

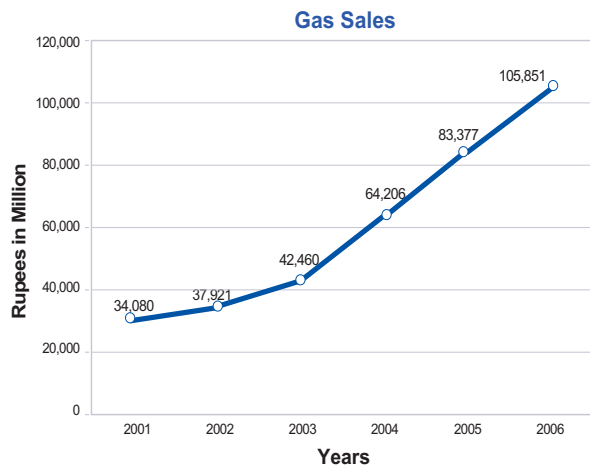


CHAIRMAN'S REVIEW



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Your Company has delivered an excellent and historical set of results for the year ended June 30, 2006. Turnover has increased by 26.95% to Rs 105,851 Million (2005: Rs 83,377 Million) and profit before tax has increased by 20.12% to Rs 5,119 Million (2005: Rs 4,261 Million), earning per share has increased by 36.13% to Rs 7.46 per share. The share market price has increased by 63% at Rs.100 (2005: Rs 61.30 per share). The Board has recommended 30% dividend at Rs 3.00 per share (2005: Rs.3.00 per share) along with bonus shares at the rate of 10% i.e (1/10) of the shares held.



PERFORMANCE

During the period under review, the Company strived hard to adhere to the benchmarks set by the Board and the Regulator. We continue to maintain our position as the leading supplier of natural gas in Pakistan. We cannot afford to be complacent and seek continuous improvement in various activities. This enables us to further develop our technological and managerial skills, offering better services to more than 2.7 million consumers. Our constant effort to look after and expand our consumer base, is at the heart of our strategy for growth.

The Company sold 571.481 BCF gas which is 6.40% more as compared to the last year. The Company managed its business with its own funds with no borrowings from any financial institution, during this year. The Company has contributed an amount of Rs 16,606 million towards National Exchequer as Taxes, which as compared to the last year, increased by Rs. 2,719 million (19.58%). The profit after tax was Rs 3,722 million (Rs 2,736 million for F.Y. 2004-05). During the year, the Company maintained all the financial ratios as prescribed by the World Bank loan covenants, standard corporate practices and the State Bank of Pakistan.

OPERATIONS

The Company provided 206,586 domestic connections, 4,013 commercial connections and 531 industrial connections during the year under review. The industrial connections provided to the CNG stations, substituted petroleum products and in case of power and cement plants replaced coal and imported furnace oil. These achievements have been possible with the concerted efforts of the employees, availability of gas and patronage of the Government of Pakistan, to strive for industrialization.

The transmission system of the Company has been extended to 6,195 Km, whereas the distribution system extends to 46,964 Km.

The Service Departments have also kept the flag of the Company flying high with regard to telecommunication, engineering services, human resource development, consumer services, health, safety and environment issues.

CNG - MOTHER- DAUGHTER STATION SYSTEM – AT LILLA (DISTRICT JHELMU)

A unique pilot project was undertaken by the Company to supply natural gas to remote areas through CNG. The concept of a mother - daughter station system was used for the first time in the Country for this purpose.

GAS SUPPLY TO MURREE

A landmark project – supply of gas to Murree Hills was undertaken by the Company and successfully commissioned during this financial year. It was later, formally inaugurated by the honourable President of Pakistan on August 28, 2006. It is the first time in the history of pipeline construction in Pakistan that a gas line has been constructed at such a high elevation. The serpentine pipeline route, the rocky and hilly terrain, the movement of heavy construction equipment e.g. dozers, cranes, trucks etc, mobilization of men and equipment against the steep elevation of more than 6,000 feet above the sea level, was a demanding task. On top of it, transportation and stringing of linepipe to the top of the hills was not less than a Herculean task. Trenching and lowering of welded pipe on steep slopes through thick jungles was something extra-ordinary considering the resources available. The land problems, the crossing of Soan River, Ling Drain, the road and railway crossings were tough challenges but all these hurdles proved too little against the rock-like courage and determination of the construction teams.

The construction of Murree line has brought the gift of natural gas to the residents of Murree which will bring prosperity and boost economic activity all around. It will have long lasting positive effects on the environment through preservation of forests. Another hallmark of this line is that it was completed without any fatal or major injury despite the tough terrain.

The construction of Rawat – Murree line has provided exceptional experience to pipe line construction teams and given them the confidence to undertake even more challenging jobs in future.

The total length of 12” dia, Rawat – Murree transmission line is 58 Km while distribution supply mains were completed with a total length of 17 Km in first phase.

FUTURE DEVELOPMENTS

The Company is planning to take up Project-IX (P-9) laying of 573 Km, 12”~ 36” dia, pipelines. This project will be executed in two phases. Phase-I (Advance Action Plan P-9) will include the construction of 140 Km, 24” diameter Gurguri – Kohat – Nowshera line.

The basic objective of Project-IX is to absorb additional gas available from existing and new sources viz Gurguri, Rhodo and Zamzama, besides gas sources of Potohar region through system up-gradation with loopline and Compression facilities enhancement.

This mega project will further increase the asset base of the Company and consequentially the fixed returns.

CORPORATE GOVERNANCE

The Board is committed to the objective of achieving the highest standards of corporate governance, which are designed to provide assurance that the organization is directed and controlled by its Board of Directors, so as to achieve its business objectives and responsibility, in accordance with the highest standards of accountability and integrity.

A detailed Corporate Governance Report is set out in the section of Corporate Governance in this Annual Report.

DIRECTORS

The Board currently has fourteen members, consisting of one executive and thirteen non-executive members. All of the existing directors except Mr. Arif Mansur (who was appointed to the Board on April 27, 2006 to fill the casual vacancy arising on the retirement of Mr. M. Iqbal Awan) served throughout the year ended June 30, 2006.

The Board met on a scheduled basis regularly during the year. Meetings were coordinated to allow for detailed

consideration of interim results and other matters. In addition to the eight scheduled Board Meetings, a number of meetings were also held by Sub Committees of the Board, to deliberate on matters requiring their attention.

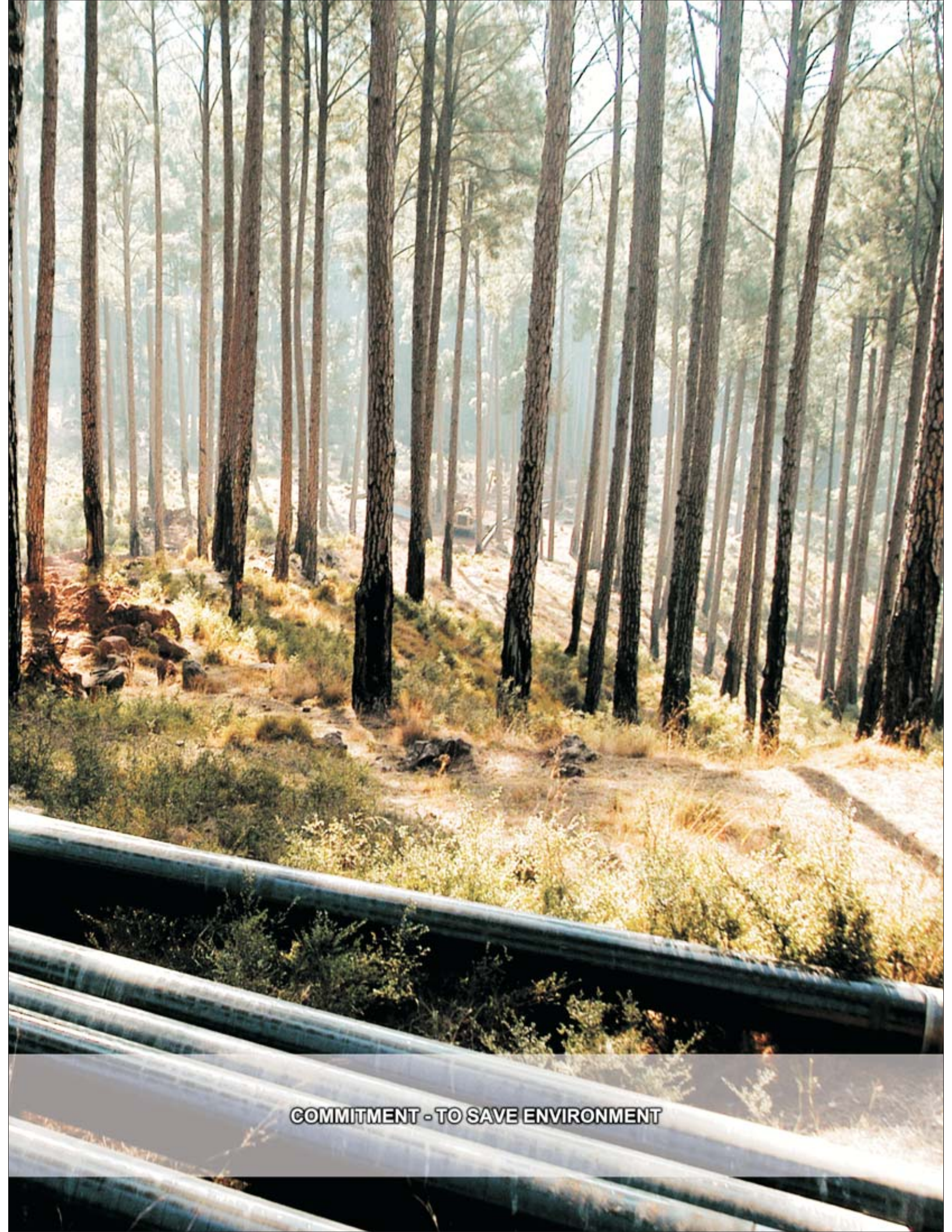
ACKNOWLEDGEMENTS

I would like to take this opportunity to appreciate the efforts of the Management and Employees for their performance and urge them to set new records of excellence in their respective fields. I also extend my thanks to the Members of the Board for their commitment to the Company as their experience and knowledge has well served the objectives and goals of the Company.

Lahore
September 29, 2006



Altaf M. Saleem
Chairman



COMMITMENT - TO SAVE ENVIRONMENT