Progress through Diversification, Integration & Innovation

Mari Petroleum Company Limited

(Formerly, Mari Gas Company Limited)

Annual Report 2013

MPCL


RIG MARI-1

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Mari Seismic Unit (MSU)
Camp Site
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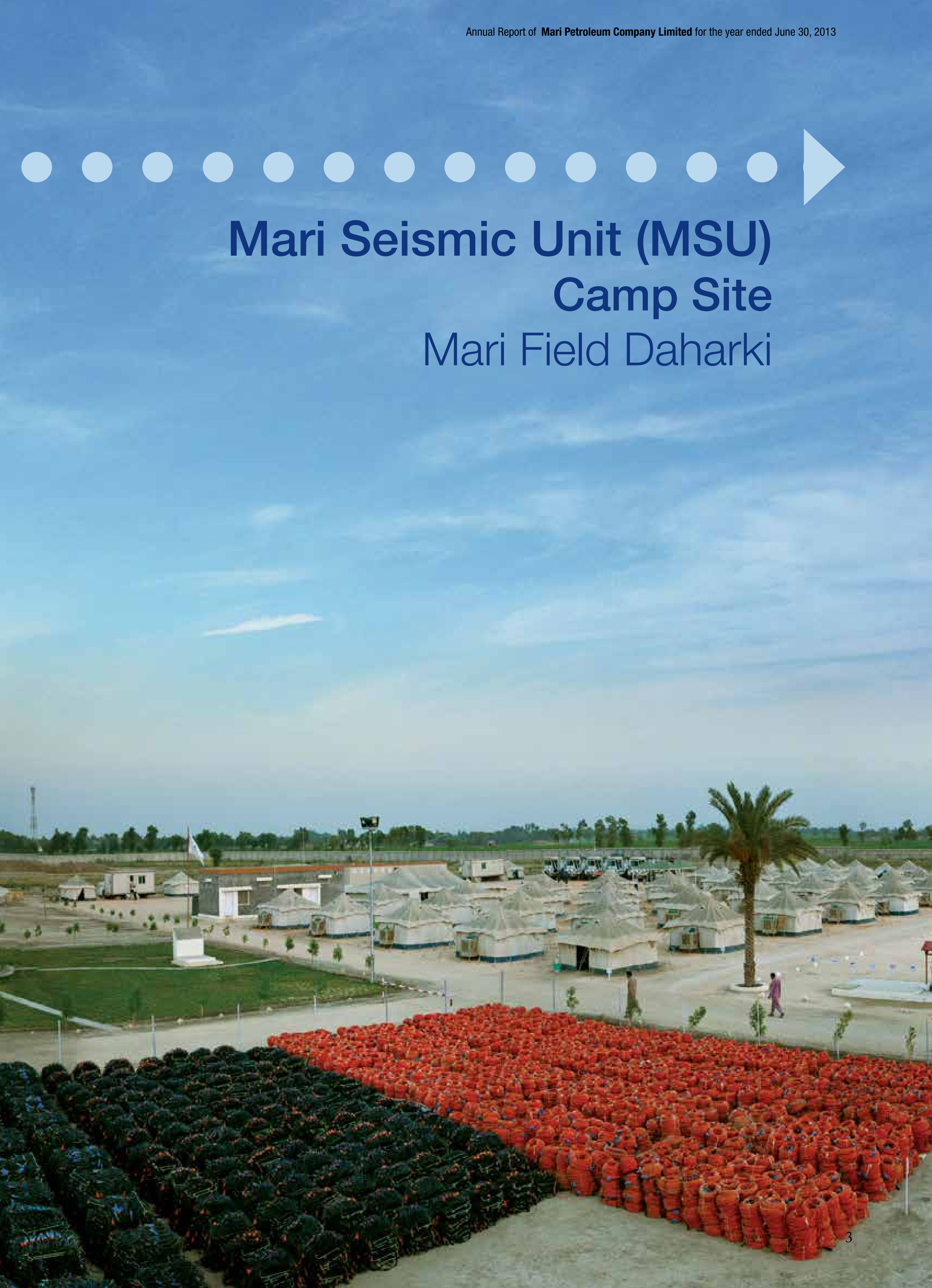


Company Information

Registered Office

21, Mauve Area, 3rd Road, G-10/4
P.O. Box 1614, Islamabad - 44000
Tel (+92) 051-111-410-410
(+92) 051-2352853
(+92) 051-2352857
(+92) 051-2352861
Fax (+92) 051-2352859
Email info@mpcl.com.pk

Daharki Field Office

Daharki, District Ghotki
Tel: (+92) 0723-111-410-410
Tel: (+92) 0723-660403 - 30
Fax: (+92) 0723-641038

Karachi Liaison Office

D-87, Block 4, Kehkashan, Clifton
P.O. Box 3887, Karachi - 75600
Tel: (+92) 021-111-410-410
Fax: (+92) 021-35870273

Quetta Liaison Office

26, Survey-31, Defence Officers
Housing Scheme, Airport Road, Quetta.
Tel: (+92) 081-2821052
(+92) 081-2864085
(+92) 081-2839790
Fax: (+92) 081-2834465

Shares Registrar

Corplink (Pvt) Limited
Wings Arcade, 1-K Commercial,
Model Town, Lahore.
Tel: (+92) 042-35839182
(+92) 042-35869037
Email: corplink786@yahoo.com

Auditors

A.F. Ferguson & Company,
Chartered Accountants,
PIA Building, 49 Blue Area,
Islamabad
Tel: (+92) 051-2273457-60
(+92) 051-2870045-48
Email: aff.websupport@pk.pwc.com

Bankers

Allied Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Alfalah Limited (Islamic Banking)
Bank of Punjab
Habib Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
National Bank of Pakistan
United Bank Limited

Legal Advisor

Ali Shah Associates
Advocates High Court
1-Ali Plaza, 4th Floor,
1-E, Jinnah Avenue,
Blue Area, Islamabad.
Tel: (+92) 051-2825632

Notice of Annual General Meeting

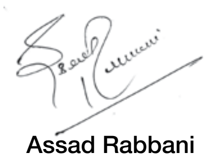
Notice is hereby given that the 29th Annual General Meeting of the Shareholders of Mari Petroleum Company Limited will be held on Tuesday, October 29, 2013 at 11:00 a.m., at the Registered Office of the Company situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

1. To confirm the minutes of the 28th Annual General Meeting held on October 25, 2012.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' reports thereon.

3. To appoint Auditors for the year 2013-14 and fix their remuneration.

By order of the Board



Assad Rabbani
Company Secretary

Islamabad
October 7, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from October 21, 2013 to October 29, 2013 (both days inclusive). Transfers received in order at the Company's Shares Registrar, M/s Corpink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore, at the close of business on October 20, 2013 will be treated as in time for the purpose to determine entitlement to attend the Annual General Meeting.

2. A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the Meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company not less than 48 hours before the time of holding of the meeting.

3. Those members, who have deposited their shares into Central Depository Company of Pakistan (CDC), are requested to bring their Original Computerized National Identity Cards along with their account numbers in CDC for verification at the time of meeting.

4. CDC account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

Vision & Mission Statements

Our Vision

Be the leader in the oil and gas market in Pakistan by expanding and developing the petroleum value chain including exploration, seismic data acquisition, processing, drilling, production, transmission, extraction, distribution and marketing such products and services in order to bridge the gap of the increasing demand of petroleum products and the needs of the existing and potential customers.

Our Mission

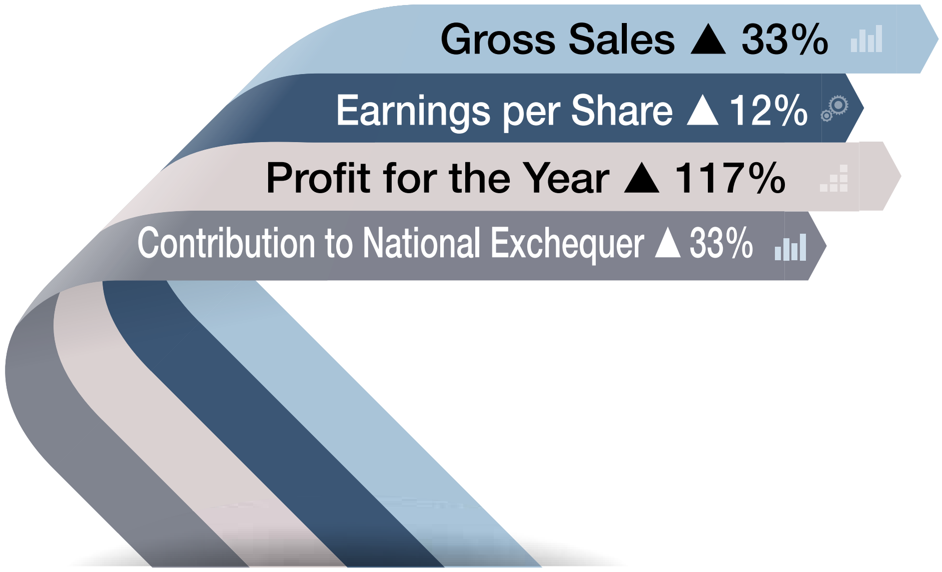
Mari Petroleum Company Limited will be customer focused and competitive with a view to contributing substantially to the national economy, while ensuring continuous growth and viability of the Company and the payment of profitable dividends to the stakeholders.

Our Commitment

- Providing uninterrupted petroleum products supply to customers.
- Maintaining best and safe operational practices.
- Adopting advanced technology, cost effective/efficient operations, increasing operating efficiency and adherence to high environmental standards.
- Exploring and enhancing the potential of our human resources.
- Aligning the interests of our shareholders, human resource, customers and other stakeholders to create significant business value characterized by excellent financial results, outstanding professional accomplishments and superior performance.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Managing Director's Outlook 2012-13



Financial Growth through strategic diversification, better integration and innovation; this is the crux of the Company's outlook in the fiscal year 2012-13. Cost-effectiveness has remained the hallmark of all the activities during the year that was marked by record levels of production and dividend payout.

The key driver of our success is the mind-set of a qualified team to arrive at synergetic decisions that are best for the Company, its Shareholders and the Country.

A major highlight of the year was the induction and commissioning of our own state of the art 3D seismic data acquisition unit. Addition of a 2500 HP onshore drilling rig and plans to open a 3D data processing centre in the new head office building, both by the beginning of next year are also a significant part of our indigenization, cost saving, integration and growth strategies.

Our future is about high-margin, high-quality production, not simply volume. This is assured by a promising geological profile of our license acreage, enhanced in-house capabilities, outstanding financials, existing resource base and the indomitable will of our well trained professionals.

Financial Review

During the year 2012-13, gross sales of the Company stood at Rs. 63.270 billion, up from Rs. 47.425 billion in the last year, recording a growth of 33.4%. The Company's contribution to the national exchequer in the form of levies and taxes also increased from Rs. 41.618 billion during the last year to Rs. 55.512 billion in the current year, translating into an increase of 33.4%. Enhanced production levels resulted in increased return to the shareholders. For the year ended June 30, 2013, rate of return was 37.84 % compared to 37.06 % in the last year. This is the highest ever rate of return for MPCL shareholders in the history of the Company. The Company's share price soared to Rs. 293 on 16th August 2013, beating the share price of the two largest public sector E&P companies of Pakistan, reflecting greater investor confidence in the future prospects and management of the affairs of the Company.

Exploration & Operational Excellence

Capacity Enhancements

MPCL is aggressively pursuing its vision of enhancing energy resources in the country. In pursuance thereof, additional volume of 22 MMSCFD gas from SML/SUL/PKL formation from Mari Field Daharki was made available and allocated by the Government to the fertilizer industry. MPCL was also able to hook up well # 85 with gas gathering network in Mari Field after twenty seven years. The well was drilled in 1986 but the gas could not be tapped due to many unavoidable circumstances. The well is now contributing 9 MMSCF gas per day.

In order to improve the ultimate recovery from HRL reservoir, five (5) Infill wells in Mari D&P lease were drilled/completed by utilizing MPCL's own Skytop Brewster Rig. A novel idea of fabricating the pipeline spools was introduced simultaneously while the drilling activities were underway. This facilitated injection of 30 MMSCFD additional volume of gas into the system immediately after the rig release, thereby ensuring improved reservoir management.

In line with our mission of further exploring our existing resources, multiple prospects at Pirkoh Limestone level were identified at Mari Field. After all necessary planning and arrangement of resources, three wells were successfully drilled/completed with MPCL's own Skytop Brewster Rig/ crew. The new discoveries shall augment the daily production of gas by 6 MMSCF.

Development and Commencement of Sujawal Gas/Condensate Field

A significant milestone was achieved by realizing the first gas to M/s SSGCL on March 02, 2013. The un-interrupted supply of 10 MMSCFD of gas to SSGCL, and 65 bpd of condensate to PRL/ PARCO is being maintained from Sujawal Field.

Crude Oil Production through Jet Pump at Khost-3 (Ziarat Block)

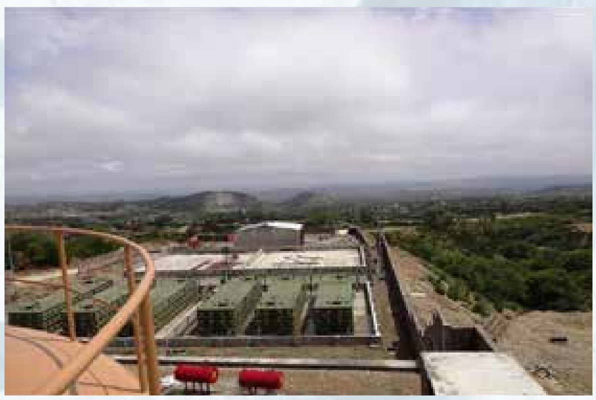
In order to produce the well with artificial lift, workover operation at Khost-3 was performed with MPCL's own Rig Mari-1 and the Jet pump was installed and commissioned successfully. Rigorous coordination and team efforts were made to put the permanent surface production facilities at location in the shortest possible time. Extended Well Testing (EWT) operations at Khost-3 were commenced on March 15, 2013. At present, the EWT of the well is in progress and the well has produced 4,811 bbls of oil.

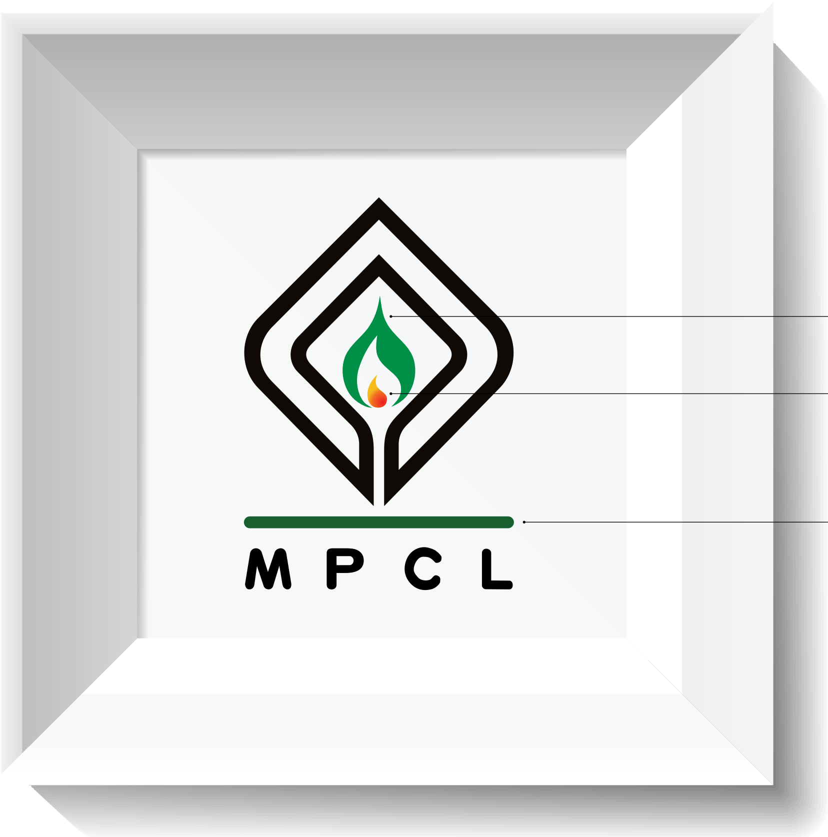
Development of Zarghun South Gas Field

Immediately after approval of the supplemental development plan under tight gas policy, MPCL is aggressively pursuing the activities to develop the Zarghun South Field. As part of development activities, two workover operations at Zarghun South-1 and Zarghun South-2 were successfully completed. It is hoped that the first ever tight gas project of the Country and the Company shall be put on production by the end of the year, 2013.

Production facilities at Halini-1 Augmented

EWT operations at well Halini-1, at Karak Block are underway. In order to enhance the capacity of surface production facilities, various activities were commenced and completed. To enhance the storage capacity from 3000 bbls to 6000 bbls, various civil and mechanical activities were started and are now nearing completion. As of now, 90% work for phase-3 development has been completed without shutting down the production even for one day. Associated flared gas will soon be picked up for sale by a private company.





Change of Company Name and Logo

Over the years, the Company had expanded its scope of business from the production and sale of natural gas from a single field, to the exploration, production, and sale of gas, oil and other petroleum products in various concession areas. It was therefore felt expedient that the name and logo of the Company be changed to reflect the expanded scope of its business. The Company got its new name i.e. Mari Petroleum Company Limited and a new logo in November 2012. With this new identity, the Company remains committed as ever in pursuits of fulfilling its responsibilities towards all its stakeholders. I am confident that the Company will prosper and achieve new heights under its new identity.

New International & National Ventures

Along with providing the hydrocarbons needed, we are also involved in developing the resources, conventional & un-conventional technologies and policies required over the long term, through our Research and Development initiatives. The Company is currently at a very advance stage of negotiations with a number of national and international E&P companies to expand its portfolio.

Energy Security Through Self Reliance

Mari Services Department

Seismic data acquisition, processing, and drilling of exploratory wells are at the core of exploration operations of the Company. The Company has always been outsourcing all of its seismic and majority of its drilling needs. However, due to the cost factors and the prevailing security situation, the Company has reorganized to set-up a services department, comprising of a 3D seismic unit, a 3D seismic data processing centre, three land drilling rigs and two slick line units. Other critical services may be added in future, based on the Company's requirements. Mari Services Department will not only cater to in-house needs, it will also offer these services at competitive rates to other E&P companies working in Pakistan and abroad.

The MSU has been fully and successfully commissioned on its maiden and major seismic project, through the acquisition of approximately 1,000 square kilometers 3D seismic data in Mari Gas Field. Survey operations commenced in June 2013, followed by successful parameters testing. MSU is scheduled to commence recording operation by end of September 2013. The data acquisition/recording operations currently in progress are targeted to be accomplished in the next eight months.

Acquisition of seismic data and its processing are back-to-back linked activities. In order to attain in-house data processing capabilities, the Company is in the process of establishing its own seismic data processing center. The center shall initially undertake 2D processing of newly acquired data, reprocessing of vintage 2D data and quick reprocessing of key 2D seismic lines. In parallel, the center will also

be used for quality checks/ assurance and analysis of the outsourced processing / reprocessing projects to eliminate the requirement of long-term presence of a Quality Control professional at the overseas processing centre. The processing center shall gradually be scaled up to a 3D processing facility. These essential services will go a long way in setting the strategic direction of the Company, cutting operational costs, accelerating projects and boosting revenues.

MPCL employs state of the art, multidisciplinary E&P software platforms from leading vendors. These software platforms enable MPCL to effectively tackle unconventional, remote and complex reservoirs, efficiently drill deeper and to further tap new but difficult to reach hydrocarbons. These software platforms bring workflow improvements and productivity enhancements and allow MPCL to standardize its workflows from exploration to production.

Ever increasing E&P portfolio of the Company coupled with establishment of Mari Services Department has necessitated a modern, purpose built, and spacious structure to accommodate its expanding operations. In order to cater for increased space requirements, work on expansion of Head Office building is in its final stages. The new structure will be ready by end of the calendar year.


103-06

Corporate Citizenship

Amongst an array of other CSR activities carried out by MPCL during the year, establishment of Mari Education & Medical Complex stands out for its utility to the community that it will serve. As Mari Field Daharki remains the hub of our operational activities, the necessity of additional educational and health facilities was felt. Consequently, the foundation stone of the Mari Education & Medical Complex was laid in May 2012. The purpose of this facility is to cater for the educational and medical needs of the outsourced workers and the community residing in the vicinity of Mari Field, Daharki. This signature project costing Rs. 100 million is now complete and shall commence provision of free, quality education and health facilities to the Company employees as well as the locals of Daharki.

Health Safety & Environment

MPCL continued its commitment in incident prevention by means of training programs on HSE and emergency management. The Total Recordable Case Frequency (TRCF) for employees and contractors decreased from 1.97 to 1.96 for the year under report. By developing HSE culture and awareness among employees, there is also a marked increase in terms of reporting of incidents as compared to the last year.

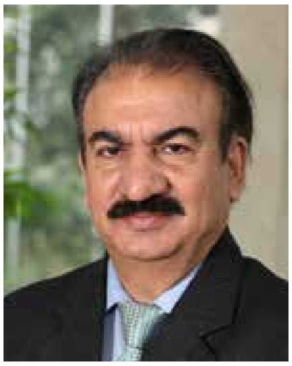
We integrated and streamlined our business processes by fulfilling the requirements of the ISO standards, thereby achieving recertification for QMS 9001, EMS 14001, OHSAS 18001 and ISMS 27001 without any major non-conformance. The scope of certification was expanded by obtaining certification of Mari Rig 1 for the same standards without any major non-conformance.

MPCL is now further embarking on achieving ISO 50001: 2011 (Energy Management Systems) Certification. ISO 50001 enables organizations to establish the systems and processes necessary to improve energy performance, including energy efficiency, use, consumption and intensity.

We thank all our stakeholders for their continued support.
May Allah grant us the fortitude to sustain our growth – Ameen

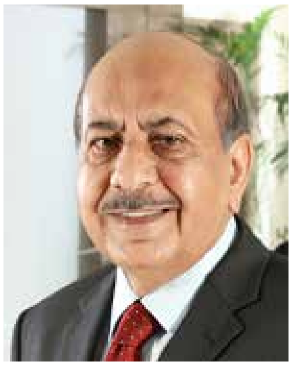
Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Board of Directors



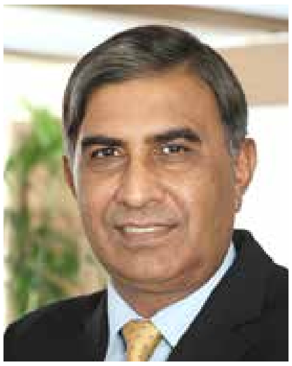
Lt Gen Muhammad Mustafa Khan (Retd)
Managing Director Fauji Foundation /
Chairman MPCL Board

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO
Mari Petroleum Company Ltd

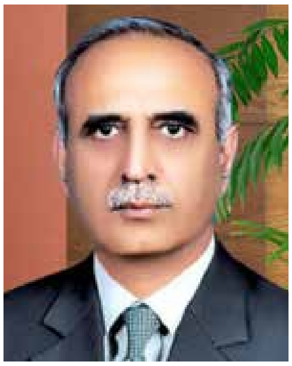


Mr. Qaiser Javed
Director Finance, Fauji Foundation

Dr. Nadeem Inayat
Director Investment, Fauji Foundation



Brig Dr. Gulfam Alam (Retd)
Director P & D, Fauji Foundation



Maj Gen Nasir Mahmood (Retd)
Director Welfare Education,
Fauji Foundation

Mr. Mohammad Naeem Malik
Additional Secretary, Ministry of P & NR

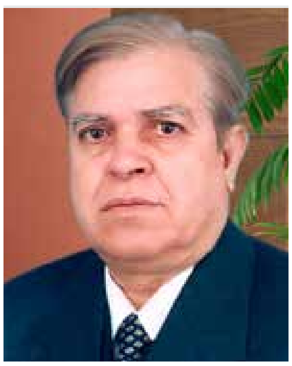
Mr. Pervaiz Akhtar
Financial Advisor, Ministry of P & NR

Qazi Mohammad Saleem Siddiqui
DG Administration & Special Projects
Ministry of P & NR

Mr. Muhammad Riaz Khan
Managing Director/CEO, OGDCL

Mr. Muhammad Rafi
Executive Director (FIN) / CFO, OGDCL

Mr. Manzoor Ahmed
Managing Director, NITL



Engr S.H. Mehdi Jamal
Member MPCL Board of Directors

Mr. Muhammad Asif
General Manager Finance/CFO

Mr. Assad Rabbani
Company Secretary

Key Management

Sitting Left to Right:

Mr. Muhammad Asif (General Manager Finance), **Lt Gen (R) Raza Muhammad Khan** (Managing Director / CEO), **Brig (R) Agha Haider Naqvi** (General Manager Human Resource),

Standing Left to Right:

Mr. Assad Rabbani (Company Secretary), **Mr. Tufail Ahmed Khoso** (General Manager Exploration),
Mr. Asif Ali Rangoonwala (Acting General Manager Business Development & Marketing),
Brig (R) Abdul Rehman Dogar (General Manager Procurement),
Brig (R) Muhammad Nazar Tiwana (General Manager Administration & Security),
Mr. Javed Iqbal Jadoon (Acting General Manager Operations),
Mr. Muhammad Aqib Anwar (Deputy General Manager Finance)

Not in Picture: **Brig (R) Saleem Mahmood Khan** (Regional General Manager Balochistan)

Management


Muhammad Liaquat Ali Khan
Regional Manager KPK & Punjab


Shahid Hussain
Manager Procurement


Muhammad Saleem Siddique
Regional Manager Sindh


Mr. Ali Ejaz Rasool Mirza
Manager Finance Joint Venture


Maj (R) M Iftikhar ul Haq
Manager Administration Balochistan


Lt Col (R) Shah Rukh
Manager Projects MPCL


Col (R) Shaukat Hassan
Manager Administration Daharki


Lt Col (R) Ikram ur Rahim
Manager Projects MPCL Sindh


Mr. Muhammad Asim Butt
Manager HSE

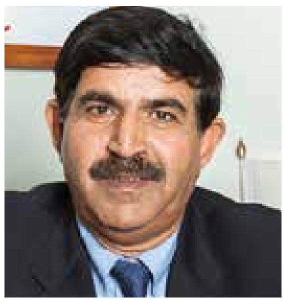

Mr. Saeed Ahmed Qureshi
Manager Production


Mr. Munir Ahmed Memon
Manager Public Affairs


Mr. Muhammad Ijaz
Manager Planning & Engineering


Mr. Muhammad Ayub
Manager Production


Mr. Afzaal Latif Malik
Acting Head Internal Audit


Lt Col (R) Altaf Hussain Malik
Manager Administration


Sheikh Naveed Ahmed
Manager Human Resource


Ms. Sohab Haider
Manager Accounts

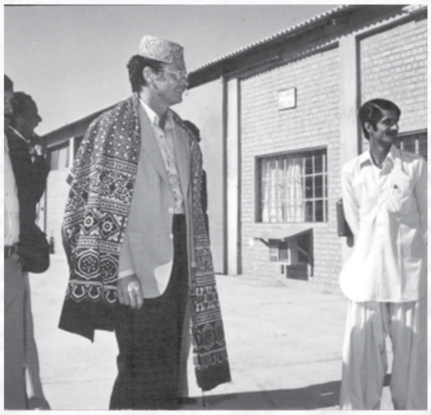

Mr. Shahzad Nazir
Head IT


Mr. Zaheer Zafar
Manager Exploration

Integrated Management System Policy

To realize our strategic vision and to achieve professional excellence in petroleum sector, we are committed to meet all requirements of Integrated Management Systems for Quality, Environment, Occupational Health & Safety and Information Security consistent with internationally recognized management system standards. We are devoted to maintaining effectiveness and continual improvement of IMS by monitoring Company objectives, customer satisfaction and complying with the legal and other applicable requirements. Our top management is committed to provide all resources required to ensure compliance with its IMS Policy and to attain best international performance criterion.

History of the Company



In 1957 when the Company was operating as Esso Eastern Inc., Mari Gas Field was discovered in Daharki, Sindh, Pakistan with original gas in place (GIP) estimate of 2.38 TCF. Over the years with the phased development of Field and the subsequent reservoir evaluations, the GIP of the Field enhanced to 10.751 TCF, thus making Mari one of the largest gas fields in Pakistan in terms of balance reserves.

In May 1983, Fauji Foundation, a major Pakistani group, along with OGDCL and GOP acquired the entire business operations of Esso Eastern Inc. in Pakistan which included the Mari Gas Field.

During December 1984, the business was reorganized and incorporated as Mari Gas Company Limited (MGCL) which took over the assets, liabilities and operational control of Mari Gas Field.

The Company primarily operated as a production company till 1997, developing in phases the discovered Habib Rahi Reservoir in Mari Gas Field for supply of gas to new fertilizer plants. Simultaneous with these development phases, the Company also pursued appraisal activities within its Mari D&P Lease area by drilling step-out wells to determine the boundaries of Habib Rahi Reservoir.

The hallmark of Company's growth and corporate achievements is also represented by its entry into exploration activities in year 2001, on its initiative and with Government's approval.

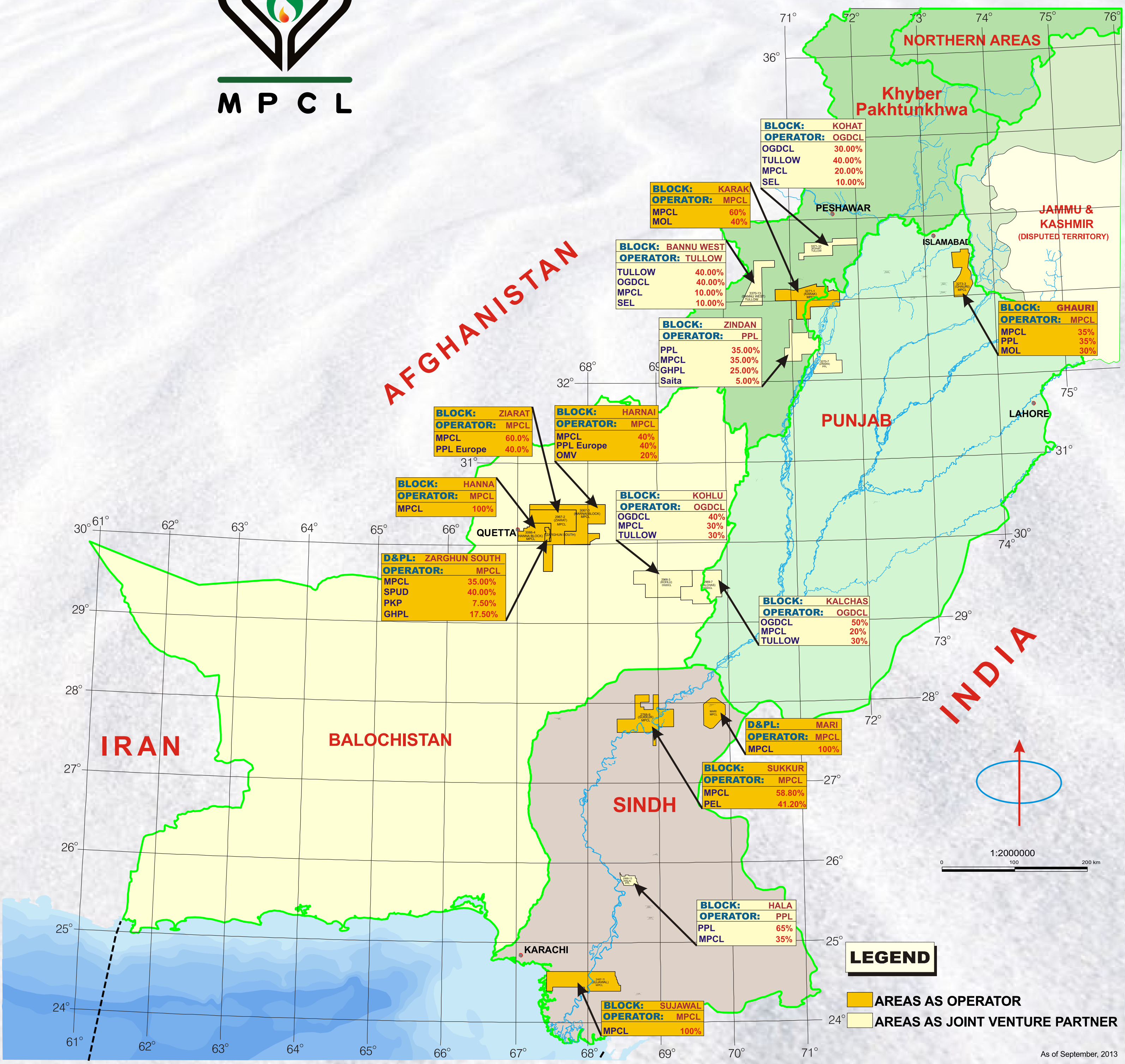
The Company is now a major player in the Country's oil and gas exploration and production sector operating nine exploration and production assets, which include two D&P leases and seven operated blocks and has partnership in six non-operated blocks. The Company also owns and operates two drilling rigs and is currently setting up its own 2D/3D seismic acquisition unit and a seismic data processing unit.

To symbolize its diversified business operations and expanded activities, the Company decided to change its name from "Mari Gas Company Limited" to "Mari Petroleum Company Limited" (MPCL). The change also embodies the potential for growth, progress, and further diversification in the petroleum sector.

The new name was approved by the Company's shareholders in their General Meeting of October 25, 2012; and became effective on its formalization by SECP, on 19th November 2012.

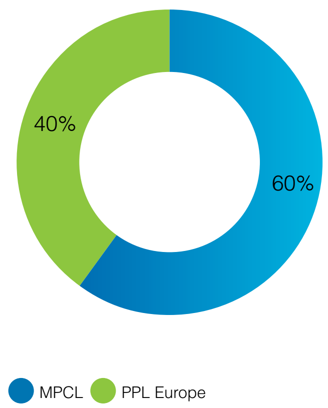
(Company's Corporate Profile is available in video format on the website www.mpcl.com.pk.)

MPCL Concessions and Working Interests

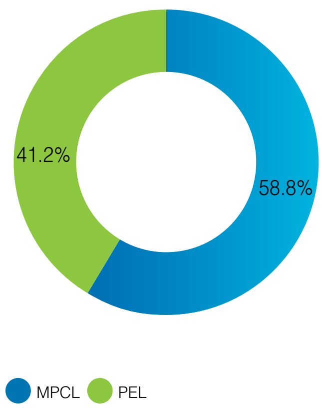


MPCL's Operated Blocks and Development & Production Leases

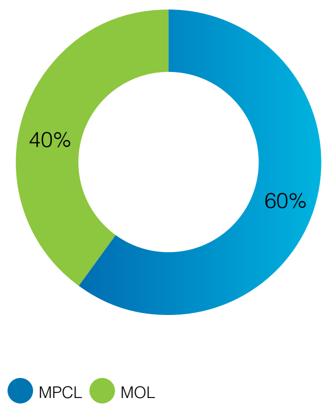
Ziarat Block



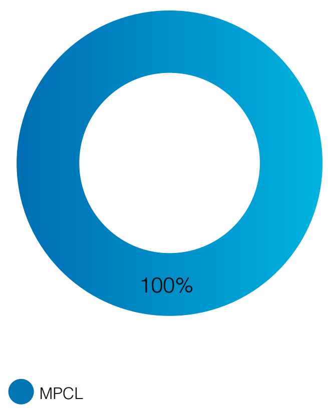
Sukkur Block



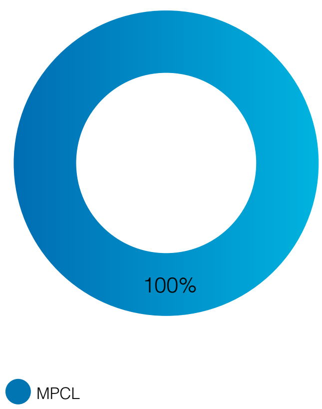
Karak Block



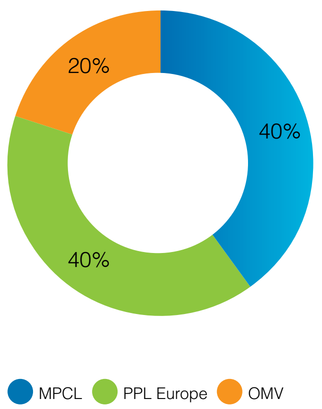
Sujawal Block



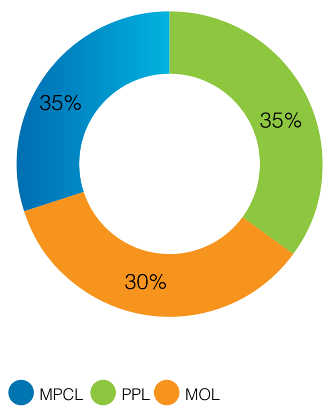
Hanna Block



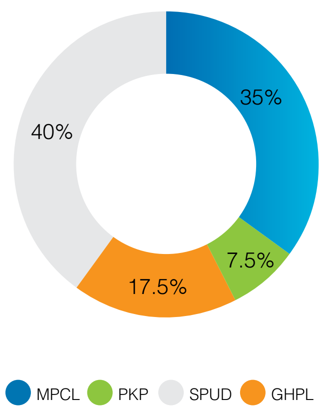
Harnai Block



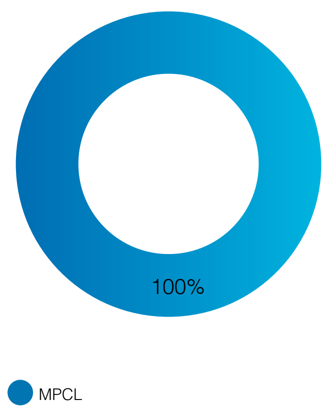
Ghauri Block



Zarghun South D&P

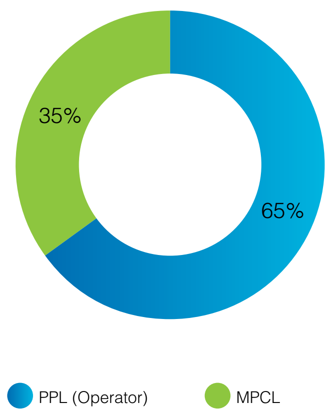


Mari D&P

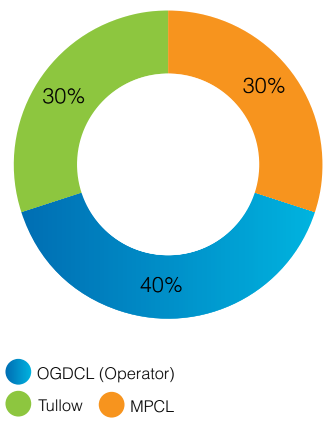


MPCL's Non-operated Blocks

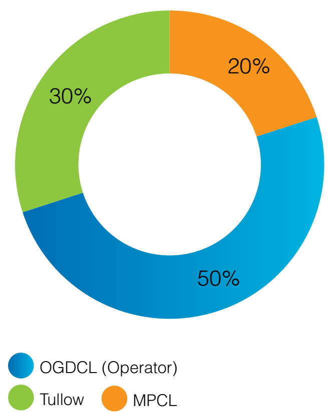
Hala Block



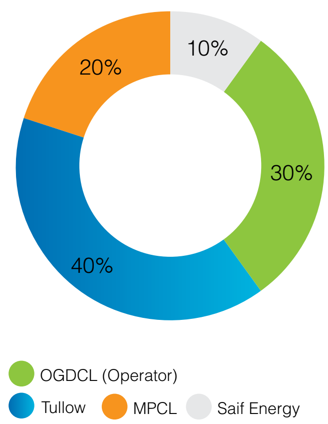
Kohlu Block



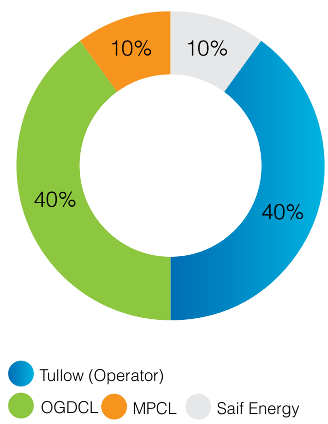
Kalchas Block



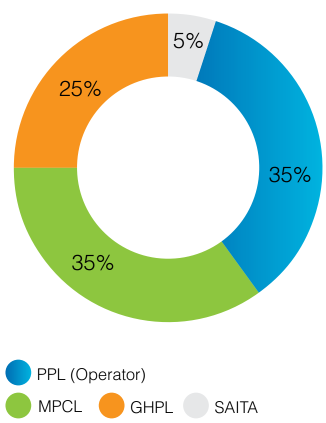
Kohat Block



Bannu West Block



Zindan Block



Code of Conduct

The Code of Conduct sets out the Company's objectives and its responsibilities to various stakeholders and the ethical standards required from its directors and employees to meet such objectives and responsibilities.

Financial Disclosure

All transactions should be accurately reflected according to accounting principles in the books of accounts. Falsification of its books, any of the recorded bank accounts and transactions are strictly prohibited.

Conflict of Interest

The Directors and employees of the Company must recognize that in the course of performing their duties, they may be out into a position where there is a conflict in the performance of such duty and a personal interest they may have. It is the overriding intention of the Company that all business transactions conducted by it be on arm's length basis.

Compliance with Laws, Directives & Rules

Compliance with all applicable laws, regulations, directives, and rules including those issued by the Board of Directors and management.

Confidentiality

Confidentiality of the Company's internal confidential information must be maintained and upheld, which includes proprietary, technical, business, financial, joint-venture, customer and employee information that is not available publicly.

Conduct of Personnel in dealings with Government officials

The Company shall deal with the Government officials fairly and honestly and within the ambit of the applicable laws, in order to uphold the corporate image of the Company.

Time Management

The directors and the employees of the Company shall ensure that they adopt efficient and productive time management schedules.

Business Integrity

The directors and employees will strive to promote honesty, integrity and fairness in all aspects of its business and its dealings with vendors, contractors, customers, joint venture participants and Government officials.

Gifts, Entertainment & Bribery

The directors and employees shall not give or accept gifts, entertainment, or any other personal benefit or privilege that could influence business dealings.

Insider Trading

Every director and employee who has knowledge of confidential material information is prohibited from trading in securities of the Company to which the information relates.

Health, Safety & Environment

The Company, its directors and employees will endeavor to exercise a systematic approach to health, safety and environmental management in order to achieve continuous performance improvement.

Involvement in Politics

The Company shall not make payments or other contributions to political parties and organizations.

Employees must ensure that if they elect to take part in any form of political activity in their spare time, such activity does not and will not have any adverse affects on the Company and such activities must be within the legally permissible limits.

Equal Employment Opportunity

It is the policy of the Company to provide employment opportunities without regard to race, religion, color, age or disability subject to suitability for the job.

Compliance

Failure to adhere to the Company's business practices or Code of Conduct may result in disciplinary action, which may include dismissal.

Accountability

All Company directors and employees must understand and adhere to the Company's business practices and Code of Conduct. They must commit to individual conduct in accordance with the Company's business practices and Code of Conduct and observe both the spirit and the letter of the Code in their dealings on the Company's behalf.

Core Values

MPCL is governed by its core values which distinguish us and guide our actions while shaping our corporate culture and reflecting the behavior essential to our relationship with all the stakeholders.

The Core values MPCL subscribes to are:

1. Teamwork & Dedication
2. Trust & Respect
3. Research & Development
4. HSE Excellence
5. Integrity & Loyalty to the Country & the Company
6. Winning Culture & Professional Excellence
7. Innovation
8. Investment in Human Capital & its Development

Social Activities

All work and no play can make workplace a pretty dull place. MPCL employees are at the heart of the organization and their professional and personal development takes a paramount place in the overall organizational development. Hence, MPCL has always found it beneficial to organize social events outside the workplace for its employees and their families and encourages their participation in these events. Many events commemorating National Days and day outs at historical/scenic places were organized for the employees and their families.

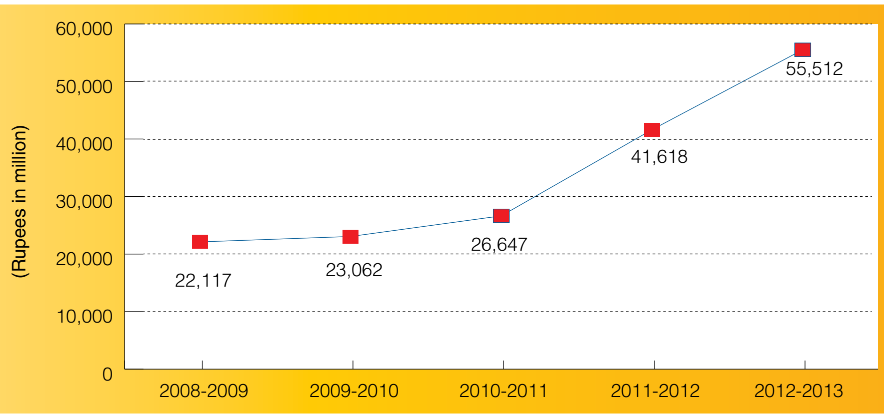
These events provided a way for employees to get to know one another outside of the work environment. In addition, it fostered teamwork among employees.

Financial Highlights

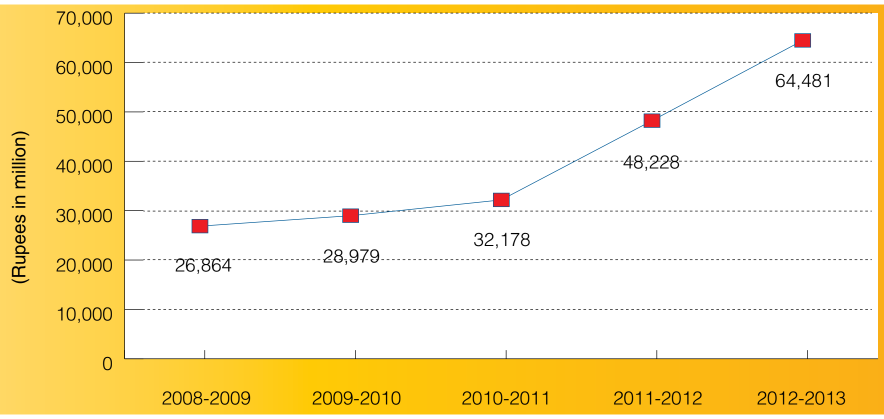
		Year 2012-13	Year 2011-12
Revenue	Rupees in million	64,481.25	48,228.33
Government levies	Rupees in million	55,511.89	41,617.72
Profit before taxation	Rupees in million	3,488.49	1,402.50
Profit for the year	Rupees in million	2,421.08	1,115.17
Dividend per share	Rupees	3.71	3.37
Property, plant and equipment - at cost	Rupees in million	9,426.47	7,560.05
Number of shares issued and subscribed	Shares in million	91.88	91.88

Financial Highlights

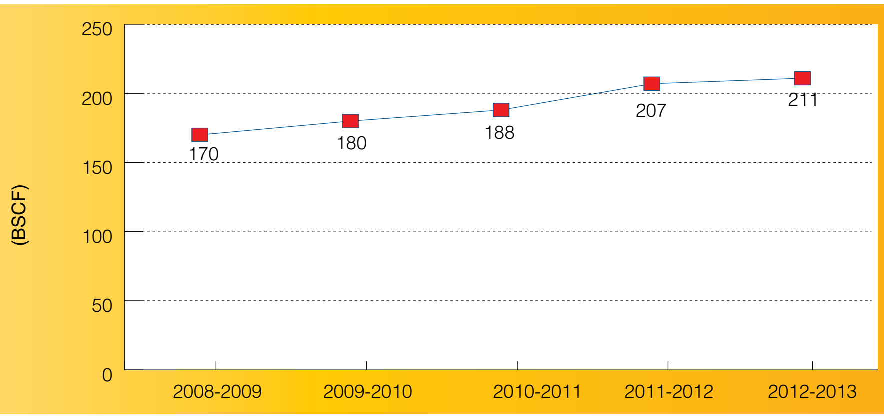
Government Levies
(Rupees in million)



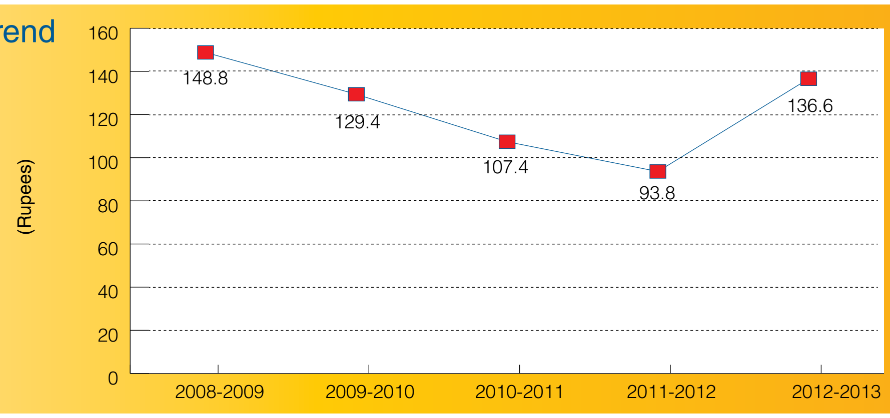
Revenue
(Rupees in million)



Gas Volume
BSCF

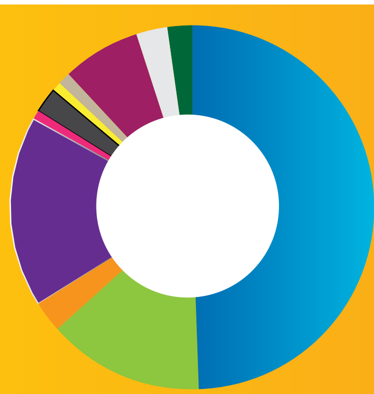


Market Share Price Trend
Price per share (Rupees)



Application of Revenue Earned
for the year 2012-13

- Gas development surcharge
- General sales tax
- Excise duty
- Gas infrastructure development cess
- Windfall / petroleum levy
- Other charges
- Taxation
- Royalty
- Operating expenses
- Exploration and prospecting expenditure
- Finance cost



Application of Revenue Earned
for the year 2011-12

- Gas development surcharge
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- Windfall / petroleum levy
- Other charges
- Taxation
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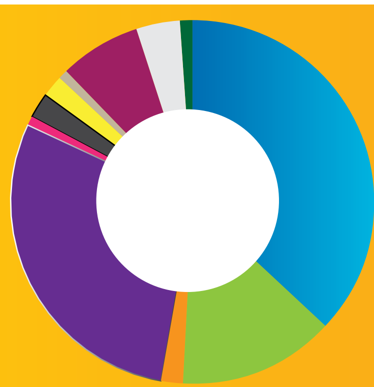
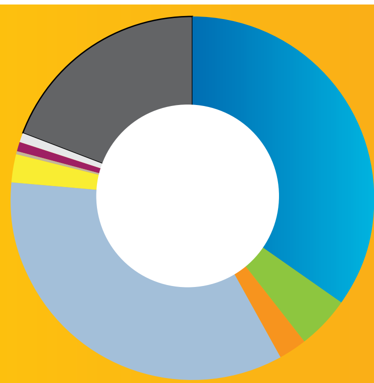
- Operating expenses
- Exploration and prospecting expenditure
- Finance cost



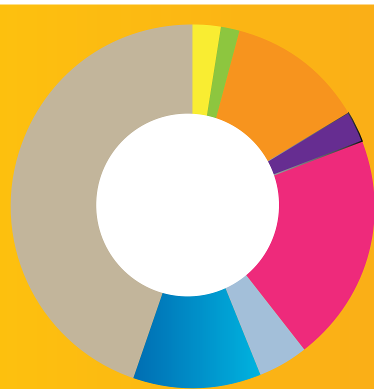
Assets
Year 2012-13

- Non current assets
- Long term loans and advances
- Long term deposits and prepayments
- Deferred income tax asset
- Stores and spares
- Trade debts
- Loans and advances
- Interest accrued
- Others receivables
- Short term prepayments
- Cash and bank balances



Equities and Liabilities
Year 2012-13

- Issued, subscribed and paid up capital
- Undistributed percentage return reserve
- Exploration and evaluation reserve
- Reserve for Mari Seismic Unit
- Profit and loss account
- Long term financing - secured
- Deferred liabilities
- Current liabilities



Ten Years at a Glance

(Rupees in million)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
FINANCIAL										
Revenue	64,481.25	48,228.33	32,177.82	28,979.37	26,864.38	21,943.97	22,647.80	20,018.14	16,059.63	14,308.22
Government levies:										
Income tax, other charges, royalty, excise duty, general sales tax, gas development surcharge, gas infrastructure development cess and windfall / petroleum levy	55,511.89	41,617.72	26,647.09	23,061.72	22,117.41	17,993.02	20,023.99	17,771.56	14,117.36	12,195.90
Sales - net	11,777.77	7,555.92	7,128.27	6,423.01	5,789.20	6,697.20	3,677.11	2,811.71	2,693.94	2,762.78
Operating profit	3,855.40	1,725.80	2,778.43	2,460.75	2,545.84	4,112.10	1,237.48	344.09	656.49	990.97
Profit before taxation	3,488.49	1,402.50	2,708.90	2,341.47	2,394.73	3,960.31	1,382.14	602.64	677.93	936.82
Profit for the year	2,421.08	1,115.17	1,725.30	1,185.95	2,151.92	2,560.41	683.89	189.25	361.52	519.80
Issued, subscribed and paid up capital	918.75	918.75	735.00	735.00	367.50	367.50	367.50	367.50	367.50	367.50
Reserves	12,637.98	10,557.40	9,935.42	8,455.83	7,865.22	5,381.53	3,390.12	2,315.15	2,239.75	1,990.21
Property, plant and equipment - at cost	9,426.47	7,560.05	7,417.33	6,699.57	6,626.01	4,861.36	2,881.92	3,395.29	3,726.83	3,731.88
Net current assets	5,197.97	4,284.04	3,265.80	3,231.97	898.45	861.62	942.62	805.72	808.73	882.37
Long term financing and deferred liabilities	5,361.39	5,362.28	4,966.34	4,471.03	3,108.47	2,143.80	1,361.60	1,528.39	1,939.45	2,265.83
INVESTOR INFORMATION										
Earnings per share (EPS)	5.51	4.94	4.14	4.58	3.71	6.43	5.68	5.06	4.45	4.07
Earnings per share - as per GPA	26.35	12.14	18.78	16.14	29.28	69.67	18.61	5.15	9.84	14.14
Debtor turnover	79	90	80	85	66	33	22	20	21	22
Market value per share at the end of year	136.57	93.81	107.37	129.38	148.83	269.53	175.00	126.50	194.65	82.95
Price earning ratio	24.79	18.99	25.93	28.25	40.12	41.92	30.81	25.02	43.76	20.41
Dividends	340.49	309.44	245.71	227.85	118.23	119.00	118.26	113.85	111.98	110.84
Cash dividend per share	3.71	3.37	3.34	3.10	3.22	3.24	3.22	3.10	3.05	3.02
Dividend Yield	2.72%	3.59%	3.11%	2.40%	2.16%	1.20%	1.84%	2.45%	1.57%	3.64%
Dividend payout ratio	67.33%	68.22%	80.68%	67.69%	86.71%	50.36%	56.66%	61.29%	68.50%	74.19%
Return on capital employed	21.75%	12.90%	21.90%	20.55%	23.95%	49.72%	30.20%	15.36%	15.71%	21.09%
Debt : Equity ratio	10.22 : 89.78	7.62 : 92.38	10.86 : 89.14	15.76 : 84.24	12.72 : 87.28	7.50 : 92.50	0.00 : 100.00	4.00 : 96.00	11.00 : 89.00	19.00 : 81.00
Liquidity ratio	1.29	1.21	1.28	1.37	1.08	1.16	1.19	1.16	1.19	1.29
Debt service ratio	3.40 : 1	2.19 : 1	2.97 : 1	5.07 : 1	9.55 : 1	10.40 : 1	3.17 : 1	2.32 : 1	2.96 : 1	3.70 : 1
NATURAL GAS										
Development and production leases (sq. km)	969.3	969.3	969.3	969.3	969.3	969.3	969.3	969.3	969.3	969.3
Ultimate recovery of proved reserves (BSCF)	6,988	6,988	6,988	6,988	6,988	6,800	6,800	6,800	6,800	6,309
Cumulative production (BSCF)	4,427.4	4,216.1	4,009.7	3,821.9	3,642.2	3,472.5	3,301.1	3,128.6	2,957.6	2,795.3
Number of producing wells	114	107	99	98	89	88	86	84	83	77
Production (BSCF)	211.2	206.5	187.8	179.7	169.7	171.4	172.5	171.0	162.3	159.0
Daily average (BSCF)	0.579	0.564	0.515	0.492	0.465	0.468	0.473	0.469	0.445	0.434
OIL										
Production (barrels)	192,259	124,279	130,093	62,212	41,510	–	–	–	–	–
LPG										
Production (metric ton)	477	2,062	5,031	1,231	–	–	–	–	–	–

Horizontal Analysis - Balance Sheet

(Rupees in million)

	2013 (Rs.)	13 Vs 12 %	2012 (Rs.)	12 Vs 11 %	2011 (Rs.)	11 Vs 10 %	2010 (Rs.)	10 Vs 09 %	2009 (Rs.)	09 Vs 08 %
EQUITY AND LIABILITIES										
SHARE CAPITAL AND RESERVES										
Issued, subscribed and paid up capital	919	–	919	25.03	735	–	735	99.73	368	–
Undistributed percentage return reserve	579	37.86	420	(14.29)	490	34.62	364	(42.95)	638	32.09
Exploration and evaluation reserve	4,187	0.89	4,150	2.29	4,057	44.89	2,800	43.52	1,951	63.26
Reserve for Mari Seismic Unit	920	100.00	–	–	–	–	–	–	–	–
Profit and loss account	6,952	16.12	5,987	11.12	5,388	1.83	5,291	0.32	5,274	27.05
General reserve	–	–	–	–	–	–	–	(100.00)	2	–
	13,557	18.13	11,476	7.55	10,670	16.10	9,190	11.62	8,233	32.81
NON CURRENT LIABILITIES										
Long term financing - secured	1,543	62.94	947	(27.15)	1,300	(24.42)	1,720	43.33	1,200	140.00
Deferred liabilities	3,818	(13.54)	4,416	20.43	3,667	41.80	2,586	35.46	1,909	16.12
Deferred income tax liability	–	–	–	–	–	(100.00)	165	100.00	–	–
	5,361	(0.04)	5,363	7.97	4,967	11.09	4,471	43.81	3,109	45.01
CURRENT LIABILITIES										
Trade and other payables	13,867	(13.07)	15,951	75.44	9,092	21.19	7,502	(10.09)	8,344	180.38
Current maturity of long term financing	962	117.65	442	5.24	420	10.53	380	100.00	–	–
Interest accrued on long term financing	42	(25.00)	56	(28.21)	78	(11.36)	88	76.00	50	194.12
Provision for income tax	403	100.00	–	(100.00)	184	275.51	49	(93.16)	716	(42.95)
	15,274	(7.14)	16,449	68.29	9,774	21.89	8,019	(11.98)	9,110	114.45
	34,192	**2.72**	**33,288**	**31.00**	**25,411**	**17.21**	**21,680**	**6.00**	**20,452**	**62.43**
ASSETS										
NON CURRENT ASSETS										
Property, plant and equipment	5,858	30.99	4,472	(6.58)	4,787	5.44	4,540	(6.97)	4,880	41.12
Development and production assets	2,073	(39.47)	3,425	0.97	3,392	10.27	3,076	16.03	2,651	25.22
Exploration and evaluation assets	4,187	0.89	4,150	2.29	4,057	44.89	2,800	43.52	1,951	63.26
Long term loans and advances	7	–	7	250.00	2	(33.33)	3	–	3	–
Long term deposits and prepayments	14	40.00	10	(9.09)	11	–	11	10.00	10	42.86
Deferred income tax asset	1,581	222.00	491	305.79	121	100.00	–	(100.00)	947	35.09
	13,720	9.28	12,555	1.50	12,370	18.60	10,430	(0.11)	10,442	39.58
CURRENT ASSETS										
Stores and spares	821	1.73	807	66.39	485	67.24	290	40.78	206	11.35
Trade debts	11,878	(23.89)	15,606	102.49	7,707	26.34	6,100	(15.15)	7,189	202.82
Loans and advances	856	(18.40)	1,049	11.60	940	(20.14)	1,177	35.91	866	179.35
Short term prepayments	67	131.03	29	(39.58)	48	77.78	27	(6.90)	29	222.22
Interest accrued	29	70.59	17	142.86	7	(84.44)	45	200.00	15	25.00
Other receivables	313	291.25	80	8.11	74	1,750.00	4	(60.00)	10	100.00
Income tax paid in advance	–	(100.00)	194	100.00	–	–	–	–	–	–
Cash and bank balances	6,508	120.54	2,951	(21.93)	3,780	4.80	3,607	112.80	1,695	(23.48)
	20,472	(1.26)	20,733	58.98	13,041	15.92	11,250	12.39	10,010	95.89
	34,192	**2.72**	**33,288**	**31.00**	**25,411**	**17.21**	**21,680**	**6.00**	**20,452**	**62.43**

Vertical Analysis - Balance Sheet

(Rupees in million)

	2013 (Rs.)	% age	2012 (Rs.)	% age	2011 (Rs.)	% age	2010 (Rs.)	% age	2009 (Rs.)	% age
EQUITY AND LIABILITIES										
SHARE CAPITAL AND RESERVES										
Issued, subscribed and paid up capital	919	2.69	919	2.76	735	2.89	735	3.39	368	1.80
Undistributed percentage return reserve	579	1.69	420	1.26	490	1.93	364	1.68	638	3.12
Exploration and evaluation reserve	4,187	12.25	4,150	12.47	4,057	15.97	2,800	12.92	1,951	9.54
Reserve for Mari Seismic Unit	920	2.69	–	–	–	–	–	–	–	–
Profit and loss account	6,952	20.33	5,987	17.99	5,388	21.20	5,291	24.40	5,274	25.79
General reserve	–	–	–	–	–	–	–	–	2	0.01
	13,557	39.65	11,476	34.48	10,670	41.99	9,190	42.39	8,233	40.26
NON CURRENT LIABILITIES										
Long term financing – secured	1,543	4.51	947	2.84	1,300	5.12	1,720	7.93	1,200	5.87
Deferred liabilities	3,818	11.17	4,416	13.27	3,667	14.43	2,586	11.93	1,909	9.33
Deferred income tax liability	–	–	–	–	–	–	165	0.76	–	–
	5,361	15.68	5,363	16.11	4,967	19.55	4,471	20.62	3,109	15.20
CURRENT LIABILITIES										
Trade and other payables	13,867	40.56	15,951	47.92	9,092	35.78	7,502	34.60	8,344	40.80
Current maturity of long term financing	962	2.81	442	1.33	420	1.65	380	1.75	–	–
Interest accrued on long term financing	42	0.12	56	0.16	78	0.31	88	0.41	50	0.24
Provision for income tax	403	1.18	–	–	184	0.72	49	0.23	716	3.50
	15,274	44.67	16,449	49.41	9,774	38.46	8,019	36.99	9,110	44.54
	34,192	100.00	33,288	100.00	25,411	100.00	21,680	100.00	20,452	100.00
ASSETS										
NON CURRENT ASSETS										
Property, plant and equipment	5,858	17.13	4,472	13.43	4,787	18.84	4,540	20.94	4,880	23.86
Development and production assets	2,073	6.06	3,425	10.29	3,392	13.35	3,076	14.19	2,651	12.96
Exploration and evaluation assets	4,187	12.25	4,150	12.47	4,057	15.97	2,800	12.92	1,951	9.54
Long term loans and advances	7	0.02	7	0.02	2	0.01	3	0.01	3	0.01
Long term deposits and prepayments	14	0.04	10	0.03	11	0.04	11	0.05	10	0.05
Deferred income tax asset	1,581	4.62	491	1.48	121	0.48	–	–	947	4.63
	13,720	40.12	12,555	37.72	12,370	48.69	10,430	48.11	10,442	51.05
CURRENT ASSETS										
Stores and spares	821	2.40	807	2.42	485	1.91	290	1.34	206	1.01
Trade debts	11,878	34.75	15,606	46.88	7,707	30.31	6,100	28.14	7,189	35.15
Loans and advances	856	2.50	1,049	3.15	940	3.70	1,177	5.43	866	4.23
Short term prepayments	67	0.20	29	0.09	48	0.19	27	0.12	29	0.14
Interest accrued	29	0.08	17	0.05	7	0.03	45	0.21	15	0.07
Other receivables	313	0.92	80	0.24	74	0.29	4	0.02	10	0.05
Income tax paid in advance	–	–	194	0.58	–	–	–	–	–	–
Cash and bank balances	6,508	19.03	2,951	8.87	3,780	14.88	3,607	16.63	1,695	8.30
	20,472	59.88	20,733	62.28	13,041	51.31	11,250	51.89	10,010	48.95
	34,192	100.00	33,288	100.00	25,411	100.00	21,680	100.00	20,452	100.00

Horizontal Analysis - Profit and Loss Account

(Rupees in million)

	2013 (Rs.)	13 Vs 12 %	2012 (Rs.)	12 Vs 11 %	2011 (Rs.)	11 Vs 10 %	2010 (Rs.)	10 Vs 09 %	2009 (Rs.)	09 Vs 08 %
Gross sales to customers	63,270	33.41	47,425	51.03	31,402	10.22	28,491	7.38	26,532	23.03
Gas development surcharge	21,246	(7.39)	22,941	29.46	17,720	0.06	17,710	8.90	16,263	47.04
General sales tax	8,470	33.20	6,359	43.22	4,440	14.14	3,890	6.31	3,659	30.12
Excise duty	1,496	1.42	1,475	8.30	1,362	102.68	672	5.66	636	(0.94)
Gas infrastructure development cess	18,038	127.26	7,937	100.00	–	–	–	–	–	–
Wind fall / petroleum levy	508	100.00	335	25.94	266	731.25	32	100.00	–	–
Surplus payable to the President of Pakistan as per the Agreement	1,734	110.95	822	69.14	486	(305.93)	(236)	(227.57)	185	(47.89)
	51,492	29.15	39,869	64.25	24,274	10.00	22,068	6.39	20,743	39.51
Sales - net	11,778	55.88	7,556	6.00	7,128	10.98	6,423	10.95	5,789	(13.56)
Royalty	1,531	58.00	969	9.24	887	9.78	808	11.60	724	(13.50)
	10,247	55.56	6,587	5.54	6,241	11.15	5,615	10.86	5,065	(13.57)
Operating expenses	4,516	30.67	3,456	15.32	2,997	24.41	2,409	37.97	1,746	35.66
Exploration and prospecting expenditure	2,496	52.29	1,639	332.45	379	(49.13)	745	(3.75)	774	67.90
Other income	952	167.42	356	173.85	130	381.48	27	800.00	3	(75.00)
Other charges	331	169.11	123	(43.06)	216	51.05	143	(11.73)	162	(52.63)
Operating profit	3,856	123.54	1,725	(37.93)	2,779	18.51	2,345	(1.72)	2,386	(36.91)
Finance income	259	(42.06)	447	(30.81)	646	39.83	462	40.00	330	(9.84)
Finance cost	626	(18.70)	770	7.54	716	53.98	465	44.86	321	70.75
Profit before taxation	3,489	148.86	1,402	(48.25)	2,709	15.67	2,342	(2.21)	2,395	(39.52)
Provision for taxation	1,068	272.13	287	(70.83)	984	(14.88)	1,156	375.72	243	(82.64)
Profit for the year	2,421	117.13	1,115	(35.36)	1,725	45.45	1,186	(44.89)	2,152	(15.94)

Vertical Analysis - Profit and Loss Account

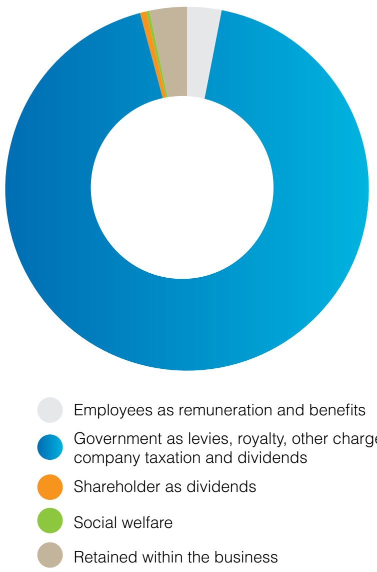
(Rupees in million)

	2013 (Rs.)	% age	2012 (Rs.)	% age	2011 (Rs.)	% age	2010 (Rs.)	% age	2009 (Rs.)	% age
Gross sales to customers	63,270	100.00	47,425	100.00	31,402	100.00	28,491	100.00	26,532	100.00
Gas development surcharge	21,246	33.58	22,941	48.37	17,720	56.43	17,710	62.16	16,263	61.30
General sales tax	8,470	13.39	6,359	13.41	4,440	14.14	3,890	13.65	3,659	13.79
Excise duty	1,496	2.36	1,475	3.11	1,362	4.34	672	2.36	636	2.40
Gas infrastructure development cess	18,038	28.51	7,937	16.74	–	–	–	–	–	–
Wind fall / petroleum levy	508	0.80	335	0.71	266	0.85	32	0.11	–	–
Surplus payable to the President of Pakistan as per the Agreement	1,734	2.74	822	1.73	486	1.55	(236)	(0.83)	185	0.70
	51,492	81.38	39,869	84.07	24,274	77.30	22,068	77.46	20,743	78.18
Sales – net	11,778	18.62	7,556	15.93	7,128	22.70	6,423	22.54	5,789	21.82
Royalty	1,531	2.42	969	2.04	887	2.82	808	2.84	724	2.73
	10,247	16.20	6,587	13.89	6,241	19.87	5,615	19.71	5,065	19.09
Operating expenses	4,516	7.14	3,456	7.29	2,997	9.54	2,409	8.46	1,746	6.58
Exploration and prospecting expenditure	2,496	3.94	1,639	3.46	379	1.21	745	2.61	774	2.92
Other income	952	1.50	356	0.75	130	0.41	27	0.09	3	0.01
Other charges	331	0.52	123	0.26	216	0.69	143	0.50	162	0.61
Operating profit	3,856	6.09	1,725	3.64	2,779	8.85	2,345	8.23	2,386	8.99
Finance income	259	0.41	447	0.94	646	2.06	462	1.62	330	1.24
Finance cost	626	0.99	770	1.62	716	2.28	465	1.63	321	1.21
Profit before taxation	3,489	5.51	1,402	2.96	2,709	8.63	2,342	8.22	2,395	9.03
Provision for taxation	1,068	1.69	287	0.61	984	3.13	1,156	4.06	243	0.92
Profit for the year	2,421	3.83	1,115	2.35	1,725	5.49	1,186	4.16	2,152	8.11

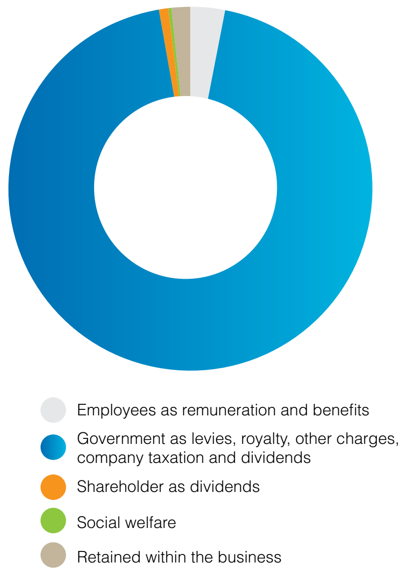
Statement of Value Addition

	Year 2012-13		Year 2011-12	
	(Rs in million)	% age	(Rs in million)	% age
Gross sales to customers	63,269.79	107.55	47,425.04	108.11
Less: Operating and exploration expenses	(5,027.52)	(8.55)	(3,589.01)	(8.18)
	58,242.27	99.00	43,836.03	99.93
Add: Other income and finance income	1,211.46	2.06	803.29	1.83
Less: Other expenses	(626.39)	(1.06)	(770.23)	(1.76)
Total value added	58,827.34	100.00	43,869.09	100.00
DISTRIBUTED AS FOLLOWS:				
Employees as remuneration and benefits	1,892.35	3.22	1,431.53	3.26
Government as:				
Levies	51,492.03	87.53	39,869.13	90.88
Royalty	1,531.38	2.60	968.60	2.21
Other charges	330.81	0.56	122.86	0.28
Company taxation	1,067.42	1.81	287.33	0.65
Dividends	93.16	0.16	82.64	0.19
	54,514.80	92.66	41,330.56	94.21
Shareholder as dividends	413.44	0.70	371.43	0.85
Social welfare	92.30	0.16	74.48	0.17
Retained within the business	1,914.45	3.26	661.09	1.51
	58,827.34	100.00	43,869.09	100.00

Year 2012-13



Year 2011-12



Pattern of Shareholding

as at June 30, 2013

No. of Shareholders	Shareholding			Total shares held
462	1	TO	100	20,132
760	101	TO	500	258,291
525	501	TO	1,000	425,579
780	1,001	TO	5,000	1,714,082
95	5,001	TO	10,000	747,749
157	10,001	AND	ABOVE	88,709,167
2,779				91,875,000

Categories of Shareholders as at June 30, 2013

Categories of Shareholders	Numbers	Shares held	Percentage
Directors, Chief Executive Officer and their spouses and minor children			
- Engr S.H. Mehdi Jamal - Director representing general public	1	500	0.0005
Associated Companies, undertakings and related parties			
- Fauji Foundation	1	36,750,000	40.0000
- Oil & Gas Development Company Limited	1	18,375,000	20.0000
NIT, NBP Trustee Department NI (U) Fund and National Bank of Pakistan	3	7,347,671	7.9975
Banks, Development Financial Institutions and Non-Banking Financial Institutions	10	358,090	0.3898
Insurance Companies	6	1,201,675	1.3079
Mutual Funds			
- CDC - Trustee AKD Index Tracker Fund	1	4,354	0.0047
- CDC - Trustee HBL IPF Equity Sub Fund	1	14,000	0.0152
- CDC - Trustee KASB Asset Allocation Fund	1	50,000	0.0544
- CDC - Trustee KSE Meezan Index Fund	1	32,345	0.0352
- CDC - Trustee NIT- Equity Market Opportunity Fund	1	648,742	0.7061
Modarabas	4	28,500	0.0310
Shareholders holding 5% or more voting interest*	*		
General Public			
- Local individuals	2,670	6,731,474	7.3268
Others			
- Government of Pakistan	1	16,891,679	18.3855
- Joint Stock Companies	59	1,484,677	1.6160
- Leasing Companies	1	1,125	0.0012
- Trusts and Provident Funds	7	1,932,332	2.1032
- Other Executives	10	22,836	0.0249
	2,779	91,875,000	100.00
***Shareholders holding 5% or more voting interest**			
Fauji Foundation		36,750,000	40.0000
Oil & Gas Development Company Limited		18,375,000	20.0000
Government of Pakistan		16,891,679	18.3855

During the financial year ended June 30, 2013, the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

S. No.	NAME	SALE	PURCHASE
1	Engr S.H. Mehdi Jamal	–	500

Directors' Report

The Directors are pleased to present their report together with the audited financial statements of the Company and the Auditors' report thereon for the year ended June 30, 2013.

Financial Results

The profit and appropriations for the year are as follows:

	Rs "000"
Profit	
Profit for the year under review after taxation	2,421,076
Un-appropriated profit brought forward	5,986,939
	8,408,015
Appropriations	
First interim dividend @ 27.1% per share declared in February 2013	248,614
Second interim dividend @ 10% per share declared in June 2013	91,875
Undistributed Percentage Return Reserve	158,946
Total appropriations for the year	499,435
	7,908,580
Represented by	
Exploration and evaluation reserve	36,235
Reserve for Mari Seismic Unit	920,000
Profit and loss account	6,952,345
	7,908,580

The directors have decided to retain Rs 158.946 million representing the balance of percentage return reserve relating to the year ended June 30, 2013 under the provision of Mari Gas Wellhead Price Agreement (the Agreement). Therefore, the aforesaid amount has been transferred to "Undistributed Percentage Return Reserve". Pursuant to adoption of IFRS-6 which is applicable to the Company's financial statements with effect from July 01, 2007, net amount of Rs 36.235 million during the year has been shown as exploration and evaluation reserve and the corresponding amount of exploration expenditure has been shown as exploration and evaluation assets.

Gross sales for the year under review increased to Rs 63,270 million from Rs 47,425 million in 2012-13 (33.4% increase). The increase is mainly due to increase in gas and crude oil production, imposition of Gas Infrastructure Development Cess and increase in gas prices. The gas sales volume increased from 206,455 MMSCF to 211,228 MMSCF which is as per customer's withdrawal / requirement. In addition, 46,780 barrels of condensate, 145,480 barrels of crude oil and 477 metric ton of LPG was produced and sold in the current period against 62,090 barrels of condensate, 62,189 barrels of crude oil and 2,062 metric ton of LPG in the comparative period. Company's contribution to the Government Exchequer amounted to Rs 55,512 million against Rs 41,618 million in the last year. The operating expenses were Rs 4,516 million as against Rs 3,456 million for the last year.

The operating results in the financial statements show profit for the year of Rs 2,421 million as against Rs 1,115 million of the previous year.

Increase in well head value, other income and decrease in finance cost were the major reasons for increase in profitability. This was partially offset with increase in operating expenses, exploration and prospecting expenditure, royalty, other charges, provision for taxation and decrease in finance income.

Earnings per share (EPS) on the basis of distributable profits increased to Rs 5.51 per share from Rs 4.94 per share for the last year. EPS for the year on the basis of profit and loss account (including undistributable balance) also increased to Rs 26.35 per share as compared to last year's Rs 12.14 per share.

The rate of return to the shareholders for the year has increased to 37.84% against last year's 37.06%, which is in proportion to increase in production level.

Cash Flow Strategy

Cash and cash equivalents were Rs 6,509 million as against Rs 2,951 million in the previous year. During the year, an amount of Rs 5,374 million was generated from operating activities of the Company which was used mainly to undertake operational activities, exploration activities, capital expenditures, payment of dividends to the shareholders, repayment of long term financing and finance cost to banks. Also, surplus payable for the year was Rs 1,734 million as against Rs 822 million for last year. In addition, the Company also obtained long term financing amounting to Rs 1,601 million to meet the requirements of its two projects namely Zarghun field development and Mari Seismic Unit.

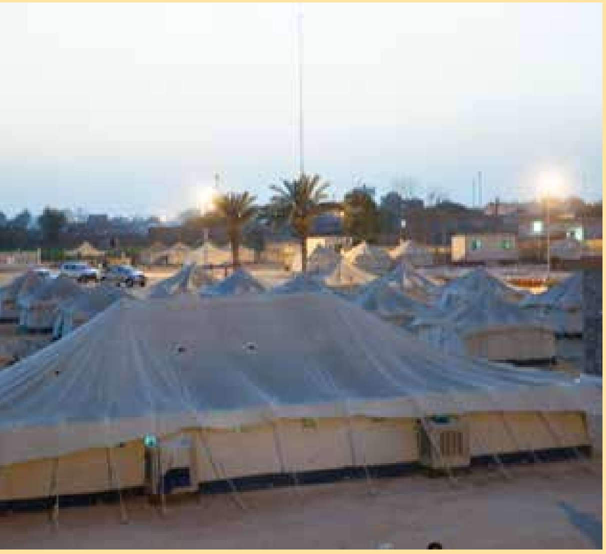
Dividends

The Company has paid first interim dividend of 27.1% (2012: 23.68%) on ordinary shares in February 2013 followed by second interim dividend of 10% (2012: 10%) on ordinary shares in June 2013. This makes the total cash dividend payout to the shareholders during the year to 37.1% (2012: 33.68%) as provided in the Agreement.

Foreign Exchange Savings and Government Revenues

MPCL is a major contributor to the national economy. The Company's share of production of natural gas, condensate, crude oil and LPG from its Mari Field and other joint ventures for the financial year 2012-13 in terms of energy equivalent is 26,706,362 barrels (2012: 26,417,896 barrels). This has resulted in foreign exchange saving of around Rs 283 billion for the current year assuming an average crude oil price of US$ 109.55 per barrel and average foreign exchange rate of US$ = Rs 96.89 during the year.

In addition, MPCL contributed around Rs 55,512 million to the Government exchequer during the year (Rs 41,618 million during 2011-12) mainly on account of taxes, royalty, excise duty, sales tax, gas infrastructure development cess, gas development surcharge and surplus payable to President of Pakistan as per the Agreement.



Operations

The Company continued un-interrupted gas supply throughout the year to all its customers namely, Engro Fertilizer Limited (EFL), Fauji Fertilizer Company Limited (FFC), Fatima Fertilizer Company Limited (FFCL), Pakistan Electric Power Company (PEPCO), Sui Southern Gas Company Limited (SSGCL), Foundation Power Company Daharki Limited (FPCDL) and Sui Northern Gas Pipelines Limited (SNGPL). A cumulative 209,302 MMSCF of gas at a daily average of 573 MMSCF and 28,422 barrels of condensate (78 barrels per day) were produced from Mari Field during the year as against 205,455 MMSCF of gas at daily average of 561 MMSCF and 27,789 barrels of condensate (76 barrels per day) for the corresponding year as per the requirement/withdrawal of the customers.

In addition, 145,480 barrels of crude oil (399 barrels per day), 18,357 barrels of condensate (50 barrels per day), 1,926 MMSCF of gas (5 MMSCF per day) and 477 metric ton of LPG (1 metric ton per day) was produced and sold from joint ventures during the year, whereas 62,189 barrels of crude oil (170 barrels per day), 34,301 barrels of condensate (94 barrels per day), 1,000 MMSCF of gas (3 MMSCF per day) and 2,062 metric ton of LPG (6 metric ton per day) was produced and sold from joint ventures in the comparative year to our customers namely Attock Refinery Limited, National Refinery Limited, Pak-Arab Refinery Limited, Pakistan Refinery Limited and Foundation Gas.

Regular maintenance of gas gathering network and production facilities was carried out and production optimization plans were followed as per the good oil/gas field practices, to avoid any water coning and loss in production through effective production and reservoir management.

Future Prospects, Plans and Strategy

MPCL, being a major player in oil and gas sector of Pakistan is aggressively pursuing the vision of enhancing the energy resources of the country. In pursuance thereof, various drilling projects in different MPCL's blocks have been planned in the year 2013-14. Furthermore, field development activities at Zarghun South and Karak blocks are also in progress. Upon completion of these projects, oil and gas production from the existing and new MPCL fields will be enhanced. It is expected that existing production of oil and gas will enhance to approximately 978 barrels of oil per day and 665 MMSCF of gas per day.

Exploration and Development activities, planned for the year 2013-14, will add to the hydrocarbon reserve base of MPCL and would also help to reduce the gap between supply and demand of energy which is essentially required to overcome the prevailing energy crisis in the Country.

Mari D&P Lease - Major Projects

Allocation and supply of 22 MMSCFD gas

In order to supply 22 MMSCFD additional gas from SML/SUL/PKL Limestone reservoir from Mari Field to any of MPCL's downstream customers, MPCL persuaded the case vigorously with the Government of Pakistan. Based on MPCL's efforts, Ministry of Petroleum and Natural Resources allocated the said gas volume to EFL on interim basis for one year.

To accomplish the said task, rigorous efforts were made and necessary modifications / adjustments in pipeline gathering network / central manifold / wells were made in order to stay within the stipulated obligations with other customers. Such efforts brought success in the shape of additional gas supply from Mari Field. The Term Sheet between the parties was negotiated and executed by the grace of Allah (SWT). Gas supply to EFL commenced on April 01, 2013 as per agreed terms and conditions.

Drilling and commissioning of Infill HRL Wells

In order to reduce the increasing water coning trend and to improve the ultimate recovery from HRL reservoir, drilling of Infill HRL wells # 92, 93, 94, 95 and 97 in Mari D&P lease was commenced in June 2012 which was successfully completed in November 2012. To economize the project, MPCL's own Skytop Brewster Rig was made operational after necessary repair and maintenance work and the crew of Rig Mari-1 was engaged in drilling operations.

Soon after the completion of drilling operations and as a part of development activities, extensive efforts were made and material and services for surface facilities including separators, gas metering equipment, line pipe, hiring of services for mechanical construction of surface equipment and gathering network were arranged in a record time. After performing the acid stimulation job, the wells were commissioned and put on production stream. At present, 30 MMSCFD gas is being produced from these wells. Accordingly, the gas production from the wells having higher water rate have been reduced as per reservoir simulation projection.

Drilling, completion and hook up of three Pirkoh Wells

Three prospects at Pirkoh Limestone reservoir were identified. After necessary planning and arrangement of services, drilling of well MG(P)-1, MP-1 and MPX-1 commenced on May 12, 2013 and successfully completed on July 02, 2013 by using MPCL's own Skytop Brewster Rig and crew.

Successful Drill Stems Test (DST) by perforating Pirkoh Limestone was carried out, which resulted in gas flow from all the three wells. During the post acid testing, the wells flowed at 1.9 MMSCFD, 2.5 MMSCFD and 1.7 MMSCFD respectively at 32/64 choke size. These wells will be hooked up with existing gas gathering network at Mari D&P. The cumulative production from the said discoveries to national grid system would be approximately 6 MMSCFD.

Hook up of Well # 85 with gas gathering network

After strenuous efforts, MPCL was able to hook up well # 85 with gas gathering network after twenty seven years. The well was drilled in 1986 but the gas could not be tapped due to certain unavoidable circumstances. The well is now contributing 9 MMSCF gas per day.

Drilling of one SML and two Pirkoh Wells

In order to enhance the production from Mari D&P, one appraisal well in SML and two appraisal wells in Pirkoh Limestone formation will be drilled. These wells will be hooked up in the existing gathering network and accordingly, the field production will be increased.

Supplemental Gas Purchase and Sale Agreements

The sixth Supplemental Agreement for FFC-I, fourth Supplemental Agreement for FFC-II and third Supplemental Agreement for EFL-II have been executed and signed by the parties after approval from OGRA. Now the contract period for these Agreements has been further extended for five years.

Mari D&P Lease Seismic Activities

Reprocessing of 1,000 line km 2D and 80 square km 3D seismic data was completed by M/s Fugro Seismic Imaging, UK which was followed by its interpretation for placement of additional wells in Mari D&P area.

Survey for acquisition/recording of 1,000 square km 3D seismic data is currently in progress by Mari Seismic Unit. So far 136.69 square km line survey has been completed. In addition, parameters testing for said data acquisition has also been completed/finalized. It is expected that said seismic campaign would be completed by third quarter of 2014.

Subsequently, acquired data will be processed, followed by in-house interpretation/mapping, which would help to place additional wells at SML/SUL and Lower Goru levels to drain the reservoir optimally. In addition, 3D seismic data would help to identify the prospects at Pirkoh/SML Limestone levels, up-side potential in Lower Goru Sands, potential in Sembar Sands and Chiltan Limestone and would also help to increase overall reserves base of MPCL.

Development of Zarghun South Gas Field (D&P Lease)

After approval of supplemental development plan under tight gas policy, MPCL is aggressively pursuing procurement of production and processing facilities to develop the Zarghun South Gas Field. In this regard, purchase orders for long lead items approximately valuing to US$ 12 million have been issued to the suppliers through competitive bidding. Meetings are being held with SSGCL for the construction of 64 km transmission line. The civil contractor has been mobilized for leveling, grading and initial infrastructure development works at plant site. At present, civil work activities to develop the field are in progress. After completion of civil activities, installation of production and processing facilities and construction of 64 km transmission line by SSGCL, the gas supply from the field will be started.

As a part of development activities of the Zarghun South Field, work-over operations were performed at Zarghun South 1 and 2. After timely arrangement of necessary material and services, the Rig Mari-1 was mobilized from Khost-3 to Zarghun South-1. The work-over started on March 01, 2013 and was successfully completed on March 25, 2013. As planned, the well was completed in Chiltan and Mughal kot formations.

To perform the workover operation at Zarghun South-2, coil tubing services were mobilized on March 26, 2013 and workover was successfully completed on March 31, 2013.

At present the wells Zarghun South-1 and Zarghun South-2 are shut-in and will be opened soon after completion of development activities and commencement of gas supply from the field.

Procurement Of 2,500 Hp Rig

Keeping in view MPCL's future drilling programs, and the availability of only two 2,500 horsepower (HP) rigs in the country and their deployment with other exploration and production companies on long term basis, one new 2,500 HP land drilling rig will be purchased. Technical and financial bids received for purchase of 2,500 HP rig have been evaluated. Necessary procurement process is being finalized and the purchase order will be issued shortly.

Exploration and Development Activities - other than Mari Field / Zarghun South D&P Lease

The company's working interests in onshore exploration licenses in Pakistan are as follows:

Sr. No.	Name of Block	MPCL's Working Interest	Name of Operator
1	Ziarat Exploration License	60%	MPCL
2	Karak Exploration License	60%	MPCL
3	Ghauri Exploration License	35%	MPCL
4	Sukkur Exploration License	58.8%	MPCL
5	Hanna Exploration License	100%	MPCL
6	Harnai Exploration License	40%	MPCL
7	Sujawal Exploration License	100%	MPCL
8	Hala Exploration License	35%	PPL
9	Zindan Exploration License	35%	PPL
10	Kohlu Exploration License	30%	OGDCL
11	Kalchas Exploration License	20%	OGDCL
12	Kohat Exploration License	20%	OGDCL
13	Bannu West Exploration License	10%	Tullow Pakistan

Operated Blocks

Ziarat block

Despite MPCL's persistent follow-up and deliberations, M/s BGP had been unwilling to mobilize its crew in Ziarat block to acquire 170 line km 2D seismic data due to security concerns. Therefore, MPCL contacted M/s CGE for seismic data acquisition to fulfill the outstanding commitment. M/s CGE indicated to review MPCL's proposal.

DGPC has granted one year extension w.e.f. February 02, 2013 to fulfill the outstanding commitment of 170 line km 2D seismic data acquisition.

Based on Khost well-3 Extended Well Testing (EWT) results, Ziarat Joint Venture decided to conduct a multidisciplinary subsurface study for the appraisal and development of Khost oil and gas field to chalk out its way forward. Accordingly, the contract is being awarded to M/s Beicep Franlab France based on competitive bidding.

In order to produce the well with artificial lift, MPCL and joint venture partners decided to install Jet Pump at the well. Accordingly, the work-over program was prepared and all material and services for project completion were arranged /procured.

The work-over operation was conducted with MPCL's own Rig Mari-1 and crew. The rig was mobilized on November 15, 2012. The work-over operation was completed successfully and function testing of the Jet Pump was conducted. Currently, the gross production of 1,000 barrels per day with 25 barrels per day Crude oil and 975 barrels per day water is being observed during the function testing. After successful function testing of the Jet Pump, the Rig was released on January 02, 2013. With coordination and team efforts, permanent surface production facilities were installed at the location. After necessary preparations and arrangements, by the grace of Allah (SWT), EWT operations at Khost-3 were commenced on March 15, 2013. At present, the EWT of the well is in progress.

Karak block

At present the well Halini X-1 is flowing naturally and EWT operation is in progress. To control decline in production with the passage of time and to ensure well flows with its natural potential, work-over operation will be performed and gas lift system will be installed.

Out of planned 332 sq. km 3D seismic data, 261 sq. km has been acquired over Halini discovery area and Kalabagh leads, which is expected to complete during fourth quarter of 2013. 3D seismic data acquisition will be followed by acquisition of 180 line km 2D seismic data over additional leads in the block.

Subsequently, data would be processed for which contract has been awarded to the consultant based on competitive bidding. The said processing is expected to complete during fourth quarter of 2013/first quarter of 2014 which would be followed by in-house interpretation/mapping for placing appraisal well over Halini discovery area and exploratory well in the block, subject to firming up of prospect.

In addition, source rock study is presently in progress at Hydrocarbon Development Institute of Pakistan (HDIP), which would help to understand the petroleum system of the area.

During phase-2 development activities to enhance the production and replace the rental equipments, Karak Joint Venture owned six storage tanks (3,000 barrels capacity), power generator, crude oil loading pumps, storage tanks and Variable Frequency Drive (VFD) panel were installed. Accordingly, M/s Schlumberger rental equipments were released on September 17, 2012.

In order to complete the final phase of the development activities and to enhance the storage capacity from 3,000 barrels to 6,000 barrels, various civil, mechanical and electrical works at location have been completed. In this regard, oil storage tanks, loading facility, three phase separator, 6" diameter oil transport line, electrical distribution setup and fire hydrant system have been successfully installed/constructed at Halini-1. The civil, mechanical and electrical work for phase-III development is in progress. The development work is expected to be completed soon. After installation of permanent production facilities, crude oil production from the well will be increased. So far, 80% work for phase-3 development has been completed without shutting down the production even for one day.

Ghauri block

Acquisition of 251 line km 2D seismic data was completed during September 2012 over the Shahab and surrounding areas.

Reprocessing/processing of 440 line km 2D vintage and newly acquired data was completed during January 2013 by the consultant. Processing of 85 line km newly acquired selected 2D seismic data was also completed by the consultant during January 2013.

Reprocessing of 650 line km 2D seismic data over Mahesian/Chak-Meyun structure was completed during March 2013.

The location of first exploratory well over Shahab structure was finalized after in-house interpretation and integration of all Geological and Geophysical (G&G) data during January 2013. The location for the said well was stacked on ground during first week of February 2013. One exploratory well Ghauri X-1 is planned to be drilled in Ghauri block. The process of acquiring the drilling and allied services has been completed and contract for land drilling rig services has been finalized. At present, conductor grouting job at the well is in progress, in addition to various civil work activities to prepare the location for drilling operation. It is expected that first exploratory well would be spud-in during fourth quarter of 2013.

Sukkur block

The well Mian Miro-1 was drilled and completed to produce the Sui Main Limestone (SML) and Sui Upper Limestone (SUL) independently.

In order to evaluate the reservoir characteristics and its depletion trend to determine the true potential of the well, GOP's approval for eight weeks Surface Well Testing (four weeks each in SML and SUL) was obtained and accordingly the Surface Well Testing operations at Mian Miro-1 was successfully completed by utilizing MPCL's own surface facilities. The data obtained from Surface Well Testing is under evaluation.

DGPC has granted two year extension for third license year w.e.f October 20, 2012 to conduct short duration test and to complete Sequence Stratigraphy Study in order to evaluate the hydrocarbons' potential of the deeper prospects. Accordingly, the award of contract to carry out the Study is in progress.

The Company also intends to acquire about 400 line 2D seismic data to evaluate the remaining hydrocarbons' potential of the block at SML and Lower Goru levels. Accordingly, bids have been invited to award the contract for the said seismic campaign.

Hanna block

MPCL has applied for grant of ten months extension in the third license year up to April 20, 2014 to fulfill the commitment of drilling of exploratory well in the block.

Based on in-house interpretation/mapping of 2D seismic data and its integration with the geological data, two prospects were firmed-up for drilling and accordingly, Hanna X-1 well has been placed over Sor South Prospect. All the necessary arrangements and preparations for drilling of exploratory well Hanna X-1 were completed. Hanna X-1 was spud-in on August 11, 2013 to test hydrocarbons' potential of Dunghan and Chiltan formations down to the depth of ± 1,110 meters. Already procured long lead items for Khost wells are being utilized for drilling/completion of the well. Rig Mari-1 has been deployed for drilling operations.

Harnai block

Due to the un-willingness of M/s BGP to acquire remaining 147 line km 2D seismic data, the Company intends to pursue M/s CGE as an alternate option to acquire 2D seismic data in the block, subject to its willingness to acquire 2D seismic data in Ziarat block.

DGPC has granted two years extension in second license year w.e.f. June 21, 2012 to June 20, 2014 to fulfill the outstanding obligation.

Sujawal block

EWT at Sujawal X-1 well commenced during first quarter of 2013 which is in progress. The project was taken from conceptual study phase in June 2012. According to the GSA terms and conditions, the project was taken up in two distinctive phases. In order to supply the dehydrated gas to SSGCL in the first phase, MPCL completed the civil and mechanical installations for field development. Rigorous and coordinated efforts were made and the commissioning activities were completed in record time. Another significant milestone was achieved when the first gas supply to SSGCL started on March 02, 2013. Presently, un-interrupted gas of 10 MMSCFD is being supplied

to SSGCL and 65 Barrels per day condensate is being supplied to Pakistan Refinery Limited and Pak-Arab Refinery Limited as per respective allocations.

In order to complete the second development phase, the procurement process for the purchase of Amine Sweetening Unit (ASU) and Hydrocarbon Dew Point Unit (HDCP) has been initiated. Technical bids have been received and are under evaluation. After installation of ASU and HDCP, specification gas to SSGCL will be supplied and phase-2 will be completed.

Acquisition of 154 line km 2D seismic data over two leads during April 2013 has been completed by M/s CGE. Processing/reprocessing of 1,050 line km 2D seismic data is also in progress at M/s SAGeo Islamabad, which will be followed by in-house interpretation/mapping for placing additional exploratory wells, subject to firming-up of prospects.

Re-interpretation and mapping of 200 square km existing 3D seismic data over Sujawal discovery area was carried out to place appraisal well in order to optimally drain the reservoir and to enhance gas production.

Initial results of processed newly acquired data have been received, which would be followed by in-house interpretation for placing exploratory well, subject to its firming-up.

In order to test the hydrocarbons' potential and to determine the reservoir extent of the Sujawal block, one appraisal well Sujawal-2 and one exploratory well Sujawal X-2 will be drilled. The technical bids received for the procurement of long lead items have been evaluated and placement of the purchase orders and service agreements are in progress.

Non-Operated Blocks

Hala block

Reprocessing and merging of all three 3D seismic data sets (total 341 square km) by M/s. Western Geco, Cairo and its inversion study has been completed.

Based on the interpretation of newly merged reprocessed 3D volume, a prospect namely Adam West has been firmed up to drill an exploratory well. In-house interpretation was also carried out by MPCL to re-confirm the well location. Subsequently, Hala Joint Venture agreed to drill the said prospect and currently procurement of long lead items is in progress to spud the said exploratory well.

MPCL has carried out in-house independent interpretation of merged 341 square km 3D seismic data and accordingly, it was matched with the operator's interpretation. Based on this, the location for exploratory well over Adam West prospect has been finalized.

The Operator has applied for nine months extension in phase-II of exploration license up to December 10, 2013.

Zindan block

Zindan Joint Venture acquired 518 line km 2D seismic data over the identified leads, which was followed by processing/interpretation to identify the drillable prospect.

Operator shared its said interpretation and mapping with Joint Venture partners to firm a prospect over Marwat Anticline to drill an exploratory well.

MPCL carried out its in-house interpretation/mapping of said 2D seismic data to which MPCL's confidence level over the Marwat prospect was very low. Accordingly, MPCL suggested the Operator to reprocess a key line passing over the crest of the identified prospect in order to get better image for placement of first exploratory well at optimum location.

DGPC has granted one year extension in second license year w.e.f. February 16, 2013.

Kohlu block

Exploration activities in the block are suspended due to security reasons.

Kalchas block

The Operator is trying to carry out civil works for drilling of Kup Well -1 over the Kup Structure and Kalchas -1 over Mari structure. Both well locations have already been marked on the ground.

DGPC has granted two years extension in Phase-I w.e.f. January 01, 2013.

Kohat block

Kohat Joint Venture intends to acquire approximately 317 square km seismic data (87 square km on Sheikhan area and 230 square km on Tanda-Jabbi area) and 256 line km 2D seismic data in remaining parts of the block over identified leads to delineate prospects for drilling of exploratory wells.

Bannu West block

Exploration activities in the block are suspended due to security reasons.

New Areas

Government of Pakistan invited bids for the grant of Petroleum Exploration rights over 60 new exploration blocks. MPCL submitted bids for six blocks namely, Shah Bandar, Ranipur, Sadiqabad, Hetu, Rakhshan and Peshawar East. MPCL won Peshawar East block against work commitment of 105 Work Units, which is US$ 1.05 million in terms of financial commitment.

Subsequent to carving out of Jhelum Block, the Company has applied for grant of exploration rights. In addition, detailed evaluation of technical data is also in progress to chalk out few more blocks.

Offer from Saif Energy Limited to farm-in in Khetwaro block has been evaluated. Due diligence on prospectivity has been completed and past cost incurred is being reviewed/negotiated and accordingly presentation including recommendations will be submitted to BOD for approval to farm-in in the block with operatorship.

Research & Development

In the year 2012-13, the Company carried out the following R&D related Projects:

Improving Cementation in deep wells

The project "Improvement in Cementing in Deep Wells" has been completed by M/s Schlumberger in collaboration with MPCL drilling professionals. The research recommendations will be beneficial for improvement in cementing operations of upcoming deep wells of MPCL (i.e. Ghauri block, Karak block and Mari Deep wells) as well as for the other exploration and production companies.

In the light of the above project, a research paper was presented by MPCL management in Annual Technical Conference - 2012 to share their research work with other E&P and service companies.

MPCL and Schlumberger co-authored papers on the process of improvement of cementation are now published in both the Annual Technical Conference and the Society of Petroleum Engineers.

Mitigation of Sweet Corrosion

Keeping abreast with the latest technological advancements in the oil and gas industry and their practical applications for safe and secure operations, a project was initiated last year to study the effects of raw fluids with high CO_2 content on flow line metallurgy and its mitigation through application of various methodologies.

Accordingly, new loops were fabricated in the piping system at Mari Deep, similar to ones already in service. Chemical injection was started in two loops to study the efficiency and effects of conventionally available corrosion inhibitors in the market on the particular nature of the fluid. One loop was fitted with Fiber Reinforced Plastic (FRP) to observe the efficiency of material in sour environments and the other loop was fitted with Knock Out Drum (KOD) to separate the water from the well fluids and transport dry gas up to the central manifold to know the effect of dry CO_2 on steel metallurgy. At present rigorous monitoring and data gathering is underway. After six months of data gathering, the results and recommendations will be compiled in light of experimental understandings.

Corrosion monitoring, inhibition and treatment instrumentation is installed, commissioned and operational at the Mari Gas Field. The results are exceedingly positive in the form of reduced corrosion of pipelines with increase in operational age.

Feasibility and Design Study for Tight and Shale Gas Exploration through Fracturing Sembar Sandstone and Drillings Cuttings RoQSCAN

The initial analysis by Schlumberger for seismic and petrophysical prediction followed by ID MEM rock mechanics was cross-verified using RoQSCAN for drilled cuttings by CGG-Robertson in Houston. The analysis proved presence of higher quartz content than before, indicating more brittle properties for hydraulic fracturing design on the new well which will be drilled near Mari Deep Well-1 at Mari Field Daharki

Feasibility and Design Study for Fracturing Habib Rahi Limestone to produce from its tight upper zone

Considerable reservoir property data was collected from five wells including pressure connectivity of the tight and lower producing conventional reservoirs. This additional data (using Schlumberger) and now new core work will add value to future reservoir simulation of the tight “A” reservoir and predicted timing for its hydraulic fracturing to maximize gas reserve recovery later.

Seismic Elastic Impedance Inversion Study of the Lower Goru (Upper Sands) in the Sujawal Block

Both log and 2D/3D seismic data was used by Beicip-Franlab for specialized processing which then show seismic imaging confirming reservoir heterogeneity to predict reservoir properties for additional exploration, appraisal and development wells to maximize gas recovery.

Fault-Plane Risk Analysis

This study of confirm fault seal analysis of a downthrown play option was also conducted by Beicip-Franlab that confirmed future and pre-drill predicted options.

Drilling Optimization Study

A detailed analysis of previously drilled wells has been conducted and is being analyzed by a specialized drilling services company using drilling software for previous drilling parameters and new design options to reduce anticipated drilling problems. This study will provide drilling optimization plan including options of real-time drilling parameters.

Creation of MPCL Chair

Subsequent to creation of MPCL Chair in the Department of Earth Sciences at Quaid-i-Azam University, (QAU), Dr. Zulfiqar Ahmed, Chair MPCL has started his work at QAU. He has submitted his annual plan which encompasses improvement in the syllabus of the Department of Earth Sciences, designing of new courses, arrangement of symposia and conferences besides additional visits of students to operational areas and fields.

Learning Opportunities Provided to Students

MPCL provides students with multiple learning opportunities in the form of field visits, internships and by sponsoring technical conferences at different universities. The purpose is to raise the skill set and standards of professional education in the Country. Following are some actions taken by the Company in this regard:

a) After the successful conduct of symposium at QAU arranged by PPEPCA on March 22, 2012, the Company also sponsored another event titled “One Day Symposium on Industry Academia Collaboration” in NED University, Karachi on May 29, 2013. The event was attended by over 350 participants representing both industry and academia including MDs / CEOs of leading E&P companies.

b) Apart from the above, internships to 59 students from 10 renowned HEC recognized universities were offered during the summer in different departments of the Company. Out of the total, 45 students were granted internships at Mari Field Daharki whereas 14 students at Head Office, Islamabad.

Risk Management and Outlook

MPCL is progressing towards achieving its corporate vision of playing a pivotal role in the Country’s energy sector while focusing on its achievements under a long-term sustainable business strategy. The fundamental constituents of MPCL’s strategy are:

- Delivering uninterrupted petroleum product supplies to customers and maintaining good customer relationship.

- Achieving cost effectiveness through improved operational efficiencies and optimizing resource utilization.
- Building on inventory of prospects by sourcing new exploration opportunities in key resource areas and new play concepts.
- Ensuring alignment of financial, technical and manpower resources with Company's work program and pace of development and expansion plans.
- Maintaining high HSEQ standards.
- Ensuring safe, reliable and healthy environment for the workforce.

MPCL's corporate vision is at the center of its long-term business strategy. Uninterrupted petroleum supplies by MPCL to its customers, especially to the fertilizer sector is the backbone of national economy. And in doing so Company's cost effective operations, while maintaining the highest levels of operational efficiencies and HSEQ standards, are unparalleled.

In view of its strategic position, Company accepts a larger share of responsibility in dealing with the energy challenges faced by the Country today; and therefore, plans to enhance gas production volumes from its Mari D&P lease reserves as well as its other oil and gas discoveries.

The Company's ongoing EWT operations over its gas discovery in Sukkur and Sujawal blocks and oil discoveries in Karak and Ziarat blocks are successfully underway. After concluding these tests, development of these new fields will be undertaken.

Although the Company remains committed to growth through its exploration-led activities and places great emphasis on maintaining a healthy portfolio of oil and gas properties and carrying out E&P activities in an efficient manner. It has recently extended its reach into the services sector by setting up a state of the art 3D seismic data acquisition unit in a seismic data processing center. Similarly, it is also in the process of augmenting its drilling capabilities by adding a new 2500 HP on-shore rig to its drilling fleet.

The Company's operational plan for year 2013-14 also includes commencement of production from its Zarghun South (ZS) gas/condensate project in Balochistan. The completion of ZS development project costing approximately US$70 million would bring on stream 20MMSCFD gas for its transmission to capital city Quetta of Balochistan Province.

The Company's exploration activities in the near future will be focused on acquiring extensive seismic data in Sukkur, Karak, and Mari D&P lease areas besides drilling two exploration/appraisal wells in Hanna and Ghauri Blocks. The Company, based on its exploration strategies, will also continue its scouting for possible new opportunities both locally and internationally to expand its exploration portfolio.

While the majority of the Company's activities are the result of internal prospect generation, the Company remains open to participation in opportunities generated by others that are consistent with our operating philosophy and meet our technical and economic criteria.

The Company is well aware of the challenges confronting its development and exploration pursuits. Apart from the technical challenges faced by the Company, the most distressing are the risks of security volatility, generally in the country and more particularly in Balochistan and KPK, where the Company operates four exploration licenses and one development lease.

Developing its own seismic data acquisition unit and enhancing its deeper-drilling capabilities are part of Company's strategy to deal with the challenges being faced by it in security sensitive areas, where foreign contractors are unwilling to provide such services.

While being one of the very few companies operating successfully in the troubled areas, we believe that secret of handling today's challenges on sustainable basis lies in a collective initiative by the government authorities, the industry and of course the local population. The Company, however, is determined and is all out to keep on track the pace and progress of its activities; alert and adapting to the needs of changing circumstances as they unfold particularly ensuring the safety and security of its work force in its operational areas and upholding the highest HSEQ standards.

Health, Safety and Environment (HSE)

MPCL aims to help meet the energy needs of society in ways that are economically, environmentally and socially responsible. The Company always puts emphasis on the importance of HSE Management during exploration and production activities. In order to virtually eliminate HSE and operational incidents and catastrophic mishaps at all its locations, MPCL has devised and implemented HSE protocols in line with best industry practices and international standards to maintain smooth supply of hydrocarbons to its customers. HSE Risk management techniques are used to identify proactive measures in order to avoid incidents related to People, Assets, Reputation and Environment.

MPCL's Policy Statement and Commitment

MPCL is committed to protect the health and safety of its workforce including employees, contractors and clients to provide them with safe and conducive working conditions at all its worksites. It is also committed to minimize potential impacts of its activities on neighboring communities and the environment. It has set out these commitments in dedicated Integrated Management System Policy.

MPCL's policy and commitment reflects the integrated way it works in the areas of Health, Safety, Environment and Quality (HSEQ). All MPCL employees, contractors and joint ventures under its operational control must manage HSE in line with the commitment and policy. MPCL is committed to:

- Pursue the goal of no harm to people.
- Report its performance publicly.
- Protection of the environment.
- Use equipment and energy efficiently to provide hydrocarbons and services to its clients.
- Respect neighboring community and contribute through social welfare activities in the area where it operates.

- Take a leading role in promoting best industry practices.
- Manage HSEQ matters as any other critical business activity.
- Promote a culture in which all MPCL employees share this commitment.

Excellence in HSE Performance through Integrated Management System

MPCL strongly believes that excellence in HSE Management can only be achieved if it operates according to certain International standards and guidelines. Therefore, it has developed all its procedures following the basic principles given by International guidelines developed by the Oil and Gas Producers Association. This was further supplemented by adopting standards developed by International Organization for Standards (ISO) for Quality Management, Occupational Health and Safety Management, Environmental Management and Information Security Management.

MPCL integrated and streamlined its business processes by fulfilling the requirements of the ISO standards, and achieved IMS certification in 2007 for:

- ISO 9001: 2008 (Quality Management System)
- ISO 14001: 2004 (Environmental Management System)
- OHSAS 18001: 2007 (Occupational Health System Assessment Series)
- ISO 27001: 2005 (Information Security Management System)

This Integration was achieved through strong commitment of the Management and employees throughout the organization. Being an IMS certified Company, MPCL is now known to be a more progressive entity, which is compliant with international standards, resultantly bringing it at par with international companies and imparting a cutting edge benefit of making its systems more credible and well founded.

MPCL has further expanded its scope of certification by including MPCL Drilling Rig for ISO Quality Management System (ISO 9001), ISO Environmental System (ISO 14001) and Occupational Health and Safety Management System (OHSAS 18001). By implementing HSE management system requirements, the Company has been able to achieve certification without any major non-conformance. This Rig has carried out drilling for Pakistan Petroleum Limited as well and successfully passed through similar external ISO certification audits.

ISO 50001: 2011 (Energy Management Systems) Certification

MPCL, fully recognizes the concern of the government about climate change. There is a widespread view that the increase in atmospheric greenhouse gases is a contributor to climate change, with adverse effects on the environment. Therefore, guided by its policy statement MPCL is taking measures to address this issue through short and long-term measures, such as giving due importance to plantation and development of green areas while designing the facilities.

MPCL is also further increasing its scope of IMS certification by embarking on ISO 50001: 2011 (Energy Management Systems) Certification. ISO 50001 enables organizations to establish the systems and processes necessary to improve energy performance, including energy efficiency, use, consumption and intensity.

- Implementation of this standard would lead to reductions in energy cost, greenhouse gases emissions and other environmental impacts, through the systematic management of energy.

- Conformance with ISO 50001 will demonstrate that the organization has implemented sustainable energy management systems.

- Improved energy performance will provide rapid benefits for the Company by maximizing the use of its energy sources and energy related assets, thus reducing both energy cost and consumption.

HSE Risk Management

Due to the peculiar nature of E&P activities, the Company has developed and used tools and methods for handling and controlling HSE risks. The Company uses risk assessment analyses in its business processes to balance protective HSE measures with the values it wants to protect, and ensures that appropriate response mechanisms are in place to minimise the impact of any HSE incident.

These tools and methods are used to minimise the risk of accidents and incidents with a high potential for escalating into major events. The Company works systematically to mitigate risks that are critical to operating safely and reliably. Continuous improvement for better safety results has high attention in all business areas. HSE risk management is another area where companies carry out extensive studies to minimize risk to people, environment, assets and reputation. This issue tends to become more critical as most of the activities done by E&P companies are outsourced to local contractors who generally lack awareness about HSE, therefore becoming highly prone to HSE mishaps. A discreet approach has been adopted by MPCL towards selection of contractors by implementing explicit HSE requirements during the contracting process. This approach has considerably reduced HSE risks.

MPCL focuses on motivating its workforce towards a positive HSE culture, improving HSE performance, enhancing management and workers involvement in HSE, promoting risk management and making clear written distinctions between safe and unsafe behavior.

Teamwork, consistent supervision, systematic analysis of workplace hazards and implementation of controls, coupled with the development of positive attitude has been the Company's tools for reducing personal and industrial incidents to a minimum.

HSE Training and Capacity Building

It is essential to ensure that employees are equipped with the knowledge, experience, skills and training necessary to carry out their work in a safe manner, without causing harm to themselves or others. The Company ensures this by imparting the needed trainings at all locations through audio and visual aids.

The Company actively contributes in forums and meetings organized by Pakistan Petroleum Exploration and Production Companies Association (PPEPCA) to share and discuss HSE best practices and lessons learnt from incidents.

Emergency Response and Management

MPCL's Crisis and Emergency Management provides a communication structure which enables for a quick and effective response in emergency that could escalate into a crisis which can adversely affect the image and reputation of the Company. This plan caters for activities including field operations, drilling, seismic activities and all projects in addition to activities in the existing fields.

This plan is periodically reviewed and its effectiveness is measured through drills and exercises. Emergency drills are mandatory at all locations. These drills are carried out with different scenarios to deal with a real life situation.

Safety Performance

Following the best industry practices, strong emphasis is given to reporting of incidents. Incidents are analyzed, documented, investigated and lessons learnt are shared among the staff in order to avoid reoccurrence of similar incidents. Recommendations from incident investigation are immediately implemented to prevent future HSE incidents. The Company's "No Blame" approach has ensured that there is excellent two-way communication between employees and management on HSEQ matters.

Safety performance in an organization is measured in terms of frequency of recordable incidents. In 2012, MPCL recorded best-ever combined

employee and contractor workforce Total Recordable Case Frequency (TRCF) by achieving 1.96 against the set target of 2.8, which is a visible improvement when compared to worldwide standard. This improvement is impressive considering MPCL's HSE culture is in the development phase as compared to other regions where they have been practicing HSE since long.

Occupational Health and Safety Management

Organizing health and safety requires both management and employees to be actively involved and committed to the policy. At MPCL, this has been achieved by ensuring management control, effective co-operation of employees and their HSE representatives, establishment of an effective HSE communication system and achieving co-ordination of activities. All activities were carried out by implementing OHSAS 18001 standard requirements. Certification audits were conducted without any major non-conformance.

MPCL undertook the following Health and Safety initiatives during its operational activities:

- Development of objectives and targets
- HSE Plans for operational activities
- Safety studies such as Hazards and Operability studies (HAZOP)
- Project Risk Assessments and Task Risk assessments
- Job safety analysis
- Fire management at all sites
- HSE audits and inspections
- Road safety management
- Incident investigation and reporting
- Noise and ambient air monitoring
- Water quality monitoring
- Air emission monitoring
- Establishment of clinics at all sites
- Health Risk Assessments for operational sites
- Annual medical checkup of all staff and in particular staff deputed at remote locations and analysis of data
- Medical screening of catering crew
- No Smoking campaign
- Heat stress management centers at all locations
- Malaria and dengue prevention campaign at all locations

Environmental Management and Compliance

At MPCL, environmental compliance is also given a top priority during inception and design of E&P activities. Environmental assessment, management and reporting forms a major part of our risk management process. During assessment, all physical, biological and socio-economic components of the environment are evaluated and their adverse impacts of project activities are brought to as low as reasonably practical through administrative and engineering controls. In addition, the existing facilities are periodically assessed, significance of the adverse impacts are measured and reviewed and mitigation measures are taken to comply with our policy of continuous improvement with implementation of environmental management plan during exploration and production activities.

Following initiatives were undertaken as part of environment risk management:

- Initial Environmental Examination (IEE) for 3D Seismic activity at Mari Field Daharki.
- Implementation of Environmental Management Plan (EMP) for the following project locations:
  - > Newly established Mari Seismic Unit (MSU)
  - > Drilling activities of five Infill wells at Habib Rahi formation and three exploratory wells at Pirkoh formation in Mari Field Daharki.
  - > EWT at Khost-3 and Zarghun South-1.
  - > Air dispersion modeling study of acid gas release (H_2S – SO_2) was carried out for Zarghun Gas Field, to identify any adverse impact on the surrounding areas.
  - > Implementation of ISO 14001 standard

requirements at all locations and organized certification audits without any major non-conformance.

Tree Plantation and Development of Green Areas

Annual tree plantation campaign is one of the major activities undertaken by MPCL which involves all management staff. Tree plantation is carried out not only in the head office but at all locations. A fruit orchard has been established at Daharki on eighteen acres of land. All sites have been instructed to develop green areas and management staff is also encouraged to carry out plantation at their residences.

British Safety Council

MPCL has acquired membership of British Safety Council; an international health, safety and environment institution. This has given the Company an opportunity to have unlimited access to health, safety and environmental information resource to raise its HSE standards keeping in view best practices across the globe.

Hundred employees have been enrolled through e-learning course "Introduction to International Workplace Health and Safety" which covers basic health and safety knowledge that any employee, contractor or visitor should know and understand. A lot of information is shared among employees using alerts and e-Newsletters issued by the British Safety Council.

Human Resources Development (HRD)

Focus on HRD is a key contributor to ensure organizational effectiveness and maximum return from the most important asset - the people in the organization. The Company believes that effective management and innovative approaches to the development of employees will enable it to capture and embed knowledge and skills. MPCL's HRD strategy is aligned with broader strategic imperatives and sufficient emphasis is placed on the HRD function.

Recruitment

Company makes concerted efforts for the recruitment of talented manpower which is knowledgeable, enthusiastic and well-motivated for the assigned tasks. The Company hires employees purely on merit without any discrimination on the basis of creed, class or gender.

Utilizing Human Capital to its Maximum Potential

Optimum use of human capital is a strategic business imperative. Through intrinsic training and development, employees with good knowledge and skills are rotated on different jobs related to their field with the Company for their optimum performance.

Training and Development

The Company has always focused on organizing trainings in a manner which provides maximum professional grooming. A meticulous Training Needs Analysis, taking into account many factors (appraisals, experience, past training record etc) is conducted annually in order to identify employees for attending training courses/seminars. After the Training Needs Analysis, a training plan is chalked out before the start of the fiscal year to ensure smooth conduct of trainings.

Once an employee attends a training, the Company ensures that the employee imparts similar training to all the relevant staff while applying the maximum to the workplace. In MPCL, the training cycle is not only effectively implemented but also monitored at all levels to ensure that trainings are result oriented. This year, the Company focused more on group trainings rather than individual trainings. Young officers were given an opportunity to attend technical international conferences/ seminars along with the senior management, thus giving them international exposure along with professional grooming.

Three Directors were also sent on foreign trainings during the year.

Following is a brief summary of number of employees that attended foreign/local courses, seminars, symposiums etc. in the FY 2012-13.

	Number of Employees		
	Technical	Non-Technical	Total
Foreign			
- Courses	10	4	14
- Conferences/Seminars	8	12	20
Local			
- Courses	18	22	40
- Conferences/Seminars	51	-	51

Development of Employees Through Field Visits

The Company encourages its employees to undertake frequent field visits in order to gain better understanding of the Company's operations and activities and to ensure proper development of employees. This aspect is also covered in the orientation plan when new employees are taken on board by the Company. In the last six months, sixty field visits were undertaken by non-technical staff in different field areas such as Mari, Sujawal, Zarghun, Khost etc.

Inter-Departmental Attachments

Temporary attachments of employees to other departments are one of the best ways to learn about that department's functioning and role within the organization. This enables employees to perform their job more efficiently and also encourages inter-department interactions. The company is currently emphasizing on this kind of learning in order to raise the knowledge level of its employees.

Information Technology

SAP system implementation has laid foundation for enterprise level integrated information architecture and helped to adopt industry best practiced business processes. To further benefit from the system capabilities and improve cross functional efficiencies, more modules are being implemented.

Seismic Data Processing

After successful establishment of a state of the art 2D and 3D Mari Seismic Unit, the Company is in the process of establishing its own Seismic Data Processing Center. This initiative will help to build in-house capability and facilities for high quality 2D and 3D seismic data processing/reprocessing.

E&P Data Management System

Data is the lifeblood of today's exploration and production companies. Never before have had E&P companies more data on which to base their decisions, whether selecting a drilling target or allocating production. Effective E&P data management can lead to overall improvement in Company's performance.

The Company has planned to implement E&P data management system with an objective to benefit from oil and gas industry best practices in this domain. The project scope will cover management of digital assets including seismic data, well data, physical/scanned data, G&G digital and production data. The system is aimed to provide more integration among Exploration and Operations departments' professional teams for effective planning and coordination of various E&P activities.

Safeguarding of Records

With increasing IT dependence for recording and reporting of financial transactions, due attention has been given to IT enabled tools for security of financial record.

In the first stage, financial and supporting record has been archived using Enterprise Content Management System (ECM), which provided quick and reliable search and retrieval of relevant documents. Paper based documentation is

properly fumigated and placed at storage facility for legal requirements.

After the implementation of SAP system, soft copy of supporting financial documents and record is securely maintained in the system to be accessed by the authorized users only. Regular backups of SAP system are maintained. The Company is certified for ISO 27001 - Information Security Management System standard. This provides the Company with internationally recognized framework and reliable controls to safeguard information assets.

IT Governance at MPCL

Company's Information Technology initiatives and functions are overseen by a Steering Committee headed by the Managing Director and all Heads of Departments are its members. The committee meets four times a year at a minimum.

Industrial Relations

The working environment and overall industrial relations climate remained cordial at all locations of the Company including Mari Gas Field. Recreational and motivational activities at these locations helped in improving harmony in the work environment and were very well received by the employees at various fields/locations.

Corporate Social Responsibility (CSR)

CSR remains the focus of the Company's corporate strategy for building sustainable relations with local communities. In pursuance of its CSR mission, MPCL is continuously striving for provision of better facilities in multifarious fields including health, education, provision of clean water and communication infrastructure etc. by undertaking various social welfare schemes in its operating areas.

The Company, as a responsible corporate entity, believes in playing effective role in sustainable development to ensure maximum economic benefit in its operational areas.

Education

Education is an important facet of corporate social activity. Therefore, substantial amount is being spent on construction, renovation and maintenance of various schools at all JV blocks as well as at MPCL's own operating areas. In the last three years, MPCL has spent more than Rs 13.2 million on education related activities.

An additional amount of Rs 100 Million has been spent on Mari Education and Medical Complex. Realizing the importance of specialized technical manpower for E&P Companies, MPCL spearheaded the idea of "Technical Training Center" at Daharki with a contribution of Rs. 33 million. The Center is now fully functional.

Water Supply Schemes

Provision of clean drinking water to the local community is one of the priorities among MPCL's CSR projects. At Kamerser, Mianwali District numerous tube wells were installed, water wells were dug and water supply scheme has been renovated by installing an electric regulator, repair of water tank and installation of water filtration plant.

Besides these water supply schemes, two major water supply schemes in Balochistan at Khost and Ziarat, at the cost of Rs.3.3 million have also been developed.

Health

The recent highlights of MPCL health projects include construction of additional rooms, purchase of laboratory and therapy equipment at Kamerser dispensary and establishment of exclusive dispensary in Daharki for the treatment of Tuberculosis patients.

The other major health related CSR projects include:

- Field dispensaries operating in different MPCL blocks on daily basis at a cost of Rs. 10 million per annum.
- Maternity home at Dad Laghari at a cost of Rs. 2.5 million per annum.
- Mother and Child Healthcare Center at Civil Hospital Mir Pur Mathelo costing Rs. 11 million

Future Projects

Following projects will be implemented in near future:

- Adoption of one school at each JV block.
- Major CSR programs in Ghauri block located in District Jhelum have been conceived in collaboration with the District Government and other stakeholders which will start in the last quarter of 2013.
- Construction of additional class rooms and wash rooms in Primary School Kili Muhammad Sher, Urak, and boys High School Hanna are in progress. Clean drinking water to be provided to a large community at village Hanna Urak, District Quetta, Balochistan.
- Construction of additional rooms at Primary Girls School Rahim Abad, Koonj and Primary School Muhammad Yousaf in Sindh are in progress.

CSR remains an ever evolving and continuous process at MPCL to accommodate the local needs on priority basis. MPCL's CSR philosophy is anchored in its tripartite approach of development, involving the community, local government and the Company itself, thus ensuring continuity and sustainability of its CSR programs.

Corporate Governance

BOARD STRUCTURE

Sr. No.	Director	Category
1	Lt. Gen. Muhammad Mustafa Khan (Retd.)	Non-executive director
2	Lt. Gen. (R) Raza Muhammad Khan	Executive director
3	Mr. Qaiser Javed	Non-executive director
4	Dr. Nadeem Inayat	Non-executive director
5	Brig. Dr. Gulfam Alam (Retd.)	Non-executive director
6	Maj. Gen Zahid Pervez (Retd.)	Non-executive director
7	Mr. Mohammad Naeem Malik	Non-executive director
8	Qazi Mohammad Saleem Siddiqui	Non-executive director
9	Mr. Pervaiz Akhtar	Non-executive director
10	Mr. Masood Siddiqui	Non-executive director
11	Mr. Muhammad Rafi	Non-executive director
12	Mr. Muhammad Riaz Khan	Non-executive director
13	Mr. Manzoor Ahmed	Non-executive director
14	Engr. S. H. Mehdi Jamal	Independent Non-executive director

Following directors joined the Board during the year:

1. Mr. Mohammad Naeem Malik
2. Qazi Mohammad Saleem Siddiqui
3. Mr. Muhammad Rafi
4. Engr. S. H. Mehdi Jamal

Following directors left the Board during the year:

1. Mr. Sher Muhammad Khan
2. Mr. Basharat A. Mirza
3. Mr. Liaqat Ali

The Board wishes to record its appreciation for the valuable contributions and services by the outgoing directors during their tenure and extends warm welcome to the incoming directors.

BOARD MEETINGS

Five meetings of Board of Directors were held during the financial year 2012-13. The attendance of directors in the meetings is as under:

Director	Meetings attended
Lt. Gen. Muhammad Mustafa Khan (Retd.)	5
Lt. Gen. (R) Raza Muhammad Khan	5
Mr. Qaiser Javed	5
Dr. Nadeem Inayat	5
Maj. Gen Zahid Pervez (Retd.)	5
Brig. Dr. Gulfam Alam (Retd.)	4
Mr. Mohammad Naeem Malik	2
Mr. Sher Muhammad Khan	1
Qazi Mohammad Saleem Siddiqui	4
Mr. Pervaiz Akhtar	5
Mr. Masood Siddiqui	5
Mr. Basharat A. Mirza	1
Mr. Muhammad Rafi	4
Mr. Muhammad Riaz Khan	5
Mr. Liaqat Ali	5
Mr. Manzoor Ahmed	4
Engr. S. H. Mehdi Jamal	-

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company oversees the operations and affairs of the Company in an efficient and effective manner. For the sake of smooth functioning, the Board has constituted three committees.

These committees are entrusted with the task of ensuring speedy management decisions relating to their respective domains.

Audit Committee

Composition

The Board of Directors of the Company, in compliance with the Code of Corporate Governance (CCG), has established an Audit Committee comprising of the following directors:

Director	Designation
Mr. Qaiser Javed	President
Mr. Pervaiz Akhtar	Member
Mr. Muhammad Riaz Khan	Member
Mr. Manzoor Ahmed	Member

Attendance in the meetings

Director	Meetings held	Meetings attended
Mr. Qaiser Javed	7	7
Mr. Pervaiz Akhtar	7	7
Mr. Muhammad Riaz Khan	7	7
Mr. Manzoor Ahmed	7	7

Terms of Reference

The Audit Committee is, among other things, responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders and considers 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.

Terms of reference of the Audit Committee are as follows:

a) Determination of appropriate measures to safeguard the company's assets;

b) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- going-concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- significant related party transactions.

c) Review of preliminary announcements of results prior to publication;

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 coordination 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 of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i) Ascertaining that the internal control system including financial and operational controls, accounting system for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities 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 Directors and internal audit reports;

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

l) Determination of compliance with relevant statutory requirements;

m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Report of the Audit Committee

In accordance with its TOR, the Audit Committee reviewed the Company's Annual and Interim Financial Statements, including non-financial information, prior to publication thereof. Audit Committee periodically reviewed the adequacy and appropriateness of internal controls, matters relating to accounting policies, financial risks and compliance with accounting standards, statutory and legal requirements and regulations. Important findings, identified risks and follow-up actions were examined thoroughly in order to allow appropriate measures to be taken.

Technical Committee

Composition

Technical Committee of the Board comprises of the following directors:

Director	Designation
Brig. Dr. Gulfam Alam (Retd)	President
Dr. Nadeem Inayat	Member
Maj. Gen Zahid Pervez (Retd.)	Member
Mr. Mohammad Naeem Malik	Member
Qazi Mohammad Saleem Siddiqui	Member

The major role of the Committee is to review and recommend the technical and operational matters of the Company to the Board of Directors.

Attendance in the meetings

Director	Meetings held	Meetings attended
Brig. Dr. Gulfam Alam (Retd)	3	3
Dr. Nadeem Inayat	3	1
Maj. Gen. Zahid Parvez (Retd)	3	3
Mr. Mohammad Naeem Malik	3	1
Qazi Mohammad Saleem Siddiqui	3	3
Mr. Liaqat Ali	3	3

HR and Remuneration Committee

Composition

HR and Remuneration Committee of the Board comprises of the following directors:

Director	Designation
Dr. Nadeem Inayat	President
Mr. Masood Siddiqui	Member
Mr. Muhammad Rafi	Member

The major role of the Committee is to review and recommend the Company's HR related matters to the Board of Directors.

Attendance in the meetings

Director	Meetings held	Meetings attended
Dr. Nadeem Inayat	1	-
Mr. Masood Siddiqui	1	1
Mr. Muhammad Rafi	1	1
Mr. Liaqat Ali	1	1

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at June 30, 2013 is attached on page 37.

STAKEHOLDERS' ENGAGEMENT

Major stakeholders of the Company include shareholders, customers, Government of Pakistan, bankers / lenders, joint venture partners, regulators, employees, and communities in MPCL concession areas.

Relationships with different stakeholders are extremely important for MPCL as these relationships impact MPCL's operations, profitability, corporate image and profile. MPCL enjoys cordial relationships with all of its stakeholders.

Relationship with SECP and Stock Exchanges are managed as per applicable corporate laws/rules/regulations/ notifications, notably the Companies Ordinance 1984, Code of Corporate Governance 2012, Listing Regulations of Stock Exchanges and the Memorandum and Articles of Association of the Company.

Shareholders' Engagement

- Relationship with the shareholders is managed in line with the provisions of Shareholders and Participation Agreement, applicable corporate laws/rules/regulations/ notifications, notably the Companies Ordinance 1984, Code of Corporate Governance 2012, Listing Regulations of Stock Exchanges and the Memorandum and Articles of Association of the Company.
- Besides their right to appoint directors to oversee affairs of the Company, the Shareholders are invited to all the shareholders meetings (Annual General Meetings, Extra Ordinary General Meetings).
- Investors can also lodge their complaints and submit their queries directly to the Shares Department using conventional mail, fax, email or phone.
- Annual and Half-yearly / Quarterly Accounts of the Company are placed on the Company's Website while Annual Audited Accounts are also circulated to the shareholders in physical form.
- Material Information pertaining to the Company's operations is also circulated to Stock Exchanges, SECP and the Shareholders.

CONFLICT OF INTEREST AMONG BOD MEMBERS

The matter of conflict of interest relating to Board members is dealt with in accordance with the provisions of the Companies Ordinance 1984 and the Articles of Association of the Company. Any person intending to become a Director of the Company has to submit a declaration that he/she is aware of the powers and duties of a Director as envisaged in the Companies Ordinance, 1984 and has read the Articles of Association of the Company.

Further, MPCL has a Code of Conduct which, among others, covers this area. It is overriding intention of the Company that all business transitions conducted by it are on arm's length basis. Adequate internal controls have been implemented to ensure that transactions with related parties are appropriately identified in the information system and disclosed in the financial statements. Related parties transactions are reviewed by the board. Interested directors are required to disclose their interest and they do not participate in the voting on any transaction in which they are interested.

Similarly, MPCL executives are required to disclose buying and selling of Company shares.

MD/CEO PERFORMANCE REVIEW

MD/CEO report on the Company's operations, major achievements and progress of outstanding issues is presented to the Board of Directors in each meeting (at least once in each quarter) for review, discussion and decisions. A summary of the Company's progress and achievements under the incumbent MD/CEO is also provided in the Annual Report each year.

SHARE PRICE SENSITIVITY ANALYSIS

Investor relation's section on the Company's website contains crucial information such as share price (along with turnover, trading value, trades, market capitalization and graphical representation of share price movement over the period), Financial Highlights and Indicators, Pattern of shareholding, EPS, P/E Ratio, Breakup Value etc. The information is compiled and provided by Business Recorder under an arrangement with the Company. All the material information which might affect the share price of the Company is communicated to the Stock Exchanges in a timely manner.

CODE OF CORPORATE GOVERNANCE (CCG)

The Securities and Exchange Commission of Pakistan (SECP) has issued CCG to establish a framework of good corporate governance whereby every listed company is managed in compliance with the best practices. The CCG was incorporated in the listing regulations of all the Stock Exchanges for implementation by the listed companies.

The Company makes every effort to achieve full compliance with the best practices of CCG. The Statement of Compliance with the best practices of CCG prepared by the Board of Directors of the Company is also reviewed and verified by the External Auditors of the Company.

Directors' Statement

The Directors of the Company hereby confirm the following:

a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

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

d) Approved accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements.

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

f) There are no significant doubts regarding the Company's ability to continue as going concern.

g) Reasons for significant deviations from last year's operating results have been explained in the relevant sections of the Directors' report.

h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

i) Key operating and financial data of last ten years is annexed on page 32.

j) Value of investments including bank deposits and accrued income/receivables of various funds as at June 30, 2012, based on their respective audited accounts, is as under:

Contributory provident fund	Rs 434.45 million
Management staff gratuity fund	Rs 524.95 million
Non-management staff gratuity fund	Rs 178.54 million

k) All major Government levies as mentioned in Note 11 to the financial statements payable as at June 30, 2013 have been deposited subsequent to the year-end except gas development surcharge for PEPCO and FPCDL which is being paid as and when realized and gas infrastructure development cess as mentioned in Note 11.1 and Note 21.2.

AUDITORS

The present auditors, M/s A.F. Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment as auditors of the Company. The Audit Committee has recommended the reappointment of M/s A.F. Ferguson & Company, Chartered Accountants as auditors for the financial year ending June 30, 2014.

ACKNOWLEDGEMENT

The Board of Directors would like to express its appreciation for the efforts and dedication of all employees of the Company, which enabled the management to run the Company efficiently during the year resulting in continued production and supply of hydrocarbons to its customers. The Board also wishes to express its appreciation for continued assistance and cooperation received from the local administration at Daharki and other locations, Provincial Governments, various departments of Federal Government particularly the Ministry of Petroleum and Natural Resources, Oil and Gas Regulatory Authority, Directorates of Petroleum Concessions and Gas, Ministry of Finance, Fauji Foundation and Oil & Gas Development Company Limited.

For and on behalf of the Board

Lt Gen Muhammad Mustafa Khan (Retd)
Chairman

Islamabad
September 10, 2013

Statement of Compliance
with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No 35 of Chapter XI of Listing Regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present, the Board includes thirteen non-executive directors and one executive director. One director out of non-executive directors is independent director while two non-executive directors represent minority shareholding.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year.

5. 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.

6. The Board has developed a vision/mission statement, overall 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.

7. All the powers of the Board have been duly exercised and decision 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.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year, three directors were sent on foreign trainings/conferences related to the oil and gas business, in order to enable them to effectively manage the affairs of the Company for and on behalf of shareholders. After election of directors in June 2013, another director was sent on directors’ training program offered by the Institute of Chartered Accountants of Pakistan, in compliance with clause 35 (xi) of Code of Corporate Governance 2012 in the month of August 2013.

10. The Board has approved appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. Head of Internal Audit retired during the year and the Board is in the process of appointing a new Head of Internal Audit.

11. The Directors’ Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

Statement of Compliance
with the Code of Corporate Governance

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of four members and all of them are non-executive directors including a director representing minority shareholding. The Company has applied to Securities and Exchange Commission of Pakistan for extension of the requirement for appointment of independent Chairman of the Audit Committee for one year until September 30, 2014.

16. 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.

17. The Board has formed an HR and Remuneration Committee. It comprises of four members and all of them are non-executive directors. Chairman of the Committee is a non-executive director.

18. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period’, prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Lt Gen Muhammad Mustafa Khan (Retd)
Chairman

Islamabad
September 10, 2013

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of Mari Petroleum Company Limited (formerly, Mari Gas Company Limited) “the Company”, to comply with the Listing Regulations of the respective stock exchanges, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board’s 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.

Further, Listing Regulations of the respective stock exchanges require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013. We draw attention to the following non-compliances with the Code of Corporate Governance as disclosed in the Statement:

i. Mandatory certification under Directors Training program of a minimum of one director was not obtained during the year, as required under clause (xi) of the Code. (Paragraph 9 of the Statement); and

ii. The Chairman of the Audit Committee is not an independent director, as required under clause (xxiv) of the Code. (Paragraph 15 of the Statement).

CHARTERED ACCOUNTANTS
Engagement Partner
Sohail M. Khan

Islamabad
September 10, 2013

Financial Statements of
Mari Petroleum Company Limited
(Formerly, Mari Gas Company Limited)
for the year ended June 30, 2013

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Auditors' Report to the Members

We have audited the annexed balance sheet of Mari Petroleum Company Limited (Formerly, Mari Gas Company Limited) as at June 30, 2013 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of 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 the 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, 2013 and of the profit, total comprehensive income, 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.

CHARTERED ACCOUNTANTS
Engagement Partner
Sohail M. Khan

Islamabad
September 10, 2013

Balance Sheet
as at June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
250,000,000 ordinary shares of Rs 10 each	4	2,500,000	2,500,000
Issued, subscribed and paid up capital	4	918,750	918,750
Undistributed percentage return reserve	5	578,994	420,048
Exploration and evaluation reserve	6	4,186,644	4,150,409
Reserve for Mari Seismic Unit	7	920,000	–
Profit and loss account	8	6,952,345	5,986,939
		13,556,733	11,476,146
NON CURRENT LIABILITIES			
Long term financing - secured	9	1,543,207	946,667
Deferred liabilities	10	3,818,180	4,415,608
		5,361,387	5,362,275
CURRENT LIABILITIES			
Trade and other payables	11	13,867,316	15,950,674
Current maturity of long term financing	9	961,603	442,222
Interest accrued on long term financing		42,039	56,273
Provision for income tax	12	403,360	–
		15,274,318	16,449,169
CONTINGENCIES AND COMMITMENTS	13		
		34,192,438	33,287,590

The annexed notes 1 to 43 form an integral part of these financial statements.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

	Note	2013	2012
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	5,858,512	4,472,186
Development and production assets	15	2,072,821	3,424,616
Exploration and evaluation assets	16	4,186,644	4,150,409
		12,117,977	12,047,211
Long term loans and advances	17	7,400	6,894
Long term deposits and prepayments	18	13,983	9,747
Deferred income tax asset	19	1,580,793	490,528
		13,720,153	12,554,380
CURRENT ASSETS			
Stores and spares	20	820,648	806,905
Trade debts	21	11,878,669	15,606,293
Loans and advances	22	855,871	1,049,463
Short term prepayments	23	66,871	28,844
Interest accrued		28,750	17,216
Other receivables	24	312,917	79,457
Income tax paid in advance	12	–	194,216
Cash and bank balances	25	6,508,559	2,950,816
		20,472,285	20,733,210
		34,192,438	33,287,590

Qaiser Javed
Director

Profit and Loss Account

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
Gross sales to customers	26	63,269,794	47,425,041
Gas development surcharge		21,246,005	22,940,839
General sales tax		8,469,429	6,358,537
Excise duty		1,495,971	1,474,944
Gas infrastructure development cess		18,037,931	7,937,394
Wind fall / petroleum levy		508,291	335,497
Surplus payable to the President of Pakistan as per the Agreement		1,734,400	821,915
		51,492,027	39,869,126
Sales - net		11,777,767	7,555,915
Royalty		1,531,378	968,604
		10,246,389	6,587,311
Operating expenses	27	4,516,086	3,455,644
Exploration and prospecting expenditure	28	2,496,075	1,639,378
Other charges	29	330,809	122,856
		7,342,970	5,217,878
		2,903,419	1,369,433
Other income	30	951,976	356,363
Operating profit		3,855,395	1,725,796
Finance income	31	259,484	446,931
Finance cost	32	626,388	770,232
Profit before taxation		3,488,491	1,402,495
Provision for taxation	33	1,067,415	287,329
Profit for the year		2,421,076	1,115,166
Profit for the year represents the following:			
Distributable profits		506,601	454,067
Exploration and evaluation reserve	6	36,235	93,215
Reserve for Mari Seismic Unit	7	920,000	–
Profit and loss account - undistributable balance	8	958,240	567,884
		2,421,076	1,115,166
Earnings per share - basic and diluted			
Earnings per share on the basis of distributable profits (Rupees)	34	5.51	4.94
Earnings per share on the basis of profit and loss account (Rupees)	34	26.35	12.14

The annexed notes 1 to 43 form an integral part of these financial statements.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Qaiser Javed
Director

Statement of Comprehensive Income
for the year ended June 30, 2013

	2013	2012
	(Rupees in thousand)	
Profit for the year	2,421,076	1,115,166
Other comprehensive income	–	–
Total comprehensive income for the year	2,421,076	1,115,166

The annexed notes 1 to 43 form an integral part of these financial statements.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Qaiser Javed
Director

Cash Flow Statement
for the year ended June 30, 2013

	Note	2013	2012
		(Rupees in thousand)	
Cash flows from operating activities			
Cash receipts from customers		67,705,104	39,776,066
Cash paid to the Government for government levies and surplus payable as per the Agreement		(55,122,465)	(34,303,400)
Cash paid to suppliers and employees		(5,648,531)	(3,195,485)
Income tax paid		(1,560,104)	(1,035,196)
Cash flow from operating activities		5,374,004	1,241,985
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,041,556)	(130,892)
Development and production assets		(43,518)	(243)
Exploration and evaluation assets		(855,971)	(1,489,022)
Proceeds from disposal of property, plant and equipment		65,214	167
Interest received		454,664	426,226
Cash flow from investing activities		(2,421,167)	(1,193,764)
Cash flows from financing activities			
Long term financing received		1,601,000	100,000
Long term financing repaid		(485,079)	(431,111)
Finance cost paid		(172,279)	(255,858)
Dividends paid		(338,736)	(290,423)
Cash flow from financing activities		604,906	(877,392)
Increase / (decrease) in cash and bank balances		3,557,743	(829,171)
Cash and bank balances at beginning of year		2,950,816	3,779,987
Cash and bank balances at end of year	25	6,508,559	2,950,816

The annexed notes 1 to 43 form an integral part of these financial statements.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Qaiser Javed
Director

Statement of Changes in Equity
for the year ended June 30, 2013

	Issued, subscribed and paid up capital	Undistributed percentage return reserve	Exploration and evaluation reserve	Reserve for Mari Seismic Unit	Profit and loss account	Total
			(Rupees in thousand)			
Balance as at July 1, 2011	735,000	490,220	4,057,194	–	5,388,001	10,670,415
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	1,115,166	1,115,166
Other comprehensive income	–	–	–	–	–	–
	–	–	–	–	1,115,166	1,115,166
Interim cash dividend for the year ended June 30, 2012 @ Rs 2.37 per share	–	–	–	–	(217,560)	(217,560)
Final cash dividend for the year ended June 30, 2012 @ Rs 1.00 per share	–	–	–	–	(91,875)	(91,875)
Issuance of bonus shares from undistributed percentage return reserve	183,750	(183,750)	–	–	–	–
Transfer from profit and loss account to undistributed percentage return reserve	–	113,578	–	–	(113,578)	–
Transfer from profit and loss account to exploration and evaluation reserve	–	–	93,215	–	(93,215)	–
Balance as at June 30, 2012	918,750	420,048	4,150,409	–	5,986,939	11,476,146
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	2,421,076	2,421,076
Other comprehensive income	–	–	–	–	–	–
	–	–	–	–	2,421,076	2,421,076
First interim cash dividend for the year ended June 30, 2013 @ Rs 2.71 per share	–	–	–	–	(248,614)	(248,614)
Second interim cash dividend for the year ended June 30, 2013 @ Rs 1.00 per share	–	–	–	–	(91,875)	(91,875)
Transfer from profit and loss account to undistributed percentage return reserve	–	158,946	–	–	(158,946)	–
Transfer from profit and loss account to exploration and evaluation reserve	–	–	36,235	–	(36,235)	–
Transfer from profit and loss account to reserve for Mari Seismic Unit	–	–	–	920,000	(920,000)	–
Balance as at June 30, 2013	918,750	578,994	4,186,644	920,000	6,952,345	13,556,733

The annexed notes 1 to 43 form an integral part of these financial statements.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Qaiser Javed
Director

1. LEGAL STATUS AND OPERATIONS

1.1 Mari Petroleum Company Limited (formerly, Mari Gas Company Limited) “the Company” is a public limited company incorporated in Pakistan on December 04, 1984 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The Company is principally engaged in exploration, production and sale of hydrocarbons. The gas price mechanism is governed by Mari Gas Well Head Price Agreement (“the Agreement”) dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

1.2 Gas price mechanism

In terms of the Mari Gas Well Head Price Agreement, well head gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders’ Funds (as defined in the Agreement) after maintaining specified ratios and deductibles. The return to shareholders is to be escalated in the event of increase in the Company’s gas or equivalent oil production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders’ Funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%. The return to shareholders for the year was 37.84% (2012: 37.06%).

Effective July 01, 2001, the Government of Pakistan (GoP) authorized the Company to incur expenditure not exceeding Rupee equivalent of US$ 20,000,000 per annum or 30% of the Company’s annual gross sales revenue as disclosed in the last audited financial statements, whichever is less, in connection with exploration and development in any concession area other than Mari Field, provided that if such exploration and development results in additional gas or equivalent oil production, the revenues generated from such additional gas or equivalent oil production shall be credited to and treated as revenue under the Agreement. The revenues from sale of gas and crude / condensate from fields other than Mari Field are determined as per the applicable Petroleum Policy / Petroleum Concession Agreement. Effective January 01, 2012, the Economic Coordination Committee of the Cabinet gave its approval for enhancing the limit of US$ 20,000,000 per annum by US$ 5,000,000 each year upto US$ 40,000,000 per annum over a period of four years.

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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Adoption of new and revised standards and interpretations

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

		Effective date (annual reporting periods beginning on or after)
IFRS 7	Financial instruments: Disclosures (Amendments)	January 1, 2013
IAS 1	Presentation of financial statements (Amendments)	January 1, 2013
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2013
IAS 19	Employee benefits (Amendments)	January 1, 2013
IAS 27	Separate Financial Statements (Revised)	January 1, 2013
IAS 28	Investments in Associates and Joint Venture (Revised)	January 1, 2013
IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2013 & January 1, 2014
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2013
IAS 36	Impairment of assets (Amendments)	January 1, 2014
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2014
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employees Benefits", the adoption of the above standards, amendments and interpretations in future periods will have no material impact on the financial statements other than in presentation / disclosures.

The amendments to IAS 19 require immediate recognition of actuarial gains / losses in other comprehensive income in the period of initial recognition. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit and loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit and loss is calculated based on the rate used to discount the defined benefit obligation. Further, the changes require immediate recognition of previously unrecognized past service cost. Following these changes, unrecognized actuarial gains / losses and unrecognized past service cost will be recorded immediately in other comprehensive income and profit and loss account respectively. Net unrecognised actuarial losses at June 30, 2013 amount to Rs 355,233 thousand. However, since the Company is operating under cost plus formula as explained in note 1.2 above, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

		Effective date (annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

IFRIC 4 Determining whether an arrangement contains lease
IFRIC 12 Service concession arrangements

2.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment within the next financial year are discussed in ensuing paragraphs:

a) Estimation of natural gas reserves

Gas reserves are an important element in impairment testing for development and production assets of the Company. Estimates of these reserves are inherently imprecise, require the application of judgement and are subject to future revision. Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including contract terms or development plans. Changes to the Company's estimates of proved reserves, particularly proved developed reserves, also affect the amount of depreciation, depletion and amortization recorded in the financial statements for fixed assets related to hydrocarbon production activities.

b) Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to changes. Estimates of the amounts of provision are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provision is regularly reviewed and adjusted to take account of such changes.

c) **Property, plant and equipment**

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

d) **Exploration and evaluation assets**

Exploration and evaluation assets are assessed for impairment on periodic basis and carrying amount in excess of recoverable amount is charged to the profit and loss account.

e) **Employee benefits**

Certain actuarial assumptions have been adopted as disclosed in note 35 to the financial statements for determination of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect the unrecognized gains and losses in those years.

f) **Income taxes**

In making the estimates of income taxes currently payable by the Company, the management takes into account the income tax law applicable to the Company and the decisions of appellate authorities on certain issues in the past. This involves judgement on the future tax treatment of certain transactions. Deferred tax is recognized based on the expectation of the tax treatment of these transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented in these financial statements.

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except provision for decommissioning cost that has been measured at present value and the obligation under certain employee benefits that is carried at present value of defined benefit obligations net of fair value of plan assets and unrecognized actuarial gain / loss.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees (Rupees) which is the functional currency of the Company. All figures are rounded off to the nearest thousands of Rupees.

3.3 Taxation

Current

Provision for current taxation is based on taxable income at the applicable tax rates after taking into account tax credits and tax rebates, if any.

Deferred

The Company accounts for deferred taxation on all timing differences, using the ‘liability method’ in respect of all major temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent, it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred taxation has been calculated at the estimated effective tax rate of 35% after taking into account the availability of depletion allowance and royalty.

3.4 Provisions

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

3.5 Provision for decommissioning cost

Estimated decommissioning and restoration costs, which are primarily in respect of abandonment and removal of wells and production facilities at Mari Field and the Company's proportionate share in joint venture fields, are based on current requirements, technology and price levels and are stated at present value, and the associated asset retirement costs are capitalized as part of property, plant and equipment and development and production assets and amortized on unit of production basis over the total proved reserves of the relevant field. The liability is recognized once an obligation (whether legal or constructive) crystallizes in the period when a reasonable estimate of the fair value can be made; and a corresponding amount is recognized in property, plant and equipment and development and production assets.

The present value is calculated using amounts discounted over the useful economic life of the reserves. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustments to property, plant and equipment and development and production assets. The unwinding of discount on decommissioning provision is recognized as finance cost.

The decommissioning cost has been discounted @ 11% per annum (2012: 13.50% per annum).

3.6 Employee benefits

The Company operates:

i) Defined benefit funded gratuity plans for its management and non-management employees. Contributions are made to these plans on the basis of actuarial recommendations. Actuarial valuations are conducted periodically using the Projected Unit Credit Method as required by IAS 19 - Employee Benefits and the latest valuation was carried out as at June 30, 2013. The results of the valuation are summarized in note 35 to these financial statements. Actuarial gains and losses in excess of corridor limit (10 percent of the higher of fair value of plan assets and present value of obligations) are recognized over the expected remaining working lives of the employees. The latest valuation was carried out as at June 30, 2013 using discount rate of 11% per annum and salary increase rate of 11% per annum.

ii) Defined benefit unfunded pension plan for its non-management employees. Liability related to accumulated period of service of eligible employees is recognized based on actuarial valuation. The latest valuation was carried out as at June 30, 2013 using discount rate of 11% per annum and pension increase rate of 6% per annum.

iii) Defined contribution provident fund for its permanent employees for which contributions are charged to profit and loss account for the year. The contributions to the fund are made by the Company at the rate of 10% per annum of the basic salary.

iv) The Company has accrued post retirement medical benefits for management employees eligible under this scheme, based on actuarial valuation as at June 30, 2013 using discount rate of 11% per annum and an increase in cost of medical benefits of 9.25% per annum.

v) The Company has accrued post retirement leave benefits of its management employees based on actuarial valuation carried out as at June 30, 2013 using discount rate of 11% per annum and salary increase rate of 11% per annum.

vi) The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.7 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in note 3.5 to these financial statements.

Depreciation on property, plant and equipment is charged to income using the straight line method at rates specified in note 14 to these financial statements so as to write off the cost of property, plant and equipment over their estimated useful lives.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets' carrying amounts 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. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals are credited or charged to income in the year of disposal.

Capital work in progress is stated at cost less impairment loss, if any, and transferred to respective item of property, plant and equipment when available for intended use.

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 any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of the impairment loss is recognized as income in the profit and loss account.

3.8 Exploration and evaluation assets

The Company applies the "successful efforts" method of accounting for Exploration and Evaluation (E&E) expenditures. Under this method of accounting, exploratory/evaluation drilling expenditures are initially capitalized as intangible E&E assets in cost centers by well, field or exploration area, as appropriate, till such time that technical feasibility and commercial viability of extracting gas and oil are demonstrated.

Major costs capitalized include material, chemical, fuel, well services, rig costs and any other cost directly attributable to a particular well. All other exploration costs including cost of technical studies, seismic acquisition and processing, geological and geophysical activities are charged currently against income as exploration and prospecting expenditure. Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the profit and loss account as and when incurred.

Tangible assets used in E&E activities other than stores held, include the Company's vehicles, drilling rigs and other property, plant and equipment used by the Company's exploration function and are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible E&E asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilized in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

Intangible E&E assets relating to each exploration license / field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets and if commercial reserves have not been found, the capitalized costs are written off as dry hole costs.

Intangible E&E assets are not amortized prior to the conclusion of appraisal activities.

Intangible E&E assets are assessed for impairment when facts and circumstances indicate that carrying amounts may exceed the recoverable amounts of these assets. Such indicators include, the point at which a determination is made as to whether or not commercial reserves exist, the period for which the Company has right to explore has either expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event, that may give rise to indication that such assets are impaired.

3.9 Development and production assets

Development and production assets are accumulated generally on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in note 3.8 above. The cost of development and production assets also includes the cost of acquisitions of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning. Development and production assets are amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of commercial reserves at the end of the year plus the production during the year.

Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Acquisition cost of leases, where commercial reserves have been discovered, are capitalized and amortized on unit of production basis.

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amounts of the development and production assets may exceed their recoverable amount. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production concession and the net selling price of the hydrocarbons produced.

The carrying amounts are compared against expected recoverable amounts of the oil and gas assets, generally by reference to the present value of the future net cash flows expected to be derived from such assets.

3.10 Stores and spares

These are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Material in transit is valued at cost. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.11 Foreign currencies

Pakistan Rupees is the functional as well as reporting currency of the Company. Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date. All exchange differences are taken to the profit and loss account.

3.12 Revenue recognition

Revenue from sale of gas, oil and LPG is recognized on delivery of the same to customers. Income from bank deposits is recognized proportionately with reference to the principal outstanding and the applicable rate of return. Revenue from rig rental is recognised on rendering of services to customers.

3.13 Borrowing cost

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The Company suspends capitalization of borrowing costs during extended period when active development of a qualifying asset is suspended. All other borrowing costs are charged to profit and loss.

3.14 Joint venture operations

The Company has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policies are determined by the participants in such a way that the operation itself has no significant independence to pursue its commercial strategy. These arrangements do not constitute a joint venture entity due to the fact that financial and operational policies of such joint ventures are those of the participants. The financial statements of the Company include its share of assets, liabilities and expenses in such joint ventures which is pro rata to the Company's interest in the joint venture operations.

The Company's share of assets, liabilities and expenses in joint venture operations is recognized on the basis of latest available audited financial statements of the joint ventures and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date.

3.15 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company derecognizes the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

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

b) Trade debts and other receivables

Trade debts and other receivables are recognised and carried at their amortized cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realizability of these receivables, appropriate amount of provision is made.

c) Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.16 Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash in hand and at banks and include short term highly liquid investments that are readily convertible to the known amounts of cash and are subject to an insignificant risk of change in value.

3.17 Dividend distribution

Dividend is recognized as a liability in the financial statements in the period in which it is declared.

3.18 Research and development costs

Research and development costs are charged to income as and when incurred.

3.19 Operating leases

Rentals payable for vehicles under operating leases are charged to profit and loss account over the term of the relevant lease.

3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment.

		Note	2013	2012
			(Rupees in thousand)	
4.	**SHARE CAPITAL**			
	Authorized capital			
	250,000,000 (2012: 250,000,000) ordinary shares of Rs 10 each		2,500,000	2,500,000
	Issued, subscribed and paid up capital			
	24,850,007 (2012: 24,850,007) ordinary shares of Rs 10 each issued for cash		248,500	248,500
	11,899,993 (2012: 11,899,993) ordinary shares of Rs 10 each issued for consideration other than cash	4.1	119,000	119,000
	55,125,000 (2012: 55,125,000) ordinary shares of Rs 10 each issued as bonus shares		551,250	551,250
			918,750	918,750

	2013 (Percentage)	2012 (Percentage)
Major shareholding of the Company is as follows:		
Fauji Foundation	40.00	40.00
Oil and Gas Development Company Limited	20.00	20.00
Government of Pakistan	18.39	18.20

4.1 This represents shares allotted to the Government of Pakistan and Fauji Foundation in consideration for transfer of assets and liabilities of Pak Stanvec Petroleum Project.

4.2 Application of IFRS 2 - Share Based Payment

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises (non-SOEs) where GoP holds significant investment. 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 a cash payment 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 investment 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 the 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 the State Owned Enterprises, needs to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated February 02, 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated June 07, 2011.

Had the exemption not been granted, the staff costs of the Company for the year would have been higher by Rs 72.81 million, profit for the year would have been lower by Rs 36.41 million, earnings per share would have been lower by Rs 0.40 per share and reserves would have been higher by Rs 75.81 million.

However, since the Company is operating under cost plus formula as explained in note 1.2 above, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

	2013	2012
	(Rupees in thousand)	
5. UNDISTRIBUTED PERCENTAGE RETURN RESERVE		
Balance at the beginning of year	420,048	490,220
Transferred from profit and loss account	158,946	113,578
Bonus shares issued	–	(183,750)
Balance at the end of year	578,994	420,048

5.1 The amount held in this reserve represents the balance of the percentage return reserve on Shareholders' Funds as defined in the Agreement.

	2013	2012
	(Rupees in thousand)	
6. EXPLORATION AND EVALUATION RESERVE		
Balance at the beginning of year	4,150,409	4,057,194
Additions during the year	855,971	1,489,022
Cost of dry and abandoned wells written off	(13,727)	(313,483)
Impairment of well cost	(732,401)	(938,895)
Depreciation for the year	(73,608)	(143,429)
	36,235	93,215
Balance at the end of year	4,186,644	4,150,409

6.1 This reserve consists of exploration and evaluation expenditure net of cost of dry and abandoned wells written off, depreciation and impairment. The corresponding effect of the reserve has been incorporated as exploration and evaluation assets.

7. RESERVE FOR MARI SEISMIC UNIT

The GoP has allowed a one time cost not exceeding Rs 920 million as part of its gas price for financial year 2012-13 for Mari Seismic Unit and thereafter the project will be run on self financing basis. All future revenues from this project will be credited to and treated as revenue under the Agreement to the extent of GoP's share. The amount allowed as part of gas price has been reflected as a non distributable special reserve representing the Government's investment for the project.

8. PROFIT AND LOSS ACCOUNT

The amount of Rs 6,952.35 million (2012: Rs 5,986.94 million) represents the following:

8.1 Undistributable balance

The amount of Rs 6,932.14 million (2012: Rs 5,922.08 million), which is not distributable, has been provided through the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the followings:

		Generated upto June 30, 2012	Generated during the year ended June 30, 2013	Generated upto June 30, 2013
			(Rupees in thousand)	
a)	Rupee element of capital expenditure (net of depreciation / amortization) and repayment of borrowings	5,657,305	1,010,065	6,667,370
b)	Maintenance of debt service ratio	90,234	–	90,234
c)	Maintenance of current ratio	174,537	–	174,537
	Total	5,922,076	1,010,065	6,932,141
	Year ended June 30, 2012	5,354,192	567,884	5,922,076

		2013	2012
		(Rupees in thousand)	
8.2	**Mari Seismic Unit**		
	Pre-operating expenses charged to profit and loss account	(51,825)	–
8.3	**Distributable balance**		
	Undistributed guaranteed return	72,029	64,863

This represents the additional 7.84% (2012: 7.06%) guaranteed return to shareholders on account of increase in hydrocarbons production during the year in accordance with the Agreement as referred to in note 1.2 to these financial statements.

		Note	2013	2012
			(Rupees in thousand)	
9.	**LONG TERM FINANCING – SECURED**			
	Loan for Mari field development	9.1		
	Opening balance		1,140,000	1,520,000
	Amount repaid during the year		(380,000)	(380,000)
			760,000	1,140,000
	Amount payable within next twelve months shown as current maturity of long term financing		(380,000)	(380,000)
			380,000	760,000
	Loan for Zarghun South field development	9.2		
	Opening balance		248,889	200,000
	Amount received during the year		601,000	100,000
	Amount repaid during the year		(105,079)	(51,111)
			744,810	248,889
	Amount payable within next twelve months shown as current maturity of long term financing		(248,270)	(62,222)
			496,540	186,667
	Loan for Mari Seismic Unit	9.3		
	Opening balance		–	–
	Amount received during the year		1,000,000	–
			1,000,000	–
	Amount payable within next twelve months shown as current maturity of long term financing		(333,333)	–
			666,667	–
	Long term financing - secured		1,543,207	946,667
	Amount payable within next twelve months shown as current maturity of long term financing		961,603	442,222

9.1 The Company arranged a Syndicated Term Finance Loan amounting to Rs 1,900 million from a consortium of banks led by Bank Alfalah Limited for financing of drilling of three wells in Mari Deep, Goru B reservoirs. The mark-up is payable semi-annually in arrears on the outstanding facility amount at six months KIBOR + 1.35% per annum. The effective mark-up rate for the year ended June 30, 2013 was 12.00% per annum (2012: 14.60% per annum). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from the date of first disbursement. Six installments amounting to Rs 1,140 million have been paid upto June 30, 2013 (2012: Rs 760 million). Loan is secured by a first pari passu charge by way of hypothecation over all present and future fixed and current assets and businesses, and first pari passu equitable mortgage over Company's all existing and future immovable properties of an amount of Rs 4.67 billion.

9.2 In order to finance Zarghun South Field, the Company arranged another Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Out of loan amount, a sum of Rs 901 million has been disbursed upto June 30, 2013. The mark-up is payable semi-annually in arrears on the outstanding facility amount at the average of the six months KIBOR + 1.35% per annum. The effective mark-up rate for the year ended June 30, 2013 was 11.62% per annum (2012: 14.16% per annum). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from the date of first disbursement. Four installments amounting to Rs 156 million have been paid upto June 30, 2013 (2012: Rs 51 million). Loan is secured by a first pari passu charge over present and future assets of the Company by way of hypothecation, equitable mortgage and floating charge of an amount of Rs 2.12 billion.

9.3 A long term finance facility amounting to Rs 1,000 million has been availed from Allied Bank Limited for financing of Seismic Data Acquisition Equipment. The entire amount of the facility was drawn on June 28, 2013. Mark-up for the said loan is to be paid quarterly in arrears on the outstanding facility amount at the six months KIBOR + 0.25% per annum. The effective mark-up rate for the year ended June 30, 2013 was 9.34% (2012: Nil). The loan is repayable in three equal semi-annual installments after 12 months from the date of first disbursement. The loan is secured by an exclusive charge of Rs 1,333.33 million over Seismic Data Acquisition Equipment and exclusive hypothecation charge by way of assignment of receivables of Rs 200 million under the services rendered by the Seismic Data Acquisition Equipment. The loan is disbursed against a ranking hypothecation charge, which needs to be converted to an exclusive charge within 60 days from the date of first disbursement i.e. after obtaining NOCs from existing charge holders.

	Note	2013	2012
		(Rupees in thousand)	
10. DEFERRED LIABILITIES			
Provision for decommissioning cost	10.1	3,597,174	4,257,659
Provision for employee benefits - unfunded	10.2	127,543	105,946
Provision for compensated leave absences		84,529	52,003
Deferred income		8,934	–
		3,818,180	4,415,608
10.1 Provision for decommissioning cost			
Balance at the beginning of year		4,257,659	3,528,410
Provision made during the year		219,939	192,931
Revision due to change in estimates		(1,556,678)	–
Exchange loss		207,911	–
Unwinding of discount		468,343	536,318
Balance at the end of year		3,597,174	4,257,659
The above provision is analyzed as follows:			
Wells		3,401,003	4,001,759
Gathering lines		196,171	255,900
		3,597,174	4,257,659

It is expected that cash outflows resulting from decommissioning will occur between 2014 to 2050.

		Note	2013	2012
			(Rupees in thousand)	
10.2	**Provision for employee benefits - unfunded**			
	Post retirement leave benefits for management employees	35.2	71,673	57,992
	Post retirement medical benefits for management employees	35.2	28,344	23,912
	Pension plan for non-management employees	35.2	27,526	24,042
			127,543	105,946

		Note	2013	2012
11.	**TRADE AND OTHER PAYABLES**			
	Creditors		758,963	408,357
	Accrued liabilities		924,456	333,539
	Retention and earnest money deposits		42,070	15,638
	Gratuity funds		178,709	137,498
	Unclaimed dividend		7,091	6,640
	Unpaid dividend		94,016	92,714
	Gas development surcharge		3,096,471	11,398,283
	General sales tax		742,894	654,887
	Excise duty		131,704	123,956
	Gas infrastructure development cess	11.1	4,744,065	1,306,728
	Workers' Welfare Fund		597,576	457,732
	Workers' Profit Participation Fund	11.2	190,965	141,957
	Joint venture partners		623,936	353,840
	Royalty		–	110,512
	Payable to the President of Pakistan as per the Agreement		1,734,400	–
	Deferred interest income		–	408,393
			13,867,316	15,950,674

11.1 Islamabad High Court passed an order whereby the levy and collection of Gas Infrastructure Development Cess (GIDC) was declared void and unlawful. Subsequently, as a result of an appeal against the above judgement, the order was suspended by the Islamabad High Court. On the basis of above, the amount of GIDC is being withheld by the customers from April to June 2013 resulting in a payable to the Government of Rs 4,464 million on account of GIDC, which is presently subjected to stay order issued by various courts.

		2013	2012
		(Rupees in thousand)	
11.2	**Workers' Profit Participation Fund**		
	Balance at the beginning of year	141,957	198,006
	Allocation for the year	190,965	76,267
	Interest on delayed payments @ 27.80% (2012 : 25.95%) per annum	4,973	11,100
		195,938	87,367
		337,895	285,373
	Amount paid to the Fund	(146,930)	(143,416)
	Balance at the end of year	190,965	141,957

		2013	2012
		(Rupees in thousand)	
12.	**PROVISION FOR INCOME TAX**		
	Balance at the beginning of year	(194,216)	183,849
	Provision for the year	2,157,680	657,131
	Income tax paid during the year	(1,560,104)	(1,035,196)
	Balance at the end of year	403,360	(194,216)

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(i) The Company has not recognized interest income of Rs 5,695.09 million (2012: Rs 4,121.83 million) on amounts due from Pakistan Electric Power Company (PEPCO) and has also not made any provision in these financial statements for related interest expense of Rs 3,154.62 million (2012: Rs 2,005.04 million) payable to the Government of Pakistan (GoP) on account of late payment of gas development surcharge. However, such non-recognition does not affect the current year or future years' profit after taxation which includes the guaranteed return to shareholders under the Agreement.

(ii) Indemnity bonds given to Collector of Customs against duty concessions on import of vehicles amounted to Rs 5.23 million (2012: Rs 5.23 million).

(iii) Contractor's claim not acknowledged as debt of Rs 33.92 million (2012: Rs 33.92 million).

		2013	2012
		(Rupees in thousand)	
13.2	**Commitments**		
	(i) Capital expenditure:		
	- Share in joint ventures	5,857,811	3,561,471
	- Mari field	434,197	1,016,380
	- Mari Seismic Unit	1,738,336	–
		8,030,344	4,577,851
	(ii) Operating lease rentals due:		
	- Less than one year	20,724	27,289
	- More than one year but less than five years	41,871	59,154
		62,595	86,443

14. PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Roads and bridges	Drilling rig, tools and equipment	Equipment and general plant	Computers and allied equipment	Gathering lines	Furniture and fixtures	Vehicles-heavy	Vehicles-light	Decommissioning Cost–Mari field and Joint Ventures Gathering Lines	Capital work in progress (note 14.1)	Total
	(Rupees in thousand)														
As at July 1, 2011															
Cost	749,922	52,266	538,802	63,608	102,511	1,152,502	784,228	90,353	1,827,128	49,653	317,675	195,501	137,603	1,355,577	7,417,329
Accumulated depreciation	–	7,913	235,764	37,291	81,478	531,216	371,574	70,727	847,770	36,878	230,531	153,698	25,250	–	2,630,090
Net book value	749,922	44,353	303,038	26,317	21,033	621,286	412,654	19,626	979,358	12,775	87,144	41,803	112,353	1,355,577	4,787,239
Year ended June 30, 2012															
Opening net book value	749,922	44,353	303,038	26,317	21,033	621,286	412,654	19,626	979,358	12,775	87,144	41,803	112,353	1,355,577	4,787,239
Additions	(77,103)	–	103,048	43,310	9,029	24,876	386,090	10,420	66,043	20,756	5,506	45,724	16,036	321,668	975,403
Disposals															
Cost	–	–	–	–	–	–	(1,161)	(2,394)	–	(651)	–	–	–	–	(4,206)
Accumulated depreciation	–	–	–	–	–	–	1,005	2,394	–	564	–	–	–	–	3,963
	–	–	–	–	–	–	(156)	–	–	(87)	–	–	–	–	(243)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	–	(828,475)	(828,475)
Depreciation charge	–	(982)	(27,672)	(3,569)	(7,013)	(116,412)	(72,128)	(10,104)	(144,823)	(3,357)	(48,711)	(21,308)	(5,659)	–	(461,738)
Closing net book value	672,819	43,371	378,414	66,058	23,049	529,750	726,460	19,942	900,578	30,087	43,939	66,219	122,730	848,770	4,472,186
As at July 1, 2012															
Cost	672,819	52,266	641,850	106,918	111,540	1,177,378	1,169,157	98,379	1,893,171	69,758	323,181	241,225	153,639	848,770	7,560,051
Accumulated depreciation	–	8,895	263,436	40,860	88,491	647,628	442,697	78,437	992,593	39,671	279,242	175,006	30,909	–	3,087,865
Net book value	672,819	43,371	378,414	66,058	23,049	529,750	726,460	19,942	900,578	30,087	43,939	66,219	122,730	848,770	4,472,186
Year ended June 30, 2013															
Opening net book value	672,819	43,371	378,414	66,058	23,049	529,750	726,460	19,942	900,578	30,087	43,939	66,219	122,730	848,770	4,472,186
Additions	–	–	101,433	–	45,954	8,502	104,129	12,013	105,513	6,995	11,053	78,372	–	2,099,438	2,573,402
Revision due to change in estimates	–	–	–	–	–	–	–	–	–	–	–	–	(100,374)	–	(100,374)
Disposals															
Cost	–	–	–	–	–	–	(66,133)	(693)	–	(186)	–	(7,754)	–	–	(74,766)
Accumulated depreciation	–	–	–	–	–	–	7,593	693	–	160	–	7,748	–	–	16,194
	–	–	–	–	–	–	(58,540)	–	–	(26)	–	(6)	–	–	(58,572)
Transfers	(50,343)	49,958	385	–	–	–	–	–	–	–	–	–	–	(531,846)	(531,846)
Depreciation charge	–	(1,108)	(37,830)	(5,155)	(8,975)	(107,363)	(100,599)	(10,778)	(152,165)	(4,877)	(32,564)	(29,108)	(5,762)	–	(496,284)
Net book value	622,476	92,221	442,402	60,903	60,028	430,889	671,450	21,177	853,926	32,179	22,428	115,477	16,594	2,416,362	5,858,512
As at June 30, 2013															
Cost	622,476	102,224	743,668	106,918	157,494	1,185,880	1,207,153	109,699	1,998,684	76,567	334,234	311,843	53,265	2,416,362	9,426,467
Accumulated depreciation	–	10,003	301,266	46,015	97,466	754,991	535,703	88,522	1,144,758	44,388	311,806	196,366	36,671	–	3,567,955
Net book value	622,476	92,221	442,402	60,903	60,028	430,889	671,450	21,177	853,926	32,179	22,428	115,477	16,594	2,416,362	5,858,512
Annual rates of depreciation (%)	–	1–3	5	5	10	10–33.33	10	25	10	10	30	20	Note 3.5		

Property, plant and equipment includes Rs 51.92 million (2012: Rs 60.01 million), which represents the net book value of line heaters rented to an associated company, Foundation Power Company Daharki Limited.

		2013	2012
		(Rupees in thousand)	
14.1	**Capital work in progress**		
	Mari field		
	5 Infill wells and 3 Pirkoh wells		
	Land	12,030	6,008
	Stores and spares	83,934	191,920
	Plant and equipment	495,125	90,880
		591,089	288,808
	3 Up front wells and production facilities		
	Land	15,636	15,636
	Buildings, roads and bridges	–	2,733
	Stores and spares	12,305	18,547
	Plant and equipment	48,702	87,714
		76,643	124,630
	Others	2,899	2,900
		670,631	416,338
	Head office building		
	Building	283,053	22,979
	Advances to suppliers	5,788	35,413
		288,841	58,392
	Mari Seismic Unit		
	Plant and equipment	610,345	–
	Building	13,230	–
	Advances to suppliers	341,887	–
	Stores and spares	1,369	–
	Financial charges	2,508	–
		969,339	–
	Support of production		
	Land, buildings, roads and bridges	297,592	203,050
	Plant, machinery and others	189,959	170,990
		487,551	374,040
		2,416,362	848,770

14.2 Detail of property, plant and equipment disposed off during the year are as follows:

DESCRIPTION	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Plant and equipment	84	82	2	3	Company policy	Various employees
Plant and equipment	756	714	42	183	Through auction	Mr. Baaz Ali
Plant and equipment	254	254	–	16	Through auction	Mr. Saud Ahmed
Plant and equipment	17	12	5	–	Donated	School in FATA
Plant and equipment	30	30	–	–	Stolen	Not applicable
Plant and equipment	64,992	6,501	58,491	59,610	Company policy	Sukkur Block
Furniture & fixture	143	125	18	4	Company policy	Various employees
Furniture & fixture	43	35	8	–	Donated	Ramna Police Station, Islamabad
Computers	130	130	–	–	Through auction	Mr. Ajmal Khan
Computers	99	99	–	–	Donated	Ramna Police Station, Islamabad
Computers	234	234	–	23	Company policy	Various employees
Computers	230	230	–	–	Donated	School in FATA
Vehicles	2,352	2,352	–	1,561	Through auction	Mr. Aziz Khan
Vehicles	194	188	6	611	Through auction	Mr. Gulzar Ahmed – Quetta
Vehicles	1,086	1,086	–	870	Through auction	Mr. Mian M. Bilal
Vehicles	3,695	3,695	–	2,333	Through auction	Mr. Muhammad Shah
Vehicles	427	427	–	–	Donated	Sukkur School
	74,766	16,194	58,572	65,214		

15. DEVELOPMENT AND PRODUCTION ASSETS

Description	Producing fields Wholly owned	Shut–in–fields Joint ventures	Sub total	Decommissioning Cost	Total
	(Rupees in thousand)				
As at July 1, 2011					
Cost	4,016,510	262,647	4,279,157	2,182,826	6,461,983
Accumulated amortization	(2,681,517)	–	(2,681,517)	(388,019)	(3,069,536)
Net book value	1,334,993	262,647	1,597,640	1,794,807	3,392,447
Year ended June 30, 2012					
Opening net book value	1,334,993	262,647	1,597,640	1,794,807	3,392,447
Additions	–	243	243	176,895	177,138
Amortization	(64,232)	–	(64,232)	(80,737)	(144,969)
Closing net book value	1,270,761	262,890	1,533,651	1,890,965	3,424,616
As at July 1, 2012					
Cost	4,016,510	262,890	4,279,400	2,359,721	6,639,121
Accumulated amortization	(2,745,749)	–	(2,745,749)	(468,756)	(3,214,505)
Net book value	1,270,761	262,890	1,533,651	1,890,965	3,424,616
Year ended June 30, 2013					
Opening net book value	1,270,761	262,890	1,533,651	1,890,965	3,424,616
Additions	–	43,518	43,518	219,939	263,457
Revision due to change in estimates	–	–	–	(1,456,304)	(1,456,304)
Amortization	(65,409)	–	(65,409)	(93,539)	(158,948)
Net book value	1,205,352	306,408	1,511,760	561,061	2,072,821
As at June 30, 2013					
Cost	4,016,510	306,408	4,322,918	1,123,356	5,446,274
Accumulated amortization	(2,811,158)	–	(2,811,158)	(562,295)	(3,373,453)
Net book value	1,205,352	306,408	1,511,760	561,061	2,072,821

		2013	2012
		(Rupees in thousand)	
16.	**EXPLORATION AND EVALUATION ASSETS**		
	Balance at the beginning of year	4,150,409	4,057,194
	Additions during the year	855,971	1,489,022
	Cost of dry and abandoned wells written off	(13,727)	(313,483)
	Impairment of well cost	(732,401)	(938,895)
	Depreciation for the year	(73,608)	(143,429)
		36,235	93,215
	Balance at the end of year	4,186,644	4,150,409

16.1 Exploration and evaluation assets include Company's share of net book value of tangible assets amounting to Rs 694.59 million (2012: Rs 501.68 million). This includes assets amounting to Rs 372.94 million (2012: Rs 426.66 million), being Company's share in joint ventures operated by others (assets not in the possession of the Company).

16.2 Details of current liabilities, current assets and exploration and prospecting expenditure are as follows:

	Note	2013	2012
		(Rupees in thousand)	
Current liabilities related to exploration and evaluation		1,362,758	588,144
Current assets related to exploration and evaluation		1,326,036	885,968
Exploration and prospecting expenditure	28	2,496,075	1,639,378

		Note	2013	2012
			(Rupees in thousand)	
17.	**LONG TERM LOANS AND ADVANCES**			
	Considered good - secured			
	- Executives	17.1	9,673	7,263
	- Other employees	17.1	6,248	8,483
			15,921	15,746
	Less: amount due within twelve months shown under current loans and advances	22		
	- Executives		5,834	5,585
	- Other employees		2,687	3,267
			8,521	8,852
			7,400	6,894

17.1 Reconciliation of carrying amount of loans to executives and other employees is as follows:

	Balance as at July 01, 2012	Disbursements during the year	Repayments during the year	Balance as at June 30, 2013
	(Rupees in thousand)			
Executives	7,263	16,953	14,543	9,673
Other employees	8,483	5,093	7,328	6,248
Total	15,746	22,046	21,871	15,921
Year ended June 30, 2012	9,927	22,288	16,469	15,746

17.2 The maximum amount due from executives at the end of any month during the year was Rs 11.94 million (2012: Rs 8.41 million).

17.3 Loans and advances to employees are for general purpose and for house rent advance which are recoverable in 30 to 60 equal monthly installments respectively and are secured by an amount due to the employee against provident fund. These loans and advances are interest free. These do not include any amount receivable from the Chief Executive and Directors.

		2013	2012
		(Rupees in thousand)	
18.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Deposits	13,870	9,545
	Prepayments	113	202
		13,983	9,747
19.	**DEFERRED INCOME TAX ASSET**		
	The balance of deferred tax is in respect of following temporary differences:		
	Exploration expenditure charged to profit and loss account but to be claimed in tax return in future years	2,184,103	1,420,700
	Accelerated tax depreciation	(756,148)	(967,253)
	Provision for employee benefits - unfunded	44,640	37,081
	Provision for doubtful debts	108,198	–
		1,580,793	490,528

		Note	2013	2012
			(Rupees in thousand)	
20.	**STORES AND SPARES**			
	Stores	20.1	661,242	651,736
	Spares		159,406	155,169
			820,648	806,905

20.1 Stores and spares include:

	2013	2012
Share in joint ventures operated by the Company	46,285	46,285
Share in joint ventures operated by others (assets not in possession of the Company)	5,807	5,807
	52,092	52,092

21. TRADE DEBTS

	2013	2012
Due from related parties - considered good		
Pakistan Electric Power Company	2,559,640	7,815,079
Foundation Power Company Daharki Limited	2,796,177	5,015,626
Fauji Fertilizer Company Limited	3,576,763	1,141,376
Sui Southern Gas Company Limited	399,481	35,666
Sui Northern Gas Pipelines Limited	100,231	105,401
Foundation Gas	–	19,377
	9,432,292	14,132,525
Due from others - considered good		
Engro Fertilizer Limited	1,322,643	410,636
Fatima Fertilizer Company Limited	227,264	184,731
Byco Petroleum Pakistan Limited	614,192	614,192
National Refinery Limited	97,949	112,339
Attock Refinery Limited	139,855	151,870
Pak Arab Refinery Limited	44,474	–
	11,878,669	15,606,293

21.1 Trade debts due from related parties are net of provision for doubtful debts amounting to Rs 309 million (2012: Nil).

21.2 Islamabad High Court passed an order whereby the levy and collection of Gas Infrastructure Development Cess (GIDC) was declared void and unlawful. Subsequently, as a result of an appeal against the above judgement, the order was suspended by the Islamabad High Court. On the basis of above, the amount of GIDC is being withheld by the customers from April to June 2013 resulting in a receivable of Rs 4,464 million from customers on account of GIDC, which is presently subjected to stay order issued by various courts.

		Note	2013	2012
			(Rupees in thousand)	
22.	**LOANS AND ADVANCES**			
	Considered good			
	Current portion of long term loans and advances	17		
	- Executives		5,834	5,585
	- Other employees		2,687	3,267
			8,521	8,852
	Advances to employees against expenses		32,511	15,124
	Advances to suppliers and others		468,096	172,249
	Advances to joint venture partners		204,660	173,674
	Royalty paid in advance		142,083	–
	Receivable under Mari Gas Well Head Price Agreement		–	679,564
			855,871	1,049,463
23.	**SHORT TERM PREPAYMENTS**			
	Prepaid insurance		2,054	23,979
	Mining lease		3,610	3,631
	Letter of credits		17,390	–
	Others		43,817	1,234
			66,871	28,844
24.	**OTHER RECEIVABLES**			
	Due from related parties			
	Rig rentals – Zarghun south joint venture		62,584	–
	Rig rentals – Hanna joint venture		59,280	–
	Rig rentals – Sukkur joint venture		–	69,801
	Due from others			
	Unclaimed exploration and evaluation expenditure	24.1	188,320	–
	Others		2,733	9,656
			312,917	79,457

24.1 This represents unclaimed exploration and evaluation expenditure exceeding the allowed limit of US$ 27.5 million for the year as explained in note 1.2, available to the Company for exploration and development in any concession area other than Mari field.

		Note	2013	2012
			(Rupees in thousand)	
25.	**CASH AND BANK BALANCES**			
	Cash in hand		676	542
	Balances with banks on:			
	Deposit accounts	25.1	6,504,246	2,948,979
	Current accounts		3,637	1,295
			6,507,883	2,950,274
			6,508,559	2,950,816

25.1 These include foreign currency accounts amounting to US$ 3.32 million (2012: US$ 4.31 million) having mark-up rate ranging from 0.05% to 1.50% (2012: 1% to 1.65%) per annum. The mark-up rate for local currency accounts ranges from 6% to 11.85% (2012: 5% to 13%) per annum.

25.2 Local currency deposit accounts include Rs Nil (2012: Rs 10.62 million) under lien against a bank guarantee issued on behalf of the Company.

	Note	2013	2012
		(Rupees in thousand)	
26. GROSS SALES TO CUSTOMERS			
Sale of:			
Gas	26.1	61,164,617	46,030,251
Crude Oil	26.2	1,539,322	665,250
Less: Transportation charges		44,600	16,365
		1,494,722	648,885
Condensate	26.3	538,815	547,077
Less: Transportation charges		8,637	9,635
		530,178	537,442
LPG	26.4	47,280	191,839
Own consumption		32,997	16,624
		63,269,794	47,425,041

26.1 This represents sale of gas as per detail below:

	2013	2012
Mari Field	60,565,858	45,718,269
Sujawal block	395,723	–
Sukkur block	140,272	120,122
Hala block	57,665	176,045
Kohat block	5,099	15,815
	61,164,617	46,030,251

26.2 This represents sale of crude oil as per detail below:

	2013	2012
Karak block	1,513,753	662,232
Ziarat block	25,569	3,018
	1,539,322	665,250

26.3 This represents sale of condensate as per detail below:

	2013	2012
Mari Field	344,539	280,009
Hala block	116,462	264,625
Sujawal block	77,098	–
Kohat block	716	2,443
	538,815	547,077

26.4 This represents sale of LPG from Hala block.

26.5 Sale of gas includes sale from Sujawal, Sukkur, Hala and Kohat blocks invoiced on provisional prices. There may be adjustment in gross sales upon issuance of final wellhead prices notification by Oil and Gas Regulatory Authority (OGRA), impact of which cannot be determined at this stage.

		Note	2013	2012
			(Rupees in thousand)	
27.	**OPERATING EXPENSES**			
	Salaries, wages and benefits	27.1	1,521,467	1,154,027
	Employee benefits	27.2	208,822	151,412
	Rent, rates and taxes		8,993	8,768
	Legal and professional services		5,457	4,301
	Fuel, light, power and water		100,861	84,881
	Maintenance and repairs	27.3	273,478	204,291
	Insurance		45,775	43,455
	Depreciation on property, plant and equipment		496,284	461,738
	Depreciation on exploration and evaluation assets		73,608	143,429
	Amortization		158,948	144,969
	Employees medical and welfare		162,055	126,089
	Field and other services		489,414	372,474
	Travelling		25,545	23,050
	Communications		13,974	11,305
	Printing and stationery		9,580	8,074
	Office supplies		11,502	9,921
	Technical software		41,329	29,077
	Auditor's remuneration	27.4	3,937	3,183
	Mobile dispensary and social welfare		92,296	74,480
	Training		37,912	35,623
	Advertisement		6,730	3,407
	Books and periodicals		853	793
	Public relations and social activities		6,299	4,349
	Directors' fee and expenses		10,554	8,539
	Freight and transportation		3,185	4,827
	Subscriptions		5,633	6,161
	Rig		302,891	286,691
	Mari Seismic Unit		51,825	–
	Seismic data reprocessing		25,269	26,469
	3D Seismic data acquisition		5,586	–
	Research and development		66,086	36,469
	Sukkur block		42,801	35,729
	Hala block		155,382	153,697
	Kohat block		14,184	35,891
	Karak block		214,415	59,004
	Ziarat block		31,865	–
	Sujawal block		11,383	–
	Provision for doubtful debts - related parties		309,136	–
	Miscellaneous		7,726	5,695
			5,053,040	3,762,268
	Less: Recoveries from joint ventures	27.5	536,954	306,624
			4,516,086	3,455,644

27.1 These include operating lease rentals amounting to Rs 21.92 million (2012: Rs 23.71 million) in respect of company leased vehicles provided to employees of the Company.

27.2 These also include Rs 28.81 million (2012: Rs 19.91 million) on account of provident fund.

		2013	2012
		(Rupees in thousand)	
27.3	**These include:**		
	Maintenance and repairs - Plant and equipment	97,255	74,938
	- Others	33,408	61,949
		130,663	136,887
	Stores and spares - Plant and equipment	91,487	35,836
	- Others	51,328	31,568
		142,815	67,404
		273,478	204,291
27.4	**Auditor's remuneration**		
	Statutory audit	1,000	1,000
	Review of half yearly accounts, special reports and other certifications	1,062	563
	Tax services	1,550	1,500
	Out of pocket expenses	325	120
		3,937	3,183
27.5	**Recoveries from joint ventures**		
	Time write cost	384,069	218,138
	Overheads	148,664	78,631
	Computer and equipment support cost	4,221	9,855
		536,954	306,624

28. EXPLORATION AND PROSPECTING EXPENDITURE

	2013	2012	2013	2012
	Working interest (%)		(Rupees in thousand)	
OPERATED BLOCKS				
Zarghun South Field	35.00	35.00	133,113	19,885
Ziarat Block	60.00	60.00	46,222	267,251
Karak Block	60.00	60.00	587,686	55,792
Noor Block	100.00	–	20	–
Hanna Block	100.00	100.00	54,642	27,901
Harnai Block	40.00	40.00	4,724	60,329
Sujawal Block	100.00	100.00	224,038	30,665
Sukkur Block	58.82	58.82	25,186	102,281
Ghauri Block	65.00	65.00	275,561	18,524
			1,351,192	582,628
NON - OPERATED BLOCKS				
Dhadar Block	29.13	29.13	(8,614)	(1,638)
Hala Block	35.00	35.00	689,776	262,804
Kohat Block	20.00	20.00	124,685	725,346
Bannu West Block	10.00	10.00	611	1,101
Kohlu Block	30.00	30.00	4,295	3,815
Kalchas Block	20.00	20.00	12,032	4,889
Zindan Block	35.00	35.00	287,100	37,635
Oman Block	25.00	25.00	34,998	22,798
			1,144,883	1,056,750
			2,496,075	1,639,378

28.1 Exploration and prospecting expenditure represents cost other than drilling expenditure directly charged to profit and loss account as referred in note 3.8 to these financial statements.

		2013	2012
		(Rupees in thousand)	
28.2	Exploration and prospecting expenditure comprises of :		
	Cost of dry and abandoned wells written off	13,727	313,483
	Impairment of well cost	732,401	938,895
	Prospecting expenditure	1,749,947	387,000
		2,496,075	1,639,378
29.	**OTHER CHARGES**		
	Workers' Profits Participation Fund	190,965	76,267
	Workers' Welfare Fund	139,844	46,589
		330,809	122,856
30.	**OTHER INCOME**		
	Rig rental income	167,893	286,746
	Line heaters rental income	34,878	37,056
	Caravans rental income	25,048	2,280
	Insurance claims	33,639	–
	Interest income on delayed payments from Foundation Power Company Daharki Limited:		
	- For the year	676,389	–
	- For prior years	420,896	–
	Interest expense on delayed payments to the Government of Pakistan:		
	- For the year	(428,084)	–
	- For prior years	(12,503)	–
	Gain / (loss) on sale of property, plant and equipment	6,642	(76)
	Miscellaneous	27,178	30,357
		951,976	356,363
31.	**FINANCE INCOME**		
	Income on bank deposits	466,198	436,861
	Exchange (loss) / gain	(206,714)	10,070
		259,484	446,931
32.	**FINANCE COST**		
	Mark-up on long term financing - secured	152,794	222,531
	Unwinding of discount on provision for decommissioning cost	468,343	536,318
	Interest on Workers' Profit Participation Fund	4,973	11,100
	Bank charges	278	283
		626,388	770,232

	2013	2012
	(Rupees in thousand)	
33. PROVISION FOR TAXATION		
Current - For the year	2,342,072	657,131
- For prior years	(184,392)	–
	2,157,680	657,131
Deferred - For the years	(1,090,265)	(369,802)
	1,067,415	287,329

	2013	2012
	Percentage	
33.1 RECONCILIATION OF EFFECTIVE TAX RATE		
Applicable tax rate	50	50
Tax effect of depletion allowance and royalty payments	(66)	(70)
Tax effect of amount not deductible for tax purposes	32	29
Others	15	11
Effective tax rate	31	20

	2013	2012
34. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees in thousand)	2,421,076	1,115,166
Reserve for exploration and evaluation assets - note 6 (Rupees in thousand)	36,235	93,215
Reserve for Mari Seismic Unit (Rupees in thousand)	920,000	–
Undistributable profit (Rupees in thousand)	958,240	567,884
	1,914,475	661,099
Balance distributable profit after tax (Rupees in thousand)	506,601	454,067
Number of shares outstanding (in thousand)	91,875	91,875
Earnings per share on the basis of distributable profits (in Rupees)	5.51	4.94
Earnings per share on the basis of profit and loss account (in Rupees)	26.35	12.14

There is no dilutive effect on the basic earnings per share of the Company.

35. EMPLOYEE BENEFITS

35.1 Funded benefits

The results of the actuarial valuation carried out as at June 30, 2013 and June 30, 2012 are as follows:

	2013		2012	
	Management Gratuity	Non-Management Gratuity	Management Gratuity	Non-Management Gratuity
	(Rupees in thousand)			
Reconciliation of payable to defined benefit plan				
Present value of defined benefit obligations	877,251	274,388	685,566	251,325
Fair value of plan assets	(436,528)	(179,093)	(425,841)	(153,660)
Net actuarial (losses) not recognized	(294,483)	(62,826)	(146,683)	(73,209)
Liability recognized in balance sheet	146,240	32,469	113,042	24,456
Movement in payable to defined benefit plan				
Balance as at beginning of year	113,042	24,456	173,544	38,423
Add: Cost for the year	146,238	32,469	113,042	24,456
	259,280	56,925	286,586	62,879
Less: Contribution to fund during the year	(113,040)	(24,456)	(173,544)	(38,423)
Balance as at end of year	146,240	32,469	113,042	24,456
Movement in fair value of plan assets				
Balance as at beginning of year	425,841	153,660	237,114	104,716
Contributions during the year	113,040	24,456	173,544	38,423
Expected return on plan assets	53,381	20,344	34,860	15,313
Actuarial (loss) / gain on plan assets	(22,603)	(3,848)	2,845	(562)
Benefits paid	(133,131)	(15,519)	(22,522)	(4,230)
Balance as at end of year	436,528	179,093	425,841	153,660
Plan assets comprise of:				
Deposit with banks	436,528	179,093	425,841	153,660
Cost for the year				
Current service cost	73,199	13,221	47,922	10,390
Interest cost	116,654	34,250	86,273	27,092
Expected return on plan assets	(53,381)	(20,344)	(34,860)	(15,313)
Amortization of actuarial loss	9,766	5,342	13,707	2,287
Total cost	146,238	32,469	113,042	24,456
Actual return on plan assets	30,778	16,496	37,705	14,751

35.1.1 The expected return on plan assets is based on expected yields available on fixed income securities.

35.2 Un–funded benefits

	2013			2012		
	Management		Non-Management	Management		Non-Management
	Post Retirement Leaves	Post Retirement Medical	Post Pension Leaves	Post Retirement Medical	Retirement	Pension
			(Rupees in thousand)			
Reconciliation of payable to defined benefit plan						
Present value of defined benefit obligations	71,673	32,346	21,448	57,992	29,675	18,719
Net actuarial (losses)/gains not recognized	–	(4,002)	6,078	–	(5,763)	5,323
Liability recognized in balance sheet	71,673	28,344	27,526	57,992	23,912	24,042
Movement in payable to defined benefit plan						
Balance at beginning of the year	57,992	23,912	24,042	47,700	20,435	20,656
Add: Cost for the year	28,179	7,036	3,484	13,047	5,923	3,386
	86,171	30,948	27,526	60,747	26,358	24,042
Less: Payments during the year	(14,498)	(2,604)	–	(2,755)	(2,446)	–
Balance at end of the year	71,673	28,344	27,526	57,992	23,912	24,042
Cost for the year						
Current service cost	4,107	1,577	1,125	2,993	891	1,903
Interest cost	7,249	4,061	2,673	6,440	3,646	1,866
Immediate recognition of curtailment loss/(gain)	16,823	1,398	(314)	3,614	1,386	(383)
Total cost	28,179	7,036	3,484	13,047	5,923	3,386

35.3 The principal actuarial assumptions used in the actuarial valuation of the defined benefit plans are as follows:

	2013	2012
	(Per annum)	
- Discount rate	11.00%	13.50%
- Expected rate of return on plan assets	11.00%	13.50%
- Expected rate of salary increase	11.00%	13.50%
- Expected rate of pension increase	6.00%	8.50%
- Increase in cost of medical benefits	9.25%	9.25%

35.4 Change in medical cost esclation rate:

	2013	
	1% point increase	1% point decrease
	(Rupees in thousand)	
Effect on aggregate of service cost and interest cost	269	(233)
Effect on payable to defined benefit plan	2,443	(2,118)

35.5 Comparison of present value of defined benefit obligation, fair value of plan assets and deficit for funded benefits and un-funded benefits for five years is as follows:

	2013	2012	2011	2010	2009
			(Rupees in thousand)		
Present value of defined benefit obligations	1,277,106	1,043,277	868,434	715,571	581,819
Fair value of plan assets	(615,621)	(579,501)	(341,830)	(296,428)	(298,804)
Deficit	661,485	463,776	526,604	419,143	283,015
Experience adjustments on obligations	(141,465)	(17,380)	(17,432)	(70,262)	(113,146)
Experience adjustments on plan assets	(26,451)	1,967	(740)	(13,644)	11,045

35.6 The employee benefit expenses (funded and un-funded) are included in operating expenses.

36. OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reportable segment. Revenue from external customers for products of the Company is disclosed in note 26.

Revenue from five major customers of the Company constitutes 95% of the total revenue during the year ended June 30, 2013 (2012: 96%).

37 FINANCIAL INSTRUMENTS

37.1 Financial assets and liabilities

	Loans and receivables	
	2013	2012
	(Rupees in thousand)	
Financial assets		
Maturity up to one year		
Trade debts	11,878,669	15,606,293
Loans and advances	355,264	862,090
Interest accrued	28,750	17,216
Other receivables	312,917	79,457
Cash and bank balances	6,508,559	2,950,816
Maturity after one year		
Long term loans and advances	7,400	6,894
Long term deposits	13,870	9,545
	19,105,429	19,532,311

	Other financial liabilities	
Financial liabilities	2013	2012
	(Rupees in thousand)	
Maturity up to one year		
Trade and other payables	13,867,316	15,950,674
Current maturity of long term financing	961,603	442,222
Interest accrued on long term financing	42,039	56,273
Maturity after one year		
Provision for decommissioning cost	3,597,174	4,257,659
Long term financing - secured	1,543,207	946,667
Provision for employee benefits - unfunded	127,543	105,946
Provision for compensated leave absences	84,529	52,003
Deferred income	8,934	–
	20,232,345	21,811,444

37.2 Credit quality of financial assets

The credit quality of Company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA), JCR - VIS Credit Rating Company Limited (JCR-VIS) and Moody's. The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	Rating	2013	2012
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	A1+	781,990	5,420,902
	A1	3,023,441	595,367
	A2	1,322,643	–
Counterparties without external credit rating		6,750,595	9,590,024
		11,878,669	15,606,293
Loans and advances			
Counterparties without external credit rating		355,264	862,090
Interest accrued			
Counterparties without external credit rating		28,750	17,216
Other receivables			
Counterparties without external credit rating		312,917	79,457
Bank balances			
Counterparties with external credit rating	A1+	6,066,382	2,831,928
	A1	414,903	104,555
	A2	14	13,791
	P-1	26,584	–
		6,507,883	2,950,274
Long term loans and advances			
Counterparties without external credit rating		7,400	6,894
Long term deposits			
Counterparties without external credit rating		13,870	9,545

37.3 FINANCIAL RISK MANAGEMENT

37.3.1 Financial risk factors

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the function for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company's credit risk exposures are categorised under the following headings:

Counter parties

The Company conducts transactions with the following major types of counterparties:

Trade Debts

Trade debts are essentially due from fertilizer and power generation companies and the Company does not expect these companies to fail to meet their obligations. The sales to the Company's customers are made under gas purchase and sale agreements signed between the Company and its customers with the prior approval of Oil and Gas Regulatory Authority (OGRA), Government of Pakistan.

As of June 30, 2013, trade debts of Rs 3,970,534 thousand (2012: Rs 11,893,300 thousand) were past due but not impaired. The ageing analysis of past due trade receivables is as follows:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in thousand)			
Due from related parties				
Past due 0-30 days	1,097,625	–	1,102,167	–
Past due 30–60 days	759,280	–	1,163,456	–
Past due 60–90 days	542,649	–	1,038,542	–
Over 90 days	1,240,221	309,136	7,943,094	–
	3,639,775	309,136	11,247,259	–
Due from others				
Past due 0–30 days	24,529	–	31,815	–
Past due 30–60 days	155	–	35	–
Past due 60–90 days	45	–	–	–
Over 90 days	615,166	–	614,191	–
	4,279,670	309,136	11,893,300	–

Cash and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

b) 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 risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liability when due under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputations. The Company maintains sufficient cash and bank balances. At June 30, 2013, the Company had financial assets of Rs 19,105,429 thousand (2012: Rs 19,532,311 thousand).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date. The amounts disclosed in the table are undiscounted cash flows:

	Less than 1 year	Between 1 to 5 years (Rupees in thousand)	Over 5 years
As at June 30, 2013			
Trade and other payables	13,867,316	–	–
Interest accrued on long term financing	42,039	–	–
Provision for decommissioning cost	18,114	116,753	4,606,251
Long term financing – secured	961,603	1,543,207	–
Provision for employee benefits – unfunded	–	–	127,543
Provision for compensated leave absences	–	–	84,529
Deferred credits	8,934	–	–
As at June 30, 2012			
Trade and other payables	15,950,674	–	–
Interest accrued on long term financing	56,273	–	–
Provision for decommissioning cost	17,271	68,070	4,172,318
Long term financing – secured	442,222	946,667	–
Provision for employee benefits – unfunded	–	–	105,946
Provision for compensated leave absences	–	–	52,003

c) **Market risk**

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on financial instruments.

i) **Currency risk**

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of currency risk management is to manage and control currency risk exposures within acceptable parameters, while optimizing the return on financial instruments.

Exposure to foreign currency risk

The Company's exposure to currency risk is as follows:

	2013	2012	2013	2012
	(Rupees in thousand)		(US$ in thousand)	
Cash and bank balances	327,670	405,814	3,316	4,308
Trade and other payables	(704,950)	(69,708)	(7,135)	(740)
	(377,280)	336,106	(3,819)	3,568

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2013	2012	2013	2012
	(Rupees)			
US$ 1	96.89	90.53	98.80	94.20

Foreign currency sensitivity analysis

A 10 percent variation of the Pak Rupee against the US$ at June 30, would have effected profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Change in foreign exchange rate	Effect on profit	Effect on equity
		(Rupees in thousand)	
2013			
US$	+10%	(18,864)	(18,864)
	-10%	18,864	18,864
2012			
US$	+10%	16,805	16,805
	-10%	(16,805)	(16,805)

However, since the Company is operating under cost plus formula as explained in note 1.2, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

ii) Interest rate risk

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

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2013	2012
	(Rupees in thousand)	
Financial assets		
Cash and bank balances	6,504,246	2,948,979
	6,504,246	2,948,979

	2013	2012
	(Rupees in thousand)	
Financial liabilities		
Long term financing - Bank Alfalah Limited	760,000	1,140,000
Long term financing - Habib Bank Limited	744,810	248,889
Long term financing - Allied Bank Limited	1,000,000	–
	2,504,810	1,388,889

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

Mark-up rate sensitivity analysis

If mark-up rates had been 50 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2013 would increase / decrease by Rs 13 million (2012: increase /decrease by Rs 3.90 million). This is mainly attributable to the Company's exposure to mark-up rates on its variable rate borrowings.

However, since the Company is operating under cost plus formula as explained in note 1.2, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

iii) Price risk

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 instruments traded in the market.

The Company does not have financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market prices.

37.3.2 Capital management

The Company is operating under Mari Gas Wellhead Price Agreement. The Agreement ensures the Company's ability to continue as a going concern and also to meet its requirements for expansion, enhancement of its business and guaranteed returns to shareholders. There are no externally imposed capital requirements.

37.4 Fair value of financial instruments

All financial assets and financial liabilities are initially recognised at the fair value of consideration paid or received, net of transactions cost as appropriate and subsequently carried at amortized cost. The carrying values of financial assets and liabilities approximate their fair values.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements as remuneration and allowances including all benefits, to chief executive, directors and executives of the Company was as follows:

	2013		2012	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	6,889	326,864	3,162	207,003
Company's contribution to provident fund	689	25,896	397	16,108
Housing and utilities	7,975	318,610	4,388	215,782
Other allowances and benefits	6,955	483,375	3,434	177,263
Bonuses	7,556	286,021	3,111	251,095
	30,064	1,440,766	14,492	867,251
Number of persons including those who worked part of the year	1	193	1	139

The above were also provided with medical facilities, gratuity and post retirement leave benefits. The chief executive and certain executives were provided with free use of company maintained cars, residential telephones and use of club facilities. Executives based at plant site, Daharki, are also provided with schooling and subsidized club facilities.

In addition 14 (2012: 14) directors were paid aggregate fee of Rs 10,313 thousand (2012: Rs 7,426 thousand).

	2013	2012
	(Rupees in thousand)	
39. NUMBER OF EMPLOYEES		
Total number of employees as at the year end	658	544
Average number of employees during the year	591	520

40. TRANSACTIONS WITH RELATED PARTIES

Fauji Foundation holds 40% shares of the Company, therefore, all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of associated companies, directors, major shareholders, key management personnel and employees' retirement benefit funds. Transactions with related parties, other than remuneration and benefits to directors and key management personnel, are as follows:

	2013	2012
	(Rupees in thousand)	
Sale of gas and LPG to related parties is as follows:		
Fauji Fertilizer Company Limited	27,482,836	19,699,148
Pakistan Electric Power Company	10,246,061	8,613,730
Sui Southern Gas Company Limited	476,350	190,153
Sui Northern Gas Pipelines Limited	823,891	310,048
Foundation Gas	47,280	191,839
Foundation Power Company Daharki Limited	7,159,356	5,484,817
Line heaters rental income	34,878	37,056
Interest income on delayed payments	1,097,285	–
Provision for doubtful debts	309,136	–
Contribution to employee benefit funds	210,905	159,857

41. INFORMATION RELATING TO PROVIDENT FUND

Mari Gas Company Limited (MGCL) Employees' Provident Fund is a defined contribution plan for benefit of permanent employees of the Company. The details are as follow:

	2013 (Un-audited)	2012 (Audited)
Net assets (Rupees in thousand)	476,961	433,600
Cost of investments made (Rupees in thousand)	449,100	404,898
Percentage of investments made (Percentage)	94%	93%
Fair value of investments (Rupees in thousand)	449,100	404,898
Break-up of investments:		
Bank deposits (Rupees in thousand)	447,336	402,446

All investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

42. CORRESPONDING FIGURES

Following changes have been made in corresponding figures to conform to current year's presentation:

	Rupees in thousand
Balance Sheet	
Rental income from line heaters receivable reclassified from 'Other Receivables' to 'Trade Debts'	33,912
Interest on delayed payments receivable reclassified from 'Other Receivables' to 'Trade Debts'	420,896

Cash flow statement

Cash flow statement presentation has been changed from indirect method to direct method.

43. GENERAL

43.1 Information about the capacity is not relevent to the business operations of the Company.

43.2 These financial statements have been authorized for issue by the Board of Directors of the Company on September 10, 2013.

Lt Gen (R) Raza Muhammad Khan
Managing Director / CEO

Qaiser Javed
Director

Notes

Proxy Form

The Company Secretary
Mari Petroleum Company Limited
21 – Mauve Area, 3rd Road,
G–10/4, P.O. Box No. 1614,
Islamabad

I/We, the undersigned, being a member(s) of Mari Petroleum Company Limited and holder of ______________________________ Ordinary Shares, hereby appoint ______________________________ of ______________

whom failing ______________________________

of ______________________________

as my/our proxy to vote and act for me/our behalf, at the 29th Annual General Meeting of the Company, to be held on October 29, 2013 and at any adjournment thereof.

Affix
Revenue
Stamp

Dated this ______ day of ______ 2013.

____
Signature of the Shareholder

____
Signature of Proxy

____
Name in Block Letters

Folio/CDC Ref: ____________

Note:

1. A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the Meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company at 21 - Mauve Area, 3rd Road, Sector G-10/4, Islamabad not less than 48 hours before the time of holding of the meeting.
2. Those members, who have deposited their shares into Central Depository Company of Pakistan (CDC), are requested to bring their Original Computerized National identity Cards along with their account numbers in CDC for verification at the time of meeting.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

Witnesses:

1. ______________________________

2. ______________________________

AFFIX
CORRECT
POSTAGE

The Company Secretary
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21–Mauve Area, 3rd Road,
Sector G–10/4, P.O. Box 1614,
ISLAMABAD.

mpcl.com.pk

ISO 9001:2008

ISO 14001:2004

OHSAS 18001:2007

ISO/IEC 27001:2005

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