Annual Report

FOR THE YEAR ENDED JUNE 30, 2014

When Hard Times Hit; We Work Harder.

Sui Northern Gas Pipelines Limited

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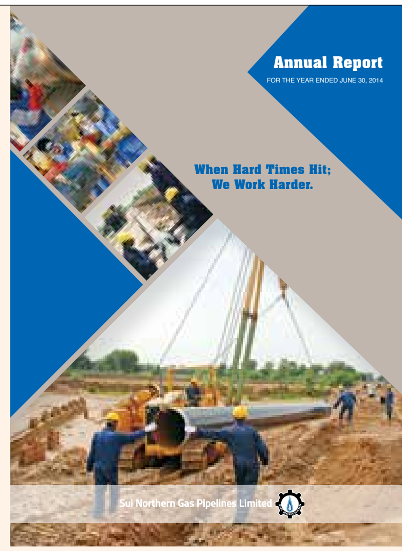

It is human nature that sometimes during hardships, we forget our achievements, our commitments and strengths, opportunities and potential resources. But the right way to go about this, is to embrace these difficult times the same way, we embrace our success.

This belief system is helping Sui Northern Gas Pipelines Limited (SNGPL) to regain its glory spanning over five decades and move on despite the challenges from outside and within the organization.

For SNGPL it is time to remind ourselves of our goals and aspirations as a Company. Let us not neglect all that we have learnt through experience, knowledge and skills. Let us not forget that we will always meet obstacles and make mistakes on the road to success, but, if we progress with perseverance the rewards will be limitless.

We at SNGPL believe that our efficiencies and productivities have to be better than yesterday. Our learnings and skills have to be advanced than before and our passion and actions have to be stronger than ever.

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AUDITED FINANCIAL STATEMENTS 2014

OUR VISION & MISSION

VISION

To be the leading integrated natural gas provider in the region seeking to improve the quality of life of our customers and achieve maximum benefit for our stakeholders by providing an uninterrupted and environment friendly energy resource.

MISSION

A commitment to deliver natural gas to all doorsteps in our chosen areas through continuous expansion of our network, by optimally employing technological, human and organizational resources, best practices and high ethical standards.

CORE VALUES

COMMITMENT

We are committed to our vision, mission and to creating and delivering stakeholder value.

COURTESY

We are courteous - with our customers, stakeholders, and towards each other and encourage open communication.

COMPETENCE

We are competent and strive to continuously develop and improve our skills and business practices.

RESPONSIBILITY

We are responsible - as individuals and as teams - for our work and our actions. We welcome scrutiny, and we hold ourselves accountable.

INTEGRITY

We have integrity - as individuals and as teams - our decisions are characterized by honesty and fairness.

CODE OF CONDUCT

SNGPL requires its entire staff both executive and subordinate employees, the observance of the highest ethical standards in the conduct of its business activities to minimize the significant risk associated with non compliance. The policy on Business Principles and Ethical Risk is intended to assist SNGPL staff in meeting the standards of professional and personal integrity expected and required of them. SNGPL staff will act with integrity at all times, to protect and safeguard the reputation of the Company. Contravention of this policy will be regarded as misconduct.

SNGPL will ensure that, through this policy and through other means of communication, all its staff is aware of the required standards, rules and regulations.

Following are certain specific guidelines in respect of the above.

CONFLICT OF INTEREST

Each staff member has a prime responsibility to the Company and is expected to avoid any activity that could interfere with that responsibility. Staff should not engage in activities or transactions which may give rise to, or which may be seen to be giving rise to conflict between their personal interests and the interest of the Company. Such conflict could arise in a number of ways and a number of situations. The following paragraph outlines some specifically forbidden situations. This list is, however not exhaustive. In case of doubt the advice of the Management should be sought.

- SNGPL purchase equipment, material and services for various aspects of its operations. SNGPL staff members are forbidden from holding any financial interest, directly or indirectly in any organization supplying goods or services to the Company.
- SNGPL staff should not participate in any external activity that competes, directly or indirectly, with the Company.
- SNGPL staff should not engage in any outside business or activity that might interfere with their duties and responsibilities to the Company.
- No staff member should sell, lease or buy equipment, material or services to or from the Company except when as an employee it may be necessary in the normal course of his/her duties.
- Staff members are not permitted to conduct personal business activities on the Company's premises or to use Company facilities for such purpose.
- If a staff member has direct interest, indirect interest or family connections, with an external organization that has business dealing with SNGPL, details of such connections and interests should be fully disclosed to the Management.
- Staff members should disclose to the Management the details in respect of any relationship(s) with other staff members; and
- Staff members shall not perform any act or get involved in any situation that potentially could conflict with the principles outlined above.

CONFIDENTIALITY

Staff members should not keep or make copies of correspondence, documents, papers and records, list of suppliers or consumers without the consent of the Company. Company's information and records should be kept on Company premises only and unpublished information may be disclosed to external organizations/ individuals only on "need to know" basis. In case of doubt in this regard, the Management's advice should be sought.

CONTRIBUTIONS

No contribution shall be made to any organization or to any individual who either holds public office or is a candidate for public office.

INDUCEMENT PAYMENTS

Staff members should not give or receive payments that are intended to influence a business decision or to compromise independent judgment; nor should any staff member receive money for having given Company business to an outside agency. Payment of any nature to Government officials to induce them to perform their duties is strictly prohibited.

PROPER RECORD OF FUNDS, ASSETS, RECEIPTS AND DISBURSEMENTS

All funds, assets, receipts and disbursements should be properly recorded in the books of the Company. In particular, no funds or accounts should be established or maintained for a purpose that is not fully and accurately reflected in the books and records of the Company. Funds and assets received or disbursement should be fully and accurately reflected in the books and the records of the Company. No false or fictitious entries should be made or misleading reports pertaining to the Company or its operations should be issued.

RELATIONSHIPS AND DEALINGS WITH GOVERNMENT OFFICIALS, MEDIA, SUPPLIERS, CONSULTANTS AND OTHER PARTIES

SNGPL's relationships and dealings with Government officials, external agencies, parties and individuals should, at all times, be such the SNGPL's integrity and its reputation would not be damaged if details of the relationship or dealings were to become public knowledge.

It is the responsibility of each SNGPL staff member to exercise good judgment so as to act in a manner that will reflect favorably on the Company and the individual. Staff member should only make statements to the media, speeches in public forums, or publish articles in newspapers etc. with prior authorization. In a personal capacity also, due care should be taken while discussing the Company performance or plans with outsiders. Staff members having questions on how to comply with this requirement should consult with the Management.

HEALTH AND SAFETY

Every staff member should take reasonable care to ensure the health and safety of him/her self and others, who may be affected by his/her acts or omissions at work. Staff members should not tamper with or misuse any item provided by the Company to secure the safety, health and welfare of its staff and for the protection of the environment.

ENVIRONMENT

To preserve and protect the environment, all SNGPL staff members should;

- design and operate the Company's facilities and processes so as to ensure the trust of adjoining communities.
- promote resource conservations, waste minimization and the minimization of the release of chemicals / gas into the environment.
- provide employees customers, supplies, public authorities and communities with appropriate information for informed decision making; and
- strive continuously to improve environmental awareness and protection.

ALCOHOL, DRUGS AND GAMBLING

The use of alcohol in any form is prohibited on all Company locations/ premises. Similarly, the use of drugs, except under medical advice, is prohibited on all Company locations / premises.

Any staff member arriving at a work place under the influence of alcohol or drugs will not be permitted to enter the premises and will be liable to disciplinary action.

All forms of gambling / betting on the Company's premises are forbidden.

RECEIVING GIFTS

No employee shall seek accept or permit himself / herself or any member of his/her family to accept any gift or favor, the receipt of which will place him/her under form of officials obligation to the donor. As part of building relationship with consumers, suppliers, etc. staff members may receive occasional gifts provided that the gift is of nominal value (e.g. pens, notepads, calendars, diaries, key chains or such promotional material) and the gift is neither intended nor perceived by others to be intended to improperly influence business decision.

WORK PLACE HARASSMENT

SNGPL staff will maintain an environment that is free from harassment and in which all employees are equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, religion, race or ethnicity.

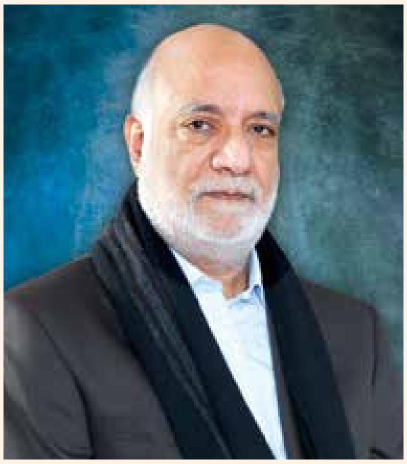
REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE

SNGPL fully co-operates with all governmental and regulatory bodies and is committed to high standards of corporate governance. We are fully compliant to our obligations as envisaged under the Listing Rules of three Stock Exchanges, of whom SNGPL is listed member.

GENERAL

- All information and explanations supplied to the auditors must be completed and not misleading.
- SNGPL will not knowingly assist in fraudulent activities (e.g. tax evasion, etc.). If one has any reason to believe that fraudulent activities are taking place (whether within the Company or by others with whom the Company has any business relations), one must report it to the concerned departmental head immediately.
- All the financial transactions will remain within the ambit of the Company's Memorandum and Articles of Association.

BOARD OF DIRECTORS AS AT JUNE 25, 2014



MIAN MISBAH-UR-REHMAN
Chairman

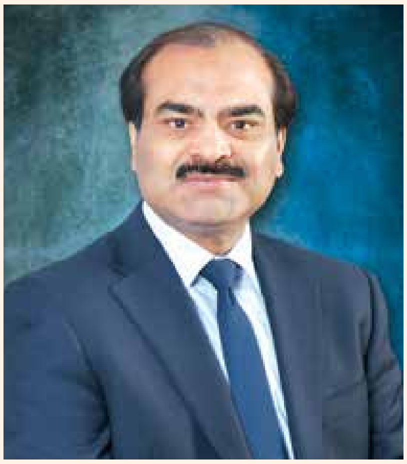
Chief Executive, Popular Chemical Works (Pvt.) Limited. Mr. Rehman has served as Chairman of Lahore Gymkhana Club, Pakistan Pharmaceutical Manufacturers Association (PPMA), President of Lahore Chamber of Commerce and Industry and Member of Managing Committee of the Federation of Pakistan Chambers of Commerce and Industry. He is a member of Governing Body – Workers' Welfare Fund (Ministry of Labour & Manpower). Mr. Rehman has rendered remarkable services for Social Welfare. Being an active Ravian, he is a member of Board of Trustees and member executive committee of "Endowment Trust Fund" of Government College University, Lahore.

MR. MOHAMMAD ARIF HAMEED
Managing Director

Director on the Boards of Sui Southern Gas Company Limited, Inter State Gas Systems (Pvt.) Limited, Petroleum Institute of Pakistan and LUMS. Mr. Hameed has an extensive experience of more than 33 years in the fields of Distribution, Billing, Sales, Logistics Support, Procurement and Legal. He is a Mechanical Engineer by profession, registered with the Pakistan Engineering Council (PEC). Mr. Hameed is also a Masters in Administrative Sciences and a Law graduate from University of the Punjab, Lahore.

MIRZA MAHMOOD AHMAD
Director

Director on the Boards of Sui Southern Gas Company Limited (SSGC), Pakistan Engineering Company Limited (PECO) and Arif Habib Investment Limited. He also holds the chairmanship of Human Resource / Nomination Committee of Directors of SNGPL. Mr. Ahmad is a partner of Minto and Mirza Advocates and Solicitors. He holds membership of Lahore High Court Bar Association and Punjab Bar Council and is also a fellow of the "Cambridge Commonwealth Society". Mr. Ahmad has diverse legal experience having representation a number of leading public and private enterprises including various banks and financial institutions. He has several publications and research projects in his name. Mr. Ahmad is an LLM graduate from Cambridge University, UK and LLB from University of the Punjab, Lahore.



MR. MANZOOR AHMED
Director

Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT) which is the largest Asset Management Company of Pakistan. As COO, since 5 years, he has been successfully managing the operations and investment portfolio worth over Rs 95 billion. He has experience of over 26 years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investments, research and liaising with the regulatory authorities. He is M.B.A. and also holds D.A.I.B.P. At present, he is a candidate for CFA Level III. Mr. Ahmed has attended various training courses organized by locally and internationally reputed institutions like London Business School (LBS) UK and Financial Markets World, New York (USA). He represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

MR. NESSAR AHMED
Director

Director, Sui Southern Gas Company Limited, Inter State Gas Systems (Pvt.) Limited, AKD Capital Limited and AKD Farms (Pvt.) Limited. Mr. Ahmed also holds the Chairmanship of Audit / Risk Management Committee of Directors of SNGPL. He is also a member of the Governing Body of Thar Coal Gasification Project. He has vast experience in various fields which includes Internal Audit, Project Financing and Merchant Financing. Mr. Ahmed is an accomplished investment and development banker. He is an MBA from Institute of Business Administration (IBA), Karachi.

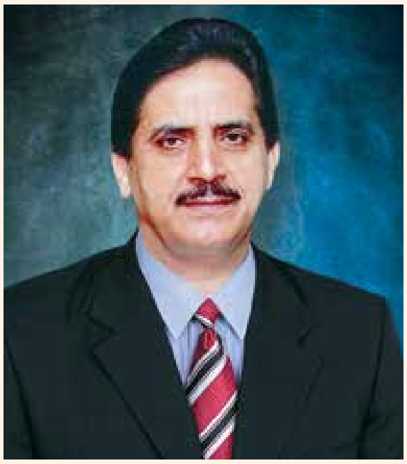
MR. SHABBIR AHMED
Director

Additional Secretary, Military Finance, Government of Pakistan. Mr. Ahmed has served as Executive Vice President in IDBP and has also liaison with World Bank and Asian Development Bank for their Capital & Finance Market Programmes in Pakistan. He has worked as focal person to establish necessary infrastructure for Public Private Partnership (PPP) in Pakistan. While serving in Ministry of Petroleum & Natural Resources, he was a member of the Core Team in developing different gas import options for Pakistan. Being a member of Government Working Group negotiated terms and conditions for gas import, pipeline projects with Iran, India, Afghanistan and Turkmenistan. Mr. Ahmed holds a Master Degree in English Literature from the University of Punjab and post-graduate Diploma in Managerial Control and Management Information System.

BOARD OF DIRECTORS AS AT JUNE 25, 2014

MR. AHMAD AQEEL
Director

Managing Director, City Developers, Sheikh Fuels and Sheikh CNG. Mr. Aqeel holds Directorship of Gibraltar Power Limited, City Builders and City CNG. Member, Lahore Chamber of Commerce and Industry. He has attended a number of workshops and seminars locally and Internationally. Mr. Aqeel is a Law graduate from Pakistan College of Law and a Certified Director from Pakistan Institute of Corporate Governance.

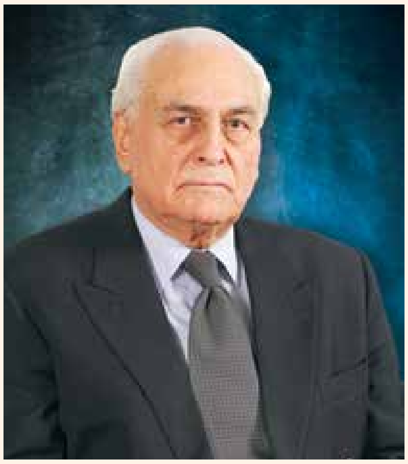


MR. ALAMUDDIN BULLO
Director

Chairman, State Life Insurance Corporation of Pakistan. Mr.Alamuddin Bullo joined SNGPL as Director on November 4, 2013. He holds directorship on the Board of Fauji Fertilizer Company Limited, Package Limited, Orix Leasing Pakistan Limited, Hub Power Company Limited, Pakistan Cables Limited and Security Papers Limited. He has formerly held the positions of Provincial Secretary, Communication and Works, Culture, Education, Labour and Population. In addition, having held the position of Deputy Commissioner of the Districts of Jacobabad, Badin, Dadu and District Coordination Officer of the Districts of Gawadar, Jaffarabad and Dadu. He has also been a Chief Secretary of Azad State of Jammu & Kashmir and undergone senior management course in the National Defence University at Islamabad. Mr. Bullo holds a Masters Degree in Economics from the Sindh University, Jamshoro and also stood 1st position in the CSS examination of 1985 in Province Sindh.

MR. MUHAMMAD ARIF HABIB
Director

Chairman and Chief Executive, Arif Habib Corporation Limited, Chairman, Pakarab Fertilizers Limited, Fatima Fertilizers Company Limited, Javedan Corporation Limited, Real Estate Modaraba Management Company Limited, Sachal Energy Development (Pvt.) Limited, Pakistan Private Equity Management Limited, Arif Habib DMCC (Dubai) and Arif Habib Foundation. Director, Pakistan Center for Philanthropy, Pakistan Engineering Company Limited, Aisha Steel Mills Limited and International Complex Projects Limited. Ex-President/ Chairman, Karachi Stock Exchange Limited. Founding member and Ex-Chairman, Central Depository Company of Pakistan Limited. Ex-Member, Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities and Exchange Ordinance Review Committee.



MR. MUHAMMAD AZAM KHAN
Director

Former Minister for Finance, Planning & Development, Government of Khyber Pakhtunkhwa. Mr. Khan also holds the Chairmanship of Finance / Procurement Committee of Directors of SNGPL. He has immense experience in the fields of Finance, Research, Planning and Development. He has served in different national and international organizations in the capacity of Chairman, Director, Advisor and Secretary. Mr. Khan has also served as Chief Secretary, Secretary, Director General and Commissioner for the Governments of Pakistan and Khyber Pakhtunkhwa by contributing to the Petroleum and Natural Resources, Administration, Education, Labour and Manpower, Communication and Works Departments. He is a Barrister-at-law from Lincoln's Inn, London and a graduate in Political Science and History from the University of Peshawar. He has also completed his Diploma in Development Administration, University of Leeds, UK.

MR. RAZA MANSHA
Director

Chief Executive, D.G. Khan Cement Company Limited, Nishat Paper Products Limited and Nishat Developers (Pvt.) Limited. Director, MCB Bank Limited, Adamjee Life Assurance Company Limited and Nishat Hotels and Properties Limited. Mr. Mansha is Chairperson of Alumni Student Committee, University of Pennsylvania. He is a graduate from the University of Pennsylvania (USA).

MR. KHALID MANSOOR
Director

Chairman, Laraib Energy Limited and Chief Executive Officer (CEO) of Hub Power Company Limited. Mr. Mansoor has replaced Mr. A. Samad Dawood as Director on January 30, 2014. He held the position of the President and CEO of Engro Fertilizers Limited, Engro Powergen Qadirpur Limited, Engro Powergen Limited and Sindh Engro Coal Mining Company and had been a Director on the Boards of Engro Corporation, Engro Polymer & Chemicals Limited, Engro Foods (Pvt) Limited, Engro Vopak Terminal Limited. Mr. Mansoor has formerly held the position of CEO of Algeria Oman Fertilizer Company (World's biggest Ammonia & Urea Complex). He has over 33 years of experience and expertise in Energy and Petrochemical sectors in leading roles for mega size Projects Development, Execution, Management and Operations. Mr. Mansoor holds a Degree in Chemical Engineering with Distinction and Honors.

BOARD OF DIRECTORS AS AT JUNE 25, 2014

QAZI MOHAMMAD SALEEM SIDDIQUI
Director

Director General (Petroleum Concessions), in Policy Wing, Ministry of Petroleum & Natural Resources. Mr. Siddiqui Joined SNGPL as Director on April 27, 2012. He has served as Assistant Director (Technical), Deputy Director (Technical) & Director (Technical) for the last 24 years in the aforesaid Ministry. By profession, Mr. Siddiqui is a Mechanical Engineer from Mehran University of Engineering & Technology, Jamshoro, District Dadu, Sindh and commenced his career in Thatta Sugar Mills, a project of Sindh Sugar Corporation since 1985 as Shift Engineer.

MR. ZUHAIR SIDDIQUI
Director

Managing Director, Sui Southern Gas Company Limited (SSGC). Mr. Siddiqui joined SNGPL's Board on November 29, 2012. Prior to becoming the MD, SSGC, Mr. Siddiqui was DMD (Corporate Services) and headed the information Technology, Management Services, Corporate Communications and Customer Services. He held a senior position in Management Information Systems at Civil Aviation Authority. He has a great vision on future technologies especially in Information Technology and having 16 years of vast experience in various technology companies in USA. Mr. Siddiqui is M.S. in Electrical and Computer Engineering from Oregon State University, USA and B.E. (Electronic Engineering) from the University of Karachi.

MRS. UZMA ADIL KHAN
Chief Financial Officer

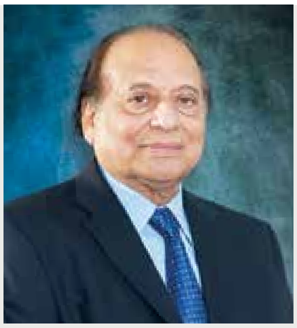
Mrs. Khan took over the charge of Chief Financial Officer on February 14, 2013. Before this she was serving as Company Secretary. She has wide experience in senior positions in textile, educational institutions and Securities and Exchange Commission of Pakistan. Mrs. Khan is a fellow member of Institute of Chartered Accountants of Pakistan and Institute of Chartered Secretaries and Managers.

MISS WAJIHA ANWAR

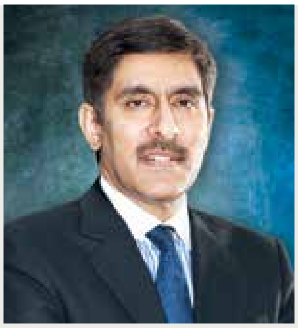
Company Secretary

Miss Wajiha Anwar took over the charge of Company Secretary on February 14, 2013. She has over sixteen years of professional experience in the field of corporate/commercial and banking laws. She has been Legal Advisor, National Bank of Pakistan (NBP) and Legal Counsel, Corporate & Industrial Restructuring Corporation of Pakistan (CIRC), Ministry of Finance, Government of Pakistan. She has a Bachelor of Laws (LL.B.) degree as well as a Masters in English Literature (M.A.) degree from the University of the Punjab. She has to her credit success in competitive exam of the Central Superior Services (CSS) of Pakistan.

PRESENT BOARD OF DIRECTORS



MR. MUHAMMAD SAEED MEHDI
Chairman

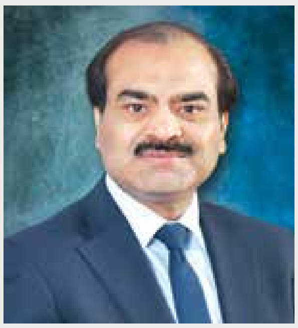


MR. AMER TUFAIL
Managing Director/CEO

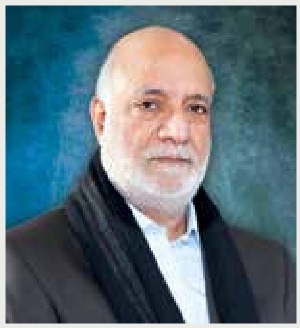
MR. AHMAD AQEEL
Director

MR. ARSHAD MIRZA
Director

MIRZA MAHMOOD AHMAD
Director



MR. MANZOOR AHMED
Director



MIAN MISBAH-UR-REHMAN
Director

MR. MUHAMMAD ARIF HABIB
Director

MR. MUSTAFA AHMAD KHAN
Director

MS. NARGIS GHALOO
Director

MR. NAUMAN WAZIR
Director

MR. RAZA MANSHA
Director

MR. RIZWANULLAH KHAN
Director

MR. SHAHID YOUSAF
Director

EXTRAORDINARY GENERAL MEETING

In accordance with Section 178 of the Companies Ordinance, 1984, Thirteen (13) Directors of the Company were elected for a period of three years with effect from June 26, 2014 at the Extraordinary General Meeting of the Company held on June 25, 2014. Managing Director is a deemed Director u/s 200(2) of the Companies Ordinance, 1984. The following Directors were elected:

- Mr. Raza Mansha
- Mr. Mushtaq Ahmed
- Mr. Ahmad Aqeel
- Mian Misbah-ur-Rehman
- Mr. Manzoor Ahmed
- Mirza Mahmood Ahmad
- Mr. Mustafa Ahmad Khan
- Mr. Abid Saeed
- Mr. Zuhair Siddiqui
- Mr. Rizwanullah Khan
- Mr. Nauman Wazir
- Mr. Arshad Mirza
- Mr. Muhammad Arif Habib

Mr. Arshad Mirza subsequently resigned from the Directorship of the Company. The first meeting of the newly elected Board of Directors was held on July 9, 2014. Mr. Muhammad Saeed Mehdi was appointed as Director and elected as Chairman of the Board of Directors on July 9, 2014.

CORPORATE PROFILE

Sui Northern Gas Pipelines Limited (SNGPL) was incorporated as a private limited company in 1963 and converted into a public limited company in January 1964 under the Companies Act 1913, now Companies Ordinance 1984, and is listed on the Pakistan Stock Exchange Limited.

The Company took over the existing Sui–Multan System (217 miles of 16 inch and 80 miles of 10 inch diameter pipelines) from Pakistan Industrial Development Corporation (PIDC) & Dhulian–Rawalpindi –Wah System (82 miles of 6 inch diameter pipeline) from Attock Oil Company Limited. The Company's commercial operations commenced by selling an average of 47 MMCFD gas in two regions viz. Multan and Rawalpindi, serving a total number of 67 consumers.

SNGPL is the largest integrated gas Company serving more than 4.77 million consumers in North Central Pakistan through an extensive network in Punjab, Khyber Pakhtunkhwa and Azad Jammu & Kashmir. The Company has over 51 years of experience in operation and maintenance of high-pressure gas Transmission and Distribution System. It has also expanded its activities as Engineering, Procurement and Construction (EPC) Contractor to undertake the planning, designing and construction of pipelines, both for itself and other organizations.

CORPORATE INFORMATION

AUDITORS
A.F. Ferguson & Co.
Chartered Accountants

SHARES REGISTRAR
Central Depository Company of Pakistan Limited,
2nd Floor, 307 Upper Mall, Opposite Lahore Gymkhana,
Near Mian Mir Bridge, Lahore-54000.
Tel: (+92-42) 35789378-87
Fax: (+92-42) 35789340
E-mail: info@cdcpak.com
Website: www.cdcpakistan.com

LEGAL ADVISORS
M/s. Surridge & Beecheno
M/s. Salim Baig and Associates

REGISTERED OFFICE
Gas House,
21-Kashmir Road,
P.O. Box No. 56, Lahore - 54000, Pakistan.
Tel: (+92-42) 99201451-60 & 99201490-99
Fax: (+92-42) 99201369 & 99201302
Website: www.sngpl.com.pk

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The success of any organization depends on the adoption and implementation of good corporate governance, therefore, the Board of Sui Northern Gas Pipelines Limited is fervent to ensure the highest standards of Corporate Governance at all levels and is steadfast to promoting transparency in reporting information about the Company. As a result of evolving laws, policies and practices, the Company regularly reviews these Corporate Governance practices and policies to ensure that the Company complies with all applicable requirements and implements best practices to its operations. SNGPL's Board is committed to protect the rights of its shareholders, while employing tactics of high transparency through an empowered Board of Directors. The interests of the shareholders are aligned with those of the Company through the implementation and monitoring of set objectives. The business and affairs of the Company are managed under the supervision of the Board. The Board of Directors ensures that highest standards are maintained, which in turn enhances the shareholders' and Company's worth by optimally utilizing all available resources. Moreover, the Company complies with Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance ("CCG") contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges (now merged as the Pakistan Stock Exchange Limited).

BOARD OF DIRECTORS

An extraordinary general meeting of the Company was held on June 25, 2014 for election of Directors for a term of three years commencing June 26, 2014. The election was conducted by using voting rights by the shareholders. It was contested by 16 candidates, 13 of whom were declared elected. The Managing Director did not contest the election and deemed to be a Director under Section 200(2) of the Companies Ordinance, 1984. The Company's Board consists of 13 Non-Executive Directors and one Executive Director. All Directors have wide range of experience in different professions to strengthen the policy and decision making process of the Company. In line with Public Sector Companies (Corporate Governance) Rules, 2013, the positions of Chairman and Chief Executive Officer are kept separate. The Chairman of the Board is also a Non-Executive member. Board members bring with them a wide range of relevant business, financial and international experience which carries significant weight while decision-making and managerial suggestions. Board members fulfill a vital role of corporate accountability through the advocacy of fairness and transparency within all independent decisions.

The Board is fully involved in protecting the shareholder rights and enforces the equitable treatment for all its shareholders regardless of the number of shares owned. The Board's four sub-committees viz Audit/Risk Management, Finance/Procurement, Human Resources/Nomination and Unaccounted for Gas Control Committees are composed of various Board Members based upon their professional experience. Sub-Committees give their best input and expert opinion on different strategic issues, for final approval by the Board.

BOARD MEETINGS

The names and categories of the Board of Directors and their attendance at Board meetings during the year are given below;

BOD Meeting Attendance

				FY 2013-14	
Sr. #	Name	Designation	Category	Total No. of BOD Meetings*	No. of Meetings Attended
1	Mian Misbah-ur-Rahman	Chairman	Non-Executive	16	16
2	Mr. Mohammad Arif Hameed	MD / CEO	Executive	16	16
3	Mirza Mahmood Ahmad	Director	Non-Executive	16	16
4	Mr. Manzoor Ahmed	Director	Independent	16	9
5	Mr. Nessar Ahmed	Director	Independent	12	11
6	Mr. Shabbir Ahmed	Director	Non-Executive	16	13
7	Mr. Ahmad Aqeel	Director	Independent	16	16
8	Mr. Abdul Samad Dawood	Director	Non-Executive	2	1
9	Mr. Alamuddin Bullo	Director	Non-Executive	6	6
10	Mr. Muhammad Arif Habib	Director	Non-Executive	16	6
11	Mr. Muhammad Azam Khan	Director	Non-Executive	16	15
12	Mr. Raza Mansha	Director	Non-Executive	16	12
13	Mr. Khalid Mansoor	Director	Non-Executive	6	5
14	Qazi Mohammad Saleem Siddiqui	Director	Non-Executive	16	16
15	Mr. Shahid Aziz Siddiqui	Director	Non-Executive	3	2
16	Mr. Zuhair Siddiqui	Director	Non-Executive	16	16

* Held during the period the concerned Director was member of the Board.

CORPORATE GOVERNANCE

Audit/Risk Management Committee of the Board

The procedure along with responsibilities / functions of the Audit/Risk Management Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee shall meet at least once in each quarter.
2. Quorum will be three members.
3. The Secretary of the Audit/Risk Management Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The Audit /Risk Management Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit/Risk Management Committee in all these matters.

The terms of reference of the Audit/Risk Management Committee shall also include the following:

1. a) determination of appropriate measures to safeguard the listed Company's assets;

b) review of preliminary announcements of results prior to publication;

c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards; and
- compliance with listing regulations and other statutory and regulatory requirements.

d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) review of management letter issued by external auditors and management's response thereto;

f) ensuring coordination between the internal and external auditors of the Company;

g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) consideration of major findings of internal investigations and management's response thereto;

i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) review of the Company's statement on internal control systems prior to endorsement by the Board of Director;

k) recommending or approving the hiring or removal of the chief internal auditor;

l) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

m) determination of compliance with relevant statutory requirements;

n) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

o) overseeing whistle-blowing policy and protection mechanism; and

p) consideration of any other issue or matter as may be assigned by the Board of Directors.

2. The Audit/Risk Management Committee shall be responsible for managing the relationship of Public Sector Company with the external auditors. In managing the Public Company's relationship with the external auditors on behalf of the Board, the Audit/Risk Management Committee's responsibilities include:-

a) suggesting the appointment of the external auditor to the Board, the audit fee, and any questions of resignation or dismissal;

b) considering the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors, and reviewing the remuneration for this work;

c) discussing with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies;

d) discussing with the external auditors any significant issues from the review of the financial statements by the Management, and any other work undertaken or overseen by the Audit/Risk Management Committee;

e) reviewing and considering the external auditors' communication with Management and Management's response thereto; and

f) reviewing progress on accepted recommendations from the external auditors.

3. The recommendations of the Audit/Risk Management Committee for appointment of retiring auditors or otherwise, as mentioned in sub-rule 2 above, shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the lapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.

4. The Audit/Risk Management Committee shall appoint a Secretary of the Committee, who shall circulate minutes of its meetings to the all members, Directors and the Chief Financial Officer, within fourteen days of the meeting.

MR. NESSAR AHMED
Chairman
Audit/Risk Management Committee

MIRZA MAHMOOD AHMAD
Member

MR. AHMAD AQEEL
Member

MR. A. SAMAD DAWOOD
Member

MR. RAZA MANSHA
Member

MR. SHAHID AZIZ SIDDIQUI
Member

MR. MUHAMMAD ARIF HABIB
Member

The composition of the Audit/Risk Management Committee, category, detail of meetings and directors' attendance are given below:

Audit/Risk Management Committee Meetings

				FY 2013-14	
Sr. #	Name	Designation	Category	Total No. of Audit/Risk Management Committee Meetings*	No. of Meetings Attended
1	Mr. Nessar Ahmed	Chairman	Independent	3	3
2	Mirza Mahmood Ahmad	Member	Non-Executive	4	4
3	Mr. Ahmad Aqeel	Member	Independent	4	3
4	Mr. Abdul Samad Dawood	Member	Non-Executive	1	0
5	Mr. Raza Mansha	Member	Non-Executive	4	3
6	Mr. Shahid Aziz Siddiqui	Member	Non-Executive	1	0
7	Mr. Muhammad Arif Habib	Member	Non-Executive	4	2
8	Mr. Zuhair Siddiqui	Co-opted	Non-Executive	1	1
9	Mr. Muhammad Azam Khan	Co-opted	Non-Executive	1	1

* Held during the period the concerned Director was member of the Committee.

CORPORATE
GOVERNANCE

Finance/ Procurement Committee of the Board

The procedure along with responsibilities and functions of the Finance/Procurement Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee shall meet at least once in a quarter.
2. Quorum will be three members.
3. The Secretary of the Finance/Procurement Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The Finance/Procurement Committee of Directors shall be responsible to review strategic business issues as assigned by the Board of Directors, which include but are not limited to the following:

i. Major investment proposals, policies prepared by the Management for approval of the Board in excess of the financial powers delegated to the Managing Director / Finance/Procurement Committee.

ii. Major contracts including financial/economic appraisals of the same in excess of the financial powers delegated to the Managing Director / Finance/ Procurement Committee.

iii. The examination of Capital and Revenue Budget of the Company and to make recommendations to the Board of Directors, thereon.

iv. Comparison of the Revenue and Capital budget with the proposals submitted to OGRA along with the major deviations including reasons thereof.

v. The examination of Budgetary and Operating limits of authority and recommend to the Board any deviation or any enhancement thereof.

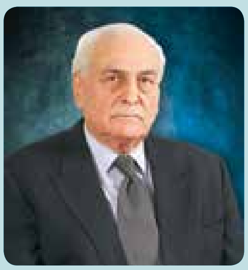
vi. Approval of contracts or purchase orders in local or foreign currency for supply of material, services or other works exceeding the financial authority delegated to the Chief Executive Officer. Recommend to the Board of Directors along with their findings in respect of the contracts or order exceeding the financial authority of the Finance/Procurement Committee of Directors.

vii. To approve/recommend major contracts of civil work along with cost benefit analysis thereof which also include purchase of land.

viii. To review manual/policies adopted by the Management in respect of procurement of various materials and services.

ix. To review the borrowing plans of the Company and recommendation thereof to the Board for approval assessing the requirements thereof or otherwise.

x. Any other assignment given by the Board of Directors.


MR. MUHAMMAD AZAM KHAN
Chairman
Finance/Procurement Committee


MR. MOHAMMAD ARIF HAMEED
Member


MR. MANZOOR AHMED
Member


MR. SHABBIR AHMED
Member


MR. AHMAD AQEEL
Member


MR. SHAHID AZIZ SIDDIQUI
Member


MR. ZUHAIR SIDDIQUI
Member

The composition of the Finance/Procurement Committee, category, detail of meetings and directors' attendance are given below:

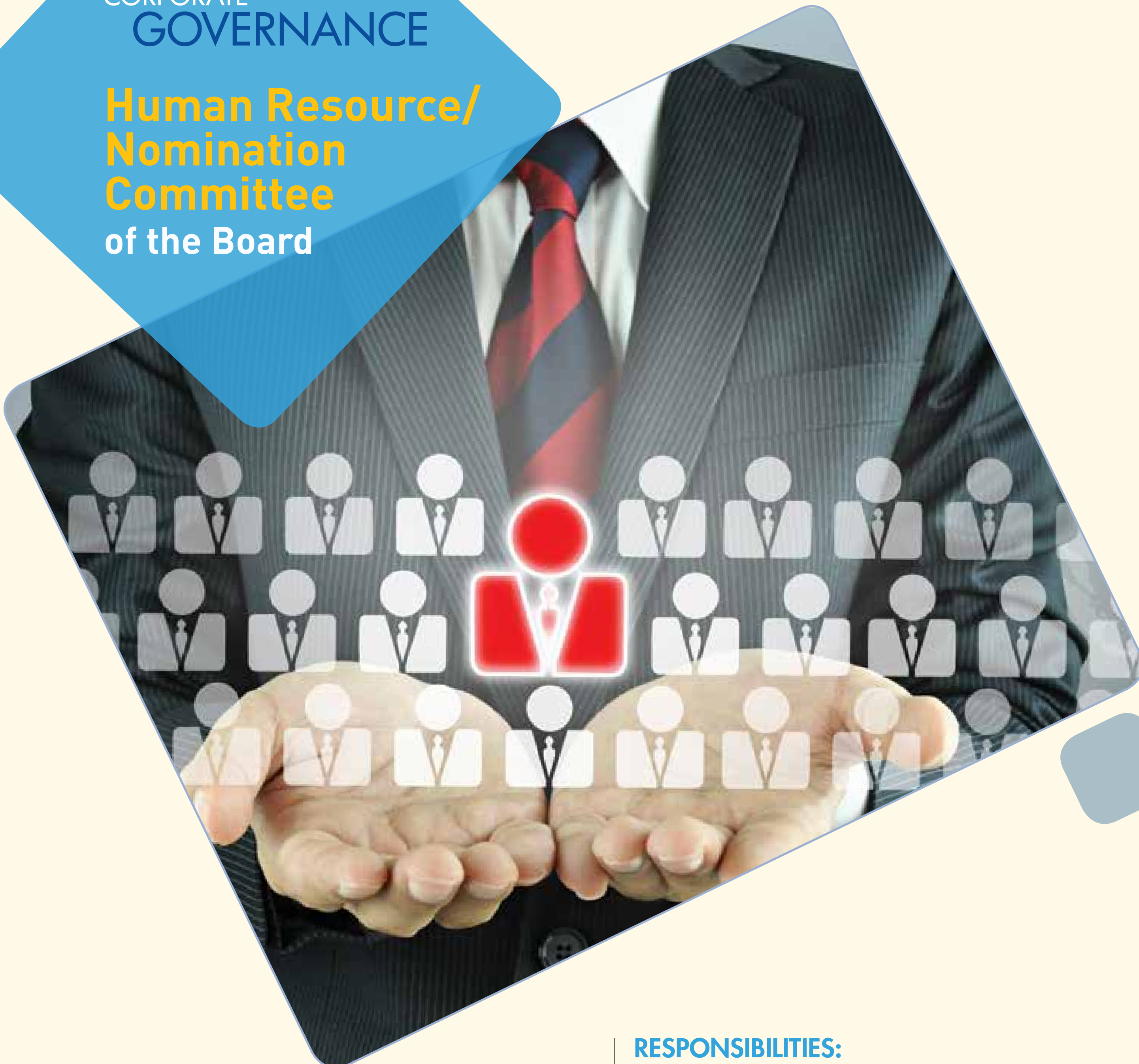
Finance/Procurement Committee Meetings

				FY 2013-14	
Sr. #	Name	Designation	Category	Total No. of Finance/Procurement Committee Meetings*	No. of Meetings Attended
1	Mr. Muhammad Azam Khan	Chairman	Non-Executive	6	6
2	Mr. Mohammad Arif Hameed	MD / CEO	Executive	6	5
3	Mr. Manzoor Ahmed	Member	Independent	3	3
4	Mr. Shabbir Ahmed	Member	Non-Executive	6	4
5	Mr. Ahmad Aqeel	Member	Independent	6	5
6	Mr. Shahid Aziz Siddiqui	Member	Non-Executive	1	1
7	Mr. Zuhair Siddiqui	Member	Non-Executive	6	6
8	Mirza Mahmood Ahmad	Co-opted	Non-Executive	2	2

* Held during the period the concerned Director was member of the Committee.

CORPORATE GOVERNANCE

Human Resource/ Nomination Committee of the Board



The procedures along with responsibilities and functions of the Human Resource/Nomination Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee will meet at least once in a quarter.
2. Quorum will be three members.
3. The Secretary of the Human Resource/Nomination Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The Committee will be responsible for making recommendations to the Board for maintaining:

- a sound plan of organization for the Company;
- an effective employees development programme;
- sound compensation and benefit and plans, policies and practices, designed to attract and retain the caliber of personnel needed to manage the business effectively.

FUNCTIONS:

a) Review organization structure periodically to:

- Evaluate and recommend for approval of changes in organization, functions, and relationships affecting Management positions equivalent in importance to those on the Management position schedule;

- establish plans and procedure which provide an effective basis for Management control over Company manpower;
- determine appropriate limits of authority and approval procedures for personnel matters requiring decision at different level of Management.

b) Review the employees development system to ensure that it:

- Foresees the Company's Senior Management requirement;
- provides for early identification and development of key personnel;
- brings forward specific succession plans for Senior Management positions;
- training and development plans.

c) Compensation and Benefits:

- review data of competitive compensation practices and review and evaluate policies and programmes through which the Company compensates its employees;
- review salary ranges, salaries and other compensation for CEO and Senior Management/ Executive Directors reporting to the CEO.

MIRZA MAHMOOD AHMAD
Chairman
HR/Nomination Committee

MR. MOHAMMAD ARIF HAMEED
Member

MR. AHMAD AQEEL
Member

MR. RAZA MANSHA
Member

MR. MANZOOR AHMED
Member

QAZI MOHAMMAD SALEEM SIDDIQUI
Member

MR. ZUHAIR SIDDIQUI
Member

The composition of the Human Resource/Nomination Committee, category, detail of meetings and directors' attendance are given below:

Human Resource/Nomination Committee Meetings

FY 2013-14

Sr. #	Name	Designation	Category	Total No. of HR / Nomination Committee Meetings*	No. of Meetings Attended
1	Mirza Mahmood Ahmad	Chairman	Non-Executive	9	9
2	Mr. Mohammad Arif Hameed	MD / CEO	Executive	9	9
3	Mr. Ahmad Aqeel	Member	Independent	9	9
4	Mr. Raza Mansha	Member	Non-Executive	9	8
5	Mr. Manzoor Ahmed	Member	Independent	5	5
6	Qazi Mohammad Saleem Siddiqui	Member	Non-Executive	9	9
7	Mr. Zuhair Siddiqui	Member	Non-Executive	9	9
8	Mr. Muhammad Azam Khan	Co-opted	Non-Executive	2	2

* Held during the period the concerned Director was member of the Committee.

CORPORATE GOVERNANCE

Un-accounted for Gas (UFG) Control Committee of the Board

The procedure along with responsibilities of the Un-accounted for Gas (UFG) Control Committee of Directors would be as follows:

Number of Members: 06

PROCEDURE:

1. The Committee shall meet at least once in a quarter or as otherwise directed by the Board.
2. Quorum will be three members.

3. The Secretary of the UFG Control Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The UFG Control Committee of Directors shall be responsible to review strategic UFG issues as assigned by the Board of Directors, for maintaining;

- A sound plan to minimize the UFG losses.
- An effective implementation of UFG control plan.
- Sound incentive scheme, policies and practices, designed to attract the concerns and personnel for effective reduction of UFG losses.
- Review of UFG control plan periodically.
- The UFG Control Committee will recommend to the Board, implementation of UFG final plan, or any change thereto.

MR. MUHAMMAD ARIF HABIB
Chairman
UFC Control Committee

MIRZA MAHMOOD AHMAD
Member

MR. NESSAR AHMED
Member

MR. SHABBIR AHMED
Member

MR. AHMAD AQEEL
Member

MR. ZUHAIR SIDDIQUI
Member

The composition of the Un-accounted for Gas Control Committee, detail of meetings and directors' attendance are given below:

UFG Control Committee Meetings

				FY 2013-14	
Sr. #	Name	Designation	Category	Total No. of UFG-C Committee Meetings*	No. of Meetings Attended
1	Mr. Muhammad Arif Habib	Chairman	Non-Executive	3	3
2	Mirza Mahmood Ahmad	Member	Non-Executive	3	3
3	Mr. Nessar Ahmed	Member	Independent	3	3
4	Mr. Shabbir Ahmed	Member	Non-Executive	3	2
5	Mr. Ahmad Aqeel	Member	Independent	3	2
6	Mr. Zuhair Siddiqui	Member	Non-Executive	3	3

* Held during the period the concerned Director was member of the Committee.

STATEMENT OF COMPLIANCE

with the Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance-2012

SCHEDULE I

Name of Company: **Sui Northern Gas Pipelines Limited**
Name of the line Ministry: **Ministry of Petroleum and Natural Resources**
Year Ended: **June 30, 2014**

I. This statement is being presented to comply with Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance as well as Code of Corporate Governance ("CCG") contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges (now merged as the Pakistan Stock Exchange Limited). In case where there is inconsistency with the CCG, the provisions of Rules shall prevail.

II. The Company has complied with the provisions of the Rules and CCG in the following manner:

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the Relevant Box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td><td></td></tr>
<tr><td>2.</td><td>*The Board has the requisite percentage of independent directors. At present the board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Independent Directors</td><td>1. Mr. Manzoor Ahmed
2. Mr. Ahmad Aqeel
3. Mr. Mustafa Ahmad Khan
4. Mr. Nauman Wazir
5. Mr. Rizwanullah Khan</td><td>26.06.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014</td></tr>
<tr><td>Managing Director</td><td>Mr. Mohammad Arif Hameed</td><td>27.04.2011</td></tr>
<tr><td>Non-Executive Directors</td><td>1. Mr. Arshad Mirza
2. Mr. Abid Saeed
3. Mr. Mushtaq Ahmad
4. Mr. Raza Mansha
5. Mr. Zuhair Siddiqui
6. Mr. Muhammad Arif Habib
7. Mirza Mahmood Ahmad
8. Mian Misbah-ur-Rehman</td><td>26.06.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014</td></tr>
</table>
*The number of elected directors on the Board is thirteen (13). The Managing Director is a "deemed director" under Section 200(2) of the Companies Ordinance, 1984.</td><td>3(2)</td><td>✓</td><td></td><td></td></tr>
<tr><td>3.</td><td>A casual vacancy occurring on the board was filled up by the directors within ninety days.</td><td>3(4)</td><td></td><td>✓</td><td>A casual vacancy occurred on August 19, 2013. However, no nomination was received by the major shareholders. The same was filled on January 30, 2014 after consensus by the Directors.</td></tr>
<tr><td>4.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✓</td><td></td><td>Mr. Manzoor Ahmed as nominee of NIT is Director of six listed companies which is allowed under the Code of Corporate Governance.</td></tr>
<tr><td>5.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.</td><td>3(7)</td><td></td><td></td><td>Majority of the nominations on the Board of Directors are made by the major shareholders of the Company.</td></tr>
<tr><td>6.</td><td>The chairman of the board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>✓</td><td></td><td></td></tr>
<tr><td>7.</td><td>The chairman has been elected from amongst the independent Directors.</td><td>4(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>8.</td><td>The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.</td><td>5(2)</td><td>✓</td><td></td><td></td></tr>
</table>

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the Relevant Box		
9.	(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website: www.sngpl.com.pk (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓		
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	✓		
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the Company's code of conduct.	5(5)(c)(ii)	✓ ✓		
14.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c)(iii)	✓		
15.	The board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓		
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			Not Applicable
17.	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓		
18.	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual basis.	8	 ✓	✓	The new Board was elected on 26.06.2014. The Company will ensure compliance of the Rules.
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓		
20.	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Company's website. Monthly accounts were also prepared and circulated amongst the board members.	10	✓		
21.	All the board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11	✓		

STATEMENT OF COMPLIANCE

<table>
<tr><th>Sr. No.</th><th>Provision of the Rules</th><th>Rule No.</th><th>Y</th><th>N</th><th>Remarks</th></tr>
<tr><th></th><th></th><th></th><th colspan="2">Tick the Relevant Box</th><th></th></tr>
<tr><td>22.</td><td>a) The board has formed the requisite committees, as specified in the Rules
b) The committees were provided with written term of reference defining their duties, authority and composition.
c) The minutes of the meetings of the committees were circulated to all the board members.
d) *The committees were chaired by the following non-executive directors;
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>1. Audit / Risk Management Committee</td><td>7</td><td>Mr. Nessar Ahmed</td></tr>
<tr><td>2. Human Resource / Nomination Committee</td><td>7</td><td>Mirza Mahmood Ahmad</td></tr>
<tr><td>3. Finance / Procurement Committee</td><td>7</td><td>Mr. Muhammad Azam Khan</td></tr>
<tr><td>4. UFG Control Committee</td><td>6</td><td>Mr. Muhammad Arif Habib</td></tr>
</table>
* The new Board was elected on 25.06.2014 and following committees were re-constituted by the new Board of Directors:
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr>
<tr><td>1. Audit Committee</td><td>7</td><td>Mr. Manzoor Ahmed</td></tr>
<tr><td>2. Human Resource / Nomination Committee</td><td>7</td><td>Mr. Abid Saeed</td></tr>
<tr><td>3. Finance / Procurement Committee</td><td>7</td><td>Mirza Mahmood Ahmad</td></tr>
<tr><td>4. UFG Control Committee</td><td>6</td><td>Mr. Muhammad Arif Habib</td></tr>
<tr><td>5. Risk Management Committee</td><td>7</td><td>Mr. Ahmad Aqeel</td></tr>
</table></td><td>12</td><td>✓
✓
✓
✓</td><td></td><td></td></tr>
<tr><td>23.</td><td>The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment and as per their prescribed qualifications.</td><td>13/14</td><td>✓</td><td></td><td></td></tr>
<tr><td>24.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission under clause (1) of sub section (3) of section 234 of the Ordinance.</td><td>16</td><td>✓</td><td></td><td></td></tr>
<tr><td>25.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td><td></td></tr>
<tr><td>26.</td><td>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.</td><td>18</td><td>✓</td><td></td><td></td></tr>
<tr><td>27.</td><td>A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director.</td><td>19</td><td>✓</td><td></td><td></td></tr>
<tr><td>28.</td><td>The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the board.</td><td>20</td><td>✓</td><td></td><td></td></tr>
<tr><td>29.</td><td>*The board has formed an audit committee, with defined and written terms of reference and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Nessar Ahmed-Chairman</td><td>Independent</td><td>Ex-Banker</td></tr>
<tr><td>Mr. Raza Mansha</td><td>Non- Executive</td><td>Industrialist</td></tr>
<tr><td>Mirza Mahmood Ahmad</td><td>Non- Executive</td><td>Lawyer</td></tr>
<tr><td>Mr. Ahmad Aqeel</td><td>Independent</td><td>Businessman</td></tr>
<tr><td>Mr. Muhammad Arif Habib</td><td>Non- Executive</td><td>Industrialist</td></tr>
<tr><td>Mr. Abdul Samad Dawood</td><td>Non-Executive</td><td>Industrialist</td></tr>
<tr><td>Mr. Shahid Aziz Siddiqui</td><td>Non-Executive</td><td>Chairman SLIC</td></tr>
</table>
The chief executive and chairman of the Board are not members of the audit committee.</td><td>21</td><td>✓</td><td></td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the Relevant Box</th></tr>
<tr><td></td><td>* The new Board was elected on 25.06.2014 and the Audit Committee was re-constituted as under:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Manzoor Ahmed</td><td>Independent</td><td>COO-NIT</td></tr>
<tr><td>Mr. Raza Mansha</td><td>Non- Executive</td><td>Industrialist</td></tr>
<tr><td>Mr. Muhammad Arif Habib</td><td>Non- Executive</td><td>Industrialist</td></tr>
<tr><td>Mr. Rizwanullah Khan</td><td>Independent</td><td>Business Execuitve</td></tr>
<tr><td>Mr. Ahmad Aqeel</td><td>Independent</td><td>Businessman</td></tr>
<tr><td>Mr. Muhammad Raeesuddin Paracha</td><td>Non-Executive</td><td>Executive Director - SLIC</td></tr>
<tr><td>Mr. Nauman Wazir</td><td>Independent</td><td>Industrialist</td></tr>
</table></td><td></td><td></td><td></td><td></td></tr>
<tr><td>30.</td><td>The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee and which worked in accordance with the applicable standards.</td><td>22</td><td>✓</td><td></td><td></td></tr>
<tr><td>31.</td><td>The Company has appointed its external auditors in line with the requirements envisaged under the Rules.</td><td>23</td><td>✓</td><td></td><td></td></tr>
<tr><td>32.</td><td>The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>33.</td><td>The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.</td><td>23(5)</td><td>✓</td><td></td><td></td></tr>
<tr><td>34.</td><td>The Company has complied with all the corporate and financial reporting requirements of the Rules.</td><td></td><td>✓</td><td></td><td></td></tr>
</table>

Additional disclosures as required under Code of Corporate Governance, 2012 (CCG):

- All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board/shareholders.
- Mr. Alamuddin Bullo, Director of the Company had obtained certification as required under CCG.
- 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 CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose.
- The 'closed period', prior to the announcement of interim/final results and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, employees and the stock exchange.
- Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
- We confirm that all other material principles enshrined in the CCG have been complied with.

(Amer Tufail)
Managing Director/CEO

(Muhammad Saeed Mehdi)
Chairman - BOD

Lahore
January 19, 2016

STATEMENT OF
COMPLIANCE

SCHEDULE II

Explanations for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with (except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year):

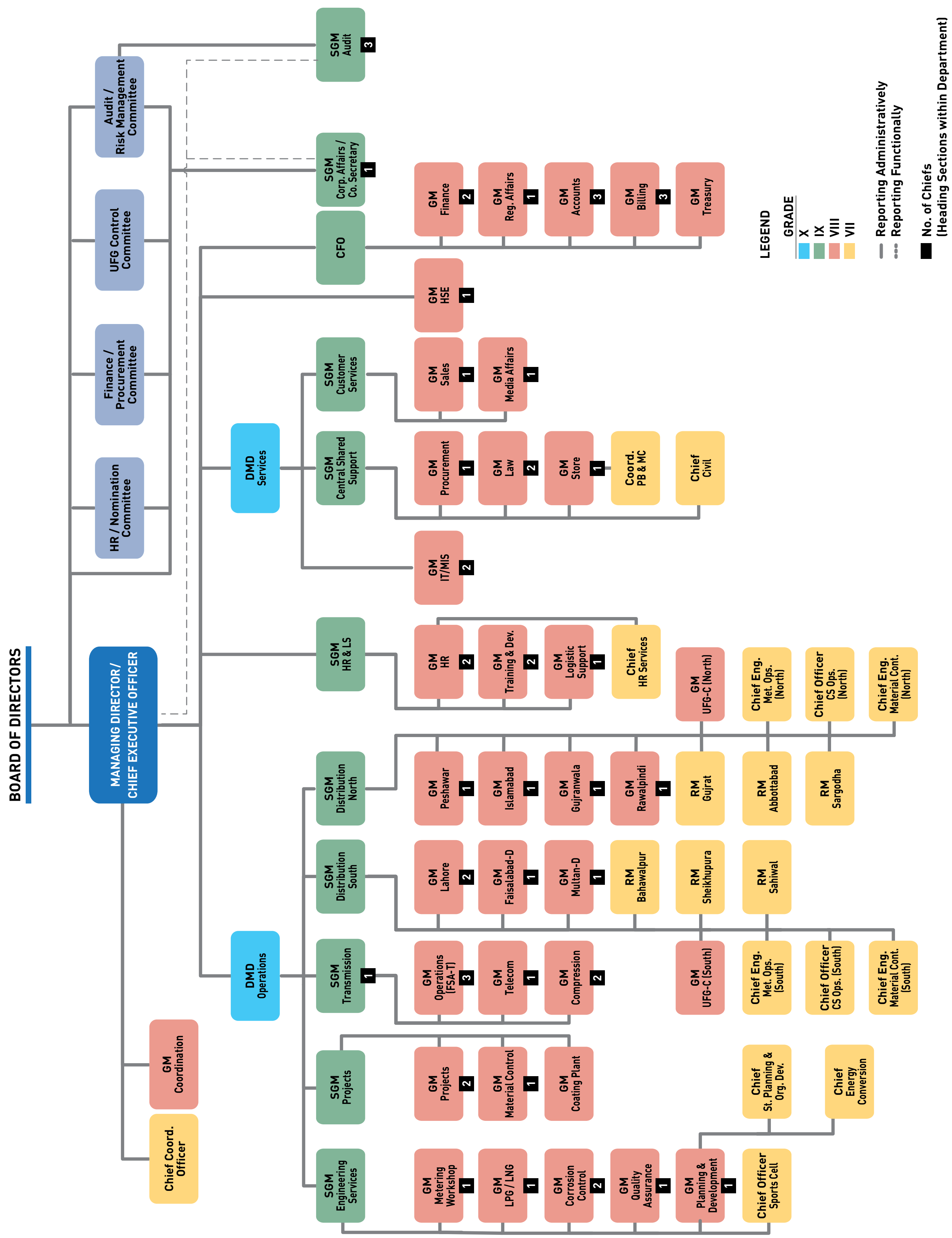
Sr. No.	Rule / Sub-rule No.	Reasons for Non-Compliance	Future course of action
1.	3(4)	A casual vacancy occurred on August 19, 2013. However, no nomination was received by the major shareholders. The same was filled on January 30, 2014 after consensus by the Directors.	Compliance will be ensured as per Rules.
2.	8	The new Board was elected on June 26, 2014. The Company will ensure compliance of the rules.	The Company has now put in place a system of evaluation of Board Members with the collaboration of Pakistan Institute of Corporate Governance (PICG).

(Amer Tufail)
Managing Director/CEO

(Muhammad Saeed Mehdi)
Chairman - BOD

Lahore
January 19, 2016

SNGPL ORGANIZATIONAL STRUCTURE



NOTICE OF 51ST ANNUAL GENERAL MEETING

Notice is hereby given that the 51st Annual General Meeting of the Company will be held at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore on March 8, 2016 at 11:00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 50th Annual General Meeting held on January 29, 2016.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.

3. To confirm the post facto re-appointment of A.F. Ferguson & Co., Chartered Accountants as Auditors of the Company for the year ended June 30, 2015 including their paid remuneration.

4. To transact other business of the Company with the permission of the Chairman, if any.

The share transfer books of the Company will remain closed from Tuesday, March 1, 2016 to Tuesday, March 8, 2016 (both days inclusive).

By order of the Board

(WAJIHA ANWAR)
Company Secretary

Lahore.
February 8, 2016

NOTES:

1. PARTICIPATION IN ANNUAL GENERAL MEETING:

i) All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of legal entities, a resolution of the Board of Directors' / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the legal entity, shall be submitted to the Company. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.

ii) The proxy instrument must be complete in all respects and in order to be effective should be deposited at the Registered Office of the Company but not later than 48 hours before the time of holding the meeting.

Further guidelines for CDC Account Holders:
CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

ii) In case of legal entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the requirements mentioned below.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the Passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

v) In case of a legal entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

2. SUBMISSION OF COPY OF CNIC/NTN CERTIFICATE (MANDATORY):

Please provide valid copy of CNIC/NTN to our Shares Registrar, in case of physical shareholders and in case of CDC account to its Participant/Investor Account Services.

3. PAYMENT OF DIVIDEND ELECTRONICALLY (OPTIONAL):

Shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholders bank account. To opt for the dividend mandate option, the Dividend Mandate Form is available at Company's website i.e. www.sngpl.com.pk.

4. ELECTRONIC TRANSMISSION OF ANNUAL AUDITED FINANCIAL STATEMENTS AND ANNUAL GENERAL MEETING NOTICE THROUGH E-MAIL (OPTIONAL):

Shareholders who desire to receive the Company's Annual Audited Financial Statements and Annual General Meeting Notices through e-mail are requested to fill the requisite form available on Company's website i.e. www.sngpl.com.pk.

REGISTERED OFFICE

Sui Northern Gas Pipelines Limited
Gas House, 21-Kashmir Road,
P.O. Box No. 56, Lahore 54000, Pakistan.
Tel : (+92-42) 99201451-60 & 99201490-99
Fax : (+92-42) 99201369 & 99201302
Website: www.sngpl.com.pk

SHARES REGISTRAR

Central Depository Company of Pakistan Limited
2nd Floor, 307 Upper Mall, Opposite Lahore Gymkhana,
Near Mian Mir Bridge, Lahore, Pakistan.
Tel: (+92-42) 35789378-87
Fax: (+92-42) 35789340
Website: www.cdcpakistan.com
Email: info@cdcpak.com

TRANSMISSION SYSTEM as at June 30, 2014

SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
1	PIRKOH - SUI	24	70.50	-
2	LOTI - PESHBOGI	18	11.25	-
3	SUI - MULTAN	24	19.31	-
4	SUI - MULTAN	30	-	19.31
5	SUI - MULTAN	24	14.29	-
6	SUI - MULTAN	30	-	14.29
7	SUI - MULTAN	16	0.26	-
8	GUDDU TPS	4	2.41	-
9	GUDDU BARRAGE	24	1.81	-
10	GUDDU CROSSING	36	-	1.81
11	SAWAN - QADIRPUR	24	131.00	-
12	MUBARAK LINE	16	35.48	-
13	CHACHAR GAS FIELD LINE	8	2.87	-
14	KAND KOT LINE	16	52.23	-
15	QADIRPUR LINE	30	53.13	-
16	QADIRPUR LINE	36	-	53.14
17	ENGRO FERTILIZER LINE	20	37.80	-
18	ENGRO ENERGY LINE	16	3.30	-
19	MARI DCPF - GENCO-II DEHYDRATION UNIT LINE	12	4.50	-
20	MARI DCPF - GENCO-II DEHYDRATION UNIT LINE	10	5.50	-
21	SUI - MULTAN	18	-	256.82
22	SUI - MULTAN	24	288.06	-
23	SUI - MULTAN	30	-	313.78
24	SUI - MULTAN	36	-	213.68
25	SUI - MULTAN	16	1.85	-
26	K1 – MP-37.88	20	-	20.68
27	SHER SHAH X-ING	36	-	2.20
28	AC1X – AV7 (RYK)	36	-	26.96
29	AV17 – AV 20	36	-	3.50
30	AV21 – AV 22	36	-	27.79
31	SUTLEJ CROSSING - 1	12	1.61	3.22
32	SUTLEJ CROSSING - 2	36	-	2.04
33	KHANPUR LINE	6	22.81	-
34	A5 - BAHAWALPUR	8	48.18	-
35	AV22 - KOT ADDU	16	69.65	-
36	AV22 - KOT ADDU	20	-	38.01
37	KOT ADDU - CHOWK SARWAR SHAHEED	8	26	-
38	D. G. KHAN LINE	8	72.06	-
39	DHODAK - KOT ADDU	16	77.79	-
40	TPS MUZAFFARGARH LINE	16	4.57	-
41	QADIRPUR - AC-1X LINE	30	17.11	-
42	QADIRPUR - AC-1X LINE	36	-	16.88
43	AHMEDPUR EAST	6	18.34	-
44	KHAN GARH	8	22.20	-
45	MULTAN - FERTILIZER LINE	10	1.430	-
46	JAHANIAN LINE	8	30.49	-
47	MULTAN - SIDHNAI	18	-	46.7
48	MULTAN - SIDHNAI	24	22.46	22.46
49	MULTAN - SIDHNAI	30	-	46.70
50	MULTAN - SIDHNAI	36	-	48.38
51	AV29 - SAHIWAL	36	-	145.46
52	KASHMORE-SHAHWALI LINE	12	20	-
53	SHAHWALI-ROJHAN LINE (FIRST SEGMENT)	12	4.0	-
54	HAROONABAD LINE	8	20	-
55	SMS KHANGARH - KALLARWALI	8	30	-
56	SMS KALLARWALI - CHOWK PERMIT	8	27.61	-
57	SIDHNAI - FAISALABAD	18	-	163.58

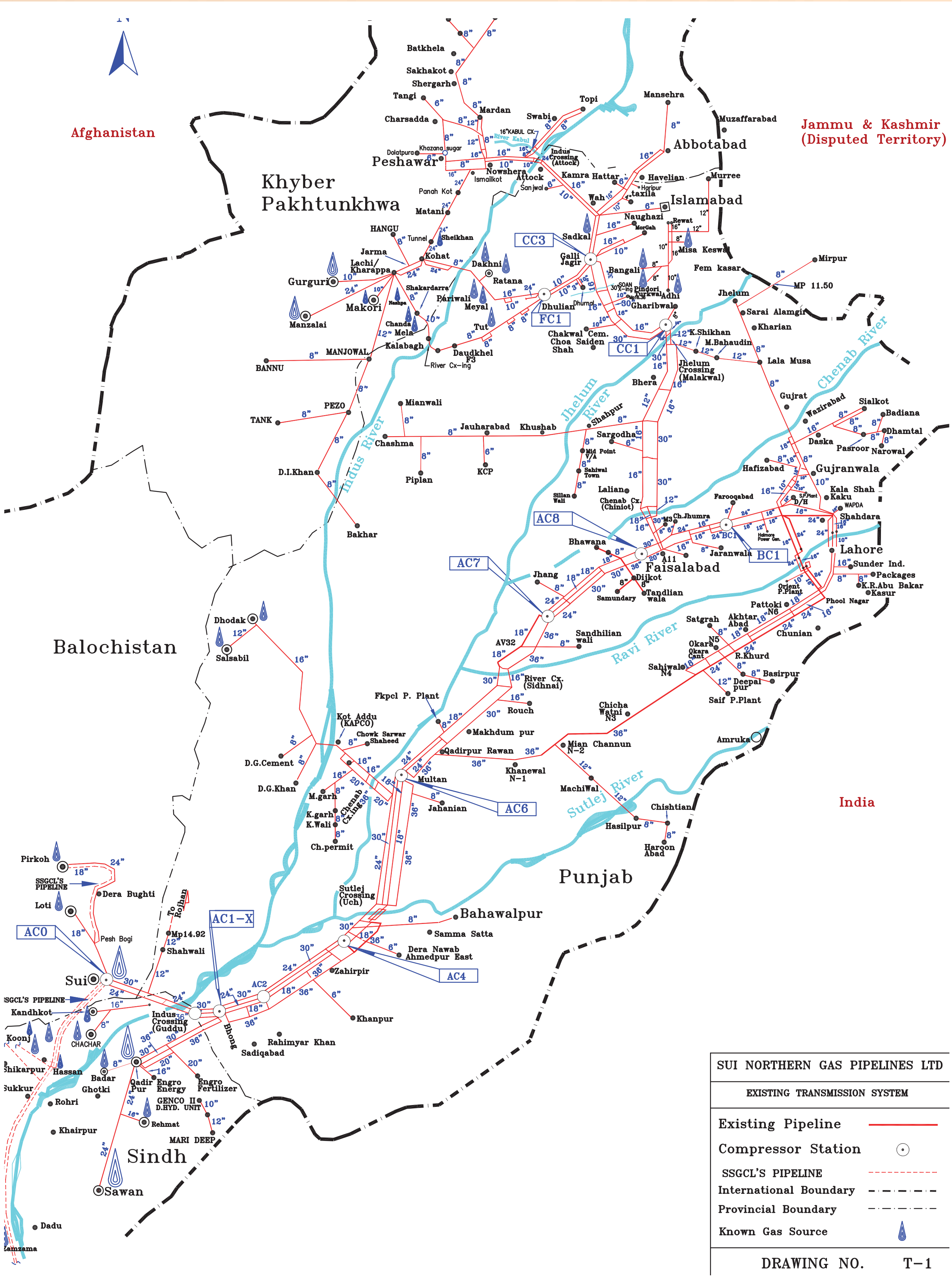
SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
58	SIDHNAI - FAISALABAD	24	-	50.24
59	SIDHNAI - FAISALABAD	30	-	53.29
60	SIDHNAI - FAISALABAD	36	-	26.42
61	SIDHNAI X-ING - AC-7	36	-	33.26
62	DARKHANA-SINDHELIANWALI LINE	8	17.40	-
63	T.T. SING - JHANG	8	30.28	-
64	DIJKOT-SAMUNDARY LINE	8	22.33	-
65	SAHIWAL - LAHORE	18	142.93	-
66	SAHIWAL - AKHTARABAD	24	-	66.69
67	SUNDER INDUSTRIAL STATE LINE	16	4.34	-
68	AC8 - SMSII (OLD)	16	-	5.90
69	AC8 - A11	20	-	0.66
70	WAPDA OFFTAKE FSD	12	2.42	-
71	CHAK JHUMRA LINE	6	12.04	-
72	FSD - MALIKWAL	12	19.34	-
73	FSD - MALIKWAL	16	-	158.67
74	FSD - MALIKWAL	30	-	90.82
75	CV12A - KHATHIALA SHAKHAN LINE	12	28.23	-
76	KATHIALA SHEIKHAN - MANDI BAHAUDDIN LINE	12	9.1	-
77	MANDI BAHAUDDIN - LALAMUSA LINE	12	47.17	-
78	MALAKWAL - JHELUM CROSSING	16	-	5.42
79	CHENAB CROSSING CHINIOT	18	1.13	-
80	CHENAB CROSSING CHINIOT	30	2.32	-
81	KOT MOMIN - JOHARABAD (1)	8	72.41	-
82	KOT MOMIN - JOHARABAD (2)	6	38.36	-
83	JOHARABAD - CHASHMA	8	82.21	-
84	PIPLAN LINE	8	17.05	-
85	SARGODHA LINE	6	22.90	-
86	CV3 (JHOKE MORE)-M3 INDUSTRIAL ESTATE LINE	8	15.68	-
87	FSD - SHAHDARA	16	57.48	119.25
88	FSD - SHAHDARA	24	-	55.03
89	BC1 - FAROOQ ABAD	8	22.96	-
90	SHAHDARA - LAHORE	16	2.51	2.99
91	RAVI CROSSING (1)	16	0.58	-
92	RAVI CROSSING (2)	10	-	0.58
93	SHAHDARA - WAPDA LAHORE	10	3.41	-
94	KHURRIANWALA - JARANWALA	8	-	22.53
95	DAWOOD HERCULES LINE	12	5.87	-
96	SHEIKHUPURA - GUJRANWALA (1)	10	59.44	-
97	SHEIKHUPURA - GUJRANWALA (2)	16	-	44.57
98	MP 59.91 - B3 LINE	24	-	22.83
99	B3-RAVI D/S LINE	24	-	3.15
100	KOTLI - RAHWALI (BV13)	18	30.76	-
101	HAFIZABAD LINE	8	43.00	-
102	SHAHDARA - GUJRANWALA - RAHWALI	10	73.4	-
103	RAHWALI - GUJRAT	8	35.46	-
104	RAHWALI - SIALKOT	8	13.97	13.97
105	SIALKOT OFF-TAKE V/A TO PASROOR OFF-TAKE V/A	16	-	32.83
106	RAHWALI-SIALKOT OFFTAKE	18	-	1.48
107	PASROOR - DHAMTAL - NAROWAL	8	40.55	-
108	SIALKOT O/T - WAZIRABAD	18	-	19.82
109	SAHIWAL - LAHORE	16	-	76.67
110	PHOOL NAGAR - DAWOOD HERCULES	16	63.95	-
111	PHOOLNAGAR - DAWOOD HERCULES	24	-	65.47
112	ORIENT POWER PLANT LINE	10	1.88	-
113	SAPPHIRE POWER PLANT LINE	10	0.22	-
114	HALMORE POWER LINE	12	3.40	-

TRANSMISSION SYSTEM as at June 30, 2014

SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
115	SAIF POWER PLANT SAHIWAL	12	0.34	-
116	GUJRAT - JHELUM	8	54.27	-
117	SARAI ALAMGIR - MIRPUR	8	18.5	-
118	RENALA-SATGARAH	8	12.35	-
119	MALIKWAL - HARANPUR - DANDOT	12	1.18	-
120	MALIKWAL - HARANPUR - DANDOT	16	-	20.00
121	CC1 - C4	30	-	29.09
122	C4 - CHAKWAL CEMENT	10	24.00	-
123	HARANPUR - GHARIBWAL	8	13.02	-
124	DANDOT - GALI JAGIR - WAH	10	87.7	-
125	DANDOT - GALI JAGIR - WAH	16	-	153.51
126	DANDOT - GALI JAGIR - WAH	30	-	64.22
127	DHULIAN - GALI JAGIR	10	40.14	29.85
128	DAKHNI - MEYAL - DHULIAN	16	50.44	-
129	CV13a - CC1	16	-	3.58
130	RATANA LINE	10	2.49	-
131	SIL CROSSING	10	-	1.46
132	DHURNAL LINE (1)	8	0.54	-
133	DHURNAL LINE (2)	10	11.08	-
134	DHULIAN - DAUDKHEL	8	85.2	4.04
135	FC1-PINDIGHEB LINE	24	-	10.1
136	POINT A V/A - SMS DHURNAL	3	0.24	-
137	GALI JAGIR - MORGAH (1)	10	21.43696	-
138	GALI JAGIR - MORGAH (2)	6	9.50	-
139	GALI-RANIAL	16	-	35.57
140	WAH - ISLAMABAD	6	12.06	-
141	WAH - HATTAR	16	-	6.17
142	WAH - HATTAR	10	9.93	-
143	ADHI - RAWAT	10	47.70	-
144	RAWAT - MURREE	12	57.25	-
145	BHANGALI LINE	8	5.82	-
146	MISSA KASWAL - MANDRA	8	20.60	-
147	WAH - NOWSHERA (1)	10	50.41	-
148	WAH - NOWSHERA (2)	16	-	52.60
149	INDUS CROSSING	24	-	1.12
150	TAXILA LINE	4	4.43	-
151	SANJWAL LINE	6	6.67	-
152	KOHAT LINE	8	11.58	-
153	SHAKARDARA - DAUDKHEL	10	40.11	-
154	SHAKARDARA END POINT - F3	10	1.55	-
155	SADQAL - NAUGAZI LINE	16	19.02	-
156	DASKA - PASROOR LINE	8	24.86	-
157	FAUJI KABIR WALA LINE	8	5.86	-
158	OKARA - DIPALPUR LINE	8	16.83	-
159	ROUSCH POWER PLANT LINE	16	4.70	-
160	PINDORI - BHANGALI LINE	8	15.83	-
161	CV24-PINDORI (FIRST SEGMENT)	10	26.33	-
162	MIANWALI LINE	8	17.80	-
163	DI-KHAN BHAKAR LINE	8	19.69	-
164	MIAN CHUNNUN - HASILPUR	12	83.85	-
165	HASILPUR - CHISHTIAN LINE	8	30.98	-
166	AV-40 - DIJKOT - TANDLIANWALA	8	39.79	-
167	AV-40 - BHAWANA LINE	8	37.14	-
168	SUKHO - RAWAT	16	36.24	-
169	DIPALPUR - BASIRPUR	8	22.64	-
170	MANGA - PACKAGES LINE (RENTED POWER)	8	36.65	-
171	RODHO - KOT QAISRANI LINE	12	14.50	-

SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
172	SAHIWAL -PHOOLNAGAR LOOP LINE FROM AKHTARABAD V/A to N-6 Pattoki V/A	24	-	20.95
173	N-6 - PHOOL NAGAR O/T	24	-	21.69
174	SHAHPUR-HUSSAIN SHAH LINE	8	22.22	-
175	HUSSAIN SHAH-SAHIWAL TOWN LINE	8	13.52	-
176	SAHIWAL TOWN-SILLANWALI LINE	8	26.71	-
177	RANDHAWA OFF-TAKE TO BADIANA	8	8.50	-
178	KOTLI RAI ABU BAKAR LINE	8	7.05	-
179	SARAI ALAMGIR - MIRPUR	8	17.35	-
180	HATTAR-HARIPUR	10	18.12	-
181	HATTAR OFFTAKE	6	0.39	-
182	HARIPUR-MANSEHRA	8	70.53	-
183	HARIPUR OFFTAKE	8	1.53	-
184	WAH-NOWSHERA(1)	10	25.13	-
185	WAH-NOWSHERA(2)	16	-	23.68
186	WAH - HATTAR	16	-	13.62
187	HATTAR - SARAI SALEH	16	-	19
188	HATTAR - HAVELIAN	16	-	15.00
189	HAVELIAN - ABBOTTABAD	16	-	27.5
190	C10 - ISMAILKOT	16	-	14.64
191	KOHAT LINE	8	42.69	-
192	KOHAT - NOWSHERA	24	85.52	-
193	KOHAT-GHORAZAI LINE	24	-	23.49
194	MANZALAI - KOHAT LINE	24	39.01	-
195	JARMA - HANGO LINE	8	36.00	-
196	MUNJOWAL - BANNU	8	36.50	-
197	NOWSHERA-ISMAILKOT(1)	8	11.97	-
198	NOWSHERA-ISMAILKOT(2)	6	-	11.97
199	ISMAILKOT-TURNAB(1)	8	-	20.85
200	ISMAILKOT-TURNAB(2)	6	20.86	-
201	ISMAILKOT-TURNAB(3)	16	-	21.24
202	SHAKARDARA - DAUDKHEL	10	3.00	-
203	KHARAPPA - SHAKARDARA	8	25.50	-
204	KHARAPPA - MANJOWAL	12	84.42	-
205	MUNJOWAL - PEZU	8	53.29	-
206	PEZU - D. I. Khan	8	47.02	-
207	PEZU - TANK	8	31.51	-
208	DI- KHAN - BHAKAR	8	18.80	-
209	NOWSHERA-MDN-T.BAI-S/KOT	8	57.99	-
210	NOWSHERA-CHARSADDA	8	23.59	-
211	NOWSHERA - MARDAN	12	-	19.76
212	NOWSHERA - MARDAN	16	-	2.16
213	CHARSADDA-TURANG ZAI LINE	6	10.36	-
214	TANGI LINE	6	13.87	-
215	CHARSADDA - KHAZANA LINE	8	22.64	-
216	CHARSADDA - KHAZANA - DOLATPURA	6	0.34	-
217	JAHANGIRA - SWABI - TOPI	8	40.29	-
218	JAHANGIRA - SWABI - TOPI	8	-	38.24
219	JAHANGIRA OFF-TAKE - KABUL X-ING D/S	16	-	2.52
220	KABUL X-ING JAHANGIRA	16	0.30	-
221	SAKHAKOT - SWAT	8	68.06	-
222	CHAKDARA-TALASH LINE	8	31.60	-
223	GURGURI - KOHAAT LINE	10	78.00	-
	Sub-Total		4,565.76	3,167.55
	GRAND TOTAL (KM)			**7,733.31**

TRANSMISSION SYSTEM as at June 30, 2014



MILESTONES

1964-1969
PROJECT I

Extension of Sui-Multan section to Faisalabad and Lahore and then linked with Dhulian-Rawalpindi-Wah system to form a common grid.

1970-1971
PROJECT II

Increased system capacity from 170 MMCFD to 205 MMCFD.

1971-1973
PROJECT III

Supplies of gas further extended to major cities in the Khyber Pakhtunkhwa Province. System capacity increased to 277 MMCFD.

1974-1981
PROJECT IV

Erection of 2 X 100 MMCFD purification banks at Sui, installation of 34,700 HP compression stations. System capacity enhanced to 387 MMCFD.

1985-1991
PROJECT V

Increased system capacity to 450 MMCFD, constructed purification bank of 120 MMCFD capacity at Sui.

1989-1998
PROJECT VI

1200 KM pipeline laid and 53,370 HP additional compression stations installed. System capacity enhanced to 980 MMCFD.

2001-2003
PROJECT VII

560 KM pipeline laid and 25,000 HP additional compression stations installed. System capacity enhanced to 1380 MMCFD.

2003-2005
PROJECT VIII

803 KM transmission pipeline laid to increase system capacity upto 1680 MMCFD.

2005-2006
GAS SUPPLY TO LILLA TOWN

Completed a pilot project (Phase-I) for supply of gas to Lilla Town through CNG by establishing Mother-Daughter system.

2006-2007
GAS SUPPLY TO MURREE

Completed a project for supply of gas to Murree.

GAS SUPPLY TO SOUTHERN DISTRICT OF PUNJAB & KHYBER PAKHTUNKHWA

Gas supply to 21 No. Southern district of Punjab & Khyber Pakhtunkhwa Provinces.

2006-2013
PROJECT IX

Project undertaken for de-bottlenecking of pipeline system and to absorb additional gas from new and existing sources.

2012-2014
TRANSMISSION LOOP LINE BETWEEN SAWAN-QADIRPUR SEGMENT (FROM VALVE ASSEMBLY SV4 TO SV5)

Project being undertaken for augmentation of existing 24 inch dia Sawan – Qadirpur line with 42 inch dia X 21.45 KM loop line to transport future indigenous and imported gases.

2012-2015
INFRASTRUCTURE DEVELOPMENT PROJECT (TO RECEIVE ADDITIONAL NORTHERN GASES)

24 inch dia X 145 KM long pipeline project between Kohat – Dakhni – Dhullian – Gali Jagir is being undertaken to pick up additional gas supplies of approved 160 MMCFD from Northern sources i.e. MOL Manzalai, Maramzai, Makori, Mamikhel fields etc.

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT

The Board of Directors presents the 51st Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2014 along with the Auditors' Reports thereon.

ENERGY OVERVIEW

Energy is the lifeline of an economy and is a vital input to sustain industrial, commercial and domestic activities. Energy disruptions and energy shortages not only result in loss of economic growth and employment but also adversely affect social cohesion in the society. Energy crisis in Pakistan had been brewing since 2007 and deepened in 2012 which hugely negatively affected the economic growth and employment and resulted in widening supply-demand gap. Nevertheless, realizing the gravity of situation and importance of energy for economic activities, SNGPL being a responsible gas distribution Company, left with no other option except to bridge this energy gap through effective gas load management, minimizing Un-Accounted for Gas (UFG) losses, arranging conservancy campaigns for efficient use of gas and building necessary infrastructure for imported new gases in the system.

FINANCIAL REVIEW

The Board of Directors presents the audited financial statements for the Year ended June 30, 2014. These financial statements are being presented after the determination of Final Revenue Requirements of the Company for the year 2013-14 by Oil and Gas Regulatory Authority (OGRA). During the year under review, the Company incurred a net loss of Rs 3,965 million. The loss per share for the period is Rs 6.25.

The summary of financial highlights is given below:

	(Rupees in million)
Loss before taxation	(5,489)
Provision for taxation (net)	1,524
Loss after taxation	(3,965)

The loss incurred during the year is mainly attributable to:

a) Unjustified and totally arbitrary UFG bench mark of 4.5%, which lapsed in FY 2012 after which the Regulator is continuing to maintain the UFG benchmark at the same level without any basis;

b) Excessive financial cost being incurred by the Company on delayed payments to its creditors resulting from non provision of adequate increase in gas prices; and

c) Disallowed provision for doubtful debts by the Regulator against consumers involved in the theft and pilferage of gas.

Unaccounted for Gas (UFG) continues to remain as one of the main challenges for the Company and despite reduction from 11.17% in FY 2012-13 to 10.57% in the ensuing year, the disallowance for the period remained at Rs 12,262 million resulting in erosion of the profitability of the Company. In real terms, your Company managed to reduce the volumetric loss from 71.3 BCF during 2012-13 to 61.5 BCF during the ensuing year and is confident that with the concerted efforts it will be able to bring UFG to an acceptable level. While number of steps have been taken to control UFG, factors beyond Company's control including but not limited to continuous shift of gas from bulk consumers to retail domestic sector, continuous increase in gas losses in law and order affected areas of Khyber Pakhtunkhwa, and theft by non- consumers adversely affected your Company's efforts in this regard. Economic Coordination Committee of the Cabinet has recognized the inherent limitations in which the Company is operating especially the factors beyond Company's control and allowed provisional relief to the Company till a formal UFG study is completed. However, OGRA in its determination for the ensuing year has not fully recognized the impact of factors beyond Company's control and has particularly deferred the impact of bulk to retail ratio till the conclusion of the UFG study. Your Company considers that it is important to recognize this impact as it is continuously engaged in the expansion of distribution network providing gas to areas / category of consumers having higher distribution losses as compared to bulk consumers with minimum line losses directly impacting the financial health of the Company. Your Company has taken up the matter with OGRA for implementation of complete ECC guidelines.

During the year, OGRA also disallowed the provision for doubtful debts of Rs 2,233 million. This provision primarily represents amounts charged against theft of gas detected by the Company and duly charged to consumers following OGRA's approved procedure for theft of gas. The Company considers that under the provisions of OGRA Ordinance and the Rules made there under, recovery of

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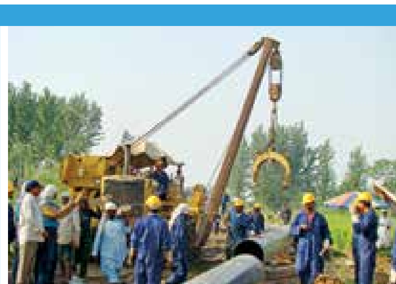
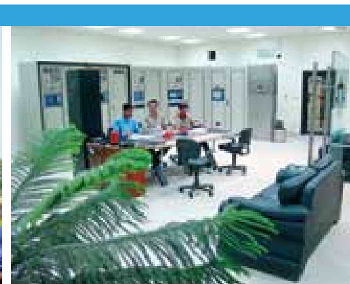


theft of gas falls under the ambit of OGRA and should be recovered accordingly. Your Company considers that the disallowance by the Regulator is not justified, however for the time being, the impact for this disallowance has been accounted for considering prudent accounting practices and will continue to pursue the matter at appropriate level.

OPERATIONAL REVIEW

Your Company's Transmission Network is extended over 7,733 Kms high pressure pipelines, ranging from 4 inches to 36 inches diameter, across its area of franchise. During the year, 214 new towns, villages and Tehsil Head Quarters (THQs) were connected with the existing system by laying 3,120 Kms of distribution mains and service lines. A total of 3,029 towns, villages, DHQs and THQs now exist on the Company's network, which are being facilitated with natural gas facility at their door step. During the year, Company also provided 289,027 new connections.

PROJECTS

Project Department is arranging the construction activities of Transmission Lines and high pressure distribution lines. In the recent past, Projects Department was also involved in the laying of distribution network for FY 2013-14. Projects Department completed 114.58 Kms Transmission Lines with diameters ranging from 04" to 24" including the contract lines. The first phase of Regasified Liquified Natural Gas (RLNG infrastructure was also started where welding of 42" diameter was done for the first time in the history of SNGPL.

Project Department has attained the capability of Semi Automatic Welding Plants which will increase the quality of work and reduce project completion time. In addition to Transmission Lines, 2,195 Kms of Distribution Lines were commissioned during this fiscal year for supply of gas to new villages / towns to improve pressure and enhance customer satisfaction level.

At present, projects in hand include 235.46 Kms of Transmission Lines and 873.43 Kms prospective Transmission Line for developing RLNG Infrastructure to transport the Imported Liquified Natural Gas (LNG) in SNGPL system.

COMPRESSION OF GAS

Compression Department is performing vital role in the transmission of natural gas available at different pressure from various fields by maintaining adequate gas pressure and flows in Transmission System to meet the gas demands of consumers on the Company's Distribution Network. For this purpose, 11 Nos. Compressor Stations are being operated by the Company by maintaining 67 Nos. compressor packages installed at these stations.

The Department has also indigenous facility for overhauling of Saturn and Centaur turbine engines and testing facility for performance testing and to ensure the mechanical integrity of the engines through overhauling. OEM, M/s Solar has transferred technology to the



Company for overhauling of latest model turbine engines (T-4700) and for this purpose the Company has latest testing facility of the same standard and specifications as the one installed in testing facility of M/s Solar, USA. In the current fiscal year, 6 Nos. Centaur engines and 2 Nos. Saturn engines have been overhauled in the overhauling facility at Multan and installed in field after thorough testing.

Compression Department is also working on its plan for zero overhauling of Centaur engines Models T-4000 & T-4500 (20 Nos.) which have completed more than 100,000 hours. In addition to zero overhauling of aforesaid engines, the obsolete control system of 9 Nos. compressor packages is also being replaced with latest control system of Allen Bradley for efficient and reliable operation of these compressor packages.

Compression Department is also operating and maintaining the heat exchangers installed at Compressor Stations as part of discharge gas cooling system. The Compressor Station FC-1 (Dhulian) has been upgraded by addition at horsepower and debottlenecking of existing piping and filtration capacity to increase its gas flow handling capacity up to 300 MMCFD from 120 MMCFD. Further arrangement for reversal of gas flow from Compressor Station CC-3 (Gali Jagir) toward Faisalabad has been made to utilize gas supplies available from MOL Pakistan and Northern Sources for central Punjab regions. Machine shop facility has also been modernized and upgraded by replacing obsolete equipment such as surface grinding machine, milling machine, lathe machine etc. to augment its capacity to meet the targets for engines overhauling.

Compression Department is also self-reliant for field overhauling of centrifugal compressors used for gas pressure boosting. Typically, these compressors are overhauled after 50,000–60,000 operating hours.
In year 2014, Four (04 Nos.) centrifugal compressors of model C-304 were field-overhauled.

CORROSION CONTROL

Corrosion Control Department is using advance equipment for monitoring and integrity assessment of underground pipeline network. The Department is proactive in protecting the underground Company's Transmission and Distribution pipeline network, from attack of corrosion and rust by applying Cathodic Protection (CP) technique through 1,491 CP Stations covering MS Distribution Network of 64,535 Kms and Transmission Network of 7,654 Kms. CP System is monitored through 32,523 Test points on pipeline network.

During last fiscal year, the Department has completed Capital Jobs by adding 57 new CP Station to the system and renovated 99 ground beds of existing CP System while an Integrity Assessment of Transmission Lines through ECDA methodology was carried out on 455 Kms of larger diameters.

The Corrosion Control Department conducted underground Gas Leak Detection surveys through Laser Base Detectors and successfully scanned 22,058 Kms of Distribution gas network by detecting 61,964 leaks from which 56,519 have been rectified. Moreover, 33 Kms of Transmission Lines were re-coated during the year.

During the year under review, 04 Nos. Solar Powered CP Systems in Section-I were installed and made 20 Nos. Battery backup TR units for providing an Alternate Source of Energy for Un-interrupted CP System to our networks. In order to assess the integrity of our high pressure Transmission Pipeline, a Pipeline Integrity Management Plan had been chalked out in line with ASME B31.8S. Further, Remote Monitoring of 28 Nos. CP Stations is being carried out through SCADA System.

UN-ACCOUNTED FOR GAS (UFG) CONTROL

Un-accounted for Gas is the difference between the total volume of metered gas received by the Company, during a financial year, and the volume of gas delivered to the consumers, excluding the gas used by the Company for self-consumption needed for its operations.

Despite all odds and difficult conditions, the gas losses were restricted to 10.57% in Fiscal Year 2013-14, showing downward trend as compared to previous year. The Company has embarked upon a three years Strategic UFG Reduction Plan to effectively address various factors contributing towards UFG losses. The UFG control

activities included in the plan are Underground Leaks detection of Distribution Network through use of Laser Leak Detector, Leakages Rectification (Underground and Aboveground). Vigilance of Industrial, Commercial and Domestic consumers, capacity enhancement of existing Metering workshops, installation of Meters with EVCs at suspected commercial consumers to identify gas theft cases, installation of GPRS based systems at CNG stations for identification of gas theft, measurement errors and load management violation cases, through remote communication of EVC data.

CUSTOMER SERVICES

Your Company has over 168 Nos. offices (13 Regional Offices, 35 Sub-regional Offices, 30 Customer Services Centers and 90 Complaint Centers) across Punjab, Khyber Pakhtunkhwa, Islamabad Capital Territory and Azad Jammu & Kashmir to receive and rectify the complaints from more than 4.77 million consumers. These offices operate round the clock to handle emergencies. Besides these offices, SNGPL has made arrangements for centralized Call Center to receive all types of complaints and to disseminate information related to services provided by the Company. The Call Center can be accessed through a Universal Access Number (UAN) 1199 from mobile or landline number within Company`s franchised area. To improve satisfaction level of our valued customers, the Call Center has also been tasked to have feedback from complainants. Recently, Regional Customer Services Center (CSC) Islamabad has been upgraded into model CSC, which is facilitating our valued customers under one roof.

The received complaints are routed to designated locations through a special Oracle based Customer Care & Billing (CC&B) software. The complete history and database of each customer is maintained in this software. The complaint rectification teams are equipped with proper tools, equipment and transport for prompt actions. During the year under review, 702,220 complaints were received and all were rectified to the satisfaction of the customers.

BILLING

During the year under review, your Company continued to expand spread of digital imaging Hand Held Units (HHU) facility for the meter reading. This helps your Company to improve upon expeditious reporting of anomalies and complaints. This has also facilitated your Company significantly in achieving timely and accurate meter reading across its consumer footprint. In order to ensure timely delivery of gas bills, numbers of new initiatives were taken including but not limited to timely provision of consumer bill on Company website and timely feedback from bill delivery contractor(s). Recovery from defaulting consumers is viewed very seriously and all measures including hiring of Recovery Contractors, filing of Recovery suits, attachment of properties, disconnection of gas supply and vigorous follow up has helped your organization improve its recovery drive. Your Company is committed to ensure that complaints against any billing issues are addressed immediately and feedback to the consumer is provided on a timely basis.

INFORMATION TECHNOLOGY

Your Company has been striving to bring process automation and improvements through state-of-the-art Information Systems, which form the cornerstone of the Company's mission. To increase customer satisfaction, enhance process efficiency, transparency and visibility, IT/MIS department is progressing rapidly to make your Company one of the most IT enabled companies of the country.

The processes of Sales, Distribution, Billing, Customer Services and Accounts have been computerized through world-class Customer Care and Billing System. It has considerably improved the system's accuracy, bill delivery, revenue realization, process visibility across the board while ensuring, customer satisfaction and employees productivity.

During the course of the year strict merit policy of new connections, sales survey program has been managed through IT systems, this has enhanced the confidence of public at large over the Management and SNGPL. Fast track connection program is also being managed through the use of IT system.

Implementation of Enterprise Resource Planning (ERP) system in SNGPL has made information widely accessible within the Company. Following the implementation of Finance, Human Resource and Payroll modules, Inventory and Purchasing modules have been implemented in SNGPL in 2013. Inventory module has been rolled out to all 39 store locations whereas Purchasing module is live at Head Office and is being rolled out in a phased approach. Over 100 executives and staff of Stores, Finance and Accounts departments have been trained for smooth operations of Inventory module.

The automation of Procure-to-Pay cycle will help streamline procurement process, save time, money, and rework with electronic integration of receiving and payables using three-way-invoice matching. Inventory automation will help SNGPL improve inventory visibility, reduce inventory levels, control inventory operations and lower our inventory carrying cost. Reporting tools will help provide accurate information when it is needed.

With the implementation of Purchasing and Inventory system automation of ten departments, including Accounts, Billing, CS, Distribution, Finance, Human Resource, Stores and Procurement, has been completed under the ERP/CC&B umbrella. Moving forward, we intend to implement Enterprise Asset Management and Project Management and Costing modules to further facilitate Company's operations. IT systems have contributed towards informed decision-making and facilitated in UFG reduction.

IT/MIS has also provided in house development services to meet the specific requirements of its business users. Medical Reimbursement System was developed for LS during the year and is in production now. IT/MIS is also working on the capacity building of SNGPL Executives and Staff through trainings. It has conducted trainings on MS Word, MS Excel, Oracle ERP, CC&B and in-house developed customized softwares.

IT/MIS has also extended data services to new regions and offices as well as Initiatives to improve security and access control have also been taken to make the Company's information systems more robust and secure. IT/MIS is well aware of the challenges faced by IT systems and keep itself braced up for identification and mitigation of the associated risks.

TELECOMMUNICATIONS

Law of the land necessitates installation of dedicated Telecommunication Network along with the pipeline networks carrying natural gas for safe transportation at high transmission pressures. SNGPL´s Telecom Department is maintaining wireless backbone telecommunication along Company´s Transmission right-of-way since the inception of the Company in 1963. SNGPL´s Telecom Department is operating dedicated Digital Microwave Radio Communication System along the high pressure gas pipeline network from Sui & Sawan to Peshawar for Voice, Data and SCADA services.

During the year under review the Telecommunication Department has worked on the complete upgradation project of Telecom System including 8 GHz Microwave Radios, Multiplexers, State of the art PABXs etc. After indigenous system up-gradation planning and engineering work, the project has entered in the procurement stage and shall be completed in all respects within current fiscal year. SNGPL Backbone Microwave Radio Network was previously operating on 2100-MHz frequency band which has been globally allocated for the 3-G/4-G Cellular Mobiles. Telecom Department has already upgraded 33 out of 51 No. Digital Microwave Radio Links from 2.1GHz to 8GHz in the vicinity of large cities and along

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national highways. Telecom Department has also timely completed the Fibre-Optic-Cable (FOC) laying as part of the SNGPL's pipeline construction projects executed by SNGPL for M/s MOL-Pakistan at various gas fields in District-Karak. The Telecom Department has also initiated the Procurement phase for the implementation of Video Wall and Tele-Presence System to supplement its existing Video Conferencing Network. Telecom Department is also working on the up-gradation of the existing SCADA Host System which was installed in year 2000. The new SCADA System shall be based on latest hardware and software platforms and shall be enabled with latest Software Application Modules for facilitating UFG Control, Load Forecasting and Management, Gas Sale/Purchase Agreement Management, Electronic Gas Measurement Audit and Real-time Gas Network Inventory (PACK) Calculations with maximum network coverage.

HEALTH, SAFETY & ENVIRONMENT

Maintaining outstanding HSE performance is a core value of the Company. Health, Safety & Environment (HSE) Policy is systematically applied and best industry practices are adopted within all operations. We have an Integrated HSE Management System well in place. This system is based on the continual improvement methodology as per International Standards ISO 14001:2004 and OHSAS 18001:2007. HSE department at SNGPL is continuously endeavouring to achieve the desired results by maintaining Company's HSE Integrated Management System.

During the year, several commendable initiatives have been carried out to address key issues of Health, Safety & Environment concern in SNGPL. Highlights include initiation of Energy conservation projects, development and implementation of improved vehicular safety procedures, Emergency Preparedness, HSE Week celebrations, Medical Camps at SNGPL sites, Safety Theme of the month and internal audits conducted by SNGPL's competent and experienced auditors. SNGPL's commitment and efforts towards continual improvement in HSE performance has resulted in successful re-certification by M/s United Registrar of Systems (URS), UK in the 12th Surveillance Audit of Company's HSE Integrated Management System.

OCCUPATIONAL HEALTH & SAFETY (OH & S)

Regular Occupational Health (OH) monitoring and Health Surveillance activities has enhanced awareness amongst

employees. 6 No. of HSE Week / Medical Camps were arranged during the year to promote health awareness among employees and on spot health screening. Following major OH monitoring parameters were addressed during these medical camps for about 1,360 employees;

- Blood Sugar testing
- Hepatitis B & C screening
- Hypertension monitoring
- Eye Refraction testing
- Pulmonary Function Testing (PFT)
- Bone Mineral Density (BMD)

Your Company is moving towards a more proactive safety performance with staff reporting and investigation on near miss and potential accidents (unsafe acts / conditions). A web-based electronic system of reporting incidents is implemented to provide transparency in the incident reporting as well as made the record available on database. Recognizing that safety is an attitude not just a work related issue, a comprehensive "Learning Event Booklet" based on the accident investigations has been published for the benefit of employees in

addition to "Safety Talk Booklet", "First Aid Booklet" and "Contractors Safety Booklet".

A project of installation of 80 Nos. of Data Loggers in Company's vehicles has been completed to follow road safety and monitor safe transportation / travelling, as a part of vehicular safety procedures.

Mentoring and capacity building is essential for the continuous professional development. SNGPL's executives and staff are being trained on following six different modules developed so far against which 912 No. of sessions comprising of 14,405 participants have been conducted during the year;

- HSE Awareness
- Defensive Driving
- Fire Prevention / Fighting
- Emergency Response Plan (ERP)
- Incident Reporting
- First Aid & OH related issues

Environmental Performance

SNGPL is committed to protect the environment and has strived to reduce any adverse environmental impact of its operations. We are using our owned equipments / gadgets to monitor Air Emissions, Indoor Air Quality, Illumination at workplace and noise level surveys. In compliance to legal and procedural requirement as per Company's HSE Management System, this exercise helped us to save undue expenses incurred for third party monitoring.

During the period under review, Company's achievements /celebrations remained as follows;

- 6th CSR International Summit, Certificate of Excellence – 2014, Organized by National Forum for Environment & Health (NFEH)
- Fire & Safety Award – 2013, Organized by Fire Protection Association of Pakistan (FPAP)
- World Toilet Day (19th November 2013)
- Celebration of Earth Hour (29th March 2014)
- World Environment Day (5th June 2014)
- World Blood Donor Day (14th June 2014)

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Corporate Social Responsibility

We are committed to honor our Corporate Social Responsibility (CSR) Policy, which is based on global best practices. SNGPL has sponsored third chair on Gas Engineering this year at University of Engineering & Technology (UET), Peshawar for research work.

The Company has sponsored "ECO Internship Program – 2014" in collaboration with WWF Pakistan. By contributing Rs 1.0 million, approximately 2000 students of Grade-7 and above will be enrolled from Government and private educational institutes in Punjab, Khyber Pakhtunkhwa and Azad Jammu & Kashmir. The Company is leading a project of installation of Bio Gas Plant at larger scale to facilitate the vicinity as well as an effort to conserve energy.

The Company is maintaining supply of potable (clean drinking) water for approx. 300 to 400 general public per day at Faisalabad Transmission and for approx. 10,000 people on daily basis at Multan Transmission. Your Company has also contributed for the purpose of rehabilitation of historical fountains of the vicinity and to maintain illuminating lights of General Post Office (GPO), Lahore.

Energy Conservation and Projects

Several projects are in progress, particularly to cope with current energy crises including conservation messages through print and electronic media. Brief of some of the projects are as follows;

- Installation of Solar Water Heaters at Government offices and domestic consumers as a pilot project.
- Installation of Solar Electric Panels at designated Company's sites / premises.
- Installation of Geyser Timer Devices at consumers' sites to save energy by controlling duration of hot water requirement.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Main focus of the Management of the Company has always been on Human Resource Management & Development and it took various initiatives to upgrade skill level of existing and newly recruited manpower of the Company making them highly productive and responsive Human Resource. In order to keep our valuable manpower abreast with new developments and adoption of the technologies most suitable to our operations, all the employees of the Company are required to undergo trainings either in-house or external. Foreign trainings are also allowed to executives to gain international exposure and understanding of new tools/technologies/concepts in their respective fields.

To keep the employees motivated and dedicated, their Compensation Packages and other facilities are aligned with the market trend from time to time. The Company is presently facing shortage of manpower as its area of

operation has increased with expansion of network and increase in number of regions. The Management of the Company is trying its best to fill the gap of approved and required manpower though merit based recruitment process. The existing manpower strength of SNGPL is 8,962 employees comprising 1,284 executives and 7,678 non-executive staff.

TRAINING AND DEVELOPMENT

Training of Human Resource is crucial to any organization success and growth. The Company in the year 2004, established, Sui Northern Gas Training Institute (SNGTI) at Kot Lakhpat, Industrial Area, Lahore, with a mission to address the learning and training gaps of its employees and their skill development for enhanced organizational performance on professional lines.

The Institute has highly qualified Trainers who possess International Academic and Corporate work experience. They are proficient in designing, developing and delivering Training programs reflective of the modern business tools and techniques in today's challenging and dicey business environment. SNGTI achieved another landmark by getting ISO 9001 certification from UKAS, England, in both Technical and soft skills Training.

During the period under review, 252 courses including soft and technical skills were conducted at SNGTI. 3,546 executives and 981 subordinates benefited from these courses. In addition to above, several technical sessions were also arranged for technical staff, in order to gear up efficiency of the workforce.

Industrial Relations

Cordial relations between Management and CBA have brought industrial harmony while removing potential causes of disputes, thereby ensuring round the clock operations of the Company. Since establishment of the Company, all the matters are settled through bilateral negotiations with CBA.

Employment of Special Persons

SNGPL as a Socially Responsible Company, has always given due consideration to engage special persons. As a result, present establishment of the Company comprises reasonable number of special employees. Efforts are afoot to reserve a percentage of positions for special persons in forthcoming recruitment.

BUSINESS ETHICS AND ANTI CORRUPTION MEASURES

All employees of the Company are required to observe the highest ethical standards in the conduct of their business activities to minimize the significant risk associated with non-compliance. Contravention of this policy is regarded as misconduct on the part of the employee.

Furthermore, in line with the Company's core values, all employees are responsible - as individuals and as teams - for their work and their actions. The workers welcome scrutiny and they hold themselves accountable.

INTERNAL CONTROL SYSTEM

The Board has approved the scope of internal audit on the recommendations of the Audit Committee, which broadly covers review and evolution of its internal control system in accordance with business risk assessments. This

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includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. Moreover, suggestions and recommendations are also given to the Management for improvement in internal controls and risk management systems.

CHANGES IN THE BOARD

Mr. Abdul Samad Dawood resigned on August 19, 2013. However, no nomination was received from the major shareholders. The same was filled on January 30, 2014 by appointing Mr. Khalid Mansoor in his place after consensus by the Board. Mr. Shahid Aziz Siddiqui resigned on September 13, 2013 and Mr. Alamuddin Bullo was appointed on November 4, 2013 in his place. Subsequently, Mr. Alamuddin Bullo tendered his resignation which was accepted on April 25, 2014 by the Board and another casual vacancy occurred during the year due to resignation of Mr. Nessar Ahmed on April 29, 2014. However, the same were not filled as the election of the new Board was due on June 26, 2014 i.e. before the expiration of ninety days time period provided by the Rules for filling any casual vacancy on the Board.

The Board of Directors would like to place on record their appreciation and gratitude to the outgoing Members of the Board for their guidance and support during their tenure as Directors of the Company.

POST BALANCE SHEET EVENTS

The Directors have not received, as at January 19, 2016 being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, which effects the financial statements as presented.

CORPORATE GOVERNANCE

The Board of Directors has complied with the relevant principles of Corporate Governance are set out in details in the Corporate Governance Section, and has identified the rules if any that have not been complied with along with the reasons for such non-compliance are mentioned in the Statement of Compliance (Schedule–II) of this Annual Report.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors hereby declares that for the year ended June 30, 2014:

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

b. Proper Books of Accounts of the Company have been maintained;

c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from has been adequately disclosed and explained;

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

f. The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices;

g. There are no significant doubts upon the Company's ability to continue as a going concern. The Board of Directors has satisfied itself that the Company has adequate resources to continue its operations in the foreseeable future. The Company's Financial Statements have accordingly been prepared on a 'going concern' basis;

h. Significant deviations from last year's operating results have been disclosed as deemed appropriate in this Chairman's Review & Directors' Report and in the notes to the accounts, annexed to this report;

i. Key operating and financial data of the last six years in summarized form is annexed to this report;

j. All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as on June 30, 2014, have been cleared subsequent to the year end;

k. Value of investment in employee's retirement funds based on audited accounts of the funds for the year ended June 30, 2014 is as follows:

	(Rupees in thousand)
SN Senior Staff Pension Fund	1,319,413
SN Junior Staff Pension Fund	6,459,009
SN Executive Staff Gratuity Fund	130,000
SN Non-Executive Staff Gratuity Fund	2,930,345
SNGPL Trustees Provident Fund	8,145,768
SNGPL Superannuation Free Gas Executives Fund	101,383
SNGPL Superannuation Free Gas Subordinates Fund	1,825,634
SNGPL Superannuation Compensated Absences Executives Fund	176,556
SNGPL Superannuation Compensated Absences Subordinates Fund	337,161
SNGPL Superannuation Medical Executives Fund	1,661,879
SNGPL Superannuation Medical Subordinates Fund	5,377,107
SN Employees Accidental Death Endowment Fund	8,441
Total	28,472,696

l. The number of Board of Directors and Committees meetings held during the year and attendance by each disclosed in Corporate Governance section of this report;

m. Mr. Alamuddin Bullo, Director has completed his training program with PICG for Director's Training Program.

n. The pattern and categories of share holding as at June 30, 2014 is annexed;

o. There was no default or likelihood of default in respect of any loan / debt instruments;

p. No trading of shares by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children has been carried out, other than the transaction disclosed as per statute. The number of shares, if any, held by them have been disclosed in categories of shareholders of this report.

AUDITORS

M/s. A.F. Ferguson & Co., Chartered Accountants were appointed as External Auditors of the Company in the last Annual General Meeting held on March 20, 2013. Thereafter, the Company was unable to hold its Annual General Meeting due to non-finalization of Final Revenue Requirements by Oil and Gas Regulatory Authority (OGRA). In the light of Section 252(1) of Companies Ordinance, 1984 M/s. A.F. Ferguson & Co., Chartered Accountants are continuing as External Auditors of the Company.

RISK MANAGEMENT

The Company is facing a challenge of increasing gap between demand and supply of natural gas due to lack of investment in oil and gas exploring activities in the

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last decade, as a result of law and order situation in the country. At operational level, the Company's main concern is to minimize Un-accounted for Gas (UFG). The Company is also facing challenges in the areas of currency, credit and liquidity in respect of financial risks.

The Board is determined to effectively combat these challenges through intensive planning, timely decision making and strategic load management. Concerted efforts are being made to minimize the said gap by exploring alternative opportunities viz importing LNG. Also, best possible efforts are being made by increasing the vigilance and physical inspections at the consumer's premises in order to curtail the UFG within permissible limits.

The Company has also laid down an Energy Efficiency Audit Plan for the industrial units in order to get optimum benefits from the available resources.

SHARE WATCH

The Company's share opened at Rs 20.06 on July 01, 2013 and closed at Rs 22.65 on June 30, 2014. During the period under review, the highest price of the share was Rs 28.80 and the lowest was Rs 19.50. The market capitalization as on June 30, 2014 was Rs 14,365 million.

BUSINESS DEVELOPMENT

The Company is engaged in various pipeline construction projects of national and multinational companies. The relations with these companies have remained exemplary especially with MOL Pakistan who after their first working interaction with SNGPL at Manzalai gas gathering system awarded the Company with jobs of Mamikhel-1 flow line, Maramzai-1 flow line, Makori Feed line, Manzalai-8 flow line, Makori East Flow line, Manzalai-9 flow line, Maramzai Extension flow line and recently Makori East Extension flow line, Makori East-3 flow line and Makori -3 well head piping work.

Besides this, MOL Pakistan has further desired to enter into five years contractual relationship with SNGPL and has suggested signing a blanket service order in this respect. Their future projects include Tolanj-1, Manzalai-11, Mardankheil-1, Manzalai-12, Mardankheil south etc. SNGPL is undertaking pipeline engineering and construction jobs of MOL Pakistan's flow line / trunk lines and Fiber Optic Cable in District Kohat / Hangu for different gas fields of MOL Pakistan like Maramzai, Manzalai, Mamikhel and Makori for the last ten years. These jobs were very challenging as the conditions at site were very tough with respect to its terrain and involvement of local dwellers and threats from local Talibans. Despite all these impediments, the Company completed the jobs successfully for which MOL in recognition of SNGPL's services for fast track completion of jobs not only appreciated SNGPL for its efforts and high professionalism but also kept on awarding the projects to SNGPL on negotiation basis or single bid basis which also shows trust in the high standards of construction maintained by the SNGPL.

Recently, M/s MOL Pakistan have awarded a new job of value Rs 155 million to SNGPL that involves laying of 8"dia x 11 Kms Pipeline from Manzalai-11 well head to Valve assembly-3 along with laying of fiber optic cable and tie-in works. SNGPL will carry out detailed route survey, detailed engineering and pipeline construction works in two months time frame. The completion of this project will not only inject 40 MMCFD gas into SNGPL' System but would be quite instrumental in reducing the energy deficiency in the country.

SNGPL has long relationships with MOL Pakistan spanning over ten years now. MOL Pakistan has played a very vital role in strengthening the gas input supplies. MOL Pakistan is presently working on three more wells which are likely to be commissioned soon and projects of pipeline laying from / to the wells are likely to be awarded to SNGPL which would be the hall mark of quality / time consciousness of our work.

Previously, OGDCL awarded the Qadirpur compression project to SNGPL which involved the installation of 14 No. compressor packages including civil works, 22,000 inches dia piping work and electrical & instrument work. SNGPL completed this project in minimum record time facilitating the injection of additional gas supply to SNGPL. Recently OGDCL has also shown intent to award another pipeline project i.e. 8"dia x 20 Kms pipeline to be laid from Mela gas field to Nashpa gas field on engineering and construction basis. In this respect, SNGPL has already submitted its financial proposal to OGDCL and is also quite hopeful in getting this job.

OMV (Pakistan) Exploration GmbH (oil & gas exploration & production Austrian Company) has recently awarded SNGPL with job of construction of 16" dia x 20 Kms pipeline from Sawan gas Central Processing Plant to mid valve assembly located towards Latif Gas Field along with laying of Fiber Optic Cable (FOC) at a total cost of Rs 312 million. OMV (Pakistan) awarded SNGPL with the job of pipeline construction and laying of Fiber Optic Cable (FOC) in January 2013 after scrutiny of its qualifications and technical credentials in the field of pipeline construction. During the construction period, SNGPL complied strictly with OMV's HSE stringent standards. This project has been completed on fast track basis and has injected additional 100 MMCFD gas in the SNGPL and SSGC's grid. It will help in reducing the rising burden on country's economy through use of indigenous energy. In recognition of SNGPL services and expertise in pipeline business, OMV has assured that in future SNGPL shall be invited for submission of proposals for undertaking any of their up-coming projects.

FUTURE OUTLOOK

Your Company is taking number of steps to manage its deteriorating financial health which includes:

a) Taking up the matter legally for provision of unencumbered return of 17.5% on average assets of the Company and restricting penalty on account of UFG disallowance to Rs 750 million (approximately) as prescribed in the law. In this regard, Company's appeal is pending adjudication in Supreme Court of Pakistan.

b) Implementation of ECC decision in the true letter and spirit more specifically regarding provision of impact of bulk to retail ratio as Company is continuously engaged in expansion of distribution network providing gas to areas/category of consumers having higher distribution losses as compared to bulk consumers with minimum line losses.

c) Concerted efforts to bring down the UFG at an acceptable level by specifically targeting areas of high UFG both technically and functionally.

d) Actively pursue other avenues of profitability including pipeline engineering and construction work for E&P companies.

e) Spade work on Iran Pakistan (IP) Gas pipeline project is underway and it is hoped that your Company would be able to get additional gas supply of 500 MMCFD in the years ahead. This will help your Company reduce the demand and supply gap of natural gas in the Country.

Management of your Company is confident that with the action plan brief of which is set out above, your Company will be able to turn-around and show promising results in near future.

ACKNOWLEDGEMENTS

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

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

We wish to offer the members of the Board our profound gratitude for their hard work and precious time which contributed towards successful operations of your Company.

On behalf of the Board,

(Amer Tufail)	**(Muhammad Saeed Mehdi)**
Managing Director/CEO	Chairman-BOD

Lahore
January 19, 2016

PATTERN OF SHAREHOLDING as at June 30, 2014

* Name of Shareholders	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
	3,141	1	100	137,404	0.02
	3,659	101	500	977,317	0.15
	4,627	501	1,000	3,446,713	0.54
	3,018	1,001	5,000	7,145,971	1.13
	638	5,001	10,000	4,892,159	0.77
	195	10,001	15,000	2,411,000	0.38
	134	15,001	20,000	2,428,057	0.38
	110	20,001	25,000	2,573,173	0.41
	44	25,001	30,000	1,231,844	0.19
	28	30,001	35,000	930,388	0.15
	29	35,001	40,000	1,116,640	0.18
	15	40,001	45,000	644,291	0.10
	55	45,001	50,000	2,701,028	0.43
	17	50,001	55,000	897,973	0.14
	11	55,001	60,000	645,804	0.10
	13	60,001	65,000	815,125	0.13
	10	65,001	70,000	685,554	0.11
	8	70,001	75,000	595,500	0.09
	7	75,001	80,000	552,500	0.09
	5	80,001	85,000	413,068	0.07
	6	85,001	90,000	532,500	0.08
	3	90,001	95,000	283,000	0.04
	31	95,001	100,000	3,091,224	0.49
	6	100,001	105,000	616,283	0.10
Ateed Riaz	1	105,001	110,000	107,809	0.02
	3	110,001	115,000	341,466	0.05
	7	115,001	120,000	828,303	0.13
	6	120,001	125,000	744,874	0.12
	2	125,001	130,000	257,500	0.04
Muhammad Shabbir	1	130,001	135,000	135,000	0.02
	5	135,001	140,000	698,000	0.11
Riaz Ahmed	1	140,001	145,000	141,500	0.02
	2	145,001	150,000	300,000	0.05
Frainy Captain	1	150,001	155,000	154,547	0.02
	2	155,001	160,000	317,888	0.05
Muhammad Amer Riaz	1	160,001	165,000	164,500	0.03
	3	165,001	170,000	510,000	0.08
	2	170,001	175,000	346,000	0.05
Ali Hassan Sajjad	1	175,001	180,000	180,000	0.03
Kashif Abbas	1	185,001	190,000	186,000	0.03
	3	190,001	195,000	577,385	0.09
	9	195,001	200,000	1,793,891	0.28
	4	200,001	205,000	808,000	0.13
CDC - Trustee KSE Meezan Index Fund	1	210,001	215,000	212,337	0.03
	5	215,001	220,000	1,091,500	0.17
Tahira Parveen	1	220,001	225,000	221,000	0.03
Muhammad Amir Riaz	1	225,001	230,000	229,500	0.04
	4	245,001	250,000	1,000,000	0.16
Habib-un-Nissa	1	260,001	265,000	263,000	0.04
Anwar Elahi	1	265,001	270,000	268,544	0.04
Adnan	1	270,001	275,000	270,500	0.04
National Insurance Company Limited	1	280,001	285,000	284,846	0.04
	2	285,001	290,000	575,500	0.09
Nuzhat Irfan	1	290,001	295,000	291,122	0.05
	5	295,001	300,000	1,498,730	0.24
National Logistic Cell	1	310,001	315,000	314,737	0.05
	2	320,001	325,000	646,147	0.10
Muhammad Hussain	1	325,001	330,000	330,000	0.05
	2	330,001	335,000	669,613	0.11
Invest Capital Markets Limited	1	345,001	350,000	346,970	0.05
Ghulam Reza Namlaiti	1	365,001	370,000	367,978	0.06
Shareef Ahmad Bani & Mubashir Ahmad Bani	1	390,001	395,000	393,091	0.06
	3	395,001	400,000	1,200,000	0.19
MCBFSL - Trustee ABL Islamic Stock Fund	1	415,001	420,000	420,000	0.07

* Name of Shareholders	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
Premier Insurance Limited	1	420,001	425,000	425,000	0.07
Muhammad Salim Mukaty	1	445,001	450,000	450,000	0.07
Masood Ahmed Khan	1	455,001	460,000	456,500	0.07
CDC - Trustee Atlas Islamic Stock Fund	1	495,001	500,000	500,000	0.08
Askari Bank Limited	1	500,001	505,000	505,000	0.08
CDC - Trustee NIT-Equity Market Opportunity Fund	1	515,001	520,000	515,149	0.08
Tayyar Asghar	1	520,001	525,000	525,000	0.08
Faysal Bank Limited	1	545,001	550,000	550,000	0.09
Elixir Securities Pakistan (Pvt.) Ltd. - MF	1	555,001	560,000	557,500	0.09
Shahid Akhtar	1	565,001	570,000	567,500	0.09
CDC - Trustee Al Meezan Mutual Fund	1	595,001	600,000	600,000	0.09
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	620,001	625,000	625,000	0.10
CDC - Trustee Faysal Savings Growth Fund - MT	1	635,001	640,000	640,000	0.10
	2	690,001	695,000	1,383,262	0.22
Meezan Bank Limited	1	695,001	700,000	700,000	0.11
NIB Bank Limited - MT	1	735,001	740,000	740,000	0.12
Asian Co-Operative Society Limited	1	760,001	765,000	762,300	0.12
Select Equities	1	790,001	795,000	792,000	0.12
Naseem Enterprises & Trading (Pvt) Ltd	1	795,001	800,000	800,000	0.13
Naveed Anwar	1	855,001	860,000	857,000	0.14
Trustee-MCB Employees Pension Fund	1	885,001	890,000	890,000	0.14
Amir Ilyas	1	945,001	950,000	950,000	0.15
Muhammad Arif Khan	1	950,001	955,000	950,658	0.15
	2	995,001	1,000,000	2,000,000	0.32
Golden Arrow Selected Stocks Fund Limited	1	1,005,001	1,010,000	1,007,050	0.16
Syed Zibber Mohiuddin	1	1,025,001	1,030,000	1,027,500	0.16
Pak Libya Holding Company (Pvt.) Limited	1	1,045,001	1,050,000	1,050,000	0.17
Renaissance Asset Managers Global Funds	1	1,395,001	1,400,000	1,400,000	0.22
Shaikh Sultan Ahmed	1	1,495,001	1,500,000	1,500,000	0.24
Trustee - MCB Provident Fund Pak Staff	1	1,840,001	1,845,000	1,845,000	0.29
Masood Spinning Mills Limited	1	2,195,001	2,200,000	2,200,000	0.35
	2	2,210,001	2,215,000	4,426,095	0.70
Sui Southern Gas Company Limited	1	2,410,001	2,415,000	2,414,174	0.38
CDC - Trustee PICIC Investment Fund	1	2,485,001	2,490,000	2,488,024	0.39
	2	2,495,001	2,500,000	5,000,000	0.79
Yasar Khan Swati	1	2,500,001	2,505,000	2,504,500	0.39
LGT Mult Manager Fund - LGT Multi Manager EQT EMER MKT (USD)	1	2,520,001	2,525,000	2,521,500	0.40
CDC - Trustee AKD Opportunity Fund	1	3,030,001	3,035,000	3,033,000	0.48
Silkbank Limited	1	3,125,001	3,130,000	3,127,850	0.49
CDC - Trustee Meezan Islamic Fund	1	3,950,001	3,955,000	3,951,000	0.62
Dawood Foundation	1	4,035,001	4,040,000	4,039,545	0.64
EFU Life Assurance Limited	1	4,140,001	4,145,000	4,143,250	0.65
Sherman Securities (Private) Limited	1	4,220,001	4,225,000	4,225,000	0.67
Polunin Discovery Funds-Frontier Markets Fund	1	4,945,001	4,950,000	4,950,000	0.78
Roomi Enterprises (Pvt) Limited.	1	5,025,001	5,030,000	5,029,500	0.79
Acadian Frontier Markets Equity Fund	1	5,275,001	5,280,000	5,276,383	0.83
Sindh Bank Limited	1	5,995,001	6,000,000	6,000,000	0.95
Pakistan Reinsurance Company Limited	1	8,695,001	8,700,000	8,698,203	1.37
CDC - Trustee PICIC Growth Fund	1	9,910,001	9,915,000	9,911,246	1.56
CDC - Trustee NIT State Enterprise Fund	1	10,055,001	10,060,000	10,058,567	1.59
State Life Insurance Corp. of Pakistan	1	10,725,001	10,730,000	10,725,728	1.69
Masood Fabrics Limited	1	12,855,001	12,860,000	12,859,000	2.03
State Life Insurance Corp. of Pakistan	1	16,755,001	16,760,000	16,757,409	2.64
CDC - Trustee National Investment (Unit) Trust	1	19,640,001	19,645,000	19,642,326	3.10
Employees Old Age Benefits Institution	1	22,660,001	22,665,000	22,660,753	3.57
SNGPL Employees Empowerment Trust	1	27,395,001	27,400,000	27,399,709	4.32
Pakistan Industrial Development Corp. (Pvt) Limited	1	38,160,001	38,165,000	38,164,538	6.02
National Bank of Pakistan	1	51,125,001	51,130,000	51,127,653	8.06
MCB Bank Limited - Treasury	1	55,125,001	55,130,000	55,126,789	8.69
The President of Islamic Republic of Pakistan	1	200,930,001	200,935,000	200,931,210	31.68
Total	**15,966**			**634,216,665**	**100.00**

* Name of Shareholders have been specified where shares are held by a single shareholder.

CATEGORIES OF SHAREHOLDING as at June 30, 2014

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
The President of Islamic Republic of Pakistan	1	200,931,210	31.68
Directors and their spouse(s) and minor children			
Mr. Mustafa Ahmad Khan	1	3,000	0.00
Mr. Raza Mansha	1	126	0.00
Mr. Ahmad Aqeel	1	3,000	0.00
Mian Misbah-ur-Rehman	1	2,500	0.00
Mirza Mahmood Ahmad	2	3,077	0.00
Mr. Muhammad Arif Habib	1	577	0.00
Mr. Mohammad Arif Hameed	1	5	0.00
Associated Companies, undertakings and related parties			
MCB Bank Limited	6	55,174,764	8.70
Sui Southern Gas Company Limited	1	2,414,174	0.38
Executives	18	12,469	0.00
Public Sector Companies and Corporations	18	133,829,352	21.10
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	42	16,404,572	2.59
Mutual Funds			
Prudential Stock Fund Limited	1	126	0.00
Growth Mutual Fund Limited	1	451	0.00
Safeway Mutual Fund Limited	1	92	0.00
Security Stock Fund Limited	1	1,414	0.00
Prudential Stocks Fund Limited	1	115	0.00
Golden Arrow Selected Stocks Fund Limited	1	1,007,050	0.16
CDC - Trustee PICIC Investment Fund	1	2,488,024	0.39
CDC - Trustee PICIC Growth Fund	1	9,911,246	1.56
CDC - Trustee Atlas Stock Market Fund	1	1,000,000	0.16
CDC - Trustee Meezan Balanced Fund	1	400,000	0.06
CDC - Trustee AKD Index Tracker Fund	1	37,670	0.01
CDC - Trustee AKD Opportunity Fund	1	3,033,000	0.48
Tri. Star Mutual Fund Limited	1	158	0.00
CDC - Trustee Al Meezan Mutual Fund	1	600,000	0.09
CDC - Trustee Meezan Islamic Fund	1	3,951,000	0.62
CDC - Trustee Atlas Islamic Stock Fund	1	500,000	0.08
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	625,000	0.10
CDC - Trustee APF - Equity Sub Fund	1	100,000	0.02
CDC - Trustee APIF - Equity Sub Fund	1	200,000	0.03
CDC - Trustee MCB Dynamic Allocation Fund	1	4,500	0.00
CDC - Trustee NIT State Enterprise Fund	1	10,058,567	1.59
CDC - Trustee NIT - Equity Market Opportunity Fund	1	515,149	0.08
CDC - Trustee IGI Income Fund - MT	1	72,500	0.01
CDC - Trustee KSE Meezan Index Fund	1	212,337	0.03
CDC - Trustee KASB Income Opportunity Fund - MT	1	73,000	0.01
MCBFSL - Trustee ABL Islamic Stock Fund	1	420,000	0.07
Trustee - BMA Chundrigar Road Savings Fund - MT	1	25,000	0.00
CDC - Trustee Faysal Savings Growth Fund - MT	1	640,000	0.10
CDC - Trustee Faysal Income & Growth Fund - MT	1	119,000	0.02
CDC - Trustee National Investment (Unit) Trust	1	19,642,326	3.10
General Public			
a. Local	15,141	67,266,200	10.61
b. Foreign	527	882,355	0.14
Foreign Companies	34	15,512,781	2.45
Others			
a. SNGPL Employees Empowerment Trust	1	27,399,709	4.32
b. Joint Stock Companies	119	29,681,781	4.68
c. All others	20	29,057,288	4.58
Total	**15,966**	**634,216,665**	**100.00**

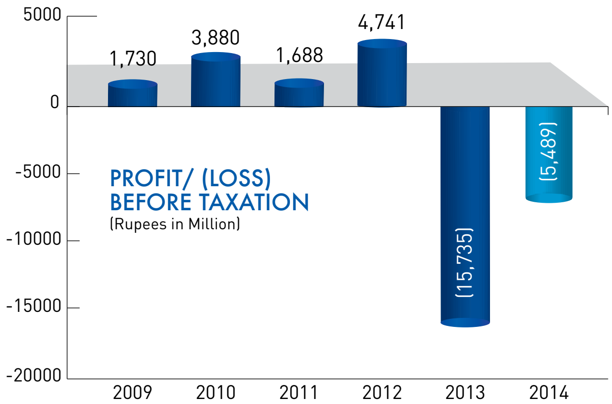
Share holders holding 5% or more	Shares Held	Percentage
The President of Islamic Republic of Pakistan	200,931,210	31.68
MCB Bank Limited - Treasury	55,126,789	8.69
National Bank of Pakistan	51,127,653	8.06
Pakistan Industrial Development Corp. (Pvt.) Limited	38,164,538	6.02

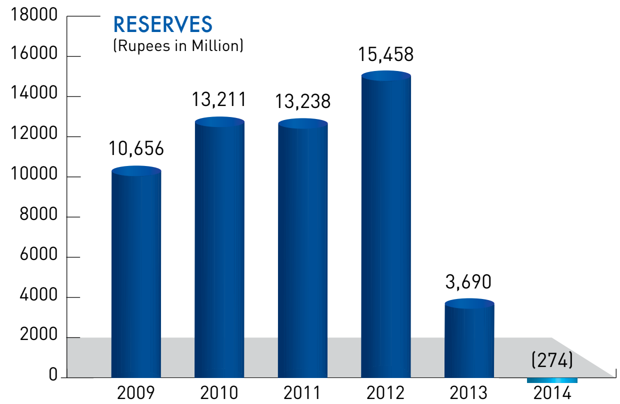
All trades in the shares of the Company, carried out by its Directors, CEO, CFO, Company Secretary and their spouse(s) and minor children during the financial year:	Purchased
Mr. Khalid Mansoor (Ex-Director)	1,500

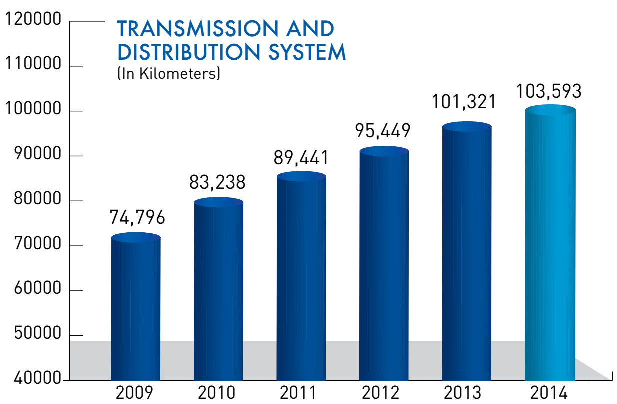
SUMMARY OF SIX YEARS as at June 30, 2014

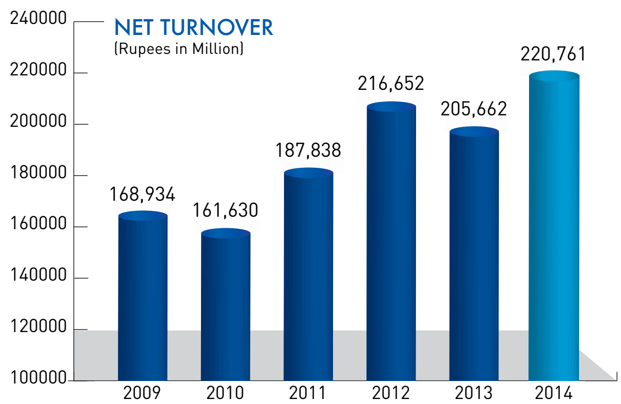
Particulars	Unit	2014	2013	2012	2011	2010	2009
Profit and loss account							
Net turnover	Rs ' 000	220,760,878	205,662,047	216,652,317	187,837,601	161,629,828	168,933,831
Gross profit / (loss)	Rs ' 000	633,539	(15,350,738)	7,229,803	3,600,428	5,612,963	17,596,492
Operating (loss) / profit	Rs ' 000	(388,704)	(9,133,823)	9,090,533	5,774,559	9,145,373	2,383,422
(Loss) / profit before tax	Rs ' 000	(5,488,724)	(15,734,979)	4,740,885	1,687,743	3,879,931	1,730,240
(Loss) / profit after tax	Rs ' 000	(3,964,575)	(9,749,089)	3,043,996	1,125,021	2,554,563	930,536
Earnings / (Loss) before interest, taxes, depreciation and amortization (EBITDA)	Rs ' 000	8,381,830	(934,100)	16,418,024	13,218,848	15,353,437	8,263,504
Balance sheet							
Share capital	Rs ' 000	6,342,167	6,342,167	5,765,606	5,491,053	5,491,053	5,491,053
Reserves	Rs ' 000	(274,130)	3,690,445	15,458,174	13,237,836	13,211,026	10,656,463
Property, plant and equipment	Rs ' 000	104,543,542	98,397,094	92,769,426	89,498,248	86,728,369	78,616,277
Net current (liabilities) / assets	Rs ' 000	(26,803,561)	(21,570,400)	533,568	(2,964,050)	(10,416,871)	(9,254,876)
Long term / deferred liabilities	Rs ' 000	73,960,641	69,317,457	74,373,427	69,570,313	59,158,657	53,808,874
Summary of cash flows							
Net cash from operating activities	Rs ' 000	13,749,697	17,707,352	10,215,571	2,381,118	16,256,271	17,431,998
Net cash used in investing activities	Rs ' 000	(14,500,221)	(13,781,730)	(10,932,565)	(10,228,636)	(14,593,668)	(21,836,945)
Net cash from / (used in) financing activities	Rs ' 000	285,993	(4,083,520)	(111,802)	7,792,456	(1,019,500)	(2,415,324)
Net (decrease) / increase in cash and cash equivalents	Rs ' 000	(464,531)	(157,898)	(828,796)	(55,062)	643,103	(6,820,271)
Investor information for six years							
Profitability ratios							
Gross profit ratio	%	0.31	(6.85)	3.14	1.95	3.24	10.95
Net profit to sales	%	(1.92)	(4.35)	1.32	0.61	1.48	0.58
EBITDA margin	%	4.06	(0.42)	7.13	7.14	8.88	5.14
Return on equity	%	(49.25)	(62.38)	15.24	6.01	14.66	5.59
Return on capital employed	%	(2.82)	(9.90)	6.05	2.65	4.81	2.53
Efficiency ratios							
Operating cycle	Days	100	106	88	80	74	52
Inventory turnover ratio	Times	217.61	229.75	272.96	258.24	204.68	231.27
Debtor turnover ratio	Times	3.71	3.51	4.19	4.67	5.04	7.23
Total asset turnover ratio	Times	1.20	1.36	1.32	1.33	1.24	1.31
Fixed asset turnover ratio	Times	1.97	2.28	2.48	2.07	1.99	2.04
Weighted average cost of debt	%	5.35	6.60	4.36	6.19	7.25	1.29
Investment							
(Loss) / earning per share (basic)	Rs /Share	(6.25)	(15.37)	4.80	1.95	4.43	1.61
Market value per share	Rs /Share	22.65	20.06	16.89	19.92	27.79	31.95
Share's highest value during the year	Rs /Share	28.80	27.20	23.60	34.75	36.60	45.75
Share's lowest value during the year	Rs /Share	19.50	15.92	15.25	17.64	23.40	17.52
Price earning ratio	Times	(3.62)	(1.30)	3.52	10.21	6.27	19.80
Break up value per share	Rs /Share	9.57	15.82	36.81	34.11	34.06	29.41
Bonus shares issued	Ratio	-	-	10%	5%	-	-
Cash dividend per share	Rs /Share	-	-	2.50	1.00	2.00	-
Leverage							
Debt: equity ratio	%	63	50	37	39	14	19
Dividend yield ratio	%	-	-	14.80	5.02	7.20	-
Dividend payout ratio	%	-	-	47.35	48.81	42.99	-
Interest cover ratio	Times	(0.10)	(1.58)	2.39	1.44	1.83	3.65
Dividend cover ratio	Times	-	-	2.11	2.05	2.33	-
Current ratio	Times	0.71	0.75	1.01	0.94	0.83	0.82
Quick / Acid test ratio	Times	0.67	0.71	0.97	0.90	0.79	0.77
Statement of value added & how distributed							
Employees as remuneration	Rs ' 000	10,161,720	8,199,332	7,726,425	6,512,432	4,916,333	4,507,714
Government as taxes	Rs ' 000	45,781,896	49,762,787	38,391,421	31,501,188	25,893,720	23,166,822
Shareholders as dividends	Rs ' 000	-	-	1,441,402	549,105	1,098,211	-
Retained with the business	Rs ' 000	(4,881,812)	(917,237)	8,832,529	7,806,496	7,505,133	6,048,781
Financial charges to providers of finance	Rs ' 000	5,005,457	6,053,916	3,397,081	3,870,415	4,639,382	630,980

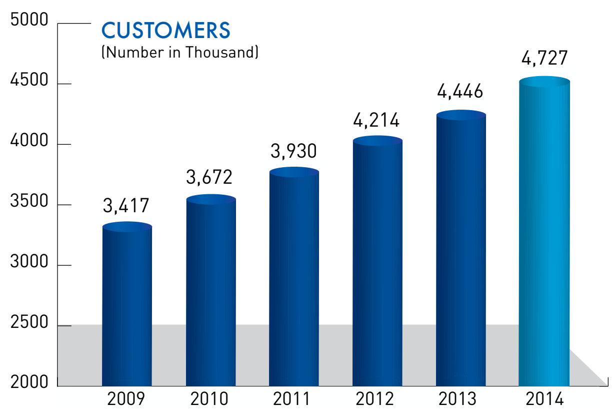
GRAPHICAL PRESENTATION

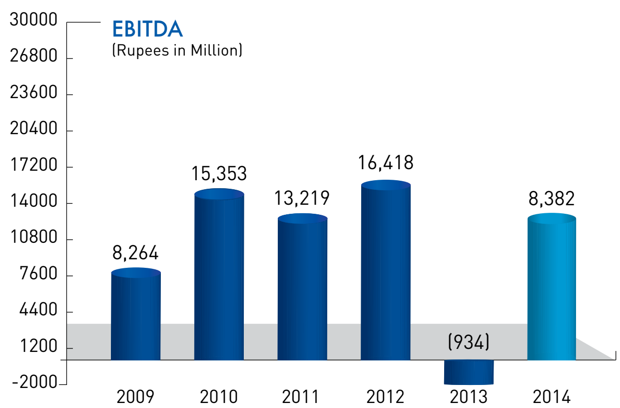


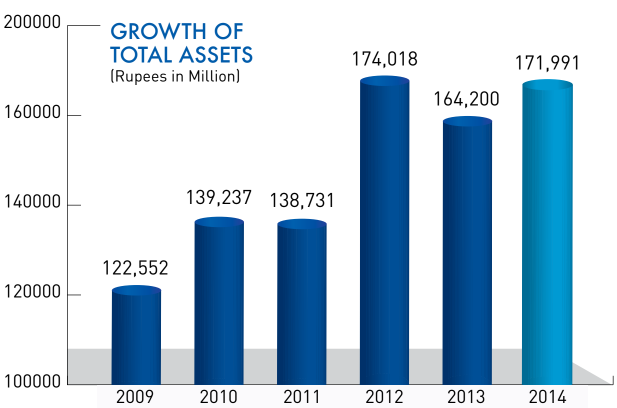


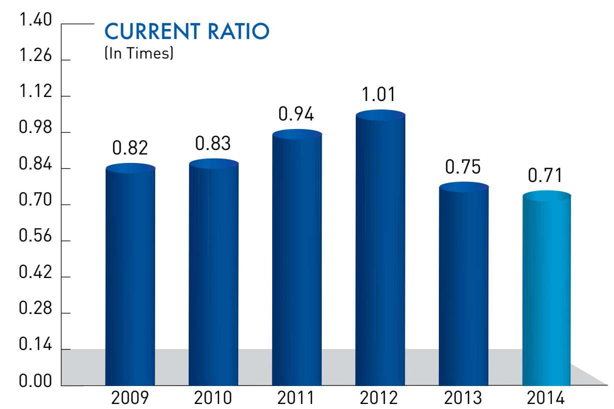


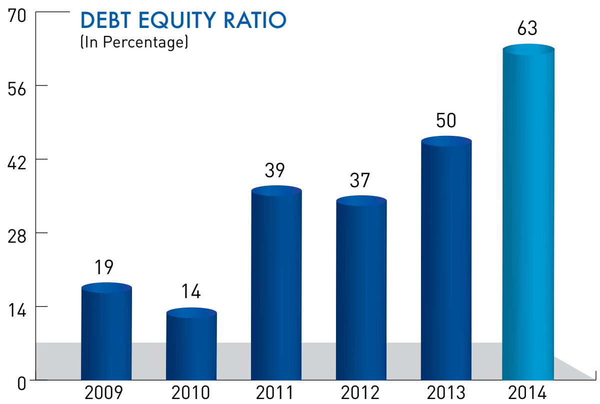


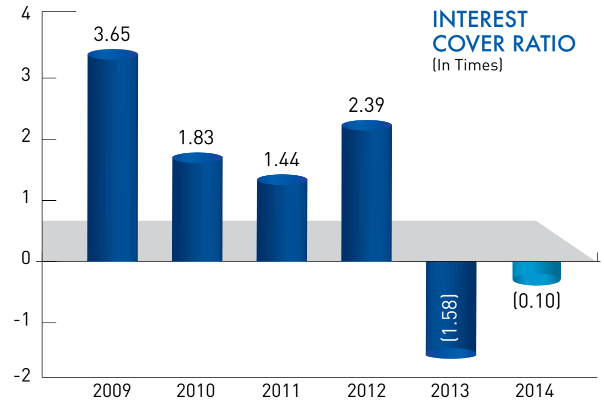


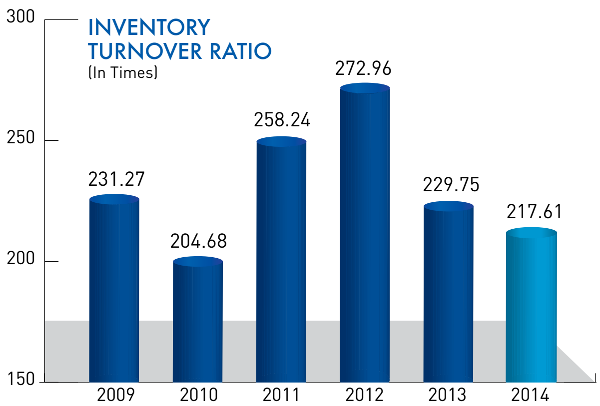


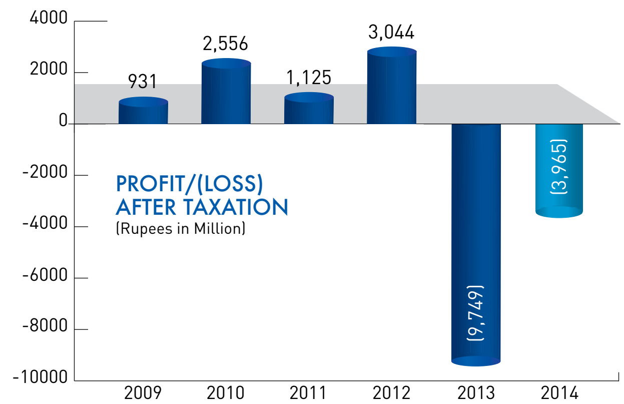


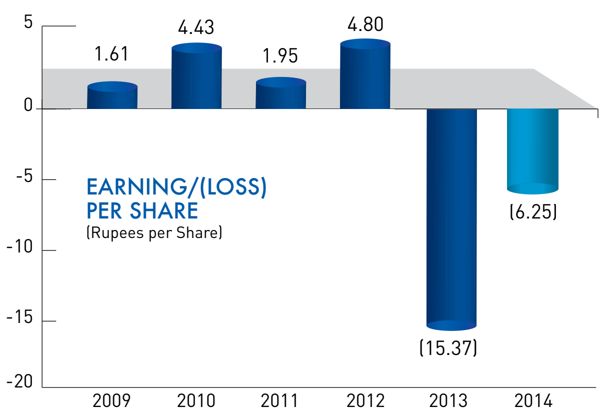


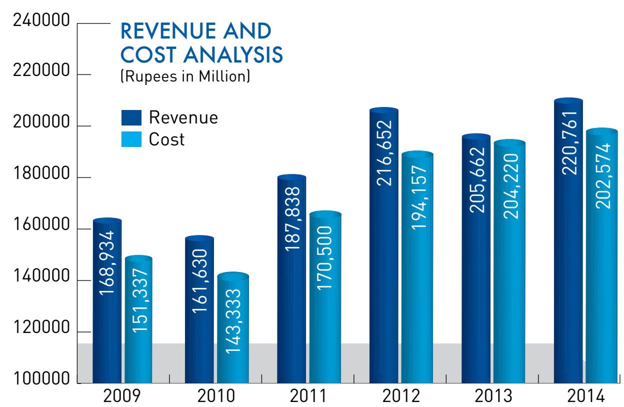

DEBT EQUITY RATIO
(In Percentage)
70
56
42
28
14
0
19
14
39
37
50
63
2009
2010
2011
2012
2013
2014

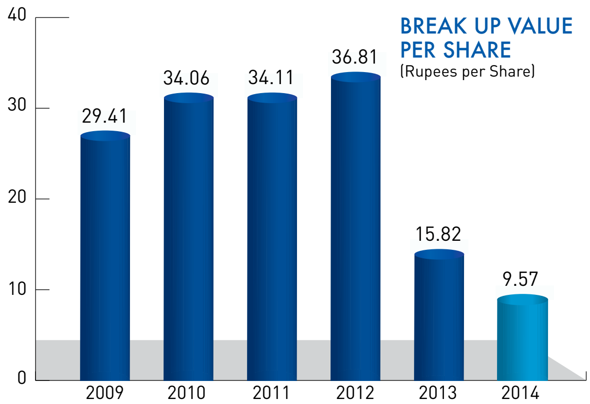

INTEREST COVER RATIO
(In Times)
4
3
2
1
0
-1
-2
3.65
1.83
1.44
2.39
(1.58)
(0.10)
2009
2010
2011
2012
2013
2014

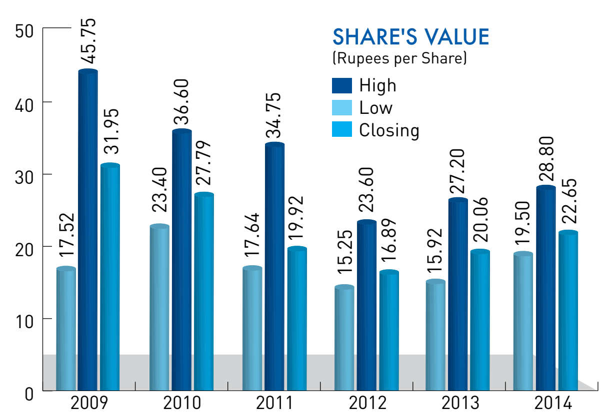

INVENTORY TURNOVER RATIO
(In Times)
300
250
200
150
231.27
204.68
258.24
272.96
229.75
217.61
2009
2010
2011
2012
2013
2014


PROFIT/(LOSS) AFTER TAXATION
(Rupees in Million)
4000
2000
0
-2000
-4000
-6000
-8000
-10000
931
2,556
1,125
3,044
(9,749)
(3,965)
2009
2010
2011
2012
2013
2014


EARNING/(LOSS) PER SHARE
(Rupees per Share)
5
0
-5
-10
-15
-20
1.61
4.43
1.95
4.80
(15.37)
(6.25)
2009
2010
2011
2012
2013
2014


REVENUE AND COST ANALYSIS
(Rupees in Million)
Revenue
Cost
240000
220000
200000
180000
160000
140000
120000
100000
168,934
151,337
161,630
143,333
187,838
170,500
216,652
194,157
205,662
204,220
220,761
202,574
2009
2010
2011
2012
2013
2014


BREAK UP VALUE PER SHARE
(Rupees per Share)
40
30
20
10
0
29.41
34.06
34.11
36.81
15.82
9.57
2009
2010
2011
2012
2013
2014


SHARE'S VALUE
(Rupees per Share)
High
Low
Closing
50
40
30
20
10
0
17.52
45.75
31.95
23.40
36.60
27.79
17.64
34.75
19.92
15.25
23.60
16.89
15.92
27.20
20.06
19.50
28.80
22.65
2009
2010
2011
2012
2013
2014

HORIZONTAL ANALYSIS

	Jun 30, 09	Jun 30, 10	Jun 30, 11	Jun 30, 12	Jun 30, 13	Jun 30, 14
BALANCE SHEET ITEMS						
Assets						
Non-current assets						
Property, plant and equipment	100	110	114	118	126	133
Intangible assets	100	131	88	49	5	21
Long term investment	100	100	100	100	100	100
Long term loans	100	97	95	104	110	136
Employee benefits	100	366	371	546	645	546
Long term deposits and prepayments	100	120	87	178	86	93
	100	111	115	120	127	135
Current assets						
Stores and spare parts	100	77	75	85	102	132
Stock in trade-gas in pipelines	100	95	88	108	137	121
Trade debts	100	167	142	285	212	220
Loans and advances	100	168	129	113	281	739
Trade deposits and short term prepayments	100	110	153	132	124	249
Interest accrued	100	53	70	116	95	136
Other receivables	100	19	52	1	3	-
Income tax recoverable - net	100	91	43	110	261	229
Sales tax recoverable	100	-	-	-	77	-
Cash and bank balances	100	153	148	85	73	36
	100	118	110	182	146	150
Total assets	100	114	113	142	134	140
Equity and liabilities						
Share capital and reserves						
Authorized share capital						
(1,500,000,000 Ordinary shares of Rs 10 each)	100	100	100	100	100	100
Issued, subscribed and paid up share capital	100	100	100	105	116	116
Revenue reserves	100	124	124	145	35	(3)
Total equity	100	116	116	131	62	38
Non-current liabilities						
Long term financing:						
- Secured	100	100	100	100	100	100
- Unsecured	100	70	74	60	61	52
Security deposits	100	130	144	177	196	260
Deferred credit	100	103	102	104	103	97
Deferred tax	100	107	102	111	33	1
Employee benefits	100	314	288	810	1,287	1,649
	100	110	129	138	129	137
Current liabilities						
Trade and other payables	100	110	82	128	134	132
Interest / mark up accrued	100	826	1,448	1,754	2,568	3,001
Short term borrowings	100	105	105	105	105	103
Current portion of long term financing	100	67	21	259	257	258
Sales tax payable	100	100	100	100	100	100
	100	117	96	149	161	175
Total liabilities	100	113	113	144	145	156
Total equity and liabilities	100	114	113	142	134	140
PROFIT AND LOSS ITEMS						
Gas sales	100	108	115	143	139	128
Add / (less): differential margin / (Gas development surcharge)	100	(138)	34	(166)	(224)	177
	100	96	111	128	122	131
Cost of gas sold	100	95	113	128	135	134
Gross profit	100	104	99	128	8	103
Other operating income	100	173	193	202	346	217
	100	118	118	143	77	126
Less: Operating expenses						
Distribution cost	100	98	115	129	151	163
Administrative expenses	100	125	169	179	197	221
	100	101	121	135	156	169
	100	171	108	170	(170)	(7)
Other operating expenses	100	21	7	32	17	3
Operating profit / (loss)	100	358	234	342	(404)	(20)
Finance cost	100	712	594	522	934	766
Profit /(loss) before taxation and share from associate	100	224	98	274	(909)	(317)
Share in profit of associate - before tax	100	100	-	-	-	-
Profit/(loss) before taxation	100	224	98	274	(909)	(317)
Taxation	100	166	70	212	(749)	(191)
Profit/(loss) after taxation	100	275	121	327	(1,048)	(426)
Earnings / (loss) per share - basic and diluted (rupees)	100	275	121	298	(955)	(388)

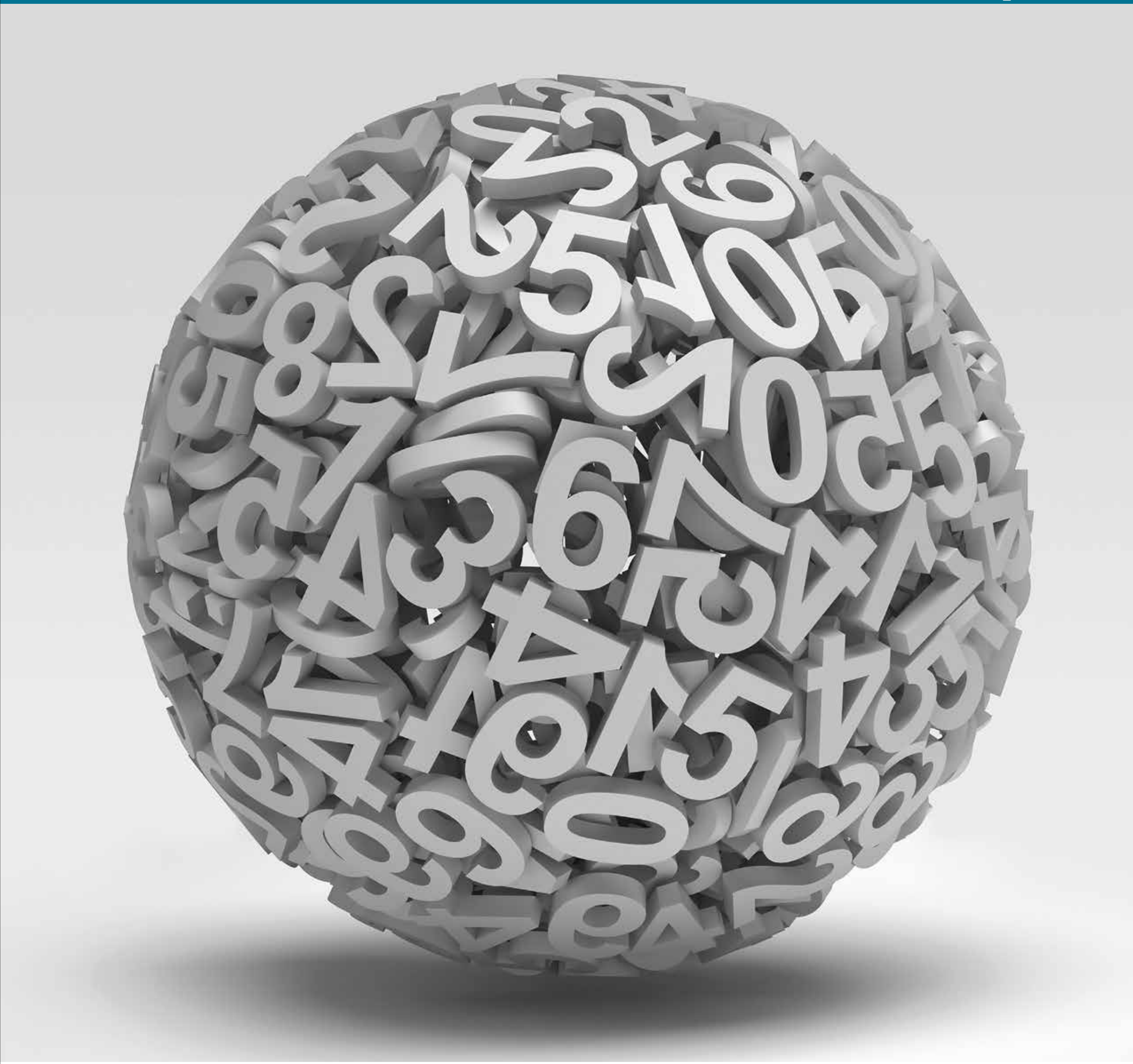
VERTICAL ANALYSIS

	Jun 30, 09	Jun 30, 10	Jun 30, 11	Jun 30, 12	Jun 30, 13	Jun 30, 14
BALANCE SHEET ITEMS						
Assets						
Non-current assets						
Property, plant and equipment	63.93	62.03	64.51	53.31	59.93	60.78
Intangible assets	0.22	0.26	0.17	0.08	0.01	0.03
Long term investment	-	-	-	-	-	-
Long term loans	0.19	0.16	0.16	0.14	0.16	0.19
Employee benefits	0.28	0.91	0.93	1.09	1.36	1.10
Long term deposits and prepayments	0.01	0.01	-	0.01	-	-
	64.63	63.37	65.78	54.63	61.46	62.12
Current assets						
Stores and spare parts	1.77	1.20	1.17	1.06	1.34	1.67
Stock in trade-gas in pipelines	0.64	0.53	0.49	0.49	0.65	0.55
Trade debts	20.98	30.79	26.28	42.14	33.17	32.89
Loans and advances	0.11	0.16	0.13	0.09	0.23	0.59
Trade deposits and short term prepayments	0.08	0.07	0.10	0.07	0.07	0.14
Interest accrued	0.01	0.01	0.01	0.01	0.01	0.01
Other receivables	9.29	1.56	4.23	0.05	0.20	0.02
Income tax recoverable - net	1.06	0.85	0.40	0.82	2.07	1.73
Sales tax recoverable	0.35	-	-	-	0.20	-
Short term investments	-	-	-		-	-
Cash and bank balances	1.07	1.44	1.41	0.65	0.59	0.28
	35.37	36.63	34.22	45.37	38.54	37.88
Total assets	100.00	100.00	100.00	100.00	100.00	100.00
Equity and liabilities						
Share capital and reserves						
Authorized share capital						
(1,500,000,000 Ordinary shares of rs 10 each)						
Issued, subscribed and paid up share capital	4.48	3.94	3.96	3.31	3.86	3.69
Revenue reserves	8.70	9.49	9.54	8.88	2.25	(0.16)
Total equity	13.18	13.43	13.50	12.20	6.11	3.53
Non-current liabilities						
Long term financing:						
- Secured	-	-	6.85	4.31	3.05	3.20
- Unsecured	1.47	0.90	0.95	0.62	0.67	0.54
Security deposits	9.33	10.70	11.88	11.62	13.62	17.32
Deferred credit	26.11	23.71	23.62	19.15	20.17	18.12
Deferred tax	6.67	6.29	6.03	5.21	1.63	0.06
Employee benefits	0.32	0.88	0.81	1.83	3.07	3.76
	43.91	42.49	50.15	42.74	42.22	43.00
Current liabilities						
Trade and other payables	40.79	39.56	29.65	36.67	40.70	38.28
Sales tax payable	-	-	0.05	0.62	-	3.34
Interest / mark up accrued	0.45	3.28	5.76	5.56	8.63	9.63
Short term borrowing	0.78	0.72	0.72	0.57	0.61	0.57
Current portion of long term financing	0.90	0.53	0.17	1.64	1.73	1.65
	42.92	44.08	36.35	45.06	51.67	53.47
Total liabilities	86.82	86.57	86.50	87.80	93.89	96.47
Total equity and liabilities	100.00	100.00	100.00	100.00	100.00	100.00
PROFIT AND LOSS ITEMS						
Gas sales	100.00	100.00	100.00	100.00	100.00	100.00
Add / (less): differential margin / (Gas development surcharge)	5.11	(6.57)	1.50	(5.91)	(8.21)	7.04
	105.11	93.43	101.50	94.09	91.79	107.04
Cost of gas sold	94.17	82.85	92.13	84.32	91.14	98.22
Gross profit	10.95	10.58	9.37	9.77	0.64	8.82
Other operating income	2.80	4.49	4.68	3.95	6.94	4.73
	13.75	15.07	14.05	13.72	7.58	13.55
Less: operating expenses						
Distribution cost	9.34	8.54	9.36	8.44	10.14	11.89
Administrative expenses	1.07	1.24	1.57	1.34	1.51	1.84
	10.41	9.78	10.93	9.78	11.66	13.74
	3.33	5.29	3.12	3.95	(4.08)	(0.19)
Other operating expenses	1.85	0.36	0.11	0.41	0.22	0.05
Operating profit/(loss)	1.48	4.93	3.01	3.54	(4.30)	(0.23)
Finance cost	0.41	2.69	2.10	1.48	2.72	2.43
Profit/(loss) before taxation and share from associate	1.08	2.24	0.91	2.06	(7.02)	(2.66)
Share in Profit of Associate - Before Tax	-	-	-		-	-
Profit/(loss) before taxation	1.08	2.24	0.91	2.06	(7.02)	(2.66)
Taxation	0.50	0.77	0.30	0.74	(2.67)	(0.74)
Profit/(loss) after taxation	0.58	1.48	0.61	1.32	(4.35)	(1.92)

TEN YEARS AT A GALANCE

	2014	2013	2012
BALANCE SHEET - SUMMARY			
Paid up share capital	6,342,167	6,342,167	5,765,606
Revenue reserves	(274,130)	3,690,445	15,458,174
Deferred credit	31,168,532	33,118,345	33,315,790
Non-Current liabilities			
Long term loans outstanding			
- Local	932,097	1,103,835	1,086,313
- Foreign	-	-	-
- Banking companies	5,500,000	5,000,000	7,500,000
Long term security deposits	29,782,655	22,369,143	20,227,669
Deferred liabilities - taxation	107,968	2,677,154	9,066,835
Employee benefit	6,469,389	5,048,980	3,176,820
Current liabilities	91,962,260	84,849,817	78,420,597
	171,990,938	164,199,886	174,017,804
Non-Current assets	106,832,239	100,920,469	95,063,639
Current assets	65,158,699	63,279,417	78,954,165
	171,990,938	164,199,886	174,017,804
PROFIT AND LOSS - SUMMARY			
Sales	206,237,565	224,063,823	230,267,469
Add/(Less) differential margin/(Gas Development Surcharge)	14,523,313	(18,401,776)	(13,615,152)
Net Sales	220,760,878	205,662,047	216,652,317
Cost of gas sold	202,573,981	204,219,807	194,157,271
Gross profit	18,186,897	1,442,240	22,495,046
Other operating income	9,752,046	15,541,298	9,104,253
	27,938,943	16,983,538	31,599,299
Expenditure			
Operating expenses	28,327,647	26,117,361	22,508,766
Finance cost	5,005,457	6,100,239	3,412,328
Other charges	94,563	500,917	937,320
	33,427,667	32,718,517	26,858,414
(Loss)/profit before taxation	(5,488,724)	(15,734,979)	4,740,885
Provision for taxation	(1,524,149)	(5,985,890)	1,696,889
(Loss)/profit after taxation	(3,964,575)	(9,749,089)	3,043,996
(Loss)/earnings per share (Basic)/(Rupees)	(6.25)	(15.37)	4.80
Dividend (%)	-	-	25
Bonus shares (%)	-	-	10
Number of employees - Operation	8,696	8,991	8,509
- Project	288	303	291
	8,984	9,294	8,800
Gas sales (MMCF)	506,355	552,272	597,056
Consumers (In numbers)	4,766,715	4,486,189	4,174,342
Customers (In numbers)			
Industrial	6,453	6,559	6,628
Commercial	53,957	56,212	55,906
Domestic	4,666,596	4,383,709	4,151,518
	4,727,006	4,446,480	4,214,052
Transmission and distribution system (In kilometers)			
Transmission mains	7,738	7,675	7,653
Distribution mains and services	95,855	93,646	87,796
	103,593	101,321	95,449

	2011	2010	2009	2008	2007	2006	2005
							(Rupees in thousand)
	5,491,053	5,491,053	5,491,053	5,491,053	5,491,053	4,991,866	4,991,866
	13,237,836	13,211,026	10,656,463	11,647,796	10,798,422	10,116,826	7,892,142
	32,768,270	33,017,791	32,000,133	31,386,548	23,108,412	16,663,770	10,279,438
	1,324,177	1,251,220	1,471,659	1,774,432	2,194,721	3,428,613	4,068,020
	-	-	326,653	943,531	1,515,460	2,045,483	2,536,780
	9,500,000	-	-	62,500	662,500	1,949,084	3,473,672
	16,477,801	14,899,244	11,439,969	9,068,102	7,270,407	5,865,779	5,279,975
	8,369,991	8,758,231	8,178,211	7,562,412	6,752,570	6,046,992	6,112,252
	1,130,074	1,232,171	392,249	336,667	331,754	312,654	381,719
	50,431,414	61,376,573	52,595,572	29,374,602	25,559,287	25,815,502	19,998,166
	138,730,616	139,237,309	122,551,962	97,647,643	83,684,586	77,236,569	65,014,030
	91,263,252	88,240,778	79,211,266	62,788,440	50,342,380	43,789,649	40,659,914
	47,467,364	50,996,531	43,340,696	34,859,203	33,342,206	33,446,920	24,354,116
	138,730,616	139,237,309	122,551,962	97,647,643	83,684,586	77,236,569	65,014,030
							(Rupees in thousand)
	185,060,783	172,994,645	160,714,737	123,404,537	122,091,652	107,897,291	84,710,404
	2,776,818	(11,364,817)	8,219,094	750,496	(9,514,600)	(2,046,177)	(1,333,069)
	187,837,601	161,629,828	168,933,831	124,155,033	112,577,052	105,851,114	83,377,335
	170,499,741	143,332,938	151,337,339	109,107,461	99,168,250	91,986,318	71,192,390
	17,337,860	18,296,890	17,596,492	15,047,572	13,408,802	13,864,796	12,184,945
	8,664,184	7,772,532	4,496,964	3,856,958	3,948,338	3,580,703	2,662,116
	26,002,044	26,069,422	22,093,456	18,904,530	17,357,140	17,445,499	14,847,061
	20,227,485	16,923,837	16,734,729	13,176,858	12,005,044	10,799,936	9,289,124
	3,877,833	4,650,154	653,182	789,247	860,715	1,180,203	1,054,730
	208,983	615,500	2,975,305	957,194	241,324	346,300	241,730
	24,314,301	22,189,491	20,363,216	14,923,299	13,107,083	12,326,439	10,585,584
	1,687,743	3,879,931	1,730,240	3,981,231	4,250,057	5,119,060	4,261,477
	562,722	1,325,368	799,704	1,484,541	1,571,714	1,396,816	1,525,499
	1,125,021	2,554,563	930,536	2,496,690	2,678,343	3,722,244	2,735,978
	1.95	4.43	1.61	4.33	4.65	6.78	4.98
	10	20	-	35	30	30	30
	5	-	-	-	-	10	-
	7,800	6,774	6,652	6,916	6,712	6,852	6,904
	282	306	342	224	209	249	264
	8,082	7,080	6,994	7,140	6,921	7,101	7,168
	581,935	586,741	584,881	597,913	576,658	571,481	537,086
	3,964,350	3,706,701	3,451,142	3,190,181	2,953,818	2,723,225	2,516,795
	6,606	6,375	5,953	5,442	4,425	3,773	3,271
	55,877	54,631	52,242	49,176	45,925	43,919	41,358
	3,867,359	3,611,187	3,358,439	3,101,303	2,869,208	2,641,273	2,437,541
	3,929,842	3,672,193	3,416,634	3,155,921	2,919,558	2,688,965	2,482,170
	7,613	7,585	7,347	7,016	6,625	6,195	6,121
	81,828	75,653	67,449	59,951	52,394	46,964	42,285
	89,441	83,238	74,796	66,967	59,019	53,159	48,406



Audited Financial Statements

for the year ended June 30, 2014

Review Report to the Members

on the Statement of Compliance with the Code of Corporate Governance, 2012 and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of Sui Northern Gas Pipelines Limited for the year ended June 30, 2014 to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges (now merged as the Pakistan Stock Exchange Limited) where the Company is listed and provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes 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 Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Moreover, the Public Sector Companies (Corporate Governance) Rules, 2013 also require the Board to ensure compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules. Compliance with the above stated requirements of PPRA Rules has been checked, on a test basis, as part of the audit of the financial statements of the Company for the purpose of expressing an opinion on those financial statements.

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 aspects with the codes as applicable to the Company for the year ended June 30, 2014.

Further, we draw attention to instances of non-compliance with the requirements of the Codes as reflected in Schedule II to the Statement of Compliance.

Afferguson & Co

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Amer Raza Mir

Lahore
Date: January 19, 2016

Auditors' Report to the Members

We have audited the annexed balance sheet of Sui Northern Gas Pipelines Limited ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, 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, and 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 referred to 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, statement of comprehensive income, 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 June 30, 2014 and of the loss, total comprehensive loss, 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.

Emphasis of matter

We draw attention to note 24.3 to the financial statements, which describes that settlement of amounts receivable from power generation companies and amounts payable to certain government owned entities is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan. Our opinion is not qualified in respect of this matter.

Afferguson & Co

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Amer Raza Mir

Lahore
Date: January 19, 2016

Balance Sheet
as at June 30, 2014

	Note	2014	2013 Restated	2012 Restated
			(Rupees in thousand)	
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised share capital				
1,500,000,000 (2013 & 2012: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000	15,000,000
Issued, subscribed and paid up share capital	5	6,342,167	6,342,167	5,765,606
Revenue reserves		(274,130)	3,690,445	15,458,174
Shareholders' equity		6,068,037	10,032,612	21,223,780
Non-current liabilities				
Long term financing:				
- Secured	6	5,500,000	5,000,000	7,500,000
- Unsecured	7	932,097	1,103,835	1,086,313
Security deposits	8	29,782,655	22,369,143	20,227,669
Deferred credit	9	31,168,532	33,118,345	33,315,790
Deferred taxation	10	107,968	2,677,154	9,066,835
Employee benefits	11	6,469,389	5,048,980	3,176,820
		73,960,641	69,317,457	74,373,427
Current liabilities				
Trade and other payables	12	65,833,495	66,835,752	63,813,592
Sales tax payable		5,737,380	-	1,070,339
Interest / mark-up accrued on loans and other payables	13	16,570,251	14,178,059	9,683,085
Short term borrowing - secured	14	977,143	1,000,000	1,000,000
Current portion of long term financing	15	2,843,991	2,836,006	2,853,581
		91,962,260	84,849,817	78,420,597
Contingencies and commitments	16			
		171,990,938	164,199,886	174,017,804

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

	Note	2014	2013 Restated	2012 Restated
			(Rupees in thousand)	
ASSETS				
Non-current assets				
Property, plant and equipment	17	104,543,542	98,397,094	92,769,426
Intangible assets	18	58,061	12,448	133,591
Long term investment	19	4,900	4,900	4,900
Long term loans	20	320,492	258,638	245,067
Employee benefits	21	1,898,278	2,240,928	1,897,325
Long term deposits and prepayments	22	6,966	6,461	13,330
		106,832,239	100,920,469	95,063,639
Current assets				
Stores and spare parts	23	2,875,132	2,208,471	1,839,194
Stock-in-trade - gas in pipelines		947,899	1,075,236	848,671
Trade debts	24	56,571,635	54,462,227	73,330,850
Loans and advances	25	1,011,144	384,285	153,926
Trade deposits and short term prepayments	26	232,634	115,998	123,375
Accrued interest		18,495	12,894	15,814
Other receivables	27	42,699	323,908	82,424
Sales tax recoverable		-	334,697	-
Taxation-net		2,979,083	3,394,335	1,434,647
Cash and bank balances	28	479,978	967,366	1,125,264
		65,158,699	63,279,417	78,954,165
		171,990,938	164,199,886	174,017,804

The annexed notes 1 to 49 form an integral part of these financial statements.

Muhammad Saeed Mehdi
Chairman

Profit and Loss Account

for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Gas sales	29	206,237,565	224,063,823
Add/Less: Differential Margin / (Gas development surcharge)		14,523,313	(18,401,776)
		220,760,878	205,662,047
Less: Cost of gas sales	30	220,127,339	221,012,785
Gross profit / (loss)		633,539	(15,350,738)
Other income	32	9,752,046	15,541,298
		10,385,585	190,560
Less:			
Selling cost	33	6,973,018	5,937,885
Administrative expenses	34	3,801,271	3,386,498
		10,774,289	9,324,383
Operating loss		(388,704)	(9,133,823)
Less:			
Finance cost	35	5,005,457	6,100,239
Other operating expenses	36	94,563	500,917
		5,100,020	6,601,156
Loss before taxation		(5,488,724)	(15,734,979)
Taxation	37	(1,524,149)	(5,985,890)
Loss for the year		(3,964,575)	(9,749,089)
Loss per share - basic and diluted - (Rupees)	44	(6.25)	(15.37)

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Statement of Comprehensive Income

for the year ended June 30, 2014

	Note	2014	2013 Restated
		(Rupees in thousand)	
Loss for the year		(3,964,575)	(9,749,089)
Other comprehensive loss for the year			
Items that will not be reclassified to profit and loss:			
Remeasurement of defined benefit plans - net		(1,444,961)	(2,302,896)
Tariff adjustment with respect to Remeasurement of IAS-19 by OGRA-Cumulative effect	2.2.1	1,444,961	2,302,219
		-	(677)
Items that may be subsequently reclassified to profit and loss		-	-
Total comprehensive loss for the year		(3,964,575)	(9,749,766)

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Statement of Changes in Equity
for the year ended June 30, 2014

	Note	Share capital	General reserve	Dividend equalization reserve	Un-appropriated profit	Total	Total equity
				(Rupees in thousand)			
Balance as at June 30, 2012		5,765,606	4,127,682	480,000	10,850,492	15,458,174	21,223,780
Effect of retrospective change in accounting policy	2.2.1	-	-	-	(1,474,968)	(1,474,968)	(1,474,968)
Tariff adjustment with respect to Remeasurement of IAS-19 by OGRA-Cumulative effect	2.2.1	-	-	-	1,474,968	1,474,968	1,474,968
Net impact		-	-	-	-	-	-
Balance as at June 30, 2012 (Restated)		5,765,606	4,127,682	480,000	10,850,492	15,458,174	21,223,780
Total comprehensive loss for the year		-	-	-	(9,749,766)	(9,749,766)	(9,749,766)
Final dividend for the year ended June 30, 2012 @ Rupees 2.50 per share		-	-	-	(1,441,402)	(1,441,402)	(1,441,402)
Bonus shares @ 10% for the year ended 30 June 2012		576,561	-	-	(576,561)	(576,561)	-
Balance as at June 30, 2013 (Restated)		6,342,167	4,127,682	480,000	(917,237)	3,690,445	10,032,612
Total other comprehensive loss for the year		-	-	-	(3,964,575)	(3,964,575)	(3,964,575)
Balance as at June 30, 2014		6,342,167	4,127,682	480,000	(4,881,812)	(274,130)	6,068,037

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Cash Flow Statement

for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	10,418,667	18,432,552
Finance cost paid		(2,591,523)	(1,483,394)
Taxes paid		(629,790)	(2,363,478)
Employee benefits/contributions paid		(1,407,908)	(2,090,697)
Increase in security deposits		7,413,513	2,141,474
Receipts against government grants and consumer contributions		625,423	3,093,929
Increase in long term loans		(78,179)	(29,903)
(Increase)/ Decrease in long term deposits and prepayments		(506)	6,869
Net cash generated from operating activities		13,749,697	17,707,352
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(14,896,610)	(14,228,495)
Expenditure on intangible assets		(55,902)	(2,461)
Proceeds from sale of property, plant and equipment		43,947	17,402
Return on bank deposits		408,344	431,824
Net cash used in investing activities		(14,500,221)	(13,781,730)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing - unsecured		10,160	100,004
Proceeds from long term financing - secured		3,000,000	-
Repayment of long term financing - unsecured		(219,622)	(254,099)
Repayment of long term financing - secured		(2,500,000)	(2,500,000)
Dividend paid		(4,545)	(1,429,425)
Net cash generated from/ (used in) financing activities		285,993	(4,083,520)
Net decrease in cash and cash equivalents		(464,531)	(157,898)
Cash and cash equivalents at the beginning of the year		(32,634)	125,264
Cash and cash equivalents at the end of the year	38.2	(497,165)	(32,634)

The annexed notes 1 to 49 form an integral part of these financial statements.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Notes to the Financial Statements
for the year ended June 30, 2014

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2013:

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefit plans. The new policy is in accordance with the requirements of revised IAS 19, 'Employee Benefits'. According to the new policy, on remeasurements, actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments, the return on plan assets excluding amounts included in net interest on the net defined benefit liability / (asset), are recognized in the balance sheet immediately, with a charge or credit to Other Comprehensive Income (OCI) in the periods in which they occur.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit liability / (asset) and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate, this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on Total Comprehensive Income as the increased charge in profit or loss is offset by the credit in OCI.

The Other Comprehensive Loss resulting from remeasurement of employee benefit funds has been claimed from Oil and Gas Regulatory Authority (OGRA). OGRA has allowed adjustment of the same vide tariff determination in its FRR Order and consequently, it will have immaterial impact on the Total Comprehensive Loss and retained earnings of the Company.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated where necessary. The effect of the change in accounting policy on the current and prior period financial statements have been summarized below:

	2014	2013	2012
		(Rupees in thousand)	
Effect on Balance Sheet:			
Increase in employee benefit assets	(120,580)	(320,538)	692,058
Increase in employee benefit liability	(1,324,381)	(1,805,171)	(2,167,026)
Decrease in Gas Development Surcharge	1,444,961	2,125,032	1,474,968
Decrease in retained earning	-	(677)	-
Effect on Statement of Comprehensive Income:			
Increase in Other Comprehensive Loss	-	(677)	-

There is no impact on profit and loss account and statement of cash flow in any of the aforementioned years.

Furthermore, the following standards are effective from current period but do not have a material impact on the Company's financial statements:

Standards or Interpretations		Effective date
- IFRS 7,	'Financial Instruments: Disclosures'	January 01, 2013
- IFRS 10,	'Consolidated financial statements'	January 01, 2013
- IFRS 11,	'Joint arrangements'	January 01, 2013
- IFRS 12,	'Disclosure of interest in other entities'	January 01, 2013
- IFRS 13,	'Fair value measurement'	January 01, 2013
- IAS 32,	'Financial instruments: Presentation'	January 01, 2013
- IAS 27,	'Separate financial statements'	January 01, 2013
- IAS 28,	'Investments in Associates and Joint Ventures'	January 01, 2013
- Annual improvements 2011;		
IFRS 1,	'First time adoption of International Financial Reporting Standards'.	
IAS 1,	'Presentation of Financial Statements'. IAS 16, 'Property, plant and equipment'.	
IAS 32,	'Financial instruments: Presentation'. IAS 34, 'Interim financial reporting'.	January 01, 2013

2.2.2 Standards, amendments to published standards and interpretations that are effective in current year but not relevant to the Company's operations

The other new standards amendments and interpretations that are mandatory for accounting period beginning on or after July 1, 2013 are considered not to be relevant or to have any significant impact on Company's financial reporting and operations.

2.2.3 Standards, amendments to published standards and interpretations to existing standards that are not yet effective but applicable/ relevant to the Company's operations

IFRIC 4, - 'Determining whether an Arrangement contains a Lease'. International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC 4 which requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC 4, if an arrangement conveys a right to use the asset to lessee and the fulfillment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 24/2012 dated January 16, 2012 has exempted the application of IFRIC 4 'Determining whether an Arrangement contains a Lease' for all companies.

Notes to the Financial Statements
for the year ended June 30, 2014

However, the SECP made it mandatory for the companies to disclose the impacts of the application of IFRIC 4 on the results of the companies. Consequently, the Company has also been exempted from the application of IFRIC 4 while preparing its financial statements.

The Company reviewed various pipeline rental agreements executed in previous years and has determined that two pipeline rental agreements relating to certain gas transmission pipelines contain embedded leases and are to be recognized as leases in terms of IFRIC 4 and IAS 17 'Leases'.

Under IFRIC 4, the consideration required to be made by the lessee i.e. Sui Northern Gas Pipelines Limited for the right to use the assets is to be accounted for as a finance lease under IAS 17. If the Company was to follow IFRIC 4 and IAS 17, the effects on the financial statements would be as follows:

	2014	2013
	(Rupees in thousand)	
Effect on profit and loss account		
Decrease/(increase) in		
Cost of sales		
Transportation charges - Sui Southern Gas Company Limited (SSGCL)	695,423	442,982
Operating expenses		
Depreciation	(150,984)	(150,984)
Finance cost		
Finance cost - leased assets	(310,289)	(326,308)
Effect on balance sheet		
Increase in written down value of operating assets	(754,920)	(905,903)
Obligation under finance lease:		
Long term portion	(1,804,696)	(1,912,669)
Short term portion	(107,973)	(92,287)

IFRS 2 (amendment), 'Share-based payment-Group Cash-settled Share-based Payment Transactions' effective for annual period beginning on or after January 01, 2010.

The International Accounting Standard Board (IASB) amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

On August 14, 2009, the Government of Pakistan (GOP) launched "Benazir Employee Stock Option Scheme" (the Scheme) for employees of certain State owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The scheme provides for cash payments to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GOP shall transfer 12% of its investments in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit–holder employees. The balance 50 % dividend would be transferred by the respective

Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GOP. The Scheme developed in compliance with the stated GOP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the Company for the year would have been higher by Rs 83,253 thousand (2013: Rs 92,835 thousand) and reserves would have been higher by Rs 456,005 thousand (2013: Rs 376,318 thousand). However, there will be no impact on profit after taxation, EPS and retained earning as Company's management believes that this impact is a pass through item which will be eventually adjusted against gas development surcharge or differential margin as explained in note 4.19.

2.2.4 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

	Effective date (accounting periods beginning on or after)
IAS 32 (Amendment), 'Financial instruments: Presentation' on Offsetting financial assets and financial liabilities.	January 1, 2014
IFRIC 21, 'Levies'.	January 1, 2014
IAS 36 (Amendment), 'Impairment of assets'.	January 1, 2014
IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting.	January 1, 2014
Annual improvements 2012; IFRS 2, 'Share-based payment'.	
IFRS 3, 'Business combinations'. IFRS 8, 'Operating segments'.	
IFRS 13, 'Fair value measurement'. IAS 16, 'Property, plant and equipment'.	
IAS 38, 'Intangible assets'	July 1, 2014
Annual improvements 2013; IFRS 1, 'First time adoption'.	
IFRS 3, 'Business combinations'. IFRS 13, 'Fair value measurement'.	
IAS 40, 'Investment property'	July 1, 2014
IAS 24 (Amendment), 'Related parties'	July 1, 2014
IFRS 9, 'Financial Instruments'	January 1, 2015
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts'	January 1, 2017

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment or estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of

Notes to the Financial Statements

for the year ended June 30, 2014

judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) **Employee benefits**

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.3, 11.7 and 21.7.

b) **Provision for taxation**

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature in accordance with law, the amounts are shown as contingent liabilities.

c) **Useful life and residual values of property, plant and equipment**

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

d) **Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Deferred credit

Deferred credit represents the amount received from the consumers and the Government as contribution and grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life, however where contributions received from consumers, after July 1, 2009, which meets the criteria as provided in IFRIC 18, are recognized in the year in which the grant is received.

4.2 Taxation

Current

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

Deferred

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

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

4.3 Employee retirement benefits

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

4.3.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The future contribution rates of these funds include allowance for deficit and surplus.

4.3.1.1 Pension and gratuity funds

The Company operates an approved funded pension scheme and an approved funded gratuity scheme for executives and non-executives. In case of gratuity scheme, qualifying service period for executives and non-executives is five years and six years, respectively. Contributions to the schemes are payable on the recommendations of the actuary. The future contribution rates of these schemes include allowance for deficit and surplus.

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

4.3.1.2 Medical and free gas facility schemes

The Company provides free gas facility to non-executives and medical facility to all employees and their dependents after their retirement. However, all executives retired up to December 31, 2000 are also entitled to avail free gas facility.

4.3.1.3 Accumulating compensated absences

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

Executives and non-executives of the Company are entitled to accumulate the unutilized privilege leaves up to 60 and 90 days, respectively. Such accumulation is encashable only at the time of retirement or leaving the service of the Company.

The most recent valuations were carried out as on June 30, 2014 using the projected unit credit method. Actuarial gains/ (losses) are recognized in accordance with revised IAS-19 "Employee Benefits".

4.3.2 Defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund.

4.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services, whether or not billed to the Company.

4.5 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.6 Operating fixed assets

4.6.1 Property, plant and equipment

Cost

Operating fixed assets except for freehold and leasehold land are stated at cost less accumulated depreciation and

Notes to the Financial Statements

for the year ended June 30, 2014

impairment loss, if any. Freehold and leasehold land are stated at cost less impairment loss, if any. Capital work-in-progress is stated at cost less provision for obsolescence of stores and spare parts. Cost in relation to certain assets signifies historical cost and borrowing cost referred to in Note 4.8.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 17.1. Transmission and distribution system, meter and compressor stations and equipments are depreciated at annual rates of 6% to 10%. Depreciation on addition is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

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

4.6.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization at the rates given in Note 18.1 and impairment loss, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

4.7 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.8 Borrowing cost

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

4.9 Investments

a) Investment in associate

Investment in associate, on which the Company has significant influence but not control, is accounted for using the equity method of accounting wherein the Company's share of underlying net assets of the investee is recognized as the carrying amount of such investment. Difference between the amounts previously recognized and the amount calculated at each year end is recognized as share of profit of associate. Distributions received out of such profits shall be credited to the carrying amount of investment in associated undertaking.

b) Investments held-to-maturity

Investment with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held-to-maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

c) Investments available-for-sale

All investments classified as available-for-sale are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Unrealized gains or losses from changes in fair value are recognized in equity. Realized gains and losses are taken to profit and loss account.

d) Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

4.10 Stores and spare parts

These are valued at lower of monthly moving average cost and net realizable value. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. The Company reviews stores and spare parts for possible impairment on an annual basis. Any change in the estimate in future years might effect the carrying amount of the respective items of stores and spare parts with a corresponding affect on the provision.

4.11 Stock-in-trade

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

4.12 Trade and other receivables

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

4.13 Cash and cash equivalents

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

Notes to the Financial Statements

for the year ended June 30, 2014

4.14 Revenue recognition

Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates fixed by Oil and Gas Regulatory Authority (OGRA). Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end.

Meter rentals are recognized on a monthly basis, at specified rates by OGRA for various categories of consumers.

Interest on gas sales arrears and surcharge on late payment is recognized from the date the billed amount is overdue and when it is probable that economic benefits will flow to the entity.

Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Take or pay income is recognized when it is likely that the consumers may not be able to consume gas in future by an agreed date over and above the committed gas supply.

4.15 Foreign currency transactions

The financial statements are presented in Pak Rupees, which is the Company's functional currency and presentation currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency using rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined.

4.16 Long term financing

All borrowings are initially recognized at the fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in profit and loss account.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.17 Financial assets and liabilities

Financial instruments comprise loans and advances, deposits, interest accrued, trade debts, other receivables, cash and bank balances, long term financings, short term borrowing, interest / mark-up accrued and trade and other payables.

Financial assets and liabilities are initially recognized at fair value at the time the Company becomes a party to the contractual provisions of the instruments.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account.

4.18 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognized amount and the Company intends to settle either on a net basis or to realize the asset and to settle the liability simultaneously.

4.19 **Gas development surcharge / Differential margin**

Under the provisions of license for transmission and distribution of natural gas granted to the Company by OGRA, the Company is required to earn an annual return of not less than 17.50% per annum on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income. Any deficit or surplus on account of this is recoverable from or payable to the Government of Pakistan as differential margin or gas development surcharge.

Among other disallowances made by OGRA, the Company has also incorporated the effect of Unaccounted for Gas (UFG), which represents the volume difference of gas purchases and sales, amounting to Rs 12,262,000 thousand (2013: Rs 13,917,000 thousand), which is in excess of the UFG benchmark of 4.5% allowed by OGRA. During the year, the Company could not meet the benchmarks prescribed by Oil and Gas Regulatory Authority (OGRA) as discussed in paragraph below and as a result the return for the year on the aforesaid basis works out to -4.38% (2013: -7.62%).

Subsequent to the year end, the Company took up the matter with the Economic Coordination Committee through Ministry of Petroleum and Natural Resources for revision of UFG benchmark on account of certain factors beyond Company's control such as ratio of gas sold to bulk and retail consumers, provision of gas in law affected areas and pilferage by non-consumers. The ECC recommended OGRA to provide certain allowances to the Company and to conduct a detailed UFG study on expeditious basis. OGRA partially accepted recommendations of ECC vide its FRR for the financial year 2013-2014, the impact of which has been incorporated in these accounts. However, the Company intends to approach the Ministry for implementation of remaining matters already recommended by the ECC and for conducting a UFG Study on expeditious basis for determining an appropriate benchmark.

4.20 **Construction contracts**

Contract costs are recognized when incurred.

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

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

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

4.21 **Dividend and other appropriations**

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in thousand)	
121,146,000	121,146,000	Ordinary shares of Rs 10 each issued as fully paid for cash	1,211,460	1,211,460
3,329,000	3,329,000	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
509,741,665	509,741,665	Ordinary shares of Rs 10 each issued as fully paid bonus shares	5,097,417	5,097,417
634,216,665	634,216,665		6,342,167	6,342,167

Notes to the Financial Statements

for the year ended June 30, 2014

5.1 **A summary of the movement in ordinary share capital is given below:**

	2014 Number	2013 Amount (Rupees in thousand)	2014 Number	2013 Amount (Rupees in thousand)
Issued, subscribed and paid-up share capital				
As at July 1	634,216,665	6,342,167	576,560,605	5,765,606
Ordinary shares of Rs 10 each issued as bonus shares during the year	-	-	57,656,060	576,561
As at June 30	634,216,665	6,342,167	634,216,665	6,342,167

5.2 **Ordinary shares of the Company held by undertakings associated to the Company, only by virtue of common directorship are as follows:**

	2014	2013
	(Number of Shares)	
MCB Bank Limited	55,174,764	55,174,764
Sui Southern Gas Company Limited (SSGCL)	2,414,174	2,414,174
	57,588,938	57,588,938

	Note	2014	2013
		(Rupees in thousand)	
6. LONG TERM FINANCING - SECURED			
From banking companies:			
Local currency - Syndicate term finance	6.1	3,500,000	5,250,000
		3,500,000	5,250,000
Other loans:			
Islamic finance under Musharaka arrangement	6.2	1,500,000	2,250,000
Islamic finance under Musharaka arrangement	6.2	3,000,000	-
Less: Current portion shown under current liabilities	15	(2,500,000)	(2,500,000)
		5,500,000	5,000,000

6.1 **Local currency - Syndicate term finance**

Lender	Mark-up rate	No. of outstanding installments	Repayment commencement date	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	4 half yearly installments	December 30, 2012	June 30, 2016

This loan is secured by first parri passu created by way of hypothecation over all the present and future moveable fixed assets of the Company (excluding land and building) to the extent of Rs 10,823,789 thousand (2013: Rs 10,823,789 thousand)

6.2 Islamic finance under musharaka arrangement

Lender	Mark-up rate	No. of outstanding installments	Repayment commencement date	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	4 half yearly installments	December 30, 2012	June 30, 2016
Albaraka Bank (Pakistan) Limited (Investment agent)	Six month KIBOR + 0.55% per annum	8 half yearly installments	December 30, 2016	June 30, 2020

Assets under musharaka agreement are secured by a first parri passu created by way of hypothecation over movable fixed assets of the Company (excluding land and building) to the extent of Rs 4,560,827 thousand (2013: Rs 4,560,827 thousand) as given in note 17.1.5 and ranking charge created by way of hypothecation over moveable fixed assets of the Company (excluding land and building) to the extent of Rs 7,333,333 thousand (2013: Rs Nil) respectively, in respect of assets held under musharaka arrangement.

	Note	2014	2013
		(Rupees in thousand)	
7. LONG TERM FINANCING - UNSECURED			
From financial institutions:			
Local currency loans	7.1	1,276,088	1,439,841
Less: Current portion shown under current liabilities:			
Local currency loans	15	(343,991)	(336,006)
		932,097	1,103,835

7.1 Loans

	Note	2014	2013
Government - Cash development loans	7.1.1	1,002,849	1,111,555
Related parties	7.1.2	102,762	134,296
Industrial consumers	7.1.3	170,477	193,990
		1,276,088	1,439,841

7.1.1 These have been obtained from the Federal Government and the Provincial Governments of Punjab and Khyber Pakhtunkhwa (KPK) for supply of gas to new towns. The loan aggregating to Rs 520,588 thousand (2013: Rs 560,606 thousand) carries mark-up at rates ranging between 5% to 9% (2013: 5% to 9%) per annum and Rs 482,261 thousand (2013: Rs 550,949 thousand) carries mark-up at the rate of six month State Bank of Pakistan's (SBP) treasury bills plus 1.2% (2013: six month SBP treasury bills plus 1.2%) on the outstanding balance or part thereof.

7.1.2 These have been obtained from DG Khan Cement Company Limited and Packages Limited for laying of gas pipelines and carry mark-up at the rates ranging between 1.5% to 2.0% (2013: 1.5% to 2.0%) per annum on the outstanding balance and are repayable over a period of 10 years with a grace period of 2 years.

7.1.3 These have been obtained from certain industrial consumers for laying of gas pipelines and carry mark-up at rates ranging between 1.5% to 2% (2013: 1.5% to 2%) per annum on the outstanding balance or part thereof and are repayable over a period of 8 to 10 years with a grace period of 2 years.

7.1.4 The fair value of loans from Federal and Provincial Governments are estimated as present value of all future cash flows discounted using Pakistan Investment Bonds (PIBs) rate prevailing at the time of initial recognition of respective loans. Loans from industrial consumers are estimated as present value of all future cash flows discounted using 1.1% above State Bank of Pakistan's cut off yield rates prevailing at the time of initial recognition of these loans.

Notes to the Financial Statements

for the year ended June 30, 2014

		2014	2013
		(Rates %)	
7.1.5	**The effective interest rates are as follows:**		
	Government - Development loans	7.54 to 14.25	7.54 to 15.00
	Industrial consumers and related parties	2.79 to 14.24	2.79 to 14.24

		Note	2014	2013
			(Rupees in thousand)	
8.	**SECURITY DEPOSITS**			
	Consumers	8.2	29,692,671	22,281,559
	Contractors - Houseline	8.3	89,984	87,584
			29,782,655	22,369,143

8.1 Consumer deposits represent security against amount due from consumers on account of gas sales. These are repayable on cancellation of contract for supply of gas or on submission of bank guarantees in lieu of security deposits. Interest is payable at the rate of 5% (2013: 5%) per annum on deposits from industrial and commercial consumers aggregating to Rs 15,561,692 thousand (2013: Rs 14,680,819 thousand) and 2% (2013: 2%) per annum on deposits from bulk domestic consumers aggregating to Rs 1,107,888 thousand (2013: Rs 957,659 thousand). However, for one consumer having deposit of Rs 853,785 thousand (2013: Rs 787,674 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2013: 3 months SBP treasury bills cut off rate subject to a floor of 7%) per annum.

8.2 These include security deposits from related parties amounting to Rs 25,595 thousand (2013: Rs 27,122 thousand).

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

		Note	2014	2013
			(Rupees in thousand)	
9.	**DEFERRED CREDIT**			
	Consumer contribution against:			
	- Completed jobs		20,918,947	20,006,615
	- Jobs-in-progress		3,195,970	3,552,880
			24,114,917	23,559,495
	Government grants against:			
	- Completed jobs		15,407,027	14,223,394
	- Jobs-in-progress		10,245,851	11,356,960
			25,652,878	25,580,354
			49,767,795	49,139,849
	Less: Accumulated amortization:			
	Opening balance		16,021,504	12,803,075
	Loan from Provincial Govt		6,219	3,642
	Amortization for the year	32	2,571,540	3,214,787
			18,599,263	16,021,504
			31,168,532	33,118,345

	2014	2013
	(Rupees in thousand)	

10. DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

	2014	2013
Taxable temporary differences:		
Accelerated tax depreciation	11,843,001	11,603,677
Unamortized balance of employee loans at fair value	(10,471)	3,640
	11,832,530	11,607,317
Deductible temporary differences:		
Provision for doubtful debts and other receivables	(3,962,077)	(2,793,189)
Unpaid trading liabilities	(1,921,108)	(886,765)
Carried forward tax losses	(3,709,722)	(3,709,723)
Minimum tax adjustment	(2,131,655)	(1,540,486)
	(11,724,562)	(8,930,163)
	107,968	2,677,154

	2014	2013 Restated
	(Rupees in thousand)	

11. EMPLOYEE BENEFITS

	2014	2013 Restated
Pension fund - Non executive staff	2,118,194	2,246,659
Medical fund - Executive staff	732,963	527,548
Free gas facility fund - Non executive staff	1,905,990	1,208,187
Free gas facility fund - Executive staff	32,562	57,625
Gratuity fund - Executive staff	1,333,512	883,903
Compensated absences - Non Executive staff	274,562	100,717
Compensated absences - Executive staff	71,606	24,341
	6,469,389	5,048,980

Notes to the Financial Statements

for the year ended June 30, 2014

		Note	Pension fund - Non executive staff 2014	Pension fund - Non executive staff 2013 Restated	Medical fund - - Executive staff 2014	Medical fund - - Executive staff 2013 Restated	Free gas facility fund - Non executive staff 2014	Free gas facility fund - Non executive staff 2013 Restated	Free gas facility fund - Executive staff 2014	Free gas facility fund - Executive staff 2013 Restated	Gratuity fund - Executive staff 2014	Gratuity fund - Executive staff 2013 Restated	Accumulating compensated absences - Non Executive staff 2014	Accumulating compensated absences - Non Executive staff 2013 Restated	Accumulating compensated absences - Executive staff 2014	Accumulating compensated absences - Executive staff 2013 Restated	Total 2014	Total 2013 Restated
			(Rupees in thousand)															
11.1	**Reconciliation of payable to employee benefit plans:**																	
	Present value of funded obligations	11.4	8,906,681	8,269,243	2,419,576	1,927,289	3,791,581	2,818,446	145,041	118,584	1,526,403	1,247,535	633,644	424,289	252,811	140,038	17,675,737	14,945,424
	Fair value of plan assets	11.5	(6,788,487)	(6,022,584)	(1,686,613)	(1,399,741)	(1,885,591)	(1,610,259)	(112,479)	(60,959)	(192,891)	(363,632)	(359,082)	(323,572)	(181,205)	(115,697)	(11,206,348)	(9,896,444)
	Net liability	11.10	2,118,194	2,246,659	732,963	527,548	1,905,990	1,208,187	32,562	57,625	1,333,512	883,903	274,562	100,717	71,606	24,341	6,469,389	5,048,980
11.2	**Movement in net liability**																	
	Opening liability		2,246,659	1,440,089	527,548	601,735	1,208,187	330,653	57,625	12,519	883,903	757,634	100,717	(26,724)	24,341	34,190	5,048,980	3,150,096
	Transfer of funds		(130,106)	-	-	-	-	-	-	-	(57,000)	-	-	-	-	-	(187,106)	-
	Charge for the year	11.3	491,855	473,998	168,783	178,435	261,380	157,925	31,980	57,041	265,945	185,345	272,561	150,507	73,938	23,131	1,566,442	1,226,382
	Remeasurements charged in OCI		(79,485)	1,550,430	237,209	(42,688)	600,134	862,399	-	-	327,168	16,483	-	-	-	-	1,085,026	2,386,624
	Contribution paid		(410,729)	(1,217,858)	(200,577)	(209,934)	(163,711)	(142,790)	(57,043)	(11,935)	(86,504)	(75,559)	(98,716)	(23,066)	(26,673)	(32,980)	(1,043,953)	(1,714,122)
			2,118,194	2,246,659	732,963	527,548	1,905,990	1,208,187	32,562	57,625	1,333,512	883,903	274,562	100,717	71,606	24,341	6,469,389	5,048,980
11.3	**Amounts recognized in profit and loss account**																	
	Current service cost		284,350	286,786	123,920	100,210	143,115	114,940	-	-	84,212	80,700	38,297	26,957	21,901	19,172	695,795	628,765
	Interest on obligation		847,018	771,520	198,923	221,422	292,172	218,365	12,082	8,120	113,835	144,115	44,550	34,401	14,704	15,475	1,523,284	1,413,418
	Expected return on plan assets		(639,513)	(584,308)	(154,060)	(143,197)	(173,907)	(175,380)	(9,026)	(6,492)	(28,559)	(45,623)	(33,975)	(37,875)	(12,148)	(11,030)	(1,051,188)	(1,003,905)
	Net actuarial (gains)/losses recognized in the year		-	-	-	-	-	-	28,924	55,413	-	-	223,689	127,024	49,481	(486)	302,094	181,951
	Past service cost - Vested		-	-	-	-	-	-	-	-	96,457	6,153	-	-	-	-	96,457	6,153
	Total included in employee benefit expense	11.12	491,855	473,998	168,783	178,435	261,380	157,925	31,980	57,041	265,945	185,345	272,561	150,507	73,938	23,131	1,566,442	1,226,382
	Actual return on plan assets		629,875	643,775	151,872	147,229	183,332	190,183	1,520	6,017	12,543	117,035	(20,490)	32,225	65,508	12,852	1,024,160	1,149,316
11.4	**Changes in the present value of defined benefit obligation**																	
	Opening defined benefit obligation		8,269,243	5,934,770	1,927,289	1,703,247	2,818,446	1,679,729	118,584	62,461	1,247,535	1,108,578	424,289	264,623	140,038	119,035	14,945,424	10,872,443
	Current service cost		284,350	286,786	123,920	100,210	143,115	114,940	-	-	84,212	80,700	38,297	26,957	21,901	19,172	695,795	628,765
	Interest cost		847,018	771,520	198,923	221,422	292,172	218,365	12,082	8,120	113,835	144,115	44,550	34,401	14,704	15,475	1,523,284	1,413,418
	Actuarial losses		-	-	-	-	-	-	21,418	54,938	-	-	169,224	121,374	102,841	1,336	293,483	177,648
	Remeasurements charged to OCI		(89,123)	1,609,897	235,021	(38,656)	609,559	877,202	-	-	311,152	87,895	-	-	-	-	1,066,609	2,536,338
	Past service cost		-	-	-	-	-	-	-	-	96,457	6,153	-	-	-	-	96,457	6,153
	Benefits paid		(404,807)	(333,730)	(65,577)	(58,934)	(71,711)	(71,790)	(7,043)	(6,935)	(326,788)	(179,906)	(42,716)	(23,066)	(26,673)	(14,980)	(945,315)	(689,341)
	Closing defined benefit obligation		8,906,681	8,269,243	2,419,576	1,927,289	3,791,581	2,818,446	145,041	118,584	1,526,403	1,247,535	633,644	424,289	252,811	140,038	17,675,737	14,945,424
11.5	**Changes in the fair value of plan assets**																	
	Opening fair value of plan assets		6,022,584	4,494,681	1,399,741	1,101,512	1,610,259	1,349,076	60,959	49,942	363,632	350,944	323,572	291,347	115,697	84,845	9,896,444	7,722,347
	Expected return		639,513	584,308	154,060	143,197	173,907	175,380	9,026	6,492	28,559	45,623	33,975	37,875	12,148	11,030	1,051,188	1,003,905
	Actuarial gains / (losses)		-	-	-	-	-	-	(7,506)	(475)	-	-	(54,465)	(5,650)	53,360	1,822	(8,611)	(4,303)
	Remeasurements charged to OCI		(9,638)	59,467	(2,188)	4,032	9,425	14,803	-	-	(16,016)	71,412	-	-	-	-	(18,417)	149,714
	Contributions by employer		410,729	1,217,858	200,577	209,934	163,711	142,790	57,043	11,935	86,504	75,559	98,716	23,066	26,673	32,980	1,043,953	1,714,122
	Benefits paid		(404,807)	(333,730)	(65,577)	(58,934)	(71,711)	(71,790)	(7,043)	(6,935)	(326,788)	(179,906)	(42,716)	(23,066)	(26,673)	(14,980)	(945,315)	(689,341)
	Transfer of funds		130,106	-	-	-	-	-	-	-	57,000	-	-	-	-	-	187,106	-
		11.6	6,788,487	6,022,584	1,686,613	1,399,741	1,885,591	1,610,259	112,479	60,959	192,891	363,632	359,082	323,572	181,205	115,697	11,206,348	9,896,444

11.6 **Plan assets comprise:**

	Pension fund - Non executive staff			
	2014 Fair value		2013 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	5,709,221	84.10	5,705,523	94.74
NIT units	317,852	4.68	274,909	4.56
Pakistan Investment Bonds	670,095	9.87	41,000	0.68
Cash at bank	91,319	1.35	1,152	0.02
	6,788,487	100.00	6,022,584	100.00

	Medical fund - Executive staff			
	2014 Fair value		2013 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	1,587,794	94.14	1,386,257	99.04
NIT units	18,012	1.07	11,532	0.82
Pakistan Investment Bonds	75,000	4.45	-	0.00
Cash at bank	5,807	0.34	1,952	0.14
	1,686,613	100.00	1,399,741	100.00

	Free gas facility fund - Non executive staff			
	2014 Fair value		2013 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	1,761,045	93.39	1,579,659	98.10
NIT units	46,766	2.48	29,942	1.86
Pakistan Investment Bonds	75,000	3.98	-	0.00
Cash at bank	2,780	0.15	658	0.04
	1,885,591	100.00	1,610,259	100.00

	Free gas facility fund - Executive staff			
	2014 Fair value		2013 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	52,184	46.39	59,532	97.66
Pakistan Investment Bonds	50,000	44.46	-	0.00
Cash at bank	10,295	9.15	1,427	2.34
	112,479	100.00	60,959	100.00

	Gratuity fund - Executive staff			
	2014 Fair value		2013 Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	135,863	70.44	363,171	99.87
Cash at bank	57,028	29.56	461	0.13
	192,891	100.00	363,632	100.00

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	Accumulating compensated absences - Non executive staff			
	2014		2013	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	355,770	99.08	322,315	99.61
Cash at bank	3,312	0.92	1,257	0.39
	359,082	100.00	323,572	100.00

	Accumulating compensated absences - Executive staff			
	2014		2013	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	178,525	98.52	113,502	98.10
Cash at bank	2,680	1.48	2,195	1.90
	181,205	100.00	115,697	100.00

11.7 Principal actuarial assumptions used (expressed as weighted average)

	Medical fund			
	2014		2013	
	Executive	Non-executive	Executive	Non-executive
Discount rate	13.5%	13.5%	10.5%	10.5%
Expected rate of growth per annum in average cost of facility	10.5%	10.5%	7.5%	7.5%
Increase in average cost of medical facility per employee due to increase in age of recipient	2.0%	2.0%	2.0%	2.0%
Expected rate of return per annum on plan assets	10.5%	10.5%	13.0%	13.0%

	Free gas facility fund			
	2014		2013	
	Executive	Non-executive	Executive	Non-executive
Discount rate	13.5%	13.5%	10.5%	10.5%
Expected rate of growth per annum in average cost of facility	12.5%	12.5%	9.5%	9.5%
Rate of utilization of facility by future entitled employees	0%	0%	0%	0%
Expected rate of return per annum on plan assets	10.5%	10.5%	13.0%	13.0%

	Pension fund			
	2014		2013	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	12.5%	12.5%	9.5%	9.5%
Discount rate	13.5%	13.5%	10.5%	10.5%
Expected rate of return per annum on plan assets	10.5%	10.5%	13.0%	13.0%

	Gratuity fund			
	2014		2013	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	12.5%	12.5%	9.5%	9.5%
Discount rate	13.5%	13.5%	10.5%	10.5%
Expected rate of return per annum on plan assets	10.5%	10.5%	13.0%	13.0%

	Accumulating compensated absences			
	2014		2013	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	12.5%	12.5%	9.5%	9.5%
Discount rate	13.5%	13.5%	10.5%	10.5%
Expected rate of return per annum on plan assets	10.5%	10.5%	13.0%	13.0%

11.8 Calculations are based on complex mathematical model which takes into account the yield at maturity of the existing investment present at the beginning of the financial year. The model also considers the expected return on the reinvestment of the maturity proceeds in similar instruments (based on their yield as at the valuation date) up till the life of the related obligation.

11.9 The effect of one per cent movement in assumed medical cost trend rates would have the following effects:

	2014		2013	
	1% Increase	1% (decrease)	1% Increase	1% (decrease)
	(Rupees in thousand)			
Effect on the aggregate of the service cost and interest cost	52,684	(42,911)	66,000	(58,000)
Effect on defined benefit obligation	1,014,633	(842,290)	990,000	(856,000)

11.10 **(Surplus) / Deficit for current and previous four years**

	Pension fund - Non executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	8,906,681	8,269,243	5,934,770	4,484,066	4,118,440
Plan assets	(6,788,487)	(6,022,584)	(4,494,681)	(3,476,425)	(3,233,228)
Deficit	2,118,194	2,246,659	1,440,089	1,007,641	885,212
Experience adjustment on plan liabilities	(89,123)	1,609,897	891,252	(136,853)	685,959
Experience adjustment on plan assets	(9,638)	59,467	379,849	(371,374)	205,413

	Medical fund - Executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	2,419,576	1,927,289	1,703,247	1,451,941	1,257,528
Plan assets	(1,686,613)	(1,399,741)	(1,101,512)	(850,163)	(694,007)
Deficit	732,963	527,548	601,735	601,778	563,521
Experience adjustment on plan liabilities	235,021	(38,656)	13,746	27,222	214,893
Experience adjustment on plan assets	(2,188)	4,032	6,326	10,876	15,566

	Free gas facility fund - Non executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	3,791,581	2,818,446	1,679,729	1,365,130	1,326,726
Plan assets	(1,885,591)	(1,610,259)	(1,349,076)	(1,072,711)	(824,695)
Deficit	1,905,990	1,208,187	330,653	292,419	502,031
Experience adjustment on plan liabilities	609,559	877,202	61,070	(173,777)	74,008
Experience adjustment on plan assets	9,425	14,803	8,185	19,053	18,201

	Free gas facility fund - Executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	145,041	118,584	62,461	40,725	43,579
Plan assets	(112,479)	(60,959)	(49,942)	(45,003)	(36,964)
Deficit / (Surplus)	32,562	57,625	12,519	(4,278)	6,615
Experience adjustment on plan liabilities	21,418	54,938	22,360	(5,327)	3,159
Experience adjustment on plan assets	(7,506)	(475)	(1,361)	603	(32)

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	Gratuity fund - Executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	1,526,403	1,247,535	1,108,578	878,345	814,666
Plan assets	(192,891)	(363,632)	(350,944)	(82,846)	(52,155)
Deficit	1,333,512	883,903	757,634	795,499	762,511
Experience adjustment on plan liabilities	311,152	87,895	314,100	159,554	(21,200)
Experience adjustment on plan assets	(16,016)	71,412	174,857	36,125	(31,347)

	Accumulating compensated absences - Non Executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	633,644	424,289	264,623	206,762	191,570
Plan assets	(359,082)	(323,572)	(291,347)	(253,583)	(224,129)
Deficit / (Surplus)	274,562	100,717	(26,724)	(46,821)	(32,559)
Experience adjustment on plan liabilities	169,224	121,374	31,610	(14,966)	27,025
Experience adjustment on plan assets	(54,465)	(5,650)	2,262	2,559	5,859

	Accumulating compensated absences - Executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Defined benefit obligation	252,811	140,038	119,035	88,043	74,451
Plan assets	(181,205)	(115,697)	(84,845)	(75,947)	(67,109)
Deficit	71,606	24,341	34,190	12,096	7,342
Experience adjustment on plan liabilities	102,841	1,336	25,790	14,523	1,272
Experience adjustment on plan assets	53,360	1,822	(1,735)	785	2,476

		2014	2013 Restated
		(Rupees in thousand)	
11.11	**Estimated future contributions**		
	Pension fund - Non executive staff	374,600	385,900
	Medical fund - Executive staff	732,963	205,040
	Free gas facility - Non executive staff	1,905,990	166,374
	Free gas facility - Executive staff	32,562	57,625
	Gratuity fund-Executive staff	115,000	84,200
	Accumulating compensated absences-Non Executive staff	274,562	100,717
	Accumulating compensated absences-Executive staff	71,606	24,341
		3,507,283	1,024,197

		Note	2014	2013
			(Rupees in thousand)	
11.12	**The charge for the year has been allocated as follows:**			
	Distribution cost	31	704,501	575,693
	Selling costs	33	349,685	305,272
	Administrative expenses	34	446,086	335,925
	Project work in progress		66,170	9,492
			1,566,442	1,226,382

	Note	2014	2013 Restated
		(Rupees in thousand)	
12. TRADE AND OTHER PAYABLES			
Creditors for:			
- gas	12.1	49,012,962	37,129,896
- supplies	12.2	1,503,033	802,446
Accrued liabilities		6,496,072	4,728,371
Provident fund	12.3	-	49,884
Gas infrastructure development cess payable	12.4	2,099,077	-
Interest free deposits repayable on demand		101,627	86,813
Earnest money received from contractors		34,762	25,302
Mobilization and other advances		1,435,690	1,177,618
Advances from customers		-	65,729
Due to customers	40	87,121	34,866
Gas development surcharge		4,569,948	22,237,222
Workers' Profit Participation Fund	12.5	418,155	418,012
Unclaimed dividend		75,048	79,593
		65,833,495	66,835,752

12.1 These include Rs 33,673,595 thousand (2013: Rs 23,136,913 thousand) payable to related parties.

12.2 These Include Rs 3,166,206 thousand (2013: Rs 2,330 thousand) payable to related parties.

	2014	2013
	(Rupees in thousand)	
12.3 The details of investments made by the provident fund		
Size of the fund	7,950,771	7,752,402
Cost of Investment made	7,627,918	7,192,217
Fair value of Investment	7,950,771	7,752,402

12.3.1 **Breakup of Investments** — Note 12.3.2

	2014 Percentage	2014 Amount	2013 Percentage	2013 Amount
		(Rs in thousand)		(Rs in thousand)
Term deposit receipts - schedule banks	80.74	6,419,250	94.20	7,302,396
Mutual Funds(NIT Units)	5.74	456,521	5.80	450,006
Pakistan Investment bonds	13.52	1,075,000	-	-
	100.00	7,950,771	100.00	7,752,402

12.3.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984.

12.4 During the year ended June 30, 2013, the Honorable Islamabad High Court vide its decision dated January 31, 2013, declared Gas Infrastructure Development Cess Act, 2011 as Ultra Vires to the Constitution and directed the Company to adjust the amount already received on this account in the future bills of the petitioners. However, the Honorable Islamabad High Court vide its decision dated March 18, 2013, directed that neither the appellant shall recover the disputed amount from the respondents, nor the amount which has become payable to the respondents on the basis of impugned judgment shall be paid back to the respondents.

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In September 2014, a GIDC Ordinance was issued by President of Pakistan, pursuant to which, on directions of OGRA, the Company charged GIDC from its consumers with effect from September 2014. The Ordinance was superseded by GIDC Act 2015 passed by Parliament of Pakistan. The Act ratified the preceding GIDC Act 2011 and Ordinance 2014 and its provisions.

Furthermore, GIDC along with LPS on GIDC amounting to Rs 39,799,830 thousand and Rs 2,537,492 thousand respectively as at June 30, 2014 is recoverable from consumers and payable to Government of Pakistan. These financial statements do not reflect the said amounts since the provisions of the GIDC Act require the Company to pay GIDC and LPS on GIDC as and when the same is collected from consumers. Consequently, the same will be shown as payable as and when the balance is collected from consumers.

		Note	2014	2013
			(Rupees in thousand)	
12.5	Workers' Profit Participation Fund			
	Balance at the beginning of the year		418,012	371,663
	Allocation for the year	36	-	-
			418,012	371,663
	Adjustments: Cheques not received by employees		143	26
	Interest on funds utilized in the Company's business	35	-	46,323
	Less: Payments to workers		-	-
			418,155	418,012
13.	**INTEREST AND MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES**			
	On loans		192,286	200,159
	On deposits from customers		1,136,593	2,031,547
	On late payment of gas creditors		15,241,372	11,946,353
		13.1	16,570,251	14,178,059

13.1 This includes Rs 13,651,375 thousand (2013: Rs 11,023,784 thousand) payable to related parties.

14. SHORT TERM BORROWING - SECURED

Short term running finance facility amounting to Rs 1,000,000 thousand (2013: Rs 1,000,000 thousand) obtained from a commercial bank carries mark-up at the rate of 3 months KIBOR plus 0.15% per annum (2013: 3 months KIBOR plus 0.25% per annum) on the balance outstanding. It is secured by way of first pari passu hypothecation charge on all present and future current assets of the Company to the extent of Rs 1,334,000 thousand (2013: Rs 1,334,000 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranged from 9.18% to 10.33% (2013: 9.53% to 12.20%) per annum.

		Note	2014	2013
			(Rupees in thousand)	
15.	**CURRENT PORTION OF LONG TERM FINANCING**			
	Long term financing - secured	6	2,500,000	2,500,000
	Long term financing - unsecured	7	343,991	336,006
			2,843,991	2,836,006

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

The Company has the following significant contingent liabilities in respect of legal claims arising in the ordinary course of business:

16.1.1 Taxation

a) The Income Tax Appellate Tribunal (ITAT) upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1980-81 through 2001-02. The Department has filed appeals against the orders of ITAT before the High Court for the assessment years 1980-81 through 1993-94. Pending the outcome of appeals filed by the tax department with the High Court, no provision has been made in these financial statements for additional demands in respect of assessment years 1980-81 to 2002-2003 and tax year 2003 which on similar basis as used in the past by the tax authorities would amount to Rs 203,342 thousand (2013: Rupees 220,566 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

b) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further demands due to a change in treatment by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these demands and has filed appeals with the ITAT against the orders of the tax authorities. The ITAT upheld the Company's contentions in the appeals filed for the assessment years 1989-90 to 2001-02, however, the department has filed appeals against the orders of ITAT before the High Court for the assessment years 1989-90 through 1993-94. Pending the outcome of these appeals no provision has been made in the financial statements for these additional demands for the years 1989-90 through 2002-03, which on the basis adopted by the authorities would amount to Rs 838,626 thousand (2013: Rs 864,202 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

c) A demand of Rs 67,998 thousand (2013: Rupees 67,998 thousand) relating to excess compensation for delayed refunds for assessment years 1988-89, 1990-91, 1991-92 and 1996-97 was raised by the Additional Commissioner of Income Tax by rectifying the orders previously issued under section 171 of the repealed Ordinance. In this regard, while disposing off the appeal filed before ATIR against the order of CIT(A), the ATIR has remanded back the matter of curtailment of compensation on delayed payment/adjustment of refund pertaining to assessment year 1988-89, 1991-92 and 1996-97 for verification of underlying facts afresh. However, no provision has been made in these financial statements as the management is confident of a favorable outcome.

d) During the year 2012 tax authorities raised demands of Rs 8,207,290 thousand, Rs 7,366,587 thousand and Rs 2,715,174 for tax year 2011, 2010 and 2006 respectively, mainly by disallowing Cost Equalization Adjustment, Gas Development Surcharge while also adding back consumers contribution and government grants. Company's appeal against the amendment orders were disposed off by CIR (Appeals) substantially in Company's favor and except for the issue of admissibility of GDS and tax credit referred above, all other material disallowances were removed. Both the tax authorities and Company preferred appeals against order of CIR (Appeals) before ATIR. During the financial year ended June 30, 2015, while disposing off Company's appeal, ATIR has upheld Company's contention in respect of admissibility of GDS whereas the tax credit under section 65B of Income tax ordinance 2001 has not been allowed. Furthermore Appeal filed by the department with respect to other issues have been decided in Company's favor. However, Tax Authorities have filed an appeal against the decision of ATIR with regards to GDS before Honorable Lahore High Court which is pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that Company's stance is based on meritious grounds and will be upheld by higher appellate forums

e) During the year ended June 30, 2013, tax authorities raised demands of Rs 17,207,333 thousand and Rs 6,880,501 thousand for tax year 2012 and 2007 respectively on similar grounds to those raised in tax years 2011, 2010 and 2006 as mentioned above. During the year end, Company's appeal against the amendment orders were disposed off by CIR (Appeals) substantially in Company's favor and except for the issue of admissibility of

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GDS and tax credit referred above, all other material disallowances were removed. Both the tax authorities and Company preferred appeals against order of CIR (Appeals) before ATIR. While disposing off Company's appeal, ATIR has upheld Company's contention in respect of admissibility of GDS whereas the tax credit under section 65B of Income Tax Ordinance, 2001 has not been allowed. Furthermore, Appeal filed by the department with respect to other issues have been decided in Company's favor. However, Tax Authorities and the Company have filed appeals against the decision of ATIR with regards to GDS and Tax credit under Section 65B of Income Tax Ordinance, 2001 before Honorable Lahore High Court which are pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that Company's stance is based on maritorious grounds and will be upheld by the Honorable Lahore High Court.

f) The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal against the orders of Collector of Sales Tax (Appeals) regarding various issues such as apportionment of input tax, admissibility of input tax on natural gas lost in ruptures, etc. The amount under adjudication is Rs 45,549 thousand (2013: Rs 45,549 thousand). Pending the outcome of appeals, no provision against Sales tax refundable has been recognized in the financial statements based on the opinion of legal counsel of the Company. Subsequent to the year end, Company's appeal against the orders of collector of Sales Tax (Appeals) was disposed off by ATIR in Company's favor.

g) During the year 2011 Sales tax authorities raised a demand of Rs 406,650 thousand (2013: 406,650 thousand) and Rs 736,000 thousand (2013: Rupees 736,000 thousand) for the year 2008 and 2009 respectively. Primary issue involving these demands was inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by Oil and gas regulatory authority (OGRA), in this regard appeal filed by the Company with Commissioner Inland Revenue (Appeals) in respect of the year 2008 and 2009 was decided against the Company however Company has filed an appeal against the orders of CIR (Appeals) with ATIR for the year 2008 and 2009 respectively which was decided against the Company. Subsequent to which, the Company filed an appeal with Honourable Lahore High Court, which is pending adjudication. No provision has been made in these financial statements as Company's Management is confident of favorable outcome of the appeals.

16.1.2 Revenue determination

As at June 30, 2012, the Company had contested the UFG Benchmark and the treatment of LPS imposed by OGRA in the Honorable Lahore High Court with regards to financial years 2010-11 and 2011-12. Subsequently on February 15, 2013, the Honorable Lahore High Court dismissed the petition filed by the Company and OGRA vide its Final Revenue Requirement (FRR) Order dated November 05, 2015, incorporated the adverse impact of the above decision resulting in an increase in Gas Development Surcharge (GDS) for the year ended June 30, 2013 by Rs 12,743,000 thousand. Furthermore, OGRA vide its FRR for the year 2013-14 adopted the same benchmarks and parameters as laid down in its FRR order for the year 2012-13. The Company filed review petitions against FRR Orders for both the financial years 2012-13 and 2013-14 with OGRA. OGRA is yet to adjudicate on the review petitions filed by the Company.

16.1.3 Others

Claims against the Company not acknowledged as debts amount to Rs 371,637 thousand (2013: Rs 400,939 thousand).

a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating Rs 77,313 thousand (2013: Rupees 77,313 thousand). It also includes a penalty of Rs 1,000 thousand (2013: Rs 1,000 thousand) imposed by SECP for delay in dissemination of price sensitive information to KSE Company is in the process of filing an appeal in the Lahore High Court against the said decision. Pending the outcome of these matters/claims, which are being adjudicated, no provision has been made in these financial statements as the Company is confident of favorable outcome.

b) Included in claims against the Company not acknowledged as debt is the claim of employees union for bonus amounting to Rs 255,200 thousand (2013: Rs 255,200 thousand) approximately, which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honorable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC is without jurisdiction and is void. The appeal filed by the Company has been decided against the Company by the Honorable Supreme Court of Pakistan, aggrieved by the decision Company has filed for review with Honorable Supreme Court of Pakistan, which has not been so far fixed for hearing. No provision has been made in these financial statements for the amount of bonus as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favor of the Company.

c) The Company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/94 in respect of custom duty and sales tax on certain imported items amounting to Rs 195,731 thousand (2013: Rs 195,731 thousand). Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.

16.2 Commitments

a) Capital commitments

Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:

	Note	2014	2013
		(Rupees in thousand)	
Property, plant and equipment		388,419	412,182
Intangible assets		24,299	29,983
Stores and spares		2,632,237	2,522,804
		3,044,955	2,964,969
b) Other commitments		554,825	688,862

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Operating fixed assets	17.1	83,881,031	79,535,830
Capital work-in-progress	17.2	20,662,511	18,861,264
		104,543,542	98,397,094

Notes to the Financial Statements
for the year ended June 30, 2014

17.1 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Operating Fixed Assets														
	Freehold land	Leasehold land	Buildings and civil construction on freehold land	Buildings on leasehold land	Transmission system	Distribution system	Consumer meter and town border stations	Telecommunication system and facilities	Compressor stations and equipment	Plant and machinery	Furniture and equipment	Transport Vehicle	Tools and accessories	Computers and ancillary equipment	Total
	(Rupees in thousand)														
Net Carrying Value basis															
Year ended 30 June 2014															
Opening net book value	1,415,701	392	660,428	-	21,254,754	37,157,980	12,540,174	154,924	4,255,270	1,230,248	50,685	421,107	15,631	378,536	79,535,830
Additions	124,864	-	56,547	-	2,300,835	5,498,474	3,936,372	22,551	693,611	270,187	58,694	214,161	35,074	48,668	13,260,038
Disposals															
Cost	-	-	-	-	-	-	(45,547)	(7,744)	-	(19,868)	(1,346)	(65,224)	-	(3,263)	(142,992)
Accumulated depreciation	-	-	-	-	-	-	45,547	7,744	-	19,868	1,346	56,997	-	3,196	134,698
	-	-	-	-	-	-	-	-	-	-	-	(8,227)	-	(67)	(8,294)
Depreciation charge	-	-	(66,083)	-	(2,430,290)	(3,374,748)	(1,910,531)	(45,167)	(467,936)	(307,856)	(24,400)	(155,624)	(14,716)	(109,192)	(8,906,543)
Closing net book value	1,540,565	392	650,892	-	21,125,299	39,281,706	14,566,015	132,308	4,480,945	1,192,579	84,979	471,417	35,989	317,945	83,881,031
Gross Carrying Value basis															
At 30 June 2014															
Cost	1,540,565	392	1,593,947	8,461	53,372,646	65,234,277	29,046,411	2,408,120	9,990,084	5,308,915	343,252	1,823,840	266,950	923,061	171,860,921
Accumulated depreciation	-	-	(943,055)	(8,461)	(32,247,347)	(25,952,571)	(14,480,396)	(2,275,812)	(5,509,139)	(4,116,336)	(258,273)	(1,352,423)	(230,961)	(605,116)	(87,979,890)
Net Book Value	1,540,565	392	650,892	-	21,125,299	39,281,706	14,566,015	132,308	4,480,945	1,192,579	84,979	471,417	35,989	317,945	83,881,031
Net Carrying Value basis															
Year ended 30 June 2013															
Opening net book value	1,356,294	392	650,530	-	23,470,806	35,808,631	10,897,990	128,831	4,644,214	1,061,398	44,511	285,506	17,338	421,650	78,788,091
Additions	59,407	-	82,704	-	303,700	4,475,626	3,466,455	70,633	48,628	489,196	27,222	267,892	12,806	67,303	9,371,572
Disposals															
Cost	-	-	-	-	-	-	(91,497)	(6,034)	-	(46,381)	(1,585)	(15,970)	-	(1,634)	(163,101)
Accumulated depreciation	-	-	-	-	-	-	91,497	6,034	-	46,381	1,585	13,041	-	1,634	160,172
	-	-	-	-	-	-	-	-	-	-	-	(2,929)	-	-	(2,929)
Depreciation charge	-	-	(72,806)	-	(2,519,752)	(3,126,277)	(1,824,271)	(44,540)	(437,572)	(320,346)	(21,048)	(129,362)	(14,513)	(110,417)	(8,620,904)
Closing net book value	1,415,701	392	660,428	-	21,254,754	37,157,980	12,540,174	154,924	4,255,270	1,230,248	50,685	421,107	15,631	378,536	79,535,830
Gross Carrying Value basis															
At 30 June 2013															
Cost	1,415,701	392	1,537,400	8,461	51,071,811	59,735,803	25,155,586	2,393,313	9,296,473	5,058,596	285,904	1,674,903	231,876	877,656	158,743,875
Accumulated depreciation	-	-	(876,972)	(8,461)	(29,817,057)	(22,577,823)	(12,615,412)	(2,238,389)	(5,041,203)	(3,828,348)	(235,219)	(1,253,796)	(216,245)	(499,120)	(79,208,045)
Net Book Value	1,415,701	392	660,428	-	21,254,754	37,157,980	12,540,174	154,924	4,255,270	1,230,248	50,685	421,107	15,631	378,536	79,535,830
Rate of depreciation in %	-	-	6	6	6-10	6	6-10	15	6-20	10-20	15-20	25	33.33	15	

17.1.1 The land at cost of Rs 1,236, 590 thousand (2013: Rs 1,111,726 thousand) is subject to restriction under The Land Acquisition Act, 1894 and can not be sold by the Company without the prior approval from the respective Provincial Governments.

17.1.2 The cost of assets as on June 30, 2014 include fully depreciated assets amounting to Rs 36,311,339 thousand (2013: Rs 30,299,673 thousand).

17.1.3 The depreciation charge for the year has been allocated as follows:

	Note	2014	2013
		(Rupees in thousand)	
Distribution cost	31	8,677,711	8,397,539
Administrative expenses	34	177,097	171,379
	38	8,854,808	8,568,918
Transmission system		42,042	13,739
Distribution system		9,693	38,247
		51,735	51,986
	17.1	8,906,543	8,620,904

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on sale	Mode of disposal	Sold to
			(Rupees)				
Transport vehicles							
Honda City Car	1,288,060	1,180,735	107,325	121,637	14,312	Service Rules	Mr Muhammad Pervaiz SGM
Suzuki Cultus Car	860,650	627,554	233,096	257,600	24,504	Service Rules	Mr Abdul Salam RM
Suzuki Cultus Car	860,650	609,624	251,026	259,991	8,965	Service Rules	Mr Raja Shaheen Ulla Khan Chief Sales Officer
Honda Civic VTI	2,131,120	1,198,750	932,370	956,049	23,679	Service Rules	Mr Arif Hameed MD
Honda Civic VTI	2,126,270	1,018,834	1,107,436	1,135,491	28,055	Service Rules	Mr Zulqarnain Ahmad SGM
Toyota Corolla	1,608,030	737,017	871,013	891,114	20,101	Service Rules	Mr Muhammad Umair Khan GM
Toyota Corolla	1,613,300	941,085	672,215	676,696	4,481	Service Rules	Mr Nadeem Asghar SGM
Toyota Corolla	1,605,530	970,015	635,515	1,500,000	864,485	Insurance Claim	National Insurance Company
Honda Civic	2,160,915	990,418	1,170,497	1,197,508	27,011	Service Rules	Mr Abdul Haseeb SGM
Honda Civic	2,160,915	900,380	1,260,535	1,319,060	58,525	Service Rules	Mr Amir Naseem SGM (D)
Toyota Corolla	1,690,000	704,163	985,837	1,022,218	36,381	Service Rules	Mr. Muhammad Ashraf GM
Computer Equipment							
Laptop	76,747	23,021	53,726	64,000	10,274	Insurance Claim	National Insurance Company

Net book value of all other assets disposed off during the year was less than Rs 50,000 each.

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Detail of certain assets disposed off during the year ended June 30, 2013

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on sale	Mode of disposal	Sold to
			(Rupees)				
Transport vehicles							
Honda Civic VTI	2,151,920	627,648	1,524,272	1,533,239	8,967	Service Rules	Mr. Chaudhry Masood Ahmad SGM (CS)
Toyota Corolla	1,727,830	323,964	1,403,866	1,415,865	11,999	Service Rules	Mr. Amanullah GM (COORD)

Net book value of all other assets disposed off during the year was less than Rs 50,000 each.

17.1.5 Transmission lines include assets held by the Company on behalf of and in trust for the investors under the musharaka arrangements entered into by the Company. Assets held under these musharaka arrangement are as follows:

Musharaka arrangements

	2014 Cost	2014 Book value	2013 Cost	2013 Book value
	(Rupees in thousand)			
Transmission lines				
36'' Dia 68.14 Km AV 29 Mian Chunu Line	2,125,933	1,349,968	2,125,933	1,477,524
36'' Dia 42.11 Km Sms Mian Chunu - Sahiwal Line	1,179,890	749,230	1,179,890	820,024
24'' Dia 49.58 Km Kohat - Nowshera Line	909,147	577,308	909,147	631,857
24'' Dia 42.20 Km Akhtarabad Pattoki - SMS Phool Nagar line	345,857	236,912	345,857	257,664
	4,560,827	2,913,418	4,560,827	3,187,069

	Note	2014	2013
		(Rupees in thousand)	
17.2 Capital work-in-progress			
Transmission system		1,866,298	801,730
Distribution system		7,658,437	9,387,397
Stores and spare parts held for capital expenditure	17.2.1	10,873,578	8,315,858
Advances for land and other capital expenditure		264,198	356,279
		20,662,511	18,861,264
17.2.1 Stores and spare parts held for capital expenditure			
Stores and spare parts including in-transit Rs 1,160,318 thousand (2013: Rs 391,367 thousand)		10,939,450	8,332,275
Less: Provision for obsolescence		65,872	16,417
		10,873,578	8,315,858
18. INTANGIBLE ASSETS			
Computer software and ERP system	18.1	56,719	11,106
Intangible assets under implementation		1,342	1,342
		58,061	12,448

18.1 Computer software and ERP system

Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Note	2014	2013
		(Rupees in thousand)	
Balance as at July 1:			
Cost		467,110	456,531
Accumulated amortization		(456,004)	(324,282)
Net book value		11,106	132,249
Movement during the year:			
Additions		55,902	10,579
Amortization charge for the year	34	(10,289)	(131,722)
Balance as at June 30:			
Cost		523,012	467,110
Accumulated amortization		(466,293)	(456,004)
Net book value		56,719	11,106
Rate of amortization		33.33%	33.33%

19. LONG TERM INVESTMENT

Inter State Gas Systems (Private) Limited		
490,000 (2013: 490,000) ordinary shares of Rs 10 each	4,900	4,900

20. LONG TERM LOANS - CONSIDERED GOOD

	Note	Employee welfare		House Building		Motorcycle/ Scooter		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
		(Rupees in thousand)							
Due from:									
Executives	20.1	-	-	5,682	7,174	-	-	5,682	7,174
Other employees		363,288	275,043	29,973	53,795	14,617	12,696	407,878	341,534
		363,288	275,043	35,655	60,969	14,617	12,696	413,560	348,708
Amount due within one year:									
Executives	25	-	-	1,153	1,153	-	-	1,153	1,153
Other employees	25	65,482	50,167	16,645	27,417	9,788	11,333	91,915	88,917
		65,482	50,167	17,798	28,570	9,788	11,333	93,068	90,070
		297,806	224,876	17,857	32,399	4,829	1,363	320,492	258,638

20.1 Reconciliation of balance due from executives:

Opening balance	-	-	7,174	1,220	-	-	7,174	1,220
Disbursements	-	-	-	7,025	-	-	-	7,025
	-	-	7,174	8,245	-	-	7,174	8,245
Less: Repayments/adjustments	-	-	(1,492)	(1,071)	-	-	(1,492)	(1,071)
Closing balance	-	-	5,682	7,174	-	-	5,682	7,174

Notes to the Financial Statements
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20.2 House building loans are repayable in 10 years, while motorcycle/ scooter loans are repayable in 3 years. Interest at the rate ranging between 1% and 10% (2013: 1% and 10%) per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles in the name of the Company and the employees.

20.3 The maximum amount due from the Chief Executive and Executives at any month end during the year was Nil (2013: Nil) and Rs 7,174 thousand (2013: Rs 7,174 thousand).

20.4 Fair values of long term loans to employees are estimated at the present value of all future cash flows discounted using rate prevailing on Regular Income Certificates for the relevant year.

20.5 Effective interest rates on the above loans range between 6.84% to 13.44% (2013: 6.84% to 16%) per annum.

21. EMPLOYEE BENEFITS

	Note	2014	2013 Restated
		(Rupees in thousand)	
Pension fund - Executive staff		261,004	725,056
Gratuity fund - Non executive staff		514,781	193,374
Medical Fund - Non Executive staff		1,122,493	1,322,498
	21.1	1,898,278	2,240,928

21.1 Reconciliation of receivable from / (payable to) employee benefit plans:

	Note	Pension fund - Executive staff		Gratuity fund - Non executive staff		Medical fund - Non Executive staff		Total	
		2014	2013 Restated	2014	2013 Restated	2014	2013 Restated	2014	2013 Restated
		(Rupees in thousand)							
Present value of funded obligations	21.4	(1,173,825)	(756,856)	(2,539,324)	(2,505,633)	(4,462,941)	(3,708,128)	(8,176,090)	(6,970,617)
Fair value of plan assets	21.5	1,434,829	1,481,912	3,054,105	2,699,007	5,585,434	5,030,626	10,074,368	9,211,545
Net assets	21.9	261,004	725,056	514,781	193,374	1,122,493	1,322,498	1,898,278	2,240,928

21.2 Movement in net assets

Opening asset		725,056	708,548	193,374	758,578	1,322,498	403,475	2,240,928	1,870,601
Transfer of funds		(289,606)	-	102,500	-	-	-	(187,106)	-
Credit / (charge) for the year	21.3	(43,566)	19,109	(105,117)	(40,277)	(10,881)	(124,223)	(159,564)	(145,391)
Remeasurements chargeable in OCI		(215,722)	(89,817)	149,269	(636,269)	(293,482)	865,228	(359,935)	139,142
Contribution paid		84,842	87,216	174,755	111,342	104,358	178,018	363,955	376,576
		261,004	725,056	514,781	193,374	1,122,493	1,322,498	1,898,278	2,240,928

21.3 Amounts recognized in profit and loss account are as follows:

	Note	Pension fund - Executive staff 2014	Pension fund - Executive staff 2013 Restated	Gratuity fund - Non executive staff 2014	Gratuity fund - Non executive staff 2013 Restated	Medical fund - Non Executive staff 2014	Medical fund - Non Executive staff 2013 Restated	Total 2014	Total 2013 Restated
		(Rupees in thousand)							
Current service cost		60,256	64,192	139,977	138,892	155,222	176,675	355,455	379,759
Interest on obligation		77,712	72,433	250,221	206,695	385,187	500,927	713,120	780,055
Expected return on plan assets		(143,092)	(164,545)	(285,081)	(305,310)	(529,528)	(553,379)	(957,701)	(1,023,234)
Past service cost		48,690	8,811	-	-	-	-	48,690	8,811
Total included in employee benefit expense	21.2	43,566	(19,109)	105,117	40,277	10,881	124,223	159,564	145,391
Actual return on plan assets		191,175	161,418	322,999	398,208	529,808	667,864	1,043,982	1,227,490

21.4 Changes in the present value of defined benefit obligation are as follows:

	Pension fund - Executive staff 2014	Pension fund - Executive staff 2013 Restated	Gratuity fund - Non executive staff 2014	Gratuity fund - Non executive staff 2013 Restated	Medical fund - Non Executive staff 2014	Medical fund - Non Executive staff 2013 Restated	Total 2014	Total 2013 Restated
	(Rupees in thousand)							
Opening defined benefit obligation	756,856	557,179	2,505,633	1,589,959	3,708,128	3,853,287	6,970,617	6,000,425
Service cost	60,256	64,191	139,977	138,892	155,222	176,675	355,455	379,758
Interest cost	77,712	72,433	250,221	206,695	385,187	500,927	713,120	780,055
Remeasurements charged to OCI	263,805	86,690	(111,351)	729,168	293,762	(750,743)	446,216	65,115
Past service cost	48,690	8,812	-	-	-	-	48,690	8,812
Benefits paid	(33,494)	(32,449)	(245,156)	(159,081)	(79,358)	(72,018)	(358,008)	(263,548)
Closing defined benefit obligation	1,173,825	756,856	2,539,324	2,505,633	4,462,941	3,708,128	8,176,090	6,970,617

21.5 Changes in the fair value of plan assets are as follows:

	Note	Pension fund - Executive staff 2014	Pension fund - Executive staff 2013 Restated	Gratuity fund - Non executive staff 2014	Gratuity fund - Non executive staff 2013 Restated	Medical fund - Non Executive staff 2014	Medical fund - Non Executive staff 2013 Restated	Total 2014	Total 2013 Restated
		(Rupees in thousand)							
Opening fair value of plan assets		1,481,912	1,265,727	2,699,007	2,348,537	5,030,626	4,256,762	9,211,545	7,871,026
Expected return		143,092	164,545	285,081	305,310	529,528	553,379	957,701	1,023,234
Remeasurements charged to OCI		48,083	(3,127)	37,918	92,899	280	114,485	86,281	204,257
Contributions by employer		84,842	87,216	174,755	111,342	104,358	178,018	363,955	376,576
Benefits paid		(33,494)	(32,449)	(245,156)	(159,081)	(79,358)	(72,018)	(358,008)	(263,548)
Amount transferred from pension fund to gratuity fund		(289,606)	-	102,500	-	-	-	(187,106)	-
	21.6	1,434,829	1,481,912	3,054,105	2,699,007	5,585,434	5,030,626	10,074,368	9,211,545

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21.6 Plan assets comprise of:

	Pension fund - Executive staff				Gratuity fund - Non executive staff			
	2014		2013		2014		2013	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Mutual funds	119,413	8.32	76,454	5.16	322,249	10.55	217,008	8.04
Certificates of deposits	1,265,635	88.21	1,365,863	92.17	2,401,161	78.62	2,464,825	91.32
Pakistan Investment Bonds	-	0.00	-	0.00	322,730	10.57	9,000	0.33
Receivable from Gratuity fund	-	0.00	-	0.00	-	0.00	-	0.00
Cash at bank	49,781	3.47	39,595	2.67	7,965	0.26	8,174	0.31
	1,434,829	100.00	1,481,912	100.00	3,054,105	100.00	2,699,007	100.00

	Medical fund - Non executive staff			
	2014		2013	
	Fair Value	%	Fair Value	%
	(Rupees in thousand)		(Rupees in thousand)	
Mutual funds	134,483	2.41	86,103	1.71
Certificates of deposits	4,871,499	87.22	4,943,619	98.27
Pakistan Investment Bonds	575,000	10.29	-	0.00
Cash at Bank	4,452	0.08	904	0.02
	5,585,434	100	5,030,626	100.00

21.7 Principal actuarial assumptions used (expressed as weighted average)

	Pension fund - Executive staff		Gratuity fund - Non executive staff	
	2014	2013	2014	2013
Expected increase in salaries	12.5%	9.5%	12.5%	9.5%
Discount rate	13.5%	10.5%	13.5%	10.5%
Expected rate of return per annum on plan assets	10.5%	13.0%	10.5%	13.0%

	Medical fund - Non executive staff	
	2014	2013
Discount rate	13.5%	10.5%
Expected rate of growth per annum in average cost of facility	10.5%	7.5%
Increase in average cost of medical facility per employee due to increase in age of recipient	2.0%	2.0%
Expected rate of return per annum on plan assets	10.5%	13.0%

Pension fund provides pension increase in line with the pension enhancements announced by the Government. Pension increase assumption of 6% per annum used in the actuarial valuation is a long term economic assumption and is based on long term inflation expectation of Government which is 6% to 8% per annum.

21.8 The overall expected rate of return on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

21.9 **Surplus / (deficit) for current and previous four years are as follows:**

	Pension Fund - Executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Plan assets	1,434,829	1,481,912	1,265,727	1,296,432	1,425,877
Defined benefit obligation	(1,173,825)	(756,856)	(557,179)	(422,789)	(326,615)
Surplus	261,004	725,056	708,548	873,643	1,099,262
Experience adjustment on plan liabilities	263,805	86,690	42,483	36,069	(24,547)
Experience adjustment on plan assets	48,083	(3,127)	85,838	(98,752)	2,355

	Gratuity Fund - Non executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Plan assets	3,054,105	2,699,007	2,348,537	1,941,163	1,814,597
Defined benefit obligation	(2,539,324)	(2,505,633)	(1,589,959)	(1,184,658)	(1,150,100)
Surplus	514,781	193,374	758,578	756,505	664,497
Experience adjustment on plan liabilities	(111,351)	729,168	280,646	(120,670)	200,737
Experience adjustment on plan assets	37,918	92,899	153,227	(80,307)	98,896

	Medical fund - Non executive staff				
	2014	2013 Restated	2012 Restated	2011 Restated	2010 Restated
	(Rupees in thousand)				
Plan assets	5,585,434	5,030,626	4,256,762	3,632,282	3,073,364
Defined benefit obligation	(4,462,941)	(3,708,128)	(3,853,287)	(3,575,342)	(3,361,803)
Surplus/ (Deficit)	1,122,493	1,322,498	403,475	56,940	(288,439)
Experience adjustment on plan liabilities	293,762	(750,743)	(332,870)	(261,539)	15,195
Experience adjustment on plan assets	280	114,485	13,961	62,114	93,144

	2014	2013 Restated
	(Rupees in thousand)	
21.10 Estimated future contributions:		
Pension fund - Executive staff	100,000	82,500
Gratuity fund - Non executive staff	156,000	162,300
Medical fund - Non executive staff	-	96,440
	256,000	341,240

	Note	2014	2013
		(Rupees in thousand)	
21.11 The charge for the year has been allocated as follows:			
Distribution cost	31	51,992	52,079
Selling cost	33	24,836	23,229
Administrative expenses	34	62,457	35,951
Capital work-in-progress		20,279	34,132
		159,564	145,391

Notes to the Financial Statements
for the year ended June 30, 2014

		Note	2014	2013
			(Rupees in thousand)	
22	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Security and other deposits - considered good		5,988	5,980
	Prepayments - considered good		132,649	69,759
	Prepayments - considered doubtful		1,232	1,232
			139,869	76,971
	Less: Current portion of prepayments	26	131,671	69,278
	Provision against prepayments		1,232	1,232
			132,903	70,510
			6,966	6,461
23.	**STORES AND SPARE PARTS**			
	Stores [including in-transit Rs 94,029 thousand (2013: Rs 142,320 thousand)]		1,005,167	1,084,422
	Spares [including in-transit Rs 517,624 thousand (2013: Rs 385,789 thousand)]		1,904,517	1,145,871
		23.1	2,909,684	2,230,293
	Less: Provision for obsolescence		34,552	21,822
			2,875,132	2,208,471

23.1 This includes stores and spare parts of Rs 973 thousand (2013: Rs 8,497 thousand) which are not in possession of the Company.

		Note	2014	2013
			(Rupees in thousand)	
24.	**TRADE DEBTS**			
	Considered good:			
	Secured	24.1	28,912,782	21,786,477
	Unsecured	24.1, 24.3, 12.4	27,840,730	32,845,653
	Deferred / accrued gas sales		(181,877)	(169,903)
			56,571,635	54,462,227
	Considered doubtful		13,071,227	9,174,932
			69,642,862	63,637,159
	Less: Provision for doubtful debts	24.2	(13,071,227)	(9,174,932)
			56,571,635	54,462,227
24.1	**These include amounts due from the following related parties:**			
	Nishat Mills Limited		272,861	252,703
	Sui Southern Gas Company Limited		80,406	66,814
	ICI Pakistan Limited		194,605	138,360
	Packages Limited		112,263	18,182
	Dawood Hercules Chemicals Limited		411,200	6,077
	D.G. Khan Cement Company Limited		160,849	61,384
	DG Khan Captive Power		74,883	74,883
	Engro Chemicals Limited		109,287	80,926
	Lahore University of Management Sciences (LUMS)		-	101
	Pakarab Fertilizers Limited		1,041,088	23,208
	Engro Foods		8,782	7,584
	WAPDA		17,714,270	11,005,061
			20,180,494	11,735,283

		Note	2014	2013
			(Rupees in thousand)	
24.1.1	**Ageing of related party balance**			
	One to six months		14,012,865	8,202,939
	More than 6 months		6,167,629	3,532,344
			20,180,494	11,735,283
24.2	**Provision for doubtful debts**			
	Balance as on July 1		9,174,931	5,830,472
	Provision during the year	33	3,896,296	3,344,459
	Balance as on June 30		13,071,227	9,174,931

24.3 Included in trade debts are amounts receivable from Government owned power generation companies and independent power producers of Rs 19,391,135 thousand (2013: Rs 14,476,098 thousand) along with interest of Rs 13,524,205 thousand (2013: Rs 11,072,774 thousand) on delayed payments. While trade and other payables referred to in note 12 include an amount of Rs 33,673,595 thousand (2013: Rs 23,136,913 thousand) due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holding (Private) Limited on account of gas purchases along with interest on delayed payments of Rs 10,883,965 thousand (2013: 8,977,114 thousand). Further an amount of Rs 4,569,948 thousand (2013: Rs 22,237,222 thousand) is payable to Government of Pakistan on account of Gas Development Surcharge along with an amount of Rs 4,235,007 thousand (2013: Rs 2,046,670 thousand) on account of interest on delayed payment of Gas Development Surcharge. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

		Note	2014	2013
			(Rupees in thousand)	
25.	**LOANS AND ADVANCES**			
	Loans due from employees - considered good:			
	Executives	20	1,153	1,153
	Other employees	20	91,915	88,917
			93,068	90,070
	Advances - considered good:			
	- other employees		726,394	50,695
	- suppliers and contractors		191,682	243,520
	Advances to suppliers and contractors:			
	- considered doubtful		3,227	3,227
	Less: Provision for doubtful receivables		(3,227)	(3,227)
			-	-
			1,011,144	384,285
26.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits and short term prepayments:			
	- Considered good		100,963	46,720
	- Considered doubtful		22,290	22,290
			123,253	69,010
	Less: provision for doubtful prepayments		(22,290)	(22,290)
			100,963	46,720
	Current portion of long term prepayments	22	131,671	69,278
			232,634	115,998

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for the year ended June 30, 2014

		Note	2014	2013
			(Rupees in thousand)	
27.	**OTHER RECEIVABLES**			
	Excise duty recoverable		108,945	108,945
	Less: Provision for doubtful recoverable		(108,945)	(108,945)
			-	-
	Due from customers	40	6,986	267,555
	Current account with Sui Southern Gas Company Limited		15,717	15,351
	Others		19,996	41,002
			42,699	323,908
28.	**CASH AND BANK BALANCES**			
	On deposits accounts	28.1	177,705	185,074
	On current accounts		300,631	780,611
			478,336	965,685
	Cash in hand		1,642	1,681
			479,978	967,366

28.1 Rate of return on bank deposits ranges between 4.75% to 10.00% (2013: 5.00% to 11.25%) per annum.

		2014	2013
		(Rupees in thousand)	
28.2	**Balance with related parties**		
	Askari Bank Limited	4,881	21,771
	MCB Bank Limited	27,313	5,415
	Bank Al-Habib Limited	25,249	278
	Habib Metropolitan Bank Limited	19,033	5,713
		76,476	33,177
29.	**GAS SALES**		
	Gross sales	245,987,152	262,751,720
	Less: Sales tax	(39,749,587)	(38,687,897)
		206,237,565	224,063,823

	Note	2014	2013
		(Rupees in thousand)	
30. COST OF GAS SALES			
Opening stock of gas in pipelines		1,075,236	848,671
Gas purchases:			
Southern system		119,083,170	128,409,860
Northern system		47,730,183	43,200,473
Cost equalization adjustment	30.1	37,667,771	35,293,420
		204,481,124	206,903,753
		205,556,360	207,752,424
Less: Gas internally consumed		2,034,480	2,457,381
Closing stock of gas in pipelines		947,899	1,075,236
		2,982,379	3,532,617
Distribution Cost	31	17,553,358	16,792,978
		220,127,339	221,012,785

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

30.2 Unaccounted For Gas (UFG) in the parlance of a gas distribution and transmission Company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the Company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and overground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. However, in order to curb the rising trend of theft the Company has launched a campaign to unearth illegal networks. Volume of gas used by the non consumers worth 5,925 MMCF, gas used by the law and order hit areas e.g. Gurguri etc. worth 8,102 MMCF (2013: 8,109 MMCF, 6,093 MMCF respectively) allowed by OGRA during this year and has been deducted from UFG of the Company. The UFG for each region of SNGPL network is given below in terms of volume and percentage.

Notes to the Financial Statements
for the year ended June 30, 2014

Serial No.	Region	Number of consumers	UFG MMCF	UFG %
1	Multan	404,645	9,854	12.79
2	Bahawalpur	189,470	2,550	3.16
3	Sargodha	152,099	1,508	9.49
4	Faisalabad	534,358	4,575	7.64
5	Sahiwal	160,603	946	9.34
6	Sheikhupura	225,917	4,662	11.11
7	Lahore	885,140	10,854	12.77
8	Gujranwala	570,737	4,939	12.53
9	Gujrat	168,319	1,357	12.53
10	Islamabad	827,457	8,920	13.19
11	Peshawar	480,411	13,294	16.83
12	Abbottabad	132,218	298	1.77
	Total distribution system	4,731,374	63,757	10.96
	Transmission system	-	(2,247)	(0.39)
	Total Company	4,731,374	61,510	10.57

	Note	2014	2013
		(Rupees in thousand)	
31. DISTRIBUTION COST			
Salaries, wages and benefits	11, 31.1	4,978,510	4,079,412
Employees medical and welfare		286,693	322,016
Stores and spare parts consumed		425,841	556,940
Fuel and power		1,873,670	2,170,375
Repairs and maintenance		1,043,135	772,634
Rent, rates, electricity and telephone		216,759	176,314
Insurance		174,877	162,347
Travelling		85,376	86,747
Stationery and postage		20,398	16,831
Transportation charges		638,451	690,352
Professional services		1,115	1,001
Stores and spare parts written off		-	3,582
Provision for obsolete stores and spare parts		64,658	-
Security expenses		309,842	267,005
Advertisement		117,875	-
Depreciation	17.1.3	8,677,711	8,397,539
Others		188,436	225,417
		19,103,347	17,928,512
Less: Allocated to fixed capital expenditure		(1,549,989)	(1,135,534)
	30	17,553,358	16,792,978

31.1 Included in salaries, wages and benefits are Rs 133,080 thousand (2013: Rs 91,492 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2014	2013
		(Rupees in thousand)	

32. OTHER INCOME

	Note	2014	2013
Income from financial assets:			
Interest on staff loans and advances		45,098	40,871
Return on bank deposits		413,945	428,904
Gain on initial recognition of financial liabilities at fair value		6,219	3,642
		465,262	473,417
Interest Income on late payment of gas bills:			
Government owned and other power generation companies	24.3	1,923,857	7,271,930
Fertilizer and cement companies		9,172	79,313
Interest Income on late payment of gas bills-Other consumers	32.1	2,456,314	2,734,299
		4,389,343	10,085,542
Income from assets other than financial assets:			
Net gain on sale of fixed assets		35,653	14,474
Meter rentals and repairs charges		1,663,319	1,398,232
Amortization of deferred credit	9, 38	2,571,540	3,214,787
Net gain on coating of pipelines for SSGCL		-	5,312
Insurance claim	32.4	3,347	684
		4,273,859	4,633,489
Others:			
Sale of tender documents		3,192	1,575
Sale of scrap		66,616	39,719
Credit balance written back		15,098	-
Liquidated damages recovered		67,060	41,326
Gain on construction contracts		70,438	237,538
Bad debt recoveries		18,711	25,653
Exchange Gain		6,286	-
Urgent Fee for new meter connections		373,845	-
Miscellaneous		2,336	3,039
		623,582	348,850
		9,752,046	15,541,298

32.1 Interest Income on late payment of gas bills - Other consumers:

	Note	2014	2013
Interest on gas sales arrears	32.2	1,336,887	1,619,055
Surcharge on late payments	32.3	1,119,427	1,115,244
		2,456,314	2,734,299

32.2 This represents interest charged on gas sales arrears amounting to Rs 1,336,887 thousand (2013: Rs 1,619,055 thousand) at the rate of 1.5% (2013: 1.5%) per month up to one year and thereafter 2% (2013: 2%) per month from other than domestic consumers.

32.3 One time late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2013: 10%) per annum.

32.4 This mainly represents claims received on account of rupture of gas pipelines.

Notes to the Financial Statements
for the year ended June 30, 2014

		Note	2014	2013
			(Rupees in thousand)	
33.	**SELLING COST**			
	Salaries, wages and benefits	11, 33.1	2,351,984	1,847,698
	Employees medical and welfare		156,155	170,612
	Stores and spare parts consumed		883	633
	Repairs and maintenance		144,258	135,172
	Rent, rates, electricity and telephone		24,400	21,278
	Travelling		33,498	31,752
	Stationery and postage		93,652	94,425
	Dispatch of gas bills		89,575	89,121
	Transportation charges		85,178	74,321
	Provision for doubtful debts	24.2	3,896,296	3,344,459
	Professional services		408	9,327
	Gathering charges of gas bills collection data		26,169	26,557
	Gas bills collection charges		342,234	324,603
	Others		76,490	33,425
			7,321,180	6,203,383
	Less: Allocated to fixed capital expenditure		(348,162)	(265,498)
			6,973,018	5,937,885

33.1 Included in salaries, wages and benefits is Rs 62,980 thousand (2013: Rs 42,911 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2014	2013
			(Rupees in thousand)	
34.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	11, 34.1	2,831,226	2,272,222
	Employees medical and welfare		180,365	179,547
	Stores and spare parts consumed		39,074	56,212
	Fuel and power		43,889	42,918
	Repairs and maintenance		86,092	62,359
	Rent, rates, electricity and telephone		110,056	81,811
	Insurance		14,057	9,442
	Travelling		33,181	34,507
	Stationery and postage		39,338	36,298
	Transportation charges		81,523	60,560
	Professional services	34.3	119,246	92,036
	Security expenses		91,479	71,496
	Service charges		65,943	58,036
	OGRA fee and expenses		11,898	140,725
	Advertisement		1,172	-
	Depreciation	17.1.3	177,097	171,379
	Amortization of intangible assets	18.1	10,289	131,722
	Others		167,443	167,423
			4,103,368	3,668,693
	Less: Allocated to fixed capital expenditure		(302,097)	(282,195)
			3,801,271	3,386,498

34.1 Included in salaries, wages and benefits is Rs 75,227 thousand (2013: Rs 52,397 thousand) in respect of the Company's contribution to the Employees Provident Fund.

34.2 **Number of employees**

	2014		2013	
	As at 30 June	**Average during the year**	**As at 30 June**	**Average during the year**
Operation	8,696	8,844	8,991	8,850
Project	288	296	303	303
Total	8,984	9,140	9,294	9,153

	Note	2014	2013
		(Rupees in thousand)	
34.3 Professional services			
The charges for professional services include the following in respect of:			
Statutory audit		3,000	3,000
Half yearly review and other certifications		1,545	1,545
Income tax advisory			
- A. F. Ferguson & Co.		7,242	5,175
Out of pocket expenses		600	600
		12,387	10,320

35. FINANCE COST

	Note	2014	2013
Mark-up/ interest/commitment charges on:			
- Long term financing:			
Secured		742,925	1,127,427
Unsecured		127,590	169,639
- Short term borrowing		35,356	47,114
- Late payment to gas suppliers		1,106,682	1,893,423
- Late payment of Gas Development surcharge		2,188,337	2,046,804
- Security deposits		810,294	773,898
- Bank charges	35.1	20,764	1,160
- Workers' Profit Participation Fund	12.5	-	46,323
		5,031,948	6,105,788
Less: Allocated to fixed capital expenditure		(26,491)	(5,549)
		5,005,457	6,100,239

Notes to the Financial Statements
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35.1 This includes Rs 19,140 thousand (2013: Nil thousand) in respect of fee for loan obtained during the year.

		Note	2014	2013
			(Rupees in thousand)	
36.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund	12.5	-	-
	Exchange loss		51,299	459,893
	Loss on initial recognition of financial assets at fair value		43,264	40,939
	Donations	36.1	-	85
			94,563	500,917

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

		2014	2013
37.	**TAXATION**		
	Current Tax:		
	Current year	1,045,041	1,038,547
	Prior year	-	(634,757)
		1,045,041	403,790
	Deferred tax	(2,569,190)	(6,389,680)
		(1,524,149)	(5,985,890)

		2014 (%)	2013 (%)
37.1	**Tax charge reconciliation**		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
	Applicable tax rate as per Income Tax Ordinance, 2001	34.00	35.00
	(Less) / add Tax effect of amounts that are:		
	- Not deductible for tax purpose	0.07	0.01
	- Effect of changes in current tax of prior years	0.00	0.04
	- Change in tax rate	(6.24)	2.84
	- Others	(0.06)	0.15
		(6.23)	3.04
	Average effective tax rate charged to profit and loss account	27.77	38.04

	Note	2014	2013
		(Rupees in thousand)	
38. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(5,488,724)	(15,734,979)
Adjustment for non-cash charges and other items:			
Depreciation	17.1.3	8,854,808	8,568,918
Amortization of intangible assets		10,289	131,722
Employee benefits		1,639,557	1,516,376
Amortization of deferred credit	32	(2,571,540)	(3,214,787)
Net gain on sale of fixed assets		(35,653)	(14,474)
Finance cost		5,005,457	6,100,239
Return on bank deposits		(413,945)	(428,904)
Provision for doubtful debts		3,896,296	3,344,459
Stores and spare parts written off		-	3,582
Loss on initial recognition of financial assets at fair value		43,264	40,939
Gain on initial recognition of financial assets at fair value		(6,219)	(3,642)
Loss / (Gain) on initial recognition of financial assets/ financial liabilities at fair value		37,045	37,297
Liabilities written back		(15,098)	-
Interest income due to the impact of IAS-39		(29,937)	(26,647)
Working capital changes	38.1	(469,888)	18,149,750
		10,418,667	18,432,552

38.1 Working capital changes

	2014	2013
(Increase)/ decrease in current assets:		
Stores and spare parts	(666,659)	(369,277)
Stock-in-trade - gas in pipelines	127,337	(226,565)
Trade debts	(6,005,703)	15,524,164
Loans and advances	(623,861)	(228,319)
Trade deposits and short term prepayments	(116,636)	7,377
Other receivables	615,905	(576,181)
	(6,669,617)	14,131,199
Increase in current liabilities:		
Trade and other payables	6,199,729	4,018,551
	(469,888)	18,149,750

38.2 Cash and cash equivalents

	2014	2013
Cash and bank balances	479,978	967,366
Short term borrowing	(977,143)	(1,000,000)
	(497,165)	(32,634)

Notes to the Financial Statements

for the year ended June 30, 2014

39. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

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

	Managing Director		Executives	
	2014	2013	2014	2013
Number of persons	1	1	757	689
	(Rupees in thousand)			
Remuneration	13,065	10,946	855,606	729,691
Contribution to provident, pension and Gratuity fund	2,773	2,627	209,046	175,637
Housing and utilities	7,186	6,020	451,025	426,573
Conveyance and other allowances	-	-	60,923	50,867
Special allowance	2,613	2,189	39,599	-
Leave encashment	4,990	-	16,424	7,118
Club subscription	-	-	4,945	12,103
	30,627	21,782	1,637,568	1,401,989

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

The aggregate amount charged in the financial statements in respect of directors' fee paid to fifteen (2013: fourteen) directors was Rs 132.5 thousand (2013: Rs 189.5 thousand).

40. LONG-TERM CONSTRUCTION CONTRACTS

	Note	2014	2013
		(Rupees in thousand)	
Contract revenue for the year		536,143	236,800
Method used to determine revenue		Fixed price contract	
Method used to determine Stage of completion		cost incurred to date	
Contract cost incurred to date		863,158	1,777,601
Contract cost incurred during the period		272,087	361,486
Gross profit realized to date		79,055	370,559
Gross profit/ (loss) realized		(48,769)	73,031
Retention money receivable		89,170	34,209
Gross amount due from customers	27	6,986	267,555
Gross amount due to customers	12	87,121	34,866
Estimated future costs to complete projects in progress		194,933	258,987

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking, other related group companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 39. Other significant transactions with related parties are as follows:

	Note	2014	2013
		(Rupees in thousand)	
Gas sales		21,842,073	23,200,652
Purchase of materials		3,151,905	2,916,691
Purchase of gas		152,888,595	152,402,621
Services	34	80,244	74,909
Profit received on bank deposits.		132,177	211,737
Contribution to defined contribution plan	41.1	200,655	225,280
Contribution to defined benefit plans		1,726,004	1,493,546
Transportation charges		695,423	442,982
Transmission charges		3,315	2,397
Insurance expenses		237,168	220,076
Insurance claimed received		67,436	37,717
Dividend paid		-	717,591

41.1 Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and/or actuarial advice. Other transactions with related parties are carried out on mutually agreed terms and conditions.

42. UNUTILIZED CREDIT FACILITIES

The Company has the facilities for opening of letters of credit amounting to Rs 6,500,000 thousand (2013: Rs 1,982,997 thousand) out of which Rs 2,278,756 thousand (2013: Rs 1,982,997 thousand) remained unutilized at the end of the year.

43. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 293,572 Hm^3 (2013: 332,451 Hm^3) against the designed capacity of 459,234 Hm^3 (2013: 459,234 Hm^3). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers.

44. LOSS PER SHARE - BASIC AND DILUTED

		Note	2014	2013
Loss for the year	Rupees in thousand		(3,964,575)	(9,749,089)
Average ordinary shares in issue	Numbers of shares	5	634,216,665	634,216,665
Basic loss per share	Rupees		(6.25)	(15.37)

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

Notes to the Financial Statements
for the year ended June 30, 2014

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the gas suppliers. The exchange gain / (loss) on the payment to gas suppliers is passed on to the Government, due to the reason more fully explained in note 4.19 to the financial statements.

	2014	2013
	Rupees per US Dollar	
The following significant exchange rates were applied during the year:		
Average rate	103.28	96.87
Reporting date rate	99.56	98.80

Company's profitability is not effected by fluctuation in USD as any exchange gain/loss arising on foreign currency transaction is adjusted in prescribed price of gas.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2014	2013
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets:		
Loans to employees	413,560	348,708
Financial liabilities:		
Long term financing	793,827	1,131,380
Security deposit	16,663,587	15,677,627
Floating rate instruments		
Financial assets:		
Bank balances - deposit accounts	177,705	185,074
Financial liabilities:		
Long term financing	8,482,261	7,808,461
Security deposit	853,785	787,674
Short term borrowing	977,143	1,000,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after taxation for the year would have decreased/increased by Rs 66,894 thousand (2013: increased/decreased by Rupees 61,172 thousand), mainly as a result of higher/lower interest expense in the year ended June 30, 2014. This analysis is prepared assuming the amount of floating rate instruments outstanding at the balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014	2013
	(Rupees in thousand)	
Loans and advances	1,139,954	399,403
Deposits	16,934	16,765
Trade debts	56,571,635	54,462,227
Interest accrued	18,495	12,894
Other receivables	25,722	25,543
Bank balances	478,336	965,685
	58,251,076	55,882,517

Notes to the Financial Statements

for the year ended June 30, 2014

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

	Rating Short Term	Long term	Agency	2014	2013
				(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	27,313	1,681
National Bank of Pakistan	A-1+	AAA	JCR-VIS	9,022	21,886
Habib Bank Limited	A-1+	AAA	JCR-VIS	50,455	81,079
United Bank Limited	A-1+	AA+	JCR-VIS	6,169	5,230
Allied Bank Limited	A1+	AA+	PACRA	14,924	22,138
Askari Bank Limited	A1+	AA	PACRA	4,881	21,771
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	19,032	5,712
Bank Al-Habib Limited	A1+	AA+	PACRA	25,249	278
Faysal Bank Limited	A1+	AA	JCR-VIS	1,558	5,401
Bank Alfalah Limited	A1+	AA	PACRA	8,709	2,465
Soneri Bank Limited	A1+	AA-	PACRA	199	546
The Bank of Punjab	A1+	AA-	PACRA	253	327
CITI Bank N.A.	P-1	A2	Moody's	44	374
First Women Bank Limited	A2	BBB+	PACRA	937	8,897
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,524	2,942
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	747	860
Summit Bank Limited	A-3	A-	JCR-VIS	789	55
JS Bank Limited	A1	A+	PACRA	305	307
Oman International Bank	P-2	A3	Moody's	-	21
KASB Bank Limited	A3	BBB	PACRA	283	94
NIB Bank Limited	A1+	AA-	PACRA	557	688
Barclays Bank	A-1	A	Standard & Poor's	791	817
The Bank of Khyber	A1	A	JCR-VIS	8,508	456
Punjab Provincial Co-operative Bank				210	253
Silk Bank Limited	A-2	A-	JCR-VIS	229	796
Samba Bank Limited	A-1	AA-	JCR-VIS	4	-
Meezan Bank Limited	A-1+	AA-	JCR-VIS	(4,990)	-
				177,702	185,074

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed as follows:

As at June 30, 2014, trade debts of Rs 66,686,050 thousand (2013 : Rs 41,615,212 thousand) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2014	2013
	(Rupees in thousand)	
1 to 6 months	54,820,653	26,660,115
More than 6 months	11,865,397	14,955,097
	66,686,050	41,615,212

As at June 30, 2014, trade debts of Rs 13,071,227 thousand (2013 : Rs 9,174,932 thousand) were impaired and provided for. The ageing analysis of these trade debts is as follows:

	2014	2013
	(Rupees in thousand)	
Up to 1 month	87,668	487,473
1 to 6 months	773,720	452,309
More than 6 months	12,209,839	8,235,150
	13,071,227	9,174,932

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Inspite the fact that the Company is in a negative working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
			(Rupees in thousand)		
June 30, 2014					
Long term financing	9,276,088	11,990,126	3,813,906	6,947,104	1,229,116
Trade and other payables	56,655,788	56,655,788	56,655,788	-	-
Short term borrowings	977,143	1,077,984	1,077,984	-	-
	66,909,019	69,723,898	61,547,678	6,947,104	1,229,116
June 30, 2013					
Long term financing	8,939,841	11,069,722	3,744,976	6,770,884	553,861
Trade and other payables	34,179,902	34,179,902	34,179,902	-	-
Short term borrowings	1,000,000	1,093,300	1,093,300	-	-
	44,119,743	46,342,924	39,018,178	6,770,884	553,861

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2014. The rates of mark-up have been disclosed in respective notes to the financial statements.

45.2 **Fair values of financial assets and liabilities**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices.

Notes to the Financial Statements
for the year ended June 30, 2014

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS-39. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

45.3 Financial instruments by categories

	Loans and receivables	
	2014	**2013**
	(Rupees in thousand)	
As at 30 June		
Assets as per balance sheet:		
Loans and advances	1,139,954	399,403
Trade deposits and short term prepayments	16,934	16,765
Trade debts	56,571,635	54,462,227
Interest accrued	18,495	12,894
Other receivables	25,722	25,543
Cash and bank balances	479,978	967,366
	58,252,718	55,884,198

	Financial liabilities at amortized cost	
	2014	**2013**
	(Rupees in thousand)	
Liabilities as per balance sheet:		
Long term financing	9,276,088	8,939,841
Security deposit	29,782,655	22,369,143
Accrued mark-up	16,570,251	14,178,059
Short term borrowings	977,143	1,000,000
Trade and other payables	56,655,788	34,179,902
	113,261,925	80,666,945

45.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represents long-term financing (including current portion) plus short term borrowing obtained by the Company as referred to in note 6, 7, 14 and 15. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at June 30, 2014 and June 30, 2013 were as follows:

	Note	2014	2013
		(Rupees in thousand)	
Debt	6, 7, 14, 15	10,253,231	9,939,841
Equity		6,068,037	10,032,612
Total capital employed		16,321,268	19,972,453
Gearing ratio		62.82%	49.77%

46. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on January 19, 2016 has proposed a cash dividend in respect of the year ended June 30, 2014 of Rs Nil per share (2013: Nil per share), amounting to Rs Nil (2013: Rs Nil) and Nil % bonus share (2013:Nil) in respect of the year ended June 30, 2014. The appropriation will be approved by the members in the forth coming Annual General Meeting. The financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

47. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on January 19, 2016 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. No significant reclassifications have been made during the year.

49. GENERAL

The figures have been rounded off to the nearest thousand Rupees.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

Notes

Form of Proxy

Sui Northern Gas Pipelines Limited

I, ______________________________

of ______________________________

being a member of SUI NORTHERN GAS PIPELINES LIMITED and holder of ______________________________ (number of shares)

ordinary shares vide Registered Folio/CDC Participant I.D. No. ______________________________

hereby appoint Mr./Mrs./Miss. ______________________________

who is a member of the Company vide Registered Folio/CDC Participant I.D. No. ______________________________

or failing whom Mr./Mrs./Miss ______________________________

who is also a member of the Company vide Registered Folio/CDC Participant I.D. No. ______________________________

as my proxy to attend and vote for me and on my behalf at the 51st Annual General Meeting of the Company to be held on Tuesday, March 08, 2016 at 11:00 a.m. and/or at any adjournment thereof.

Signature on Rupees Five Revenue Stamp

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

WITNESSES:

1. Signature: ______________________________

Name: ______________________________

____

Address: ______________________________

____

CNIC / Passport No. ______________________________

Dated: ______________________________

2. Signature: ______________________________

Name: ______________________________

____

Address: ______________________________

____

CNIC / Passport No. ______________________________

NOTES:

1. All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of legal entities, a resolution of the Board of Directors' / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the legal entity, shall be submitted to the Company. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.

2. The proxy instrument must be complete in all respects and in order to be effective should be deposited at the Registered Office of the Company but not later than 48 hours before the time of holding the meeting.

For CDC account holders / corporate entities:

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

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the requirements mentioned below.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the Passport of the beneficial owners and of the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

v) In case of a legal entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary,

SUI NORTHERN GAS PIPELINES LIMITED
Gas House, 21-Kashmir Road, P.O. Box No. 56,
Lahore-54000, Pakistan.
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HEAD OFFICE

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Website: www.sngpl.com.pk

REGIONAL OFFICES

Sr. No.	City	Address	Telephone	Fax
1	Abbottabad	Mansehra Road, Abbottabad	0992-9310071-72	0992-9310070
2	Bahawalpur	2-A, Railway Road, Bahawalpur	062-9255022-24	062-9255026
3	Faisalabad	Sargodha Road, Faisalabad	041-9210033-35	041-9210037
4	Gujranwala	M.A. Jinnah Road, Gujranwala	055-9200481-84	055-9200486
5	Gujrat	Plot No. 120-121, State Life Building, G.T. Road, Gujrat	053-9260322-24	053-9260321
6	Islamabad	Plot No. 28-30, Sector I-9, Industrial Area, Islamabad	051-9257710-11 051-9257713-19	051-9257770
7	Lahore	21-Industrial Area, Gulberg-III, Lahore	042-99263361-79	042-99263380
8	Multan	Piran Ghaib Road, Multan	061-9220081-86	061-9220090
9	Peshawar	Plot No. 33, Sector B-2, Phase 5, Hayatabad, Peshawar	091-9217748-50	091-9217758
10	Rawalpindi	Hyundai Sawan Motors, Adjacent to Alma Bus Stand, G.T. Road, Rawalpindi	051-4917277	051-4493268
11	Sahiwal	79-A & B, Canal Colony, Main Farid Town Road, Sahiwal	040-9200129	040-9200094
12	Sargodha	15-Muslim Town, Sargodha	048-3224401	048-3224401
13	Sheikhupura	Rajput House, 3 K.M, Main Sargodha Road, Sheikhupura	056-9239135	056-3791645

ISO 14001
REGISTERED FIRM

URS is a member of Registrar of Standards (Holdings) Ltd.

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