

transmission gas pipelines due to sabotage activities. Supply of natural gas was restored within the shortest possible time and that too without any major inconvenience to the consumers.

The Management effectively carried out peak winter load management, without major curtailment of supply of gas to industrial consumers and maintained uninterrupted gas supply for all the domestic consumers.

#### **POST BALANCE SHEET EVENTS**

The Directors have not received, as at September 25, 2007, being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, which have not been reflected in the financial statements as presented.

#### **CORPORATE GOVERNANCE**

The principles of Corporate Governance adopted by the Directors are set out in detail in the section on Corporate Governance, in this Annual Report.

#### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

The Board of Directors hereby declares that for the year ended June 30, 2007:

a) The financial statements, together with the notes thereon have been drawn up in conformity with the Fourth Schedule to the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, result of its operations, cash flows and changes in equity.

- b) Proper Books of Accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements, except for those stated specifically, and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There is no significant doubt upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, except for those included in the Company's Statement of Compliance with the Code of Corporate Governance.
- h) Significant deviations from last year's operating results have been disclosed as appropriate in the Directors' report / Chairman's review and in the notes to the accounts, annexed to this report.
- i) Key operating and financial data for the last six years in summarized form is annexed.
- j) Project-IX (P9) Advance Action Plan has been started. The basic objective of Project-IX is to eliminate bottlenecks and to absorb additional gas available from existing and new sources through system up-gradation with loopline and Compression facilities enhancement.



k) Value of investment in employees retirement funds based on audited accounts of the funds for the year ended June 30, 2006- are as follows:

	Rupees in '000'
SN Senior Staff Pension Fund	353,025
SN Junior Staff Pension Fund	918,877
SN Executive Staff Gratuity Fund	13,260
SN Non-Executive Staff Gratuity Fund	707,172
Trustees Provident Fund	1,992,528
<b>Total</b>	<b><u>3,984,862</u></b>

l) Audited value of investment in employees retirement funds created by the Company during F.Y. 2005-06 are given as under:

	Rupees in '000'
SN Executive Staff, Medical Treatment	305,239
SN Non-Executive Staff Medical Treatment	1,223,769
SN Executive Staff Free Gas	18,961
SN Non-Executive Staff Free Gas	281,012
SN Executive Staff Compensated Absences Fund	31,292
SN Non-Executive Staff Compensated Absences Fund	123,160
<b>Total</b>	<b><u>1,983,433</u></b>

m) All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as at June 30, 2007, have been cleared subsequent to the year-end.

n) The number of Board meetings held during the year and attendance by each Director is disclosed in Corporate Governance section of this report.

o) No trading of shares by Chief Executive Officer, Directors, Company Secretary, Chief Financial Officer, their spouses and minor children has been carried out, other than the transaction disclosed as per statute. The number of shares, if any, held by them is annexed.

#### PATTERN OF SHARE HOLDING

The pattern of share holding as at June 30, 2007 is annexed.

#### AUDITORS

The present joint auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants and M/s. Riaz Ahmed and Co., Chartered Accountants, are retiring and being eligible, offer themselves for re-appointment.

#### IMPLEMENTATION OF TRANSFER PRICING POLICY

The Transfer Pricing Policy has been adopted by the Company.

#### GOING CONCERN

The Board of Directors has satisfied itself that the Company has adequate resources to continue in operation for the foreseeable future.



The Company's Financial Statements have accordingly been prepared on a 'going concern' basis.

#### **FUTURE OUT LOOK**

573 Km Transmission lines of various diameters are planned to be completed in FY2007-08 and 2008-09 under Project-IX. Moreover, approximately 250 km transmission lines in various diameters are also expected to be completed. After completion of this project, SNGPL will be in a sound position to meet the growing need of gas, particularly for power plants, in the industrial triangle viz. Lahore, Faisalabad and Multan. A 20" dia, 47 Km, Fatima Fertilizer line is also planned to be constructed by SNGPL as contractor during FY 2007-08.

#### **ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation for the continued support and patronage received from shareholders and its valued customers. We wish to acknowledge the dedication and commitment of all the employees who contributed valuable services, to sustain all its operations.

We also place on record our acknowledgement for the continued guidance and support received from the Government of Pakistan, Ministry of Petroleum & Natural Resources, and Oil & Gas Regulatory Authority (OGRA) in making the year a great success.[]

On behalf of the Board[]

**(A.Rashid Lone)**[]  
Director / Chief Executive

Lahore  
September 25, 2007

# Pattern of Shareholding

As at June 30, 2007

NO. OF SHARES HOLDERS	S H A R E H O L D I N G		SHARES HELD	PERCENTAGE	
	*MEMBER'S NAME	FROM (SHARES)			TO (SHARES)
3414		1	100	154,628	0.03
3690		101	500	923,876	0.17
4889		501	1000	3,259,155	0.59
2539		1001	5000	5,371,090	0.98
382		5001	10000	2,633,696	0.48
132		10001	15000	1,623,682	0.30
63		15001	20000	1,099,620	0.20
28		20001	25000	630,582	0.11
21		25001	30000	565,113	0.10
17		30001	35000	561,499	0.10
12		35001	40000	454,282	0.08
6		40001	45000	249,190	0.05
8		45001	50000	379,380	0.07
9		50001	55000	472,139	0.09
6		55001	60000	340,797	0.06
6		60001	65000	368,724	0.07
2		65001	70000	137,932	0.03
2		70001	75000	146,683	0.03
3		75001	80000	238,794	0.04
3		80001	85000	247,479	0.05
1	THE NORTHERN TRUST COMPANY	85001	90000	87,612	0.02
2		90001	95000	187,662	0.03
5		95001	100000	498,809	0.09
6		100001	105000	618,687	0.11
1	ANWAR ELAHI (00463)	105001	110000	107,500	0.02
3		110001	115000	335,200	0.06
2		115001	120000	237,900	0.04
1	SHARIF AHMAD BANI	120001	125000	124,400	0.02
1	QAISAR PERWAIZ MUFTI	125001	130000	126,500	0.02
3		130001	135000	400,945	0.07
1	SAFEWAY MUTUAL FUND LIMITED	135001	140000	135,080	0.02
2		140001	145000	284,033	0.05
1	ASKARI BANK LIMITED	155001	160000	157,000	0.03
2		160001	165000	325,387	0.06
1	MAHOMMAD MAZHAR HAYAT	165001	170000	169,171	0.03

## Pattern of Shareholding As at June 30, 2007

NO. OF SHARE HOLDERS	S H A R E H O L D I N G		SHARES HELD	PERCENTAGE			
	*MEMBER'S NAME	FROM (SHARES)			TO (SHARES)		
0		17000	175000	349,400	0.06		
1	ESCORTS INVESTMENT BANK LTD - CFS	17500	180000	175,500	0.03		
1	Aneela Malik (AK)	19500	200000	200,000	0.04		
1	FAYSAL BANK LIMITED - CFS	23000	235000	230,800	0.04		
1	NUZHAT IRFAN	24000	245000	242,055	0.04		
2		24500	250000	496,620	0.09		
1	IRFANUDDIN	27000	275000	273,900	0.05		
1	IDBP (ICP UNIT)	28000	285000	282,818	0.05		
1	MR RUSTOM F. COWASJEE	30500	310000	305,374	0.06		
1	MR GHULAM REZA NAMLAITI	31500	320000	318,597	0.06		
2		39500	400000	796,134	0.14		
1	RO Limited (032985)	44000	445000	442,750	0.08		
			1 State Street Bank and Trust Co.				
			47500	480000	477,792	0.09	
			1 EFU LIFE ASSURANCE LTD				
			50500	510000	505,450	0.09	
			1 SILVAT AKHTAR		55500		
			560000	555,880	0.10		
			1 ASIAN CO-OPERATIVE SOCIETY LIMITED	65500	660000	660,000	
					0.12		
			1 KULSOM DAWOOD	66000	66000	66000	
			665000	660,110	0.12		
			2		66500		
			670000	1,331,000	0.24		
			1 CDC- TRUSTEE PICIC ENERGY FUND	68500	690000	687,800	
					0.13		
			1 UniEM Fernost (586-5)	79000	79000	79000	
			795000	793,300	0.14		
			1 PAKISTAN KUWAIT INVESTMENT CO.(PVT) LTD.	82000	825000	823,580	0.15

## Pattern of Shareholding As at June 30, 2007

NO. OF SHARE HOLDERS	S H A R E H O L D I N G		SHARES HELD	PERCENTAGE	
	*MEMBER'S NAME	FROM (SHARES)			TO (SHARES)
1	CDC - TRUSTEE PICIC GROWTH FUND	9875001	9880000	9,876,086	1.80
1	CENTRAL INSURANCE CO. LTD.	12645001	12650000	12,650,000	2.30
1	STATE LIFE INSURANCE CORPN. OF PAKISTAN	17195001	17200000	17,198,951	3.13
1	DAWOOD CORPORATION (PVT.) LTD	17540001	17545000	17,545,000	3.20
1	NATIONAL BANK OF PAKISTAN - TRUSTEE DEPTT.	32155001	32160000	32,159,404	5.86
1	PAKISTAN INDUSTRIAL DEVELOPMENT CORP. (PVT) LTD.	33040001	33045000	33,042,891	6.02
1	MCB BANK LIMITED - TREASURY	47770001	47775000	47,770,364	8.70
1	DAWOOD HERCULES CHEMICALS LIMITED	108670001	108675000	108,672,850	19.79
1	THE PRESIDENT OF ISLAMIC REPUBLIC OF PAKISTAN	197685001	197690000	197,689,110	36.00
15,307				549,105,339	100.00

\* Name of the shareholders have been specified where shares are held by a single shareholder.

# Categories of Shareholders

## As at June 30, 2007

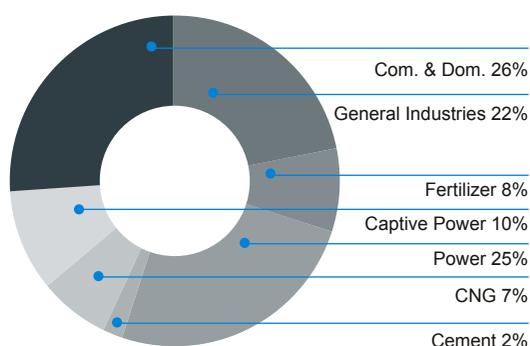
Sr. No.	CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1	Associated Companies, Undertaking and Related Parties			
	Dawood Lawrencepur Limited	1	8,272,470	1.51
	Dawood Foundation	1	6,474,465	1.18
	Askari Commercial Bank Limited	1	2,420,022	0.44
	Sui Southern Gas Company Limited	1	2,090,195	0.38
	Pakistan Industrial Development Corporation (pvt) Limited	1	33,042,891	6.02
	Dawood Corporation (Pvt.) LTD	1	17,545,000	3.20
	Central Insurance Company Limited	1	12,650,000	2.30
	Faysal Bank Limited - CFS	1	230,800	0.04
	Habib Bank Limited - Cloth Mkt. Com. Center	1	330	0.00
	Pakistan Industrial Credit and Investment Corporation	1	110	0.00
2	NIT and ICP			
	National Investment Trust Limited	1	141,933	0.03
	IDBP (ICP Unit)	1	282,818	0.05
3	Directors, CEO and their spouses and minor Children			
	Mr. Altaf M. Saleem Chairman	1	836	0.00
	Mr. A. Rashid Lone Managing Director	1	110	0.00
	Mr. Hussain Dawood Director	1	1,602,040	0.29
	Mrs. Kulsum Dawood Director's spouse	1	660,110	0.12
	Mr. Shahzada Dawood Director	1	665,500	0.12
	Mr. S. M. Asghar Director	1	5,610	0.00
	Mian Raza Mansha Director	1	110	0.00
4	Executives	25	15,052	0.00
5	Public Sector Companies and Corporations	-	-	-
6	Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds			
	Banks, Development Financial Institutions and Non-Banking Financial Institutions	71	92,009,545	16.76
	Insurance Companies	11	25,594,423	4.66
	Modarabas and Mutual Funds	33	14,647,675	2.67
7	Share Holders holding 10% or more voting interest in the Company			
	THE PRESIDENT ISLAMIC REPUBLIC OF PAKISTAN	1	197,689,110	36.00
	DAWOOD HERCULES CHEMICALS LIMITED	1	108,672,850	19.79
8	General Public			
	Resident	14,388	21,215,531	3.86
	Non Resident	638	1,005,325	0.18
9	Others			
	The Deputy Administrator Abandoned Properties, Foundations, Societies and Institutions etc.	120	2,170,478	0.40
	<b>TOTAL</b>	<b>15,307</b>	<b>549,105,339</b>	<b>100.00</b>

# Financial Highlights

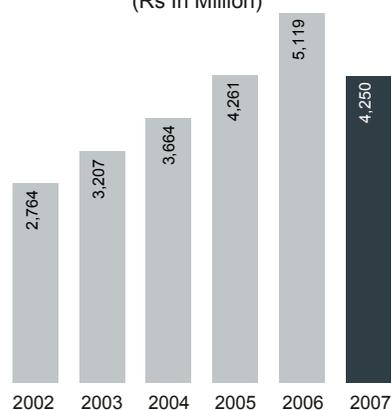
PARTICULARS	UNIT	2007	2006	2005	2004	2003	2002
<b>PROFIT AND LOSS</b>							
NET SALES	Rs.'000	112,577,052	105,851,114	83,377,335	64,206,081	42,460,080	37,920,953
GROSS PROFIT	Rs.'000	13,408,802	13,864,796	12,184,945	11,578,539	11,110,723	9,371,109
OPERATING PROFIT	Rs.'000	3,496,493	4,817,164	4,639,190	4,423,803	4,507,603	3,913,603
PROFIT BEFORE TAXATION	Rs.'000	4,249,650	5,119,060	4,261,477	3,664,377	3,207,067	2,764,239
PROFIT AFTER TAXATION	Rs.'000	2,678,343	3,722,244	2,735,978	2,297,478	2,013,766	1,886,825
<b>BALANCE SHEET</b>							
SHARE CAPITAL	Rs.'000	5,491,053	4,991,866	4,991,866	4,991,866	4,991,866	4,991,866
RESERVES	Rs.'000	10,798,422	10,116,826	7,892,142	6,404,131	3,564,492	2,648,937
FIXED ASSETS	Rs.'000	50,053,930	43,568,193	40,448,733	36,935,447	33,547,740	30,271,302
NET CURRENT ASSETS/LIABILITIES	Rs.'000	7,803,947	7,631,418	4,355,950	4,820,489	1,997,660	2,588,962
LONG TERM/DEFERRED LIABILITIES	Rs.'000	41,802,096	36,312,375	32,131,856	31,140,465	27,216,213	25,475,790
<b>PROFITABILITY RATIOS</b>							
GROSS PROFIT RATIO	%	10.98	12.85	14.38	18.01	24.34	22.31
NET PROFIT RATIO	%	2.19	3.45	3.23	3.57	4.41	4.49
RETURN ON SHARE HOLDERS EQUITY	%	17.06	26.59	22.54	23.03	24.87	26.22
RETURN ON CAPITAL EMPLOYED	%	6.09	9.53	8.42	7.68	9.91	9.92
RETURN ON TOTAL ASSETS	%	3.20	4.82	4.21	4.04	4.26	4.14
<b>ASSET UTILIZATION</b>							
INVENTORY TURNOVER RATIO	Times	215.78	232.24	228.85	228.81	185.23	199.53
DEBTOR TURNOVER RATIO	Times	7.94	7.52	7.08	6.95	5.09	4.67
TOTAL ASSET TURNOVER RATIO	Times	1.46	1.40	1.30	1.13	0.97	0.92
FIXED ASSET TURNOVER RATIO	Times	2.44	2.48	2.09	1.74	1.36	1.39
<b>INVESTMENT</b>							
EARNING PER SHARE (Basic)	Rs./Share	4.88	6.78	4.98	4.18	3.67	3.44
MARKET VALUE PER SHARE	Rs./Share	70.90	100.00	61.30	64.70	33.10	13.80
PRICE EARNING RATIO	Times	14.54	14.75	12.30	15.46	9.03	4.02
BREAK UP VALUE PER SHARE	Rs./Share	29.67	27.52	23.46	20.75	15.58	13.92
BONUS SHARES	%	-	10	-	-	-	-
DIVIDEND PER SHARE	Rs./Share	3.00	3.00	3.00	2.50	2.20	2.00
<b>LEVERAGE</b>							
DEBT EQUITY RATIO	%	29	40	49	53	63	66
INTEREST COVER RATIO	Times	5.94	5.34	5.04	4.78	3.09	2.98
DIVIDEND YIELD RATIO	%	4.23	3.00	4.89	3.86	6.65	14.49
DIVIDEND PAY OUT RATIO	%	61.51	40.23	54.74	54.32	54.54	52.91
CURRENT RATIO	Times	1.31	1.30	1.22	1.32	1.17	1.21
<b>STATEMENT OF VALUE ADDED &amp; HOW DISTRIBUTED</b>							
EMPLOYEES AS REMUNERATION	Rs.'000	3,542,991	3,334,296	2,894,444	2,914,930	2,813,123	2,626,823
GOVERNMENT AS TAXES (INCOME TAX & SALES TAX)	Rs.'000	16,406,075	16,606,505	13,887,626	10,616,469	8,104,378	7,179,968
SHAREHOLDERS AS DIVIDEND (declared)	Rs.'000	1,647,316	1,497,560	1,497,560	1,247,967	1,098,211	998,373
UN-APPROPRIATED PROFIT C/FWD	Rs.'000	4,543,424	3,512,397	1,786,900	548,482	16,810	1,255

# Graphical Presentation

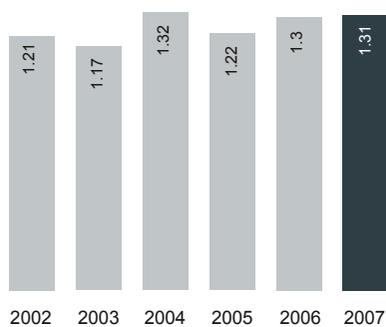
Break-Down of Gas Sales For 2006-2007



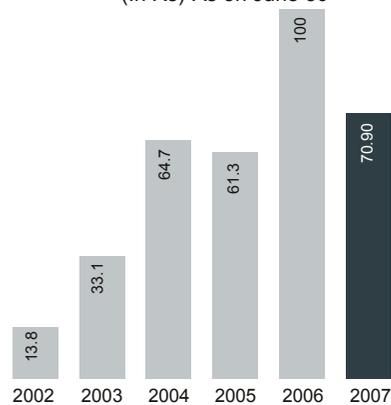
Earning Before Tax (Rs In Million)



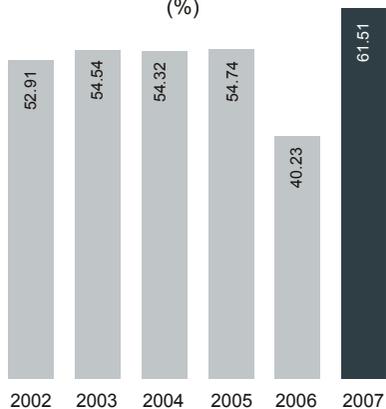
Current Ratio (In Times)



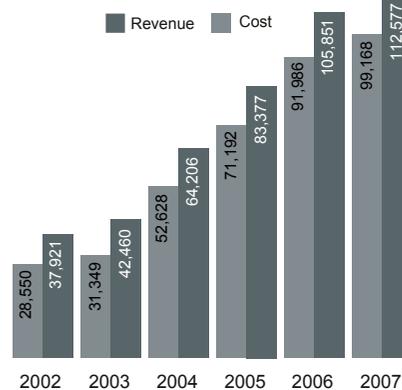
Market Value Per Share (In Rs) As on June 30



Dividend Pay Out Ratio (%)



Revenue & Cost Analysis (Rs In Million)





**66.67%**

SNGPL Fertilizer Ind. Users

**33.33%**

Other Fertilizer Ind. Users

“The Preferred Company  
of the most demanding Fertilizer Industries.”



**Audited Financial  
Statements >**