

Sui Northern Gas Pipelines Limited
Annual Report 1998

*In the name of Allah,
the Compassionate, the Merciful*

Contents

Company Information
Notice of Meeting
Chairman's Statement
Report of the Directors
Auditors' Report
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts
Ten Years at a Glance
Transmission System

COMPANY INFORMATION

BOARD OF DIRECTORS

MUQADDAS A. KHAN
Chairman

MUNIR AHMAD
Managing Director

ABDUS SATTAR
SALAHUDDIN QURESHI
ZAHID HUSSAIN
ASLAM FAROOK
TARIQ FAROOK
MUHAMMAD RIAZ KHAN
BEHRAM HASAN
MOHAMMAD ARSHAD
JAHANGIR ELAHI
MIAN RAZA MANSHA

COMPANY SECRETARY

MAHBOOB ELAHI

JOINT AUDITORS

A. F. FERGUSON & CO.
Chartered Accountants

TASEER HADI KHALID & CO.
Chartered Accountants

SHARE REGISTRARS

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

REGISTERED OFFICE

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

NOTICE OF MEETING

Notice is hereby given that the 35th Annual General Meeting of the Company will be held at Aiwan-e-Iqbal, Egerton Road, Lahore on Wednesday 23 June 1999 at 10.30 a.m. for the purpose of transacting the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of 34th Annual General Meeting held on February 28, 1998.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June 1998 together with the Director's and Auditor's Reports thereon.
3. To appoint auditors for the year ending 30 June 1999 and fix their remuneration in place of retiring auditors. The retiring auditors being eligible also offer themselves for re-appointment.
4. To elect thirteen Directors, as fixed by the Board of Directors, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing 26 June 1999 in place of the following retiring Directors, who are eligible for re-election:

- | | |
|---------------------------|----------------------|
| 1. Mr. Muqaddas A. Khan | 2. Mr. Munir Ahmad |
| 3. Mr. Abdus Sattar | 4. Mr. Zahid Hussain |
| 5. Mr. Salahuddin Qureshi | 6. Mr. Tariq Farook |
| 7. Mr. Aslam Farook | 8. Mr. Behram Hasan |

9. Mr. Muhammad Riaz Khan
11. Mr. Muhammad Arshad

10. Mr. Jahangir Elahi
12. Mian Raza Mansha

5. To transact any ordinary business of the Company with the permission of the Chairman.

B. SPECIAL BUSINESS

To approve capitalisation of a sum of Rs 492,335,000 set aside out of the profits of the Company as on 30 June 1998 for issuance of 15% bonus shares in proportion of the one share for every 6.67 shares held, and to pass, with or without modification, the following ordinary resolution:

RESOLVED:

THAT a sum of Rs 492,335,000 out of reserves as on 30 June 1998 be capitalised and applied to the issue of 49,233,500 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 11 June 1999 in the proportion of one bonus share for every 6.67 shares held.

FURTHER RESOLVED:

THAT the members' fractional entitlement to bonus shares may be consolidated in the form of share certificates which may be disposed of at the stock market and the proceeds (including Rs 70,891 related to 1997 bonus issue) paid to any Welfare/Charitable Institution approved for donation under the Income Tax Ordinance, such as Shaukat Khanum Memorial Hospital, Edhi Welfare, the Kidney Centre or the Layton Rehmatullah Eye Hospital.

THAT the 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 12.6.1999 to 23.6.1999 (both days inclusive). The members whose names appear in the Register as at the close of business on 11 June 1999 will qualify for issuance of bonus shares.

By order of the Board

Lahore
May 18, 1999

MAHBOOB ELAHI
Company Secretary

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

a) Since the reserves of the Company as on 30 June 1998 represent accretion in 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.

b) 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) Any person who seeks to contest an election to the office of Director shall, whether he is retiring Director or otherwise, file with the Company not later than fourteen days before the date of meeting at which elections are to be held, a notice of his intention to offer himself for election as a Director alongwith written consent to act as a Director.

ii) 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.

iii) 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.

iv) 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.

v) CDC Shareholders are requested to bring with them their National Identity Card alongwith the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

vi) Shareholders are requested to notify any change in address immediately quoting their folio number(s).

REGISTERED OFFICE

Gas House, 21 - Kashmir Road,
P.O. Box No. 56, Lahore (Pakistan)

SHARE REGISTRARS

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

CHAIRMAN'S STATEMENT

I welcome you on behalf of the members of the Board of Directors and myself, to the 35th Annual General Meeting of the Company, and present the audited financial statements for the year ended June 30, 1998.

DIRECTORS

Many changes have taken place in the composition of your Board since the last Annual General Meeting held on February 28, 1998. On relinquishment of the office of Chairman by Dr. Gulfaraz Ahmad I was appointed as Director and elected Chairman of the Board of Directors on April 14, 1998.

Mr. Munir Ahmad took over as Managing Director and Chief Executive of the Company in place of Mr. Jawaid Inam who relinquished his charge on March 4, 1999 after serving your Company in that capacity from April 14, 1998.

Mr. Azhar I. Jaffery was replaced by Mirza Qamar Beg on April 14, 1998. Mr. Munir Ahmad was appointed as Director on 28 April 1998 in place of Mr. M. T.K. Sherwani while Mr. Tariq Farook succeeded Mr. Kamran Rasool on July 11, 1998 as nominee of the Government. Messrs Mirza Qamar Beg and Kh. Muhammad Javed have been replaced by Messrs Zahid Hussain and Mian Raza Mansha with effect from August 8, 1998 respectively. Mr. Masood-ur-Rehman Masood was appointed as Director in place of Mr. Ahsanullah Khan with effect from October 22, 1998 who was subsequently succeeded by Syed Asif Shah with effect from January 9, 1999. However, Mr. Muhammad Riaz Khan replaced Syed Asif Shah as Director from 4 March 1999. Mr. Khursid Akhtar Ansari who resigned with effect from January 9, 1999 was substituted by Mr. Aslam Farook with effect from January 25, 1999.

While welcoming the newly appointed Directors, I take this opportunity to place on record our sincere appreciation for the meritorious and valuable services rendered by the outgoing Chairman and Directors.

SALES & DEVELOPMENT

The sales for the year were 65,238,294 hundred cubic meters (hm³) (231,556 MMCF) representing an increase of 150,269 hm³ (533 MMCF) over the previous year's sale. The sectorial breakup of the sale indicates that 17% was sold to Power, 15% to Fertilizer, 1% to Cement, 25% to General Industries and 42% to Domestic and Commercial sector. The total revenues generated by the gas sales amounted to Rs 18,738.847 million.

On the basis of quantities of furnace oil the Company's gas sale during the year resulted in the savings of over Rs 34,090 million in foreign exchange.

The gas distribution system during the year increased by 1813 Kms which includes gas supply to one new town. The Company is committed to make natural gas available to maximum number of prospective consumers in accordance with the criteria approved by Government of Pakistan, subject to its financial position and technical capabilities. During the year under report 107,511 customers were added, raising the total to 1,637,803.

LIQUEFIED PETROLEUM GAS (LPG)

Average LPG sales during the year under review has been 10.97 metric tons per day as against 11.41 metric tons per day of last year. The decline is due to constraints on supply from sources. The operating profit made during the fiscal year is Rs 3.546 million.

PROJECTS- PRESENT AND FUTURE

(i) PROJECT VI, PHASE-II

The Company started implementation of this project in November 1990. The entire 1163 km (727 miles) of transmission lines and 12000BHP compression facilities have been completed and commissioned on 30 June 1998.

(ii) GAS SUPPLY TO NEW TOWNS

During the year under review, the Company has expanded gas supply to Pasroor under directive of the Government of Pakistan by laying 25 km of 8" dia transmission spur from Company's existing system.

(iii) LOOPLINES/SPUR LINES

During the year under review, following pipelines have been added to the transmission system.

a) 43 Km of 8" dia Rahwali-Sialkot loopline.

b) 6 Km of 8" dia transmission spurs for supply of gas to Fauji Kabirwala Power Co. Ltd.

(iv) FUTURE PROJECTS

Despite increase in transmission capacity achieved through construction of additional loops, the gas supply situation at the fag ends, particularly during winter peak, becomes very critical on Faisalabad - Gali Jagir Section (C-Leg). Accordingly, debottlenecking and revamping of transmission network in the northern areas has been planned to avert low pressure complaints in various demand centres. Similarly distribution mains would be augmented to cope with the higher demand so as to ensure uninterrupted supply of gas to the consumers in the northern areas. The schemes for gas supply to Depalpur, Sambrial and Sangla are also in hand.

IMPORT OF GAS

Government of Pakistan is actively pursuing various proposals for import of gas from neighbouring countries viz Iran, Turkmenistan and Qatar to meet the growing gas demand in the country. A policy decision in this regard is expected to be taken after considering interalia the recent gas discoveries and the growth in gas demand.

You would recall that the Company, in anticipation of the import project, has prepared a plan for upgrading its existing infrastructure to transmit the imported gas to the demand centres north of Multan. Various necessary steps required to implement this plan can only be taken after the Government has approved the import project.

TELECOMMUNICATION

A digital Microwave System is being installed on our Multan-Sahawal-Lahore Section. The project will also

cover installation of similar equipment on Lahore-Gujranwala-Jhelum, Qadirpur-ACIX and Kot Addu-Dhodak Sections. The project is in advance stage of implementation and is expected to become operational by December 1999.

TRANSMISSION SCADA

In order to operate the system under optimum conditions, a transmission SCADA System is to be installed throughout the Company's network to continuously receive and analyse data from all the sources, compressor stations, sales meter stations as well as major industrial/power plants. This project is also in advance stage of implementation since the equipment for the project has already been received and would become operational by December 1999.

ACCOUNTS AND FINANCE

The profit before taxation is Rs 713.084 million which shows an increase of Rs 68.286 million over the previous year, despite the fact that the borrowing costs incurred in the year under report were higher by Rs 904.644 million. However, due to higher incidence of taxation amounting to Rs 183.318 million, the net profit after taxation is Rs 385.454 million as against Rs 500.486 million reported last year. The amount available for appropriation inclusive of carry over from previous year is Rs 389.25 million. The accompanying Report of Directors recommends appropriation.

FINANCIAL OUTLOOK

During the year under report the substitution of short term debts and lease finance with medium term debt has resulted in improved current ratio. The Company is also making efforts to arrange long term funds and improve its equity base for meeting long term capital investments.

The Company during the year under review rigorously pursued the recovery of outstanding arrears from different defaulters including Government Organizations, Industrial and Commercial establishments as well as domestic consumers. Concerted efforts have yielded tangible results through realization of substantial amount from the defaulters. Also that the Government of Pakistan has been requested to enforce the mechanism for adjustment of energy sector inter corporate debt.

Your Board has made various changes in the administrative hierarchy for improving consumer services, ensuring prompt redressal of consumers complaints and enforcing financial discipline and control. It is expected that the proactive managerial set up would live up to the desired level for which performance monitoring of all facet of your Company's operations is being institutionalised.

PRIVATISATION

It is expected that the Gas Regulatory Authority will be made fully operational soon after approval of the legislation and with its creation, the privatisation process of gas industry would receive further impetus.

Y2K PROBLEM

Realising the importance and urgency of the above problem, the Company has already taken necessary measures and hopes to become fully Y2K compliant by June30, 1999.

IMPROVEMENT IN CONSUMER SERVICES

During the period under review, the number of consumers crossed the 1.6 million figure and major steps have had to be taken to ensure the monitoring and control of such a vast array of consumers. Three major steps need to be particularly highlighted: (i) distribution of bills through courier service for eliminating complaints of late delivery of bills, (ii) outsourcing of gathering/processing of gas bills collection data from 1700 authorised branches and its conversion into machine readable form, reflecting updated payment status for timely billing and (iii) random meter reading inspection to act as a check on meter reading assuring issuance of bills on correct gas consumption.

The Company has recently enhanced the targets for new gas connections for the current as well as the next financial year with the sole objective of clearing the back-log and bringing down the waiting period for prospective on-line domestic gas connections. The Company has also launched a scheme to process on-line domestic gas connections on payment of urgent fee over and above the normal charges payable by the consumers to facilitate their urgent requirements.

The Company has also introduced an Advance Payment Plan whereby domestic consumers opting to pay gas bills in advance for periods ranging from one to three years earn discounts of upto 27.5% thus relieving consumers of the necessity of queuing monthly outside bank branches for payment of bills, and also freeing them from a fear of disconnection of gas supply for default in timely payment.

ENVIRONMENT, HEALTH & SAFETY (EH&S)

There had been a strong need for the establishment of an effective Environmental, Health & Safety (EH&S) Department. A review of all Company's operation is underway with the aim of identifying priority areas and developing preventive and mitigative programme.

STAFF AND ORGANIZATION

The relations between the Management and the Union remained warm and cordial as before.

During the year under review, the Company signed a bi-annual agreement with the CBA Union and also entered into Supplementary Agreement, for the first time in the history of the Company, for improvement in the productivity norms whereby certain age old work norms were suitably revised upwards commensurate with the present working conditions.

ACKNOWLEDGEMENT

The Directors record their gratitude to the Government of Pakistan for its sustained support in the period under report and look forward for the same in future.

The Board is confident that the employees would continue to put their best efforts in achieving the targets set for progress and prosperity of the Company in the coming years.

LAHORE
May 18, 1999

MUQADDAS A. KHAN
Chairman

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, 1998.

ACCOUNTS

(Rupees in thousand)

The profit before taxation amounted to	713,084
After providing for current year's taxation	327,630

The profit after taxation amounted to	385,454
Adding thereto: Unappropriated profit brought forward	3,796

Profit available for appropriation	389,250
Appropriations: Transfer from revenue reserve	105,000
Transfer to reserve for issue of bonus shares	(492,335)

	(387,335)
Unappropriated profit to be carried forward	1,915

	=====

The earning per share for the year ended June 30, 1998 is Rs 1.17 as per computation below:

Profit after taxation	385,454,000

No. of shares	328,223,340

=	Rs 1.17

DIRECTORS

In accordance with the provisions of Section 178 of the Companies Ordinance, 1984 thirteen Directors would be elected at the Annual General Meeting being held on 23 June 1999 for a period of 3 years effective June 26, 1999.

AUDITORS

The present joint auditors M/s. A.F. Ferguson & Co., Chartered Accountants and M/s. Taseer Hadi Khalid & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

THE PATTERN OF HOLDING OF THE SHARES

The pattern of holding of the shares as on June 30, 1998 is attached.

POST BALANCE SHEET EVENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

Subsequent to the date of balance sheet, the Company availed local currency facilities, as detailed below:

1. Syndicated morabaha financing of Rs 750 million from a syndicate led by A1-Faysal Investment Bank for a period of 36 months against which an amount of Rs 270 million has been received.
2. Short term finance facility of Rs 110 million availed from Deutsche Bank has been rolled over upto 27 July 1999.
3. Short term finance facility of Rs 250 million from United Bank Limited for a period of 36 months has been availed.

On behalf of the Board

LAHORE:
May 18, 1999

MUQADDAS A. KHAN
Chairman

THE PATTERN OF HOLDING OF THE SHARES AS AT JUNE 30, 1998

NO. OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD	PERCENTAGE
	FROM (SHARES)	TO (SHARES)		
2,035	1	100	95,688	0.03
10,319	101	500	3,542,123	1.08

2,403	501	1,000	1,858,264	0.56
2,916	1,001	5,000	6,144,046	1.87
407	5,001	10,000	2,866,663	0.87
99	10,001	15,000	1,160,557	0.35
46	15,001	20,000	810,666	0.25
43	20,001	25,000	958,066	0.29
25	25,001	30,000	690,012	0.21
21	30,001	35,000	681,024	0.21
22	35,001	40,000	837,520	0.26
8	40,001	45,000	338,429	0.10
13	45,001	50,000	627,953	0.19
3	50,001	55,000	151,855	0.05
5	55,001	60,000	285,498	0.09
3	60,001	65,000	182,643	0.06
3	65,001	70,000	204,038	0.06
1	70,001	75,000	70,161	0.02
1	75,001	80,000	79,984	0.02
2	80,001	85,000	165,139	0.05
4	85,001	90,000	343,208	0.10
2	90,001	95,000	183,692	0.06
1	95,001	100,000	100,000	0.03
5	100,001	105,000	509,929	0.16
1	105,001	110,000	109,600	0.03
1	110,001	115,000	112,000	0.03
1	120,001	125,000	124,170	0.04
1	130,001	135,000	131,520	0.04
1	135,001	140,000	137,080	0.04
1	140,001	145,000	141,319	0.04
1	150,001	155,000	154,993	0.05
1	155,001	160,000	159,950	0.05
1	160,001	165,000	163,471	0.05
2	175,001	180,000	359,216	0.11
5	180,001	185,000	910,980	0.28
3	185,001	190,000	563,631	0.17
2	190,001	195,000	382,290	0.12
1	220,001	225,000	222,000	0.07
1	230,001	235,000	231,936	0.07
1	235,001	240,000	238,050	0.07
1	240,001	245,000	243,340	0.07
3	245,001	250,000	746,086	0.23
1	300,001	305,000	302,806	0.09
1	315,001	320,000	319,440	0.10
1	330,001	335,000	334,594	0.10
1	355,001	360,000	355,543	0.11
1	380,001	385,000	382,950	0.12
1	400,001	405,000	404,685	0.12
1	415,001	420,000	415,480	0.13
1	425,001	430,000	427,461	0.13
1	430,001	435,000	434,477	0.13
1	440,001	445,000	442,257	0.13
1	450,001	455,000	452,888	0.14
1	500,001	505,000	500,052	0.15
2	535,001	540,000	1,072,133	0.33
1	540,001	545,000	540,034	0.16
1	545,001	550,000	548,907	0.17
1	550,001	555,000	554,084	0.17
1	565,001	570,000	567,261	0.17
1	600,001	605,000	601,985	0.18
1	655,001	660,000	656,176	0.20
1	675,001	680,000	676,615	0.21
1	695,001	700,000	698,855	0.21
1	715,001	720,000	715,900	0.22
1	835,001	840,000	839,343	0.26
1	870,001	875,000	871,100	0.27
1	1,020,001	1,025,000	1,022,863	0.31
1	1,040,001	1,045,000	1,042,063	0.31
1	1,050,001	1,055,000	1,053,159	0.32
1	1,095,001	1,100,000	1,100,000	0.34
1	1,145,001	1,150,000	1,147,457	0.35

<i>NO OF SHARE HOLDERS</i>	<i>SHARE HOLDING</i>	<i>FROM (SHARES)</i>	<i>TO (SHARES)</i>	<i>TOTAL SHARES HELD</i>	<i>PERCENTAGE</i>
1	Sui Southern Gas Company Limited	1,245,001	1,250,000	1,249,399	0.38
1	Askari Commercial Bank Ltd.	1,445,001	1,450,000	1,446,550	0.44
1	Stichting Pension Fund PGGM	1,645,001	1,650,000	1,649,300	0.50
1	Morgan Stanley Bank Luxembourg	2,070,001	2,075,000	2,070,959	0.63
1	Crescent Investment Bank Ltd.	2,060,001	2,265,000	2,260,217	0.69
1	Pakistan Industrial Credit and Investment Corporation	2,500,001	2,505,000	2,500,975	0.76
1	Union Bank Ltd.	2,535,001	2,540,000	2,535,851	0.77
1	Chase Manhattan Bank as a Trustee for General Motors.	3,070,001	3,075,000	3,074,439	0.94
1	Boston Safe Deposit & Trust Company	3,135,001	3,140,000	3,138,963	0.96
2	The Bank of Punjab	3,355,001	3,360,000	3,356,361	1.02
1	National Development Finance Corporation	3,730,001	3,735,000	3,730,820	1.14
1	Brown Brothers Herriman & Company USA	3,790,001	3,795,000	3,793,396	1.16
1	Pictet & Cie	3,860,001	3,865,000	3,861,088	1.18

1	Pakistan Insurance Corporation	4,500,001	4,505,000	4,501,545	1.37
1	Nomura International Plc	6,095,001	6,100,000	6,097,050	1.86
2	Allied Bank of Pakistan Ltd.	10,185,001	10,190,000	10,185,794	3.10
1	State Life Insurance Corporation of Pakistan	10,245,001	10,250,000	10,248,027	3.12
1	Investment Corporation of Pakistan	11,315,001	11,320,000	11,319,565	3.45
1	Morgan Stanley Trust Company	11,325,001	11,330,000	11,326,377	3.45
1	State Street Bank & Trust Company	11,610,001	11,615,000	11,614,801	3.54
1	Pakistan Ind., Development Corporation (Pvt) Ltd.	19,750,001	19,755,000	19,751,126	6.02
2	Muslim Commercial Bank Ltd.	20,140,001	20,145,000	20,141,032	6.14
1	'National Bank of Pakistan (Trustee Deptt.)	23,700,001	23,705,000	23,703,256	7.22
1	The President, Islamic Republic of Pakistan	118,165,001	118,170,000	188,167,091	36.00
-----				-----	-----
	18,472	Total:		328,223,340	100.00
=====				=====	=====

NOTE: for shares between

115,001	to	120,000	1,045,001	to	1,050,000
125,001	to	130,000	1,055,001	to	1,095,000
145,001	to	150,000	1,100,001	to	1,145,000
165,001	to	175,000	1,150,001	to	1,210,000
195,001	to	220,000	1,215,001	to	1,245,000
225,001	to	230,000	1,250,001	to	1,445,000
250,001	to	300,000	1,450,001	to	1,645,000
305,001	to	315,000	1,650,001	to	2,070,000
320,001	to	330,000	2,075,001	to	2,260,000
335,001	to	355,000	2,265,001	to	2,310,000
360,001	to	380,000	2,315,001	to	2,500,000
385,001	to	400,000	2,505,001	to	2,535,000
405,001	to	415,000	2,540,001	to	3,070,000
420,001	to	425,000	3,075,001	to	3,135,000
435,001	to	440,000	3,140,001	to	3,730,000
445,001	to	450,000	3,735,001	to	3,790,000
455,001	to	500,000	3,795,001	to	3,860,000
505,001	to	535,000	3,865,001	to	4,105,000
555,001	to	565,000	4,110,001	to	4,500,000
570,001	to	600,000	4,505,001	to	6,075,000
605,001	to	655,000	6,080,001	to	6,095,000
660,001	to	675,000	6,100,001	to	10,245,000
680,001	to	695,000	10,250,001	to	11,315,000
700,001	to	715,000	11,320,001	to	11,325,000
720,001	to	835,000	11,330,001	to	11,610,000
840,001	to	870,000	11,615,001	to	18,925,000
875,001	to	120,000	18,930,001	to	19,750,000
1,025,001	to	1,040,000	19,755,001	to	23,700,000
			23,705,001	to	118,165,000

No slabs of 5,000 shares have been given as there are no shareholders falling under above slabs.

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 1998

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1. The President, Islamic Republic of Pakistan	1	118,167,091	36.00
2. Individuals	18,271	23,318,749	7.10
3. Investment Companies	32	13,306,898	4.06
4. Insurance Companies	11	16,558,848	5.05
5. Joint Stock Companies	37	23,239,521	7.08
6. Financial Institutions	34	75,128,055	22.89
7. Modaraba Companies	21	2,899,138	0.88
8. Foreign Companies	55	55,055,676	16.77
9. *Others (as detailed below)	10	549,364	0.17
Total	18,472	328,223,340	100.00

***OTHERS**

NAME	NUMBER	SHARES HELD	PERCENTAGE
i. The Deputy Administrator Abandoned Properties, Government of Pakistan	1	59,064	0.02
ii. Corporations, Foundations, Institutions & Societies	9	490,300	0.15
Total	10	549,364	0.17

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SUI NORTHERN GAS PIPELINES LIMITED as at June 30, 1998 and the related profit and loss account and the 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 year was for the purpose of the Company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the 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 the Company's affairs as at June 30, 1998 and of the profit and cash flow for the year then ended; and

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

A.F. FERGUSON & CO.
Chartered Accountants

TASEER HADI KHALID & CO.
Chartered Accountants

Lahore: May 18, 1999

BALANCE SHEET AS AT JUNE 30, 1998

SHARE CAPITAL AND RESERVES	Note	1998	1997
		<i>(Rupees in thousand)</i>	
Authorised capital 500,000,000 ordinary shares of Rs 10 each		5,000,000	5,000,000
Issued, subscribed and paid up share capital	3	3,282,233	2,854,116
Reserves	4	2,028,017	2,068,799
Unappropriated profit		1,915	3,796
		5,312,165	4,926,711
NON - PARTICIPATORY REDEEMABLE CAPITAL - SECURED	5	3,088,776	2,449,330
DEFERRED CREDIT	6	2,500,395	2,356,586
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	7	9,575,948	8,616,624
Security deposits	8	1,117,849	981,395
Liabilities against assets subject to finance lease	9	831,427	1,039,993
Deferred taxation	10	2,336,798	2,109,262
		13,862,022	12,747,274
CURRENT LIABILITIES			
Current portion of non-participatory redeemable capital - Secured	5	2,017,289	1,055,013
Current portion of long term loans	7	549,233	510,758
Overdue cash development loans (GOP)	7	189,212	147,465
Current portion of liabilities against assets subject to finance lease	9	373,099	525,842
Short term finances-Secured	11	774,198	2,098,587
Creditors, accrued and other liabilities	12	14,994,653	10,559,617
		18,897,684	14,897,282
CONTINGENCIES AND COMMITMENTS	13	--	--
		43,661,042	37,377,183

	Note	1998	1997
		<i>(Rupees in thousand)</i>	
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	14	22,096,516	18,602,627
Assets subject to finance lease	15	1,670,171	2,042,996
Capital work - in - progress	16	5,180,700	5,899,562
Advances for land		137,466	139,503
		29,084,853	26,684,688
LONG TERM LOANS	17	177,024	162,205
LONG TERM DEPOSITS AND PREPAYMENTS	18	43,698	92,589
LONG TERM INVESTMENTS	19	85,001	85,001
CURRENT ASSETS			
Stores and spares	20	670,442	555,116
Stock - in - trade	21	74,404	67,198
Trade debts	22	6,392,391	4,855,844
Loans, advances, deposits, prepayments and other receivables	23	5,979,497	4,198,339

Cash and bank balances	24	1,153,732	676,203
		-----	-----
		14,270,466	10,352,700
		-----	-----
		43,661,042	37,377,183
		=====	=====

The annexed notes form an integral part of these accounts.

MUNIR AHMAD
Chief Executive

BEHRAM HASAN
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998	1997
		(Rupees in thousand)	
GAS SALES		18,738,847	17,353,964
DIFFERENTIAL MARGIN		984,977	1,918,815
		-----	-----
		19,723,824	19,272,779
RENTAL AND SERVICE INCOME	25	236,881	205,786
AMORTISATION OF DEFERRED CREDIT		186,590	168,825
		-----	-----
		20,147,295	19,647,390
LESS: Cost of gas sold	26	12,328,687	12,597,882
Operating cost excluding depreciation	27	2,521,583	2,572,628
Depreciation		2,080,790	1,749,071
		-----	-----
		16,931,060	16,919,581
		-----	-----
		3,216,235	2,727,809
ADD: OPERATING PROFIT LIQUEFIED PETROLEUM GAS PROJECT (LPG)	28	3,546	8,116
		-----	-----
		3,219,781	2,735,925
NET GAIN ON SALE OF FIXED ASSETS		11,438	10,879
OTHER INCOME	29	778,181	285,557
		-----	-----
		4,009,400	3,032,361
LESS: Financial charges	30	3,258,039	2,353,395
Other charges	31	38,277	34,168
		-----	-----
		3,296,316	2,387,563
PROFIT BEFORE TAXATION		713,084	644,798
PROVISION FOR TAXATION	32	327,630	144,312
		-----	-----
PROFIT AFTER TAXATION		385,454	500,486
UNAPPROPRIATED PROFIT BROUGHT FORWARD		3,796	6,427
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		389,250	506,913
APPROPRIATIONS			
Transferred from/(to) revenue reserve		105,000	(75,000)
Transferred (to) reserve for issue of bonus shares		(492,335)	(428,117)
		-----	-----
		(387,335)	(503,117)
Unappropriated-profit carried forward		1,915	3,796
		=====	=====

The annexed notes form an integral part of these accounts.

MUNIR AHMAD
Chief Executive

BEHRAM HASAN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998	1997
		(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33	6,434,649	5,246,334
Financial charges paid		(3,318,541)	(2,253,304)
Income tax paid		(117,878)	(148,422)
Security deposits		136,454	149,220
Deferred credit		330,399	367,664
Long term loans - staff		(18,112)	(34,922)
Long term deposits and prepayments		48,891	(652)
		-----	-----
Net cash inflow from operating activities		3,495,862	3,325,918
CASH FLOW FROM INVESTING ACTIVITIES			

Fixed capital expenditure	(4,037,759)	(6,250,234)
Sales proceeds of fixed assets	12,548	11,563
Long term investments	--	(1)
Interest on bank deposit	51,308	44,414
	-----	-----
Net cash outflow from investing activities	(3,973,903)	(6,194,258)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts from long term loans	1,039,546	680,024
Net receipts from non - participatory redeemable capital	1,601,722	19,554
Net (repayments)/receipts against finance lease	(361,309)	41,151
Net (payment)/receipt of short term finances	(1,324,389)	2,048,587
	-----	-----
Net cash inflow from financing activities	955,570	2,789,316
	-----	-----
Net increase/(decrease) in cash and cash equivalents	477,529	(79,024)
Cash and cash equivalents at the beginning of the year	676,203	755,227
	-----	-----
Cash and cash equivalents at the end of the year	24 1,153,732	676,203
	=====	=====

MUNIR AHMAD
Chief Executive

BEHRAM HASAN
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

1. 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 Liquefied Petroleum Gas (LPG).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences referred to in Note 2.4.

2.2 Retirement benefits

a) The Company operates an approved funded pension scheme for all employees and an approved funded gratuity scheme for employees with a qualifying service period of five years. Contribution to the funds are payable on the basis of actuarial valuation and are charged to income currently. The future contribution rates of these schemes include allowance for deficit and surplus.

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 gratuity scheme.

The funds are valued at intervals of not more than five years. The most recent actuarial valuations were carried out as of June 30, 1997, using the projected unit credit method. As at the latest valuation date the fair value of the combined plan assets and liabilities of pension and gratuity schemes for executive staff is Rs 243 million and Rs 241.35 million respectively, while the combined plan assets and liabilities of pension and gratuity schemes for non executive staff is Rs 431.733 million and Rs 540.44 million respectively.

The principal actuarial assumptions used in the valuation of these schemes as of June 30, 1997 by the actuaries are:

	<i>Gratuity Fund</i>		<i>Pension Fund</i>	
	<i>Executives</i>	<i>Non-executives</i>	<i>Executives</i>	<i>Non-executive</i>
Contribution rates (% of basic salaries)	8.33	6.50	13.17	13.97
Expected rate of growth per annum in future salaries	11.00	11.00	11.00	11.00
Expected rate of return per annum on fund for active members	14.00	14.00	14.00	14.00
Expected rate of return per annum for retired members under the pension fund scheme	--	--	8.00	8.00

During the year, Rs 28.51 million (1997: Rs 22.368 million) and Rs 49.81 million (1997: Rs 40.72 million) has been charged as gratuity and pension expense respectively by the Company.

b) The Company operates an approved defined contribution provident fund for all permanent employees. During the year, Rs 32.89 million (1997: Rs 27 million) has been charged as an expense by the Company.

2.3 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 accounts for deferred tax using the liability method on all significant timing differences, if these are likely to reverse in the foreseeable future and will not be replaced.

2.4 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 2.9 and borrowing cost referred to in Note 2.10.

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 14 except for transmission and distribution system, meter and compressor stations and equipments 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 executive's retirement.

Pipelines uplifted during the year are deleted from operating fixed assets. 60% - 65 % of the written down value of the uplifted pipelines representing cost of linepipes 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 capitalised. Minor replacement, repairs and maintenance are charged to income.

2.5 Assets subject to finance lease

These are stated at lower of the present value of minimum lease payment under the lease agreement 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 amortised over the useful lives of the assets using the straight line method at the rates given in Note 15. Depreciation of leased assets is charged to income. The related obligations of the lease are accounted for as liabilities.

2.6 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 amortisation over the estimated useful lives of related assets.

2.7 Stores and spares

These are valued at monthly moving average cost while items considered obsolete are carried at in value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

2.8 Stock-in-trade

Stock of gets 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 necessary to be incurred in order to make the sale.

2.9 Foreign currencies

Foreign currency transactions are recorded using the rate of conversion applicable on the date of transaction except where foreign exchange contracts have been entered into, the rates contracted for are used. 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.

2.10 Borrowing cost

Mark-up, interest and other charges on non - participatory redeemable capital, long term loans and liabilities against assets subject to finance lease are capitalised for the period upto the date of commissioning of the respective assets acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to income during the year.

2.11 Long Term investments

These are stated at cost less any permanent diminution in the value of investments.

2.12 Revenue recognition

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

The Company is operating on a guaranteed rate of return before taxation of 17.5% of net average operating fixed assets for the year exclusive of financial charges and other income, under the provision of World Bank Loan 3252-PAK. As a result, any deficit/surplus on account of this is recoverable/payable from/to Government of Pakistan and is accounted for against the revenue for the year.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	1998	1997
	(Rupees in thousand)	
121,146,000 (1997:121,146,000) ordinary shares of Rs 10 each issued as fully paid for cash	1,211,460	1,211,460
3,329,000 (1997: 3,329,000) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
203,748,300 (1997: 1 60,936,600) ordinary shares of Rs 10 each issued as fully paid bonus shares	2,037,483	1,609,366
	-----	-----
	3,282,233	2,854,116
	=====	=====

4. RESERVES

Capital		
Reserve for issue of bonus shares		
-At the beginning of the year	428,117	372,276
- Transfer from appropriation account	492,335	428,117
	-----	-----
	920,452	800,393
Less: Nominal value of bonus shares issued	428,117	372,276

Revenue	492,335	428,117
- At the beginning of the year	1,570,682	1,495,682
- Transfer (to)/from appropriation account	(105,000)	75,000
	1,465,682	1,570,682
Dividend equalisation reserve	70,000	70,000
	2,028,017	2,068,799

5. NON - PARTICIPATORY REDEEMABLE CAPITAL - SECURED

Long term running finance utilised under mark-up arrangements:

Finance	(Rupees in thousand)																					
	1 Eight Syndicate	2 Ninth Syndicate	3 Tenth Syndicate	4 Emirates Bank Int. Ltd	5 National Bank of Pakistan	6 ANZ Grindlays Bank	7 Emirates Bank Int. Ltd.	8 Citicorp. Invest. Bank Syndication	9 National Bank of Pakistan	10 Al-Faysal Investment Bank	11 Al-Faysal Investment Bank	12 Al-Faysal Investment Bank	13 Pakistan Kuwait Investment Co. (Pvt) Ltd.	14 Saudi Pak Industrial & Agr. Invest. Company	15 National Development Finance Corporation	16 ABN AMRO Bank	17 National Bank of Pakistan	18 Cres Bank	19 Deutsche Bank	20 Cres Bank	TOTAL 1998	TOTAL 1997
Marked-up price	328,649	109,547	2,532,292	85,434	394,832	200,000	82,521	1,001,875	566,947	134,851	130,881	700,000	550,000	239,000	1,255,060	1,891,831	1,578,480	87,544	158,308	87,047	12,115,099	7,251,408
Less:																						
Mark-up	156,147	52,047	1,170,974	25,434	215,247	--	32,521	323,772	320,995	34,851	30,881	107,739	113,341	39,000	545,246	525,831	936,288	30,044	37,400	29,873	4,727,631	2,704,631
Prompt payment rebate	22,502	7,500	261,318	--	29,585	--	--	178,103	45,952	--	--	92,261	55,519	--	209,814	--	142,192	--	10,908	--	1,055,654	679,763
	178,649	59,547	1,432,292	25,434	244,832	--	32,521	501,875	366,947	34,851	30,881	200,000	168,860	39,000	755,060	525,831	1,078,480	30,044	48,308	29,873	5,783,285	3,384,394
	150,000	50,000	1,100,000	60,000	150,000	200,000	50,000	500,000	200,000	100,000	100,000	500,000	381,140	200,000	500,000	1,366,000	500,000	57,500	110,000	57,174	6,331,814	3,867,014
Mark-up accrued during grace period	38,378	12,775	286,973	--	49,343	--	--	--	71,638	--	--	--	--	--	50,000	--	13,478	--	--	--	522,585	435,260
	188,378	62,775	1,386,973	60,000	199,343	200,000	50,000	500,000	271,638	100,000	100,000	500,000	381,140	200,000	550,000	1,366,000	513,478	57,500	110,000	57,174	6,854,399	4,302,274
Less: Aggregate repayments to June 30, 1998	188,378	40,869	699,573	45,000	29,188	--	25,000	166,666	--	50,000	50,000	325,600	--	--	70,690	--	34,500	--	22,870	1,748,334	797,931	
Current portion included in current liabilities	--	10,276	200,953	15,000	18,435	200,000	12,500	166,666	1,728	50,000	50,000	174,400	381,140	200,000	41,287	456,415	--	11,500	--	11,435	2,017,289	1,055,013
	188,378	51,145	900,526	60,000	47,623	200,000	37,500	333,332	17,282	100,000	100,000	500,000	381,140	200,000	41,287	527,105	--	46,000	--	34,305	3,765,623	1,852,944
TOTAL	--	11,630	486,447	--	151,720	--	12,500	166,668	254,356	--	--	--	--	--	508,713	838,895	513,478	11,500	110,000	22,869	3,088,776	2,449,330

No. of installments outstanding

- Half yearly	--	4	6	2	12	--	4	4	16	2	2	--	--	--	14	--	14	4	--	6
- Quarterly	--	--	--	--	--	--	--	--	--	--	--	4	--	--	--	6	--	--	--	--
- Lumpsum	--	--	--	--	--	1	--	--	--	--	--	--	1	1	--	--	--	--	1	--

Repayment commencement date	Dec. 30, 1990	Dec. 30, 1992	Dec. 30, 1993	Sep. 11, 1995	Dec. 01, 1996	Dec. 27, 1998	Dec. 19, 1996	Dec. 19, 1997	Aug. 28, 1998	July 26, 1997	Sept. 08, 1997	Dec. 01, 1997	Sept. 29, 1998	May 29, 1999	Aug. 19, 1998	May 04, 1998	Nov. 12, 2000	Dec. 29, 1995	July 27, 1999	Aug. 27, 1996
-----------------------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	----------------	---------------	----------------	--------------	---------------	--------------	---------------	---------------	---------------	---------------

Terms of redeemable capital

These represent long term running finances obtained under mark-up arrangements from financial institutions and banking companies. 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 finance No. 1 to 17 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 7) and lenders of short term finances referred to in (Note 11) and a floating charge over the Company's assets.

(b) Repayment of the marked-up price of finance No. 18 to 20 is secured by second charge on the Company's fixed assets.

	1998	1997
	(Rupees in thousand)	
6. DEFERRED CREDIT		
Consumers contributions	3,473,417	3,143,018
Government grant	183,206	183,206
	3,656,623	3,326,224
Less: Accumulated amortisation	1,156,228	969,638
	2,500,395	2,356,586
7. LONG TERM LOANS		
Unsecured		
Foreign currency	- Note 7.1	5,384,921
Rupee	- Note 7.2	4,929,472
	10,314,393	9,274,847
Less: Current portion shown under current liabilities		
Foreign currency	374,964	349,897
Rupee	174,269	160,861

Overdue cash development loan Government of Pakistan (GOP)	549,233	510,758
	189,212	147,465
	738,445	658,223
	9,575,948	8,616,624

7.1 Foreign currency loans - unsecured

These are composed of:

Loan	Lender	Currency	Balance Undisbursed	1998 Currency	1997 Balance	1998 Rupee	1997 Equivalent	Rate of Interest	Exchange risk fee per annum (%)	Half yearly installments outstanding	Repayment commencement date
1	World Bank Loan 2324 - PAK	US\$	--	6,106	9,149	110,811	166,031	0.5% above the base cost of qualified borrowings	3		4 Nov. 1, 1986
2	World Bank Loan 3252- PAK	US\$	6,446	110,765	114,321	3,215,767	3,290,098	-do-	7.38		25 March 1, 1996
3	World Bank Loan 3252-1 - PAK	US\$	7,441	46,649	19,665	1,921,380	739,215	-do-	7.38		25 March 1, 1996
4	ANZ U.S.A. Category- A	US\$	--	--	263	--	10,689	2% above LIBOR	--		-- June 8, 1995
5	ANZ U.S.A. Category - B	US\$	--	2,951	3,794	136,963	154,407	0.375% above LIBOR	--		7 June 15, 1995
						5,384,921	4,360,440				

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 No. 1 to 3.

Under the provision of World Bank Loan 3252 - PAK the Government of Pakistan has guaranteed return before taxation of 17.5% of net average operating fixed assets for the year exclusive of financial charges and other income.

1998
1997
(Rupees in thousand)

7.2 Rupee loans - unsecured

Government of Pakistan (GOP)

Relent loans	- Note 7.2.1	1,620,347	1,649,310
Cash development loans (CDL)	- Note 7.2.2	509,125	465,097
Medium term loan	- Note 7.2.3	2,800,000	2,800,000
		4,929,472	4,914,407

7.2.1 Relent loans

	Rate of interest inclusive of exchange risk fee %	Number of outstanding half yearly installments	Repayment commencement date	1998	1997
Relent loan 1	14	15	June 1, 1991	266,625	302,175
Relent loan 2	14	23	March 1, 1995	115,098	121,170
Relent loan 3	14	29	Feb. 1, 1998	1,050,256	1,054,027
Relent loan 4	14	23	March 1, 1995	100,066	111,697
Relent loan 5	14	19	June 30, 1998	88,302	60,241
				1,620,347	1,649,310

7.2.2 Cash Development Loans

These have been obtained from the Government of Pakistan (GOP), for the supply of gas to new towns through Peoples Programme and Annual Development Programme. The loan obtained through Peoples Programme amounts to Rs 433,487 million (1997: Rs 375,790 million). Mark-up is charged at Re 0.27 per Rs 1,000 per diem or part thereof on the balance outstanding and is repayable over a period of 12 years with a grace period of 2 years. Loans obtained through Annual Development Programme amount to Rs 89,307 million. (1997: Rs 89,307 million). Mark-up is charged at rates ranging between Re 0.41 to Re 0.43 per Rs 1,000 per diem or part thereof on the balance outstanding and is subject to revision by GOP on year to year basis. Repayment commenced from June 1995 and is repayable in 25 years with a grace period of 5 years.

7.2.3 Medium term loan

This amount represents Gas Development Surcharge payable to 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. No repayment has been made by the Company since the repayment schedule has not yet been intimated by the Government.

8. SECURITY DEPOSITS

1998
1997
(Rupees in thousand)

Consumers	- Note 8.1	1,031,786	893,406
LPG dealers	- Note 8.2	68,380	65,685
Contractors - Houselines		17,683	22,304
		-----	-----
		1,117,849	981,395
		=====	=====

8.1 Consumer deposits represent security against amount 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 589.645 million (1997: Rs 524.701 million) from certain consumers.

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

1998 **1997**
(Rupees in thousand)

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease rental payments	1,204,526	1,565,835
Less: Current portion shown under current liabilities	373,099	525,842
	-----	-----
	831,427	1,039,993
	=====	=====

The value of minimum lease rental payments have been discounted at implicit interest rates ranging from 18.47% to 22.16% to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rs 1,557,088 million (1997: Rs 2,067,760 million) and are payable in equal monthly installments plus lump sum payments of Rs 146 million (1997: Rs 135.50 million) for residual values between July 1998 and April 2003. Taxes, repairs and insurance costs are to be borne by the lessee. The lease agreement are renewable on such terms as may be agreed upon. The liability is partly secured by a deposit of Rs 36.116 million (1997: Rs 86.997 million) included in long term security deposits under note 18.

1998 **1997**
(Rupees in thousand)

10. DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

Accelerated tax depreciation allowance	3,766,739	2,983,621
Financial charges capitalised	211,699	222,878
Lease rentals	154,480	104,816
	-----	-----
	4,132,918	3,311,315
Less: Provision for doubtful debts	287,201	183,740
Others	1,508,919	1,018,313
	-----	-----
	1,796,120	1,202,053
	-----	-----
	2,336,798	2,109,262
	=====	=====

11. SHORT TERM FINANCES - SECURED

Finances available from banks and financial institutions amount to Rs 774.198 million (1997: Rs 2,098.587 million). Mark-up on these finances is charged at rates ranging from Re 0.47 to Re 0.55 per Rs 1,000 per diem or part thereof on the balance outstanding.

The aggregate short term finances from banks and financial institutions are secured by a first charge over the fixed and current assets of the Company and a second charge on Company's indebtedness, ranking pari passu with charges referred to in Note 5 above.

Of the aggregate facility of Rs 1.5 million (1997: Rs 1.5 million) for guarantees, the amount utilised as at June 30, 1998 was Rs 1.5 million (1997: Rs 1.5 million).

1998 **1997**
(Rupees in thousand)

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	10,707,655	7,435,081
Accrued liabilities	2,008,818	1,249,232
Interest free deposits repayable on demand	5,488	5,353
Earnest money received from contractors	27,343	34,854
Mobilisation and other advances	149,741	133,976
Interest, markup, surcharge and commitment charges accrued:		
- Long term loans and redeemable capital	2,038,440	1,625,824
- Short term finances	12,697	35,850
Worker's profit participation fund	- Note 12.1	43,047
Unclaimed dividend	1,424	1,425
	-----	-----
	14,994,653	10,559,617
	=====	=====

12.1 Worker's profit participation fund

Balance at the beginning of the year	38,022	43,898
Allocation for the year	37,531	33,937
	-----	-----
	75,553	77,835
Interest on funds utilised in the Company's business	268	158

	75,821	77,993
Less: Payments to workers	1,690	1,348
Payments to workers welfare fund	31,084	38,623
	32,774	39,971
	43,047	38,022

13. CONTINGENCIES AND COMMITMENTS

13.1 Claims against the Company not acknowledged as debts Rs 373.283 million (1997: Rs 357.923 million).

i) Included in claims against the company not acknowledged as debts are five claims by the contractors and consumers aggregating Rs 90.144 million. Pending the outcome of these claims, which are in arbitration before the courts no provision has been made in these accounts as in the management's view the Company has strong grounds in the cases lodged.

ii) Also included in claims against the Company not acknowledged as debt is the amount of the case which was filed by the employee's union claiming bonus of Rs. 255 million based on the understanding that bonus shares are form of a dividend, with National Industrial Relation Commission (NIRC). The management however contested the case, as it did not agree with the demand of the Union. The case was decided against the order before a full bench of the NIRC. The full bench of NIRC upheld the previous decision. The Company has now challenged the decision in Lahore High Court, which has admitted the writ petition for regular hearing and the orders of the NIRC were suspended, subject to the Company furnishing an undertaking in respect of bonus amount.

The Company's lawyer is of the view that orders of the NIRC are without jurisdiction and are void and in their view there is a reasonably fair chance that this case will be decided in favour of the Company.

13.2 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 (Appeals) [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 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 1997-98 which on a similar basis as used in the past by the tax authorities would amount to Rs 315.478 million.

(ii) In framing the assessment for the years 1989-90 through 1995-96 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. During the year ended, June 30, 1997, the ITAT upheld the Company's contentions in the appeals filed for the years 1989-90 to 1991-92, however, the department has filed appeals against the orders of ITAT before the High Court. Pending the outcome of these appeals no provision has been made in the accounts for these additional demands for the years 1989-90 to 1998-99, which on the basis adopted by the authorities would amount to Rs 708.348 million, since the Company has strong grounds against the assessment framed by the tax authorities.

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 23.

13.3 Commitments in respect of

(i) Contracts for capital expenditure Rs 1,031.900 million (1997: Rs 1935.980 million).

(ii) Letters of credit other than for capital expenditure Rs 35.211 million (1997: Rs 34.883 million).

14. OPERATING FIXED ASSETS-TANGIBLE

Description	Cost	Additions/ Transfers from Finance lease	Cost	Accumulated depreciation as at	Depreciation charge/(deletion) for the year	Transfers from assets subject to finance lease	Accumulated depreciation as at	Book value as at	Rate %
	as at July 1, 1997	June 30, 1998 deletions)	as at June 30, 1998	July 1, 1997		June 30, 1998	June 30, 1998		
(Rupees in thousand)									
Freehold land	147,488	31,214	178,702	--	--	--	--	178,702	--
Leasehold land	392	--	392	--	--	--	--	392	--
Buildings and civil construction on freehold land	504,896	85,092	589,988	214,730	29,040	--	243,770	346,218	6
Buildings on leasehold land	8,461	--	8,461	8,207	254	--	8,461	--	6
Transmission system	14,233,373	2,485,140	16,706,461	4,103,880	911,457	--	5,003,285	11,703,176	6-10
Distribution system	4,833,971	(12,052)	4,821,919	1,725,681	326,418	89,421	2,141,520	4,103,944	6
Consumer meter and town border stations	2,523,867	598,722	3,121,171	749,442	166,488	28,779	943,291	2,177,880	6
Telecommunication system and facilities	382,738	(1,418)	381,320	202,629	73,025	--	274,840	506,675	15
Compressor station and equipments	2,516,955	399,591	2,916,546	833,955	147,881	--	981,836	2,005,414	6-9

Purification plant	656,181	--	656,181	428,605	35,684	--	464,289	191,892	7.50
Plant and machinery	1,957,352	59,955	2,014,771	1,098,561	216,684	--	1,312,785	701,986	6-20
		(2,536)			(2,460)				
Furniture and equipments	194,280	42,164	232,796	110,594	21,904	--	128,872	103,924	15-20
		(3,648)			(3,626)				
Loose tools	20,280	964	21,244	17,941	1,401	--	19,342	1,902	33.33
Transport vehicles	428,694	20,297	434,879	312,076	47,226	14,266	360,468	74,411	25
		(14,112)			(13,100)				
1998	28,408,928	5,604,927	33,979,275	9,806,301	1,977,462	132,466	11,882,759	22,096,516	
		(34,580)			(33,470)				
1997	22,943,090	5,487,022	28,408,928	8,200,709	1,626,092	--	9,806,301	18,602,627	
		(21,184)			(20,500)				

Included in additions to compressor stations and equipment is an exchange loss of Rs 20,922 million (1997: Rs 28,881 million).

Included in furniture and equipments above are assets of Rs 50,324 million (1997: Rs 31,941 million) and Rs 7,354 million (1997: Rs 9,296 million) held by Sui Joint Services Capexpool and Civic Centres Company (Pvt) Ltd respectively on behalf of SNGPL.

1998 1997
(Rupees in thousand)

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

Operating - Gas		1,977,462	1,626,092
Less allocated to LPG	- Note 28	5,659	5,684
		<u>1,971,803</u>	<u>1,620,408</u>
Leased assets	- Note 15	108,987	128,663
		<u>2,080,790</u>	<u>1,749,071</u>

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

Description	Cost	Accumulated Depreciation	Book value	Sale Proceeds	Made of Disposal	Sold to
Furniture and Equipments						
Voltage Stabiliser	3,700	185	3,515	3,515	Service rules	Shafique Ahmed Executive
Voltage Stabiliser	1,500	1,499	1	113	Service rules	S.A. Naiyer Executive
Voltage Stabiliser Galatek	3,099	3,098	1	232	Service rules	S.A. Naiyer Executive
Voltage Stabiliser National	3,150	793	2,357	2,357	Service rules	S.A. Naiyer Executive
Voltage Stabiliser	3,000	987	2,013	2,013	Service rules	S.M. Sharif Executive
Voltage Stabiliser Electrocrafft	700	356	344	344	Service rules	Javed Hameed Chief Executive
Voltage Stabiliser Sony	2,390	2,111	279	279	Service rules	Manzoor Hussain Executive
Air conditioner PEL	23,690	2,369	21,321	21,321	Service rules	Shafique Ahmed Executive
Air conditioner General	25,000	12,582	12,418	12,418	Service rules	S.A. Naiyer Executive
Air conditioner PEL	18,850	12,400	6,450	6,450	Service rules	S.M. Sharif Executive
Air conditioner Window type	13,500	13,499	1	1,013	Service rules	Javed Hameed Chief Executive
Air conditioner PEL	18,500	18,499	1	1,387	Service rules	Manzoor Hussain Executive
Refrigerator National	12,000	11,999	1	900	Service rules	S.A. Naiyer Executive
Refrigerator Samsung	22,875	22,874	1	1,716	Service rules	Javed Hameed Chief Executive
Refrigerator National	34,500	9,197	25,303	25,303	Service rules	Manzoor Hussain Executive
Transport Vehicles						
Toyota Corolla	554,000	348,527	205,473	205,476	Service rules	S.A. Naiyer Executive
Toyota Corolla	604,000	314,628	289,372	289,382	Service rules	Javed Hameed Chief Executive
Suzuki Margalla	464,000	154,614	309,386	309,386	Service rules	Manzoor Hussain Executive
Toyota Corolla	554,000	346,250	207,750	549,000	Insurance claim, Insurance Co.	

15. ASSETS SUBJECT TO FINANCE LEASE

Description	Cost as at July 1, 1997	Additions/ Transfers to fixed assets	Cost as at June 30, 1998	Accumulated depreciation as at July 1, 1997	Depreciation charge for the year		Accumulated depreciation as at June 30, 1998	Book value as at June 30, 1998	Rate %
					Current	Transfer to fixed assets			
(Rupees in thousand)									
Distribution system	2,078,285	230,000	1,850,145	219,351	104,109	(89,421)	234,039	1,616,106	6
		(458,140)							
Consumer meter and town border stations	221,856	(151,860)	69,996	43,478	4,200	(28,779)	18,899	51,097	6
Telecommunication system and facilities	1,529	--	1,529	803	229	--	1,032	497	15
Plant and machinery	4,492	--	4,492	1,572	449	--	2,021	2,471	6-20
Transport vehicles	16,304	(16,304)	--	14,266	--	(14,266)	--	--	25
1998	2,322,466	230,000	1,926,162	279,470	108,987	(132,466)	255,991	1,670,171	
		(626,304)							
1997	1,852,466	470,000	2,322,466	150,807	128,663	--	279,470	2,042,996	

1998 1997
(Rupees in thousand)

16. CAPITAL WORK-IN-PROGRESS

Transmission system	539,848	1,039,076
Distribution system	867,152	1,035,998
Stores and spares including in transit		
Rs 731.447 million (1997: Rs 643.795 million)	3,773,700	3,824,488
	<u>5,180,700</u>	<u>5,899,562</u>

17. LONG TERM LOANS - CONSIDERED GOOD

	House building		Car		Motorcycle/Scooter		Total	
	1998	1997	1998	1997	1998	1997	1998	1997
	(Rupees in thousand)							
Due from employees	200,682	183,510	14,039	12,954	3,152	3,297	217,873	199,761
Amount due within one year shown under current assets - note 23	37,245	34,146	1,816	1,674	1,788	1,736	40,849	37,556
	<u>163,437</u>	<u>149,364</u>	<u>12,223</u>	<u>11,280</u>	<u>1,364</u>	<u>1,561</u>	<u>177,024</u>	<u>162,205</u>
Outstanding for more than three years	50,843	50,365	4,271	3,693	--	--	55,114	54,058
Others	112,594	98,999	7,952	7,587	1,364	1,561	121,910	108,147
	<u>163,437</u>	<u>149,364</u>	<u>12,223</u>	<u>11,280</u>	<u>1,364</u>	<u>1,561</u>	<u>177,024</u>	<u>162,205</u>

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.

Car and house building loans include Rs 31.184 million (1997: Rs 33.238 million) due from the executives of the Company.

The maximum amount due from Chief Executive and executives at any time during the year was Rs 0.115 million (1997: Rs Nil) and Rs 35.803 million (1997: Rs 37.972 million) respectively.

1998 1997
(Rupees in thousand)

18. LONG TERM DEPOSITS AND PREPAYMENTS

Prepaid rent	7,582	5,592
Security deposits against leased assets	36,116	86,997
	<u>43,698</u>	<u>92,589</u>

19. LONG TERM INVESTMENTS

Civic Centres Company (Pvt) Ltd.	- Note 19.1	85,000	54,000
Share deposit money in respect of Civic Centres Company (Pvt) Ltd		--	31,000
Inter State Gas Systems (Pvt) Ltd	- Note 19.2	1	1
		<u>85,000</u>	<u>85,001</u>

19.1 Civic Centres Company (Pvt) Ltd

8,500,000 (1997: 5,400,000) fully paid ordinary shares of Rs 10 each
Equity held - 19% (1997:13%) Value of investments based on the net assets shown in the audited accounts as at June 30, 1998 Rs 95 million (1997: Rs 94 million)
Mr. Mansoor Elahi is the Chief Executive of the company.

19.2 Advance to Inter State Gas Systems (Pvt) Limited for 49 ordinary shares of Rs 10 each.

1998 1997
(Rupees in thousand)

20. STORES AND SPARES

Stores including in transit Rs 24.981 million (1997: Rs 14.527 million)	312,220	188,399
Spares including in transit Rs 25.929 million (1997: Rs 7.812 million)	374,722	375,217
	<u>686,942</u>	<u>563,616</u>
Less: Provision for obsolescence	16,500	8,500
	<u>670,442</u>	<u>555,116</u>

21. STOCK-IN-TRADE

Gas in pipelines	71,616	65,192
Gas in LPG containers	2,788	2,006
	<u>74,404</u>	<u>67,198</u>

22. TRADE DEBTS

Considered good	6,392,391	4,855,844
Considered doubtful	870,306	556,788
	-----	-----
	7,262,697	5,412,632
Less: Provision for doubtful	870,306	556,788
	-----	-----
	6,392,391	4,855,844
	=====	=====

Included in trade debts considered good are secured debts of Rs 1,525,720 million (1997: Rs 1,501,399 million).

23. LOANS ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans to employees - considered good	- Note 17	40,849	37,556
Advances to employees - considered good	- Note 23.1	10,306	14,542
Advance to suppliers and contractors considered good		57,941	56,334
Trade deposits and prepayments less provision, for doubtful Rs 11.337 million (1997: Rs 11.337 million)		66,346	70,089
Accrued gas sales		181,519	526,109
Claims receivables		1,730	2,036
Taxes recoverable and refund due from Government - Income Tax		456,527	438,743
Exchange differences on long term loans recoverable from the State Bank of Pakistan		173,595	255,857
Accrued return on bank deposits		18,630	11,989
Advance to Saindak Metals Limited		--	20,000
Recoverable from Pakistan Petroleum Limited (PPL)		1,191,630	--
Gas development surcharge (GDS) recoverable		819,497	819,497
Differential margin recoverable	- Note 23.2	2,903,792	1,918,815
Others		57,135	26,772
		-----	-----
		5,979,497	4,198,339
		=====	=====

23.1 Included in advances to employees are Rs 0.449 million (1997: Rs 0.424 million) due from executives. The maximum amount due from executives at any month end during the year was Rs 0.510 million (1997: Rs 0.846 million)

23.2 Differential margin represents amount recoverable from Government on account of tariff allowed to meet the covenanted rate of return as referred to in note 2.12.

1998 1997
(Rupees in thousand)

24. CASH AND BANK BALANCES

At banks		
- On deposits including Rs Nil (1997: Rs 2,100 million) under lien, Rs 10,441 million (1997: Rs 9,470 million) in special accounts and cheques under clearance of Rs 71,418 million (1997: Nil)	364,340	287,895
- On current accounts, including remittances in transit and cheques under clearance Rs 745,939 million (1997: Rs 352,836 million)	789,118	388,079
	-----	-----
	1,153,458	675,974
In hand	274	229
	-----	-----
	1,153,732	676,203
	=====	=====

24.1 Included in these accounts are Rs 5,243 million (1997: Rs 8,937 million) representing unutilised foreign currency loans, which are available solely for use on capital projects.

25. RENTAL AND SERVICE INCOME

Transmission charges	8,591	3,679
Meter rental	203,349	184,594
Testing and reconnection charges	7,507	6,551
Income from repair work	17,434	10,962
	-----	-----
	236,881	205,786
	=====	=====

26. COST OF GAS SOLD

	1998	1997	1998	1997
	Volume	Volume	(Rupees in thousand)	
	(hm³)	(hm³)		
Opening stock of gas in pipelines	389,111	365,719	65,192	50,370
Gas purchases				
- Southern system	68,334,808	65,376,655	-10,752,940	10,757,455
- Northern system	7,221,194	8,612,915	1,983,331	2,344,647
	-----	-----	-----	-----
	75,556,002	73,989,570	12,736,271	13,102,102
	-----	-----	-----	-----
	75,945,113	74,355,289	12,801,463	13,152,472
Less: Gas internally consumed	2,226,408	2,828,626	401,160	489,398
Closing stock of gas in pipelines	438,495	389,111	71,616	65,192
	-----	-----	-----	-----
	2,664,903	3,217,737	472,776	554,590
	-----	-----	-----	-----
	73,280,210	71,137,552	12,328,687	12,597,882

	1998	1997
	(Rupees in thousand)	
27. OPERATING COST EXCLUDING DEPRECIATION		
Salaries, wages and benefits	1,439,075	1,299,597
Employees medical and welfare	154,896	200,321
Stores and spares consumed	135,034	129,341
Fuel and power	352,792	432,309
Repairs and maintenance	110,726	101,474
Rent, rates, electricity and telephone	57,062	51,357
Insurance	89,717	74,053
Travelling	44,175	47,501
Stationery, telegrams and postage	59,984	46,937
Transport	93,476	88,964
Provision for doubtful debts	313,518	441,958
Professional services	10,304	9,615
Loans to deceased employees written off	97	--
Gas bill collection charges	19,023	16,080
Other charges	69,387	59,123
	2,949,266	2,998,630
Less: Allocated to fixed capital expenditure	427,683	426,002
	2,521,583	2,572,628

27.1 Professional services

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

Statutory audit		
A.F. Ferguson & Co	150	150
Taseer Hadi Khalid & Co	150	150
	300	300
Tax representation and advisory services		
A.F. Ferguson & Co	350	350
Provident fund, audit certification for lending agencies and sundry advisory services		
A.F. Ferguson & Co	20	25
Taseer Hadi Khalid & Co	5	8
Gas development surcharge		
A.F. Ferguson & Co	40	--
F. Majid & Co	--	40
Out of pocket expenses		
A.F. Ferguson & Co	75	--
Taseer Hadi Khalid & Co	38	--
F. Majid & Co	--	25
Ilyas Saleem and Co	--	18
	828	766

	1998	1997
	(Rupees in thousand)	
28. OPERATING PROFIT - LPG		
Sales	58,026	56,282
Cost of gas sold	31,328	26,719
	26,698	29,563
Less: Operating costs:		
Salaries, wages and benefits	5,134	5,215
Employees medical and welfare	425	672
Stores and spares consumed	758	63
Fuel and power	279	289
Repairs and maintenance	1,375	1,017
Rent, rates and taxes	806	901
Travelling expenses	262	356
Stationery, telegrams and postage	44	14
Transport expenses	462	434
Transportation of cylinders	5,404	4,578
Depreciation	5,659	5,684
Others	2,544	2,224
	23,152	21,447
	3,546	8,116

29. OTHER INCOME

Surcharge and interest on arrears of gas sales:		
- WAPDA	327,900	59,252
- Others	345,409	155,423
Interest on staff loans and advances	6,806	5,832
Return on bank deposits	57,949	48,972
Others	40,117	16,078

778,181	285,557
=====	=====

30. FINANCIAL CHARGES

Mark-up on:		
- Non participatory redeemable capital	778,787	504,753
- Finance lease	241,695	317,659
- Short term finances	320,621	116,836
Interest and commitment charges on:		
- Long term loans	1,074,714	1,011,309
- Security deposits	26,643	24,481
- Workers' profit participation fund	268	158
Term loan raising expenses	76,234	45,247
Exchange risk coverage fee	389,724	322,148
Interest on late payment to gas creditors	799,260	472,964
Others	58	9,883
	-----	-----
	3,708,004	2,825,438
Less: Allocated to fixed capital expenditure	449,965	472,043
	-----	-----
	3,258,039	2,353,395
	=====	=====

1998	1997
<i>(Rupees in thousand)</i>	

31. OTHER CHARGES

Workers' profit participation fund		37,531	33,937
Donations	- Note 31.1	5	120
Miscellaneous		741	111
		-----	-----
		38,277	34,168
		=====	=====

31.1 Donations

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

32. Provision for taxation

For the year		
- Current	100,094	97,674
- Deferred	227,536	218,523
	-----	-----
	327,630	316,197
Prior year		
- Deferred	--	(171,885)
	-----	-----
	327,630	144,312
	=====	=====

In view of available tax losses provision for current taxation represents the minimum tax due under section 80 (D), of the Income Tax Ordinance, 1979

For purposes of current taxation losses available for carry forward at June 30, 1998 are estimated at approximately Rs 4,012,866 million (1997: Rs 2,992,465 million) including assessed tax loss of Rs 142,415 million (1997: Rs 142,415 million)

1998	1997
<i>(Rupees in thousand)</i>	

33. CASH, GENERATED FROM OPERATIONS

Profit before taxation		713,084	644,798
Adjustment for non-cash charges and other items			
Depreciation - normal assets		1,977,462	1,626,092
- leased assets		108,987	128,663
Amortisation of deferred credit		(186,590)	(168,825)
Net profit on disposal of fixed assets		(11,438)	(10,879)
Financial charges		3,258,039	2,353,395
Return on bank deposits	- Note 29	(57,949)	(48,972)
Provision for obsolete store		8,000	--
Provision for doubtful debts		313,518	441,958
Working capital changes	- Note 33.1	311,536	280,104
		-----	-----
		6,434,649	5,246,334
		=====	=====

1998	1997
<i>(Rupees in thousand)</i>	

33.1. Working capital changes

(Increase)/decrease in current assets		
Stores and spares	(123,326)	(53,953)
Stock-in-trade	(7,206)	(14,531)
Trade debts	(1,850,065)	(1,559,871)
Loans, advances, deposits, prepayments and other receivables (excluding interest and taxes receivables)	(1,753,440)	(2,260,522)
	-----	-----

	(3,734,037)	(3,888,877)
(Increase)/decrease in current liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	4,045,573	4,168,981
	<u>311,536</u>	<u>280,104</u>

34. 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:

	<i>Chief Executive</i>				<i>Executives</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>July 1, 1997 to January 29, 1998</i>	<i>January 30, to June 30, 1998</i>	<i>July 1, 1996 to January 4, 1997</i>	<i>January 5, 1997 to June 30, 1997</i>		
Number of persons	1	1	1	1	279	174
	<i>(Rupees in thousand)</i>					
Managerial remuneration	221	141	187	193	49,274	47,539
Contribution to provident, pension and gratuity fund	49	35	43	40	13,048	12,575
Housing and utilities	139	95	112	103	29,693	27,294
Leave encashment	245		161		6,144	1,437
Leave fare assistance	50	46	47		5,567	5,382
Club subscriptions	6	1	2	5	38	30
	<u>710</u>	<u>318</u>	<u>552</u>	<u>341</u>	<u>103,764</u>	<u>94,257</u>

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 free medical facilities. Certain executives are also allowed these facilities.

The aggregate amounts charged in the accounts in respect of directors' fee paid to thirteen (1997: fourteen) directors was Rs 19,000 (1997: Rs 19,000).

35. TRANSACTIONS WITH ASSOCIATED COMPANIES

The Company received return from and paid mark-up to associated companies aggregating Rs 10.661 million (1997: Rs 10.609 million) and Rs 17.406 million (1997: Rs 22.203 million) respectively.

36. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 206,867 hm³ (1997:202,639 hm³) against the designed capacity of 290,191 hm³ (1997:267,652 hm³).

37. CORRESPONDING FIGURES

Corresponding figures have been rearranged for comparison, wherever necessary.

MUNIR AHMAD
Chief Executive

BEHRAM HASAN
Director

TEN YEARS AT A GLANCE

<i>BALANCE SHEET - SUMMARY</i> <i>(Rupees in thousand)</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>	<i>1990</i>	<i>1989</i>
Paid up share capital	3,282,233	2,854,116	2,481,840	2,068,200	1,723,500	1,723,500	1,633,703	383,000	383,000	383,000
Reserves and unappropriated profit	2,029,932	2,072,595	1,944,385	1,943,407	1,846,617	1,413,554	1,073,152	1,426,839	386,564	371,231
Surplus on revaluation of operating fixed assets	--	--	--	--	--	--	--	--	1,728,036	1,747,356
Deferred credit	2,500,395	2,356,586	2,157,747	1,906,320	1,535,971	1,324,115	1,115,444	922,840	798,211	652,000
Long term loans outstanding										
- Local	4,565,991	4,606,081	4,223,820	3,915,356	3,854,513	919,980	923,530	887,796	855,631	595,558
- Foreign	5,009,957	4,010,543	3,668,004	3,648,860	2,950,211	2,219,758	1,382,186	1,365,627	1,466,808	1,647,818
- Non-Participatory Redeemable capital	3,088,776	2,449,330	2,270,516	3,092,941	1,667,181	1,730,604	1,832,938	1,845,627	866,246	907,705
Long term security deposits	1,117,849	981,40	832,175	734,866	628,424	541,369	491,725	434,288	394,518	371,201
Deferred liabilities - taxation	2,336,798	2,109,262	2,062,624	1,782,697	1,639,843	1,518,816	1,352,887	1,195,409	1,098,689	904,828
Deferred liabilities - others	831,427	1,039,993	1,161,100	583,365	450,265	--	--	1,257	6,465	13,387
Current Liabilities	18,897,684	14,897,282	8,149,357	3,954,979	3,274,982	2,800,757	1,822,893	2,069,542	2,206,188	1,716,212
	<u>43,661,042</u>	<u>37,377,183</u>	<u>28,951,568</u>	<u>23,630,991</u>	<u>19,571,507</u>	<u>14,192,453</u>	<u>11,628,458</u>	<u>10,532,225</u>	<u>10,190,356</u>	<u>9,310,296</u>
Represented by:										
Fixed assets	29,084,853	26,684,688	21,717,849	18,244,025	15,084,399	11,056,637	8,461,771	7,396,118	7,350,066	6,948,163
Other assets - Long Term	305,723	339,795	304,220	236,029	175,405	113,214	99,254	90,509	78,253	79,030
Current Assets	14,270,466	10,352,700	6,929,499	5,150,937	4,311,703	3,022,602	3,067,433	3,045,598	2,762,037	2,283,103
	<u>43,661,042</u>	<u>37,377,183</u>	<u>28,951,568</u>	<u>23,630,991</u>	<u>19,571,507</u>	<u>14,192,453</u>	<u>11,628,458</u>	<u>10,532,225</u>	<u>10,190,356</u>	<u>9,310,296</u>
PROFIT AND LOSS- SUMMARY										
INCOME										
Sales	18,738,847	17,353,964	14,180,520	10,541,271	9,449,843	7,666,698	7,782,762	6,551,687	6,352,749	5,593,464
Add (Less) Differential margin/(development surcharge)	984,977	1,918,815	(103,096)	(1,472,478)	(2,181,300)	(1,786,306)	(2,276,996)	(2,490,084)	(2,545,007)	(2,782,473)

Net Sales	19,723,824	19,272,779	14,077,424	9,068,793	7,268,543	5,880,392	5,505,766	4,061,603	3,807,742	2,810,991
Cost of gas sold	12,328,687	12,597,882	9,068,712	5,266,811	4,158,024	3,389,665	3,363,545	2,242,744	2,062,562	1,320,566
	7,395,137	6,674,897	5,008,712	3,801,982	3,110,519	2,490,727	2,142,221	1,818,859	1,745,180	1,490,425
Rental and service income	236,881	205,786	137,473	96,226	88,534	72,664	65,101	61,631	38,807	45,362
Amortization of deferred credit	186,590	168,825	149,108	127,929	107,115	87,367	70,476	55,257	52,066	39,238
Operating profit/(Loss)-LPG	3,546	8,116	63	89	(560)	(4,737)	4,115	6,875	7,833	7,446
Net gain on sale of fixed assets	11,438	10,879	5,885	4,403	4,057	9,563	2,875	5,478	1,932	4,833
Other income	778.18	285,557	281,085	266,724	128,152	127,471	121,256	93,444	82,342	96,004
	8,611,773	7,354,060	5,582,326	4,297,353	3,437,817	2,783,055	2,406,044	2,041,544	1,928,160	1,683,308
EXPENDITURE										
Operating cost excluding depreciation	2,521,583	2,572,628	1,778,283	1,337,551	1,133,014	889,246	793,407	587,954	521,539	463,297
Depreciation	2,080,790	1,749,071	1,406,663	1,118,245	884,409	716,418	605,290	540,330	655,801	545,806
Financial charges	3,258,039	2,353,395	1,580,447	1,134,145	798,081	610,412	579,540	497,219	419,711	311,543
Other charges	38,277	34,168	51,007	35,583	31,125	30,724	21,390	20,818	16,555	18,164
	7,898,689	6,709,262	4,816,400	3,625,524	2,846,629	2,246,800	1,999,627	1,646,321	1,613,606	1,338,810
PROFIT										
Profit before taxation	713,084	644,798	765,926	671,829	591,188	536,255	406,417	395,223	314,554	344,498
Provision for taxation	327,630	144,312	351,308	230,339	158,125	195,853	195,179	198,424	211,131	210,483
Profit after taxation	385,454	500,486	414,618	441,490	433,063	340,402	211,238	196,799	103,423	134,015
DIVIDEND (%)	--	--	--	--	--	--	10	10	23	22.50
BONUS SHARES	6.67:1	6.67:1	6.67:1	5:1	5:1	--	--	1:1.25	--	--
NUMBER OF EMPLOYEES - Operation	7,386	8,018	6,946	5,564	4,210	3,995	3,987	4,056	3,871	3,662
- Project	302	258	324	333	293	277	287	306	309	313
	8,138	8,276	7,270	5,897	4,503	4,272	4,274	4,362	4,180	3,975
GAS SALES (MMCF)										
Industrial	133,865	139,246	130,285	119,159	123,235	121,755	123,543	121,385	124,335	111,132
Commercial	13,257	13,531	11,978	11,161	10,423	9,667	8,739	7,855	7,514	6,936
Domestic	84,434	78,246	66,680	60,104	51,561	45,624	43,347	39,491	33,855	31,016
	231,556	231,023	208,943	190,424	185,219	177,056	175,629	168,731	165,704	149,084
Consumers (in numbers)	1,672,548	1,573,771	1,440,027	1,292,184	1,136,803	1,006,009	884,375	793,456	732,880	678,635
Customers										
Industrial	2,316	2,764	2,614	2,744	2,843	2,990	3,020	2,994	2,591	2,754
Commercial	37,231	35,862	34,079	32,739	31,487	30,256	28,339	26,561	25,349	24,837
Domestic	1,598,256	1,500,184	1,368,032	1,221,899	1,067,671	939,488	819,872	731,044	665,629	608,959
	1,637,803	1,538,810	1,404,725	1,257,382	1,102,001	972,734	851,231	760,044	693,569	636,550
Distribution and Transmission System (in Kilometres)										
Transmission mains	4,920	4,687	4,243	3,865	3,614	3,311	3,200	3,067	3,081	2,808
Distribution mains and services	28,661	26,848	24,226	21,782	18,375	15,501	13,510	12,040	10,940	10,028

TRANSMISSION SYSTEM AS AT JUNE 30, 1998

SECTION	DIA (Inches)	MAINLINE (Kilometres)	LOOPLINE (Kilometres)
Pirkoh - Sui	24	70.50	--
Loti - Pesh Bogi	18	11.25	--
Sui - Multan	16	2.11	--
Sui - Multan	18	--	346.64
Sui - Multan	24	347.01	--
Sui - Multan	30	--	347.11
Guddu Thermal Power Station	4	2.41	--
Guddu Barrage	24	1.81	--
Sutlej Crossing- 1	12	1.61	3.22
Sutlej Crossing - 2	36	--	2.04
Khanpur Line	6	22.81	--
A5 - Bahawalpur	8	48.18	--
AV22 - Kot Addu	16	69.65	--
D.G. Khan Line	8	46.13	--
Dhodak - Kot Addu	16	77.79	--
TPS Muzaffargarh Line	16	4.57	--
Qadirpur Line	30	70.26	--
Ahmedpur East	6	18.34	--
Khan Garh	8	22.20	--
Multan - Fertilizer Line	10	1.43	--
Jahania Line	8	30.49	--
Multan - Sidhnaï	16	46.70	46.70
Multan - Sidhnaï	18	--	46.60
Multan - Sidhnaï	24	22.46	22.46
Multan- Sidhnaï	30	--	46.70
AV 29 Sahiwal	24	145.45	--
Sidhnaï - Faisalabad	16	112.43	112.40
Sidhnaï - Faisalabad	18	--	136.85
Sidhnaï - Faisalabad	24	--	50.24
Sidhnaï - Faisalabad	30	--	26.97
T.T. Singh - Jhang	8	30.28	--
Sahiwal - Lahore	18	142.93	--

AC8 - SMS2 (Old)	16	--	5.90
WAPDA Offtake FSD	12	2.42	--
Chak Jhumra Line	6	12.04	--
FSD - Malikwal	12	137.62	--
FSD - Malikwal	16	--	135.87
Kot Momin - Joharabad (1)	8	72.41	--
Kot Momin - Joharabad (2)	6	38.36	--
Sargodha Line	6	22.90	--
FSD - Shahdara (1)	10	19.47	19.47
FSD - Shahdara (2)	16	99.78	119.25
BC 1 - Farooq Abad	8	22.96	--
Shahdara - Lahore	16	2.51	2.99
Ravi - Crossing (1)	16	0.58	--
Ravi - Crossing (2)	10	--	0.58
Shahdara - WAPDA Lahore	10	3.41	--
Khurrianwala - Jaranwala	4	22.53	--
Dawood Hercules Line	12	5.87	--
Sheikhupura - Gujranwala (1)	10	59.44	--
Sheikhupura - Gujranwala (2)	16	--	44.57
Hafizabad Line	8	43.00	--
Shahdara - Gujranwala - Rahwali	10	73.40	--
Rahwali - Gujrat	8	35.46	--
Rahwali - Sialkot	8	43.58	42.11
Gujrat - Jhelum	8	54.27	--
Malikwal - Haranpur - Dandot	12	20.13	--
Malikwal - Haranpur - Dandot	16	--	20.00
Haranpur - Gharibwal	8	13.02	--
Dandot - Gali Jagir - Wah (1)	10	151.92	--
Dandot - Gali Jagir - Wah (2)	16	--	148.90
Dhulian - Gali Jagir	10	40.14	29.85
Dakhni- Meyal, Dhulian	16	50.44	--
Ratana Line	10	2.49	--
Sil Crossing	10	--	1.46
Dhumal Line (1)	8	0.54	--
Dhumal Line (2)	10	11.08	--
Dhulian - Daudkhel	8	85.20	4.04
Gali Jagir - Morgah (1)	10	35.21	--
Gali Jagir - Morgah (2)	6	9.50	--
Wah - Islamabad	6	41.46	--
Wah - Hattar	10	9.93	--
Hattar - Haripur	10	18.12	--
Hattar Offtake	6	0.39	--
Haripur - Mansehra	8	70.53	--
Haripur Offtake	8	1.53	--
Adhi - Rawat	10	47.70	--
Bhangali Line	8	5.82	--
Missa Kaswal - Mandra	8	20.60	--
Wah - Nowshera (1)	10	75.51	--
Wah - Nowshera (2)	16	--	36.22
Taxila Line	4	4.43	--
Sanjwal Line	6	6.67	--
Kohat Line	8	5.427	--
Nowshera - Ismail Kot (1)	8	11.97	--
Nowshera - Ismail Kot (2)	6	--	11.97
Ismailkot - Tumab (1)	8	--	21.89
Ismailkot - Tumab (2)	6	21.90	--
Nowshera - MDN - Takhtbai - Sakha Kot	8	57.99	--
Nowshera - Charsadda	8	23.59	--
Charsadda - Turang Zai Line	6	10.36	--
Sadgal - Naugazi Line	16	19.02	--
Tangi Line	6	13.87	--
Daska - Pasroor Line	8	24.86	--
Fauji Kabir Wala Line	8	5.86	--
TOTAL		3086.86	1833.10
GRAND TOTAL	=	4919.96 KM	