

SUI NORTHERN GAS PIPELINES LIMITED
Annual Report year ended 1995

CONTENTS

BOARD OF DIRECTORS	4
NOTICE OF MEETING	6
CHAIRMAN'S STATEMENT	8
REPORT OF THE DIRECTORS	21
AUDITORS' REPORTS	27
BALANCE SHEET	28
PROFIT AND LOSS ACCOUNT	30
CASH FLOW STATEMENT	31
NOTES TO THE ACCOUNTS	34
TEN YEARS AT A GLANCE	58
TRANSMISSION SYSTEM	61

BOARD OF DIRECTORS

CHAIRMAN	SYED NASEER AHMED
MANAGING DIRECTOR	MUHAMMAD SALEEM SANDHOO
	MUNIR AHMAD
	ABDUS SATTAR
	JAVED HUSSAIN
	AZHAR I. JAFFERY
	SALAHUDDIN QURESHI
	JAHANGIR ELAHI
	MOHAMMAD ARSHAD
	JAHANGIR SIDDIQUI
	A.U. LOAN
	MUHAMMAD ISHAQ DAR
	JAVED ALAM KHANZADA
	KHALID IQBAL
	MUHAMMAD MUNAWAR

COMPANY SECRETARY

S. M. ANWAR

JOINT AUDITORS

F. MAJID AND COMPANY
Chartered Accountants
ILYAS SALEEM AND COMPANY
Chartered Accountants

SHARE REGISTRARS

HAMEED MAJEED ASSOCIATES (PVT) LTD.
H. M. HOUSE 7 -Bank Square, Lahore
Ph: 7235081-82

REGISTERED OFFICE

GAS HOUSE, 21-KASHMIR ROAD
P.O. BOX NO. 56,
LAHORE (PAKISTAN)

NOTICE OF MEETING

Notice is hereby given that the 32nd Annual General Meeting of the Company will be held at Hotel Avari, 87-Shahrah-e-Quaid-e-Azam, Lahore at 10.30 A.M. on Sunday, December 31, 1995 for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Extraordinary General Meeting held on February 23, 1995.
2. To receive and consider the Report of the Directors and the Audited Accounts of the Company for the year ended June 30, 1995.
3. To appoint auditors and fix their remuneration. The retiring auditors being eligible offer themselves for re-appointment.
4. To transact any other ordinary business of the Company with the permission of the Chairman.

SPECIAL BUSINESS

- (a) To consider and, if thought fit, to pass the following special resolution with or without amendment(s).

RESOLVED

That the Authorised Capital of the Company be and is hereby increased from Rs 3,000,000,000 to Rs 5,000,000,000 and the clause V of the Memorandum of Association and Article 4 of the Articles of Association be and are hereby amended as follows:

"V. The share capital of the Company is Rs 5,000,000,000 (Rupees five billion) divided into 500,000,000 (Five hundred million) ordinary shares of Rs 10/- each with power to increase, reduce, modify, subdivide, consolidate or reorganise the capital of the Company for the time being and to divide the shares into several classes in accordance with the provisions of law."

"4. The authorised capital of the Company is Rs 5,000,000,000 (Rupees five billion) divided into 500,000,000 (Five hundred million)

ordinary shares of Rs 10/- each."

(b) To approve capitalisation of a sum of Rs 413,640,000 set aside out of the profits of the Company as on June 30, 1995 for issuance of bonus shares in proportion of one share for every five shares held and to pass, with or without modification, the following ordinary resolution.

RESOLVED

That a sum of Rs 413,640,000 out of reserves as on June 30, 1995 be capitalised and applied to the issue of 41,364,000 ordinary shares of Rs 10 each allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members as at close of business on December 21, 1995 in the proportion of one bonus share for every five shares held.

That the members entitled to fraction of a share shall be given sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold in the stock market.

That Managing Director of the Company be and is hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares. The share transfer books of the Company will remain closed from December 22, 1995 to December 31, 1995 (both days inclusive). The members whose names appear in the Register as at the close of business on December 21, 1995 will qualify for issuance of bonus shares.

By order of the Board

Lahore
December 5, 1995

(S. M. Anwar)
COMPANY SECRETARY

**STATEMENT UNDER SECTION 160 OF
THE COMPANIES ORDINANCE, 1984.**

A) The Company is in the process of expanding its system capacity and is undertaking gas distribution development programme to provide gas to new towns and cities in its area of operation. For this purpose, the Company requires fresh capital, and the gap between the paid-up capital and the authorised capital is very small, hence the need for increase in the authorised capital of the Company.

B) Since the reserves of the Company as on June 30, 1995 represent accretion on its existing share capital, it has been thought expedient to capitalise a part of the said reserves by way of issue of bonus shares to the members.

C) It is hereby declared that in issuing bonus shares, no interest of any Director, directly or indirectly, is involved except and to the extent of entitlement of bonus shares admissible on the existing shares held by the Government, the Corporations or Institutions they represent or shares registered in their name.

NOTES

i) A member entitled to attend may appoint another member as his / her proxy or may by Power of Attorney authorise any other person as his / her agent to attend, speak and vote at the meeting. The Federal Government, a Provincial Government, a corporation or a company, as the case may be, being a member of the Company may appoint any of its officials or any other person to act as its representative and the person so authorised shall be entitled to the same powers, as if he were an individual shareholder

ii) The instrument appointing a proxy shall:
(a) be in writing; and
(b) be signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

iii) The proxy must be signed across a Rupees five revenue stamp and it should be deposited in the office of the Company not less than 48 hours before the time of holding the meeting.

iv) Shareholders are requested to notify any

change in address immediately quoting their folio number(s).

CHAIRMAN'S STATEMENT

Gentlemen,

I welcome you all on behalf of the members of the Board and myself, to the 32nd Annual General Meeting of the Company, and present the audited financial statements for the year ended June 30, 1995.

DIRECTORS

2. Certain changes took place in the composition of your Board since the last Annual General Meeting held on December 31, 1994. Messrs Javed Alam Khanzada and Khalid Iqbal were appointed as Directors on June 29, 1995 in place of Messrs Muhammad Jehangir Bashir and Amjad Aziz Khan respectively. Mr. Muhammad Aslam was replaced by Mr. Muhammad Munawar as Director on October 26, 1995. While welcoming the newly appointed directors, let us join to place on record our sincere appreciation for the valuable services rendered by the out-going directors.

SALES AND DEVELOPMENT

3. The gas distribution system during the year increased by 3407 Km which is the highest ever in the history of the Company. This included gas supply to seven new towns namely Gujjar Khan, Ahmedpur Lamma, Khurrianwala, Kot Addu, Qadirpur Rawan, Zahirpir and Shah Kot. The mains laying was 535 Kms (18.61%) more than that laid during the previous year. This significant increase in the mains laying activity was achieved by optimizing the Company's own pipeline construction capabilities as well as induction of Pakistani contractors in laying of gas pipelines in the Company's area of operation. Your Company is committed to make natural gas available to maximum number of prospective consumers in cities, towns and villages under criteria approved by the Government of Pakistan, and within the available resources.

4. During the year under review all-time record of 160,615 customers were added to the system, compared to 134,465 added in the previous year, thus representing an increase of 19.45% and raising the total to 1,257,382.

5. The sales for the year were 53,649,891 hundred cubic meters (hm³) or (190,424 MMCF), representing an increase of 1,466,465 hm³ (5205 MMCF) or 2.81% over the previous year's sale. The sectoral break-up of the sale indicates that 12.87% was sold to power, 19.26% to fertilizer, 0.86% to cement, 29.59% to general industries and 37.42% to domestic and commercial sector. The total revenue generated by the gas sales amounted to Rs 10,541.271 million.

6. On the basis of equivalent quantities of furnace oil the Company's gas sale during the year resulted in the savings of over Rs 13,283 million in foreign exchange.

LIQUEFIED PETROLEUM GAS (LPG)

7. Average LPG sales during the year under review has been 17.15 tons per day as against 17.58 tons per day of last year. The decline in sale is due mainly to constraints on supply of LPG from sources. Despite limitations your Company made a nominal operating profit of Rs 0.089 million as against last year's loss of Rs 0.560 million.

8. The LPG supply from Meyal and Dhurnal is depleting, however, it is encouraging to note that 20% allocation of LPG production from Ratana has started since March, 1995. This would help meet a partial demand of our existing distributors and customers. I am sure, that additional supplies of LPG will go a long way in meeting unsaturated demand for fuel in the areas, where it is not possible for the Company to extend supplies of natural gas and also in areas where the Government intends to save the forest wealth of the nation.

ACCOUNTS AND FINANCE

9. The profit before taxation is Rs 671.829 million as against Rs 591.188 million of last year, thus showing an increase of Rs 80.641 million which is all time record. The increase is due mainly to higher sales to general industrial, commercial and domestic consumers. After allowing for taxation of Rs 188,975 million. the amount available for appropriation is Rs 447.725 million. The accompanying report of directors includes recommendations for its appropriation.

10. The position of the Company would have been much better, if WAPDA's defaulted payment of gas bills amounting to Rs 759 million, which adversely affected the liquidity position of the Company, had been cleared on time.

PRIVATISATION

11. In partial modification of the disinvestment plan, Government of Pakistan and other principal shareholders intend to disinvest 26% shares of SNGPL to a strategic investor with management rights through a transparent competitive process. The main objectives of privatisation are to improve upon the operational efficiency and overall performance of SNGPL so that it can keep up with the growing demand, improve the quality of service, keep pace with developing technologies and mobilize resources both local and foreign to undertake major expansion projects.

12. The Privatisation Commission (Finance Division) Government of Pakistan have appointed First Capital Securities Corporation Limited and Smith Barney Inc. on August 8, 1994 as their Financial Advisors in order to assist and advise Government of Pakistan in the process of sale of 26% shares of SNGPL to an investor-manager, who should be a gas company of repute, having both technical and financial capability of meeting the objectives of privatisation. The Government expect the Financial Advisors to generate enough interest in potential strategic investors so as to bring about a genuine competitive process.

13. A well conceived programme for privatisation of gas sector calls for a comprehensive regulatory framework not only to regulate the post privatised gas industry but also to provide a clear concept to the strategic investors prior to their rights and obligations in spheres of operations. Rationalization of gas pricing structure prior to privatisation is another comfort which the strategic investor would insist. In order to achieve these objectives, the Government of Pakistan has laid down the broad parameters with regard to the organizational structure, functions, duties and powers of natural gas regulatory authority. The law and the enabling rules are being drafted for approval of the competent authority. The new gas pricing structure based on return on equity (ROE) instead of return on assets (ROA) has been approved to become effective with privatisation. The new pricing regime is incentive oriented for which detailed mechanism, rules and regulatory review are being devised by the competent authority.

PROJECTS - PRESENT AND FUTURE

Project - 6 Phase II

14. As you are aware, the Company's Project-6 Phase II envisages laying of 722 miles (1162 Km) of transmission pipelines varying in size from 16" diameter to 30" diameter alongwith additional compression capacity of 12,000 BHP. Work on construction of transmission lines was started in November, 1990 and is now proceeding at full swing.

15. The Company has already completed construction of approximately 336 miles (541 Km) pipelines as on June 30, 1995 at various locations on the transmission system. During the first quarter of the current financial year 55 miles (88 Km) lines have been added to the existing system, and thus the total length of transmission lines completed till September 30, 1995 stands at 391 miles (630 Km). All out efforts are being made to complete the Project by June, 1997.

New Projects

Qadirpur Gas Project

16. Oil and Gas Development Corporation-the developers of the field - had committed supply of gas from Qadirpur field during September, 1995. The Company had planned laying of 45 miles (72 Km) long 30" die transmission pipeline to connect Qadirpur gas field with the existing transmission pipeline near Bhong. The latest position is that the entire 30" die transmission pipeline had been laid and commissioned during the month of September, 1995 and gas at the rate of approximately 150 MMCF per day is being received from this field.

17. In my last year's statement it was reported that the Company intended to build a new compressor station, (AC-IX) near Bhong with an installed capacity of 36,000 BHP and that the Compressor Station was expected to be ready to receive the first 200 MMCFD gas from Qadirpur field by September, 1995. Due to an optimistic review of the field through put to 340 MMCFD, the station design has since been up-graded to 44,000 BHP and I am pleased to report that out of 11 compressor units, 3 were installed and commissioned even before the scheduled period, which could enable the Company to receive 200 MMCFD gas from Qadirpur gas field as it becomes available.

Gas to New Towns

18. (a) As part of its expansion programme, your Company has extended gas supply to the following towns, by laying transmission spurs from the Company's existing system:

Town	Miles	Kilometres	Diameter
Khangarh	13.75	22	8"
Lala Musa	16.15	26	8"
Sakha Kot	12.43	20	8"

(b) Work on construction of transmission lines for the following towns is in progress:

Town	Miles	Kilometres	Diameter
Sahiwal	48.01	77	24"
Jhelum	18.65	30	8"
Kohat	34.01	55	8"
Tangi	6.50	10	6"

(c) In addition, the following new towns that are located in the proximity of the Company's existing system have been extended the natural gas facility:

1	Dhullian	6	Panwan
2	Bhaun	7	Shahkot
3	Hazro	8	Khurrianwala
4	Hattar	9	Kot Addu
5	Bhikki	10	Mian Channu

TELECOMMUNICATION

19. Telecommunication facilities on 'A' Leg (Sui-Multan section), 'B' Leg (Faisalabad Lahore section) and 'C' Leg (Faisalabad-Galli Jagir-Nowshera section) have been up-graded with a modern, state-of-the-art digital microwave system commissioned downstream of Multan in March, 1995. Over five hundred telephone connections have been provided company-wide and the system handles over a 100,000 local and trunk calls every month. The net-work has also been extended from Galli Jagir to Islamabad and Peshawar.

Systems under Construction

20. Repeater stations at Muzaffargarh and Kot Addu are presently under construction to extend the digital microwave net-work from Multan to Kot Addu by December, 1995. 21. VHF equipment has also been purchased for extension of single channel radio telephone facilities to Abbottabad, Bahawalpur and Gujranwala.

Future Projects

22. Digital microwave facilities are planned to be

extended from Kot Addu to Dhodak and from Qadirpur gas field to AC-IX compressor station (near Bhong) under DERDP. Similarly, a digital microwave system is also to be installed on the 'N' Leg (Multan-Sahawal-Lahore) and a net-work has been proposed between Lahore and Gujranwala under Project-6 Phase II. These projects are scheduled for completion by December, 1997.

23. Transmission Scada

A Transmission Scada system is to be installed throughout the Company's net-work to continuously receive and analyse data from all sources, compressor stations, sales meter stations as well as major industrial/power plants in order to operate the system under optimum conditions. The bid documents for appointment of consultants have been prepared and are being processed. The system is scheduled to become operational by December 1997.

STAFF AND ORGANIZATION

24. I hope with the induction of additional staff the Company would be in a position to meet the challenges of tomorrow by continuing to supply gas to new consumers and additional towns and cities.

25. The management and Union relationship remained cordial and constructive. The targets met by the Company during the year under review could not have been achieved without the high standards of professionalism, competence and responsibility displayed by both the management and members of the staff.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Annual Report together with the audited accounts of the Company for the year ended June 30, 1995.

ACCOUNTS

(Rupees in thousand)

The profit before taxation amounted to	671,829
After providing for current year's taxation	188,975 -----
The profit after taxation amounted to	482,854
Tax on proposed bonus shares	41,364 -----
	441,490
Adding thereto:	
Unappropriated profit brought forward	6,235 -----
Profit available for appropriation	447,725
Appropriations	
Transfer to reserve for issue of bonus shares	413,640
Transfer to General reserve	30,000 443,640 -----
Unappropriated profit to be carried forward	4,085 -----
The earnings per share for the year ended June 30, 1995 is Rs 2.33 as per computation below:	
Profit after taxation	482,854,000 =-----
No. of shares	206,820,000
	=Rs 2.33

POST BALANCE SHEET EVENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

LOANS

Subsequent to the date of balance sheet i.e. June 30, 1995, the Company entered into the following

agreements:

i) Rs 500 million Local Currency Financing agreement was executed on October 22, 1995 for a period of 8 years with National Development Finance Corporation.
 ii) Rs 790 million Commodity Financing Agreement was extended on November 19, 1995 for a period of 12 months with Pakistan Kuwait Investment Company (Pvt) Limited through Citibank N.A.

DIRECTORS

In accordance with the provisions of Section 178 of the Companies Ordinance, 1984 thirteen Directors were elected at the Extraordinary General Meeting held on June 24, 1993 for a period of three years effective June 26, 1993. Two Directors viz., Mr. Khalid Iqbal and Mr. Muhammad Munawar represent Bankers Equity Limited and National Development Finance Corporation respectively pursuant to loan agreements with them. The Creditors' Directors are not due for retirement or re-election in terms of Section 182 of the Companies Ordinance, 1984.

AUDITORS

The present joint auditors M/s. F. Majid and Company, Chartered Accountants and M/s. Ilyas Saleem and Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

THE PATTERN OF HOLDING OF THE SHARES

The pattern of holding of the shares as on June 30, 1995 is attached.

THE PATTERN OF HOLDING OF THE SHARES

AS AT JUNE 30, 1995

NO. OF SHARE HOLDERS	S H A R E H O L D I N G		TOTAL SHARES HELD	PERCENTAGE
	FROM (SHARES)	TO (SHARES)		
783	1	100	40,269	0.02
12,100	101	500	3,104,694	1.50
2,082	501	1,000	1,376,980	0.67
2,665	1,001	5,000	4,905,002	2.37
277	5,001	10,000	1,837,022	0.89
73	10,001	15,000	875,449	0.42
25	15,001	20,000	444,593	0.21
23	20,001	25,000	540,889	0.26
10	25,001	30,000	283,440	0.14
4	30,001	35,000	127,280	0.06
8	35,001	40,000	298,342	0.14
5	45,001	50,000	236,458	0.11
1	50,001	55,000	50,400	0.02
4	55,001	60,000	231,000	0.11
1	60,001	65,000	63,720	0.03
2	70,001	75,000	146,760	0.07
1	75,001	80,000	75,720	0.04
3	85,001	90,000	263,460	0.13
2	95,001	100,000	195,580	0.09
1	100,001	105,000	102,840	0.05
1	110,001	115,000	111,840	0.05
5	115,001	120,000	594,460	0.29
2	120,001	125,000	240,720	0.12
1	125,001	130,000	127,800	0.06
1	140,001	145,000	144,980	0.07
1	145,001	150,000	150,000	0.07
2	150,001	155,000	307,028	0.15
1	165,001	170,000	165,580	0.08
1	175,001	180,000	180,000	0.09
1	185,001	190,000	186,000	0.09
2	190,001	195,000	384,600	0.19
2	200,001	205,000	405,960	0.2
1	210,001	215,000	213,000	0.1
3	215,001	220,000	652,680	0.32
1	220,001	225,000	222,240	0.11
2	240,001	245,000	576,222	0.82
2	255,001	260,000	513,920	0.25
2	290,001	295,000	583,440	0.82
1	320,001	325,000	320,140	0.15
3	360,001	365,000	1,093,920	0.53
1	395,001	400,000	399,520	0.19
1	405,001	410,000	405,240	0.2
1	430,001	435,000	433,800	0.21
3	485,001	490,000	1,458,360	0.71
1	550,001	555,000	552,372	0.27
1	580,001	585,000	583,320	0.28
1	595,001	600,000	598,920	0.29
1	605,001	610,000	607,560	0.29
1	620,001	625,000	620,280	0.3
1	645,001	650,000	649,160	0.31

1	720,001	725,000	723,036	0.35
1	725,001	730,000	729,240	0.35

NO. OF SHARE HOLDERS	S H A R E H O L D I N G	FROM		TOTAL SHARES HELD	PERCENTAGE
		(SHARES)	TO (SHARES)		
1	Sui Southern Gas Company Limited	785,001	790,000	787,272	0.38
1	Crescent Investment Bank Limited	870,001	875,000	874,800	0.42
1	Citibank (Luxembourg) S..A.	1,155,001	1,160,000	1,159,340	0.56
1	Askari Commercial Bank Limited	1,310,001	1,315,000	1,315,000	0.63
1	The Bank of Punjab	1,455,001	1,460,000	1,458,480	0.71
2	Prudential Investment Bank Limited	1,725,001	1,730,000	1,727,680	0.84
1	National Development Finance Corporation	2,335,001	2,340,000	2,335,126	1.13
1	Union Bank Limited	2,430,001	2,435,000	2,430,720	1.18
1	Hong Kong Bank Int. Trustee Ltd.	2,435,001	2,440,000	2,437,640	1.18
1	Pakistan Insurance Corporation	2,835,001	2,840,000	2,836,513	1.37
1	Morgan Stanley Trust Co	2,850,001	2,855,000	2,854,040	1.38
1	Pakistan Industrial Credit & Investment Corporation	4,520,001	4,525,000	4,523,228	2.19
1	State Life Insurance Corp. of Pakistan	6,520,001	6,525,000	6,524,340	3.15
1	Allied Bank of Pakistan Ltd.	7,290,001	7,295,000	7,292,160	3.53
1	Investment Corporation of Pakistan	8,615,001	8,620,000	8,618,457	4.17
1	National Bank of Pak (Trustee Deptt)	12,070,001	12,075,000	12,073,795	5.84
1	Pakistan Industrial Development Corporation (Pvt) Limited	12,445,001	12,450,000	12,445,575	6.02
5	Muslim Commercial Bank Limited	29,650,001	30,535,000	30,533,658	14.76
1	The President. Islamic Republic of Pakistan	74,455,001	74,460,000	74,459,416	36.00
18,143			Total	206,820,00	100.00

NOTE : for shares between:

40,001	to	45,000	600,001	to	605,000
65,001	to	70,000	610,001	to	620,000
80,001	to	85,000	625,001	to	645,000
90,001	to	95,000	650,001	to	720,000
105,001	to	110,000	730,001	to	785,000
130,001	to	140,000	790,001	to	870,000
155,001	to	165,000	875,001	to	1,155,000
170,001	to	175,000	1,160,001	to	1,240,000
180,001	to	185,000	1,245,001	to	131,000
195,001	to	200,000	1,315,001	to	1,455,000
205,001	to	210,000	1,460,001	to	2,335,000
225,001	to	240,000	2,340,001	to	2,430,000
245,001	to	255,000	2,440,001	to	2,835,000
260,001	to	290,000	2,840,001	to	2,850,000
295,001	to	320,000	2,855,001	to	4,520,000
325,001	to	360,000	4,525,001	to	6,520,000
365,001	to	395,000	6,525,001	to	7,290,000
400,001	to	405,000	7,295,001	to	8,615,000
410,001	to	430,000	8,620,001	to	12,070,000
435,001	to	485,000	12,075,001	to	12,445,000
490,001	to	550,000	12,450,001	to	29,650,000

555,001 to 580,000 29,655,001 to 74,455,000
 585,001 to 595,000

no slabs of 5.000 shares have been given as there are no shareholders falling under the above slabs.

**CATEGORIES OF SHAREHOLDERS
 AS AT JUNE 30, 1995**

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1. The President, Islamic Republic of Pakistan, Islamabad	1	74,459,416	36.00
2. Individuals	18,025	16,043,945	7.76
3. Investment Companies	24	18,945,503	9.16
4. Insurance Companies	12	10,360,169	5.01
5. Joint Stock Companies	13	14,779,201	7.15
6. Financial Institutions	26	59,499,014	28.77
7. Modaraba Companies	20	3,356,800	1.62
8. Foreign Companies	17	9,164,680	4.43
9. *Others (as detailed below)	5	211,272	0.10
Total	18,143	206,820,000	100.00

***OTHERS**

NAME	NUMBER	SHARES HELD	PERCENTAGE
i. The Deputy Administrator Abandoned Properties, Government of Pakistan, Rawalpindi	1	37,218	0.02
ii. Societies, Foundations and Institutions	4	174,054	0.08
Total	5	211,272	0.10

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SUI NORTHERN GAS PIPELINES LIMITED as at June 30, 1995 and the related profit and loss account and cash flow statement, together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the period was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at June 30, 1995 and of the profit/(loss) and the changes in financial position for the period

then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980

BALANCE SHEET

	Note	(Rupees in thousand)	
		1995	1994
SHARES CAPITAL AND RESERVES			
Authorised share capital 300,000,000 ordinary shares of Rupees 10 each		3,000,000	3,000,000
Issued, subscribed and paid up share capital	2	2,068,200	1,723,500
Reserves	3	1,939,322	1,840,382
Unappropriated profit		4,085	6,235
		4,011,607	3,570,117
REDEEMABLE CAPITAL - SECURED	4	3,092,941	1,667,181
DEFERRED CREDIT	5	1,906,320	1,535,971
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	6	7,564,216	6,804,724
Security deposits	7	734,866	628,424
Liabilities against assets subject to finance lease	8	583,365	450,265
Deferred taxation	9	1,782,697	1,639,843
		10,665,144	9,523,256
CURRENT LIABILITIES			
Current portion of Redeemable capital	4	306,378	275,476
Long term loans	6	466,073	310,232
Liabilities against assets subject to finance lease	8	174,240	87,598
Creditors, accrued and other liabilities	10	2,966,924	2601676
Tax on proposed bonus shares		41,364	-
		3,954,979	3,274,982
CONTINGENCIES AND COMMITMENTS	11	-	-
		23,630,991	19,571,507
		=====	=====

AS AT JUNE 30, 1995

	Note	(Rupees in thousand)	
		1995	1994
FIXED CAPITAL EXPENDITURE-TANGIBLE			
Operating fixed assets	12	11,847,788	9,295,502
Assets subject to finance lease	13	817,121	543,884
Work- in - progress	14	5,497,901	5,196,888
Advances for land		81,215	48,125
		18,244,025	15,084,399
LONG TERM LOANS	15	119,844	115,069
LONG TERM DEPOSITS AND PREPAYMENTS	16	86,185	60,336
CURRENT ASSETS			
Stores and spares	17	511,964	610,746
Stock - in - trade	18	30,213	22,294
Trade debts	19	2,708,444	2,275,652
Loans, advances, deposits, prepayments and other receivables	20	934,350	720,843
Cash and bank balances	21	995,966	682,168
		5,180,937	4,311,703
		23,630,991	19,571,507
		=====	=====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1995**

(Rupees in thousand)

	<u>Note</u>	1995	1994
GAS SALES		10,541,271	9,449,843
LESS: DEVELOPMENT SURCHARGE		1,472,478	2,181,300
		9,068,793	7,268,543
RENTAL AND SERVICE INCOME	22	96,226	88,534
SURCHARGE AND INTEREST ON ARREARS OF GAS SALES		169,986	52,838
AMORTIZATION OF DEFERRED CREDIT		127,929	107,115
		9,462,934	7,517,030
LESS: Cost of gas sold	23	5,266,811	4,158,024
Operating cost excluding depreciation	24	1,337,551	1,133,014
Depreciation		1,118,245	884,409
		7,772,607	6,175,447
		1,740,327	1,341,583
ADD: OPERATING PROFIT/(LOSS) LIQUEFIED PETROLEUM GAS PROJECT (LPG)	25	89	(560)
		1,740,416	1,341,02
NET GAIN ON SALE OF FIXED ASSETS		4,403	4,057
OTHER INCOME	26	96,738	75,314
		1,841,557	1,420,394
LESS: Financial charges	27	1,134,145	798,081
Other charges	28	35,583	31,125
		1,169,728	829,206
PROFIT BEFORE TAXATION		671,829	591,188
PROVISION FOR TAXATION	29	188,975	158,125
PROFIT AFTER TAXATION		482,854	433,063
TAX ON PROPOSED BONUS SHARES		41,364	-
		441,490	433,063
UNAPPROPRIATED PROFIT BROUGHT FORWARD		6,235	7,872
PROFIT AVAILABLE FOR APPROPRIATION		447,725	440,935
APPROPRIATIONS			
Transfer to reserve for issue of bonus shares		413,640	344,700
Transfer to general reserve		30,000	90,000
		443,640	434,700
UNAPPROPRIATED PROFIT		4,085	6,235

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1995**

	<u>(Rupees in thousand)</u>	
	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	1,960,360	1,319,053
Financial charges paid	(1,119,644)	(944,343)
Income tax paid	(88,657)	(46,673)
Security deposits	106,442	87,055
Deferred credit	498,278	318,971
Long term loans - staff	(4,775)	(4,669)
Net cash in - flow from operating activities	1,352,004	729,394
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure:		
New capital expenditure	(3,968,504)	(4,359,777)
Foreign exchange loss capitalized	(1,708)	-
Leased assets	(320,000)	(562,466)
	(4,290,212)	(4,922,243)
Financial charges capitalized	613,062	186,666
Sale proceeds of fixed assets	4,747	4,762
Subscription in Civic Centres Company (Pvt) Limited	(30,000)	-
Increase in long term deposits and prepayments	(25,849)	(57,522)
	(3,728,252)	(4,788,337)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan and other payable	1,166,873	3,975,218
Redeemable capital	1,732,138	212,053
Funds received subject to finance lease	320,000	562,466
Non operating income received	98,309	76,073
Repayment of long term loans	(251,540)	(256,994)
Repayment of redeemable capital	(275,476)	(264,886)
Repayment against finance lease	(100,258)	(24,603)
	2,690,046	4,279,327

Net increase in cash and cash equivalents	313,798	220,384
Cash and cash equivalents at the beginning	682,168	461,784
	-----	-----
Cash and cash equivalent at the end of the year	995,966	682,168
	-----	-----
CASH GENERATED FROM OPERATIONS		
Profit before taxation	671,829	591,188
Adjustment for non - cash charges and other items:		
Depreciation - Normal assets	1,080,797	875,194
- Leased assets	46,763	18,582
Amortization of deferred credit	(127,929)	(107,115)
Net profit on disposal of fixed assets	(4,403)	(4,057)
Laying expenditure of transmission system uplifted and written off	2,682	-
Financial charges debited to Profit and Loss account	1,134,145	798,081
Non operating income	(96,738)	(75,314)
Provision for doubtful debts	24,473	31,582
Working capital changes	(771,259)	(809,088)
	-----	-----
	1,960,360	1,319,053
	-----	-----
WORKING CAPITAL CHANGES		
Increase/(decrease) in current assets		
Stores and spares	(98,782)	71,905
Stock - in - trade	7,919	2,245
Trade debts	452,212	875,213
Loans, advances, deposits, prepayments and other receivables (excluding interest and taxes receivable)	147,595	142,120
	-----	-----
	508,944	1,091,483
	-----	-----
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	262,315	282,395
	-----	-----
	771,259	809,088
	-----	-----

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1995**

THE COMPANY AND ITS OPERATIONS

Sui Northern Gas Pipelines Limited is a public limited Company incorporated in Pakistan and listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is the purchase, purification, transmission, distribution and supply of natural gas and marketing of L liquefied Petroleum Gas (LPG).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in Note 1.4.

1.2 Retirement benefits

(a) Contributory pension fund

This scheme, administered by a Board of Trustees, covers all employees. The scheme is funded and is approved by the Central Board of Revenue Contributions by the Company included in salaries, wages and amenities, based on an actuarial valuation, are charged to profit currently.

(b) Gratuity fund

This scheme, administered by a Board of Trustees, covers all employees with a qualifying service period of five years, Contributions to the fund are payable on the basis of an actuarial valuation and charged to profit currently.

(c) Under the Company's service rules, executives retiring from service are to surrender 1/4th of the pension entitlement. The sum surrendered is paid as gratuity after deducting therefrom the amount of gratuity payable under the Company's grandly scheme.

The funds are valued at intervals of not more than five years. The most recent valuation took place during the year ended June 30, 1994.

1.3 Taxation

The charge for current taxation is based on taxable income at the current rates of tax after taking into account tax credits available, if any.

The Company provides deferred taxation for all major timing differences using the liability method.

1.4 Fixed capital expenditure and depreciation

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

Freehold and leasehold land and capital work - in - progress are stated at cost. Cost in relation to certain assets signifies historical cost and exchange differences referred to in Note 1.9 and borrowing cost referred to in Note 1.10.

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 12 except for transmission and distribution systems, meter and compressor stations and equipment's which are depreciated at annual rates in accordance with the terms of loan agreement (3252-PAK) with the World Bank. This agreement requires that depreciation be charged at rates not less than 6% per annum of the average cost of such assets in operation.

Half year's depreciation is charged on additions during the year. No depreciation is charged on assets deleted during the year, except for assets transferred to executives under service rules where depreciation is charged until the date of executives retirement.

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

Major renewals and improvements are capitalise 1. Minor replacements, repairs and maintenance are charged to income.

1.5 Assets subject to finance lease.

These are stated at lower of the present value of minimum lease payments under the lease agreements and the fair value of the assets acquired on lease. The aggregate amount of the obligation relating to assets subject to finance lease is accounted for at the net present value of liabilities. Value of the leased assets is amortized over the useful lives of the assets on the straight line method at the rates given in Note 13. Amortization of leased assets is charged to income.

1.6 Deferred credit

Amounts received from consumers and the Government as contributions and grants towards the cost of supplying and laying transmission lines, service lines and mains are deferred for amortization over the estimated useful lives of the related assets.

1.7 Stores and spares

Usable stores and spares are valued at monthly moving average cost while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value and other charges paid thereon. The related obligations of the lease are accounted for as liabilities.

1.8 Stock - in - trade

Stocks of gas in pipelines and LPG in containers are valued at the lower of cost determined on a FIFO basis and net realisable value. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

1.9 Foreign currencies

All assets and liabilities in foreign currencies are translated at exchange rates prevailing at the year end except for foreign currency borrowings covered by the State Bank of Pakistan's exchange risk coverage scheme, which are translated at the rates provided under the scheme.

Exchange differences on foreign currency loans used for acquisition of fixed assets are capitalised as part of the cost of such assets.

All other exchange differences are included in income.

1.10 Borrowing costs

Mark - up, interest and other charges on redeemable capital and long term loans are capitalised for the period upto the date of commissioning of the respective asset acquired out of the proceeds of such borrowings. All other mark - up, interest and other charges are expensed during the year.

1.11 Revenue recognition

Revenue for gas sales is recognised on the basis of gas supplied to consumers at rates fixed by the Government from time to time.

Long term construction contracts are accounted for using the completed contract method under which billings and costs are accumulated but income is only recognised on completion of work.

2. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

(Rupees in thousand)

	1995	1994
121,146,000 ordinary shares of Rs 10 each issued for cash	1,211,460	1,211,460
3,329,000 ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
82,345,000 ordinary shares of Rs 10 each issued as fully paid bonus shares	823,450	478,750
	2,068,200	1,723,500

3. RESERVES

Capital		
Reserve for issue of bonus shares		
At the beginning of the year	344,700	-
Transfer from appropriation account	413,640	344,700
	758,340	344,700
Less:		
Nominal value of bonus shares issued	344,700	-
	413,640	344,700
Revenue		
At the beginning of the year	1,425,682	1,335,682
Transfer from appropriation account	30,000	90,000
	1,455,682	1,425,682
Dividend equalization reserve	70,000	70,000

1,939,322 1,840,382

4. REDEEMABLE CAPITAL - SECURED

Long term running finance utilised under mark - up arrangements:

LOAN NO.	1	2	BANKING				COMPANIES				9	10	11	12	13	14	15	16	(Rupees in thousand)	
			Fifth Syndicate	Sixth Syndicate	Seventh Syndicate	Eighth Syndicate	Ninth Syndicate	Tenth Syndicate	Emirates Bank Int.Ltd.	National Bank of Pakistan									ANZ Grindlays Bank	Pakistan Kuwait Invest. Co. (Pvt).Ltd.
Marked - up price	551,424	227,896	109,547	547,749	328,649	328,649	109,547	2,532,292	85,434	394,832	200,000	790,000	82,521	1,001,875	87,544	158,308	7,536,267	5,219,835		
Mark - up	94,544	17,089	52,047	260,246	156,147	156,147	52,047	1,170,974	25,424	215,247	-	-	32,521	323,772	30,044	37,400	2,623,659	2,203,738		
Prompt payment rebate	256,880	90,807	7,500	37,503	22,502	22,502	7,500	261,318	-	29,585	-	-	-	178,103	-	10,908	925,108	736,097		
	351,424	107,896	59,547	297,749	178,649	178,649	59,547	1,432,292	25,434	244,832	-	-	32,521	501,875	30,044	48,308	3,548,767	2,939,835		
	200,000	120,000	50,000	250,000	150,000	150,000	50,000	1,100,000	60,000	150,000	200,000	790,000	50,000	500,000	57,500	110,000	3,987,500	2,280,000		
Mark- up accrued during grace period	17,070	2,683	12,846	63,964	38,474	38,378	12,775	286,973	-	26,691	-	-	-	-	-	-	499,854	475,216		
	217,070	122,683	62,846	313,964	188,474	188,378	62,775	1,386,973	60,000	176,691	200,000	790,000	50,000	500,000	57,500	110,000	4,487,354	2,755,216		
Less: Aggregate repayments to June 30	217,070	89,593	62,846	255,601	122,443	95,325	16,682	228,475	-	-	-	-	-	-	-	-	1,088,035	812,559		
Current portion included in current liabilities	-	18,699	-	58,363	30,786	27,223	7,087	137,720	15,000	-	-	-	-	-	11,500	-	306,378	275,476		
	217,070	108,292	62,846	313,964	153,229	122,548	23,769	366,195	15,000	-	-	-	-	-	11,500	-	1,394,413	1,088,035		
	-	14,391	-	-	35,245	65,830	39,006	1,020,778	45,000	176,691	200,000	790,000	50,000	500,000	46,000	110,000	3,092,941	1,667,181		
No. of instalments outstanding																				
- half yearly	-	-	-	2	4	6	10	12	8	16	-	-	8	6	10	-				
- quarterly	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
- lumpsum	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	1				
Repayment commencement date	July 01, 1987	June 30, 1990	Dec 30, 1987	Dec-30 1988	Dec 30, 1989	Dec-30 1990	Dec 30, 1992	Dec 30, 1993	Sep 11, 1995	Dec. 1, 1996	Aug. 15, 1998	Nov. 21, 1996	Dec. 19, 1996	Dec. 29, 1997	Dec. 28, 1995	June 27, 1997				

Terms of redeemable capital

These represent long term running finances obtained under mark-up arrangements from financial institutions and banking companies. Under these arrangements goods owned by the Company are sold and immediately deemed to have been purchased by the Company at the marked - up price as shown above from the respective institutions. Prompt payment rebate is allowed to the extent shown above against payments made on due dates.

Security

(a) Repayment of the marked-up price from loans No 1 to 14 is secured by first equitable mortgage on the Company's fixed assets ranking pari passu with the charges created in respect of the World Bank's loan (Note 6.1) and a floating charge over the Company's assets. The marked-up price payable to Bankers Equity Limited is additionally secured by hypothecation of machinery financed by them.

(b) Repayment of the marked-up price of loans No.15 and 16 is secured by second charge on the Company's fixed assets.

5. DEFERRED CREDIT

(Rupees in thousand)
1995 1994

Consumers contributions	2,374,820	1,876,541
Government grant	183,206	183,206
	2,558,026	2,059,747
Less: Accumulated amortization	651,706	523,776
	1,906,320	1,535,971

6. LONG TERM LOANS

Secured		
Foreign currency - Note 6.1	266,181	383,553
Other payables - Note 6.2	45,607	43,585
	311,788	427,138
Unsecured		
Foreign currency - Note 6.3	3,686,946	2,759,884
Rupee - Note 6.4	40,315,551	3,927,934
	7,718,501	6,687,818
	8,030,289	7,114,956
Less: Current portion shown under current liabilities		
Foreign currency	304,267	193,226
Rupee	161,806	117,006
	466,073	310,232

7,564,216 6,804,724

6.1 Foreign currency loan - secured

International Bank for Reconstruction and Development - Loan 1107 PAK

Currency	(In thousands)		(Rupee equivalent)	
	1995	1994	1995	1994
Deutsche Marks DM	12,681	18,273	141,193	203,452
Netherland Guilders DFL	870	1,254	8,598	12,388
Swiss Francs SFr	4,355	6,275	56,117	80,862
U.S. Dollars US \$	2,846	4,101	60,273	86,851
Outstanding balance - Rupees			266,181	383,553

Terms of repayment

The loan carries interest at 8.5% per annum payable half yearly. The loan is covered by the exchange risk scheme of the State Bank of Pakistan at a fee of 5.5% per annum. The balance loan is repayable in 4 unequal half yearly instalments. The repayment of the loan is also guaranteed by the Government of Pakistan for a fee payable half yearly at the rate of 0.5% per annum on the outstanding amount of the loan.

Security

The loan and related interest are secured by a first equitable mortgage over the fixed assets and a floating charge over all other assets of the Company ranking pari passu with the charges created in favour of the lenders referred to in Note 4.

6.2 Other payables - secured

	(Rupees in thousand)	
	1995	1994
Deferred custom duties	45,607	43,585

This represents 50% import duty deferred under the Deferment of Import Duties Rules 1991.

The balance is repayable by 1997. Surcharge is payable half yearly at rates ranging from 14% to 20% per annum. The liability is secured upto the extent of Rs. 29.826 million by a second charge on the Company's current assets while the remainder is secured against cash deposits placed under lien referred to in Note 21.

6.3 Foreign currency loans - unsecured

These are composed of:

Loan	Lender	Currency	Balance Un-disbursed	Currency 1995	Balance 1994	Rupee 1995	Equivalent 1994	Rate of interest	Exchange Risk Fee per annum (%)	No. of half yearly Instalments outstanding	Repayment Commence ment date
1	World Bank Loan 2124-PAK	US\$	-	15,235	18,278	276,472	331,692.05	above the base cost of qualified borrowings	3	10	November 01, 1986
2	World Bank Loan 3252 PAK	U.S.\$	17,705	112,295	86,887	3,174,391	2,382,777	- do -	6.90	30	March 01, 1996
3	World Bank Loan 3252-1 PAK	U.S.\$	59,703	297	-	9,191	-	- do -	6.91	30	March 01, 1996
4	Orix Corporation Tokyo, Japan	J.Yen	-	80,288	160,576	12,340	24,680.05	above the base rate advised by the reference bank	8.3	2	February 25, 1991
5	Mitsui Leasing and Development Tokyo, Japan	J.Yen	-	90,145	150,242	12,441	20,735	- do -	8	3	27-Jul-91
6	AME U.S.A. Category - A	U.S.\$	4	999	-	31,171	-	2% above LIBOR	-	4	June 8, 1996
7	AME U.S.A. Category - B	U.S.\$	25	5,479	-	170,940	-	0.375% above LIBOR	-	13	June 15, 1995
						3,686,946	2,759,884				

The repayment of the loans is guaranteed by the Government of Pakistan (GOP) for a fee payable half yearly at an annual rate of 0.5% of the outstanding balance in respect of loans at No. 1 to 5. Under the provision of World Bank Loan 3252 - PAK the Government of Pakistan has guaranteed a minimum return before taxation of 17.5% of net average operating fixed assets for the year exclusive of financial charges and other income.

6.4 Rupee loans - unsecured

	(Rupees in thousand)	
	1995	1994
Government of Pakistan (GOP)		
Relent loans - Note 6.4.1		769,436
Cash development loans (CDL) - Note 6.4.2		462,119
Medium term loan - Note 6.4.3		2,800,000
		4,031,555
		3,927,934

6.4.1 Relent loans

	(Rupees in thousands)		Rate of inclusion of exchange risk fee	Number of outstanding half yearly instalment	Repayment commencement date
	1995	1994			
Relent loan 1	373275	408,825	14.00%	21	June 01, 1991
Relent loan 2	132,000	134,864	14.00%	29	March 01, 1995
Relent loan 3	134,567	33,090	14.00%	30	Feb 01, 1998
Relent loan 4	129,568	134,036	14.00%	29	March 01, 1995
	769,436	710,815			

Relent loans 1, 2 and 3

Under the terms of IBRD loan agreements GOP has relent to the Company in rupees sums in various currencies. Loan 1 is fully disbursed. Against the sanctioned amount of U.S.\$ 6.000 million and U.S.\$ 56.500 million for the relent loans 2 and 3, the amounts disbursed were U.S.\$ 5.680 million and U.S.\$ 4.334 million respectively.

Relent loan 4

This represents proceeds of a loan from Eximbank in Japanese Yen relent by GOP to the Company. The sanctioned amount of the loan in Japanese Yen 756 million against which the amount disbursed was Japanese Yen 469 million.

6.4.2 Cash Development Loans

These have been obtained from the Government of Pakistan for the supply of gas to new towns through Peoples Programme and Annual Development Programme. The loan obtained through Peoples Programme (Rs 372.812 million) carries mark - up rate @ 10% per annum and is repayable over a period of 12 years with a grace period of 2 years. Loans obtained through Annual Development Programme (Rs 89.307 million) carries mark-up ranging between 15.24% to 15.54% per annum which is subject to revision by GOP on year to year basis. This loan is repayable in 25 years with a grace period of 5 years.

6.4.3 Medium term loan

This amount represents Gas Development Surcharge payable to the Government which was converted into a medium term loan with effect from June 30, 1994. The loan carries interest at 17.5% per annum and is repayable after a grace period of 3 years. The repayment schedule has not yet been intimated by the Government.

7. SECURITY DEPOSITS

	(Rupees in thousand)	
	1995	1994
Consumers - Note 7.1	660,353	559,310
LPG dealers - Note 7.2	59,374	58,585
Contractors - Houseline	15,139	10,529
	734,866	628,424

7.1 Consumer deposits represent security against amounts due from them on account of gas sales. These are repayable on disconnection of gas supply or on submission of bank guarantees in lieu of security deposits. Interest is payable at the rate of 5% per annum on deposits amounting to Rs 429,581,062 (1994: Rs 382,954,890) from certain consumers.

7.2 No interest is payable on the deposits from LPG dealers and houseline contractors. These deposits are refundable on cancellation of contract or dealership agreements.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease rental payments	757,605	537,863
Less: Current portion shown under current liabilities	174,240	87,598
	583,365	450,265

The value of minimum lease rental payments have been discounted at implicit interest rates ranging from 19.50% to 23.57% to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rs 989,799,855 (1994: Rs 768,401,823) and are payable in equal monthly instalments plus lump sum payments of Rs 81,996,577 (1994: Rs 56,246,577) for residual values between July 1994 and April 1999. Taxes, repairs and insurance costs are to be borne by the lessee. The lease agreements are renewable on such terms as may be agreed upon. The liability is partly secured by a deposit of Rs 81,996,577 (1994: Rs 56,246,577) included in long term security deposits under Note 16.

9. DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

	(Rupees in thousand)	
	1995	1994
Accelerated tax depreciation allowance	1,937,648	1,639,843
Financial charges capitalised	225,924	96,017
Lease rentals	30,726	2,348

	2,194,298	1,738,208
Less: Provision for doubtful debts	(35,393)	(30,769)
Others	(376,208)	(67,567)
	(411,601)	(98,365)
	-----	-----
	1,782,697	1,639,843
	-----	-----

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	1,302,895	1,719,634
Accrued liabilities	416,450	464,742
Deposits repayable on demand	4,466	3,715
Earnest money received from contractors	17,739	13,370
Mobilisation and other advances	414	481
Gas development surcharge - Note 10.1	207,571	14,252
Interest, surcharge and commitment charges accrued on loans:		
Unsecured	939,627	331,401
Secured	37,474	18,137
Workers' profit participation fund - Note 10.2	38,846	34,466
Unclaimed dividend	1,442	1,478
	-----	-----
	2,966,924	2,601,676
	-----	-----

10.1 Under the Natural Gas (Development Surcharge) Ordinance, 1967 the sale prices at which gas is to be sold to various consumers (the fixed sale price) and the price to be retained therefrom by the Company (the prescribed price) are fixed by the Government. The difference represented by the excess of the fixed sale price over the prescribed price is payable to the Government as Development Surcharge. This carries interest @ 12% per annum with a grace period of two months from the date on which it becomes due.

The amount represents the balance outstanding of the Development Surcharge.

10.2 Workers' profit participation fund

	(Rupees in thousand)	
	1995	1994
Balance at the beginning of the year	34,466	31,354
Allocation for the year	35,359	31,115
	-----	-----
	69,825	62,469
Interest on funds utilised in the Company's business	55	178
Less: Payments to workers	734	1,853
Payments to Workers Welfare Fund	30,300	26,328
	31,034	28,181
	-----	-----
Balance at the end of the year	38,846	34,466
	-----	-----

11. CONTINGENCIES AND COMMITMENTS

11.1 Claims against the Company not acknowledged as debts Rs 297,717 million (1994: Rs 54.962 million).

Included in claims against the Company not acknowledged as debts are four claims by contractors and consumers aggregating Rs 37.974 million. Pending the outcome of these claims, which are in arbitration and before the courts no provision has been made in these accounts as in the management's view the Company has strong grounds against the cases lodged.

11.2 Guarantees given by commercial banks on behalf of the Company Rs 29.826 million (1994: Rs 29.826 million).

11.3 Taxation

(i) During the accounting year ended June 30, 1991 the Income Tax Appellate Tribunal (ITAT) upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1971-72 through 1987-88. During the year ended June 30, 1992 the Commissioner of Income Tax (CIT) (Appeals), in line with the ITAT's orders upheld the Company's contention in the appeals filed on identical grounds for the assessment years 1988-89 through 1991-92. The department has filed appeals on certain issues against the orders of ITAT before the High Court and orders of the CIT (Appeals) before ITAT respectively. Pending the outcome of the appeals filed by the tax department with the High Court, no provision has been made in these accounts for additional demands in respect of assessment years 1971-72 to 1995-96 which on a similar basis as used in the past by the tax authorities would amount to Rs 279.179 million.

(ii) In framing the assessment for the years 1989-90 through 1994-95 the tax authorities, in addition to the above mentioned demands, raised further additional demands due to a change of opinion by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these further additional demands and has filed appeals with the ITAT against the orders of the tax authorities. Pending the outcome of these appeals no provision has been made in the accounts for these additional demands for the years 1989-90 to 1994-95, which on the basis adopted by the authorities would amount to Rs 269.917 million, since the Company has strong grounds against the assessment framed by the tax authorities.

(iii) In the event of an adverse decision in the cases referred to in (i) and (ii) above, the balance demands, will represent the tax relief on the expenses disallowed resulting in timing differences and creation of a corresponding debit on the deferred tax account to be released to the profit and loss account as these expenses are realised for tax purposes in future years. The adhoc payments made against these demands have been included in current assets in Note 20.

11.4 Commitments in respect of

- (i) Contracts for capital expenditure Rs 1,637,217 million (1994: Rs 1,780,475 million).
- (ii) Letters of credit other than for capital expenditure Rs 22,899 million (1994: Rs 18,200 million).
- (iii) The Company has paid Rs 30,000 million during the year and Rs 35,000 million subsequently towards advance for Purchase of shares in Civic Centres Co. (Pvt). Limited.

The Company is committed to pay Rs 50,000 million each of the subsequent two years i.e. year ending June 30, 1996 and year ending June 30, 1997 to cover the full commitment of Rs 165,000 million in Civic Centers Company (Pvt) Limited of which this is a sponsor.

12. OPERATING FIXED ASSETS

Description	Cost		Accumulated depreciation		Book value as at 30-Jun-95	Charge for the Year	Rate %
	as at 30-Jun-94	Addition/ (deletions)	Cost as at 30-Jun-95	as at 30-Jun-95			
Freehold land	92,018	18,038	110,056	-	110,056	-	-
Leasehold land	392	-	392	-	392	-	-
Buildings and civil construction on freehold land	335,067	62,280	397,347	167,600	229,747	20,704	6
Buildings on leasehold land	8,461	-	8,461	7,191	1,270	507	6
Transmission system	6,982,384	1,712,614 (32,502)	8,662,496	2,743,740	5,918,756	471,032	6- 10
Distribution system	3,026,090	766,582	3,792,672	1,261,446	2,531,226	197,072	6
Consumer meter and town border stations	1,266,759	329,734 (1,110)	1,595,383	519,044	1,076,339	82,686	6
Telecommunication system and facilities	115,505	247,812 (1,161)	362,156	120,029	242,127	24,071	15
Compressor stations and equipment	1,128,152	385,797	1,513,949	621,874	892,075	63,503	6- 9
Purifications plant	653,357	2,824	656,181	356,009	300,172	37,464	7.5
Plant and machinery	1,131,616	45,777 (4,858)	1,172,535	754,512	418,023	129,530	6 - 20
Furniture and equipments	81,998	13,954 (604)	95,348	73,776	21,572	4,783	15 - 20
Loose tools	16,205	785	16,990	15,911	1,079	1,023	33.33
Transport vehicles	294,691	54,167 (4,739)	344,119	239,165	104,954	48,422	25
1995	15,132,695	3,640,364 (44,974)	18,728,085	6,880,297	11,847,788	1,080,797	
1994	12,693,908	2,451,178 (12,391)	15,132,695	5,837,193	9,295,502	875,194	

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

	(Rupees in thousand)	
	1995	1994
Operating - Gas - Note - 12	1,080,707	875,194
Leased assets - Note - 13	46,763	18,582
	1,127,560	893,776
Less: Allocated to LPG - Note - 25	9,315	9,367
	1,118,245	884,409

12.2 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
Furniture and equipment						
Refrigerator	27,400	16,042	11,358	11,358	As per service rules	Mr. M. Aslam Malik Executive
Refrigerator	29,650	11,170	18,480	18,480	- do -	Mr. Z. A. D. Qureshi Executive
Airconditioner	19,100	11,183	7,917	7,917	- do -	Mr. M. Aslam Malik Executive
Tent	7,355	2,206	5,149	6,649	Insurance	Insurance Company
Motor vehicles						
Suzuki Swift	269,700	126,999	142,701	142,701	As per	Mr. Z. A. D.

Suzuki Swift	269,700	129,955	139,745	139,745	- do -	service rules - do -	Qureshi Executive Mr. M. Aslam Malik Executive
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No other assets with aggregate book value of over Rs 5,000 were sold during the year.

13. ASSETS SUBJECT TO FINANCE LEASE

Description	Cost		Accumulated depreciation		Book value		Depreciation	
	as at 30-Jun-94	Addition/ (deletions)	as at 30-Jun-95	as at 30-Jun-95	as at 30-Jun-95	as at 30-Jun-95	Charge for the Year	Rate %
(Rupees in thousand)								
Distribution system	370,145	268,140	638,285	41,357	596,928	30,253	6	
Consumers meter and town border stations	169,996	51,860	221,856	16,856	205,000	11,756	6	
Telecommunication system and facilities	1,529	-	1,529	344	1,185	229	15	
Plant and machinery	4,492	-	4,492	674	3,818	449	6 - 20	
Transport vehicles	16,304	-	16,304	6,114	10,190	4,076	25	
1995	562,466	320,000	882,466	65,345	817,121	46,763		
1994	-	562,466	562,466	18,582	543,884	18,582		

14. CAPITAL WORK IN PROGRESS

		(Rupees in thousand)	
		1995	1994
Transmission system		1,544,777	444,173
Distribution system		816,723	463,058
Stores and spares including transit			
Rs. 400, 243,913 (1994: Rs. 584,,697,737)		3,136,401	4,289,657
		5,497,901	5,196,888

15. LONG TERM LOANS - CONSIDERED GOOD

	House building		Car		Motorcycle/ Scooter	Total		
	1995	1994	1995	1994	1995	1994	1995	1994
Due from employees	135,610	131,282	10,601	9,411	2,977	2,678	149,188	143,371
Amounts due within one year shown under current assets Note 20.	26,455	25,706	1,400	1,234	1,489	1,362	29,344	28,302
	109,155	105,576	9,201	8,177	1,488	1,316	119,844	115,069
Outstanding for more than three years	44,118	41,123	2,096	1,692	-	-	46,214	42,815
Others	65,037	64,453	7,105	6,485	1,488	1,316	73,630	72,254
	109,155	105,576	9,201	8,177	1,488	1,316	119,844	115,069

House building and car loans are repayable in 10 years, while scooter and motorcycle loans are repayable in 3 years. Interest upto 10% per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles. The maximum amount due from the Chief Executive at any time during the year was Rs Nil (1994: Rs Nil). Car and house building loans also include Rs 28,817,735 (1994: Rs 23,688,784) due from executives of the Company. The maximum amount due from them at any time during the year was Rs 32,183,831 (1994: Rs 26,506,009).

16. LONG TERM DEPOSITS AND PREPAYMENTS

		(Rupees in thousand)	
		1995	1994
Prepaid rent		4,188	4,089
Security deposits against leased assets		81,997	56,247
		86,185	60,336

17 STORES AND SPARES

		(Rupees in thousand)	
		1995	1994
Stores including in transit Rs 3,401,471 (1994: Rs 3,663,350)		180,668	251,569
Spares including in transit Rs 11,030,173 (1994: Rs 32,495,486)		331,296	359,177
		511,964	610,746

18. STOCK - I N - TRADE

Gas in pipelines	28,673	22,217
Gas in LPG containers	1,540	77
	-----	-----
	30,213	22,294
	-----	-----

19. TRADE DEBTS

Considered good	2,708,444	2,275,652
Considered doubtful	98,315	78,895
	-----	-----
	2,806,759	2,354,547
Less: Provision for doubtful debts	98,315	78,895
	-----	-----
	27,084,444	2,275,652
	-----	-----

Included in debts considered good are secured of Rs. 778.860 million (1994: Rs 970.712 million).

20. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(Rupees in thousand)

	1995	1994
Loans to employees - considered good - Note 15	29,344	28,302
Advances to employees - considered good - Note 20.1	6,784	7,883
Advances to suppliers and contractors considered good	49,345	14,658
Advance for long term investment - Note 20.2	30,000	-
Trade deposits and prepayments less provision for doubtful		
Rs 6,284,754 (1994: Rs 1,232,000)	99,696	93,855
Accrued gas sales	174,933	115,764
Claims receivable	2,841	26,934
Taxes recoverable and refund due from Government		
Income tax	358,162	315,626
Exchange differences on long term loans		
recoverable from the State Bank of Pakistan	141,075	93,211
Accrued return on bank deposits	6,925	8,496
Miscellaneous	35,245	16,114
	-----	-----
	934,350	720,843
	-----	-----

20.1 Included in advances to employees are IF s 861,600 (1994: Rs 394,500) due from executives. The maximum amount outstanding at any time during the year was Rs 861,600 (1994: Rs 394,500).

20.2 This represents the share deposit money in Civic Centres Company (Pvt) Limited another Federal Government Sponsored Company. The Company shall hold 12.68% in equity. Mr. Sabir Pervaiz Chohan is the Chief Executive of the investee Company.

21. CASH AND BANK BALANCES

(Rupees in thousand)

	1995	1994
At banks - Note 21.1		
On deposit including Rs 23.805 million (1994: Rs 81.915 million) under lien and Rs 7.769 million (1994: Rs 7.135 million) in special accounts	787,128	422,946
On current accounts, including remittances in transit and cheques under clearance Rs 169.763 million (1994: Rs 205.496 million)	208,673	258,951
	-----	-----
	995,801	681,897
In hand	165	271
	-----	-----
	995,966	682,168
	-----	-----

21.1 Included in these accounts are amounts of Rs 16.662 million representing utilised balances of foreign currency loans, which are available solely for use on capital projects.

22. RENTAL AND SERVICE INCOME

Transmission charges	757	5,707
Meter rental	81,643	71,046
Testing and reconnection charges	6,361	3,195
Income from repair work	7,465	8,586
	-----	-----
	96,226	88,534
	-----	-----

23. COST OF GAS SOLD

Opening stock of gas in pipelines	22,217	19,665
Gas purchases	4,915,841	3,893,936
Purification charges, less recoveries		
Rs 31.238 million (1994: Rs 35.752 million)	357,426	266,640

	5,295,484	4,180,241
Closing stock of gas in pipelines	28,673	22,217
	5,266,811	4,158,024

24. OPERATING COST EXCLUDING DEPRECIATION

Salaries, wages and benefits	803,058	708,391
Employees medical and welfare	109,693	89,753
Stores and spares consumed	129,818	127,596
Fuel and power	177,763	143,401
Repairs and maintenance	52,244	34,503
Rent, rates, electricity and telephone	37,979	30,193
Insurance	49,540	40,965
Travelling	27,860	20,358
Stationery, telegrams and postage	24,541	16,949
Transport	54,728	43,067
Provision for doubtful debts	24,473	31,582
Professional services - Note 24.1	4,428	4,077
Loans to deceased employees written off	157	-
Gas bill collection charges	10,838	9,289
Other expenses	53,360	25,580
	1,560,480	1,325,704
Less: Allocated to fixed capital expenditure	(222,929)	(192,690)
	1,337,551	1,133,014

24.1 Professional services

The charges for professional services include the following in respect of:

Statutory audit		
A. F. Ferguson and Co. (AFF)	-	75
F. Majid and Co. (FM)	75	75
Ilyas Saleem and Co. (IS)	75	-
	150	150
Tax representation and advisory services (AFF)	350	350
Provident fund, audit certification for lending agencies and sundry advisory services - FM	15	4
- AFF	13	12
Gas development surcharge - FM	20	20
Out of pocket expenses - AFF	35	16
- FM	16	15
	599	567

25. OPERATING PROFIT - LPG

Sales	59,200	51,929
Cost of gas sold	34,103	27,825
	25,097	24,104
Less: Operating costs		
Salaries, wages and benefits	4,875	4,783
Employees medical and welfare	608	607
Stores and spares consumed	221	884
Fuel and power	292	336
Repairs and maintenance	747	414
Rent, rates and taxes	1,081	760
Travelling expenses	317	165
Stationery, telegrams and postage	23	19
Transport expenses	570	464
Transportation of cylinders	5,253	5,295
Others	197	243
Head Office overheads	1,509	1,327
Depreciation - Note 12.1	9,315	9,367
	25,008	24,664
Operating profit/(loss)	89	(560)
26. OTHER INCOME		
Interest on staff loans and advances	5,740	5,324
Return on bank deposits	79,046	35,721
Others	11,952	34,269
	96,738	75,314

27. FINANCIAL CHARGES

Mark-up on:		
Redeemable capital including excise duty	382,996	265,605
Finance lease	134,872	14,247

Interest and commitment charges on:		
Long term loans	923,703	360,122
Security deposits	20,107	17,457
Workers' profit participation fund	55	178
Gas development surcharge	952	169,440
Term loans raising expenses	13,354	7,485
Exchange risk coverage fee	238,604	190,400
Others	32,564	25,695
	-----	-----
	1,747,207	1,050,629
Less: Allocated to fixed capital expenditure	(613,062)	(186,666)
Amount of interest written off reduction in interest rate on cash development loans	-	(65,882)
	-----	-----
	(613,062)	(252,548)
	-----	-----
	1,134,145	798,081
	-----	-----

28. OTHER CHARGES

Workers' profit participation fund	35,359	31,115
Donations	-	10
Zakat	224	-
	-----	-----
	35,583	31,125
	-----	-----

29. PROVISION FOR TAXATION

For the year - current	46,121	37,045
- deferred	259,821	246,625
	-----	-----
	305,942	283,670
Prior - current	-	53
- deferred	(116,967)	(125,598)
	-----	-----
	(116,967)	(125,545)
	-----	-----
	188,975	158,125
	-----	-----

In view of available tax losses no provision for current taxation is required. The provision for current taxation represents the minimum tax due on turn over under Income Tax Ordinance, 1979.

For purposes of current taxation losses available for carry forward at June 30, 1995 are estimated at approximately Rs 979 million (1994: Rs 92 million).

30. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for the year for remuneration including certain benefits, to the Chief Executive and Executives of the Company are as follows:

	1995	Chief Executive 1994	Executives 1995	1994
Number of persons	1	1	262	233
			(Rupees in thousand)	
Managerial remuneration	301	324	44,050	31,548
Contribution to provident, pension and gratuity funds	60	22	9,437	6,671
Housing and utilities	135	135	25,380	20,550
Leave encashment	-	67	4,985	780
Leave fare assistance	-	18	5,373	2,106
Club subscriptions	5	4	26	29
	-----	-----	-----	-----
	501	570	89,251	61,684
	-----	-----	-----	-----

In addition, the Chief Executive is provided with free transport subject to certain specified limits for petrol consumption, residential telephone facilities for both business and personal use and tree medical facilities. Certain executives are also allowed these facilities.

The aggregate amount charged in the accounts for the year for 15 Directors (1994: 14) was Rs 30,500 (1994: Rs 20,000)

31. TRANSACTIONS WITH ASSOCIATED COMPANIES

The Company received return from and paid mark - up to associated companies aggregating Rs 12.719 million (1994: Rs 4.439 million) and Rs 33.414 million (1994: Rs 38.415 million) respectively.

32. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 167,308 hm³ (1994: 159,736 hm³) against the designed capacity of 194,400 hm³ (1994: 183,130 hm³).

33. COMPARATIVE FIGURES

Comparative figures have been rearranged for comparison, wherever necessary.

**TRANSMISSION SYSTEM
AS AT JUNE 30, 1995**

SECTION	DIA	MAINLINE	LOOPLINE
	(Inches)	(Kilometres)	(Kilometres)
Pirkoh- Sui	24	70.5	-
Loti - Pesh Bogi	18	11.25	-
Sui - Multan	16	2.11	-
Sui - Multan	18	-	373.15
Sui - Multan	24	-	347.01
Sui - Multan	30	-	128.33
Guddu Thermal Power Station	4	2.21	-
Guddu Barrage	24	1.81	-
Sultan Crossing	12	1.61	3.22
Khanpur Line	6	22.81	-
A5 - Bahawalpur	8	48.18	-
AV22 - Kot Addu	16	69.65	-
Dhodak - Kot Addu	16	77.79	-
TPS Muzaffargarh Line	16	4.57	-
Qadirpur Line	30	14.8	-
Ahmedpur East	6	18.34	-
Khan Garh	8	22.2	-
Multan - Faisalabad	16	181.88	159.1
Multan - Faisalabad	18	-	183.55
Multan - Faisalabad	24	22.46	47.53
AV29 - Mian Channu Line	24	68.53	-
AC8 - SMS2 (Old)	16	-	5.9
WAPDA Offtake Faisalabad	12	2.42	-
Chak Jhumra Line	6	12.04	-
Faisalabad - Haranpur - Dandot	(i)	12	157.75
	(ii)	16	-
			104.47
Kot Momin - Jauharabad	(i)	8	72.41
	(ii)	6	38.36
			-
Sargodha Line	6	22.9	-
Haranpur - Gharibwal	8	13.02	-
Dandot - Galli Jagir Wah	(i)	10	151.92
	(ii)	16	-
			127.76
Dhulian - Galli Jagir	10	40.14	29.85
Dakhni - Meyal - Dhulian	16	50.44	-
Ratana Line	10	2.49	-
Sil Crossing	10	-	1.46
Dhurnal Line	(i)	8	0.54
	(ii)	10	11.08
			-
Dhulian - Daudkhel	8	85.2	4.04
Galli Jagir - Morgah	(i)	10	35.21
	(ii)	6	9.5
			-
Wah - Islamabad	6	41.46	-
Wah - Hattar	10	9.93	-
Hattar- Haripur	10	18.12	-
Hattar Offtake	6	0.39	-
Haripur - Havelian - Abbottabad - Mansehra	8	70.53	-
Haripur Offtake	8	1.53	-
Adhi - Rawat	10	47.7	-
Bhangali Line	8	5.82	-
Missa Kaswal - Mandra	8	20.6	-
Wah - Nowshera	(i)	10	75.51
	(ii)	16	-
			36.22
Taxila Line	4	4.43	-
Sanjwal Line	6	6.67	-
Nowshera - Ismailkot	(i)	8	11.97
	(ii)	6	-
			11.97
Ismailkot - Turnah	(i)	8	-
	(ii)	6	21.89
			-
Nowshera - Mardan - Takhtbai Sakha Kot	8	57.99	-
Nowshera- Charsada	8	23.59	-
Faisalabad- Shahdara	(i)	10	19.47
	(ii)	16	99.78
			99.78
Shahdara - Lahore	16	2.51	2.99
Ravi Crossing	(i)	16	0.58
	(ii)	10	-
			0.58
Shahdara - WAPDA Lahore	10	3.41	-
Khurrianwala - Jaranwala	4	25.53	-
Dawood Hercules Line	12	5.87	-
Sheikhupura- Gujranwala	10	59.44	-
Shahdara - Gujranwala - Rahwali	10	73.4	-
Rahwali - Gujrat - Lalamusa	8	61.44	-
Rahwali - Sialkot	8	43.58	-
		-----	-----
Total		2156.48	1708.27
		-----	-----