



Notice of  
**MEETING** >

# Notice of Meeting

Notice is hereby given that the 44<sup>th</sup> Annual General Meeting of the Company will be held at Hotel Avari, 87-Shahrah-e-Quaid-e-Azam, Lahore at 10.30 A.M. on Tuesday, October 30, 2007 for the purpose of transacting the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of the 43<sup>rd</sup> Annual General Meeting held on October 30, 2006.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of cash dividend at the rate of Rs 3 per share of Rs. 10 each i.e. 30% for the year ended June 30, 2007 as recommended by the Board of Directors.
4. To appoint auditors for the year ending June 30, 2008 and fix their remuneration. The retiring auditors being eligible, also offer themselves for re-appointment.
5. To transact any other ordinary business of the Company with the permission of the Chairman.

The share transfer books of the Company will remain closed from Saturday, October 20, 2007 to Tuesday, October 30, 2007 (both days inclusive). The members whose names appear in the register of members as at the close of business on Friday, October 19, 2007 will qualify for the payment of dividend.

By order of the Board

**(UZMA ADIL KHAN)**  
Company Secretary

Lahore:  
September 25, 2007

## NOTES

- 1) A member entitled to attend may appoint another member as his / her proxy or may by power of Attorney authorize 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 authorized shall be entitled to the same powers, as if he were an individual shareholder.
- 2) The instrument appointing a proxy shall;
  - a) be in writing; and
  - b) be signed by the appointer or his / her attorney duly authorized in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.
- 3) The proxy must be signed across a 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.
- 4) Shareholders are requested to notify any change in address immediately quoting their folio number (s).
- 5) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:-



A. For attending the meeting

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- v) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along-with proxy form to the Company.

**Registered Office**

Gas House, 21 - Kashmir Road,  
P.O. Box No. 56,  
Lahore - 54000 (Pakistan).  
Exch: 92 - 42 - 9201451 - 60 Ext - 3502  
Fax: 92 - 42 - 9201369, 9201302  
E-mail: info@sngpl.com.pk  
Web Site: www.sngpl.com.pk

**Shares Registrar**

M/s Hameed Majeed Associates (Pvt) Ltd.,  
H. M. House, 7-Bank Square, Lahore.  
Ph: 92 - 42 - 7235081 - 82  
Fax: 92 - 42 - 7358817



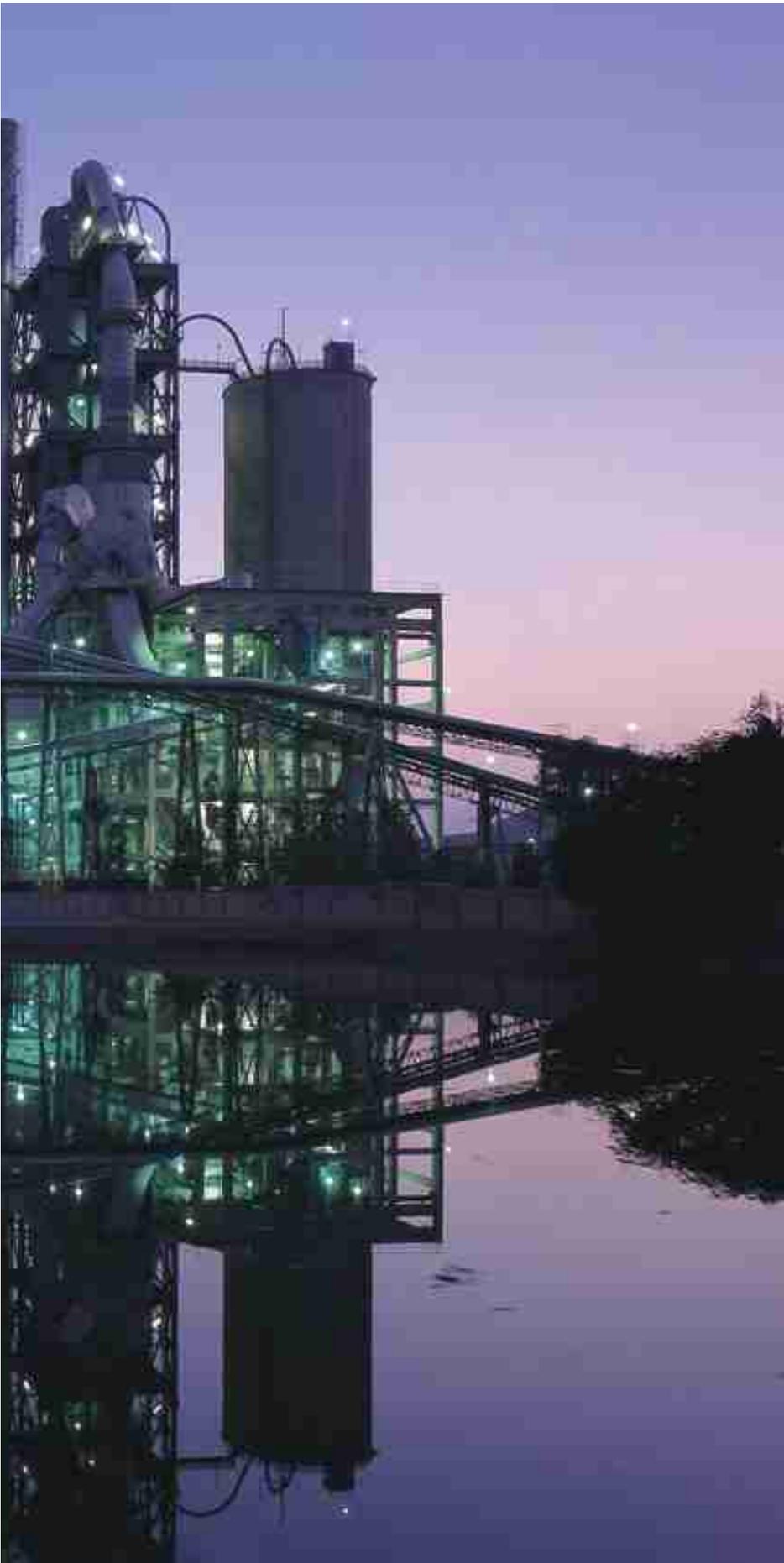
**58.82%**

SNGPL Cement Ind. Users

**41.18%**

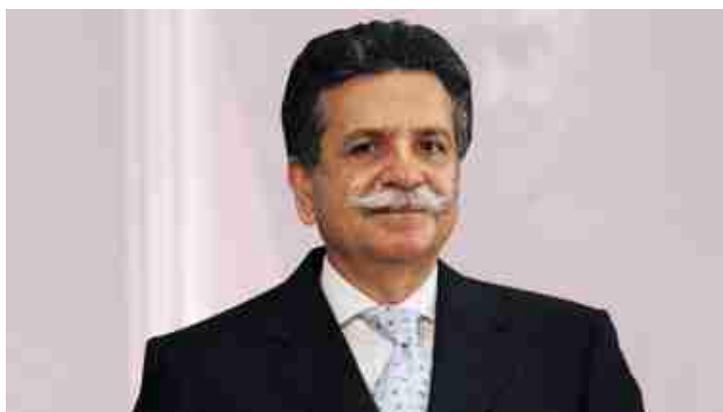
Other Cement Ind. Users

"The Preferred Company  
of the most demanding Cement Industries"



Chairman's  
**REVIEW** >

# Chairman's Review



Dear Shareholders,

It gives me great pleasure to present the annual performance of your Company along with audited financial statements for the year ended June 30, 2007.

## OPERATIONS REVIEW

With the efforts of the team at SNGPL this year your Company installed a record number of industrial, commercial and domestic connections. The total number of our consumers now stands at 2,953,818. SNGPL laid 430 Kms of Transmission pipelines and 5,430 Kms of Distribution supply mains and service lines, which enabled the Company to add 145 villages and 37 District Head Quarters and Tehsil Head Quarters with its network during the year.

The transmission system of the Company has been extended to 6,625 Km, whereas the distribution network extends to 52,394 Km.

All support departments i.e. telecommunication, engineering services, human resource, consumer services, health, safety and environment and others played a very proactive and supportive role in ensuring smooth operations during the year.

There is a great and ever increasing demand

for natural gas. We are confident that our Country will be able to make a breakthrough and import natural gas to meet our enormous energy requirements.

## FINANCIAL RESULTS

The Company's long term rating has been upgraded to AA (Double A) whilst the short term rating has been maintained A1+ (A One Plus).

The operating results for the year ended June 30, 2007 show total sales of Rs 112,577 Million (2006: Rs. 105,851 Million). The Profit before tax was Rs 4,250 Million (2006: Rs 5,119 Million) and profit after tax was Rs 2,678 Million (2006: Rs 3,722 Million). Earnings per share decreased from Rs. 6.78 to Rs 4.88 per share, which is mainly due to certain disallowances made by the Regulator and the loss on account of Unaccounted For Gas (UFG), which despite concerted efforts of the management has risen as compared to the previous year. Despite a reduction in earnings per share, the Board of Directors have recommended 30% dividend at Rs 3 per share (2006: 30% Dividend + 10% Bonus share).

## PROJECTS

Sui Northern Gas is the largest integrated gas Company of Pakistan with a highly trained and dedicated work force led by a dynamic Management. At the time of inception of the Company, construction work was carried out by foreign companies. However, since 1973, the Company has developed in-house teams for designing, procurement and construction of high pressure transmission lines, compressor stations, repeater stations and allied facilities. Eight mega projects of pipeline construction have been undertaken and completed by the Company since its inception. The successful completion of Project-8 has enabled the Company to raise its gas supply capacity from 1380 MMCFD to 1680 MMCFD.



The Company has completed several pipeline construction projects as an Engineering, Procurement and Construction (EPC) Contractor for national and multinational clients in Pakistan.

The completion of several pipeline constructions projects has raised the Management's confidence level to an extent that they are willing to undertake the mega project of laying the pipeline for import of natural gas.

#### **CONTRIBUTION TO ECONOMY**

Being a responsible member of the Corporate Community SNGPL as usual contributed substantially towards the national economy on account of taxes and other government levies. During the year your Company's contribution towards the national exchequer was to the tune of Rs. 16,406 million.

#### **CURRENT AND FUTURE DEVELOPMENTS**

Currently SNGPL is involved in the construction activities of Project-9. The basic intent of Project-9 is elimination of bottlenecks in the existing transmission network, through system up-gradation with looplines and addition of compression facilities. Project-9 includes laying of 573 Kms of transmission pipelines ranging from 12" diameter to 36" diameter. The estimated total cost of Project-9 is US\$200 Million. This project will further add to the asset base of the Company and thus increase the fixed returns.

#### **CORPORATE GOVERNANCE**

The Company complies with the principles of Good Corporate Governance. I assure you that the leadership shown by our Board of Directors, the values and standards that have been set, and the strategic guidance the Board has provided, is of order and par excellence.

We pledge to continue to provide adequate returns to the shareholders, care for our

employees, value our relationships with customers and respect the community in which we carry on our business. I believe our future success will reflect our Company's adherence to these ideals.

#### **DIRECTORS**

All of the existing directors, except Mr. Jalalud Din Qureshi, (who was appointed to the Board on October 28, 2006, to fill the casual vacancy arising on the resignation of Mr. Arif Mansur), served throughout the year ended June 30, 2007. As this Annual Report was being compiled, we were grieved by the sad news of the demise of our Director, Mr. Jalaluddin Qureshi on August 23, 2007. He was a member of the Audit Committee and Finance Committee of Directors. Like several other organizations, where he was a Director, we will miss his wise council on the Board matters. On behalf of the Board and the Company, I offer sincere condolences to his bereaved family and friends.

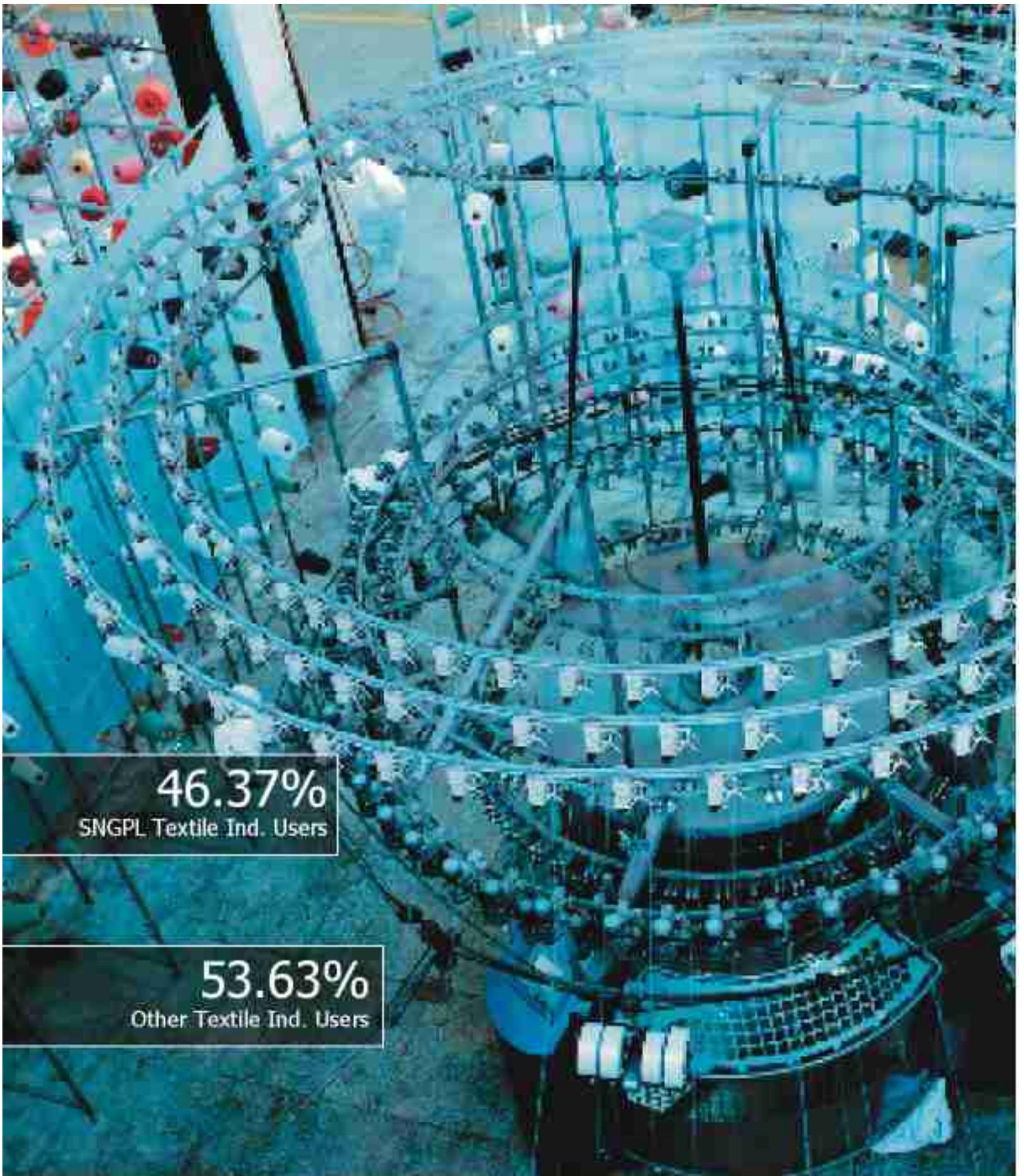
The Directors have continuously guided and supported the Management and their commitment is highly appreciable.

#### **ACKNOWLEDGEMENTS**

I thank all the Directors for their commitment towards your Company's progress. Thanks are also due to our 6,921 employees for their dedication, the Chief Executive and his team for their strong leadership. I sincerely acknowledge with thanks, the continued support and patronage received from Government of Pakistan, Ministry of Petroleum and Natural Resources and the Oil and Gas Regulatory Authority. Above all I thank you all for reposing your trust in the Company.□□□

**Altaf M. Saleem**□□  
Chairman

Lahore  
September 25, 2007



**46.37%**  
SNGPL Textile Ind. Users

**53.63%**  
Other Textile Ind. Users

"The Preferred Company  
of the most demanding Textile Industries."



Directors'  
**REPORT** >



# Directors' Report

The Board of Directors of Sui Northern Gas Pipelines Limited is pleased to present the 44th Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2007 alongwith the auditors report. The Board remained actively involved in the Company's affairs throughout the year and it was also kept well-informed by the Management on all relevant matters.

## ENTITY RATING

The Company's long term credit rating has been upgraded to AA (Double A), whilst the short term rating has been maintained at A1+ (A One Plus). These ratings depict a strong financial position and low expectation of credit risk.

## FINANCIAL HIGHLIGHTS

Your Company's performance for the Financial Year ended June 30, 2007 is summarized below:

	Rupees in (000)
Profit before taxation	4,249,650
Provision for taxation	1,571,307
Profit after taxation	2,678,343
Add: Unappropriated profit brought forward	3,512,397
Profit available for appropriation	6,190,740
Appropriation Proposed dividend @ Rs. 3.00 per share	1,647,316
Balance carried forward	<b>4,543,424</b>

## DIVIDEND

The Directors propose a cash dividend @ Rs 3 per share of Rs 10 each i.e. 30% for the year ended June 30, 2007.

The Earnings Per Share (EPS) for the year ended June 30, 2007 is Rs 4.88 as compared to Rs 6.78 for the year ended June 30, 2006. The decrease in EPS is mainly attributable to the loss on account of Un-accounted For Gas (UFG) and other disallowances made by the Oil and Gas Regulatory Authority (OGRA).

## FINANCIAL REVIEW

The profit before tax is Rs 4,249,650 thousand while the revenue from sales is Rs 112,577,052 thousand during the year which is 6.35% higher than the preceding year. The total gas sales volume was 576,658 MMCF during the year as compared to 571,481 MMCF for the last year.

The shareholders confidence will be further strengthened by observing that the profitability, asset utilization and leverage ratios have been suitably maintained as is evident from the six years' data presented at the end of this report.

SNGPL is entitled to a 17.5% return on its average net operating assets (excluding assets financed through Government grants and customers contributions). However, certain adjustments are made to the guaranteed return by Oil and Gas Regulatory Authority (OGRA). The Regulator reduced the total return of 17.5% by Rs 2,504 million for certain expenses including UFG being over and above the prescribed target of 2.07%. These deductions resulted in the reduction of our EPS by Rs 2.87 for FY 2006-07. The Management is actively working on various simultaneous strategies to reduce UFG losses.



### **NETWORK EXPANSION AND CONSUMER FACILITATION**

Sui Northern Gas Pipelines Limited is the largest integrated gas company in the Country engaged in the business of transmission and distribution of natural gas. The Company's distribution network caters to the natural gas requirements of around 18.5% of the Pakistan's population based in Punjab, NWFP, Azad Kashmir and the Federal Capital.

The Company showed an all-time high performance by laying and commissioning new transmission pipelines, distribution mains and service lines of 5,860 Kms in FY 2006-07. The Company's transmission and distribution network is one of the largest in Asia comprising an cumulative length of 59,019 Kms, as on June 30, 2007.

The Management has enhanced its focus on the provision of services for all categories of its consumers. The Company is adopting the latest technology for upgrading the quality of customer services, including improvements in the processes of issuance and collection of bills and addressing customers' complaints.

An intensive media campaign was launched by the Company to create awareness among the consumers and public for controlling high gas bills by conserving the limited and depleting resource of natural gas. Substantial recoveries of outstanding bills have been made from Government institutions after concerted efforts.

The Company has a diversified customer base. The sector-wise break up for FY 2006-07 indicates 25% of gas sales to the power sector, 7.5% the fertilizer sector, 2% cement, 22% general industries, 10% captive power, 7.5%

CNG, 4% commercial and 22% domestic consumers.

### **ENTERPRISE RESOURCE PLANNING (ERP)**

In pursuance to the objective of achieving greater efficiency and control in operations, the Management is also considering Enterprise Resource Planning (ERP) solutions. The Company has recently implemented the Uniform System of Accounts of Oracle Financials E-Business Suite with a chart of accounts consisting of ten different segments of the Oracle Financials which is one of the most advanced solutions of its kind. The Company plans to incorporate and integrate additional modules like Human Resources, Payroll, Procurement, Projects, Enterprise Assets Management (EAM) and Inventory Management in the near future. In the meantime, a comprehensive Business Process Re-engineering (BPR) plan is also being initiated to enhance the efficiency of existing processes. This year for the first time the Company's accounts were prepared by the Management and audited by the external auditors using the Oracle Financials system.

The Company has ambitious plans of setting up a Customer Care and Billing System, Centralized Complaint Management System coupled with Customer Care Centres to provide on-line information and solutions to all types of consumers.

### **PRINCIPAL ACTIVITIES**

#### **Transmission**

The Company's high pressure transmission network consists of 6,625 Kms of pipelines ranging from 6" dia to 36" dia, laid and operated in accordance with the Mineral Gas Safety Rules,



Oil and Gas Regulatory Authority, and International Gas Transmission Industries Standards. New sources namely Makori (NWFP), operated by M/s MOL providing 26 MMCFD, Mela (NWFP) owned and operated by M/s OGDCL providing 8 MMCFD and Salsabil (Punjab) owned and operated by Dewan Petroleum Limited providing 26 MMCFD gas, have been linked with the existing Transmission network, during F.Y. 2006-07. The volume of work has therefore, increased and presently the Transmission network is transporting / handling around 1,820 MMCF gas per day, in accordance with Mineral Gas Safety Rules, Oil & Gas Regulatory Authority (OGRA) Regulations and International Standards.

**Distribution**

The Company is licensed to supply / distribute natural gas to the Province of Punjab, NWFP,

Azad Kashmir and Federal Area. Under special arrangement the Company is supplying gas to Mirpur, Azad Jammu & Kashmir and some area of the Provinces of Sindh and Balochistan. The record number of industrial and commercial gas connections provided by the Company during the year ended June 30, 2007 shows our resolve to contribute towards the economic revival of the country. As committed in its vision and mission statement, the Company seeks to improve the quality of life of its customers and fulfil its commitment to deliver natural gas to each doorstep in the feasible areas through the continuous expansion of its network. The Company provided an all-time high number of 692 industrial connections, 3,599 commercial connections and 228,624 domestic connections during the year under review. The Company's distribution network has expanded from 46,964 Kms to 52,394 Kms which is 11.56% more than previous year. The Company has connected





37 District Headquarters, Tehsil Headquarters and towns with its gas network during the year under review.

Corrosion Control Department carried out an intensive corrosion monitoring and maintenance programme which resulted in significant improvement in the protection level of the buried pipe line network. Similarly, cathodic protection system is applied to all new pipelines to safeguard them from the threat of external corrosion.

The Quality Assurance Department provides directions and technical guidance in accordance with the international concepts of quality assurance for the construction and distribution department to ensure that the work carried out conforms to the Company's laid down procedures.

The Telecom Department has also been active in establishing and connecting new areas/offices on its state of the art SCADA Communication System.

### **Projects**

The hallmark of the Company is the Management's commitment to completing its projects within the scheduled time frames at the optimum cost. Designing and constructing high pressure transmission lines and allied facilities are undertaken by an in-house team.

Currently, SNGPL is involved in the construction activities of Project-IX. The basic theme of this Project is the elimination of all the identifiable bottlenecks in the existing transmission system through system up-gradation with additional loop-lines and compression facilities.

The Company has also undertaken and successfully executed projects for other clients

such as 8" dia, 12Kms long Mela-Chanda Pipeline Project which was successfully commissioned for M/s OGDCL during the period under review.

### **HUMAN RESOURCE**

One of the high priority objectives of your Company is to build competencies, create commitment and cultivate a customer-friendly culture in the organization. This objective enables the Human Resources to enhance performance and retain its leadership position. The Performance Management System (PMS) based on the theme of Management By Objectives (MBO) has been recently introduced across the organization. The methodology translates strategy in operational terms and aligns the objectives of each and every individual with the identified Corporate objectives. The Management has carried out a competency mapping exercise to ensure that development initiatives are undertaken to bridge some of the identified gaps. The Management continues to maintain smooth and harmonious industrial relations. 6,921 employees are the human capital of your Company as at June 30, 2007.

### **HEALTH, SAFETY AND ENVIRONMENT**

In your Company, safety is everyone's responsibility. This duty extends from personal to the overall Company operations. The Health, Safety and Environment (HSE) Department places great emphasis on emergency response procedures to combat untoward situations. The Company in its endeavour to excel in this area has already initiated the process of obtaining an internationally recognized HSE certification.

### **INTERNAL CONTROL SYSTEM**

Your Company has in place an effective system of internal control to ensure that assets are



safeguarded and transactions are appropriately authorized, recorded and correctly reported. The Company's internal control systems are adequate and tested in routine and certified by statutory as well as internal auditors. Periodic reviews are carried out resulting in the identification of any deficiencies, adoption of best practices and formalization of time-bound action plans to minimize risk exposure. Your Company believes that an internal control system is always dynamic, reflecting current requirements at all times and hence it is ensured that appropriate procedures and controls are operating and monitoring practices are in place. The Internal Audit Department reports to the Audit Committee of Directors. The Internal Audit policies are duly approved by the Audit Committee of Directors on behalf of the Board of Directors.

### **CORPORATE SOCIAL CITIZENSHIP**

The Company has contributed a recurring annual grant of Rs. 2.5 million each to the University of Engineering and Technology (UET) Lahore as well as the University of the Punjab for sponsoring a Chair on Gas Engineering. This Chair reflects primarily a commitment of the Company for serving the national cause of imparting higher education and research facilities to young scholars, and establish a linkage between the industry and the university.

The Company donated scholarships to deserving students and to purchase laboratory equipment for NFC Institute of Engineering, Faisalabad.

### **CRISIS MANAGEMENT**

During the period under review, the Company had to face five ruptures of high pressure

