

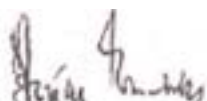
Balance Sheet

as at 30 June 2005

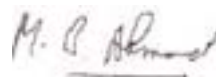
	Note	2005 (Rupees in '000)	2004
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised Share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and paid-up capital	3	6,711,743	6,711,743
Reserves	4	2,488,662	2,488,662
Surplus on remeasurement of available for sale securities		152,896	147,166
Unappropriated profit		<u>1,012,501</u>	<u>1,006,761</u>
		<u>10,365,802</u>	<u>10,354,332</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	1,791,364	1,711,395
		<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>37,682,493</u>	<u>31,836,823</u>
Government owned assets held on trust by the company	15.3.1	-	<u>105,965</u>

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

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



Aitzaz Shahbaz
Chairman



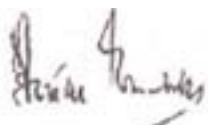
Munawar B. Ahmad P.E.
Managing Director

Profit & loss account

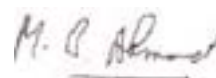
for the year ended 30 June 2005

	Note	2005 (Rupees in '000)	2004
Sales		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	29	(46,812,706)	(38,713,079)
Gross profit		5,889,971	6,086,611
Transmission, distribution and selling costs	30	(4,785,690)	(4,217,118)
Administrative expenses	31	(1,387,292)	(1,230,224)
Other operating expenses	32	(156,984)	(104,215)
		(6,329,966)	(5,551,557)
		(439,995)	535,054
Other operating income	33	2,591,689	1,732,894
Operating profit before finance cost		2,151,694	2,267,948
Finance cost	34	(563,017)	(695,597)
Profit before taxation		1,588,677	1,572,351
Taxation	35	(576,176)	(575,639)
Profit for the year		1,012,501	996,712
			(Rupees)
Proposed dividend per share		1.50	1.50
Basic and diluted earnings per share	37	1.51	1.49

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



Aitzaz Shahbaz
Chairman



Munawar B. Ahmad P.E.
Managing Director

Cash Flow Statement

for the year ended 30 June 2005

CASH FLOWS FROM OPERATING ACTIVITIES

	2005	2004
	(Rupees in '000)	
Profit before taxation	<u>1,588,677</u>	<u>1,572,351</u>
Adjustments for non cash items:		
Depreciation	2,155,453	1,937,823
Amortisation of Intangibles	30,461	-
Finance cost	563,017	695,597
Insurance claim Written off	11,600	-
Provision against doubtful debts	214,033	239,460
Provision for slow moving and obsolete stores	4,313	-
Provision for compensated absences	7,173	14,081
Provision for post retirement medical and gas supply facilities	84,056	118,829
Provision for other retirement benefits	124,028	181,268
Amortisation of deferred credit to the profit and loss account	(150,862)	(145,239)
Dividend income	(5,325)	(5,293)
(Provision) / Income from remeasurement of value of investments	(2,751)	50
Profit on sale of investment	(456)	-
Return on bank deposits	(70,849)	(93,526)
Gain on disposal of fixed assets	<u>(52,211)</u>	<u>(17,321)</u>
	<u>2,911,680</u>	<u>2,925,729</u>
Net cash flows from operations	4,500,357	4,498,080
Service charges received from new consumers	125,605	418,420
Long term deposits received - net	196,949	181,840
Loans and advances recovered	20,092	(10,719)
Long term deposits	(386)	665
Changes in working capital		
- Stores, spares and loose tools	(135,078)	(74,550)
- Stock-in-trade	(28,875)	(35,731)
- Customers' installation work-in-progress	(28,485)	420
- Trade debts	(2,263,256)	145,874
- Trade deposits and prepayments	20,476	(48,934)
- Other receivables	(1,491,426)	(1,077,161)
- Trade and other payables	<u>2,708,251</u>	<u>1,684,619</u>
	(1,218,393)	594,537
Retirement benefits paid	(225,974)	(117,673)
Income tax paid	(28,404)	(714,590)
Finance cost paid	<u>(629,680)</u>	<u>(664,899)</u>
Net cash flows from operating activities	<u>2,740,166</u>	<u>4,185,661</u>

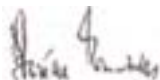
CASH FLOWS FROM INVESTING ACTIVITIES

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>

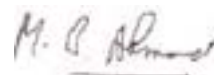
CASH FLOWS FROM FINANCING ACTIVITIES

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	<u>(998,728)</u>	<u>(1,204,816)</u>
Net cash flows from financing activities	<u>1,524,269</u>	<u>(1,682,907)</u>
Net increase/ (decrease) in cash and cash equivalents	(1,771,581)	411,646
Cash and cash equivalents at beginning of the year	<u>3,040,784</u>	<u>2,629,138</u>
Cash and cash equivalents at end of the year	<u>1,269,203</u>	<u>3,040,784</u>

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



Aitzaz Shahbaz
Chairman



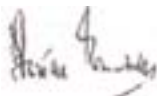
Munawar B. Ahmad P.E.
Managing Director

Statement of Changes in Equity

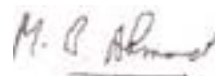
for the year ended 30 June 2005

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

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



Aitzaz Shahbaz
Chairman



Munawar B. Ahmad P.E.
Managing Director

Notes to the Financial Statements

for the year ended 30 June 2005

1. STATUS AND NATURE OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Statement of compliance

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

2.2.1 Changes in accounting policy

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

2.3 Property, plant and equipment

2.3.1 Cost

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

2.3.2 Depreciation

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

Compressors and transmission lines

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



Other operating assets

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

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

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

2.3.3 Subsequent expenditure (including normal repairs and maintenance)

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

2.3.4 Intangible assets

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

2.3.5 Borrowing costs

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

2.3.6 Gains and losses on disposal

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

2.3.7 Leased assets

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

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

2.4 Investments

Available-for-sale

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

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

Associated / subsidiary

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

2.5 Stores, spares and loose tools

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

2.6 Stock-in-trade

Gas in pipelines

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

Meter manufacturing division

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

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

2.7 Trade debts and other receivables

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

2.8 Trade and other payables

Trade and other payables are stated at cost.

2.9 Mark-up bearing borrowings

Long term financing

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

Leases

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

2.10 Provisions

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

2.11 Deferred credit

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

2.12 Taxation

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

Current

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

Deferred

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

2.13 Revenue recognition

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

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

2.14 Impairment

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

2.15 Staff retirement benefits

The company operates the following retirement schemes for its employees:

- Approved funded pension and gratuity schemes for all employees.

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

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

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

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

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

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

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

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

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

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

2.16 Compensated absences

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

2.17 Foreign currency translation

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

2.18 Derivative financial instruments

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

2.19 Hedging

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

2.20 Fiduciary assets

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

2.21 Off-setting

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

2.22 Cash and cash equivalents

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

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

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

4. RESERVES

Capital reserves

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

Revenue reserves

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

General reserve:

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

4.1 Share capital restructuring reserve

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

4.2 Fixed assets replacement reserve

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

4.3 Special reserve

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

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

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

5.2 Local currency loans

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

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

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

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

5.3 Redeemable capital - (non-participatory and secured)

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

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

Salient features of the TFCs are as follows:

Particulars	Total tenure	Semi annual installments	Profit rate (before Prompt payment rebate)	Prompt payment rebate
TFC 1	5 years	- Rs. 0.20 million from 1 December 2001 to 1 June 2003 - 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

- Tranche 1

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

- Tranche 2

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

5.4 Consumer financing

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

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	1,785,403	1,591,115
- Gas contractors	6.2	21,292	18,631
		<u>1,806,695</u>	<u>1,609,746</u>
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 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 LIABILITIES			
Deferred tax liability on			
Taxable temporary difference (accelerated tax depreciation)		3,626,349	3,247,128
Deductible temporary differences:			
- provision against employee benefits		(323,351)	(281,640)
- provision against doubtful trade debts		(396,667)	(433,803)
- others		(31,090)	(35,266)
		<u>(751,108)</u>	<u>(750,709)</u>
Net deferred tax liability		<u>2,875,241</u>	<u>2,496,419</u>
8. EMPLOYEE BENEFITS			
Provision for post retirement medical and gas supply facilities - executives		718,799	650,069
Provision for compensated absences - executives	8.1	129,133	122,253
		<u>847,932</u>	<u>772,322</u>
8.1 Provision for compensated absences - executives			
Balance as at 1 July		122,253	108,172
Provision made during the year		6,880	14,081
Balance as at 30 June		<u>129,133</u>	<u>122,253</u>

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

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

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

10. TRADE AND OTHER PAYABLES

Creditors for:

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

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	36.1.3	-	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
		10,926,115	8,362,880

	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 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 SSGCL. The final liability of SSGCL has not been estimated, as the amount of compensation due to land owners has not been determined by the authorities. Accordingly, the amount received from PARCO has been classified as an advance.		
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		<u>55,417</u>	<u>55,417</u>
		<u>185,020</u>	<u>168,191</u>
Accrued finance charge on liabilities against assets subject to finance lease		-	210
		<u>185,020</u>	<u>168,401</u>
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.		

	Note	2005 (Rupees in '000)	2004
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 company.		
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
		<u>1,461,144</u>	<u>1,672,914</u>
Liabilities against assets subject to finance lease		-	43,664
		<u>1,461,144</u>	<u>1,716,578</u>
14. CONTINGENCIES AND COMMITMENTS			
14.1	Claims against the company not acknowledged as debt		
	14.9 & 14.10	<u>1,942,096</u>	<u>98,345</u>
14.2	Aggregate commitments for capital and other expenditure		
		<u>1,733,410</u>	<u>2,894,033</u>
14.3	Guarantees issued on behalf of the company		
		<u>3,504</u>	<u>10,160</u>
14.4	Demand finance facilities have been given to the company's employees by certain banks for the purchase of vehicles against the company's guarantee and hypothecation of company's stock of pipes, gas meters, regulators, etc. valuing Rs. 75 million and company's investment in shares having a face value of Rs. 0.5 million (2004: Rs. 0.5 million). Loan outstanding at the year end was Rs. 25.036 million (2004: Rs. 28.671 million).		
14.5	Water and Power Development Authority (WAPDA) has lodged a claim against the company amounting to Rs. 491.11 million for short supply of gas under the provisions of an agreement dated 10 April 1995 between the company and WAPDA. The company has not accepted the claim and has filed a counter claim due to its (WAPDA) failure to uplift minimum quantities during certain other periods. Provision against this liability has not been made as the company is confident that ultimately the resolution of the claim lodged would be in its favour.		

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

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

15.1 Operating assets

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

15.2 Operating assets-gas transmission system

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%)/ remaining life (year)**
------(Rupees in '000)-----								
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 (%)/ remaining life (year)**
------(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	17,960,624	6,081,836	993,551	7,086,607	10,874,017	5
Telecommunication	7,964	207,226 * 862 (217)	8,609	6,793	11,220 * 434 (217)	7,010	1,599	15
Plant and machinery	240,893	50,377 (3,721) 211 *	287,760	191,698	15,293 (3,721) 211 *	203,481	84,279	10
Roads, pavements and related infrastructures	1,010		1,010	1,010		1,010	-	5
Tools and equipment	44,510	10,063 (554)	54,019	39,780	6,966 (554)	46,192	7,827	33.33
Motor vehicles	306,751	103,970 (41,659)	369,062	231,483	46,253 (33,733)	244,003	125,059	20
Furniture and Fixture	18,632	3,725 (402)	21,955	17,362	1,129 (402)	18,089	3,866	20
Office equipment	45,476	6,804 (936)	51,344	37,320	4,761 (936)	41,145	10,199	20
Computer and ancillary equipment	109,700	13,895 (11,801)	111,794	80,802	11,894 (11,780)	80,916	30,878	20
Supervisory control and data acquisition system	99,116	-	99,116	99,116		99,116	-	15
	17,012,152	2,007,102 (59,290) 207,437 *	19,167,401	6,850,570	1,087,652 (51,343) 11,431 *	7,898,310	11,269,091	
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 company at book values which approximate their fair values. Accordingly these assets have been recorded in company's books of accounts.

15.4 Operating assets - meter manufacturing division

	Cost at 1 July 2004	Additions/ (deletions)/ adjustments *	Cost at 30 June 2005	Accumulated depreciation at 1 July 2004	Charge for the year/(accumulated depreciation on deletions)/ adjustments *	Accumulated depreciation at 30 June 2005	Written down value at 30 June 2005	Depreciation rate (%/ remaining life (year)**
------(Rupees in '000)-----								
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	

Note 2005 2004

(Rupees in '000)

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

Profit and loss account:

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

Meter manufacturing division

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

Capital projects

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

15.6 Disposal of property plant and equipment

Details of disposal of operating assets are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on sale	Particulars of buyers	Mode of disposal
------(Rupees in '000)-----							
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	6,429	National Insurance Co. Ltd.	
Written off	7,005	1,981	5,024	-	-		
	<u>80,658</u>	<u>68,027</u>	<u>12,631</u>	<u>57,248</u>	<u>49,641</u>		
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		<u>11,435</u>	<u>15,525</u>
		<u>1,959,434</u>	<u>576,884</u>
		2,405,921	856,428
Provision for impairment (IRBP)		<u>-</u>	<u>(24,441)</u>
		<u>2,405,921</u>	<u>831,987</u>

15.8.1 Stores and spares held for capital projects

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

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

16. INTANGIBLE ASSETS

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

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

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

17.2 These companies are incorporated in Pakistan.

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

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

18.1 Reconciliation of the carrying amount of loans and advances:

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

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

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

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

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

	Note	2005	2004
		(Rupees in '000)	
23.1 Movement of provision for doubtful debts			
Balance as at 1 July		1,239,436	999,976
Provision for the year		214,033	239,460
		<u>1,453,469</u>	<u>1,239,436</u>
Bad debts written off		(320,135)	-
Balance as at 30 June		<u>1,133,334</u>	<u>1,239,436</u>
24. LOANS AND ADVANCES - considered good			
Current portion of long term loans:	18.		
- Executives		2,592	2,553
- Other employees		25,771	25,406
		<u>28,363</u>	<u>27,959</u>
Advances to :			
- Executives	24.1	5,473	6,376
- Other employees		63,061	74,129
		<u>68,534</u>	<u>80,505</u>
		<u>96,897</u>	<u>108,464</u>
24.1			
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).			
25. 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		46,251	5,631
		<u>118,452</u>	<u>138,928</u>
26. 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	36.1.3	19,615	130,580
Receivable from staff gratuity fund	36.1.3	44,243	-
Balance receivable for sale of gas condensate		83,995	43,468
Receivable from Sui Northern Gas Pipelines Limited (SNGPL)	26.1	1,139,778	1,028,771
Receivable from Inter State Gas Systems (Pvt.) Limited		2,487	-
Receivable from Jamshoro Joint Venture Limited (JJVL)		340,829	-
Insurance claim receivable		5,024	11,600
Receivable from the Privatisation Commission, GoP		-	8,659
Receivable from ADP projects		-	987
Sales tax receivable		342,060	-
Claims receivable		757	757
Miscellaneous receivables	26.2	490,910	417,489
		<u>3,695,177</u>	<u>2,272,298</u>
Provision against impaired receivables		(1,485)	(1,485)
		<u>3,693,692</u>	<u>2,270,813</u>

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

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

	Note	2005	2004
(Rupees in '000)			
27. 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>

28. CASH AND BANK BALANCES

With banks:

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

Cash in hand

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

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

29. COST OF GAS

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

* Thousand Cubic Feet.

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

	Note	2005	2004
		(Rupees in '000)	
30. TRANSMISSION, DISTRIBUTION AND SELLING COST			
Salaries, wages and benefits		1,706,759	1,651,749
Contribution / accruals in respect of staff retirement benefit scheme	30.1	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	30.2	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	30.3	34,119	26,121
		5,327,464	4,791,678
Recoveries / allocations to:			
Gas distribution system capital expenditure		(462,736)	(502,912)
Installation costs recovered from customers	22	(79,038)	(71,648)
		(541,774)	(574,560)
		4,785,690	4,217,118
30.1 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 the meter manufacturing division and construction division		(10,285)	(8,513)
		183,969	261,726



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

	Note	2005	2004
		(Rupees in '000)	
30.3 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	30.4	17,208	13,007
		<u>34,119</u>	<u>26,121</u>

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

31. ADMINISTRATIVE EXPENSES

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

	Note	2005 (Rupees in '000)	2004
31.1 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>
31.2 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>
32. 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>

	Note	2005	2004
		(Rupees in '000)	
33. 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
Dividend income		574	1,113
		<u>338,722</u>	<u>331,061</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 from JJVL		9,758	-
Royalty income from JJVL		188,528	-
Meter manufacturing division profit - net	33.1	48,215	53,047
Recoveries from consumers		39,257	19,491
Gain on sale of fixed assets	15.6	52,211	17,321
Liquidated damages recovered		23,911	10,624
Income from sale of tender documents		2,215	2,427
Miscellaneous		27,416	39,732
		<u>1,859,520</u>	<u>1,055,887</u>
		<u>2,591,689</u>	<u>1,732,894</u>

	Note	2005	2004
		(Rupees in '000)	
33.1 Meter manufacturing division profit - net			
Gross sales of gas meters			
- Company's consumption	33.1.1	212,566	195,024
- Outside sales		522,572	421,700
		735,138	616,724
Sales tax		(98,531)	(84,106)
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	33.1.2	68,268	56,814
- Insurance		506	301
- Repairs and maintenance		2,376	739
- Depreciation	15.5	3,893	4,293
- Other expenses		815	494
		563,913	460,032
Opening work in process		10,311	9,137
Closing work in process		(5,096)	(10,311)
		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		(8,848)	(4,517)
		(4,331)	347
Cost of goods sold		564,797	459,205
Gross profit		71,810	73,413
Administrative expenses		(23,595)	(21,155)
Operating profit		48,215	52,258
Other income		-	789
Net profit		48,215	53,047

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

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

34. 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
		563,017	695,597

35. TAXATION

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

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

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

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

36. STAFF RETIREMENT BENEFITS

36.1 Funded post retirement pension and gratuity schemes

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

36.1.2 Fair value of plan assets and present value of obligations

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

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

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

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

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

36.1.4 Amount recognised in the profit and loss account

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

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

36.1.5 Principal actuarial assumptions

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

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

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

36.2 Unfunded post retirement medical benefit and gas supply facilities

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

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

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

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

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

	Executives (%)
Discount rate	9
Medical inflation rate	6

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

38. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

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

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

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

39. NUMBER OF EMPLOYEES

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

40. CAPACITY AND ACTUAL PERFORMANCE

40.1 Natural gas transmission

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

40.2 Natural gas distribution

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

40.3 Meter manufacturing division

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

41. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

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

42. MARK-UP / INTEREST RATE RISK

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

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

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

43. CONCENTRATION OF CREDIT RISK

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

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

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

45. FOREIGN CURRENCY RISK MANAGEMENT POLICY

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

46. DETAILS OF INVESTMENTS BY EMPLOYEES RETIREMENT BENEFIT FUNDS

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

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

47. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

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

48. DATE OF AUTHORISATION

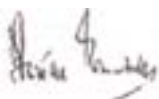
These financial statements were authorised for issue in Board of Directors meeting held on 29 September 2005.

49. CORRESPONDING FIGURES

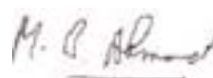
The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparisons. Major changes made during the year are reclassifications resulting from the substituted Fourth Schedule to the Companies Ordinance, 1984.

50. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Aitzaz Shahbaz
Chairman



Munawar B. Ahmad P.E.
Managing Director