

# Notable achievements of the year 2004-05



June 2005

The 30" dia SSGC pipeline, crossing the River Indus near Jamshoro, Sindh on top of a massive vertical loop with a clearance of 70 feet. This crossing is part of the 116 km Hyderabad-Karachi pipeline, a major project completed this year, to add upto 275 mmcf capacity in the ILBP network.



November 2004  
Signing of "Term Sheet" with BHP Billiton for additional 150 mmcf/d gas supply from Zamzama Gas Field.



February 2005  
Inauguration of new IBM Laser Bill Printing System by Minister of Petroleum & Natural Resources Mr. Amanullah Khan Jadoon.



March 2005  
Ms. Patricia Nance, Director Sales, Oracle Asia Pacific with MD SSGC at the launch of Oracle ERP Strategic Implementation Partnership.



May 2005  
Munawar Baseer Ahmad, MD taking questions from representatives of international consultant firms at the SSGC's LNG project Launch.



April 2005  
President of Pakistan, Gen. Pervez Musharraf inaugurating SSGC's Kalat natural gas pipeline project.





## March 2005

President of Pakistan, Gen Pervez Musharraf, at the inauguration of Jamshoro Joint Venture Limited (JJVL), a project conceived and developed by SSGC. Minister for Petroleum & Natural Resources, Mr. Amanullah Khan Jadoon, Munawar Baseer Ahmad, MD SSGC and Mr. Iqbal Ahmed, MD JJVL enjoy the moment.





May 2005

GSA signed with DHA-Cogen for supply of gas for Power generation and water purification



June 2005

ICAP/ ICMAP Best Corporate Report Awards: Oil & Gas Category: SSGC receiving a plaque from the Advisor to PM for Finance Mr. Salman Shah.



June 2005

SSGC wins NFEH Award for Environmental Excellence for the second time in 2005.



June 2005

ISO 14001:2004 & OHSAS 18001:1999 certificates awarded to SSGC.



May 2005

Shikarpur Headquarters awarded First Prize for Good Housekeeping.



June 2005

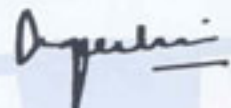
Record production of over 400,000 achieved at the SSGC Meter Manufacturing Plant during 2004-05.

# notice of annual general meeting

Notice is hereby given that the 51st Annual General Meeting of the members of Sui Southern Gas Company Limited ('Company') will be held at 9.30 a.m. on Friday 28 October 2005 in the Pearl Continental Hotel, Karachi to transact the following business :-

- 1 To confirm minutes of the 50th Annual General Meeting held on 27 October 2004
- 2 To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 30 June 2005 together with the Directors' and Auditors Report thereon.
- 3 To appoint auditors and fix their remuneration for the year ended 30 June 2006. The present auditors M/s Taseer Hadi Khalid & Co. Chartered Accountants retire and offer themselves for reappointment.
- 4 To consider and, if deemed appropriate, approve payment of cash dividend to the shareholders at the rate of Rs.1.5 per share of Rs. 10/- each for the year ended 30 June 2005.
- 5 To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Aqeel Ahmed Nasir  
Company Secretary

Karachi  
29th September 2005

**Notes:**

- i) The Register of Members of the Company will remain closed from 22 October 2005 to 28 October 2005 (both days inclusive) for the purpose of holding the Annual General Meeting.
- ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instruments appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.
- iii) Members are required to notify immediately changes, if any, in their registered addresses.
- iv) Non-Muslim shareholders are advised to submit applications on plain paper for non-deduction of Zakat.
- v) 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) at the time of the meeting.
- vi) Central Depository Company account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

**A. For Attending the Meeting**

- 1 In case of individual, 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 her identify by showing her original National Identity Card (NIC) or original Passport at the time of attending the Meeting
- 2 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**

- 1 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 requirements.
- 2. The proxy form shall be witnessed by two persons whose name, addresses and NIC numbers shall be mentioned on the form
- 3 Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form
- 4 The proxy shall produce his original NIC or original passport at the time of the Meeting.



## Attendance of Directors at Meetings

Directors	Board of Directors	Audit Committee	Human Resource Committee	Finance Committee
Mr. Aitzaz Shahbaz	11	-	3	5
Mr. Munawar B. Ahmad	10	-	3	5
Mr. M. Naeem Malik	9	-	2	-
Mr. M. Iqbal Awan	10	5	-	6
Mr. Tariq Iqbal Khan	6	3	-	-
Mr. A. Rashid Lone	7	-	-	-
Mr. Muhammad Javed Khan	9	4	-	1
Mr. Khursheed K. Marker	7	-	-	1
Mr. Zahid Majid	7	3	2	-
Mr. Asif Saeed	7	-	2	3
Mr. Qasim Rabbani	5	-	-	2
Mr. Saquib H. Shirazi	3	-	-	-
Mr. Sajid Zahid	6	1	-	-
Mr. Samiullah Baloch	4	-	-	-
<b>Number of Meetings Held</b>	<b>11</b>	<b>5</b>	<b>3</b>	<b>6</b>
<i>*Retired from Directorship w.e.f 26-10-2004</i>				
Mr. Sanaullah Qureshi	2	1	-	-
Mr. Zaffar A. Khan	3	-	1	-
Mr. Taufiq Ahmed Khan	3	2	-	-
Mr. Muzaffar Ahmed	1	1	-	-
Justice © Rasheed A. Razvi	1	-	-	-
Mr. Amanullah Sheikh	3	-	-	-

# Auditors' Report to the Members

We have audited the annexed balance sheet of Sui Southern Gas Company Limited as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy indicated in note 2.2.1 with which we concur;



- ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 2.13 to the financial statements which explains the provisions of an agreement with Asian Development Bank for a loan, under which the company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets for the year, excluding financial and other non-operating charges and non-operating income. During the year ended 30 June 2005, the company's return before taxation was less than minimum required return.

Karachi  
29th September 2005

*Taseer Hadi Khalid & Co*  
Taseer Hadi Khalid & Co.  
Chartered Accountants



# Awards 2004-05



NFEH Environment Excellence Award won for the second time in 2005 by SSGC,



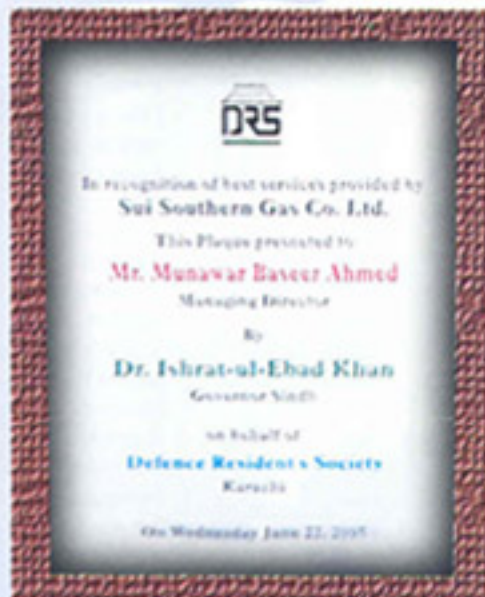
The SSGC hockey team were runners-up in the Gen Musa Gold Cup Hockey Tournament.



The Cycling Team won the 3rd position in the 12th Tour de Pakistan International Cycle Race. SSGC riders also won two major stages.



SSGC Annual Report 2004, the first utility company to win a top prize in the ICAP / ICMAP Best Corporate Awards.



Governor Sindh Dr. Ishratul Ibad presented DHA's Best Services plaque to SSGC.

# chairman's review & directors' report

The Company's Golden Jubilee year was indeed a historic landmark, considering the past fifty years of perseverance and spirit of enterprise of its employees, as well as notable achievements accomplished in the year.

While celebrating our 50th Anniversary we paid tribute to all the former employees who were the forerunners of the gas industry in Pakistan and who put the Company on a progressive track. The historic milestones achieved and performance benchmarks set, will be the Company's baseline reference for further innovation, performance improvement and meeting standards of excellence in the years ahead.

We are pleased to share with you, our shareholders, the new initiatives, notable achievements, and significant



aspects of the Company's operations and present before you the Chairman's Review and Directors' Report, Audited Annual Accounts and review of the Company's performance for the year-ended June 30, 2005.

## leading the energy sector

Pakistan's economy shifted into high gear and a new peak GDP growth of 8.5% was achieved in FY 2004-05. The Company being at the forefront of "Fuelling National Progress" by providing safe, affordable and environment-friendly energy witnessed a quantum jump in demand especially from the industrial sector. As the Government policies prompted high economic growth, it became increasingly evident that without an increase in sustainable supply of energy the planned GDP growth rate of 7.5% in the coming years would not be met. This posed a challenge for your Company to which Management responded effectively. Being nominated as the Chair for the National Energy Planning group, the Management took pro-active steps to formulate the framework for Pakistan's first integrated 25 year Energy Plan.

Natural gas continues to play a dominant role and is projected to remain the fastest growing primary energy source worldwide, maintaining an average rate of 2.2% annually over the 2005-2030 period, well ahead of oil at 1.9%, coal at 1.6% and nuclear fuel at 0.6%. Sustained availability of natural gas at competitive prices versus other fossil fuels as well as nuclear energy makes it the odds-on favourite, a position which bodes well for Pakistan.

In Pakistan, where natural gas supply has grown at 9.4% cumulatively over the past five years, the relative share of gas in the total energy mix also increased significantly, from 39% to 51.6%. Despite the fact that oil provides diversity in sourcing, offers energy security in the long run and caters to key sectors such as transport and agriculture, natural gas is recognized as the "fuel of choice" for the twenty-first century. Its share in the country's energy mix is therefore likely to stay at 48-50% level over the next 25 years as has been projected in the National Energy Plan.

The Company undertook a detailed study and comprehensive analysis of the national energy scenario through interactive sessions with all stakeholders as well as with industry resulting in the preparation of the Energy Plan framework. Subsequently, the Ministry of Planning & Development prepared the complete Energy Plan which was then presented to the government and approved. Approval was also given to finalize the first transnational pipeline project through Inter State Gas

Systems Limited (ISGSL), a joint venture of SSGC with SNGPL. Further, the Company also prepared the terms of reference and requirements for Pakistan's first LNG project, which was also approved as part of the National Energy Plan.

The Company participated actively in the development of the 15-year Energy Plan for the period 2005 - 2020, in collaboration with OCAC and PIP. The plan was well received and appreciated by the government and formed the basis of the 25-Year National Energy Plan.

The Company was also prominent in projecting Pakistan's Energy Sector in national and international conferences, through active participation and presentation of papers by senior management. The new interest of investors in the LNG and other gas projects is a testimony to the Company's efforts in projecting a positive and investment-friendly environment in the Energy Sector.

The Company further entered into gas supply contracts with BHP Petroleum, ENI and OPI for additional gas supply of about 300 mscfd which will come on stream in 2007-2008. Consequently, the Company has also committed long-term, 10-year supply to DHA-Cogen power plant and to Al-Tuwairqi Steel, KESC's fast track project, Textile City and two new IPPs of 150 megawatts each. These projects will bring new investment to Pakistan of over US\$1 billion.

In its continuing effort to ensure long term energy security, safety and sustainability, the Company is proceeding with the planning and project development of an integrated LNG project which will bring in another 300 million cubic feet of gas in to the Company's system in year 2009-2010. These activities and proactive actions have enabled the Company to attain a leadership role in the energy sector and ensuring its ability to "Fuel National Progress" by providing safe, reliable and affordable energy to the industry and people of Pakistan.





A section of the Hyderabad to Karachi pipeline being lowered into a trench.

## year in review

### network expansion: meeting commitments

Significant progress was made during the last fiscal year towards the implementation of a Five-year, Rs.43 billion Strategic Business Plan with the launch of GIREP-II. This was despite a slower than expected start at the outset on account of delays in the delivery of linepipe, valves and fittings from vendors, due to increased demand worldwide on steel supplies.

A sequel to GIREP-I completed in 2003-04, which led to the enhancement of network capacity from 600 mmcf/d to 1200 mmcf/d, GIREP-II will result in further enhancing the Company's pipeline network capacity to 1800 mmcf/d within the next five years.

GIREP-II will not only further streamline the transmission and distribution network but also benefit

domestic customers in 600 more towns and villages in Sindh and Balochistan over the plan period. Yet, its primary beneficiary will be power plants, textile mills and other industrial and commercial establishments that use natural gas either for captive power generation or for heating and other process applications.

During 2004-05, two major projects were completed in Balochistan. The first commissioned on September 11, 2004, not only made piped natural gas readily available to the residents of Ziarat, but also brought urban convenience to people residing in villages and "killies" enroute. The Ziarat pipeline is expected to also make a significant contribution towards protecting the ecosystem by eliminating the need to cut down rare Juniper trees in the area for firewood.

The second project commissioned on April 1, 2005 brought natural gas to Kalat at a distance of 157 kms from Quetta. The pipeline also supplies gas to



Mangocher, Khad Kucha and adjoining villages. Nearly 100,000 people in Balochistan stand to benefit directly from these two projects.

To provide adequate pressure of gas to customers in Quetta and its adjoining areas in winter, several works were initiated which included the 14km Dingra Nala bypass on the Quetta pipeline, the 18km Abe-Gum to Much loopline that passes almost entirely under the Bolan riverbed and the 15km supply mains from Quetta to Kuchlaq.

The 116km pipeline from Hyderabad to Karachi, constructed as the first phase of the Nawabshah-Karachi pipeline inaugurated in 2004-05, is a major project completed in Sindh. As part of the project a new 30" pipeline now crosses the River Indus overhead, near Jamshoro. Nearly 100 mmcf additional capacity has thus been created in the Left Bank from Hyderabad to the country's largest load centre, Karachi.

## gas purchases & sales

During the year, gas sales registered as increase of 6% in volume and 15% in value. Sales volume increased to 337,638 mmcf against last year's sales volume of

## crossing the mighty indus

On June 28, 2005 a 30" diameter pipeline was commissioned across the mighty River Indus at a point near Jamshoro, Sindh.

The 1,783 meter long overhead pipeline is aptly described as a feat of engineering that was planned and executed by SSGC engineers and technicians. It includes four horizontal loops and a large vertical loop, the latter with a clearance of 78feet to allow the passage of boats plying the river.

Built at the site where the 20" diameter Kadanwari pipeline crossed the river through a metal box-bridge, supported by a series of concrete platforms resting on columns on the riverbed, the new 30" pipeline was too huge to simply slide alongside. An ingenious solution had to be found. A twin track was laid inside the box-bridge, steel trolleys with wheels placed on top, and individual sections of the line-pipe weighing 4 tons each rolled across the bridge.

A 30' x 40' floating platform fabricated by joining together a set of 6 metal pontoons was launched on the river and a crane mounted on it to lift and steady pipes during the complex welding operation.



Abdur Rahim

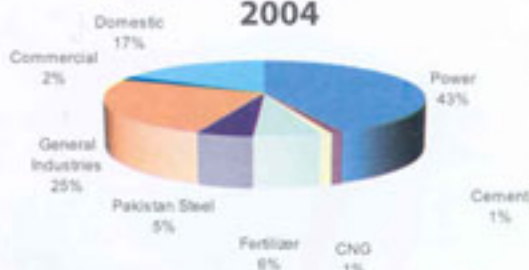
The fabrication of the pontoons by SSGC engineers saved the company enormous expense and provided the needed operational support.

The mighty Indus stands witness to the courage, tenacity and professionalism of the project team, led by Mr. Abdur Rahim, Project Engineer

### Gas Sales by Volume 2005



### Gas Sales by Volume 2004



318,068 mmcf, and value of Rs. 54.4 billion against last year value of Rs. 47.4 billion. An increase of 15% was recorded in sales to industrial customers. Sales to the power sector constituted 46% of the total sales. KESC was the major customer and accounted for 28% of the Company's sales.

The gross revenue remained constant at Rs. 62 billion including meter rental, late payment surcharge, sale of condensate and other income.





President of Pakistan Gen. Pervez Musharraf at the inauguration of the Kalat Gas Supply Project along with other dignitaries & MD SSGC.

Gas purchase volume registered an increase of 7% from 342,336 mmcf to 365,810 mmcf. This was mainly due to the additional availability of gas from Bhit (4,997 mmcf), Miano (2,051 mmcf) and Badin (2,260 mmcf) and Sawan (2,433 mmcf). An increase of 15,245 mmcf took place from the Naimat Basal gas-field operated by Orient Petroleum.

The wellhead gas prices increased during the year, as these are linked to a basket of international crude oil prices which witnessed a steep rise. Cost of gas as percentage of gas sales (net of sales tax) therefore rose from 82% in the previous year to 86% in the current year, leaving a narrower operating margin.

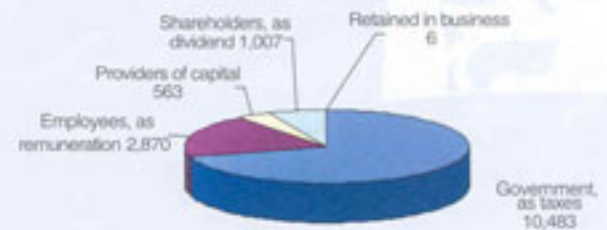
During the year, the customer base increased from 1.734 million to 1.788 million. New connections to



Bending pipe for the crossing over the River Indus

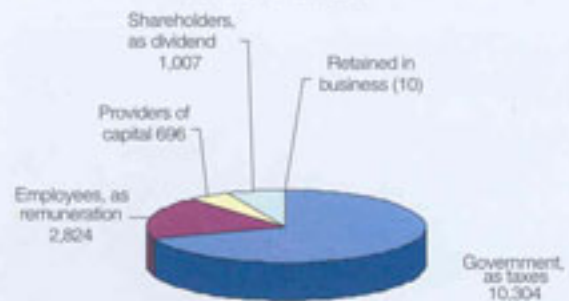
## Value Addition & Distribution During 2005

Rs. 14,929 Million



## Value Addition & Distribution During 2004

Rs. 14,821 Million



commercial and domestic customers stood at 1,489 and 76,865 respectively. While new industrial connections were budgeted at 187, the higher demand due to industrial revival was met and 224 new industrial connections were provided.

## operations

Operating costs increased by 13% over the previous year. However, overall transmission and distribution cost as a percentage of revenue decreased from 7.25% to 7.07%. The increase of Rs.65 million (39%) in the cost of gas consumed internally is mainly due to changes in wellhead prices of gas, plus additional consumption in the new compressor station at Hyderabad, which operated round the year to pump additional quantities of gas to Karachi.

During the year under review, the meter manufacturing plant produced 400,200 gas meters which was 24% higher than the previous year creating a new record. There was a 10% increase in meters consumed by the Company whereas sales to SNGPL registered a 30%



increase.

The meter plant posted a profit of Rs.48 million as compared to a profit of Rs.53 million earned in the previous year. The decrease in profit is mainly due to increase in material and other production costs and discounts given to SNGPL. The meter plant has now been enabled through further process improvements for a higher production of 450,000 to meet increased demand in FY 2005-06.

The treasury function continued to manage the cost of borrowing during the current year. As a result financial charges decreased by Rs.133 million in comparison with last year, which substantially offset the unfavourable impact of disallowances made by OGRA. Despite the increasing trend in interest rates due to tight monetary policy of the State Bank of Pakistan, there was a reduction in the weighted average cost of borrowing to 8% compared to 10% last year.

Profitability continues to be determined by the Regulator so as to earn a return before tax of 17% on net average operating fixed assets (net of deferred credit), excluding financial and non-operating income which is outside the purview of the price formula. The decrease in gross profit by Rs.197 million over the previous year is mainly due to disallowance of certain expenditures by the Regulator, details which are provided in the Directors' Report.

## new initiatives technology: at the forefront

Information Technology made significant headway with four major initiatives launched during the 2004-05 financial year, namely:

- o Oracle Enabled Reengineering (OER)
- o Customer Information Systems (CIS)
- o Geographical Information Systems (GIS)
- o Focus Improvement Leading to ISO9000 Certification (FI).

Seven modules have been implemented during the year in the first phase of the Oracle eBusiness Suite



Mr. Amanullah Khan Jadoon, Minister of Petroleum & Natural Resources Inaugurating the new SCADA facility



Agreement signing with ENI to enhance the supply of gas from Bhit-Bajara gas-fields by 30-50 mmcf/d.

implementation and the remaining five will be fully implemented by year-end 2006. The Company has thus become the first utility company in Pakistan and is amongst the very few in the region to have reached such an advanced stage of implementation of Oracle Enabled Re-engineering (OER) technology.

In recognition, Oracle have agreed to make the Company a Regional Centre of Excellence and a Flagship site for Oracle Asia Pacific. This is indeed a unique honour.

Implementation of SPL World Group's Customer Information System (CIS) for the Company is in progress. The project is largely managed in-house on the basis of rapid transfer of technology. SPL also recognizes the Company as their Regional Centre of Excellence.



A typical CIS Project anywhere in the world, costs on average around US\$35 per customer. As against this, the cost to the Company has been brought down to a mere US\$1 as a result of thorough negotiations and innovative spread of scope.

An integrated Geographic Information System (GIS) is also being implemented in-house. This uses satellite data obtained from SUPARCO at 2.5 metres resolution as the base map, while digitalizing and vectorizing is done to produce seamlessly integrated pictures of the pipeline network. It helps in better routing, maintenance, risk assessment, emergency response and terrain detection as well. GIS links different departments within the Company through the intranet and shall be eventually integrated with CIS, ERP, SCADA and other packages.



Governor Balochistan at First Weld Ceremony of gas supply project for Band Khushdil Khan in Pishin district.

particularly improved the efficiency and safety of the high pressure gas transmission pipelines. Use of the SCADA system enables continual real-time custody transfer, load forecasting, gas analysis and gas supply management.

In order to make the company installations as well as designated customer locations secure, a warning and intrusion detection system has been implemented which is centrally monitored in the BMS Control Room at the Head Office and distribution control rooms in Hyderabad and Quetta. Among the other technological accomplishments this year has been the implementation of the vehicle tracking & recovery system for company vehicles and video-conferencing using microwave telecommunication in both cases.



SCADA Control Room, the nerve centre of SSGC operations at the Karachi Terminal.

Assessment work was started in Human Resources, Administration and Medical departments during fiscal 2004-05 for the implementation of the Focus Improvement system (FI). Three different methodologies are being used under this system to develop a roadmap for continuous improvement and standardization, as a prelude to ISO 9001:2001 certification.

The transmission and distribution pipeline networks have been fully integrated with SCADA to facilitate a seamless exchange of data between different points. This has resulted in streamlined reporting of gas data. The remote operation of pipeline block valves has

### stock performance: blue chip rating



The Company demonstrated its capability to achieve a very substantial increase in capital expenditure which at Rs.6.2 billion in 2005 compares with an average of Rs.1.7 billion in the previous five years and a maximum



of Rs.2.7 billion during this time. This bodes well for the future where the Company has a rolling five year plan to incur substantial capital expenditure averaging around Rs.8 billion per annum. With a debt equity ratio of 41% : 59%, the Company has sufficient room on its balance sheet to meet its near term borrowing needs and with strong debt service coverage.

Sales revenue has increased in value by 170% over the past six years with a corresponding increase in volume of 70%, the latter at a CAGR of 11%. However, due to the deterioration in gross margin, the profit before tax has increased only marginally. The cost of gas increased substantially by 346% over the six year period, which is beyond the control of the Company. The impact of disallowance for excess unaccounted for gas by OGRA in the past two years has also been a factor in the deterioration. As a result of this disallowance, despite a substantial increase in the asset base on which the Company's return is calculated, the profit after tax increased by a small amount in 2005.

The operating cost excluding depreciation, as a percentage of revenues, decreased to 7.07% from 11.85% over six years. The current ratio has remained robust since 2001. The cash dividend payout has remained the same as last year.

### customer service: first class performance

Implementation of the service motto "Service with a Smile" was further strengthened during the year 2004-05 by effectively taking it to more neighborhoods and making tangible improvements in systems and training of key personnel.

Technology-enabled online systems at Customer Facilitation Centres (CFCs) now provide superior quality service to customers. Customer queries or complaints are thus better managed and it is possible to solicit customer feedback online, provide real-time bill verification / rectification and collect payments in drop-boxes at as many as 50 locations or at bank counters in



Customer Facilitation Centre where SSGC customers receive "Service with a Smile"

or near these CFCs.

The total number of CFCs grew to 12. As of end-June 2005, four new centres neared completion in Pishin in Balochistan, Malir & Korangi / Landhi districts in Karachi and Mirpurkhas in the interior of Sindh.

E-Business facilitation desks started operation in selected CFCs. The overall courtesy standard improved considerably through staff-training and emphasis on nurturing a service culture.



Digital Prepaid Meters installed in an apartment building, under a Pilot Project

New, laser-printed bills with bar codes were introduced in March 2005. The unique 10-digit customer number, now printed on bills for Karachi and interior of Sindh and Balochistan, allows customers to access billing information from any CFC or Company location, and facilitates payment of bills from outstations. ATMs and kiosks also started accepting gas bill payments electronically in 2004-05.



Training in progress on a hot-tapping machine at the GTI. Apart from SSGC personnel, engineers from other oil & gas sector companies attend such courses.

For better administrative control, the number of billing zones was increased from five last year to seven. Use of hand-held units for accurate meter reading and reporting was extended to all regions except Larkana and Nawabshah. A regional billing control centre was opened at Sukkur and commercial billing facility extended to regional centres, other than Karachi. These actions brought about efficiency and accuracy in the billing system.

Following the successful test-launch of 1,000 imported prepaid meters in 2004-05, the Company is proceeding more aggressively to set up more pilot projects before rolling out these meters at a faster rate in 2005-06. Customer acceptance is high, but the high initial cost is seen as the only impediment. Options are already being considered to resolve this problem.

### human resource: promoting potential

The Company continued to invest in the development of its human capital including its teams of professionals, subordinate staff and workers.

The interactive Performance Management System (PMS) introduced three years ago, provides the executive cadre the necessary motivation to strive towards the fulfilment of the Company's vision and mission. The Promotion Policy & Potential Assessment System rewards merit in a transparent and efficient manner. The implementation of Oracle's HR module during 2005-06, will deliver greater efficiency, increased productivity and enhanced customer satisfaction.

Employees and staff continued to enjoy excellent

working conditions, sound compensation as well as opportunities for training and development.

Security environment in all essential locations including the Head Office, regional offices and key technical installations was further strengthened during the year, through efficient planning, effective utilization of technology and dedication of the entire team.

The Gas Training Institute offered in-house training to 2,416 executives and subordinate staff this year in a variety of management and technical disciplines. Per capita training increased to 40 hours in FY 2004-05 from a previous low of just 3 hours during FY 2002-03 and before. This clearly met the objective to provide best in class training and professional development to ensure effective grooming and career development of executives.

Courses at GTI also attracted participants from other oil & gas sector companies and professional organizations. A summer camp for employees' children provided computer skills based on MS Office free of cost.

GTI continued to run an internship programme which benefits young, graduate-level business and engineering students during the year. Also the Apprenticeship Scheme was enlarged to provide hands-on training to a larger number of aspiring technical / polytechnic students and improve their employment prospects in the job market.

**medical services: quality healthcare**

Medical care in the Company is undoubtedly among the best in the country. However it was felt necessary to trim costs and improve efficiency without compromising on quality. Medical services therefore underwent significant restructuring and system re-engineering to meet the objectives of increased efficiency, transparency, reduced cost and better healthcare for employees and their dependents.

Progress was also made this year in terms of consolidating the medical policies in the shape of a comprehensive Medical Policy and Procedures Manual enforcing strict pre-employment fitness criteria and implementing medical-cost-sharing on an 80:20 basis between company and employee, applicable to new entrants.

Medical services at upcountry locations were improved by posting Company doctors and appointing Medical Case managers and introducing IPD services in Karachi and Hyderabad. The installation of an X-ray unit, ultrasonogram and ECG facilities in-house have also reduced the need for referrals by over 60% compared to the previous year.

Medical Policy emphasized preventive care to reduce the risk of disease occurrence which would benefit employees as well as the Company. Primary Care Centres were established in Quetta and Larkana during 2004-05 and they will also be established in Nawabshah and Sukkur in 2005-06.



Renowned doctors & specialist spoke during the SSGC Health Awareness Week to Company employees.



"Hospital Quality Rating Criteria" was developed for enlistment of reputable hospitals and C category hospitals were de-listed during the year. A health survey of employees above 40 years was also conducted for identification of high-risk employees and disease management.

Free health camps were also arranged and a "Health Week" organized at the Head Office to improve employee awareness about disease prevention. Medical department costs were reduced by Rs.34 million in the year under review.

### corporate planning: robust framework

The Company has developed its Five-Year Strategic Development Plan in line with the objectives of the National Energy Plan and provides direction for all areas of the business including transmission and development, billing, finance and customer services. It also includes a comprehensive Five-Year UFG reduction plan.

The strategy being pursued is to gradually increase the share of power plants, industrial and commercial customers in the Company's portfolio which would increase overall profitability, and to achieve continuous improvement in all areas of operation while reducing operating costs.

Efforts are underway to develop an integrated and comprehensive Financial Model which can be used as

## Quality Policy

SSGC will continuously endeavor to better satisfy the needs of customers and stakeholders and will promote innovation, creativity and pursuit of excellence by employees for providing quality service in all areas of Company operations.

a key corporate planning tool. In essence, a robust long-term corporate plan framework will be put in place to ensure continuity of strategy and direction in the years to come.

### materials management

This year saw business process re-engineering, automation and computerization of the Materials Management function, including Procurement and Stores, which helped achieve significant improvements in overall departmental efficiency, transparency and better monitoring of the procurement process. On-line inventory updating commenced at warehouses that would lead to better inventory management.

The total value of materials purchased during the year increased more than three-fold from Rs. 1,662 million last year to Rs. 5,557 million in the year under review. This was a new record achieved through business process re-engineering.



A Training Session in progress



Congenial, hi-tech working environment at SSGC.



Materials management executives attended training seminars and courses locally and overseas in several areas particularly on the use of on-line bidding which is part of Oracle Financials 11i implementation. This unique feature will bring about visible improvements in the bidding process for the benefit of vendors and suppliers.

Procurement procedures were revamped and modified to conform to the Public Procurement Rules notified by the government and implemented under the guidance of the new regulatory body, Public Procurement Regulatory Authority.

### HSE Certification: a significant achievement

The Company was again the first utility in Pakistan and also the first oil and gas Sector company to have successfully obtained ISO-14001:2000 certification for Environmental Management, and OHSAS 18001:1999 certification for Operational Health & Safety Management on June 15, 2005.

Bureau Veritas Quality International (BVQI), the official registrar conducted the certification audit in early June 2005. This consisted of the mandatory verification and evaluation of the Company's HSE System at different locations. Following the audit BVQI confirmed full compliance and recommended that SSGC be certified under ISO-14001:2000 and OHSAS 18001:1999.

The successful certification achieved within defined timelines, is a clear affirmation of its inherent strength and capacity to adopt and maintain safe, healthy and environment friendly practices in its core areas of business, namely transmission and distribution of natural gas.

The integrated HSE Management System provides comprehensive guidelines for operational activities, practices and procedures. Going forward, the Company would persevere towards achieving continuous improvements in its operational environment, avoiding work-related health hazards or accidents and keeping environmental emission and



wastage of energy well under control.

Under this system, once every quarter, the employees proactively monitor and measure occupational HSE performance so as to establish ongoing compliance with the laid out policies, procedures and requirements. The assessment covers both legal compliance as well as impact of significant HSE risks.

### HSE Policy

SSGC is committed to the health and safety of its employees, preservation of environment and continual improvement of HSE performance by reducing potential hazards, preventing pollution, conserving resources and adhering to applicable laws and regulations in all its activities related to transmission and distribution of natural gas.



An LPF literacy centre in Siddique Panhar Goth in Mirpurkhas, Sindh, sponsored by SSGC under its CSR programme.

### corporate social responsibility: serving the community

The Company is recognized by the corporate sector, as well as by communities we serve in Sindh and Balochistan, as a "People Caring Company". Our corporate social responsibility projects continued to focus on three sectors: education, health and environment.

Four schools were adopted in remote areas of Sindh and Balochistan for improving their physical facilities and environment such as renovation of school buildings, provision of computer, science laboratories and other essential facilities. In Balochistan the Government Girls High School in Rojhan Jamali, Government Primary School, BaghHead in Usta Mohammed and the Boarding School in Sohbatpur benefited this year. In

addition the Al-Hijra Boarding School in Ziarat was provided a gas pipeline and a tree plantation project providing for planting of 5,000 saplings on location.

The Adult Literacy Program run in collaboration with Literate Pakistan Foundation imparted basic education to 2,400 young and older people, twice as many as last year, at 80 centers set up near Quetta, Sukkur, Kalat, MirpurKhas, Nawabshah, Sibi and Hub. These persons are otherwise deprived of any formal education.

In the area of higher learning, the Company led the campaign for the opening of the first-ever "Faculty for Petroleum Engineering" in the NED University of Engg. in Karachi. Contributing Rs.5 million to the fund we were able to raise a total of about Rs.60 million from other industry partners. Another project accomplished this

year was the founding of an IT Research and Reference Library at the Umer Bashir IT University in Karachi.

The Company also participated in Ilmathon, a fund-raising walk organized by The Citizens Foundation, an organization that runs nearly 200 schools across Pakistan.

In the health sector the Company joined hands with other corporate entities in the funding of a project pertaining to a Day Surgery & Imaging building and expansion of the Emergency Room at the prestigious Aga Khan University Hospital in Karachi. The facility will provide free medical care to deserving patients.

### environmental protection: caring for nature

Protecting and improving the environment is a major

## Tsunami Relief Effort

SSGC was one of the first companies to respond to the clarion call from the President General Pervez Musharraf to mount a major relief effort for the people of Asia & Africa worst hit by the Asian Tsunami on December 26, 2004.

Within a matter of days a massive effort was apace at SSGC. A Tsunami Relief Fund was created, a special bank account was opened at UBL for the collection of cash donations and an appeal went out to the corporate sector and the general public to join the relief effort.

The spirited campaign resulted in the mobilization of Rs.12 million in cash and kind, including Rs.4 million from SSGC employees contributing a day's salary for this great mission.

At a sombre ceremony held on January 10, 2005 at the SSGC head office, the Consul General of Sri Lanka H.E. Madam Manel DeSilva and the representative of Indonesia H.E. Entzim Herrianto received the first set of relief packages from the Managing Director SSGC, Mr. Munawar B. Ahmad.

The Sri Lankan Consul General said she was moved by the "outpouring of generosity and kindness" and urged everyone to "think of the little children of (Sri Lanka) and remember them in your thoughts and prayers".

The Indonesian representative pointed out that Pakistan was the first country to express sympathy and offer assistance and confirmed that relief flights had already started. He thanked SSGC and the people of Pakistan for the tremendous support and said that "...this effort is undeniably cherished".



Juniper Forest near Ziarat, now protected due to the availability of clean, affordable natural gas.

priority of the Company. It implemented several projects during 2004-05 designed to meet its objective of providing a healthy, safe and clean environment to residents in its franchise areas.

Under the "Tree Plantation Campaign" a target for 100,000 trees was set for this year, compared to 50,000 trees planted last year. Tree plantations in areas in and around the Head Office, Regional and Zonal offices will continue to be maintained.

Some plantation was undertaken in 2004-05 on land near Lora Nadi in Quetta provided by the Government of Balochistan. Based on lessons learnt so far, the right species of plants are being selected as the area receives a substantial amount of sewerage water.

In order to make tree plantation a more robust activity in Sindh and Balochistan, a small greenhouse is being constructed in Quetta and a nursery set up in the



SSGC Stall at the TCF Ilmathon 2005



Karachi Terminal, where saplings are already being produced and nurtured. These will become the focal point for sourcing of saplings for parks, schools, roundabouts as well as Company premises.

To protect the Quaid's Residency, a national heritage of immeasurable value, the Company organized a detailed survey of the building through an architect for the purpose of renovation and repairs. In view of the onset of winter, work will commence on the restoration of the Residency to its original grandeur in the spring of 2006.

### regulation and tariff: keeping pace with regulation

During the period under review the Company filed its petition for estimated revenue requirement before Oil and Gas Regulatory Authority for FY 2005-06 on which the Authority determined an increase of Rs.7.34 per MMBTU. The Authority conducted two public hearings in Quetta and Karachi in the month of April 2005 before making the determination. The Company has filed a motion for review against this determination.

In its final determination of the revenue requirement (true up) for FY 2004-05 the Authority had determined the Company's requirement at Rs.55,142 million as against the Company's claim of Rs.55,994 million, resulting in a shortfall of Rs 851 million. A major item contributing to reduction in revenue requirement was UFG for which the Authority determined that Rs.694 million was in excess of the target of 6%.

The Company has reservations on the disallowance and other adjustments for which a motion for review against the determination of the Authority is being filed under the provision of OGRA ordinance and rules.

OGRA is in the process of developing a new tariff regime and for this purpose it has engaged a consortium of consultants which includes Economic Consulting Associates of UK, Petroleum



Signing Ceremony for the first tranche of Tsunami relief goods, delivered to Sri Lanka & Indonesia



Inauguration of the Faculty of Petroleum Engineering at the NED University.

Development Consultants and Ford Rhodes Sidat Hyder.

The consultants have proposed a multi-year tariff regime based on revenue cap with return to the Company on assets and efficiency-based incentives, both with respect to capital and revenue expenditures of the Company. The new regime when approved by the Government is likely to be implemented from FY 2006-07.

### sports: promoting a competitive spirit

In keeping with its commitment towards community development and support of sports activities, the Company has taken several key initiatives this year. Apart from achieving success on the field the Company was able to draw in substantial amount of tangible support from other corporate partners and

receive widespread recognition as a good corporate citizen.

The Company inducted several players of national and international standard to upgrade the hockey, cricket and cycling teams. This has brought success in hockey as runner-up in the All Pakistan Gold Cup Tournament at Peshawar and the 26th All Pakistan Gen. Musa Gold Cup Tournament in Quetta.

Two individual performances also deserve special mention. Shahzad Alam a senior engineer based in Quetta became the National Chess Master and Rashid Ahmed a deputy manager in IT at the Head Office climbed up to the second base of Mount Godwin-Austen, better known as K2.

In cricket the Company team won the All Karachi Navroze Cricket Tournament at Karachi and were runners up in the Karachi Gymkhana Ramzan Champions Trophy and the Hino-Pak Trophy Tournament.

In cycling, your Company co-sponsored the 12th Tour de Pakistan which was an international event in which teams from Germany, Iran, Bangladesh and Afghanistan participated along with national teams.



Governor Balochistan Mr. Owais Ahmed Ghani inaugurating the Gen. Musa Hockey Tournament



Chief Minister Balochistan Jam Mir Muhammad Yousuf at the Closing Ceremony with the SSGC Team.

The Independence Day of Pakistan Cycle Race from Karachi to Hyderabad was also sponsored and arranged by the Company. This has now become an annual event which is well participated and projected in the media.



Sindhi Soung Fakirs rendering a tradition folk tune at the Golden Jubilee Celebration.



Dr. Shehla Baseer Ahmad, wife of MD SSGC, presenting an award for best Naat recital, to Ms. Sarwar Ansari, daughter of an SSGC employee

## 12th Tour De Pakistan: a Journey of Peace

From the Mazar-e-Quaid in Karachi to the Qila Bala Hisar in Peshawar cyclists from five countries - Germany, Iran, Afghanistan, Bangladesh and Pakistan rode through 1,709 kms of highways and city roads to reach their final destination in a show of sportsmanship, skill and stamina which is quite unrivalled.

Along the route people came in droves to cheer the cyclists. In smaller towns, villages and 'tehsils', on ring-roads and on by-passes, the number of spectators swelled and their enthusiasm showed as the cyclists approached every finish line. People old and young were moved to see such a grand spectacle pass before their eyes, and many showered petals on the cyclists in keeping with our traditions of hospitality.

Hundreds of school-children lined roads in numerous places along the route or gathered at start and finish points. Governors, Ministers, Ministers of State, Nazims, DCOs, Highway and Traffic Police came forward to lend their whole-hearted support to the event. This spontaneous, support at all levels of the government and local administration everywhere was unprecedented and gave the 12th Tour De Pakistan International Cycle Race a truly official, national colour.

Among the cyclists the spirit of competition and camaraderie was exemplary. Whether it was a local cyclist or a foreign rider every person that took part in the 12th Tour De Pakistan gave it their best shot. Imran Sharif and Abu Ahad who won individual stages, and other outstanding riders like Imran Sharif, helped SSGC secure third position overall.



Riders of the 12th Tour de Pakistan International Cycle Race cross the verdant mountainous region beyond Attock bridge, enroute to Peshawar.

## future outlook — looking ahead

In its Golden Jubilee year, the Company played a significant role within the Energy Sector in developing the 25-year National Energy Plan for the country. Several strategic initiatives were also taken that will provide for long term security and sustainable supply of natural gas to a rapidly increasing customer base in the Company's franchise areas.

The implementation of our ambitious Five-Year Development Plan was put firmly on track, thus ensuring that the Company will meet its strategic and business plan objectives to enhance its efficiency, sales and expansion of transmission and distribution network capacity, to meet GDP growth requirement of 7.5% plus in the years ahead.

With additional capacity in pipeline network under the GIREP - II coming on stream, sales will increase at a higher rate per year moving to about 1,700 - 1,800 mmcf from the current 1,300 mmcf in the next few years.

While the Company took a leadership role in launching Pakistan's first LNG project, it continues to network with major oil and gas companies to secure the supply of LNG. Such sources of supply are becoming increasingly crucial in view of the steep increase in crude oil prices. The LNG project consultants have come on board and will be following a fast-track schedule for policy framework formulation for the government and project development. It is expected that the implementation agreement for the LNG project would be finalized after approval of the Board of Directors, by mid-2006.

The Management is fully seized with the need to control and reduce UFG which is also an OGRA requirement. The UFG control program now put in place is based on well considered analysis and effective solutions. Our efforts have started yielding favourable results and the reversed trend provides positive indications for success. Efforts in this area will be further enhanced and regularly monitored to ensure that UFG reduction plan objectives are met.

While being the trend setter in the implementation of technology based applications, the Company will continue with its focused improvement plans leading to ISO certification, introducing quality initiatives and implementing innovative solutions for achieving the best in industry practices.

Further efficiency improvement measures and quality initiatives will be pursued rigorously. While the employee empowerment and customer services initiatives implemented have resulted in changing corporate culture, further concerted efforts will be pursued to achieve excellence in all areas of operation.

With the expected change in the return formula from the current Asian Development Bank (ADB) covenant of 17% return on net fixed assets in operation, it is expected that the improvements and efficiencies achieved and further under process, will provide for improved commercial operations. We believe that these aspects will contribute positively to improve performance and return to shareholders.

As the Company moves forward after successfully completing 51 years of operations, we are confident that the continued commitment and focused perseverance of our employees to meet challenges ahead, will enable the Company to attain top ranking among public utilities in Pakistan. We are indeed uniquely positioned to take advantage of opportunities that arise and we look ahead to continue our leadership role in the energy sector and to meet the challenges of the high GDP growth regime projected for Pakistan.

### SSGC Management hoisting the National Flag on Independence Day



# Statement on Corporate and Financial Reporting Framework

The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of account of the company have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the company's ability to continue as a going concern.

Save for minor exceptions as given in para 9 of Statement of Compliance, there is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data for last decade is summarized and printed on page 148.

The amount of withholding taxes payable appearing in note 10 to the audited financial statements for the year ended 30 June 2005 represent the time lag allowed by statutory provisions in collecting and depositing these taxes in the government treasury. The same were subsequently deposited within the time frame allowed and on due dates.

The value of investment of provident, gratuity and pension funds based on respective accounts as at 30 June 2005 is given in note 46 to the audited financial statements.

During the year 11 meetings of the Board of Directors and 5 meetings of Audit Committee were held. Attendance by each director is summarized and printed on page 50.

The statement showing the pattern of share holding in the company, as on 30 June 2005 is shown on page 155.

No trade in share of the company were carried out by the directors, chief executive, chief financial officer, company secretary, their spouse and minor children.

## Dividend

The Directors are pleased to recommend payment of cash dividend at 15% i.e. Rs. 1.50 per share.

(2004: 15% cash dividend i.e. Rs. 1.50 per share).

*The inauguration of the Ziarat pipeline project today is a tribute to the Quaid-e-Azam (Mohammad Ali Jinnah)... It is a promise that is being fulfilled today... my promise!"*

*"I had initiated this project... and I am grateful to the MD Sui Southern Gas Company, the engineers and the technical staff, that you have completed (the project) within the agreed time frame..."*

General Pervez Musharraf, President of Pakistan  
Ziarat, 11th September 2004.



# company information

## Auditors

M/s Taseer Hadi Khalid & Co.  
Chartered Accountant

## Legal Advisor

M/s Haidermota & Co.  
Barrister At Law & Corporate  
Counselors

## Company Secretary

Aqeel Ahmed Nasir

## Registered Office

SSGC House,  
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Karachi-75300  
Ph: 92-923 1500  
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## Website

<http://www.ssgc.com.pk>

## E-mail

[info@ssgc.com.pk](mailto:info@ssgc.com.pk)

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# Consolidated Balance Sheet

as at 30 June 2005

	Note	2005	2004
		(Rupees in '000)	
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorised Share capital			
1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up capital	3	6,711,743	6,711,743
Reserves	4	2,488,662	2,488,662
Surplus on remeasurement of available for sale securities		152,896	147,166
Unappropriated profit		<u>1,012,547</u>	<u>1,006,800</u>
		<u>10,365,848</u>	<u>10,354,371</u>
<b>Non-current liabilities</b>			
Long term financing	5	7,203,180	4,644,750
Long term deposits	6	1,806,695	1,609,746
Deferred tax	7	2,875,241	2,496,419
Employee benefits	8	847,932	772,322
Deferred credit	9	<u>1,791,364</u>	<u>1,711,395</u>
		<u>14,524,412</u>	<u>11,234,632</u>
<b>Current liabilities</b>			
Trade and other payables	10	10,926,115	8,362,880
Interest and mark-up accrued	11	185,020	168,401
Short term borrowing	12	220,000	-
Current portion of long term financing	13	<u>1,461,144</u>	<u>1,716,578</u>
		<u>12,792,279</u>	<u>10,247,859</u>
Contingencies and commitments	14	<u>37,682,539</u>	<u>31,836,862</u>
Government owned assets held on trust by the company	15.3.1	-	<u>105,965</u>

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.



	Note	2005	2004
		(Rupees in '000)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	21,641,128	17,496,568
Intangible assets	16	60,932	-
Long term investments	17	161,471	204,528
Share of investment in jointly controlled entity	18	5,100	1
Long term loans and advances	19	127,848	136,373
Long term deposits	20	4,458	4,072
		<u>22,000,937</u>	<u>17,841,542</u>
<b>Current assets</b>			
Stores, spares and loose tools	21	929,310	794,232
Stock-in-trade	22	227,318	198,443
Customers' installation work-in-progress	23	84,504	56,019
Trade debts	24	8,754,927	6,705,704
Loans and advances	25	96,897	108,464
Trade deposits and short term prepayments	26	118,452	138,928
Interest accrued		7,458	13,142
Other receivables	27	3,693,682	2,270,803
Taxation recoverable	28	499,841	668,791
Cash and bank balances	29	1,269,213	3,040,794
		<u>15,681,602</u>	<u>13,995,320</u>
		<u>37,682,539</u>	<u>31,836,862</u>

**Aitzaz Shahbaz**  
Chairman

**Munawar B. Ahmad P.E.**  
Managing Director

# Consolidated Profit & Loss Account

for the year ended 30 June 2005

	Note	2005 (Rupees in '000)	2004
Sales		<b>62,511,685</b>	54,444,623
Sales tax		<b>(8,136,107)</b>	(7,089,741)
		<b>54,375,578</b>	47,354,882
Gas development surcharge		<b>(1,672,901)</b>	(2,555,192)
Net sales		<b>52,702,677</b>	44,799,690
Cost of gas	30	<b>(46,812,706)</b>	(38,713,079)
Gross profit		<b>5,889,971</b>	6,086,611
Transmission, distribution and selling costs	31	<b>(4,779,215)</b>	(4,211,890)
Administrative expenses	32	<b>(1,387,292)</b>	(1,230,224)
Share of expenses of joint venture		<b>(6,475)</b>	(5,228)
Other operating expenses	33	<b>(156,984)</b>	(104,215)
		<b>(6,329,966)</b>	(5,551,557)
		<b>(439,995)</b>	535,054
Other operating income	34	<b>2,591,696</b>	1,732,905
Operating profit before finance cost		<b>2,151,701</b>	2,267,959
Finance cost	35	<b>(563,017)</b>	(695,597)
Profit before taxation		<b>1,588,684</b>	1,572,362
Taxation	36	<b>(576,176)</b>	(575,639)
Profit for the year		<b>1,012,508</b>	996,723
			(Rupees)
Proposed dividend per share		<b>1.50</b>	1.50
Basic and diluted earnings per share	38	<b>1.51</b>	1.49

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

for the year ended 30 June 2005

	2005	2004
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<u>1,588,684</u>	1,572,362
Adjustments for non cash items:		
Depreciation	2,155,453	1,937,823
Amortisation of Intangibles	30,461	-
Finance cost	563,017	695,597
Insurance claim written off	11,600	-
Provision against doubtful debts	214,033	239,460
Provision for slow moving and obsolete stores	4,313	-
Provision for compensated absences	7,173	14,081
Provision for post retirement medical and gas supply facilities	84,056	118,829
Provision for other retirement benefits	124,028	181,268
Amortisation of deferred credit to the profit and loss account	(150,862)	(145,239)
Dividend income	(5,325)	(5,293)
(Provision) / income from remeasurement of value of investments	(2,751)	50
Profit on sale of investment	(456)	-
Return on bank deposits	(70,849)	(93,526)
Return on Defence Saving Certificates	(7)	(11)
Gain on disposal of fixed assets	<u>(52,211)</u>	<u>(17,321)</u>
	<u>2,911,673</u>	<u>2,925,718</u>
Net cash flows from operations	4,500,357	4,498,080
Service charges received from new consumers	125,605	418,420
Long term deposits received - net	196,949	181,840
Loans and advances recovered	20,092	(10,719)
Long term deposits	(386)	665
Changes in working capital		
- Stores, spares and loose tools	(135,078)	(74,550)
- Stock-in-trade	(28,875)	(35,731)
- Customers' installation work-in-progress	(28,485)	420
- Trade debts	(2,263,256)	145,874
- Trade deposits and prepayments	20,476	(48,934)
- Other receivables	(1,491,426)	(1,077,161)
- Trade and other payables	<u>2,708,251</u>	<u>1,684,619</u>
	(1,218,393)	594,537
Retirement benefits paid	(225,974)	(117,673)
Income tax paid	(28,404)	(714,590)
Finance cost paid	(629,680)	(664,899)
Net cash flows from operating activities	<u>2,740,166</u>	<u>4,185,661</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(6,220,058)	(2,213,996)
Proceeds from sale of fixed assets	60,034	19,494
Investment in subsidiary company	(5,099)	-
Proceeds from sale of investment	52,000	-
Profit / interest on bank deposits	76,533	98,101
Dividend received	574	5,293
Net cash flows from investing activities	<u>(6,036,016)</u>	<u>(2,091,108)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from local currency loans	4,019,328	2,015,527
Repayment of local currency loans	(760,665)	(1,622,642)
Repayment of foreign currency loans	(912,002)	(827,208)
Repayment of liabilities against assets subject to finance leases	(43,664)	(43,768)
Short term borrowing	220,000	-
Dividend paid	(998,728)	(1,204,816)
Net cash flows from financing activities	<u>1,524,269</u>	<u>(1,682,907)</u>
Net increase/ (decrease) in cash and cash equivalents	(1,771,581)	411,646
Cash and cash equivalents at beginning of the year	3,040,794	2,629,148
Cash and cash equivalents at end of the year	<u>1,269,213</u>	<u>3,040,794</u>

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

**Aitzaz Shahbaz**  
Chairman

**Munawar B. Ahmad P.E.**  
Managing Director

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2005

(Rupees in '000)

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on remeasurement of available for sale securities	Unappropriated profit	Total
Balance at 30 June 2003 as previously reported	6,711,743	234,868	2,263,490	93,461	381	9,303,943
Effect of change in accounting policy (Note 2.2.1):	-	-	-	-	-	-
Final dividend for the year ended 30 June 2003 declared subsequent to the year end	-	-	-	-	1,208,114	1,208,114
Restated Balance at 30 June 2003	<u>6,711,743</u>	<u>234,868</u>	<u>2,263,490</u>	<u>93,461</u>	<u>1,208,495</u>	<u>10,512,057</u>
Final Dividend for year ended 30 June 2003	-	-	-	-	(1,208,114)	(1,208,114)
Net surplus on remeasurement of available for sale securities	-	-	-	53,705	-	53,705
Profit for the year	-	-	-	-	996,723	996,723
Transfer from general reserve	-	-	(9,696)	-	9,696	-
Restated Balance at 30 June 2004	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>147,166</u>	<u>1,006,800</u>	<u>10,354,371</u>
Balance at 30 June 2004 as previously reported	6,711,743	234,868	2,253,794	147,166	39	9,347,610
Effect of change in accounting policy (Note 2.2.1):	-	-	-	-	-	-
Final dividend for the year ended 30 June 2004 declared subsequent to the year end	-	-	-	-	1,006,761	1,006,761
Restated Balance at 30 June 2004	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>147,166</u>	<u>1,006,800</u>	<u>10,354,371</u>
Final dividend for the year ended 30 June 2004	-	-	-	-	(1,006,761)	(1,006,761)
Net surplus on remeasurement of available for sale securities	-	-	-	5,730	-	5,730
Profit for the year	-	-	-	-	1,012,508	1,012,508
Transfer to general reserve	-	-	-	-	-	-
Balance at 30 June 2005	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>152,896</u>	<u>1,012,547</u>	<u>10,365,848</u>

The annexed notes 1 to 51 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Statements

for the year ended 30 June 2005

## 1. STATUS AND NATURE OF BUSINESS

Sui Southern Gas Company Limited is a public limited company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the company is transmission and distribution of natural gas in Sindh and Balochistan. The company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

Sui Southern Gas Provident Fund Trust (Pvt.) Limited is a wholly owned subsidiary of Sui Southern Gas Company Limited (the holding company). The company's registered office is situated at ST-4/B, Block-14, Sir Shah Muhammed Suleman Road, Gulshan-e-Iqbal, Karachi. The company was formed to facilitate administration of employees' retirement funds.

Inter State Gas Systems (Pvt.) Limited ("The Jointly Controlled Entity") is incorporated in Pakistan as a private limited company and is a joint venture between Sui Southern Gas Company Limited (SSGCL) and Sui Northern Gas Pipelines Limited (SNGPL). ISGS has been established to explore and make arrangements for import of natural gas from neighbouring countries. The controlling interest of holding company in Inter State Gas Systems (Pvt.) Limited is 51%.

### 1.1 Basis of consolidation

The Group consists of:

- Sui Southern Gas Company Limited (SSGCL)
- Sui Southern Gas Provident Fund Trust (Pvt.) Limited

The consolidated financial statements include the financial statements of SSGCL - Holding Company and its subsidiary company - "The Group".

The assets and liabilities of subsidiary company have been consolidated on a line-by-line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements.

Intra-group balances and transactions have been eliminated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at their fair values.

### 2.2 Statement of compliance

These consolidated 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 such International Accounting Standards as are 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, or the requirements of the said directives take precedence.

## **2.2.1 Changes in accounting policy**

Dividend is recognised as a liability in the period in which it is declared. Upto previous year dividends that were proposed after the balance sheet date but before the consolidated financial statements were authorised for issue were recorded as a liability. The change was considered necessary due to revision in the Fourth Schedule to the Companies Ordinance, 1984 effective from 5 July 2004. Such a change in policy has been accounted for retrospectively and comparative consolidated financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8. Had there been no change, the unappropriated profit and the current liabilities for the year ended 30 June 2005 would have been lower and higher respectively by Rs. 1,006.761 million (2004: Rs.1,006.761 million).

## **2.3 Property, plant and equipment**

### **2.3.1 Cost**

Property, plant and equipment are stated at cost less accumulated depreciation.

### **2.3.2 Depreciation**

Under a loan agreement with Asian Development Bank, the holding company is required to recognize a minimum depreciation charge at 6% per annum of the gross value of its operating assets under the straight line method.

#### **Compressors and transmission lines**

Depreciation is calculated under the straight-line method over the estimated useful lives of assets. Depreciation on these assets is charged from the dates these projects are available for intended use up to the date these are disposed off.

#### **Other operating assets**

Depreciation on other operating assets is calculated so as to write off the assets over their estimated useful lives under the straight-line method with the exception of assets of meter manufacturing division which are depreciated under the diminishing balance method.

A full year's depreciation is charged in the year of addition while no depreciation is charged in the year the asset is disposed off, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

**2.3.2.1** Depreciation is charged at rates mentioned in the notes 15.2, 15.3 and 15.4 to these consolidated financial statements.

### **2.3.3 Subsequent expenditure** (including normal repairs and maintenance)

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of operating asset. All other expenditure (including repairs and normal maintenance) is recognized in the profit and loss account as an expense when it is incurred.

### **2.3.4 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

### **2.3.5 Borrowing costs**

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

### **2.3.6 Gains and losses on disposal**

Gains and losses on disposal are taken to the profit and loss account currently.

### **2.3.7 Leased assets**

Leased assets in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 2.9 to these consolidated financial statements.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned operating assets.

## **2.4 Investments**

### **Available-for-sale**

Investments available-for-sale are stated at fair value with any resultant gains or losses recognized directly in equity. These are recognized / derecognized by the group on the date it commits to purchase / sell the investments.

All quoted investments are initially recognised at cost inclusive of transaction costs and are subsequently marked to market using closing market quotation of Karachi Stock Exchange at the close of the financial year. Impairment losses are charged to the profit and loss account. Unquoted investments are stated at cost due to impracticability to determine their fair value less impairment loss, if any.

### **Held to maturity investments**

Investments with a fixed maturity that the group has the intent and ability to hold to maturity are classified as held to maturity investments. Held to maturity investments are carried at amortised cost using the effective interest rate method.

### **Joint venture company**

The group's interest in jointly controlled entity in these consolidated financial statements has been accounted for using equity method.

## **2.5 Stores, spares and loose tools**

These are valued at cost determined under the moving average basis less impairment losses, if any. Goods-in-transit are valued at cost incurred up to the balance sheet date.

## 2.6 Stock-in-trade

### Gas in pipelines

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value.

### Meter manufacturing division

Components (materials) are valued at lower of moving average cost and net realisable value. Work-in-process includes the cost of components only (determined on a moving average basis). Finished goods are stated at the lower of cost determined on an average basis and net realisable value and includes appropriate portion of labour and production overheads. Components in transit are stated at cost incurred up to the balance sheet date.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2.7 Trade debts and other receivables

- Trade debts are carried at cost (invoiced amount, which is the fair value of the consideration receivable for sale of gas) less an estimate for impaired receivables.
- Other receivables are stated at cost less impairment losses, if any.
- Bad debts are written off when identified.

## 2.8 Trade and other payables

Trade and other payables are stated at cost.

## 2.9 Mark-up bearing borrowings

### Long term financing

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

### Leases

The holding company accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective mark-up rate method.

## 2.10 Provisions

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, 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.



## 2.11 Deferred credit

Amounts received from customers and the Government as contributions and grants for providing service connections, extension of gas mains, laying of transmission lines, etc. are deferred and recognized in the profit and loss account over the useful lives of the related assets.

## 2.12 Taxation

Income tax on the profit and loss for the year comprises current and deferred tax.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

### Deferred

Deferred tax is recognized using the balance sheet liability method on all significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

## 2.13 Revenue recognition

- revenue from gas sales is recognized on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).
- meter rental income is recognized monthly at specified rates for various categories of customers on an accrual basis.
- revenue from sale of meters and gas condensate is recognized on dispatch to the customers.
- deferred credit income is amortised to the profit and loss account over the useful lives of related assets (refer note 2.11 also).
- dividend income on equity investments is recognized when right to receive the same is established.
- profit on investments in securities, term deposits, royalty income and pipeline rental income are recognized on an accrual basis.
- late payment surcharge is recognized from the date the billed amount is due.
- revenue from gas shrinkage in LPG extraction plant of Jamshoro Joint Venture Limited is recognised on accrual basis.
- return on Defence saving certificates is accrued on the basis of effective profit rate method on the assumption that these certificates will be retained upto maturity.

- under the provisions of an agreement with Asian Development Bank for Loan no. 1138-Pak, the holding company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets for the year, excluding financial and other non-operating charges and non-operating income. The determination of annual required rate of return is reviewed by OGRA under the terms of the licence for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from GoP.

## 2.14 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

## 2.15 Staff retirement benefits

The holding company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognized in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise the actuarial gains or losses are not recognized.

Past service cost is recognized in the profit and loss account over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

Liability under these schemes is recognized in the period in which the benefit is earned based on the actuarial valuations carried out under the projected unit credit method.

The free gas supply facility has been discontinued for employees retiring after 31 December 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gains or losses are not recognized.

- Approved contributory provident funds for all employees (defined contribution scheme).

Contributions by the holding company and employees are made on the basis of basic salary.

- A non-contributory benevolent fund, under which only the employees contribute to the fund.

## **2.16 Compensated absences**

The liability for accumulated compensated absences of employees is recognized in the period in which employees render service that increases their entitlement to future compensated absences.

## **2.17 Foreign currency translation**

Transactions in foreign currencies during the year are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date. Exchange gains and losses are taken to the profit and loss account currently.

## **2.18 Derivative financial instruments**

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. The holding company currently is maintaining hedging relationships for foreign currency loans discussed in note 2.19 below. Changes in fair value of this derivative instrument are recognized in the profit and loss account, along with any changes in the carrying value of the hedged liability.

## **2.19 Hedging**

The holding company has obtained foreign currency loans from Asian Development Bank (ADB) which are covered under the exchange risk coverage scheme of the Government of Pakistan. Under this arrangement, the company is entitled to claim from the Government the differential between the actual payments to ADB and the contracted value of principal and interest amounts. As stated in note 2.18 above, changes in the fair value of hedged liability are recognized in the profit and loss account. For consolidated financial statements presentation purposes, the fair values of the hedging instrument and the hedged liability are off set and net amounts reported, while relevant break-ups are given in the notes to the consolidated financial statements (refer note 5.1 to these consolidated financial statements). The above hedging qualify as a fair value hedge.

## **2.20 Fiduciary assets**

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the holding company and accordingly are not included in these consolidated financial statements.

## **2.21 Off-setting**

Financial assets and liabilities are off set and the net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognized amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

## **2.22 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand and deposits in banks, short term running finance under mark-up arrangement, term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

### 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2005 (Number)	2004	Note	2005 (Rupees in '000)	2004
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
<u>671,174,331</u>	<u>671,174,331</u>		<u>6,711,743</u>	<u>6,711,743</u>

### 4. RESERVES

#### Capital reserves

Share capital restructuring reserve (due to merger)	4.1	146,868	146,868
Fixed assets replacement reserve	4.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>

#### Revenue reserves

Dividend equalisation reserve		36,000	36,000
Special reserve	4.3	333,141	333,141

#### General reserve:

- Balance at 1 July		1,884,653	1,894,349
- Transferred during the year		-	(9,696)
- Balance at 30 June		<u>1,884,653</u>	<u>1,884,653</u>
		<u>2,253,794</u>	<u>2,253,794</u>
		<u>2,488,662</u>	<u>2,488,662</u>

#### 4.1 Share capital restructuring reserve

This represents the reduction of share capital of former Sui Gas Transmission Company Limited (SGTC) due to merger of Sui Gas Transmission Company Limited and Southern Gas Company Limited (SGC) in March 1989.

#### 4.2 Fixed assets replacement reserve

This represents profit allocated in 1986 by former Southern Gas Company Limited for replacement of gas distribution lines in rural Sindh areas. Subsequently all the rehabilitation activities were carried out from company's working capital.

#### 4.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the holding company by the Government of Pakistan (GoP) in January 1987 retrospectively from 1 July 1985 to enable the holding company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

	Note	2005	2004
		(Rupees in '000)	
<b>5. LONG TERM FINANCING</b>			
<b>Secured</b>			
- Loans from banking companies and financial institution			
Foreign currency loans	5.1	-	445,711
Local currency loans	5.2	6,750,000	3,000,000
		<b>6,750,000</b>	3,445,711
- Other loans			
Redeemable capital	5.3	416,330	1,165,748
<b>Unsecured - other loans</b>			
Consumer financing	5.4	36,850	33,291
		<b>7,203,180</b>	4,644,750
<b>5.1 Foreign currency loans (Asian Development Bank)</b>			
		<b>Installment Repayment payable      period</b>	
836-Pak - at year end spot exchange rate	half-yearly	1994 - 2005	-
1138-Pak - at year end spot exchange rate	half-yearly	1996 - 2005	273,695
			<b>740,197</b>
			2,093,574
			<b>740,197</b>
			2,367,269
Exchange loss recoverable from GOP	5.1.1	(294,486)	(1,009,556)
		<b>445,711</b>	1,357,713
Less: Current portion shown under current liabilities		<b>(445,711)</b>	<b>(912,002)</b>
		-	445,711

**5.1.1** The holding company has obtained exchange risk cover from the Government of Pakistan (GoP) in respect of its foreign currency loans 836-Pak and 1138-Pak acquired from Asian Development Bank (ADB). The exchange risk coverage arrangement allows the holding company to claim the differential between the actual payments to ADB and the contracted value of principal and interest amounts from the GoP. Repayment of these loans have been guaranteed by the GoP.

5.2	Local currency financing	Installment payable	Repayment period	Note	2005	2004
					(Rupees in '000)	
	United Bank Limited - term loan	half-yearly	2005 - 2009	5.2.1	1,000,000	1,000,000
	Standard Chartered Bank led syndicated loan	half-yearly	2006 - 2009	5.2.2	3,000,000	2,000,000
	National Bank of Pakistan led syndicated loan	half-yearly	2007 - 2010	5.2.3	3,000,000	-
					7,000,000	3,000,000
	Less: Current portion shown under current liabilities					
	United Bank Limited - term loan				(250,000)	-
					<u>6,750,000</u>	<u>3,000,000</u>

**5.2.1** The loan is secured by a first pari passu fixed charge created by way of hypothecation over movable fixed assets of the holding company comprising compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1 percent above last six months treasury bills auction cut-off rate and is repayable in equal semi-annual installments of Rs. 125 million (principal amount) commencing from 25 December 2005.

**5.2.2** The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 0.9 percent above the average six months ask side KIBOR rate. The loan was drawn in tranches of Rs. 2.0 billion and Rs. 1.0 billion on 29 June 2004 and 30 September 2004 respectively. First tranche of Rs. 2.0 billion is payable in equal semi-annual installments of Rs. 333.34 million (principal amount) commencing from 28 December 2006 whereas second tranche of Rs. 1.0 billion is payable in equal semi annual installments of Rs. 166.67 million (principal amount) commencing from 30 March 2007.

**5.2.3** The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising of compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.25 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2005. The principal amount is repayable in semi annual installments of Rs. 500 million commencing from 30 December 2007.

**5.3 Redeemable capital - (non-participatory and secured)**

	Installment payable	Repayment period		2005	2004
Term finance certificates (TFC 1)	half-yearly	2001 - 2006	5.3.1	333,080	666,140
Term finance certificates (TFC 2)	half-yearly	2002 - 2007	5.3.1	832,665	1,249,000
				<u>1,165,745</u>	<u>1,915,140</u>
Less: Current portion shown under current liabilities				(749,415)	(749,392)
				<u>416,330</u>	<u>1,165,748</u>

**5.3.1** Liability against term finance certificates (TFC) is secured by first pari passu charge on all present and future machinery and equipment and other moveable properties of the holding company at specified locations along with the mortgage by deposit of title deeds of the holding company's head office building. These TFCs have been rated as AA by Pakistan Credit Rating Agency (Private) Limited (PACRA). Mark-up not due on these TFCs, as at 30 June 2005, amounted to Rs. 141.529 million (at floor rate).

**Salient features of the TFCs are as follows:**

Particulars	Total tenure	Semi annual installments	Profit rate (before Prompt payment rebate)	prompt payment rebate
TFC 1	5 years	- Rs. 0.20 million from 1 December 2001 to 1 June 2003  - Rs. 166.53 million from 1 December 2003 to 1 June 2006	- 14.15% during the first two years of issuance (fixed rate).  - SBP discount rate plus 1.10% per annum for remaining life  - Floor of 13% per annum and cap of 18% per annum throughout the remaining life of issuance.	- None.  - If TFC installment is redeemed on or prior to the scheduled redemption date and is linked to the SBP discount rate.
TFC 2	5 years	- Rs. 0.25 million from 1 December 2002 to 1 June 2004  - Rs. 208.167 million from 1 December 2004 to 1 June 2007	- SBP discount rate plus 1.10% per annum.  - Floor of 11.5% per annum and cap of 16% per annum throughout the life of issuance.	- None.

Note                      2005                      2004  
(Rupees in '000)

**5.3.2 Holding position of TFCs as at 30 June**

- <i>Tranche 1</i>		
Banking companies and other financial institutions	<u>187,361</u>	<u>374,974</u>
Others	<u>145,719</u>	291,166
	<b>333,080</b>	666,140
- <i>Tranche 2</i>		
Banking companies and other financial institutions	<u>523,017</u>	<u>797,018</u>
Others	<u>309,649</u>	<u>451,982</u>
	<b>832,666</b>	1,249,000
	<b>1,165,746</b>	1,915,140

**5.4 Consumer financing**

Consumer financing	5.4.1	<u>52,868</u>	<u>44,811</u>
Current portion shown under current liabilities		<u>(16,018)</u>	<u>(11,520)</u>
		<b>36,850</b>	33,291

**5.4.1** This represents the outstanding balance of contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at varying

rates up to 15 percent per annum and are adjustable in 48 installments through credits in their monthly gas bills.

	Note	2005	2004
		(Rupees in '000)	
<b>6. LONG-TERM DEPOSITS</b>			
Security deposits from:			
- Gas customers	6.1	<u>1,785,403</u>	<u>1,591,115</u>
- Gas contractors	6.2	<u>21,292</u>	<u>18,631</u>
		<b>1,806,695</b>	<b>1,609,746</b>
<b>6.1</b>			
Customers' deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. These deposits are repayable / adjustable on disconnection of gas supply. Mark-up at 5 percent per annum is payable by the holding company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.			
<b>6.2</b>			
These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.			
<b>7. DEFERRED TAX LIABILITIES</b>			
<b>Deferred tax liability on</b>		_____	_____
Taxable temporary difference (accelerated tax depreciation)		<b>3,626,349</b>	3,247,128
Deductible temporary differences:			
- provision against employee benefits		<u>(323,351)</u>	<u>(281,640)</u>
- provision against doubtful trade debts		<u>(396,667)</u>	<u>(433,803)</u>
- others		<u>(31,090)</u>	<u>(35,266)</u>
		<u>(751,108)</u>	<u>(750,709)</u>
Net deferred tax liability		<b>2,875,241</b>	2,496,419
<b>8. EMPLOYEE BENEFITS</b>			
Provision for post retirement medical and gas supply facilities - executives		<u>718,799</u>	<u>650,069</u>
Provision for compensated absences - executives	8.1	<u>129,133</u>	<u>122,253</u>
		<b>847,932</b>	<b>772,322</b>
<b>8.1 Provision for compensated absences - executives</b>			
Balance as at 1 July		<u>122,253</u>	<u>108,172</u>
Provision made during the year		<u>6,880</u>	<u>14,081</u>
Balance as at 30 June		<b>129,133</b>	<b>122,253</b>



	Note	2005	2004
(Rupees in '000)			
<b>9. DEFERRED CREDIT</b>			
<b>- Government contributions / grants</b>			
Balance at 1 July		222,567	-
Additions /(reversal) during the year	9.1	(34,948)	234,281
		<u>187,619</u>	<u>234,281</u>
Transferred to profit and loss account		(3,796)	(11,714)
Balance at 30 June		<u>183,823</u>	<u>222,567</u>
<b>- Contribution from customers</b>			
Balance at 1 July		1,488,828	1,438,214
Additions during the year	9.2	265,779	184,139
		<u>1,754,607</u>	<u>1,622,353</u>
Transferred to profit and loss account		(147,066)	(133,525)
Balance at 30 June		<u>1,607,541</u>	<u>1,488,828</u>
		<u>1,791,364</u>	<u>1,711,395</u>

9.1 This represents amount received from Government for supply of gas to new towns and villages and are recognized as grant when the conditions specified by Government are met.

9.2 This represent amount received from customers for the cost of service lines and gas mains, etc. As stated in note 2.11 to these consolidated financial statements, deferred credit is being amortised over estimated useful life of related assets.

## 10. TRADE AND OTHER PAYABLES

Creditors for:			
- gas		7,767,374	5,882,140
- supplies		263,894	127,725
		<u>8,031,268</u>	<u>6,009,865</u>
Amount received from customers/			
Government of Pakistan for laying of mains, etc.		1,505,717	931,469
Gas development surcharge payable to the Government of Pakistan		378,453	433,655
Accrued liabilities		544,645	252,876
Payable to staff gratuity funds		-	153,342
Provision for compensated absences - non-executives	10.1	55,422	55,129
Sales tax payable		-	123,999
Workers' profit participation fund	10.2	83,658	82,837
Deposits / retention money		82,115	79,541
Bills payable		63,927	23,097
Advance for sharing right of way	10.3	18,088	18,088
Unclaimed dividend		19,053	11,020
Withholding tax payable		3,618	3,961
Unclaimed term finance certificate redemption profit		13,493	3,883
Others	10.4	126,658	180,118
		<u>10,926,115</u>	<u>8,362,880</u>

	Note	2005	2004
		(Rupees in '000)	
<b>10.1 Provision for compensated absences - non-executives</b>			
Balance as at 1 July		55,129	46,560
Provision made during the year		293	8,569
Balance as at 30 June		<u>55,422</u>	<u>55,129</u>
<b>10.2 Workers' profit participation fund</b>			
Balance at 1 July		82,837	107,922
Allocation for the year		83,658	82,837
Mark-up on funds utilised in the holding company's business		817	1,557
		<u>167,312</u>	<u>192,316</u>
Amount deposited with the Government / paid to employees		<u>(83,654)</u>	<u>(109,479)</u>
Balance at 30 June		<u>83,658</u>	<u>82,837</u>
<b>10.3</b>	This amount was received by Sui Gas Transmission Company Limited (now Sui Southern Gas Company Limited - SSGCL) from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated 12 October 1988. It represents consideration for 50 percent share of PARCO in the indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by holding company. The final liability of holding company has not been estimated, as the amount of compensation due to land owners has not been determined by the authorities. Accordingly, the amount received from PARCO has been classified as an advance.		
<b>10.4</b>	This includes advance pipeline rental of Rs. 50.541 million (2004: Rs. 79.947 million).		
<b>11. INTEREST AND MARK-UP ACCRUED</b>			
Mark-up / interest and other charges on:			
- Long term financing :			
- Foreign currency loans	11.1	5,442	15,497
- Local currency loans		39,930	39,369
- Redeemable capital		10,642	17,694
- Long term deposits from customers		49,111	40,214
- Short term borrowing		24,478	-
- Late payment of gas development surcharge		55,417	55,417
		<u>185,020</u>	<u>168,191</u>
Accrued finance charge on liabilities against assets subject to finance lease		-	210
		<u>185,020</u>	<u>168,401</u>
<b>11.1</b>	This includes interest of Rs. 0.634 million (2004: Rs. 2.577 million ) payable to Asian Development Bank on long term loan acquired from them. This amount is net of exchange loss of Rs. 0.419 million (2004: Rs. 1.656 million) which will be received from the Government of Pakistan on payment of interest as stated in note 2.19.		
<b>12. SHORT TERM BORROWING - secured - from banking companies</b>			
Short term money market loan	12.1	<u>220,000</u>	<u>-</u>

- 12.1** The facilities for short term running finance / short term loan available from various banks amount to Rs. 2,620 million (2004: Rs. Nil) and carry mark up at 0.25 to 1.00 percent above the average one month KIBOR or that for the tenure of the facility which ever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the holding company

	Note	2005	2004
		(Rupees in '000)	
<b>13. CURRENT PORTION OF LONG TERM FINANCING</b>			
Foreign currency loans	5.1	445,711	912,002
Local currency loans	5.2	250,000	-
Redeemable capital	5.3	749,415	749,392
Consumer financing	5.4	16,018	11,520
		<u>1,461,144</u>	<u>1,672,914</u>
Liabilities against assets subject to finance lease		-	43,664
		<u>1,461,144</u>	<u>1,716,578</u>

**14. CONTINGENCIES AND COMMITMENTS**

<b>14.1</b> Claims against the holding company not acknowledged as debt	14.9 & 14.10	<u>1,942,096</u>	<u>98,345</u>
<b>14.2</b> Aggregate commitments for capital and other expenditure		<u>1,733,410</u>	<u>2,894,033</u>
<b>14.3</b> Guarantees issued on behalf of the holding company		<u>3,504</u>	<u>10,160</u>

- 14.4** Demand finance facilities have been given to the holding company's employees by certain banks for the purchase of vehicles against the holding company's guarantee and hypothecation of holding company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million and holding company's investment in shares having a face value of Rs. 0.5 million (2004: Rs. 0.5 million). Loan outstanding at the year end was Rs. 25.036 million (2004: Rs. 28.671 million).

- 14.5** Water and Power Development Authority (WAPDA) has lodged a claim against the holding company amounting to Rs. 491.11 million for short supply of gas under the provisions of an agreement dated 10 April 1995 between the holding company and WAPDA. The holding company has not accepted the claim and has filed a counter claim due to its (WAPDA) failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the holding company is confident that ultimately the resolution of the claim lodged would be in its favour.

- 14.6** WAPDA has also raised a claim of Rs. 98.941 million for the alleged low Gas Chlorofic Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the holding company. The holding company has not accepted the claim as it is still disputing WAPDA's measurement. Provision against this liability has not been made as the holding company is confident that ultimately the resolution of the claim would be in its favour.

- 14.7** The holding company is in litigation against certain temporary assignees who were relieved in the previous years. The Federal Services Tribunal (FST) had ordered the holding company to absorb 981 of these assignees. The holding company had filed an appeal before the Honourable Supreme Court of Pakistan against the orders of the FST, which was dismissed by the Honourable Supreme Court. The holding company has filed a Review Petition with the Honourable Supreme Court against the rejection of the holding company's appeal and the Federation has also filed a Civil Miscellaneous Application (CMA) against the said order. In addition, there are 575 cases pending with the FST, 1,688 with the Honourable Supreme Court of Pakistan on identical issues. No provision has been made in these consolidated financial statements as the same cannot be quantified at this stage.
- 14.8** Oil and Gas Development Company Limited (OGDCL) has revised a claim of Rs. 533.371 million for supply of gas to the customers of Dera Bugti and Pirkoh areas from its Loti gas field from June 2001 to August 2005, after the discontinuation of gas purchases by the holding company due to full dedication of Loti gas field to Sui Northern Gas Pipelines Limited. The claim upto 30 June 2005 is Rs. 504 million. The holding company has not accepted the claim as neither a formal agreement has been executed with them for the above supply of gas, nor has the holding company received any gas in its system. During the last year the company approached the Director General (Gas), Ministry of Petroleum and Natural Resources (MNPR), Government of Pakistan for the resolution of the matter. Director General (Gas) through their letter dated 1 March 2005 referred to an earlier decision taken in this regard against the holding company on 18 April 2001 and asked the holding company for its comments in this regard. Provision has not been made in these consolidated financial statements for the claim as the holding company is confident that ultimately the resolution of claim will be in its favour.
- 14.9** This includes a claim of Rs. 1,758 million lodged by GoP during the year against the holding company in respect of exchange risk fee on ADB loans. The claim is based on the view that payment of exchange risk fee should be based on the prevailing rates at the date of payment instead of booked rate (contracted rate). Based on the experts' opinions, the company is of the view that its treatment of exchange risk fee is correct and the likelihood of the occurrence of this liability is remote. Hence, no provision has been made in the financial statements.
- 14.10** The management is confident that ultimately these claims (note 14.1) would not be payable.

	Note	2005	2004
		(Rupees in '000)	
<b>15. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	15.1	<b>19,235,207</b>	16,664,581
Capital work in progress	15.8	<b>2,405,921</b>	831,987
		<b><u>21,641,128</u></b>	<b><u>17,496,568</u></b>

## 15.1 Operating assets

		Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005
------(Rupees in '000)-----								
<b>Owned</b>								
<b>Gas transmission system</b>	15.2	19,551,182	2,644,859 (60,739) 24,230 *	22,159,532	13,204,657	1,081,137 (56,034) 24,229 *	14,253,989	7,905,543
<b>Gas distribution system</b>	15.3							
- Karachi, Sindh		8,882,425	883,715 (42,634) 1,023 *	9,724,529	3,647,598	543,950 (34,687) 1,023 *	4,157,884	5,566,645
- Other areas of Sindh		5,217,807	498,906 (15,366) 206,414 *	5,907,761	2,178,331	335,791 (15,366) 10,408 *	2,509,164	3,398,597
- Balochistan		2,911,920	624,481 (1,290)	3,535,111	1,024,641	207,911 (1,290)	1,231,262	2,303,849
		17,012,152	2,007,102 (59,290) 207,437 *	19,167,401	6,850,570	1,087,652 (51,343) 11,431 *	7,898,310	11,269,091
<b>Meter manufacturing division</b>	15.4	229,060	1,967 (791)	230,236	163,367	6,892 (596)	169,663	60,573
		36,792,394	4,653,928 (120,820) 231,667 *	41,557,169	20,218,594	2,175,681 (107,973) 35,660 *	22,321,962	19,235,207
<b>Leased</b>								
Gas distribution system		102,000	- (102,000) *	-	11,219	- (11,219) *	-	-
<b>2005</b>		<b>36,894,394</b>	<b>4,653,928</b> <b>(120,820)</b> <b>129,667 *</b>	<b>41,557,169</b>	<b>20,229,813</b>	<b>2,175,681</b> <b>(107,973)</b> <b>24,441 *</b>	<b>22,321,962</b>	<b>19,235,207</b>
<b>2004</b>		<b>34,925,885</b>	<b>1,997,941</b> <b>(29,432)</b>	<b>36,894,394</b>	<b>18,319,249</b>	<b>1,937,823</b> <b>(27,259)</b>	<b>20,229,813</b>	<b>16,664,581</b>

15.2 Operating assets - gas transmission system

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%) / remaining life (years)**
------(Rupees in '000)-----								
<b>Owned</b>								
Freehold land	47,747	-	47,747	-	-	-	47,747	-
Leasehold land	95,538	30,266	125,804	-	-	-	125,804	-
Buildings on freehold land	279,291	-	279,291	115,801	5,800	121,601	157,690	5
Buildings on leasehold land	904,781	36,091	940,872	146,110	54,702	200,812	740,060	5
Gas transmission pipelines	13,563,161	2,109,206	15,672,367	9,183,101	749,030	9,932,131	5,740,236	2-38 **
Compressors	2,278,245	17,565	2,320,251	1,930,384	33,132	1,987,957	332,294	1-14**
Telecommunication	582,790	24,441 * 2,584	585,374	524,299	24,441 * 39,803	564,102	21,272	15
Plant and machinery	390,119	33,238 (2,279) (211) *	420,867	208,685	40,119 (2,279) (211) *	246,314	174,553	10
Tools and equipment	89,581	19,035 (586)	108,030	84,023	9,646 (586)	93,083	14,947	33.33
Motor vehicles	313,936	130,184 (38,999)	405,121	236,372	44,856 (34,294) (1) *	246,933	158,188	20
Furniture and Fixture	100,366	2,929	103,295	67,000	15,797	82,797	20,498	20
Office Equipment	177,998	22,934 (3,138)	197,794	162,148	4,727 (3,138)	163,737	34,057	20
Computer and ancillary equipments	103,746	57,827 (12,174)	149,399	73,085	24,901 (12,174)	85,812	63,587	20
Supervisory control and data acquisition system	138,832	137,137	275,969	20,824	41,395	62,219	213,750	15
Construction equipment	485,051	45,863 (3,563)	527,351	452,825	17,229 (3,563)	466,491	60,860	20
<b>2005</b>	<b>19,551,182</b>	<b>2,644,859</b> <b>(60,739)</b> <b>24,230 *</b>	<b>22,159,532</b>	<b>13,204,657</b>	<b>1,081,137</b> <b>(56,034)</b> <b>24,229 *</b>	<b>14,253,989</b>	<b>7,905,543</b>	
<b>2004</b>	<b>18,910,257</b>	<b>650,822</b> <b>(9,897)</b>	<b>19,551,182</b>	<b>12,249,360</b>	<b>963,863</b> <b>(8,560)</b> <b>(6) *</b>	<b>13,204,657</b>	<b>6,346,525</b>	

Depreciation is being charged as stated in note 2.3.2

15.3 Operating assets - gas distribution system

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%)
------(Rupees in '000)-----								
<b>Owned</b>								
Freehold land	9,859	-	9,859	-	-	-	9,859	-
Leasehold land	32,877	1,400	34,277	-	-	-	34,277	-
Buildings on freehold land	45,201	-	45,201	23,381	1,946	25,327	19,874	5
Buildings on leasehold land	90,177	22,594	112,771	39,989	5,425	45,414	67,357	5
Gas distribution system, related facilities and equipment (Note 15.3.1)	15,959,986	1,793,412 207,226 *	17,960,624	6,081,836	993,551 11,220 *	7,086,607	10,874,017	5
Telecommunication	7,964	862 (217)	8,609	6,793	434 (217)	7,010	1,599	15
Plant and machinery	240,893	50,377 (3,721) 211 *	287,760	191,698	15,293 (3,721) 211 *	203,481	84,279	10
Roads, pavements and related infrastructures	1,010	-	1,010	1,010	-	1,010	-	5
Tools and equipment	44,510	10,063 (554)	54,019	39,780	6,966 (554)	46,192	7,827	33.33
Motor vehicles	306,751	103,970 (41,659) -	369,062	231,483	46,253 (33,733)	244,003	125,059	20
Furniture and Fixture	18,632	3,725 (402)	21,955	17,362	1,129 (402)	18,089	3,866	20
Office equipment	45,476	6,804 (936)	51,344	37,320	4,761 (936)	41,145	10,199	20
Computer and ancillary equipment	109,700	13,895 (11,801)	111,794	80,802	11,894 (11,780)	80,916	30,878	20
Supervisory control and data acquisition system	99,116	-	99,116	99,116	-	99,116	-	15
	17,012,152	2,007,102 (59,290) 207,437 *	19,167,401	6,850,570	1,087,652 (51,343) 11,431 *	7,898,310	11,269,091	
<b>Leased</b>								
Gas distribution system	102,000	-	-	11,219	-	-	-	5
		(102,000) *		-	(11,219) *			
<b>2005</b>	<b>17,114,152</b>	<b>2,007,102</b> <b>(59,290)</b> <b>105,437 *</b>	<b>19,167,401</b>	<b>6,861,789</b>	<b>1,087,652</b> <b>(51,343)</b> <b>212 *</b>	<b>7,898,310</b>	<b>11,269,091</b>	
2004	15,792,566	1,341,121 (19,535)	17,114,152	5,914,093	966,389 (18,699) 6 *	6,861,789	10,252,363	

**15.3.1** This includes addition of Rs. 105.226 million relating to the Government financed Gas Distribution Projects in areas of Naudro, Sanghar and Mirpur Khas. Upto 30 June 2004, these projects were being managed by the company on behalf of Government of Pakistan (GoP) and were held on trust on behalf of GoP. During the year the Government of Pakistan has granted these assets to the holding company at book values which approximate their fair values. Accordingly these assets have been recorded in holding company's books of accounts.

#### 15.4 Operating assets - meter manufacturing division

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%)
------(Rupees in '000)-----								
<b>Owned</b>								
Building on leasehold land	7,522	738	8,260	6,381	188	6,569	1,691	10
Telecommunication	103	-	80	61	3	47	33	10
		(23)			(17)			
Plant and machinery	209,664	709	209,713	152,335	5,935	157,773	51,940	10 & 40
		(660)			(497)			
Tools and equipment	3,160	239	3,399	1,229	217	1,446	1,953	10
Furniture and equipment	561	-	527	367	17	361	166	10
		(34)			(23)			
Office equipment	6,940	281	7,147	2,527	456	2,924	4,223	10
		(74)			(59)			
Computer and ancillary equipment	1,110	-	1,110	467	76	543	567	10
<b>2005</b>	<b>229,060</b>	<b>1,967</b>	<b>230,236</b>	<b>163,367</b>	<b>6,892</b>	<b>169,663</b>	<b>60,573</b>	
		<b>(791)</b>			<b>(596)</b>			
<b>2004</b>	<b>223,062</b>	<b>5,998</b>	<b>229,060</b>	<b>155,796</b>	<b>7,571</b>	<b>163,367</b>	<b>65,693</b>	

**2005**                      **2004**  
(Rupees in '000)

#### 15.5 Details of the depreciation for the year are as follows:

##### Profit and loss account:

Transmission, distribution and selling costs	<b>2,054,374</b>	1,827,627
Administrative expenses	<b>97,186</b>	94,568
	<b><u>2,151,560</u></b>	<b><u>1,922,195</u></b>

##### Meter manufacturing division

Profit and loss account	<b>3,893</b>	4,293
Gas meters components produced	<b>2,999</b>	3,278
	<b><u>6,892</u></b>	<b><u>7,571</u></b>

##### Capital projects

	<b>17,229</b>	8,057
	<b><u>2,175,681</u></b>	<b><u>1,937,823</u></b>



## 15.6 Disposal of property plant and equipment

Details of disposal of operating assets are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on sale	Particulars of buyers	Mode of disposal
------(Rupees in '000)-----							
<b>Construction equipment</b>							
Written down value not exceeding Rs. 50,000 each	3,563	3,563	-	1,122	1,122	Various	Tender
	<u>3,563</u>	<u>3,563</u>		<u>1,122</u>	<u>1,122</u>		
<b>Office equipment</b>							
Written down value not exceeding Rs. 50,000 each	4,584	4,558	26	458	432	Various	Tender
	<u>4,584</u>	<u>4,558</u>	<u>26</u>	<u>458</u>	<u>432</u>		
<b>Personal computers and allied equipments</b>							
Written down value not exceeding Rs. 50,000 each	23,975	23,954	21	191	170	Various	Tender
	<u>23,975</u>	<u>23,954</u>	<u>21</u>	<u>191</u>	<u>170</u>		
<b>Plant and machinery</b>							
Written down value not exceeding Rs. 50,000 each	6,660	6,497	163	934	771	Various	Tender
	<u>6,660</u>	<u>6,497</u>	<u>163</u>	<u>934</u>	<u>771</u>		
<b>Tools</b>							
Written down value not exceeding Rs. 50,000 each	1,140	1,140	-	68	68	Various	Tender
	<u>1,140</u>	<u>1,140</u>		<u>68</u>	<u>68</u>		
<b>Telecommunication</b>							
Written down value not exceeding Rs. 50,000 each	240	234	6	13	7	Various	Tender
	<u>240</u>	<u>234</u>	<u>6</u>	<u>13</u>	<u>7</u>		
<b>Motor vehicles</b>							
Written down value not exceeding Rs. 50,000 each	49,724	49,724		43,164	43,164	Various	Tender
	<u>49,724</u>	<u>49,724</u>		<u>43,164</u>	<u>43,164</u>		
As per service rules of the company	934	882	52	70	18	Anees Ansari	
	939	719	220	220	-	Sirajuddin Shaikh	
	973	900	73	73	-	Rashid Hameed Khan	
	935	784	151	151	-	Yasin Mughal	
	893	772	121	121	-	G.K. Shahwani	
	773	698	75	75	-	Abdul Shakoor Memon	
	560	434	126	126	-	Qazi Madni	
	546	480	66	66	-	Idrees Ahmed	
	560	353	207	207	-	Aijaz Hussain Malik	
	600	120	480	480	-	Rehan Omar Malik	
	438	421	17	33	16	Dedar Hussain	
	546	519	27	41	14	Narain Jagasia	
Insurance claim	15,232	9,240	5,992	12,421	6429	National Insurance	
Written-off	<u>7,005</u>	<u>1,981</u>	<u>5,024</u>			Written off	
	<u>80,658</u>	<u>68,027</u>	<u>12,631</u>	<u>57,248</u>	<u>49,641</u>		
<b>30 June 2005</b>	<b><u>120,820</u></b>	<b><u>107,973</u></b>	<b><u>12,847</u></b>	<b><u>60,034</u></b>	<b><u>52,211</u></b>		
30 June 2004	<u>29,432</u>	<u>27,259</u>	<u>2,173</u>	<u>19,494</u>	<u>17,321</u>		

- 15.7 Borrowing costs capitalised during the year in gas transmission system amounted to Rs. 83.282 million (2004: Rs. 24.009 million). Borrowing cost relating to TFCs were capitalized @ 11.5% for Gas Infrastructure Rehabilitation and Expansion Project (GIREP) and general borrowings for other capital expenditures at capitalization rate of 7.8%.

	Note	2005	2004
(Rupees in '000)			
<b>15.8 CAPITAL WORK-IN-PROGRESS</b>			
Projects:			
- Gas distribution system		433,384	163,358
- Indus right bank pipeline (IRBP) compression project		-	24,441
- Cost of buildings under construction		6,980	2,641
- Gas infrastructure rehabilitation and expansion project		<u>6,123</u>	<u>89,104</u>
		<u>446,487</u>	<u>279,544</u>
Stores and spares held for capital projects	15.8.1	1,945,027	554,970
Advances for land acquisition		2,972	6,389
Others		11,435	15,525
		<u>1,959,434</u>	<u>576,884</u>
		<u>2,405,921</u>	<u>856,428</u>
Provision for impairment (IRBP)		-	(24,441)
		<u>2,405,921</u>	<u>831,987</u>

#### 15.8.1 Stores and spares held for capital projects

Gas transmission	610,734	195,682
Gas distribution	<u>1,380,777</u>	<u>401,459</u>
	<u>1,991,511</u>	<u>597,141</u>
Provision for slow moving and obsolete stores	(46,484)	(42,171)
	<u>1,945,027</u>	<u>554,970</u>

Stores and spares held for capital projects include goods in transit amounting to Rs. 1.607 million (2004: Rs. 1.34 million).

## 16. INTANGIBLE ASSETS

	Cost at 1 July 2004	Addition	Cost at 30 June 2005	Charge for the year	Accumulated amortisation at 30 June 2005	Book value at 30 June 2005	Amortisation rate on original cost (%)
------(Rupees in '000)-----							
Computer software	-	91,393	91,393	30,461	30,461	60,932	33.33
2005	-	<u>91,393</u>	<u>91,393</u>	<u>30,461</u>	<u>30,461</u>	<u>60,932</u>	
2004	-	-	-	-	-	-	

17. LONG TERM INVESTMENTS	Note	Percentage of holding (if over 10%)	2005 (Rupees in '000)	2004
<b>Investments in related parties</b>				
Associated / subsidiary companies				
Civic Centre Company (Private) Limited				
Nil (2004: 6,500,001) ordinary shares of Rs. 10 each.				
(Associated company)				
	17.1		-	65,000
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited				
1,900,178 (2004: 1,900,178) ordinary shares of Rs. 10 each				
(Associated company)				
	17.2		<u>116,481</u>	<u>122,942</u>
			<u>116,481</u>	<u>187,942</u>
Provision against impairment in value of investment in associated company				
			-	(13,456)
			<u>116,481</u>	<u>174,486</u>
<b>Other Investments</b>				
Quoted companies - available for sale				
Pakistan Refinery Limited				
200,000 (2004: 200,000) ordinary shares of Rs. 10 each				
			<b>41,580</b>	30,000
United Bank Limited				
50,197 (2004: 50,197) ordinary shares of Rs. 10 each				
			<b>3,363</b>	2,751
Harnai Woolen Mills Limited				
200 (2004: 200) ordinary shares of Rs. 10 each				
			-	2
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation				
5,000 (2004: 5,000) ordinary shares of Rs. 10 each				
			<u>50</u>	<u>50</u>
			<u>44,993</u>	<u>32,803</u>
Provision against impairment in value of investments at cost				
			<u>(50)</u>	<u>(2,801)</u>
			<u>44,943</u>	<u>30,002</u>
Government securities - held to maturity				
Defence Saving Certificates				
			<u>47</u>	<u>40</u>
			<u>161,471</u>	<u>204,528</u>

17.1 The investment in Civic Centre Company (Private) Limited has been sold at Rs. 8.0 per share to M/s. National Insurance Corporation.

- 17.2 Sale of 1,900,178 shares of Sui Northern Gas Pipelines Limited is restricted by Government of Pakistan due to its privatisation, till further directives.

Note                      **2005**                      2004  
(Rupees in '000)

**18. SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY**

Inter State Gas System (Private) Limited  
510,000 (2004: 51) ordinary shares of Rs. 10 each.                      18.1                      **5,100**                      1

- 18.1 This represents a 51% (2004: 51%) interest of SSGCL in Inter State Gas System (Private) Limited (the jointly controlled entity).

**19. LONG TERM LOANS AND ADVANCES - secured, considered good**

Due from executives	19.1	<b>10,325</b>	13,774
Less: receivable within one year		<u>(2,592)</u>	<u>(2,553)</u>
		<u><b>7,733</b></u>	<u>11,221</u>
Due from other employees	19.1	<b>145,886</b>	150,558
Less: receivable within one year		<u>(25,771)</u>	<u>(25,406)</u>
		<u><b>120,115</b></u>	<u>125,152</u>
		<u><b>127,848</b></u>	<u>136,373</u>

2005		2004	
Executive	Other	Executive	Other
employees		employees	
(Rupees in '000)			

**19.1 Reconciliation of the carrying amount of loans and advances**

Balance at the beginning of the year	<b>13,774</b>	<b>150,558</b>	18,375	156,324
Disbursements	-	<b>30,806</b>	-	31,212
Repayment	<u>(3,449)</u>	<u>(35,478)</u>	<u>(4,601)</u>	<u>(36,978)</u>
	<u><b>10,325</b></u>	<u><b>145,886</b></u>	<u>13,774</u>	<u>150,558</u>

- 19.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of six to twelve years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the holding company. Loans to non-executive employees do not carry mark-up.

- 19.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 13.774 million (2004: Rs.17.222 million).

	Note	2005	2004
(Rupees in '000)			
<b>20. LONG TERM DEPOSITS</b>			
Deposit against finance lease		-	1,020
Other deposits		<u>4,458</u>	<u>4,072</u>
		<b>4,458</b>	<b>5,092</b>
Current maturity		-	(1,020)
		<u>4,458</u>	<u>4,072</u>
<b>21. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		<b>185,159</b>	247,033
Spares		<b>549,746</b>	435,226
Stores and spares in transit		<b>208,971</b>	126,930
Loose tools		<u>1,433</u>	<u>1,450</u>
		<b>945,309</b>	<b>810,639</b>
Provision against impaired stores and spares			
Balance as at 1 July		<b>(16,407)</b>	(16,436)
Written off during the year		<u>408</u>	<u>29</u>
Balance as at 30 June		<b>(15,999)</b>	<b>(16,407)</b>
	21.1	<u>929,310</u>	<u>794,232</u>
<b>21.1 Stores, spares and loose tools are held for the following operations</b>			
Transmission		<b>700,160</b>	629,176
Distribution		<u>229,150</u>	<u>165,056</u>
		<b>929,310</b>	<b>794,232</b>
<b>22. STOCK-IN-TRADE</b>			
<b>Gas</b>			
Gas in pipelines		<u>113,166</u>	<u>95,642</u>
<b>Gas meters</b>			
Components		<b>95,242</b>	85,280
Work-in-process		<b>10,062</b>	13,004
Finished meters		<u>8,848</u>	<u>4,517</u>
		<b>114,152</b>	<b>102,801</b>
		<u>227,318</u>	<u>198,443</u>
<b>23. CUSTOMERS' INSTALLATION WORK-IN-PROGRESS - at cost</b>			

This represents cost of work carried out by the holding company on behalf of the customers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such customers are shown as deduction there from as reflected in note 31 to these consolidated financial statements.

	Note	2005	2004
		(Rupees in '000)	
<b>24. TRADE DEBTS</b>			
Considered good			
- secured		2,934,603	2,406,524
- unsecured		<u>5,820,324</u>	<u>4,299,180</u>
		8,754,927	6,705,704
Considered doubtful		<u>1,133,334</u>	<u>1,239,436</u>
		9,888,261	7,945,140
Provision against impaired debts	24.1	<u>(1,133,334)</u>	<u>(1,239,436)</u>
		<u>8,754,927</u>	<u>6,705,704</u>
<b>24.1 Movement of provision for doubtful debts</b>			
Balance as at 1 July		1,239,436	999,976
Provision for the year		<u>214,033</u>	<u>239,460</u>
		1,453,469	1,239,436
Bad debts written off		<u>(320,135)</u>	-
Balance as at 30 June		<u>1,133,334</u>	<u>1,239,436</u>
<b>25. LOANS AND ADVANCES - considered good</b>			
Current portion of long term loans	19		
- Executives		2,592	2,553
- Other employees		<u>25,771</u>	<u>25,406</u>
		<u>28,363</u>	<u>27,959</u>
Advances to :			
- Executives	25.1	5,473	6,376
- Other employees		<u>63,061</u>	<u>74,129</u>
		<u>68,534</u>	<u>80,505</u>
		<u>96,897</u>	<u>108,464</u>
<b>25.1</b>			
The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 5.570 million (2004: Rs. 6.376 million).			
<b>26. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Advances for goods and services - unsecured, considered good		50,814	111,392
Trade deposits - unsecured, considered good		21,387	21,905
Prepayments		<u>46,251</u>	<u>5,631</u>
		<u>118,452</u>	<u>138,928</u>

	Note	2005	2004
(Rupees in '000)			
<b>27. OTHER RECEIVABLES - considered good</b>			
Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		<b>1,225,479</b>	629,987
Receivable from staff pension fund	37.1.3	<b>19,615</b>	130,580
Receivable from staff gratuity fund	37.1.3	<b>44,243</b>	-
Balance receivable for sale of gas condensate		<b>83,995</b>	43,468
Receivable from Sui Northern Gas Pipelines Limited (SNGPL)	27.1	<b>1,139,778</b>	1,028,771
Receivable from Inter State Gas Systems (Pvt.) Limited		<b>2,487</b>	-
Receivable from Jamshoro Joint Venture Limited (JJVL)		<b>340,829</b>	-
Insurance claim receivable		<b>5,024</b>	11,600
Receivable from the Privatisation Commission, GoP		-	8,659
Receivable from ADP projects		-	987
Sales tax receivable		<b>342,060</b>	-
Claims receivable		<b>757</b>	757
Miscellaneous receivables	27.2	<b>490,900</b>	417,479
		<b>3,695,167</b>	2,272,288
Provision against impaired receivables		<b>(1,485)</b>	(1,485)
		<b><u>3,693,682</u></b>	<b><u>2,270,803</u></b>

**27.1** This includes pipeline rental receivable of Rs. 30.446 million (2004: Rs. 63.86 million) and Rs. 1,102.670 million (2004: Rs. 908.811 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 30.1 to these consolidated financial statements for detail).

**27.2** This includes Rs. 466.526 million (2004: Rs. 394.629 million) recoverable from GoP under deferred tariff adjustment.

## 28. TAXATION RECOVERABLE

Advance tax paid		<b>697,195</b>	1,494,292
Provision for tax		<b>(197,354)</b>	(825,501)
		<b><u>499,841</u></b>	<b><u>668,791</u></b>

## 29. CASH AND BANK BALANCES

With banks:			
On deposit accounts	29.1	<b>1,085,708</b>	2,555,943
On current accounts		<b>181,439</b>	482,583
		<b><u>1,267,147</u></b>	<b><u>3,038,526</u></b>
Cash in hand		<b>2,066</b>	2,268
		<b><u>1,269,213</u></b>	<b><u>3,040,794</u></b>

**29.1** This includes Rs. 0.465 million (2004: Rs. 0.465 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the holding company.

	Note	2005		2004	
		Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
<b>30. COST OF GAS</b>					
Gas in pipelines at 1 July		<u>851,138</u>	<u>95,642</u>	<u>751,484</u>	<u>96,908</u>
Gas purchases from:					
Pakistan Petroleum Limited		42,191,305	2,763,787	43,253,750	2,298,999
Oil and Gas Development Company Limited		3,065,807	310,008	5,198,002	482,552
BP (Pakistan) Exploration and Production Incorporated		75,860,133	11,092,061	73,402,092	10,175,040
Orient Petroleum Inc.		19,444,295	2,711,798	4,105,087	550,061
Eni Pakistan Limited		111,807,030	19,190,706	106,864,760	16,464,799
Mari Gas Company Limited		270,231	6,218	262,763	5,839
Sui Northern Gas Pipelines Limited		232,820	22,826	253,115	27,309
BHP Petroleum (Pakistan) Pty Limited		34,337,371	4,122,622	34,304,842	3,742,276
OMV (Pak) Exploration GmbH		80,378,126	12,665,259	76,363,719	10,863,866
		<u>367,587,118</u>	<u>52,885,285</u>	<u>344,008,130</u>	<u>44,610,741</u>
Gas available for sale		<u>368,438,256</u>	<u>52,980,927</u>	<u>344,759,614</u>	<u>44,707,649</u>
Gas consumed internally		(1,743,669)	(230,430)	(1,900,832)	(164,994)
Inward price adjustment	30.1	-	(5,824,625)	-	(5,722,334)
Insurance claim receivable		-	-	(103,248)	(11,600)
Gas in pipelines at 30 June		<u>(884,925)</u>	<u>(113,166)</u>	<u>(851,138)</u>	<u>(95,642)</u>
		<u>(2,628,594)</u>	<u>(6,168,221)</u>	<u>(2,855,218)</u>	<u>(5,994,570)</u>
		<u>365,809,662</u>	<u>46,812,706</u>	<u>341,904,396</u>	<u>38,713,079</u>

\* Thousand Cubic Feet.

- 30.1** Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the holding company and Sui Northern Gas Pipelines Limited effective from 1 July 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement the holding company with lower weighted average cost of gas is required to pay to the other company so that the overall weighted average rate of well head gas price of both the companies is the same. However, this averaging has not affected the profit and loss account of the holding company as in the absence of averaging, the simultaneous effect would have been to gas development surcharge account in the profit and loss account.



	Note	2005	2004
(Rupees in '000)			
<b>31. TRANSMISSION, DISTRIBUTION AND SELLING COST</b>			
Salaries, wages and benefits		<b>1,706,759</b>	1,651,749
Contribution / accruals in respect of staff retirement benefit scheme	31.1	<b>183,969</b>	261,726
Depreciation on operating assets	15.5	<b>2,054,374</b>	1,827,627
Amortisation of intangible asset		<b>30,461</b>	-
Repairs and maintenance		<b>309,787</b>	182,235
Stores, spares and supplies consumed		<b>197,745</b>	180,910
Provision against doubtful debts		<b>214,033</b>	239,460
Gas consumed internally		<b>230,430</b>	164,994
Legal and professional charges		<b>19,710</b>	28,046
Electricity		<b>25,001</b>	24,968
Security expenses	31.2	<b>134,425</b>	56,959
Insurance and royalty		<b>49,778</b>	34,351
Travelling		<b>13,528</b>	14,230
Material and labour used on consumers' installation		<b>38,658</b>	34,361
Gas bills collection charges		<b>42,060</b>	31,547
Postage and revenue stamps		<b>22,268</b>	20,968
Rent, rates and taxes		<b>20,359</b>	11,426
Others	31.3	<b>27,644</b>	20,893
		<b>5,320,989</b>	4,786,450
<b>Recoveries / allocations to:</b>			
Gas distribution system capital expenditure		<b>(462,736)</b>	(502,912)
Installation costs recovered from customers	23	<b>(79,038)</b>	(71,648)
		<b>(541,774)</b>	(574,560)
		<b>4,779,215</b>	<b>4,211,890</b>
<b>31.1 Contributions to / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		<b>50,705</b>	46,649
Charge in respect of amount due to the pension funds:			
- Executive		<b>65,522</b>	49,662
- Non-Executive		<b>6,808</b>	23,131
Charge in respect of amount due to the gratuity funds:			
- Executive		<b>(6,140)</b>	31,514
- Non-Executive		<b>20,846</b>	26,124
Accrual in respect of unfunded post retirement:			
- Medical facility		<b>55,948</b>	87,712
- Gas facility		<b>565</b>	5,447
Expenses relating to meter manufacturing division and construction division		<b>(10,285)</b>	(8,513)
		<b>183,969</b>	261,726
<b>31.2</b>			
Includes Rs. 50 million paid to Ministry of Petroleum & Natural Resources being holding company's share for infrastructural development fees.			

	Note	2005	2004
(Rupees in '000)			
<b>31.3 Transmission, distribution and selling costs - others</b>			
Communication		7,260	9,872
Water charges		549	190
Subscriptions		5,400	125
Bank charges		3,702	2,837
Freight and handling		-	90
Miscellaneous		10,733	7,779
		<u>27,644</u>	<u>20,893</u>
<b>32. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and benefits		826,917	733,590
Contribution / accruals in respect of staff retirement benefit scheme	32.1	84,156	116,737
Depreciation on operating assets	15.5	97,186	94,568
Repairs and maintenance		92,550	70,930
Stores, spares and supplies consumed		56,367	44,810
Legal and professional charges		90,523	67,770
Electricity		26,058	27,730
Security expenses		15,783	13,378
Insurance and royalty		5,432	6,430
Travelling		26,281	21,280
Postage and revenue stamps		2,781	4,669
Rent, rates and taxes		7,533	5,810
Welfare and other expenses		-	8,923
Others	32.2	103,924	71,773
		<u>1,435,491</u>	<u>1,288,398</u>
<b>Recoveries / allocations to:</b>			
Recoveries from others		(16,799)	(22,663)
Meter manufacturing division		(31,400)	(35,511)
		<u>(48,199)</u>	<u>(58,174)</u>
		<u>1,387,292</u>	<u>1,230,224</u>
<b>32.1 Contributions to / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		19,621	20,214
Charge in respect of amount due to the pension funds:			
- Executive		36,015	27,299
- Non-Executive		1,017	3,457
Charge in respect of amount due to the gratuity funds:			
- Executive		(3,153)	16,177
- Non-Executive		3,113	3,904
Accrual in respect of unfunded post retirement:			
- Medical facility		27,232	42,692
- Gas facility		311	2,994
		<u>84,156</u>	<u>116,737</u>

	Note	2005	2004
(Rupees in '000)			
<b>32.2 Administrative expenses - others</b>			
Advertisements		35,343	26,146
Communication		13,662	8,304
Water charges		7,942	7,049
Subscriptions		3,811	5,271
Bank charges		457	1,300
Freight and handling		2,032	2,239
Miscellaneous		40,677	21,464
		<u>103,924</u>	<u>71,773</u>
<b>33. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration			
- Statutory audit		880	830
- Special audits and certifications		230	177
- Out of pocket expenses		200	200
		<u>1,310</u>	<u>1,207</u>
Workers' profit participation fund	10.2	83,658	82,837
Sports expenses		16,511	14,514
Corporate social responsibility		8,698	5,607
Provision against impairment in value of investment		-	50
Gas rupture		11,600	-
Exchange loss on payment of gas purchases		30,894	-
Provision for slow moving / obsolete stores		4,313	-
		<u>156,984</u>	<u>104,215</u>
<b>34. OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Late payment surcharge		263,221	232,226
Return on:			
- term and profit and loss bank deposits		70,849	93,828
- staff loans		4,078	3,894
Profit from Defence saving certificates		7	11
Dividend income		574	1,113
		<u>338,729</u>	<u>331,072</u>
<b>Income from investment in debts, loans, advances and receivables from related party</b>			
Income from gas transportation - SNGPL		388,696	341,766
Dividend income - SNGPL		4,751	4,180
		<u>393,447</u>	<u>345,946</u>
<b>Income from other than financial assets</b>			
Meter rentals		455,058	436,530
Recognition of income against deferred credit		150,862	145,239
Sale of gas condensate		350,016	216,120
Income from gas transportation		138,060	115,356
Gas shrinkages in LPG extraction plant - Jamshoro Joint Venture Limited (JJVL)		374,013	-
Gas transportation income JJVL		9,758	-
Royalty income from JJVL		188,528	-
Meter manufacturing division profit - net	34.1	48,215	53,047
Recoveries from consumers		39,257	19,491
Gain on sale of fixed assets	15.6	52,211	17,321
Liquidated damages recovered		23,911	10,624
Income from sale of tender documents		2,215	2,427
Miscellaneous		27,416	39,732
		<u>1,859,520</u>	<u>1,055,887</u>
		<u>2,591,696</u>	<u>1,732,905</u>

	Note	2005	2004
(Rupees in '000)			
<b>34.1 Meter manufacturing division profit - net</b>			
Gross sales of gas meters			
- Company's consumption	34.1.1	212,566	195,024
- Outside sales		522,572	421,700
		<u>735,138</u>	<u>616,724</u>
Sales tax		(98,531)	(84,106)
Net sales		<u>636,607</u>	<u>532,618</u>
Cost of sales			
- Raw material consumed		480,294	389,467
- Packing cost		4,644	4,312
- Stores and spares		668	1,404
- Fuel, power and electricity		2,449	2,208
- Salaries wages and other benefits	34.1.2	68,268	56,814
- Insurance		506	301
- Repairs and maintenance		2,376	739
- Depreciation	15.5	3,893	4,293
- Other expenses		815	494
		<u>563,913</u>	<u>460,032</u>
Opening work in process		10,311	9,137
Closing work in process		(5,096)	(10,311)
		<u>5,215</u>	<u>(1,174)</u>
Cost of goods manufactured		<u>569,128</u>	<u>458,858</u>
Opening stock of finished goods		4,517	4,864
Closing stock of finished goods		(8,848)	(4,517)
		<u>(4,331)</u>	<u>347</u>
Cost of goods sold		<u>564,797</u>	<u>459,205</u>
Gross profit		71,810	73,413
Administrative expenses		(23,595)	(21,155)
Operating profit		48,215	52,258
Other income		-	789
Net profit		<u>48,215</u>	<u>53,047</u>
<b>34.1.1</b> Gas meters used by the holding company are included in operating assets at manufacturing cost (including sales tax). However, sales tax thereon is paid at commercial selling prices, under the provisions of Sales Tax Act, 1990.			
<b>34.1.2</b> Salaries, wages and other benefits		64,715	54,395
Provident fund contribution		964	821
Pension Fund		1,819	687
Gratuity		770	911
		<u>68,268</u>	<u>56,814</u>

	Note	2005	2004
		(Rupees in '000)	
<b>35. FINANCE COST</b>			
Interest, commitment charges, exchange risk coverage fee and Government guarantee fee on foreign currency loans		<b>133,590</b>	287,906
Financial charges on liabilities against assets subject to finance lease		<b>1,661</b>	6,344
Mark-up on :			
- Redeemable capital		<b>179,426</b>	231,734
- Local currency financing		<b>163,554</b>	125,077
- Short term financing		<b>28,124</b>	-
- Consumers' deposits		<b>48,028</b>	42,074
- Workers' profit participation fund	10.2	<b>817</b>	1,557
- Others		<b>7,817</b>	905
		<u><b>563,017</b></u>	<u>695,597</u>

### 36. TAXATION

For the year			
- Current		<b>197,354</b>	825,501
- Deferred		<b>378,822</b>	(104,192)
For prior years		-	(145,670)
	36.2	<u><b>576,176</b></u>	<u>575,639</u>

**36.1** The income tax assessments of the holding company have been finalised upto the financial year ended 30 June 2004.

**36.2** Relationship between accounting profit and tax expense for the year is as follows:

Accounting profit for the year		<u><b>1,588,684</b></u>	<u>1,572,351</u>
Tax charge @ 35% (2004: 35%)		<b>556,039</b>	550,323
Tax effect of expenses that are not deductible in determining taxable profit		<b>21,736</b>	172,574
Effect of lower tax rate on dividend income		<b>(1,599)</b>	(1,588)
Prior years' tax reversal		-	(145,670)
		<u><b>576,176</b></u>	<u>575,639</u>

### 37. STAFF RETIREMENT BENEFITS

#### 37.1 Funded post retirement pension and gratuity schemes

**37.1.1** As mentioned in note 2.15 to these consolidated financial statements, the holding company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at 30 June 2005 under the projected unit credit method for both non-executive and executive staff members.

### 37.1.2 Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

	<u>Executives</u>		<u>Non-executives</u>	
	<u>Pension</u>	<u>Gratuity</u>	<u>Pension</u>	<u>Gratuity</u>
	------(Rupees in '000)-----			
Fair value of plan assets	431,493	1,116,249	197,057	955,511
Present value of defined benefit obligation	(604,231)	(1,073,625)	(7,354)	(951,700)
Net surplus / (deficit)	(172,738)	42,624	189,703	3,811
Unrecognised past service (gain) / cost	169,905	(358,453)	-	-
Unrecognised actuarial loss / (gain)	22,448	360,072	(189,703)	(3,811)
	<u>19,615</u>	<u>44,243</u>	<u>-</u>	<u>-</u>

### 37.1.3 Movement in amount receivable from / (payable) to defined benefit plans

Movements in amount receivable from / (payable) to staff retirement benefit funds during the year are as follows:

	Note	<u>Executives</u>		<u>Non-executives</u>	
		<u>Pension</u>	<u>Gratuity</u>	<u>Pension</u>	<u>Gratuity</u>
		------(Rupees in '000)-----			
Asset / (liability) as on 1 July 2004		60,397	(82,505)	70,183	(70,837)
Charge for the year	37.1.4	(101,537)	9,293	(7,825)	(23,959)
Payments during the year		60,755	117,455	(62,358)	94,796
Asset / (liability) as on 30 June 2005		<u>19,615</u>	<u>44,243</u>	<u>-</u>	<u>-</u>

### 37.1.4 Amount recognised in the profit and loss account

Amounts charged to the consolidated profit and loss account during the current year in respect of the above schemes were as follows:

	<u>Executives</u>		<u>Non-executives</u>	
	<u>Pension</u>	<u>Gratuity</u>	<u>Pension</u>	<u>Gratuity</u>
	------(Rupees in '000)-----			
Current service cost	26,182	58,768	-	51,542
Mark-up cost	45,566	103,184	741	78,634
Recognition of actuarial loss / (gain)	8,608	24,024	(8,252)	(70,412)
Expected return on plan assets	(21,296)	(105,656)	(20,469)	-
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
Amount not recognised as asset	-	-	-	-
Inter fund transfers	-	-	35,805	(35,805)
	<u>101,537</u>	<u>(9,293)</u>	<u>7,825</u>	<u>23,959</u>
Actual return	<u>130,357</u>	<u>80,477</u>	<u>71,394</u>	<u>92,693</u>

### 37.1.5 Principal actuarial assumptions

Significant assumptions used for the valuation of above schemes are as follows:

	<b>Executives and Non-Executives</b>
	(%)
Discount rate	9
Expected rate of increase in salary level	8
Expected rate of return on plan assets	9
Increase in pension	3

In the current year, unrecognized / recognized actuarial gain / losses relating to pension scheme and gratuity scheme for executive staff has been estimated based on expected average remaining working lives of the employees participating in the plan and recorded accordingly. Previously, actuarial gain / loss had been estimated based on vesting period of past service cost. Had the estimate not been changed, the result for the year would have been lower by Rs. 63.858 million and receivable from the funds would have been reduced by corresponding effect.

### 37.2 Unfunded post retirement medical benefit and gas supply facilities

**37.2.1** As mentioned in note 2.15 to these consolidated financial statements, the holding company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2005 under the projected unit current cost method, results of which are as follows:

	<b>Post retirement medical facility</b>	<b>Post retirement gas facility</b>
	(Rupees in '000)	
Projected benefit obligation	<u>700,260</u>	<u>30,291</u>
Unrecognised actuarial (loss) / gain	<u>(35,952)</u>	<u>24,200</u>
Liability recognised in the balance sheet	<u>664,308</u>	<u>54,491</u>

**37.2.2** Amounts charged to the profit and loss account during the current year in respect of the above benefits are as follows:

Current service cost	26,887	-
Mark-up cost - net	<u>56,293</u>	<u>2,672</u>
Amortisation of actuarial gain	<u>-</u>	<u>(1,796)</u>
	<u>83,180</u>	<u>876</u>

**37.2.3** Significant assumptions used for the valuation of above schemes are as follows:

	<b>Executives</b>
	(%)
Discount rate	9
Medical inflation rate	6

	2005	2004
	(Rupees in '000)	
<b>38. EARNINGS PER SHARE - basic and diluted</b>		
Profit after taxation	<u>1,012,508</u>	<u>996,723</u>
	(Number of shares)	
Average number of ordinary shares	<u>671,174,331</u>	<u>671,174,331</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>1.51</u>	<u>1.49</u>

**39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amounts charged in the consolidated financial statements for remuneration, including all benefits, to chief executive, directors and executives of the holding company are given below:

	<u>30 June 2005</u>		<u>30 June 2004</u>	
	Chief Executive	Executives	Chief Executive	Executives
	------(Rupees in '000)-----			
Managerial remuneration	1,729	181,041	1,704	155,190
Housing	600	75,260	600	64,310
Utilities	119	17,392	128	14,346
Retirement benefits	405	55,692	335	41,641
	<u>2,853</u>	<u>329,385</u>	<u>2,767</u>	<u>275,487</u>
Number	<u>1</u>	<u>215</u>	<u>1</u>	<u>184</u>

**39.1** The Chairman, Chief Executive and certain executives are also provided company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the holding company was paid Rs. 0.3 million (2004: Rs. 0.3 million). All executives are also provided free medical facilities in accordance with their entitlement.

**39.2** Aggregate amount charged in these consolidated financial statements in respect of fee paid to 14 directors was Rs. 0.047 million (2004: Rs. 0.032 million for 14 directors).

**40. NUMBER OF EMPLOYEES**

Total number of employees at 30 June 2005 was 5,258 (30 June 2004: 5,295).



## 41. CAPACITY AND ACTUAL PERFORMANCE

### 41.1 Natural gas transmission

	30 June 2005		30 June 2004	
	MMCF	HM3	MMCF	HM3
Transmission operation Capacity - annual rated capacity at 100% load factor with compression	<u>372,300</u>	<u>104,891,244</u>	<u>358,680</u>	<u>101,053,965</u>
Utilisation - volume of gas transmitted	<u>365,589</u>	<u>103,000,496</u>	<u>341,979</u>	<u>96,348,650</u>
Capacity utilisation factor (%)	<u>98.2</u>	<u>98.2</u>	<u>95.3</u>	<u>95.3</u>

### 41.2 Natural gas distribution

The holding company has no control over the rate of utilisation of its capacity as the use of available capacity is dependent on off-takes by the consumers.

### 41.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 400,200 meters (2004: 322,000 meters) against an annual capacity of 310,000 meters on a single shift basis.

## 42. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationship with Sui Northern Gas Pipelines Limited (associated company), employees benefit plans (notes 2.15 and 37) and the holding company's directors and executive officers (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalized and notified by Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the holding company (comparable uncontrolled price method).

The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	2005	2004
	(Rupees in '000)	
Pipeline rental income	388,696	341,766
Dividend income	4,751	4,180
Sale of gas meters	520,630	421,700
Sale of pipes	85,704	-
Allocation of expenses of Inter State Gas System (Private) Limited on the basis of joint venture agreement	6,475	5,228
Contribution to provident fund	70,326	66,863
Accrual in respect of obligation to defined benefit plans	124,028	181,268

Pipeline rental income is determined at cost plus method and comparable prices for the specific category of pipeline and other conditions affecting the determination of pipeline rental are not identifiable. Sale of gas meters is made at cost plus method. The holding company is the only manufacturer of gas meters in the country and as such it is difficult to determine the comparable uncontrolled prices in the country. However, the prices of comparable goods available in international market are not materially different from the prices at which the goods (meters) are sold by the holding company.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 8, 10, 27 and 37 to these consolidated financial statements.

Remuneration to the executive officers of the company (disclosed in note 39 to these consolidated financial statements) and loans and advances to them (disclosed in notes 19 and 25 to these consolidated financial statements) are determined in accordance with the terms of their employment.

Mark-up free security deposits for gas connections to the executive staff of the holding company is received at rates prescribed by the Government of Pakistan.

#### 43. MARK-UP / INTEREST RATE RISK

Interest / mark-up risk arises from the possibility that changes in interest / mark-up will affect the value of financial instrument. Information about the group's exposures to mark-up / interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, at 30 June 2005 is as follows:

	Effective mark-up / interest rate (%)	Mark-up / interest bearing				Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years	Maturity after five years		
(Rupees in '000)							
<b>Financial assets</b>							
Investments	-	-	-	47	-	161,424	161,471
Share of investment in jointly controlled entity	-	-	-	-	-	5,100	5,100
Loans and advances	10	-	8,065	7,733	-	208,947	224,745
Trade debts	-	-	-	-	-	8,754,927	8,754,927
Trade deposits and prepayments	-	-	-	-	-	21,387	21,387
Interest accrued	-	-	-	-	-	7,458	7,458
Other receivables	-	-	-	-	-	2,822,723	2,822,723
Cash and bank balances	1 to 4	1,085,708	-	-	-	183,505	1,269,213
		<u>1,085,708</u>	<u>8,065</u>	<u>7,780</u>	<u>-</u>	<u>12,165,471</u>	<u>13,267,024</u>
<b>Financial liabilities</b>							
Long term financing	3.23 to 15	-	1,461,144	7,203,180	-	-	8,664,324
Long term deposits	5	-	-	-	1,785,403	21,292	1,806,695
Trade and other payables	11.25	-	83,658	-	-	9,212,699	9,296,357
Interest and mark-up accrued	-	-	-	-	-	185,020	185,020
Short term borrowing	5.21 to 8.21	-	220,000	-	-	-	220,000
		<u>-</u>	<u>1,764,802</u>	<u>7,203,180</u>	<u>1,785,403</u>	<u>9,419,011</u>	<u>20,172,396</u>
<b>On-balance sheet gap (a)</b>	<b>2005</b>	<b>1,085,708</b>	<b>(1,756,737)</b>	<b>(7,195,400)</b>	<b>(1,785,403)</b>	<b>2,746,460</b>	<b>(6,905,372)</b>
	2004	<u>2,245,735</u>	<u>(1,394,403)</u>	<u>(4,587,936)</u>	<u>(897,748)</u>	<u>748,245</u>	<u>(3,886,107)</u>

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

#### 44. CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted.

At 30 June 2005, the financial assets which were subject to credit risk amounted to Rs. 11.07 billion (2004: Rs. 11.340 billion). The Group believes that it is not exposed to major concentration of credit risk. The Group attempts to control credit risks by monitoring credit exposures, including transactions with specific customers and continuing assessment of credit worthiness of customers.

#### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial instruments reflected in the consolidated financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

#### 46. FOREIGN CURRENCY RISK MANAGEMENT POLICY

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The holding company is exposed to foreign risk on gas purchases, imports and borrowings that are entered in a currency other than Pak rupees. However, the holding company is not exposed to any foreign currency risk on foreign currency loan which is hedged under exchange risk guarantee scheme of Government of Pakistan.

#### 47. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at 30 June 2005 and 2004, are as follows:

	2005	2004
	(Rupees in '000)	
	<b>Based on unaudited financial statements</b>	Based on audited financial statements
Executive staff provident fund	<u>437,702</u>	<u>450,464</u>
Non-executive staff provident fund	<u>388,853</u>	<u>413,320</u>
Executive benevolent fund	<u>23,367</u>	<u>22,133</u>
Non-executive staff gratuity fund	<u>575,500</u>	<u>571,687</u>
Executive staff gratuity fund	<u>497,500</u>	<u>446,470</u>
Executive staff pension fund	<u>282,308</u>	<u>313,974</u>
Non-executive staff pension fund	<u>107,703</u>	<u>224,172</u>

#### 48. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 30 June 2005 of Rs.1.50 per share, amounting to Rs.1006.761 million at their meeting held on 29 September 2005, for approval for the members at the annual general meeting to be held on 28 October 2005.

#### 49. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue in Board of Directors meeting held on 29 September 2005.

**50. CORRESPONDING FIGURES**

The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparisons. Major changes made during the year are reclassifications resulting from the substituted Fourth Schedule to the Companies Ordinance, 1984.

**51. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**Aitzaz Shahbaz**

**Munawar B. Ahmad P.E.**

# Ten Years At A Glance

		2004-05	2003-04	
<b>General</b>	Mains - Transmission (km) - Cumulative	2,943	2,786	
	Main and Services - Distribution (km) - Additions	1,424	924	
	New connections	78,578	68,563	
	Gas sales (MMCF)	337,638	318,068	
	LPG sales (M. Tons)	-	-	
	Gas meters produced / assembled	400,200	322,000	
<b>Balance Sheet - Summary</b>	Paid - up share capital	6,711.7	6,711.7	
	Reserves and accumulated profit	3,654.1	2,635.9	
	Redeemable capital	1,165.8	4,960.0	
	Deferred credit	1,791.4	1,711.4	
	Deferred liabilities - Taxation	2,875.2	2,496.4	
	Deferred liabilities - Gratuity	-	-	
	Provision for non funded schemes - Executives	847.9	772.0	
	Obligation under finance lease	-	43.7	
	Long term loans outstanding:			
	Foreign	445.7	1,357.7	
	Local	7,052.9	-	
	Long term deposits	1,806.7	1,610.0	
		<b>26,351.4</b>	<b>22,298.8</b>	
	Represented by:			
	Fixed assets	21,641.1	17,496.6	
	Other assets (net)	4,710.3	4,802.2	
		<b>26,351.4</b>	<b>22,298.80</b>	
<b>Profit and Loss - Summary</b>	<b>Income</b>	Gas sales	62,511.7	54,444.6
		General sales tax	8,136.1	7,089.7
			<b>54,375.6</b>	47,354.9
		Less: Gas development surcharge	1,672.9	2,555.2
		Net sales	52,702.7	44,799.7
		Cost of gas	46,812.7	38,713.1
		Gross profit	5,890.0	6,086.6
		Meter rentals	455.1	436.5
		Late payment surcharge	263.2	232.2
		Recognition of income against deferred credit	150.9	145.2
		LPG bottling division profit / (loss)	-	-
		Meter manufacturing division profit	48.2	53.1
		Recoveries from SNGPL	*	*
		Other income,	1,674.3	865.9
			<b>8,481.7</b>	<b>7,819.5</b>
	<b>Expenditure</b>	Purification, transmission and distribution cost	3,991.0	3,525.2
		Depreciation	2,182.0	1,922.2
Financial charges		563.0	695.6	
Workers' (profit) participation fund / others		157.0	104.2	
		<b>6,893.0</b>	<b>6,247.2</b>	
<b>Profit</b>	Profit before taxation	1,588.7	1,572.3	
	Provision for taxation	576.2	575.6	
	Profit after taxation	1,012.5	996.7	
<b>Dividend</b>	Cash dividend	15%	15%	
	Bonus shares	-	-	
<b>Rate of Corporate tax</b>		<b>35% **</b>	<b>35% **</b>	

\*Adjusted against purification charges shown under cost of gas.

2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
2,786	2,724	2,777	2,764	2,764	2,682	2,486	2,486
526	703	404	705	829	1,050	1,933	1,852
56,789	61,616	52,506	81,542	82,040	95,629	112,474	98,941
254,349	234,553	206,967	198,281	177,153	169,214	174,940	172,371
-	-	5,044	16,423	19,708	18,622	16,596	29,578
303,750	289,850	292,750	390,200	293,000	231,800	336,000	351,000

(Rupees in million)							
6,711.7	6,711.7	6,711.7	5,836.3	5,075.0	4,613.7	4,011.9	3,488.6
2,592.2	2,286.6	1,998.9	2,589.3	2,557.5	2,066.1	2,016.2	1,864.1
4,567.1	3,778.8	2,726.8	3,101.7	3,509.1	2,853.5	2,043.1	500.0
1,438.2	1,425.2	1,413.3	1,411.8	1,333.4	1,273.7	1,183.2	1,058.0
2,600.6	2,668.1	2,628.2	2,715.2	2,870.7	2,481.8	2,138.4	2,034.7
-	-	-	-	123.1	142.2	162.9	177.0
639.4	502.2	356.8	283.2	-	-	-	-
87.4	364.7	434.1	607.6	793.0	1,390.1	1,313.0	1,832.8
2,184.9	3,303.4	4,102.3	4,969.0	5,831.7	6,805.8	6,454.4	6,190.7
-	-	-	-	-	-	-	2,042.9
1,428.0	1,303.3	1,166.9	1,277.9	1,116.7	981.0	871.1	734.5
22,249.5	22,344.0	21,539.0	22,792.0	23,210.2	22,607.9	20,194.2	19,923.3
17,222.6	18,082.6	17,947.1	19,650.4	21,024.2	21,924.8	19,635.8	17,146.1
5,026.9	4,261.4	3,591.9	3,141.6	2,186.0	683.1	558.4	2,777.2
22,249.5	22,344.0	21,539.0	22,792.0	23,210.2	22,607.9	20,194.2	19,923.3

41,572.3	37,061.1	29,237.1	22,931.1	16,349.6	15,623.1	14,790.3	13,042.2
5,408.9	4,826.1	3,807.1	2,759.9	-	-	-	-
36,163.4	32,235.0	25,430.0	20,171.2	16,349.6	15,623.1	14,790.3	13,042.2
1,327.0	3,719.4	1,112.9	393.3	2,294.0	(210.8)	214.1	620.7
34,836.4	28,515.6	24,317.1	19,777.9	14,055.6	15,833.9	14,576.2	12,421.5
28,060.6	22,216.5	18,428.4	13,524.3	8,107.6	10,098.0	10,007.4	7,953.3
6,775.8	6,299.1	5,888.7	6,253.6	5,948.0	5,735.9	4,568.8	4,468.2
421.1	407.7	399.5	385.2	185.1	173.2	160.6	93.1
222.1	212.7	201.3	169.6	158.3	156.2	143.2	93.0
126.8	121.3	116.3	111.7	102.7	94.6	85.4	75.0
-	-	3.4	(1.0)	37.6	59.5	18.6	(33.0)
70.2	41.6	64.4	83.9	97.3	52.7	184.7	70.3
*	*	*	*	*	*	*	353.1
623.3	674.6	1,128.8	815.5	1,402.3	1,270.7	384.9	309.1
8,239.3	7,757.0	7,802.4	7,818.5	7,931.3	7,542.8	5,546.2	5,428.8
3,287.6	2,712.8	2,552.3	2,458.2	1,922.2	1,928.9	1,700.4	2,168.3
1,884.0	1,989.5	1,956.7	1,977.8	1,849.4	1,753.5	1,366.2	1,171.4
872.4	762.2	1,214.0	1,767.6	2,615.4	2,779.3	1,576.9	993.2
146.3	138.1	104.9	105.8	79.5	54.7	45.8	54.8
6,190.3	5,602.6	5,827.9	6,309.4	6,466.5	6,516.4	4,689.3	4,387.7
2,049.0	2,154.4	1,974.5	1,509.1	1,464.8	1,026.4	856.9	1,041.1
601.1	719.8	682.2	716.6	512.0	374.7	181.5	503.8
1,447.9	1,434.6	1,292.3	792.5	952.8	651.7	675.4	537.3
18%	17.5%	15%	-	-	-	-	-
-	-	-	15%	15%	10%	15%	15%
35% **	35% **	35% **	33% **	33% **	33% **	33% **	36% **

\*\* Excluding turnover and corporate assets taxes.

## Gas Sales - Classified Breakdown 2004 - 2005

Category	Sales in Million Cubic Feet					Customers as at 30 June 2005 Number				
	Karachi	Sindh (Interior)	Balochistan	Total	%	Karachi	Sindh (Interior)	Balochistan	Total	%
Power Stations	83,616	42,062	9,578	135,256	40.1	9	2	3	14	-
Cement Plants	2,265	2,867	2	5,134	1.5	3	3	1	7	-
Pakistan Steel	14,350	-	-	14,350	4.3	2	-	-	2	-
Fertilizer	25,719	-	-	25,719	7.6	2	-	-	2	-
Textiles	28,839	376	-	29,215	8.7	752	12	-	764	-
C.N.G Stations	4,523	668	27	5,218	1.5	113	19	1	133	-
Other Industries	41,714	14,108	200	56,022	16.6	1,600	236	37	1,873	0.2
<b>Industrial</b>	<b>201,026</b>	<b>60,081</b>	<b>9,807</b>	<b>270,914</b>	<b>80.3</b>	<b>2,481</b>	<b>272</b>	<b>42</b>	<b>2,795</b>	<b>0.2</b>
<b>Commercial</b>	<b>6,124</b>	<b>1,210</b>	<b>500</b>	<b>7,834</b>	<b>2.3</b>	<b>14,099</b>	<b>3,404</b>	<b>1,552</b>	<b>19,055</b>	<b>1.0</b>
<b>Domestic</b>	<b>39,107</b>	<b>12,325</b>	<b>7,458</b>	<b>58,890</b>	<b>17.4</b>	<b>1,252,575</b>	<b>369,013</b>	<b>145,251</b>	<b>1,766,839</b>	<b>98.8</b>
<b>Total</b>	<b>246,257</b>	<b>73,616</b>	<b>17,765</b>	<b>337,638</b>	<b>100.0</b>	<b>1,269,155</b>	<b>372,689</b>	<b>146,845</b>	<b>1,788,689</b>	<b>100.0</b>

# Gas Sales - Ten Years of Progress

## NUMBER OF CUSTOMERS AS AT 30 JUNE SALES IN MILLION CUBIC FEET

		INDUSTRIAL		COMMERCIAL		DOMESTIC		TOTAL	
		Customers	Sales	Customers	Sales	Customers	Sales	Customers	Sales
1	Karachi	1,585	78,423	10,478	3,482	851,829	27,532	863,892	109,437
9	Sindh(Interior)	227	40,910	3,271	1,051	226,269	9,788	229,767	51,749
9	Balochistan	68	4,633	1,768	449	81,181	6,103	83,017	11,185
6	Total	1,880	123,966	15,517	4,982	1,159,279	43,423	1,176,676	172,371
1	Karachi	1,674	77,967	11,248	3,878	911,635	30,259	924,557	112,104
9	Sindh(Interior)	227	37,456	3,574	1,122	253,451	10,650	257,252	49,228
9	Balochistan	70	6,216	1,867	455	89,283	6,937	91,220	13,608
7	Total	1,971	121,639	16,689	5,455	1,254,369	47,846	1,273,029	174,940
1	Karachi	1,706	76,983	11,869	3,878	975,806	31,848	989,381	112,709
9	Sindh(Interior)	231	32,525	3,809	1,156	281,047	11,105	285,087	44,786
9	Balochistan	78	4,132	1,891	474	95,910	7,113	97,879	11,719
8	Total	2,015	113,640	17,569	5,508	1,352,763	50,066	1,372,347	169,214
1	Karachi	1,779	90,059	12,688	4,418	1,027,393	31,113	1,041,860	125,590
9	Sindh(Interior)	229	27,764	3,930	1,213	295,607	10,515	299,766	39,492
9	Balochistan	87	5,383	1,953	486	106,453	6,202	108,493	12,071
9	Total	2,095	123,206	18,571	6,117	1,429,453	47,830	1,450,119	177,153
2	Karachi	1,892	101,803	13,540	4,753	1,081,061	31,711	1,096,493	138,267
0	Sindh(Interior)	230	32,764	4,065	1,205	312,053	10,702	316,348	44,671
0	Balochistan	96	8,329	1,924	484	114,208	6,530	116,228	15,343
0	Total	2,218	142,896	19,529	6,442	1,507,322	48,943	1,529,069	198,281
2	Karachi	1,901	114,007	13,274	5,015	1,112,269	33,198	1,127,444	152,220
0	Sindh(Interior)	228	27,952	3,592	1,164	317,577	10,896	321,397	40,012
0	Balochistan	55	7,840	1,547	454	118,937	6,441	120,539	14,735
1	Total	2,184	149,799	18,413	6,633	1,548,783	50,535	1,569,380	206,967
2	Karachi	2,006	131,221	12,951	5,061	1,142,564	34,254	1,157,521	170,536
0	Sindh(Interior)	229	36,616	3,225	1,088	326,241	11,250	329,695	48,954
0	Balochistan	50	8,413	1,476	432	123,231	6,218	124,757	15,063
2	Total	2,285	176,250	17,652	6,581	1,592,036	51,722	1,611,973	234,553
2	Karachi	2,134	146,281	12,933	5,562	1,184,923	35,990	1,199,990	187,833
0	Sindh(Interior)	232	39,247	3,058	1,039	335,879	11,148	339,169	51,434
0	Balochistan	46	8,029	1,438	472	128,072	6,581	129,556	15,082
3	Total	2,412	193,557	17,429	7,073	1,648,874	53,719	1,668,715	254,349
2	Karachi	2,337	198,257	13,504	5,614	1,227,528	37,027	1,243,369	240,898
0	Sindh(Interior)	257	49,066	3,166	1,090	350,210	11,648	353,633	61,804
0	Balochistan	44	8,467	1,482	458	135,415	6,441	136,941	15,366
4	Total	2,638	255,790	18,152	7,162	1,713,153	55,116	1,733,943	318,068
2	Karachi	2,481	201,026	14,099	6,124	1,252,575	39,107	1,269,155	246,257
0	Sindh(Interior)	272	60,081	3,404	1,210	369,013	12,325	372,689	73,616
0	Balochistan	42	9,807	1,552	500	145,251	7,458	146,845	17,765
5	Total	2,795	270,914	19,055	7,834	1,766,839	58,890	1,788,689	337,638



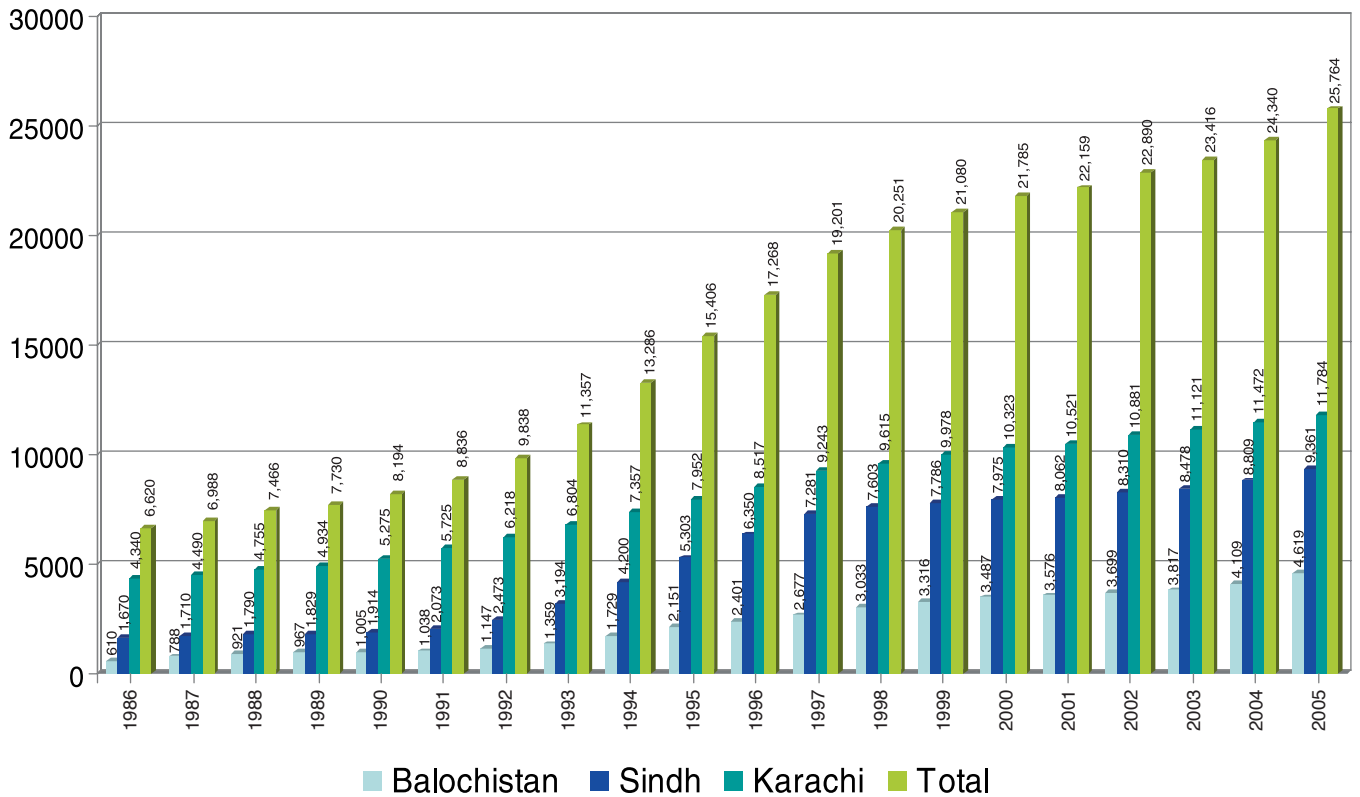


## Gas Sales Pattern 2004 - 2005

	Customers		Volume		Value (Net of GST)	
	Number	%	Million cubic feet	%	Rupees in thousand	%
<b>Karachi</b>						
Industrial	2,481	0.20	201,026	81.63	33,541,082	87.17
Commercial	14,099	1.11	6,124	2.49	1,234,864	3.21
Domestic	1,252,575	98.69	39,107	15.88	3,701,869	9.62
<b>Total</b>	<b>1,269,155</b>	<b>100.00</b>	<b>246,257</b>	<b>100.00</b>	<b>38,477,815</b>	<b>100.00</b>
<b>Sindh (Interior)</b>						
Industrial	272	0.07	60,081	81.62	11,589,753	88.92
Commercial	3,404	0.91	1,210	1.64	259,661	1.99
Domestic	369,013	99.02	12,325	16.74	1,184,704	9.09
<b>Total</b>	<b>372,689</b>	<b>100.00</b>	<b>73,616</b>	<b>100.00</b>	<b>13,034,118</b>	<b>100.00</b>
<b>Balochistan</b>						
Industrial	42	0.03	9,807	55.20	1,826,335	63.78
Commercial	1,552	1.06	500	2.82	106,590	3.72
Domestic	145,251	98.91	7,458	41.98	930,720	32.50
<b>Total</b>	<b>146,845</b>	<b>100.00</b>	<b>17,765</b>	<b>100.00</b>	<b>2,863,645</b>	<b>100.00</b>
<b>Total</b>						
Industrial	2,795	0.16	270,914	80.24	46,957,170	86.36
Commercial	19,055	1.06	7,834	2.32	1,601,115	2.94
Domestic	1,766,839	98.78	58,890	17.44	5,817,293	10.70
<b>Total</b>	<b>1,788,689</b>	<b>100.00</b>	<b>337,638</b>	<b>100.00</b>	<b>54,375,578</b>	<b>100.00</b>

# Distribution Network 1985-2005

as at 30 June 2005



DIA METER		As at July 1, 2004				Addition during FY 2004 - 05				As at June 30, 2005			
MM	INCHES	Karachi	Interior Sindh	Balochistan	Total	Karachi	Interior Sindh	Balochistan	Total	Karachi	Interior Sindh	Balochistan	Total

## MAINS

### Steel Pipe

12.50	-	1	-	-	1	-	-	-	-	-	1	-	-	1
20	3/4	1,397	41	6	1,444	-	-	-	-	1,397	41	6	1,444	
25	1	2,994	2,287	579	5,860	66	155	20	241	3,060	2,442	599	6,101	
38	1½	1	50	-	51	-	-	-	-	1	50	-	51	
50	2	1,583	1,558	1,101	4,242	31	139	236	406	1,614	1,697	1,337	4,648	
75	3	-	15	-	15	-	-	-	-	-	15	-	15	
100	4	626	800	510	1,936	19	106	57	182	645	906	567	2,118	
150	6	344	411	152	907	13	10	24	47	357	421	176	954	
200	8	159	180	262	601	11	5	102	118	170	185	364	719	
250	10	15	33	6	54	-	-	-	-	15	33	6	54	
300	12	87	5	28	120	2	-	-	2	89	5	28	122	
400	16	87	-	19	106	-	-	15	15	87	-	34	121	
450	18	-	-	28	28	-	-	-	-	-	-	28	28	
500	20	78	-	-	78	-	-	-	-	78	-	-	78	
600	24	52	-	-	52	-	-	-	-	52	-	-	52	
750	30	12	-	-	12	-	-	-	-	12	-	-	12	
<b>Total Steel Mains</b>		<b>7,435</b>	<b>5,381</b>	<b>2,691</b>	<b>15,507</b>	<b>142</b>	<b>415</b>	<b>454</b>	<b>1,011</b>	<b>7,577</b>	<b>5,796</b>	<b>3,145</b>	<b>16,518</b>	

### Polyethylene Pipe

40	721	698	33	1,452	97	11	-	108	818	709	33	1,560	
63	551	515	371	1,437	32	5	3	40	583	520	374	1,477	
125	118	160	90	368	8	2	-	10	126	162	90	378	
180	27	-	4	31	4	-	-	4	31	-	4	35	
<b>Total P.E. Mains</b>	<b>1,417</b>	<b>1,373</b>	<b>498</b>	<b>3,288</b>	<b>141</b>	<b>18</b>	<b>3</b>	<b>162</b>	<b>1,558</b>	<b>1,391</b>	<b>501</b>	<b>3,450</b>	
<b>Total Mains</b>	<b>8,852</b>	<b>6,754</b>	<b>3,189</b>	<b>18,795</b>	<b>283</b>	<b>433</b>	<b>457</b>	<b>1,173</b>	<b>9,135</b>	<b>7,187</b>	<b>3,646</b>	<b>19,968</b>	

## SERVICES

Steel Pipe	2,327	1,844	833	5,004	60	95	47	202	2,387	1,939	880	5,206	
Polyethylene Pipe	243	211	87	541	19	24	6	49	262	235	93	590	
<b>Total Services</b>	<b>2,570</b>	<b>2,055</b>	<b>920</b>	<b>5,545</b>	<b>79</b>	<b>119</b>	<b>53</b>	<b>251</b>	<b>2,649</b>	<b>2,174</b>	<b>973</b>	<b>5,796</b>	
<b>TOTAL NETWORK</b>	<b>11,422</b>	<b>8,809</b>	<b>4,109</b>	<b>24,340</b>	<b>362</b>	<b>552</b>	<b>510</b>	<b>1,424</b>	<b>11,784</b>	<b>9,361</b>	<b>4,619</b>	<b>25,764</b>	



**SSGC**

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# Town-wise Detail of Customers

as at 30 June 2005

Towns (Including adjoining areas)	Industrial	Commercial	Domestic	Total
<b>KARACHI</b>	2,481	14,099	1,252,575	1,269,155
<b>SINDH (Interior):</b>				
<b>Hyderabad Region:</b>				
Badin	-	17	3,517	3,534
Bhan Saeedabad/Boobak	-	8	711	719
Dadu	-	35	6,022	6,057
Dhabeji / Nooriabad / Thatta	29	50	5,699	5,778
Hala /Bhit Shah / Matiari	-	10	5,465	5,475
Hyderabad	148	1,410	103,149	104,707
Khairpur Nathan Shah	-	9	1,807	1,816
Kotri / Jamshoro	49	66	12,323	12,438
Matli	-	9	2,698	2,707
Mehar	-	24	3,041	3,065
Mirpurkhas	4	136	15,622	15,762
Nasarpur / Palijani 2	7	921	930	
Phulji /Piaro Goth	-	1	461	462
Radhan	-	3	626	629
Rehmania Nagar	-	14	795	809
Sehwan Sharif	-	9	1,660	1,669
Shahdadpur	-	35	6,314	6,349
Tando Adam	2	67	8,423	8,492
Tando Allahyar	-	26	8,019	8,045
Tando Jam	-	14	4,591	4,605
Tando Mohammad Khan	-	24	4,326	4,350
Thana Bola Khan	-	-	1,038	1,038
Tharri Mohabat	-	2	290	292
	234	1,976	197,518	199,728
<b>Sukkur Region:</b>				
Gambat	-	20	2,644	2,664
Ghotki	-	33	3,822	3,855
Khairpur	-	80	8,612	8,692
Kot Diji	-	6	777	783
Mirpur Mathelo / Daharki	-	35	4,876	4,911
Pano Aqil	2	19	3,276	3,297
Pirjo Goth	-	30	5,507	5,537
Ranipur	1	28	3,400	3,429
Rohri	1	40	5,298	5,339
Sukkur	23	296	25,695	26,014
	27	587	63,907	64,521
<b>Larkana Region:</b>				
Badah	-	26	1,107	1,133
Gari Yasin	-	13	4,372	4,385
Jacobabad	1	59	7,503	7,563
Kandhkot	-	12	2,817	2,829
Larkana	3	213	17,937	18,153
Miro Khan	-	5	441	446
Naudero	-	13	1,977	1,990
Rato Dero	-	31	3,081	3,112
Shahdad Kot / Kamber / Warah	-	57	10,413	10,470
Shikarpur	3	113	10,727	10,843
Thul	-	16	1,944	1,960
	7	558	62,319	62,884
<b>Nawabshah Region:</b>				
Moro	1	26	5,146	5,173
Naushero Feroz	-	54	5,831	5,885
Nawabshah	3	139	19,748	19,890
Qazi Ahmed	-	11	4,588	4,599
Sanghar	-	48	5,357	5,405
Sinjhoro	-	5	4,599	4,604
	4	283	45,269	45,556
	272	3,404	369,013	372,689
<b>BALUCHISTAN:</b>				
Belpat/Bhag/Dhadar/Lehri	-	3	1,425	1,428
Bostan	-	2	1,005	1,007
Dera Allah Yar	-	7	1,879	1,886
D.M. Jamali/Garhi Khairo/Sohbat Pur	-	8	2,403	2,411
Huramzai/Karbala	-	-	2,922	2,922
Kuchlak	-	22	5,259	5,281
Mach/Kolpur/Pringabad/Kalat	-	10	1,923	1,933
Mastung	-	23	2,866	2,889
Pishin	-	60	3,768	3,828
Quetta	41	1,359	112,119	113,519
Sibi	1	28	4,021	4,050
Sui Field/Dera Bugti/Pirkoh	-	2	1,391	1,393
Usta Muhammad	-	21	2,534	2,555
Yaru/Saranan/Ziarat	-	7	1,736	1,743
	42	1,552	145,251	146,845
	2,795	19,055	1,766,839	1,788,689

# Pattern of Share Holding

As At 30 June 2005

No. of Shareholders	Share holding		Total Shares Held	% age
	From	To		
3485	1	100	120799	0.02
2960	101	500	827984	0.12
16087	501	1000	15892722	2.37
5471	1001	5000	15144656	2.26
1243	5001	10000	9636356	1.44
417	10001	15000	5255123	0.78
235	15001	20000	4247317	0.63
137	20001	25000	3187423	0.47
87	25001	30000	2477183	0.37
51	30001	35000	1673993	0.25
61	35001	40000	2360214	0.35
36	40001	45000	1546807	0.23
62	45001	50000	3046188	0.45
26	50001	55000	1374943	0.20
21	55001	60000	1236906	0.18
14	60001	65000	879670	0.13
13	65001	70000	890397	0.13
17	70001	75000	1260569	0.19
13	75001	80000	1018083	0.15
9	80001	85000	742557	0.11
7	85001	90000	617602	0.09
4	90001	95000	374500	0.06
21	95001	100000	2092000	0.31
5	100001	105000	514718	0.08
6	105001	110000	649989	0.10
4	110001	115000	452635	0.07
4	115001	120000	474950	0.07
6	120001	125000	750000	0.11
3	125001	130000	382500	0.06
3	130001	135000	398102	0.06
2	135001	140000	272732	0.04
3	140001	145000	433115	0.06
9	145001	150000	1344167	0.20
3	150001	155000	461350	0.07
3	155001	160000	477000	0.07
5	160001	165000	820598	0.12
4	165001	170000	671845	0.10
2	170001	175000	347500	0.05
1	175001	180000	180000	0.03
1	180001	185000	184000	0.03
2	185001	190000	380000	0.06
11	195001	200000	2198500	0.33
1	200001	205000	200500	0.03
1	205001	210000	206350	0.03
1	210001	215000	210500	0.03
4	215001	220000	876099	0.13
1	220001	225000	225000	0.03
1	225001	230000	230000	0.03
1	240001	245000	245000	0.04
4	245001	250000	1000000	0.15
1	250001	255000	252783	0.04
1	255001	260000	259500	0.04
2	260001	265000	527806	0.08
6	265001	270000	1607283	0.24
1	270001	275000	275000	0.04
1	280001	285000	281624	0.04
2	285001	290000	578800	0.09
2	290001	295000	586000	0.09
2	295001	300000	597923	0.09
1	305001	310000	309500	0.05
2	315001	320000	640000	0.10
2	320001	325000	650000	0.10
1	325001	330000	325500	0.05

# Pattern of Share Holding

As At 30 June 2005

No. of Shareholders	Share holding		Total Shares Held	% age
	From	To		
1	340001	345000	342500	0.05
3	345001	350000	1047000	0.16
1	355001	360000	360000	0.05
1	360001	365000	361100	0.05
2	370001	375000	750000	0.11
1	375001	380000	379517	0.06
1	380001	385000	381144	0.06
2	390001	395000	787750	0.12
2	395001	400000	800000	0.12
2	405001	410000	815843	0.12
1	410001	415000	411991	0.06
2	420001	425000	848500	0.13
1	435001	440000	436500	0.07
1	440001	445000	441000	0.07
1	450001	455000	455000	0.07
2	455001	460000	915432	0.14
1	460001	465000	465000	0.07
1	485001	490000	488500	0.07
2	495001	500000	997500	0.15
1	500001	505000	505000	0.08
1	505001	510000	505500	0.08
2	545001	550000	1100000	0.16
1	590001	595000	593000	0.09
1	595001	600000	597000	0.09
1	630001	635000	632500	0.09
2	695001	700000	1396000	0.21
1	750001	755000	754575	0.11
2	755001	760000	1514694	0.23
1	785001	790000	786000	0.12
1	800001	805000	802000	0.12
1	815001	820000	819000	0.12
1	835001	840000	835500	0.12
1	850001	855000	855000	0.13
1	860001	865000	863023	0.13
1	895001	900000	897000	0.13
1	910001	915000	910500	0.14
1	975001	980000	978500	0.15
1	1180001	1185000	1183500	0.18
1	1185001	1190000	1186000	0.18
1	1210001	1215000	1214000	0.18
1	1470001	1475000	1475000	0.22
1	1570001	1575000	1571708	0.23
1	1635001	1640000	1639000	0.24
1	1785001	1790000	1786779	0.27
1	1815001	1820000	1819712	0.27
1	1820001	1825000	1825000	0.27
1	1875001	1880000	1878000	0.28
1	1900001	1905000	1901675	0.28
1	2385001	2390000	2389450	0.36
1	2560001	2565000	2565000	0.38
1	2655001	2660000	2659014	0.40
1	2690001	2695000	2694000	0.40
1	4305001	4310000	4310000	0.64
1	7430001	7435000	7432000	1.11
1	8335001	8340000	8336423	1.24
1	9670001	9675000	9671592	1.44
1	15025001	15030000	15029097	2.24
1	29240001	29245000	29240357	4.36
1	39220001	39225000	39224506	5.84
1	405600001	405605000	405600188	60.43
	<u>30665</u>		<u>671174331</u>	<u>100.00</u>



# Categories of Shareholders

As At 30 June 2005

Categories of shareholders	Number	Shares held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>	-	0	0
<b>NIT AND ICP</b>	2	30,021,105	4.47
National Bank of Pakistan Trustee Deptt.		30,004,851	4.47
Investment Corporation of Pakistan		16,254	0.00
<b>Directors, CEO &amp; their Spouse and Minor Children<sup>2</sup></b>		80,120	0.01
Mr. Munawar B. Ahmed MD		2,500	
Mr Khursheed K. Marker, Director		77,620	
<b>Executives</b>	26	84,309	0.01
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds</b>	238	84,448,194	12.58
Bank, Development, Finance Institutions	38	16,065,166	2.39
Non-Banking Finance Institutions	158	15,408,881	2.30
Insurance Companies	18	44,991,212	8.71
Modarabas and Mutual Funds	24	7,982,935	0.22
<b>Shareholders holding ten Percent or more voting interest in the Company</b>			
President of the Islamic Republic of Pakistan	1	405,600,190	60.43
<b>Individual</b>	30349	128,251,704	4.51
<b>Others</b>	47	22,688,709	3.38
Administrator of Abandoned Properties, Associations, Foundations, Societies, Institutions and Nazir of the High Court			
	<b>30,665</b>	<b>671,174,331</b>	<b>100.00</b>

# Awards 2004-05



NFEH Environment Excellence Award won for the second time in 2005 by SSGC.



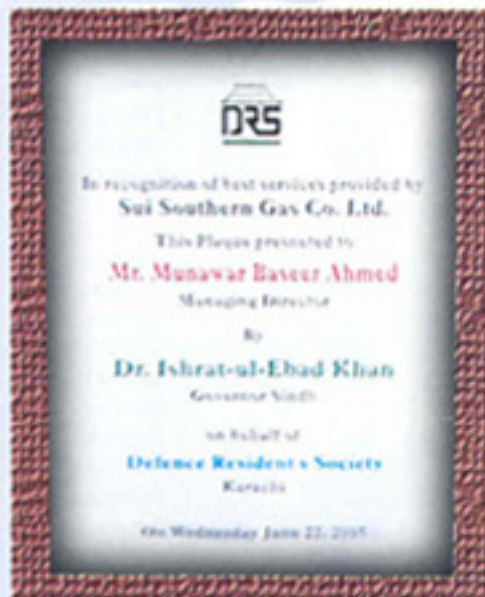
The SSGC hockey team were runners-up in the Gen Musa Gold Cup Hockey Tournament.



The Cycling Team won the 3rd position in the 12th Tour de Pakistan International Cycle Race. SSGC riders also won two major stages.



SSGC Annual Report 2004, the first utility company to win a top prize in the ICAP / ICMAP Best Corporate Awards.



Governor Sindh Dr. Ishratul Ibad presented DHA's Best Services plaque to SSGC.

# Form of Proxy

I/ We \_\_\_\_\_

of \_\_\_\_\_ being a Member(s) \_\_\_\_\_

of Pakistan Refinery Ltd. holding \_\_\_\_\_

ordinary shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him / her \_\_\_\_\_

of \_\_\_\_\_

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Forty-fifth annual General Meeting of the Company to be held on October 26, 2005 and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Signed by the \_\_\_\_\_

In the presence of 1. \_\_\_\_\_

2. \_\_\_\_\_

Shareholder No.

Signature on Revenue stamp  
of appropriate value

This signature should agree  
with the specimen registered  
with the Company.

## IMPORTANT

Instruments of Proxy will not be considered as valid unless they are deposited or received at the Company's Registered Office at Korangi Creek Road, Karachi, or share registrar's office not later than 48 hours before the time of holding the meeting.





# What our customers say ...

"I wish to congratulate you on your achievement in setting great standards of customer satisfaction at your organization..."

Dealing with Sui Southern, seems like one is dealing with an organization which is maintaining its standards as per the standards of the Developed world, which is highly unlikely to be seen in any other Pakistani organization. And surely, the credit of such standard goes to you and your Managing Director."

**Shaukat Iqbal**

Managing Director, Saba Textiles (Pvt.) Ltd.  
Ex-President Karachi Chamber of Commerce & Industry

"I wish to offer you my gratitude for the timely and efficient manner in which your good office has helped resolve our low gas pressure problem against our complaints informed to your good self vide our letters dated July 21, 2005 & August 02, 2005.

Here I would like to specifically thank your efforts for paying special interest in determining the prompt and effective solution of the problems faced by the aforementioned.

It is due to organization such as yours that will build and improve the import and export industry and ultimately the economy of Pakistan."

**Muhammad Shafiq Shakir**

Managing Partner, Nazeer Dyeing and Bleaching.



"We, Naveena Group of Companies, present (our) best compliments to your esteemed organisation, and have the honour to encourage your company on its performance, service and working for private sector, home consumer as well as industrial consumer, in respect of supplied pressure / power according to requirements.

It is indeed, and without any doubt, that your performance of customer service is simply outstanding... ."

**Asif Raza Tata**  
Chief Executive  
Naveena Exports (Pvt.) Ltd.

"As a businessman and an active member of various trade bodies and the FPCCI, I often have to lead delegations or make representations in different ministries or call on various utility companies, gas, water and electricity companies, with problems our industrialists face in running their businesses or setting up a new industry.

I must say, SSGC is one company where I feel, and I am sure other people do too, that if you have a case, they listen to you! And, they do not just listen - they take immediate action to resolve our problem.

You see, the idea of service runs across every level at SSGC, from the MD right down to the person at customer centre where you pay your bill."

**Dr. Mirza Ikhtiar Baig**  
Chairman  
Baig Group of Companies

"On 4th May 2005, I called 119 centre of SSGC at about 08:35pm to inform about gas leakage near the cooking range... I was thinking that either the telephone line would be busy (like other public utility companies... and if at all call is answered no one would visit for next 2 to 3 days.

To my surprise the phone was picked up on first bell and a well mannered person responded...after 15 minutes the door bell rang... and I saw SSGC Emergency centre vehicle with a person enquiring about my problem. Within few minutes the person had fixed the leakage... Wow! What a service."

**Akram Siddiqui**  
Customer

"SSGC has shown drastic change in the form of improvement in the customer satisfaction.

The customer facilitation center at Shahrah-e-Faisal is doing a great job by providing excellent services through courtesy, efficiency and addressing the customer problems."

**S. Farid**  
Customer



# Board of Directors' Committees



## Finance Committee

Qasim Rabbani, Member

Asif Saeed, Member

Aitzaz Shahbaz, Chairman

Muhammad Iqbal Awan, Member

Muhammad Javed Khan, Member

Munawar Baseer Ahmad, MD

## HR Committee

Zahid Majid, Member  
Asif Saeed, Member  
Aitzaz Shahbaz, Chairman  
Munawar Baseer Ahmad, MD  
M. Naeem Malik, Member



## Audit Committee

Sajid Zahid, Member  
Muhammad Iqbal Awan, Member  
Tariq Iqbal Khan, Chairman  
Zahid Majid, Member  
Qasim Rabbani, Member



# board of directors





**Aitzaz Shahbaz**  
**Chairman**

Chairman ISGSL, Petroleum Institute of Pakistan and Lubricants Advisory Committee. Former Chief Executive, Pakistan Burma Shell, Former Chairman, Shell Pakistan, Management Association of Pakistan. Oil Companies Advisory Committee, National Refinery Ltd. Special Olympics Pakistan and Trustee, Lahore University of Management Sciences.



**Munawar Baseer Ahmad, P.E.**  
**Chief Executive & MD**

Chief Executive & Managing Director SSGC since October 2002, Mr. Munawar Baseer Ahmad has 32 years experience having held senior management and engineering positions with leading multinationals in the USA, Middle East and Pakistan in the oil, gas, technology and engineering industries. A professional registered engineer in USA (Texas) and Pakistan he is a member of PIP, MAP, CSP and IEEE. He holds a B.Sc. Engg. degree from UET, Lahore and M.Sc. Engg. and MBA from University of Houston, Texas, -USA. He is also a Director on the Boards of PIP, SNGPL and ISGSL and had successfully headed PEPCA for two years before joining SSGC.





### Asif Saeed

#### Member

Chemical Engineer with 33 years experience in the fertilizer/ petrochemical industry. Held senior key positions in Engro Chemicals (Pakistan), Imperial Oil (Canada), Exxon Chemical (USA) and Altona Petrochemical (Australia). Former Director on the Boards of Engro Vopak Terminal Ltd. and Engro Asahi Polymer Chemicals Ltd.

### Khursheed K. Marker

#### Member

Presently Chairman of Merck Marker (Pvt.) Limited and Security Investment Bank Limited. Formerly on the Board of State Bank of Pakistan, Habib Bank, PICIC and ICI Pakistan Limited. Chairman of a number of charitable family trusts. Pioneer member of the Steering Committee of the Aga Khan Foundation. An M.A. (Cantab) having gained a B.Sc., degree from the Punjab University.



### Muhammad Javed Khan

#### Member

Executive Director, State Life Insurance Corporation of Pakistan. Director PICIC, Director Alpha Insurance Co. Ltd., Formerly Member / Additional Secretary Wafaqi Mohtasib Secretariat, Commissioner of Income Tax, B.A (Hons.) M.A. (Political Science).

### Saqib H. Shirazi

#### Member

Chief Executive Officer of Atlas Honda Ltd. Graduated from The Wharton School of Finance, before completing his Masters from Harvard Business School. Board member of Harvard Business School Alumni Association. Nominee Director of Bank at Karachi Stock Exchange, Mr. Saqib H. Shirazi is also on the Board of Privatization Commission of Pakistan and Member Board of Trustees & Governor of LUMS.



### Sajid Zahid

#### Member

A Barrister-at-Law from Lincoln's Inn, London and a practicing lawyer in the High Court of Sindh and Supreme Court of Pakistan. Jt. Senior Partner of Orr, Dignam & Company, Advocates, Director of PPL, Habib Bank Limited and The First MicroFinanceBank Limited and member of the Banking Laws Review Commission.

### Tariq Iqbal Khan

#### Member

Mr. Tariq Iqbal Khan, Chairman & Managing Director, National Investment Trust combines very rich and diversified experience of Industry, Capital markets, Corporate Sector and Company Law. Started his professional life as a Chartered Accountant from A.F. Ferguson & Company. Founder Director of Islamabad Stock Exchange and President from 1995 to 1998. He has served as Member, Tax Policy and Co-ordination in CBR as a Commissioner and acting Chairman in 2000.





**M. Zahid Majid**

**Member**

Mechanical Engineering from Government College (Now University) of Engineering and Technology, Lahore with Honours and Gold Medal. Gained management qualifications from Manchester College of Science and Technology, U.K. and Asian Institute of Management Manila. Member of the American Institute of Chemical Engineers, USA. Served as Director on the Board of Exxon Chemical Pakistan Ltd and Gulf Oil in Singapore and in the Middle East. Also Director on the Board of PPL.



**A. Rashid Lone**

**Member**

Chief Executive/Managing Director Sui Northern Gas Pipelines Limited (SNGPL), Managing Director, Interstate Gas Systems (Pvt.) Ltd. A chemical Engineer holding B.Sc (Hons) and M.Sc (Chemical Engineering) degrees from University of the Punjab, Lahore (Pakistan). A registered professional Engineer with Pakistan Engineering Council, Fellow Member of Pakistan Institute of Chemical Engineering.



**Muhammad Iqbal Awan**

**Member**

Member, Board of Audit and Finance Committee SSGC, Financial Advisor, Ministry of Petroleum & Natural Resources and Ministry of Health. Director PPL, Attock Refinery Ltd., NRL, PMDC, PSO, OGDC, Lakhra Coal Development Corporation, ISGSL and other leading companies. MBA from Columbia University, USA.



**Muhammad Naeem Malik**

**Member**

Engineer by profession, with over 25 years experience in the chemical industry and Government of Pakistan. Presently Director General (Gas) and Director General (Administration / Special Projects), Ministry of Petroleum & Natural Resources. Also Director on the Boards of SNGPL, and Pirkoh Gas Company (Pvt.) Ltd.



**Qasim Rabbani**

**Member**

Currently Executive Director at Invest Capital & Securities. After a career in the Pakistan Army, he served in senior positions in leading national and multinational organizations i.e. Brooke Bond (now part of Unilever), TCS, Pakcom Limited, English Biscuits, Dadabhoj Cement, Pakland Cement and Fauji Foundation. An MBA from IBA Karachi.



**Samiullah Baloch**

**Member**

A Master's in Political Science and LLB. Currently CEO Baloch Consultants (Pvt) Ltd. a company involved in construction, sales and engineering consultancy. Also Managing Partner, Bolan Fisheries (Pvt.) Ltd. and Haroon Fisheries (Pvt.) Ltd. managing the business of deep-sea fishing.



# the people at SSGC energy

**T**he people of SSGC are driven to deliver by their insurmountable energy. Whether it is a matter of pipeline expansion projects, emergency relief efforts, technology initiatives, customer service or community development, there is always a high level of energy, driven by the urgency to conclude projects on time and within budget.

It is in the same spirit that major pipeline



expansion projects were implemented during 2004-05 to extend distribution to key destinations in Balochistan such as Ziarat and Kalat, and to enhance the network capacity for Karachi, the company's largest load centre. The projects were completed within the allotted time and well within budget.

At the inaugural ceremony of the Ziarat pipeline project on September 11, 2004, the President of

Pakistan Gen Pervez Musharraf paid rich tributes to SSGC engineers, technicians and management for their speed, efficiency, dedication and commitment in meeting his government's objective to make gas available to remote villages and towns in Balochistan. History repeated itself on April 1, 2005, when the Kalat pipeline project was inaugurated, also by the President of Pakistan, who once again commended the efforts of the workers and management of SSGC.

Two other projects of a very different dimension undertaken during the year also demonstrated the energy within SSGC. The company mobilized the largest single corporate sector contribution to the Tsunami Relief Project for the people of Sri Lanka and Indonesia, amounting to Rs.12 million, in cash and kind, within a period of two weeks. A third of the amount came from SSGC employees who contributed a day's salary. Corporate partners and friends of SSGC such as Crescent Steel, Continental Biscuits, Candyland and others also participated, contributing generously on the call of the SSGC management to support the President's Tsunami Relief effort.

On the projects side, a mammoth undertaking was the Indus river crossing. SSGC construction crews fabricated a 30' x 40' barge with a carrying capacity of 60 tons, on which two cranes weighing 13-tons each were loaded. A massive U-bend weighing over 12 tons was thus put in place to complete the overhead crossing prior to the heavy floods season.



**Barge mounted cranes operating at the Indus River pipeline crossing near Jamshoro**



# the people at SSGC enterprise

**T**he spirit of Enterprise is the essence of the SSGC work culture. While SSGC teams in the field face difficult terrain and harsh working conditions, our engineers develop innovative designs and solutions using the most advanced technologies and adopt new customer-friendly systems, to deliver world-class service to customers across Sindh and Balochistan.



Just over fifty years ago, the Sui Gas Transmission Company earned the distinction of being the first utility company in Asia to lay a 16" diameter 558km gas pipeline, connecting Pakistan's industrial hub and then federal capital Karachi, in Sindh, to Sui in the heartland of Balochistan.

Today nearly 3,000 kms of high-pressure gas transmission lines and over 26,000 kms of

distribution lines stretch across SSGC's franchise areas, providing the convenience of natural gas to about 1.8 million customers in 120 towns and 930 villages of Sindh and Balochistan.

Working under the most adverse conditions, SSGC planners, engineers, technicians and ground crew continued to complete their projects as part of the GIREP-II (Gas Infrastructure Rehabilitation and Expansion Project) and meet their targets in terms of time and cost. During the year the company broke new ground as they laid the 30" diameter pipeline across the River Indus near Jamshoro, as part of the 116 km 24" ILBP from Hyderabad to Karachi a project completed in a record time of six months.

A record level of CAPEX of Rs.6.2 billion was incurred in 2004-05, as part of the company's ambitious 5-year, Rs.43 billion Strategic Development Plan. That helped achieve the year's ambitious targets for network upgrade and expansion, pipeline rehabilitation, improvements in Information Technology and significant business growth, all driven by the Spirit of Enterprise of the people at SSGC.



SSGC welding teams at work on Hyderabad - Karachi pipeline, completed in record time.



# the people at SSGC excellence

**E**xcellence in Service, Engineering and Technology and in fact all facets of SSGC operation, is acknowledged as our hallmark both within and outside the Oil and Gas sector. We are today recognized as the most technology enabled utility, not just in Pakistan but also in the South Asia region, and the pursuit of excellence has become an inherent quality in SSGC.



In the Information Technology area, which forms the backbone of the business today, three major initiatives were taken this year. These included the phased implementation of Oracle e-Business Suite, a globally recognised ERP package and SPL's world-class Customer Information System (CIS) software to integrate sales, billing and customer service and an integrated Geographical Information System (GIS).

Human Resource at SSGC is our strategic strength. Training and development of personnel is a key priority and the company invests in training its people at the Gas Training Institute (GTI) in Karachi and at external locations within Pakistan or overseas. SSGC speakers and presenters are well recognized in National and International forums.

Whether it is Engineering, Construction, Customer Services, Medical Services or any other division or department there is a new commitment towards performance and the achievement of excellence. New standards of Quality and Service are benchmarks for all.

Today, the people at SSGC, from our construction workers, operators, customer service personnel to office workers, engineers and management, all take their job assignments seriously and with a passion to excel.

This Spirit, driven by the Energy of the people at SSGC, coupled with their Spirit of Enterprise provides the synergy for meeting increasingly higher standards of Excellence, all focused to provide our customers "First Class Service, With a Smile".

Handheld GPS monitors provide pipeline network coordinates through satellite-based GIS system





# Balance Sheet

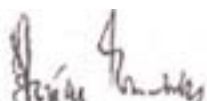
as at 30 June 2005

	Note	2005 (Rupees in '000)	2004
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorised Share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up capital	3	6,711,743	6,711,743
Reserves	4	2,488,662	2,488,662
Surplus on remeasurement of available for sale securities		152,896	147,166
Unappropriated profit		<u>1,012,501</u>	<u>1,006,761</u>
		<u>10,365,802</u>	<u>10,354,332</u>
<b>Non-current liabilities</b>			
Long term financing	5	7,203,180	4,644,750
Long term deposits	6	1,806,695	1,609,746
Deferred tax	7	2,875,241	2,496,419
Employee benefits	8	847,932	772,322
Deferred credit	9	1,791,364	1,711,395
		<u>14,524,412</u>	<u>11,234,632</u>
<b>Current liabilities</b>			
Trade and other payables	10	10,926,115	8,362,880
Interest and mark-up accrued	11	185,020	168,401
Short term borrowing	12	220,000	-
Current portion of long term financing	13	<u>1,461,144</u>	<u>1,716,578</u>
		<u>12,792,279</u>	<u>10,247,859</u>
Contingencies and commitments	14	<u>37,682,493</u>	<u>31,836,823</u>
Government owned assets held on trust by the company	15.3.1	-	<u>105,965</u>

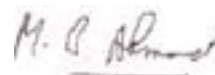
The annexed notes 1 to 50 form an integral part of these financial statements.



	Note	2005	2004
		(Rupees in '000)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	21,641,128	17,496,568
Intangible assets	16	60,932	-
Long term investments	17	166,525	204,490
Long term loans and advances	18	127,848	136,373
Long term deposits	19	4,458	4,072
		<u>22,000,891</u>	<u>17,841,503</u>
<b>Current assets</b>			
Stores, spares and loose tools	20	929,310	794,232
Stock-in-trade	21	227,318	198,443
Customers' installation work-in-progress	22	84,504	56,019
Trade debts	23	8,754,927	6,705,704
Loans and advances	24	96,897	108,464
Trade deposits and short term prepayments	25	118,452	138,928
Interest accrued		7,458	13,142
Other receivables	26	3,693,692	2,270,813
Taxation recoverable	27	499,841	668,791
Cash and bank balances	28	1,269,203	3,040,784
		<u>15,681,602</u>	<u>13,995,320</u>
		<u>37,682,493</u>	<u>31,836,823</u>



**Aitzaz Shahbaz**  
Chairman



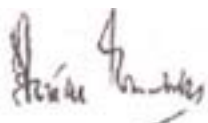
**Munawar B. Ahmad P.E.**  
Managing Director

# Profit & loss account

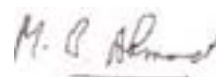
for the year ended 30 June 2005

	Note	2005 (Rupees in '000)	2004
Sales		<b>62,511,685</b>	54,444,623
Sales tax		<b>(8,136,107)</b>	(7,089,741)
		<b>54,375,578</b>	47,354,882
Gas development surcharge		<b>(1,672,901)</b>	(2,555,192)
Net sales		<b>52,702,677</b>	44,799,690
Cost of gas	29	<b>(46,812,706)</b>	(38,713,079)
Gross profit		<b>5,889,971</b>	6,086,611
Transmission, distribution and selling costs	30	<b>(4,785,690)</b>	(4,217,118)
Administrative expenses	31	<b>(1,387,292)</b>	(1,230,224)
Other operating expenses	32	<b>(156,984)</b>	(104,215)
		<b>(6,329,966)</b>	(5,551,557)
		<b>(439,995)</b>	535,054
Other operating income	33	<b>2,591,689</b>	1,732,894
Operating profit before finance cost		<b>2,151,694</b>	2,267,948
Finance cost	34	<b>(563,017)</b>	(695,597)
Profit before taxation		<b>1,588,677</b>	1,572,351
Taxation	35	<b>(576,176)</b>	(575,639)
Profit for the year		<b>1,012,501</b>	996,712
			(Rupees)
Proposed dividend per share		<b>1.50</b>	1.50
Basic and diluted earnings per share	37	<b>1.51</b>	1.49

The annexed notes 1 to 50 form an integral part of these financial statements.



**Aitzaz Shahbaz**  
Chairman



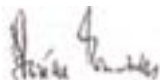
**Munawar B. Ahmad P.E.**  
Managing Director

# Cash Flow Statement

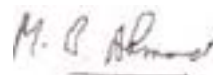
for the year ended 30 June 2005

	2005	2004
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<u>1,588,677</u>	<u>1,572,351</u>
Adjustments for non cash items:		
Depreciation	2,155,453	1,937,823
Amortisation of Intangibles	30,461	-
Finance cost	563,017	695,597
Insurance claim Written off	11,600	-
Provision against doubtful debts	214,033	239,460
Provision for slow moving and obsolete stores	4,313	-
Provision for compensated absences	7,173	14,081
Provision for post retirement medical and gas supply facilities	84,056	118,829
Provision for other retirement benefits	124,028	181,268
Amortisation of deferred credit to the profit and loss account	(150,862)	(145,239)
Dividend income	(5,325)	(5,293)
(Provision) / Income from remeasurement of value of investments	(2,751)	50
Profit on sale of investment	(456)	-
Return on bank deposits	(70,849)	(93,526)
Gain on disposal of fixed assets	<u>(52,211)</u>	<u>(17,321)</u>
	<u>2,911,680</u>	<u>2,925,729</u>
Net cash flows from operations	4,500,357	4,498,080
Service charges received from new consumers	125,605	418,420
Long term deposits received - net	196,949	181,840
Loans and advances recovered	20,092	(10,719)
Long term deposits	(386)	665
Changes in working capital		
- Stores, spares and loose tools	(135,078)	(74,550)
- Stock-in-trade	(28,875)	(35,731)
- Customers' installation work-in-progress	(28,485)	420
- Trade debts	(2,263,256)	145,874
- Trade deposits and prepayments	20,476	(48,934)
- Other receivables	(1,491,426)	(1,077,161)
- Trade and other payables	<u>2,708,251</u>	<u>1,684,619</u>
	<u>(1,218,393)</u>	594,537
Retirement benefits paid	(225,974)	(117,673)
Income tax paid	(28,404)	(714,590)
Finance cost paid	<u>(629,680)</u>	<u>(664,899)</u>
Net cash flows from operating activities	<u>2,740,166</u>	<u>4,185,661</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(6,220,058)	(2,213,996)
Proceeds from sale of fixed assets	60,034	19,494
Investment in subsidiary company	(5,099)	-
Proceeds from sale of investment	52,000	-
Profit / interest on bank deposits	76,533	98,101
Dividend received	574	5,293
Net cash flows from investing activities	<u>(6,036,016)</u>	<u>(2,091,108)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from local currency loans	4,019,328	2,015,527
Repayment of local currency loans	(760,665)	(1,622,642)
Repayment of foreign currency loans	(912,002)	(827,208)
Repayment of liabilities against assets subject to finance leases	(43,664)	(43,768)
Short term borrowing	220,000	-
Dividend paid	<u>(998,728)</u>	<u>(1,204,816)</u>
Net cash flows from financing activities	<u>1,524,269</u>	<u>(1,682,907)</u>
Net increase/ (decrease) in cash and cash equivalents	(1,771,581)	411,646
Cash and cash equivalents at beginning of the year	<u>3,040,784</u>	<u>2,629,138</u>
Cash and cash equivalents at end of the year	<u>1,269,203</u>	<u>3,040,784</u>

The annexed notes 1 to 50 form an integral part of these financial statements.



**Aitzaz Shahbaz**  
Chairman



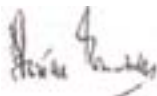
**Munawar B. Ahmad P.E.**  
Managing Director

# Statement of Changes in Equity

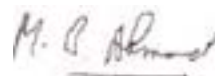
for the year ended 30 June 2005

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves	Surplus on remeasurement of available for sale securities	Unappropriated profit	Total
------(Rupees in '000)-----						
Balance at 30 June 2003 as previously reported	6,711,743	234,868	2,263,490	93,461	353	9,303,915
Effect of change in accounting policy (Note 2.2.1):						
Final dividend for the year ended 30 June 2003 declared subsequent to the year end	-	-	-	-	1,208,114	1,208,114
Restated Balance at 30 June 2003	6,711,743	234,868	2,263,490	93,461	1,208,467	10,512,029
Final Dividend for year ended 30 June 2003	-	-	-	-	(1,208,114)	(1,208,114)
Net surplus on remeasurement of available for sale securities	-	-	-	53,705	-	53,705
Profit for the year	-	-	-	-	996,712	996,712
Transfer from general reserve	-	-	(9,696)	-	9,696	-
Restated Balance at 30 June 2004	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>147,166</u>	<u>1,006,761</u>	<u>10,354,332</u>
Balance at 30 June 2004 as previously reported	6,711,743	234,868	2,253,794	147,166	-	9,347,571
Effect of change in accounting policy (Note 2.2.1):						
Final dividend for the year ended 30 June 2004 declared subsequent to the year end	-	-	-	-	1,006,761	1,006,761
Restated Balance at 30 June 2004	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>147,166</u>	<u>1,006,761</u>	<u>10,354,332</u>
Final dividend for the year ended 30 June 2004	-	-	-	-	(1,006,761)	(1,006,761)
Net surplus on remeasurement of available for sale securities	-	-	-	5,730	-	5,730
Profit for the year	-	-	-	-	1,012,501	1,012,501
Transfer to general reserve	-	-	-	-	-	-
Balance at 30 June 2005	<u>6,711,743</u>	<u>234,868</u>	<u>2,253,794</u>	<u>152,896</u>	<u>1,012,501</u>	<u>10,365,802</u>

The annexed notes 1 to 50 form an integral part of these financial statements.



**Aitzaz Shahbaz**  
Chairman



**Munawar B. Ahmad P.E.**  
Managing Director

# Notes to the Financial Statements

for the year ended 30 June 2005

## 1. STATUS AND NATURE OF BUSINESS

Sui Southern Gas Company Limited is a public limited company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The main activity of the company is transmission and distribution of natural gas in Sindh and Balochistan. The company is also engaged in certain activities related to the gas business including the manufacturing and sale of gas meters and construction contracts for laying of pipelines.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for certain financial instruments which are carried at their fair values.

### 2.2 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 such International Accounting Standards as are 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, or the requirements of the said directives take precedence.

#### 2.2.1 Changes in accounting policy

Dividend is recognised as a liability in the period in which it is declared. Upto previous year dividends that were proposed after the balance sheet date but before the financial statements were authorised for issue were recorded as a liability. The change was considered necessary due to revision in the Fourth Schedule to the Companies Ordinance, 1984 effective from 5 July 2004. Such a change in policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the recommended benchmark treatment of IAS 8. Had there been no change, the unappropriated profit and the current liabilities for the year ended 30 June 2005 would have been lower and higher respectively by Rs. 1,006.761 million (2004: Rs.1,006.761 million).

### 2.3 Property, plant and equipment

#### 2.3.1 Cost

Property, plant and equipment are stated at cost less accumulated depreciation.

#### 2.3.2 Depreciation

Under a loan agreement with Asian Development Bank, the company is required to recognize a minimum depreciation charge at 6% per annum of the gross value of its operating assets under the straight line method.

#### Compressors and transmission lines

Depreciation is calculated under the straight-line method over the estimated useful lives of assets. Depreciation on these assets is charged from the dates these projects are available for intended use up to the date these are disposed off.



### **Other operating assets**

Depreciation on other operating assets is calculated so as to write off the assets over their estimated useful lives under the straight-line method with the exception of assets of meter manufacturing division which are depreciated under the diminishing balance method.

A full year's depreciation is charged in the year of addition while no depreciation is charged in the year the asset is disposed off, except for assets sold to employees under the service rules, in which case, depreciation is charged until the date of disposal.

**2.3.2.1** Depreciation is charged at rates mentioned in the notes 15.2, 15.3 and 15.4 to these financial statements.

#### **2.3.3 Subsequent expenditure** (including normal repairs and maintenance)

Expenditure incurred to replace a component of an item of operating assets is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of operating asset. All other expenditure (including repairs and normal maintenance) is recognized in the profit and loss account as an expense when it is incurred.

#### **2.3.4 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

#### **2.3.5 Borrowing costs**

Borrowing costs incurred on long term finances obtained for the construction of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

#### **2.3.6 Gains and losses on disposal**

Gains and losses on disposal are taken to the profit and loss account currently.

#### **2.3.7 Leased assets**

Leased assets in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any. Lease payments are accounted for as described in note 2.9 to these financial statements.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned operating assets.

### **2.4 Investments**

#### **Available-for-sale**

Investments available-for-sale are stated at fair value with any resultant gains or losses recognized directly in equity. These are recognized / derecognized by the company on the date it commits to purchase / sell the investments.

All quoted investments are initially recognised at cost inclusive of transaction costs and are subsequently marked to market using closing market quotation of Karachi Stock Exchange at the close of the financial year. Impairment losses are charged to the profit and loss account. Unquoted investments are stated at cost due to impracticability to determine their fair value less impairment loss, if any.

#### **Associated / subsidiary**

Investments in associates and subsidiaries (not held for disposal purpose) are carried at cost less impairment losses, if any.

#### **2.5 Stores, spares and loose tools**

These are valued at cost determined under the moving average basis less impairment losses, if any. Goods-in-transit are valued at cost incurred up to the balance sheet date.

#### **2.6 Stock-in-trade**

##### **Gas in pipelines**

Stock of gas in transmission pipelines is valued at the lower of cost, determined on weighted average basis, and net realisable value.

##### **Meter manufacturing division**

Components (materials) are valued at lower of moving average cost and net realisable value. Work-in-process includes the cost of components only (determined on a moving average basis). Finished goods are stated at the lower of cost determined on an average basis and net realisable value and includes appropriate portion of labour and production overheads. Components in transit are stated at cost incurred up to the balance sheet date.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **2.7 Trade debts and other receivables**

- Trade debts are carried at cost (invoiced amount, which is the fair value of the consideration receivable for sale of gas) less an estimate for impaired receivables.
- Other receivables are stated at cost less impairment losses, if any.
- Bad debts are written off when identified.

#### **2.8 Trade and other payables**

Trade and other payables are stated at cost.

#### **2.9 Mark-up bearing borrowings**

##### **Long term financing**

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less repayments, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings on an effective mark-up basis.

## **Leases**

The company accounts for lease obligations by recording the asset and the corresponding liability determined on the basis of discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective mark-up rate method.

### **2.10 Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, 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.

### **2.11 Deferred credit**

Amounts received from customers and the Government as contributions and grants for providing service connections, extension of gas mains, laying of transmission lines, etc. are deferred and recognized in the profit and loss account over the useful lives of the related assets.

### **2.12 Taxation**

Income tax on the profit and loss for the year comprises current and deferred tax.

#### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account the available tax credits and rebates.

#### **Deferred**

Deferred tax is recognized using the balance sheet liability method on all significant temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit can be realized. Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantially enacted at the balance sheet date.

### **2.13 Revenue recognition**

- revenue from gas sales is recognized on the basis of gas supplied to customers at rates periodically announced by the Oil and Gas Regulatory Authority (OGRA).
- meter rental income is recognized monthly at specified rates for various categories of customers on an accrual basis.
- revenue from sale of meters and gas condensate is recognized on dispatch to the customers.
- deferred credit income is amortised to the profit and loss account over the useful lives of related assets (refer note 2.11 also).



- dividend income on equity investments is recognized when right to receive the same is established.
- profit on investments in securities, term deposits, royalty income and pipeline rental income are recognized on an accrual basis.
- late payment surcharge is recognized from the date the billed amount is due.
- revenue from gas shrinkage in LPG extraction plant of Jamshoro Joint Venture Limited is recognised on accrual basis.
- under the provisions of an agreement with Asian Development Bank for Loan no. 1138-Pak, the company is required to earn a minimum annual return before taxation of 17% per annum of the net average operating fixed assets (net of deferred credit) for the year, excluding financial and other non-operating charges and non-operating income. The determination of annual required rate of return is reviewed by OGRA under the terms of the licence for transmission, distribution and sale of natural gas, targets and parameters set by OGRA. Income earned in excess / short of the above guaranteed return is payable to / recoverable from Government of Pakistan (GoP) and is adjusted from / to the gas development surcharge balance payable to / receivable from GoP.

#### **2.14 Impairment**

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

#### **2.15 Staff retirement benefits**

The company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

Contributions to the schemes are made on the basis of actuarial valuations under the projected unit credit method.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains and losses, relating to non-executive and executive employees defined benefit plans, exceeding ten percent of the greater of the present value of defined benefit obligations and the fair value of plan assets, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise the actuarial gains or losses are not recognized.

Past service cost is recognized in the profit and loss account over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the profit and loss account.

- Unfunded free medical and gas supply facility schemes for its executive employees.

Liability under these schemes is recognized in the period in which the benefit is earned based on the actuarial valuations carried out under the projected unit credit method.

The free gas supply facility has been discontinued for employees retiring after 31 December 2000.

Actuarial gains / losses are recorded based on actuarial valuation that is carried out annually. Unrecognized actuarial gains or losses, exceeding ten percent of the present value of the defined benefit obligation, are recognized in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gains or losses are not recognized.

- Approved contributory provident funds for all employees (defined contribution scheme).

Contributions by the company and employees are made on the basis of basic salary.

- A non-contributory benevolent fund, under which only the employees contribute to the fund.

## **2.16 Compensated absences**

The liability for accumulated compensated absences of employees is recognized in the period in which employees render service that increases their entitlement to future compensated absences.

## **2.17 Foreign currency translation**

Transactions in foreign currencies during the year are translated into Pak rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date. Exchange gains and losses are taken to the profit and loss account currently.

## **2.18 Derivative financial instruments**

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, the derivative financial instruments are stated at fair value. The company currently is maintaining hedging relationships for foreign currency loans discussed in note 2.19 below. Changes in fair value of this derivative instrument are recognized in the profit and loss account, along with any changes in the carrying value of the hedged liability.

## **2.19 Hedging**

The company has obtained foreign currency loans from Asian Development Bank (ADB) which are covered under the exchange risk coverage scheme of the Government of Pakistan. Under this arrangement, the company is entitled to claim from the Government the differential between the actual payments to ADB and the contracted value of principal and interest amounts. As stated in note 2.18 above, changes in the fair value of hedged liability are recognized in the profit and loss account. For financial statements presentation purposes, the fair values of the hedging instrument and the hedged liability are off set and net amounts reported, while relevant break-ups are given in the notes to the financial statements (refer note 5.1 to these financial statements). The above hedging qualify as a fair value hedge.

## 2.20 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the company and accordingly are not included in these financial statements.

## 2.21 Off-setting

Financial assets and liabilities are off set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

## 2.22 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash on hand and deposits in banks, short term running finance under mark-up arrangement, term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

## 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2005	2004	Note	2005	2004
(Number)	(Number)		(Rupees in '000)	(Rupees in '000)
219,566,554	219,566,554	Ordinary shares of Rs. 10 each fully paid in cash	2,195,666	2,195,666
451,607,777	451,607,777	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,516,077	4,516,077
<u>671,174,331</u>	<u>671,174,331</u>		<u>6,711,743</u>	<u>6,711,743</u>

## 4. RESERVES

### Capital reserves

Share capital restructuring reserve (due to merger)	4.1	146,868	146,868
Fixed assets replacement reserve	4.2	88,000	88,000
		<u>234,868</u>	<u>234,868</u>

### Revenue reserves

Dividend equalisation reserve		36,000	36,000
Special reserve	4.3	333,141	333,141

### General reserve:

- Balance at 1 July		1,884,653	1,894,349
- Transferred during the year		-	(9,696)
- Balance at 30 June		<u>1,884,653</u>	<u>1,884,653</u>
		<u>2,253,794</u>	<u>2,253,794</u>
		<u>2,488,662</u>	<u>2,488,662</u>

#### 4.1 Share capital restructuring reserve

This represents the reduction of share capital of former Sui Gas Transmission Company Limited (SGTC) due to merger of Sui Gas Transmission Company Limited and Southern Gas Company Limited (SGC) in March 1989.

#### 4.2 Fixed assets replacement reserve

This represents profit allocated in 1986 by former Southern Gas Company Limited for replacement of gas distribution lines in rural Sindh areas. Subsequently all the rehabilitation activities were carried out from company's working capital.

#### 4.3 Special reserve

This represents accumulated balance arising on a price increase of Rs. 4.10 per MCF granted to the company by the Government of Pakistan (GoP) in January 1987 retrospectively from 1 July 1985 to enable the company to meet the requirements of Asian Development Bank regarding debt / equity ratio and other financial covenants specified in loan agreements with them.

	Note	2005	2004
		(Rupees in '000)	
<b>5. LONG TERM FINANCING</b>			
<b>Secured</b>			
- Loans from banking companies and financial institution			
Foreign currency loans	5.1	-	445,711
Local currency loans	5.2	<u>6,750,000</u>	<u>3,000,000</u>
		<u>6,750,000</u>	<u>3,445,711</u>
- Other loans			
Redeemable capital	5.3	<b>416,330</b>	1,165,748
<b>Unsecured - other loans</b>			
Consumer financing	5.4	<u>36,850</u>	<u>33,291</u>
		<u><b>7,203,180</b></u>	<u>4,644,750</u>
<b>5.1 Foreign currency loans</b>			
<b>(Asian Development Bank)</b>			
	<b>Installment payable</b>	<b>Repayment period</b>	
836-Pak - at year end spot exchange rate	half-yearly	1994 - 2005	- 273,695
1138-Pak - at year end spot exchange rate	half-yearly	1996 - 2005	<u>740,197</u> <u>2,093,574</u>
			<u>740,197</u> <u>2,367,269</u>
Exchange loss recoverable from GOP	5.1.1	<u>(294,486)</u>	<u>(1,009,556)</u>
		<u>445,711</u>	<u>1,357,713</u>
Less: Current portion shown under current liabilities		<u>(445,711)</u>	<u>(912,002)</u>
		<u>-</u>	<u>445,711</u>

5.1.1 The company has obtained exchange risk cover from the Government of Pakistan (GoP) in respect of its foreign currency loans 836-Pak and 1138-Pak acquired from Asian Development Bank (ADB). The exchange risk coverage arrangement allows the company to claim the differential between the actual payments to ADB and the contracted value of principal and interest amounts from the GoP. Repayment of these loans have been guaranteed by the GoP.

## 5.2 Local currency loans

	Installment payable	Repayment period	Note	2005 (Rupees in '000)	2004
United Bank Limited - term loan	half-yearly	2005 - 2009	5.2.1	1,000,000	1,000,000
Standard Chartered Bank led syndicated loan	half-yearly	2006 - 2009	5.2.2	3,000,000	2,000,000
National Bank of Pakistan led syndicated loan	half-yearly	2007 - 2010	5.2.3	3,000,000	-
				<u>7,000,000</u>	<u>3,000,000</u>
Less: Current portion shown under current liabilities					
United Bank Limited - term loan				<u>(250,000)</u>	<u>-</u>
				<u>6,750,000</u>	<u>3,000,000</u>

**5.2.1** The loan is secured by a first pari passu fixed charge created by way of hypothecation over moveable fixed assets of the company comprising compressor stations, transmission pipelines, distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1 percent above last six months treasury bills auction cut-off rate and is repayable in equal semi-annual installments of Rs. 125 million (principal amount) commencing from 25 December 2005.

**5.2.2** The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 0.9 percent above the average six months ask side KIBOR rate. The loan was drawn in tranches of Rs. 2.0 billion and Rs. 1.0 billion on 29 June 2004 and 30 September 2004 respectively. First tranche of Rs. 2.0 billion is payable in equal semi-annual installments of Rs. 333.34 million (principal amount) commencing from 28 December 2006 whereas second tranche of Rs. 1.0 billion is payable in equal semi-annual installments of Rs. 166.67 million (principal amount) commencing from 30 March 2007.

**5.2.3** The loan is secured by a first pari passu fixed charge created by way of hypothecation over all its present and future moveable fixed assets comprising of compressor stations, transmission and distribution pipelines and pipelines construction machinery and equipment. The facility carries mark-up at 1.25 percent above the average three months ask side KIBOR payable quarterly starting from 29 September 2005. The principal amount is repayable in semi annual installments of Rs. 500 million commencing from 30 December 2007.

## 5.3 Redeemable capital - (non-participatory and secured)

	Installment payable	Repayment period		2005	2004
Term finance certificates (TFC 1)	half-yearly	2001 - 2006	5.3.1	333,080	666,140
Term finance certificates (TFC 2)	half-yearly	2002 - 2007	5.3.1	832,665	1,249,000
				<u>1,165,745</u>	<u>1,915,140</u>
Less: Current portion shown under current liabilities				<u>(749,415)</u>	<u>(749,392)</u>
				<u>416,330</u>	<u>1,165,748</u>

**5.3.1** Liability against term finance certificates (TFC) is secured by first pari passu charge on all present and future machinery and equipment and other moveable properties of the company at specified locations along with the mortgage by deposit of title deeds of the company's head office building. These TFCs have been rated as AA by Pakistan Credit Rating Agency (Private) Limited (PACRA). Mark-up not due on these TFCs, as at 30 June 2005, amounted to Rs. 141.529 million (at floor rate).

**Salient features of the TFCs are as follows:**

Particulars	Total tenure	Semi annual installments	Profit rate (before Prompt payment rebate)	Prompt payment rebate
TFC 1	5 years	- Rs. 0.20 million from 1 December 2001 to 1 June 2003	- 14.15% during the first two years of issuance (fixed rate).	- None.
		- Rs. 166.53 million from 1 December 2003 to 1 June 2006	- SBP discount rate plus 1.10% per annum for remaining life	- If TFC installment is redeemed on or prior to the scheduled redemption date and is linked to the SBP discount rate.
			- Floor of 13% per annum and cap of 18% per annum throughout the remaining life of issuance.	
TFC 2	5 years	- Rs. 0.25 million from 1 December 2002 to 1 June 2004	- SBP discount rate plus 1.10% per annum.	- None.
		- Rs. 208.167 million from 1 December 2004 to 1 June 2007	- Floor of 11.5% per annum and cap of 16% per annum throughout the life of issuance.	

Note                      **2005**                      2004  
(Rupees in '000)

### 5.3.2 Holding position of TFCs as at 30 June

#### - Tranche 1

Banking companies and other financial institutions	<b>187,361</b>	374,974
Others	<b>145,719</b>	291,166
	<b>333,080</b>	666,140

#### - Tranche 2

Banking companies and other financial institutions	<b>523,017</b>	797,018
Others	<b>309,649</b>	451,982
	<b>832,666</b>	1,249,000
	<b>1,165,746</b>	1,915,140

### 5.4 Consumer financing

Consumer financing	5.4.1	<b>52,868</b>	44,811
Current portion shown under current liabilities		<b>(16,018)</b>	(11,520)
		<b>36,850</b>	33,291

**5.4.1** This represents the outstanding balance of contributions received from certain industrial customers for the laying of distribution mains for supply of gas to their premises. These balances carry mark-up at varying rates up to 15 percent per annum and are adjustable in 48 installments through credits in their monthly gas bills.

	Note	2005	2004
		(Rupees in '000)	
<b>6. LONG-TERM DEPOSITS</b>			
Security deposits from:			
- Gas customers	6.1	<b>1,785,403</b>	1,591,115
- Gas contractors	6.2	<b>21,292</b>	18,631
		<b><u>1,806,695</u></b>	<u>1,609,746</u>
<b>6.1</b>	Customers' deposits represent gas supply deposits based on an estimate of three months consumption of gas sales to industrial and commercial customers while deposits from domestic customers are based on the rates fixed by the Government of Pakistan. These deposits are repayable / adjustable on disconnection of gas supply. Mark-up at 5 percent per annum is payable by the company on deposits from the industrial and commercial customers. No mark-up is payable on deposits received from domestic customers.		
<b>6.2</b>	These represent security deposits received from the contractors. These deposits are free of mark-up and are refundable on the cancellation of contract.		
<b>7. DEFERRED LIABILITIES</b>			
<b>Deferred tax liability on</b>			
Taxable temporary difference (accelerated tax depreciation)		<b>3,626,349</b>	3,247,128
Deductible temporary differences:			
- provision against employee benefits		<b>(323,351)</b>	(281,640)
- provision against doubtful trade debts		<b>(396,667)</b>	(433,803)
- others		<b>(31,090)</b>	(35,266)
		<b><u>(751,108)</u></b>	<u>(750,709)</u>
Net deferred tax liability		<b><u>2,875,241</u></b>	<u>2,496,419</u>
<b>8. EMPLOYEE BENEFITS</b>			
Provision for post retirement medical and gas supply facilities - executives		<b>718,799</b>	650,069
Provision for compensated absences - executives	8.1	<b>129,133</b>	122,253
		<b><u>847,932</u></b>	<u>772,322</u>
<b>8.1 Provision for compensated absences - executives</b>			
Balance as at 1 July		<b>122,253</b>	108,172
Provision made during the year		<b>6,880</b>	14,081
Balance as at 30 June		<b><u>129,133</u></b>	<u>122,253</u>

	Note	2005 (Rupees in '000)	2004
<b>9. DEFERRED CREDIT</b>			
- Government contributions / grants			
Balance at 1 July		<b>222,567</b>	-
Additions /(reversal) during the year	9.1	<b>(34,948)</b>	234,281
		<b>187,619</b>	234,281
Transferred to profit and loss account		<b>(3,796)</b>	(11,714)
Balance at 30 June		<b>183,823</b>	222,567
- Contribution from customers			
Balance at 1 July		<b>1,488,828</b>	1,438,214
Additions during the year	9.2	<b>265,779</b>	184,139
		<b>1,754,607</b>	1,622,353
Transferred to profit and loss account		<b>(147,066)</b>	(133,525)
Balance at 30 June		<b>1,607,541</b>	1,488,828
		<b>1,791,364</b>	1,711,395

**9.1** This represents amount received from Government for supply of gas to new towns and villages and are recognized as grant when the conditions specified by Government are met.

**9.2** This represent amount received from customers for the cost of service lines and gas mains, etc. As stated in note 2.11 to these financial statements, deferred credit is being amortized over estimated useful life of related assets.

## **10. TRADE AND OTHER PAYABLES**

Creditors for:

- gas		<b>7,767,374</b>	5,882,140
- supplies		<b>263,894</b>	127,725
		<b>8,031,268</b>	6,009,865

Amount received from customers /

Government of Pakistan for laying of mains, etc.		<b>1,505,717</b>	931,469
Gas development surcharge payable to the Government of Pakistan		<b>378,453</b>	433,655
Accrued liabilities		<b>544,645</b>	252,876
Payable to staff gratuity funds	36.1.3	-	153,342
Provision for compensated absences - non-executives	10.1	<b>55,422</b>	55,129
Sales tax payable		-	123,999
Workers' profit participation fund	10.2	<b>83,658</b>	82,837
Deposits / retention money		<b>82,115</b>	79,541
Bills payable		<b>63,927</b>	23,097
Advance for sharing right of way	10.3	<b>18,088</b>	18,088
Unclaimed dividend		<b>19,053</b>	11,020
Withholding tax payable		<b>3,618</b>	3,961
Unclaimed term finance certificate redemption profit		<b>13,493</b>	3,883
Others	10.4	<b>126,658</b>	180,118
		<b>10,926,115</b>	8,362,880



	Note	2005	2004
		(Rupees in '000)	
<b>10.1 Provision for compensated absences - non-executives</b>			
Balance as at 1 July		55,129	46,560
Provision made during the year		293	8,569
Balance as at 30 June		<u>55,422</u>	<u>55,129</u>
<b>10.2 Workers' profit participation fund</b>			
Balance at 1 July		82,837	107,922
Allocation for the year		83,658	82,837
Mark-up on funds utilised in the company's business		817	1,557
		<u>167,312</u>	<u>192,316</u>
Amount deposited with the Government / paid to employees		<u>(83,654)</u>	<u>(109,479)</u>
Balance at 30 June		<u>83,658</u>	<u>82,837</u>
<b>10.3</b>	This amount was received by Sui Gas Transmission Company Limited (now Sui Southern Gas Company Limited - SSGCL) from Pak Arab Refinery Limited (PARCO) in accordance with an agreement dated 12 October 1988. It represents consideration for 50 percent share of PARCO in the indus right bank pipeline common right of way and is the full settlement of PARCO's total liability for its share, irrespective of the final amount of compensation payable to the land owners by SSGCL. The final liability of SSGCL has not been estimated, as the amount of compensation due to land owners has not been determined by the authorities. Accordingly, the amount received from PARCO has been classified as an advance.		
<b>10.4</b>	This includes advance pipeline rental of Rs. 50.541 million (2004: Rs. 79.947 million).		
<b>11. INTEREST AND MARK-UP ACCRUED</b>			
Mark-up / interest and other charges on:			
- Long term financing :			
- Foreign currency loans	11.1	5,442	15,497
- Local currency loans		39,930	39,369
- Redeemable capital		10,642	17,694
- Long term deposits from customers		49,111	40,214
- Short term borrowing		24,478	-
- Late payment of gas development surcharge		<u>55,417</u>	<u>55,417</u>
		<u>185,020</u>	<u>168,191</u>
Accrued finance charge on liabilities against assets subject to finance lease		-	210
		<u>185,020</u>	<u>168,401</u>
<b>11.1</b>	This includes interest of Rs. 0.634 million (2004: Rs. 2.577 million ) payable to Asian Development Bank on long term loan acquired from them. This amount is net of exchange loss of Rs. 0.419 million (2004: Rs. 1.656 million) which will be received from the Government of Pakistan on payment of interest as stated in note 2.19.		

	Note	2005 (Rupees in '000)	2004
<b>12. SHORT TERM BORROWING - secured - from banking companies</b>			
Short term money market loan	12.1	<u>220,000</u>	<u>-</u>
<b>12.1</b>	The facilities for short term running finance / short term loan available from various banks amount to Rs. 2,620 million (2004: Rs. Nil) and carry mark up at 0.25 to 1.00 percent above the average one month KIBOR or that for the tenure of the facility which ever is applicable. The facilities are secured by first pari passu hypothecation charge over present and future stock in trade and book debts of the company.		
<b>13. CURRENT PORTION OF LONG TERM FINANCING</b>			
Foreign currency loans	5.1	445,711	912,002
Local currency loans	5.2	250,000	-
Redeemable capital	5.3	749,415	749,392
Consumer financing	5.4	16,018	11,520
		<u>1,461,144</u>	<u>1,672,914</u>
Liabilities against assets subject to finance lease		-	43,664
		<u>1,461,144</u>	<u>1,716,578</u>
<b>14. CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1</b>	Claims against the company not acknowledged as debt		
	14.9 & 14.10	<u>1,942,096</u>	<u>98,345</u>
<b>14.2</b>	Aggregate commitments for capital and other expenditure		
		<u>1,733,410</u>	<u>2,894,033</u>
<b>14.3</b>	Guarantees issued on behalf of the company		
		<u>3,504</u>	<u>10,160</u>
<b>14.4</b>	Demand finance facilities have been given to the company's employees by certain banks for the purchase of vehicles against the company's guarantee and hypothecation of company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million and company's investment in shares having a face value of Rs. 0.5 million (2004: Rs. 0.5 million). Loan outstanding at the year end was Rs. 25.036 million (2004: Rs. 28.671 million).		
<b>14.5</b>	Water and Power Development Authority (WAPDA) has lodged a claim against the company amounting to Rs. 491.11 million for short supply of gas under the provisions of an agreement dated 10 April 1995 between the company and WAPDA. The company has not accepted the claim and has filed a counter claim due to its (WAPDA) failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the company is confident that ultimately the resolution of the claim lodged would be in its favour.		

- 14.6** WAPDA has also raised a claim of Rs. 98.941 million for the alleged low Gas Chlorofic Value (GCV) measurement for the period from January 2002 to December 2002 and February 2003 as compared to the actual GCV billed by the company. The company has not accepted the claim as it is still disputing WAPDA's measurement. Provision against this liability has not been made as the company is confident that ultimately the resolution of the claim would be in its favour.
- 14.7** The company is in litigation against certain temporary assignees who were relieved in the previous years. The Federal Services Tribunal (FST) had ordered the company to absorb 981 of these assignees. The company had filed an appeal before the Honourable Supreme Court of Pakistan against the orders of the FST, which was dismissed by the Honourable Supreme Court. The company has filed a Review Petition with the Honourable Supreme Court against the rejection of the company's appeal and the Federation has also filed a Civil Miscellaneous Application (CMA) against the said order. In addition, there are 575 cases pending with the FST, 1,688 with the Honourable Supreme Court of Pakistan on identical issues. No provision has been made in these financial statements as the same cannot be quantified at this stage.
- 14.8** Oil and Gas Development Company Limited (OGDCL) has revised a claim of Rs. 533.371 million for supply of gas to the customers of Dera Bugti and Pirkoh areas from its Loti gas field from June 2001 to August 2005, after the discontinuation of gas purchases by the company due to full dedication of Loti gas field to Sui Northern Gas Pipelines Limited. The claim upto 30 June 2005 is Rs. 504 million.  
The company has not accepted the claim as neither a formal agreement has been executed with them for the above supply of gas, nor has the company received any gas in its system. During the last year the company approached the Director General (Gas), Ministry of Petroleum and Natural Resources (MNPR), Government of Pakistan for the resolution of the matter. Director General (Gas) through their letter dated 1 March 2005 referred to an earlier decision taken in this regard against the company on 18 April 2001 and asked the company for its comments in this regard. Provision has not been made in these financial statements for the claim as the company is confident that ultimately the resolution of claim will be in its favour.
- 14.9** This includes a claim of Rs. 1,758 million lodged by GoP during the year against the company in respect of exchange risk fee on ADB loans. The claim is based on the view that payment of exchange risk fee should be based on the prevailing rates at the date of payment instead of booked rate (contracted rate). Based on the experts' opinions, the company is of the view that its treatment of exchange risk fee is correct and the likelihood of the occurrence of this liability is remote. Hence, no provision has been made in the financial statements.
- 14.10** The management is confident that ultimately these claims (note 14.1) would not be payable.

	Note	2005	2004
		(Rupees in '000)	
<b>15</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating assets	14.1 19,235,207	16,664,581
	Capital work in progress	14.8 <u>2,405,921</u>	<u>831,987</u>
		<u>21,641,128</u>	<u>17,496,568</u>

## 15.1 Operating assets

Note	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	
------(Rupees in '000)-----								
<b>Owned</b>								
<b>Gas transmission system</b>	15.2	19,551,182	2,644,859	22,159,532	13,204,657	1,081,137	14,253,989	7,905,543
		-	(60,739)	-	-	(56,034)	-	-
		-	24,230 *	-	-	24,229 *	-	-
<b>Gas distribution system</b>	15.3	8,882,425	883,715	9,724,529	3,647,598	543,950	4,157,884	5,566,645
- Karachi, Sindh			(42,634)			(34,687)		
			1,023 *			1,023 *		
- Other areas of Sindh		5,217,807	498,906	5,907,761	2,178,331	335,791	2,509,164	3,398,597
			(15,366)			(15,366)		
			206,414 *			10,408 *		
- Balochistan		2,911,920	624,481	3,535,111	1,024,641	207,911	1,231,262	2,303,849
			(1,290)			(1,290)		
		17,012,152	2,007,102	19,167,401	6,850,570	1,087,652	7,898,310	11,269,091
			(59,290)			(51,343)		
			207,437 *			11,431 *		
<b>Meter manufacturing division</b>	15.4	229,060	1,967	230,236	163,367	6,892	169,663	60,573
			(791)			(596)		
		36,792,394	4,653,928	41,557,169	20,218,594	2,175,681	22,321,962	19,235,207
			(120,820)			(107,973)		
			231,667 *			35,660 *		
<b>Leased</b>								
Gas distribution system		102,000	-	-	11,219	-	-	-
			(102,000) *			(11,219) *		
<b>2005</b>		<b>36,894,394</b>	<b>4,653,928</b>	<b>41,557,169</b>	<b>20,229,813</b>	<b>2,175,681</b>	<b>22,321,962</b>	<b>19,235,207</b>
			<b>(120,820)</b>			<b>(107,973)</b>		
			<b>129,667 *</b>			<b>24,441 *</b>		
<b>2004</b>		<b>34,925,885</b>	<b>1,997,941</b>	<b>36,894,394</b>	<b>18,319,249</b>	<b>1,937,823</b>	<b>20,229,813</b>	<b>16,664,581</b>
			<b>(29,432)</b>			<b>(27,259)</b>		

## 15.2 Operating assets-gas transmission system

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%)/ remaining life (year)**
------(Rupees in '000)-----								
<b>Owned</b>								
Freehold land	47,747	-	47,747	-	-	-	47,747	-
Leasehold land	95,538	30,266	125,804	-	-	-	125,804	-
Buildings on freehold land	279,291		279,291	115,801	5,800	121,601	157,690	5
Buildings on leasehold land	904,781	36,091	940,872	146,110	54,702	200,812	740,060	5
Gas transmission pipelines	13,563,161	2,109,206	15,672,367	9,183,101	749,030	9,932,131	5,740,236	2-38 **
Compressors	2,278,245	17,565	2,320,251	1,930,384	33,132	1,987,957	332,294	1-14**
Telecommunication	582,790	24,441 * 2,584	585,374	524,299	24,441 * 39,803	564,102	21,272	15
Plant and machinery	390,119	33,238 (2,279) (211) *	420,867	208,685	40,119 (2,279) (211)*	246,314	174,553	10
Tools and equipment	89,581	19,035 (586)	108,030	84,023	9,646 (586)	93,083	14,947	33.33
Motor vehicles	313,936	130,184 (38,999)	405,121	236,372	44,856 (34,294) (1) *	246,933	158,188	20
Furniture and Fixture	100,366	2,929	103,295	67,000	15,797	82,797	20,498	20
Office Equipment	177,998	22,934 (3,138)	197,794	162,148	4,727 (3,138)	163,737	34,057	20
Computer and ancillary equipments	103,746	57,827 (12,174)	149,399	73,085	24,901 (12,174)	85,812	63,587	20
Supervisory control and data acquisition system	138,832	137,137	275,969	20,824	41,395	62,219	213,750	15
Construction equipment	485,051	45,863 (3,563)	527,351	452,825	17,229 (3,563)	466,491	60,860	20
<b>2005</b>	<b>19,551,182</b>	<b>2,644,859</b> <b>(60,739)</b> <b>24,230 *</b>	<b>22,159,532</b>	<b>13,204,657</b>	<b>1,081,137</b> <b>(56,034)</b> <b>24,229 *</b>	<b>14,253,989</b>	<b>7,905,543</b>	
2004	18,910,257	650,822 (9,897)	19,551,182	12,249,360	963,863 (8,560) (6) *	13,204,657	6,346,525	

Depreciation is being charged as stated in note 2.3.2

### 15.3 Operating assets - gas distribution system

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%)/ remaining life (year)**
------(Rupees in '000)-----								
<b>Owned</b>								
Freehold land	9,859		9,859	-	-	-	9,859	-
Leasehold land	32,877	1,400	34,277	-	-	-	34,277	-
Buildings on freehold land	45,201		45,201	23,381	1,946	25,327	19,874	5
Buildings on leasehold land	90,177	22,594	112,771	39,989	5,425	45,414	67,357	5
Gas distribution system, related facilities and equipment (Note 15.3.1)	15,959,986	1,793,412	17,960,624	6,081,836	993,551	7,086,607	10,874,017	5
Telecommunication	7,964	207,226 * 862 (217)	8,609	6,793	11,220 * 434 (217)	7,010	1,599	15
Plant and machinery	240,893	50,377 (3,721) 211 *	287,760	191,698	15,293 (3,721) 211 *	203,481	84,279	10
Roads, pavements and related infrastructures	1,010		1,010	1,010		1,010	-	5
Tools and equipment	44,510	10,063 (554)	54,019	39,780	6,966 (554)	46,192	7,827	33.33
Motor vehicles	306,751	103,970 (41,659)	369,062	231,483	46,253 (33,733)	244,003	125,059	20
Furniture and Fixture	18,632	3,725 (402)	21,955	17,362	1,129 (402)	18,089	3,866	20
Office equipment	45,476	6,804 (936)	51,344	37,320	4,761 (936)	41,145	10,199	20
Computer and ancillary equipment	109,700	13,895 (11,801)	111,794	80,802	11,894 (11,780)	80,916	30,878	20
Supervisory control and data acquisition system	99,116	-	99,116	99,116		99,116	-	15
	17,012,152	2,007,102 (59,290) 207,437 *	19,167,401	6,850,570	1,087,652 (51,343) 11,431 *	7,898,310	11,269,091	
<b>Leased</b>								
Gas distribution system	102,000	-		11,219	-		-	5
		(102,000) *			(11,219) *			
<b>2005</b>	<b>17,114,152</b>	<b>2,007,102</b> <b>(59,290)</b> <b>105,437 *</b>	<b>19,167,401</b>	<b>6,861,789</b>	<b>1,087,652</b> <b>(51,343)</b> <b>212 *</b>	<b>7,898,310</b>	<b>11,269,091</b>	
<b>2004</b>	<b>15,792,566</b>	<b>1,341,121</b> <b>(19,535)</b>	<b>17,114,152</b>	<b>5,914,093</b>	<b>966,389</b> <b>(18,699)</b> <b>6 *</b>	<b>6,861,789</b>	<b>10,252,363</b>	

**15.3.1** This includes addition of Rs. 105.226 million relating to the Government financed Gas Distribution Projects in areas of Naudro, Sanghar and Mirpur Khas. Upto 30 June 2004, these projects were being managed by the company on behalf of Government of Pakistan (GoP) and were held on trust on behalf of GoP. During the year the Government of Pakistan has granted these assets to the company at book values which approximate their fair values. Accordingly these assets have been recorded in company's books of accounts.

15.4 Operating assets - meter manufacturing division

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%/ remaining life (year)**
------(Rupees in '000)-----								
<b>Owned</b>								
Building on leasehold land	7,522	738	8,260	6,381	188	6,569	1,691	10
Telecommunication	103		80	61	3	47	33	10
		(23)			(17)			
Plant and machinery	209,664	709	209,713	152,335	5,935	157,773	51,940	10 & 40
		(660)			(497)			
Tools and equipment	3,160	239	3,399	1,229	217	1,446	1,953	10
Furniture and equipment	561	-	527	367	17	361	166	10
		(34)			(23)			
Office equipment	6,940	281	7,147	2,527	456	2,924	4,223	10
		(74)			(59)			
Computer and ancillary equipment	1,110		1,110	467	76	543	567	10
<b>2005</b>	<b>229,060</b>	<b>1,967</b>	<b>230,236</b>	<b>163,367</b>	<b>6,892</b>	<b>169,663</b>	<b>60,573</b>	
		<b>(791)</b>			<b>(596)</b>			
<b>2004</b>	<b>223,062</b>	<b>5,998</b>	<b>229,060</b>	<b>155,796</b>	<b>7,571</b>	<b>163,367</b>	<b>65,693</b>	

Note 2005 2004

(Rupees in '000)

15.5 Details of the depreciation for the year are as follows:

**Profit and loss account:**

Transmission, distribution and selling costs	2,054,374	1,827,627
Administrative expenses	<u>97,186</u>	<u>94,568</u>
	<u>2,151,560</u>	<u>1,922,195</u>

**Meter manufacturing division**

Profit and loss account	3,893	4,293
Gas meters components produced	<u>2,999</u>	<u>3,278</u>
	<u>6,892</u>	<u>7,571</u>

**Capital projects**

	17,229	8,057
	<u>2,175,681</u>	<u>1,937,823</u>

## 15.6 Disposal of property plant and equipment

Details of disposal of operating assets are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on sale	Particulars of buyers	Mode of disposal
------(Rupees in '000)-----							
<b>Construction equipment</b>							
Written down value not exceeding Rs. 50,000 each	3,563	3,563	-	1,122	1,122	Various	Tender
	<u>3,563</u>	<u>3,563</u>		<u>1,122</u>	<u>1,122</u>		
<b>Office equipment</b>							
Written down value not exceeding Rs. 50,000 each	4,584	4,558	26	458	432	Various	Tender
	<u>4,584</u>	<u>4,558</u>	<u>26</u>	<u>458</u>	<u>432</u>		
<b>Personal computers and allied equipments</b>							
Written down value not exceeding Rs. 50,000 each	23,975	23,954	21	191	170	Various	Tender
	<u>23,975</u>	<u>23,954</u>	<u>21</u>	<u>191</u>	<u>170</u>		
<b>Plant and machinery</b>							
Written down value not exceeding Rs. 50,000 each	6,660	6,497	163	934	771	Various	Tender
	<u>6,660</u>	<u>6,497</u>	<u>163</u>	<u>934</u>	<u>771</u>		
<b>Tools</b>							
Written down value not exceeding Rs. 50,000 each	1,140	1,140	-	68	68	Various	Tender
	<u>1,140</u>	<u>1,140</u>		<u>68</u>	<u>68</u>		
<b>Telecommunication</b>							
Written down value not exceeding Rs. 50,000 each	240	234	6	13	7	Various	Tender
	<u>240</u>	<u>234</u>	<u>6</u>	<u>13</u>	<u>7</u>		
<b>Motor vehicles</b>							
Written down value not exceeding Rs. 50,000 each	49,724	49,724		43,164	43,164	Various	Tender
	<u>49,724</u>	<u>49,724</u>		<u>43,164</u>	<u>43,164</u>		
As per service rules of the company	934	882	52	70	18	Anees Ansari	
	939	719	220	220	-	Sirajuddin Shaikh	
	973	900	73	73	-	Rashid Hameed Khan	
	935	784	151	151	-	Yasin Mughal	
	893	772	121	121	-	G.K. Shahwani	
	773	698	75	75	-	Abdul Shakoor Memon	
	560	434	126	126	-	Qazi Madni	
	546	480	66	66	-	Idrees Ahmed	
	560	353	207	207	-	Aijaz Hussain Malik	
	600	120	480	480	-	Rehan Omar Malik	
	438	421	17	33	16	Dedar Hussain	
	546	519	27	41	14	Narain Jagasia	
Insurance claim	15,232	9,240	5,992	12,421	6,429	National Insurance Co. Ltd.	
Written off	7,005	1,981	5,024	-	-		
	<u>80,658</u>	<u>68,027</u>	<u>12,631</u>	<u>57,248</u>	<u>49,641</u>		
<b>30 June 2005</b>	<b><u>120,820</u></b>	<b><u>107,973</u></b>	<b><u>12,847</u></b>	<b><u>60,034</u></b>	<b><u>52,211</u></b>		
30 June 2004	<u>29,432</u>	<u>27,259</u>	<u>2,173</u>	<u>19,494</u>	<u>17,321</u>		



- 15.7** Borrowing costs capitalised during the year in gas transmission system amounted to Rs. 83.282 million (2004: Rs. 24.009 million). Borrowing cost relating to TFCs were capitalized @ 11.5% for Gas Infrastructure Rehabilitation and Expansion Project (GIREP) and general borrowings for other capital expenditures at capitalization rate of 7.8%.

	Note	2005	2004
		(Rupees in '000)	
<b>15.8 CAPITAL WORK-IN-PROGRESS</b>			
Projects:			
- Gas distribution system		433,384	163,358
- Indus right bank pipeline (IRBP) compression project		-	24,441
- Cost of buildings under construction		6,980	2,641
- Gas infrastructure rehabilitation and expansion project		<u>6,123</u>	<u>89,104</u>
		<u>446,487</u>	<u>279,544</u>
Stores and spares held for capital projects	15.8.1	1,945,027	554,970
Advances for land acquisition		2,972	6,389
Others		<u>11,435</u>	<u>15,525</u>
		<u>1,959,434</u>	<u>576,884</u>
		2,405,921	856,428
Provision for impairment (IRBP)		<u>-</u>	<u>(24,441)</u>
		<u>2,405,921</u>	<u>831,987</u>

**15.8.1 Stores and spares held for capital projects**

Gas transmission	610,734	195,682
Gas distribution	<u>1,380,777</u>	<u>401,459</u>
	1,991,511	597,141
Provision for slow moving and obsolete stores	<u>(46,484)</u>	<u>(42,171)</u>
	<u>1,945,027</u>	<u>554,970</u>

Stores and spares held for capital projects include goods in transit amounting to Rs. 1.607 million (2004: Rs. 1.34 million).

**16. INTANGIBLE ASSETS**

	Cost at 1 July 2004	Addition	Cost at 30 June 2005	Charge for the year	Accumulated amortisation at 30 June 2005	Book value at 30 June 2005	Amortisation rate on original cost (%)
	----- (Rupees in '000) -----						
Computer software	-	91,393	91,393	30,461	30,461	60,932	33.33
<b>2005</b>	<u>-</u>	<u>91,393</u>	<u>91,393</u>	<u>30,461</u>	<u>30,461</u>	<u>60,932</u>	
2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

	Note	Percentage of holding (if over 10%)	2005 (Rupees in '000)	2004
<b>17. LONG-TERM INVESTMENTS</b>				
<b>Investments in related parties</b>				
Associated / subsidiary companies				
Civic Centre Company (Private) Limited Nil (2004: 6,500,001) ordinary shares of Rs. 10 each. (Associated compan	17.1		-	65,000
Inter State Gas System (Private) Limited 510,000 (2004: 51) ordinary shares of Rs. 10 each. (Joint venture company)	17.2	51	<b>5,100</b>	1
Sui Southern Gas Provident Fund Trust Company (Private) Limited 100 (2004: 100) ordinary shares of Rs. 10 each. (Subsidiary company)	17.2	100	<b>1</b>	1
Quoted companies - available for sale				
Sui Northern Gas Pipelines Limited 1,900,178 (2004: 1,900,178) ordinary shares of Rs. 10 each (Associated company)	17.3		<b>116,481</b>	122,942
			<b>121,582</b>	187,944
Provision against impairment in value of investment in associated company			-	(13,456)
			<b>121,582</b>	174,488
<b>Other Investments</b>				
Quoted companies - available for sale				
Pakistan Refinery Limited 200,000 (2004: 200,000) ordinary shares of Rs. 10 each			<b>41,580</b>	30,000
United Bank Limited 50,197 (2004: 50,197) ordinary shares of Rs. 10 each			<b>3,363</b>	2,751
Harnai Woolen Mills Limited 200 (2004: 200) ordinary shares of Rs. 10 each			-	2
Unquoted companies (at cost)				
Pakistan Tourism Development Corporation 5,000 (2004: 5,000) ordinary shares of Rs. 10 each			<b>50</b>	50
			<b>44,993</b>	32,803
Provision against impairment in value of investments at cost			(50)	(2,801)
			<b>44,943</b>	30,002
			<b>166,525</b>	204,490

17.1 The investment in Civic Centre Company (Private) Limited has been sold at Rs. 8.0 per share to M/s. National Insurance Corporation.

17.2 These companies are incorporated in Pakistan.

17.3 Sale of 1,900,178 shares of Sui Northern Gas Pipelines Limited is restricted by Government of Pakistan due to its privatisation, till further directives.

	2005	2004
	(Rupees in '000)	
<b>18. LONG-TERM LOANS AND ADVANCES</b> - secured, considered good		
Due from executives	10,325	13,774
Less: receivable within one year	<u>(2,592)</u>	<u>(2,553)</u>
	<u>7,733</u>	<u>11,221</u>
Due from other employees	145,886	150,558
Less: receivable within one year	<u>(25,771)</u>	<u>(25,406)</u>
	<u>120,115</u>	<u>125,152</u>
	<u>127,848</u>	<u>136,373</u>

**18.1 Reconciliation of the carrying amount of loans and advances:**

	2005		2004	
	Executive	Other employees	Executive	Other employees
	(Rupees in '000)			
Balance at the beginning of the year	13,774	150,558	18,375	156,324
Disbursements	-	30,806	-	31,212
Repayment	<u>(3,449)</u>	<u>(35,478)</u>	<u>(4,601)</u>	<u>(36,978)</u>
	<u>10,325</u>	<u>145,886</u>	<u>13,774</u>	<u>150,558</u>

18.2 Above loans represent house building and transport loans to the employees under the terms of employment and are recoverable in monthly installments over a period of six to twelve years. These loans are secured against the retirement benefit balances of respective employees and deposit of title deeds. Loans to the executive staff, carrying a mark-up of 10% per annum, have been discontinued under the revised compensation package of the company. Loans to non-executive employees do not carry mark-up.

18.3 The maximum aggregate amount of long term loans due from the executives at the end of any month during the year was Rs. 13.774 million (2004: Rs.17.222 million).

	2005	2004
	(Rupees in '000)	
<b>19. LONG-TERM DEPOSITS</b>		
Deposit against finance lease	-	1,020
Other deposits	<u>4,458</u>	<u>4,072</u>
	<u>4,458</u>	<u>5,092</u>
Current maturity	-	(1,020)
	<u>4,458</u>	<u>4,072</u>

	Note	2005	2004
		(Rupees in '000)	
<b>20. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		185,159	247,033
Spares		549,746	435,226
Stores and spares in transit		208,971	126,930
Loose tools		1,433	1,450
		<u>945,309</u>	<u>810,639</u>
Provision against impaired stores and spares			
Balance as at 1 July		(16,407)	(16,436)
Written off during the year		408	29
Balance as at 30 June		<u>(15,999)</u>	<u>(16,407)</u>
	20.1	<u>929,310</u>	<u>794,232</u>
<b>20.1 Stores, spares and loose tools are held for the following operations</b>			
Transmission		700,160	629,176
Distribution		229,150	165,056
		<u>929,310</u>	<u>794,232</u>
<b>21. STOCK-IN-TRADE</b>			
<b>Gas</b>			
Gas in pipelines		113,166	95,642
<b>Gas meters</b>			
Components		95,242	85,280
Work-in-process		10,062	13,004
Finished meters		8,848	4,517
		<u>114,152</u>	<u>102,801</u>
		<u>227,318</u>	<u>198,443</u>
<b>22. CUSTOMERS' INSTALLATION WORK-IN-PROGRESS - at cost</b>			
This represents cost of work carried out by the company on behalf of the customers at their premises. Upon completion of work, the cost thereof is transferred to transmission and distribution cost and recoveries from such customers are shown as deduction there from as reflected in note 30 to these financial statements.			
<b>23. TRADE DEBTS</b>			
Considered good			
- secured		2,934,603	2,406,524
- unsecured		5,820,324	4,299,180
		<u>8,754,927</u>	<u>6,705,704</u>
Considered doubtful		1,133,334	1,239,436
		<u>9,888,261</u>	<u>7,945,140</u>
Provision against impaired debts	23.1	<u>(1,133,334)</u>	<u>(1,239,436)</u>
		<u>8,754,927</u>	<u>6,705,704</u>

	Note	2005	2004
		(Rupees in '000)	
<b>23.1 Movement of provision for doubtful debts</b>			
Balance as at 1 July		1,239,436	999,976
Provision for the year		214,033	239,460
		<u>1,453,469</u>	<u>1,239,436</u>
Bad debts written off		(320,135)	-
Balance as at 30 June		<u>1,133,334</u>	<u>1,239,436</u>
<b>24. LOANS AND ADVANCES - considered good</b>			
Current portion of long term loans:	18.		
- Executives		2,592	2,553
- Other employees		25,771	25,406
		<u>28,363</u>	<u>27,959</u>
Advances to :			
- Executives	24.1	5,473	6,376
- Other employees		63,061	74,129
		<u>68,534</u>	<u>80,505</u>
		<u>96,897</u>	<u>108,464</u>
<b>24.1</b>			
The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 5.570 million (2004: Rs. 6.376 million).			
<b>25. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Advances for goods and services - unsecured, considered good		50,814	111,392
Trade deposits - unsecured, considered good		21,387	21,905
Prepayments		46,251	5,631
		<u>118,452</u>	<u>138,928</u>
<b>26. OTHER RECEIVABLES - considered good</b>			
Receivable from Government of Pakistan (GoP) under exchange risk coverage scheme		1,225,479	629,987
Receivable from staff pension fund	36.1.3	19,615	130,580
Receivable from staff gratuity fund	36.1.3	44,243	-
Balance receivable for sale of gas condensate		83,995	43,468
Receivable from Sui Northern Gas Pipelines Limited (SNGPL)	26.1	1,139,778	1,028,771
Receivable from Inter State Gas Systems (Pvt.) Limited		2,487	-
Receivable from Jamshoro Joint Venture Limited (JJVL)		340,829	-
Insurance claim receivable		5,024	11,600
Receivable from the Privatisation Commission, GoP		-	8,659
Receivable from ADP projects		-	987
Sales tax receivable		342,060	-
Claims receivable		757	757
Miscellaneous receivables	26.2	490,910	417,489
		<u>3,695,177</u>	<u>2,272,298</u>
Provision against impaired receivables		(1,485)	(1,485)
		<u>3,693,692</u>	<u>2,270,813</u>

**26.1** This includes pipeline rental receivable of Rs. 30.446 million (2004: Rs. 63.86 million) and Rs. 1,102.670 million (2004: Rs. 908.811 million) receivable under the uniform cost of gas agreement with Sui Northern Gas Pipelines Limited (refer note 29.1 to the financial statement for detail).

**26.2** This includes Rs. 466.526 million (2004: Rs. 394.629 million) recoverable from GoP under deferred tariff adjustment

	Note	2005	2004
		(Rupees in '000)	
<b>27. TAXATION RECOVERABLE</b>			
Advance tax paid		<b>697,195</b>	1,494,292
Provision for tax		<b>(197,354)</b>	(825,501)
		<u><b>499,841</b></u>	<u>668,791</u>

**28. CASH AND BANK BALANCES**

With banks:

On deposit accounts	28.1	<b>1,085,698</b>	2,555,933
On current accounts		<b>181,439</b>	482,583
		<u><b>1,267,137</b></u>	<u>3,038,516</u>

Cash in hand

		<b>2,066</b>	2,268
		<u><b>1,269,203</b></u>	<u>3,040,784</u>

**28.1** This includes Rs. 0.465 million (2004: Rs. 0.465 million) held under lien by a commercial bank against a bank guarantee issued on behalf of the company.

**29. COST OF GAS**

	Note	2005		2004	
		Volume in MCF *	(Rupees in '000)	Volume in MCF *	(Rupees in '000)
Gas in pipelines at 1 July		<u>851,138</u>	<u>95,642</u>	751,484	96,908
Gas purchases from:					
Pakistan Petroleum Limited		<b>42,191,305</b>	<b>2,763,787</b>	43,253,750	2,298,999
Oil and Gas Development Company Limited		<b>3,065,807</b>	<b>310,008</b>	5,198,002	482,552
BP (Pakistan) Exploration and Production Incorporated		<b>75,860,133</b>	<b>11,092,061</b>	73,402,092	10,175,040
Orient Petroleum Inc.		<b>19,444,295</b>	<b>2,711,798</b>	4,105,087	550,061
Eni Pakistan Limited		<b>111,807,030</b>	<b>19,190,706</b>	106,864,760	16,464,799
Mari Gas Company Limited		<b>270,231</b>	<b>6,218</b>	262,763	5,839
Sui Northern Gas Pipelines Limited		<b>232,820</b>	<b>22,826</b>	253,115	27,309
BHP Petroleum (Pakistan) Pty Limited		<b>34,337,371</b>	<b>4,122,622</b>	34,304,842	3,742,276
OMV (Pak) Exploration GmbH		<b>80,378,126</b>	<b>12,665,259</b>	76,363,719	10,863,866
		<u><b>367,587,118</b></u>	<u><b>52,885,285</b></u>	<u>344,008,130</u>	<u>44,610,741</u>
Gas available for sale		<u><b>368,438,256</b></u>	<u><b>52,980,927</b></u>	<u>344,759,614</u>	<u>44,707,649</u>
Gas consumed internally		<b>(1,743,669)</b>	<b>(230,430)</b>	(1,900,832)	(164,994)
Inward price adjustment	29.1	-	<b>(5,824,625)</b>	-	(5,722,334)
Insurance claim receivable		-	-	(103,248)	(11,600)
Gas in pipelines at 30 June		<u><b>(884,925)</b></u>	<u><b>(113,166)</b></u>	<u>(851,138)</u>	<u>(95,642)</u>
		<u><b>(2,628,594)</b></u>	<u><b>(6,168,221)</b></u>	<u>(2,855,218)</u>	<u>(5,994,570)</u>
		<u><b>365,809,662</b></u>	<u><b>46,812,706</b></u>	<u>341,904,396</u>	<u>38,713,079</u>

\* Thousand Cubic Feet.

**29.1** Under section 21 of the Oil and Gas Regulatory Authority Ordinance, 2002, the Government of Pakistan has issued a policy guideline to ensure the uniformity of gas prices for consumers throughout the country. Accordingly, under this policy guideline and pursuant to an agreement between the company and Sui Northern Gas Pipelines Limited effective from 1 July 2003, the cost of gas purchased is being worked out by both the companies on an overall average basis in such a manner that input of gas for both companies become uniform. Under this agreement the company with lower weighted average cost of gas is required to pay to the other company so that the overall weighted average rate of well head gas price of both the companies is the same. However, this averaging has not affected the profit and loss account of the company as in the absence of averaging, the simultaneous effect would have been to gas development surcharge account in the profit and loss account.

	Note	2005	2004
		(Rupees in '000)	
<b>30. TRANSMISSION, DISTRIBUTION AND SELLING COST</b>			
Salaries, wages and benefits		<b>1,706,759</b>	1,651,749
Contribution / accruals in respect of staff retirement benefit scheme	30.1	<b>183,969</b>	261,726
Depreciation on operating assets	15.5	<b>2,054,374</b>	1,827,627
Amortisation of intangible asset		<b>30,461</b>	-
Repairs and maintenance		<b>309,787</b>	182,235
Stores, spares and supplies consumed		<b>197,745</b>	180,910
Provision against doubtful debts		<b>214,033</b>	239,460
Gas consumed internally		<b>230,430</b>	164,994
Legal and professional charges		<b>19,710</b>	28,046
Electricity		<b>25,001</b>	24,968
Security expenses	30.2	<b>134,425</b>	56,959
Insurance and royalty		<b>49,778</b>	34,351
Travelling		<b>13,528</b>	14,230
Material and labour used on consumers' installation		<b>38,658</b>	34,361
Gas bills collection charges		<b>42,060</b>	31,547
Postage and revenue stamps		<b>22,268</b>	20,968
Rent, rates and taxes		<b>20,359</b>	11,426
Others	30.3	<b>34,119</b>	26,121
		<b>5,327,464</b>	4,791,678
<b>Recoveries / allocations to:</b>			
Gas distribution system capital expenditure		<b>(462,736)</b>	(502,912)
Installation costs recovered from customers	22	<b>(79,038)</b>	(71,648)
		<b>(541,774)</b>	(574,560)
		<b>4,785,690</b>	4,217,118
<b>30.1 Contributions to / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		<b>50,705</b>	46,649
Charge in respect of amount due to the pension funds:			
- Executive		<b>65,522</b>	49,662
- Non-Executive		<b>6,808</b>	23,131
Charge in respect of amount due to the gratuity funds:			
- Executive		<b>(6,140)</b>	31,514
- Non-Executive		<b>20,846</b>	26,124
Accrual in respect of unfunded post retirement:			
- Medical facility		<b>55,948</b>	87,712
- Gas facility		<b>565</b>	5,447
Expenses relating to the meter manufacturing division and construction division		<b>(10,285)</b>	(8,513)
		<b>183,969</b>	261,726



**30.2** Includes Rs. 50 million paid to Ministry of Petroleum & Natural Resources being SSGCL's share for infrastructural development fees.

	Note	2005	2004
		(Rupees in '000)	
<b>30.3 Transmission, distribution and selling costs - others</b>			
Communication		7,260	9,872
Water charges		549	190
Subscriptions		5,400	125
Bank charges		3,702	2,837
Freight and handling		-	90
Miscellaneous	30.4	17,208	13,007
		<u>34,119</u>	<u>26,121</u>

**30.4** This includes expenses amounting to Rs. 6.475 million (2004: Rs. 5.228 million) in respect of Inter State Gas Systems (Pvt.) Limited (ISGCL). Under agreement with Sui Northern Gas Pipelines Limited, ISGCL and SSGCL, SSGCL is required to borne 51% expenses of ISGCL.

### 31. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		826,917	733,590
Contribution / accruals in respect of staff retirement benefit scheme	31.1	84,156	116,737
Depreciation on operating assets	15.5	97,186	94,568
Repairs and maintenance		92,550	70,930
Stores, spares and supplies consumed		56,367	44,810
Legal and professional charges		90,523	67,770
Electricity		26,058	27,730
Security expenses		15,783	13,378
Insurance and royalty		5,432	6,430
Travelling		26,281	21,280
Postage and revenue stamps		2,781	4,669
Rent, rates and taxes		7,533	5,810
Welfare and other expenses		-	8,923
Others	31.2	103,924	71,773
		<u>1,435,491</u>	<u>1,288,398</u>
Recoveries / allocations to:			
Recoveries from others		(16,799)	(22,663)
Meter manufacturing division		(31,400)	(35,511)
		<u>(48,199)</u>	<u>(58,174)</u>
		<u>1,387,292</u>	<u>1,230,224</u>



	Note	2005 (Rupees in '000)	2004
<b>31.1 Contributions to / accrual in respect of staff retirement benefit schemes</b>			
Contribution to the provident fund		19,621	20,214
Charge in respect of amount due to the pension funds:			
- Executive		36,015	27,299
- Non-Executive		1,017	3,457
Charge in respect of amount due to the gratuity funds:			
- Executive		(3,153)	16,177
- Non-Executive		3,113	3,904
Accrual in respect of unfunded post retirement:			
- Medical facility		27,232	42,692
- Gas facility		311	2,994
		<u>84,156</u>	<u>116,737</u>
<b>31.2 Administrative expenses - others</b>			
Advertisements		35,343	26,146
Communication		13,662	8,304
Water charges		7,942	7,049
Subscriptions		3,811	5,271
Bank charges		457	1,300
Freight and handling		2,032	2,239
Miscellaneous		40,677	21,464
		<u>103,924</u>	<u>71,773</u>
<b>32. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration			
- Statutory audit		880	830
- Special audits and certifications		230	177
- Out of pocket expenses		200	200
		<u>1,310</u>	<u>1,207</u>
Workers' profit participation fund	10.2	83,658	82,837
Sports expenses		16,511	14,514
Corporate social responsibility		8,698	5,607
Provision against impairment in value of investment		-	50
Gas rupture		11,600	-
Exchange loss on payment of gas purchases		30,894	-
Provision for slow moving / obsolete stores		4,313	-
		<u>156,984</u>	<u>104,215</u>

	Note	2005	2004
		(Rupees in '000)	
<b>33. OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Late payment surcharge		263,221	232,226
Return on:			
- term and profit and loss bank deposits		70,849	93,828
- staff loans		4,078	3,894
Dividend income		574	1,113
		<u>338,722</u>	<u>331,061</u>
<b>Income from investment in debts, loans, advances and receivables from related party</b>			
Income from gas transportation - SNGPL		388,696	341,766
Dividend income - SNGPL		4,751	4,180
		<u>393,447</u>	<u>345,946</u>
<b>Income from other than financial assets</b>			
Meter rentals		455,058	436,530
Recognition of income against deferred credit		150,862	145,239
Sale of gas condensate		350,016	216,120
Income from gas transportation		138,060	115,356
Gas shrinkages in LPG extraction plant - Jamshoro Joint Venture Limited (JJVL)		374,013	-
Gas transportation income from JJVL		9,758	-
Royalty income from JJVL		188,528	-
Meter manufacturing division profit - net	33.1	48,215	53,047
Recoveries from consumers		39,257	19,491
Gain on sale of fixed assets	15.6	52,211	17,321
Liquidated damages recovered		23,911	10,624
Income from sale of tender documents		2,215	2,427
Miscellaneous		27,416	39,732
		<u>1,859,520</u>	<u>1,055,887</u>
		<u>2,591,689</u>	<u>1,732,894</u>

	Note	2005	2004
		(Rupees in '000)	
<b>33.1 Meter manufacturing division profit - net</b>			
Gross sales of gas meters			
- Company's consumption	33.1.1	212,566	195,024
- Outside sales		522,572	421,700
		<u>735,138</u>	<u>616,724</u>
Sales tax		(98,531)	(84,106)
Net sales		<u>636,607</u>	<u>532,618</u>
Cost of sales			
- Raw material consumed		480,294	389,467
- Packing cost		4,644	4,312
- Stores and spares		668	1,404
- Fuel, power and electricity		2,449	2,208
- Salaries wages and other benefits	33.1.2	68,268	56,814
- Insurance		506	301
- Repairs and maintenance		2,376	739
- Depreciation	15.5	3,893	4,293
- Other expenses		815	494
		<u>563,913</u>	<u>460,032</u>
Opening work in process		10,311	9,137
Closing work in process		(5,096)	(10,311)
		<u>5,215</u>	<u>(1,174)</u>
Cost of goods manufactured		<u>569,128</u>	<u>458,858</u>
Opening stock of finished goods		4,517	4,864
Closing stock of finished goods		(8,848)	(4,517)
		<u>(4,331)</u>	<u>347</u>
Cost of goods sold		<u>564,797</u>	<u>459,205</u>
Gross profit		71,810	73,413
Administrative expenses		(23,595)	(21,155)
Operating profit		48,215	52,258
Other income		-	789
Net profit		<u>48,215</u>	<u>53,047</u>

**33.1.1** Gas meters used by the company are included in operating assets at manufacturing cost (including sales tax). However, sales tax thereon is paid at commercial selling prices, under the provisions of Sales Tax Act, 1990.

	Note	2005	2004
(Rupees in '000)			
<b>33.1.2</b> Salaries, wages and other benefits		<b>64,715</b>	54,395
Provident fund contribution		<b>964</b>	821
Pension Fund		<b>1,819</b>	687
Gratuity		<b>770</b>	911
		<b>68,268</b>	<b>56,814</b>

#### **34. FINANCE COST**

Interest, commitment charges, exchange risk coverage fee and Government guarantee fee on foreign currency loans		<b>133,590</b>	287,906
Financial charges on liabilities against assets subject to finance lease		<b>1,661</b>	6,344
Mark-up on :			
- Redeemable capital		<b>179,426</b>	231,734
- Local currency financing		<b>163,554</b>	125,077
- Short term financing		<b>28,124</b>	-
- Consumers' deposits		<b>48,028</b>	42,074
- Workers' profit participation fund	10.2	<b>817</b>	1,557
- Others		<b>7,817</b>	905
		<b>563,017</b>	<b>695,597</b>

#### **35. TAXATION**

For the year			
- Current		<b>197,354</b>	825,501
- Deferred		<b>378,822</b>	(104,192)
For prior years		-	(145,670)
	35.2	<b>576,176</b>	<b>575,639</b>

**35.1** The income tax assessments of the company have been finalised upto the financial year ended 30 June 2004.

**35.2** Relationship between accounting profit and tax expense for the year is as follows:

Accounting profit for the year		<b>1,588,677</b>	<b>1,572,351</b>
Tax charge @ 35% (2004: 35%)		<b>556,037</b>	550,323
Tax effect of expenses that are not deductible in determining taxable profit		<b>21,738</b>	172,574
Effect of lower tax rate on dividend income		<b>(1,599)</b>	(1,588)
Prior years' tax reversal		-	(145,670)
		<b>576,176</b>	<b>575,639</b>

## 36. STAFF RETIREMENT BENEFITS

### 36.1 Funded post retirement pension and gratuity schemes

36.1.1 As mentioned in note 2.15 to these financial statements, the company operates approved funded pension and gratuity schemes for all employees. Contributions are made to these schemes based on actuarial recommendations. Latest actuarial valuations were carried out as at 30 June 2005 under the projected unit credit method for both non-executive and executive staff members.

#### 36.1.2 Fair value of plan assets and present value of obligations

The fair value of plan assets and present value of defined benefit obligations of the pension and gratuity schemes at the valuation date were as follows:

	<u>Executive</u>		<u>Non-Executive</u>	
	<u>Pension</u>	<u>Gratuity</u>	<u>Pension</u>	<u>Gratuity</u>
	------(Rupees in '000)-----			
Fair value of plan assets	431,493	1,116,249	197,057	955,511
Present value of defined benefit obligation	<u>(604,231)</u>	<u>(1,073,625)</u>	<u>(7,354)</u>	<u>(951,700)</u>
Net surplus / (deficit)	(172,738)	42,624	189,703	3,811
Unrecognised past service (gain)/cost	169,905	(358,453)	-	-
Unrecognised actuarial loss / (gain)	<u>22,448</u>	<u>360,072</u>	<u>(189,703)</u>	<u>(3,811)</u>
	<u>19,615</u>	<u>44,243</u>	<u>-</u>	<u>-</u>

#### 36.1.3 Movement in amount receivable from / (payable to) defined benefit plans

Movements in amount receivable from / (payable to) staff retirement benefit funds during the year are as follows:

	Note	<u>Executive</u>		<u>Non-Executive</u>	
		<u>Pension</u>	<u>Gratuity</u>	<u>Pension</u>	<u>Gratuity</u>
		------(Rupees in '000)-----			
Asset / (liability) as on 1 July 2004		60,397	(82,505)	70,183	(70,837)
Charge for the year	36.1.4	(101,537)	9,293	(7,825)	(23,959)
Payments during the year		60,755	117,455	(62,358)	94,796
Asset / (liability) as on 30 June 2005		<u>19,615</u>	<u>44,243</u>	<u>-</u>	<u>-</u>

### 36.1.4 Amount recognised in the profit and loss account

Amounts charged to the profit and loss account during the current year in respect of the above schemes were as follows:

	Executive		Non-Executive	
	Pension	Gratuity	Pension	Gratuity
	------(Rupees in '000)-----			
Current service cost	26,182	58,768	-	51,542
Mark-up cost	45,566	103,184	741	78,634
Recognition of actuarial loss / (gain)	8,608	24,024	(8,252)	(70,412)
Expected return on plan assets	(21,296)	(105,656)	(20,469)	-
Recognition of past service cost / (gain)	42,477	(89,613)	-	-
Amount not recognised as asset	-	-	-	-
Inter fund transfers	-	-	35,805	(35,805)
	<u>101,537</u>	<u>(9,293)</u>	<u>7,825</u>	<u>23,959</u>
Actual return	<u>130,357</u>	<u>80,477</u>	<u>71,394</u>	<u>92,693</u>

### 36.1.5 Principal actuarial assumptions

Significant assumptions used for the valuation of above schemes are as follows:

	Executives and Non-Executives (%)
Discount rate	9
Expected rate of increase in salary level	8
Expected rate of return on plan assets	9
Increase in pension	3

In the current year, unrecognized / recognized actuarial gain / losses relating to pension scheme and gratuity scheme for executive staff has been estimated based on expected average remaining working lives of the employees participating in the plan and recorded accordingly. Previously, actuarial gain / loss had been estimated based on vesting period of past service cost. Had the estimate not been changed, the result for the year would have been lower by Rs. 63.858 million and receivable from the funds would have been reduced by corresponding effect.

## 36.2 Unfunded post retirement medical benefit and gas supply facilities

36.2.1 As mentioned in note 2.15 to these financial statements the company provides free medical and gas supply facilities to its retired executive employees. The free gas supply facility has been discontinued for employees who had retired after 31 December 2000. The latest valuations of the liability under these schemes were carried out as at 30 June 2005 under the projected unit current cost method, results of which are as follows:

	Post retirement medical facility	Post retirement gas facility
	(Rupees in '000)	
Projected benefit obligation	700,260	30,291
Unrecognised actuarial (loss) / gain	<u>(35,952)</u>	<u>24,200</u>
Liability recognised in the balance sheet	<u>664,308</u>	<u>54,491</u>

36.2.2 Amounts charged to the profit and loss account during the current year in respect of the above benefits are as follows:

Current service cost	26,887	-
Mark-up cost - net	56,293	2,672
Amortisation of actuarial gain	<u>-</u>	<u>(1,796)</u>
	<u>83,180</u>	<u>876</u>

36.2.3 Significant assumptions used for the valuation of above schemes are as follows:

	Executives (%)
Discount rate	9
Medical inflation rate	6

	2005	2004
	(Rupees in '000)	
<b>37. EARNINGS PER SHARE - basic and diluted</b>		
Profit after taxation	<u>1,012,501</u>	<u>996,712</u>
	(Number of shares)	
Average number of ordinary shares	<u>671,174,331</u>	<u>671,174,331</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>1.51</u>	<u>1.49</u>

### 38. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to chief executives, directors and executives of the company are given below:

	30 June 2005		30 June 2004	
	Chief Executive	Executive	Chief Executive	Executive
	------(Rupees in '000)-----			
Managerial remuneration	1,729	181,041	1,704	155,190
Housing	600	75,260	600	64,310
Utilities	119	17,392	128	14,346
Retirement benefits	405	55,692	335	41,641
	<u>2,853</u>	<u>329,385</u>	<u>2,767</u>	<u>275,487</u>
Number	<u>1</u>	<u>215</u>	<u>1</u>	<u>184</u>

**38.1** The Chairman, Chief Executive and certain executives are also provided company maintained vehicles in accordance with their entitlement. In addition, the Chairman of the company was paid Rs. 0.3 million (2004: Rs. 0.3 million). All executives are also provided free medical facilities in accordance with their entitlement.

**38.2** Aggregate amount charged in these financial statements in respect of fee paid to 14 directors was Rs. 0.047 million (2004: Rs. 0.032 million for 14 directors).

### 39. NUMBER OF EMPLOYEES

Total number of employees at 30 June 2005 were 5,258 (30 June 2004: 5,295).

### 40. CAPACITY AND ACTUAL PERFORMANCE

#### 40.1 Natural gas transmission

	30 June 2005		30 June 2004	
	MMCF	HM3	MMCF	HM3
Transmission operation				
Capacity - annual rated capacity at 100% load factor with compression	<u>372,300</u>	<u>104,891,244</u>	<u>358,680</u>	<u>101,053,965</u>
Utilisation - volume of gas transmitted	<u>365,589</u>	<u>103,000,496</u>	<u>341,979</u>	<u>96,348,650</u>
Capacity utilisation factor (%)	<u>98.2</u>	<u>98.2</u>	<u>95.3</u>	<u>95.3</u>

#### 40.2 Natural gas distribution

The company has no control over the rate of utilisation of its capacity as the use of available capacity is dependent on off-takes by the consumers.



### 40.3 Meter manufacturing division

During the year meter manufacturing division produced and assembled 400,200 meters (2004: 322,000 meters) against an annual capacity of 310,000 meters on a single shift basis.

### 41. TRANSACTIONS WITH RELATED PARTIES

The company has related party relationship with subsidiary companies, Sui Northern Gas Pipeline Limited (associated company), employees benefit plans (notes 2.15 and 36) and the company's directors and executive officers (including their associates). Purchase and sale of gas from / to related parties are determined at rates finalized and notified by Ministry of Petroleum and Natural Resources and Oil and Gas Regulatory Authority and the prices and other conditions are not influenced by the company (comparable uncontrolled price method).

The details of transactions with related parties not disclosed elsewhere in these financial statements are as follows:

	2005	2004
	(Rupees in '000)	
Pipeline rental income	388,696	341,766
Dividend income	4,751	4,180
Sale of gas meters	520,630	421,700
Sale of pipes	85,704	-
Allocation of expenses of Inter State Gas System (Private) Limited on the basis of joint venture agreement	6,475	5,228
Contribution to provident fund	70,326	66,863
Accrual in respect of obligation to defined benefit plans	124,028	181,268

Pipeline rental income is determined at cost plus method and comparable prices for the specific category of pipeline and other conditions affecting the determination of pipeline rental are not identifiable.

Sale of gas meters is made at cost plus method. The company is the only manufacturer of gas meters in the country and as such it is difficult to determine the comparable uncontrolled prices in the country. However, the prices of comparable goods available in international market are not materially different from the prices at which the goods (meters) are sold by the company.

Contribution to the defined contribution and benefit plans are in accordance with the terms of the entitlement of the employees and / or actuarial advice. Balance payable to / receivable from these employees benefit plans are disclosed in notes 8, 10, 26 and 36 to these financial statements.

Remuneration to the executive officers of the company (disclosed in note 38 to the financial statements) and loans and advances to them (disclosed in notes 18 and 24 to the financial statements) are determined in accordance with the terms of their employment.

Mark-up free security deposits for gas connections to the executive staff of the company is received at rates prescribed by the Government of Pakistan.

## 42. MARK-UP / INTEREST RATE RISK

Interest / mark-up risk arises from the possibility that changes in interest / mark-up will affect the value of financial instrument. Information about the company's exposures to mark-up / interest rate risk based on contractual refinancing and maturity dates, whichever is earlier, at 30 June 2005 is as follows:

	Effective mark-up / interest rate (%)	Mark-up / interest bearing			Non mark-up/ interest bearing	Total
		Maturity less than one month	Maturity between one month to one year	Maturity between one year to five years		
------(Rupees in '000)-----						
<b>Financial assets</b>						
Investments	-	-	-	-	166,525	166,525
Trade debts	-	-	-	-	8,754,927	8,754,927
Trade deposits and prepayments	-	-	-	-	25,845	25,845
Interest accrued	-	-	-	-	7,458	7,458
Other receivables	-	-	-	-	2,822,733	2,822,733
Cash and bank balances	1 to 4	1,085,698	-	-	183,505	1,269,203
		<u>1,085,698</u>	<u>-</u>	<u>-</u>	<u>11,960,993</u>	<u>13,046,691</u>
<b>Financial liabilities</b>						
Long term financing	3.23 to 15	-	1,461,144	7,203,180	-	8,664,324
Long term deposits	5	-	-	-	1,785,403	1,806,695
Trade and other payables	11.25	-	83,658	-	-	9,296,347
Interest and mark-up accrued	-	-	-	-	185,020	185,020
Short term borrowing	5.21 to 8.21	-	220,000	-	-	220,000
		<u>-</u>	<u>1,764,802</u>	<u>7,203,180</u>	<u>1,785,403</u>	<u>9,419,001</u>
On-balance sheet gap (a)	<b>2005</b>	<b>1,085,698</b>	<b>(1,764,802)</b>	<b>(7,203,180)</b>	<b>(1,785,403)</b>	<b>2,541,992</b>
	<b>2004</b>	<u>2,245,735</u>	<u>(1,394,403)</u>	<u>(4,587,936)</u>	<u>(897,748)</u>	<u>(3,886,107)</u>

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

## 43. CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted.

At 30 June 2005, the financial assets which were subject to credit risk amounted to Rs. 11.07 billion (2004: Rs. 11.340 billion). The company believes that it is not exposed to major concentration of credit risk. The company attempts to control credit risks by monitoring credit exposures, including transactions with specific customers and continuing assessment of credit worthiness of customers.

## 44. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial instruments reflected in the financial statements approximate their fair values except for investment in unquoted companies which are reflected at cost less impairment losses.

#### 45. FOREIGN CURRENCY RISK MANAGEMENT POLICY

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company is exposed to foreign risk on gas purchases, imports and borrowings that are entered in a currency other than Pak Rupees. However, the Company is not exposed to any foreign currency risk on foreign currency loan which is hedged under exchange risk guarantee scheme of Government of Pakistan.

#### 46. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

Details of the value of investments by the Provident, Gratuity and Pension funds based on respective financial statements at 30 June 2005 and 2004, are as follows:

	2005 (Rupees in '000)	2004 (Rupees in '000)
	Based on unaudited financial statements	Based on audited financial statements
Executive staff provident fund	<u>437,702</u>	<u>450,464</u>
Non-executive staff provident fund	<u>388,853</u>	<u>413,320</u>
Executive benevolent fund	<u>23,367</u>	<u>22,133</u>
Non-executive staff gratuity fund	<u>575,500</u>	<u>571,687</u>
Executive staff gratuity fund	<u>497,500</u>	<u>446,470</u>
Executive staff pension fund	<u>282,308</u>	<u>313,974</u>
Non-executive staff pension fund	<u>107,703</u>	<u>224,172</u>

#### 47. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have proposed a final dividend for the year ended 30 June 2005 of Rs.1.50 per share, amounting to Rs.1006.761 million at their meeting held on 29 September 2005, for approval for the members at the annual general meeting to be held on 28 October 2005.

#### 48. DATE OF AUTHORISATION

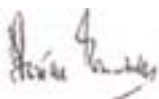
These financial statements were authorised for issue in Board of Directors meeting held on 29 September 2005.

#### 49. CORRESPONDING FIGURES

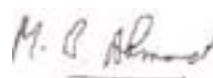
The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparisons. Major changes made during the year are reclassifications resulting from the substituted Fourth Schedule to the Companies Ordinance, 1984.

#### 50. GENERAL

Figures have been rounded off to the nearest thousand rupees.



**Aitzaz Shahbaz**  
Chairman



**Munawar B. Ahmad P.E.**  
Managing Director

# highlights of the year 2004-05



March 11-23, 2005

The 12th Tour de Pakistan International Cycle Race in which teams from Germany, Iran, Bangladesh and Afghanistan took part along with 8 national / provincial teams including SSGC, effectively projected Pakistan's safe image.





November 2004

Mr. Ahmed Waqar, Secretary, Ministry of Petroleum & Natural Resources being received on arrival at SSGC Head Office.



October 2004

A view of the 50th Annual General Meeting of SSGC.



April 2005

M. Nawar Baseer Ahmad addressed the IBM Regional Conference as a keynote speaker.



September 2004

MD SSGC was keynote speaker at the IEEEPC Conference on Pakistan's National Energy Plan.



January 2005

Preparations afoot at SSGC HO, to hand over the first tranche of Tsunami Relief goods, to Sri Lanka & Indonesia. Record total contribution of Rs.12 million by SSGC was the highest in the corporate sector.



SSGC

# management at SSGC



## Management Committee

Syed Hassan Nawab, SGM (Management Services)

Azim Iqbal Siddiqui, ASGM (Customer Relations)

Abid Sherani, Chief Financial Officer

Munawar Baseer Ahmad, MD

Moid-uz-Zafar, SGM (T&D)

Babar Ghaznavi, ASGM (ES): not in the picture.

### Senior Management Team at SSGC

(L-R): Aqeel Ahmed Nasir, Company Secretary; Moid-uz-Zafar, SGM (T&D); Azim Iqbal Siddiqui, ASGM (Customer Relations); Abid Sherani, Chief Financial Officer; Syed Hassan Nawab, SGM (Management Services); Munawar Baseer Ahmad, MD; Brig. (Retd.) Agha Gul, GM (HR); I. Noorani, GM (Audit); Capt. (Retd.) Muhammad Arif, GM (AS), Dr. Shahla Naqvi, Chief Medical Officer; Zuhair Siddiqui, GM (IT), Babar Ghaznavi, ASGM (ES): not in the picture.





To meet the energy requirements of customers through reliable environment-friendly and sustainable supply of natural gas, while conducting company business professionally, efficiently, ethically and with responsibility to all our stakeholders, community and the nation.

our  
mission



# Review Report to Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Sui Southern Gas Company Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system, to enable us to express our opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi  
29th September 2005

*Taseer Hadi Khalid & Co*

Taseer Hadi Khalid & Co.  
Chartered Accountants



# Six-Year Financial Highlights

KEY INDICATORS		2005	2004	2003	2002	2001	2000
<b>Operating Results</b>	<b>Rs. Million</b>						
Sales revenue		54,376	47,355	36,163	32,235	25,430	20,171
Gross profit		5,890	6,087	6,776	6,299	5,889	6,254
Profit before tax		1,589	1,572	2,049	2,154	1,975	1,509
Profit after tax		1,013	997	1,448	1,435	1,292	793
<b>Operating Ratios</b>	<b>%</b>						
Gross margin		10.83	12.85	18.74	19.54	23.16	31.00
Pre tax margin		2.92	3.32	5.67	6.68	7.76	7.48
Net margin		1.86	2.10	4.00	4.45	5.08	3.93
<b>Financial position</b>	<b>Rs. Million</b>						
Shareholders funds		10,366	10,354	10,512	10,173	9,717	8,425
Property, plant & equipment		21,641	17,497	17,223	18,083	17,947	19,650
Net current assets		2,889	3,747	4,560	3,723	3,096	379
Long term assets		360	345	302	443	320	325
Long term liabilities		14,524	11,235	11,572	12,075	11,646	11,930
<b>Performance</b>							
Capital expenditure	<b>Rs. Million</b>	6,220	2,214	1,727	2,697	778	979
Return on assets	<b>%</b>	5.25	5.98	8.72	8.79	7.66	4.45
Asset turnover ratio		1.44	1.49	1.20	1.04	0.80	0.67
Fixed assets turnover ratio		2.82	2.84	2.18	1.97	1.51	1.13
Return on equity	<b>%</b>	9.77	9.48	14.23	14.76	15.34	10.38
Return on capital employed	<b>%</b>	8.35	9.41	11.81	12.23	11.63	8.82
<b>Valuation and Other ratios</b>							
Earnings per share	<b>Rs.</b>	1.51	1.49	2.16	2.14	1.93	1.36
Cash dividend / bonus % - per share		1.50	1.50	1.80	1.75	1.50	15%
Dividend payout ratio	<b>%</b>	99	101	83	82	78	-
Net assets per share (breakup value)	<b>Rs.</b>	15.44	15.43	15.66	15.16	14.48	12.55
Market value per share at 30 June	<b>Rs.</b>	23.15	32.80	21.05	12.05	10.30	16.45
Price earnings ratio		15.33	22.01	9.75	5.63	5.34	12.10
Market price to breakup value		1.50	2.13	1.34	0.79	0.71	1.31
Dividend yield	<b>%</b>	6.48	4.57	8.55	14.52	14.56	9.12
Market capitalization	<b>Rs. Million</b>	15,538	22,015	14,128	8,088	6,913	11,041
Debt : Equity ratio		41:59	31:69	37:63	40:60	38:62	43:57
Current ratio		1.23	1.37	1.36	1.25	1.19	1.04
Debt service coverage ratio		1.91	1.42	1.91	2.97	1.39	1.73

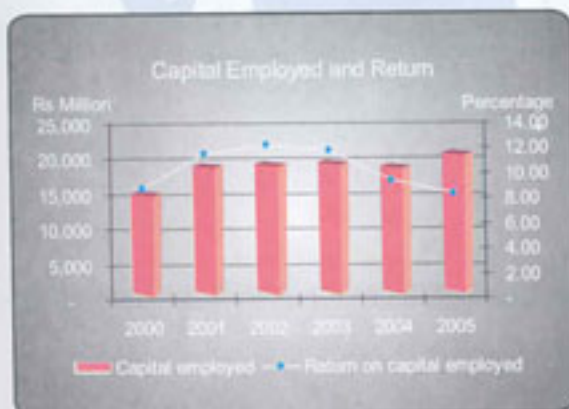
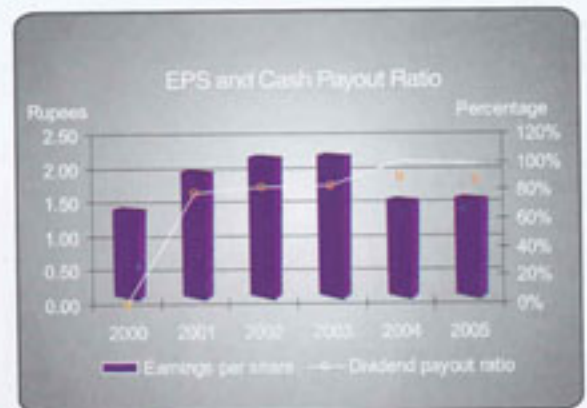
The Company demonstrated its capability to achieve a very substantial increase in capital expenditure which at Rs.6.2 billion in 2005, significantly exceeds the average of Rs.1.7 billion and the maximum of Rs.2.7 billion ever achieved in the previous five years. This bodes well for the future where the Company has a rolling five year plan to incur substantial capital expenditure averaging around Rs 8 billion per annum. With a debt : equity ratio of 41% : 59%, the Company has sufficient room on its balance sheet to meet its near term borrowing needs, and with strong debt service coverage.



Sales revenue has increased in value by 170% over the past six years with a corresponding increase in volume of 70%, the latter at a CAGR of 18%. However, due to the deterioration in gross margin, the profit before tax has increased only marginally. The cost of gas increased substantially by 246% over the six year period, which is beyond the control of the Company. The impact of disallowance for excess unaccounted for gas by the Oil and Gas Regulatory Authority in the past two years has also been a factor in the reducing profit. As a result of this disallowance, despite a substantial increase in the asset base on which the Company's return is calculated, the profit after tax increased by a small amount in 2005.



The operating cost excluding depreciation, as a percentage of Revenues, decreased to 7.07% from 11.85% over six years. The current ratio has remained robust since 2001. The cash dividend payout has remained high reflecting optimism about the future.



# Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED 30 JUNE 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, chapter XIII and chapter XI of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

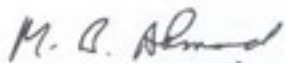
The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes 13 non-executive directors. The Company directors are nominated/appointed by the Government of Pakistan.
2. The directors of the Company have confirmed that none of them is serving as a director in ten or more listed companies, including this Company, except one who has been permitted by SECP to hold office of director in more than ten listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy arose in the Board during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Company has maintained a complete record of particulars of significant policies along with the dates on which they were approved or amended.



7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has earlier arranged an orientation course for its Directors. However for new directors Company is planning to conduct an orientation course in the near future.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises six members all of them are non - executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
17. The Board has set up an effective internal audit function for the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services.
20. We confirm that all other material principles contained in the Code have been duly complied with.

For and on behalf of Board of Directors



MUNAWAR B. AHMAD  
Managing Director

Karachi  
29th September 2005



**SSGC**

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# Statement on Corporate and Financial Reporting Framework

The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of account of the company have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

The system of internal control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the company's ability to continue as a going concern.

Save for minor exceptions as given in para 9 of Statement of Compliance, there is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data for last decade is summarized and printed on page 148.

The amount of withholding taxes payable appearing in note 10 to the audited financial statements for the year ended 30 June 2005 represent the time lag allowed by statutory provisions in collecting and depositing these taxes in the government treasury. The same were subsequently deposited within the time frame allowed and on due dates.

The value of investment of provident, gratuity and pension funds based on respective accounts as at 30 June 2005 is given in note 46 to the audited financial statements.

During the year 11 meetings of the Board of Directors and 5 meetings of Audit Committee were held. Attendance by each director is summarized and printed on page 50.

The statement showing the pattern of share holding in the company, as on 30 June 2005 is shown on page 155.

No trade in share of the company were carried out by the directors, chief executive, chief financial officer, company secretary, their spouse and minor children.

## Dividend

The Directors are pleased to recommend payment of cash dividend at 15% i.e. Rs. 1.50 per share.

(2004: 15% cash dividend i.e. Rs. 1.50 per share).

# our VISION

To be a model utility, providing quality service by maintaining a high level of ethical and professional standards and through the optimum use of resources.

