



SUI NORTHERN GAS PIPELINES LIMITED

Head Office

21-Kashmir Road, Lahore (042)
Tel: 9201451 60 & 9201490 99

Regional Offices Network

Abbottabad

Mansehra Road, Abbottabad (0992)
Tel: 9310071-72 & 9310077-78

Bahawalpur

2-A, Railway Road, Bahawalpur (0621)
Tel: 9255022, 9255023, 9255024 Fax: 9255026

Faisalabad

Sargodha Road, Faisalabad (041)
Tel: 9210033-35 Fax: 9210037

Gujranwala

M.A. Jinnah Road,
P.O. Box # 264, Gujranwala (0431)
Tel: 9200481-84 Fax: 9200486

Islamabad

28-30, Sector I-9,
Industrial Area, Islamabad (051)
Tel: 9257710-19 Fax: 9257770

Lahore

21 Industrial Area, Gurumangat Road,
Gulberg-III, Lahore (042)
Tel: 5756120-39 Fax: 5710668

Multan

A-7, Piran Ghaib, Multan (061)
Tel: 9220081-86

Peshawar

2-Khalid Road, Peshawar Cantt (091)
Tel: 9212870-73, 9212875

Emergency Help Line 119



SUI NORTHERN GAS PIPELINES LIMITED



*maximizing benefits to the stakeholders
commitment to deliver network expansion
best practices ethical standards efficient
resources environment friendly*

**ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004**



OUR LIFE REVOLVES AROUND YOU

CONTENTS

Vision / Mission.....	02
Company's profile.....	05
Corporate Information.....	15
Notice of Meeting.....	23
Chairman's Statement.....	29
Directors' Report to the Shareholders	37
Statement of Compliance	46
Auditors' Report.....	49
Financial Statements.....	53
Balance Sheet.....	54
Profit and Loss Account	56
Cash Flow Statement.....	57
Statement of Changes in Equity.....	58
Notes to the Accounts	59
Transmission System	87
Form of Proxy.....	91

VISION

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



MISSION

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

SNGPL'S BOARD



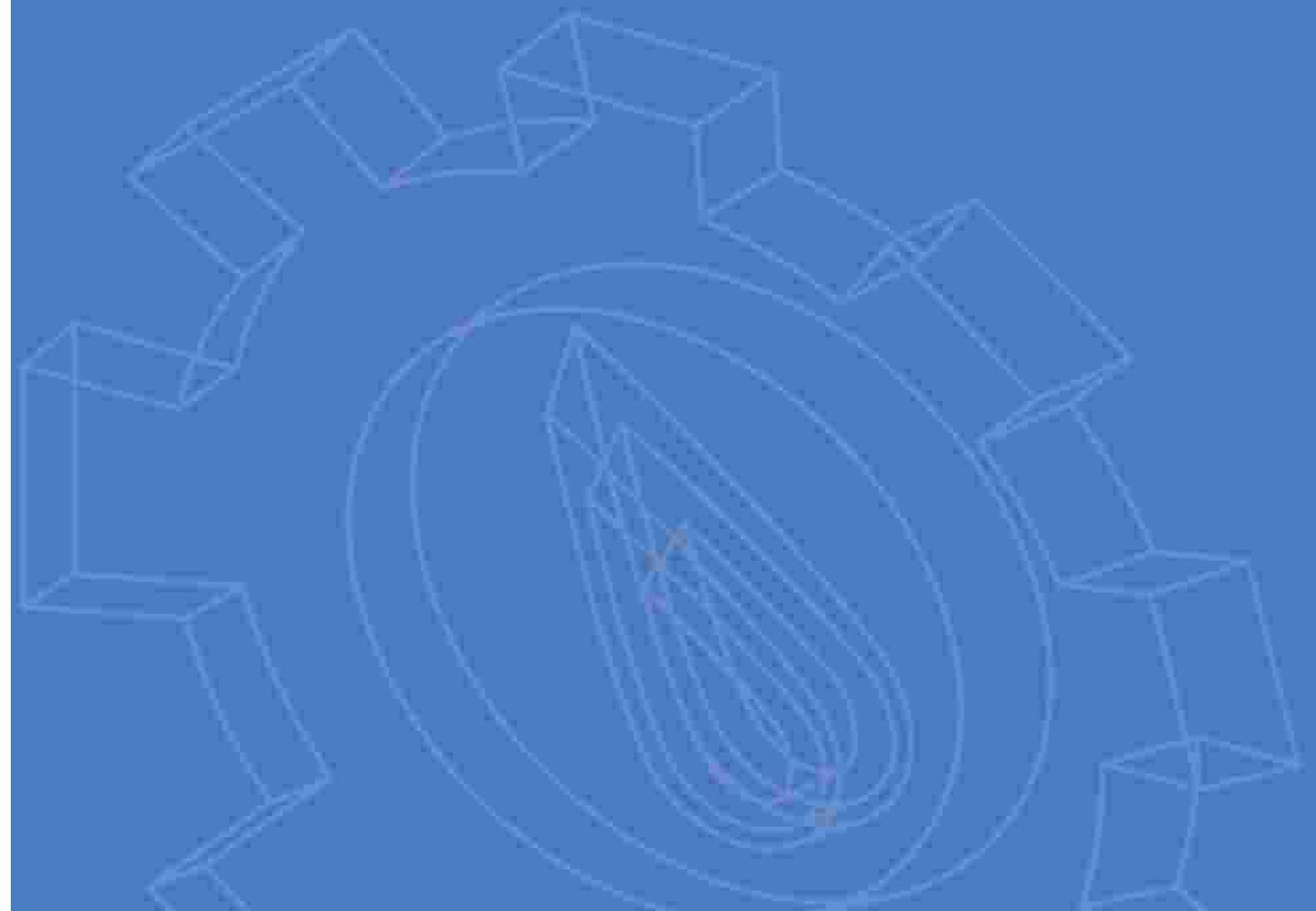
Sitting - (Left to Right) Mian Raza Mansha, Director, Lt. Gen. (R) Ghulam Safdar Butt, Chairman, M. Iqbal Awan, Director, M. Naeem Malik, Director, A. Rashid Lone, Chief Executive, M. Nawaz Tiwana, Director.

Standing - (Left to Right) S. M. Chaudhry, Chief Financial Officer, Munawar B. Ahmad, Director, Tariq Iqbal Khan, Director, Shaukat Ali Rana, Director, Anjum M. Saleem, Director, Mohammad Arshad, Director, Tariq Mehmood, Director, Abdul Latif Uqaili, Director, Qasim Rabbani, Director, Uzma Adil Khan, Company Secretary.

ENHANCING THE QUALITY OF LIFE



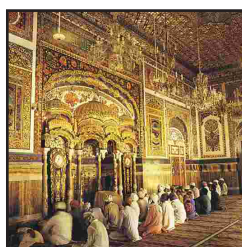
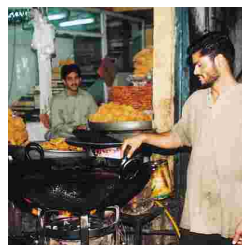
COMPANY'S PROFILE



INTRODUCTION

Sui Northern Gas Pipelines Limited (SNGPL), is the largest integrated gas company serving more than 2 million consumers in North Central Pakistan through an extensive network in Punjab and NWFP. The Company has over 41 years of experience in operation and maintenance of high-pressure gas transmission and distribution systems. It has also expanded its activities to undertake the planning, designing and construction of pipelines, both for itself and other organizations.

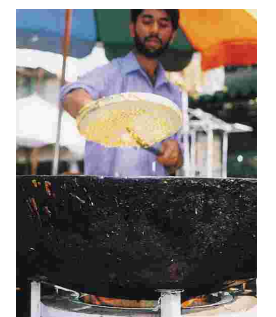
SNGPL operates in a region of the nation that has a rapidly growing demand for natural gas and power generation due to significant industrial development.

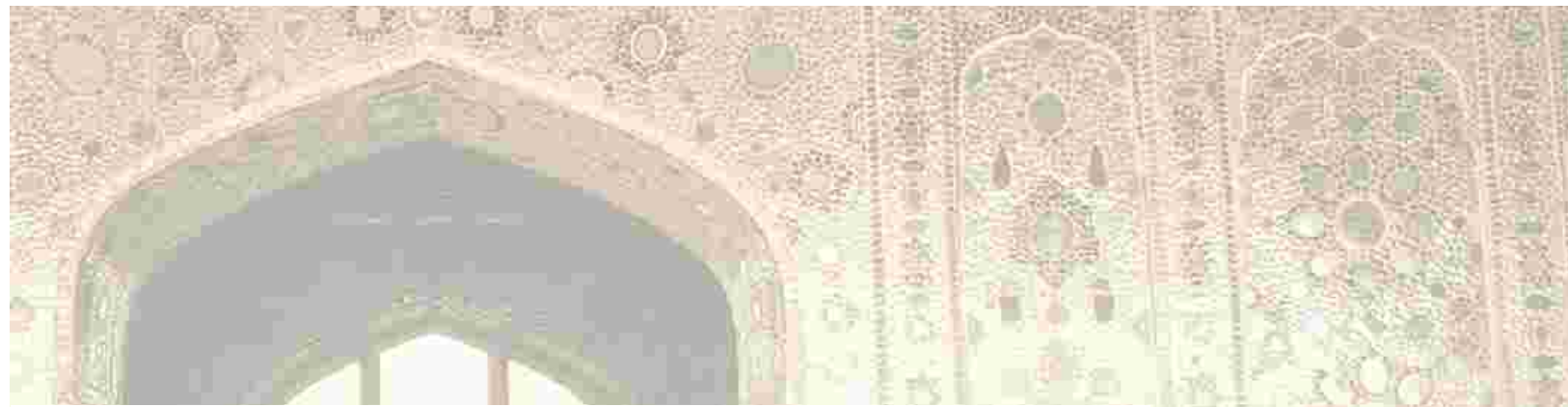


CORPORATE PROFILE

SNGPL was incorporated as a private limited Company in 1963 and converted into a public limited company in January 1964 under the Companies Act 1913, now Companies Ordinance 1984, and is listed on all the three Stock Exchanges of the Country.

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

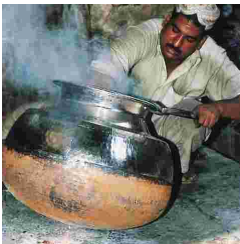




OBJECTIVES

Sui Northern Gas Pipelines Limited is committed to:

- Provide quality customer service.
- Delivering clean, efficient and reliable gas delivery.
- Maintaining healthy and safe working environment.
- Ensuring fair return to shareholders.
- Optimizing the use of Company's resources.
- Implementation of quality management services.



CORE VALUES

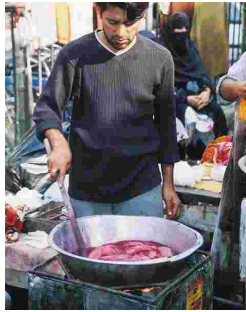
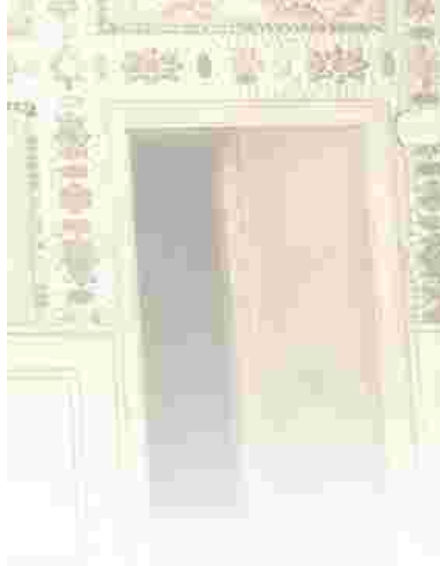
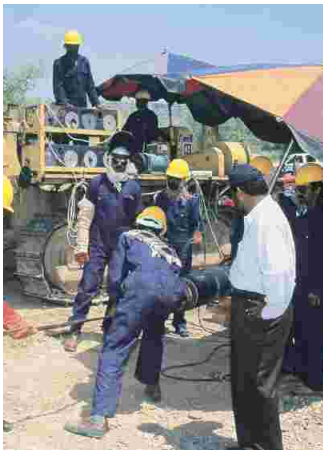
Commitment:
We are committed to our vision, mission and to creating and delivering stakeholder value.

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

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

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

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



SERVICES

The Company serves a variety of customers ranging from individual homes, restaurants, hotels, schools and hospitals to large industrial facilities, manufacturers, fertilizer units and power plants.

Our service area encompasses a large diverse terrain throughout most of Punjab and NWFP (North West Frontier Province).

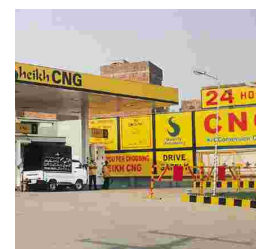
Our expertise and experience, as well as our size, scope and resources, places us in a position to fuel about half of the energy used in the Country. For the year ended June 30, 2004, we delivered 1236 MMCFD of natural gas to eight regions viz Multan, Bahawalpur, Lahore, Gujranwala, Faisalabad, Islamabad, Abbotabad and Peshawar.

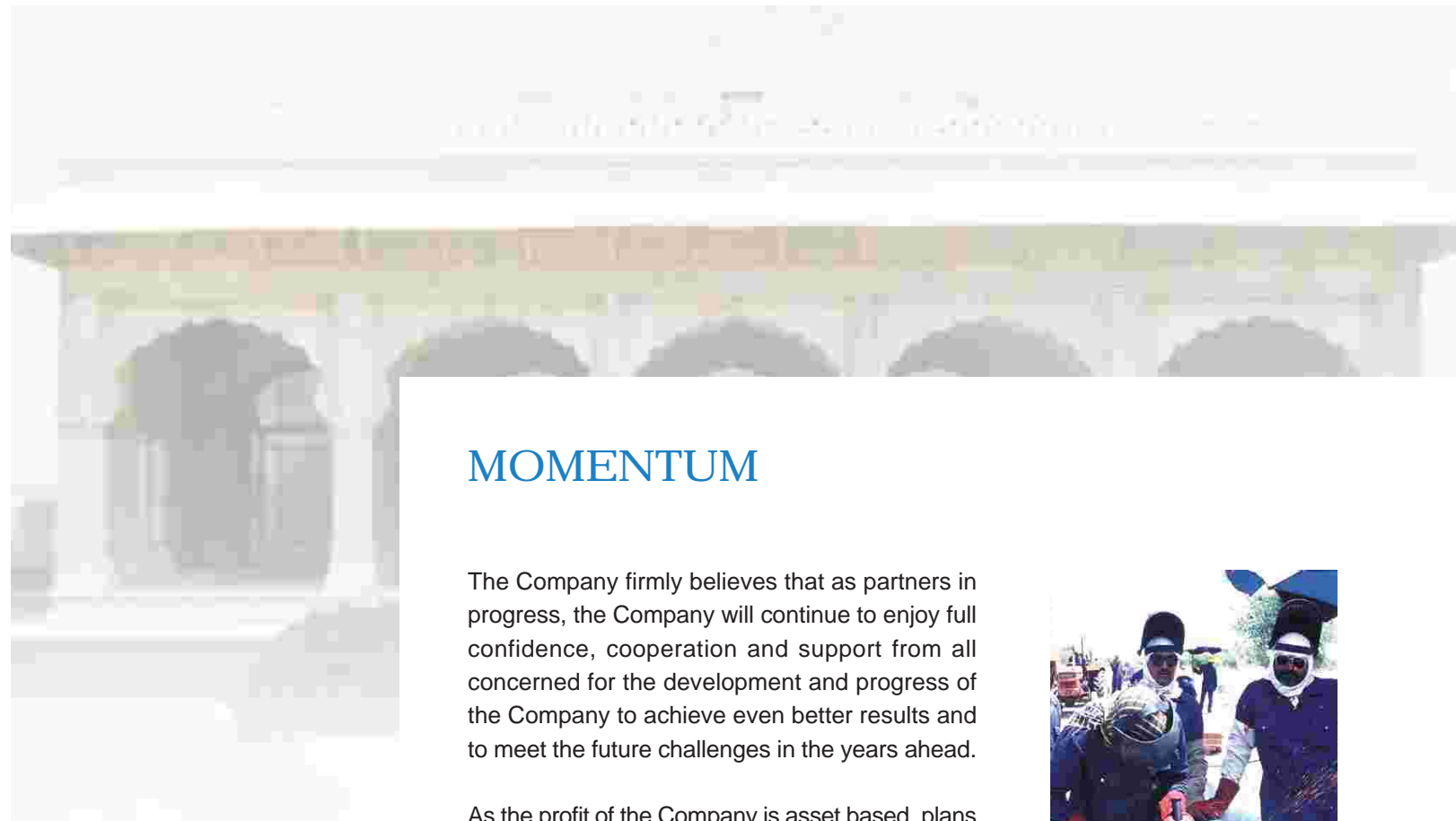


FOCUS

To deliver gas to all doorsteps in our chosen area.

The top management's focus as on providing customers with world-class service has been the key to longevity and success of SNGPL. In today's dynamic world a lot has changed, but our commitment to provide our customers with a reliable, safe and clean source of energy to their homes and business premises has been constant. Our commitment goes beyond providing natural gas service to our customers. It includes maintaining a diverse work-force and achieving maximum benefit for our stakeholders.





MOMENTUM

The Company firmly believes that as partners in progress, the Company will continue to enjoy full confidence, cooperation and support from all concerned for the development and progress of the Company to achieve even better results and to meet the future challenges in the years ahead.

As the profit of the Company is asset based, plans are executed to enhance infrastructure in the shape of pipeline and compression facilities to meet increasing gas demand. Expansion of system capacity to transmit more gas in future and to increase gas sales will play a vital role in boosting nation-wide economic activity.

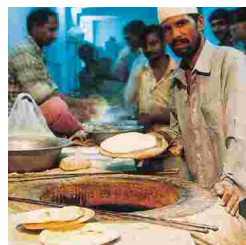


TEAM & TECHNOLOGY

Everyday we work to improve our systems, develop gas technologies, add convenience, and share useful information to help make it easier for our customers to use gas safely and wisely.

With a focus on achieving high levels of operational efficiency, Management Information Systems are being developed to facilitate informed decision-making for better control.

SNGPL provides 24 hours a day customer support and repair service through a network of local town offices. The Company is staffed by trained professionals who are able to provide a full array of natural gas services for all types of applications.





OPTIMAL UTILIZATION OF RESOURCES



CORPORATE INFORMATION

corporate Information

BOARD OF DIRECTORS

Lt. Gen. (Retd) Ghulam Safdar Butt	Chairman
Mr. A. Rashid Lone	Managing Director
Mr. M. Nawaz Tiwana	Director
Mr. M. Iqbal Awan	Director
Mr. Tariq Iqbal Khan	Director
Mr. Anjum M. Saleem	Director
Mr. Mohammad Arshad	Director
Mian Raza Mansha	Director
Mr. Tariq Mehmood	Director
Mr. Abdul Latif Uqaili	Director
Mr. Qasim Rabbani	Director
Mr. Munawar B. Ahmed	Director
Mr. M. Naeem Malik	Director
Mr. Shaukat Ali Rana	Director

BOARD OF DIRECTORS' COMMITTEES

AUDIT COMMITTEE

Mr. Anjum M. Saleem	Chairman
Mr. M. Iqbal Awan	Member
Mr. Tariq Mehmood	Member
Mr. Abdul Latif Uqaili	Member

FINANCE COMMITTEE

Mr. Tariq Iqbal Khan	Chairman
Mr. A. Rashid Lone	Managing Director
Mr. M. Iqbal Awan	Member
Mr. Qasim Rabbani	Member
Mr. Munawar B. Ahmed	Member
Mr. Shaukat Ali Rana	Member

HUMAN RESOURCE COMMITTEE

Mr. M. Nawaz Tiwana	Chairman
Mr. A. Rashid Lone	Managing Director
Mian Raza Mansha	Member
Mr. Qasim Rabbani	Member
Mr. M. Naeem Malik	Member

CHIEF FINANCIAL OFFICER

Shah Muhammad Chaudhary
FCA

COMPANY SECRETARY/ SECRETARY TO COMMITTEES OF THE BOARD

Uzma Adil Khan
FCA

JOINT AUDITORS

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Riaz Ahmad & Co.
Chartered Accountants.

SHARE REGISTRAR

Hameed Majeed Associates (Pvt) Ltd.
H. M. House, 7-Bank Square, Lahore.
Ph: 92-42-7235081-82
Fax: 92-42-7358817

LEGAL ADVISORS

M/s. SurrIDGE & BeechENO
Mr. Salim Baig and Associates

REGISTERED OFFICE

Gas House,
21-Kashmir Road, P.O. Box No. 56 Lahore
(Pakistan)
Ph: 92-42-9201451-60, 9201419
Fax: 92-42-9201369, 9201202
E-mail: info@sngpl.com.pk
Website: www.sngpl.com.pk

THE 315th MEETING OF THE BOARD OF DIRECTORS IN PROGRESS



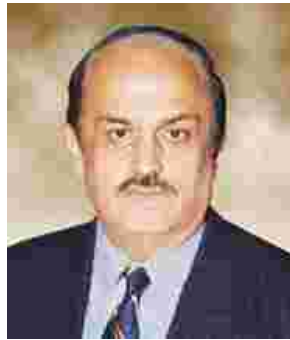
Lt. Gen. (Retd) Ghulam Safdar Butt
Chairman

A Professional Engineer, Serving Sui Northern Gas Pipelines Limited as Chairman since June 26, 2002, has served the Country in various eminent positions in civil administration, formerly served as Chairman WAPDA. Under his leadership the Company has achieved new heights in growth of sales, revenue earnings and expansion of significant projects of national importance.



A. Rashid Lone
Managing Director

A Chemical Engineer, presently holding the anchor position of Chief Executive Officer/Managing Director, Sui Northern Gas Pipelines Limited, since July 9, 2001 the largest integrated gas network in Pakistan. Under his leadership the Company has accomplished several gigantic projects of national importance by putting power generation on gas in replacement of Furnace Oil and thus achieved significant savings in valuable Foreign Exchange for the Country.



M. Nawaz Tiwana
Director

A former Managing Director of Pakistan International Airlines elected Director on the Board of SNGPL since June 26, 2002. The Company has achieved tremendous growth under his able guidance and valuable contribution towards development.



M. Iqbal Awan
Director

Financial Adviser to the Ministry of Petroleum and Natural Resources, Government of Pakistan was appointed Director on the Board of SNGPL since June 26, 2002. Under his valuable guidance the Company has accelerated the momentum of improvement in all the areas of its growth thus gained conspicuous profitability.



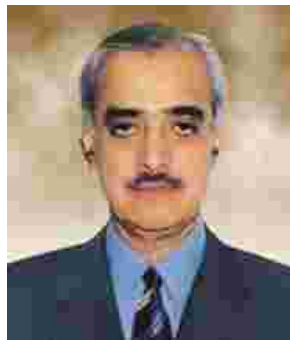
Qasim Rabbani
Director

Executive Director Investment Capital and Securities (Pvt) Limited, was elected Director on the Board of SNGPL on June 26, 2002, is an experienced financial expert and made noticeable contribution in growth of the Company with his dynamic views.



Munawar B. Ahmad
Director

Managing Director of the second largest integrated gas Company - Sui Southern Gas Company Limited, appointed Director on the Board of SNGPL on October 9, 2002, has wide and varied experience in managing petroleum and gas Industry in Pakistan.



Tariq Iqbal Khan
Director

Chairman / Managing Director, National Investment Trust (NIT) Limited, appointed Director since June 26, 2002 on the Board of SNGPL. He is a Chartered Accountant and brings with him remarkable experience in growth of financial Institutions.



Anjum M. Saleem
Director

An eminent Industrialist was appointed Director on the Board of SNGPL on June 26, 2002. His presence on the Board is of immense value in making useful contribution for progress and prosperity of the Company.



Muhammad Naeem Malik
Director

Director General (Gas), Ministry of Petroleum and Natural Resources, Government of Pakistan, was appointed Director on the Board of SNGPL since December 26, 2002. Engineer by profession with 25 years experience in Chemical Industry and Government of Pakistan.



Shaukat Ali Rana
Director

Advocate Lahore high Court, joined provincial civil service executive branch Punjab 1967 having more than 36 years experience in administration of justice, maintenance of law and order, Land Revenue, Taxation, Administration in Punjab. Retired as secretary/member inquiries SGA & ID Government of Punjab 2002. Appointed Director on the Board of SNGPL on August 13, 2004.



Mohammad Arshad
Director

An eminent Industrialist was elected Director on the Board of SNGPL on June 26, 2002, under his valuable guidance Company has achieved rich strides in all walks of its phenomenal growth.



Mian Raza Mansha
Director

An eminent Industrialist, nominee of Muslim Commercial Bank Limited, was appointed Director on the Board of SNGPL on June 26, 2002. The Company has gained from his experience of private sector entrepreneur. He is young energetic person with multifarious experience in prime industrial establishment.



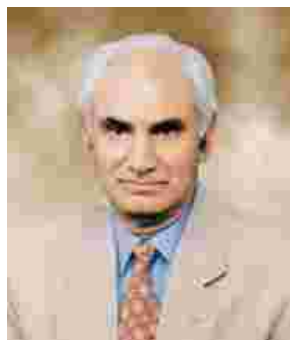
Shah Mohammad Chaudhary
Chief Financial Officer

Fellow member of the Institute of Chartered Accountant of Pakistan having more than 34 years experience in senior positions in world bank, import sector, agriculture development, transport and telecommunication etc.



Uzma Adil Khan
Company Secretary

Fellow member of the Institute of Chartered Accountant of Pakistan having more than 15 years experience in senior positions in textile, educational institutions and SECP.



Tariq Mehmood
Director

He is a Chartered Accountant and Chief Executive of Pak Kuwait Textiles Limited. He was elected Director on the Board of SNGPL on June 26, 2002. An excellent administrator / Financial expert. The Company has gained a lot from his valuable experience.



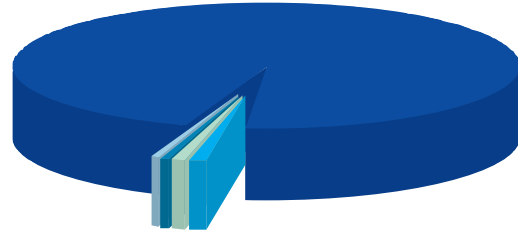
Abdul Latif Uqaili
Director

Managing Director Investment Corporation of Pakistan, was appointed Director on the Board of SNGPL on June 26, 2002, has valuable experience in setting up financial institutions of prime importance. Under his able guidance the Company has achieved excellent results.

DECADE

COMPOSITION OF REVENUE EARNED

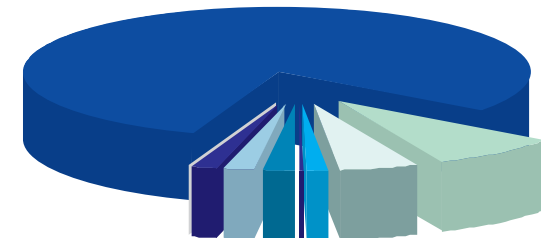
During the year ended June 30, 2004



97.08%	Gas Sales
0.97%	Rental and Service Income
0.80%	Surcharge and interest on gas sales arrears
0.54%	Amortization of deferred credit
0.61%	Other income

APPLICATION OF REVENUE EARNED

During the year ended June 30, 2004



0.11%	Gas development surcharge
79.47%	Cost of gas sold
8.07%	Operating cost
5.03%	Depreciation
1.46%	Financial charges
0.30%	Other Charges
2.06%	Taxation
1.89%	Proposed dividend
1.61%	Reserves

BALANCE SHEET SUMMARY

(Rupees in thousand)

Paid up share capital	4,991,866
Reserves and unappropriated profit	4,614,003
Deferred credit	6,910,307
Long term loans outstanding	
- Local	4,224,276
- Foreign	2,992,191
- Non-Participatory Redeemable capital	5,035,759
Long term security-deposits	4,441,952
Deferred liabilities-taxation	5,546,779
Deferred liabilities-others	1,989,201
Current Liabilities	16,178,436

Represented by:

Fixed assets	36,935,447
Other assets-Long Term	235,588
Current Assets	19,753,735

PROFIT AND LOSS SUMMARY

INCOME

Sales	64,276,145
Add/ (Less) Differential margin/(development surcharge)	(70,064)

Net Sales	64,206,081
Cost of gas sold	52,627,542

Rental and service income	638,648
Surcharge and interest on gas sales arrears	526,729
Amortization of deferred credit	359,145
Operating profit/ (Loss)-LPG	-
Net gain on sale of fixed assets	18,807
Gain on sale of LPG business	-
Other income	387,476

EXPENDITURE

Operating cost excluding depreciation	5,345,772
Depreciation	3,333,486
Financial charges	968,918
Other charges	196,791

PROFIT BEFORE TAXATION

PROVISION FOR TAXATION

PROFIT AFTER TAXATION

DIVIDEND (%)	25
BONUS SHARES	22

NUMBER OF EMPLOYEES

- Operation
- Project

GAS SALES (MMCF)

CONSUMERS (IN NUMBERS)

CUSTOMERS (IN NUMBERS)	-Industrial	2,881
	-Commercial	38,842
	-Domestic	2,263,875

TRANSMISSION AND DISTRIBUTION SYSTEM (in kilometres)

Transmission mains	5,776
Distribution mains and services	38,284

AT A GLANCE

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Paid up share capital	4,991,866	4,991,866	4,991,866	4,991,866	4,340,753	3,774,568	3,282,233	2,854,116	2,481,840	2,068,200
Reserves and unappropriated profit	4,614,003	3,564,492	2,648,937	1,760,485	1,923,646	1,963,131	2,029,932	2,072,595	1,944,385	1,943,407
Deferred credit	6,910,307	4,328,300	3,980,851	3,820,602	3,194,350	2,783,107	2,500,395	2,356,586	2,157,747	1,906,320
Long term loans outstanding										
- Local	4,224,276	3,711,707	4,506,818	5,197,566	2,229,817	5,015,173	4,565,991	4,606,081	4,223,820	3,915,356
- Foreign	2,992,191	3,414,091	3,805,052	4,167,517	4,525,551	4,880,544	5,009,957	4,010,543	3,668,004	3,648,860
- Non-Participatory Redeemable capital	5,035,759	5,471,154	4,254,384	2,211,682	2,898,603	2,395,092	3,088,776	2,449,330	2,270,516	3,092,941
Long term security-deposits	4,441,952	3,744,461	3,301,454	3,040,623	1,670,921	1,338,108	1,117,849	981,395	832,175	734,866
Deferred liabilities-taxation	5,546,779	4,986,297	4,551,906	4,128,560	3,326,809	2,625,629	2,336,798	2,109,262	2,062,624	1,782,697
Deferred liabilities-others	1,989,201	1,560,203	1,075,325	799,157	560,076	404,797	805,811	1,039,993	1,161,100	583,365
Current Liabilities	16,178,436	11,528,019	12,511,306	13,119,164	15,053,938	14,805,272	18,923,300	14,897,282	8,149,357	3,954,979
Total	56,924,770	47,300,590	45,627,899	43,237,222	39,724,464	39,985,421	43,661,042	37,377,183	28,951,568	23,630,991
Represented by:										
Fixed assets	36,935,447	33,547,740	30,271,302	28,933,866	29,070,295	29,266,663	29,084,853	26,684,688	21,717,849	18,244,025
Other assets-Long Term	235,588	227,171	256,329	282,271	290,672	313,652	305,723	339,795	304,220	236,029
Current Assets	19,753,735	13,525,679	15,100,268	14,021,085	10,363,497	10,405,106	14,270,466	10,352,700	6,929,499	5,150,937
Total	56,924,770	47,300,590	45,627,899	43,237,222	39,724,464	39,985,421	43,661,042	37,377,183	28,951,568	23,630,991
Sales	64,276,145	45,649,496	42,005,148	36,522,243	26,569,704	20,577,266	18,738,847	17,353,964	14,180,520	10,541,271
Add/ (Less) Differential margin/(development surcharge)	(70,064)	(3,189,416)	(4,084,195)	(2,442,668)	(1,019,657)	(1,665,855)	984,977	1,918,815	(103,090)	(1,472,478)
Net Sales	64,206,081	42,460,080	37,920,953	34,079,575	25,550,047	18,911,411	19,723,824	19,272,779	14,077,424	9,068,793
Cost of gas sold	52,627,542	31,349,357	28,549,844	24,849,097	16,626,517	11,088,152	12,328,687	12,597,882	9,068,712	5,266,811
Total	11,578,539	11,110,723	9,371,109	9,230,478	8,923,530	7,823,259	7,395,137	6,674,897	5,008,712	3,801,982
Rental and service income	638,648	635,260	585,016	589,680	529,600	283,644	236,881	205,786	137,473	96,226
Surcharge and interest on gas sales arrears	526,729	491,890	475,570	110,493	383,223	669,988	673,309	214,675	188,283	169,986
Amortization of deferred credit	359,145	333,994	312,849	278,447	235,877	206,219	186,590	168,825	149,108	127,929
Operating profit/ (Loss)-LPG	-	-	(3,192)	(13,807)	(6,426)	7,671	3,546	8,116	63	89
Net gain on sale of fixed assets	18,807	33,512	13,213	5,210	7,163	6,927	11,438	10,879	5,885	4,403
Gain on sale of LPG business	-	-	191,871	-	-	-	-	-	-	-
Other income	387,476	389,319	250,652	177,011	131,654	79,787	104,872	70,882	92,802	96,738
Total	13,509,344	12,994,698	11,197,088	10,377,512	10,204,621	9,077,495	8,611,773	7,354,060	5,582,326	4,297,353
Operating cost excluding depreciation	5,345,772	4,997,115	4,079,740	3,843,842	3,581,278	2,483,694	2,521,583	2,572,628	1,778,283	1,337,551
Depreciation	3,333,486	3,064,490	2,751,201	2,641,050	2,469,520	2,277,888	2,080,790	1,749,071	1,406,663	1,118,245
Financial charges	968,918	1,531,471	1,398,174	1,440,695	2,716,947	3,462,516	3,258,039	2,353,395	1,580,447	1,134,145
Other charges	196,791	194,555	203,734	122,602	71,900	42,689	38,277	34,168	51,007	35,583
Total	9,844,967	9,787,631	8,432,849	8,048,189	8,839,645	8,266,787	7,898,689	6,709,262	4,816,400	3,625,524
Profit before taxation	3,664,377	3,207,067	2,764,239	2,329,323	1,364,976	810,708	713,084	644,798	765,926	671,829
Provision for taxation	1,366,899	1,193,301	877,414	992,754	838,276	385,174	327,630	144,312	351,308	230,339
Profit after taxation	2,297,478	2,013,766	1,886,825	1,336,569	526,700	425,534	385,454	500,486	414,618	441,490
DIVIDEND (%)	25	22	20	17	-	-	-	-	-	-
BONUS SHARES	-	-	-	-	6.67:1	6.67:1	6.67:1	6.67:1	6.67:1	5:1
OPERATION EMPLOYEES	7,070	7,240	7,417	7,607	7,716	7,808	7,836	8,018	6,946	5,564
PROJECT EMPLOYEES	259	208	182	96	86	142	302	258	324	333
Total	7,329	7,448	7,599	7,703	7,802	7,950	8,138	8,276	7,270	5,897
GAS SALES (MMCF)	452,338	341,643	321,957	308,111	284,338	253,104	231,556	231,023	208,943	190,424
CONSUMERS (IN NUMBERS)	2,340,872	2,208,968	2,113,847	2,021,857	1,922,289	1,782,600	1,672,548	1,573,771	1,440,027	1,292,184
INDUSTRIAL CUSTOMERS	2,881	2,669	2,548	2,475	2,672	2,337	2,316	2,764	2,614	2,744
COMMERCIAL CUSTOMERS	38,842	37,471	37,622	39,128	40,675	38,869	37,231	35,862	34,079	32,739
DOMESTIC CUSTOMERS	2,263,875	2,133,554	2,038,403	1,944,980	1,843,662	1,706,114	1,598,256	1,500,184	1,368,032	1,221,899
Total	2,305,598	2,173,694	2,078,573	1,986,583	1,887,009	1,747,320	1,637,803	1,538,810	1,404,725	1,257,382
TRANSMISSION MAINS	5,776	5,759	5,405	5,122	5,217	5,112	4,920	4,687	4,243	3,865
DISTRIBUTION MAINS AND SERVICES	38,284	35,814	34,093	32,825	31,477	29,954	28,661	26,848	24,226	21,782

ONWARDS TOGETHER FOR A MUTUAL GAIN



NOTICE OF MEETING



NOTICE OF MEETING

Notice is hereby given that the 41st 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 Wednesday, December 29, 2004 for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 40th Annual General Meeting held on December 29, 2003.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2004 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of cash dividend at the rate of Rs 2.50 per share of Rs 10 each i.e. 25% for the year ended June 30, 2004 as recommended by the Board of Directors.
4. To appoint auditors for the year ending June 30, 2005 and fix their remuneration. The retiring auditors being eligible, also offer themselves for re-appointment.
5. To transact any ordinary business of the Company with the permission of the Chairman.

SPECIAL BUSINESS

(i) Placement of Quarterly Accounts on Website

To consider and, if thought fit, to pass the following resolution as Special Resolution approving the transmission of quarterly accounts through website in compliance with provisions of Section 245 of the Companies Ordinance 1984 and Securities and Exchange Commission of Pakistan (SECP) Circular No. 19 of 2004 dated April 14, 2004, provided it meets all other conditions.

RESOLVED

THAT the Company may henceforth place its quarterly accounts on its website instead of sending the same to individual members by post, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 dated April 14, 2004.

(ii) Sale of shares of M/s. Civic Centers Company (Pvt) Limited (CCC)

To approve the sale of investment in M/s. Civic Centers Company (Pvt) Limited (CCC) to M/s. National Insurance Company Limited. The

Board of Directors of the Company have also approved the sale of this investment.

RESOLVED

THAT the sale of shares held by Sui Northern Gas Pipelines Limited on account of investment in M/s. Civic Centres Company (Pvt) Limited (CCC) to M/s. National Insurance Company Ltd., @ Rs 8.00 per share be and is hereby approved.

The share transfer books of the Company will remain closed from Tuesday, December 21, 2004 to Wednesday, December 29, 2004 (both days inclusive). The members whose names appear in the register of members as at the close of business on Monday, December 20, 2004 will qualify for the payment of dividend.

By order of the Board

(UZMA ADIL KHAN)
Company Secretary

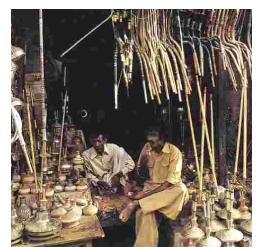
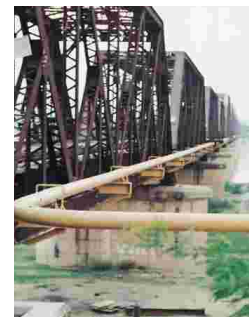
Lahore
November 25, 2004.

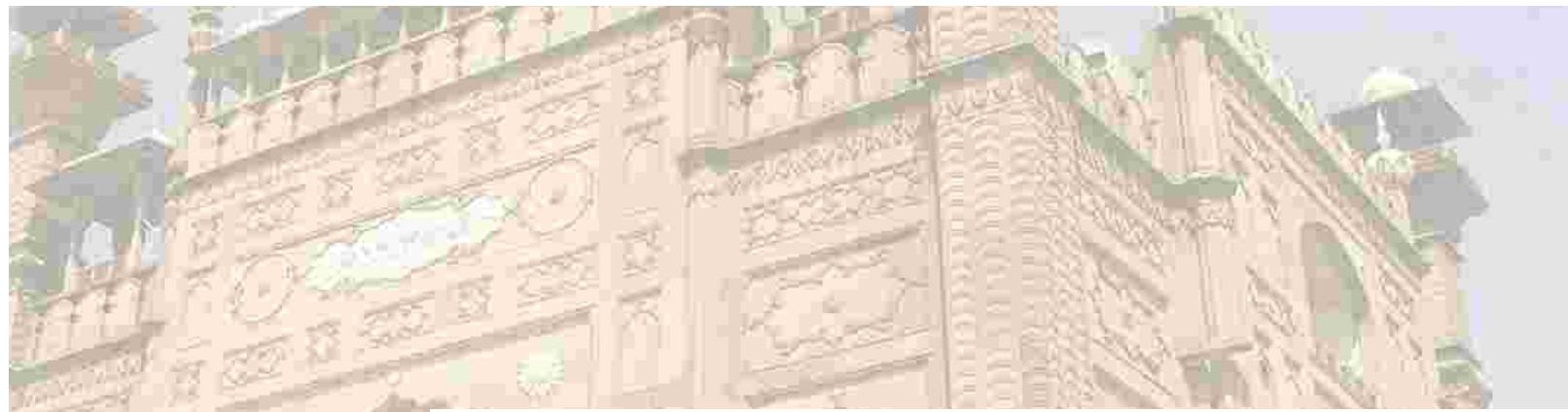
STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE 1984

(i) Placement of Quarterly Accounts on Website

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 dated April 14, 2004 has allowed the listed companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and despatch of the accounts by post.

The Company maintains a website (www.sngpl.com.pk) and latest accounts may be placed there for information of the shareholders and the general public. Prior permission of the Securities and Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company however will make available printed copies of accounts to the shareholders on demand at their registered address free of charge, within one week of receiving such request.





(ii) Sale of Shares of M/s. Civic Centres Company (Pvt) Ltd.(CCC)

The investment in the shares of CCC was approved at Extraordinary General Meeting of shareholders on February 23, 1995. Due to non-satisfactory performance of CCC, the Board of Directors of CCC during its 24th meeting held on January 23, 2003, decided for winding-up/liquidation of CCC and a Committee was formed consisting of the following members:

1. Managing Director – Civic Centres Company (Pvt) Ltd.
2. Managing Director – Utility Stores Corporation
3. Secretary - WAPDA

National Insurance Company Ltd., has offered to purchase its shares @ Rs 8/- per share for 100% holding as against the break up value of Rs 8.88 per share. The Committee had recommended that the shares may be disposed off to National Insurance Company Limited @ Rs 8.00 per share. The Board of Directors of SNGPL in their 312th meeting held on June 24, 2004 have approved the sale of shares of CCC @ Rs 8/- per share.

NOTES

- 1) A member entitled to attend may appoint another member as his / her

proxy or may by Power of Attorney authorize 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 authorized shall be entitled to the same powers, as if he were an individual shareholder.

- 2) The instrument appointing a proxy shall;
 - (a) be in writing; and
 - (b) be signed by the appointer or his / her attorney duly authorized in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorized by it.
- 3) 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.
- 4) Shareholders are requested to notify any change in address immediately quoting their folio number(s).
- 5) CDC Account Holders will further

have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:-

A. For attending the meeting

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

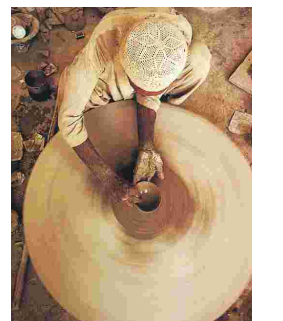
- iii) Attested copies of NIC or the passport of the beneficial owners and of the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original NIC or original passport at the time of the meeting.
- v) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Registered Office

Gas House, 21-Kashmir Road, P.O. Box No. 56, Lahore (Pakistan), Ph: 92-42-9201451-60, 9201419. Fax: 92-42-9201369, 9201302 E-Mail: info@sngpl.com.pk Web Site: www.sngpl.com.pk

Share Registrar

Hameed Majeed Associates (Pvt) Ltd., H. M. House, 7-Bank Square, Lahore. Ph: 92-42-7235081-82 Fax: 92-42-7358817

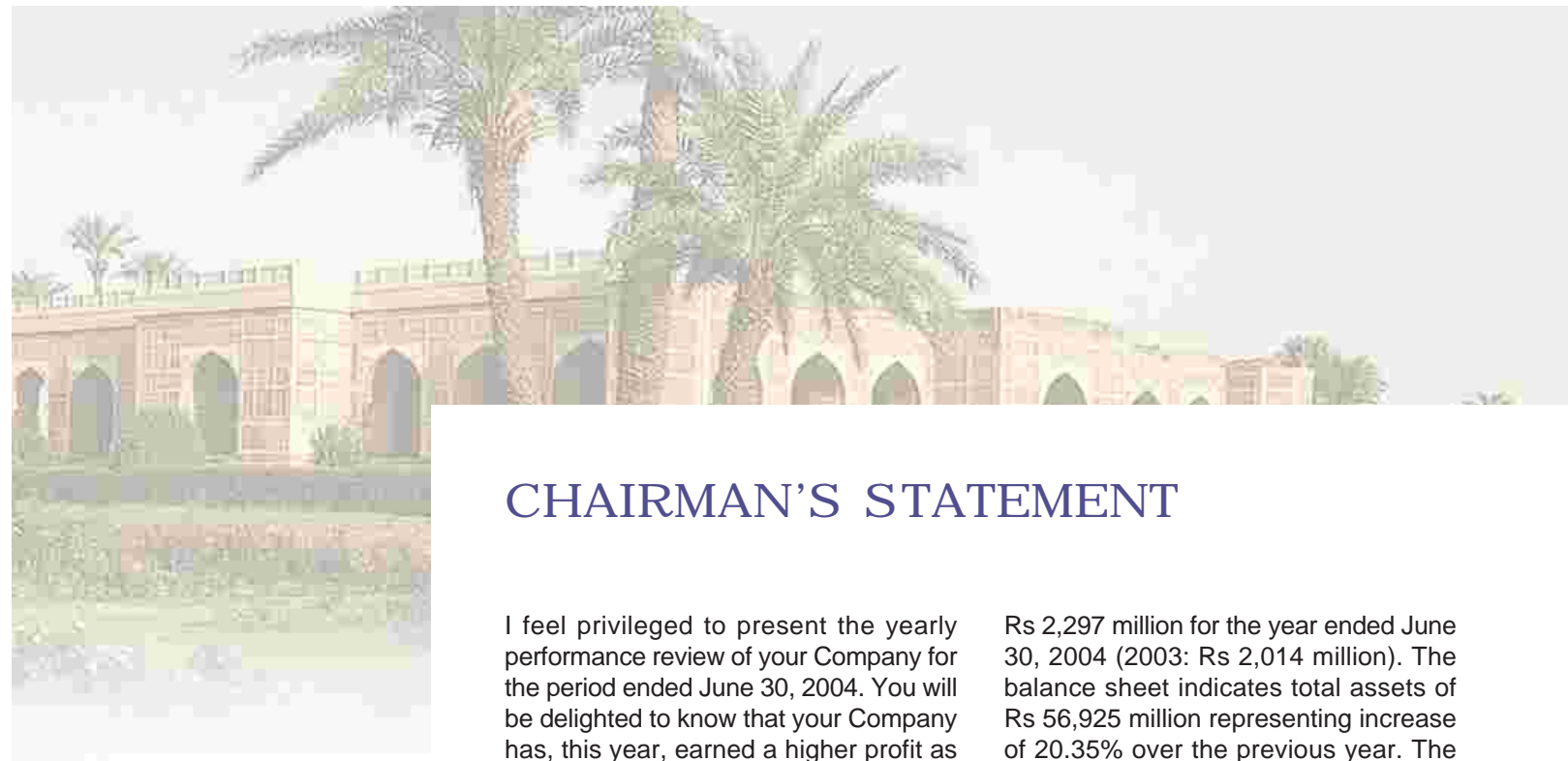


COMMITMENT, COURTESY AND COMPETENCE



CHAIRMAN'S STATEMENT





CHAIRMAN'S STATEMENT

I feel privileged to present the yearly performance review of your Company for the period ended June 30, 2004. You will be delighted to know that your Company has, this year, earned a higher profit as compared to the previous years. This indeed is an outcome of joint team efforts of the management and employees. The efficiency graph of the Company has been on an upward trend by using the latest technology and appropriate managerial skills.

DIRECTORS

There has been only one change in the composition of your Board of Directors since the last Annual General Meeting held on Monday December 29, 2003. Mr. Shaukat Ali Rana, has been appointed as Director in place of Mr. Zahid Hussain. Please join me to express our appreciation and thanks for the valuable services rendered for a considerable time period by Mr. Zahid Hussain. We also welcome Mr. Shaukat Ali Rana to our prestigious Board of Directors.

SHARE PROFILE

The market value of the share of Sui Northern Gas Pipelines Limited gained 107% during the period July 1, 2003 to June 30, 2004. This shows investors' confidence in the Company's business as the Company has been continuously improving its services.

ACCOUNTS AND FINANCE

By the grace of Almighty Allah, your Company posted net profit after tax of

Rs 2,297 million for the year ended June 30, 2004 (2003: Rs 2,014 million). The balance sheet indicates total assets of Rs 56,925 million representing increase of 20.35% over the previous year. The Company's earning per share stood at Rs 4.60 (2003: Rs 4.03).

While maintaining the pace of regular improvement in all areas, the Accounts of your Company show improvement in financial as well as physical performance. It has been achieved due to increase in gas sale volume over the previous year, control on operating costs, extension of asset base and strict financial control in all disciplines of the Company.

SALES AND DEVELOPMENT

The total gas sales for the year under report were 127,440,974 hundred cubic meters (Hm³) (452,338 MMCF) showing an increase of 32.40% over the previous year. The sector-wise break-up of gas sales indicate that 37.75% gas was sold to Power, 9.68% Fertilizer, 2.80% CNG, 0.86% Cement, 22.94% General Industries and 25.97% Domestic and Commercial sectors.

The gas distribution system (mains and service lines) during the year increased by 2,471 Km and 131,684 new customers were added, raising the total to 2,305,598. The Company is committed to make natural gas available to maximum prospective consumers subject to its financial position and technical capabilities.



PROJECTS - PRESENT AND FUTURE

PRESENT PROJECTS

(i) Gas Infrastructure Development Plan (Project-VII)

The Company has laid 584 Km pipelines upto June 30, 2004 out of 585 Km Pipelines ranging from 16" – 36" dia envisaged under Gas Infrastructure Development Plan (GIDP) in order to expand its system capacity from 980 MMCFD to 1380 MMCFD. The purpose of this project was to pick-up maximum gas from the existing and new discoveries to save foreign exchange by replacing costly furnace oil with indigenous gas on power plants near Multan.

The Project was scheduled for completion by February 2004, however, with improved planning and execution, the Project, with the exception of one river crossing (river Indus at Attock), has

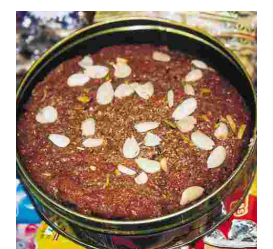
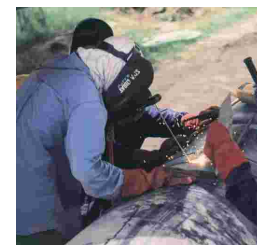
been completed substantially ahead of schedule. The main feature of Project-VII had been that the design and construction job was carried out by utilizing Company's own resources. The Project was totally implemented by Company's Project department and no foreign consultancy or help was involved. The design work of major river crossings was carried out by hiring consultancy services of local firm M/s. NESPAK.

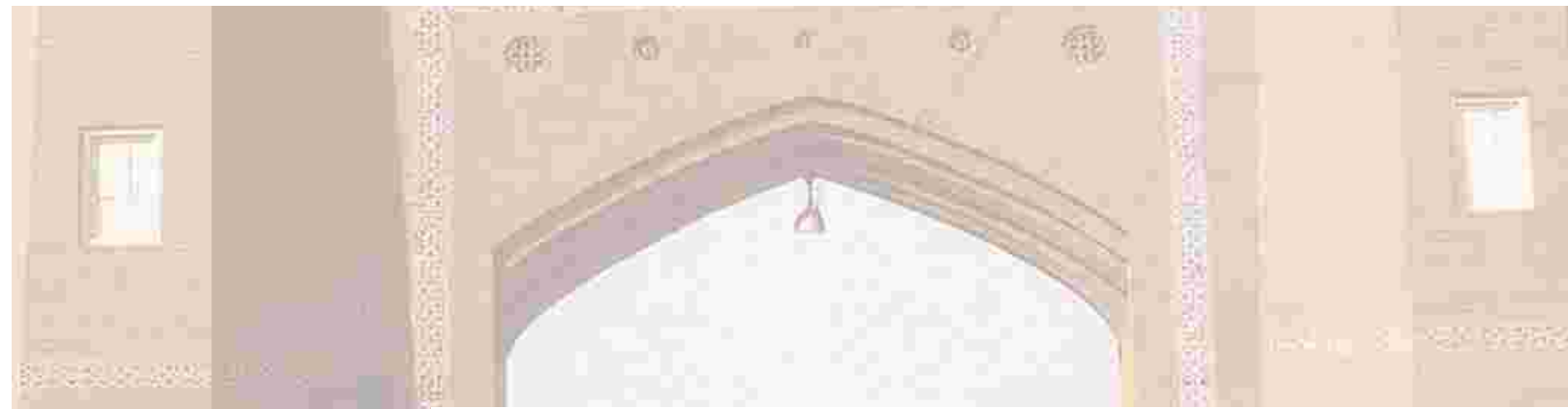
I am pleased to inform you that this is the first major Project which has been completed without the financial or consultancy assistance of the World Bank, and has been a very successful experience with respect to time and cost saving.

(ii) Gas Supply to New Towns during F.Y. 2003-2004

Gas has been supplied to the following new towns during fiscal year 2003-2004:

Sr. No.	City / Village	Dia (inches)	Km	Date of Commissioning
1.	Kasur	24/16	35.30	27.05.2004
2.	Mianwali	8	18.00	03.06.2004
3.	Mandi Bahauddin	8	53.00	30.06.2004
4.	Jauharabad	8	8.00	08.12.2003
5.	Shariqpur	8	25.00	05.06.2004
6.	Kunja Mangowal	8	15.50	17.11.2003
7.	Shahpur	8/6	10.00	26.05.2004
8.	Khushab	8/6	9.00	08.12.2003
9.	Renala Khurd	6	5.00	30.06.2004
10.	Chowinda	6	11.50	19.01.2004
11.	Chunga Mera	6	12.50	27.03.2004
12.	Talvandi	6	7.50	23.04.2004
13.	Sammundri	6	30.00	06.04.2004
14.	Kallar Syedan	6	18.00	30.05.2004
TOTAL			258.30	





(iii) Augmentation of Distribution Network

To improve the distribution network and to cater for the demand of various consumers, 56.35 Km of distribution mains of various diameters ranging from 6" to 8" were laid in different regions.

(iv) River Crossing

1. 36" dia Chenab River crossing near Shershah was successfully commissioned on 30.06.2004.
2. Construction work is in progress on the 24" dia Indus River crossing near Khairabad,.

(v) Replacement of Pipelines

To ensure safe operations, the Company has undertaken replacement of pipelines on the following sections:

- i. Uplifting of 237 Km of 16" dia pipeline between Multan and Faisalabad.
- ii. Uplifting of 15.5 Km of 4" dia Khurrianwala – Jaranwala.

(vi) Project-VIII-Advance Action Plan

Project-VIII-Advance Action Plan was designed to overcome capacity constraints to meet increasing gas demand downstream of Multan for Lahore and Faisalabad regions. A total of 209.03 Km pipelines ranging from 8" to 36" diameter were

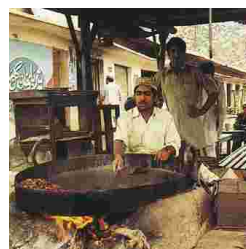
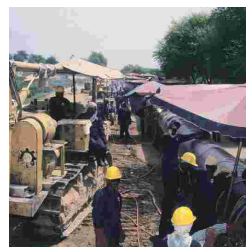
completed and commissioned. **(vii) Project-VIII**

The Company is further up-grading its transmission system to receive gas available in addition to the quantity committed under Gas Infrastructure Development Plan. Project-VIII has been planned to lay 297 Km pipelines and to uplift 91 Km to absorb 300 MMCFD gas from existing and new sources. Under this Project, 50.56 Km of pipelines 36" diameter were completed and commissioned.

A major gas discovery at Gurgri near Kohat is under development and the Company is awaiting evaluation of reserves by the Producer. A 170 Km long 24" dia pipeline will be laid from Gurgri to Gali Jagir on the Company's system to absorb this gas once commercial production has been established. As a first step, the Producer will deliver 35-50 MMCFD gas, to the Company by December 2004 for which 78 Km, 8" dia pipeline is being laid by the Company as an EPC Contractor for M/s. MOL, Hungary.

FUTURE OUTLOOK

The profit of the Company is asset-based. The increase in infrastructure under Advance Action Plan and Project-VIII shall add valuable assets in the shape of pipeline and compression facilities. Augmentation of system capacity to transmit more gas in coming years and to increase onwards gas sales will play a vital role in boosting nation-wide economic activity. In view of increase in



demand, the import of gas either from Iran, Turkmanistan or Qatar is also anticipated.

IMPROVEMENT IN CONSUMER SERVICES

The Company gives due importance to the customers and endeavours to provide the best possible service to meet the level of their satisfaction. The Company is also computerizing customer services record so that consumers' complaints are attended to promptly and redressal / rectification work monitored. In order to give due importance to customer services, a new senior management position of Customer Services has been created at the Head Office under whose supervision public dealing departments are functioning. Efforts are being continuously made to provide prompt service to the consumers and attend to their complaints speedily. Emphasis is also being laid on improving the quality of work so that consumer complaints are minimized. Billing Department has made significant improvements in its operations in the year 2003-2004. Overall recovery has improved in the year 2003-2004, as we were able to reduce receivables from 70 sales days as on 30.06.2003 to 54 sales days as on 30.06.2004.

OPERATIONAL EFFICIENCY

I am pleased to record that the Company through the concerted efforts managed to curtail UFG loss during the FY 2003-2004. The percentage (%) of UFG in June 2003 was 8.19% (including the loss due to rupture of Transmission lines through sabotage). This has been brought

down to 6.65% in June 2004. The resultant monetary saving amounts to Rs 1060 million.

All out efforts are being made to further reduce UFG Losses.

TELECOMMUNICATION

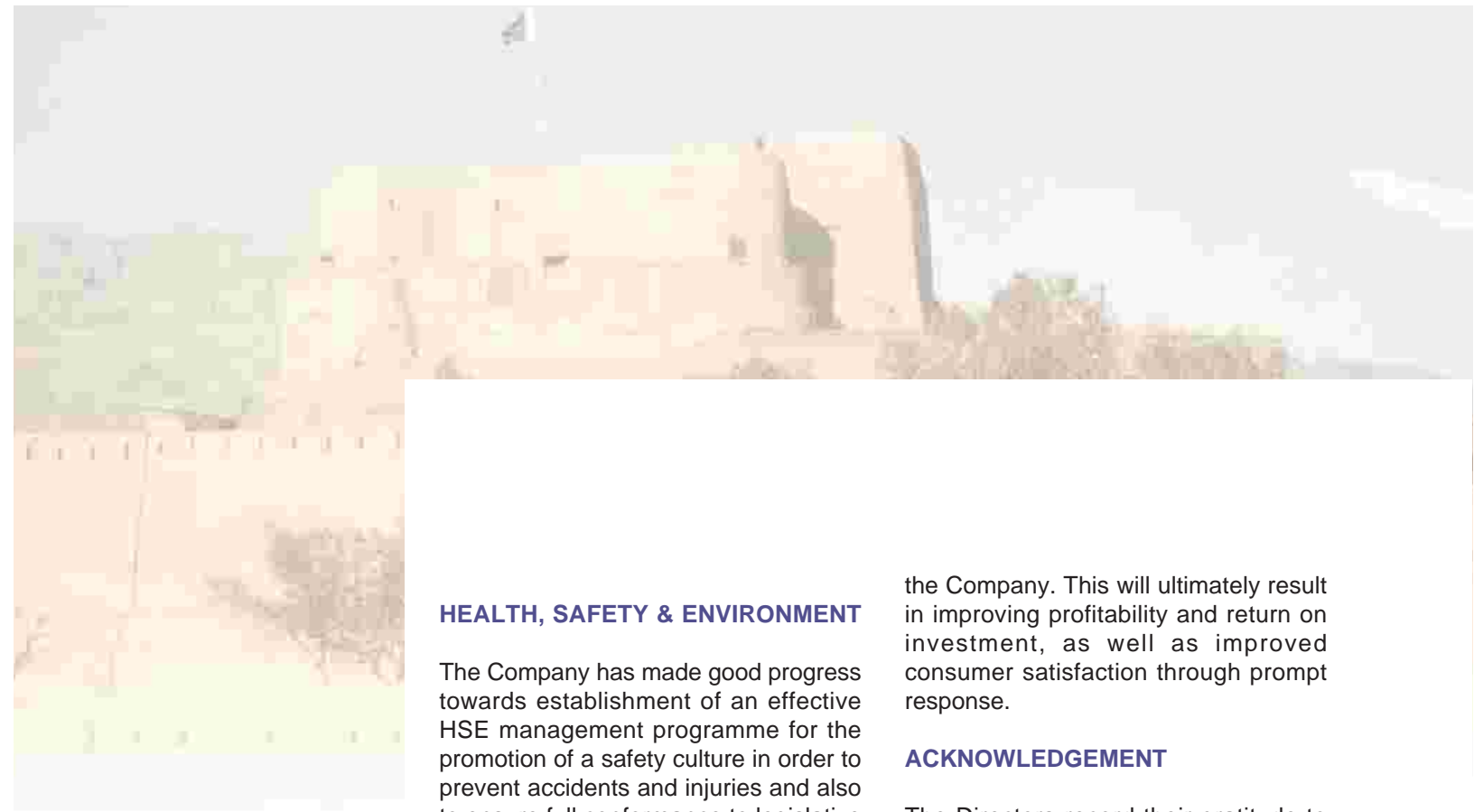
During the financial year 2003-2004, Telecoms department has successfully installed and commissioned 176 remotely operated mainline valves on our gas pipeline system. During the same period, 71 remote controlled pressure control valves have also been commissioned at important Sales Meter Stations. Now gas control centre can remotely isolate any affected main line segment during an emergency, using SCADA system. Similarly, pressure of important Sales Meter Stations can also be changed remotely. These features of SCADA system can greatly help during pipeline emergencies for effective load management.

Telecoms department is now in the process of connecting recently developed Gas Fields like Sawan, Gurgri and Chanda, through Microwave links to our Gas Control Centre for data acquisition.

STAFF AND ORGANIZATION

The relationship between the Management and the Workers remained cordial. During the year under review, 57 individuals were inducted in the Company's Executive cadre ranging from the positions of Assistant Officers/Engineers to that of General Manager/Chief Financial Officer.





HEALTH, SAFETY & ENVIRONMENT

The Company has made good progress towards establishment of an effective HSE management programme for the promotion of a safety culture in order to prevent accidents and injuries and also to ensure full conformance to legislative requirements.

The newly established HSE Department is now fully functional and Company wide HSE infrastructure is in place. Various HSE procedures are being gradually developed and are being implemented. Necessary HSE training is being imparted to the Management Staff as well as to the Workers. Efforts are also in hand to update various operating procedures and to enhance their general availability.

MANAGEMENT INFORMATION SYSTEM

The Senior Management of SNGPL together with the Board of Directors recognize the need and value of Information Technology (IT) to assist in informed decision-making through better control of internal processes, achieving operational efficiency and regulatory compliance. The MIS Department has therefore been established with a view to computerize all business functions of

the Company. This will ultimately result in improving profitability and return on investment, as well as improved consumer satisfaction through prompt response.

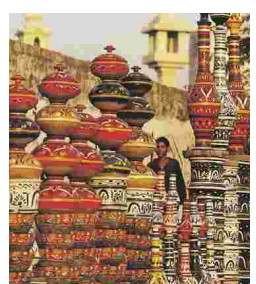
ACKNOWLEDGEMENT

The Directors record their gratitude to the Government of Pakistan, Ministry of Petroleum and Natural Resources, Oil and Gas Regulatory Authority and all other institutions related to our Company for their sustained support in the period under report and look forward to the same in future.

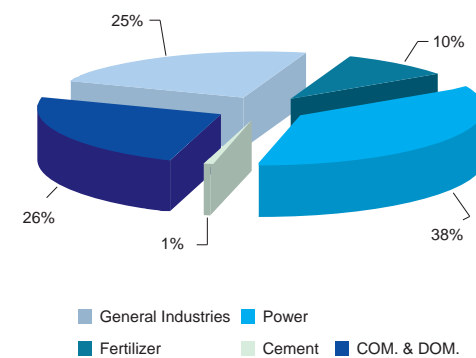
The Board is confident that the management and staff would endeavour in achieving the objectives laid under vision and mission statements adopted by the Company and put their best efforts for its progress and prosperity and consequently for the Nation in the coming years.

**LT. GEN. (RETD)
GHULAM SAFDAR BUTT**
Chairman

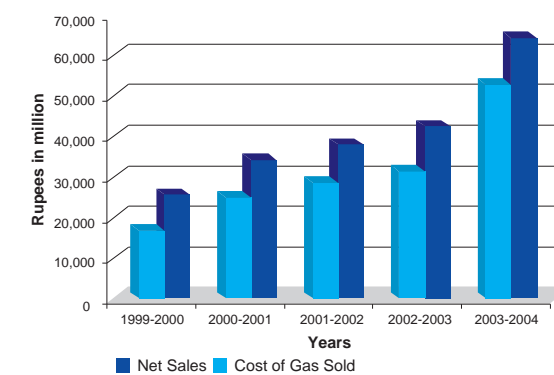
Lahore



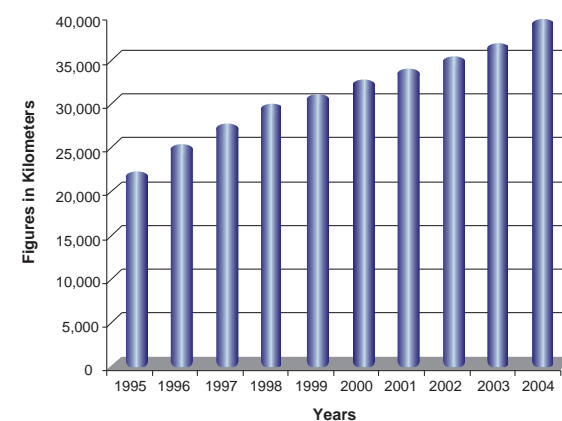
BREAK DOWN OF SALES FOR 2003-2004



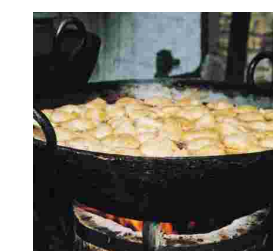
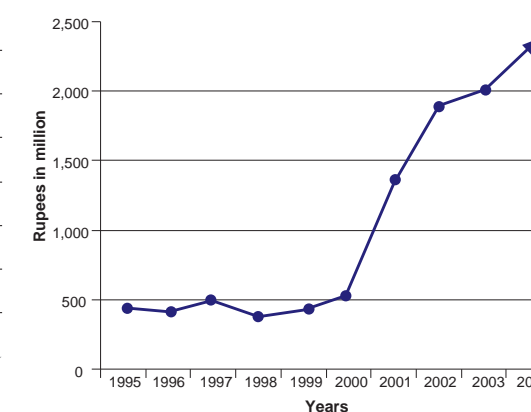
REVENUE AND COST ANALYSIS



DISTRIBUTION MAINS AND SERVICE LINES



PROFIT AFTER TAX





MAXIMISING BENEFITS FOR THE STAKEHOLDERS



DIRECTORS' REPORT TO THE SHAREHOLDERS



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting the Annual Report together with the audited accounts of the Company for the year ended June 30, 2004 and recommend the following appropriations:

ACCOUNTS	(Rupees in thousand)
Profit before taxation	3,664,377
Provision for taxation	1,366,899
Profit after taxation	2,297,478
Add: Unappropriated profit brought forward	16,810
Profit available for appropriation	2,314,288
Appropriations:	
Proposed dividend @ Rs 2.50 per share	1,247,967
Transfer to general reserve	850,000
Transfer to dividend equalization reserve	210,000
	2,307,967
Unappropriated profit to be carried forward	6,321

The earnings per share for the year ended June 30, 2004 is Rs 4.60 as per computation below:

Profit after taxation	Rupees in thousand	2,297,478
Ordinary shares in issue	Numbers	499,186,600
Earnings per share	Rupees	4.60

DIRECTORS

In accordance with the provisions of Section 178 of the Companies Ordinance, 1984, thirteen Directors were elected at the Extra Ordinary General Meeting held on June 22, 2002 for a period of 3 years, effective June 26, 2002.

During the year, nine (9) Board Meetings were held and the number of meetings attended by each Director is given hereunder:

ATTENDANCE AT THE BOARD MEETINGS DURING THE YEAR 2003-04:

Name of Directors	Total No. of Board Meetings	No. of meetings attended
Lt. Gen.(Retd) Ghulam Safdar Butt	9	8
Mr. A. Rashid Lone	9	6
Mr. Zahid Hussain	9	4
Mr. M. Iqbal Awan	9	5
Mr. M. Nawaz Tiwana	9	5
Mr. Tariq Mehmood	9	9
Mr. Tariq Iqbal Khan	9	6
Mr. Abdul Latif Uqaili	9	7
Mr. Mohammad Arshad	9	3
Mian Raza Mansha	9	2
Mr. Anjum M. Saleem	9	7
Mr. Qasim Rabbani	9	8
Mr. Munawar B. Ahmad	9	6
Mr. M. Naeem Malik	9	4

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors hereby declare that for the year ended June 30, 2004:

- a) The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, result of its operations, cash flows and changes in equity.
- b) Proper Books of Accounts of the Company have been maintained.

- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

- d) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

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

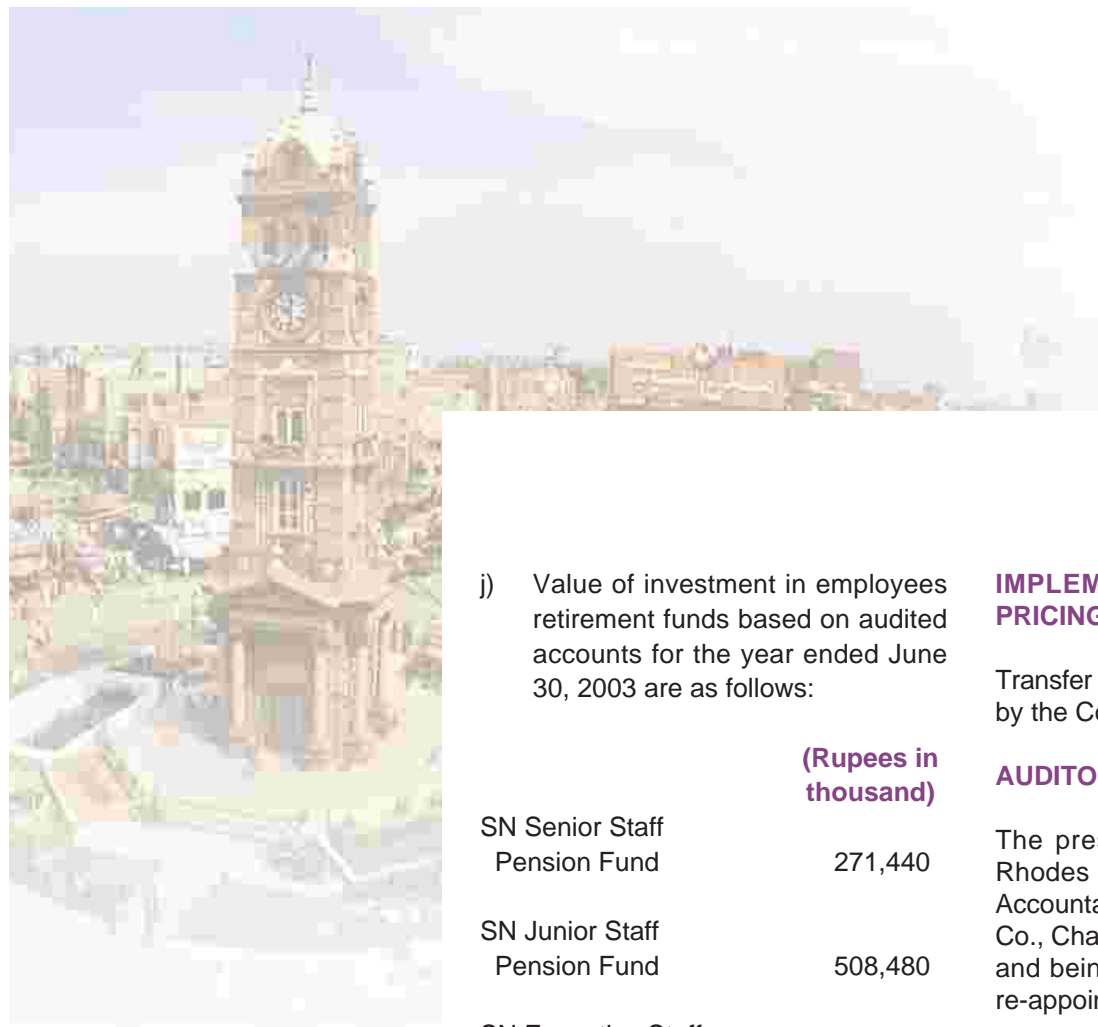
- f) There is no significant doubt upon the Company's ability to continue as a going concern.

- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations except for those included in Company's Statement of Compliance with the Code of Corporate Governance.

- h) Key operating and financial data for the last six years in summarized form is annexed.

- i) The Company is currently embarked upon system capacity expansion under Project VIII.





j) Value of investment in employees retirement funds based on audited accounts for the year ended June 30, 2003 are as follows:

	(Rupees in thousand)
SN Senior Staff Pension Fund	271,440
SN Junior Staff Pension Fund	508,480
SN Executive Staff Gratuity Fund	27,346
SN Non-Executive Staff Gratuity Fund	321,296
Trustees Provident Fund	992,361

k) No trading of shares by CEO, Directors, Company Secretary, CFO, their spouses and minor children has been carried out.

IMPLEMENTATION OF TRANSFER PRICING POLICY

Transfer pricing policy has been adopted by the Company.

AUDITORS

The present joint auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants and M/s. Riaz Ahmed and Co., Chartered Accountants, are retiring and being eligible offer themselves for re-appointment.

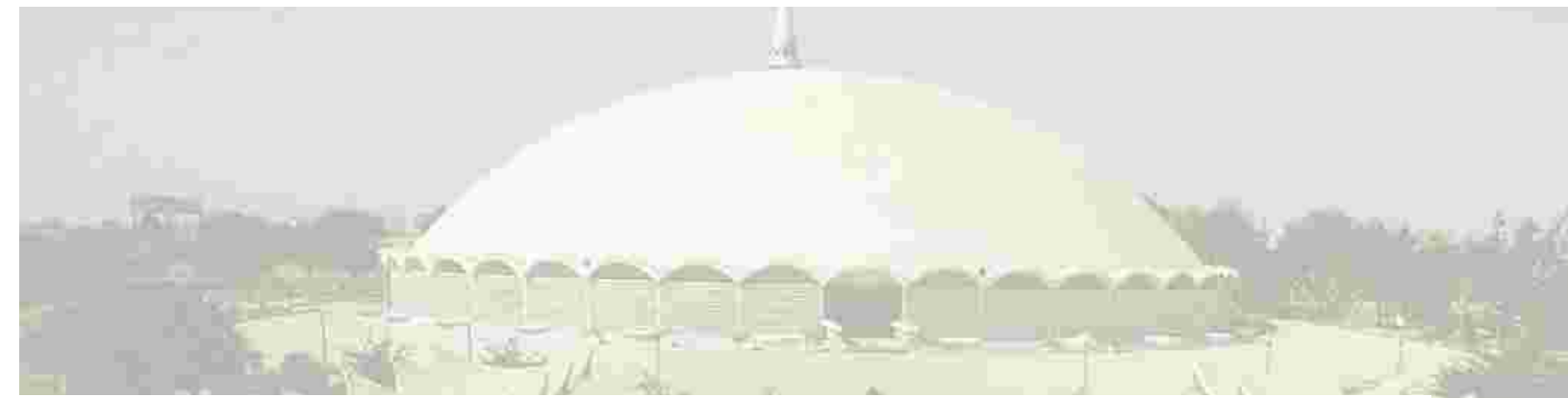
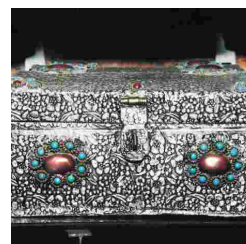
THE PATTERN OF SHARE HOLDING

The pattern of share holding as on June 30, 2004 is annexed.

On behalf of the Board

A. RASHID LONE
Chief Executive

LAHORE
November 25, 2004



FINANCIAL HIGHLIGHTS

		2004	2003	2002	2001	2000	1999
Gross sales	Rs. '000	64,276,145	45,649,496	42,005,148	36,522,243	26,569,704	20,577,266
Cost of Gas sold	Rs. '000	52,627,542	31,349,357	28,549,844	24,849,097	16,626,517	11,088,152
Profit Before Taxation	Rs. '000	3,664,377	3,207,067	2,764,239	2,329,323	1,364,976	810,708
Profit After Taxation	Rs. '000	2,297,478	2,013,766	1,866,825	1,336,569	526,700	425,534
Capital Expenditure	Rs. '000	6,622,296	6,207,934	3,886,596	2,472,407	2,209,002	2,316,364
Shareholders' Equity	Rs. '000	9,605,869	8,556,358	7,640,803	6,752,351	6,264,399	5,737,699
No. of Shares Outstanding	No's '000	499,187	499,187	499,187	499,187	434,075	377,457
PROFITABILITY							
Gross Profit Ratio	%	18.01	24.34	22.31	25.27	33.59	38.02
Net Profit Ratio	%	3.57	4.41	4.49	3.66	1.98	2.07
Return on Shareholder's Equity	%	23.92	23.54	24.69	19.79	8.41	7.42
Return on Capital Employed	%	8.02	9.91	9.92	9.22	13.15	15.44
Return on Total Assets	%	4.04	4.26	4.14	3.09	1.33	1.06
ASSET UTILIZATION							
Inventory Turnover Ratio	(Times)	228.81	185.23	199.53	219.85	206.18	156.69
Debtor Turnover Ratio	(Times)	7.16	5.09	4.67	4.98	4.79	3.55
Total Asset Turnover Ratio	(Times)	1.13	0.97	0.92	0.84	0.67	0.51
Fixed Asset Turnover Ratio	(Times)	1.74	1.36	1.39	1.26	0.91	0.70
INVESTMENT							
Earning Per Share (Basic)	Rs.	4.60	4.03	3.78	2.68	1.21	1.13
Market Value Per Share as on June 30	Rs.	64.70	33.10	13.80	10.00	16.20	8.30
Price Earning Ratio	(Times)	14.06	8.21	3.65	3.73	13.39	7.35
Dividend Per Share	Rs.	2.50	2.20	2.00	1.70	-	-
LEVERAGE							
Debt: Equity Ratio	%	59	63	66	68	69	73
Interest Coverage Ratio	(Times)	4.78	3.09	2.98	2.62	1.50	1.23
Acid Test Ratio	(Times)	1.30	1.31	1.37	1.28	0.92	0.81

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2004

NO. OF SHARE HOLDERS	S H A R E H O L D I N G		SHARES HELD	PERCENTAGE	
	FROM (SHARES)	TO (SHARES)			
1	Employees Old-Age Benefits Institution	1,715,001	1,720,000	1,719,500	0.34
1	Sui Southern Gas Company Ltd	1,900,001	1,905,000	1,900,178	0.38
1	CDC - Trustee PICIC Investment Fund	2,075,001	2,080,000	2,079,964	0.42
1	Mr. Muhammad Anosh Gill	2,175,001	2,180,000	2,175,170	0.44
1	Askari Commercial Bank Limited	2,200,001	2,205,000	2,200,020	0.44
1	KASB Bank Limited	2,495,001	2,500,000	2,496,500	0.50
1	PICIC Commercial Bank Limited	4,115,001	4,120,000	4,118,000	0.82
1	State Street Bank & Trust Company	4,550,001	4,555,000	4,553,879	0.91
1	National Bank of Pakistan (Former NDFC)	5,100,001	5,105,000	5,104,709	1.02
1	Mirabaud & CIE	6,015,001	6,020,000	6,016,500	1.21
1	Pakistan Insurance Corporation	6,845,001	6,850,000	6,846,285	1.37
1	ICP – SEMF	7,850,001	7,855,000	7,854,560	1.57
1	State Life Insurance Corporation of Pakistan	15,635,001	15,640,000	15,635,411	3.13
1	National Bank of Pakistan (Trustee Department)	29,235,001	29,240,000	29,235,822	5.86
1	Muslim Commercial Bank Limited	29,790,001	29,795,000	29,790,307	5.97
1	Pakistan Industrial Development Corporation (Pvt) Limited	30,035,001	30,040,000	30,038,992	6.02
1	Dawood Hercules Chemicals Ltd	111,995,001	112,000,000	112,000,000	22.44
1	The President, Islamic Republic of Pakistan	179,715,001	179,720,000	179,717,373	36.00
16,332		Total		499,186,672	100.00

	CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1	Associated Companies, Undertakings and Related Parties i. Muslim Commercial Bank Ltd.	1	29,790,307	5.97
2	NIT / ICP: i National Investment Trust Ltd. ii Investment Corporation of Pakistan	1 1	129,030 260,468	0.03 0.05
3	Directors, CEO and their spouses and minor children. Mr. Anjum M. Saleem - Director	1	13031	0.00
4	Executives	14	18066	0.00
5	Public Sector Companies and Corporations	-	-	-
6	Banks, Development Financial Institutions, Non Banking Financial Institution, Insurance Companies, Modarbas and Mutual Funds: i. Banks, Development Financial Institutions, Non Banking Financial Institutions. ii. Insurance Companies iii. Modarabas and Mutual Funds	188 15 31	108,302,824 27,493,242 9,792,087	21.7 5.51 1.96
7	Shareholders holding ten percent or more voting interest in the listed Company i. The President of Islamic Republic of Pakistan. ii. Dawood Hercules Chemicals Ltd	1 1	179,717,373 112,000,000	36.00 22.44
8	General Public i Local ii Foreign	15,311 724	26,669,118 969,404	5.34 0.19
9	Others	43	4,031,722	0.81
	TOTAL	16,332	499,186,672	100.00

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of Listing Regulations of Karachi Stock Exchange, Clause 49 (Chapter XIII) of the Listing Regulations of Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of Islamabad Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interest on its Board. At present the Board includes 13 Non-executive Directors. Out of 14 Directors, 10 Directors have been nominated by the Government of Pakistan.
2. The Directors of the Company have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company, except one who has been permitted by SECP to hold office of directors in more than ten listed companies.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
4. A casual vacancy occurring in the Board during the year was filled up

by the Directors on the same day.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors of the Company. The Company is in the process of obtaining signatures of the employees which will be completed shortly. However, the majority of the employees of the Company have signed the statement.
6. The Board has adopted a vision / mission statement, overall corporate strategy and significant policies of the Company. The Company has maintained a complete record of particulars of significant policies along with the dates on which they were approved or amended.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter during the year. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. An orientation course was arranged for the Directors to acquaint them with the steps taken to control factors of Un-accounted for Gas (UFG) by the Company.

10. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO at the time of their appointment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirement of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of them are non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held once in every quarter prior to approval of quarterly, half yearly and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set up an effective internal audit function. The staff is considered to be suitably qualified

and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been duly complied with.

On behalf of the Board

A. RASHID LONE
Chief Executive

November 25, 2004

MAINTAINING HIGH ETHICAL STANDARDS



AUDITORS' REPORT



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Sui Northern Gas Pipelines Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange respectively where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit

approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective for the period from July 01, 2003 to June 30, 2004.

**FORD RHODES SIDAT
HYDER & CO.**
Chartered Accountants

RIAZ AHMED & CO.
Chartered Accountants

Lahore
November 25, 2004



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SUI NORTHERN GAS PIPELINES LIMITED as at June 30, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied during the year;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

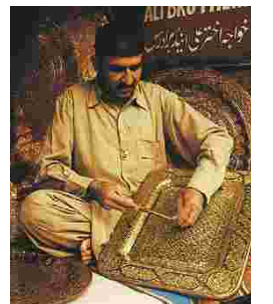
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

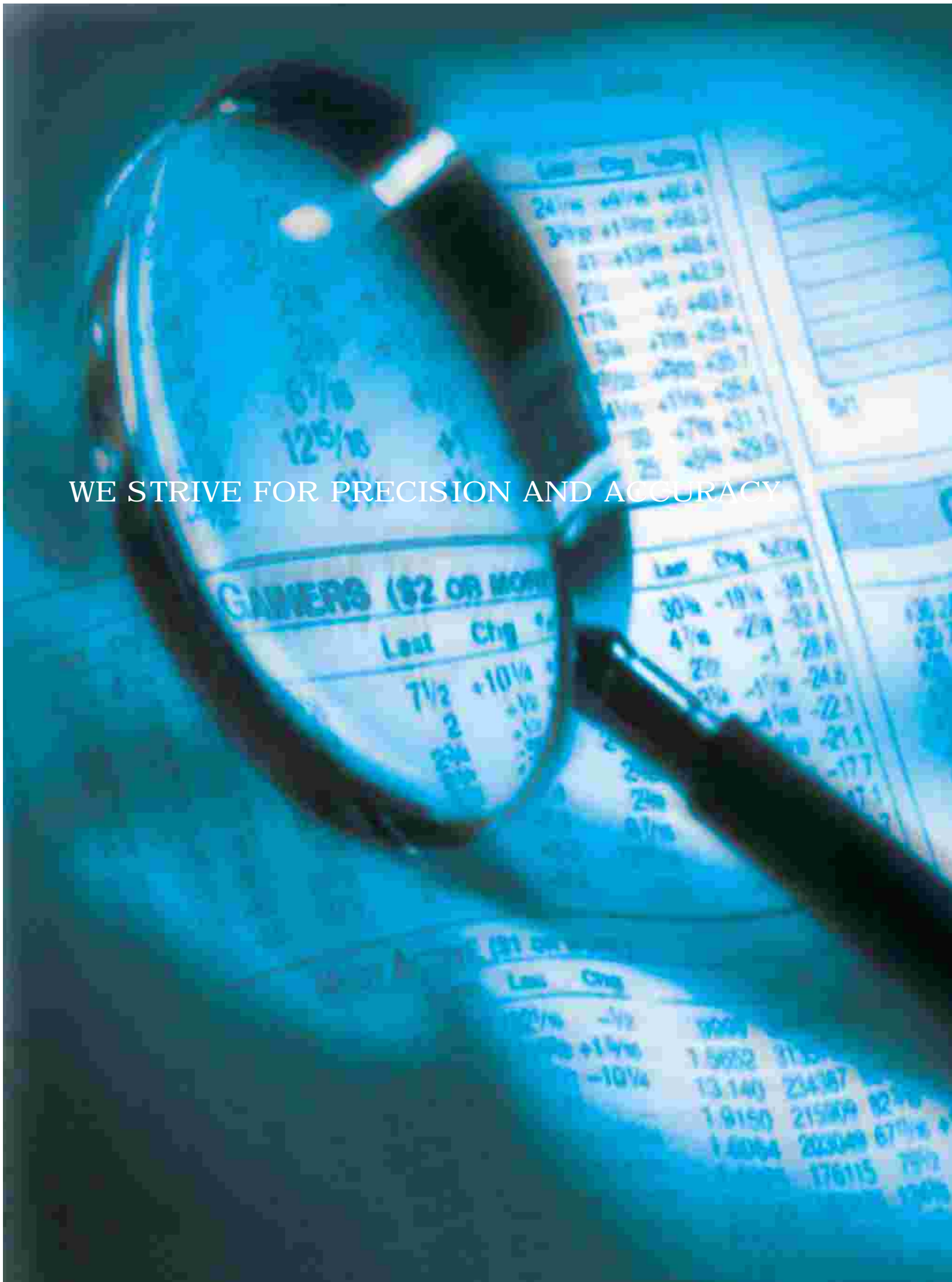
Without qualifying our opinion, we draw attention to Note 2.18 to the financial statements which explains the provisions of an agreement with World Bank for a loan, under which the Company is required to earn minimum annual return before taxation, interest and other charges on debts of 17.5% per annum of the net average operating fixed assets for the year, excluding interest, dividends and other non-operating income. During the year ended June 30, 2004, the Company's return before taxation, interest and other charges on debts was less than minimum required return.

**FORD RHODES SIDAT
HYDER & CO.**
Chartered Accountants

RIAZ AHMED & CO.
Chartered Accountants

Lahore
November 25, 2004





WE STRIVE FOR PRECISION AND ACCURACY



FINANCIAL STATEMENTS

BALANCE SHEET

	<u>Note</u>	<u>2004</u>	<u>2003</u>
(Rupees in thousand)			
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 1,500,000,000 (2003: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital	3	4,991,866	4,991,866
Revenue reserves		4,607,682	3,547,682
Unappropriated profit		6,321	16,810
		9,605,869	8,556,358
NON-CURRENT LIABILITIES			
Non-participatory redeemable capital - Secured	4	5,035,759	5,471,154
Deferred credit	5	6,910,307	4,328,300
Long term loans and other liabilities - Unsecured	6	7,216,467	7,125,798
Deferred taxation	7	5,546,779	4,986,297
Employee benefits	8	1,989,201	1,560,203
Security deposits	9	4,441,952	3,744,461
		31,140,465	27,216,213
CURRENT LIABILITIES			
Current portion of non-participatory redeemable capital-Secured	4	924,587	227,050
Current portion of long term loans and other liabilities - Unsecured	6	685,695	1,503,428
Creditors, accrued and other liabilities	10	13,246,029	8,699,330
Provision for taxation		74,158	-
Proposed dividend		1,247,967	1,098,211
		16,178,436	11,528,019
CONTINGENCIES AND COMMITMENTS	11	-	-
		56,924,770	47,300,590

AS AT JUNE 30, 2004

	<u>Note</u>	<u>2004</u>	<u>2003</u>
		(Rupees in thousand)	
NON-CURRENT ASSETS			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets - Tangible	12	33,081,857	30,269,928
Capital work - in - progress	13	3,853,590	3,277,812
		<u>36,935,447</u>	<u>33,547,740</u>
LONG TERM INVESTMENTS	14	4,900	46,135
LONG TERM LOANS	15	227,184	175,877
LONG TERM PREPAYMENTS	16	3,504	5,159
CURRENT ASSETS			
Stores and spares	17	599,605	509,014
Stock-in-trade gas in pipelines		275,800	184,210
Trade debts	18	9,483,670	8,746,259
Loans, advances, deposits, prepayments and other receivables	19	828,926	1,022,408
Short term investment	14	46,134	-
Income tax recoverable		-	67,797
Cash and bank balances	20	8,519,600	2,995,991
		<u>19,753,735</u>	<u>13,525,679</u>
		<u>56,924,770</u>	<u>47,300,590</u>

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

A. Rashid Lone
Chief Executive

Lt. Gen. (Retd) Ghulam Safdar Butt
Chairman/ Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2004

	Note	2004	2003
(Rupees in thousand)			
GAS SALES	21	64,276,145	45,649,496
LESS: GAS DEVELOPMENT SURCHARGE		70,064	3,189,416
		<u>64,206,081</u>	42,460,080
RENTAL AND SERVICE INCOME	22	638,648	635,260
SURCHARGE AND INTEREST ON			
GAS SALES ARREARS	23	526,729	491,890
AMORTISATION OF DEFERRED CREDIT	5	359,145	333,994
		<u>65,730,603</u>	43,921,224
LESS: Cost of gas sold	24	52,627,542	31,349,357
Operating cost excluding depreciation	25	5,345,772	4,999,774
Depreciation	12	3,333,486	3,064,490
		<u>61,306,800</u>	39,413,621
		4,423,803	4,507,603
OTHER INCOME	26	406,283	422,831
		<u>4,830,086</u>	4,930,434
LESS: Financial charges	27	968,918	1,531,471
Other charges	28	196,791	191,896
		<u>1,165,709</u>	1,723,367
PROFIT BEFORE TAXATION		<u>3,664,377</u>	3,207,067
PROVISION FOR TAXATION	29	1,366,899	1,193,301
PROFIT AFTER TAXATION		<u>2,297,478</u>	2,013,766
UNAPPROPRIATED PROFIT BROUGHT FORWARD		16,810	1,255
PROFIT AVAILABLE FOR APPROPRIATION		<u>2,314,288</u>	2,015,021
APPROPRIATIONS			
Transfer to general reserve		850,000	700,000
Transfer to dividend equalization reserve		210,000	200,000
Proposed dividend at Rs. 2.50 (2003: Rs. 2.20) per share		1,247,967	1,098,211
		<u>2,307,967</u>	1,998,211
UNAPPROPRIATED PROFIT CARRIED FORWARD		<u>6,321</u>	16,810
BASIC EARNINGS PER SHARE (Rupees)	35	4.60	4.03

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

A. Rashid Lone
Chief Executive

Lt. Gen. (Retd) Ghulam Safdar Butt
Chairman/ Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Note</u>	<u>2004</u>	<u>2003</u>
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	12,101,253	9,523,530
Financial charges paid		(1,229,320)	(2,617,939)
Taxes paid		(664,461)	(291,565)
Employee benefits paid		(282,795)	(212,365)
Security deposits		697,491	443,007
Deferred credit		2,941,152	681,443
Long term loans - staff		(47,818)	6,960
Long term prepayments		1,655	(1,990)
Net cash inflow from operating activities		13,517,157	7,531,081
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(6,622,296)	(6,207,934)
Sale proceeds of fixed assets		22,589	164,849
Investment in associate		(4,899)	-
Return on bank deposits		162,335	165,361
Net cash outflow from investing activities		(6,442,271)	(5,877,724)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term loans and other liabilities - Unsecured		1,845,392	1,021,015
Repayment of long term loans and other liabilities - Unsecured		(2,566,745)	(1,933,884)
Proceeds from non-participatory redeemable capital - Secured		500,000	2,000,000
Repayment of non-participatory redeemable capital - Secured		(238,003)	(1,440,847)
Dividend paid		(1,091,921)	(1,016,056)
Lease rentals paid		-	(59,581)
Net cash outflow from financing activities		(1,551,277)	(1,429,353)
Net increase in cash and cash equivalents		5,523,609	224,004
Cash and cash equivalents at the beginning of the year		2,995,991	2,771,987
Cash and cash equivalents at the end of the year	20	8,519,600	2,995,991

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

A. Rashid Lone
Chief Executive

Lt. Gen. (Retd) Ghulam Safdar Butt
Chairman/ Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2004

	REVENUE RESERVES			TOTAL RESERVES	UNAPPRO- PRIATED PROFIT	TOTAL
	SHARE CAPITAL	GENERAL RESERVE	DIVIDEND EQUALIZATION RESERVE			
	(R u p e e s i n t h o u s a n d)					
Balance as at June 30, 2002	4,991,866	2,577,682	70,000	2,647,682	1,255	7,640,803
Net profit for the year	-	-	-	-	2,013,766	2,013,766
Transfer to revenue reserves	-	700,000	200,000	900,000	(900,000)	-
Dividend @ Rs. 2.20 per share	-	-	-	-	(1,098,211)	(1,098,211)
Balance as at June 30, 2003	4,991,866	3,277,682	270,000	3,547,682	16,810	8,556,358
Net profit for the year	-	-	-	-	2,297,478	2,297,478
Transfer to revenue reserves	-	850,000	210,000	1,060,000	(1,060,000)	-
Proposed dividend @ Rs. 2.50 per share	-	-	-	-	(1,247,967)	(1,247,967)
Balance as at June 30, 2004	4,991,866	4,127,682	480,000	4,607,682	6,321	9,605,869

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

A. Rashid Lone
Chief Executive

Lt. Gen. (Retd) Ghulam Safdar Butt
Chairman/ Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except modified by capitalization of exchange differences referred in Note 2.16 and recognition of certain employee benefits at present value.

2.2 Statement of compliance

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

2.3 Deferred credit

Deferred credit represents the amount received from consumers and the Government as contribution and grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life.

2.4 Taxation

Current

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

Deferred

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

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

2.5 Employee benefits

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

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

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

The Company provides free gas facility to non-executive staff and reimbursement of medical expenditure to all employees after their retirement. However, all executives retired upto December 31, 2000 are also entitled to avail free gas facility. Provisions are made annually to cover the obligation on the basis of actuarial valuation and are charged to income currently. The most recent valuations were carried out as of June 30, 2004 using the projected unit credit method.

On adoption of IAS 19 "Employee Benefits", the actuarial valuations for the above plans determined a transitional liability for post employment benefits amounting to Rs 568.648 million attributable to medical benefit and free gas facility and Rs 44.941 million for pension and gratuity for non-executive staff. Under the transitional provisions of IAS 19, the transitional liability is being amortized over a period of five years which has expired in 2004.

The principal actuarial assumptions used in the valuation of these schemes as of June 30, 2004 are:

	FUNDED			
	GRATUITY FUND		PENSION FUND	
	Executives	Non-executives	Executives	Non-executives
Expected rate of growth per annum in future salaries	7%	7%	7%	7%
Discount rate	8%	8%	8%	8%
Expected rate of return per annum on fund	12%	12%	12%	12%
	UN-FUNDED			
	MEDICAL		FREE GAS	
	Executives	Non-executives	Executives	Non-executives
Discount rate	8%	8%	8%	8%
Expected rate of growth per annum in average cost of facility	5%	5%	7%	7%
Increase in average cost of medical facility per employee due to increase in age of recipient	2%	2%	-	-
Rate of utilization of facility by future entitled employees	-	-	-	100%

The Company's policy with regard to actuarial gains and losses is to follow the minimum recommended approach under IAS 19 (revised 2000).

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

Executives of the Company are entitled to accumulate the un-utilized privilege leaves upto 60 days and such accumulation is encashable only at the time of retirement or leaving the service of the Company.

Non-executives of the Company are entitled to accumulate the unutilized privilege leaves upto 90 days. Any leave in excess of 90 days would be credited to a special account, upto maximum of 90 days. Non-executives retiring from July 01, 2001 to June 30, 2005 would be allowed encashment of special leave upto 90 days in addition to the privilege leave due for encashment upto maximum of 90 days. However, non-executives would be allowed to avail their accumulated privilege leave/ special leave during service beyond 180 days upto June 30, 2005, without any restriction. From July 01, 2005 encashment of privilege leave only upto 90 days would be allowed at the time of retirement.

- c) The Company operates an approved defined contribution provident fund for all permanent employees.

2.6 Trade and other payables

Liabilities for trade and other amounts payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

2.7 Provisions

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

2.8 Fixed capital expenditure and depreciation

a) Cost

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

Freehold and leasehold land are stated at cost. Capital work -in- progress is stated at cost less provision for obsolescence of stores and spares. Cost in relation to certain assets signifies historical cost, exchange differences referred to in Note 2.16 and borrowing cost referred to in Note 2.8(d).

b) Depreciation

Depreciation is charged to income on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 12. Transmission and distribution system, meter and compressor stations and equipments 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. Impairment loss if any is also charged to income.

Half year's depreciation is charged on additions during the year. No depreciation is charged on assets deleted during the year, except for the 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 pipelines and fittings is transferred to capital work-in-progress after considering its reuse capability. The balance of the written down value representing construction overheads is charged to income.

c) Repairs and maintenance

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

d) Borrowing cost

Mark-up, interest, profit and other charges on non-participatory redeemable capital and long term loans are capitalized 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, profit and other charges are charged to income during the year.

2.9 Related party transactions

Transactions with related parties are carried out on arm's length basis except for the assets sold to employees at written down value as approved by the Board of Directors. Prices for transactions with related parties are determined on the basis of comparable uncontrolled price method. The sale and purchase prices of natural gas are controlled by the Government of Pakistan whereas purchases other than natural gas are made through tender/bidding system.

2.10 Investments**Associated companies**

Investments are initially measured at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have impaired. In case such indication exists the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense.

Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of the initial cost of the investment. A reversal of the impairment loss is recognized in income.

2.11 Stores and spares

These 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 plus other charges paid thereon.

2.12 Stock-in-trade

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

2.13 Trade and other receivables

Trade debts and other receivables considered irrecoverable are written off and provision is made for debts considered doubtful of recovery. However, due to regulatory constraints and as approved by the Board of Directors no provision has been made in respect of active consumers. Had there been no change in estimate of provision for doubtful debts, the provision for the year would have decreased by Rs.1.604 million and the profit for the year would have increased by the same amount.

2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.15 Revenue recognition

- a) Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates fixed by the Government of Pakistan. Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end.
- b) Meter rentals are recognized monthly on the basis of specified rates for various categories of consumers.
- c) Interest on bank deposits is recognized on accrual basis.

2.16 Foreign currencies

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

The Company has obtained foreign currency loans from the World Bank which are covered under the exchange risk coverage scheme of Government of Pakistan. Under this agreement, the Company is entitled to claim from the Government the differential between the actual payment made to the World Bank and the amount at which these loans were recorded on the date of receipt. The agreement with the Government for these loans qualifies as a fair value hedge.

2.17 Financial assets and liabilities

Financial assets and liabilities are recognized at the time the Company becomes a party to the contractual provisions of the instruments. These are measured at cost, which is fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. Financial assets and liabilities are derecognized on the cessation of the effective control. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account currently.

2.18 Gas development surcharge

Under the provisions of World Bank loan 3252-Pak, the Company is required to earn an annual return of not less than 17.50% p.a on the value of its average fixed assets in operation (net of deferred credit), before corporate income taxes, interest and other charges on debt and after excluding interest, dividends and other non operating income. Any deficit or surplus on account of this is recoverable from or payable to the Government of Pakistan as differential margin or gas development surcharge.

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
121,146,000 (2003: 121,146,000) ordinary shares of Rs. 10 each issued as fully paid for cash	1,211,460	1,211,460
3,329,000 (2003: 3,329,000) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
374,711,600 (2003: 374,711,600) ordinary shares of Rs 10 each issued as fully paid bonus shares	3,747,116	3,747,116
	<u>4,991,866</u>	<u>4,991,866</u>

4. NON-PARTICIPATORY REDEEMABLE CAPITAL - Secured

Long term running finances utilised under mark-up arrangements:

Financial institution						(Rupees in thousand)	
	1	2	3	4	5	TOTAL	
	National Bank of Pakistan	Citi Bank Syndicate	Habib Bank Limited Syndicate	Standard Chartered Bank Syndicate	Standard Chartered Bank Syndicate	2004	2003
Marked - up price	1,766,579	1,916,222	2,584,710	3,095,933	2,063,955	11,427,399	15,150,286
Less:							
Mark - up	328,838	260,430	330,002	196,326	127,896	1,243,492	3,622,881
Prompt payment rebate	417,741	726,792	754,708	1,399,607	936,059	4,234,907	3,223,317
	746,579	987,222	1,084,710	1,595,933	1,063,955	5,478,399	6,846,198
	1,020,000	929,000	1,500,000	1,500,000	1,000,000	5,949,000	8,304,088
Mark - up accrued during grace period	249,349	-	-	-	-	249,349	534,635
	1,269,349	929,000	1,500,000	1,500,000	1,000,000	6,198,349	8,838,723
Less: Aggregate repayments upto June 30, 2004	238,003	-	-	-	-	238,003	3,140,519
Current portion included in current liabilities	317,337	232,250	375,000	-	-	924,587	227,050
	555,340	232,250	375,000	-	-	1,162,590	3,367,569
TOTAL	714,009	696,750	1,125,000	1,500,000	1,000,000	5,035,759	5,471,154
Rate of profit / mark - up	1.20% p.a. plus cut off yield on the last SBP six month treasury bill without floor and cap. (2003: 1.20% p.a. plus cut-off yield on the last six months treasury bill without floor and cap)	1.20% p.a. plus cut off yield on the last SBP six month treasury bill without floor and cap. (2003: 0.85% p.a. plus prevailing State Bank of Pakistan ("SBP") Discount Rate with the floor of 11% p.a. for the first year and thereafter 11.75% p.a. and cap of 18% p.a.)	1.20% p.a. plus cut off yield on the last SBP six month treasury bill without floor and cap. (2003: 0.75% p.a. plus prevailing State Bank of Pakistan ("SBP") Discount Rate with the floor of 8.25% p.a. and cap of 17% p.a.)	1.10% p.a. plus cut off yield on the last SBP six month treasury bill without floor and cap. (2003: 1.80% p.a. plus cut-off yield on last six months treasury bill without floor and cap)	1.10% p.a. plus cut off yield on the last SBP six month treasury bill without floor and cap. (2003: 1.10% p.a. plus cut-off yield on last six months treasury bill without floor and cap)		
No. of installments outstanding							
- Quarterly	13	-	-	-	-		
- Half yearly	-	8	8	8	8		
Repayment commencement date	October 01, 2003	August 13, 2004	December 28, 2004	September 29, 2005	December 31, 2005		
Terms							

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

The repayment of marked - up price is secured by first charge on the Company's fixed assets, ranking pari passu and a floating charge over the Company's assets.

	<u>Note</u>	<u>2004</u>	<u>2003</u>
(Rupees in thousand)			
5. DEFERRED CREDIT			
Consumers' contributions		7,821,846	6,668,708
Government grant	5.1	1,971,220	183,206
		<u>9,793,066</u>	<u>6,851,914</u>
Less: Accumulated amortisation			
Opening balance		2,523,614	2,189,620
Amortisation for the year		359,145	333,994
		<u>2,882,759</u>	<u>2,523,614</u>
		<u>6,910,307</u>	<u>4,328,300</u>

5.1 The Company has received funds amounting to Rs. 2,327 million (2003: Rs. Nil) from the Government of Pakistan under Taameer-e-Watan Programme. The funds amounting to Rs. 1,188 million (2003: Rs. Nil) and Rs. 1,139 million (2003: Rs. Nil) have been allocated into soft term loans and grants as proposed by the Ministry of Petroleum and Natural Resources to the Prime Minister Secretariat vide notification No. NG(1)-16-(91)/2004 dated May 11, 2004, which is pending for approval.

6. LONG TERM LOANS AND OTHER LIABILITIES - Unsecured

Foreign currency loans	6.1	3,414,091	3,805,052
Local currency			
- Loans	6.2	2,769,396	2,468,036
- Other liabilities	6.3	1,718,675	2,356,138
		<u>7,902,162</u>	<u>8,629,226</u>
Less: Current portion shown under current liabilities			
Foreign currency		421,900	390,961
Local currency			
- Loans		18,270	475,003
- Other liabilities		245,525	637,464
		<u>685,695</u>	<u>1,503,428</u>
		<u>7,216,467</u>	<u>7,125,798</u>

6.1 Foreign currency loans - unsecured

These are composed of:

Lender	Rate of interest per annum	Half yearly installments outstanding	Repayment commencement date	2004	2003
				(Rupees in thousand)	
	(%)	(Nos.)			
World Bank Loan 3252 - PAK	0.5% above the base cost of qualified borrowing	13	Mar. 01, 1996	4,146,307	4,350,009
World Bank Loan 3252-1- PAK	- do -	13	Mar. 01, 1996	2,058,485	2,160,181
				6,204,792	6,510,190
Less: Receivable from Government of Pakistan under exchange risk coverage contract			(Note 6.1.2)	2,790,701	2,705,138
				3,414,091	3,805,052

6.1.1 The repayment of the World Bank loans is guaranteed by the Government of Pakistan (GOP) for a fee payable half yearly at an annual rate of 0.5% on the outstanding balance.

6.1.2 The above represents amount receivable from GOP. The Company has obtained exchange risk cover from the GOP in respect of foreign currency loans 3252-PAK and 3252-1 PAK obtained from the World Bank. The exchange risk coverage arrangement allows the Company to claim the differential between the actual payment made to the World Bank and the amount at which these loans were recorded on the date of receipt. Exchange risk fee payable to GOP on these loans is the difference between 14% p.a. and the rate of interest intimated by the World Bank subject to minimum of 5% p.a.

6.2 Local currency loans - Unsecured

Government of Pakistan (GOP)

		2004	2003
		(Rupees in thousand)	
- Relent loans	(Note 6.2.1)	-	952,221
- Cash development loans	(Note 6.2.2)	2,734,106	1,461,015
		2,734,106	2,413,236
Loans from industrial consumers	(Note 6.2.3)	35,290	54,800
		2,769,396	2,468,036

6.2.1 Relent loans

These carried mark-up at the rate of 14 % p.a. and were payable in half yearly installments. However, these have been paid during the year.

6.2.2 Cash development loans (CDL)

a) These have been obtained from the Government of Pakistan (GOP) for supply of gas to new towns. The loan amounting to Rs. 1,546.369 million (2003: Rs. 1,461.015 million) carries mark-up at the rates ranging between 5% to 9% p.a. and Rs. 1,187.737 (2003: Rs. Nil) carries mark up based on the six month Treasury Bills (having a floor of 2 % with a cap of 5% p.a.) on the outstanding balance or part thereof.

- b) The Company has accounted for mark-up amounting to Rs. 12.9 million on the loans as referred to in Note 5.1 at the rate of 6 months Treasury Bills subject to a floor and cap of 2% and 5% p.a. respectively as proposed by the Company to the Ministry of Petroleum and Natural Resources.

6.2.3 Loans from industrial consumers

These have been obtained from certain industrial consumers for lying of gas pipelines and carry mark-up at the rates ranging between 1.5 % to 2 % p.a.(2003: 2% to 5%p.a.) on the outstanding balance or part thereof and are repayable over a period of 10 years with a grace period of 2 years.

2004	2003
(Rupees in thousand)	

6.3 Other liabilities

These are composed of:

Interest on Medium term Loan	(Note 6.3.1)	1,718,675	1,964,199
Interest payable to OGDCL		-	391,939
		1,718,675	2,356,138

- 6.3.1** Under an agreement reached with the Government of Pakistan, interest on medium term loan amounting to Rs 2,455.249 million due on June 30, 2001 is payable in 10 equal annual installments commencing from June 30, 2002 and does not carry any mark-up.

2004	2003
(Rupees in thousand)	

7. DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

Taxable temporary difference

Accelerated tax depreciation allowance	6,138,893	5,819,502
--	-----------	-----------

Deductible temporary differences

Less: Provision for doubtful debts	505,552	702,348
Others	86,562	130,857
	592,114	833,205
	5,546,779	4,986,297

		2004	2003
		(Rupees in thousand)	
8. EMPLOYEE BENEFITS			
Accumulating compensated absences		147,284	138,573
Post employment benefits	(Note 8.1)	1,841,917	1,421,630
		1,989,201	1,560,203

Post employment benefits					
Un-funded		Funded		Total	
Medical	Free gas facility	Pension and gratuity		2004	2003
		Executives	Non-executives	(Rupees in thousand)	

8.1 Post employment benefits

These are composed of:

Present value of defined benefit obligation	1,868,381	416,228	764,004	2,169,091	5,217,704	4,787,419
Fair value of plan assets	-	-	(604,525)	(1,777,083)	(2,381,608)	(1,930,326)
Past service cost to be recognized in later periods	(130,148)	(51,695)	(28,027)	(150,086)	(359,956)	(426,507)
Unrecognized actuarial losses	(306,885)	(78,752)	(203,734)	(44,852)	(634,223)	(890,219)
Transitional liability to be recognized in later periods	-	-	-	-	-	(118,737)
	1,431,348	285,781	(72,282)	197,070	1,841,917	1,421,630
Movement in net liability						
Liability/ (asset) at beginning of the year	1,094,736	209,078	(79,260)	197,076	1,421,630	961,192
Charge for the year	367,118	85,004	69,031	160,496	681,649	660,874
Benefits paid during the year	1,461,854	294,082	(10,229)	357,572	2,103,279	1,622,066
	(30,506)	(8,301)	(62,053)	(160,502)	(261,362)	(200,436)
Liability/ (asset) at the end of the year	1,431,348	285,781	(72,282)	197,070	1,841,917	1,421,630

		2004	2003
		(Rupees in thousand)	
9. SECURITY DEPOSITS			
Consumers	(Note 9.1)	4,427,846	3,732,304
Contractors - Houseline	(Note 9.2)	14,106	12,157
		4,441,952	3,744,461

9.1 Consumer deposits represent security against amount due from them on account of gas sales. These are repayable on cancellation of contract for supply of gas or on submission of bank guarantees in lieu of security deposits. Interest is payable at the rate of 2 % p.a (2003: 5% p.a.) on deposits amounting to Rs 1,815.617 million (2003: Rs 1,331.600 million) . However, for Kot Addu Power Company Limited (KAPCO) having deposit of Rs. 667 million (2003: Rs. 667 million) interest rate is 1% above 3 months State Bank of Pakistan (SBP) Treasury Bills cut off rate with maximum of 10% p.a and for Liberty Power Limited having deposit of Rs. 384 million (2003: Rs. 384 million) interest rate is 2.88% (2003: 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7%) p.a.

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

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors for:		
- gas	10,190,558	5,358,344
- supplies	613,096	512,915
Accrued liabilities (Note 10.1)	1,411,074	1,786,154
Interest free deposits payable on demand	10,165	6,094
Earnest money received from contractors	21,560	17,661
Mobilization and other advances	304,962	60,029
Interest, mark-up, profit and commitment charges accrued on:		
- Long term loans	118,975	315,833
- Redeemable capital	36,094	57,736
Exchange risk and guarantee fee payable to Government of Pakistan	126,111	140,467
Sales tax payable	200,454	261,492
Workers' profit participation fund (Note 10.2)	192,947	168,862
Unclaimed dividend	20,033	13,743
	<u>13,246,029</u>	<u>8,699,330</u>

10.1 Included herein is an amount of Rs. 1.029 million (2003: Rs. 1.029 million) payable to Civic Centres Company (Private) Limited (an associated undertaking).

10.2 Workers' profit participation fund

Balance at the beginning of the year	168,862	150,615
Allocation for the year	192,862	168,793
	<u>361,724</u>	<u>319,408</u>
Interest on funds utilised in the Company's business	50	50
	<u>361,774</u>	<u>319,458</u>
Less: Payment to workers	436	444
Payment to Government Treasury	168,391	147,088
Amount written back no longer considered payable	-	3,064
	<u>168,827</u>	<u>150,596</u>
	<u>192,947</u>	<u>168,862</u>

11. CONTINGENCIES AND COMMITMENTS

11.1 Claims against the Company not acknowledged as debts amount to Rs. 417.238 million (2003: Rs 386.359 million).

- a) These Include claims by the contractors, suppliers and consumers aggregating Rs. 79.812 million (2003: Rs. 75.752 million). Pending the outcome of these claims, which are in arbitration before the various courts no provision has been made in these financial statements as in the management's view the Company has strong grounds in the cases lodged.
- b) These also Include claim of employees union for bonus amounting to Rs. 255 million (2003: Rs. 255 million) approximately which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the orders of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honourable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC are without jurisdiction and are void. The appeal has not so far been fixed for hearing. No provision has been made in these financial statements for the amount of bonus as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favour of the Company.

11.2 Taxation

- a) The Income Tax Appellate Tribunal (ITAT) upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1980-81 through 2001-02. The department has filed appeals against the orders of ITAT before the High Court for the assessment years 1980-81 through 1993-94. Pending the outcome of appeals filed by the tax department with the High Court, no provision has been made in these financial statements for additional demands in respect of assessment years 1980-81 to 2002-2003 and tax year 2003 which on similar basis as used in the past by the tax authorities would amount to Rs 500.925 million (2003: Rs 563.377 million).
- b) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further demands due to a change in treatment by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for demands and filed appeals with the ITAT against the orders of the tax authorities. The ITAT upheld the company's contentions in the appeals filed for the assessment years 1989-90 to 2001-02, however, the department has filed appeals against the orders of ITAT before the High Court for the assessment years 1989-90 through 1993-94. Pending the outcome of these appeals no provision has been made in the financial statements for these additional demands for the years 1989-90 through 2002-03, which on the basis adopted by the authorities would amount to Rs 1280.5 million (2003: Rs 1,327.343 million). Since the Company has strong grounds against the assessments framed by the tax authorities no provision in this respect has been recognised in these financial statements.

In the event of an adverse decision in the cases referred to in (a) and (b) 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 profit and loss account as these expenses are realized for tax purposes in future years. The adhoc payments made against these demands have been included in current assets.

11.3 The Company furnished indemnity bonds aggregating to Rs. 366.316 million (2003: Rs. 844.952 million) to the Collector of Customs to avail the exemption under SRO 367(1)/99 in respect of custom duty and sales tax on certain imported items. Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.

11.4 The Company claimed statutory compensation of Rs. 397.584 million (2003: Rs. 397.584 million) on account of delayed refunds under section 102 of the repealed Ordinance 1979, which was not allowed by the income tax authorities. The Company has filed an appeal before the Commissioner of Income Tax (Appeals) against the said order. In view thereof the Company's management considers it prudent not to recognise the compensation claimed as income till such time, that the amount of such compensation has been determined by the tax authorities and can be measured reliably.

11.5 Commitments in respect of

- a) Contracts for capital expenditure amount to Rs. 1,072.620 million (2003: Rs. 1,125.906 million).
- b) Letters of credit other than for capital expenditure amount to Rs. 142.808 million (2003: Rs. 91.878 million).

11.6 Interest on over due WAPDA balances

The company has claimed interest according to the terms of the contract amounting to Rs. 222.393 million (2003: Rs. 400.671 million) from WAPDA on overdue payments for gas supplied. To date this interest has not been paid by WAPDA. In previous years the company had charged WAPDA interest on overdue payments according to contractual terms with WAPDA, however, the interest was subsequently settled at reduced amount on the basis of agreement with WAPDA through the Government of Pakistan. Consequently based on these circumstances the company's management is of the view that at present settlement of the interest is uncertain and as such revenue that would flow to the company cannot be measured reliably.

In view thereof the company's management considers it prudent not to recognize the interest claimed as income till such time, that the amount of such interest which will flow to the company can be measured reliably. However, in case the interest was recognized as income, there would be no effect on the profit for the year as the Gas Development Surcharge payable to the Government of Pakistan would increase by the same amount.

12. OPERATING FIXED ASSETS - Tangible

DESCRIPTION	Cost As at July 01, 2003	Additions/ adjustments/ (deletions)	Cost As at June 30, 2004	Accumulated depreciation as at July 01, 2003	Depreciation charge/ (deletion) for the year	Transfer from assets subject to finance lease	Accumulated depreciation as at June 30, 2004	Book value as at June 30, 2004	Rate %
	(R u p e e s I n t h o u s a n d)								
Freehold land	331,987	69,313	401,300	-	-	-	-	401,300	-
Leasehold land	392	-	392	-	-	-	-	392	-
Buildings and civil construction									
on freehold land	722,073	9,577	731,650	411,470	36,774	-	448,244	283,406	6
Buildings on leasehold land	8,461	-	8,461	8,461	-	-	8,461	-	6
Transmission system	25,470,524	2,544,705 (154,850)	27,860,379	10,495,349	1,466,425 (154,850)	-	11,806,924	16,053,455	6 - 10
Distribution system	12,862,314	1,516,811	14,379,125	5,337,140	755,016	-	6,092,156	8,286,969	6
Consumer meter and town border stations	6,536,004	809,528 (51,175)	7,294,357	2,228,917	410,234 (25,702)	-	2,613,449	4,680,908	6
Telecommunication system and facilities	2,084,771	34,997 (329)	2,119,439	1,352,515	263,119 (298)	-	1,615,336	504,103	15
Compressor stations and equipments	3,147,261	966,641	4,113,902	1,784,441	185,592	-	1,970,033	2,143,869	6 - 9
Plant and machinery	2,368,549	130,184 (6,930)	2,491,803	1,887,016	128,863 (6,895)	-	2,008,984	482,819	10 - 20
Furniture and equipments	228,270	24,467 (6,215)	246,522	163,253	18,764 (4,598)	-	177,419	69,103	15 - 20
Loose tools	39,473	17,747	57,220	33,222	6,119	-	39,341	17,879	33.33
Transport vehicles	599,752	50,701 (33,541)	616,912	428,119	62,580 (31,441)	-	459,258	157,654	25
2004	54,399,831	6,174,671 (253,040)	60,321,462	24,129,903	3,333,486 (223,784)	-	27,239,605	33,081,857	
2003	49,073,009	6,616,213 (1,289,391)	54,399,831	21,977,342	3,064,490 (949,729)	37,800	24,129,903	30,269,928	

Included in addition to transmission system is borrowing cost of Rs. 37.636 million (2003: Rs. 170.344 million) capitalized during the year. The Capitalization rate used to determine amount of borrowing cost is 3.52% (2003: 4.76%).

The amount of deletions appearing under the transmission system include the cost of uplifted pipelines amounting to Rs. 154.850 million (2003: Rs. 27.576 million) having nil book value, being fully depreciated.

The cost of the assets as on June 30, 2004 include fully depreciated assets amounting to Rs. 3,842 million (2003: Rs. 3,290 million).

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	S o l d t o
		(R u p e e s)				
Plant and machinery						
Refrigerator	34,000	2,254	31,746	31,746	Service Rules	Hassan Tariq Qadri (Executive)
Furniture and equipment						
Tents	278,232	83,472	194,760	299,677	Insurance claim	National Insurance Company Limited
Computers	1,314,254	602,566	711,688	1,437,612	Insurance claim	National Insurance Company Limited
Printers	657,245	288,680	368,565	977,096	Insurance claim	National Insurance Company Limited
Word Processors	119,075	68,214	50,861	108,000	Insurance claim	National Insurance Company Limited
Photo copier	209,900	62,970	146,930	210,000	Insurance claim	National Insurance Company Limited
Fax Machine	40,250	21,131	19,119	45,000	Insurance claim	National Insurance Company Limited
Telephone set	9,775	2,199	7,576	5,250	Insurance claim	National Insurance Company Limited
Transport Vehicles						
Honda City	710,500	470,341	240,159	240,159	Service Rules	S. Q. H. Jafri (Executive)
Toyota Corolla	774,000	488,521	285,479	285,479	Service Rules	Mustafa Ahmed Khan (Executive)
Suzuki Cultus	560,000	198,877	361,123	361,123	Service Rules	Abdul Lateef Tareen (Executive)
Suzuki Cultus	560,000	375,699	184,301	184,301	Service Rules	Muhammad Bashir (Executive)
Honda City	710,500	490,294	220,206	220,206	Service Rules	Nasurullah Khan Mazari (Executive)
Suzuki Cultus	560,000	438,603	121,397	121,397	Service Rules	Akthar Hussain (Executive)
Suzuki Cultus	560,000	173,279	386,721	386,721	Service Rules	Saleem Ullah (Executive)
Suzuki Cultus	560,000	444,863	115,137	115,137	Service Rules	Abdul Ghaffar Khan (Executive)
Honda City	710,500	552,098	158,402	158,402	Service Rules	Raj Wali Khan (Executive)
Yamaha Motor Cycle	56,800	35,500	21,300	50,000	Insurance claim	National Insurance Company Limited

Book value of the other assets disposed off was less than Rs. 5,000.

13. CAPITAL WORK IN PROGRESS

	2004	2003
	(Rupees in thousand)	
Transmission system	593,176	248,778
Distribution system	1,121,293	747,011
Stores and spares	2,021,754	2,176,213
Advances for land	117,367	105,810
	3,853,590	3,277,812

(Note 13.1)

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
13.1 Stores and spares including in transit		
Rs. 355.982 million (2003: Rs. 438.618 million)	2,039,296	2,176,213
Less: Provision for obsolescence	17,542	-
	<u>2,021,754</u>	<u>2,176,213</u>

13.2 Included in additions to transmission system is borrowing cost of Rs. Nil (2003: Rs. 9.944 million). The capitalization rate used to determine amount of borrowing cost is Nil (2003: 4.76%).

14. LONG TERM INVESTMENTS

Associated undertakings:

Civic Centres Company (Pvt) Limited	(Note 14.1)	46,134	46,134
Transferred to short term investment		(46,134)	-
		-	46,134
Inter State Gas Systems (Pvt) Limited	(Note 14.2)	4,900	1
		<u>4,900</u>	<u>46,135</u>

14.1 Civic Centres Company (Pvt) Ltd.

8,500,000 (2003: 8,500,000) fully paid ordinary shares of Rs 10 each	85,000	85,000
Less: Provision for impairment in the value of investment	38,866	38,866
	<u>46,134</u>	<u>46,134</u>

Equity held - 19%. Mr. Mohammad Asad is the Chief Executive of the company. Value based on net assets as at June 30, 2003 was Rs. 75.458 million (2002: Rs. 67.420 million). However the Company has decided to dispose off this investment in the ensuing year.

14.2 Inter State Gas Systems (Pvt) Ltd.

49 (2003: 49) ordinary shares of Rs 10 each	1	1
Advance for 489,951 ordinary shares	4,899	-
	<u>4,900</u>	<u>1</u>

Equity held - 49%. Mr. A. Rashid Lone is the Chief Executive of the company. Value based on net assets as at June 30, 2003 was Rs. 1,000.

15. LONG TERM LOANS - CONSIDERED GOOD

	House building		Car		Motorcycle/ Scooter		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	(R u p e e s i n t h o u s a n d)							
Due from Executives	35,336	46,101	4,911	7,100	-	-	40,247	53,201
Due from Other employees	229,308	167,441	-	-	10,338	11,433	239,646	178,874
	264,644	213,542	4,911	7,100	10,338	11,433	279,893	232,075
Amount due within one year shown under current assets - Note 19								
Due from Executives	7,894	9,935	1,519	1,844	-	-	9,413	11,779
Due from Other employees	37,678	36,222	-	-	5,618	8,197	43,296	44,419
	45,572	46,157	1,519	1,844	5,618	8,197	52,709	56,198
	219,072	167,385	3,392	5,256	4,720	3,236	227,184	175,877
Outstanding for more than three years	83,077	83,388	3,392	4,471	-	-	86,469	87,859
Others	135,995	83,997	-	785	4,720	3,236	140,715	88,018
	219,072	167,385	3,392	5,256	4,720	3,236	227,184	175,877

House building and car loans are repayable in 10 years, while motorcycle/ scooter 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 and executives at any month end during the year was Rs Nil (2003: Rs Nil) and Rs 52.416 million (2003: Rs 65.364 million) respectively.

16. LONG TERM PREPAYMENTS

	2004	2003
	(Rupees in thousand)	
Total prepayments	9,719	9,884
Less: Current portion	4,984	3,494
Less: Provisions	1,231	1,231
	6,215	4,725
	3,504	5,159

17. STORES AND SPARES

Stores including in transit Rs 18.918 million (2003: Rs 12.119 million)	310,564	272,383
Spares including in transit Rs 31.185 million (2003: Rs 14.009 million)	307,387	272,626
	617,951	545,009
Less: Provision for obsolescence	18,346	35,995
	599,605	509,014

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
18. TRADE DEBTS		
Considered good		
- Secured	5,656,209	4,418,627
- Un-secured	3,827,461	4,327,632
	9,483,670	8,746,259
Considered doubtful	1,309,204	1,967,235
	10,792,874	10,713,494
Less: Provision for doubtful debts	1,309,204	1,967,235
	9,483,670	8,746,259
19. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Loans to employees - considered good (Note 15)	52,709	56,198
Advances to employees - considered good (Note 19.1)	4,146	55,045
Advances to suppliers and contractors less provision for doubtful receivables Rs. 13.794 million (2003: Rs. 13.965 million)	59,324	31,925
Trade deposits and prepayments less provision for doubtful receivables Rs. 25.505 million (2003: Rs. 25.505 million)	37,709	86,960
Senior executive gratuity fund	24,545	52,147
Accrued gas sales	258,392	175,117
Exchange differences on long term loans recoverable from the State Bank of Pakistan	-	204,758
Accrued return on bank deposits (Note 19.2)	34,739	12,562
Excise duty recoverable (Note 19.3)	-	95,756
Differential margin recoverable (Note 2.17)	284,905	139,968
Others (Note 19.4 & 19.5)	72,457	111,972
	828,926	1,022,408

19.1 Included in advances to employees are Rs. 0.023 million (2003: Rs. 0.784 million) due from executives. The maximum amount outstanding at any month end during the year was Rs. 2.652 million (2003: Rs. 0.784 million).

19.2 Included in accrued return on bank deposits is an amount of Rs. 0.333 million (2003: Rs. 1.623 million) accrued on bank deposits with Muslim Commercial Bank Limited being an associated undertaking.

19.3 Excise duty recoverable is net of provision for doubtful receivables of Rs. 95.756 million (2003: Rs. Nil).

19.4 Included in others is an amount of Rs. 35.114 million (2003: Rs. 35.114 million) recoverable from Government of Pakistan under deferred tariff adjustment.

19.5 Included in others is an amount of Rs. 0.156 million receivable from Inter State Gas Systems (Pvt) Limited, an associated undertaking. Maximum aggregate balance receivable at the end of any month was Rs. 0.986 million.

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
20. CASH AND BANK BALANCES		
At banks		
- On deposits, including Rs14.902 million (2003: Rs 14.791 million) in special account and cheques under clearance of Rs. 230.314 million (2003: Rs. 116.020 million)	8,137,979	2,660,962
- On current accounts, including remittances in transit and cheques under clearance of Rs 205.029 million (2003: Rs 298.008 million)	380,531	333,983
	8,518,510	2,994,945
In hand	1,090	1,046
	8,519,600	2,995,991
20.1 Included in cash and bank balances is Rs. Nil (2003: Rs. 149.007 million) and Rs 65.755 million (2003: Rs. 71.579 million) deposited in deposit and current accounts of Muslim Commercial Bank Limited respectively, an associated undertaking.		
21. GAS SALES		
Gross sales	74,005,614	52,525,619
Less: Sales tax	9,728,552	6,874,809
Discount	917	1,314
	9,729,469	6,876,123
	64,276,145	45,649,496
22. RENTAL AND SERVICE INCOME		
Transmission charges	7,695	7,049
Meter rental exclusive of sales tax of Rs 86.654 million (2003: Rs 82.725 million)	577,692	551,560
Testing and reconnection charges	9,852	11,953
Income from repair work	43,409	64,698
	638,648	635,260
23. SURCHARGE AND INTEREST ON GAS SALES ARREARS		
Interest on gas sales arrears	289,060	266,209
Surcharge on late payments	237,669	225,681
	526,729	491,890

Late payment surcharge at the rate of 1.5% per month upto one year and thereafter 2% per month is charged on over due amounts on consumers other than domestic consumers which are charged one time surcharge at the rate of 10 %.

	2004	2003
	(Rupees in thousand)	
24. COST OF GAS SOLD		
Opening stock of gas in pipelines	184,210	154,273
Gas purchases		
- Southern system	44,344,562	28,326,881
- Northern system	3,725,690	3,679,830
- Cost equalisation adjustment (Note 24.1)	5,722,334	-
	<u>53,792,586</u>	<u>32,006,711</u>
	53,976,796	32,160,984
Less: Gas internally consumed	1,073,454	627,417
Closing stock of gas in pipelines	275,800	184,210
	<u>1,349,254</u>	<u>811,627</u>
	<u>52,627,542</u>	<u>31,349,357</u>

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

	2004	2003
	(Rupees in thousand)	
25. OPERATING COST EXCLUDING DEPRECIATION		
Salaries, wages and benefits (Note 25.1 & 25.2)	2,914,930	2,813,123
Employees medical and welfare (Note 25.1)	545,055	542,134
Stores and spares consumed	227,878	171,492
Fuel and power	1,131,755	675,087
Repairs and maintenance	286,855	186,592
Rent, rates, electricity and telephone	72,668	53,763
Insurance	121,860	109,343
Travelling	54,182	49,926
Stationery, telegrams and postage	31,893	34,539
Despatch of gas bills	15,723	21,588
Transportation charges	170,934	152,443
Provision for doubtful debts	84,752	505,551
Provision for doubtful receivables	95,756	6,159
Professional services (Note 25.3)	18,880	17,957
Gathering charges of gas bills collection data	35,780	34,573
Stores and spares written off (Note 25.4)	25,520	208,380
Provision for obsolete stores and spares	13,581	-
Loans to deceased employees written off	114	77
Gas bills collection charges	41,763	29,269
Security expenses	74,775	40,388
Others	183,477	139,242
	<u>6,148,131</u>	<u>5,791,626</u>
Less: Allocated to fixed capital expenditure	802,359	791,852
	<u>5,345,772</u>	<u>4,999,774</u>

25.1 Included in salaries, wages, benefits, employees medical and welfare are the following retirement benefits:

	Post employment			TOTAL
	Un-funded		Funded	
	Medical	Free gas	Pension and Gratuity	
	(Rupees in thousand)			
Current service cost	90,644	22,636	173,676	286,956
Interest cost	132,859	32,811	217,323	382,993
Past service cost	23,579	8,615	29,956	62,150
Non-vested past service cost	-	-	4,401	4,401
Expected return on plan assets	-	-	(231,639)	(231,639)
Actuarial losses	18,646	12,585	26,820	58,051
Amortisation of transitional liability	101,390	8,357	8,990	118,737
2004	367,118	85,004	229,527	681,649
2003	380,080	61,338	219,456	660,874
	Pension		Gratuity	
	Executive	Non-executive	Executive	Non-executive
	(Rupees in thousand)			
Actual return on plan assets for the year				
2004	84,397	185,464	12,967	143,637
2003	103,672	131,738	8,569	113,530

25.2 Included in salaries, wages and benefits is Rs 95.610 million (2003: Rs 65.378 million) against company contribution to employees provident fund.

	2004	2003
	(Rupees in thousand)	
25.3 Professional services		
The charges for professional services include the following in respect of:		
Statutory audit fee:		
- A.F. Ferguson & Co	-	250
- Ford Rhodes Sidat Hyder & Co	250	250
- Riaz Ahmad & Co	250	-
	500	500
Tax representation and advisory services:		
- A.F. Ferguson & Co	1,572	1,728
Audit certification for lending agencies and sundry advisory services and half yearly review:		
- A.F. Ferguson & Co	-	138
- Ford Rhodes Sidat Hyder & Co	100	103
- Riaz Ahmad & Co	201	-
Out of pocket expenses:		
- A.F. Ferguson & Co	-	95
- Ford Rhodes Sidat Hyder & Co	100	95
- Riaz Ahmad & Co	100	-
	2,573	2,659

25.4 This represents book value of meters which were not considered repairable and have been written off.

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
26. OTHER INCOME		
Sale of tender documents	2,146	1,157
Sale of condensate	1,551	1,622
Sale of scrap	8,672	-
Net gain on sale of fixed assets	18,807	33,512
Liquidated damages recovered	3,202	13,856
Interest on staff loans and advances	8,510	8,239
Return on bank deposits (Note 26.1)	184,512	138,463
Insurance claim (Note 26.2)	159,944	525
Credit balances written back	8,837	216,076
Miscellaneous	10,102	9,381
	<u>406,283</u>	<u>422,831</u>

26.1 Rate of profit on bank accounts ranges from 0.60% to 6.00% (2003: 0.75% to 12%) per annum.

26.2 This represents claims received on account of ruptures of gas pipelines.

27. FINANCIAL CHARGES

Mark-up/ profit on:

- Non participatory redeemable capital - Secured	252,288	538,242
- Finance lease	-	4,614

Interest and commitment charges on:

- Long term loans - Unsecured	308,654	491,742
- Security deposits	83,468	127,214
- Workers' profit participation fund	50	50
Term loan raising expenses	-	4,006
Exchange risk coverage fee (Note 27.1)	352,150	538,591
	<u>996,610</u>	<u>1,704,459</u>

Less: Allocated to fixed capital expenditure

<u>27,692</u>	<u>172,988</u>
<u>968,918</u>	<u>1,531,471</u>

27.1 This includes an amount of Rs. 2.859 million (2003: Rs. 150.507 million) on account of interest on exchange risk coverage fee.

28. OTHER CHARGES

Workers' profit participation fund	192,862	168,793
Provision for impairment in the value of investment	-	23,067
Donations (Note 28.1)	830	35
Prime Ministers flood relief fund	3,099	-
Others	-	1
	<u>196,791</u>	<u>191,896</u>

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

	2004	2003
	(Rupees in thousand)	
29. PROVISION FOR TAXATION		
Current year - Current	802,270	754,580
- Deferred	560,483	434,391
	1,362,753	1,188,971
Prior year - Current	4,146	4,330
	1,366,899	1,193,301
29.1 Tax charge reconciliation	%	%
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate as per Income Tax Ordinance, 2001	35.00	35.00
Tax effect of amounts that are:		
- Not deductible for tax purpose	1.67	2.78
- Others	0.52	(0.63)
Effect of changes in prior years tax	0.11	0.06
	2.30	2.21
Average effective tax rate charged to profit and loss account	37.30	37.21
	2004	2003
	(Rupees in thousand)	
30. CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,664,377	3,207,067
Adjustment for non-cash charges and other items:		
Depreciation	3,333,486	3,064,490
Employee benefits	636,804	605,900
Amortization of deferred credit	(359,145)	(333,994)
Net gain on sale of fixed assets	(18,807)	(33,512)
Financial charges	968,918	1,531,471
Return on bank deposits	(184,512)	(138,463)
Provision no longer considered necessary written back	(5,711)	(214,600)
Provision for doubtful debts	84,752	505,551
Provision for doubtful receivables	95,756	6,159
Stores and spares written off	25,520	208,380
Provision for impairment in the value of investment	-	23,067
Working capital changes (Note 30.1)	3,859,815	1,092,014
	12,101,253	9,523,530

	<u>2004</u>	<u>2003</u>
	(Rupees in thousand)	
30.1 Working capital changes		
(Increase)/ decrease in current assets		
Stores and spares	(116,111)	(149,080)
Stock-in-trade	(91,590)	(29,937)
Trade debts	(822,163)	(51,654)
Loans, advances, deposits, prepayments and other receivables	116,414	816,052
	<u>(913,450)</u>	<u>585,381</u>
Increase/ (decrease) in current liabilities		
Creditors, accrued and other liabilities	4,773,265	506,633
	<u>3,859,815</u>	<u>1,092,014</u>

31. 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 is as follows:

	<u>Chief Executive</u>		<u>Executives</u>	
	<u>2004</u>	2003	<u>2004</u>	2003
Number of persons	1	1	726	699
	(Rupees in thousand)			
Managerial remuneration	3,366	2,587	286,922	255,288
Contribution to provident, pension and gratuity fund	-	410	87,640	73,846
Housing and utilities	1,543	1,185	138,295	133,214
Leave encashment	-	1,062	5,056	2,392
Club subscription	4	4	24	30
	<u>4,913</u>	<u>5,248</u>	<u>517,937</u>	<u>464,770</u>

The above figure of executives excludes 1,325 (2003: 476) subordinate staff drawing salary more than Rs. 100,000. Aggregate amount charged during the year is Rs. 504.022 million (2003: Rs. 163.817 million).

In addition, the Chief Executive and certain executives are 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.

The aggregate amount charged in the accounts in respect of directors' fee paid to fourteen (2003: fourteen) directors was Rs 37,500 (2003: Rs 38,500).

		<u>2004</u>	<u>2003</u>
		(Rupees in thousand)	
32.	TRANSACTIONS WITH RELATED PARTIES		
	Detail of transactions with related parties for the year were as follows:		
	Profit received on bank deposits	61,491	36,339
	Contribution to provident fund (Note 32.1)	95,610	65,378
	Contribution to defined benefit plans (Note 32.1)	235,965	179,291
	Purchase of materials	1,083,157	1,719,279

32.1 Contributions to the defined contribution and benefit plans are in accordance with the terms of the entitlement of employees and/or actuarial advice.

32.2 Transactions with key management personnel are referred to in Note 12.1 to the financial statements.

		<u>2004</u>	<u>2003</u>
33.	NUMBER OF EMPLOYEES		
	Number of employees at year end	7,329	7,448
34.	CAPACITY AND ACTUAL PERFORMANCE		

The average daily gas transmitted during the year was 381,174 hm³ (2003: 293,539 hm³) against the designed capacity of 453,599 hm³ (2003: 366,260 hm³). The Company has no control over the rate of utilization of its capacity as the use of available capacity is dependent on off-takes by the consumers.

35. BASIC EARNINGS PER SHARE

Net profit for the year	Rupees in thousand	2,297,478	2,013,766
Average ordinary shares in issue	Numbers	499,186,600	499,186,600
Basic earnings per share	Rupees	4.60	4.03

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

36. FINANCIAL ASSETS AND LIABILITIES

	Interest/ mark-up bearing				Non interest/ mark-up bearing				(Rupees in thousand)				
	Maturity upto one year		Maturity after one year but less than five years		Maturity upto one year		Maturity after one year but less than five years		Maturity after five years		Total		
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	
Financial assets													
Long term investments	-	-	-	-	-	-	-	-	4,900	46,135	4,900	46,135	
Loans to employees	52,709	149,792	120,116	77,392	55,761	-	-	-	-	279,893	232,075		
Trade debts	9,483,670	-	-	-	-	-	-	-	-	9,483,670	8,746,259		
Loans, advances, deposits and other receivables	-	-	-	-	-	341,065	531,802	-	-	-	341,065	531,802	
Short term investment	-	-	-	-	-	46,134	-	-	-	-	46,134	-	
Cash and bank balances	8,137,979	2,660,962	-	-	-	381,621	335,029	-	-	-	8,519,600	2,995,991	
	17,674,358	11,463,419	149,792	77,392	55,761	768,820	866,831	-	4,900	46,135	18,675,262	12,552,262	
Off balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	
	17,674,358	11,463,419	149,792	77,392	55,761	768,820	866,831	-	4,900	46,135	18,675,262	12,552,262	
Financial liabilities													
Non-participatory redeemable capital - Secured	924,587	238,003	4,973,259	4,960,201	62,500	500,000	-	-	-	-	5,960,346	5,698,204	
Long term loans - Unsecured	440,170	1,967,632	2,969,313	2,164,556	2,140,899	245,525	637,464	1,227,625	245,525	491,050	7,902,162	8,629,226	
Security deposits	-	-	-	-	2,382,600	-	-	-	2,282,652	1,361,861	4,441,952	3,744,461	
Creditors, accrued and other liabilities	-	-	-	-	-	12,541,998	7,900,034	-	-	-	12,541,998	7,900,034	
	1,364,757	2,205,635	7,942,572	7,124,757	4,995,804	5,023,499	8,537,498	1,227,625	2,528,177	1,852,911	30,846,458	25,971,925	
Off balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	
	1,364,757	2,205,635	7,942,572	7,124,757	4,995,804	5,023,499	8,537,498	1,227,625	2,528,177	1,852,911	32,061,886	27,189,709	
Commitments	-	-	-	-	-	1,072,620	1,125,906	-	-	-	1,072,620	1,125,906	
Letter of credits	-	-	-	-	-	142,808	91,878	-	-	-	142,808	91,878	
	-	-	-	-	-	1,215,428	1,217,784	-	-	-	1,215,428	1,217,784	
On balance sheet gap	16,309,601	9,257,784	(7,792,780)	(7,004,641)	(4,918,412)	(4,967,738)	(7,670,667)	(1,227,625)	(2,523,277)	(1,806,776)	(12,171,196)	(13,419,663)	
Off balance sheet gap	-	-	-	-	-	(1,215,428)	(1,217,784)	-	-	-	1,215,428	1,217,784	

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

36.1 Financial risk management

Overall, risks arising from the Company's financial assets and liabilities are limited. The Company manages its exposure to financial risk in the following manner:

a) Foreign exchange risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are covered mainly through exchange risk cover.

b) Interest rate risk

The Company has long term Rupee based loans at variable rates and fixed rates. Variable rate Rupee loans risks are minimised by instituting State Bank of Pakistan discount rate along with caps and floors. This protects the Company against any adverse movement in market interest rates. Foreign currency loans have variable rate pricing that is dependent on the World Bank base rate with a maximum of 14% inclusive of exchange risk cover fee. Foreign currency loans risks are minimised through exchange risk cover from the Government of Pakistan. Rates on loans from industrial consumers are effectively fixed.

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The company's credit risk is primarily attributable to its receivables and its bank balances. The credit risk on liquid funds is limited because the counter parties are bank with reasonably high credit rating. Out of total financial assets of Rs. 18,675.262 million (2003: Rs. 12,552.262 million), the financial assets which are subject to credit risk amounts to Rs. 12,738.070 million (2003: Rs. 7,854.379 million). The Company believes that it is not exposed to major concentration of credit risk. To manage exposure of credit risk, the Company obtains security deposit and bank guarantees from consumers.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

36.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values, except for long term investments which are stated at cost.

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on November 25, 2004 by the Board of Directors of the Company.

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. However, no significant reclassification have been made.

A. Rashid Lone
Chief Executive

Lt. Gen. (Retd) Ghulam Safdar Butt
Chairman/ Director

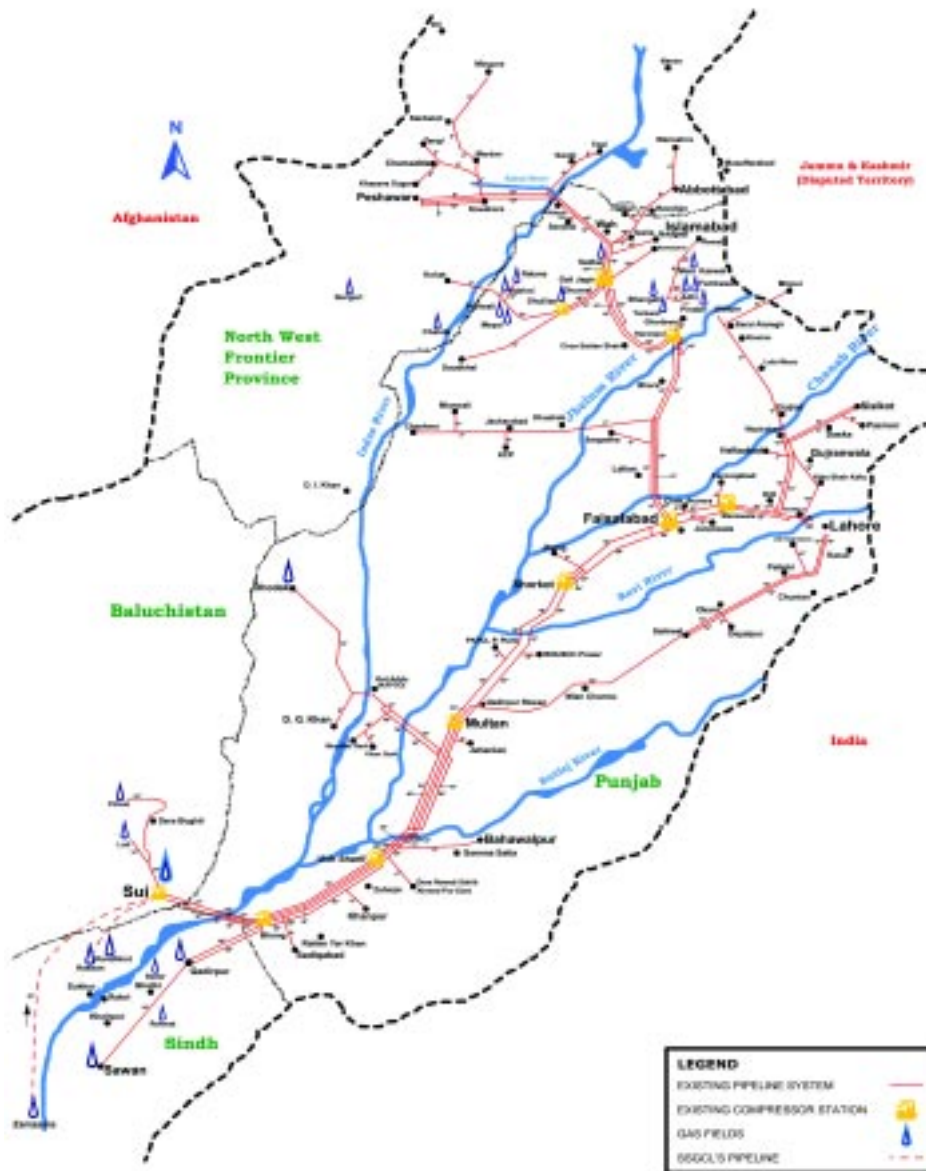
TRANSMISSION SYSTEM AS ON JUNE 30, 2004

SR. NO.	SECTION	DIA (Inches)	MAINLINE (kilometers)	LOOPLINE (kilometers)
1	Pirkoh - Sui	24	70.50	-
2	Loti - Pesh Bogi	18	11.25	-
3	Sui - Multan	16	2.11	-
4	Sui - Multan	18	-	286.33
5	Sui - Multan	24	347.01	-
6	Sui - Multan	30	-	347.37
7	Sui - Multan	36	-	156.15
8	K1 – Mp-37.88	20	-	20.68
9	Sher Shah X-in	36	-	2.20
10	Ac1x – Av7 (Ryk)	36	-	26.96
11	Av17 - Av20	36	-	3.50
12	Av21 – Av 22	36	-	27.79
13	Guddu Thermal Power Station	4	2.41	-
14	Guddu Crossing - 1	24	1.81	-
15	Guddu Crossing - 2	36	-	1.81
16	Sutlej Crossing - 1	12	1.61	3.22
17	Sutlej Crossing - 2	36	-	2.04
18	Khanpur Line	6	22.81	-
19	A5 - Bahawalpur	8	48.18	-
20	Av22 - Kot Addu	16	69.65	-
21	Av22 - Kot Addu	20	-	38.01
22	D. G. Khan Line	8	46.13	-
23	Dhodak - Kot Addu	16	77.79	-
24	Tps Muzaffargarh Line	16	4.57	-
25	Qadirpur - Ac-1X Line	30	70.26	-
26	Qadirpur - Ac-1X Line	36	-	70.00
27	Sawan - Qadirpur Line	24	131.00	-
28	Ahmedpur East	6	18.34	-
29	Khan Garh	8	22.20	-
30	Multan - Fertilizer Line	10	1.430	-
31	Jahanian Line	8	30.49	-
32	Multan - Sidhnai	18	-	46.7
33	Multan - Sidhnai	24	22.46	22.46
34	Multan - Sidhnai	30	-	46.70
35	Multan - Sidhnai	36	-	22.33
36	Av29 - Sahiwal	24	145.45	-
37	Sidhnai - Faisalabad	18	-	136.85
38	Sidhnai - Faisalabad	24	-	50.24
39	Sidhnai - Faisalabad	30	-	53.29
40	Sidhnai - Faisalabad	36	-	26.42
41	Sidhnai X-ing - Ac-7	36	-	33.26
42	T.t. Sing - Jhang	8	30.28	-
43	Sahiwal - Lahore	18	142.93	-
44	Ac8 - Smsii (Old)	16	-	5.90

SR. NO.	SECTION	DIA (Inches)	MAINLINE (kilometers)	LOOPLINE (kilometers)
45	Ac8 - A11	20	-	0.66
46	Wapda Offtake Fsd	12	2.42	-
47	Chak Jhumra Line	6	12.04	-
48	Fsd - Malikwal	12	137.62	-
49	Fsd - Malikwal	16	-	135.87
50	Fsd - Malikwal	30	-	55.49
51	Malakwal - Jhelum Crossing	16	-	5.42
52	Chenab Crossing Chiniot	18	1.13	-
53	Chenab Crossing Chiniot	30	2.32	-
54	Kot Momin - Joharabad (1)	8	72.41	-
55	Kot Momin - Joharabad (2)	6	38.36	-
56	Joharabad - Chashma	8	82.25	-
57	Sargodha Line	6	22.90	-
58	Fsd - Shahdara	16	99.78	119.25
59	Bc1 - Farooq Abad	8	22.96	-
60	Shahdara - Lahore	16	2.51	2.99
61	Ravi Crossing (1)	16	0.58	-
62	Ravi Crossing (2)	10	-	0.58
63	Shahdara - Wapda Lahore	10	3.41	-
64	Khurrianwala - Jaranwala	8	-	22.53
65	Dawood Hercules Line	12	5.87	-
66	Sheikhupura - Gujranwala (1)	10	59.44	-
67	Sheikhupura - Gujranwala (2)	16	-	44.57
68	Kotli - Rahwali (Bv13)	18	30.76	-
69	Hafizabad Line	8	43.00	-
70	Shahdara - Gujranwala - Rahwali	10	73.40	-
71	Rahwali - Gujrat	8	35.46	-
72	Rahwali - Sialkot	8	43.58	43.58
73	Sialkot O/T - Wazirabad	18	-	19.82
74	Sahiwal - Lahore	16	-	143.36
75	Mp 0 - U/S V/A Head Balloki	16	-	10.00
76	Gujrat - Jhelum	8	54.27	-
77	Sarai Alamgir - Mirpur	8	35.85	-
78	Malikwal - Haranpur - Dandot	12	20.13	-
79	Malikwal - Haranpur - Dandot	16	-	20.00
80	Haranpur - Gharibwal	8	13.02	-
81	Dandot - Gali Jagir - Wah	10	151.92	-
82	Dandot - Gali Jagir - Wah	16	-	153.51
83	Dandot - Gali Jagir - Wah	30	-	57.45
84	Dhulian - Gali Jagir	10	40.14	29.85
85	Dakhni - Meyal - Dhulian	16	50.44	-
86	Cv13a - Cc1	16	-	3.58
87	C10 - Ismailkot	16	-	14.64
88	Ratana Line	10	2.49	-

SR. NO.	SECTION	DIA (Inches)	MAINLINE (kilometers)	LOOPLINE (kilometers)
89	Sil Crossing	10	-	1.46
90	Dhurnal Line (1)	8	0.54	-
91	Dhurnal Line (2)	10	11.08	-
92	Dhulian - Daudkhel	8	85.20	4.04
93	Gali Jagir - Morgah (1)	10	35.21	-
94	Gali Jagir - Morgah (2)	6	9.50	-
95	Wah - Islamabad	6	12.06	-
96	Wah - Hattar	10	9.93	-
97	Hattar - Haripur	10	18.12	-
98	Hattar Offtake	6	0.39	-
99	Haripur - Mansehra	8	70.53	-
100	Haripur Offtake	8	1.53	-
101	Adhi - Rawat	10	47.70	-
102	Bhangali Line	8	5.82	-
103	Missa Kaswal - Mandra	8	20.60	-
104	Wah - Nowshera (1)	10	75.51	-
105	Wah - Nowshera (2)	16	-	76.27
106	Taxila Line	4	4.43	-
107	Sanjwal Line	6	6.67	-
108	Kohat Line	8	54.27	-
109	Nowshera - Ismailkot (1)	8	11.97	-
110	Nowshera - Ismailkot (2)	6	-	11.97
111	Ismailkot - Turnab	8	-	21.89
112	Ismailkot - Turnab	6	21.90	-
113	Ismailkot - Turnab	16	-	21.24
114	Nowshera - Mdn - Takhtbai - S/Kot	8	57.99	-
115	Sakhakot - Swat	8	68.01	-
116	Nowshera - Charsada	8	23.59	-
117	Charsadda - Turang Zai Line	6	10.36	-
118	Sadqal - Naugazi Line	16	19.02	-
119	Tangi Line	6	13.87	-
120	Daska - Pasroor Line	8	24.86	-
121	Fauji Kabir Wala Line	8	5.86	-
122	Okara - Dipalpur Line	8	16.83	-
123	Charsadha - Khazana Sugar Mills	8	22.64	-
124	Jahangira - Swabi - Topi	8	40.29	-
125	Kabul Crossing Jahangira On Topi Line	16	0.30	-
126	Rousch Power Plant Line	16	4.70	-
127	Pindori - Bhangali Line	8	15.83	-
128	Mianwali Line	8	17.80	-
	TOTAL		3,326.04	2,450.23
GRAND TOTAL			=	5,776.27 km

TRANSMISSION NETWORK



FORM OF PROXY

SUI NORTHERN GAS PIPELINES LIMITED

Gas House, 21-Kashmir Road, P.O. Box No. 56, Lahore
 Phones: 9201451-60 (10 lines) 9201419 Fax: 92-42-9201302, 9201369

I _____
 of _____ being a member of
SUI NORTHERN GAS PIPELINES LIMITED and holder of _____ ordinary
 (number of shares)
 shares as per Registered Folio No. _____ hereby appoints
 Mr./Mrs./Miss. _____
 of _____ or failing whom
 Mr./Mrs./Miss _____ who is also a member of
 SUI NORTHERN GAS PIPELINE LIMITED vide Registered Folio No. _____
 as my proxy to vote for me and on my behalf at the 41st Annual General Meeting of the Company to be held
 on Wednesday, December 29, 2004 at 10:30 a.m. and at any adjournment thereof.

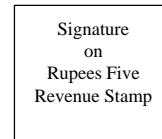
WITNESSES:

1. Signature _____
 Name _____
 Address _____

 NIC or _____
 Passport No. _____

2. Signature _____
 Name _____
 Address _____

 NIC or _____
 Passport No. _____



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

Date _____

NOTES

1. The Proxy Form must be signed across 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.
2. 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.

For CDC account holders / corporate entities:

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

- i) The Proxy Form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the Form.
- ii) Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
- iii) The Proxy shall produce his original NIC or original passport at the time of the Meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

SUI NORTHERN GAS PIPELINES LTD.
Gas House,
21-Kashmir Road,
P.O. Box No. 56 Lahore (Pakistan)

