Sui Northern Gas Pipelines Limited

ANNUAL REPORT 2015

WE STRUGGLE TODAY FOR A BETTER TOMORROW

ABOUT THE COVER

The actual tenacity of an organization is tested not only when it has to pass through severe challenges but it turns them into an opportunity beneficial for the Company. In 2015, we took radical and important steps & seeded several initiatives and projects that will bear fruits in the upcoming years. We also positioned our Company to achieve profitable growth and managed the Company in a simple, faster and more accountable way to have a fruitful and sustainable future.

We at SNGPL are committed to cultivate a diverse and inclusive culture that sets us apart from other competitors with the help of our driving force that is our passionate & hardworking employees.

CONTENTS

CORPORATE

AUDITED FINANCIAL STATEMENTS

OUR
VISION & MISSION

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

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

CORE VALUES

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

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

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

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

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

CORPORATE PROFILE

Sui Northern Gas Pipelines Limited (SNGPL) was incorporated as a private limited company in 1963 and converted into a public limited company in January 1964 under the Companies Act 1913, now Companies Ordinance, 1984 and is listed on the Pakistan Stock Exchange Limited.

The Company took over the existing Sui–Multan System (217 miles of 16 inch and 80 miles of 10 inch diameter pipelines) from Pakistan Industrial Development Corporation (PIDC) & Dhulian–Rawalpindi –Wah System (82 miles of 6 inch diameter pipeline) from Attock Oil Company Limited. The Company's commercial operations commenced by selling an average of 47 MMCFD gas in two regions viz. Multan and Rawalpindi, serving a total number of 67 consumers.

SNGPL is the largest integrated gas Company serving more than 5.02 million consumers in North Central Pakistan through an extensive network in Punjab, Khyber Pakhtunkhwa and Azad Jammu & Kashmir. The Company has over 52 years of experience in operation and maintenance of high-pressure gas Transmission and Distribution System. It has also expanded its activities as Engineering, Procurement and Construction (EPC) Contractor to undertake the planning, designing and construction of pipelines, both for itself and other organizations.

CORPORATE INFORMATION

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

SHARES REGISTRAR

Central Depository Company of Pakistan Limited,
2nd Floor, 307 Upper Mall, Opposite Lahore Gymkhana,
Near Mian Mir Bridge, Lahore-54000.
Tel: (+92-42) 35789378-87
Fax: (+92-42) 35789340
E-mail: info@cdcpak.com
Website: www.cdcpakistan.com

LEGAL ADVISORS

M/s. Surridge & Beecheno
M/s. Salim Baig and Associates

REGISTERED OFFICE

Gas House,
21-Kashmir Road,
P.O. Box No. 56, Lahore - 54000, Pakistan.
Tel: (+92-42) 99201451-60 & 99201490-99
Fax: (+92-42) 99201369 & 99201302
Website: www.sngpl.com.pk

CODE OF CONDUCT

SNGPL requires its entire staff both executive and subordinate employees, the observance of the highest ethical standards in the conduct of its business activities to minimize the significant risk associated with non-compliance. The policy on Business Principles and Ethical Risk is intended to assist SNGPL staff in meeting the standards of professional and personal integrity expected and required of them. SNGPL staff will act with integrity at all times, to protect and safeguard the reputation of the Company. Contravention of this policy will be regarded as misconduct.

SNGPL will ensure that, through this policy and through other means of communication, all its staff is aware of the required standards, rules and regulations.

Following are certain specific guidelines in respect of the above.

CONFLICT OF INTEREST

Each staff member has a prime responsibility to the Company and is expected to avoid any activity that could interfere with that responsibility. Staff should not engage in activities or transactions which may give rise to, or which may be seen to be giving rise to conflict between their personal interests and the interest of the Company. Such conflict could arise in a number of ways and a number of situations. The following paragraph outlines some specifically forbidden situations. This list is, however not exhaustive. In case of doubt the advice of the Management should be sought.

- SNGPL purchase equipment, material and services for various aspects of its operations. SNGPL staff members are forbidden from holding any financial interest, directly or indirectly in any organization supplying goods or services to the Company.
- SNGPL staff should not participate in any external activity that competes, directly or indirectly, with the Company.
- SNGPL staff should not engage in any outside business or activity that might interfere with their duties and responsibilities to the Company.
- No staff member should sell, lease or buy equipment, material or services to or from the Company except when as an employee it may be necessary in the normal course of his/her duties.
- Staff members are not permitted to conduct personal business activities on the Company's premises or to use Company facilities for such purpose.
- If a staff member has direct interest, indirect interest or family connections, with an external organization that has business dealing with SNGPL, details of such connections and interests should be fully disclosed to the Management.
- Staff members should disclose to the Management the details in respect of any relationship(s) with other staff members; and
- Staff members shall not perform any act or get involved in any situation that potentially could conflict with the principles outlined above.

CONFIDENTIALITY

Staff members should not keep or make copies of correspondence, documents, papers and records, list of suppliers or consumers without the consent of the Company. Company's information and records should be kept on Company premises only and unpublished information may be disclosed to external organizations/ individuals only on "need to know" basis. In case of doubt in this regard, the Management's advice should be sought.

CONTRIBUTIONS

No contribution shall be made to any organization or to any individual who either holds public office or is a candidate for public office.

INDUCEMENT PAYMENTS

Staff members should not give or receive payments that are intended to influence a business decision or to compromise independent judgment; nor should any staff member receive money for having given Company business to an outside agency. Payment of any nature to Government officials to induce them to perform their duties is strictly prohibited.

PROPER RECORD OF FUNDS, ASSETS, RECEIPTS AND DISBURSEMENTS

All funds, assets, receipts and disbursements should be properly recorded in the books of the Company. In particular, no funds or accounts should be established or maintained for a purpose that is not fully and accurately reflected in the books and records of the Company. Funds and assets received or disbursement should be fully and accurately reflected in the books and the records of the Company. No false or fictitious entries should be made or misleading reports pertaining to the Company or its operations should be issued.

RELATIONSHIPS AND DEALINGS WITH GOVERNMENT OFFICIALS, MEDIA, SUPPLIERS, CONSULTANTS AND OTHER PARTIES

SNGPL's relationships and dealings with Government officials, external agencies, parties and individuals should, at all times, be such the SNGPL's integrity and its reputation would not be damaged if details of the relationship or dealings were to become public knowledge.

It is the responsibility of each SNGPL staff member to exercise good judgment so as to act in a manner that will reflect favorably on the Company and the individual. Staff member should only make statements to the media, speeches in public forums, or publish articles in newspapers etc. with prior authorization. In a personal capacity also, due care should be taken while discussing the Company performance or plans with outsiders. Staff members having questions on how to comply with this requirement should consult with the Management.

HEALTH AND SAFETY

Every staff member should take reasonable care to ensure the health and safety of him/her self and others, who may be affected by his/her acts or omissions at work. Staff members should not tamper with or misuse any item provided by the Company to secure the safety, health and welfare of its staff and for the protection of the environment.

ENVIRONMENT

To preserve and protect the environment, all SNGPL staff members should;

- design and operate the Company's facilities and processes so as to ensure the trust of adjoining communities.
- promote resource conservations, waste minimization and the minimization of the release of chemicals / gas into the environment.
- provide employees customers, supplies, public authorities and communities with appropriate information for informed decision making; and
- strive continuously to improve environmental awareness and protection.

ALCOHOL, DRUGS AND GAMBLING

The use of alcohol in any form is prohibited on all Company locations/ premises. Similarly, the use of drugs, except under medical advice, is prohibited on all Company locations / premises.

Any staff member arriving at a work place under the influence of alcohol or drugs will not be permitted to enter the premises and will be liable to disciplinary action.

All forms of gambling / betting on the Company's premises are forbidden.

RECEIVING GIFTS

No employee shall seek accept or permit himself / herself or any member of his/her family to accept any gift or favor, the receipt of which will place him/her under form of officials obligation to the donor. As part of building relationship with consumers, suppliers, etc. staff members may receive occasional gifts provided that the gift is of nominal value (e.g. pens, notepads, calendars, diaries, key chains or such promotional material) and the gift is neither intended nor perceived by others to be intended to improperly influence business decision.

WORK PLACE HARASSMENT

SNGPL staff will maintain an environment that is free from harassment and in which all employees are equally respected. Workplace harassment is defined as any action that creates an intimidating, hostile or offensive work environment. Such actions include, but are not limited to, sexual harassment, disparaging comments based on gender, religion, race or ethnicity.

REGULATORY COMPLIANCE AND CORPORATE GOVERNANCE

SNGPL fully co-operates with all governmental and regulatory bodies and is committed to high standards of Corporate Governance. We are fully compliant to our obligations as envisaged under the Listing Rules of the Karachi, Lahore and Islamabad Stock Exchanges (now merged as Pakistan Stock Exchange Limited), of whom SNGPL is a listed member.

GENERAL

- All information and explanations supplied to the auditors must be completed and not misleading.
- SNGPL will not knowingly assist in fraudulent activities (e.g. tax evasion, etc.). If one has any reason to believe that fraudulent activities are taking place (whether within the Company or by others with whom the Company has any business relations), one must report it to the concerned departmental head immediately.
- All the financial transactions will remain within the ambit of the Company's Memorandum and Articles of Association.

BOARD OF DIRECTORS
AS AT JUNE 30, 2015

MR. MUHAMMAD SAEED MEHDI
Chairman

Mr. Muhammad Saeed Mehdi, Chairman Board of Directors of SNGPL has remained associated with the Civil Services of Pakistan till his retirement and has served on many pivotal assignments including Secretary and later Principal Secretary to Prime Minister, Chief Secretary Sindh, Chairman Capital Development Authority, Chief Commissioner Islamabad, Commissioner Lahore and Rawalpindi Divisions. Secretary to Governor/MLA, Punjab, Deputy Commissioner, Mianwali, Ralwalpindi, Multan and Lahore, Managing Director, Pakistan Tourism Development Corporation, Managing Director Overseas Employment Corporation. From 2008 to 2013 he remained part of the Provincial Cabinet of the Punjab Government as an advisor to the Chief Minister Punjab. Honour Roll student from Government College Lahore, Mr. Mehdi has also attended the Royal Institute of Public Administration, United Kingdom. Previously he has remained on the Board of Governors of Cadet College Hassan Abdal and also on the Executive Committee of Lahore Gymkhana. In the Energy Sector Mr. Mehdi has remained the Chairman of KESC and was the founder President/ Chief Executive of Admore (AGPL) Private Limited, the first Private Local OMC in the country. Currently he is on the Board of Directors, Oilco Private Limited, Management Solutions Private Limited, Razscorp Private Limited and is also on the Board of Governors of Muhammad Ali Jinnah University, Islamabad.

MR. MOHAMMAD ARIF HAMEED
Managing Director

Director on the Boards of Sui Southern Gas Company Limited, Inter State Gas Systems (Pvt.) Limited, Petroleum Institute of Pakistan and LUMS. Mr. Hameed has an extensive experience of more than 34 years in the fields of Distribution, Billing, Sales, Logistics Support, Procurement and Legal. He is a Mechanical Engineer by profession, registered with the Pakistan Engineering Council (PEC). Mr. Hameed is also a Masters in Administrative Sciences and a Law graduate from University of the Punjab, Lahore.

MR. AHMAD AQEEL
Director

Managing Director, Sheikh Fuels, Mr. Ahmad Aqeel currently holds Directorships of Nishat Power Limited, City Builders, City CNG and Sheikh CNG. He served on SNGPL Board for a term as a Director and was an active member of all the board committees. Member, Lahore Chamber of Commerce and Industry and Pakistan-Qatar Business Council Association. He has attended a number of workshops and seminars locally and internationally. Mr. Ahmad Aqeel is a Ravian and a Law Graduate from Pakistan College of Law and a Certified Director from Pakistan Institute of Corporate Governance (PICG).

MR. ARSHAD MIRZA
Director

Mr. Arshad Mirza, Federal Secretary, Ministry of Petroleum and Natural Resources joined the SNGPL Board on April 23, 2015. He became part of civil services in the District Management Group in 1983, after completing a Masters in Public Administration from Quaid-e-Azam University, Islamabad. He later enrolled in National Defence University for higher training and obtained another masters degree in Defence and Strategic Studies in 2009. He also attended advance study courses at Harvard University, University of Manchester and University of Connecticut.

Having served as Assistant Commissioner, Chakwal and Murree, Additional Deputy Commissioner, Jhelum, Gujranwala and Rawalpindi and Deputy Commissioner Jhelum besides Director, Local Government, Administrator Municipal Corporation and Project Director, Barani Area Development, Rawalpindi. Mirza has vast experience in public administration and policy. Additionally, he has also served in various capacities with the Government of Khyber-Pakhtunkhwa, including Secretary in the Works and Services and Health departments as well as Additional Secretary, Finance, Planning and Development departments.

Mirza had also served the Federal Government as Joint Secretary, Ministry of Finance and Revenue (PMSP Wing) in May 2005, followed by postings in the Prime Minister's Secretariat, Earthquake Reconstruction and Rehabilitation Authority (ERRA) and Environment Division. He also worked as Additional Secretary in the Finance and Water and Power divisions. Mr. Arshad Mirza also served as Managing Director of Pakistan Petroleum Limited besides managing the affairs of Government Holdings (Private) Limited and Hydrocarbon Development Institute of Pakistan.

MR. KHALID RAHMAN
Director

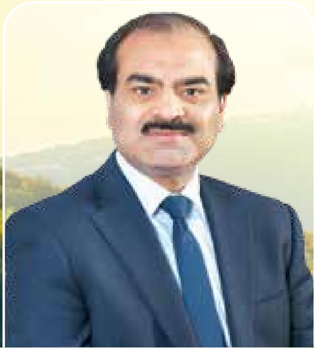
Managing Director, Sui Southern Gas Company Limited (SSGC). Mr. Khalid Rahman's professional experience spans over 35 years in senior management positions in oil and gas and banking industries and the accounting profession in Pakistan and abroad, including Europe and Far East. He worked in United Kingdom and Hong Kong for 17 years, handling regional responsibilities. He worked in Pakistan Petroleum Limited for around 20 years in various senior management positions including Chief Executive Officer and Managing Director, Deputy Managing Director, Chief Financial Officer and Company Secretary. His last position was with the Institute of Chartered Accountants of Pakistan as the Chief Operating Officer.

Mr. Khalid has also served on various professional and business forums. He was a Council Member of ICAP and served on the Boards of Overseas Investors Chamber of Commerce and Industry, LUMS, PIP, Petroleum Exploration and Production Companies Association and Community Development Board of Government of Sindh. Recently he has been honored to represent Institute of Chartered Accountants of Pakistan on the Advisory Compliance Panel of International Federation of Accountants. Mr. Khalid is a member of the Institute of Chartered Accountant in England and Wales, Institute of Chartered Accountant of Pakistan and Ontario Institute of Chartered Professional Accountants and an alumnus of the Graduate Business School, Stanford University and Kellogg Graduate School of Management, North Western University.

MIRZA MAHMOOD AHMAD
Director

Mirza Mahmood Ahmad is Director on the Boards of Sui Northern Gas Pipelines Limited (SNGPL), Sui Southern Gas Company Limited (SSGC), Pakistan Engineering Company Limited (PECO) and Arif Habib Investment Limited. Mr. Ahmad is a partner of Minto and Mirza Advocates and Solicitors. He holds membership of Supreme Court Bar Association and Pakistan Bar Council and is also a fellow of the "Cambridge Commonwealth Society". Mr. Ahmad has diverse legal experience having representation a number of leading public and private enterprises including various banks and financial institutions. He has several publications and research projects in his name. Mr. Ahmad is an LLM graduate from Cambridge University, UK and LLB from University of the Punjab, Lahore.

BOARD OF DIRECTORS AS AT JUNE 30, 2015



MR. MANZOOR AHMED
Director

Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT) which is the largest Asset Management Company of Pakistan. As COO, since 5 years, he has been successfully managing the operations and investment portfolio worth over Rs 95 billion. He has experience of over 27 years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investments, research and liaising with the regulatory authorities. He is M.B.A. and also holds D.A.I.B.P. At present, he is a candidate for CFA Level III. Mr. Ahmed has attended various training courses organized by locally and internationally reputed institutions like London Business School (LBS) UK and Financial Markets World, New York (USA). He represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

MR. MIAN MISBAH-UR-REHMAN
Director

Ex. Chairman, Sui Northern Gas Pipelines Limited, Chairman - Lahore Gymkhana Club, Chief Executive, Popular Chemical Works (Pvt.) Limited. Mr. Rehman has served as Chairman- Lahore Gymkhana Club in 1997, 2008 & 2010. Chairman - Pakistan Pharmaceutical Manufacturers Association (PPMA) during 1999-2000, President – The Lahore Chamber of Commerce and Industry (LCCI) during 2004-05 and Member Managing Committee- The Federation of Pakistan Chambers of Commerce and Industry. He is Member Governing Body – Workers' Welfare Fund (Ministry of Labour & Manpower, Government of Pakistan). As an active Ravian, he is Member - Board of Trustees and Member - Endowment Trust Fund of Government College University (GCU), Lahore. Mr. Rehman has rendered remarkable services for Social Welfare.

MR. MUHAMMAD ARIF HABIB
Director

Chief Executive, Arif Habib Corporation Limited, Chairman, Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited and Arif Habib DMCC (Dubai), Arif Habib Foundation, Pakistan Private Equity Management Limited, Real Estate Modaraba Management Company Limited, Sachal Energy Development (Pvt) Limited, Director, Sui Northern Gas Pipeline Limited, Pakistan Center for Philanthropy, Karachi Education Initiative, Pakistan Engineering Company Limited, and International Complex Projects Limited. Former President/Chairman, Karachi Stock Exchange, Founding member and Former Chairman, Central Depository Company of Pakistan Limited. Former Member Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee.

MR. MUSTAFA AHMAD KHAN
Director

Mr. Mustafa A. Khan has diversified experience of over 36 years in the gas industry. He has served at senior positions in Sui Northern Gas Pipelines Limited and carved a niche for himself as an expert in matters pertaining to Sales, Procurement, Law and Human Resource etc. Mr. Khan is a Masters in Business Administration from IBA, Karachi and is presently managing a 1,000 Acres family farm in District Mirpur Khas, Sindh.

MS. NARGIS GHALOO
Director

Ms. Nargis Ghaloo is the Chairperson of State Life Insurance Corporation of Pakistan and is also on the Board of Public & Private Sector companies as a shareholders' representative.She holds a Master's Degree in English from University of Sindh in the year 1981; subsequently she cleared the competitive examination in the year 1982. During her service at leading position on various organizations she participated in prestige courses such as "Negotiation and Dispute Resolution Workshop" Singapore in 1992, "Executive Leadership Development Program" at John F. Kennedy School of Government, Harvard University in 2005, "National Management Course" at National Management College Lahore in 2009, "Public Sector Administration and Financial Management" at Singapore in 2014.She is an officer of Federal Government in BPS 22, has formerly held the positions of Additional Secretary Cabinet Division, Government of Pakistan, DG President Secretariat, Secretary Women Development, Executive Director State Life Insurance Corporation. In addition she had also held various administrative assignments in Federal & Provincial Government. She also holds the Directorship of Fauji Fertilizer Company Limited, Sui Southern Gas Company Limited, Orix Leasing Pakistan and International Industries.

MR. NAUMAN WAZIR
Director

Chief Executive of FF STEEL. Member, Boards of PITAC, BOI, PHSADC, TDAP, LEADS Pakistan, ATTC Peshawar, FHF(Australia), Worker Welfare Fund, CECOS University, IMS, Peshawar and Sarhad University. Ex. Board Member of PESCO, FATA Development Authority, SMEDA. Ex. Squadron Leader of Pakistan Air Force from January 1973 to January 1988, served as Squadron Engineering Officer. Mr. Wazir is a Bachelor of Science (B.Sc) in Aerospace Engineering from College of Aeronautical Engineering (CAE).

BOARD OF DIRECTORS AS AT JUNE 30, 2015

MR. RAZA MANSHA
Director

Chief Executive, D.G. Khan Cement Company Limited, Nishat Paper Products Limited and Nishat Developers (Pvt.) Limited. Director, MCB Bank Limited, Adamjee Life Assurance Company Limited and Nishat Hotels and Properties Limited. Mr. Mansha is Chairperson of Alumni Student Committee, University of Pennsylvania. He is a graduate from the University of Pennsylvania (USA).

MR. RIZWANULLAH KHAN
Director

Mr. Rizwanullah Khan was appointed as Coca-Cola's Country Manager for Pakistan and Afghanistan in 2005. He is one of the founding members of the American Business Forum, an association of leading U.S. organizations in Pakistan. He has also served on the Board of Directors of Pakistan Human Development Forum (National Commission for Human Development) and is a member of governing body of Rising Sun Education and Welfare Society. Mr. Khan holds a degree in Management from Hiram College, Ohio, USA.

MRS. UZMA ADIL KHAN
Chief Financial Officer

Mrs. Khan took over the charge of Chief Financial Officer on February 14, 2013. Before this she was serving as Company Secretary. She has wide experience in senior positions in textile, educational institutions and Securities and Exchange Commission of Pakistan. Mrs. Khan is a fellow member of Institute of Chartered Accountants of Pakistan and Institute of Chartered Secretaries and Managers.

MISS WAJIHA ANWAR
Company Secretary

Miss Wajiha Anwar has been working as Company Secretary for last three years. She has over seventeen years of professional experience in the field of corporate/commercial and banking laws. She has been Legal Advisor, National Bank of Pakistan (NBP) and Legal Counsel, Corporate & Industrial Restructuring Corporation of Pakistan (CIRC), Ministry of Finance, Government of Pakistan. She has a Bachelor of Laws (LL.B.) degree as well as a Masters in English Literature (M.A.) degree from the University of the Punjab. She has to her credit success in competitive exam of the Central Superior Services (CSS) of Pakistan.

PRESENT
BOARD OF DIRECTORS

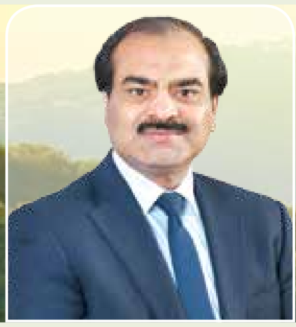

MR. MUHAMMAD SAEED MEHDI
Chairman


MR. AMER TUFAIL
Managing Director


MR. AHMAD AQEEL
Director


MR. ARSHAD MIRZA
Director


MIRZA MAHMOOD AHMAD
Director


MR. MANZOOR AHMED
Director


MIAN MISBAH-UR-REHMAN
Director


MR. MUHAMMAD ARIF HABIB
Director

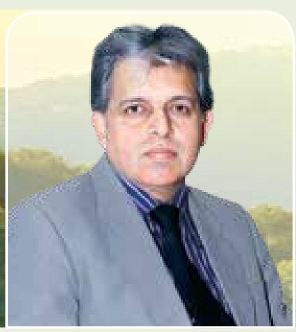

MR. MUSTAFA AHMAD KHAN
Director


MS. NARGIS GHALOO
Director

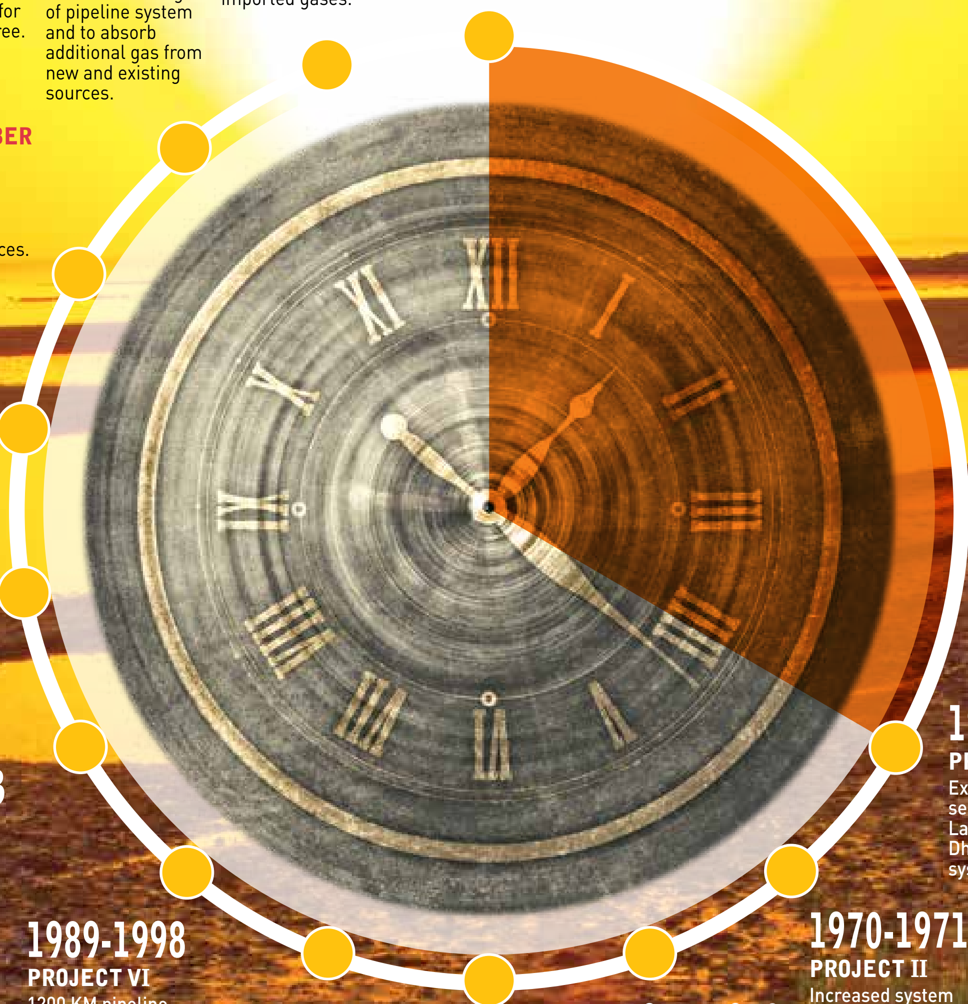

MR. NAUMAN WAZIR
Director


MR. RAZA MANSHA
Director


MR. RIZWANULLAH KHAN
Director


MR. SHAHID YOUSAF
Director

MILESTONES



1964-1969
PROJECT I
Extension of Sui-Multan section to Faisalabad and Lahore and then linked with Dhulian-Rawalpindi-Wah system to form a common grid.

1970-1971
PROJECT II
Increased system capacity from 170 MMCFD to 205 MMCFD.

1971-1973
PROJECT III
Supplies of gas further extended to major cities in the Khyber Pakhtunkhwa Province. System capacity increased to 277 MMCFD.

1974-1981
PROJECT IV
Erection of 2 X 100 MMCFD purification banks at Sui, installation of 34,700 HP compression stations. System capacity enhanced to 387 MMCFD.

1985-1991
PROJECT V
Increased system capacity to 450 MMCFD, constructed purification bank of 120 MMCFD capacity at Sui.

1989-1998
PROJECT VI
1200 KM pipeline laid and 53,370 HP additional compression stations installed. System capacity enhanced to 980 MMCFD.

2001-2003
PROJECT VII
560 KM pipeline laid and 25,000 HP additional compression stations installed. System capacity enhanced to 1380 MMCFD.

2003-2005
PROJECT VIII
803 KM transmission pipeline laid to increase system capacity upto 1680 MMCFD.

2005-2006
GAS SUPPLY TO LILLA TOWN
Completed a pilot project (Phase-I) for supply of gas to Lilla Town through CNG by establishing Mother-Daughter system.

2006-2007
GAS SUPPLY TO MURREE
Completed a project for supply of gas to Murree.

GAS SUPPLY TO SOUTHERN DISTRICT OF PUNJAB & KHYBER PAKHTUNKHWA
Gas supply to 21 No. Southern district of Punjab & Khyber Pakhtunkhwa Provinces.

2006-2013
PROJECT IX
Project undertaken for de-bottlenecking of pipeline system and to absorb additional gas from new and existing sources.

2012-2014
TRANSMISSION LOOP LINE BETWEEN SAWAN-QADIRPUR SEGMENT (FROM VALVE ASSEMBLY SV4 TO SV5)
Project being undertaken for augmentation of existing 24 inch dia Sawan – Qadirpur line with 42 inch dia X 21.45 KM loop line to transport future indigenous and imported gases.

2012-2015
INFRASTRUCTURE DEVELOPMENT PROJECT (TO RECEIVE ADDITIONAL NORTHERN GASES)
24 inch dia X 145 KM long pipeline project between Kohat – Dakhni – Dhullian – Gali Jagir is being undertaken to pick up additional gas supplies of approved 160 MMCFD from Northern sources i.e. MOL Manzalai, Maramzai, Makori, Mamikhel fields etc.

CORPORATE GOVERNANCE

The success of any organization depends on the adoption and implementation of good Corporate Governance, therefore, the Board of Sui Northern Gas Pipelines Limited is fervent to ensure the highest standards of Corporate Governance at all levels and is steadfast to promoting transparency in reporting information about the Company. As a result of evolving laws, policies and practices, the Company regularly reviews these Corporate Governance practices and policies to ensure that the Company complies with all applicable requirements and implements best practices to its operations. SNGPL's Board is committed to protect the rights of its shareholders, while employing tactics of high transparency through an empowered Board of Directors. The interests of the shareholders are aligned with those of the Company through the implementation and monitoring of set objectives. The business and affairs of the Company are managed under the supervision of the Board. The Board of Directors ensures that highest standards are maintained, which in turn enhances the shareholders' and Company's worth by optimally utilizing all available resources. Moreover, the Company complies with Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance ("CCG") contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges (now merged as Pakistan Stock Exchange Limited).

BOARD OF DIRECTORS

The Company's Board consists of 14 Directors, of which one is an Executive Director and thirteen (13) are Non-Executive Directors. In line with Public Sector Companies (Corporate Governance) Rules, 2013, the positions of Chairman and Chief Executive Officer are kept separate. The Chairman of the Board is an independent Director. Board members bring with them a wide range of relevant business, financial and international experience which carries significant weight while decision-making and managerial suggestions. Board members fulfill a vital role of corporate accountability through the advocacy of fairness and transparency within all independent decisions.

The Board is fully involved in protecting the shareholder rights and enforces the equitable treatment for all its shareholders regardless of the number of shares owned. The Board's five Sub-Committees viz Audit, Risk Management, Finance & Procurement, Human Resources & Nomination and Unaccounted for Gas Control Committees are composed of various Board Members based upon their professional experience.
Sub-Committees give their best input and expert opinion on different strategic issues, for final approval by the Board.

BOARD MEETINGS

The names and categories of the Board of Directors and their attendance at Board meetings during the year are given below;

BOD Meeting Attendance

Sr. #	Name	Designation	Category	FY 2014-15 Total No. of BOD Meetings*	FY 2014-15 No. of Meetings Attended
1	Mr. Muhammad Saeed Mehdi	Chairman	Independent	24	24
2	Mr. Mohammad Arif Hameed	MD / CEO	Executive	24	22
3	Mr. Abid Saeed	Director	Non-Executive	21	10
4	Mirza Mahmood Ahmad	Director	Non-Executive	24	24
5	Mr. Manzoor Ahmed	Director	Independent	24	15
6	Mian Misbah-ur-Rehman	Director	Non-Executive	24	20
7	Mr. Mustafa Ahmad Khan	Director	Independent	24	24
8	Mr. Ahmad Aqeel	Director	Independent	24	24
9	Mr. Nauman Wazir	Director	Independent	24	12
10	Mr. Muhammad Arif Habib	Director	Non-Executive	24	16
11	Mr. M. Raees-ud-din Paracha	Director	Non-Executive	7	7
12	Mr. Raza Mansha	Director	Non-Executive	24	18
13	Mr. Mushtaq Ahmad	Director	Non-Executive	1	1
14	Ms. Nargis Ghaloo	Director	Non-Executive	15	13
15	Mr. Rizwanullah Khan	Director	Independent	24	13
16	Mr. Shoaib Warsi	Director	Non-Executive	11	9
17	Mr. Zuhair Siddiqui	Director	Non-Executive	1	1
18	Mr. Khalid Rahman	Director	Non-Executive	10	9
19	Mr. Arshad Mirza	Director	Non-Executive	4	4

* Held during the period the concerned Director was member of the Board.

CORPORATE GOVERNANCE
AUDIT COMMITTEE
OF THE BOARD

The procedure alongwith responsibilities / functions of the Audit Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee shall meet at least once in each quarter.
2. Quorum will be three members.
3. The Secretary of the Audit Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.
4. The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors shall attend all meetings of the Audit Committee at which issues relating to accounts and audit are discussed.
5. At least once in year, the Audit Committee shall meet the external auditors without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives being present, to ensure independent communication between the external auditors and the Audit Committee.
6. At least once a year, the Audit Committee shall meet Chief Internal Auditor and other members of the internal audit function without the Chief Financial Officer and the external auditors being present.

RESPONSIBILITIES:

The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters. However, the Board shall not be deemed to absolve itself of its overall responsibility for the functions delegated to the Audit Committee. The Audit Committee shall have full and explicit authority to investigate any matter within its terms of reference and shall be provided with adequate resources and access to all relevant information.

The terms of reference of the Audit Committee shall also include the following:

1. a) determination of appropriate measures to safeguard the Company's assets;

b) review of financial results;

c) review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
- major judgment areas;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards; and
- compliance with listing regulations and other statutory and regulatory requirements;

d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of Management, where necessary);

e) review of Management letter issued by external auditors and Management's response thereto;

f) ensuring co-ordination between the internal and external auditors of the Company;

g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

h) consideration of major findings of internal investigations and Management's response thereto;

i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

j) review of the Company's statement on internal control systems prior to endorsement by the Board of Director;

k) recommending or approving the hiring or removal of the chief internal auditor;

l) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;

m) determination of compliance with relevant statutory requirements;

n) monitoring compliance with the best practices of Corporate Governance and identification of significant violations thereof;

o) overseeing whistle-blowing policy and protection mechanism;

p) consideration of any other issue or matter as may be assigned by the Board of Directors; and

q) The Audit Committee shall also ensure that the external auditors do not perform Management functions or make Management decisions, responsibility for which remains with the Board and Management of the Public Sector Company.

2. The Audit Committee shall be responsible for managing the relationship of the Company with the external auditors. In managing the Company's relationship with the external auditors on behalf of the Board, the Audit Committee's responsibilities include:

a) suggesting the appointment of the external auditor to the Board, the audit fee, and any questions of resignation or dismissal;

b) considering the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors, and reviewing the remuneration for this work;

c) discussing with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies;

d) discussing with the external auditors any significant issues from the review of the financial statements by the Management, and any other work undertaken or overseen by the Audit Committee;

e) reviewing and considering the external auditors' communication with Management and Management's response thereto; and

f) reviewing progress on accepted recommendations from the external auditors.

3. The recommendations of the Audit Committee for appointment of retiring auditors or otherwise, as mentioned in sub-rule 2 above, shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the lapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.

The composition of the Audit Committee, category, detail of meetings and Directors' attendance are given below:

Audit Committee Meetings

Sr. #	Name	Designation	Category	FY 2014-15 Total No. of Audit Committee Meetings*	FY 2014-15 No. of Meetings Attended
1	Mr. Manzoor Ahmed	Chairman	Independent	5	5
2	Mr. Rizwanullah Khan	Member	Independent	5	4
3	Mr. Ahmad Aqeel	Member	Independent	5	5
4	Mr. M. Raees-ud-din Paracha	Member	Non-Executive	1	1
5	Mr. Raza Mansha	Member	Non-Executive	5	4
6	Mr. Nauman Wazir	Member	Independent	5	0
7	Mr. Muhammad Arif Habib	Member	Non-Executive	5	3
8	Ms. Nargis Ghaloo	Member	Non-Executive	4	4
9	Mirza Mahmood Ahmad	Co-opted	Non-Executive	4	4

* Held during the period the concerned Director was member of the Committee.

RISK MANAGEMENT COMMITTEE
OF THE BOARD

The procedure alongwith responsibilities / functions of the Risk Management Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee shall meet at least once in each quarter.
2. Quorum will be three members.
3. The Secretary of the Risk Managment Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The Risk Management Committee of Directors shall inter alia be responsible:

a) To review and approve the identification of Strategic; Compliance; Operational and Financial Risks (Principal Risks) to the Company by the Management;

b) To review and approve the strategy devised by the Management to mitigate the Principal Risks;

c) To review and approve the procedures laid down by the Management about risk assessment;

d) To review the Company's capability to identify and manage current and new Principal Risk Categories;

e) To oversee and advise the Board on the current risk exposures of the Company within and outside the Principal Risk Categories and advise on the Company's future risk strategy;

f) To consider reports on the nature and extent of the risks being faced by the Company, likelihood of their recurrence and their individual and cumulative impact on the Company's key performance matrix;

g) To assess whether the Company's current exposure to the risks it faces is acceptable and, if not, the ability to reduce such exposure by reference to risk treatment and mitigation options;

h) To identify internal and external risk trends and concentrations;

i) To review and approve the statements included in the Company's Annual Report and Accounts in relation to the Company's "Principal risks and uncertainties" and the internal controls and assurance in place within the Company for the identification and management of risk;

j) To advise the Board on the Company's overall risk appetite and tolerance/resilience within and outside Principal Risk Categories, taking account of the current and prospective macro-economic, financial, political, business and sector environments;

k) Any other matter entrusted by the Board of Directors; and

l) Where there is a perceived overlap of responsibilities between the Finance and Procurement Committee, the Risk Management Committee and the Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation.

The composition of the Risk Management Committee, category, detail of meetings and Directors' attendance are given below:

Risk Management Committee Meetings

				FY 2014-15	
Sr. #	Name	Designation	Category	Total No. of Risk Management Committee Meetings*	No. of Meetings Attended
1	Mr. Ahmad Aqeel	Chairman	Independent	4	4
2	Mr. Abid Saeed	Member	Non-Executive	3	0
3	Mr. Rizwanullah Khan	Member	Independent	4	1
4	Mr. M. Raees-ud-din Paracha	Member	Non-Executive	1	1
5	Mr. Raza Mansha	Member	Non-Executive	4	2
6	Mr. Mustafa Ahmad Khan	Member	Independent	4	4
7	Mian Misbah-ur-Rehman	Member	Non-Executive	4	1
8	Mirza Mahmood Ahmad	Member	Non-Executive	4	4

* Held during the period the concerned Director was member of the Committee.

FINANCE AND PROCUREMENT COMMITTEE OF THE BOARD

The procedure along with responsibilities / functions of the Finance and Procurement Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee shall meet as frequently as required.
2. Quorum will be three members.
3. The Secretary of the Finance and Procurement Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The Finance and Procurement Committee of Directors shall inter alia be responsible:

a) To review strategic business / investment proposals, policies prepared in pursuit of the corporate purpose of the Company by the Management and make recommendations to the Board for approval;

b) To review contracts of strategic nature that may have a material impact on the Company's capital position and business and make recommendations to the Board for approval;

c) To ensure Board is aware of the matters which may significantly impact the financial condition or affairs of the business;

d) To examine the Capital and Revenue Budget of the Company and to make recommendations to the Board of Directors, thereon;

e) To examine the Budgetary and Operating limits of authority and recommend to the Board any deviation or any enhancement thereof;

f) To accord approval to contracts or purchase orders in local or foreign currency for supply of material, services or other works exceeding the financial authority delegated to the Managing Director;

g) To review the contracts or purchase orders exceeding the financial authority of the Finance and Procurement Committee of Directors and make recommendations to the Board for approval;

h) To approve/recommend major contracts of civil works along with cost benefit analysis thereof which also include purchase of land;

i) To lay down time limits/ parameters in respect of procurement of various materials and services;

j) To review the borrowing plans of the Company by assessing the requirements thereof and make recommendations to the Board for approval;

k) Any other matter entrusted by the Board of Directors; and

l) Where there is a perceived overlap of responsibilities between the Finance and Procurement Committee, the Risk Management Committee and the Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation.

The composition of the Finance and Procurement Committee, category, detail of meetings and Directors' attendance are given below:

Finance and Procurement Committee Meetings

				FY 2014-15	
Sr. #	Name	Designation	Category	Total No. of Finance and Procurement Committee Meetings*	No. of Meetings Attended
1	Mirza Mahmood Ahmad	Chairman	Non-executive	9	9
2	Mr. Mohammad Arif Hameed	MD / CEO	Executive	9	9
3	Mian Misbah-ur-Rehman	Member	Non-Executive	9	7
4	Mr. M. Raees-ud-din Paracha	Member	Non-Executive	2	2
5	Mr. Ahmad Aqeel	Member	Independent	9	9
6	Mr. Mustafa Ahmad Khan	Member	Independent	9	9
7	Ms. Nargis Ghaloo	Member	Non-Executive	5	4
8	Mr. Shoaib Warsi	Member	Non-Executive	4	3
9	Mr. Manzoor Ahmed	Co-opted	Independent	3	3

* Held during the period the concerned Director was member of the Committee.

CORPORATE GOVERNANCE
HUMAN RESOURCE AND NOMINATION COMMITTEE
OF THE BOARD

The procedures along with responsibilities and functions of the Human Resource and Nomination Committee would be as follows:

Number of Members: 07

PROCEDURE:

1. Committee will meet at least once in a quarter.
2. Quorum will be three members.
3. The Secretary of the Human Resource and Nomination Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The Committee will be responsible for making recommendations to the Board for maintaining:

a) a sound plan of organization for the Company;

b) an effective employees development programme; and

c) sound compensation and benefit and plans, policies and practices, designed to attract and retain the caliber of personnel needed to manage the business effectively.

FUNCTIONS:

a) Review organization structure periodically to:

- Evaluate and recommend for approval of changes in organization, functions, and relationships affecting Management positions equivalent in importance to those on the Management position schedule;
- establish plans and procedure which provide an effective basis for Management control over Company manpower; and
- determine appropriate limits of authority and approval procedures for personnel matters requiring decision at different level of Management.

b) Review the employees development system to ensure that it:

- Foresees the Company's Senior Management requirement;
- provides for early identification and development of key personnel;
- brings forward specific succession plans for Senior Management positions; and
- training and development plans.

c) Compensation and Benefits:

- review data of competitive compensation practices and review and evaluate policies and programmes through which the corporation/ Company compensates its employees; and
- review salary ranges, salaries and other compensation for Managing Director and Senior Management / Executive Directors reporting to the Managing Director.

The composition of the Human Resource and Nomination Committee, category, detail of meetings and Directors' attendance are given below:

Human Resource and Nomination Committee Meetings

Sr. #	Name	Designation	Category	FY 2014-15 Total No. of HR and Nomination Committee Meetings*	FY 2014-15 No. of Meetings Attended
1	Mr. Muhammad Saeed Mehdi	Chairman	Independent	4	4
2	Mr. Mohammad Arif Hameed	MD / CEO	Executive	9	9
3	Mr. Ahmad Aqeel	Member	Independent	9	9
4	Mr. Raza Mansha	Member	Non-Executive	9	6
5	Mr. Abid Saeed	Member	Non-Executive	9	4
6	Mirza Mahmood Ahmad	Member	Non-Executive	9	9
7	Mr. Nauman Wazir	Member	Independent	9	3
8	Mr. Shoaib Warsi	Member	Non-Executive	4	3
9	Mr. Khalid Rehman	Member	Non-Executive	4	3
10	Mian Misbah-ur-Rehman	Co-opted	Non-Executive	5	5
11	Mr. M. Raees-ud-din Paracha	Co-opted	Non-Executive	1	1
12	Mr. Mustafa Ahmad Khan	Co-opted	Independent	5	5

* Held during the period the concerned Director was member of the Committee.

UN-ACCOUNTED FOR GAS CONTROL COMMITTEE OF THE BOARD

The procedure along with responsibilities of the Unaccounted for Gas (UFG) Control Committee of Directors would be as follows:

Number of Members: 07

PROCEDURE:

1. The Committee shall meet at least once in a quarter/ or as otherwise directed by the Board.
2. Quorum will be three members.
3. The Secretary of the UFG Control Committee will circulate the agenda and relevant supporting data, minimum seven days before the meeting and will furnish minutes of the meeting to the Board Members within fourteen days of the meeting.

RESPONSIBILITIES:

The UFG Control Committee of Directors shall review strategic UFG issues as assigned by the Board of Directors and shall, inter alia,

a) Review the Management's plan to minimize the UFG losses on periodic basis and present the same to the Board for approval along with its recommendations;

b) Monitor the performance of Management in reduction of UFG;

c) Review status of UFG of the Company;

d) Recommend Company's position vis a vis Government and the Authority regarding different issues;

e) Recommend incentive schemes, policies etc. for reduction of UFG; and

f) Review strategic issues pertaining UFG.

The composition of the Un-accounted for Gas Control Committee, detail of meetings and directors' attendance are given below:

UFG Control Committee Meetings

				FY 2014-15	
Sr. #	Name	Designation	Category	Total No. of UFG-C Committee Meetings*	No. of Meetings Attended
1	Mr. Muhammad Arif Habib	Chairman	Non-Executive	2	2
2	Mirza Mahmood Ahmad	Member	Non-Executive	2	2
3	Mr. Mustafa Ahmad Khan	Member	Independent	2	2
4	Mr. Nauman Wazir	Member	Independent	2	1
5	Mr. Ahmad Aqeel	Member	Independent	2	2
6	Ms. Nargis Ghaloo	Member	Non-Executive	1	0
7	Mr. Rizwanullah Khan	Member	Independent	2	0

* Held during the period the concerned Director was member of the Committee.

STATEMENT OF COMPLIANCE

WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND CODE OF CORPORATE GOVERNANCE-2012

SCHEDULE I

Name of Company: **Sui Northern Gas Pipelines Limited**
Name of the line Ministry: **Ministry of Petroleum and Natural Resources**
Year Ended: **June 30, 2015**

I. This statement is being presented to comply with Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance as well as Code of Corporate Governance ("CCG") contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges (now merged as Pakistan Stock Exchange Limited). In case where there is inconsistency with the CCG, the provisions of Rules shall prevail.

II. The Company has complied with the provisions of the Rules and CCG in the following manner:

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the Relevant Box</th></tr>
<tr><td>1.</td><td>The independent directors meet the criteria of independence, as defined under the Rules.</td><td>2(d)</td><td>✓</td><td></td><td></td></tr>
<tr><td>2.</td><td>*The Board has the requisite percentage of independent directors. At present the board includes:
<table>
<tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr>
<tr><td>Independent Directors</td><td>1. Mr. Muhammad Saeed Mehdi
2. Mr. Manzoor Ahmed
3. Mr. Ahmad Aqeel
4. Mr. Mustafa Ahmad Khan
5. Mr. Nauman Wazir
6. Mr. Rizwanullah Khan</td><td>09.07.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014
26.06.2014</td></tr>
<tr><td>Managing Director</td><td>Mr. Mohammad Arif Hameed</td><td>15.01.2015</td></tr>
<tr><td>Non-Executive Directors</td><td>1. Mr. Arshad Mirza
2. Mian Misbah-ur-Rehman
3. Mr. Muhammad Arif Habib
4. Mr. Khalid Rahman
5. Mr. Raza Mansha
6. Mirza Mahmood Ahmad
7. Ms. Nargis Ghaloo</td><td>23.04.2015
26.06.2014
26.06.2014
21.01.2015
26.06.2014
26.06.2014
07.11.2014</td></tr>
</table>
*The number of elected directors on the Board is thirteen (13). The Managing Director is a "deemed director" under Section 200(2) of the Companies Ordinance, 1984.</td><td>3(2)</td><td>✓</td><td></td><td></td></tr>
<tr><td>3.</td><td>A casual vacancy occurring on the board was filled up by the directors within ninety days.</td><td>3(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>4.</td><td>The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.</td><td>3(5)</td><td>✓</td><td></td><td>Mr. Manzoor Ahmed as nominee of NIT is Director of six listed companies which is allowed under the Code of Corporate Governance.</td></tr>
<tr><td>5.</td><td>The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.</td><td>3(7)</td><td></td><td></td><td>Majority of the nominations on the Board of Directors are made by the major shareholders of the Company.</td></tr>
<tr><td>6.</td><td>The chairman of the board is working separately from the chief executive of the Company.</td><td>4(1)</td><td>✓</td><td></td><td></td></tr>
<tr><td>7.</td><td>The chairman has been elected from amongst the independent Directors.</td><td>4(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>8.</td><td>The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.</td><td>5(2)</td><td>✓</td><td></td><td></td></tr>
<tr><td>9.</td><td>(a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website: www.sngpl.com.pk

(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</td><td>5(4)</td><td>✓

✓</td><td></td><td></td></tr>
</table>

STATEMENT OF COMPLIANCE

Sr. No.	Provision of the Rules	Rule No.	Y	N	Remarks
			Tick the Relevant Box		
10.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
11.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	✓		
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the Company's code of conduct.	5(5)(c)(ii)	✓ ✓		
14.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c)(iii)	✓		
15.	The board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓		
16.	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			Not Applicable
17.	(a) The board has met at least four times during the year. (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. (c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓		
18.	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior Management on annual basis.	8	 ✓	✓	The Company is in process to arrange Board Evaluation through Pakistan Institute of Corporate Governance (PICG).
19.	The board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓		
20.	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the Company's website. Monthly accounts were also prepared and circulated amongst the board members.	10	✓		
21.	All the board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11	✓		
22.	a) The board has formed the requisite committees, as specified in the Rules. b) The committees were provided with written term of reference defining their duties, authority and composition. c) The minutes of the meetings of the committees were circulated to all the board members.	12	✓ ✓ ✓		

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Provision of the Rules</th><th rowspan="2">Rule No.</th><th>Y</th><th>N</th><th rowspan="2">Remarks</th></tr>
<tr><th colspan="2">Tick the Relevant Box</th></tr>
<tr><td></td><td>d) *The committees were chaired by the following non-executive directors;
<table>
<tr><th>Committee</th><th>Number of Members</th><th>Name of Chairman</th></tr>
<tr><td>1. Audit Committee</td><td>7</td><td>Mr. Manzoor Ahmed</td></tr>
<tr><td>2. Human Resource and Nomination Committee</td><td>7</td><td>Mr. Muhammad Saeed Mehdi</td></tr>
<tr><td>3. Finance and Procurement Committee</td><td>7</td><td>Mirza Mahmood Ahmad</td></tr>
<tr><td>4. UFG Control Committee</td><td>7</td><td>Mr. Muhammad Arif Habib</td></tr>
<tr><td>5. Risk Management Committee</td><td>7</td><td>Mr. Ahmad Aqeel</td></tr>
</table></td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>23.</td><td>The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13/14</td><td>✓</td><td></td><td></td></tr>
<tr><td>24.</td><td>The Company has adopted International Financial Reporting Standards notified by the Commission under clause (1) of sub section (3) of section 234 of the Ordinance.</td><td>16</td><td>✓</td><td></td><td></td></tr>
<tr><td>25.</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>✓</td><td></td><td></td></tr>
<tr><td>26.</td><td>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.</td><td>18</td><td>✓</td><td></td><td></td></tr>
<tr><td>27.</td><td>A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the Company contains criteria and details of remuneration of each director.</td><td>19</td><td>✓</td><td></td><td></td></tr>
<tr><td>28.</td><td>The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the board.</td><td>20</td><td>✓</td><td></td><td></td></tr>
<tr><td>29.</td><td>The board has formed an Audit Committee, with defined and written terms of reference, and having the following members:
<table>
<tr><th>Name of Member</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Manzoor Ahmed</td><td>Independent</td><td>COO-NIT</td></tr>
<tr><td>Mr. Raza Mansha</td><td>Non- Executive</td><td>Industrialist</td></tr>
<tr><td>Mr. Muhammad Arif Habib</td><td>Non- Executive</td><td>Industrialist</td></tr>
<tr><td>Mr. Rizwanullah Khan</td><td>Independent</td><td>Business Execuitve</td></tr>
<tr><td>Mr. Ahmad Aqeel</td><td>Independent</td><td>Businessman</td></tr>
<tr><td>Mr. Nauman Wazir</td><td>Non-Executive</td><td>Industrialist</td></tr>
<tr><td>Ms. Nargis Ghaloo</td><td>Independent</td><td>Chairperson - SLIC</td></tr>
</table>
The chief executive and chairman of the Board are not members of the Audit Committee.</td><td>21</td><td>✓</td><td></td><td></td></tr>
<tr><td>30.</td><td>The board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.</td><td>22</td><td>✓</td><td></td><td></td></tr>
<tr><td>31.</td><td>The Company has appointed its external auditors in line with the requirements envisaged under the Rules.</td><td>23</td><td>✓</td><td></td><td></td></tr>
<tr><td>32.</td><td>The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✓</td><td></td><td></td></tr>
<tr><td>33.</td><td>The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.</td><td>23(5)</td><td>✓</td><td></td><td></td></tr>
<tr><td>34.</td><td>The Company has complied with all the corporate and financial reporting requirements of the Rules.</td><td></td><td>✓</td><td></td><td></td></tr>
</table>

ADDITIONAL DISCLOSURES AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE, 2012 (CCG):

- All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board/shareholders.
- Ms. Nargis Ghaloo, Director of the Company had obtained certification as required under CCG.
- The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- 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.
- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, employees and stock exchange(s).
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- We confirm that all other material principles enshrined in the CCG have been complied with.

(Amer Tufail)
Managing Director/CEO

(Muhammad Saeed Mehdi)
Chairman - BOD

Lahore
February 11, 2016

SCHEDULE II

EXPLANATIONS FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with (except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year):

Sr. No.	Rule / Sub-rule No.	Reasons for Non-Compliance	Future course of action
1.	8	The Company is in process to arrange Board Evaluation through Pakistan Institute of Corporate Governance (PICG).	The Company has now put in place a system of evaluation of Board Members with the collaboration of Pakistan Institute of Corporate Governance (PICG).

(Amer Tufail)
Managing Director/CEO

(Muhammad Saeed Mehdi)
Chairman - BOD

Lahore
February 11, 2016

NOTICE OF 51ST ANNUAL GENERAL MEETING (REVISED)

Revised Notice is hereby given that the 51st Annual General Meeting of the Company will be held at Avari Hotel, 87-Shahrah-e-Quaid-e-Azam, Lahore on Tuesday, March 8, 2016 at 11:00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 50th Annual General Meeting held on January 29, 2016.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Reports thereon.
3. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditor's Reports thereon.
4. To confirm the post facto appointment of A.F. Ferguson & Co., Chartered Accountants as Auditors of the Company for the year ended June 30, 2015 including already paid remuneration.
5. To appoint auditors for the year ending June 30, 2016 and fix their remuneration. The retiring Auditors being eligible for re-appointment for the year ending June 30, 2016, have offered themselves for re-appointment.

SPECIAL BUSINESS

6. To consider and if deemed fit, appropriate and adopt the amendments in Articles No. 52, 69, 73, 85 and 112 of the Articles of Association of the Company and pass the following Special Resolutions with or without modification(s):

IT IS HEREBY RESOLVED

"That the Articles No. 52, 69, 73, 85 and 112 of the Articles of Association of the Company be and are hereby amended to be read as follows:

52. Ten (10) members present in person representing not less than twenty five percent (25%) of the total voting power, either of their own account or as proxies, shall be a quorum for a general meeting. Furthermore, the Company may provide video conference facility to its members for attending general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members, provided that if members, collectively holding ten percent (10%) or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least ten (10) days prior to date of meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

69. A person can be appointed as proxy and shall be qualified to vote even if he/she is not a member. Moreover, a corporation or a company being a member of the Company may by a resolution of the Directors authorise any of its officials or any other person to act as its representative at any meeting of the Company. Subject to the provisions of these Articles an agent duly authorised under a power of attorney shall be entitled to be present and vote on behalf of his appointer notwithstanding that such agent may not be a member of the Company. A member may exercise his vote at a meeting by electronic means in the manner provided in the Ordinance or Rules or Regulations made thereunder.

73. An instrument appointing a proxy may be in the following form, or in any other form which the Directors shall approve:

SUI NORTHERN GAS PIPELINES LIMITED

Option 1

Appointing other person as Proxy

I / We____
of ____
being a member of Sui Northern Gas Pipelines Limited and holder of ____
(number of shares)
Ordinary Shares as per Registered Folio No. ____________
hereby appoint Mr.___________________________________
of _________________________________ or failing whom
Mr. ____
of___________________________ as my/our proxy to vote for me/us and on my/our behalf at the (annual, extraordinary general meeting, as the case may be) of the Company to be held on _________________________and at any adjournment thereof.

Signed under my / our this ___________________________
day of ___________, 20____.

Option 2

E-voting as per The Companies (E-voting) Regulations, 2016.

I / We____
of ____
being a member of Sui Northern Gas Pipelines Limited and holder of ____
(number of shares)
Ordinary Share(s) as per Registered Folio No. ____________
hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer ________ _________________________ as proxy and will exercise e-voting as per the Companies (E-voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _______________________, please send login details, password and electronic signature through email.

____
Signature should agree with the specimen signature registered with the Company

Signed in the presence of:

___________________ ___________________
Signature of Witness Signature of Witness

85. The remuneration to be paid to the Directors for attending the Board or Committee Meetings, shall be Rs 100,000/- per meeting. The Directors attending the Board or Committee Meetings shall be entitled to business class/ club class return airfare from the venue of the meeting to his/ her usual place of residence in Pakistan. The Directors attending the Board or Committee Meetings shall also be entitled to boarding, lodging and transportation in case meeting is held in a city other than his/ her usual place of residence.

Provided that the regularly paid Chief Executive Officer/ Managing Director and Executive Directors shall not be paid any remuneration for attending the Board or Committee Meetings of the Company.

112. A resolution passed without any meeting of Directors or of a Committee of Directors appointed under Article 110 and evidenced in writing under the hands of majority of the Directors or members of the Committee for the time being in Pakistan, as the case may be, shall be as valid and effectual as a resolution duly passed at a meeting of the Directors or of such Committee called and held in accordance with the provisions of these Articles: Provided that in case one-third (1/3rd) of the total number of directors of the Company require that any resolution under circular resolution must be decided at a board meeting in person, the Chairman shall put the resolution to be decided at a meeting of the Board.

Resolved further that the Managing Director of the Company be and is hereby authorized and empowered to do or cause to be done all acts, deeds and things that may be necessary to give effect to these resolutions."

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

The share transfer books of the Company will remain closed from Tuesday, March 1, 2016 to Tuesday, March 8, 2016 (both days inclusive).

By order of the Board

Wajiha Anwar

(WAJIHA ANWAR)
Company Secretary

Lahore.
February 16, 2016

NOTES:

1. Participation in Annual General Meeting:

i) All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of legal entities, a resolution of the Board of Directors' / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the legal entity, shall be submitted to the Company. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.

ii) The proxy instrument must be complete in all respects and in order to be effective should be deposited at the Registered Office of the Company but not later than 48 hours before the time of holding the meeting.

Further guidelines for CDC Account Holders:
CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 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 Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

ii) In case of legal 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 requirements mentioned below.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC 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 CNIC or original Passport at the time of the meeting.

v) In case of a legal 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.

2. Submission of copy of CNIC/NTN Certificate (Mandatory):

Please provide valid copy of CNIC/NTN to our Shares Registrar, in case of physical shareholders and in case of CDC account to its Participant/Investor Account Services.

3. Payment of Dividend Electronically (optional):

Shareholders have been given an opportunity to authorize the Company to make payment of cash dividend through direct credit to shareholders bank account. To opt for the dividend mandate option, the Dividend Mandate Form is available at Company's website i.e. www.sngpl.com.pk.

4. Electronic Transmission of Annual Audited Financial Statements and Annual General Meeting Notice through e-mail (optional):

Shareholders who desire to receive the Company's Annual Audited Financial Statements and Annual General Meeting Notices through e-mail are requested to fill the requisite form available on Company's website i.e. www.sngpl.com.pk.

5. Consent for Video Conference Facility:

Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if Company receives consent form from members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to registered office of the Company:

I/We ____________________ of ________________ being a member of Sui Northern Gas Pipelines Limited, holding _____________________ ordinary shares as per Register Folio/CDC Account No. ____________ hereby opt for video conference facility at __________________.

Signature of Member(s)

The Company will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

6. **Statement under Section 160(1)(B) of the Companies Ordinance, 1984:**
   A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special resolution is being sent to the shareholders along with the notice.

REGISTERED OFFICE

Sui Northern Gas Pipelines Limited
Gas House, 21-Kashmir Road,
P.O. Box No. 56, Lahore 54000, Pakistan.
Tel : (+92-42) 99201451-60 & 99201490-99
Fax : (+92-42) 99201369 & 99201302
Website: www.sngpl.com.pk

SHARES REGISTRAR

Central Depository Company of Pakistan Limited
2nd Floor, 307 Upper Mall, Opposite Lahore Gymkhana,
Near Mian Mir Bridge, Lahore, Pakistan.
Tel: (+92-42) 35789378-87
Fax: (+92-42) 35789340
Website: www.cdcpakistan.com
Email: info@cdcpak.com

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

THIS STATEMENT SETS OUT THE MATERIAL FACTS CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON MARCH 08, 2016.

AMENDMENTS IN THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Board of Directors has recommended that the proposals should be presented to the shareholders of the Company at a general meeting for alterations / amendments in the Articles of Association of the Company to include/amend in the manner provided in the Ordinance or Rules or Regulations made from time to time. As recommended by the Board of Directors is proposed to be incorporated in the Articles of Association of the Company. All necessary requirements of law will be complied with in this regard.

Further, it has been recommended by the Board of Directors to revise the remuneration of the Directors for attending meetings of the Board and its Committees in accordance with the law, in order to attract and retain high profile individuals on the Board required to run the Company successfully and in accordance with good governance practices. In this regard, the Company is required to amend Article 85 of the Articles of Association of the Company. All necessary requirements of law will be complied with in this regard.

The Board of Directors also directed that for the sake of good governance the amount of remuneration should be recommended for approval at the general meeting. In compliance of the above directives, an amount of Rs 100,000/- per meeting is proposed as remuneration of the Directors in addition to air travel (business class/ club class) and accommodation and transportation in case meeting is held in a city other than his/ her usual place of residence of the Director.

The proposal for incorporation in the Articles of Association of the Company is therefore being placed before the shareholders for their consideration and if deemed appropriate to pass the following Special Resolution, with or without modification(s):

"Resolved that Articles No. 52, 69, 73, 85 and 112 of the Articles of Association of the Company be and are hereby amended to be read as follows:

52. Ten (10) members present in person representing not less than twenty five percent (25%) of the total voting power, either of their own account or as proxies, shall be a quorum for a general meeting. Furthermore, the Company may provide video conference facility to its members for attending general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding ten percent (10%) or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least ten (10) days prior to date of meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

69. A person can be appointed as proxy and shall be qualified to vote even if he/she is not a member. Moreover, a corporation or a company being a member of the Company may by a resolution of the Directors authorise any of its officials or any other person to act as its representative at any meeting of the Company. Subject to the provisions of these Articles an agent duly authorised under a power of attorney shall be entitled to be present and vote on behalf of his appointer notwithstanding that such agent may not be a member of the Company.
A member may exercise his vote at a meeting by electronic means in the manner provided in the Ordinance or Rules or Regulations made thereunder.

73. An instrument appointing a proxy may be in the following form, or in any other form which the Directors shall approve:

SUI NORTHERN GAS PIPELINES LIMITED

Option 1

Appointing other person as Proxy

I / We____
of ____
being a member of Sui Northern Gas Pipelines Limited and holder of ____
(number of shares)
Ordinary Shares as per Registered Folio No. ____________
hereby appoint Mr.___________________________________
of ___________________________________ or failing whom
Mr. ____
of_____________________________ as my/our proxy to vote for me/us and on my/our behalf at the (annual, extraordinary general meeting, as the case may be) of the Company to be held on ___________________________and at any adjournment thereof.

Signed under my / our this ___________________________
day of ____________, 20_____.

Option 2

E-voting as per The Companies (E-voting) Regulations, 2016.

I / We____
of ____
being a member of Sui Northern Gas Pipelines Limited and holder of ____
(number of shares)
Ordinary Share(s) as per Registered Folio No. ____________
hereby opt for e-voting through intermediary and hereby consent the appointment of execution officer _________
__________________________ as proxy and will exercise e-voting as per the Companies (E-voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _________________________, please send login details, password and electronic signature through email.

____
Signature should agree
with the specimen signature
registered with the Company

Signed in the presence of:

_____________________ _____________________
Signature of Witness Signature of Witness

85. The remuneration to be paid to the Directors for attending the Board or Committee Meetings, shall be Rs 100,000/- per meeting. The Directors attending the Board or Committee Meetings shall be entitled to business class/ club class return airfare from the venue of the meeting to his/ her usual place of residence in Pakistan. The Directors attending the Board or Committee Meetings shall also be entitled to boarding, lodging and transportation in case meeting is held in a city other than his/ her usual place of residence. Provided that the regularly paid Chief Executive Officer / Managing Director and Executive Directors shall not be paid any remuneration for attending the Board or Committee Meetings of the Company.

112. A resolution passed without any meeting of Directors or of a Committee of Directors appointed under Article 110 and evidenced in writing under the hands of majority of the Directors or members of the Committee for the time being in Pakistan, as the case may be, shall be as valid and effectual as a resolution duly passed at a meeting of the Directors or of such Committee called and held in accordance with the provisions of these Articles: Provided that in case one-third (1/3rd) of the total number of directors of the Company require that any resolution under circular resolution must be decided at a board meeting in person, the Chairman shall put the resolution to be decided at a meeting of the Board.

Resolved further that the Managing Director of the Company be and is hereby authorized and empowered to do or cause to be done all acts, deeds and things that may be necessary to give effect to these resolutions."

TRANSMISSION SYSTEM
AS AT JUNE 30, 2015

SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
1	PIRKOH - SUI	24	70.50	-
2	LOTI - PESHBOGI	18	11.25	-
3	SUI - MULTAN	24	19.31	-
4	SUI - MULTAN	30	-	19.31
5	SUI - MULTAN	24	14.29	-
6	SUI - MULTAN	30	-	14.29
7	SUI - MULTAN	16	0.26	-
8	GUDDU TPS	4	2.41	-
9	GUDDU BARRAGE	24	1.81	-
10	GUDDU CROSSING	36	-	1.81
11	SAWAN - QADIRPUR	24	131.00	-
12	SAWAN CUSTODY TRANSFER POINT - SV1	24	2.85	-
13	SV4 - SV5	42	-	20.92
14	MUBARAK LINE	16	35.48	-
15	CHACHAR GAS FIELD LINE	8	2.87	-
16	KAND KOT LINE	16	52.23	-
17	QADIRPUR LINE	30	53.13	-
18	QADIRPUR LINE	36	-	53.14
19	ENGRO FERTILIZER LINE	20	37.80	-
20	ENGRO ENERGY LINE	16	3.30	-
21	MARI DCPF - GENCO-II DEHYDRATION UNIT LINE	12	4.50	-
22	MARI DCPF - GENCO-II DEHYDRATION UNIT LINE	10	5.50	-
23	SUI - MULTAN	18	-	256.82
24	SUI - MULTAN	24	288.06	-
25	SUI - MULTAN	30	-	313.78
26	SUI - MULTAN	36	-	213.68
27	SUI - MULTAN	16	1.85	-
28	K1 - MP-37.88	20	-	20.68
29	SHER SHAH X-ING	36	-	2.20
30	AC1X - AV7 (RYK)	36	-	26.96
31	AV17 - AV 20	36	-	3.50
32	AV21 - AV 22	36	-	27.79
33	SUTLEJ CROSSING - 1	12	1.61	3.22
34	SUTLEJ CROSSING - 2	36	-	2.04
35	KHANPUR LINE	6	22.81	-
36	A5 - BAHAWALPUR	8	48.18	-
37	AV22 - KOT ADDU	16	69.65	-
38	AV22 - KOT ADDU	20	-	38.01
39	KOT ADDU - CHOWK SARWAR SHAHEED	8	26	-
40	D. G. KHAN LINE	8	72.06	-
41	DHODAK - KOT ADDU	16	77.79	-
42	TPS MUZAFFARGARH LINE	16	4.57	-
43	QADIRPUR - AC-1X LINE	30	17.11	-
44	QADIRPUR - AC-1X LINE	36	-	16.88
45	AHMEDPUR EAST	6	18.34	-
46	KHAN GARH	8	22.20	-
47	MULTAN - FERTILIZER LINE	10	1.430	-
48	JAHANIAN LINE	8	30.49	-
49	MULTAN - SIDHNAI	18	-	46.7
50	MULTAN - SIDHNAI	24	22.46	22.46
51	MULTAN - SIDHNAI	30	-	46.70
52	MULTAN - SIDHNAI	36	-	48.38
53	AV29 - SAHIWAL	36	-	145.46
54	KASHMORE - SHAHWALI LINE	12	20	-
55	SHAHWALI - ROJHAN LINE (FIRST SEGMENT)	12	4.0	-
56	HAROONABAD LINE	8	20	-
57	SMS KHANGARH - KALLARWALI	8	30	-
58	SMS KALLARWALI - CHOWK PERMIT	8	27.61	-

TRANSMISSION SYSTEM AS AT JUNE 30, 2015

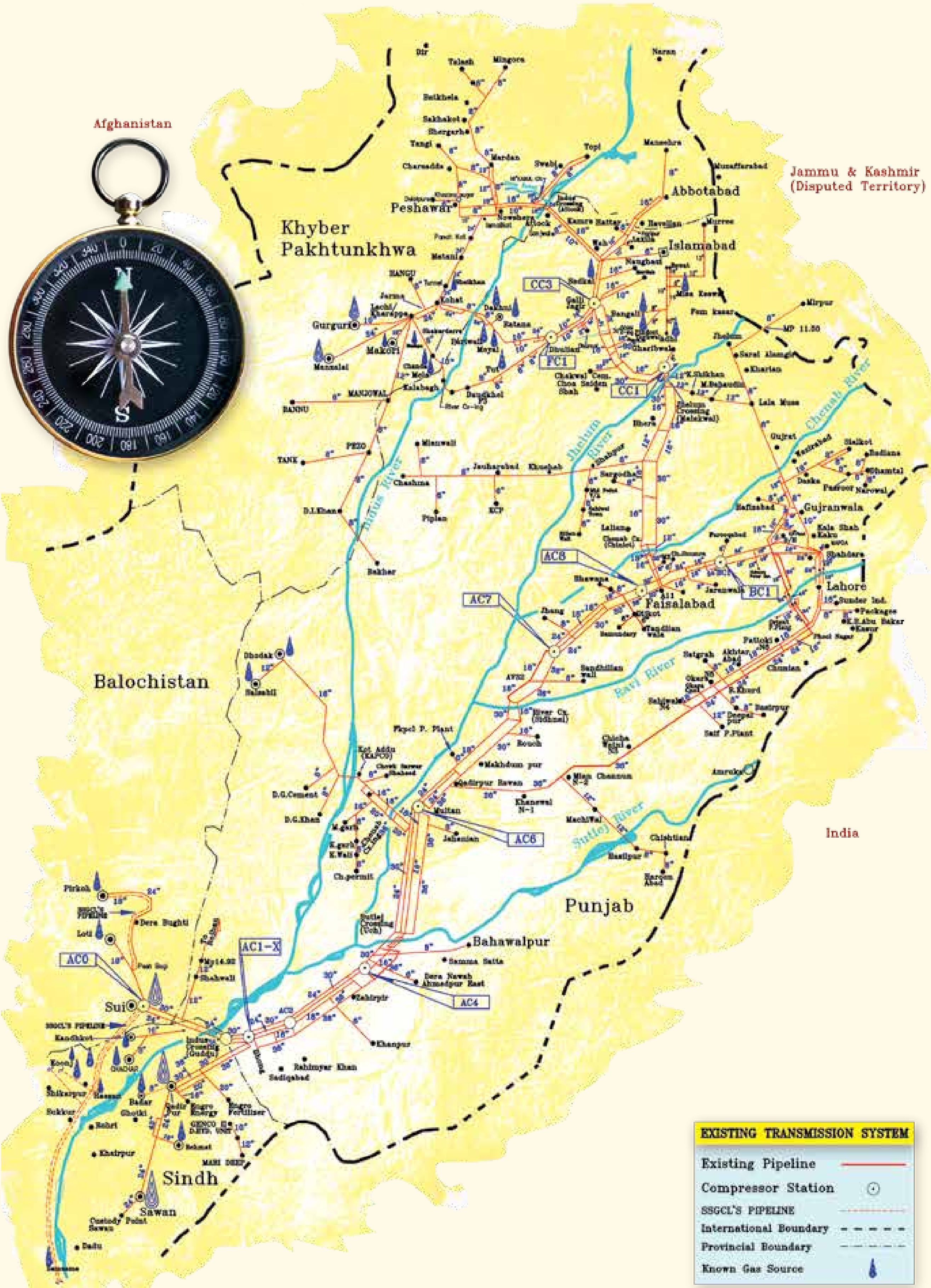
SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
59	SIDHNAI - FAISALABAD	18	-	163.58
60	SIDHNAI - FAISALABAD	24	-	50.24
61	SIDHNAI - FAISALABAD	30	-	53.29
62	SIDHNAI - FAISALABAD	36	-	26.42
63	SIDHNAI X-ING - AC-7	36	-	33.26
64	DARKHANA - SINDHELIANWALI LINE	8	17.40	-
65	T.T. SING - JHANG	8	30.28	-
66	DIJKOT - SAMUNDARY LINE	8	22.33	-
67	SAHIWAL - LAHORE	18	142.93	-
68	SAHIWAL - AKHTARABAD	24	-	66.69
69	SUNDER INDUSTRIAL ESTATE LINE	16	4.34	-
70	AC8 - SMSII (OLD)	16	-	5.90
71	AC8 - A11	20	-	0.66
72	WAPDA OFFTAKE FSD	12	2.42	-
73	CHAK JHUMRA LINE	6	12.04	-
74	FSD - MALIKWAL	12	19.34	-
75	FSD - MALIKWAL	16	-	158.67
76	FSD - MALIKWAL	30	-	90.82
77	CV12A - KHATHIALA SHAKHAN LINE	12	28.23	-
78	KATHIALA SHEIKHAN - MANDI BAHAUDDIN LINE	12	9.1	-
79	MANDI BAHAUDDIN - LALAMUSA LINE	12	47.17	-
80	MALAKWAL - JHELUM CROSSING	16	-	5.42
81	CHENAB CROSSING CHINIOT	18	1.13	-
82	CHENAB CROSSING CHINIOT	30	2.32	-
83	KOT MOMIN - JOHARABAD (1)	8	72.41	-
84	KOT MOMIN - JOHARABAD (2)	6	38.36	-
85	JOHARABAD - CHASHMA	8	82.21	-
86	PIPLAN LINE	8	17.05	-
87	SARGODHA LINE	6	22.90	-
88	CV3 (JHOKE MORE) - M3 INDUSTRIAL ESTATE LINE	8	15.68	-
89	FSD - SHAHDARA	16	57.48	119.25
90	FSD - SHAHDARA	24	-	55.03
91	BC1 - FAROOQ ABAD	8	22.96	-
92	SHAHDARA - LAHORE	16	2.51	2.99
93	RAVI CROSSING (1)	16	0.58	-
94	RAVI CROSSING (2)	10	-	0.58
95	SHAHDARA - WAPDA LAHORE	10	3.41	-
96	KHURRIANWALA - JARANWALA	8	-	22.53
97	DAWOOD HERCULES LINE	12	5.87	-
98	SHEIKHUPURA - GUJRANWALA (1)	10	59.44	-
99	SHEIKHUPURA - GUJRANWALA (2)	16	-	44.57
100	MP 59.91 - B3 LINE	24	-	22.83
101	B3 - RAVI D/S LINE	24	-	3.15
102	KOTLI - RAHWALI (BV13)	18	30.76	-
103	HAFIZABAD LINE	8	43.00	-
104	SHAHDARA - GUJRANWALA - RAHWALI	10	73.4	-
105	RAHWALI - GUJRAT	8	35.46	-
106	RAHWALI - SIALKOT	8	13.97	13.97
107	SIALKOT OFF - TAKE V/A TO PASROOR OFF - TAKE V/A	16	-	32.83
108	RAHWALI - SIALKOT OFFTAKE	18	-	1.48
109	PASROOR - DHAMTAL - NAROWAL	8	40.55	-
110	SIALKOT O/T - WAZIRABAD	18	-	19.82
111	SAHIWAL - LAHORE	16	-	76.67
112	PHOOL NAGAR - DAWOOD HERCULES	16	63.95	-
113	PHOOLNAGAR - DAWOOD HERCULES	24	-	65.47
114	ORIENT POWER PLANT LINE	10	1.88	-
116	HALMORE POWER LINE	12	3.40	-
117	SAIF POWER PLANT SAHIWAL	12	0.34	-

SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
115	SAPPHIRE POWER PLANT LINE	10	0.22	-
118	GUJRAT - JHELUM	8	54.27	-
119	SARAI ALAMGIR - MIRPUR	8	18.5	-
120	RENALA - SATGARAH	8	12.35	-
121	MALIKWAL - HARANPUR - DANDOT	12	1.18	-
122	MALIKWAL - HARANPUR - DANDOT	16	-	20.00
123	CC1 - C4	30	-	29.09
124	C4 - CHAKWAL CEMENT	10	24.00	-
125	HARANPUR - GHARIBWAL	8	13.02	-
126	DANDOT - GALI JAGIR - WAH	10	87.7	-
127	DANDOT - GALI JAGIR - WAH	16	-	153.51
128	DANDOT - GALI JAGIR - WAH	30	-	64.22
129	DHULIAN - GALI JAGIR	10	40.14	29.85
130	DAKHNI - MEYAL - DHULIAN	16	50.44	-
131	CV13a - CC1	16	-	3.58
132	RATANA LINE	10	2.49	-
133	SIL CROSSING	10	-	1.46
134	DHURNAL LINE (1)	8	0.54	-
135	DHURNAL LINE (2)	10	11.08	-
136	DHULIAN - DAUDKHEL	8	85.2	4.04
137	FC1 - C6 PIPELINE FROM MID POINT VALVE ASSEBMLY TO END POINT C6 GALI JAGIR	24	-	18.901
138	FC1 - PINDIGHEB LINE	24	-	10.1
139	KHUSHAL GARH BRIDGE - DAKHNI END POINT V/A	24	-	11.4
140	POINT A V/A - SMS DHURNAL	3	0.24	-
141	GALI JAGIR - MORGAH (1)	10	21.43696	-
142	GALI JAGIR - MORGAH (2)	6	9.50	-
143	GALI - RANIAL	16	-	35.57
144	WAH - ISLAMABAD	6	12.06	-
145	WAH - HATTAR	16	-	6.17
146	WAH - HATTAR	10	9.93	-
147	ADHI - RAWAT	10	47.70	-
148	RAWAT - MURREE	12	57.25	-
149	BHANGALI LINE	8	5.82	-
150	MISSA KASWAL - MANDRA	8	20.60	-
151	WAH - NOWSHERA (1)	10	50.41	-
152	WAH - NOWSHERA (2)	16	-	52.60
153	INDUS CROSSING	24	-	1.12
154	TAXILA LINE	4	4.43	-
155	SANJWAL LINE	6	6.67	-
156	KOHAT LINE	8	11.58	-
157	SHAKARDARA - DAUDKHEL	10	40.11	-
158	SHAKARDARA END POINT - F3	10	1.55	-
159	SADQAL - NAUGAZI LINE	16	19.02	-
160	DASKA - PASROOR LINE	8	24.86	-
161	FAUJI KABIR WALA LINE	8	5.86	-
162	OKARA - DIPALPUR LINE	8	16.83	-
163	ROUSCH POWER PLANT LINE	16	4.70	-
164	PINDORI - BHANGALI LINE	8	15.83	-
165	CV24 - PINDORI (FIRST SEGMENT)	10	26.33	-
166	MIANWALI LINE	8	17.80	-
167	D.I. KHAN - BHAKAR LINE	8	19.69	-
168	MIAN CHUNNUN - HASILPUR	12	83.85	-
169	HASILPUR - CHISHTIAN LINE	8	30.98	-
170	AV-40 - DIJKOT - TANDLIANWALA	8	39.79	-
171	AV-40 - BHAWANA LINE	8	37.14	-
172	SUKHO - RAWAT	16	36.24	-
173	DIPALPUR - BASIRPUR	8	22.64	-

TRANSMISSION SYSTEM AS AT JUNE 30, 2015

SR. #	SECTION	DIA (Inches)	MAIN LINE (Kilometers)	LOOP LINE (Kilometers)
174	MANGA - PACKAGES LINE(RENTED POWER)	8	36.65	-
175	RODHO - KOT QAISRANI LINE	12	14.50	-
176	SAHIWAL - PHOOLNAGAR LOOP LINE FROM AKHTARABAD V/A to N-6 Pattoki V/A	24	-	20.95
177	N-6 - PHOOL NAGAR O/T	24	-	21.69
178	SHAHPUR - HUSSAIN SHAH LINE	8	22.22	-
179	HUSSAIN SHAH - SAHIWAL TOWN LINE	8	13.52	-
180	SAHIWAL TOWN - SILLANWALI LINE	8	26.71	-
181	RANDHAWA OFF - TAKE TO BADIANA	8	8.50	-
182	KOTLI RAI ABU BAKAR LINE	8	7.05	-
183	HATTAR - HARIPUR	10	18.12	-
184	HATTAR OFFTAKE	6	0.39	-
185	HARIPUR - MANSEHRA	8	70.53	-
186	HARIPUR OFFTAKE	8	1.53	-
187	WAH - NOWSHERA(1)	10	25.13	-
188	WAH - NOWSHERA(2)	16	-	23.68
189	WAH - HATTAR	16	-	13.62
190	HATTAR - SARAI SALEH	16	-	19
191	HATTAR - HAVELIAN	16	-	15.00
192	HAVELIAN - ABBOTTABAD	16	-	27.5
193	C10 - ISMAILKOT	16	-	14.64
194	KOHAT LINE	8	42.69	-
195	KOHAT - NOWSHERA	24	85.52	-
196	KOHAT - GHORAZAI LINE	24	-	23.49
197	MANZALAI - KOHAT LINE	24	39.01	-
198	JARMA - HANGO LINE	8	36.00	-
199	MUNJOWAL - BANNU	8	36.50	-
200	NOWSHERA - ISMAILKOT(1)	8	11.97	-
201	NOWSHERA - ISMAILKOT(2)	6	-	11.97
202	ISMAILKOT - TURNAB(1)	8	-	20.85
203	ISMAILKOT - TURNAB(2)	6	20.86	-
204	ISMAILKOT - TURNAB(3)	16	-	21.24
205	SHAKARDARA - DAUDKHEL	10	3.00	-
206	KHARAPPA - SHAKARDARA	8	25.50	-
207	KHARAPPA - MANJOWAL	12	84.42	-
208	*MAKORI - KHARAPPA	10	8.75	-
209	MUNJOWAL - PEZU	8	53.29	-
210	PEZU - D. I. KHAN	8	47.02	-
211	PEZU - TANK	8	31.51	-
212	D.I. KHAN - BHAKAR	8	18.80	-
213	NOWSHERA - MDN - T.BAI - S/KOT	8	57.99	-
214	NOWSHERA - CHARSADDA	8	23.59	-
215	NOWSHERA - MARDAN	12	-	19.76
216	NOWSHERA - MARDAN	16	-	2.16
217	CHARSADDA - TURANG ZAI LINE	6	10.36	-
218	TANGI LINE	6	13.87	-
219	CHARSADDA - KHAZANA LINE	8	22.64	-
220	CHARSADDA - KHAZANA - DOLATPURA	6	0.34	-
221	JAHANGIRA - SWABI - TOPI	8	40.29	-
222	JAHANGIRA - SWABI - TOPI	8	-	38.24
223	JAHANGIRA OFF-TAKE - KABUL X-ING D/S	16	-	2.52
224	KABUL X-ING JAHANGIRA	16	0.30	-
225	SAKHAKOT - SWAT	8	68.06	-
226	CHAKDARA - TALASH LINE	8	31.60	-
227	GURGURI - KOHAAT LINE	10	78.00	-
228	SARAI ALAMGIR - MIRPUR	8	17.35	-
	Sub-Total		4,577.36	3,218.77
	GRAND TOTAL (KM)			**7,796.13**

* Purchased by the Company from M/s M.O.L


Afghanistan
Jammu & Kashmir
(Disputed Territory)
Khyber
Pakhtunkhwa
Balochistan
Punjab
Sindh
India
Peshawar
Abbotabad
Islamabad
Faisalabad
Lahore
Gujranwala
Multan
Bahawalpur
Sui
Sawan
Indus River
Jhelum River
Chenab River
Ravi River
Sutlej River
CC3
FC1
CC1
AC8
AC7
BC1
AC6
AC1-X
AC0
AC4
EXISTING TRANSMISSION SYSTEM
Existing Pipeline
Compressor Station
SSGCL'S PIPELINE
International Boundary
Provincial Boundary
Known Gas Source

CHAIRMAN'S REVIEW &
DIRECTORS' REPORT

The Board of Directors presents the 52nd Annual Report and the Audited Financial Statements of your Company for the Financial Year ended June 30, 2015 along with the Auditors' Report thereon.

FINANCIAL REVIEW

The Board of Directors presents the audited financial statements for the Year ended June 30, 2015. These financial statements are being presented after the determination of Final Revenue Requirements of the Company for the year 2014-15 by Oil and Gas Regulatory Authority (OGRA). During the year under review, the Company incurred net loss after tax of Rs 2,495 million as compared to a net loss after tax of Rs 3,965 million incurred during the year ended June 30, 2014. The loss per share for the ensuing year is Rs 3.93 as compared to loss per share of Rs 6.25 during the corresponding period of last year.

The summary of financial results for the year under review is given below:

	(Rs in Million)
Loss before taxation	(3,363)
Provision for taxation (net)	868
Loss after taxation	(2,495)

Your Company has started its journey towards recovery and reduction in loss of Rs 1.47 billion during this year indicates that the right steps are being taken to improve the situation. Loss incurred during the year is primarily attributable to:

a) Disallowance of UFG over and above the benchmark prescribed by OGRA;

b) Disallowance of provision for bad debts over and above an amount set by the Regulator without any defined basis; and

c) Delay in revision of consumer sales prices resulting in excessive financial charges incurred by the Company on delayed payments to its creditors affecting adversely the financial position of the Company.

Your Company maintains that continuous disallowance on account of Unaccounted for Gas (UFG) over and above the benchmark set arbitrarily by the Regulator remains as one of the major contributor towards the adverse results of your Company. During the year under review, the volumetric loss reduced from 61.5 BCF during 2013-14 to 57.2 BCF during the ensuing year, this also resulted in reduction of UFG disallowance from Rs 12.3 billion during 2013-14 to Rs 11.6 billion during the ensuing year. Your Company is taking several steps including, but not limited to, increased surveillance and particular monitoring of areas susceptible to gas pilferage, timely leakage detection and its rectification and continuous checking and up gradation of measurement facilities etc, are being taken to reduce this loss. Your Company is confident that with the right focus on the issues, it will be able to bring down UFG at an acceptable level.

While the Company is taking all possible measures within its control to address the UFG, the Management has also taken up the matter of unjustified UFG benchmark with all stakeholders emphasizing that the UFG benchmark should be segregated between the factors within and outside Company's control. Some of the factors which are outside the control of the Company includes but are not limited to:

a) Continuous increase in cost of gas which has increased exponentially since 2004 when the benchmark was originally prescribed;

b) Unprecedented extension in distribution network on the basis of GOP socio economic agenda, resulting in provision of gas to areas / category of consumers having higher distribution losses as compared to bulk consumers with minimum line losses. This has resulted in lopsided change in bulk to retail ratio directly impacting the financial health of the Company;

c) Deterioration of law and order in the troubled areas of the Company's area of operations affecting your Company's capacity to disconnect their gas supplies and recover for gas supplies consumed.

Economic Coordination Committee of the Cabinet (ECC) has already recognized the factual issues being faced by the Company and recommended a provisional relief to the Company till a full-fledged UFG study is undertaken.

However, OGRA in its determination for the year under review has only partially recognized the impact of factors beyond Company's control and has most notably deferred the impact of bulk to retail ratio which has a major impact on UFG disallowance. Company is following up this matter at appropriate level. It is expected that with the support of Ministry of Petroleum and Natural Resources, the Company will be able to get the recommendations of ECC fully implemented enabling it to operate at a fair level of financial and operational strength.

During the determination of Final Revenue Requirements of the Company, OGRA also disallowed the provision for doubtful debts by Rs 2,228 million. The amount of provision which is recognized keeping in view International Accounting Standards to reflect true and fair of the financial statements represent amounts recoverable and under litigation mainly on account of consumers involved in the theft of gas. It is pertinent to mention that as per the provisions of OGRA Ordinance and the Rules made there under, recovery of theft of gas falls under the ambit of OGRA and should be recovered accordingly. Your Company considers that the disallowance by the Regulator is not justified, however for the time being, the impact for this disallowance has been accounted for considering prudent accounting practices and will continue to pursue the matter at appropriate level.

Though your Company has been able to reduce the net loss after tax for the year under review by Rs 1,470 million as compared with the previous year, by striving for efficiency in different areas of its operation including timely completion of its different capital projects as well as controlling its Unaccounted for Gas (UFG), yet your Company recognizes that lot needs to done both from Company's perspective as well as from Regulator's perspective to address the situation. Management of your Company assures you that they are fully committed to left no stone unturned to turn SNGPL back to profitable position.

OPERATIONAL REVIEW

Your Company's transmission network is extended over 7,796 Kms high pressure pipelines, ranging from 4" to 36" diameter, across its area of franchise. During the year, 181 new towns, villages and Tehsil Head Quarters (THQs) were connected with the existing system by laying 3,286 Kms of distribution mains and service lines. A total of 3,210 towns, villages, DHQs and THQs now exist on the Company's network, which are being facilitated with natural gas facility at their door step.

The Company in line with its Vision and Mission Statements has improved the quality of life of its consumers by providing 255,241 new gas connections during the year under review.

PROJECTS

Projects Department is arranging the construction activities of transmission lines and high pressure distribution lines. Projects Department has completed 64.56 Kms Transmission Lines with diameters ranging from 08" to 42" including the contract lines. In addition to Transmission Lines, 684.94 Kms of Distribution mains were commissioned during this fiscal year 2014-15 for improving pressure and enhance customer satisfaction level.

Company has already started works of Project-1 of LNG Infrastructure Development plan under which 42"dia x 111 KM pipeline would be laid between Sawan - Qadirpur along with installation of 5000 HP compression at AC1(X)

Bhong at the estimated capital cost of Rs 18,543 million. Work against this project is in full swing and shall be completed in stipulated time frame. After the completion of this project Company shall be able to receive 400 MMCFD additional gas into its system.

Further, in order to enhance RLNG supplies to 1.2 BCFD into SNGPL system, Company has also planned to execute Project-2 of the LNG Infrastructure Development Plan under which 16" – 42" dia x 762 KM pipeline from Qadirpur to Lahore would be laid and 25,000 HP Compression at Bhong and Multan Compression station shall be installed. The estimated cost of the Project-2 is Rs 58 Billion. Engineering and Procurement activities of LNG Project-2 are in progress.

COMPRESSION OF GAS

Compression Department is performing vital role in the transmission of natural gas available at different pressure and flows from various fields by maintaining adequate gas pressure and flows in Transmission system to meet the gas demands of consumers located at SNGPL distribution network. For this purpose 11 Nos. compressor stations are being operated by the Company by operating & maintaining 67 Nos. compressor packages installed at these stations.

The department has also indigenous facility for overhauling of Saturn and Centaur turbine engines of M/s Solar's Compressor Packages. There is also testing facility for performance evaluation and for assurance of the mechanical integrity of these engines after overhauling. OEM, M/s Solar has transferred technology to SNGPL for overhauling of turbine engines of model T-4000, T-4500, T-4700 and T-1000, for this purpose SNGPL has latest testing facility of the same standard and specifications as that one installed in testing facility of M/s Solar, USA. In the current fiscal year, 8 Nos. Turbine engines of Centaur and Saturn Compressor Packages have been overhauled in the overhauling facility at Multan and installed in field after testing of these engines to check mechanical integrity and performance of these engines in the test cell.

Compression Department is also working on its plan for zero overhauling of Centaur engines Models T-4000 & T-4500 (20 Nos.) which have completed more than 100,000 hours, as per M/s Solar's advice and standards for such overhauling. This activity will be completed in FY 2015-16 and will increase the life and fuel efficiency of these engines. In addition to zero overhauling of aforesaid engines, various obsolete system of 11 Nos. compressor packages are also being refurbished by replacing the control systems, start system, fuel system, lube oil and seal oil system, vibration system, F&G system for efficient and reliable operation of these compressor packages. The same activity will be planned for remaining 9 Nos. packages in 2nd Phase after completion of this activity.

Compression Department is also operating and maintaining the heat exchangers, power plants and cooling towers to cool high temperature gas after its compression at compressor station. Machine shop facility has also been modernized and upgraded by replacing obsolete equipment such as surface grinding machine, milling machine, lathe machine etc. to augment its capacity to meet the targets for engines overhauling.

Compression department is also self-reliant for field overhauling of centrifugal compressors used for gas pressure boosting. Typically, these compressors are overhauled after 50,000 – 60,000 operating hours. In the current fiscal year, 04 Nos. centrifugal compressors of model C-304 were field-overhauled, while overhauling of four (04) compressors is planned in fiscal year 2015-16.

Compression department is also going through infrastructure development project to receive LNG and indigenous gas supplies of 1200 MMCFD in transmission system. The project encompass augmentation of compression system at compressor station AC-1X, AC4 & AC6 by adding and relocating 25,000 horsepower at these locations along with complete infrastructure development for gas processing including revamping of DGC system, gas filtration system, power generation system, plant utilities as well as up-gradation & package refurbishment of obsolete compressor packages (Centaur-40). The project is being executed in two phases viz Phase-I & II. Development activities under Phase-I, are in progress and expected to be completed within the target schedule, whereas procurement and planning is in progress for phase-II.

Compression Department has acquired the status of ISO 9001:2008 certification from M/s. DAS International (The international Certifying Body). In this respect, compression department has formulated a quality policy ensuring the laid down objectives & Targets in line with international codes & standards, ISO-9001:2008 and ISO-14001:2004 & OHSAS 18001:2007. The departmental core objective entails smooth operation, ensure equipment & plant availability, its reliability by adopting preventive & predictive maintenance plans, monitoring & evaluation of performance of the overall system. In the preview Compression Department has the distinction of acquiring the status of ISO-9001:2008 certification to upgrade the processes and activities for the achievements of the set goals.

CORROSION CONTROL

Your Company is fully committed to the protection of underground precious steel pipeline network from attack of corrosion by applying Cathodic Protection (CP) technique through 1,561 CP Stations for MS Network being monitored through 27,291 and 5,806 test points in Distribution and Transmission Departments respectively.

During the year 45 new CP Stations were added to the system and 80 exhausted ground beds of existing CP System were replaced. Integrity Assessment of Transmission Lines through ECDA methodology was carried out on 375.61 Kms of different diameters as per NACE Standards.

The Corrosion Control Department of your Company has also been able to successfully scan 23,457 Kms of gas network and detect and identify 48,923 Nos. of underground leaks by using laser based detection equipment during the year as per UFG Reduction Plan.

Coat & Wrap works on Transmission Lines have also been carried out by Corrosion Control Department by recoating of 8.68 Kms of Transmission Lines during fiscal year 2014-15 in four sections along with fabrication of 6,513 Nos. rolls of outer wrap / thermo glass.

Furthermore, 02 Nos. Remote Monitoring Units (SCADA Based) installed at repeater stations. Pipeline Integrity Management Program is being implemented on Transmission Pipeline Network.

UN-ACCOUNTED FOR GAS (UFG) CONTROL

Unaccounted for Gas (UFG) is inevitable in any gas network since it depends upon various Controllable/ Internal and Uncontrollable/External contributing factors. The core factors contributing towards UFG are gas leakages (Underground and Aboveground), Measurement errors, gas theft (by consumers and non-consumers), adverse changes in Gas Sales Mix due to Demand & Supply gap, and gas losses in law and order affected areas of Khyber Pakhtunkhwa province.

The UFG Control Department is responsible for issuing guidelines to distribution regions in the light of directives/ decisions of UFG Control Committee of Board of Directors and Management from time to time. The UFG control department monitors progress of Distribution Regions with respect to various UFG Control activities and prepares reports and presentations to be delivered to the Board of Directors, Management and various external forums. The Regional Heads of Distribution Department are responsible to control UFG losses through their teams comprising of Executives and Staff, pertaining to different departments/sections, deputed in the regions.

Despite all unfavorable conditions, the Company was able to reduce UFG losses by 4,281MMCF with respect to last fiscal year and to restrict UFG losses to 10.97% in Fiscal Year 2014-15 through ongoing untiring efforts. The Company has embarked upon a three years UFG Reduction Plan, with effect from January 2013, to address various factors contributing towards UFG losses. The UFG control activities included in the plan are Underground Leaks detection of Distribution Network through use of Laser Leak Detector, Leakages Rectification (Underground and Aboveground), Vigilance of Industrial, Commercial and Domestic consumers, capacity enhancement of existing Metering workshops, installation of Meters with EVCs at suspected consumers to identify gas theft cases, installation of GPRS based systems at CNG stations for identification of gas theft, measurement errors and load management violation cases, through remote communication of EVC data. These activities are expected to have long term effect for controlling UFG in coming years.

CUSTOMER SERVICES

Customer satisfaction has always been a core value in SNGPL policies and decision making which is amply reflected in our Vision and Mission. SNGPL has over 172 Nos. offices (13 Regional Offices, 35 Sub-regional Offices, 31 Customer Services Centers and 93 Complaint Centers) across Punjab, Khyber Pakhtunkhwa, Islamabad Capital Territory and Azad Jammu & Kashmir to receive and rectify the complaints from more than 5.02 million consumers. These offices operate round the clock to handle emergencies. Besides these offices, SNGPL has made arrangements for centralized Call Center to receive all types of complaints and to disseminate information related to services provided by the Company. The Call Center can be accessed through a Universal Access Number (UAN) 1199 from mobile or landline number within Company`s franchised area. To improve satisfaction level of our valued customers, the Call Center has also been tasked to have feedback from complainants.

The received complaints are routed to designated locations through a special Oracle based Customer Care & Billing (CC&B) software. The complete history and database of each customer is maintained in this

software. The complaint rectification teams are equipped with proper tools, equipment and transport for prompt action as per standards laid down by Oil & Gas Regulatory Authority (OGRA).

During the year under review, 726,000 complaints were received all of which were duly responded and rectified to the customers satisfaction.

BILLING

During the current year, special emphasis has been given to monitoring and control on meter reading by employing cycle count approach and remote cross verification of meter reading with snaps taken at the time of meter reading. Your Company continued to expand spread of digital imaging Hand Held Units (HHU) facility for the meter reading and now 99% of the consumer base is read through this state of the art technology.

Your Company is committed for provision of timely and error free bills at the doorstep of their valued consumers. All out efforts and measures are being undertaken to ensure expeditious booking against theft/non theft volumes. The recovery drive has also been strengthened by offering better incentives to recovery contractors and disconnection teams and this has resulted in maximization of recovery. Your Company is committed to ensure that complaints against any billing issues are addressed immediately and feedback to the consumer is provided on a timely basis.

INFORMATION TECHNOLOGY

Your Company is one of the most IT enabled Company of the Country, leading towards increased customer satisfaction, enhanced process efficiency, transparency, and visibility. We have been striving to bring process automation and improvements through innovative techniques like Business Intelligence, Analytics and state-of-the-art Information Systems, which forms the cornerstone of the Company's mission.

Oracle Utilities Customer Care and Billing (CC&B) system is now fully entrenched and in full use of all the business departments such as Sales, Distribution, Billing, Customer Services, and Accounts, etc. for their business processes. The system has improved customer services and brought in transparency and accuracy by providing MIS reports. IT/MIS has introduced SMS alert service to consumers. It has considerably improved the accuracy of billing and other information, bill delivery, revenue realization. This also includes process visibility across the board while ensuring, customer satisfaction and employees' productivity.

Enterprise Resource Planning (ERP) modules Purchasing and Inventory have been implemented to further improve efficiencies and effectiveness of the Company's departments. The Company wide implementation and rollout of Inventory module at more than forty locations has brought in a visibility and management of thousands of items.

These IT systems have contributed towards informed decision making and facilitated in UFG reduction. Initiatives to improve security and access control have also been taken to make the Company's information systems more robust and secure.

IT has also established a new state-of-the-art data center equipped with precession cooling, biometric access control, advanced fire detection and suppression system, and uninterrupted power sources to host critical business systems and IT services, such as ERP and CC&B.

TELECOMMUNICATIONS

During the year under review the Telecommunication Department has successfully completed the planning and ordering for shifting from 2 GHz to 8 GHz frequency band due to allocation of previously allocated 2 GHZ frequency band to 3G & 4G cellular companies by PTA. This project consists of complete up gradation/replacement of Telecom equipment at 71 Nos. Microwave Radios Repeater Stations with state of the art equipment in 8GHz Frequency Band including Multiplexers and Telephone Exchanges. The Telephone Exchanges commonly known as DMC (Digital Microwave Communication) shall also be replaced in all regions and transmission offices with state of the art networking equipment consisting of 28 Nos. new DMC Exchanges with CLI facility across the board. The Digital Multiplexers and DC Power Systems shall also be replaced with significantly upgraded capacities at all 71 Nos. locations. The equipment shall be received during 2nd quarter and shall be installed and commissioned by the end of third quarter of FY: 2015-16.

Telecom Department has developed expertise in laying FOC and has recently completed the construction projects of FOC laying for M/S MOL-Pakistan at various gas fields in District- Karak. Telecom Department has recently installed the Video Wall System in Gas Control Centre at Head Office and shall also install the Tele-Presence System at Head Office by the end of September-2015 to improve its existing Video Conferencing Network to inter-connect throughout the world.

Telecom Department has planned to upgrade/replace the existing Transmission SCADA Host System. The new SCADA System shall be based on latest hardware and software platforms and shall be enabled with latest Software Application Modules for efficient UFG Control, Load Forecasting and Management, Gas Sale/Purchase Agreement Management, Electronic Gas Measurement Audit and Real-time Gas Network Inventory (PACK) Calculations with maximum network coverage. The project shall also include SCADA Field Instrumentation at all sites of Transmission Network including SCADA Communication of 91 Nos. existing Flow Computers of Transmission Department, SCADA Installation on 200 Nos. existing SMSs of Transmission Network, 10 Nos. existing Gas Sources and 20 Nos. existing major Valve Assemblies (Network Nodes) and shall be completed in two phases within 3-years.

HEALTH, SAFETY AND ENVIRONMENT:

SNGPL HSE policy focuses on protecting health and safety of its employees, consumers and stakeholders. SNGPL employs standardized techniques in accordance with relevant codes to ensure that all its activities are carried out safely. Company's Integrated HSE Management System ensures that continuous improvement is made in the implementation of HSE initiatives. SNGPL's integrated HSE Management System is checked by the 3rd party auditors on biannual basis.13th and 14th surveillance audit findings reflect the effectiveness of the system.

OCCUPATIONAL HEALTH AND SAFETY:

SNGPL is committed in promoting HSE culture across the Company. Following measures were taken during the year:

1. HSE manual was reviewed and 44 procedures were approved by the HSE Management Committee to form the basis of Integrated Management System.
2. Risk assessments were reviewed across the Company which leads to hazard identification and developing controls for prevention of incidents.
3. Scheme of monthly vehicle fitness certificate is introduced.
4. Regular monitoring of PPEs is a regular feature at all sites for increasing compliance levels.
5. Health Screening of staff by regularly conducting Medical Camps at various sites.
6. Dengue awareness campaign was conducted to reduce the menace of this epidemic.
7. Data loggers are installed in Company vehicles to monitor driving safety issues.
8. HSE awareness is a regular feature through training, literature and bulletins.
9. Emergency preparedness is highlighted by regularly conducting fire and emergency drills.

ENVIRONMENT:

SNGPL is committed to preserve the environment by making compliance to all applicable laws and codes. SNGPL carries out In-house emission monitoring of all stacks, generators, vehicles and welding plants at predefined frequency with state-of-the-art equipment. A vehicle is specially designed for emission monitoring. Indoor air quality, noise and illumination levels are regularly monitored to check compliance with the relevant codes.

Potable water testing by renowned laboratories is carried out across the Company on biannual basis for ensuring that the water quality is in accordance with national standards. Reverse Osmosis/filtration plants are being installed where water quality needs improvement.

Earth Hour, Earth Day and World Environment Day's importance is promoted through awareness bulletins and participation in various events.

In appreciation and recognition of the services and overall performance of SNGPL, 11th Annual Environment Excellence award was given to the Company.

ENERGY CONSERVATION:

In the present energy scenario, SNGPL recognizes the need of energy conservation and is undertaking multiple initiatives to conserve energy.

The Company has introduced Solar Water Heaters for its consumers which are available at easy installments. Geyser timer devices are introduced which reduce the gas consumption in conventional geysers. Geyser baffles are also provided by the Company which reduces the gas consumption in geysers.

SNGPL has installed solar panel at its consumer service center of Lahore region for promoting use of alternate energy.

Further, SNGPL through its gas conservancy campaign approaches schools for promoting awareness to school children regarding importance of gas conservation.

An effective print and electronic media campaign is carried out for awareness of general public on gas conservation.

CORPORATE SOCIAL RESPONSIBILITY:

Your Company presented its first sustainability report in the year 2014 highlighting the Corporate Social Responsibility (CSR) activities carried out by the Company. In line with the Company's CSR policy, SNGPL is concentrating on the following objectives:

1. Provision of potable water.
2. Introducing alternate energy resources e.g. bio gas, solar for energy conservation.
3. Education.
4. Renovation, which includes development of roundabout and upkeep of historical buildings.

   Keeping in view these objectives, SNGPL has carried out following activities:

a) Sponsoring of the 'Chairs' on Gas Engineering at University of the Punjab, Lahore, University of Engineering and Technology, Lahore and University of Engineering and Technology, Peshawar on continual basis with an annual grant of Rs 3.32 million each with total outlay of Rs 9.96 million.

b) ECO-Internship program in collaboration with World Wild Life with funding of Rs 1.5 million.

c) Provision of potable drinking water to communities around SNGPL offices in Multan and Faisalabad by installation of Reverse Osmosis / Filtration Plants.

d) Sponsoring of one gold medal each at NFC Institute of Chemical Engineering, Multan and Faisalabad and two gold medals at Ghulam Ishaq Khan Institue of Engineering Sciences and Technology.

e) Construction and operation of Bio gas plant at Milo Virka village in Sheikhupura including 1 km pipeline network at the cost of Rs 2.9 million.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Human Resource Management & Development has been a prime objective of the Management to facilitate an organizational environment where employees come first. The Company took various initiatives for efficient utilization of its human resource and bringing the desired changes in the behavior of employees by providing opportunities for learning through managerial and behavioural skills and job rotation.

All employees of SNGPL are necessarily required to undergo trainings both in-house and external in order to keep our valuable manpower abreast with new developments and by adopting technology most suitable to our operations. Foreign trainings are also being allowed to executives to gain international exposure and understanding of new tools/technologies/concepts in their respective fields. All the Departmental Heads are requested to recommend employees for trainings with a view to improve their efficiency & effectiveness.

TRAINING AND DEVELOPMENT

Training of Human Resource is crucial to any organization's success and growth. The Company in the year 2005 established Sui Northern Gas Training Institute (SNGTI) at Kot Lakh Pat, Industrial area, Lahore, with an aim to develop employee skills and competencies which contribute towards overall organizational efficiency.

The Institute has highly qualified Trainers who possess International Academic and Corporate work experience. They are proficient in designing, developing and delivering Training programs reflective of the modern business tools and techniques in today's challenging and vibrant business environment. Its professional training workforce offers and conducts trainings in more than thirteen (13) different types/categories i.e. Technical Trainings, Soft

Skill Trainings, External-Domestic Trainings, External-Foreign Trainings, Orientation Programs, Management for Junior Executives (MJE), Developing Future Leaders (DFL), Executive Development Program (EDP), Guest Speakers, Gas Control, Regional Trainings, Certification Training for Welders, and Helper Trade Test etc. SNGPL investment in Training and Development is perhaps the single most important way that manifests the Top Management's recognition that People are our greatest asset.

In the FY 2014-15 SNGTI offered and conducted 253 training courses relevant to the organizational working, culture and Training needs of the employees in above mentioned categories and trained 3911 organizational employees. The mosaic of training modules included not only Class room lectures but also Technical workshops, Hands of Trainings, Case studies, Assignments, Presentations, Interviews, Trade tests, Theoretical and Practical examinations. Practical Trainings on drilling machines and welding machines are also arranged.

With every passing year the SNGTI team of professionals is working with more unremitting zeal, effort and commitment not only to fulfil but exceed the training requirements and demands of each employee to strengthen their skills. For us, the need for continuous skill up-gradation will never lose importance.

Industrial Relations

Cordial relations between Management and CBA have brought industrial harmony while removing potential causes of disputes, thereby ensuring round the clock operations of the Company. Since establishment of the Company, all the matters are settled through bilateral negotiations with CBA.

Employment of Special Persons

SNGPL as a Socially Responsible Company, has always given due consideration to engage special persons. As a result, present establishment of the Company comprises reasonable number of special employees. Efforts are afoot to reserve a percentage of positions for special persons in forthcoming recruitment.

BUSINESS ETHICS AND ANTI CORRUPTION MEASURES

All employees of the Company are required to observe the highest ethical standards in the conduct of their business activities to minimize the significant risk associated with non-compliance. Contravention of this policy is regarded as misconduct on the part of the employee.

Furthermore, in line with the Company's core values, all employees are responsible - as individuals and as teams- for their work and their actions. The workers welcome scrutiny and they hold themselves accountable.

INTERNAL CONTROL SYSTEM

The Board has approved the scope of internal audit on the recommendations of the Audit Committee, which broadly covers review and evolution of its internal control system in accordance with business risk assessments. This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. Moreover, suggestions and recommendations are also given to the Management for improvement in internal controls and risk management systems.

CHANGES IN THE BOARD

During the year, there were six changes in the composition of the Board of Directors. Mr. Muhammad Saeed Mehdi joined the Company on July 9, 2014 in place of Mr. Arshad Mirza. Thereafter, Mr. Shoaib Warsi and Mr. Muhammad Raees-ud-din Paracha replaced Mr. Zuhair Siddiqui and Mr. Mushtaq Ahmed respectively on July 21, 2014. Another change occurred when Ms. Nargis Ghaloo joined the Company on November 7, 2014 in place of Mr. Muhammad Raees-ud-din Paracha. Moreover, Mr. Khalid Rahman replaced Mr. Shoaib Warsi on January 21, 2015 and Mr. Arshad Mirza replaced Mr. Abid Saeed on April 23, 2015.

The Board of Directors would like to place on record their appreciation and gratitude to the outgoing Members of the Board for their guidance and support during their tenure as Directors of the Company.

POST BALANCE SHEET EVENTS

The Directors have not received, as at February 11, 2016 being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date, which effects the financial statements as presented.

CORPORATE GOVERNANCE

The Board of Directors has complied with the relevant principles of Corporate Governance, and has identified the rules if any that have not been complied with along with the reasons for such non-compliance are mentioned separately in the Statement of Compliance of this report.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors hereby declares that for the year ended June 30, 2015:

a. The financial statements, together with the notes thereon have been drawn up in conformity with the Fourth Schedule of 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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from has been adequately disclosed and explained;

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

f. The appointment of Chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices;

g. There are no significant doubts upon the Company's ability to continue as a going concern. The Board of Directors has satisfied itself that the Company has adequate resources to continue its operations in the foreseeable future. The Company's financial statements have accordingly been prepared on a 'going concern' basis;

h. Significant deviations from last year's operating results have been disclosed as deemed appropriate in this Chairman's Review & Directors' Report and in the notes to the accounts, annexed to this report;

i. Key operating and financial data of the last six years in summarized form is a part of this Annual Report;

j. All statutory payments on account of taxes, duties, levies and charges in the normal course of business, payable as on June 30, 2015, have been cleared subsequent to the year end;

k. Value of investment in employee's retirement funds based on audited accounts of the funds for the year ended June 30, 2015 is as follows:

	(Rupees in thousand)
SN Senior Staff Pension Fund	1,652,852
SN Junior Staff Pension Fund	7,980,661
SN Executive Staff Gratuity Fund	140,482
SN Non-Executive Staff Gratuity Fund	3,237,029
SNGPL Trustees Provident Fund	8,880,130
SNGPL Superannuation Free Gas Executives Fund	116,606
SNGPL Superannuation Free Gas Subordinates Fund	2,056,330
SNGPL Superannuation Compensated Absences Executives Fund	190,461
SNGPL Superannuation Compensated Absences Subordinates Fund	372,161
SNGPL Superannuation Medical Executives Fund	1,838,544
SNGPL Superannuation Medical Subordinates Fund	5,991,138
SN Employees Accidental Death Endowment Fund	8,463
Total	32,464,857

l. The number of Board of Directors and Committees meetings held during the year and attendance by each disclosed in Corporate Governance section of this report;

m. Ms. Nargis Ghaloo, Director has completed her training program with PICG for Director's Training Program.

n. The pattern and categories of share holding as at June 30, 2015 has been given in a separate section of this Annual Report;

o. There was no default or likelihood of default in respect of any loan / debt instruments;

p. No trading of shares by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children has been carried out, other than the transaction disclosed as per statute. The number of shares, if any, held by them have been disclosed in categories of shareholders of this report.

AUDITORS

M/s. A.F. Ferguson & Co., Chartered Accountants were appointed as External Auditors of the Company for conducting audit for FY 2012-13 in the Annual General Meeting held on March 20, 2013. Thereafter, the Company was unable to hold its Annual General Meeting due to non-finalization of Final Revenue Requirements by Oil and Gas Regulatory Authority. However, in the light of Section 252(1) of Companies Ordinance, 1984 M/s. A.F. Ferguson & Co., Chartered Accountants continued as External Auditors of the Company till the financial year 2014-2015. The retiring Auditors being eligible have offered themselves for re-appointment for the financial year ending June 30, 2016. The Board proposes their re-appointment as auditors for the financial year ending June 30, 2016 on the recommendation of the Audit Committee.

RISK MANAGEMENT

The Company is facing a challenge of increasing gap between demand and supply of natural gas due to lack of foreign investment in oil and gas exploring activities in the last decade, as a result of law and order situation in the country. At operational level, the Company's main concern is to minimize Un-accounted for Gas (UFG). The Company is also facing challenges in the areas of currency, credit and liquidity in respect of financial risks.

The Board is determined to effectively combat these challenges through intensive planning, timely decision making and strategic load management. Concerted efforts are being made to minimize the said gap by exploring alternative opportunities viz importing LNG. Also, best possible efforts are being made by increasing the vigilance and physical inspections at the consumer's premises in order to curtail the UFG within permissible limits.

The Company has also laid down an Energy Efficiency Audit Plan for the industrial unit in order to get optimum benefits from the available resources.

SHARE WATCH

The Company's share opened at Rs 22.70 on July 01, 2014 and closed at Rs 26.64 on June 30, 2015. During the period under review, the highest price of the share was Rs 29.75 and the lowest was Rs 18.50. The market capitalization as on June 30, 2015 was Rs 16,896 million.

BUSINESS DEVELOPMENT

The Company is engaged in various pipeline construction projects of national and multinational companies. SNGPL is undertaking pipeline engineering and construction jobs of MOL Pakistan's flow line / trunk lines and Fiber Optic Cable in District Kohat / Hangu for different gas fields of MOL Pakistan like Maramzai, Manzalai, Mamikhel and Makori for the last ten years. MOL Pakistan has played a very vital role in strengthening the gas input supplies. MOL Pakistan is presently working on three more wells which are likely to be commissioned soon and projects of pipeline laying from / to the wells are likely to be awarded to SNGPL which would be the hall mark of quality / time consciousness of our work. Besides this, MOL Pakistan has further desired to enter into five year contractual relationship with SNGPL and has suggested signing blanket service order in this respect. Their future projects include Tolanj-1, Mamikhel-2, Maramzai-2, Manzalai-11, Mardankheil-1, Manzalai-12, Mardankheil-South etc. Lately, MOL Pakistan has informed that they are going to outsource 12"/10" dia x 25 KM pipe line for Mardankhel-1 well head in near future. SNGPL is quite hopeful in getting this job from MOL Pakistan.

Recently, M/s MOL Pakistan have awarded a new job of value Rs 353 million to SNGPL that involves laying of 8"dia flowlines for well heads of Manzalai-11, Makori East-4, and Maramzai-3 along with laying of fiber optic cable and tie-in works. SNGPL will carry out detailed route survey, detailed engineering and pipeline construction works in two months time frame. The completion of this project will not only inject 30 MMCFD gas into SNGPL's System but would be quite instrumental in reducing the energy deficiency in the country.

Recently OGDCL has also shown intent to award another pipeline project i.e. 8"dia x 20 Kms pipeline to be laid from Mela gas field to Nashpa gas field on engineering and construction basis. In this respect, SNGPL has already submitted its financial proposal to OGDCL and is also quite hopeful in getting this job.

OMV (Pakistan) Exploration GmbH (oil & gas exploration & production Austrian Company) has recently awarded SNGPL with job of construction of 16" dia x 20 Kms pipeline from Sawan gas Central Processing Plant to mid valve assembly located towards Latif Gas Field along with laying of Fiber Optic Cable (FOC) at a total cost of Rs 312 million. OMV (Pakistan) awarded SNGPL with the job of pipeline construction and laying of Fiber Optic Cable (FOC) in January 2013 after scrutiny of its qualifications and technical credentials in the field of pipeline construction. During the construction period, SNGPL complied strictly with OMV's HSE stringent standards. This project has been completed on fast track basis and has injected additional 100 MMCFD gas in the SNGPL and SSGC's grid. It helped in reducing the rising burden on country's economy as it is not imported but indigenous energy. In recognition of SNGPL services and expertise in pipeline business, OMV has assured that in future SNGPL shall be invited for submission of proposals for undertaking any of their up-coming projects.

FUTURE OUTLOOK

Your Company is taking number of steps to improve the financial position of your Company and is taking right focused steps to address the situation. Detailed plan has been drawn which includes:

a) Taking up the matter legally for:

   - provision of unencumbered return of 17.5% on average assets;
   - restricting penalty on account of UFG disallowance to Rs 750 million (approximately) as prescribed in the law.

   In this regard, while Company's appeal is pending adjudication in Supreme Court of Pakistan, OGRA has also commenced undertaking UFG study which is also expected to quantify factors within and beyond Company's control.

b) Implementation of ECC decision in the true letter and spirit more specifically regarding provision of impact of bulk to retail ratio as Company is continuously engaged in expansion of distribution network providing gas to areas/category of consumers having higher distribution losses as compared to bulk consumers with minimum line losses.

c) Concerted efforts to bring down the UFG at an acceptable level by specifically targeting areas of high UFG both technically and functionally.

d) Expedite augmentation of transmission network required to transport additional 1.2 BCFD imported gases in the network. This would enhance your Company's asset base yielding direct impact on return on assets / profitability of the Company.

e) Actively pursue other avenues of profitability including pipeline engineering and construction work for E&P companies.

Management of your Company is confident that with the action plan brief of which is set out above, your Company will be able to turn-around and show promising results in near future.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the continued support and patronage received from shareholders and its valued customers. We wish to acknowledge the dedication and commitment of all the employees who contributed valuable services, to sustain all operations of the Company.

We also place on record our acknowledgement for the continued guidance and support received from the Government of Pakistan, Ministry of Petroleum & Natural Resources and Oil & Gas Regulatory Authority (OGRA).

We wish to offer the members of the Board our profound gratitude for their hard work and precious time which contributed towards successful operations of your Company.

On behalf of the Board

(Amer Tufail)	**(Muhammad Saeed Mehdi)**
Managing Director/CEO	Chairman-BOD

Lahore
February 11, 2016


561N
LES
9302

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2015

* Name of Shareholders	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
	3,102	1	100	134,853	0.02
	3,563	101	500	942,392	0.15
	4,457	501	1,000	3,320,405	0.52
	2,866	1,001	5,000	6,875,983	1.08
	585	5,001	10,000	4,489,187	0.71
	182	10,001	15,000	2,271,615	0.36
	130	15,001	20,000	2,347,543	0.37
	83	20,001	25,000	1,955,890	0.31
	45	25,001	30,000	1,282,689	0.20
	39	30,001	35,000	1,296,452	0.20
	26	35,001	40,000	1,007,424	0.16
	24	40,001	45,000	1,037,639	0.16
	43	45,001	50,000	2,113,834	0.33
	8	50,001	55,000	425,130	0.07
	14	55,001	60,000	821,804	0.13
	13	60,001	65,000	823,075	0.13
	7	65,001	70,000	478,663	0.08
	9	70,001	75,000	672,000	0.11
	3	75,001	80,000	231,277	0.04
	6	80,001	85,000	498,718	0.08
	2	85,001	90,000	176,000	0.03
	3	90,001	95,000	278,000	0.04
	24	95,001	100,000	2,391,724	0.38
	3	100,001	105,000	308,044	0.05
	3	105,001	110,000	325,500	0.05
	4	110,001	115,000	449,500	0.07
	3	115,001	120,000	353,623	0.06
	5	120,001	125,000	623,000	0.10
Faisal	1	130,001	135,000	132,500	0.02
	2	135,001	140,000	280,000	0.04
	3	140,001	145,000	430,591	0.07
	7	145,001	150,000	1,041,309	0.16
	2	150,001	155,000	308,814	0.05
	2	155,001	160,000	317,888	0.05
	3	175,001	180,000	534,500	0.08
	2	180,001	185,000	364,770	0.06
	12	195,001	200,000	2,395,391	0.38
	4	200,001	205,000	808,930	0.13
	3	215,001	220,000	658,350	0.10
Faisal Mahmood Ghani	1	220,001	225,000	225,000	0.04
Ijaz Anwar Sheikh	1	225,001	230,000	230,000	0.04
Anwar Elahi	1	240,001	245,000	243,544	0.04
	3	245,001	250,000	750,000	0.12
Syed Abdul Khalique Qadri	1	250,001	255,000	253,000	0.04
Muhammad Amer Riaz	1	260,001	265,000	264,500	0.04
Muhammad Ahsan	1	265,001	270,000	270,000	0.04
Shaikh Naveed Mazhar / Marium Naveed	1	275,001	280,000	278,000	0.04
National Insurance Company Limited	1	280,001	285,000	284,846	0.04
	2	290,001	295,000	582,122	0.09
	3	295,001	300,000	900,000	0.14
National Logistic Cell	1	310,001	315,000	314,737	0.05
	2	320,001	325,000	646,147	0.10
	2	330,001	335,000	669,613	0.11
Waqar Asghar	1	335,001	340,000	336,000	0.05
Ghulam Reza Namlaiti	1	365,001	370,000	367,978	0.06
	3	395,001	400,000	1,200,000	0.19
	2	400,001	405,000	804,500	0.13
Riffat Rashid	1	435,001	440,000	436,000	0.07
	2	445,001	450,000	900,000	0.14

* Name of Shareholders	Number of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held	Percentage
CDC - Trustee Meezan Balanced Fund	1	470,001	475,000	475,000	0.07
Ijaz Hussain	1	490,001	495,000	492,062	0.08
	5	495,001	500,000	2,500,000	0.39
CDC - Trustee NIT-Equity Market Opportunity Fund	1	515,001	520,000	515,149	0.08
Amir Fine Exports (Pvt) Ltd.	1	525,001	530,000	526,500	0.08
Masood Ahmed Khan	1	565,001	570,000	567,500	0.09
Saqib Mahmood	1	590,001	595,000	590,200	0.09
Umair Amanullah	1	595,001	600,000	600,000	0.09
Saeed Iqbal	1	640,001	645,000	645,000	0.10
	2	695,001	700,000	1,400,000	0.22
CDC - Trustee NAFA Islamic Asset Allocation Fund	1	745,001	750,000	746,500	0.12
Asian Co-Operative Society Limited	1	760,001	765,000	762,300	0.12
Select Equities	1	790,001	795,000	792,000	0.12
PAIR Investment Company Limited	1	850,001	855,000	855,000	0.13
JS Global Capital Limited - MF	1	900,001	905,000	901,000	0.14
CDC - Trustee Al Meezan Mutual Fund	1	945,001	950,000	950,000	0.15
Polunin Funds	1	960,001	965,000	961,000	0.15
CDC - Trustee Atlas Islamic Stock Fund	1	1,195,001	1,200,000	1,200,000	0.19
DJM Securities (Private) Limited	1	1,320,001	1,325,000	1,324,500	0.21
	3	1,495,001	1,500,000	4,500,000	0.71
NIB Bank Limited - MT	1	1,735,001	1,740,000	1,737,000	0.27
Shaikh Sultan Ahmed	1	1,845,001	1,850,000	1,850,000	0.29
Jubilee Life Insurance Company Limited	1	1,855,001	1,860,000	1,856,500	0.29
	2	2,095,001	2,100,000	4,200,000	0.66
Trustees of FFC Employees Provident Fund	1	2,165,001	2,170,000	2,167,500	0.34
Adamjee Insurance Company Limited	1	2,210,001	2,215,000	2,213,095	0.35
Askari Bank Limited	1	2,295,001	2,300,000	2,300,000	0.36
Muhammad Arif Khan	1	2,350,001	2,355,000	2,350,658	0.37
Sui Southern Gas Company Limited	1	2,410,001	2,415,000	2,414,174	0.38
Hafiz Avais Ghani	1	2,460,001	2,465,000	2,463,000	0.39
CDC - Trustee PICIC Investment Fund	1	2,485,001	2,490,000	2,488,024	0.39
Masood Ahmed Khan	1	2,495,001	2,500,000	2,500,000	0.39
LGT Mult Manager Fund - LGT Multi Manager EQT EMER MKT (USD)	1	2,520,001	2,525,000	2,521,500	0.40
Silkbank Limited	1	3,125,001	3,130,000	3,127,850	0.49
Dawood Foundation	1	3,675,001	3,680,000	3,676,545	0.58
Masood Fabrics Ltd	1	3,745,001	3,750,000	3,746,500	0.59
Sindh Bank Limited	1	3,960,001	3,965,000	3,961,500	0.62
Efu Life Assurance Ltd	1	4,140,001	4,145,000	4,143,250	0.65
Golden Arrow Selected Stocks Fund Limited	1	4,315,001	4,320,000	4,318,050	0.68
Polunin Discovery Funds-Frontier Markets Fund	1	4,945,001	4,950,000	4,950,000	0.78
Sherman Securities (Private) Limited	1	5,525,001	5,530,000	5,530,000	0.87
CDC - Trustee NIT State Enterprise Fund	1	5,820,001	5,825,000	5,823,067	0.92
Trustee - MCB Employees Pension Fund	1	5,925,001	5,930,000	5,930,000	0.94
Polunin Emerging Markets Small CAP Fund, LLC	1	5,945,001	5,950,000	5,947,300	0.94
CDC - Trustee Meezan Islamic Fund	1	6,240,001	6,245,000	6,243,500	0.98
Pakistan Reinsurance Company Ltd.	1	8,695,001	8,700,000	8,698,203	1.37
Acadian Frontier Markets Equity Fund	1	9,350,001	9,355,000	9,350,383	1.47
CDC - Trustee PICIC Growth Fund	1	9,910,001	9,915,000	9,911,246	1.56
State Life Insurance Corp. of Pakistan	1	10,725,001	10,730,000	10,725,728	1.69
State Life Insurance Corp. of Pakistan	1	16,755,001	16,760,000	16,757,409	2.64
CDC - Trustee National Investment (Unit) Trust	1	19,640,001	19,645,000	19,642,326	3.10
Employees Old Age Benefits Institution	1	22,660,001	22,665,000	22,660,753	3.57
SNGPL Employees Empowerment Trust	1	27,395,001	27,400,000	27,399,709	4.32
Pakistan Industrial Development Corp. (Pvt) Ltd.	1	38,160,001	38,165,000	38,164,538	6.02
National Bank of Pakistan	1	49,920,001	49,925,000	49,924,653	7.87
MCB Bank Limited - Treasury	1	55,125,001	55,130,000	55,126,789	8.69
The President of Islamic Republic of Pakistan	1	200,930,001	200,935,000	200,931,210	31.68
Total	**15,389**			**634,216,665**	**100.00**

* Name of Shareholders have been specified where shares are held by a single shareholder.

CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2015

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
The President of Islamic Republic of Pakistan	1	200,931,210	31.68
Directors and their spouse(s) and minor children			
Mr. Mohammad Arif Hameed	1	5	0.00
Mr. Muhammad Saeed Mehdi	1	2,500	0.00
Mr. Ahmad Aqeel	1	3,000	0.00
Mr. Mohammad Arif Habib	1	577	0.00
Mr. Khalid Rahman	1	431	0.00
Mian Misbah-ur-Rehman	1	10,000	0.00
Mr. Raza Mansha	1	126	0.00
Mirza Mahmood Ahmad	2	3,077	0.00
Mr. Mustafa Ahmad Khan	1	3,000	0.00
Associated Companies, undertakings and related parties			
MCB Bank Limited	6	55,174,764	8.70
Sui Southern Gas Company Limited	1	2,414,174	0.38
Executives	3	830	0.00
Public Sector Companies and Corporations	18	130,467,852	20.57
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	44	23,489,452	3.70
Mutual Funds			
CDC - Trustee National Investment (Unit) Trust	1	19,642,326	3.10
CDC - Trustee NIT State Enterprise Fund	1	5,823,067	0.92
CDC - Trustee PICIC Growth Fund	1	9,911,246	1.56
CDC - Trustee PICIC Income Fund - MT	1	1,000	0.00
CDC - Trustee PICIC Investment Fund	1	2,488,024	0.39
Growth Mutual Fund Limited	1	451	0.00
Golden Arrow Selected Stocks Fund Limited	1	4,318,050	0.68
CDC - Trustee Atlas Stock Market Fund	1	2,100,000	0.33
CDC - Trustee Meezan Balanced Fund	1	475,000	0.07
CDC - Trustee AKD Index Tracker Fund	1	33,670	0.01
CDC - Trustee AKD Opportunity Fund	1	2,100,000	0.33
Tri. Star Mutual Fund Limited	1	158	0.00
CDC - Trustee Al Meezan Mutual Fund	1	950,000	0.15
CDC - Trustee Meezan Islamic Fund	1	6,243,500	0.98
CDC - Trustee Atlas Islamic Stock Fund	1	1,200,000	0.19
CDC - Trustee NAFA Stock Fund	1	291,000	0.05
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	700,000	0.11
CDC - Trustee APF-Equity Sub Fund	1	100,000	0.02
CDC - Trustee NAFA Islamic Asset Allocation Fund	1	746,500	0.12
CDC - Trustee APIF - Equity Sub Fund	1	146,000	0.02
CDC - Trustee NIT-Equity Market Opportunity Fund	1	515,149	0.08
CDC - Trustee Alfalah GHP Income Fund - MT	1	15,500	0.00
CDC - Trustee Faysal Asset Allocation Fund - MT	1	60,000	0.01
CDC - Trustee Faysal Savings Growth Fund - MT	1	147,500	0.02
CDC - Trustee Faysal Income & Growth Fund - MT	1	183,500	0.03
CDC - Trustee NAFA Islamic Stock Fund	1	500,000	0.08
CDC - Trustee First Habib Income Fund - MT	1	123,000	0.02
General Public			
a. Local	14,580	64,694,363	10.20
b. Foreign	521	876,904	0.14
Foreign Companies	36	25,191,581	3.97
Others			
a. SNGPL Employees Empowerment Trust	1	27,399,709	4.32
b. Joint Stock Companies	107	15,441,919	2.43
c. All others	34	29,296,550	4.62
Total	**15,389**	**634,216,665**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
The President of Islamic Republic of Pakistan	200,931,210	31.68
MCB Bank Limited - Treasury	55,126,789	8.69
National Bank of Pakistan	49,924,653	7.87
Pakistan Industrial Development Corp. (Pvt.) Limited	38,164,538	6.02

All trades in the shares of the Company, carried out by its Directors, CEO, CFO, Company Secretary and their spouse(s) and minor children during the financial year: (Namewise detail)	Purchased
Mr. Muhammad Saeed Mehdi	2,500
Mian Misbah-ur-Rehman	7,500

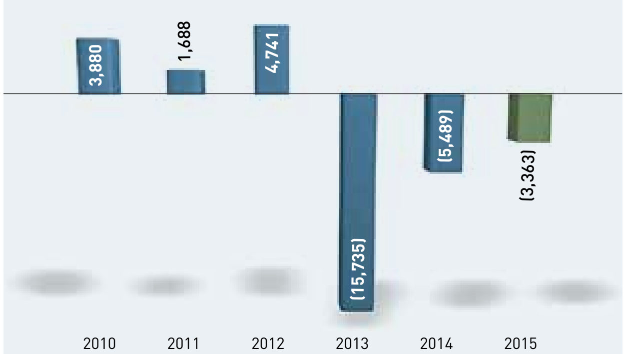
SUMMARY OF SIX YEARS

AS AT JUNE 30, 2015

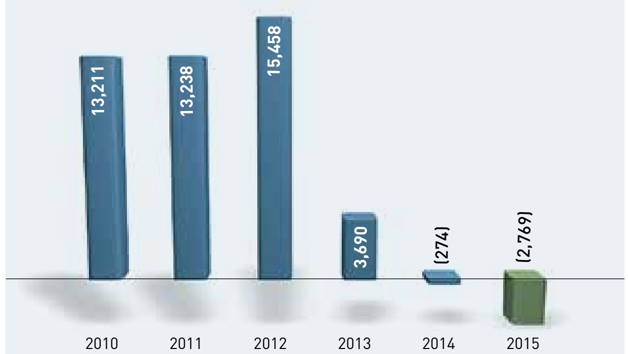
Particulars	Unit	2015	2014	2013	2012	2011	2010
Profit and loss account							
Net turnover	Rs ' 000	212,520,573	220,760,878	205,662,047	216,652,317	187,837,601	161,629,828
Gross profit / (loss)	Rs ' 000	2,146,341	633,539	(15,350,738)	7,229,803	3,600,428	5,612,963
Operating profit / (loss)	Rs ' 000	1,041,051	(388,704)	(9,133,823)	9,090,533	5,774,559	9,145,373
(Loss) / profit before tax	Rs ' 000	(3,363,009)	(5,488,724)	(15,734,979)	4,740,885	1,687,743	3,879,931
(Loss) / profit after tax	Rs ' 000	(2,494,500)	(3,964,575)	(9,749,089)	3,043,996	1,125,021	2,554,563
Earnings / (Loss) before interest, taxes, depreciation and amortization (EBITDA)	Rs ' 000	10,288,894	8,381,830	(934,100)	16,418,024	13,218,848	15,353,437
Balance sheet							
Share capital	Rs ' 000	6,342,167	6,342,167	6,342,167	5,765,606	5,491,053	5,491,053
Reserves	Rs ' 000	(2,768,849)	(274,130)	3,690,445	15,458,174	13,237,836	13,211,026
Property, plant and equipment	Rs ' 000	114,476,508	104,543,542	98,397,094	92,769,426	89,498,248	86,728,369
Net current (liabilities) / assets	Rs ' 000	(24,618,696)	(26,803,561)	(21,570,400)	533,568	(2,964,050)	(10,416,871)
Long term / deferred liabilities	Rs ' 000	88,562,843	73,960,641	69,317,457	74,373,427	69,570,313	59,158,657
Summary of cash flows							
Net cash from operating activities	Rs ' 000	11,635,935	13,749,697	17,707,352	10,215,571	2,381,118	16,256,271
Net cash used in investing activities	Rs ' 000	(18,540,378)	(14,500,221)	(13,781,730)	(10,932,565)	(10,228,636)	(14,593,668)
Net cash from / (used in) financing activities	Rs ' 000	7,814,602	285,993	(4,083,520)	(111,802)	7,792,456	(1,019,500)
Net increase / (decrease) in cash and cash equivalents	Rs ' 000	910,159	(464,531)	(157,898)	(828,796)	(55,062)	643,103
Investor information for six years							
Profitability ratios							
Gross profit ratio	%	1.12	0.31	(6.85)	3.14	1.95	3.24
Net profit to sales	%	(1.31)	(1.92)	(4.35)	1.32	0.61	1.48
EBITDA margin	%	5.39	4.06	(0.42)	7.13	7.14	8.88
Return on equity	%	(51.75)	(49.25)	(62.38)	15.24	6.01	14.66
Return on capital employed	%	(0.92)	(2.82)	(9.90)	6.05	2.65	4.81
Efficiency ratios							
Operating cycle	Days	118	100	106	88	80	74
Inventory turnover ratio	Times	212.68	217.61	229.75	272.96	258.24	204.68
Debtor turnover ratio	Times	3.15	3.71	3.51	4.19	4.67	5.04
Total asset turnover ratio	Times	0.90	1.20	1.36	1.32	1.33	1.24
Fixed asset turnover ratio	Times	1.67	1.97	2.28	2.48	2.07	1.99
Weighted average cost of debt	%	3.09	5.35	6.60	4.36	6.19	7.25
Investment							
(Loss) / earning per share (basic)	Rs /Share	(3.93)	(6.25)	(15.37)	4.80	1.95	4.43
Market value per share	Rs /Share	26.64	22.65	20.06	16.89	19.92	27.79
Share's highest value during the year	Rs /Share	29.75	28.80	27.20	23.60	34.75	36.60
Share's lowest value during the year	Rs /Share	18.50	19.50	15.92	15.25	17.64	23.40
Price earning ratio	Times	(6.77)	(3.62)	(1.30)	3.52	10.21	6.27
Break up value per share	Rs /Share	5.63	9.57	15.82	36.81	34.11	34.06
Bonus shares issued	Ratio	-	-	-	10%	5%	-
Cash dividend per share	Rs /Share	-	-	-	2.50	1.00	2.00
Leverage							
Debt: equity ratio	%	83	63	50	37	39	14
Dividend yield ratio	%	-	-	-	14.80	5.02	7.20
Dividend payout ratio	%	-	-	-	47.35	48.81	42.99
Interest cover ratio	Times	0.16	(0.10)	(1.58)	2.39	1.44	1.83
Dividend cover ratio	Times	-	-	-	2.11	2.05	2.33
Current ratio	Times	0.79	0.71	0.75	1.01	0.94	0.83
Quick / Acid test ratio	Times	0.76	0.67	0.71	0.97	0.90	0.79
Statement of value added & how distributed							
Employees as remuneration	Rs ' 000	9,894,515	10,161,720	8,199,332	7,726,425	6,512,432	4,916,333
Government as taxes	Rs ' 000	40,762,190	45,781,896	49,762,787	38,391,421	31,501,188	25,893,720
Shareholders as dividends	Rs ' 000	-	-	-	1,441,402	549,105	1,098,211
Retained with the business	Rs ' 000	(7,376,531)	(4,881,812)	(917,237)	8,832,529	7,806,496	7,505,133
Financial charges to providers of finance	Rs ' 000	3,982,728	5,005,457	6,053,916	3,397,081	3,870,415	4,639,382

GRAPHICAL PRESENTATION

PROFIT/(LOSS) BEFORE TAXATION
(Rupees in Million)



RESERVES
(Rupees in Million)



TRANSMISSION AND DISTRIBUTION SYSTEM
(In Kilometers)

NET TURNOVER
(Rupees in Million)

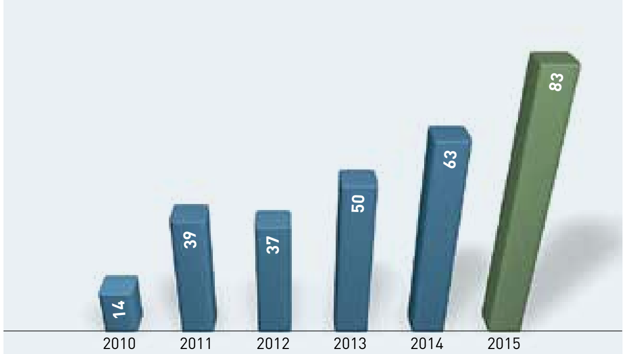
CUSTOMERS
(Numbers in Thousand)

EBITDA
(Rupees in Million)

GROWTH OF TOTAL ASSETS
(Rupees in Million)

CURRENT RATIO
(In Percentage)

DEBT EQUITY RATIO
(In Percentage)

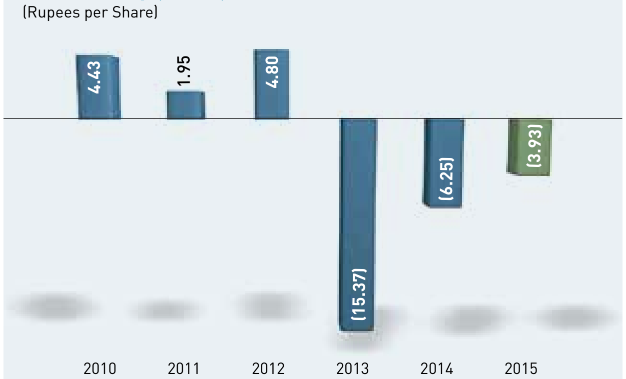


INTEREST COVER RATIO
(In Times)

INVENTORY TURNOVER RATIO
(In Times)

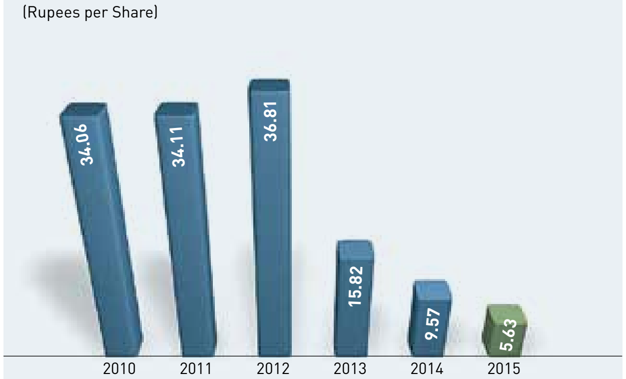
PROFIT/(LOSS) AFTER TAXATION
(Rupees in Million)

EARNINGS / (LOSS) PER SHARE
(Rupees per Share)

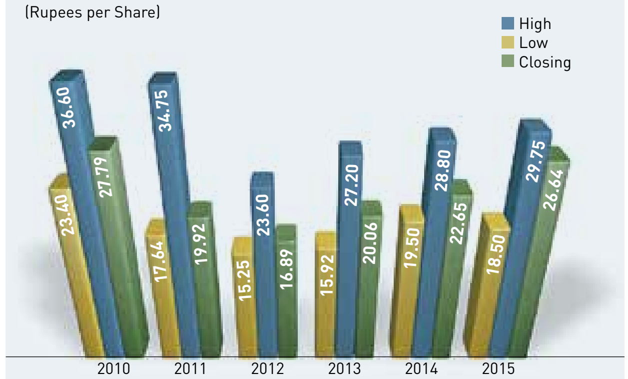


REVENUE & COST ANALYSIS
(Rupees in Million)

BREAK UP VALUE PER SHARE
(Rupees per Share)



SHARE VALUE
(Rupees per Share)



HORIZONTAL
ANALYSIS

	Jun 30, 10	Jun 30, 11	Jun 30, 12	Jun 30, 13	Jun 30, 14	Jun 30, 15
BALANCE SHEET ITEMS						
Assets						
Non-current assets						
Property, plant and equipment	100	104	107	114	121	133
Intangible assets	100	67	38	4	16	13
Deferred taxation	100	100	100	100	100	100
Long term investment	100	100	100	100	100	100
Long term loans	100	99	108	114	141	158
Employee benefits	100	102	149	176	149	-
Long term deposits and prepayments	100	72	148	72	77	71
	100	103	108	114	121	132
Current assets						
Stores and spare parts	100	97	110	132	172	165
Stock in trade-gas in pipelines	100	93	115	145	128	139
Trade debts	100	85	171	127	132	151
Loans and advances	100	77	67	168	441	397
Trade deposits and short term prepayments	100	140	120	113	226	116
Interest accrued	100	131	217	177	254	193
Other receivables	100	269	4	15	2	1022
Income tax recoverable - Net	100	47	121	286	251	232
Sales tax recoverable	100	100	100	100	100	100
Cash and bank balances	100	97	56	48	24	28
	100	93	155	124	128	186
Total assets	100	100	125	118	124	152
Equity and liabilities						
Share capital and reserves						
Authorized share capital						
(1,500,000,000 Ordinary shares of Rs 10 each)	100	100	100	100	100	100
Issued, subscribed and paid up share capital	100	100	105	116	116	116
Revenue reserves	100	100	117	28	(2)	(21)
Total equity	100	100	113	54	32	19
Non-current liabilities						
Long term financing:						
- Secured	100	100	100	100	100	100
- Unsecured	100	106	87	88	74	57
Security deposits	100	111	136	150	200	218
Deferred Credit	100	99	101	100	94	97
Deferred tax	100	96	104	31	1	-
Employee benefits	100	92	258	410	525	791
	100	118	126	117	125	150
Current liabilities						
Trade and other payables	100	75	116	121	120	165
Interest / Mark up accrued	100	175	212	311	363	418
Short term borrowings	100	100	100	100	98	14
Current portion of long term financing	100	31	386	383	385	395
Sales tax payable	100	100	100	100	100	100
	100	82	128	138	150	195
Total liabilities	100	100	127	128	138	173
Total equity and liabilities	100	100	125	118	124	152
PROFIT AND LOSS ITEMS						
Gas sales	100	107	133	130	119	110
Add / (less): differential margin / (Gas development surcharge)	100	(24)	120	162	(128)	(191)
	100	116	134	127	137	131
Cost of gas sold	100	119	135	142	141	135
Gross profit	100	95	123	8	99	107
Other operating income	100	111	117	200	125	135
	100	100	121	65	107	116
Less: Operating expenses						
Distribution cost	100	117	131	154	166	169
Administrative expenses	100	136	144	158	177	195
	100	120	133	154	167	172
	100	63	99	(100)	(4)	11
Other operating expenses	100	34	152	81	15	68
Operating profit / (loss)	100	65	96	(113)	(6)	7
Finance cost	100	83	73	131	108	86
Profit /(loss) before taxation and share from associate	100	44	122	(406)	(141)	(87)
Share in profit of associate - before tax	100	-	-	-	-	-
Profit/(loss) before taxation	100	43	122	(406)	(141)	(87)
Taxation	100	42	128	(452)	(115)	(66)
Profit/(loss) after taxation	100	44	119	(382)	(155)	(98)
Earnings / (loss) per share - basic and diluted (rupees)	100	44	108	(347)	(141)	(89)

VERTICAL
ANALYSIS

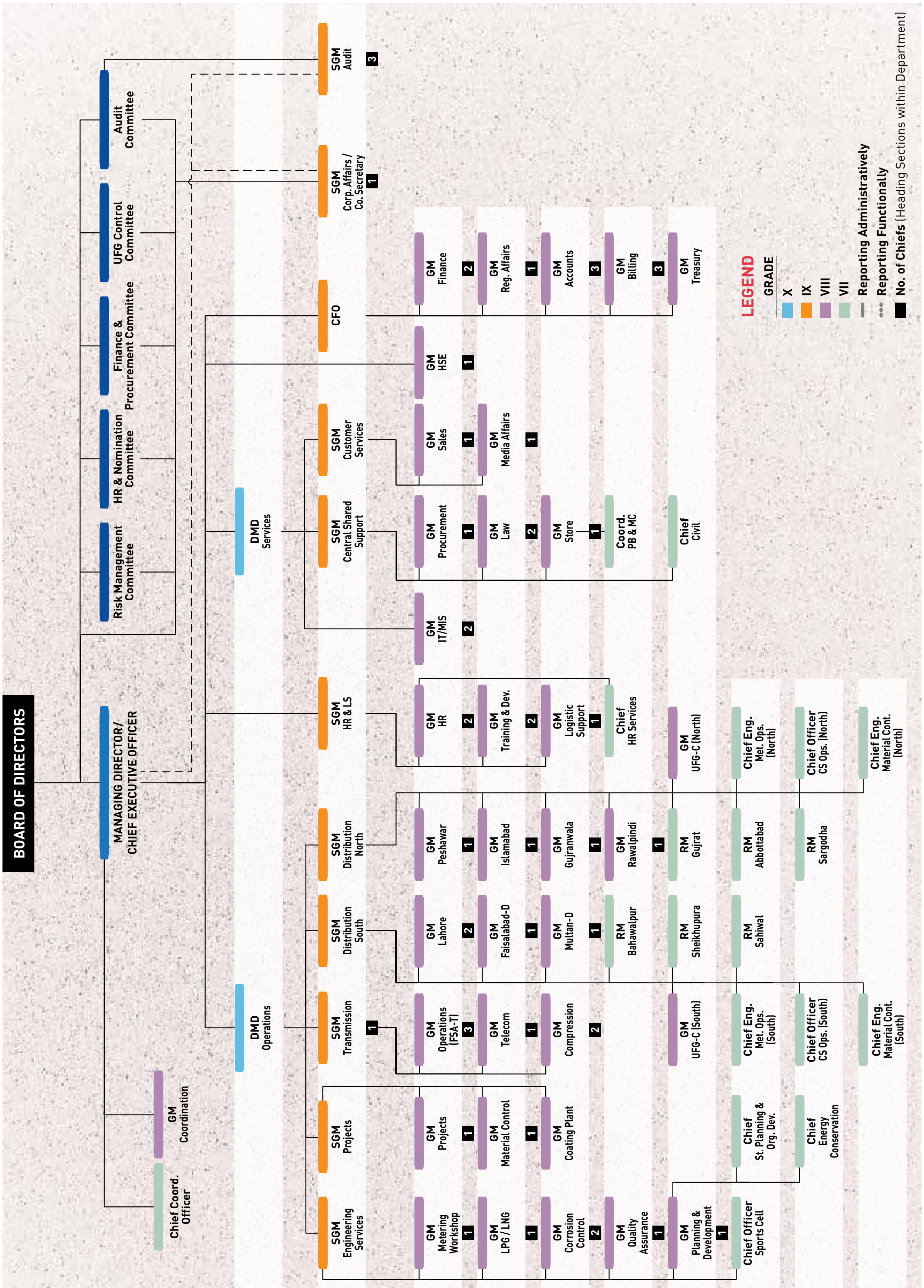
	Jun 30, 10	Jun 30, 11	Jun 30, 12	Jun 30, 13	Jun 30, 14	Jun 30, 15
BALANCE SHEET ITEMS						
Assets						
Non-current assets						
Property, plant and equipment	62.03	64.51	53.31	59.93	60.78	54.06
Intangible assets	0.26	0.17	0.08	0.01	0.03	0.02
Deferred taxation	0.00	0.00	0.00	0.00	0.00	0.88
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00
Long term loans	0.16	0.16	0.14	0.16	0.19	0.17
Employee benefits	0.91	0.93	1.09	1.36	1.10	0.00
Long term deposits and prepayments	0.01	0.00	0.01	0.00	0.00	0.00
	63.37	65.78	54.63	61.46	62.12	55.13
Current assets						
Stores and spare parts	1.20	1.17	1.06	1.34	1.67	1.30
Stock in trade-gas in pipelines	0.53	0.49	0.49	0.65	0.55	0.49
Trade debts	30.79	26.28	42.14	33.17	32.89	30.51
Loans and advances	0.16	0.13	0.09	0.23	0.59	0.43
Trade deposits and short term prepayments	0.07	0.10	0.07	0.07	0.14	0.06
Interest accrued	0.01	0.01	0.01	0.01	0.01	0.01
Other receivables	1.56	4.23	0.05	0.20	0.02	10.51
Income tax recoverable - Net	0.85	0.40	0.82	2.07	1.73	1.30
Sales tax recoverable	0.00	0.00	0.00	0.20	0.00	0.00
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00
Cash and bank balances	1.44	1.41	0.65	0.59	0.28	0.26
	36.63	34.22	45.37	38.54	37.88	44.87
Total assets	100.00	100.00	100.00	100.00	100.00	100.00
Equity and liabilities						
Share capital and reserves						
Authorized share capital						
(1,500,000,000 Ordinary shares of rs 10 each)						
Issued, subscribed and paid up share capital	3.94	3.96	3.31	3.86	3.69	2.99
Revenue reserves	9.49	9.54	8.88	2.25	(0.16)	(1.31)
Total equity	13.43	13.50	12.20	6.11	3.53	1.69
Non-current liabilities						
- Secured	0.00	6.85	4.31	3.05	3.20	6.37
- Unsecured	0.90	0.95	0.62	0.67	0.54	0.34
Security deposits	10.70	11.88	11.62	13.62	17.32	15.32
Deferred Credit	23.71	23.62	19.15	20.17	18.12	15.18
Deferred tax	6.29	6.03	5.21	1.63	0.06	0.00
Employee benefits	0.88	0.81	1.83	3.07	3.76	4.60
	42.49	50.15	42.74	42.22	43.00	41.82
Current liabilities						
Trade and other payables	39.56	29.65	36.67	40.70	38.28	42.90
Sales tax Payable	0.00	0.05	0.62	0.00	3.34	3.16
Interest / Mark up accrued	3.28	5.76	5.56	8.63	9.63	8.99
Short term borrowing	0.72	0.72	0.57	0.61	0.57	0.07
Current portion of long term financing	0.53	0.17	1.64	1.73	1.65	1.38
	44.08	36.35	45.06	51.67	53.47	56.49
Total liabilities	86.57	86.50	87.80	93.89	96.47	98.31
Contingencies and Commitments	-	-	-	-	-	-
Total equity and liabilities	100.00	100.00	100.00	100.00	100.00	100.00
PROFIT AND LOSS ITEMS						
Gas sales	100.00	100.00	100.00	100.00	100.00	100.00
Add / (less): differential margin / (Gas development surcharge)	(6.57)	1.50	(5.91)	(8.21)	7.04	11.37
	93.43	101.50	94.09	91.79	107.04	111.37
Cost of gas sold	82.85	92.13	84.32	91.14	98.22	101.09
Gross profit	10.58	9.37	9.77	0.64	8.82	10.28
Other operating income	4.49	4.68	3.95	6.94	4.73	5.52
	15.07	14.05	13.72	7.58	13.55	15.80
Less: operating expenses						
Distribution cost	8.54	9.36	8.44	10.14	11.89	13.05
Administrative expenses	1.24	1.57	1.34	1.51	1.84	2.20
	9.78	10.93	9.78	11.66	13.74	15.25
	5.29	3.12	3.95	(4.08)	(0.19)	0.55
Other operating expenses	0.36	0.11	0.41	0.22	0.05	0.22
Operating profit/(loss)	4.93	3.01	3.54	(4.30)	(0.23)	0.32
Finance cost	2.69	2.10	1.48	2.72	2.43	2.09
Profit/(loss) before taxation and share from associate	2.24	0.91	2.06	(7.02)	(2.66)	(1.76)
Share in Profit of Associate - Before Tax	-	-	-	-	-	-
Profit/(loss) before taxation	2.24	0.91	2.06	(7.02)	(2.66)	(1.76)
Taxation	0.77	0.30	0.74	(2.67)	(0.74)	(0.46)
Profit/(loss) after taxation	1.48	0.61	1.32	(4.35)	(1.92)	(1.31)

TEN YEARS
AT A GLANCE

	2015	2014	2013
BALANCE SHEET - SUMMARY			
Paid up share capital	6,342,167	6,342,167	6,342,167
Revenue reserves	(2,768,849)	(274,130)	3,690,445
Deferred credit	32,142,949	31,168,532	33,118,345
Non-Current liabilities			
Long term loans outstanding			
- Local	718,778	932,097	1,103,835
- Foreign	-	-	-
- Banking companies	13,500,000	5,500,000	5,000,000
Long term security deposits	32,452,229	29,782,655	22,369,143
Deferred liabilities - taxation	-	107,968	2,677,154
Employee benefit	9,748,887	6,469,389	5,048,980
Current liabilities	119,641,107	91,962,260	84,849,817
	211,777,268	171,990,938	164,199,886
Non-Current assets	116,754,857	106,832,239	100,920,469
Current assets	95,022,411	65,158,699	63,279,417
	211,777,268	171,990,938	164,199,886
PROFIT AND LOSS - SUMMARY			
Sales	190,819,014	206,237,565	224,063,823
Add/(Less) differential margin/(Gas Development Surcharge)	21,701,559	14,523,313	(18,401,776)
Net Sales	212,520,573	220,760,878	205,662,047
Cost of gas sold	192,905,262	202,573,981	204,219,807
Gross profit	19,615,311	18,186,897	1,442,240
Other operating income	10,525,247	9,752,046	15,541,298
	30,140,558	27,938,943	16,983,538
Expenditure			
Operating Expenses	29,099,507	28,327,647	26,117,361
Finance cost	3,982,728	5,005,457	6,100,239
Other charges	421,332	94,563	500,917
	33,503,567	33,427,667	32,718,517
(Loss)/profit before taxation	(3,363,009)	(5,488,724)	(15,734,979)
Provision for taxation	(868,509)	(1,524,149)	(5,985,890)
(Loss)/profit after taxation	(2,494,500)	(3,964,575)	(9,749,089)
(Loss)/earnings per share (Basic)/(Rupees)	(3.93)	(6.25)	(15.37)
Dividend (%)	-	-	-
Bonus shares (%)	-	-	-
Number of employees - Operation	8,772	8,696	8,991
- Project	290	288	303
	9,062	8,984	9,294
Gas sales (MMCF)	463,393	506,355	552,272
Consumers (In numbers)	5,021,956	4,766,715	4,486,189
Customers (In numbers)			
Industrial	6,453	6,453	6,559
Commercial	54,047	53,957	56,212
Domestic	4,921,747	4,666,596	4,383,709
	4,982,247	4,727,006	4,446,480
Transmission and distribution system (In kilometers)			
Transmission mains	7,818	7,738	7,675
Distribution mains and services	97,300	95,855	93,646
	105,118	103,593	101,321

	2012	2011	2010	2009	2008	2007	2006
							(Rupees in thousand)
	5,765,606	5,491,053	5,491,053	5,491,053	5,491,053	5,491,053	4,991,866
	15,458,174	13,237,836	13,211,026	10,656,463	11,647,796	10,798,422	10,116,826
	33,315,790	32,768,270	33,017,791	32,000,133	31,386,548	23,108,412	16,663,770
	1,086,313	1,324,177	1,251,220	1,471,659	1,774,432	2,194,721	3,428,613
	-	-	-	326,653	943,531	1,515,460	2,045,483
	7,500,000	9,500,000	-	-	62,500	662,500	1,949,084
	20,227,669	16,477,801	14,899,244	11,439,969	9,068,102	7,270,407	5,865,779
	9,066,835	8,369,991	8,758,231	8,178,211	7,562,412	6,752,570	6,046,992
	3,176,820	1,130,074	1,232,171	392,249	336,667	331,754	312,654
	78,420,597	50,431,414	61,376,573	52,595,572	29,374,602	25,559,287	25,815,502
	174,017,804	138,730,616	139,237,309	122,551,962	97,647,643	83,684,586	77,236,569
	95,063,639	91,263,252	88,240,778	79,211,266	62,788,440	50,342,380	43,789,649
	78,954,165	47,467,364	50,996,531	43,340,696	34,859,203	33,342,206	33,446,920
	174,017,804	138,730,616	139,237,309	122,551,962	97,647,643	83,684,586	77,236,569
							(Rupees in thousand)
	230,267,469	185,060,783	172,994,645	160,714,737	123,404,537	122,091,652	107,897,291
	(13,615,152)	2,776,818	(11,364,817)	8,219,094	750,496	(9,514,600)	(2,046,177)
	216,652,317	187,837,601	161,629,828	168,933,831	124,155,033	112,577,052	105,851,114
	194,157,271	170,499,741	143,332,938	151,337,339	109,107,461	99,168,250	91,986,318
	22,495,046	17,337,860	18,296,890	17,596,492	15,047,572	13,408,802	13,864,796
	9,104,253	8,664,184	7,772,532	4,496,964	3,856,958	3,948,338	3,580,703
	31,599,299	26,002,044	26,069,422	22,093,456	18,904,530	17,357,140	17,445,499
	22,508,766	20,227,485	16,923,837	16,734,729	13,176,858	12,005,044	10,799,936
	3,412,328	3,877,833	4,650,154	653,182	789,247	860,715	1,180,203
	937,320	208,983	615,500	2,975,305	957,194	241,324	346,300
	26,858,414	24,314,301	22,189,491	20,363,216	14,923,299	13,107,083	12,326,439
	4,740,885	1,687,743	3,879,931	1,730,240	3,981,231	4,250,057	5,119,060
	1,696,889	562,722	1,325,368	799,704	1,484,541	1,571,714	1,396,816
	3,043,996	1,125,021	2,554,563	930,536	2,496,690	2,678,343	3,722,244
	4.80	1.95	4.43	1.61	4.33	4.65	6.78
	25	10	20	-	35	30	30
	10	5	-	-	-	-	10
	8,509	7,800	6,774	6,652	6,916	6,712	6,852
	291	282	306	342	224	209	249
	8,800	8,082	7,080	6,994	7,140	6,921	7,101
	597,056	581,935	586,741	584,881	597,913	576,658	571,481
	4,174,342	3,964,350	3,706,701	3,451,142	3,190,181	2,953,818	2,723,225
	6,628	6,606	6,375	5,953	5,442	4,425	3,773
	55,906	55,877	54,631	52,242	49,176	45,925	43,919
	4,151,518	3,867,359	3,611,187	3,358,439	3,101,303	2,869,208	2,641,273
	4,214,052	3,929,842	3,672,193	3,416,634	3,155,921	2,919,558	2,688,965
	7,653	7,613	7,585	7,347	7,016	6,625	6,195
	87,796	81,828	75,653	67,449	59,951	52,394	46,964
	95,449	89,441	83,238	74,796	66,967	59,019	53,159

SNGPL
ORGANIZATIONAL STRUCTURE



AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

REVIEW REPORT TO THE MEMBERS

on the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') prepared by the Board of Directors of Sui Northern Gas Pipelines Limited for the year ended June 30, 2015 to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges (now merged as the Pakistan Stock Exchange Limited) where the Company is listed and provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes 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 Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Moreover, the Public Sector Companies (Corporate Governance) Rules, 2013 also require the Board to ensure compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules. Compliance with the above stated requirements of PPRA Rules has been checked, on a test basis, as part of the audit of the financial statements of the Company for the purpose of expressing an opinion on those financial statements.

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 aspects with the codes as applicable to the Company for the year ended June 30, 2015.

Further, we draw attention to instances of non-compliance with the requirements of the Codes as reflected in Schedule II to the Statement of Compliance.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Amer Raza Mir

Lahore
Date: February 11, 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sui Northern Gas Pipelines Limited ("the company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, 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 account have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2015 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Emphasis of matter

We draw attention to note 25.3 to the financial statements which explains that the settlement of amounts receivable from and payable to certain government owned and other entities is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan. Our opinion is not qualified in respect of this matter.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner:
Amer Raza Mir

Lahore
Date: February 11, 2016

BALANCE SHEET
as at June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
1,500,000,000 (2014: 1,500,000,000) ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid up share capital	5	6,342,167	6,342,167
Revenue reserves		(2,768,849)	(274,130)
Shareholders' equity		3,573,318	6,068,037
Non-current liabilities			
Long term financing:			
- Secured	6	13,500,000	5,500,000
- Unsecured	7	718,778	932,097
Security deposits	8	32,452,229	29,782,655
Deferred credit	9	32,142,949	31,168,532
Deferred taxation	10	-	107,968
Employee benefits	11	9,748,887	6,469,389
		88,562,843	73,960,641
Current liabilities			
Trade and other payables	12	90,847,016	65,833,495
Sales tax payable		6,687,760	5,737,380
Interest / mark-up accrued on loans and other payables	13	19,043,308	16,570,251
Short term borrowing - secured	14	142,203	977,143
Current portion of long term financing	15	2,920,820	2,843,991
		119,641,107	91,962,260
Contingencies and commitments	16		
		211,777,268	171,990,938

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

Amer Tufail
Managing Director/Chief Executive Officer

	Note	2015	2014
		(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	17	114,476,508	104,543,542
Intangible assets	18	47,470	58,061
Deferred taxation	19	1,858,993	-
Long term investment	20	4,900	4,900
Long term loans	21	360,591	320,492
Employee benefits	22	-	1,898,278
Long term deposits and prepayments	23	6,395	6,966
		116,754,857	106,832,239
Current assets			
Stores and spare parts	24	2,761,800	2,875,132
Stock-in-trade - gas in pipelines		1,030,463	947,899
Trade debts	25	64,621,985	56,571,635
Loans and advances	26	911,452	1,011,144
Trade deposits and short term prepayments	27	118,913	232,634
Accrued interest		14,100	18,495
Other receivables	28	22,253,229	42,699
Taxation-net		2,755,272	2,979,083
Cash and bank balances	29	555,197	479,978
		95,022,411	65,158,699
		211,777,268	171,990,938

Muhammad Saeed Mehdi
Chairman

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
Gas sales	30	190,819,014	206,237,565
Add: Differential Margin		21,701,559	14,523,313
		212,520,573	220,760,878
Less: Cost of gas sales	31	210,374,232	220,127,339
Gross profit		2,146,341	633,539
Other income	33	10,525,247	9,752,046
		12,671,588	10,385,585
Less:			
Selling cost	34	7,440,768	6,973,018
Administrative expenses	35	4,189,769	3,801,271
		11,630,537	10,774,289
Operating profit / (loss)		1,041,051	(388,704)
Less:			
Finance cost	36	3,982,728	5,005,457
Other operating expenses	37	421,332	94,563
		4,404,060	5,100,020
Loss before taxation		(3,363,009)	(5,488,724)
Taxation	38	(868,509)	(1,524,149)
Loss for the year		(2,494,500)	(3,964,575)
Loss per share - basic and diluted - (Rupees)	45	(3.93)	(6.25)

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

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
Loss for the year		(2,494,500)	(3,964,575)
Other comprehensive loss for the year			
Items that will not be reclassified to profit and loss:			
Remeasurement of defined benefit plans - net		(5,014,219)	(1,444,961)
Tariff adjustment with respect to Remeasurement of IAS-19 by OGRA	4.3.1	5,014,000	1,444,961
		(219)	-
Items that may subsequently be reclassified to profit and loss		-	-
Total comprehensive loss for the year		(2,494,719)	(3,964,575)

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

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2015

	Share capital	General reserve	Dividend equalization reserve	Un-appropriated profit	Total revenue reserves	Total equity
	(Rupees	in	thousand)			
Balance as at June 30, 2013	6,342,167	4,127,682	480,000	(917,237)	3,690,445	10,032,612
Total other comprehensive loss for the year	-	-	-	(3,964,575)	(3,964,575)	(3,964,575)
Balance as at June 30, 2014	6,342,167	4,127,682	480,000	(4,881,812)	(274,130)	6,068,037
Total other comprehensive loss for the year	-	-	-	(2,494,719)	(2,494,719)	(2,494,719)
Balance as at June 30, 2015	6,342,167	4,127,682	480,000	(7,376,531)	(2,768,849)	3,573,318

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

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

CASH FLOW STATEMENT
for the year ended June 30, 2015

	Note	2015	2014
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	10,074,575	10,418,667
Finance cost paid		(2,028,403)	(2,591,523)
Taxes paid		(874,639)	(629,790)
Employee benefits / contributions paid		(1,865,354)	(1,407,908)
Increase in security deposits		2,669,568	7,413,513
Receipts against government grants and consumer contributions		3,730,401	625,423
Increase in long term loans		(70,784)	(78,179)
Decrease/(Increase) in long term deposits and prepayments		571	(506)
Net cash generated from operating activities		11,635,935	13,749,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(18,927,142)	(14,896,610)
Expenditure on intangible assets		(15,822)	(55,902)
Proceeds from sale of property, plant and equipment		30,267	43,947
Return on bank deposits		372,319	408,344
Net cash used in investing activities		(18,540,378)	(14,500,221)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing - unsecured		-	10,160
Proceeds from long term financing - secured		10,500,000	3,000,000
Repayment of long term financing - unsecured		(184,706)	(219,622)
Repayment of long term financing - secured		(2,500,000)	(2,500,000)
Dividend paid		(692)	(4,545)
Net cash generated from financing activities		7,814,602	285,993
Net increase/(decrease) in cash and cash equivalents		910,159	(464,531)
Cash and cash equivalents at the beginning of the year		(497,165)	(32,634)
Cash and cash equivalents at the end of the year	39.2	412,994	(497,165)

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

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

1. THE COMPANY AND ITS OPERATIONS

Sui Northern Gas Pipelines Limited (The Company) 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 (now merged as Pakistan Stock Exchange Limited). The registered office of the Company is situated at 21 Kashmir Road, Lahore. The principal activity of the Company is the purchase, transmission, distribution and supply of natural gas.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

The following standards are effective from current financial year but do not have a material impact on the Company's financial statements:

Standards or Interpretations	Effective date
IAS 32 (Amendment), 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities	January 01, 2014
IAS 36 (Amendment), 'Impairment of assets'	January 01, 2014
IAS 19 (Amendment), 'Employee benefits'	July 1, 2014
IAS 24 (Amendment), 'Related parties'	July 1, 2014
Annual improvements 2012; IFRS 2, 'Share-based payment'. IFRS 3, 'Business combinations'. IFRS 8, 'Operating segments'. IFRS 13, 'Fair value measurement'. IAS 16, 'Property, plant and equipment'. IAS 38, 'Intangible assets'.	July 1, 2014

2.2.2 Standards, amendments to published standards and interpretations that are effective in current year but not relevant to the Company's operations

The other new standards, amendments and interpretations that are mandatory for accounting period beginning on or after January 1, 2014 are considered not to be relevant or to have any significant impact on company's financial reporting and operations.

Standards or Interpretations	Effective date (annual periods beginning on or after)
IFRIC 21, 'Levies'	January 1, 2014
IAS 39 (Amendment), 'Financial Instruments: Recognition and measurement' on novation of derivatives and hedge accounting	January 1, 2014
Annual improvements 2013; IFRS 1, 'First time adoption'. IFRS 3, 'Business combinations'. IFRS 13, 'Fair value measurement'. IAS 40, 'Investment property'	July 1, 2014

2.2.3 **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

	Effective date (accounting periods beginning on or after)
IFRS 10, 'Consolidated financial statements'	January 1, 2015
IFRS 11, 'Joint arrangements'	January 1, 2015
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2015
IFRS 10, 12 and IAS 28 (Amendment), on exception to consolidation for investment entities	January 1, 2015
IFRS 13 (Amendment), 'Fair Value measurement' on scope of portfolio exception	January 1, 2015
IAS 27 (Amendment), 'Separate financial statements' on application of equity method in separate financial statements	January 1, 2016
IAS 41 (Amendment), 'Agriculture' on bearer plants	January 1, 2016
IFRS 10 and IAS 28 (Amendment), on sale or contribution of assets between an Investor and its associate or joint venture	January 1, 2016
IFRS 11 (Amendment), 'Joint arrangements' on acquisition of interest in joint operations	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations'. IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. IAS 34, 'Interim financial reporting'	January 1, 2016
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts'	January 1, 2018

- IFRS 2 (amendment), 'Share-based payment-Group Cash-settled Share-based Payment Transactions' effective for annual period beginning on or after January 01, 2010.

The International Accounting Standard Board (IASB) amended IFRS 2 whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction.

On August 14, 2009, the Government of Pakistan (GOP) launched "Benazir Employee Stock Option Scheme" (the Scheme) for employees of certain State owned Enterprises (SOEs) and non-State Owned Enterprises where GOP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The scheme provides for cash payments to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GOP shall transfer 12% of its investments in such SOEs and non SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit–holder employees. The balance 50 % dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GOP. The Scheme developed in compliance with the stated GOP policy of empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments. However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan has granted exemption to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted the staff costs of the company for the year would have been higher by Rs 175,894 thousand (2014:Rs 83,253 thousand) and reserves would have been higher by Rs. 631,899 thousand (2014: Rs.456,005 thousand). However, there will be no impact on profit after taxation, EPS and retained earning as company's management believes that this impact is a pass through item which will be eventually adjusted against gas development surcharge or differential margin as explained in note 4.19.

IFRIC 4, - 'Determining whether an Arrangement contains a Lease'. International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board (IASB) issued IFRIC 4 which requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. According to IFRIC 4, if an arrangement conveys a right to use the asset to lessee and the fulfillment of the arrangement is dependent on the use of the specific asset then the arrangement is or contains a lease.

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 24/2012 dated January 16, 2012 has exempted the application of IFRIC 4 'Determining whether an Arrangement contains a Lease' for all companies. However, the SECP made it mandatory for the companies to disclose the impacts of the application of IFRIC 4 on the results of the companies. Consequently, the Company has also been exempted from the application of IFRIC 4 while preparing its financial statements.

The Company reviewed various pipeline rental agreements executed in previous years and has determined that two pipeline rental agreements relating to certain gas transmission pipelines contain embedded leases and are to be recognized as leases in terms of IFRIC 4 and IAS 17 'Leases'.

Under IFRIC 4, the consideration required to be made by the lessee i.e. Sui Northern Gas Pipelines Limited for the right to use the assets is to be accounted for as a finance lease under IAS 17. If the Company was to follow IFRIC 4 and IAS 17, the effects on the financial statements would be as follows:

	2015	2014
	(Rupees in thousand)	
Effect on profit and loss account		
Decrease/(increase) in		
Cost of sales		
Transportation charges - Sui Southern Gas Company Limited (SSGCL)	258,989	695,423
Operating expenses		
Depreciation	(150,984)	(150,984)
Finance cost		
Finance cost - leased assets	(294,604)	(310,289)
Effect on balance sheet		
Increase in written down value of operating assets	(603,936)	(754,920)
Obligation under finance lease:		
Long term portion	(1,678,373)	(1,804,696)
Short term portion	(126,323)	(107,973)

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value. The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment or estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Employee benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.3, 11.7 and 22.7.

b) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

d) **Financial instruments**

The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques based on assumptions that are dependent on market conditions existing at balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Deferred credit

Deferred credit represents the amount received from the consumers and the Government as contribution and grant towards the cost of supplying and laying transmission, service and main lines. Amortization of deferred credit commences upon capitalization of the related asset and is amortized over its estimated useful life, however where contributions received from consumers, after July 1, 2009, which meets the criteria as provided in IFRIC 18, are recognized as income in the year, the related expenditure is capitalized.

4.2 Taxation

Current

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

Deferred

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

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

4.3 Employee retirement benefits

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

4.3.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The future contribution rates of these funds include allowance for deficit and surplus. For the year ended June 30, 2015, the other comprehensive loss resulting from remeasurement of defined employee benefit plans was also claimed from Oil and Gas Regulatory Authority (OGRA). OGRA has allowed adjustment of the same vide tariff determination in its FRR order and consequently, there is a net immaterial effect on the total comprehensive loss of remeasurements of the Company on such defined benefit plans.

4.3.1.1 Pension and gratuity funds

The Company operates an approved funded pension scheme and an approved funded gratuity scheme for executives and non-executives. In case of gratuity scheme, qualifying service period for executives and non-executives is five years and six years, respectively. Contributions to the schemes are payable on the recommendations of the actuary. 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.

4.3.1.2 Medical and free gas facility schemes

The Company provides free gas facility to non-executives and medical facility to all employees and their dependents after their retirement. However, all executives retired up to December 31, 2000 are also entitled to avail free gas facility.

4.3.1.3 Accumulating compensated absences

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

Executives and non-executives of the Company are entitled to accumulate the unutilized privilege leaves up to 60 and 90 days, respectively. Such accumulation is encashable only at the time of retirement or leaving the service of the Company.

The most recent valuations were carried out as on June 30, 2015 using the projected unit credit method. Actuarial gains/ (losses) are recognized in accordance with revised IAS-19 “Employee Benefits”.

4.3.2 Defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund.

4.4 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 future for goods and services, whether or not billed to the Company.

4.5 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.6 Operating fixed assets

4.6.1 Property, plant and equipment

Cost

Operating fixed assets except for freehold and leasehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold and leasehold land are stated at cost less impairment loss, if any. Capital work-in-progress is stated at cost less provision for obsolescence of stores and spare parts. Cost in relation to certain assets signifies historical cost and borrowing cost referred to in Note 4.8.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

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 17.1. Transmission and distribution system, meter and compressor stations and equipment are depreciated at annual rates of 6% to 10%. Depreciation on addition is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

The assets' residual value and estimated useful lives are reviewed at each financial year and adjusted if impact on depreciation is significant. The company's estimate of the residual value and useful lives of its operating assets as at June 30, 2015 has not required any adjustment as its impact is considered insignificant.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

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

4.6.2 Intangible assets

Intangible assets, which are non-monetary assets without physical substance, are recognized at cost, which comprises purchase price, non-refundable purchase taxes and other directly attributable expenditures relating to their implementation and customization. After initial recognition an intangible asset is carried at cost less accumulated amortization at the rates given in Note 18.1 and impairment loss, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

4.7 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

4.8 Borrowing cost

Mark-up, interest, profit and other charges on long term financing are capitalized for the period up to 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.

4.9 Investments

a) Investment in associate

Investment in associate, on which the Company has significant influence but not control, is accounted for using the equity method of accounting wherein the Company's share of underlying net assets of the investee is recognized as the carrying amount of such investment. Difference between the amounts previously recognized and the amount calculated at each year end is recognized as share of profit of associate. Distributions received out of such profits shall be credited to the carrying amount of investment in associated undertaking.

b) Investments held-to-maturity

Investment with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held-to-maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

c) **Investments available-for-sale**

All investments classified as available-for-sale are initially recognized at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value. Unrealized gains or losses from changes in fair value are recognized in equity. Realized gains and losses are taken to profit and loss account.

d) **Investments at fair value through profit or loss**

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

4.10 Stores and spare parts

These are valued at lower of monthly moving average cost and net realizable value. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. The Company reviews stores and spare parts for possible impairment on an annual basis. Any change in the estimate in future years might affect the carrying amount of the respective items of stores and spare parts with a corresponding effect on the provision.

4.11 Stock-in-trade

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

4.12 Trade and other receivables

Trade debts and other receivables are carried at original invoice amount. Debts considered irrecoverable are written off and provision is made for debts considered doubtful of recovery. No provision is made in respect of active consumers considered good.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts, other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values and short-term borrowings. Short term borrowings are shown under current liabilities on the balance sheet.

4.14 Revenue recognition

Revenue from gas sales is recognized on the basis of gas supplied to consumers at the rates fixed by Oil and Gas Regulatory Authority (OGRA). Accruals are made to account for the estimated gas supplied between the date of last meter reading and the year end.

Meter rentals are recognized on a monthly basis, the rates are specified by OGRA for various categories of consumers.

Interest on gas sales arrears and surcharge on late payment is recognized from the date the billed amount becomes overdue and when it is probable that economic benefits will flow to the entity.

Return on bank deposits is accrued on time proportion basis by reference to the principal outstanding and applicable rate of return.

Take or pay income is recognized when it is likely that the consumers may not be able to consume gas in future by an agreed date over and above the committed gas supply.

4.15 Foreign currency transactions

The financial statements are presented in Pak Rupees, which is the Company's functional currency and presentation currency. Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at functional currency using rate of exchange prevailing at the balance sheet date. All differences are taken to the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing at the date of transaction or on the date when fair values are determined.

4.16 Long term financing

All borrowings are initially recognized at the fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in profit and loss account.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit and loss account when the liabilities are derecognized as well as through the amortization process.

4.17 Financial assets and liabilities

Financial instruments comprise loans and advances, deposits, interest accrued, trade debts, other receivables, cash and bank balances, long term financings, short term borrowing, interest / mark-up accrued and trade and other payables.

Financial assets and liabilities are initially recognized at fair value at the time, the Company becomes a party to the contractual provisions of the instruments.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement and derecognition is charged to the profit and loss account.

4.18 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognized amount and the Company intends to settle either on a net basis or to realize the asset and to settle the liability simultaneously.

4.19 Gas development surcharge / Differential margin

Under the provisions of license for transmission and distribution of natural gas granted to the company by OGRA, the Company is required to earn an annual return of not less than 17.50% per annum 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.

During the year, the Company could not meet the benchmarks prescribed by Oil and Gas Regulatory Authority (OGRA) as discussed in paragraph below and as a result the return for the year on the aforesaid basis works out to be -1.76% (2014: -4.38%). Among other disallowances made by OGRA, the Company has also incorporated the effect of Unaccounted for Gas (UFG), which represents the volume difference of gas purchases and sales, amounting to Rs 11,638,698 thousand (2014: Rs 12,262,000 thousand), which is in excess of the UFG benchmark of 4.5% allowed by OGRA.

The Company has taken up the matter with the Economic Coordination Committee through Ministry of Petroleum and Natural Resources for revision of UFG benchmark on account of certain factors beyond Company's control such as ratio of gas sold to bulk and retail consumers, provision of gas in law affected areas and pilferage by non-consumers. The ECC recommended OGRA to provide certain allowances to the Company and to conduct a detailed UFG study on expeditious basis. OGRA partially accepted recommendations of ECC vide its FRR for the financial year 2014-2015, the impact of which has been incorporated in these accounts. However, the Company intends to approach the Ministry for implementation of remaining matters already recommended by the ECC and for conducting a UFG Study on expeditious basis for determining an appropriate benchmark.

4.20 Construction contracts

Contract costs are recognized when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Company uses the percentage of "completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

4.21 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Number of shares)			(Rupees in thousand)	
121,146,000	121,146,000	Ordinary shares of Rs 10 each issued as fully paid for cash	1,211,460	1,211,460
3,329,000	3,329,000	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	33,290	33,290
509,741,665	509,741,665	Ordinary shares of Rs 10 each issued as fully paid bonus shares	5,097,417	5,097,417
634,216,665	634,216,665		6,342,167	6,342,167

5.1 There has been no movement in ordinary share capital during the year ended June 30, 2015.

5.2 Ordinary shares of the Company held by undertakings associated to the Company, only by virtue of common directorship are as follows:

	2015	2014
	(Number of Shares)	
Sui Southern Gas Company Limited	2,414,174	2,414,174
MCB Bank Limited	55,174,764	55,174,764
	57,588,938	57,588,938

	Note	2015	2014
		(Rupees in thousand)	
6. LONG TERM FINANCING - SECURED			
From banking companies:			
Local currency - Syndicate term finance	6.1	1,750,000	3,500,000
Local currency - Syndicate term finance	6.3	5,288,136	-
		7,038,136	3,500,000
Other loans:			
Islamic finance under Musharaka arrangement	6.2	750,000	1,500,000
Islamic finance under Musharaka arrangement	6.2	5,500,000	3,000,000
Islamic finance under Musharaka arrangement	6.2	2,711,864	-
Less: Current portion shown under current liabilities	15	(2,500,000)	(2,500,000)
		13,500,000	5,500,000

6.1 Local currency - Syndicate term finance

Lender	Mark-up rate	No. of installments	Repayment commencement date	Maturity date
Askari Bank Limited (Investment agent)	Six month KIBOR + 1.25% per annum	8 half yearly installments	December 30, 2012	June 30, 2016

This loan is secured by first parri passu created by way of hypothecation over all the present and future moveable fixed assets of the company (excluding land and building) to the extent of Rs 10,769,231 thousands (2014: Rs 10,823,789 thousands).

6.2 Islamic finance under musharaka arrangement

Lender	Note	Mark-up rate	No. of installments	Repayment commencement date	Maturity date
Askari Bank Limited (Investment agent)	6.2.1	Six month KIBOR + 1.25% per annum	8 half yearly installments	December 30, 2012	June 30, 2016
Albaraka Bank (Pakistan) Limited (Investment agent)	6.2.2	Six month KIBOR + 0.55% per annum	8 half yearly installments	December 30, 2016	June 30, 2020
Bank Alfalah Limited (Lead Bank)	6.2.3	Six month KIBOR + 0.50% per annum	10 half yearly installments	November 19, 2017	May 19, 2022

6.2.1 Assets under musharaka agreement are secured by a first parri passu created by way of hypothecation over moveable fixed assets of the company (excluding land and building) to the extent of Rs 4,560,827 thousands (2014: Rs 4,560,827 thousand) as given in note 17.1.5.

6.2.2 Ranking charge created by way of hypothecation over moveable fixed assets of the Company (excluding land and building) to the extent of Rs 7,333,333 thousand (2014: Rs 7,333,333 thousand) respectively, in respect of assets held under musharaka arrangement.

6.2.3 Ranking charge created by way of hypothecation over moveable fixed assets of the Company (excluding land and building) to the extent of Rs 8,000,000 thousand (2014: Nil) respectively, in respect of assets held under musharaka arrangement as given in note 17.1.6.

6.3 Local currency - Syndicate term finance

Lender	Mark-up rate	No. of installments	Repayment commencement date	Maturity date
Bank Alfalah Limited (Lead Bank)	Six month KIBOR + 0.50% per annum	10 half yearly installments	November 19, 2017	May 19, 2022

The loan is secured by a first parri passu created by way of hypothecation over moveable fixed assets of the company (excluding land and building) to the extent of Rs 15,600,000 thousand (2014: Nil).

		Note	2015	2014
			(Rupees in thousand)	
7.	**LONG TERM FINANCING - UNSECURED**			
	From financial institutions:			
	Local currency loans	7.1	1,139,598	1,276,088
	Less: Current portion shown under current liabilities:			
	Local currency loans	15	(420,820)	(343,991)
			718,778	932,097
7.1	Loans			
	Government - Cash development loans	7.1.1	930,881	1,002,849
	Related parties	7.1.2	32,579	102,762
	Industrial consumers	7.1.3	176,138	170,477
			1,139,598	1,276,088

7.1.1 These have been obtained from the Federal Government and the Provincial Governments of Punjab and Khyber Pakhtunkhwa (KPK) for supply of gas to new towns. The loan aggregating to Rs 517,633 thousand (2014: Rs 520,588 thousand) carries mark-up at rates ranging between 5% to 9% (2014: 5% to 9%) per annum and Rs 413,248 thousand (2014: Rs 482,261 thousand) carries mark-up at the rate of six month State Bank of Pakistan (SBP) treasury bills plus 1.2% (2014: six month SBP treasury bills plus 1.2%) on the outstanding balance or part thereof.

7.1.2 These have been obtained from DG Khan Cement Company Limited and Packages Limited for laying of gas pipelines and carry mark-up at the rates ranging between 1.5% to 2.0% (2014: 1.5% to 2.0%) per annum on the outstanding balance and are repayable over a period of 10 years with a grace period of 2 years.

7.1.3 These have been obtained from certain industrial consumers for laying of gas pipelines and carry mark-up at rates ranging between 1.5% to 2% (2014: 1.5% to 2%) per annum on the outstanding balance or part thereof and are repayable over a period of 8 to 10 years with a grace period of 2 years.

7.1.4 The fair value of loans from Federal and Provincial Governments are estimated as present value of all future cash flows discounted using Pakistan Investment Bonds (PIBs) rate prevailing at the time of initial recognition of respective loans. Loans from industrial consumers are estimated as present value of all future cash flows discounted using 1.1% (2014: 1.1%) above State Bank of Pakistan cut off yield rates prevailing at the time of initial recognition of these loans.

		2015	2014
		(Rates %)	
7.1.5	**The effective interest rates are as follows:**		
	Government - Development loans	7.54 to 13.14	7.54 to 14.25
	Industrial consumers and related parties	2.79 to 14.24	2.79 to 14.24

	Note	2015	2014
		(Rupees in thousand)	
8. SECURITY DEPOSITS			
Consumers	8.2	32,364,345	29,692,671
Contractors - Houseline	8.3	87,884	89,984
		32,452,229	29,782,655

8.1 Consumer deposits represent security against amount due from consumers 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% (2014: 5%) per annum on deposits from industrial and commercial consumers aggregating to Rs 16,335,887 thousand (2014: Rs 15,561,692 thousand) and 2% (2014: 2%) per annum on deposits from bulk domestic consumers aggregating to Rs 1,219,460 thousand (2014: Rs 1,107,888 thousand). However, for one consumer having deposit of Rs 1,429,026 thousand (2014: Rs 853,785 thousand) interest rate is 1% above 3 months SBP treasury bills cut off rate subject to a floor of 7% (2014: 3 months SBP treasury bills cut off rate subject to a floor of 7%) per annum.

8.2 These include security deposits from related parties amounting to Rs 759,836 thousand (2014: Rs 25,595 thousand).

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

	Note	2015	2014
		(Rupees in thousand)	
9. DEFERRED CREDIT			
Consumer contribution against:			
- Completed jobs		22,372,377	20,918,947
- Jobs-in-progress		2,301,657	3,195,970
		24,674,034	24,114,917
Government grants against:			
- Completed jobs		16,386,207	15,407,027
- Jobs-in-progress		12,435,686	10,245,851
		28,821,893	25,652,878
		53,495,927	49,767,795
Less: Accumulated amortization:			
Opening balance		18,599,263	16,021,504
Loan from Provincial Govt		7,374	6,219
Amortization for the year	33	2,746,341	2,571,540
		21,352,978	18,599,263
		32,142,949	31,168,532

	2015	2014
	(Rupees in thousand)	

10. DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:

	2015	2014
Taxable temporary differences:		
Accelerated tax depreciation	-	11,843,001
Unamortized balance of employee loans at fair value	-	(10,471)
	-	11,832,530
Deductible temporary differences:		
Provision for doubtful debts and other receivables	-	(3,962,077)
Unpaid trading liabilities	-	(1,921,108)
Carried forward tax losses	-	(3,709,722)
Minimum tax adjustment	-	(2,131,655)
	-	(11,724,562)
	-	107,968

11. EMPLOYEE BENEFITS

	2015	2014
Pension fund - Non Executive staff	4,183,818	2,118,194
Medical fund - Executive staff	1,128,799	732,963
Free gas facility fund - Non Executive staff	1,898,895	1,905,990
Free gas facility fund - Executive staff	23,599	32,562
Gratuity fund - Executive staff	1,438,826	1,333,512
Compensated absences - Non Executive staff	499,887	274,562
Compensated absences - Executive staff	167,809	71,606
Pension fund - Executive staff	151,919	-
Gratuity fund - Non Executive staff	99,134	-
Medical fund - Non Executive staff	156,201	-
	9,748,887	6,469,389

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

		Note	Pension fund - Non executive staff		Medical fund - - Executive staff		Free gas facility fund - Non executive staff		Free gas facility fund - Executive staff		Gratuity fund - Executive staff		Accumulating compensated absences - Non Executive staff		Accumulating compensated absences - Executive staff		Pension fund - Executive staff		Gratuity fund - Non Executive staff		Medical fund - Non Executive staff		Total	
			2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
			(Rupees in thousand)																					
11.1	**Reconciliation of payable to employee benefit plans:**																							
	Present value of funded obligations	11.4	12,405,311	8,906,681	2,995,622	2,419,576	3,966,458	3,791,581	150,086	145,041	1,636,505	1,526,403	896,716	633,644	370,910	252,811	1,833,957	-	3,461,211	-	6,283,881	-	34,000,657	17,675,737
	Fair value of plan assets	11.5	(8,221,493)	(6,788,487)	(1,866,823)	(1,686,613)	(2,067,563)	(1,885,591)	(126,487)	(112,479)	(197,679)	(192,891)	(396,829)	(359,082)	(203,101)	(181,205)	(1,682,038)	-	(3,362,077)	-	(6,127,680)	-	(24,251,770)	(11,206,348)
	Net liability	11.10	4,183,818	2,118,194	1,128,799	732,963	1,898,895	1,905,990	23,599	32,562	1,438,826	1,333,512	499,887	274,562	167,809	71,606	151,919	-	99,134	-	156,201	-	9,748,887	6,469,389
11.2	**Movement in net liability**																							
	Opening liability		2,118,194	2,246,659	732,963	527,548	1,905,990	1,208,187	32,562	57,625	1,333,512	883,903	274,562	100,717	71,606	24,341	(261,004)	-	(514,781)	-	(1,122,493)	-	4,571,111	5,048,980
	Transfer of funds		-	(130,106)	-	-	-	-	-	-	(100,000)	(57,000)	-	-	-	-	100,000	-	-	-	-	-	-	(187,106)
	Charge for the year	11.3	523,254	491,855	222,999	168,783	463,417	261,380	(2,055)	31,980	264,852	265,945	258,116	272,561	116,587	73,938	39,418	-	64,995	-	77,330	-	2,028,913	1,566,442
	Remeasurements charged in OCI		2,670,648	(79,485)	246,868	237,209	(398,818)	600,134	-	-	35,647	327,168	-	-	-	-	467,475	-	688,368	-	1,304,031	-	5,014,219	1,085,026
	Contribution paid		(1,128,278)	(410,729)	(74,031)	(200,577)	(71,694)	(163,711)	(6,908)	(57,043)	(95,185)	(86,504)	(32,791)	(98,716)	(20,384)	(26,673)	(193,970)	-	(139,448)	-	(102,667)	-	(1,865,356)	(1,043,953)
			4,183,818	2,118,194	1,128,799	732,963	1,898,895	1,905,990	23,599	32,562	1,438,826	1,333,512	499,887	274,562	167,809	71,606	151,919	-	99,134	-	156,201	-	9,748,887	6,469,389
11.3	**Amounts recognized in profit and loss account**																							
	Current service cost		313,456	284,350	129,046	123,920	210,948	143,115	-	-	98,003	84,212	15,360	38,297	10,689	21,901	80,997	-	143,903	-	235,797	-	1,238,199	695,795
	Interest on obligation		1,169,256	847,018	321,646	198,923	507,024	292,172	19,114	12,082	193,262	113,835	83,329	44,550	32,754	14,704	156,903	-	328,699	-	595,567	-	3,407,554	1,523,284
	Expected return on plan assets		(959,458)	(639,513)	(227,693)	(154,060)	(254,555)	(173,907)	(15,185)	(9,026)	(26,413)	(28,559)	(48,476)	(33,975)	(24,463)	(12,148)	(198,482)	-	(407,607)	-	(754,034)	-	(2,916,366)	(1,051,188)
	Net actuarial (gains)/losses recognized in the year		-	-	-	-	-	-	(5,984)	28,924	-	-	207,903	223,689	97,607	49,481	-	-	-	-	-	-	299,526	302,094
	Past service cost - Vested		-	-	-	-	-	-	-	-	-	96,457	-	-	-	-	-	-	-	-	-	-	-	96,457
	Total included in employee benefit expense	11.12	523,254	491,855	222,999	168,783	463,417	261,380	(2,055)	31,980	264,852	265,945	258,116	272,561	116,587	73,938	39,418	-	64,995	-	77,330	-	2,028,913	1,566,442
	Actual return on plan assets		795,783	629,875	180,210	151,872	181,972	183,332	14,008	1,520	(739)	12,543	37,747	(20,490)	21,896	65,508	198,482	-	377,559	-	542,246	-	2,349,164	1,024,160
11.4	**Changes in the present value of defined benefit obligation**																							
	Opening defined benefit obligation		8,906,681	8,269,243	2,419,576	1,927,289	3,791,581	2,818,446	145,041	118,584	1,526,403	1,247,535	633,644	424,289	252,811	140,038	1,173,825	-	2,539,324	-	4,462,941	-	25,851,827	14,945,424
	Current service cost		313,456	284,350	129,046	123,920	210,948	143,115	-	-	98,003	84,212	15,360	38,297	10,689	21,901	80,997	-	143,903	-	235,797	-	1,238,199	695,795
	Interest cost		1,169,256	847,018	321,646	198,923	507,024	292,172	19,114	12,082	193,262	113,835	83,329	44,550	32,754	14,704	156,903	-	328,699	-	595,567	-	3,407,554	1,523,284
	Actuarial losses		-	-	-	-	-	-	(7,161)	21,418	-	-	197,174	169,224	95,040	102,841		-		-	-	-	285,053	293,483
	Remeasurements charged to OCI		2,506,973	(89,123)	199,385	235,021	(471,401)	609,559	-	-	8,495	311,152	-	-	-	-	445,392	-	658,320	-	1,092,243	-	4,439,407	1,066,609
	Past service cost		-	-	-	-	-	-	-	-	-	96,457	-	-	-	-	-	-	-	-	-	-	-	96,457
	Benefits paid		(491,055)	(404,807)	(74,031)	(65,577)	(71,694)	(71,711)	(6,908)	(7,043)	(189,658)	(326,788)	(32,791)	(42,716)	(20,384)	(26,673)	(23,160)	-	(209,035)	-	(102,667)	-	(1,221,383)	(945,315)
	Closing defined benefit obligation		12,405,311	8,906,681	2,995,622	2,419,576	3,966,458	3,791,581	150,086	145,041	1,636,505	1,526,403	896,716	633,644	370,910	252,811	1,833,957	-	3,461,211	-	6,283,881	-	34,000,657	17,675,737
11.5	**Changes in the fair value of plan assets**																							
	Opening fair value of plan assets		6,788,487	6,022,584	1,686,613	1,399,741	1,885,591	1,610,259	112,479	60,959	192,891	363,632	359,082	323,572	181,205	115,697	1,434,829	-	3,054,105	-	5,585,434	-	21,280,716	9,896,444
	Expected return		959,458	639,513	227,693	154,060	254,555	173,907	15,185	9,026	26,413	28,559	48,476	33,975	24,463	12,148	198,482	-	407,607	-	754,034	-	2,916,366	1,051,188
	Actuarial gains / (losses)		-	-	-	-	-	-	(1,177)	(7,506)	-	-	(10,729)	(54,465)	(2,567)	53,360							(14,473)	(8,611)
	Remeasurements charged to OCI		(163,675)	(9,638)	(47,483)	(2,188)	(72,583)	9,425	-	-	(27,152)	(16,016)	-	-	-	-	(22,083)	-	(30,048)	-	(211,788)	-	(574,812)	(18,417)
	Contributions by employer		1,128,278	410,729	74,031	200,577	71,694	163,711	6,908	57,043	95,185	86,504	32,791	98,716	20,384	26,673	193,970	-	139,448	-	102,667	-	1,865,356	1,043,953
	Benefits paid		(491,055)	(404,807)	(74,031)	(65,577)	(71,694)	(71,711)	(6,908)	(7,043)	(189,658)	(326,788)	(32,791)	(42,716)	(20,384)	(26,673)	(23,160)	-	(209,035)	-	(102,667)	-	(1,221,383)	(945,315)
	Transfer of funds		-	130,106	-	-	-	-	-	-	100,000	57,000	-	-	-	-	(100,000)	-	-	-	-	-	-	187,106
		11.6	8,221,493	6,788,487	1,866,823	1,686,613	2,067,563	1,885,591	126,487	112,479	197,679	192,891	396,829	359,082	203,101	181,205	1,682,038	-	3,362,077	-	6,127,680	-	24,251,770	11,206,348

11.6 Plan assets comprise of:

	Pension fund - Non executive staff			
	2015		2014	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	6,947,000	84.49	5,709,221	84.10
NIT units	459,342	5.59	317,852	4.68
Pakistan Investment Bonds	772,500	9.40	670,095	9.87
Cash at bank	42,651	0.52	91,319	1.35
	8,221,493	100.00	6,788,487	100.00

	Medical fund - Executive staff			
	2015		2014	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,613,239	86.41	1,587,794	94.14
NIT units	21,671	1.16	18,012	1.07
Pakistan Investment Bonds	224,500	12.03	75,000	4.45
Cash at bank	7,413	0.40	5,807	0.34
	1,866,823	100.00	1,686,613	100.00

	Free gas facility fund - Non executive staff			
	2015		2014	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	1,895,379	91.67	1,761,045	93.39
NIT units	56,267	2.72	46,766	2.48
Pakistan Investment Bonds	110,500	5.34	75,000	3.98
Cash at bank	5,417	0.27	2,780	0.15
	2,067,563	100.00	1,885,591	100.00

	Free gas facility fund - Executive staff			
	2015		2014	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	55,005	43.49	52,184	46.39
Pakistan Investment Bonds	65,000	51.39	50,000	44.46
Cash at bank	6,482	5.12	10,295	9.15
	126,487	100.00	112,479	100.00

	Gratuity fund - Executive staff			
	2015		2014	
	Fair value (Rupees in thousand)	%	Fair value (Rupees in thousand)	%
Certificates of deposits	140,890	71.27	135,863	70.44
Pakistan Investment Bonds	10,000	5.06	-	0.00
Cash at bank	46,789	23.67	57,028	29.56
	197,679	100.00	192,891	100.00

	Accumulating compensated absences - Non executive staff			
	2015		2014	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	390,157	98.32	355,770	99.08
Cash at bank	6,672	1.68	3,312	0.92
	396,829	100.00	359,082	100.00

	Accumulating compensated absences - Executive staff			
	2015		2014	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Certificates of deposits	100,506	49.49	178,525	98.52
Pakistan Investment Bonds	95,000	46.77	-	0.00
Cash at bank	7,595	3.74	2,680	1.48
	203,101	100.00	181,205	100.00

	Pension fund - Executive staff			
	2015		2014	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Mutual funds	143,671	8.54	-	-
Certificates of deposits	1,441,948	85.73	-	-
Pakistan Investment Bonds	72,500	4.31	-	-
Cash at bank	23,919	1.42	-	-
	1,682,038	100.00	-	-

	Gratuity fund - Non executive staff			
	2015		2014	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Mutual funds	402,705	11.98	-	-
Certificates of deposits	2,490,335	74.07	-	-
Pakistan Investment Bonds	422,500	12.57	-	-
Cash at bank	46,537	1.38	-	-
	3,362,077	100.00	-	-

	Medical fund - Non executive staff			
	2015		2014	
	Fair value		Fair value	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Mutual funds	5,211,756	85.05	-	-
Certificates of deposits	161,803	2.64	-	-
Pakistan Investment Bonds	750,500	12.25	-	-
Cash at Bank	3,621	0.06	-	-
	6,127,680	100	-	-

11.7 Principal actuarial assumptions used (expressed as weighted average)

	Medical fund			
	2015		2014	
	Executive	Non-executive	Executive	Non-executive
Discount rate	10.5%	10.5%	13.5%	13.5%
Expected rate of growth per annum in average cost of facility	10.5%	10.5%	10.5%	10.5%
Increase in average cost of medical facility per employee due to increase in age of recipient	2.0%	2.0%	2.0%	2.0%
Expected rate of return per annum on plan assets	13.5%	13.5%	10.5%	10.5%

	Free gas facility fund			
	2015		2014	
	Executive	Non-executive	Executive	Non-executive
Discount rate	10.5%	10.5%	13.5%	13.5%
Expected rate of growth per annum in average cost of facility	9.5%	9.5%	12.5%	12.5%
Expected rate of return per annum on plan assets	13.5%	13.5%	10.5%	10.5%

	Pension fund			
	2015		2014	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	9.8%	9.8%	12.5%	12.5%
Discount rate	10.5%	10.5%	13.5%	13.5%
Expected rate of return per annum on plan assets	13.5%	13.5%	10.5%	10.5%

	Gratuity fund			
	2015		2014	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	9.8%	9.8%	12.5%	12.5%
Discount rate	10.5%	10.5%	13.5%	13.5%
Expected rate of return per annum on plan assets	13.5%	13.5%	10.5%	10.5%

	Accumulating compensated absences			
	2015		2014	
	Executive	Non-executive	Executive	Non-executive
Expected increase in salaries	10.5%	10.5%	12.5%	12.5%
Discount rate	10.5%	10.5%	13.5%	13.5%
Expected rate of return per annum on plan assets	13.5%	13.5%	10.5%	10.5%

11.8 Calculations are based on complex mathematical model which takes into account the yield at maturity of the existing investment present at the beginning of the financial year. The model also considers the expected return on the reinvestment of the maturity proceeds in similar instruments (based on their yield as at the valuation date) up till the life of the related obligation.

11.9 The effect of one per cent movement in assumed medical cost trend rates would have the following effects:

	2015		2014	
	1% Increase	1% (decrease)	1% Increase	1% (decrease)
	(Rupees in thousand)			
Effect on the aggregate of the service cost and interest cost	76,573	(61,455)	52,684	(42,911)
Effect on defined benefit obligation	1,459,879	(1,222,081)	1,014,633	(842,290)

11.10 (Surplus) / Deficit for current and previous four years

	Pension fund - Non executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	12,405,311	8,906,681	8,269,243	5,934,770	4,484,066
Plan assets	(8,221,493)	(6,788,487)	(6,022,584)	(4,494,681)	(3,476,425)
Deficit	4,183,818	2,118,194	2,246,659	1,440,089	1,007,641
Experience adjustment on plan liabilities	2,506,973	(89,123)	1,609,897	891,252	(136,853)
Experience adjustment on plan assets	(163,675)	(9,638)	59,467	379,849	(371,374)

	Medical fund - Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	2,995,622	2,419,576	1,927,289	1,703,247	1,451,941
Plan assets	(1,866,823)	(1,686,613)	(1,399,741)	(1,101,512)	(850,163)
Deficit	1,128,799	732,963	527,548	601,735	601,778
Experience adjustment on plan liabilities	199,385	235,021	(38,656)	13,746	27,222
Experience adjustment on plan assets	(47,483)	(2,188)	4,032	6,326	10,876

	Free gas facility fund - Non executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	3,966,458	3,791,581	2,818,446	1,679,729	1,365,130
Plan assets	(2,067,563)	(1,885,591)	(1,610,259)	(1,349,076)	(1,072,711)
Deficit	1,898,895	1,905,990	1,208,187	330,653	292,419
Experience adjustment on plan liabilities	(471,401)	609,559	877,202	61,070	(173,777)
Experience adjustment on plan assets	(72,583)	9,425	14,803	8,185	19,053

	Free gas facility fund - Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	150,086	145,041	118,584	62,461	40,725
Plan assets	(126,487)	(112,479)	(60,959)	(49,942)	(45,003)
Deficit / (Surplus)	23,599	32,562	57,625	12,519	(4,278)
Experience adjustment on plan liabilities	(7,161)	21,418	54,938	22,360	(5,327)
Experience adjustment on plan assets	(1,177)	(7,506)	(475)	(1,361)	603

	Gratuity fund - Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	1,636,505	1,526,403	1,247,535	1,108,578	878,345
Plan assets	(197,679)	(192,891)	(363,632)	(350,944)	(82,846)
Deficit	1,438,826	1,333,512	883,903	757,634	795,499
Experience adjustment on plan liabilities	8,495	311,152	87,895	314,100	159,554
Experience adjustment on plan assets	(27,152)	(16,016)	71,412	174,857	36,125

	Accumulating compensated absences - Non Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	896,716	633,644	424,289	264,623	206,762
Plan assets	(396,829)	(359,082)	(323,572)	(291,347)	(253,583)
Deficit / (Surplus)	499,887	274,562	100,717	(26,724)	(46,821)
Experience adjustment on plan liabilities	197,174	169,224	121,374	31,610	(14,966)
Experience adjustment on plan assets	(10,729)	(54,465)	(5,650)	2,262	2,559

	Accumulating compensated absences - Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	370,910	252,811	140,038	119,035	88,043
Plan assets	(203,101)	(181,205)	(115,697)	(84,845)	(75,947)
Deficit	167,809	71,606	24,341	34,190	12,096
Experience adjustment on plan liabilities	95,040	102,841	1,336	25,790	14,523
Experience adjustment on plan assets	(2,567)	53,360	1,822	(1,735)	785

	Pension Fund - Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	1,833,957	1,173,825	756,856	557,179	422,789
Plan assets	(1,682,038)	(1,434,829)	(1,481,912)	(1,265,727)	(1,296,432)
Deficit / (Surplus)	151,919	(261,004)	(725,056)	(708,548)	(873,643)
Experience adjustment on plan liabilities	445,392	263,805	86,690	42,483	36,069
Experience adjustment on plan assets	(22,083)	48,083	(3,127)	85,838	(98,752)

	Gratuity Fund - Non executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	3,461,211	2,539,324	2,505,633	1,589,959	1,184,658
Plan assets	(3,362,077)	(3,054,105)	(2,699,007)	(2,348,537)	(1,941,164)
Deficit / (Surplus)	99,134	(514,781)	(193,374)	(758,578)	(756,506)
Experience adjustment on plan liabilities	658,320	(111,351)	729,168	280,646	(120,670)
Experience adjustment on plan assets	(30,048)	37,918	92,899	153,227	(80,307)

	Medical fund - Non executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Defined benefit obligation	6,283,881	4,462,941	3,708,128	3,853,287	3,575,342
Plan assets	(6,127,680)	(5,585,434)	(5,030,626)	(4,256,762)	(3,632,282)
Deficit / (Surplus)	156,201	(1,122,493)	(1,322,498)	(403,475)	(56,940)
Experience adjustment on plan liabilities	1,092,243	293,762	(750,743)	(332,870)	(261,539)
Experience adjustment on plan assets	(211,788)	280	114,485	13,961	62,114

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

		Note	2015	2014
			(Rupees in thousand)	
11.11	**Estimated future contributions**			
	Pension fund - Non Executive staff		118,513	374,600
	Medical fund - Executive staff		1,128,800	732,963
	Free gas facility - Non Executive staff		1,898,895	1,905,990
	Free gas facility - Executive staff		23,599	32,562
	Gratuity fund - Executive staff		206,003	115,000
	Accumulating compensated absences - Non Executive staff		572,099	274,562
	Accumulating compensated absences - Executive staff		197,393	71,606
	Pension fund - Executive staff		494,605	-
	Gratuity fund - Non Executive staff		120,834	-
			4,760,741	3,507,283
11.12	**The charge for the year has been allocated as follows:**			
	Distribution cost	32	945,129	704,501
	Selling costs	34	482,968	349,685
	Administrative expenses	35	550,481	446,086
	Project work in progress		50,335	66,170
			2,028,913	1,566,442

12. TRADE AND OTHER PAYABLES

	Note	2015	2014
Creditors for:			
- gas	12.1	79,089,424	49,012,962
- supplies	12.2	1,400,263	1,503,033
Accrued liabilities		7,829,726	6,496,072
Provident fund	12.3	55,487	-
Gas infrastructure development cess payable	12.4	246,865	2,099,077
Interest free deposits repayable on demand		136,491	101,627
Earnest money received from contractors		36,823	34,762
Mobilization and other advances		1,468,004	1,435,690
Due to customers	41	91,422	87,121
Gas development surcharge		-	4,569,948
Workers' Profit Participation Fund	12.5	418,155	418,155
Unclaimed dividend		74,356	75,048
		90,847,016	65,833,495

12.1 These include Rs 56,444,185, thousand (2014: Rs 33,673,595 thousand) payable to related parties.

12.2 These Include Rs 328,004 thousand (2014: Rs 3,166,206 thousand) payable to related parties.

		2015	2014
		(Rupees in thousand)	
12.3	The details of investments made by the provident fund		
	Size of the fund	9,317,898	7,950,771
	Cost of Investment made	8,849,022	7,627,918
	Fair value of Investment	9,317,898	7,950,771

12.3.1 **Breakup of Investments**

	Note	2015 Percentage	2015 Amount (Rs in thousand)	2014 Percentage	2014 Amount (Rs in thousand)
Term deposit receipts - schedule banks		76.06	7,087,409	80.74	6,419,250
Mutual Funds(NIT Units)		8.56	797,998	5.74	456,521
Pakistan Investment bonds		15.38	1,432,491	13.52	1,075,000
	12.3.2	100.00	9,317,898	100.00	7,950,771

12.3.2 Investments out of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance, 1984.

12.4 The Honorable Islamabad High Court vide its decision dated January 31, 2013, declared Gas Infrastructure Development Cess Act (GIDC), 2011 as Ultra Vires to the Constitution and directed the company to adjust the amount already received on this account in the future bills of the petitioners. However, the Honorable Islamabad High Court vide its decision dated March 18, 2013, directed that neither the appellant shall recover the disputed amount from the respondents, nor the amount which has become payable to the respondents on the basis of impugned judgment shall be paid back to the respondents.

An order on the subject matter was also passed by the Peshawar High Court vide its judgment dated June 13, 2013 whereby the Court declared the GIDC Act 2011 as ultra vires to the Constitution. An appeal was filed in the Supreme Court of Pakistan, which by its order dated December 30, 2013 suspended the judgment of Peshawar High Court. On December 31, 2013, OGRA issued a notification directing levy of GIDC at revised rates.

In September 2014, a GIDC Ordinance was issued by President of Pakistan, pursuant to which, on directions of OGRA, the Company charged GIDC from its consumers with effect from September 2014. The Ordinance was superseded by GIDC Act 2015 passed by Parliament of Pakistan. The Act ratified the preceding GIDC Act 2011 and Ordinance 2014 and its provisions. However, a special Committee has been constituted by the Parliament to decide on previous arrears of GIDC due from customers and to make recommendations for removal of any anomalies in the GIDC Act. The Committee is yet to submit its report on the matter. Subsequently, a number of consumers of the Company contested have obtained stay order from various Courts against recovery of GIDC.

Furthermore, GIDC amounting to Rs 69,653,277 thousand (2014: Rs. 39,799,830 thousand) is recoverable from consumers and payable to Government of Pakistan. These financial statements do not reflect the said amounts since the provisions of the GIDC Act require the Company to pay GIDC as and when the same is collected from consumers. Consequently, the same will be shown as payable as and when the balance is collected from consumers.

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
12.5 Workers' Profit Participation Fund			
Balance at the beginning of the year		418,155	418,012
Allocation for the year	37	-	-
		418,155	418,012
Adjustments: Cheques not received by employees		-	143
Interest on funds utilized in the Company's business	36	-	-
Less: Payments to workers		-	-
		418,155	418,155

	Note	2015	2014
		(Rupees in thousand)	
13. INTEREST AND MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
On loans		304,461	192,286
On deposits from customers		1,162,077	1,136,593
On late payment of gas creditors		17,576,770	15,241,372
	13.1	19,043,308	16,570,251

13.1 This includes Rs 13,346,497 thousand (2014: Rs 13,651,375 thousand) payable to related parties.

14. SHORT TERM BORROWING - SECURED

Short term running finance facility amounting to Rs 1,000,000 thousand obtained from a commercial bank carries mark-up at the rate of 3 months KIBOR plus 0.15% per annum (2014: 3 months KIBOR plus 0.15% per annum) on the balance outstanding. It is secured by way of first pari passu hypothecation charge on all present and future current assets of the Company to the extent of Rs 1,334,000 thousand (2014: Rs 1,334,000 thousand). Mark-up is payable on quarterly basis. The effective interest rate during the year ranged from 8.14% to 10.33% (2014: 9.53% to 12.20%) per annum. There is no unavailed facility as at June 30, 2015 (2014: Nil).

	Note	2015	2014
		(Rupees in thousand)	
15. CURRENT PORTION OF LONG TERM FINANCING			
Long term financing - secured	6	2,500,000	2,500,000
Long term financing - unsecured	7	420,820	343,991
		2,920,820	2,843,991

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

The Company has the following significant contingent liabilities in respect of legal claims arising in the ordinary course of business:

16.1.1 Taxation

a) The Income Tax Appellate Tribunal (ITAT) upheld the Company's contention in the appeals filed by and against the Company for the assessment years 1980-81 through 2001-02. The Department has filed appeals against the orders of ITAT before the High Court for the assessment years 1980-81 through 1993-94. Pending the outcome of appeals filed by the tax department with the High Court, no provision has been made in these financial statements for additional demands in respect of assessment years 1980-81 to 2002-2003 and tax year 2003 which on similar basis as used in the past by the tax authorities would amount to Rs 203,342 thousand (2014: Rs 220,566 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

b) In framing the assessment for the years 1989-90 through 2002-03 the tax authorities, in addition to the above mentioned demands, raised further demands due to a change in treatment by the tax authorities on the allowability of certain expenses previously accepted by them. The Company has disputed the contention of the tax authorities for these 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 2001-02, however, the department has filed appeals against the orders of ITAT before the High Court for the assessment years 1989-90 through 1993-94. Pending the outcome of these appeals no provision has been made in the financial statements for these additional demands for the years 1989-90 through 2002-03, which on the basis adopted by the authorities would amount to Rs 838,626 thousand (2014: Rs 864,202 thousand), since the Company has strong grounds against the assessments framed by the tax authorities.

c) A demand of Rs 67,998 thousand (2014: Rupees 67,998 thousand) relating to excess compensation for delayed refunds for assessment years 1988-89, 1990-91, 1991-92 and 1996-97 was raised by the Additional Commissioner of Income Tax by rectifying the orders previously issued under section 171 of the repealed Ordinance. In this regard, while disposing off the appeal filed before ATIR against the order of CIT(A), the ATIR has remanded back the matter of curtailment of compensation on delayed payment/adjustment of refund pertaining to assessment year 1988-89, 1991-92 and 1996-97 for verification of underlying facts afresh. However, no provision has been made in these financial statements as the management is confident of a favorable outcome.

d) During the year 2012 tax authorities raised demands of Rs 8,207,290 thousand, Rs 7,366,587 thousand and Rs 2,715,174 for tax year 2011, 2010 and 2006 respectively, mainly by disallowing Cost Equalization Adjustment, Gas Development Surcharge while also adding back consumers contribution and government grants. Company's appeal against the amendment orders were disposed off by CIR (Appeals) substantially in Company's favor and except for the issue of admissibility of GDS and tax credit referred above, all other material disallowances were removed. Both the tax authorities and company preferred appeals against order of CIR (Appeals) before ATIR. During the financial year ended June 30, 2015, while disposing off Company's appeal, ATIR has upheld Company's contention in respect of admissibility of GDS whereas the tax credit under section 65B of Income tax ordinance 2001 has not been allowed. Furthermore Appeal filed by the department with respect to other issues have been decided in Company's favor. However, Tax Authorities have filed an appeal against the decision of ATIR with regards to GDS before Honorable Lahore High Court which is pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that Company's stance is based on meritious grounds and will be upheld by higher appellate forums.

e) During the year ended June 30, 2013, tax authorities raised demands of Rs 17,207,333 thousand and Rs 6,880,501 thousand for tax year 2012 and 2007 respectively on similar grounds to those raised in tax years 2011, 2010 and 2006 as mentioned above. During the year end, Company's appeal against the amendment orders were disposed off by CIR (Appeals) substantially in Company's favor and except for the issue of admissibility of GDS and tax credit referred above, all other material disallowances were removed. Both the tax authorities and Company preferred appeals against order of CIR (Appeals) before ATIR . While disposing off Company's appeal, ATIR has upheld Company's contention in respect of admissibility of GDS whereas the tax credit under section 65B of Income tax ordinance 2001 has not been allowed. Furthermore Appeal filed by the department with respect to other issues have been decided in Company's favor. However, Tax Authorities and the Company have filed appeals against the decision of ATIR with regards to GDS and Tax credit under section 65B of Income tax ordinance, 2001 before Honorable Lahore High Court which are pending adjudication. No provision regarding the above explained issues has been made in these financial statements as management considers that Company's stance is based on meritious grounds and will be upheld by the Honorable Lahore High Court.

f) The Company has filed appeals before the Customs, Excise and Sales Tax Appellate Tribunal against the orders of Collector of Sales Tax (Appeals) regarding various issues such as apportionment of input tax, admissibility of input tax on natural gas lost in ruptures, etc. The amount under adjudication is Rs 45,549 thousand (2014: Rs 45,549 thousand). Pending the outcome of appeals, no provision against Sales tax refundable has been recognized in the financial statements based on the opinion of legal counsel of the Company. Subsequent to the year end, Company's appeal against the orders of collector of Sales Tax (Appeals) was disposed off by ATIR in company's favor.

g) During the year 2011 Sales tax authorities raised a demand of Rs 406,650 thousand (2014: 406,650 thousand) and Rs 736,000 thousand (2014: Rupees 736,000 thousand) for the year 2008 and 2009 respectively. Primary issue involving these demands was inadmissibility of input sales tax in respect of gas lost over and above UFG benchmark fixed by Oil and gas regulatory authority (OGRA), in this regard appeal filed by the company with Commissioner Inland Revenue (Appeals) in respect of the year 2008 and 2009 was decided against the company however Company has filed an appeal against the orders of CIR (Appeals) with ATIR for the year 2008 and 2009 respectively which was decided against the company. Subsequent to which, the Company filed an appeal with Honourable Lahore High Court, which is pending adjudication. No provision has been made in these financial statements as Company's Management is confident of favorable outcome of the appeals.

h) During the year tax authorities raised tax demands of Rs 128,322 thousand as a result of Order passed U/S 161/205 of Income Tax Ordinance 2001, this demand was raised on pretext of non-withholding of tax under section 152(2A) of Income Tax Ordinance 2001 made by the Company. An appeal filed by the Company with CIR(Appeals) was decided against the Company. An Appeal was filed by the Company with ATIR against the decision of CIR(A) which is pending adjudication. No provision has been made in these financial statements as the Company is confident of favorable outcome of the appeals.

16.1.2 Revenue determination

As at June 30, 2012, the company had contested the UFG Benchmark and the treatment of LPS imposed by OGRA in the Honorable Lahore High Court with regards to financial years 2010-11 and 2011-12. Subsequently on February 15, 2013, the Honorable Lahore High Court dismissed the petition filed by the company and OGRA vide its Final Revenue Requirement (FRR) Order dated November 05, 2015, incorporated the adverse impact of the above decision resulting in an increase in Gas Development Surcharge (GDS) for the year ended June 30, 2013 by Rs 12,743,000 thousand. Furthermore, OGRA vide its FRR for the year 2014-15 adopted the same benchmarks and parameters as laid down in its FRR order for the year 2012-13 and 2013-2014. The Company filed review petitions against FRR Orders for the financial years 2012-13, 2013-14 and 2014-15 with OGRA. OGRA is yet to adjudicate on the review petitions filed by the Company.

16.1.3 Others

Claims against the Company not acknowledged as debts amount to Rs 392,574 thousand (2014: Rs 371,637 thousand).

a) Included in claims against the Company not acknowledged as debt are claims by the contractors, suppliers and consumers aggregating Rs 77,313 thousand (2014: Rs 77,313 thousand). It also includes a penalty of Rs 1,000 thousand (2014: Rs 1,000 thousand) imposed by SECP for delay in dissemination of price sensitive information to KSE. The Company has filed an appeal in the Lahore High Court against the said decision. Pending the outcome of these matters/claims, which are being adjudicated, no provision has been made in these financial statements as the Company is confident of favorable outcome.

b) Included in claims against the Company not acknowledged as debt is the claim of employees union for bonus amounting to Rupees 255,200 thousand (2014: Rupees 255,200 thousand) approximately, which has been decided by National Industrial Relations Commission (NIRC) against the Company. The Lahore High Court while admitting Company's writ petition for regular hearing has suspended the order of the NIRC, subject to Company's furnishing an undertaking in respect of the bonus amount. The Company has filed an appeal with the Honorable Supreme Court of Pakistan on September 19, 2001 on the grounds that order of NIRC is without jurisdiction and is void. The appeal filed by the company has been decided against the company by the Honorable Supreme Court of Pakistan, aggrieved by the decision company has filed for review with Honorable Supreme Court of Pakistan, which has not been so far fixed for hearing. No provision has been made in these financial statements for the amount of bonus as the Company's legal advisor is of the view that there is a reasonably fair chance that the case will be decided in favor of the Company.

c) The Company furnished indemnity bonds to the Collector of Customs to avail the exemption under SRO 367(1)/94 in respect of custom duty and sales tax on certain imported items amounting to Rupees 195,731 thousand (2014: Rupees 195,731 thousand). Liabilities in respect of indemnity bonds may arise on items not consumed within five years from the date of receipt. Such liability, if any, will be treated as part of the cost of such items.

16.2 Commitments

a) Capital commitments

Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:

	Note	2015	2014
		(Rupees in thousand)	
Property, plant and equipment		1,834,993	388,419
Intangible assets		24,998	24,299
Stores and spares		7,733,850	2,632,237
		9,593,841	3,044,955
b) Other commitments		805,794	554,825

17. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
Operating fixed assets	17.1	92,092,283	83,881,031
Capital work-in-progress	17.2	22,384,225	20,662,511
		114,476,508	104,543,542

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

17.1 Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Operating Fixed Assets														
	Freehold land	Leasehold land	Buildings and civil construction on freehold land	Buildings on leasehold land	Transmission system	Distribution system	Consumer meter and town border stations	Telecommunication system and facilities	Compressor stations and equipment	Plant and machinery	Furniture and equipment	Transport Vehicle	Tools and accessories	Computers and ancillary equipment	Total
	(Rupees in thousand)														
Net Carrying Value basis															
Year ended 30 June 2015															
Opening net book value	1,540,565	392	650,892	-	21,125,299	39,281,706	14,566,015	132,308	4,480,945	1,192,579	84,979	471,417	35,989	317,945	83,881,031
Additions	77,224	-	110,202	-	3,458,047	6,188,910	5,567,054	70,989	437,210	1,554,606	38,183	229,997	13,686	197,462	17,943,570
Disposals															
Cost	-	-	-	-	(1,680)	-	(171,764)	(10,235)	(9)	(41,295)	(4,858)	(31,531)	-	(3,713)	(265,085)
Accumulated depreciation	-	-	-	-	1,345	-	171,764	10,235	9	41,043	4,837	28,751	-	3,626	261,610
	-	-	-	-	(335)	-	-	-	-	(252)	(21)	(2,780)	-	(87)	(3,475)
Depreciation charge	-	-	(78,396)	-	(2,417,338)	(3,607,081)	(2,432,673)	(41,103)	(427,712)	(361,603)	(29,182)	(200,913)	(19,092)	(113,750)	(9,728,843)
Closing net book value	1,617,789	392	682,698	-	22,165,673	41,863,535	17,700,396	162,194	4,490,443	2,385,330	93,959	497,721	30,583	401,570	92,092,283
Gross Carrying Value basis															
At 30 June 2015															
Cost	1,617,789	392	1,704,149	8,461	56,829,013	71,423,187	34,441,701	2,468,874	10,427,285	6,822,226	376,577	2,022,306	280,636	1,116,810	189,539,406
Accumulated depreciation	-	-	(1,021,451)	(8,461)	(34,663,340)	(29,559,652)	(16,741,305)	(2,306,680)	(5,936,842)	(4,436,896)	(282,618)	(1,524,585)	(250,053)	(715,240)	(97,447,123)
Net Book Value	1,617,789	392	682,698	-	22,165,673	41,863,535	17,700,396	162,194	4,490,443	2,385,330	93,959	497,721	30,583	401,570	92,092,283
Rate of depreciation in %	-	-	6	6	6-10	6	6-10	15	6-20	10-20	15-20	25	33.3	15	
Net Carrying Value basis															
Year ended 30 June 2014															
Opening net book value	1,415,701	392	660,428	-	21,254,754	37,157,980	12,540,174	154,924	4,255,270	1,230,248	50,685	421,107	15,631	378,536	79,535,830
Additions	124,864	-	56,547	-	2,300,835	5,498,474	3,936,372	22,551	693,611	270,187	58,694	214,161	35,074	48,668	13,260,038
Disposals															
Cost	-	-	-	-	-	-	(45,547)	(7,744)	-	(19,868)	(1,346)	(65,224)	-	(3,263)	(142,992)
Accumulated depreciation	-	-	-	-	-	-	45,547	7,744	-	19,868	1,346	56,997	-	3,196	134,698
	-	-	-	-	-	-	-	-	-	-	-	(8,227)	-	(67)	(8,294)
Depreciation charge	-	-	(66,083)	-	(2,430,290)	(3,374,748)	(1,910,531)	(45,167)	(467,936)	(307,856)	(24,400)	(155,624)	(14,716)	(109,192)	(8,906,543)
Closing net book value	1,540,565	392	650,892	-	21,125,299	39,281,706	14,566,015	132,308	4,480,945	1,192,579	84,979	471,417	35,989	317,945	83,881,031
Gross Carrying Value basis															
At 30 June 2014															
Cost	1,540,565	392	1,593,947	8,461	53,372,646	65,234,277	29,046,411	2,408,120	9,990,084	5,308,915	343,252	1,823,840	266,950	923,061	171,860,921
Accumulated depreciation	-	-	(943,055)	(8,461)	(32,247,347)	(25,952,571)	(14,480,396)	(2,275,812)	(5,509,139)	(4,116,336)	(258,273)	(1,352,423)	(230,961)	(605,116)	(87,979,890)
Net Book Value	1,540,565	392	650,892	-	21,125,299	39,281,706	14,566,015	132,308	4,480,945	1,192,579	84,979	471,417	35,989	317,945	83,881,031
Rate of depreciation in %	-	-	6	6	6-10	6	6-10	15	6-20	10-20	15-20	25	33.3	15	

17.1.1 The land at cost of Rs 1,301,749 thousand (2014: Rs 1,236, 590 thousand) is subject to restriction under The Land Acquisition Act, 1894 and can not be sold by the Company without the prior approval from the respective Provincial Governments.

17.1.2 The cost of assets as on June 30, 2015 include fully depreciated assets amounting to Rs.41,127,023 thousand (2014: Rs 36,311,339 thousand).

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

	Note	2015	2014
		(Rupees in thousand)	
Distribution cost	32	9,449,907	8,677,711
Administrative expenses	35	192,855	177,097
	39	9,642,762	8,854,808
Transmission system		66,742	42,042
Distribution system		19,339	9,693
		86,081	51,735
	17.1	9,728,843	8,906,543

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

2015							
Description	**Cost**	**Accumulated depreciation**	**Book value**	**Sale proceeds**	**Gain on sale**	**Mode of disposal**	**Sold to**
	(Rupees)						
Transport vehicles							
Toyota Corolla GLI	1,727,822	791,912	935,910	961,107	25,197	Service Rules	Mr Rehan Nawaz SGM (Css)
Suzuki Cultus Car	860,650	770,996	89,654	109,975	20,321	Service Rules	Mr Rafique Ahmad Ce Cs-South
Suzuki Cultus VXRI	875,950	766,456	109,494	121,052	11,558	Service Rules	Mr Haroon Khan RM (Sargodha)
Toyota Corolla Car GLI	1,605,380	1,337,810	267,570	1,450,000	1,182,430	Insurance Claim	National Insurance Company
Toyota Corolla Car	1,690,000	915,415	774,585	779,279	4,694	Service Rules	Mr Abdul Qayyum GM Law
Toyota Corolla GLI	1,727,430	1,151,617	575,813	607,003	31,190	Service Rules	Mr Najeeb Ul Hassan TA To DMD OPS
Computer Equipment							
UPS With Accessories	143,341	82,421	60,920	6,192	(54,728)	As per company policy	Mr Syed Sadaqat Ali Lahore
UPS With Accessories	143,340	82,421	60,919	6,192	(54,727)	As per company policy	Mr Syed Sadaqat Ali Lahore
Distribution System							
C.P. Station Ground Bed Deep well Abbottabad	635,000	513,285	121,715	663,959	542,244	Insurance Claim	National Insurance Company
Construction of 1 No. C.P.Station for TM shaheed Colony Ghazi Distt. Haripur.	615,000	415,124	199,876	632,813	432,937	Insurance Claim	National Insurance Company

Net book value of all other assets disposed off during the year ended June 30, 2015 was less than Rs. 50,000 each.

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain on sale	Mode of disposal	Sold to
	2014						
	(Rupees)						
Transport vehicles							
Honda City Car	1,288,060	1,180,735	107,325	121,637	14,312	Service Rules	Mr Muhammad Pervaiz SGM
Suzuki Cultus Car	860,650	627,554	233,096	257,600	24,504	Service Rules	Mr Abdul Salam RM
Suzuki Cultus Car	860,650	609,624	251,026	259,991	8,965	Service Rules	Mr Raja Shaheen Ulla Khan Chief Sales Officer
Honda Civic Vti	2,131,120	1,198,750	932,370	956,049	23,679	Service Rules	Mr Arif Hameed MD
Honda Civic Vti	2,126,270	1,018,834	1,107,436	1,135,491	28,055	Service Rules	Mr Zulqarnain Ahmad SGM
Toyota Corolla	1,608,030	737,017	871,013	891,114	20,101	Service Rules	Mr Muhammad Umair Khan GM
Toyota Corolla	1,613,300	941,085	672,215	676,696	4,481	Service Rules	Mr Nadeem Asghar SGM
Toyota Corolla	1,605,530	970,015	635,515	1,500,000	864,485	Insurance Claim	National Insurance Company
Honda Civic	2,160,915	990,418	1,170,497	1,197,508	27,011	Service Rules	Mr Abdul Haseeb SGM
Honda Civic	2,160,915	900,380	1,260,535	1,319,060	58,525	Service Rules	Mr Amir Naseem SGM (D)
Toyota Corolla	1,690,000	704,163	985,837	1,022,218	36,381	Service Rules	Mr. Muhammad Ashraf GM
Computer Equipment							
Laptop	76,747	23,021	53,726	64,000	10,274	Insurance Claim	National Insurance Company

Net book value of all other assets disposed off during the year ended June 30, 2014 was less than Rs. 50,000 each.

17.1.5 Transmission lines include assets held by the Company on behalf of and in trust for the investors under the musharaka arrangements entered into by the Company. Assets held under these musharaka arrangement are as follows:

Musharaka arrangements

	2015 Cost	2015 Book value	2014 Cost	2014 Book value
	(Rupees in thousand)			
Transmission lines				
36" Dia 68.14 Km AV 29 Mian Chunu Line	2,125,933	1,222,412	2,125,933	1,349,968
36" Dia 42.11 Km SMS Mian Chunu - Sahiwal Line	1,179,890	678,437	1,179,890	749,230
24" Dia 49.58 Km Kohat - Nowshera Line	909,147	522,759	909,147	577,308
24" Dia 42.20 Km Akhtarabad Pattoki - SMS	345,857	216,161	345,857	236,912
	4,560,827	2,639,769	4,560,827	2,913,418

17.1.6 Transmission lines include assets held by the Company on behalf of and in trust for the investors under the musharaka arrangements with Bank Alfalah Limited (Lead Bank) entered into by the Company. Assets held under these musharaka arrangement are as follows:

Musharaka arrangements

	2015 Cost	2015 Book value	2014 Cost	2014 Book value
	(Rupees in thousand)			
36" Dia 34.95 Km Harrapa 110.25 Km - 120.25 Km Sahiwal Line	1,621,741	1,029,805	-	-
24" Dia 81.42 Miles Sawan - Qadirpur Line	997,609	274,343	-	-
36" Dia 43.49 Miles Qadirpur - Bhong Line	989,327	272,065	-	-
24" Dia 67.77 Km Sahiwal - Phool Nagar (1st Segment)	830,062	477,285	-	-
24" Dia 23.30 Km Kohat - Dakhni Line (1st Segment)	1,256,278	1,174,620	-	-

	2015		2014	
	Cost	Book value	Cost	Book value
	(Rupees in thousand)			
24" Dia 39.01 Km Manzalai - Kohat Line	655,227	399,688	-	-
30" Dia 31.5 Miles MP6 - AV30 (P6) Kabirwala / Ali Pur	609,570	-	-	-
24" Dia 52.00 Km Down Stream Balloki to Dawood Hercules Line	599,875	407,915	-	-
36" Dia 22.78 Miles AV7 A3 (P-7)	537,929	115,655	-	-
30" Dia 35.40 Km AII - Chanab Crossing	513,753	202,932	-	-
36" Dia 20.66 Miles Sidhani - AC 7 D/S	486,421	162,951	-	-
36" Dia 31.93 Km AV20 - AC6	481,939	178,286	-	-
36" Dia 25.48 Km AC4 - AV15	407,217	160,851	-	-
36" Dia 18.60 Miles A4 AC4 (P-7)	450,064	96,764	-	-
24" Dia 23.71 Km D/H Offtake (MP 59.9) - B-3 Loopline	474,030	329,450	-	-
36" Dia 16.75 Miles Q AC1X - AC7	439,664	147,287	-	-
24" Dia 10.10 Km Dakhni - FC-1 Line (1st Segment)	436,296	407,937	-	-
30" Dia 29.16 Km CC1 - CC4	432,300	170,759	-	-
36" Dia 25.93 Km AV29 - A8 - AV30	450,632	178,000	-	-
30" Dia 16.30 Miles AV 29 - A8 (P6)	396,566	-	-	-
36" Dia 13.82 Miles AC6 - AV-29 (P-7)	383,026	82,351	-	-
36" Dia 16.42 Miles AV 40-AC 8 Line	371,390	92,823	-	-
36" Dia 13.04 Miles A3 AV10 (P-7)	368,308	79,186	-	-
30" Dia 21.24 Miles CS - CV25	357,557	3,552	-	-
36" Dia 14.66 Miles A6 AV-22	351,991	117,917	-	-
36" Dia 13.11 Miles AV-20-MP 130 (P-7)	327,276	62,161	-	-
30" Dia 19.61 Miles CS - CV10	317,078	3,150	-	-
24" Dia 20.48 Km AII - BV-3	255,920	94,674	-	-
36" Dia 8.76 Miles AV 10MP 11.57 (P-7)	250,067	47,496	-	-
30" Dia 12.76 Miles A8 - AV31 Add. Loop	248,085	-	-	-
30" Dia 14.15 Miles CV74 - CV9	240,483	60,105	-	-
30" Dia 15.95 Miles ALO	240,089	2,385	-	-
24" Dia 25.63 Km Kohat Darra Adam Khel Line	235,399	150,656	-	-
36" Dia 9.93 Miles MP 173 - A6	222,876	55,704	-	-
24" Dia 10.31 Km Kohat - D/S Dara Adam Khel Line	219,507	134,997	-	-
24.92"16" Dia Kamra Noshr	196,057	13,711	-	-
24" Dia 18.46 Km BC1 - B2	193,743	76,528	-	-
24" Dia 10.38 Km Phool Nagar - Baloki Line	182,430	102,161	-	-
36" Dia 9.44 Miles MP 112.54 - A4	176,862	44,204	-	-
36" Dia 4.78 Miles Q MP-173 A6 AV20	155,737	52,172	-	-
24" Dia 3.08 Km River Ravi Crossing at Balloki	137,612	99,080	-	-
30" Dia 6.80 Km,MP 160-CC3 Line	97,760	36,165	-	-
24" Dia 6.21 Miles Sui - MP6 (NT)	83,633	15,885	-	-
24" Dia 16 Km MP28.33 - BC1	79,079	37,958	-	-
24" Dia 1.12 Km Attock Crossing	39,319	21,625	-	-
30" Dia Construction of AC - A11	11,315	2,149	-	-
24" Dia 24.48 Km AC4 - AV15 Line	6,762	3,212	-	-
	18,815,861	7,678,600	-	-

		Note	2015	2014
			(Rupees in thousand)	
17.2	**Capital work-in-progress**			
	Transmission system		4,667,314	1,866,298
	Distribution system		5,317,831	7,658,437
	Stores and spare parts held for capital expenditure	17.2.1	12,083,769	10,873,578
	Advances for land and other capital expenditure		315,311	264,198
			22,384,225	20,662,511
17.2.1	**Stores and spare parts held for capital expenditure**			
	Stores and spare parts including in-transit Rs 760,399 thousand (2014: Rs 1,160,318 thousand)		12,166,628	10,939,450
	Less: Provision for obsolescence		82,859	65,872
			12,083,769	10,873,578
18.	**INTANGIBLE ASSETS**			
	Computer software and ERP system	18.1	46,128	56,719
	Intangible assets under implementation		1,342	1,342
			47,470	58,061

18.1 Computer software and ERP system

Reconciliation of the carrying amounts at the beginning and end of the year is as follows:

	Note	2015	2014
		(Rupees in thousand)	
Balance as at July 1:			
Cost		523,012	467,110
Accumulated amortization		(466,293)	(456,004)
Net book value		56,719	11,106
Movement during the year:			
Additions		15,822	55,902
Amortization charge for the year	35	(26,413)	(10,289)
Balance as at June 30:			
Cost		538,834	523,012
Accumulated amortization		(492,706)	(466,293)
Net book value		46,128	56,719
Rate of amortization		33.33%	33.33%

	2015	2014
	(Rupees in thousand)	

19. DEFERRED TAXATION

The deferred taxation asset comprises timing differences relating to:

	2015	2014
Deductible temporary differences		
Provision for doubtful debts	5,235,982	-
Unpaid trading liabilities	3,036,114	-
Carried forward tax losses	2,381,891	-
Minimum tax adjustment	3,709,723	-
	14,363,710	-
Taxable temporary differences		
Accelerated tax depreciation	(12,533,320)	-
Unamortized balance of employee loans at fair value	28,603	-
	(12,504,717)	-
	1,858,993	-

20. LONG TERM INVESTMENT

	2015	2014
Inter State Gas Systems (Private) Limited		
490,000 (2014: 490,000) ordinary shares of Rs 10 each	4,900	4,900

21. LONG TERM LOANS - CONSIDERED GOOD

	Note	Employee welfare		House Building		Motorcycle/ Scooter		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		(Rupees in thousand)							
Due from:									
Executives	21.1	-	-	4,561	5,682	-	-	4,561	5,682
Other employees		425,057	363,288	16,824	29,973	16,044	14,617	457,925	407,878
		425,057	363,288	21,385	35,655	16,044	14,617	462,486	413,560
Amount due within one year:									
Executives	26	-	-	1,153	1,153	-	-	1,153	1,153
Other employees	26	80,399	65,482	10,422	16,645	9,921	9,788	100,742	91,915
		80,399	65,482	11,575	17,798	9,921	9,788	101,895	93,068
		344,658	297,806	9,810	17,857	6,123	4,829	360,591	320,492

21.1 Reconciliation of balance due from executives:

	Employee welfare 2015	Employee welfare 2014	House Building 2015	House Building 2014	Motorcycle/ Scooter 2015	Motorcycle/ Scooter 2014	Total 2015	Total 2014
Opening balance	-	-	5,682	7,174	-	-	5,682	7,174
Disbursements	-	-	-	-	-	-	-	-
	-	-	5,682	7,174	-	-	5,682	7,174
Less: Repayments/adjustments	-	-	(1,121)	(1,492)	-	-	(1,121)	(1,492)
Closing balance	-	-	4,561	5,682	-	-	4,561	5,682

21.2 House building are repayable in 10 years, while motorcycle/ scooter loans are repayable in 3 years. Interest at the rate ranging between 1% and 10% (2014: 1% and 10%) per annum is charged on these loans. Loans to employees are secured by deposit of title deeds and joint registration of vehicles in the name of the Company and the employees.

21.3 The maximum amount due from the Chief Executive and Executives at any month end during the year was Nil (2014: Nil) and Rs 5,682 thousand (2014: Rs 7,174 thousand), respectively.

21.4 Fair values of long term loans to employees are estimated at the present value of all future cash flows discounted using rate prevailing on Regular Income Certificates for the relevant year.

21.5 Effective interest rates on the above loans range between 6.84% to 13.44% (2014: 6.84% to 13.44%) per annum.

22. EMPLOYEE BENEFITS

	Note	2015	2014
		(Rupees in thousand)	
Pension fund - Executive staff		-	261,004
Gratuity fund - Non executive staff		-	514,781
Medical Fund - Non Executive staff		-	1,122,493
	22.1	-	1,898,278

22.1 Reconciliation of receivable from / (payable to) employee benefit plans:

	Note	Pension fund - Executive staff 2015	2014	Gratuity fund - Non executive staff 2015	2014	Medical fund - Non Executive staff 2015	2014	Total 2015	2014
		(Rupees in thousand)							
Present value of funded obligations	22.4	-	(1,173,825)	-	(2,539,324)	-	(4,462,941)	-	(8,176,090)
Fair value of plan assets	22.5	-	1,434,829	-	3,054,105	-	5,585,434	-	10,074,368
Net assets	22.9	-	261,004	-	514,781	-	1,122,493	-	1,898,278

22.2 Movement in net assets

	Note	Pension fund - Executive staff 2015	2014	Gratuity fund - Non executive staff 2015	2014	Medical fund - Non Executive staff 2015	2014	Total 2015	2014
Opening asset		-	725,056	-	193,374	-	1,322,498	-	2,240,928
Transfer of funds		-	(289,606)	-	102,500	-	-	-	(187,106)
Credit / (charge) for the year	22.3	-	(43,566)	-	(105,117)	-	(10,881)	-	(159,564)
Remeasurements chargeable in OCI		-	(215,722)	-	149,269	-	(293,482)	-	(359,935)
Contribution paid		-	84,842	-	174,755	-	104,358	-	363,955
		-	261,004	-	514,781	-	1,122,493	-	1,898,278

22.3 Amounts recognized in profit and loss account are as follows:

	Note	Pension fund - Executive staff 2015	2014	Gratuity fund - Non executive staff 2015	2014	Medical fund - Non Executive staff 2015	2014	Total 2015	2014
		(Rupees in thousand)							
Current service cost		-	60,256	-	139,977	-	155,222	-	355,455
Interest on obligation		-	77,712	-	250,221	-	385,187	-	713,120
Expected return on plan assets		-	(143,092)	-	(285,081)	-	(529,528)	-	(957,701)
Past service cost		-	48,690	-	-	-	-	-	48,690
Total included in employee benefit expense	22.2	-	43,566	-	105,117	-	10,881	-	159,564
Actual return on plan assets		-	191,175	-	322,999	-	529,808	-	1,043,982

22.4 Changes in the present value of defined benefit obligation are as follows:

	Pension fund - Executive staff		Gratuity fund - Non executive staff		Medical fund - Non Executive staff		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)							
Opening defined benefit obligation	-	756,856	-	2,505,633	-	3,708,128	-	6,970,617
Service cost	-	60,256	-	139,977	-	155,222	-	355,455
Interest cost	-	77,712	-	250,221	-	385,187	-	713,120
Remeasurements charged to OCI	-	263,805	-	(111,351)	-	293,762	-	446,216
Past service cost	-	48,690	-	-	-	-	-	48,690
Benefits paid	-	(33,494)	-	(245,156)	-	(79,358)	-	(358,008)
Closing defined benefit obligation	-	1,173,825	-	2,539,324	-	4,462,941	-	8,176,090

22.5 Changes in the fair value of plan assets are as follows:

	Note	Pension fund - Executive staff		Gratuity fund - Non executive staff		Medical fund - Non Executive staff		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		(Rupees in thousand)							
Opening fair value of plan assets		-	1,481,912	-	2,699,007	-	5,030,626	-	9,211,545
Expected return		-	143,092	-	285,081	-	529,528	-	957,701
Remeasurements charged to OCI		-	48,083	-	37,918	-	280	-	86,281
Contributions by employer		-	84,842	-	174,755	-	104,358	-	363,955
Benefits paid		-	(33,494)	-	(245,156)	-	(79,358)	-	(358,008)
Amount transferred from pension fund to gratuity fund		-	(289,606)	-	102,500	-	-	-	(187,106)
	22.6	-	1,434,829	-	3,054,105	-	5,585,434	-	10,074,368

22.6 Plan assets comprise of:

	Pension fund - Executive staff				Gratuity fund - Non executive staff			
	2015		2014		2015		2014	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%
	(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)		(Rupees in thousand)	
Mutual funds	-	-	119,413	8.32	-	-	322,249	10.55
Certificates of deposits	-	-	1,265,635	88.21	-	-	2,401,161	78.62
Pakistan Investment Bonds	-	-	-	0.00	-	-	322,730	10.57
Receivable from Gratuity fund	-	-	-	0.00	-	-	-	0.00
Cash at bank	-	-	49,781	3.47	-	-	7,965	0.26
	-	-	1,434,829	100.00	-	-	3,054,105	100.00

	Medical fund - Non executive staff			
	2015		2014	
	Fair Value	%	Fair Value	%
	(Rupees in thousand)		(Rupees in thousand)	
Mutual funds	-	-	134,483	2.41
Certificates of deposits	-	-	4,871,499	87.22
Pakistan Investment Bonds	-	-	575,000	10.29
Cash at Bank	-	-	4,452	0.08
	-	-	5,585,434	100.00

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

22.7 **Principal actuarial assumptions used (expressed as weighted average)**

	Pension fund - Executive staff		Gratuity fund - Non executive staff	
	2015	2014	2015	2014
Expected increase in salaries	-	12.5%	-	12.5%
Discount rate	-	13.5%	-	13.5%
Expected rate of return per annum on plan assets	-	10.5%	-	10.5%

	Medical fund - Non executive staff	
	2015	2014
Discount rate	-	13.5%
Expected rate of growth per annum in average cost of facility	-	10.5%
Increase in average cost of medical facility per employee due to increase in age of recipient	-	2.0%
Expected rate of return per annum on plan assets	-	10.5%

Pension fund provides pension increase in line with the pension enhancements announced by the Government. Pension increase assumption of 6% per annum used in the actuarial valuation is a long term economic assumption and is based on long term inflation expectation of Government which is 6% to 8% per annum.

22.8 The overall expected rate of return on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

22.9 **Surplus / (deficit) for current and previous four years are as follows:**

	Pension Fund - Executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Plan assets	1,682,038	1,434,829	1,481,912	(557,159)	(1,296,432)
Defined benefit obligation	(1,833,957)	(1,173,825)	(756,856)	1,265,727	422,789
Surplus / (Deficit)	(151,919)	261,004	725,056	708,568	(873,643)
Experience adjustment on plan liabilities	95,407	263,805	86,690	42,483	36,069
Experience adjustment on plan assets	(22,083)	48,083	(3,127)	85,838	(98,752)

	Gratuity Fund - Non executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Plan assets	3,362,077	3,054,105	2,505,633	1,941,164	1,814,597
Defined benefit obligation	(3,461,211)	(2,539,324)	(2,699,007)	(1,184,658)	(1,150,101)
Surplus / (Deficit)	(99,134)	514,781	(193,374)	756,506	664,496
Experience adjustment on plan liabilities	588,336	(111,351)	729,168	280,646	(120,670)
Experience adjustment on plan assets	(30,048)	37,918	92,899	153,227	(80,307)

	Medical fund - Non executive staff				
	2015	2014	2013	2012	2011
	(Rupees in thousand)				
Plan assets	6,127,680	5,585,434	5,030,626	4,256,762	3,632,282
Defined benefit obligation	(6,283,881)	(4,462,941)	(3,708,128)	(3,853,287)	(3,575,342)
Surplus	(156,201)	1,122,493	1,322,498	403,475	56,940
Experience adjustment on plan liabilities	373,097	293,762	(750,743)	(332,870)	(261,539)
Experience adjustment on plan assets	(211,788)	280	114,485	13,961	62,114

		Note	2015	2014
			(Rupees in thousand)	
22.10	**Estimated future contributions:**			
	Pension fund - Executive staff		-	100,000
	Gratuity fund - Non executive staff		-	156,000
	Medical fund - Non executive staff		-	-
			-	256,000
22.11	**The charge for the year has been allocated as follows:**			
	Distribution cost	32	-	51,992
	Selling cost	34	-	24,836
	Administrative expenses	35	-	62,457
	Capital work-in-progress		-	20,279
			-	159,564
23.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Security and other deposits		6,016	5,988
	Prepayments		95,829	133,881
			101,845	139,869
	Less: Current portion of prepayments	27	94,218	131,671
	Provision against prepayments		1,232	1,232
			95,450	132,903
			6,395	6,966
24.	**STORES AND SPARE PARTS**			
	Stores [including in-transit Rs 91,696 thousand (2014: Rs 94,029 thousand)]		1,292,227	1,005,167
	Spares [including in-transit Rs 79,671 thousand (2014: Rs 517,624 thousand)]		1,508,186	1,904,517
		24.1	2,800,413	2,909,684
	Less: Provision for obsolescence		38,613	34,552
			2,761,800	2,875,132

24.1 This includes stores and spare parts of Rs 2,756 thousand (2014: Rs 973 thousand) which are not in possession of the Company.

		Note	2015	2014
			(Rupees in thousand)	
25.	**TRADE DEBTS**			
	Considered good:			
	Secured	25.1	35,623,762	28,912,782
	Unsecured	25.1, 25.3, 12.4	29,189,876	27,840,730
	Deferred / accrued gas sales		(191,653)	(181,877)
			64,621,985	56,571,635
	Considered doubtful		17,317,579	13,071,227
			81,939,564	69,642,862
	Less: Provision for doubtful debts	25.2	(17,317,579)	(13,071,227)
			64,621,985	56,571,635

		Note	2015	2014
			(Rupees in thousand)	
25.1	**These include amounts due from the following related parties:**			
	Nishat Mills Limited		863,099	272,861
	Sui Southern Gas Company Limited		401,466	80,406
	ICI Pakistan Limited		-	194,605
	Packages Limited		-	112,263
	Dawood Hercules Chemicals Limited		606,797	411,200
	D.G. Khan Cement Company Limited		555,358	160,849
	DG Khan Captive Power		338,503	74,883
	Engro Chemicals Limited		-	109,287
	Pakarab Fertilizers Limited		1,467,386	1,041,088
	Engro Foods		-	8,782
	WAPDA		19,418,338	17,714,270
			23,650,947	20,180,494
25.1.1	**Ageing of related party balance**			
	One to six months		13,974,589	14,012,865
	More than 6 months		9,676,358	6,167,629
			23,650,947	20,180,494
25.2	**Provision for doubtful debts**			
	Balance as on July 1		13,071,227	9,174,931
	Provision during the year	34	4,246,352	3,896,296
	Balance as on June 30		17,317,579	13,071,227

25.3 Included in trade debts are amounts receivable from Government owned power generation companies and independent power producers of Rs 14,421,249 thousand (2014: Rs 19,391,135 thousand) along with interest of Rs 14,737,619 thousand (2014: Rs 13,524,205 thousand) on delayed payments. While trade and other payables referred to in note 12 include an amount of Rs 56,444,185 thousand (2014: Rs 33,673,595 thousand) due to Pakistan Petroleum Limited, Sui Southern Gas Company Limited, Oil and Gas Development Company Limited and Government Holding (Private) Limited on account of gas purchases along with interest on delayed payments of Rs 13,346,497 thousand (2014: 10,883,965 thousand). Further an amount of Rs. 22,145,610 thousand (2014: Rs Nil) is receivable from Government of Pakistan on account of differential margin and an amount of Rs Nil (2014: Rs 4,569,948 thousand) and Rs. 4,101,372 thousand (2014: Rs. 4,235,007 thousand) is payable to Government of Pakistan on account of Gas Development Surcharge and interest thereon on late payments, respectively. The settlement of these amounts is dependent upon the resolution of inter-corporate circular debt by the Government of Pakistan.

		Note	2015	2014
			(Rupees in thousand)	
26.	**LOANS AND ADVANCES**			
	Loans due from employees - considered good:			
	Executives	21	1,153	1,153
	Other employees	21	100,742	91,915
			101,895	93,068
	Advances - considered good:			
	- other employees		733,247	726,394
	- suppliers and contractors		76,310	191,682
	Advances to suppliers and contractors:			
	- considered doubtful		3,227	3,227
	Less: Provision for doubtful receivables		(3,227)	(3,227)
			-	-
			911,452	1,011,144
27.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits and short term prepayments		46,985	123,253
	Less: provision for doubtful deposits		(22,290)	(22,290)
			24,695	100,963
	Current portion of long term prepayments	23	94,218	131,671
			118,913	232,634
28.	**OTHER RECEIVABLES**			
	Excise duty recoverable		108,945	108,945
	Less: Provision for doubtful recoverable		(108,945)	(108,945)
			-	-
	Differential margin recoverable	25.3	22,145,610	-
	Due from customers	41	65,916	6,986
	Current account with Sui Southern Gas Company Limited		16,082	15,717
	Others		25,621	19,996
			22,253,229	42,699
29.	**CASH AND BANK BALANCES**			
	On deposits accounts	29.1	371,746	177,705
	On current accounts		181,860	300,631
			553,606	478,336
	Cash in hand		1,591	1,642
			555,197	479,978

29.1 Rate of return on bank deposits ranges between 3.10% to 10.00% (2014: 4.75% to 10.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

		Note	2015	2014
			(Rupees in thousand)	
29.2	**Balance with related parties**			
	Askari Commercial Bank Limited		4,544	4,881
	MCB Bank Limited		7,205	27,313
	Bank Al-Habib Limited		168,121	25,249
	Habib Metropolitan bank Limited		-	19,033
	Soneri Bank Limited		4,666	-
			184,536	76,476
30.	**GAS SALES**			
	Gross sales		211,248,552	245,987,152
	Gross sales-RLNG	30.1	15,302,514	-
			226,551,066	245,987,152
	Less: Sales tax		(33,440,351)	(39,749,587)
	Sales tax-RLNG		(2,291,701)	-
			(35,732,052)	(39,749,587)
			190,819,014	206,237,565

30.1 Pursuant to a draft tri-party agreement among Sui Sothern Gas Company Limited, Pakistan State Oil and Sui Northern Gas Pipelines Limited, the Company is selling Regassified Liquefied Natural Gas (RLNG) to certain Industrial consumers. Provisional rates in this regard have been notified by OGRA.

		Note	2015	2014
			(Rupees in thousand)	
31.	**COST OF GAS SALES**			
	Opening stock of gas in pipelines		947,899	1,075,236
	Gas purchases:			
	Southern system		98,884,710	119,083,170
	Northern system		43,820,800	47,730,183
	RLNG	31.1	13,010,813	-
	Cost equalization adjustment	31.2	38,862,821	37,667,771
			194,579,144	204,481,124
			195,527,043	205,556,360
	Less: Gas internally consumed		1,591,318	2,034,480
	Closing stock of gas in pipelines		1,030,463	947,899
			2,621,781	2,982,379
	Distribution Cost	32	17,468,970	17,553,358
			210,374,232	220,127,339
31.1	**Cost of gas sold**			
	Cost of RLNG		10,301,968	-
	Cost of Capacity and Utilization charges		2,708,845	-
			13,010,813	-

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

31.3 Unaccounted For Gas (UFG) in the parlance of a gas distribution and transmission company means the difference between gas purchased in volume, gas billed in volume and gas used internally by the company for its operations. UFG results from a number of factors which inter alia comprises of gas leakages both underground and over ground, measurement errors, meter tampering, meter getting slow with time and use, illegal connections and such other connections which bypass the meters installed. However, in order to curb the rising trend of theft the company has launched a campaign to unearth illegal networks. Volume of gas used by the non consumers worth 5,925 MMCF and gas used by the law and order hit areas e.g. Gurguri etc. worth 7,536 MMCF (2014: 5,925 MMCF and 8102 MMCF) detected during this year has been deducted from UFG of the company. The UFG for each region of SNGPL network is given below in terms of volume and percentage.

Serial No.	Region	Number of consumers	UFG MMCF	UFG %
1	Multan	425,539	6,917	11.50
2	Bahawalpur	199,667	2,778	3.22
3	Sargodha	162,382	1,133	8.28
4	Faisalabad	565,236	4,301	9.16
5	Sahiwal	170,287	904	11.10
6	Sheikhupura	233,904	4,780	14.97
7	Lahore	928,977	10,801	14.32
8	Gujranwala	596,265	4,469	13.17
9	Gujrat	178,722	1,066	12.04
10	Islamabad	857,507	7,531	12.98
11	Peshawar	504,061	13,107	16.22
12	Abbottabad	138,476	88	0.49
	Total distribution system	4,961,023	57,875	11.09
	Transmission system	-	(646)	(0.12)
	Total company	4,961,023	57,229	10.97

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

		Note	2015	2014
			(Rupees in thousand)	
32.	**DISTRIBUTION COST**			
	Salaries, wages and benefits	32.1	4,782,072	4,978,510
	Employees medical and welfare		362,390	286,693
	Stores and spare parts consumed		278,958	425,841
	Fuel and power		1,390,672	1,873,670
	Repairs and maintenance		991,673	1,043,135
	Rent, rates, electricity and telephone		249,435	216,759
	Insurance		178,894	174,877
	Travelling		80,901	85,376
	Stationery and postage		19,808	20,398
	Transportation charges		630,318	638,451
	Professional services		1,918	1,115
	Provision for obsolete stores and spare parts		21,048	64,658
	Security expenses		364,975	309,842
	Advertisement		17,625	117,875
	Depreciation	17.1.3	9,449,907	8,677,711
	Others		195,946	188,436
			19,016,540	19,103,347
	Less: Allocated to fixed capital expenditure		(1,547,570)	(1,549,989)
		31	17,468,970	17,553,358

32.1 Included in salaries, wages and benefits are Rs 112,281 thousand (2014: Rs 133,080 thousand) in respect of the Company's contribution to the Employees Provident Fund.

	Note	2015	2014
		(Rupees in thousand)	
33. OTHER INCOME			
Income from financial assets:			
Interest on staff loans and advances		51,375	45,098
Return on bank deposits		367,924	413,945
Gain on initial recognition of financial liabilities at fair value		7,374	6,219
		426,673	465,262
Interest Income on late payment of gas bills			
Government owned and other power generation companies	25.3	1,172,477	1,923,857
Fertilizer and cement companies		59,058	9,172
Interest Income on late payment of gas bills- other consumers	33.1	2,914,365	2,456,314
		4,145,900	4,389,343
Income from assets other than financial assets			
Net gain on sale of fixed assets		26,792	35,653
Meter rentals and repairs charges		1,698,203	1,663,319
Amortization of deferred credit	9, 39	2,746,341	2,571,540
Insurance claim	33.4	1,930	3,347
		4,473,266	4,273,859
Others:			
Sale of tender documents		2,737	3,192
Sale of scrap		69,738	66,616
Credit balance written back		-	15,098
Liquidated damages recovered		190,659	67,060
Gain on construction contracts		16,199	70,438
Bad debt recoveries		20,005	18,711
Exchange gain		-	6,286
Urgent fee for new meter connections		958,091	373,845
Gas transportation income		217,752	
Miscellaneous		4,227	2,336
		1,479,408	623,582
		10,525,247	9,752,046

	Note	2015	2014
33.1 Interest Income on late payment of gas bills - Other consumers:			
Interest on gas sales arrears	33.2	1,864,009	1,336,887
Surcharge on late payments	33.3	1,050,356	1,119,427
		2,914,365	2,456,314

33.2 This represents interest charged on gas sales arrears amounting to Rs 1,864,009 thousand (2014: Rs 1,336,887 thousand) at the rate of 1.5% (2014: 1.5%) per month up to one year and thereafter 2% (2014: 2%) per month from other than domestic consumers.

33.3 One time late payment surcharge is charged to domestic consumers on over due amounts at the rate of 10% (2014: 10%) per annum.

33.4 This mainly represents claims received on account of rupture of gas pipelines.

		Note	2015	2014
			(Rupees in thousand)	
34.	**SELLING COST**			
	Salaries, wages and benefits	11, 12, 34.1	2,358,320	2,351,984
	Employees medical and welfare		199,061	156,155
	Stores and spare parts consumed		761	883
	Repairs and maintenance		187,688	144,258
	Rent, rates, electricity and telephone		21,972	24,400
	Travelling		31,467	33,498
	Stationery and postage		46,756	93,652
	Dispatch of gas bills		95,317	89,575
	Transportation charges		90,327	85,178
	Provision for doubtful debts	25.2	4,246,352	3,896,296
	Professional services		2,501	408
	Gathering charges of gas bills collection data		35,133	26,169
	Gas bills collection charges		375,854	342,234
	Others		90,958	76,490
			7,782,467	7,321,180
	Less: Allocated to fixed capital expenditure		(341,699)	(348,162)
			7,440,768	6,973,018

34.1 Included in salaries, wages and benefits is Rs 54,291 thousand (2014: Rs 62,980 thousand) in respect of the Company's contribution to the Employees Provident Fund.

		Note	2015	2014
			(Rupees in thousand)	
35.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	11, 12, 35.1	2,754,123	2,831,226
	Employees medical and welfare		224,651	180,365
	Stores and spare parts consumed		73,209	39,074
	Fuel and power		34,884	43,889
	Repairs and maintenance		86,072	86,092
	Rent, rates, electricity and telephone		95,501	110,056
	Insurance		9,949	14,057
	Travelling		35,411	33,181
	Stationery and postage		41,848	39,338
	Transportation charges		73,288	81,523
	Professional services	35.3	174,229	119,246
	Security expenses		109,948	91,479
	Service charges		74,569	65,943
	OGRA fee and expenses		123,770	11,898
	Advertisement		146,104	1,172
	Depreciation	17.1.3	192,855	177,097
	Amortization of intangible assets	18.1	26,413	10,289
	Others		232,249	167,443
			4,509,073	4,103,368
	Less: Allocated to fixed capital expenditure		(319,304)	(302,097)
			4,189,769	3,801,271

35.1 Included in salaries, wages and benefits is Rs 67,718 thousand (2014: Rs 75,227 thousand) in respect of the Company's contribution to the Employees Provident Fund.

35.2 **Number of employees**

	2015		2014	
	As at 30 June	Average during the year	As at 30 June	Average during the year
Operation	8,772	8,685	8,696	8,844
Project	290	288	288	296
Total	9,062	8,973	8,984	9,140

	Note	2015	2014
		(Rupees in thousand)	
35.3 Professional services			
The charges for professional services include the following in respect of:			
Statutory audit		3,000	3,000
Half yearly review and other certifications		1,545	1,545
Income tax advisory			
- A. F. Ferguson & Co.		2,602	7,242
Out of pocket expenses		600	600
		7,747	12,387
36. FINANCE COST			
Mark-up / interest / commitment charges on:			
- Long term financing:			
Secured		1,005,451	742,925
Unsecured		121,837	127,590
- Short term borrowing		41,769	35,356
- Late payment to gas suppliers and Gas Development Surcharge		2,335,727	3,295,019
- Security deposits		916,242	810,294
- Bank charges	36.1	126,384	20,764
		4,547,410	5,031,948
Less: Allocated to fixed capital expenditure		(564,682)	(26,491)
		3,982,728	5,005,457

36.1 This includes Rs 122,460 thousand (2014: 19,140 thousand) in respect of fee for loan obtained during the year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

		Note	2015	2014
			(Rupees in thousand)	
37.	**OTHER OPERATING EXPENSES**			
	Workers' Profit Participation Fund	12.5	-	-
	Exchange loss		346,685	51,299
	Loss on initial recognition of financial assets at fair value		54,647	43,264
	Donations	37.1	20,000	-
			421,332	94,563

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

38. TAXATION

		2015	2014
Current tax			
Current year		1,037,248	1,045,041
Prior year		61,202	-
		1,098,450	1,045,041
Deferred tax		(1,966,959)	(2,569,190)
		(868,509)	(1,524,149)

		Note	2015 (%)	2014 (%)
38.1	**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		33.00	34.00
	One time super tax	38.2	3.00	0.00
	(Less) / add Tax effect of amounts that are:			
	- Not deductible for tax purpose		0.13	0.07
	- Effect of changes in current tax of prior years		1.73	0.00
	- Change in tax rate		(10.21)	(6.24)
	- Others		(1.82)	(0.06)
			(10.17)	(6.23)
	Average effective tax rate charged to profit and loss account		25.83	27.77

38.2 It represents tax expense pertaining to one time super tax, which has been levied at the rate of 3% for the tax year 2015 on all Companies having taxable income of Rs 500 million or above through amendments introduced in the Income Tax Ordinance, 2001 vide Finance Act, 2015.

38.3 Finance Act, 2015 introduced income tax at the rate of 10% undistributed reserves where such reserves of the Company are in excess of its paid up capital and the Company derives profit for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax has not been recognized as there are no reserves in excess of the paid up capital of the Company.

	Note	2015	2014
		(Rupees in thousand)	
39. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(3,363,009)	(5,488,724)
Adjustment for non-cash charges and other items:			
Depreciation	17.1.3	9,642,762	8,854,808
Amortization of intangible assets	18.1	26,413	10,289
Employee benefits		1,941,533	1,639,557
Amortization of deferred credit	33	(2,746,341)	(2,571,540)
Provision for obsolete stores and spare parts		21,048	-
Net gain on sale of fixed assets		(26,792)	(35,653)
Finance cost		3,982,728	5,005,457
Return on bank deposits		(367,924)	(413,945)
Provision for doubtful debts		4,246,352	3,896,296
Loss on initial recognition of financial assets at fair value		54,647	43,264
Gain on initial recognition of financial assets at fair value		(7,374)	(6,219)
Loss / (Gain) on initial recognition of financial assets/ financial liabilities at fair value		47,273	37,045
Liabilities written back		-	(15,098)
Interest income due to the impact of IAS-39		(32,789)	(29,937)
Working capital changes	39.1	(3,296,679)	(469,888)
		10,074,575	10,418,667
39.1 Working capital changes			
Decrease / (Increase) in current assets:			
Stores and spare parts		92,284	(666,659)
Stock-in-trade - gas in pipelines		(82,564)	127,337
Trade debts		(12,296,702)	(6,005,703)
Loans and advances		108,519	(623,861)
Trade deposits and short term prepayments		113,721	(116,636)
Other receivables		(22,210,530)	615,905
		(34,275,272)	(6,669,617)
Increase in current liabilities:			
Trade and other payables		30,978,593	6,199,729
		(3,296,679)	(469,888)
39.2 Cash and cash equivalents			
Cash and bank balances		555,197	479,978
Short term borrowing		(142,203)	(977,143)
		412,994	(497,165)

40. REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVES AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits, to the Chief Executive and executives of the Company is as follows:

	Managing Director		Executives	
	2015	2014	2015	2014
Number of persons	**1**	**1**	**787**	**757**
	(Rupees in thousand)			
Remuneration	15,149	13,065	992,951	855,606
Contribution to provident, pension and Gratuity fund	5	2,773	325,930	209,046
Housing and utilities	8,332	7,186	517,992	451,025
Conveyance and other allowances	-	-	83,129	60,923
Special allowance	3,030	2,613	30,963	39,599
Leave encashment	2,961	4,990	13,209	16,424
Club subscription	-	-	6,777	4,945
	29,477	30,627	1,970,951	1,637,568

In addition, the Chief Executive and certain executives are provided with free transport subject to certain specified limits for petrol consumption, residential telephone/mobile facilities for both business and personal use and free medical facilities.

The aggregate amount charged in the financial statements in respect of directors' fee paid to eighteen (2014: fifteen) directors was Rs 20,500 thousand (2014: Rs 133 thousand).

41. LONG-TERM CONSTRUCTION CONTRACTS

	Note	2015	2014
		(Rupees in thousand)	
Contract revenue for the year		148,322	536,143
Method used to determine revenue		Fixed price contract	
Method used to determine Stage of completion		cost incurred to date	
Contract cost incurred to date		1,514,033	863,158
Contract cost incurred during the period		193,304	272,087
Gross profit realized to date		578,473	79,055
Gross profit/ (loss) realized		9,647	(48,769)
Retention money receivable		13,109	89,170
Gross amount due from customers	28	65,916	6,986
Gross amount due to customers	12	91,422	87,121
Estimated future costs to complete projects in progress		89,759	194,933

42. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking, other related group companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 40. Other significant transactions with related parties are as follows:

	Note	2015	2014
		(Rupees in thousand)	
Gas sales		15,755,443	21,842,073
Purchase of materials		1,252,102	3,151,905
Purchase of gas		139,495,986	152,888,595
Services	35	83,269	80,244
Profit received on bank deposits.		277,742	132,177
Contribution to defined contribution plan	42.1	245,626	200,655
Contribution to defined benefit plans		2,028,911	1,726,004
Transportation charges		258,989	695,423
Transmission charges		2,903	3,315
Insurance expenses		277,742	237,168
Insurance claimed received		33,939	67,436
Dividend paid		-	-

Transaction with related parties are carried out on mutually agreed terms and conditions.

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

43. UNUTILIZED CREDIT FACILITIES

The Company has the facilities for opening of letters of credit amounting to Rs 7,827,000 thousand (2014: Rs 6,500,000 thousand) out of which Rs 37,410 thousand (2014: Rs 2,278,756 thousand) remained unutilized at the end of the year.

44. CAPACITY AND ACTUAL PERFORMANCE

The average daily gas transmitted during the year was 233,280 Hm^3 (2014: 293,572 Hm^3) against the designed capacity of 459,234 Hm^3 (2014: 459,234 Hm^3). 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.

45. LOSS PER SHARE - BASIC AND DILUTED

		Note	2015	2014
Loss for the year	Rupees in thousand		(2,494,500)	(3,964,575)
Average ordinary shares in issue	Numbers of shares	5	634,216,665	634,216,665
Basic loss per share	Rupees		(3.93)	(6.25)

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

46. FINANCIAL RISK MANAGEMENT

46.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the gas suppliers. The exchange gain / (loss) on the payment to gas suppliers is passed on to the Government, due to the reason more fully explained in note 4.19 to the financial statements.

	2015	2014
	Rupees per US Dollar	
The following significant exchange rates were applied during the year:		
Average rate	101.38	103.28
Reporting date rate	101.70	98.75

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowing. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2015	2014
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets:		
Loans to employees	462,486	413,560
Financial liabilities:		
Long term financing	732,769	793,827
Security deposit	17,551,338	16,663,587
Floating rate instruments		
Financial assets:		
Bank balances - deposit accounts	371,746	177,705
Financial liabilities:		
Long term financing	16,406,829	8,482,261
Security deposit	1,429,026	853,785
Short term borrowing	142,203	977,143

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term financing at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit after taxation for the year would have decreased/increased by Rs 118,995 thousand (2014: decreased/increased by Rs 65,881 thousand), mainly as a result of higher/lower interest expense in the year ended June 30, 2015. This analysis is prepared assuming the amount of floating rate instruments outstanding at the balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2015	2014
	(Rupees in thousand)	
Loans and advances	1,195,733	1,139,954
Deposits	17,002	16,934
Trade debts	64,621,985	56,571,635
Interest accrued	14,100	18,495
Other receivables	24,757	25,722
Bank balances	553,606	478,336
	66,427,183	58,251,076

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

	Rating			2015	2014
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	7,205	27,313
National Bank of Pakistan	A-1+	AAA	JCR-VIS	16,214	9,022
Habib Bank Limited	A-1+	AAA	JCR-VIS	67,955	51,246
United Bank Limited	A-1+	AA+	JCR-VIS	3,413	6,169
Allied Bank Limited	A1+	AA+	PACRA	5,257	14,924
Askari Bank Limited	A1+	AA	PACRA	4,544	4,881
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	32,828	19,032
Bank Al-Habib Limited	A1+	AA+	PACRA	168,121	25,249
Faysal Bank Limited	A1+	AA	JCR-VIS	706	1,558
Bank Alfalah Limited	A1+	AA	PACRA	48,878	8,709
Soneri Bank Limited	A1+	AA-	PACRA	4,666	199
The Bank of Punjab	A1+	AA-	PACRA	849	253
CITI Bank N.A	P-1	A2	Moody's	1,968	44
First Women Bank Limited	A2	BBB+	PACRA	176	937
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	1,327	1,524
Albaraka Bank (Pakistan) Limited	A1	A	PACRA	1,223	750
Summit Bank Limited	A-3	A-	JCR-VIS	1,407	789
JS Bank Limited	A1	A+	PACRA	330	305
KASB Bank Limited	A3	BBB	PACRA	105	283
NIB Bank Limited	A1+	AA-	PACRA	1,738	557
Samba Bank Limited	A-1	AA	JCR-VIS	486	4
The Bank of Khyber	A1	A	JCR-VIS	641	8,508
Punjab Provincial Co-operative Bank				789	210
Silk Bank Limited	A-2	A-	JCR-VIS	51	229
Meezan Bank Limited	A-1+	AA-	JCR-VIS	869	(4,990)
				371,746	177,705

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed as follows:

As at June 30, 2015, trade debts of Rs 52,374,773 thousand (2014 : Rs 66,686,050 thousand) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2015	2014
	(Rupees in thousand)	
1 to 6 months	39,063,570	54,820,653
More than 6 months	13,311,203	11,865,397
	52,374,773	66,686,050

As at June 30, 2015, trade debts of Rs 17,317,579 thousand (2014 : Rs 13,071,227 thousand) were impaired and provided for. The ageing analysis of these trade debts is as follows:

	2015	2014
	(Rupees in thousand)	
Up to 1 month	128,021	87,668
1 to 6 months	1,129,857	773,720
More than 6 months	16,059,701	12,209,839
	17,317,579	13,071,227

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Inspite the fact that the Company is in a negative working capital position at the year end, the management believes the liquidity risk to be low.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
			(Rupees in thousand)		
June 30, 2015					
Long term financing	17,139,598	21,755,522	4,252,972	13,984,211	3,518,339
Trade and other payables	87,841,847	87,841,847	87,841,847	-	-
Short term borrowings	142,203	152,385	152,385	-	-
	105,123,648	109,749,754	92,247,204	13,984,211	3,518,339
June 30, 2014					
Long term financing	9,276,088	11,990,126	3,813,906	6,947,104	1,229,116
Trade and other payables	56,655,788	56,655,788	56,655,788	-	-
Short term borrowings	977,143	1,077,984	1,077,984	-	-
	66,909,019	69,723,898	61,547,678	6,947,104	1,229,116

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2015. The rates of mark-up have been disclosed in respective notes to the financial statements.

46.2 **Fair values of financial assets and liabilities**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company are the current bid prices.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS-39. The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

46.3 Financial instruments by categories

	Loans and receivables	
	2015	2014
	(Rupees in thousand)	
As at 30 June		
Assets as per balance sheet:		
Loans and advances	1,195,733	1,139,954
Trade deposits and short term prepayments	17,002	16,934
Trade debts	64,621,985	56,571,635
Interest accrued	14,100	18,495
Other receivables	24,757	25,722
Cash and bank balances	555,197	479,978
	66,428,774	58,252,718

	Financial liabilities at amortized cost	
	2015	2014
	(Rupees in thousand)	
Liabilities as per balance sheet:		
Long term financing	17,139,598	9,276,088
Security deposit	32,452,229	29,782,655
Accrued mark-up	19,043,308	16,570,251
Short term borrowings	142,203	977,143
Trade and other payables	87,841,847	56,655,788
	156,619,185	113,261,925

46.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represent long-term financing (including current portion) plus short term borrowing obtained by the Company as referred to in note 6, 7, 14 and 15. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at June 30, 2015 and June 30, 2014 were as follows:

	Note	2015	2014
		(Rupees in thousand)	
Debt	6, 7, 14, 15	17,281,801	10,253,231
Equity		3,573,318	6,068,037
Total capital employed		20,855,119	16,321,268
Gearing ratio		82.87%	62.82%

47. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on February 11, 2016 has proposed a cash dividend in respect of the year ended June 30, 2015 of Rs Nil per share (2014: Rs Nil per share), amounting to Rs Nil (2014: Rs Nil) and Nil% bonus share (2014: Nil) in respect of the year ended June 30, 2015. The appropriation will be approved by the members in the forth coming Annual General Meeting. The financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

48. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 11, 2016 by the Board of Directors of the Company.

49. CORRESPONDING FIGURES

Corresponding figures have been re-classified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. No significant reclassifications have been made during the year.

50. GENERAL

The figures have been rounded off to the nearest thousand Rupees.

Amer Tufail
Managing Director/Chief Executive Officer

Muhammad Saeed Mehdi
Chairman

NOTES

FORM OF PROXY
Sui Northern Gas Pipelines Limited

پراکسی فارم
سوئی ناردرن گیس پائپ لائنز لیمیٹڈ

میں مسمی/مسمات ____________________

ساکن ____________________

بحیثیت ممبر سوئی ناردرن گیس پائپ لائنز لیمیٹڈ (کمپنی) حامل ____________________ عمومی حصص،
تعداد حصص (شیئرز)

مسمی/مسمات ____________________ ساکن ____________________

جو کہ درج شدہ فولیو نمبر/سی ڈی سی (CDC) اکاؤنٹ نمبر ____________________ کے تحت کمپنی کے ممبر ہیں یا (غیر حاضری کی صورت میں)

مسمی/مسمات ____________________ ساکن ____________________

جو خود بھی درج شدہ فولیو نمبر/ سی ڈی سی (CDC) اکاؤنٹ نمبر ____________________

کے تحت کمپنی کے ممبر ہیں، کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 51 ویں سالانہ اجلاس عام، جو بتاریخ 8 مارچ 2016ء بروز منگل بوقت 11 بجے صبح منعقد ہو رہا ہے یا اس کے ملتوی شدہ اجلاس میں شرکت کرسکیں اور ووٹ ڈال سکیں۔

مورخہ: ____________________

جگہ برائے 5 روپے
کے رسیدی ٹکٹ
اور اُن پر حصے دار کے
درج شدہ (رجسٹرڈ) دستخط

گواہان:

.1

دستخط: ____________________

نام گواہ: ____________________

پتہ: ____________________

____

____

شناختی کارڈ/پاسپورٹ نمبر: ____________________

.2

دستخط: ____________________

نام گواہ: ____________________

پتہ: ____________________

____

____

شناختی کارڈ/پاسپورٹ نمبر: ____________________

ٹکٹ
یہاں چسپاں کریں

کمپنی سیکریٹری

سوئی ناردرن گیس پائپ لائنز لیمیٹڈ

گیس ہاؤس، 21- کشمیر روڈ، پی او باکس نمبر 56،
لاہور-54000، پاکستان
ٹیلی فون: (+92-42) 99201451-60, 99201490-99
فیکس : (+92-42) 99201369, 99201302

FORM OF PROXY

Sui Northern Gas Pipelines Limited

I, ____________________

of ____________________

being a member of SUI NORTHERN GAS PIPELINES LIMITED and holder of ____________________ (number of shares)

ordinary shares vide Registered Folio/CDC Participant I.D. No. ____________________

hereby appoint Mr./Mrs./Miss. ____________________

who is a member of the Company vide Registered Folio/CDC Participant I.D. No. ____________________

or failing whom Mr./Mrs./Miss ____________________

who is also a member of the Company vide Registered Folio/CDC Participant I.D. No. ____________________

as my proxy to attend and vote for me and on my behalf at the 51st Annual General Meeting of the Company to be held on Tuesday, March 08, 2016 at 11:00 a.m. and/or at any adjournment thereof.

Signature on Rupees Five Revenue Stamp

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

WITNESSES:

1. Signature: ____________________

Name: ____________________

____

Address: ____________________

____

CNIC / Passport No. ____________________

Dated: ____________________

2. Signature: ____________________

Name: ____________________

____

Address: ____________________

____

CNIC / Passport No. ____________________

NOTES:

1. All members, entitled to attend and vote at the general meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless whether they are a member or not, as proxy. In case of legal entities, a resolution of the Board of Directors' / Power of Attorney with specimen signature of the person nominated to represent and vote on behalf of the legal entity, shall be submitted to the Company. The proxy holders are required to produce their original CNIC or original Passport at the time of the meeting.

2. The proxy instrument must be complete in all respects and in order to be effective should be deposited at the Registered Office of the Company but not later than 48 hours before the time of holding the meeting.

For CDC account holders / legal entities:

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

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 requirements mentioned below.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC 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 CNIC or original Passport at the time of the meeting.

v) In case of a legal entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary,

SUI NORTHERN GAS PIPELINES LIMITED
Gas House, 21-Kashmir Road, P.O. Box No. 56,
Lahore-54000, Pakistan.
Tel : (+92-42) 99201551-60 & 99201590-99
Fax : (+92-42) 99201469 & 99201402

HEAD OFFICE
Gas House
21-Kashmir Road,
P.O. Box No. 56, Lahore - 54000, Pakistan.
Tel: (+92-42) 99201451-60 & 99201490-99
Fax: (+92-42) 99201369 & 99201302
Website: www.sngpl.com.pk

REGIONAL OFFICES

Sr. No.	City	Address	Telephone	Fax
1	Abbottabad	Mansehra Road, Abbottabad	0992-9310071-72	0992-9310070
2	Bahawalpur	2-A, Railway Road, Bahawalpur	062-9255022-24	062-9255026
3	Faisalabad	Sargodha Road, Faisalabad	041-9210033-35	041-9210037
4	Gujranwala	M.A. Jinnah Road, Gujranwala	055-9200481-84	055-9200486
5	Gujrat	Plot No. 120-121, State Life Building, G.T. Road, Gujrat	053-9260322-24	053-9260321
6	Islamabad	Plot No. 28-30, Sector I-9, Industrial Area, Islamabad	051-9257710-11 051-9257713-19	051-9257770
7	Lahore	21-Industrial Area, Gulberg-III, Lahore	042-99263361-79	042-99263380
8	Multan	Piran Ghaib Road, Multan	061-9220081-86	061-9220090
9	Peshawar	Plot No. 33, Sector B-2, Phase 5, Hayatabad, Peshawar	091-9217748-50	091-9217758
10	Rawalpindi	Hyundai Sawan Motors, Adjacent to Alma Bus Stand, G.T. Road, Rawalpindi	051-4917277	051-4493268
11	Sahiwal	79-A & B, Canal Colony, Main Farid Town Road, Sahiwal	040-9200129	040-9200094
12	Sargodha	15-Muslim Town, Sargodha	048-3224401	048-3224401
13	Sheikhupura	Rajput House, 3 K.M, Main Sargodha Road, Sheikhupura	056-9239135	056-3791645

Sui Northern Gas Pipelines Limited
Gas House, 21-Kashmir Road,
P.O. Box No. 56, Lahore-54000, Pakistan.
Tel : (+92-42) 99201451-60 & 99201490-99
Fax : (+92-42) 99201369 & 99201302

www.sngpl.com.pk
helpline: 1199