

**BOARD OF DIRECTORS**

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

HUMAN RESOURCE COMMITTEE

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

COMPANY SECRETARY

Mrs. Uzma Adil Khan

JOINT AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

Ford Rhodes Sidat Hyder & 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. Saleem 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, 9201302
E-mail: info@sngpl.com.pk
Website: www.sngpl.com.pk



Notice is hereby given that the 40th 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 Monday, December 29, 2003 for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To confirm the minutes of 39th Annual General Meeting held on November 26, 2002.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2003 together with the Directors' and Auditors' Reports thereon.
3. To approve payment of cash dividend at the rate of Rs 2.20 per share of Rs 10 each i.e. 22% for the year ended June 30, 2003 as recommended by the Board of Directors.
4. To appoint auditors for the year ending June 30, 2004 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

To approve investment of Rs 5 million in Inter State Gas Systems (Pvt) Ltd., a joint subsidiary of M/s. Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Ltd., mainly to explore the possibility of importing gas and marketing the Company's expertise abroad. SNGPL and SSGC will contribute towards Research and Development fund to make this Company functional subject to the concurrence of the Government of Pakistan. In this connection to consider, and if thought fit, to pass the following Special Resolution with or without amendment(s).

RESOLVED

THAT the consent of the Company be and is hereby given to invest initially a sum of Rs 5 million (Rupees five million only) in the equity of Inter State Gas Systems (Pvt) Limited.

THAT the Managing Director be and is hereby authorized to take or cause to be taken all the necessary steps to give effect to this resolution.

The share transfer books of the Company will remain closed from December 16, 2003 to December 29, 2003 (both days inclusive). The members whose names appear in the register of members as at the close of business on December 15, 2003 will qualify for the payment of dividend.

By or

(UZMA ADIL KHAN)
Company Secretary

Lahore
November 20, 2003

STATEMENT OF MATERIAL FACTS UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

The shareholders had approved a resolution in an Extraordinary General Meeting held on February 23, 1995 authorizing Sui Northern Gas Pipelines Ltd., to set up a subsidiary company to undertake consultancy services and such other works for laying of transmission and distribution net work etc., within the country and abroad in collaboration with any resident or non-resident participants on such terms and conditions and on such equity participation as may be determined from time to time by the Board of Directors of Sui Northern Gas Pipelines Limited. Consequently M/s. Inter State Gas Systems (Private) Ltd., was incorporated on August 4, 1996 as a joint subsidiary of M/s. Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited. The Board of Directors in their meeting held on August 29, 2003 recommended an investment of Rs 5 Million (Rupees five million only) in Inter State Gas Systems (Pvt) Limited.



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) original passport at the time to 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
 92-42-9201419
 Fax: 92-42-9201369, 9201302
 E-mail: info@sngpl.com.pk
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Share Registrar

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 H. M. House, 7-Bank Square, Lahore.
 Ph: 92-42-7235081-82
 Fax: 92-42-7358817



On behalf of the Members of the Board of Directors, I have great pleasure in welcoming you to the 40th Annual General Meeting of your Company and present the audited financial statements for the year ended June 30, 2003. Sui Northern Gas Pipelines Limited is

the largest integrated Gas Company engaged in transmission and distribution of natural gas in the provinces of Punjab and NWFP including Federal Capital and Azad Jammu and Kashmir. It serves more than 2.1 million consumers and has High Pressure Transmission Pipeline network spread over 5,759 KMs and its Distribution System is spread over 35,814 KMs.

DIRECTORS

There has been only one change in the composition of your Board of Directors since the last Annual General Meeting held on Tuesday, November 26, 2002, Mr. Mohammad Naeem Malik, Director General (Gas), Ministry of Petroleum and Natural Resources, Government of Pakistan has been appointed as Director in place of Mr. Khurshid Anwer, Joint Secretary (Development) Ministry of Petroleum and Natural Resource Government of Pakistan. Please join me to express our appreciation and thanks for the valuable services rendered by Mr. Khurshid Anwer. We also welcome Mr. Mohammad Naeem Malik to our prestigious Board of Directors.

SHARE PROFILE

The share of Sui Northern Gas Pipelines Limited gained 154% inclusive of Rs 2.20 per share cash dividend during the period July 1, 2002 to June 30, 2003. Without taking into account the cash dividend in this calculation, the total price appreciation in the share of your Company was 140%. The stocks out performed the benchmark Karachi Stock Exchange (Guarantee) Limited 100 Index, which gained 92% over the said period. Investors' interest in the Company was driven by its continuously improving fundamentals.

GRANT OF LICENCE TO SNGPL BY OGRA

The Oil and Gas Regulatory Authority (OGRA) was formed in the year 2000 and is now fully functional in its role of regulating the gas utilities. This augurs well for the industry as it defines the technical and financial standards and benchmarks for your Company and monitors neutrally their implementation in the best interest of all the stakeholders namely producers, customers, employees, shareholders, suppliers, bankers, Government and the community at large. Your company had applied to OGRA in March, 2002 for a licence to carry on the regulated activities of transmission, distribution and sale of natural gas in the provinces of Punjab and N.W.F.P. We are pleased to report that a 30 year licence w.e.f. March 25, 2002 was finally issued to your company which gives exclusive right to SNGPL to distribute and sell natural gas to existing customers and such customers which are connected to its distribution system on or before June 30, 2005. This licence also contains certain obligations on the part of the licensee and prescribes minimum performance standards and dispute resolution procedures to ensure quality service to its customers. The company is moving rapidly to ensure compliance of the licence requirements.

ACCOUNTS AND FINANCE

By the grace of Almighty Allah your Company posted a net profit after tax of Rs 2,014 million for the year ended June 30, 2003 (2002: Rs 1,887 Million). The balance sheet indicates total assets of Rs 47,301 million representing moderate increase of 3.67% over the previous year. The Company's earning per share stood at Rs 4.03 (2002: Rs 3.78).

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, extending the capitalization base and exercising strict financial control in all disciplines of the Company.

SALES AND DEVELOPMENT

The total gas sales for the year under report were 96,253,964 hundred cubic meters (HM3) (341,643 MMCF) showing an increase of 6.11% over the previous



year. The sector-wise break-up of gas sales indicates that 26% gas was sold to Power, 12% to Fertilizer, 1% to Cement, 28% to General Industries and 33% to Domestic and Commercial sectors.

The gas distribution system during the year increased by 1,721 KMs and 105,261 new customers were added, raising the total to 2,173,694.

The Company is committed to make natural gas available to more prospective consumers subject to its financial position and technical capabilities.

REPAYMENT OF EXPENSIVE LOANS

The Company successfully negotiated financing arrangements from various commercial banks by linking the base borrowing rates to the Treasury Bills cut off yield rates issued by the State Bank of Pakistan. The Company also redeemed the expensive loans obtained in the past and renegotiated the terms of high interest bearing existing loans to bring them in line with the current market borrowing rates, thereby achieving substantial saving in the financial charges during the period under review.

INVESTMENT IN SUBSIDIARY COMPANY

The Board of Directors have recommended an investment of Rs 5 million in M/s. Inter State Gas System (Pvt) Limited, a joint subsidiary of Sui Southern Gas Company Limited and Sui Northern Gas Pipelines Limited mainly to explore the possibility of importing gas and marketing the Company's expertise abroad. This matter is being presented to the shareholders in the forthcoming Annual General Meeting of the Company to seek their approval.

PROJECTS - PRESENT AND FUTURE

PRESENT PROJECTS

- (i) Gas Infrastructure Development Plan (Project-7)

The Company has laid 518 Kms of Transmission pipeline up to June 30, 2003 out of 568 Kms of pipeline 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 is to save foreign exchange by replacing

costly furnace oil with indigenous gas in power plants near Multan.

The Project is scheduled for completion by February, 2004 but, with improvement in planning and execution, the work is expected to be completed well ahead of schedule.

FUTURE PROJECTS

The Company has also planned further up-gradation of its system to receive Natural Gas from all available sources in addition to the quantity committed under Gas Infrastructure Development Plan. In view of capacity constraint to meet increasing gas demand downstream of Multan for Lahore, Faisalabad and Gujranwala regions, 261 Km of transmission lines, under Advance Action Plan, Project-8A, and 10" dia x 42 Km line from Shakardara to Daudkhel to receive Chanda gas, the following pipeline sections will be laid:

- (i) 33.26 Km, 36" dia, Sidhnai - AC7
- (ii) 143.23 Km, 16" dia, Sahiwal - Lahore line
- (iii) 61.15 Km, 16" dia, Bhai Pheru - Dawood Hercules
- (iv) 22.54 Km, 08" dia, Khurianwala - Jaranwala line
- (v) 42.00 Km, 10" dia, Shakardara - Daudkhel line

During the execution of Gas Infrastructure Development Plan, additional gas, over and above already committed for Project-7, has been made available from existing and new sources. This additional availability of gas has prompted the Company for further up-gradation of its infrastructure to increase its capacity from 1,380 MMCFD to 1,645 MMCFD to absorb the new gas finds.

In order to achieve enhancement in capacity between Bhong and Multan and beyond Multan to meet future demand in North Central Punjab and NWFP, the Company intends to undertake a major pipeline construction work under Project-8. The conceptual design is ready and, after the approval of the Board of Directors and OGRA, detail design and relevant working shall be started. About 240 Kms transmission lines, ranging from 16" to 36" diameter, will be laid in various segments.

FUTURE OUTLOOK

The profit of the Company is asset-based. The increase in infrastructure under Advance Action Plan and Project-8 shall add valuable assets in the shape of pipeline and



compression facilities thus enhancing the Company's profit. The system capacity to transmit more gas in coming years and to increase onwards gas sales will play a vital role in boosting the nationwide economic activity. In view of increase in demand, the import of gas either from Iran, Turkmanistan or Qatar is also anticipated which will not only provide more investment opportunities but will also bring more profitability and better operational efficiency and improved customer service.

IMPROVEMENT IN CONSUMER SERVICES

The Company endeavors to provide the best possible service to its customers to meet the level of their satisfaction. The Company has recently established an IT Department for introducing a computerized system to ensure that consumers are provided connections on turn and merit basis. The Company is also computerizing its customer services record so that consumer's complaints are attended promptly and redressal/rectification work monitored. The Company has also managed to minimize the response time of the complaints by providing vehicles equipped with mobile communication to the emergency staff. Skills of emergency staff have also been upgraded. For the industrial growth in the country, new options for security deposit have been recently offered to the industrial consumers with more attractive terms.

OPERATIONAL EFFICIENCY

The Company, in spite of concerted efforts, could not curtail the UFG losses during financial year, 2002-03. The percentage UFG was 7.98% in June 2002 and 8.05% in June 2003, after excluding loss due to rupture of Transmission Lines through sabotage.

In addition to other measures, the Company has planned a strategy for financial year 2003-04 to control the menace of gas theft by utilizing High Tech Security System at Industrial CMSs. The Management is confident that positive results will be achieved in financial year 2003-04.

TELECOMMUNICATION

The Transmission SCADA System is working successfully since its completion. Under the same project, seventy pressure-controlled actuators have also been installed at various Sales Meter Stations. Installation of field instruments and allied equipment on various points along

the new 36" Dia pipeline is under way. After completion, it will provide the operational data of the new pipeline to the Gas Control Centre at Faisalabad.

STAFF AND ORGANIZATION

The relationship between the Management and the workers remained cordial. The results for the year 2002-2003 portray the dedication of the entire staff in accomplishment of the targets set forth by the Company. The Management is constantly endeavoring to improve the technical competence of employees in various fields of its activity for optimum results.

HEALTH, SAFETY AND ENVIRONMENT

With a view to maintain the image of a responsible corporate citizen in the background of enhanced Health, Safety and Environment awareness, the Company is pursuing the initiative of establishing an effective HSE management system.

Various standard components of the management system which are essential for developing a safety culture are being gradually installed. Necessary training of the executive staff, as well as the workers, is also in progress.

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 endeavor 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
November 03, 2003.



Directors' Report to the Shareholders

The Directors have pleasure in presenting their Annual Report together with the audited accounts of the Company for the year ended June 30, 2003 and recommend the following appropriations.

ACCOUNTS

(Rupees in thousand)

Profit before taxation	3,207,067
Provision for taxation	1,193,301
Profit after taxation	2,013,766
Add:	
Unappropriated profit brought forward	1,255
Profit available for appropriation	2,015,021

Appropriations:

Proposed dividend @ Rs 2.20 per share	1,098,211
Transfer to general reserve	700,000
Transfer to dividend equalization reserve	200,000
	1,998,211
Unappropriated profit to be carried forward	16,810

The earning per share for the year ended June 30, 2003 is Rs 4.03 as per computation below:

Profit after taxation	Rupees in thousand	2,013,766
Ordinary shares in issue	Numbers	499,186,600
Earning per share	Rupees	4.03

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, eight (8) Board meetings were held and the number of meetings attended by each Director is given here-under:



ATTENDANCE AT THE BOARD MEETINGS DURING THE YEAR 2002-03.

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

* held during the period, the concerned Director was on the Board.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors hereby declares that for the year ended June 30, 2003.

- 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.



Directors' Report to the Shareholders

- h) Key operating and financial data for the last six years in summarized form is annexed.
- i) The Company is contingently liable for an amount of Rs 38.055 millions on account of excise / additional duty raised by the Collector of Customs Sales Tax and Excise. No provision has been made in the Accounts since the Company's Legal Advisor is of the view that the Company has strong grounds for the decision to be made in favour of the Company.
- j) The Company has embarked upon system capacity expansion project under Gas Infrastructure Development Plan (GIDP).
- k) Value of investments in employees retirement funds based on Audited Accounts for the year ended June 30, 2002 are as follows:

	(Rupees in thousand)
SN Senior Staff Pension Fund	241,069
SN Junior Staff Pension Fund	403,442
SN Executive Staff Gratuity Fund	27,075
SN Non Executive Staff Gratuity Fund	283,762
Trustees Provident Fund	886,582

- l) 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 is not presently applicable to the Company.

AUDITORS

The present joint auditors M/s A.F. Ferguson & Co., Chartered Accountants and M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants are retiring and eligible for reappointment, however on the recommendations of the Audit Committee the Board of Directors have proposed change in the retiring auditor M/s. A.F. Ferguson & Co., Chartered Accountants.

THE PATTERN OF SHARE HOLDING

The pattern of share holding as on June 30, 2003 is annexed.

On behalf of the Board

LAHORE

November 20, 2003

Chief Executive



KEY OPERATING AND FINANCIAL DATA

Rupees in thousand

		2003	2002	2001	2000	1999	1998
Gross Sales Revenue		45,649,496	42,005,148	36,522,243	26,569,704	20,577,266	18,738,847
Cost of Gas sold		31,349,357	28,549,844	24,849,097	16,626,517	11,088,152	12,328,687
Profit Before Taxation		3,207,067	2,764,239	2,329,323	1,364,976	810,708	713,084
Profit after Taxation		2,013,766	1,886,825	1,336,569	526,700	425,534	385,454
Capital Expenditure		6,207,934	3,886,596	2,472,407	2,209,002	2,316,364	4,037,759
Shareholders' Equity		8,556,358	7,640,803	6,752,351	6,264,399	5,737,699	5,312,165
No. of Shares Outstanding (in thousand)		499,187	499,187	499,187	434,075	377,457	328,223
PROFITABILITY							
Gross Profit Ratio	%	24.34	22.31	25.27	33.59	38.02	39.46
Net Profit Ratio	%	4.41	4.49	3.66	1.98	2.07	2.06
Return on Shareholder's Equity	%	23.54	24.69	19.79	8.41	7.42	7.26
Return on Capital Employed	%	9.91	9.92	9.22	13.15	15.44	14.73
Return on Total Assets	%	4.26	4.14	3.09	1.33	1.06	0.88
ASSET UTILIZATION							
Inventory Turnover Ratio	(Times)	185.23	199.53	219.85	206.18	156.69	174.13
Debtor Turnover Ratio	(Times)	5.09	4.67	4.98	4.79	3.55	3.33
Total Asset Turnover Ratio	(Times)	0.97	0.92	0.84	0.67	0.51	0.43
Fixed Asset Turnover Ratio	(Times)	1.36	1.39	1.26	0.91	0.70	0.64
INVESTMENT							
Earning Per Share (Basic)	Rs.	4.03	3.78	2.68	1.21	1.13	1.17
Market Value Per Share as on June 30	Rs.	33.10	13.80	10.00	16.20	8.30	8.85
Price Earning Ratio	(Times)	8.21	3.65	3.73	13.39	7.35	7.56
Dividend Per Share	Rs.	2.20	2.00	1.70	-	-	-
LEVERAGE							
Debt: Equity Ratio	%	63	66	68	69	73	76
Interest Coverage Ratio	(Times)	3.09	2.98	2.62	1.50	1.23	1.22
Current Ratio	(Times)	1.31	1.37	1.28	0.92	0.81	0.90



The Pattern of Share Holding as at June 30, 2003

NO. OF SHARE HOLDERS	S H A R E H O L D I N G		SHARES HELD	PERCENTAGE	
		FROM (SHARES)			TO (SHARES)
2,924		1	100	146,864	0.03
3,612		101	500	942,648	0.19
7,230		501	1,000	4,403,090	0.88
3,559		1,001	5,000	7,672,239	1.54
531		5,001	10,000	3,878,430	0.78
186		10,001	15,000	2,343,484	0.47
76		15,001	20,000	1,342,280	0.27
61		20,001	25,000	1,404,426	0.28
24		25,001	30,000	653,152	0.13
31		30,001	35,000	1,011,945	0.20
17		35,001	40,000	647,190	0.13
16		40,001	45,000	684,286	0.14
20		45,001	50,000	960,573	0.19
15		50,001	55,000	789,859	0.16
7		55,001	60,000	412,221	0.08
4		60,001	65,000	247,858	0.05
7		65,001	70,000	471,622	0.09
7		70,001	75,000	505,675	0.10
3		75,001	80,000	234,277	0.05
3		85,001	90,000	264,818	0.05
1		90,001	95,000	94,808	0.02
6		95,001	100,000	594,322	0.12
1		100,001	105,000	101,500	0.02
2		110,001	115,000	226,357	0.04
1		115,001	120,000	117,876	0.02
3		120,001	125,000	369,981	0.07
3		125,001	130,000	382,530	0.08
2		130,001	135,000	266,437	0.05
1		135,001	140,000	137,500	0.03
5		145,001	150,000	749,045	0.15
1		150,001	155,000	153,792	0.03
3		155,001	160,000	474,430	0.10
3		170,001	175,000	514,938	0.10
1		180,001	185,000	182,500	0.04
1		190,001	195,000	194,846	0.04
6		195,001	200,000	1,196,178	0.24
1		200,001	205,000	201,135	0.04
1		205,001	210,000	209,000	0.04
3		210,001	215,000	636,749	0.13
2		215,001	220,000	438,250	0.09
3		220,001	225,000	665,208	0.13
2		230,001	235,000	464,704	0.09

Continued



The Pattern of Share Holding as at June 30, 2003

NO. OF SHARE HOLDERS	S H A R E H O L D I N G		SHARES HELD	PERCENTAGE	
		FROM (SHARES)			TO (SHARES)
3		235,001	240,000	712,253	0.14
1		245,001	250,000	250,000	0.05
1		250,001	255,000	251,119	0.05
1		260,001	265,000	264,232	0.05
1		275,001	280,000	277,613	0.05
3		285,001	290,000	861,978	0.17
1		295,001	300,000	300,000	0.06
1		325,001	330,000	329,963	0.07
1		330,001	335,000	330,422	0.07
1		345,000	350,000	350,000	0.07
1		350,001	355,000	355,000	0.07
3		395,001	400,000	1,200,000	0.24
1		400,001	405,000	402,500	0.08
2		425,001	430,000	858,051	0.17
1		435,001	440,000	439,000	0.09
1		440,001	445,000	442,309	0.09
1		445,001	450,000	447,000	0.09
1		450,001	455,000	450,023	0.09
1		465,001	470,000	469,435	0.09
2		475,001	480,000	955,170	0.19
1		480,001	485,000	484,250	0.10
2		495,001	500,000	999,318	0.20
1		500,001	505,000	500,870	0.10
1		515,001	520,000	515,335	0.10
1		535,001	540,000	539,134	0.11
1		545,001	550,000	550,000	0.11
1		555,001	560,000	559,500	0.11
1		575,001	580,000	580,000	0.12
1		585,001	590,000	590,000	0.13
1		630,001	635,000	634,500	0.13
1		640,001	645,000	645,000	0.13
1		655,001	660,000	655,757	0.13
1		795,001	800,000	795,390	0.16
1		840,001	845,000	844,720	0.17
1		880,001	885,000	882,500	0.18
1		895,001	900,000	896,501	0.18
1		920,001	925,000	924,349	0.18
1		965,001	970,000	966,000	0.19
1		995,001	1,000,000	1,000,000	0.20
1		1,040,001	1,045,000	1,042,595	0.21
1		1,060,001	1,065,000	1,060,799	0.21
1		1,245,001	1,250,000	1,247,500	0.25



NO. OF SHARE HOLDERS	S H A R E H O L D I N G	FROM	TO	SHARES HELD	PERCENTAGE
		(SHARES)	(SHARES)		
1		1,360,001	1,365,000	1,363,300	0.27
1		1,405,001	1,410,000	1,406,200	0.28
1		1,445,001	1,450,000	1,446,000	0.29
1		1,505,001	1,510,000	1,505,500	0.30
1		1,555,001	1,560,000	1,555,963	0.32
1		1,585,001	1,590,000	1,589,423	0.32
1		1,700,001	1,705,000	1,703,137	0.34
1	Sui Southern Gas Company Ltd.	1,900,001	1,905,000	1,900,178	0.38
1	Dilon Limited	1,995,001	2,000,000	2,000,000	0.40
1	Lawrencepur Woolen & Textile Mills Limited	1,995,001	2,000,000	2,000,000	0.40
1	Muslim Commercial Bank, Employees Pension Fund	1,995,001	2,000,000	2,000,000	0.40
1	Ch. Yawar Asad	2,170,001	2,175,000	2,175,000	0.44
1	Askari Commercial Bank Limited	2,200,001	2,205,000	2,200,020	0.44
1	State Street Bank & Trust Co.	2,215,001	2,220,000	2,217,918	0.44
1	Crescent Steel & Allied Products Ltd.	2,405,001	2,410,000	2,407,208	0.48
1	Boston Safe Deposit & Trust Co.	2,480,001	2,485,000	2,483,644	0.50
1	Jahangir Siddiqui & Co. Ltd.	3,460,001	3,465,000	3,463,672	0.69
1	Aqeel Karim Dhedhi Securities (Pvt), Limited	4,145,001	4,150,000	4,148,679	0.83
1	Mirabaud & CIE	4,995,001	5,000,000	5,000,000	1.00
1	Credit Suisse Trust A/C Clilents, 336-8	5,005,001	5,010,000	5,009,000	1.00
2	National Bank of Pakistan (Formerly NDFC)	5,825,001	5,830,000	5,829,471	1.17
1	Pakistan Insurance Corporation	6,845,001	6,850,000	6,846,285	1.37
1	ICP - S.E.M.F.	7,815,001	7,820,000	7,815,560	1.57
1	State Life Insurance Corporation of Pakistan.	15,635,001	15,640,000	15,635,411	3.13
1	Muslim Commercial Bank Limited (Treasury)	20,655,001	20,660,000	20,657,807	4.14
1	Pakistan Industrial Development Corporation (Pvt) Limited	30,035,001	30,040,000	30,038,992	6.02
1	National Bank of Pakistan (Trustee Department)	39,820,001	39,825,000	39,821,822	7.98
1	Dawood Hercules Chemicals Ltd.	80,995,001	81,000,000	81,000,000	16.23
1	The President, Islamic Republic of Pakistan	179,715,001	179,720,000	179,717,373	36.00
18,466		Total :		499,186,672	100.00



Categories of Shareholders as at June 30, 2003

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
1. Associated Companies, Undertakings & Related Parties			
i. Muslim Commercial Bank Ltd.	1	20,657,807	4.14
2. NIT / ICP:			
i. National Investment Trust Ltd.	1	39,821,822	7.98
ii. Investment Corp. of Pakistan	1	844,720	0.17
3. Directors, CEO and their spouses and minor children	-	-	-
4. Executives	12	18021	0.00
5. Public Sector Companies and Corporations	-	-	-
6. Banks, Development Financial Institutions, Insurance Companies, Modarabas and Mutual Funds:			
i. Banks, Development financial Institutions	189	97,673,483	19.57
ii. Insurance Companies	14	26,464,890	5.30
iii. Modarabas and Mutual Funds	31	6,652,834	1.33
7. Shareholders holding ten percent or more voting interest in the listed Company:			
i. The President, Islamic Republic of Pakistan	1	179,717,373	36.00
ii. Dawood Hercules Chemicals Ltd.	1	81,000,000	16.23
8. General Public			
i. Local	17,375	38,288,225	7.67
ii. Foreign	789	1,077,891	0.22
9. Others	51	6,969,606	1.39
TOTAL	18,466	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 on December 30, 2002 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 on October 16, 2003 to apprise them of their duties and responsibilities.



10. The Board has 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.
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 except that the minutes of two Audit Committee Meetings were not circulated within a fortnight of the meetings and the Company has to define a level of materiality.
15. The Board has formed an Audit Committee. It comprises 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 complied with except for those referred in preceeding paragraphs towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

On behalf of the Board.

A. RASHID LONE

November 20, 2003



Review Report to the Members on Statement of Compliance with 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 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 as applicable to the Company for the year ended June 30, 2003.

A. F. FERGUSON & CO.
Chartered Accountants

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Lahore
November 20, 2003



Auditors' Report to the Members

We have audited the annexed balance sheet of SUI NORTHERN GAS PIPELINES LIMITED as at June 30, 2003 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, 2003 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 the Ordinance.

A. F. FERGUSON & CO.
Chartered Accountants

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Lahore
November 20, 2003



	Note	2003	2002
(Rupees in thousand)			
SHARE CAPITAL AND RESERVES			
Authorised capital 1,500,000,000 (2002: 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
Reserves		3,547,682	2,647,682
Unappropriated profit		16,810	1,255
		8,556,358	7,640,803
NON - PARTICIPATORY REDEEMABLE CAPITAL - SECURED	4	5,471,154	4,254,384
DEFERRED CREDIT	5	4,328,300	3,980,851
LONG TERM AND DEFERRED LIABILITIES			
Long term loans and other liabilities- Unsecured	6	7,125,798	8,311,870
Security deposits	7	3,744,461	3,301,454
Deferred taxation	9	4,986,297	4,551,906
Employee benefits	10	1,560,203	1,075,325
		17,416,759	17,240,555
CURRENT LIABILITIES			
Current portion of non-participatory redeemable capital - Secured	4	227,050	760,560
Current portion of long term loans and other liabilities - Unsecured	6	1,503,428	1,230,225
Current portion of liabilities against assets subject to finance lease	8	-	54,967
Creditors, accrued and other liabilities	11	8,699,330	9,467,181
Proposed dividend		1,098,211	998,373
		11,528,019	12,511,306
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		47,300,590	45,627,899



As At June 30, 2003

	Note	2003	2002
(Rupees in thousand)			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets - tangible	13	30,269,928	27,095,667
Assets subject to finance lease	14	-	102,200
Capital work - in - progress	15	3,172,002	2,995,254
Advances for land		105,810	78,181
		33,547,740	30,271,302
LONG TERM INVESTMENTS	16	46,135	69,202
LONG TERM LOANS	17	175,877	183,958
LONG TERM PREPAYMENTS		5,159	3,169
CURRENT ASSETS			
Stores and spares	18	509,014	568,314
Stock - in - trade		184,210	154,273
Trade debts	19	8,746,259	9,200,156
Loans, advances, deposits, prepayments and other receivables	20	1,022,408	1,870,396
Income tax recoverable		67,797	535,142
Cash and bank balances	21	2,995,991	2,771,987
		13,525,679	15,100,268
		47,300,590	45,627,899

The annexed notes form an integral part of these accounts.

A. RASHID LONE
Chief Executive

MIAN RAZA MANSHA
Director



Profit and Loss Account for the year ended June 30, 2003

	Note	2003	2002
(Rupees in thousand)			
GAS SALES	22	45,649,496	42,005,148
LESS: GAS DEVELOPMENT SURCHARGE		3,189,416	4,084,195
		42,460,080	37,920,953
RENTAL AND SERVICE INCOME	23	635,260	585,016
SURCHARGE AND INTEREST ON GAS SALES ARREARS	24	491,890	475,570
AMORTIZATION OF DEFERRED CREDIT		333,994	312,849
		43,921,224	39,294,388
LESS: Cost of gas sold	25	31,349,357	28,549,844
Operating cost excluding depreciation	26	4,997,115	4,079,740
Depreciation		3,064,490	2,751,201
		39,410,962	35,380,785
		4,510,262	3,913,603
LESS: OPERATING LOSS - LIQUEFIED PETROLEUM GAS PROJECT (LPG)		-	3,192
		4,510,262	3,910,411
GAIN ON SALE OF FIXED ASSETS		33,512	13,213
OTHER INCOME	27	389,319	250,652
		4,933,093	4,174,276
LESS: Financial charges	28	1,531,471	1,398,174
Other charges	29	194,555	203,734
		1,726,026	1,601,908
GAIN ON SALE OF LPG BUSINESS		-	191,871
		3,207,067	2,764,239
PROFIT BEFORE TAXATION		1,193,301	877,414
PROVISION FOR TAXATION	30		
		2,013,766	1,886,825
PROFIT AFTER TAXATION		1,255	1,803
UNAPPROPRIATED PROFIT BROUGHT FORWARD		2,015,021	1,888,628
APPROPRIATIONS			
Transfer to general reserves		700,000	889,000
Transfer to dividend equalization reserves		200,000	-
Proposed dividend at Rs 2.20 per share (2002: Rs 2.00 per share)		1,098,211	998,373
		1,998,211	1,887,373
UNAPPROPRIATED PROFIT CARRIED FORWARD		16,810	1,255
BASIC EARNINGS PER SHARE (Rupees)	36	4.03	3.78

The annexed notes form an integral part of these accounts.

A. RASHID LONE
Chief Executive

MIAN RAZA MANSHA
Director



Cash Flow Statement for the year ended June 30, 2003

	Note	2003	2002
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	9,523,530	5,543,596
Financial charges paid		(2,617,939)	(1,303,033)
Taxes paid		(291,565)	(352,848)
Employee benefits paid		(212,365)	(232,613)
Security deposits		443,007	331,115
Security deposit LPG business		-	27
Deferred credit		681,443	473,098
Long term loans - staff		6,960	(9,204)
Long term deposits and prepayments		(1,990)	12,591
Net cash inflow from operating activities		7,531,081	4,462,729
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(6,207,934)	(3,886,596)
Sale proceeds of fixed assets		164,849	13,976
Proceeds from sale of LPG business		-	142,000
Return on bank deposits		165,361	177,553
Net cash outflow from investing activities		(5,877,724)	(3,553,067)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term loans and other liabilities		1,021,015	155,838
Repayment of long term loans and other liabilities		(1,933,884)	(1,188,290)
Proceeds from non-participatory redeemable capital		2,000,000	2,679,000
Repayment of non-participatory redeemable capital		(1,440,847)	(1,457,756)
Dividends paid		(1,016,056)	(818,605)
Lease rentals paid		(59,581)	(94,463)
Net cash outflow from financing activities		(1,429,353)	(724,276)
Net increase in cash and cash equivalents		224,004	185,386
Cash and cash equivalents at the beginning of the year		2,771,987	2,586,601
Cash and cash equivalents at the end of the year	21	2,995,991	2,771,987

The annexed notes form an integral part of these accounts.

A. RASHID LONE
Chief Executive

MIAN RAZA MANSHA
Director



Statement of Changes in Equity for the year ended June 30, 2003

	Share Capital	Revenue Reserves		Total Reserves	Unappro- priated Profit	Total
		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, 2001	4,991,866	1,688,682	70,000	1,758,682	1,803	6,752,351
Net profit for the year	-	-	-	-	1,886,825	1,886,825
Transfer to revenue reserves	-	889,000	-	889,000	(889,000)	-
Proposed dividend at Rs 2.00 per share	-	-	-	-	(998,373)	(998,373)
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)	-
Proposed dividend at 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

A. RASHID LONE
Chief Executive

MIAN RAZA MANSHA
Director



Notes to the Accounts for the year ended June 30, 2003

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 principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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.

2.2 Basis of measurement

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

2.3 Deferred credit

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

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 basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets 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 in the case of items credited or charged to equity in which case it is included in equity.

2.5 Employee benefits

(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, 2003 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 expires in 2004.

The principal actuarial assumptions used in the valuation of these schemes as of June 30, 2003 are:

	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	13%	13%	13%	13%
	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 are 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 Company.

Non-executives of the Company are entitled to accumulate the un-utilized 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 1, 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 1, 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. During the year Rs 65.378 million (2002: Rs 65.646 million) has been charged as an expense by the Company.

2.6 Trade and other payables

Liabilities for trade and other amounts payable 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 and capital work-in-progress are stated at cost less any identified impairment loss. Cost in relation to certain assets signifies historical cost and 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 13. 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 assets transferred to executives under service rules where depreciation is charged until the date of executive's retirement.

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

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 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets acquired on lease. The aggregate amount of obligations relating to assets subject to finance lease is accounted for at the net present value of liabilities. Value of the leased assets is depreciated over the useful lives of assets using the straight line method at the rates given in Note 14. Depreciation of leased assets is charged to income. The related obligations of the lease are accounted for as liabilities.

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 suffered an impairment loss. If any 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 an 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.

2.14 Cash and bank balances

For the purposes of the cash flow statement, cash equivalents are short term highly liquid investments that are readily convertible to 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 are accounted for in Rupees at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing on the balance sheet date.

The Company has obtained foreign currency loans from World Bank which are covered under the exchange risk coverage scheme of Government of Pakistan. Under this arrangement, the Company is entitled to claim from the Government the

differential between the actual payment made to World Bank and the amount at which these loans were recorded on the date of receipt. The agreement with the Government for these loans qualify as a fair value hedge.

2.17 Gas Development Surcharge

Under the provisions of World Bank loan 3252-PAK, the Company is operating on an annual return of not less than 17.50% 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.

2.18 Financial Instruments

Financial instruments carried at the balance sheet date include investments, receivables, cash and bank balances, finances under mark-up arrangements, liabilities subject to finance lease, long term loans and other payables, deposits, creditors, accrued and other liabilities. The particular recognition method adopted is disclosed in the individual policy statement associated with each item.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

121,146,000 (2002: 121,146,000) ordinary shares of Rs 10 each issued as fully paid for cash
 3,329,000 (2002: 3,329,000) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash
 374,711,600 (2002: 374,711,600) ordinary shares of Rs 10 each issued as fully paid bonus shares

	2003	2002
	(Rupees in thousand)	
	1,211,460	1,211,460
	33,290	33,290
	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:

	1	2	3	4	5
Financial institution	National Bank of Pakistan	National Bank of Pakistan	National Bank of Pakistan	Faysal Bank Limited	Faysal Bank Limited
Marked - up price	394,832	566,947	1,197,198	696,260	348,749
Less:					
Mark - up	215,247	320,995	620,552	183,172	91,749
Prompt payment rebate	29,585	45,952	76,646	-	-
	244,832	366,947	697,198	183,172	91,749
Mark-up accrued during grace period	150,000	200,000	500,000	513,088	257,000
	49,343	71,638	164,450	-	-
	199,343	271,638	664,450	513,088	257,000
Less: Aggregate repayments upto June 30, 2003	199,343	271,638	664,450	513,088	257,000
Current portion included in current liabilities	-	-	-	-	-
	199,343	271,638	664,450	513,088	257,000
TOTAL	-	-	-	-	-
Rate of profit/mark up	16.425%	17.885%	13.87%	17.00%	17.00%
Number of instalments outstanding					
- Quarterly	-	-	-	-	-
- Half yearly	-	-	-	-	-
Repayment commencement date	-	-	-	-	-



Notes to the Accounts for the year ended June 30, 2003

(Rupees in thousand)

6	7	8	9	10	11	12	TOTAL	
ANZ Grindlays Bank	ABN AMRO Bank Syndicate	National Bank of Pakistan	Citibank Syndicate	Habib Bank Limited Syndicate	Standard Chartered Bank Syndicate	Standard Chartered Bank Syndicate	2003	2002
573,878	977,172	1,766,579	1,916,222	2,584,710	3,095,933	1,031,806	15,150,286	13,014,082
95,645 78,233	142,172 -	638,760 107,819	457,027 530,195	574,270 510,440	225,250 1,370,683	58,042 473,764	3,622,881 3,223,317	4,109,291 1,583,703
173,878	142,172	746,579	987,222	1,084,710	1,595,933	531,806	6,846,198	5,692,994
400,000	835,000	1,020,000	929,000	1,500,000	1,500,000	500,000	8,304,088	7,321,088
-	-	249,204	-	-	-	-	534,635	460,528
400,000	835,000	1,269,204	929,000	1,500,000	1,500,000	500,000	8,838,723	7,781,616
400,000	835,000	-	-	-	-	-	3,140,519	2,766,672
-	-	227,050	-	-	-	-	227,050	760,560
400,000	835,000	227,050	-	-	-	-	3,367,569	3,527,232
-	-	1,042,154	929,000	1,500,000	1,500,000	500,000	5,471,154	4,254,384
13.7385%	Cut-off yield of six months treasury bills plus 2.75% p. a. with a minimum of 9.75% p. a. and maximum of 17% p. a.	1.20% p. a. plus cut-off yield on the last six months treasury bill without floor and cap (2002: 13% p. a.)	11% p. a. for the first year and thereafter 11.75% p. a. subject to maximum of 18% p. a.	0.75% p.a. plus SBP discount rate with the floor of 8.25% p.a. and maximum of 17% p. a.	1.80% p. a. plus cut-off yield on the last six months treasury bill without floor and cap	1.10% p. a. plus cut-off yield on the last six months treasury bill without floor and cap		
-	-	16	-	-	-	-		
-	-	-	8	8	8	8		
-	-	October 1, 2003	August 13, 2004	December 28, 2004	September 24, 2005	December 30, 2005		



Terms of redeemable capital

These represent long term running finances obtained under mark-up arrangements from financial institutions and banking companies. Prompt payment rebate is allowed to the extent shown above against payments made on due dates.

Security

Repayment of the 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.

	2003	2002
	(Rupees in thousand)	
5. DEFERRED CREDIT		
Consumers' contributions	6,668,708	5,987,265
Government grant	183,206	183,206
	<u>6,851,914</u>	<u>6,170,471</u>
Less: Accumulated amortization	2,523,614	2,189,620
	<u>4,328,300</u>	<u>3,980,851</u>
6. LONG TERM LOANS AND OTHER LIABILITIES - UNSECURED		
Foreign currency loans	- Note 6.1 3,805,052	4,167,517
Local currency		
- Loans	- Note 6.2 2,468,036	2,386,539
- Other liabilities	- Note 6.3 2,356,138	2,988,039
	<u>8,629,226</u>	<u>9,542,095</u>
Less: Current portion shown under current liabilities		
Foreign currency	390,961	362,465
Local currency		
- Loans	475,003	234,005
- Other liabilities	637,464	633,755
	<u>1,503,428</u>	<u>1,230,225</u>
	<u>7,125,798</u>	<u>8,311,870</u>



Notes to the Accounts for the year ended June 30, 2003

6.1 Foreign currency loans - unsecured

These are composed of:

Lender	Rate of interest per annum (%)	Number of Half yearly installments outstanding No.	Repayment Commencement date	Equivalent Rupees	
				2003	2002
				(Rupees in thousand)	
World Bank Loan 3252-PAK	0.5 above the base cost of qualified borrowing	15	March 01, 1996	4,350,009	4,690,876
World Bank Loan 3252-1-PAK	- do -	15	March 01, 1996	2,160,181	2,327,184
				6,510,190	7,018,060
Less: Receivable from Government of Pakistan under exchange risk coverage contract			Note 6.1.2	2,705,138	2,850,543
				3,805,052	4,167,517

6.1.1 The repayment of 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 acquired from 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% per annum and the rate of interest intimated by the World Bank subject to minimum of 5%. However the rate of exchange risk fee will not exceed the rates notified by State Bank of Pakistan from time to time.

2003 2002
(Rupees in thousand)

6.2 Local currency loans - unsecured

Government of Pakistan					
- Relent loans			- Note 6.2.1	952,221	1,087,036
- Cash development loans			- Note 6.2.2	1,461,015	1,299,503
Loan from industrial consumers			- Note 6.2.3	54,800	-
				2,468,036	2,386,539

6.2.1 Relent loans

	Rate of interest inclusive of exchange risk fee (%)	Number of outstanding half yearly instalments	Repayment commencement date	2003	2002
Relent loan 1	14	5	Jun 01, 1991	88,875	124,425
Relent loan 2	14	13	Mar 01, 1995	76,861	85,698
Relent loan 3	14	19	Feb 01, 1998	688,099	760,530
Relent loan 4	14	13	Mar 01, 1995	56,559	65,261
Relent loan 5	14	9	Jun 30, 1998	41,827	51,122
				952,221	1,087,036



6.2.2 Cash Development Loans

These have been obtained from the Government of Pakistan (GOP) for the supply of gas to new towns carrying mark-up at the rate of 5 to 10 percent per annum on loans amounting to Rs 1,461.015 million (2002: Rs 1,235.849 million) on the outstanding balance or part thereof and are repayable over a period of 12 years with a grace period of 2 years. The loan amounting to Rs Nil (2002: Rs 63.654 million) carried mark-up at rates ranging between 15.24 to 15.54 percent per annum on the outstanding balance.

6.2.3 Loan from industrial consumers

These have been obtained from certain industrial consumers for laying of gas pipelines carrying mark-up at the rates 2 and 5 percent per annum on the outstanding balance or part thereof and are repayable over a period of 10 to 12 years with a grace period of 2 years.

6.3 Other liabilities

These are composed of :

		2003	2002
		(Rupees in thousand)	
Interest on Medium Term Loan	- Note 6.3.1	1,964,199	2,209,724
Interest payable to OGDCL	- Note 6.3.2	391,939	778,315
		2,356,138	2,988,039

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 instalments commencing June 30, 2002 and does not carry mark up.

6.3.2 Mark-up @ 10% per annum accrued on late payments amounting to Rs 1,164.691 million to Oil and Gas Development Company Limited (OGDCL) upto December 31, 1999 is payable in 36 equal monthly instalments starting July 1, 2001 and does not carry mark up.

		2003	2002
		(Rupees in thousand)	
7. SECURITY DEPOSITS			
Consumers	- Note 7.1	3,732,304	3,289,167
Contractors - Houselines	- Note 7.2	12,157	12,287
		3,744,461	3,301,454

7.1 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 5% per annum on deposits amounting to Rs 1,331.600 million (2002: Rs 1,108.300 million). However, for Kot Addu Power Company (KAPCO) and Liberty Power having deposits Rs 667 million (2002: Rs 667 million) and Rs 384 million (2002: Rs 384 million) respectively, the rate of interest is 1% above 3 months State Bank of Pakistan (SBP) treasury bills cut off rate with a maximum of 10% per annum and at the rate equal to 3 months treasury bills of SBP subject to a floor of 7% per annum respectively.

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



Notes to the Accounts for the year ended June 30, 2003

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of payments and the period in which these payments become due are:

	2003			2002		
	Total Payments	Finance charge	Principal	Total Payments	Finance charge	Principal
2003	-	-	-	59,581	4,614	54,967
	-	-	-	59,581	4,614	54,967

(Rupees in thousand)

The value of minimum lease payments were discounted at implicit annual interest rates ranging from 11% to 19.25% (2002: 19.25% to 21%) to arrive at their present value. The balance rentals due under the lease agreements were fully paid during the year.

9. DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

	2003	2002
	(Rupees in thousand)	
Accelerated tax depreciation allowance	5,819,502	5,448,629
Lease rentals	-	16,531
	5,819,502	5,465,160
Less: Provision for doubtful debts	702,348	524,221
Others	130,857	389,033
	833,205	913,254
	4,986,297	4,551,906
10. EMPLOYEE BENEFITS		
Accumulating compensated absences	138,573	114,133
Post employment benefits	1,421,630	961,192
- Note 10.1		
	1,560,203	1,075,325



10.1 Post employment benefits

These are composed of:

	Medical	Free gas facility	Pension and Gratuity		Total	
			Executives	Non Executives	2003	2002
(R u p e e s i n t h o u s a n d)						
Present Value of defined benefit obligation	1,660,734	410,147	742,951	1,973,587	4,787,419	3,732,899
Fair value of plan assets	-	-	(549,003)	(1,381,323)	(1,930,326)	(1,566,585)
Past Service cost to be recognized in later periods	(153,727)	(60,310)	(37,370)	(175,100)	(426,507)	(493,058)
Actuarial (losses)/gains to be recognized in later periods	(310,881)	(132,402)	(235,838)	(211,098)	(890,219)	(474,592)
Transitional liability to be recognized in later periods	(101,390)	(8,357)	-	(8,990)	(118,737)	(237,472)
	<u>1,094,736</u>	<u>209,078</u>	<u>(79,260)</u>	<u>197,076</u>	<u>1,421,630</u>	<u>961,192</u>
Liability/(asset) at the beginning of the year	743,201	154,332	(106,004)	169,663	961,192	673,803
Charge for the year	380,080	61,338	79,482	139,974	660,874	509,324
Benefits /contributions paid during the year	(28,545)	(6,592)	(52,738)	(112,561)	(200,436)	(221,935)
Liability/(asset) at the end of the year	<u>1,094,736</u>	<u>209,078</u>	<u>(79,260)</u>	<u>197,076</u>	<u>1,421,630</u>	<u>961,192</u>

2003 2002
(Rupees in thousand)

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Trade creditors	5,871,259	5,381,602
Accrued liabilities	1,786,154	1,335,593
Interest free deposits repayable on demand	6,094	5,122
Earnest money received from contractors	17,661	13,081
Mobilization and other advances	60,029	45,930
Gas development surcharge	-	649,745
Interest, mark-up, profit, commitment and other charges accrued on:		
- Long term loans (unsecured)	315,833	225,949
- Redeemable capital (secured)	57,736	164,805
Exchange risk and guarantee fee payable to Government of Pakistan	140,467	1,165,483
Sales tax payable	261,492	259,410
Workers' profit participation fund	168,862	150,615
Workers' Welfare Fund	-	38,420
Unpaid dividend	-	30,025
Unclaimed dividend	13,743	1,401
	<u>8,699,330</u>	<u>9,467,181</u>

11.1 Under the Natural Gas (Development Surcharge) Ordinance, 1967 the sale prices at which gas is to be sold to various consumers (the fixed sale price) and the price to be retained therefrom by the Company (the prescribed price) are fixed by the Government as Development Surcharge. This carries interest @ 20% per annum with a grace period of two months from the date on which it becomes due. This amount represents the balance outstanding of the Development Surcharge.



	2003	2002
	(Rupees in thousand)	
11.2 Workers' profit participation fund		
Balance at the beginning of the year	150,615	126,235
Allocation for the year	168,793	147,508
	319,408	273,743
Interest on funds utilized in the Company's business	50	28
	319,458	273,771
Less: Payments to workers	444	365
Payments to workers' welfare fund	147,088	122,272
Amount written back no longer considered payable	3,064	519
	150,596	123,156
	168,862	150,615

12. CONTINGENCIES AND COMMITMENTS

12.1 Claims against the Company not acknowledged as debts amount to Rs 386.359 million (2002: Rs 397.088 million).

- (i) Included in claims against the Company not acknowledged as debts are claims by the contractors, suppliers and consumers aggregating Rs 75.752 million (2002: 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 accounts as in the Management's view the Company has strong grounds in the cases lodged.
- (ii) Included in claims against the Company not acknowledged as debts is the claim of employees union for bonus amounting to Rs 255 million (2002: 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 orders of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company filed an appeal with the Honourable Supreme Court of Pakistan on September 19, 2001, on the grounds that orders 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 accounts 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.
- (iii) During the previous years, the Collector of Customs, Sales Tax and Excise raised

demand for excise duty amounting to Rs 59.987 million and Rs 35.775 million in respect of excise duty not charged by the Company on interest and late payment surcharge billed to consumers during the period October 1996 to February 1998 and March 1998 to March 1999 respectively. The Company has paid these amounts which are included in Note 20 to the accounts. The Company filed appeals before the Customs, Sales Tax and Excise Appellate Tribunal. In case of demand of Rs 35.775 million, the case was decided against the Company by the Tribunal and in further appeals, the High Court and Supreme Court also decided against the Company. The Company has filed a review petition before the Supreme Court, which has been admitted for hearing. The appeal against the demand of Rs 59.987 million is still pending hearing by the Tribunal. Last year a further demand of additional duty on the above mentioned excise duty amounting to Rs 35.246 million was raised by the Collector of Customs, Sales Tax and Excise.

Pending decision of the review petition, no provision has been made in these accounts. However, in case of an adverse decision management is of the view that the Company will not suffer any financial loss since the amount can be recovered from the consumers.

- (iv) Pending before the Customs, Sales tax and Excise Appellate Tribunal is an appeal filed by the Company against demands raised for excise duty not paid by the Company on free gas facility provided to its employees during March 1997 to March 1999 amounting to Rs 2.809 million (2002: Rs 2.809 million).



No provision has been made in these accounts since the Company's legal advisor is of the view that the Company has strong grounds for the decision to be made in favour of the Company.

12.2 Taxation

- (i) 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 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 accounts for additional demands in respect of assessment years 1980-81 to 2002-03 and tax year 2003 which on a similar basis as used in the past by the tax authorities would amount to Rs 563.377 million (2002: Rs 505.077 million).
- (ii) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further additional 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 these further additional demands and has 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 2001-2002, 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 accounts for these additional demands for the assessment years 1989-90 through 2002-2003 and tax year 2003, which on the basis adopted by the authorities would amount to Rs 1,327.343 million (2002: Rs 1,203.650 million), since the Company has strong grounds against the assessment framed by the tax authorities.

In the event of an adverse decision in the cases referred to in (i) and (ii) above, the balance demands, will represent the tax relief on the expenses disallowed resulting in timing differences and creation of a corresponding debit on the deferred tax account to be released to 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.

12.3 The Company furnished indemnity bonds 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 amounting to Rs 844.952 million (2002: Rs 497.144 million). Liabilities in respect of the 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.

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

12.5 Commitments in respect of

- (i) Contracts for capital expenditure amount to Rs 1,125.906 million (2002: Rs 2,315.570 million).
- (ii) Letters of credit other than for capital expenditure amount to Rs 91.878 million (2002: Rs 34.567 million).

12.6 Interest on overdue WAPDA balances

The Company has claimed interest amounting to Rs 400.671 million (2002: Rs 238.608 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 recognised 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.



Notes to the Accounts for the year ended June 30, 2003

13. OPERATING FIXED ASSETS - TANGIBLE

Description	Cost as at July 1, 2002 (R u p e e s)	Additions/transfers/Adjustments/(deletions)	Cost as at June 30, 2003	Accumulated depreciation as at July 1, 2002 i n	Depreciation charge/(deletion) for the year t	Transfers from assets subject to finance lease h o u	Accumulated depreciation as at June 30, 2003 s a n	Book value as at June 30, 2003 d)	Rate %
Freehold land	314,027	17,960	331,987	-	-	-	-	331,987	-
Leasehold land	392	-	392	-	-	-	-	392	-
Buildings and civil construction on freehold land	702,461	19,612	722,073	375,073	36,397	-	411,470	310,603	6
Buildings on leasehold land	8,461	-	8,461	8,461	-	-	8,461	-	6
Transmission system	21,629,055	3,869,045 (27,576)	25,470,524	9,199,466	1,323,459 (27,576)	-	10,495,349	14,975,175	6-10
Distribution system	11,875,360	846,954 140,000	12,862,314	4,612,183	687,157	37,800	5,337,140	7,525,174	6
Consumer meter and town border stations	5,763,311	1,173,248 (400,555)	6,536,004	1,980,367	440,780 (192,230)	-	2,228,917	4,307,087	6
Telecommunication system and facilities	2,019,457	65,314	2,084,771	1,098,890	253,625	-	1,352,515	732,256	15
Compressor station and equipments	3,146,325	936	3,147,261	1,623,625	160,816	-	1,784,441	1,362,820	6-9
Purification plant	656,181	(656,181)	-	586,275	(586,275)	-	-	-	7.5
Plant and machinery	2,072,619	315,147 (19,217)	2,368,549	1,807,183	99,050 (19,217)	-	1,887,016	481,533	10-20
Furniture and equipments	364,412	24,896 (161,038)	228,270	247,670	17,363 (101,780)	-	163,253	65,017	15-20
Tools and equipments	33,957	5,516	39,473	29,320	3,902	-	33,222	6,251	33.33
Transport vehicles	486,991	137,585 (24,824)	599,752	408,829	41,941 (22,651)	-	428,119	171,633	25
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	
2002	44,111,578	5,163,400 (201,969)	49,073,009	19,393,046	2,742,801 (194,505)	36,000	21,977,342	27,095,667	

Included in additions to transmission system is borrowing cost of Rs 170.344 million (2002: Rs 152.279 million) capitalized during the year. The capitalisation rate used to determine amount of borrowing cost is 4.76% (2002: 8.12%).

Included in furniture and equipments above are assets of Rs Nil (2002: Rs 59.258 million) and Rs Nil (2002: Rs 0.201 million) held by Sui Joint Services Capexpool and Civic Centres Company (Private) Limited respectively on behalf of the Company.



	2003	2002
	(Rupees in thousand)	
13.1 The depreciation charge for the year has been allocated as follows:		
Operating - Gas	3,064,490	2,742,801
Leased assets	-	8,400
	3,064,490	2,751,201

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Sold to
	(Rupees)	(Rupees)	(Rupees)	(Rupees)		
Plant and Machinery						
Purification plant	656,180,550	586,274,922	69,905,628	69,905,628	Negotiation	Pakistan Petroleum Ltd.
Furniture and equipments						
SJS pool assets	161,037,788	101,779,794	59,257,994	59,257,994	Negotiation	Pakistan Petroleum Ltd.
Vehicles						
Toyota Corolla	744,000	595,964	148,036	148,036	Service rules	Abdul Rashid Lone (MD)
Toyota Corolla	854,000	154,715	699,285	699,285	- do-	Mehboob Elahi (Executive)
Suzuki Cultus	560,000	262,165	297,835	297,835	- do-	Tariq Bucha (Executive)
Suzuki Cultus	560,000	297,836	262,164	262,164	- do-	M. Siddique (Executive)

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

14. ASSETS SUBJECT TO FINANCE LEASE

	Cost as at July 1, 2002	Additions/ (Transfers to fixed assets)	Cost as at June 30, 2003	Accumulated depreciation as at July 1, 2002	Depreciation charge for the year	Transfers to fixed assets	Accumulated depreciation as at June 30, 2003	Book value as at June 30, 2003	Rate %
	(Rupees in thousands)								
Distribution system	140,000	(140,000)	-	37,800	-	(37,800)	-	-	6
2003	140,000	(140,000)	-	37,800	-	(37,800)	-	-	
2002	290,000	(150,000)	140,000	65,400	8,400	(36,000)	37,800	102,200	



		2003	2002
		(Rupees in thousand)	
15. CAPITAL WORK-IN-PROGRESS			
Transmission system	- Note 15.1	248,778	165,479
Distribution system		747,011	531,993
Stores and spares including in transit			
Rs 438.618 million (2002: Rs 159.387 million)		2,176,213	2,297,782
		3,172,002	2,995,254

15.1 Included in additions to transmission system is borrowing cost of Rs 9.944 million (2002: Rs 7.301 million). The capitalisation rate used to determine amount of borrowing cost is 4.76% (2002: 8.12%).

		2003	2002
		(Rupees in thousand)	
16. LONG TERM INVESTMENTS			
- Associated Undertakings			
Civic Centres Company (Pvt) Ltd.	- Note 16.1	85,000	85,000
Provision for impairment in value of investment		(38,866)	(15,799)
		46,134	69,201
Inter State Gas Systems (Pvt) Ltd.	- Note 16.2	1	1
		46,135	69,202

16.1 Civic Centres Company (Pvt) Ltd.

8,500,000 (2002: 8,500,000) fully paid ordinary shares of Rs 10 each

Equity held - 19%. Value of investments based on the net assets shown in the audited accounts as at June 30, 2001 is Rs 69.201 million.

Mr. Mohammad Asad is the Chief Executive of the Company.

Civic Centers Company (Private) Limited has disclosed in its annual accounts for the year ended June 30, 2001 that the directors are contemplating the voluntary liquidation of the Company. This may impact the valuation of the investment which will be accounted for as and when it occurs. The audited accounts of the Company after the financial year ended June 30, 2001 are not available. Based on the management's best estimate regarding the fair value of investment, additional provision for impairment for the year amounting to Rs 23.067 million has been made in the financial statements.

16.2 Inter State Gas Systems (Pvt) Ltd.

This is an advance for 49 ordinary shares of Rs 10 each.



17. LONG TERM LOANS - CONSIDERED GOOD

	House building		Car		Motorcycle/Scooter		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	(Rupees in thousand)							
Due from employees	213,542	209,990	7,100	9,705	11,433	19,340	232,075	239,035
Amount due within one year shown under current assets - Note 20	46,157	44,629	1,844	2,086	8,197	8,362	56,198	55,077
	167,385	165,361	5,256	7,619	3,236	10,978	175,877	183,958
Outstanding for the period exceeding three years	83,388	98,815	4,471	5,357	-	-	87,859	104,172
Others	83,997	66,546	785	2,262	3,236	10,978	88,018	79,786
	167,385	165,361	5,256	7,619	3,236	10,978	175,877	183,958

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 the title deeds and joint registration of vehicles. House building and car loans include Rs 53.202 million (2002: Rs 65.015 million) due from executives of the Company.

The maximum amount due from the Chief Executive and executives at any month end during the year was Rs Nil (2002: Rs Nil) and Rs 65.364 million (2002: Rs 77.504 million) respectively.

2003 2002
(Rupees in thousand)

18. STORES AND SPARES

Stores including in transit Rs 12.119 million (2002: Rs 5.226 million)	272,383	271,596
Spares including in transit Rs 14.009 million (2002: Rs 6.823 million)	272,626	336,975
	545,009	608,571
Less: Provision for obsolescence	35,995	40,257
	509,014	568,314

19. TRADE DEBTS

Considered good	8,746,259	9,200,156
Considered doubtful	1,967,235	1,461,684
	10,713,494	10,661,840
Less: Provision for doubtful debts	1,967,235	1,461,684
	8,746,259	9,200,156

Included in trade debts considered good are secured debts of Rs 4,418.627 million (2002: Rs 4,040.730 million). 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 customers other than domestic consumers which are charged one time surcharge at the rate of 10%.



Notes to the Accounts for the year ended June 30, 2003

		2003	2002
		(Rupees in thousand)	
20. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Current portion of Loans to employees - considered good	- Note 17	56,198	55,077
Advances to employees - considered good	- Note 20.1	55,045	7,662
Advances to suppliers and contractors less provision for doubtful receivables Rs 13.965 million (2002: Rs 10.584 million)		31,925	47,179
Trade deposits and prepayments less provision for doubtful receivables Rs 25.505 million (2002: Rs 25.505 million)		86,960	97,965
Senior executive gratuity fund		52,147	-
Accrued gas sales		175,117	119,635
Exchange differences on long term loans recoverable from the Government of Pakistan		204,758	1,189,709
Accrued return on bank deposits	- Note 20.2	12,562	39,460
Excise duty recoverable	- Note 12.1 (iii)	95,762	95,762
Differential margin recoverable	- Note 11.1	139,968	-
Others	- Note 20.3	111,966	217,947
		1,022,408	1,870,396

20.1 Included in advances to employees are Rs 0.784 million (2002: Rs 0.770 million) due from executives. The maximum amount outstanding at any month end during the year was Rs 0.784 million (2002: Rs 1.638 million).

20.2 Included in accrued return on bank deposits is an amount of Rs 1.623 million (2002: Rs 6.108 million) accrued on bank deposits with Muslim Commercial Bank Limited being an associated undertaking.

20.3 Included in others is an amount of Rs 35.114 million (2002: Rs 150.000 million) recoverable from Government of Pakistan under deferred tariff adjustment.

		2003	2002
		(Rupees in thousand)	
21. CASH AND BANK BALANCES			
At banks			
On deposits, including Rs 14.791 million (2002: Rs 14.262 million) in special account and cheques under clearance of Rs 0.116 million (2002: Rs 151.403 million)		2,660,962	2,227,256
On current accounts, including remittances in transit and cheques under clearance Rs 298.008 million (2002: Rs 521.687 million)		333,983	544,406
		2,994,945	2,771,662
In hand		1,046	325
		2,995,991	2,771,987

21.1 Included in cash and bank balances is Rs. 149.007 million (2002: Rs 211.835 million) and Rs 71.579 million (2002: Rs 86.717 million) deposited in deposit accounts and current accounts of Muslim Commercial Bank Limited respectively, an associated undertaking.

22. GAS SALES

22.1 Sales are exclusive of sales tax of Rs 6,874.809 million (2002: Rs 6,313.561 million).

22.2 Sales are exclusive of discount of Rs 1.314 million (2002: Rs 1.535 million).



	2003	2002
	(Rupees in thousand)	
23. RENTAL AND SERVICE INCOME		
Transmission charges	7,049	3,690
Meter rental exclusive of sales tax of Rs 82.725 million (2002: Rs 79.679 million)	551,560	531,192
Testing and reconnection charges	11,953	9,529
Income from repair work	64,698	40,605
	635,260	585,016
24. SURCHARGE AND INTEREST ON GAS SALES ARREARS		
Interest on gas sales arrears	266,209	270,682
Surcharge on late payments	225,681	204,888
	491,890	475,570
25. COST OF GAS SOLD		
Opening stock of gas in pipelines	154,273	130,736
Gas purchases		
- Southern system	28,326,881	24,992,826
- Northern system	3,679,830	4,162,528
	32,006,711	29,155,354
	32,160,984	29,286,090
Less: Gas internally consumed	627,417	581,973
Closing stock of gas in pipelines	184,210	154,273
	811,627	736,246
	31,349,357	28,549,844
26. OPERATING COST EXCLUDING DEPRECIATION		
Salaries, wages and benefits	- Note 26.1	2,813,123
Employees medical and welfare	- Note 26.1	542,134
Stores and spares consumed		171,492
Fuel and power		675,087
Repairs and maintenance		226,980
Rent, rates, electricity and telephone		53,763
Insurance		109,343
Travelling		49,926
Stationery, telegrams and postage		34,539
Despatch of gas bills		21,588
Transportation charges		152,443
Provision for doubtful debts	- Note 19.1	505,551
Provision for doubtful receivables		6,159
Professional services		15,298
Gathering charges of gas bills collection data		34,573
Stores written off	- Note 26.2	208,380
Loans to deceased employees written off		77
Gas bills collection charges		29,269
Others		139,242
		5,788,967
Less: Allocated to fixed capital expenditure		791,852
		4,997,115
		4,733,544
		653,804
		4,079,740



Notes to the Accounts for the year ended June 30, 2003

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

	Post employment		Pension and	Total
	Medical	Free gas	Gratuity	
	(Rupees in thousand)			
Current service cost	73,369	14,817	134,748	222,934
Interest cost	157,458	29,078	224,084	410,620
Past service cost	23,579	8,615	29,956	62,150
Non-vested past service cost	-	-	4,401	4,401
Expected return on assets	-	-	(203,655)	(203,655)
Actuarial losses	24,285	470	20,934	45,689
Amortization of transitional liability	101,389	8,358	8,988	118,735
	380,080	61,338	219,456	660,874
2002	229,686	52,903	226,735	509,324

	Pension		Gratuity	
	Executive	Non executives	Executives	Non executives
	(Rupees in thousand)			
Actual return on plan assets during the year	103,672	131,738	8,569	113,530

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

	2003	2002
	(Rupees in thousand)	

27. OTHER INCOME

Sale of tender documents	1,157	3,390
Sale of condensate	1,622	-
Liquidated damages recovered	13,856	5,377
Interest on staff loans and advances	8,239	8,318
Return on bank deposits	- Note 27.1	138,463
Insurance claim	525	44,954
Provision no longer considered necessary written back	- Note 27.2	214,600
Others	10,857	3,884
	389,319	250,652

27.1 Rate of profit on bank accounts ranges from 0.75% per annum to 12% per annum.

27.2 This includes Rs 126.092 million for interest on late payment on gas creditors and Rs 46.120 million for excise duty on redeemable capital written back during the year.



	2003	2002
	(Rupees in thousand)	
28. FINANCIAL CHARGES		
Mark-up/profit on:		
- Non-participatory redeemable capital - secured	538,242	449,404
- Finance lease	4,614	24,838
Interest and commitment charges on:		
- Long term loans - unsecured	491,742	521,583
- Security deposits	127,214	139,538
- Workers' profit participation fund	50	28
Term loan raising expenses	4,006	7,410
Exchange risk coverage fee - Note 28.1	538,591	414,953
	1,704,459	1,557,754
Less: Allocated to fixed capital expenditure	172,988	159,580
	1,531,471	1,398,174

28.1 This includes an amount of Rs 150.507 million (2002: Rs Nil) on account of interest on exchange risk coverage fee payable to Government of Pakistan.

29. OTHER CHARGES		
Workers' profit participation fund	168,793	147,508
Workers' welfare fund	-	38,420
Provision for impairment in the value of investment	23,067	15,799
Auditors' remuneration - Note 29.1	2,659	2,007
Donations - Note 29.2	35	-
Miscellaneous	1	-
	194,555	203,734

29.1 Professional services

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

Audit fee

- A.F. Ferguson & Co	250	200
- Ford Rhodes Sidat Hyder & Co.	250	-
- Taseer Hadi Khalid & Co	-	200

	500	400
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Tax representation and advisory services

- A.F. Ferguson & Co	1,728	1,111
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Provident fund, audit certification for lending agencies sundry advisory services and half yearly review

- A.F. Ferguson & Co	138	135
- Ford Rhodes Sidat Hyder & Co.	103	-
- Taseer Hadi Khalid & Co	-	180

Out of pocket expenses

- A.F. Ferguson & Co	95	91
- Ford Rhodes Sidat Hyder & Co.	95	-
- Taseer Hadi Khalid & Co	-	90

	2,659	2,007
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29.2 None of the Directors or their spouses had any interest in the donations charged in the accounts.



Notes to the Accounts for the year ended June 30, 2003

		2003	2002
		(Rupees in thousand)	
30. PROVISION FOR TAXATION			
- Current year	- Current	754,580	454,068
	- Deferred	434,391	385,816
		1,188,971	839,884
- Prior year	- Current	4,330	-
	- Deferred	-	37,530
		4,330	37,530
		1,193,301	877,414
		2003	2002
		(%)	(%)
30.1 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		2.78	2.61
- Others		(0.63)	0.18
Effect of changes in prior years tax		0.06	1.36
Effect of tax credit		-	(7.41)
		2.21	(3.26)
		37.21	31.74
		2003	2002
		(Rupees in thousand)	
31. CASH GENERATED FROM OPERATIONS			
Profit before taxation		3,207,067	2,764,239
Adjustment for non-cash charges and other items:			
Depreciation	- own assets	3,064,490	2,742,801
	- leased assets	-	8,400
Employee benefits		605,900	513,823
Amortization of deferred credit		(333,994)	(312,849)
Gain on sale of fixed assets		(33,512)	(13,213)
Gain on sale of LPG business		-	(191,871)
Financial charges		1,531,471	1,398,174
Return on bank deposits		(138,463)	(184,729)
Provision for doubtful debts		505,551	133,841
Provision for doubtful receivables		6,159	6,169
Provision for impairment in the value of investment		23,067	15,799
Stores written off		208,380	38,404
Changes in working capital of LPG business		-	(1,496)
Provision no longer considered necessary written back		(214,600)	-
Working capital changes	- Note 31.1	1,092,014	(1,373,896)
		9,523,530	5,543,596



	2003	2002
	(Rupees in thousand)	
31.1 Working capital changes		
(Increase)/decrease in current assets		
Stores and spares	(149,080)	38,318
Stock-in-trade	(29,937)	(23,537)
Trade debts	(51,654)	(535,736)
Loans, advances, deposits, prepayments and other receivables	816,052	(651,269)
	585,381	(1,172,224)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	506,633	(201,672)
	1,092,014	(1,373,896)

32. 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:

	Chief Executive			Executives	
	2003	2002		2003	2002
	July 01, 2002 to June 30, 2003	July 01, 2001 to July 08, 2001	July 09, 2001 to June 30, 2002		
Number of persons	1	1	1	699	643
	(Rupees in thousand)				
Managerial remuneration	2,587	30	1,632	255,288	232,872
Contribution to provident, pension and gratuity fund	410	-	351	73,846	57,408
Housing and utilities	1,185	14	748	133,214	119,275
Leave encashment	1,062	-	-	2,392	2,548
Club subscriptions	4	-	4	30	33
	5,248	44	2,735	464,770	412,136

The above figure of executives excludes 476 (2002: 544) subordinate staff drawing salary more than Rs. 100,000. Aggregate amount charged during the year is Rs 163.817 million (2002: Rs 237.189 million).

In addition, the Chief Executive is provided with free use of Company's vehicle subject to certain specified limits for petrol consumption, residential telephone facilities for both business and personal use and reimbursement of medical expenses. Certain executives are also allowed these facilities.

The aggregate amount charged in the accounts in respect of directors' fee paid to fourteen (2002: fourteen) directors was Rs 38,500 (2002: Rs 34,500).



Notes to the Accounts for the year ended June 30, 2003

	2003	2002
	(Rupees in thousand)	
33. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Profit received on bank deposits	7,242	12,715

	2003	2002
34. NUMBER OF EMPLOYEES		
Number of employees at the year end	7,448	7,599

35. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 293,539 hm³ (2002: 276,069 hm³) against the designed capacity of 366,260 hm³ (2002: 316,956 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.

36. BASIC EARNINGS PER SHARE

Net profit for the year	Rupees in thousand	2,013,766	1,886,825
Average ordinary shares in issue	Numbers	499,186,600	499,186,600
Basic earnings per share	Rupees	4.03	3.78

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.



37. FINANCIAL ASSETS AND LIABILITIES

	Interest/mark up bearing		Non interest/markup bearing		Total		Credit risk	
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	2003	2002	2003	2002
	(R u p e e s		i n		t h o u s		a n d)	
Financial assets								
On balance sheet								
Loans to employees	56,198	175,877	—	—	232,075	239,035	—	—
Trade debts	8,746,259	—	—	—	8,746,259	9,200,156	4,327,632	5,159,426
Loans, advances, deposits, prepayments and other receivables	—	—	531,802	—	531,802	1,422,107	531,802	1,422,107
Cash and bank balances	2,660,962	—	335,029	—	2,995,991	2,771,987	2,994,945	2,771,662
	11,463,419	175,877	866,831	—	12,506,127	13,633,285	7,854,379	9,353,195
Off balance sheet								
	—	—	—	—	—	—	—	—
	11,463,419	175,877	866,831	—	12,506,127	13,633,285	7,854,379	9,353,195
Financial liabilities								
On balance sheet								
Non-participatory redeemable capital - secured	227,050	5,471,154	—	—	5,698,204	5,014,944		
Long term loans - Unsecured	865,964	5,407,124	637,464	1,718,674	8,629,226	9,542,095		
Security deposits	—	2,382,600	—	1,361,861	3,744,461	3,301,454		
Liabilities against assets subject to finance lease	—	—	—	—	—	54,967		
Creditors, accrued and other liabilities	—	—	7,900,034	—	7,900,034	8,315,802		
	1,093,014	13,260,878	8,537,498	3,080,535	25,971,925	26,229,262		
Off balance sheet								
Commitments	—	—	1,125,906	—	1,125,906	2,315,570		
Letters of credit	—	—	91,878	—	91,878	34,567		
	—	—	1,217,784	—	1,217,784	2,350,137		
	1,093,014	13,260,878	9,755,282	3,080,535	27,189,709	28,579,399		
On balance sheet gap	10,370,405	(13,085,001)	(7,670,667)	(3,080,535)	(13,465,798)	(12,595,977)		
Off balance sheet gap	—	—	1,217,784	—	1,217,784	2,350,137		

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



37.1 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) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs 12,506.127 million (2002: Rs 13,633.285 million), the financial assets which are subject to credit risk amounted to Rs 7,854.379 million (2002: Rs 9,353.195 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 customers.

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.

37.2 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.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 20, 2003 by the Board of Directors of the Company.

39. CORRESPONDING FIGURES

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

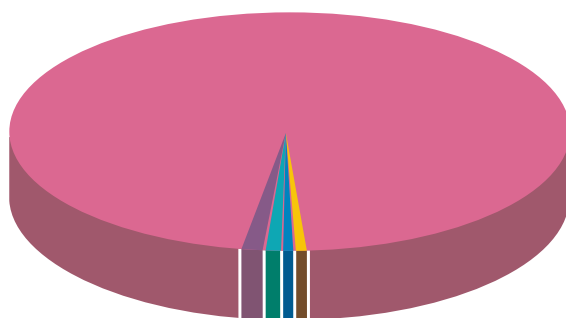
A. RASHID LONE
Chief Executive

MIAN RAZA MANSHA
Director



COMPOSITION OF REVENUE EARNED

During the year ended June 30, 2003



96.04%		Gas Sales
1.33%		Rental and Service Income
1.04%		Surcharge and interest on gas sales arrears
0.70%		Amortization of deferred credit
0.89%		Other income

APPLICATION OF REVENUE EARNED

During the year ended June 30, 2003



6.71%		Gas development surcharge	3.22%		Financial charges
65.95%		Cost of gas sold	0.41%		Other charges
10.51%		Operating cost	2.51%		Taxation
6.45%		Depreciation	2.31%		Proposed dividend
			1.93%		Reserves

BALANCE SHEET - SUMMARY

(Rupees in thousand)

Paid up share capital
Reserves and unappropriated profit
Deferred credit
Long term loans outstanding
- Local
- Foreign
- Non- Participatory Redeemable capital
Long term security deposits
Deferred liabilities - taxation
Deferred liabilities - others
Current Liabilities

Represented by:

- Fixed assets
- Other assets - Long Term
- Current Assets

PROFIT AND LOSS - SUMMARY

INCOME

Sales
Add/(Less) Differential margin/(development surcharge)
Net Sales
Cost of gas sold

Rental and service income
Surcharge and interest on gas sales arrears
Amortization of deferred credit
Operating profit/(Loss)- LPG
Net gain on sale of fixed assets
Gain on sale of LPG business
Other income

EXPENDITURE

Operating cost excluding depreciation
Depreciation
Financial charges
Other charges

PROFIT BEFORE TAXATION

PROVISION FOR TAXATION

PROFIT AFTER TAXATION

DIVIDEND (%)

BONUS SHARES

NUMBER OF EMPLOYEES - Operation
- Project

GAS SALES (MMCF)

CONSUMERS (IN NUMBERS)

CUSTOMERS (IN NUMBERS) - Industrial
- Commercial
- Domestic

TRANSMISSION AND DISTRIBUTION SYSTEM (in Kilometres)

Transmission mains
Distribution mains and services



At a Glance

2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
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	1,723,500
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	1,846,617
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	1,535,971
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	3,854,513
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	2,950,211
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	1,667,181
3,744,461	3,301,454	3,040,623	1,670,921	1,338,108	1,117,849	981,395	832,175	734,866	628,424
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	1,639,843
1,560,203	1,075,325	799,157	560,076	404,797	805,811	1,039,993	1,161,100	583,365	450,265
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	3,274,982
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	19,571,507
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	15,084,399
227,171	256,329	282,271	290,672	313,652	305,723	339,795	304,220	236,029	175,405
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	4,311,703
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	19,571,507
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	9,449,843
(3,189,416)	(4,084,195)	(2,442,668)	(1,019,657)	(1,665,855)	984,977	1,918,815	(103,096)	(1,472,478)	(2,181,300)
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	7,268,543
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	4,158,024
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	3,110,519
635,260	585,016	589,680	529,600	283,644	236,881	205,786	137,473	96,226	88,534
491,890	475,570	110,493	383,223	669,988	673,309	214,675	188,283	169,986	52,838
333,994	312,849	278,447	235,877	206,219	186,590	168,825	149,108	127,929	107,115
-	(3,192)	(13,807)	(6,426)	7,671	3,546	8,116	63	89	(560)
33,512	13,213	5,210	7,163	6,927	11,438	10,879	5,885	4,403	4,057
-	191,871	-	-	-	-	-	-	-	-
389,319	250,652	177,011	131,654	79,787	104,872	70,882	92,802	96,738	75,314
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	3,437,817
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	1,133,014
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	884,409
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	798,081
194,555	203,734	122,602	71,900	42,689	38,277	34,168	51,007	35,583	31,125
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	2,846,629
3,207,067	2,764,239	2,329,323	1,364,976	810,708	713,084	644,798	765,926	671,829	591,188
1,193,301	877,414	992,754	838,276	385,174	327,630	144,312	351,308	230,339	158,125
2,013,766	1,886,825	1,336,569	526,700	425,534	385,454	500,486	414,618	441,490	433,063
22	20	17	-	-	-	-	-	-	-
-	-	-	6.67:1	6.67:1	6.67:1	6.67:1	6.67:1	5:1	5:1
-	7,417	7,607	7,716	7,808	7,836	8,018	6,946	5,564	4,210
-	182	96	86	142	302	258	324	333	293
7,448	7,599	7,703	7,802	7,950	8,138	8,276	7,270	5,897	4,503
341,643	321,957	308,111	284,338	253,104	231,556	231,023	208,943	190,424	185,219
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	1,136,803
2,669	2,548	2,475	2,672	2,337	2,316	2,764	2,614	2,744	2,843
37,471	37,622	39,128	40,675	38,869	37,231	35,862	34,079	32,739	31,487
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	1,067,671
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	1,102,001
*5,759	5,405	5,122	5,217	5,112	4,920	4,687	4,243	3,865	3,614
35,814	34,093	32,825	31,477	29,954	28,661	26,848	24,226	21,782	18,375

* Net of 53 Km pipeline uplifted during the year.



SECTION		DIA (Inches)	MAINLINE (Kilometres)	LOOPLINE (Kilometres)
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.	Guddu Thermal Power Station	4	2.41	-
9.	Guddu Crossing - 1	24	1.81	-
10.	Guddu Crossing - 2	36	-	1.81
11.	Sutlej Crossing - 1	12	1.61	3.22
12.	Sutlej Crossing - 2	36	-	2.04
13.	Khanpur Line	6	22.81	-
14.	A5 - Bahawalpur	8	48.18	-
15.	AV22 - Kot Addu	16	69.65	-
16.	AV22 - Kot Addu	20	-	38.01
17.	D.G. Khan Line	8	46.13	-
18.	Dhodak - Kot Addu	16	77.79	-
19.	TPS Muzaffargarh Line	16	4.57	-
20.	Qadirpur - AC-IX Line	30	70.26	-
21.	Qadirpur - AC-IX Line	36	-	70
22.	Sawan - Qadirpur Line	24	131	-
23.	Ahmedpur East	6	18.34	-
24.	Khan Garh	8	22.20	-
25.	Multan - Fertilizer Line	10	1.430	-
26.	Jahania Line	8	30.49	-
27.	Multan - Sidhnai	16	46.70	46.70
28.	Multan - Sidhnai	18	-	46.70
29.	Multan - Sidhnai	24	22.46	22.46
30.	Multan - Sidhnai	30	-	46.70
31.	Multan - Sidhnai	36	-	22.33
32.	AV 29 Sahiwal	24	145.45	-
33.	Sidhnai - Faisalabad	16	86.01	85.98
34.	Sidhnai - Faisalabad	18	-	136.85
35.	Sidhnai - Faisalabad	24	-	50.24
36.	Sidhnai - Faisalabad	30	-	53.29
37.	Sidhnai - Faisalabad	36	-	26.42
38.	T.T. Singh - Jhang	8	30.28	-
39.	Sahiwal - Lahore	18	142.93	-
40.	AC8 - SMS2 (Old)	16	-	5.90



Transmission System as on June 30, 2003

SECTION		DIA (Inches)	MAINLINE (Kilometres)	LOOPLINE (Kilometres)
41.	WAPDA Offtake FSD	12	2.42	-
42.	Chak Jhumra Line	6	12.04	-
43.	FSD - Malikwal	12	137.62	-
44.	FSD - Malikwal	16	-	135.87
45.	FSD - Malikwal	30	-	55.49
46.	Chenab Crossing Chiniot	18	1.13	-
47.	Chenab Crossing Chiniot	30	2.32	-
48.	Kot Momin - Joharabad (1)	8	72.41	-
49.	Kot Momin - Joharabad (2)	6	38.36	-
50.	Joharabad - Chashma	8	82.252	-
51.	Sargodha Line	6	22.90	-
52.	FSD - Shahdara	16	99.78	119.25
53.	BC1 - Farooqabad	8	22.96	-
54.	Shahdara - Lahore	16	2.51	2.99
55.	Ravi - Crossing (1)	16	0.58	-
56.	Ravi - Crossing (2)	10	-	0.58
57.	Shahdara - WAPDA Lahore	10	3.41	-
58.	Khurrianwala - Jaranwala	4	22.53	-
59.	Dawood Hercules Line	12	5.87	-
60.	Sheikhupura - Gujranwala (1)	10	59.44	-
61.	Sheikhupura - Gujranwala (2)	16	-	44.57
62.	Kotli - Rahwali (BV13)	18	30.76	-
63.	Hafizabad Line	8	43.00	-
64.	Shahdara - Gujranwala - Rahwali	10	73.40	-
65.	Rahwali - Gujrat	8	35.46	-
66.	Rahwali - Sialkot	8	43.58	43.58
67.	Gujrat - Jhelum	8	54.27	-
68.	Sarai Alamgir - Mirpur	8	35.85	-
69.	Malikwal - Haranpur - Dandot	12	20.13	-
70.	Malikwal - Haranpur - Dandot	16	-	20.00
71.	Haranpur - Gharibwal	8	13.02	-
72.	Dandot - Gali Jagir - Wah	10	151.92	-
73.	Dandot - Gali Jagir - Wah	16	-	153.51
74.	Dandot - Gali Jagir - Wah	30	-	57.45
75.	Dhulian - Gali Jagir	10	40.14	29.85
76.	Dakhni- Meyal - Dhulian	16	50.44	-
77.	Ratana Line	10	2.49	-
78.	Sil Crossing	10	-	1.46
79.	Dhumal Line (1)	8	0.54	-
80.	Dhumal Line (2)	10	11.08	-



SECTION		DIA (Inches)	MAINLINE (Kilometres)	LOOPLINE (Kilometres)
81.	Dhulian - Daudkhel	8	85.20	4.04
82.	Gali Jagir - Morgah (1)	10	35.21	-
83.	Gali Jagir - Morgah (2)	6	9.50	-
84.	Wah - Islamabad	6	41.46	-
85.	Wah - Hattar	10	9.93	-
86.	Hattar - Haripur	10	18.12	-
87.	Hattar Offtake	6	0.39	-
88.	Haripur - Mansehra	8	70.53	-
89.	Haripur Offtake	8	1.53	-
90.	Adhi - Rawat	10	47.70	-
91.	Bhangali Line	8	5.82	-
92.	Missa Kaswal - Mandra	8	20.60	-
93.	Wah - Nowshera (1)	10	75.51	-
94.	Wah - Nowshera (2)	16	-	76.27
95.	Taxila Line	4	4.43	-
96.	Sanjwal Line	6	6.67	-
97.	Kohat Line	8	54.27	-
98.	Nowshera - Ismail Kot (1)	8	11.97	-
99.	Nowshera - Ismail Kot (2)	6	-	11.97
100.	Ismailkot - Turnab (1)	8	-	21.89
101.	Ismailkot - Turnab (2)	6	21.90	-
102.	Ismailkot - Turnab	16	-	21.24
103.	Nowshera - MDN - Takhtbai - Sakha Kot	8	57.99	-
104.	Sakhakot - Swat	8	68.01	-
105.	Nowshera - Charsadda	8	23.59	-
106.	Charsadda - Turang Zai Line	6	10.36	-
107.	Sadqal - Naugazi Line	16	19.02	-
108.	Tangi Line	6	13.87	-
109.	Daska - Pasroor Line	8	24.86	-
110.	Fauji Kabir Wala Line	8	5.86	-
111.	Okara - Depalpur Line	8	16.83	-
112.	Charsadha - Khazana Sugar Mills	8	22.64	-
113.	Jahangira - Sawabi - Topi	8	40.29	-
114.	Kabul Crossing Jahangira on Topi Line	16	0.30	-
115.	Rousch Power Plant Line	16	4.70	-
116.	Pindori - Bhangali Line	8	15.83	-
117.	Mianwali Line	8	17.80	-
TOTAL			3510.69	2248.50
GRAND TOTAL		=	5759.19 KM	



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

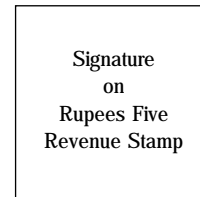
I _____
of _____ being a member of
SUI NORTHERN GAS PIPELINES LIMITED and holder of _____ ordinary
(number of shares)
shares as per Registered Folio No. _____ hereby appoint
Mr./Mrs./Miss. _____
of _____ or failing whom
Mr./Mrs./Miss. _____ who is also a member of
SUI NORTHERN GAS PIPELINES LIMITED vide Registered Folio No. _____
as my proxy to vote for me and on my behalf at the 40th Annual General Meeting of the Company
to be held on Monday, December 29, 2003 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 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.