

Consolidated Balance Sheet

as at 30 June 2005

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

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

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

Aitzaz Shahbaz
Chairman

Munawar B. Ahmad P.E.
Managing Director

Consolidated Profit & Loss Account

for the year ended 30 June 2005

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

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

Consolidated Cash Flow Statement

for the year ended 30 June 2005

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

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

Aitzaz Shahbaz
Chairman

Munawar B. Ahmad P.E.
Managing Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2005

(Rupees in '000)

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

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

Notes to the Consolidated Statements

for the year ended 30 June 2005

1. STATUS AND NATURE OF BUSINESS

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

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

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

1.1 Basis of consolidation

The Group consists of:

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

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

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

Intra-group balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise such International Accounting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance 1984, or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, or the requirements of the said directives take precedence.

2.2.1 Changes in accounting policy

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

2.3 Property, plant and equipment

2.3.1 Cost

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

2.3.2 Depreciation

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

Compressors and transmission lines

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

Other operating assets

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

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

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

2.3.3 Subsequent expenditure (including normal repairs and maintenance)

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

2.3.4 Intangible assets

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

2.3.5 Borrowing costs

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

2.3.6 Gains and losses on disposal

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

2.3.7 Leased assets

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

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

2.4 Investments

Available-for-sale

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

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

Held to maturity investments

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

Joint venture company

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

2.5 Stores, spares and loose tools

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

2.6 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

2.7 Trade debts and other receivables

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

2.8 Trade and other payables

Trade and other payables are stated at cost.

2.9 Mark-up bearing borrowings

Long term financing

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

Leases

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

2.10 Provisions

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2.11 Deferred credit

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

2.12 Taxation

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

Current

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

Deferred

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

2.13 Revenue recognition

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

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

2.14 Impairment

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

2.15 Staff retirement benefits

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

- Approved funded pension and gratuity schemes for all employees.

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

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

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

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

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

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

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

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

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

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

2.16 Compensated absences

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

2.17 Foreign currency translation

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

2.18 Derivative financial instruments

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

2.19 Hedging

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

2.20 Fiduciary assets

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

2.21 Off-setting

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

2.22 Cash and cash equivalents

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

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

4. RESERVES

Capital reserves

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

Revenue reserves

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

General reserve:

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

4.1 Share capital restructuring reserve

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

4.2 Fixed assets replacement reserve

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

4.3 Special reserve

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

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

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

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

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

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

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

5.3 Redeemable capital - (non-participatory and secured)

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

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

Salient features of the TFCs are as follows:

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

Note 2005 2004
(Rupees in '000)

5.3.2 Holding position of TFCs as at 30 June

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

5.4 Consumer financing

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

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

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

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

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

14. CONTINGENCIES AND COMMITMENTS

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

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

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

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

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

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

15.1 Operating assets

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

15.2 Operating assets - gas transmission system

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

Depreciation is being charged as stated in note 2.3.2

15.3 Operating assets - gas distribution system

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

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

15.4 Operating assets - meter manufacturing division

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

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

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

Profit and loss account:

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

Meter manufacturing division

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

Capital projects

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

15.6 Disposal of property plant and equipment

Details of disposal of operating assets are as follows:

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

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

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

15.8.1 Stores and spares held for capital projects

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

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

16. INTANGIBLE ASSETS

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

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

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

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

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

18. SHARE OF INVESTMENT IN JOINTLY CONTROLLED ENTITY

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

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

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

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

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

19.1 Reconciliation of the carrying amount of loans and advances

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

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

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

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

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

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

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

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

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

28. TAXATION RECOVERABLE

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

29. CASH AND BANK BALANCES

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

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

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

* Thousand Cubic Feet.

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

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

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

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

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

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

36. TAXATION

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

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

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

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

37. STAFF RETIREMENT BENEFITS

37.1 Funded post retirement pension and gratuity schemes

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

37.1.2 Fair value of plan assets and present value of obligations

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

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

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

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

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

37.1.4 Amount recognised in the profit and loss account

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

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

37.1.5 Principal actuarial assumptions

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

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

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

37.2 Unfunded post retirement medical benefit and gas supply facilities

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

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

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

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

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

	Executives
	(%)
Discount rate	9
Medical inflation rate	6

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

39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

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

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

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

40. NUMBER OF EMPLOYEES

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

41. CAPACITY AND ACTUAL PERFORMANCE

41.1 Natural gas transmission

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

41.2 Natural gas distribution

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

41.3 Meter manufacturing division

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

42. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

43. MARK-UP / INTEREST RATE RISK

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

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

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

44. CONCENTRATION OF CREDIT RISK

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

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

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

46. FOREIGN CURRENCY RISK MANAGEMENT POLICY

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

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

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

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

48. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

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

49. DATE OF AUTHORISATION

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

50. CORRESPONDING FIGURES

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

51. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Aitzaz Shahbaz

Munawar B. Ahmad P.E.

Ten Years At A Glance

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

*Adjusted against purification charges shown under cost of gas.

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

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

17,222.6	18,082.6	17,947.1	19,650.4	21,024.2	21,924.8	19,635.8	17,146.1
5,026.9	4,261.4	3,591.9	3,141.6	2,186.0	683.1	558.4	2,777.2
22,249.5	22,344.0	21,539.0	22,792.0	23,210.2	22,607.9	20,194.2	19,923.3

41,572.3	37,061.1	29,237.1	22,931.1	16,349.6	15,623.1	14,790.3	13,042.2
5,408.9	4,826.1	3,807.1	2,759.9	-	-	-	-
36,163.4	32,235.0	25,430.0	20,171.2	16,349.6	15,623.1	14,790.3	13,042.2
1,327.0	3,719.4	1,112.9	393.3	2,294.0	(210.8)	214.1	620.7
34,836.4	28,515.6	24,317.1	19,777.9	14,055.6	15,833.9	14,576.2	12,421.5
28,060.6	22,216.5	18,428.4	13,524.3	8,107.6	10,098.0	10,007.4	7,953.3
6,775.8	6,299.1	5,888.7	6,253.6	5,948.0	5,735.9	4,568.8	4,468.2
421.1	407.7	399.5	385.2	185.1	173.2	160.6	93.1
222.1	212.7	201.3	169.6	158.3	156.2	143.2	93.0
126.8	121.3	116.3	111.7	102.7	94.6	85.4	75.0
-	-	3.4	(1.0)	37.6	59.5	18.6	(33.0)
70.2	41.6	64.4	83.9	97.3	52.7	184.7	70.3
*	*	*	*	*	*	*	353.1
623.3	674.6	1,128.8	815.5	1,402.3	1,270.7	384.9	309.1
8,239.3	7,757.0	7,802.4	7,818.5	7,931.3	7,542.8	5,546.2	5,428.8

3,287.6	2,712.8	2,552.3	2,458.2	1,922.2	1,928.9	1,700.4	2,168.3
1,884.0	1,989.5	1,956.7	1,977.8	1,849.4	1,753.5	1,366.2	1,171.4
872.4	762.2	1,214.0	1,767.6	2,615.4	2,779.3	1,576.9	993.2
146.3	138.1	104.9	105.8	79.5	54.7	45.8	54.8
6,190.3	5,602.6	5,827.9	6,309.4	6,466.5	6,516.4	4,689.3	4,387.7
2,049.0	2,154.4	1,974.5	1,509.1	1,464.8	1,026.4	856.9	1,041.1
601.1	719.8	682.2	716.6	512.0	374.7	181.5	503.8
1,447.9	1,434.6	1,292.3	792.5	952.8	651.7	675.4	537.3

18%	17.5%	15%	-	-	-	-	-
-	-	-	15%	15%	10%	15%	15%
35% **	35% **	35% **	33% **	33% **	33% **	33% **	36% **

** Excluding turnover and corporate assets taxes.

Gas Sales - Classified Breakdown 2004 - 2005

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

Gas Sales - Ten Years of Progress

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

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

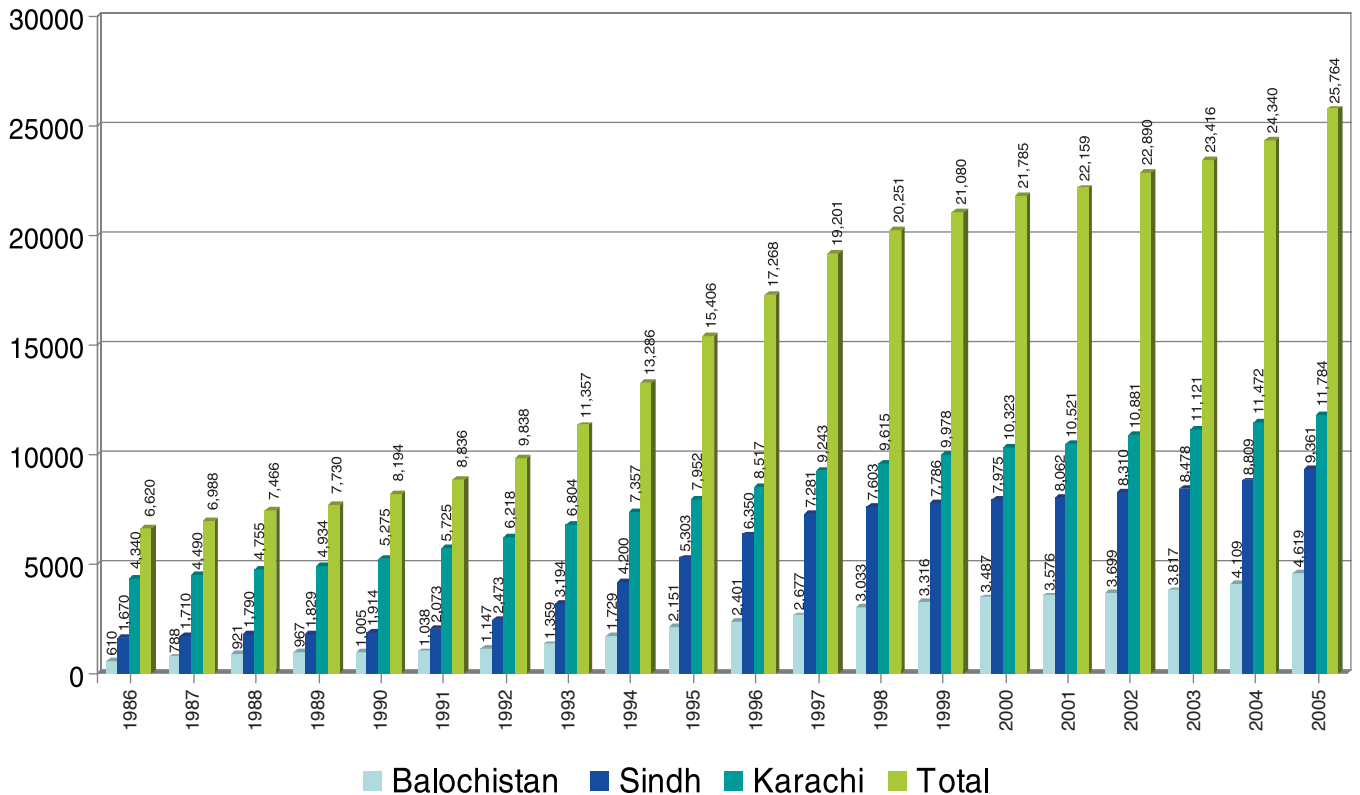


Gas Sales Pattern 2004 - 2005

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

Distribution Network 1985-2005

as at 30 June 2005



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

MAINS

Steel Pipe

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

Polyethylene Pipe

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

SERVICES

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



SSGC

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Town-wise Detail of Customers

as at 30 June 2005

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

Pattern of Share Holding

As At 30 June 2005

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

Pattern of Share Holding

As At 30 June 2005

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

Categories of Shareholders

As At 30 June 2005

Categories of shareholders	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties	-	0	0
NIT AND ICP	2	30,021,105	4.47
National Bank of Pakistan Trustee Deptt.		30,004,851	4.47
Investment Corporation of Pakistan		16,254	0.00
Directors, CEO & their Spouse and Minor Children²		80,120	0.01
Mr. Munawar B. Ahmed MD		2,500	
Mr Khursheed K. Marker, Director		77,620	
Executives	26	84,309	0.01
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	238	84,448,194	12.58
Bank, Development, Finance Institutions	38	16,065,166	2.39
Non-Banking Finance Institutions	158	15,408,881	2.30
Insurance Companies	18	44,991,212	8.71
Modarabas and Mutual Funds	24	7,982,935	0.22
Shareholders holding ten Percent or more voting interest in the Company			
President of the Islamic Republic of Pakistan	1	405,600,190	60.43
Individual	30349	128,251,704	4.51
Others	47	22,688,709	3.38
Administrator of Abandoned Properties, Associations, Foundations, Societies, Institutions and Nazir of the High Court			
	30,665	671,174,331	100.00

Awards 2004-05



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



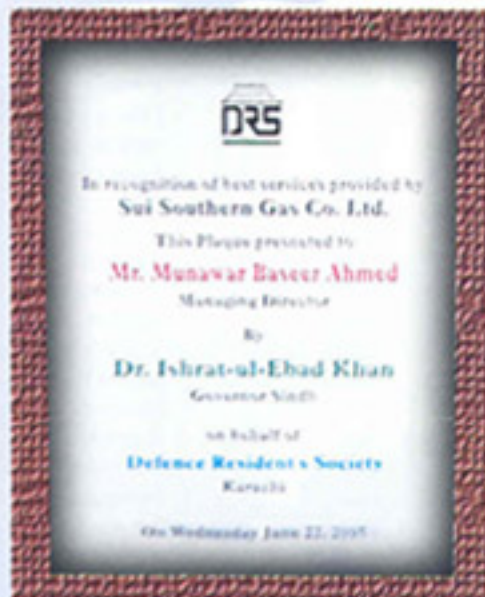
The SSGC hockey team were runners-up in the Gen Musa Gold Cup Hockey Tournament.



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



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



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

Form of Proxy

I/ We _____

of _____ being a Member(s) _____

of Pakistan Refinery Ltd. holding _____

ordinary shares hereby appoint _____

of _____ or failing him / her _____

of _____

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

As witness my / our hand / seal this _____ day of _____ 2005

Signed by the _____

In the presence of 1. _____

2. _____

Shareholder No.

Signature on Revenue stamp
of appropriate value

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

IMPORTANT

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

