - Foreign currency

These are composed of:

Loan No.	Rate of interest per annum (%)	Half yearly instalments outstanding (Nos.)	Repayment commencement date	2005		2004	
				(Rupees in thousand)			
3252 - PAK	0.5% above the base cost of qualified borrowing	11	March 01, 1996	3,701,308		4,146,307	
3252-1-PAK	- do -	11	March 01, 1996	1,837,975		2,058,485	
				5,539,283		6,204,792	
Less: Receivable from Government of Pakistan under exchange risk coverage contract			(Note 7.1.2)	2,547,092		2,790,701	
				2,992,191		3,414,091	

7.1.1 The repayment of the World Bank loans is guaranteed by the Government of Pakistan (GOP) for a fee payable half yearly at an annual rate of 0.5% on the outstanding balance.

7.1.2 The above represents amount receivable from GOP. The Company has obtained exchange risk cover from the GOP in respect of foreign currency loans 3252-PAK and 3252-1 PAK acquired from the World Bank. The exchange risk coverage arrangement allows the Company to claim the differential between the actual payment made to the World Bank and the amount at which these loans were recorded on the date of receipt. Exchange risk fee payable to GOP on these loans is the difference between 14% p.a. and the rate of interest intimated by the World Bank subject to minimum of 5%.

7.2 Loans

		2005	2004
(Rupees in thousand)			
From Government of Pakistan			
- Cash development loans	(Note 7.2.1)	2,991,643	1,546,369
From industrial consumers	(Note 7.2.2)	553,430	35,290
		3,545,073	1,581,659

7.2.1 These have been obtained from the Government of Pakistan (GOP) for supply of gas to new towns. The loan amounting to Rs 1,546.369 million (2004: Rs 1,546.369 million) carries mark-up at the rates ranging between 5 to 9 % (2004: 5 to 9 %) per annum and Rs.1,445.274 million (2004: Nil) carries mark up at the rate of 1.2 % plus six month State Bank of Pakistan's (SBP) treasury bills (2004: Nil) on the outstanding balance or part thereof.

7.2.2 These have been obtained from certain industrial consumers for laying of gas pipelines and carry mark-up at the rates ranging between 1.5% to 2% (2004: 1.5% to 2%) per annum on the outstanding balance or part thereof and are repayable over a period of 8 to 10 years with a grace period of 2 years.



7.3 This represents overdue interest on medium term loan. Under an agreement reached with the Government of Pakistan, this overdue interest amounting to Rs 2,455.249 million due on June 30, 2001 is payable in 10 equal annual instalments commencing from June 30, 2002 and does not carry any mark-up.

		<u>2005</u>	<u>2004</u>
		(Rupees in thousand)	
8. SECURITY DEPOSITS			
Consumers	(Note 8.1)	5,263,604	4,427,846
Contractors - Houseline	(Note 8.2)	16,371	14,106
		<u>5,279,975</u>	<u>4,441,952</u>

8.1 Consumer deposits represent security against amount due from them on account of gas sales. These are repayable on cancellation of contract for supply of gas or on submission of bank guarantees in lieu of security deposits. Interest is payable at the rate of 2 % (2004: 2%) per annum on deposits amounting to Rs 2,327.305 million (2004: Rs 1,815.617 million). However, for Kot Addu Power Company Limited (KAPCO) having deposit of Rs 667 million (2004: Rs 667 million) interest rate is 1% above 3 months State Bank of Pakistan (SBP) treasury bills cut off rate with maximum of 10% per annum and for Liberty Power Limited having deposit of Rs 384 million (2004: Rs 384 million) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7 % per annum (2004: 2.88 % per annum)

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

		<u>2005</u>	<u>2004</u>
		(Rupees in thousand)	
9. DEFERRED TAXATION			
The liability for deferred taxation comprises timing differences relating to:			
Taxable temporary difference			
Accelerated tax depreciation allowance		6,665,538	6,138,893
Deductible temporary differences			
Provision for doubtful debts		(484,698)	(505,552)
Others		(68,588)	(86,562)
		<u>(553,286)</u>	<u>(592,114)</u>
		<u>6,112,252</u>	<u>5,546,779</u>

10. EMPLOYEE BENEFITS			
Accumulating compensated absences		3,464	147,284
Post employment benefits	(Note 10.1)	378,255	1,841,917
		<u>381,719</u>	<u>1,989,201</u>



Post employment benefits				Total	
Medical	Free gas facility	Pension	Gratuity	2005	2004

(R u p e e s i n t h o u s a n d)

10.1 Post employment benefits - funded

These are composed of:

Present value of defined benefit obligation	2,110,414	476,767	2,112,738	1,209,628	5,909,547	5,217,704
Fair value of plan assets	(1,454,032)	(290,310)	(1,969,714)	(954,015)	(4,668,071)	(2,381,608)
Past service cost to be recognized in later periods	(106,569)	(43,080)	(125,072)	(18,684)	(293,405)	(359,956)
Unrecognized actuarial losses	(300,992)	(81,969)	(86,359)	(100,496)	(569,816)	(634,223)
	248,821	61,408	(68,407)	136,433	378,255	1,841,917

Movement in net liability/(asset)

Liability/ (asset) at the beginning of the year	1,431,348	285,781	(77,765)	202,553	1,841,917	1,421,630
Charge for the year	286,316	71,165	80,809	106,906	545,196	681,649
	1,717,664	356,946	3,044	309,459	2,387,113	2,103,279
Contribution paid during the year	(1,468,843)	(295,538)	(71,451)	(173,026)	(2,008,858)	(261,362)
Liability/ (asset) at the end of the year	248,821	61,408	(68,407)	136,433	378,255	1,841,917

Charge for the year

Current service cost	96,116	21,296	104,857	78,821	301,090	286,956
Interest cost	149,471	33,298	143,945	90,703	417,417	382,993
Past service cost	23,579	8,615	20,613	9,343	62,150	62,150
Non-vested past service cost	-	-	4,401	-	4,401	4,401
Expected return on plan assets	-	-	(193,007)	(92,786)	(285,793)	(231,639)
Actuarial losses	17,150	7,956	-	20,825	45,931	58,051
Amortization of transitional liability	-	-	-	-	-	118,737

2005 **286,316** **71,165** **80,809** **106,906** **545,196** 681,649

2004 367,118 85,004 119,005 110,522

Actual return on plan assets during the year

2005	22,684	4,529	377,970	137,445	542,628	426,465
2004	-	-	269,861	156,604		

The charge for the year has been allocated as follows:

Distribution cost	(Note 29)	416,146	512,160
Administrative expenses	(Note 30)	129,050	169,489
		545,196	681,649



	2005	2004
	(Rupees in thousand)	
11. TRADE AND OTHER PAYABLES		
Creditors for:		
- gas	13,593,551	10,190,558
- supplies	351,688	613,096
Accrued liabilities (Note 11.1)	1,166,664	1,411,074
Interest free deposits repayable on demand	8,392	10,165
Earnest money received from contractors	22,313	21,560
Mobilization and other advances	291,224	304,962
Gas development surcharge	1,048,165	-
Exchange risk and guarantee fee payable to Government of Pakistan	103,160	126,111
Sales tax payable	438,252	200,454
Workers' profit participation fund (Note 11.2)	225,381	192,947
Unclaimed dividend	30,847	20,033
	17,279,637	13,090,960
11.1 Includes an amount of Rupees 2.840 million (2004: Nil) payable to Inter State Gas Systems (Private) Limited (an associated undertaking).		
11.2 Workers' profit participation fund		
Balance at the beginning of the year	192,947	168,862
Allocation for the year	225,280	192,862
	418,227	361,724
Interest on funds utilized in the Company's business	47	50
	418,274	361,774
Less: Payments to workers	463	436
Deposited into the Government Treasury	192,430	168,391
	192,893	168,827
	225,381	192,947
12. CURRENT PORTION OF LONG TERM FINANCING		
Long term financing - secured (Note 6)	1,462,087	924,587
Long term financing - unsecured (Note 7)	792,422	685,695
	2,254,509	1,610,282
13. CONTINGENCIES AND COMMITMENTS		
13.1 Taxation		
13.1.1 (a) The Income Tax Appellate Tribunal (ITAT) upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1980-81 through 2001-02. The Department has filed appeals against the orders of ITAT before the High Court for the assessment years 1980-81 through 1993-94. Pending the outcome of appeals filed by the tax department with the High Court, no		



provision has been made in these financial statements for additional demands in respect of assessment years 1980-81 to 2002-2003 and tax year 2003 which on similar basis as used in the past by the tax authorities would amount to Rs 455.158 million (2004: Rs 500.925 million).

- (b) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further demands due to a change in treatment by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these demands and has filed appeals with the ITAT against the orders of the tax authorities. The ITAT upheld the Company's contentions in the appeals filed for the assessment years 1989-90 to 2001-02, however, the department has filed appeals against the orders of ITAT before the High Court for the assessment years 1989-90 through 1993-94. Pending the outcome of these appeals no provision has been made in the financial statements for these additional demands for the years 1989-90 through 2002-03, which on the basis adopted by the authorities would amount to Rs 1,212.541 million (2004: Rs 1,280.500 million), since the Company has strong grounds against the assessments framed by the tax authorities.

In the event of an adverse decision in the cases referred to in (a) and (b) above, the balance demands, will represent the tax relief on the expenses disallowed resulting in timing differences and creation of a corresponding debit on the deferred tax account to be released to profit and loss account as these expenses are realized for tax purposes in future years.

- 13.1.2** The Company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/99 in respect of custom duty and sales tax on certain imported items amounting to Rs 766.480 million (2004: Rs 366.316 million). Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.
- 13.1.3** The Company claimed statutory compensation of Rs. 397.584 million (2004: Rs. 397.584 million) on account of delayed refunds under section 102 of the repealed Ordinance 1979, which was not allowed by the Income Tax Authorities. The Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the said order. In view thereof the Company's management considers it prudent not to recognise the compensation claimed as income till such time, that the amount of such compensation has been determined by the Tax Authorities and can be measured reliably.

13.2 Interest on overdue WAPDA balance

The Company has claimed interest according to the terms of the contract amounting to Rs 175.390 million (2004: Rs 222.393 million) from WAPDA on overdue payments for gas supplied. To date this interest has not been paid by WAPDA. In previous years the Company had charged WAPDA interest on overdue payments according to contractual terms with WAPDA, however, the interest was subsequently settled at reduced amount on the basis of agreement with WAPDA through the Government of Pakistan. Consequently based on these circumstances the Company's management is of the view that at present settlement of the interest is uncertain and as such revenue that would flow to the Company cannot be measured reliably.

In view thereof the Company's management considers it prudent not to recognize the interest claimed as income till such time, that the amount of such interest which will flow to the Company can be measured reliably. However, in case the interest was recognized as income, there would



be no effect on the profit for the year as the gas development surcharge payable to the Government of Pakistan would increase by the same amount.

13.3 Others

13.3.1 Claims against the Company not acknowledged as debts amount to Rs 437.431 million (2004: Rs 417.238 million).

- a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating Rs 79.812 million (2004: Rs 79.812 million). Pending the outcome of these claims, which are with the various courts no provision has been made in these financial statements as in the management's view the Company has strong grounds in the cases lodged.
- b) Included in claims against the Company not acknowledged as debt is the claim of employees union for bonus amounting to Rs 255 million (2004: 255 million) approximately, which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honourable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC is without jurisdiction and is void. The appeal has not so far been fixed for hearing. No provision has been made in these financial statements for the amount of bonus as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favour of the Company.

13.4 Commitments in respect of

- a) Contracts for capital expenditure amount to Rs 2,408.297 million (2004: Rs 1,072.620 million).
- b) Letters of credit other than for capital expenditure amount to Rs 151.549 million (2004: Rs 142.808 million).

		2005	2004
		(Rupees in thousand)	
14. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	(Note 14.1)	36,846,015	33,081,857
Capital work in progress	(Note 14.2)	3,602,718	3,853,590
		40,448,733	36,935,447

14.1 OPERATING FIXED ASSETS

DESCRIPTION	Cost			Accumulated Depreciation			Book value as at June 30, 2005	Rate %										
	As at July 01, 2004	Additions/ adjustments/ (deletions)	As at June 30, 2005	As at July 01, 2004	charge for the year/(accumulated depreciation on disposals)	As at June 30, 2005												
	(R	u	p	e	e	s	I	n	t	h	o	u	s	a	n	d)
Freehold land	401,300	92,196	493,496	-	-	-	493,496	-										
Leasehold land	392	-	392	-	-	-	392	-										
Buildings and civil construction on freehold land	731,650	82,175	813,825	448,244	34,959	483,203	330,622	6										
Buildings on leasehold land	8,461	-	8,461	8,461	-	8,461	-	6										
Transmission system	27,860,379	3,930,327	31,790,706	11,806,924	1,635,417	13,442,341	18,348,365	6 - 10										
Distribution system	14,379,125	1,993,393	16,372,518	6,092,156	845,716	6,937,872	9,434,646	6										
Consumer meter and town border stations	7,294,357	781,918	8,035,692	2,613,449	428,235	3,020,830	5,014,862	6										
Telecommunication system and facilities	2,119,439	13,817	2,130,091	1,615,336	212,591	1,824,769	305,322	15										
Compressor stations and equipments	4,113,902	90,843	4,204,500	1,970,033	216,432	2,186,220	2,018,280	6 - 9										
Plant and machinery	2,491,803	265,083	2,748,271	2,008,984	156,906	2,157,306	590,965	10 - 20										
Furniture and equipment	246,522	27,461	268,649	177,419	21,241	193,936	74,713	15 - 20										
Loose tools	57,220	53,335	110,555	39,341	17,042	56,383	54,172	33.33										
Transport vehicles	616,912	103,364	701,186	459,258	78,105	521,006	180,180	25										
		(19,090)			(16,357)													
2005	60,321,462	7,433,912	67,678,342	27,239,605	3,646,644	30,832,327	36,846,015											
		(77,032)			(53,922)													
2004	54,399,831	6,174,671	60,321,462	24,129,903	3,333,486	27,239,605	33,081,857											
		(253,040)			(223,784)													

Included in addition to transmission system is borrowing cost of Rs. Nil (2004: Rs.37.636 million) capitalized during the year. The capitalization rate used to determine amount of borrowing cost is Nil (2004: 3.52%).

The amount of deletions appearing under the transmission system includes the cost of uplifted pipelines amounting to Rs. Nil (2004: Rs 154.850 million) having nil book value, being fully depreciated.

The cost of the assets as on June 30, 2005 include fully depreciated assets amounting to Rs. 3,729 million (2004: Rs. 3,842 million).



	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)	
14.1.1 The depreciation charge for the year has been allocated as follows:		
Distribution cost (Note 29)	3,565,805	3,254,730
Administrative expenses (Note 30)	80,839	78,756
	<u>3,646,644</u>	<u>3,333,486</u>

14.1.2 Detail of certain assets disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	S o l d t o
		(R	u p	e e	s)	
Transport Vehicles						
Toyota Corolla	854,000	699,286	154,714	154,714	Service Rules	Muhammad Azam Khan (Ex-Executive)
Toyota Corolla	744,000	623,557	120,443	120,443	Service Rules	Ghulam Qadir Awan (Ex-Executive)
Suzuki Cultus	560,000	274,822	285,178	285,178	Service Rules	Asif Mehmood (Ex-Executive)
Honda City	730,500	552,128	178,372	178,372	Service Rules	Tahir Ikram (Ex-Executive)
Toyota Hilux	1,865,000	699,375	1,165,625	1,775,000	Insurance claim	National Insurance Company Limited
Isuzu Pickup Truck	1,239,569	464,838	774,731	2,165,000	Insurance claim	National Insurance Company Limited
Book value of the other assets disposed off was less than Rs. 50,000.						





	2005	2004
	(Rupees in thousand)	
14.2 CAPITAL WORK IN PROGRESS		
Transmission system	221,422	593,176
Distribution system	1,318,171	1,121,293
Stores and spares (Note 14.2.1)	1,941,012	2,021,754
Advances for land	122,113	117,367
	3,602,718	3,853,590

14.2.1 Stores and spares

Stores and spares including in transit Rs. 170.939 million (2004: Rs. 355.982 million)	1,953,129	2,039,296
Less: Provision for obsolescence	12,117	17,542
	1,941,012	2,021,754

15. LONG TERM INVESTMENT

Investment in related party/associate - at cost

Inter State Gas Systems (Private) Limited 49 (2004: 49) ordinary shares of Rs 10 each	1	1
Advance for 489,951 ordinary shares	4,899	4,899
	4,900	4,900

16. LONG TERM LOANS - CONSIDERED GOOD

	House building		Car		Motorcycle/ Scooter		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	(Rupees in thousand)							
Due From:								
Executives	7,564	10,271	222	357	-	-	7,786	10,628
Other employees	297,919	254,373	2,681	4,554	12,103	10,338	312,703	269,265
	305,483	264,644	2,903	4,911	12,103	10,338	320,489	279,893
Amount due within one year:								
Executives	2,004	2,240	100	130	-	-	2,104	2,370
Other employees	49,134	43,332	1,040	1,389	6,107	5,618	56,281	50,339
	51,138	45,572	1,140	1,519	6,107	5,618	58,385	52,709
	254,345	219,072	1,763	3,392	5,996	4,720	262,104	227,184
Reconciliation of balance due from executives:								
Opening balance	10,271	12,819	357	496	-	-	10,628	13,315
Disbursements	-	-	-	-	-	-	-	-
	10,271	12,819	357	496	-	-	10,628	13,315
Repayments	2,707	2,548	135	139	-	-	2,842	2,687
Closing balance	7,564	10,271	222	357	-	-	7,786	10,628

House building and car loans are repayable in 10 years, while motorcycle / scooter loans are repayable in 3 years. Interest from 1 to 10% (2004: 1 to 10%) per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles.

The maximum amount due from the Chief Executive and executives at any month end during the year was Rs Nil (2004: Rs Nil) and Rs 10.413 million (2004: Rs 13.304 million) respectively.





	2005	2004
	(Rupees in thousand)	
17. LONG TERM DEPOSITS AND PREPAYMENTS		
Security and other deposits	3,088	2,777
Prepayments	11,483	9,719
	14,571	12,496
Less: Current portion of prepayments	6,834	4,984
Provision against prepayments	1,231	1,231
	8,065	6,215
	6,506	6,281
18. STORES AND SPARES		
Stores including in transit Rs 11.769 million (2004: Rs 18.918 million)	362,715	310,564
Spares including in transit Rs 29.401 million (2004: Rs 31.185 million)	363,007	307,387
	725,722	617,951
Less: Provision for obsolescence	14,738	18,346
	710,984	599,605
19. TRADE DEBTS		
Considered good:		
Related parties (Note 19.1)	292,819	427,099
Others	13,483,385	9,056,571
Accrued gas sales	419,027	258,392
	14,195,231	9,742,062
Considered doubtful:		
Others	1,249,621	1,309,204
	15,444,852	11,051,266
Less: Provision for doubtful debts	1,249,621	1,309,204
	14,195,231	9,742,062
19.1 Related parties:		
Nishat Mills Limited	61,085	62,308
ICI Pakistan Limited	57,921	44,755
Glaxo Smith Kline (Pakistan) Limited	129	99
Packages Limited	48,159	41,449
Dawood Hercules Chemicals Limited	125,525	278,488
	292,819	427,099





	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)	
20. LOANS AND ADVANCES		
Loans due from employees:		
Executives (Note 16)	2,104	2,370
Other Employees (Note 16)	56,281	50,339
	<u>58,385</u>	<u>52,709</u>
Advances to other employees - considered good	1,070	4,146
Senior executive gratuity fund	-	24,545
Advances to suppliers and contractors less provision for doubtful receivables Rs 3.302 million (2004: Rs 13.794 million)	52,476	59,324
	<u>111,931</u>	<u>140,724</u>
21. TRADE DEPOSITS AND PREPAYMENTS		
Trade deposits and prepayments less provision for doubtful receivables Rs 25.505 million (2004: Rs 25.505 million)	81,891	29,948
Current portion of prepayments (Note 17)	6,834	4,984
	<u>88,725</u>	<u>34,932</u>
22. ACCRUED INTEREST		
Related parties:		
Askari Commercial Bank Limited	-	77
MCB Bank Limited (Formerly Muslim Commercial Bank Limited)	941	333
Prime Commercial Bank Limited	7,621	-
	<u>8,562</u>	<u>410</u>
Others	47,509	34,329
	<u>56,071</u>	<u>34,739</u>
23. OTHER RECEIVABLES		
Exchange differences on long term loans recoverable from Government of Pakistan	487,339	-
Differential margin recoverable	-	284,905
	<u>108,945</u>	<u>108,945</u>
Excise duty recoverable	95,757	95,757
Less: Provision for doubtful recoverable	<u>13,188</u>	<u>13,188</u>
Provident fund trust	20,121	10,756
Others	9,060	48,513
	<u>529,708</u>	<u>357,362</u>





	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)	
24. CASH AND BANK BALANCES		
Cash at banks		
On deposits, including Rs 15.325 million (2004: Rs 14.902 million) in special account and cheques under clearance of Rs 1,055.181 million (2004: Rs 230.314 million)	(Note 24.1 & 24.2) 8,056,180	8,137,979
On current accounts, including remittances in transit and cheques under clearance of Rs 226.699 million (2004: Rs 334.483 million)	<u>257,834</u>	<u>380,531</u>
	8,314,014	8,518,510
Cash in hand	<u>1,070</u>	<u>1,090</u>
	<u>8,315,084</u>	<u>8,519,600</u>

24.1 Rate of profit on bank deposits ranges from 0.50 % to 9.50 % (2004: 0.60 % to 6.00 %) per annum.

24.2 Balance with related parties:

Askari Commercial Bank Limited	1,315	568,592
MCB Bank Limited (Formerly Muslim Commercial Bank Limited)	311,065	11,668
Prime Commercial Bank Limited	900,635	289,430
Bank Al-Habib Limited	219,997	997,611
Faysal Bank Limited	255,628	27,020
	<u>1,688,640</u>	<u>1,894,321</u>

25. GAS SALES

Gross sales	97,487,655	74,005,614
Less: Sales tax	12,776,581	9,728,552
Discount	670	917
	<u>12,777,251</u>	<u>9,729,469</u>
	<u>84,710,404</u>	<u>64,276,145</u>





	2005	2004
	(Rupees in thousand)	
26. COST OF GAS SOLD		
Opening stock of gas in pipelines	275,800	184,210
Gas purchases:		
Southern system	61,226,528	44,344,562
Northern system	5,517,658	3,725,690
Cost equalization adjustment (Note 26.1)	5,824,625	5,722,334
	72,568,811	53,792,586
	72,844,611	53,976,796
Less: Gas internally consumed	1,305,839	1,073,454
Closing stock of gas in pipelines	346,382	275,800
	1,652,221	1,349,254
	71,192,390	52,627,542

26.1 In accordance with the policy guidelines issued by Government of Pakistan under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Company has entered into an agreement with Sui Southern Gas Company Limited (SSGCL) for uniform pricing of gas. Under this agreement, the Company with a higher weighted average cost of gas will raise a demand to the other company of the amount necessary to equalize the cost of gas for both the companies. As a consequence of this agreement, SSGCL has raised a demand of differential of cost for the equalization of cost of gas.

	2005	2004
	(Rupees in thousand)	
27. RENTAL AND SERVICE INCOME		
Transmission charges exclusive of sales tax of Rs. 1.248 million (2004: Rs. 1.163 million)	8,320	7,695
Meter rental exclusive of sales tax of Rs 92.374 million (2004: Rs 86.654 million)	615,824	577,692
Testing and reconnection charges	8,277	9,852
Income from repair work	66,615	43,409
	699,036	638,648
28. SURCHARGE AND INTEREST ON GAS SALES ARREARS		
Interest on gas sales arrears	385,449	289,060
Surcharge on late payments exclusive of sales tax of Rs. 18.145 million (2004: Rs. 79.009 million) (Note 28.1)	261,213	237,669
	646,662	526,729



28.1 Late payment surcharge at the rate of 1.5 % per month upto one year and thereafter 2 % per month is charged on over due amounts on consumers other than domestic consumers which are charged one time surcharge at the rate of 10 %.

		<u>2005</u>	<u>2004</u>
		(Rupees in thousand)	
29. DISTRIBUTION COST			
Salaries, wages and benefits	(Note 10.1 & 29.1)	2,169,005	2,162,879
Employees medical and welfare	(Note 10.1)	358,130	409,006
Stores and spares consumed		282,131	213,854
Fuel and power		1,333,945	1,120,774
Repairs and maintenance		245,589	224,483
Rent, rates, electricity and telephone		69,845	82,180
Insurance		238,568	115,712
Travelling		44,547	41,851
Stationery, telegrams and postage		19,430	17,787
Despatch of gas bills		16,569	15,723
Transportation charges		163,171	143,378
Provision for doubtful debts		101,061	84,752
Provision for doubtful receivables		-	95,756
Professional services		1,176	747
Gathering charges of gas bills collection data		21,017	35,780
Stores and spares written off	(Note 29.2)	19,900	25,520
Provision for obsolete stores and spares		-	13,581
Gas bills collection charges		44,942	41,763
Security expenses		111,106	67,285
Service charges		16,974	-
Advertisement		32,050	40,207
Depreciation	(Note 14.1.1)	3,565,805	3,254,730
Others		32,017	24,377
		8,886,978	8,232,125
Less: Allocated to fixed capital expenditure		507,928	494,750
		8,379,050	7,737,375

29.1 Included in salaries, wages and benefits is Rs 66.610 million (2004: Rs. 71.647 million) against company contribution to employees provident fund.

29.2 This represents book value of meters which were not considered repairable and have been written off.



		2005	2004
		(Rupees in thousand)	
30. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	(Note 10.1 & 30.1)	725,439	752,051
Employees medical and welfare	(Note 10.1)	117,052	136,049
Stores and spares consumed		17,451	14,024
Fuel and power		11,891	10,980
Repairs and maintenance		24,548	33,788
Rent, rates, electricity and telephone		17,959	19,072
Insurance		7,566	6,148
Travelling		11,954	12,331
Stationery, telegrams and postage		12,979	14,106
Transportation charges		27,740	27,556
Professional services	(Note 30.2)	18,104	18,133
Loans to deceased employees written off		-	114
Security expenses		10,555	7,490
OGRA fee and expenses		64,691	67,567
Advertisement		820	-
Depreciation	(Note 14.1.1)	80,839	78,756
Others		44,727	51,327
		1,194,315	1,249,492
Less: Allocated to fixed capital expenditure		284,241	307,609
		910,074	941,883

30.1 Included in salaries, wages and benefits is Rs 22.278 million (2004: Rs. 23.963 million) against company contribution to employees provident fund.

30.2 Professional services

The charges for professional services include the following in respect of:

Statutory audit:

Riaz Ahmad & Co	275	250
Ford Rhodes Sidat Hyder & Co	275	250
	550	500

Audit certification for lending agencies, sundry advisory services and half yearly review:

Riaz Ahmad & Co	150	201
Ford Rhodes Sidat Hyder & Co	190	100
	340	301

Out of pocket expenses:

Riaz Ahmad & Co	175	100
Ford Rhodes Sidat Hyder & Co	175	100
	350	200
	1,240	1,001





	2005	2004
	(Rupees in thousand)	
31. OTHER OPERATING INCOME		
Income from financial assets		
Interest on staff loans and advances	9,993	8,510
Return on bank deposits	345,111	184,512
Gain on sale of investment	21,866	-
Reversal of provision for doubtful debts	154,510	-
	531,480	193,022
Income from assets other than financial assets		
Net gain on sale of fixed assets	11,733	18,807
Insurance claim (Note 31.1)	7,668	159,944
	19,401	178,751
Others		
Sale of tender documents	1,648	2,146
Sale of condensate	-	1,551
Sale of scrap	34,263	8,672
Credit balances written back	11,384	8,837
Liquidated damages recovered	11,744	3,202
Gain on construction contracts	168,464	-
Miscellaneous	2,796	10,102
	230,299	34,510
	781,180	406,283

31.1 This mainly represents claims received on account of ruptures of gas pipelines.

32. FINANCE COST

Mark-up/ interest/commitment charges on:

Long term financing:		
- Secured	237,182	252,288
- Unsecured	271,928	308,654
Security deposits	94,208	83,468
Workers' profit participation fund	47	50
	603,365	644,460
Exchange risk coverage fee	310,393	352,150
	913,758	996,610
Less: Allocated to fixed capital expenditure	-	27,692
	913,758	968,918





	2005	2004
	(Rupees in thousand)	
33. OTHER CHARGES		
Workers' profit participation fund	225,280	192,862
Donations (Note 33.1)	1,015	830
Prime Minister's flood relief fund	-	3,099
	<u>226,295</u>	<u>196,791</u>

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

34. PROVISION FOR TAXATION

Current year		
Current	1,054,151	802,270
Deferred	565,473	560,483
	<u>1,619,624</u>	<u>1,362,753</u>
Prior year		
Current	(94,125)	4,146
	<u>1,525,499</u>	<u>1,366,899</u>

34.1 Tax charge reconciliation

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

Applicable tax rate as per Income Tax Ordinance, 2001	35.00	35.00
Tax effect of amounts that are:		
- Not deductible for tax purpose	1.82	1.67
- Others	1.02	0.52
Effect of changes in prior years tax	(2.20)	0.11
	<u>0.64</u>	<u>2.30</u>
Average effective tax rate charged to profit and loss account	<u>35.64</u>	<u>37.30</u>

35. CASH GENERATED FROM OPERATIONS

Profit before taxation	4,280,317	3,664,377
Adjustment for non-cash charges and other items:		
Depreciation	3,646,644	3,333,486
Employee benefits	494,957	636,804
Amortization of deferred credit	(397,671)	(359,145)
Net gain on sale of fixed assets	(11,733)	(18,807)
Finance cost	913,758	968,918
Return on bank deposits	(345,111)	(184,512)
Net gain on sale of investment	(21,866)	-
Provision no longer considered necessary written back	-	(5,711)
Provision for doubtful debts	101,061	84,752
Provision for doubtful receivables	-	95,756
Stores and spares written off	19,900	25,520
Reversal of provision for doubtful debts	(154,510)	-
Working capital changes (Note 35.1)	(592,437)	3,862,592
	<u>7,933,309</u>	<u>12,104,030</u>





	<u>2005</u>	<u>2004</u>
	(Rupees in thousand)	
35.1 Working capital changes		
(Increase)/ decrease in current assets:		
Stores and spares	(131,279)	(116,111)
Stock-in-trade	(70,582)	(91,590)
Trade debts	(4,399,720)	(1,080,555)
Loans and advances	9,924	(1,045)
Trade deposits and prepayments	(29,248)	104,175
Other receivables	(172,346)	274,453
	<u>(4,793,251)</u>	<u>(910,673)</u>
Increase/ (decrease) in current liabilities:		
Trade and other payables	4,200,814	4,773,265
	<u>(592,437)</u>	<u>3,862,592</u>

36. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits, to the Chief Executive and executives of the Company is as follows:

	<u>Chief Executive</u>		<u>Executives</u>	
	<u>2005</u>	2004	<u>2005</u>	2004
Number of persons	1	1	113	107
	(Rupees in thousand)			
Managerial remuneration	3,526	3,366	96,683	91,342
Contribution to provident, pension and gratuity fund	-	-	27,914	27,242
Housing and utilities	1,616	1,543	49,223	47,832
Leave encashment	-	-	934	962
Club subscription	4	4	22	24
	<u>5,146</u>	<u>4,913</u>	<u>174,776</u>	<u>167,402</u>

In addition, the Chief Executive and certain executives are provided with free transport subject to certain specified limits for petrol consumption, residential telephone facilities for both business and personal use and free medical facilities.

The aggregate amount charged in the financial statements in respect of directors' fee paid to fourteen (2004: fourteen) directors was Rs 29,000 (2004: Rs 37,500).





37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors of the company, companies where directors also hold directorship, key management personnel and staff retirement funds. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2005	2004
	(Rupees in thousand)	
Gas sales	3,414,749	2,991,908
Purchase of materials	659,379	426,340
Purchase of gas	52,953,867	40,877,685
Services	16,974	-
Profit received on bank deposits	68,965	24,639
Contribution to defined contribution plan	88,888	95,610
Contribution to defined benefit plans	248,412	235,965

37.1 Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and/or actuarial advice.

37.2 Transactions entered into with key management personnel are included in Note 14.1.2 to the financial statements.

38. NUMBER OF EMPLOYEES

	2005	2004
Number of employees at year end	7,168	7,329

39. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 453,282 hm³ (2004: 381,174 hm³) against the designed capacity of 464,868 hm³ (2004: 453,599 hm³). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers.

40. BASIC EARNINGS PER SHARE

Net profit for the year	Rupees in thousand	2,754,818	2,297,478
Average ordinary shares in issue	Numbers	499,186,600	499,186,600
Basic earnings per share	Rupees	5.52	4.60

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.



41. FINANCIAL ASSETS AND LIABILITIES

	Interest/ mark-up bearing				Non interest/ mark-up bearing				(Rupees in thousand)			
	Maturity upto one year		Maturity after five years		Maturity upto one year		Maturity after one year		Maturity after five years		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Financial assets												
Long Term Investment	-	-	-	-	-	-	-	-	4,900	4,900	4,900	4,900
Long term loans	58,385	52,709	155,746	149,792	106,358	77,392	-	-	-	-	320,489	279,893
Long term deposits	-	-	-	-	-	-	-	-	3,088	2,777	3,088	2,777
Trade debts	-	-	-	-	-	-	14,195,231	9,742,062	-	-	14,195,231	9,742,062
Accrued interest	-	-	-	-	-	-	56,071	34,739	-	-	56,071	34,739
Trade deposits	-	-	-	-	-	-	26,672	27,254	-	-	26,672	27,254
Other receivables	-	-	-	-	-	-	514,450	17,903	-	-	514,450	17,903
Short term investment	-	-	-	-	-	-	46,134	-	-	-	-	46,134
Cash and bank balances	8,056,180	8,137,979	-	-	-	-	258,904	381,621	-	-	8,315,084	8,519,600
	8,114,565	8,190,688	155,746	149,792	106,358	77,392	15,051,328	10,249,713	-	-	23,435,985	18,675,262
Off balance sheet												
	8,114,565	8,190,688	155,746	149,792	106,358	77,392	15,051,328	10,249,713	-	-	23,435,985	18,675,262
Total financial assets												
	8,114,565	8,190,688	155,746	149,792	106,358	77,392	15,051,328	10,249,713	-	-	23,435,985	18,675,262
Financial liabilities												
Long term financing												
- Secured	1,462,087	924,587	3,473,672	4,973,259	-	62,500	-	-	-	-	4,935,759	5,960,346
- Unsecured	546,897	440,170	3,433,907	2,606,812	2,556,460	1,948,768	245,525	982,100	1,227,625	245,525	8,010,414	6,714,425
Security deposits	-	-	-	-	3,378,305	2,159,300	-	-	-	1,901,670	5,279,975	4,441,952
Trade and other payables	-	-	-	-	-	-	15,269,786	12,386,000	-	-	15,269,786	12,386,000
Accrued mark up	-	-	-	-	-	-	200,730	155,069	-	-	200,730	155,069
	2,008,984	1,364,757	6,907,579	7,580,071	5,934,765	4,170,568	15,716,041	12,786,594	982,100	1,227,625	33,696,664	29,657,792
Off balance sheet												
Commitments	-	-	-	-	-	-	2,408,297	1,072,620	-	-	2,408,297	1,072,620
Letter of credit	-	-	-	-	-	-	151,549	142,808	-	-	151,549	142,808
	-	-	-	-	-	-	2,559,846	1,215,428	-	-	2,559,846	1,215,428
Total financial liabilities	2,008,984	1,364,757	6,907,579	7,580,071	5,934,765	4,170,568	18,275,887	14,002,022	982,100	1,227,625	36,256,510	30,873,220
On balance sheet gap	6,105,581	6,825,931	(6,751,833)	(7,430,279)	(5,828,407)	(4,093,176)	(664,713)	(2,536,881)	(982,100)	(1,227,625)	(10,260,679)	(10,982,530)
Off balance sheet gap	-	-	-	-	-	-	(2,559,846)	(1,215,428)	-	-	(2,559,846)	(1,215,428)

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.



41.1 Financial risk management

Overall, risks arising from the Company's financial assets and liabilities are limited. The Company manages its exposure to financial risk in the following manner:

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered mainly through exchange risk cover.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term Rupee based loans at variable rates and fixed rates. Variable rate Rupee loans risks are minimised by instituting State Bank of Pakistan discount rate along with caps and floors. This protects the Company against any adverse movement in market interest rates. Foreign currency loans have variable rate pricing that is dependent on the World Bank base rate with a maximum of 14% inclusive of exchange risk cover fee. Foreign currency loans risks are minimised through exchange risk cover from the Government of Pakistan. Rates on loans from industrial consumers are effectively fixed.

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its bank balances. The credit risk on liquid funds is limited because the counter parties are bank with reasonably high credit rating. Out of total financial assets of Rs 23,435.985 million (2004: Rs 18,675.262 million), the financial assets which are subject to credit risk amounted to Rs 15,714.641million (2004: Rs 12,737.070 million). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure of credit risk, the Company obtains security deposit and bank guarantees from customers.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

41.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values, except for long term investment which is stated at cost.

42. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on September 30, 2005 by the Board of Directors of the Company.



43. CORRESPONDING FIGURES

Due to revision of the Fourth Schedule to Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(I)/2004 dated July 05, 2004, corresponding figures have been rearranged and / or reclassified, for the purpose of comparison. The entire reclassifications and rearrangements due to revision are impracticable to list and disclose. Additionally, the following significant reclassifications have been made in these financial statements.

The funds received from Government of Pakistan under Tameer-e-Watan programme previously grouped in cash development loans amounting to Rupees 1,187.737 million has been treated as government grants and classified in deferred credits in pursuance to the agreement between company and the Government of Pakistan.

Accrued gas sales amounting to Rupees 258.392 million, previously grouped in other receivables has been reclassified as trade debts.

A. Rashid Lone
Chief Executive

M. Iqbal Awan
Director

TRANSMISSION SYSTEM AS ON JUNE 30, 2005

SR. NO.	SECTION	DIA (Inches)	MAINLINE (kilometers)	LOOPLINE (kilometers)
1	PIRKOH - SUI	24	70.50	
2	LOTI - PESHBOGI	18	11.25	
3	SUI - MULTAN	16	2.11	
4	SUI - MULTAN	18		286.33
5	SUI - MULTAN	24	347.01	
6	SUI - MULTAN	30		347.37
7	SUI - MULTAN	36		213.68
8	K1 – MP-37.88	20		20.68
9	SHER SHAH X-IN	36		2.20
10	AC1X – AV7 (RYK)	36		26.96
11	AV17 - AV20	36		3.50
12	AV21 – AV 22	36		27.79
13	GUDDU THERMAL POWER STATION	4	2.41	
14	GUDDU CROSSING - 1	24	1.81	
15	GUDDU CROSSING - 2	36		1.81
16	SUTLEJ CROSSING - 1	12	1.61	3.22
17	SUTLEJ CROSSING - 2	36		2.04
18	KHANPUR LINE	6	22.81	
19	A5 - BAHAWALPUR	8	48.18	
20	AV22 - KOT ADDU	16	69.65	
21	AV22 - KOT ADDU	20		38.01
22	D. G. KHAN LINE	8	46.13	
23	DHODAK - KOT ADDU	16	77.79	
24	TPS MUZAFFARGARH LINE	16	4.57	
25	QADIRPUR - AC-1X LINE	30	70.26	
26	QADIRPUR - AC-1X LINE	36		70
27	MUBARAK LINE	16	35.48	
28	KAND KOT LINE	16	52.23	
29	SAWAN - QADIRPUR LINE	24	131	
30	AHMEDPUR EAST	6	18.34	
31	KHAN GARH	8	22.20	
32	MULTAN - FERTILIZER LINE	10	1.430	
33	JAHANIAN LINE	8	30.49	
34	MULTAN - SIDHNAI	18		46.7
35	MULTAN - SIDHNAI	24	22.46	22.46
36	MULTAN - SIDHNAI	30		46.70
37	MULTAN - SIDHNAI	36		48.38
38	AV29 - SAHIWAL	24	145.45	
39	SIDHNAI - FAISALABAD	18		136.85
40	SIDHNAI - FAISALABAD	24		50.24
41	SIDHNAI - FAISALABAD	30		53.29
42	SIDHNAI - FAISALABAD	36		26.42
43	SIDHNAI X-ING - AC-7	36		33.26
44	T.T. SING - JHANG	8	30.28	
45	SAHIWAL - LAHORE	18	142.93	
46	AC8 - SMSII (OLD)	16		5.90
47	AC8 - A11	20		0.66
48	WAPDA OFFTAKE FSD	12	2.42	

SR. NO.	SECTION	DIA (Inches)	MAINLINE (kilometers)	LOOPLINE (kilometers)
49	CHAK JHUMRA LINE	6	12.04	
50	FSD - MALIKWAL	12	102.29	
51	FSD - MALIKWAL	16		158.67
52	FSD - MALIKWAL	30		90.82
53	MALAKWAL - JHELMUM CROSSING	16		5.42
54	CHENAB CROSSING CHINIOT	18	1.13	
55	CHENAB CROSSING CHINIOT	30	2.32	
56	KOT MOMIN - JOHARABAD (1)	8	72.41	
57	KOT MOMIN - JOHARABAD (2)	6	38.36	
58	JOHARABAD - CHASHMA	8	82.252	
59	SARGODHA LINE	6	22.90	
60	FSD - SHAHDARA	16	60.84	119.25
61	FSD - SHAHDARA	24		38.94
62	BC1 - FAROOQ ABAD	8	22.96	
63	SHAHDARA - LAHORE	16	2.51	2.99
64	RAVI CROSSING (1)	16	0.58	
65	RAVI CROSSING (2)	10		0.58
66	SHAHDARA - WAPDA LAHORE	10	3.41	
67	KHURRIANWALA - JARANWALA	8		22.53
68	DAWOOD HERCULES LINE	12	5.87	
69	SHEIKHUPURA - GUJRANWALA (1)	10	59.44	
70	SHEIKHUPURA - GUJRANWALA (2)	16		44.57
71	KOTLI - RAHWALI (BV13)	18	30.76	
72	HAFIZABAD LINE	8	43.00	
73	SHAHDARA - GUJRANWALA - RAHWALI	10	73.4	
74	RAHWALI - GUJRAT	8	35.46	
75	RAHWALI - SIALKOT	8	43.58	43.58
76	SIALKOT O/T - WAZIRABAD	18		19.82
77	SAHIWAL - LAHORE	16		143.36
78	PHOOL NAGAR - DAWOOD HERCULES	16	63.95	
79	GUJRAT - JHELMUM	8	54.27	
80	SARAI ALAMGIR - MIRPUR	8	35.85	
81	MALIKWAL - HARANPUR - DANDOT	12	20.13	
82	MALIKWAL - HARANPUR - DANDOT	16		20.00
83	CC1 - C4	30		29.09
84	HARANPUR - GHARIBWAL	8	13.02	
85	DANDOT - GALI JAGIR - WAH	10	151.92	
86	DANDOT - GALI JAGIR - WAH	16		153.51
87	DANDOT - GALI JAGIR - WAH	30		64.22
88	DHULIAN - GALI JAGIR	10	40.14	29.85
89	DAKHNI - MEYAL - DHULIAN	16	50.44	
90	CV13a - CC1	16		3.58
91	C10 - ISMAILKOT	16		14.64
92	RATANA LINE	10	2.49	
93	SIL CROSSING	10		1.46
94	DHURNAL LINE (1)	8	0.54	
95	DHURNAL LINE (2)	10	11.08	
96	DHULIAN - DAUDKHEL	8	85.2	4.04



SR. NO.	SECTION	DIA (Inches)	MAINLINE (kilometers)	LOOPLINE (kilometers)
97	GALI JAGIR - MORGAH (1)	10	35.21	
98	GALI JAGIR - MORGAH (2)	6	9.50	
99	WAH - ISLAMABAD	6	12.06	
100	WAH - HATTAR	16		19.79
101	WAH - HATTAR	10	9.93	
102	HATTAR - HARIPUR	10	18.12	
103	HATTAR OFFTAKE	6	0.39	
104	HARIPUR - MANSEHRA	8	70.53	
105	HARIPUR OFFTAKE	8	1.53	
106	ADHI - RAWAT	10	47.70	
107	BHANGALI LINE	8	5.82	
108	MISSA KASWAL - MANDRA	8	20.60	
109	WAH - NOWSHERA (1)	10	75.51	
110	WAH - NOWSHERA (2)	16		76.27
111	TAXILA LINE	4	4.43	
112	SANJWAL LINE	6	6.67	
113	KOHAT LINE	8	54.27	
114	NOWSHERA - ISMAILKOT (1)	8	11.97	
115	NOWSHERA - ISMAILKOT (2)	6		11.97
116	ISMAILKOT - TURNAB	8		20.85
117	ISMAILKOT - TURNAB	6	20.86	
118	ISMAILKOT - TURNAB	16		21.24
119	SHAKARDARA - DAUDKHEL	10	43.11	
120	NOWSHERA - MDN - TAKHTBAI - S/KOT	8	57.99	
121	SAKHAKOT - SWAT	8	68.01	
122	NOWSHERA - CHARSADA	8	23.59	
123	CHARSADDA - TURANG ZAI LINE	6	10.36	
124	SADQAL - NAUGAZI LINE	16	19.02	
125	TANGI LINE	6	13.87	
126	DASKA - PASROOR LINE	8	24.86	
127	FAUJI KABIR WALA LINE	8	5.86	
128	OKARA - DIPALPUR LINE	8	16.83	
129	CHARSADHA - KHAZANA SUGAR MILLS	8	22.64	
130	JAHANGIRA - SWABI - TOPI	8	40.29	
131	KABUL CROSSING JAHANGIRA ON TOPI LINE	16	0.30	
132	ROUSCH POWER PLANT LINE	16	4.70	
133	PINDORI - BHANGALI LINE	8	15.83	
134	MIANWALI LINE	8	17.80	
	TOTAL		3445.51	2675.48
	GRAND TOTAL	=	6120.99 km	





TRANSMISSION NETWORK





FORM OF PROXY

SUI NORTHERN GAS PIPELINES LIMITED

Gas House, 21-Kashmir Road, P.O. Box No. 56, Lahore
Phones: 9201451-60 (10 lines) 9201419 Fax: 92-42-9201302, 9201369

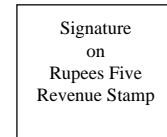
I _____
of _____ being a member of
SUI NORTHERN GAS PIPELINES LIMITED and holder of _____ ordinary
(number of shares)
shares as per Registered Folio / CDC No. _____ hereby appoint
Mr./Mrs./Miss. _____
of _____ or failing whom
Mr./Mrs./Miss _____ who is also a member of
SUI NORTHERN GAS PIPELINE LIMITED vide Registered Folio No. _____
as my proxy to vote for me and on my behalf at the 42nd Annual General Meeting of the Company to be held
on Monday, October 31, 2005 at 10:30 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature _____
Name _____
Address _____

NIC or _____
Passport No. _____
2. Signature _____
Name _____
Address _____

NIC or _____
Passport No. _____



(Signature should agree with the specimen signature registered with the Company)

Date _____

NOTES

1. The Proxy Form must be signed across Rupees Five revenue stamp and it should be deposited in the office of the Company Secretary not less than 48 hours before the time of holding the meeting.
2. A member entitled to attend may appoint another member as his/her proxy or may by Power of Attorney authorise any other person as his/her agent to attend, speak and vote at the meeting. The Federal Government, a Provincial Government, a corporation or a company, as the case may be, being a member of the Company, may appoint any of its officials or any other person to act as its representative and the person so authorised shall be entitled to the same powers as if he were an individual shareholder.

For CDC account holders / corporate entities:

In addition to the above the following requirements have to be met:

- i) The Proxy Form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the Form.
- ii) Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
- iii) The Proxy shall produce his original NIC or original passport at the time of the Meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

