



A “spark”
is what makes the
future look brighter!

Annual Report 2015 ➤



Mari Petroleum Company Limited

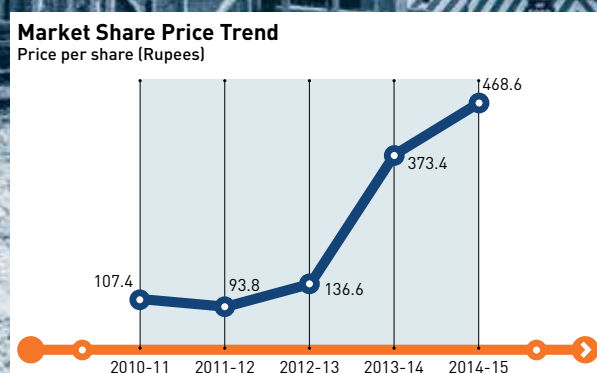
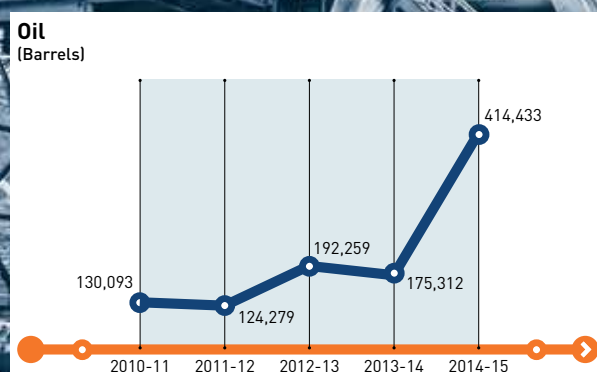
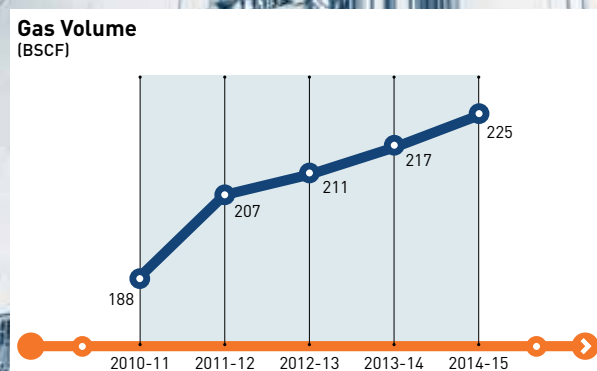
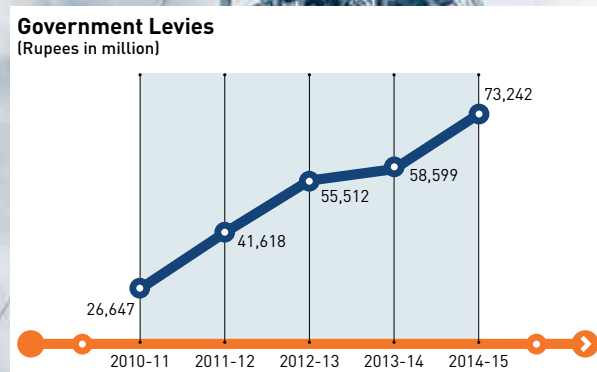
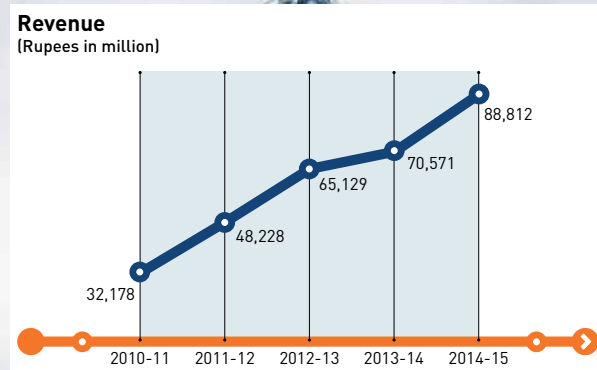
COVER STORY

Almost always, those who dare to ascend the flight of greatness have had to abandon their comfort zone. This is the route map the visionaries embark on, for outdoing others and the ultimate manner they seek for outdoing ‘themselves’. It is the determination of these brave ones which adds to the pool of; resources, discoveries and experiences of the global community.

Every step taken in this journey is full of challenges, hopes and motivation; the key elements in keeping the expedition prolific. But, to be able to start this journey demands absolute audacity for overcoming doubts and uncertainties, within and beyond. Today, we celebrate the glory of breaking free from the protective umbrella of the cost plus status to start our own journey. Today we revere the power of writing our own success story.



A “spark”
is what makes the
future look brighter!



KEY FINANCIALS

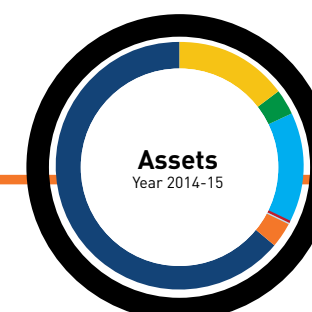
		Year 2014-15	Year 2013-14
Revenue	Rupees in million	88,811.80	70,570.97
Government levies	Rupees in million	73,242.31	58,599.39
Profit before taxation	Rupees in million	6,551.87	4,377.64
Profit for the year	Rupees in million	5,650.31	3,943.30
Dividend per share	Rupees	3.72	3.78
Property, plant and equipment - at cost	Rupees in million	14,857.61	12,798.64
Number of shares issued and subscribed	Shares in million	110.25	91.88



- 21.70% Gas development surcharge
- 14.90% General sales tax
- 2.00% Excise duty
- 43.40% Gas infrastructure development cess
- 1.00% Wind fall levy
- 3.00% Royalty
- 1.10% Taxation
- 0.40% Other charges
- 6.50% Operating expenses
- 3.80% Exploration and prospecting expenditure
- 2.20% Finance cost



- 1.68% Issued, subscribed and paid up capital
- 0.60% Undistributed percentage return reserve
- 12.56% Exploration, evaluation and development reserve
- 1.98% Capital redemption reserve fund
- 0.64% Reserve for Mari Seismic Unit
- 0.05% Profit and loss account
- 14.15% Redeemable preference shares - unsecured
- 0.00% Long term financing - secured
- 8.33% Deferred liabilities
- 60.01% Current liabilities



- 14.89% Property, plant and equipment
- 3.33% Development and production assets
- 14.32% Exploration and evaluation assets
- 0.03% Long term loans and advances
- 0.02% Long term deposits and prepayments
- 3.64% Deferred income tax asset
- 63.77% Current assets

CONTENTS



02	Company Profile
05	History of the Company
06	Company Information
08	Notice of Annual General Meeting
11	Vision & Mission Statements
14	Code of Conduct
15	Corporate Culture and Core Values
16	Integrated Management System Policy
17	Board of Directors
18	Managing Director's Outlook
22	Strategic Business Plan of the Company
24	Risks and Opportunities Report
25	Organogram
26	MPCL's Operated Blocks and Development & Production Leases
27	MPCL's Non-operated Blocks
28	Performance Indicators
30	Variation in Results of Interim Reports with the Final Accounts
31	Return on Equity (DuPont Analysis)
32	Horizontal Analysis - Balance Sheet
33	Vertical Analysis - Balance Sheet
34	Horizontal Analysis - Profit and Loss Account
35	Vertical Analysis - Profit and Loss Account
37	Ten Years at a Glance
38	Statement of Value Addition
39	Pattern of Shareholding
42	Directors' Report
77	MPCL Concessions and Working Interests
79	Statement of Compliance with the Code of Corporate Governance
82	Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

83 Financial Statements

85	Auditors' Report to the Members
86	Balance Sheet
88	Profit and Loss Account
89	Statement of Comprehensive Income
90	Cash Flow Statement
91	Statement of Changes in Equity
92	Notes to and Forming Part of the Financial Statements
137	Calendar of Major Events
138	Glossary
139	Proxy Form



MPCL is one of the leading exploration and production companies in Pakistan. It manages and operates the Country's largest gas reservoir (in terms of current reserves) at Mari Field, District Ghotki, Sindh.



In addition to Mari Gas Field, MPCL currently has operatorship of Zarghun South Gas Field and nine exploration blocks (Ziarat, Hanna, Harnai, Sukkur, Sujawal, Karak, Ghauri, Peshawar East and Khetwaro). The Company is also a non-operating joint venture partner with leading national and international E&P companies in six exploration blocks (Kohlu, Kalchas, Kohat, Bannu West, Zindan and Hala). The Company's exploration and production assets are spread across the Country in all the four provinces.

As a distinct edge over many other E&P companies, MPCL now owns and operates a 3D seismic data acquisition unit, a 2D/3D seismic data processing centre, three land drilling rigs and a slick line unit. With expansion into exploration activities and addition of E&P allied services, MPCL has become a fully integrated E&P company in the Country, rivaling the national oil company.

MPCL is a major producer of natural gas currently holding around 11% market share. Other products of the Company include crude oil, condensate and LPG. The Company also looks to providing seismic data acquisition, seismic data processing, drilling rigs, slick line and allied services on commercial basis.

The gas produced by the Company is supplied to fertilizer manufacturers, power generation companies and gas distribution companies while crude oil and condensate are supplied to the refineries for further processing.

The paid-up share capital of the Company is Rs. 1,102,500,000 divided into 110,250,000 ordinary shares of Rs.10/- each. The ordinary shares of the Company are quoted on all the three Stock Exchanges of Pakistan. Total market capitalization as on June 30, 2015 was around Rs. 52 billion (at closing price of Rs. 468.60 / ordinary share). Fauji Foundation holds 40% of the shareholding in the Company along with management rights, while Government of Pakistan, OGDCL and General Public hold 18.39%, 20% and 21.61% of the shareholding, respectively.

The Company is making significant contributions towards the Country's development by providing raw material to the fertilizer industry and supplying gas for power generation. Around 80% of fertilizer production depends on gas supplied by MPCL. By supplying gas to the fertilizer sector, MPCL plays a crucial role in ensuring continuous supply of fertilizer to agriculture sector thereby contributing to food security in Pakistan.

During the financial year 2014-15, the Company produced 29.21 million barrels of oil equivalent energy which resulted in foreign exchange saving of around Rs. 225 billion. In addition, MPCL contributed Rs. 73.24 billion to the national exchequer on account of taxes, royalty, excise duty, sales tax, gas infrastructure development cess and gas development surcharge.

On a regional level, the Company has not only provided jobs to the local population but has also developed infrastructure in its areas of operations, which has significantly helped in development of these areas. The Company also aggressively follows CSR programs in the areas of its operations for the uplift of the local populace.



HISTORY OF THE COMPANY

Mari Gas Field was originally owned by Pakistan Stanvac Petroleum Project, a joint venture formed in 1954 between Government of Pakistan and M/s Esso Eastern Incorporated, having 49% and 51% ownership interest, respectively. The first gas discovery was made by the Joint Venture in 1957 when the first well in lower Kirthar 'Zone-B' Limestone Formation was drilled. Production from the field started in 1967. In 1983, M/s Esso Eastern transferred its entire share to Fauji Foundation, which set up a public limited company for the purpose of acquiring the assets and liabilities of the Project.

In 1984, Mari Gas Company Limited (MGCL) was incorporated with Fauji Foundation, Government of Pakistan and OGDCL as its shareholders having 40%, 40%, and 20% shareholding, respectively. Upon formation, the Company took over the assets, liabilities and operational control of Mari Gas Field. In 1985, the Company commenced business in its own name and was given gas price through Mari Gas Wellhead Price Agreement (Mari GPA).

In 1994, the Government divested 50% of its 40% shares and the Company became listed on all the stock exchanges of Pakistan.

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

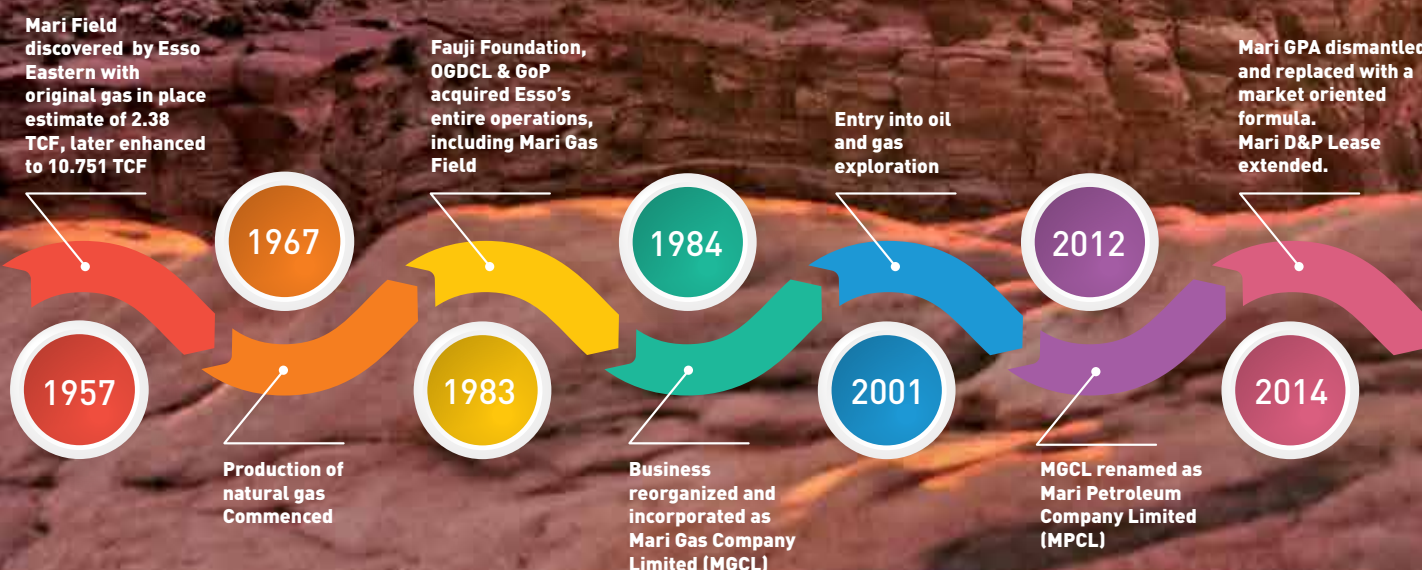
In 2001, the Company expanded its operations and entered into exploration business. The Company is now a major player in the Country's oil and gas exploration and production sector operating eleven exploration and production assets (two D&P leases and nine operated blocks) and has partnership with leading national and international E&P companies in six non-operated blocks.

The Company also owns and operates a 3D seismic data acquisition unit, a 2D/3D seismic data processing centre, three land drilling rigs and a slick line unit. With expansion into exploration activities and addition of E&P allied services, MPCL has become a fully integrated E&P company in Pakistan, having oil and gas fields in all the provinces.

To reflect its diversified business operations and expanded activities, the name of the Company was changed from "Mari Gas Company Limited" to "Mari Petroleum Company Limited" (MPCL) in November 2012.

A major development during 2014 was approval of five year extension in Mari lease period. This means that MPCL would enjoy the development and production rights in the Lease Area till 2019. The extension will enable MPCL to enhance the recovery and produce more natural gas which is critically needed in the Country.

Since its inception, the Company had been operating on a "cost-plus fixed return formula" under Mari GPA 1985. Pursuant to consistent efforts by MPCL Management, a major milestone was achieved in November 2014 when Economic Coordination Committee of the Cabinet approved dismantling of Mari GPA and its replacement with an international crude oil price linked market oriented formula. Dismantling of Mari GPA would allow the Company to operate on commercial terms and become competitive; thereby realizing its full potential.



COMPANY INFORMATION

6

Mari Petroleum Company Limited



7

Annual Report 2015

Registered Office

21, Mauve Area, 3rd Road
G-10/4, Islamabad - 44000
Tel: (+92) 51-111-410-410
(+92) 51-2352853
(+92) 51-2352857
(+92) 51-2352861
Fax: (+92) 51-2352859
Email: info@mpcl.com.pk
Web: www.mpcl.com.pk

Daharki Field Office

Daharki, District Ghotki
Tel: (+92) 723-111-410-410
Tel: (+92) 723-660403-30
Fax: (+92) 723-660402

Karachi Liaison Office

D-87, Block 4, Kehkashan,
Clifton P.O. Box 3887, Karachi -
75600
Tel: (+92) 21-111-410-410
Fax: (+92) 21-35870273

Quetta Liaison Office

26, Survey-31, Defence Officers
Housing Scheme, Airport Road
Quetta
Tel: (+92) 81-2821052
(+92) 81-2864085
(+92) 81-2839790
Fax: (+92) 81-2834465

Shares Registrar

Corplink (Pvt) Limited
Wings Arcade, 1-K Commercial
Model Town, Lahore
Tel: (+92) 42-35839182
Fax: (+92) 42-35869037
Email: corplink786@yahoo.com

Auditors

A.F. Ferguson & Company
Chartered Accountants
PIA Building, 49 Blue Area
Islamabad
Tel: (+92) 51-2273457-60
(+92) 51-2870045-48
Email: aff.websupport@pk.pwc.com

Bankers

Allied Bank Limited
Askari Bank Limited
Askari Bank Limited (Islamic Banking)
Bank Alfalah Limited
Bank Alfalah Limited (Islamic Banking)
Bank of Punjab
Habib 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) 51-2825632



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the Shareholders of Mari Petroleum Company Limited will be held on Friday, September 18, 2015 at 10:00 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:

Ordinary Business

1. To confirm the minutes of the 30th Annual General Meeting held on October 31, 2014.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.
3. To approve, as recommended by the Directors, the payment of final dividend @ Rs. 1.50 (15%) per ordinary share for the financial year ended June 30, 2015. This is in addition to interim dividend @ Rs. 3.721 (37.21%) per share already paid for the year ended June 30, 2015.
4. To appoint auditors for the year 2015-16 and fix their remuneration.

Special Business

5. To approve, as recommended by the Directors, the redemption of preference shares of minority shareholders, at par value, along with payment of dividend accrued up to the redemption date and if thought fit pass, with or without modification, the following resolution as a special resolution:

RESOLUTION

"RESOLVED THAT the Company be and is hereby authorized to redeem all preference shares held by minority shareholders at par value of Rs 10 each (Rs 1.3 billion approximately) on the date of redemption (as per book closure date for determining the entitled shareholders) except the preference shares held by Government of Pakistan (GoP) subject to approval by GoP.

FURTHER RESOLVED that payment of dividend on the preference shares held by minority shareholders at the rate of 1 year KIBOR + 3% (i.e. 10.38% per annum) for the period from 19 June, 2015 till date of redemption (as per book closure date for determining the entitled minority shareholders) be and hereby stands approved subject to approval from GoP.

FURTHER RESOLVED that dividend to GoP may either be paid for the period from June 19, 2015 to June 30, 2015 or paid along with dividend for next full year, based on agreement with GoP."

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed with this Notice.

By order of the Board

Assad Rabbani
Company Secretary

Islamabad
August 27, 2015

NOTES:

1. The share transfer books of the Company will remain closed from September 12, 2015 to September 18, 2015 (both days inclusive). Transfers received in order at the Company's Shares Registrar, M/s Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore, at the close of business on September 11, 2015 will be treated as in time for the purpose of determining entitlement for the payment of final dividend, redemption of preference shares and for attending 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/her 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 the 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.
5. In accordance with the notification of the Securities and Exchange Commission of Pakistan vide their SRO 779 (1)/2011 dated August 18, 2011 and SRO 831(1)/2012 dated July 5, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC or NTN in case of corporate entities are requested to submit the same to the Company's Shares Registrar. In case of non-compliance, the Company may withhold dispatch of dividend warrants as per law.
6. Members are requested to notify any changes in their mailing addresses to the Company's Shares Registrar.

Statement of Material Facts under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business, given in agenda item No. 5 of the Notice to be transacted at the 31st Annual General Meeting of the Company.

Redemption of Preference Shares held by Minority Shareholders

In order to simplify the process of redemption of preference shares, instead of redeeming the preference shares on a pro rata basis, the Company subject to approvals by the shareholders, GoP and SECP, proposes to redeem all preference shares held by minority shareholders at par value of Rs 10 each in the first phase and payment of dividend thereon at the rate of 1 year KIBOR + 3% (i.e. 10.38% per annum) for the period from 19 June 2015 till date of redemption. Thereafter, preference shares held by GoP shall be redeemed by the Company within the prescribed time period of ten years. The amount of preference shares held by minority shareholders is Rs 1.3 billion approximately and are proposed to be redeemed in the first phase and a special resolution will be placed before the shareholders for approval in the Annual General Meeting being held on September 18, 2015.

By order of the Board

Assad Rabbani
Company Secretary

Islamabad
August 27, 2015

OUR VISION



MPCL envisions becoming an international Exploration & Production Company by improving its professional capacity with highly knowledgeable and talented manpower that builds its underground petroleum reserves by discovering more than the ongoing production within Pakistan and abroad, and improving financial capacity and profitability through enhanced production, while taking environmental safeguard and catering the social welfare needs of the communities inhabiting the area of operations.

OUR MISSION



To enhance Exploration & Production capability by exploiting breakthroughs in knowledge and innovations in technology and by adopting competitive industrial practices of optimal and cost effective operations to replenish the produced reserves by at least 50% and to enhance production for maximizing revenues and return to the stakeholders and to maintain highest standards of HSE and environmental protection.

OUR COMMITMENT

12

Mari Petroleum Company Limited

- 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 resources, customers and other stakeholders to create significant business value characterized by excellent financial results, outstanding professional accomplishments and superior performance.

13

Annual Report 2015

CODE OF CONDUCT

14

Mari Petroleum Company Limited

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 in the books of accounts according to applicable accounting principles. Falsification of Company's books, any of the recorded bank accounts and transactions is 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 arms 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 Company's business and their 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

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 gender, race, religion, color, age or disability subject to suitability of the candidates for the job.

Compliance

All 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.

Accountability

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

CORPORATE CULTURE AND CORE VALUES

15

Annual Report 2015



INTEGRATED MANAGEMENT SYSTEM POLICY

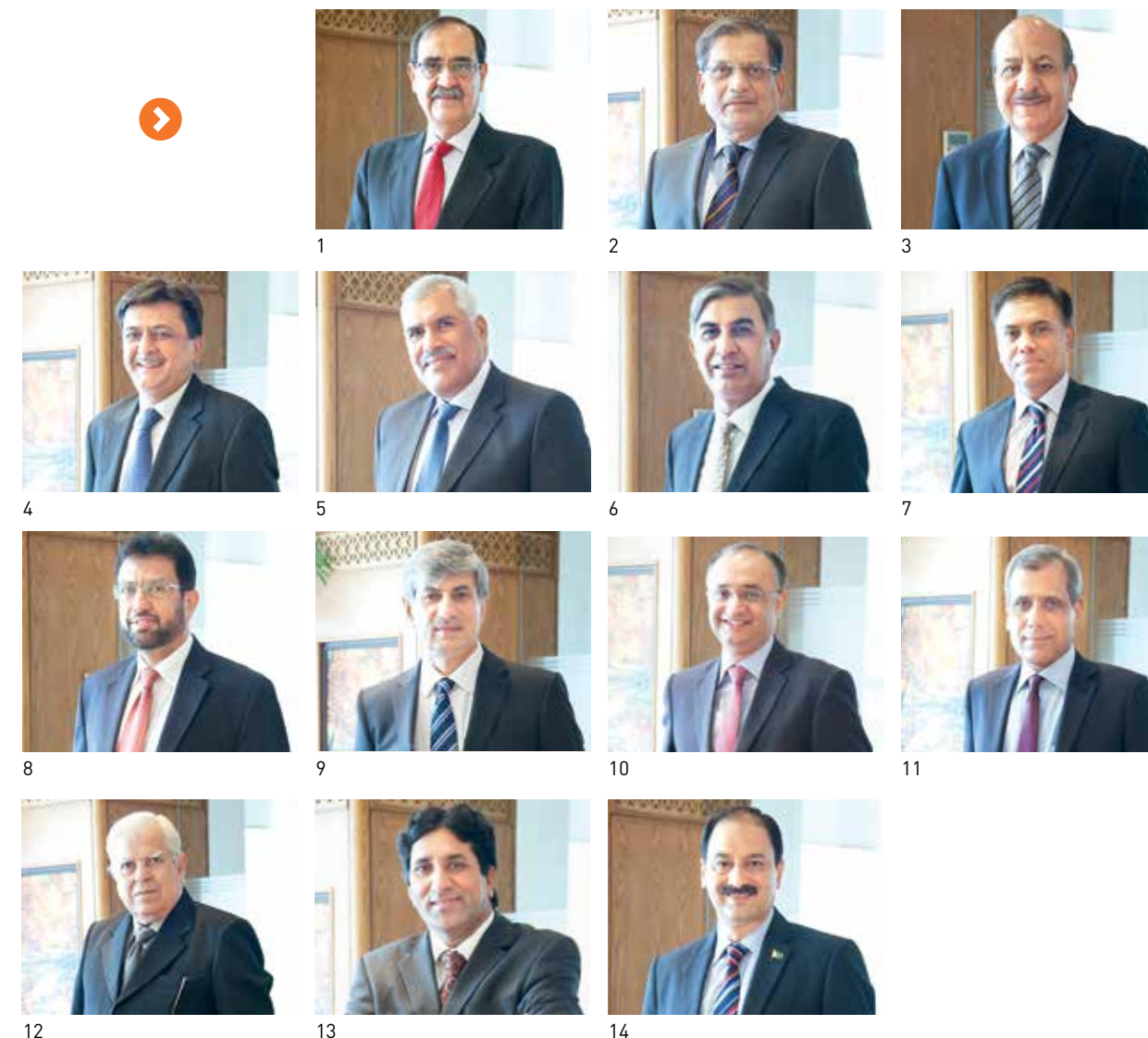
To realize our strategic vision and to achieve professional excellence in petroleum sector, we are committed to meet all requirements of Integrated Management Systems for Quality, Environment, Occupational Health & Safety and Information Security, consistent with internationally recognized management 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.



ENERGY SAVING MEASURES

Realizing the critical importance of energy conservation, the Management has issued detailed directions for saving energy including use of energy efficient equipment in operations, efficient use of air-conditioning and lighting, ECO driving, water conservation and reduction in use of paper. These initiatives have been implemented across the Company at all locations. By implementing these measures, the Management has ensured that the Company's commitment to the responsible utilization of the planet's valuable resources is fully realized. All the employees are encouraged to enact and implement these initiatives both at workplace as well as at home to show commitment to conscientious corporate citizenship.

BOARD OF DIRECTORS



- | | | |
|---|--|--|
| 1. Lt Gen Khalid Nawaz Khan (Retd)
Managing Director, Fauji Foundation
Chairman MPCL Board | 2. Lt Gen Nadeem Ahmed (Retd)
Managing Director/CEO
Mari Petroleum Company Limited | 3. Mr Qaiser Javed
Director Finance
Fauji Foundation |
| 4. Dr Nadeem Inayat
Director Investment
Fauji Foundation | 5. Maj Gen Mumtaz Ahmad Bajwa (Retd)
Director Welfare (Health)
Fauji Foundation | 6. Brig Dr Gulfam Alam (Retd)
Director P & D
Fauji Foundation |
| 7. Mr Sabino Sikandar Jalal
Joint Secretary
Ministry of Petroleum & Natural Resources | 8. Qazi Mohammad Saleem Siddiqui
Director General (Gas)
Ministry of Petroleum & Natural Resources | 9. Mr Zahid Mir
Managing Director / CEO
OGDCL |
| 10. Mr Ahmed Hayat Lak
GM (Legal Services)
OGDCL | 11. Mr Shahid Ghaffar
Managing Director / CEO
NITL | 12. Engr. S.H. Mehdi Jamal
Member, MPCL Board of Directors |
| 13. Mr Muhammad Asif
General Manager Finance/CFO
Mari Petroleum Company Limited | 14. Mr Assad Rabbani
Company Secretary
Mari Petroleum Company Limited | |

MANAGING DIRECTOR'S OUTLOOK

MPCL has been following a progressive trajectory climbing the path of corporate success. This year, however, will stand out as a milestone in MPCL history. It saw the successful culmination of a long drawn effort for dismantling of the restrictive Mari Wellhead Gas Price Agreement after approval by the Economic Coordination Committee of the Cabinet in November 2014. The cost-plus operating arrangement under the old GPA may have provided a protective umbrella to MPCL but it had also taken away the corporate incentive of operating on commercial basis like other E&P companies. In the old system, MPCL's exploration losses were underwritten by the Government but now with the industrial exposure MPCL will face the risk of failure but will have greater reward for success.

Taking up the challenge, MPCL will now follow a multi-pronged approach of enhancing production from the existing fields, expanding the exploration program from the increased revenue and inculcating a competitive culture of cost-effectiveness and optimal financial management. The E&P industry worldwide embraces the risk of expensive exploration by minimizing the chances of failure through meticulous effort making use of the breakthroughs in knowledge and technology. MPCL has undertaken to enrich its team by inducting talented professionals with advanced degrees and international experience. The reservoir engineering capacity has been revamped by creating a separate department and engaging an experienced PhD professional as its General Manager.

As a first step towards its intended destination MPCL has defined a new vision, identified the path and fixed the timelines to reach there. It aspires

Lt Gen Nadeem Ahmed

HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

to be a successful international E&P company working within Pakistan and abroad. It aims at increasing its underground reserves of oil and gas by discovering more than what it produces. For the first year of operation under the new commercial arrangement a target of discovering new reserves amounting to half of what MPCL produces during the year has been reflected in its revised mission.

A major initiative has been taken to optimize the operational efficiency of the Company through the consulting services of an international firm. The consulting program is spread over 30 weeks and the Consultant aims at achieving the goals set out in the TORs through building the capacity, rationalizing the procedures, improving the controls and enhancing the efficiency. On culmination of the contract, an in-house taskforce will ensure sustainability and continued refinements.

An E&P Company has enormous amount of technical, soft and hard, data. Efficient data management, retrieval and upkeep are essential in day to day functioning. Taking advantage of the developments in technology, MPCL has engaged the world leading consultant for incorporating a modern system adopted by major companies of the world. The contract includes the training





and capacity building of the professionals and the system would become fully operational during the year.

As a part of normal corporate culture, MPCL has launched a formal Business Development Plan that identifies core, support and financial management areas. It identifies targets for the year by exploiting departmental synergies and complementarities. The Business Plan has been disseminated to the whole Company for unifying the efforts and creating a collective momentum.

Another major development during the year is the approval of five year extension in Mari lease period; this means that MPCL would enjoy the development and production rights in the Lease Area till 2019. The lease is further extendable by 10 years under the prevailing statutory regime. Management and operation of Mari Gas Field, the largest gas field in the Country in terms of current reserves, is the key to MPCL's remarkable success. The Company's management and highly-skilled workforce have consistently demonstrated their ability to maintain progressive production levels from the field at the lowest operational cost. The extension will enable MPCL to enhance the recovery and produce more natural gas which is critically needed in the Country.

The dip in global crude oil price this year has negatively impacted MPCL's plan of carrying out aggressive exploration. Therefore, the Company has revamped its growth strategy and is now focusing on production enhancement to raise its revenues despite lower oil price to be able to maintain an aggressive exploration focus.

Production Enhancement will require optimal management of reservoirs through new infill drilling, selective re-completions/re-stimulations and de-bottlenecking of the surface gas gathering/ compressing system. A study by an international consultant has been completed that has supported the scope of increasing production by more than 10%. This will enable MPCL to take an

The Company produced highest ever, 29.21 million barrels of oil equivalent of energy. Net Sales increased by 30%, from Rs. 14,878 million to Rs. 19,376 million. Profit After Tax increased by 43%, from Rs. 3,943 million to Rs. 5,650 million, while Earning Per Share increased to Rs. 51.25/ share from Rs. 35.77/share. The Company also paid highest ever Rate of Return of 39.87% to the shareholders.

opportunistic advantage of the incentive price for incremental production under the 2012 Petroleum Policy. The incremental price is almost six times the existing Mari Gas Field price which will result in major gain in revenues.

MPCL maintained robust financial and operational performance during the first year of the GPA dismantling. The Company produced highest ever, 29.21 million barrels of oil equivalent of energy. Net Sales increased by 30%, from Rs. 14,878 million to Rs. 19,376 million. Profit After Tax increased by 43%, from Rs. 3,943 million to Rs. 5,650 million, while Earning Per Share increased to Rs. 51.25/share from Rs. 35.77/share. The Company also paid highest ever Rate of Return of 39.87% to the shareholders. It contributed Rs. 73.24 billion to national exchequer in the form of taxes, levies and duties out of total revenues of Rs. 88.81 billion. Given the current effort towards enhancement of production, we are aiming to

cross Rs. 100 billion in revenues (USD 1 billion) in the coming year (2015-16).

There have been positive developments in exploration operations: Kalabagh-1A well in Karak Block has been successfully drilled to the target formation at 3,003 meters and is currently under-testing with positive signs. Another exploration cum development well in the same block, Halini Deep-1, is also progressing successfully to its target depth of 5,600 meters. It will be a development well for the already discovered Halini oil field but will also explore deeper formations for new discovery. A number of new exploration sites have been selected for starting the drilling operations as the rigs from Kalabagh-1 and Halini Deep-1 are going to be released shortly.

MPCL faces a challenge of insufficient exploration areas in relation to its new exploration strategy. It is now aggressively scouting for opportunities to become joint venture partner in prospective blocks with other lease holders. Meanwhile, it is undertaking regional studies for new blocks that may be offered by the Government in the new bidding rounds.

The challenges posed by the risks and opportunities of commercial operations have fired up MPCL's resolve to emerge as a stronger E&P company at home and abroad.

May Allah bless us and help us achieve our vision, Ameen!

Lt Gen Nadeem Ahmed
HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director/CEO
Mari Petroleum Company Limited

STRATEGIC BUSINESS PLAN OF THE COMPANY

22

Mari Petroleum Company Limited

Introduction

Dismantling of Mari GPA has given a new dimension to the Company's business perspective, which requires pursuing a more careful and meticulous business approach in the future. Several initiatives were accordingly undertaken to review the Company's business culture and its suitability to adapt to a free and competitive business environment. The review process revealed that the Company's management needed to adjust its focus on the strategic direction of the Company for clearly outlining the business strategies to achieve its new corporate vision.

To meet this objective, a formal Strategic Business Plan of the Company has been launched. The planning process adopted for formulating the corporate plan was carefully chosen to keep it participative, consultative and result oriented.

Focus Areas

The Plan envisages MPCL to develop sharper focus on its core business and to consolidate its position after dismantling of GPA. The Company shall keep pursuing exploration-led growth strategy and to optimize production from its fields especially from Mari D&P Lease. The Plan will serve as a blueprint of Company's activities for the next three years (2015-18) and would be operationalized through successive annual Corporate Objectives and Targets (COTs). To ensure balanced growth of the Company, the following 4 strategic areas shall be focused while setting the Company's COTs:

1. Core Business/E&P
2. Financial Growth
3. Internal Processes
4. Stakeholders Expectations

Core Business/E&P: The focus in this area will be on reserves enhancement, increase in production and acquisition of new exploration acreage/blocks.

Financial: The focus in this area will be on increasing return to the shareholders, increasing revenues through production enhancement, cost cutting/budgetary control measures, and achieving financial self-sufficiency for Mari Services Division.

Internal Processes: The focus will be on re-engineering of business processes, use of modern technology and innovative techniques to bring-in efficiency in the Company's operational activities.

Stakeholders: The focus in this area will be on meeting the expectations of the Company's stakeholders including shareholders, JV partners, customers, employees and more importantly the local communities in areas of the Company's operations.

Management Control System

In order to avoid delays or slippages from the targets, a systematic way of monitoring progress on each COT against its timeline and its reporting to senior management has been developed. Quarterly review meetings will be held to make adjustments or alterations in course of actions to achieve the targets within specified time. Besides monitoring corporate performance under each COT, a set of Key Performance Indicators (KPIs) covering a larger spectrum of performance index, has also been developed to study the overall performance of the Company. These widely used "look-behind" performance indicators will be calculated bi-annually to observe the overall operating performance of the Company.

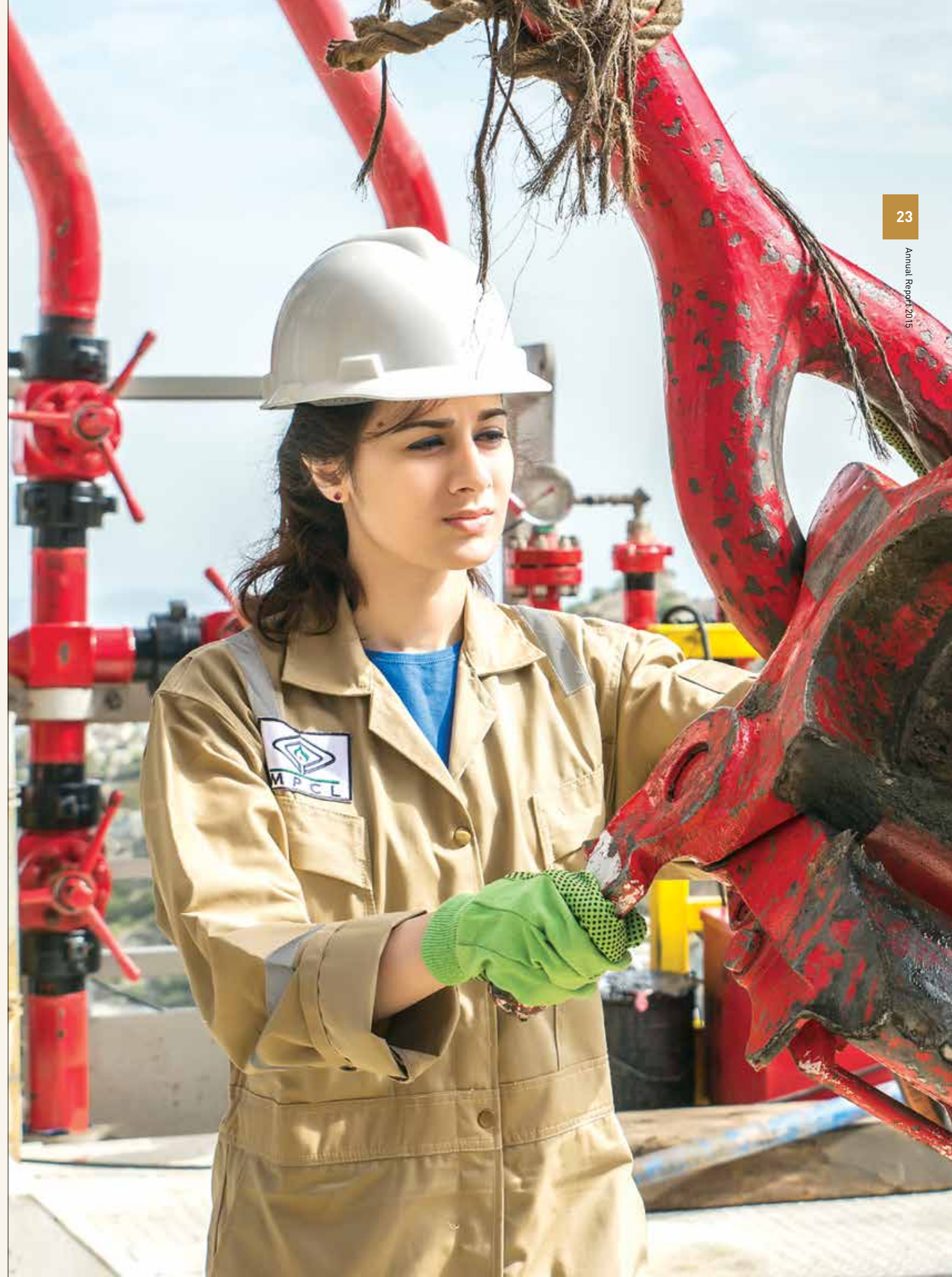
Key Performance Indicators:

- Finding and Development Cost per BOE of New Reserves Added
- Reserves Replacement Rate (%)
- Exploration Success Rate
- Drilling Cost per Meter
- Production Cost per BOE Produced
- Production Growth (%)
- EBITDA per BOE Production
- EBITDA per employee
- Petro-Technical Professionals per MMBOE Production
- Reserve Growth Rate (%)
- Reserve to Production Rate

Due to changing business environment, the Plan will be monitored & reviewed continuously to keep it relevant, dynamic and capable of channelizing the corporate resources towards achievement of corporate goals.

23

Annual Report 2015



RISKS AND OPPORTUNITIES REPORT

Being an E&P company, MPCL's operations are subject to significant risk factors that can materially affect its operations, earnings, cash flows and overall performance. Hence the Management strives to take all the measures necessary to mitigate and manage the risks while at the same time avail all the opportunities for growth as and when they occur. A summary of major risks and opportunities is presented below:

RISKS/THREATS/CHALLENGES

Strategic

- After dismantling of Mari GPA, successful transition from a Company operating on cost-plus basis into a Company operating on market oriented terms will remain a huge challenge. Rigid mindset and resistance to change will pose serious threats to the desired transition.

Commercial/Market

- As a result of dismantling of Mari GPA, the Company's revenues have now been directly linked with international crude oil price. Decline in the price of crude oil will cause a decline in the Company's revenues and consequential reduction in profitability. It will be challenging to remain competitive to survive and grow in depressed crude oil price scenario.
- The price of gas and oil is US Dollar denominated, changes in exchange rate of Pakistani Rupee against the US Dollar can affect the Company's revenues and profitability.

Operational/Regulatory/Natural

- Adverse changes in or interpretation of applicable laws and regulations can adversely affect the Company's operations. Uncertainties exist regarding role of Provinces in regulating E&P activities after 18th Constitutional Amendment and resulting devolution of certain powers to the Provinces.
- Uphill challenges in expanding reserves or finding replacement reserves due to inherent uncertainties of E&P business.
- Actual future production of oil and gas may not be in line with current forecasts affecting both profitability and the Company's ability to meet its commitments for supply of oil and gas.
- Uncertain security situation at places where the Company operates or holds working interests can adversely affect the Company's operations and exploration efforts.

- E&P is a knowledge driven industry. Competition for knowledgeable and skilled workforce is intense. Risk of key technical persons leaving the Company is high due to higher demand for such persons. Ability to attract or retain key talent will remain a challenge.
- Natural disasters and extreme weather conditions such as rains and floods witnessed recently not only seriously impact the ongoing operations, these also threaten the safety and security of personnel, equipment, and installations.

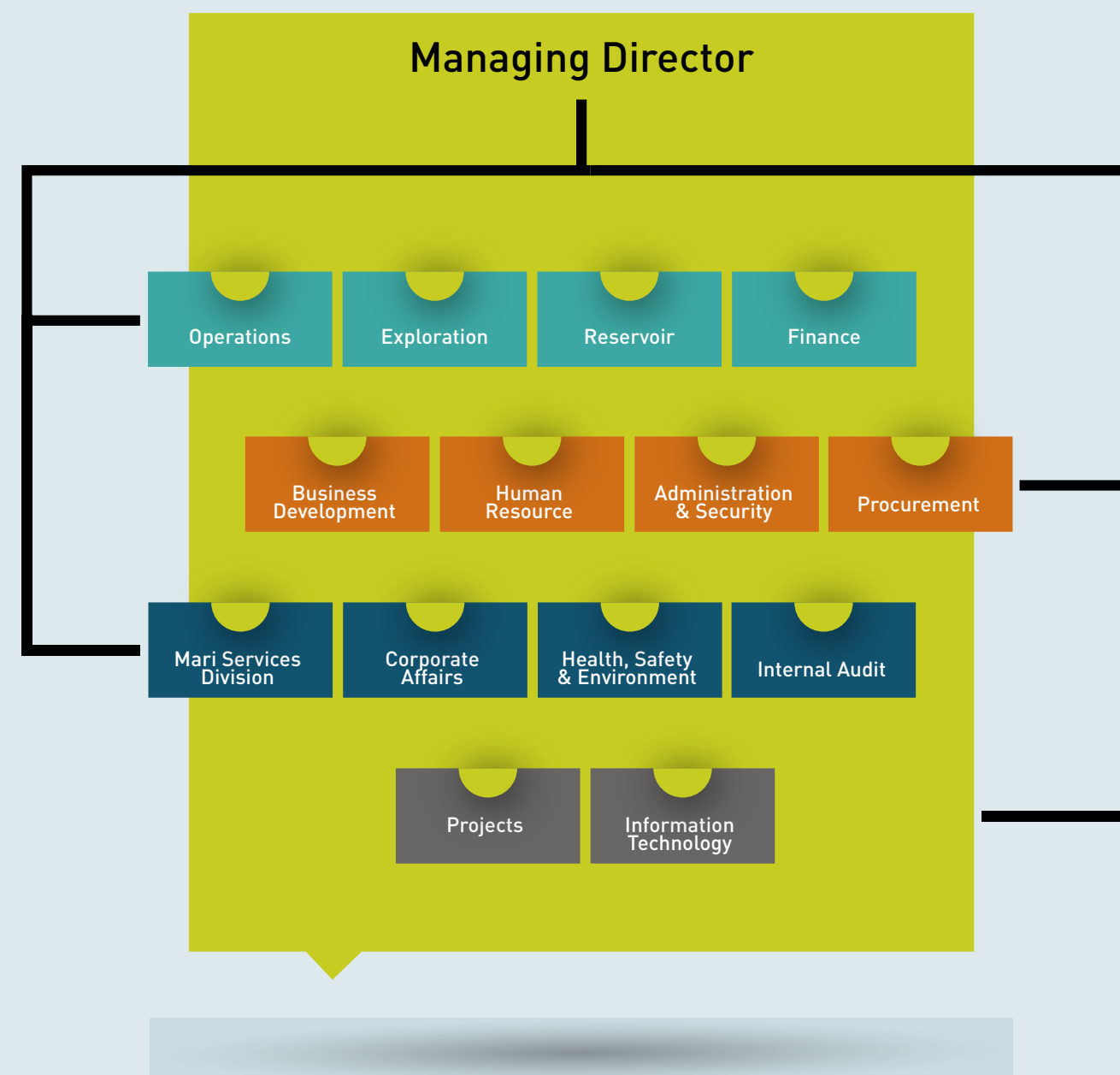
Financial

- Cost of failed exploration projects and production failures will now have to be borne by the Company.
- Any delay/default in settlement of Company's dues by its customers due to prevailing circular debt issue may negatively impact the Company's liquidity situation.

OPPORTUNITIES

- Identification of new prospective areas and farm-in opportunities in prospective blocks offered by other E&P companies.
- Development of unconventional assets (tight and shale oil & gas).
- E&P Allied Services (seismic data acquisition, processing and interpretation; drilling services through Mari Services Division).
- Vertical and horizontal diversification through partnership with existing and potential customers for entry into those businesses where MPCL's output is used as raw material (fertilizer, power generation, refinery etc.).
- Investment in blocks where other E&P companies are reluctant to participate due to security situation.
- The Company may go for production enhancement to avail gas price incentive on incremental production offered in 2012 Petroleum Policy to the existing D&P Lease owners on their production enhancement initiatives.
- Exploration is increasingly becoming more challenging as the prospective places are exhausted. In this scenario, taking advantage of breakthroughs in knowledge and technology will offer breakthrough opportunities.

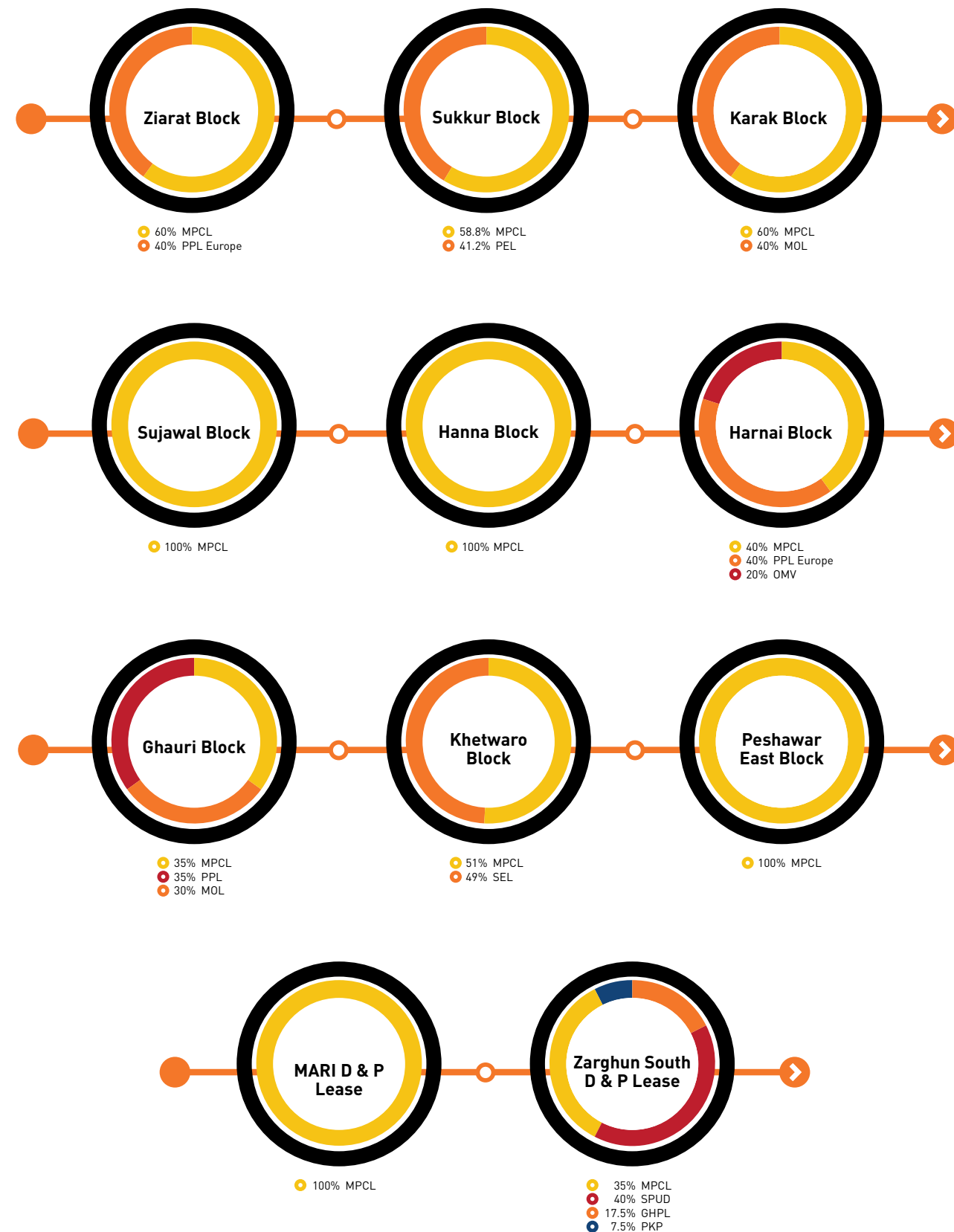
ORGANOGRAM



MPCL's OPERATED BLOCKS AND DEVELOPMENT & PRODUCTION LEASES

26

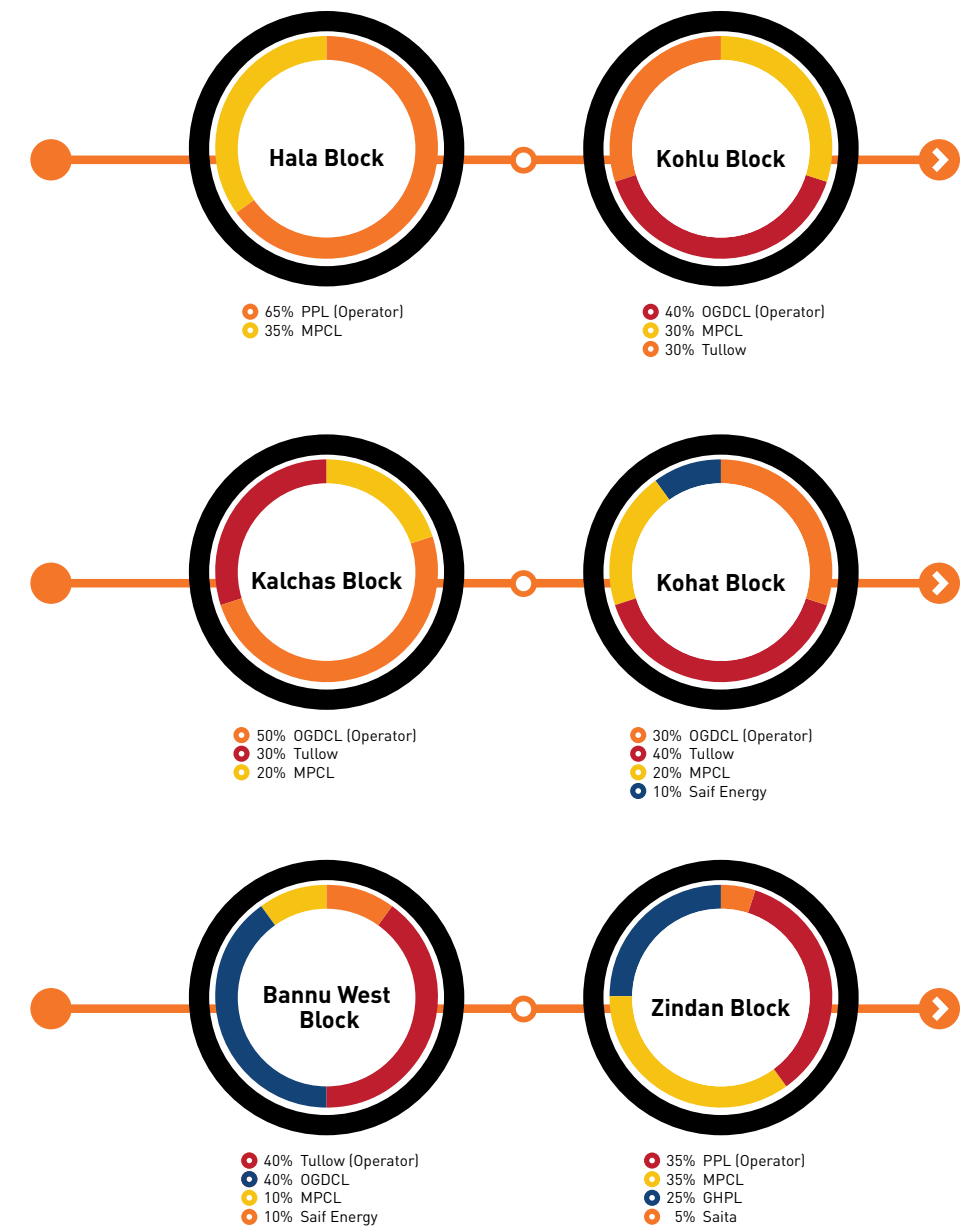
Mari Petroleum Company Limited



MPCL's NON-OPERATED BLOCKS

27

Annual Report 2015



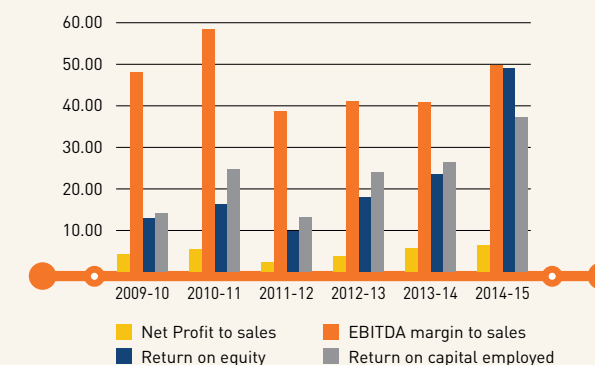
PERFORMANCE INDICATORS

28

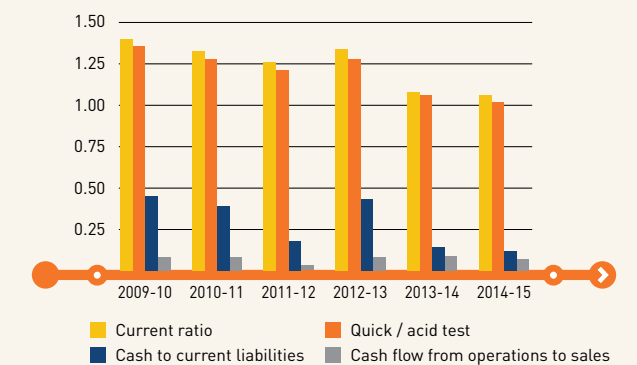
Mari Petroleum Company Limited

		2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
PROFITABILITY RATIOS							
Operating profit	%	8.87	6.62	6.09	3.64	8.85	4.75
Net profit to sales	%	6.40	5.60	3.83	2.35	5.49	4.16
EBITDA margin to sales	%	49.75	40.97	41.13	38.68	59.49	48.17
Return on equity	%	49.15	23.44	17.86	9.72	16.17	12.90
Return on capital employed	%	37.37	26.43	24.11	13.08	24.67	14.18
LIQUIDITY RATIOS							
Current ratio	Times	1.06	1.08	1.34	1.26	1.33	1.40
Quick / acid test	Times	1.02	1.06	1.28	1.21	1.28	1.36
Cash to current liabilities	Times	0.12	0.14	0.43	0.18	0.39	0.45
Cash flow from operations to sales	Times	0.07	0.09	0.08	0.03	0.08	0.08
ACTIVITY / TURNOVER RATIOS							
Debtor turnover	Times	2.78	3.27	4.60	4.07	4.55	4.29
No. of days in receivables	Days	131	111	79	90	80	85
Total assets turnover	Times	1.34	1.18	1.85	1.42	1.24	1.31
Fixed assets turnover	Times	4.13	4.17	5.22	3.94	2.57	2.74
INVESTMENT / MARKET RATIOS							
Earnings per share (EPS)							
- basic and diluted	Rupees	51.25	35.77	26.35	12.14	18.78	16.14
Distributable earnings per share	Rupees	4.82	5.25	5.51	4.94	4.14	4.58
Price earnings - on the basis of earnings per share	Times	9.14	10.44	5.18	7.73	5.72	8.02
Price earnings - on the basis of distributable earnings per share	Times	97.22	71.13	24.79	18.99	25.93	28.25
Dividend yield	%	0.79	1.01	2.72	3.59	3.11	2.40
Dividend payout	%	77.18	72.00	67.33	68.22	80.68	67.69
Dividend cover - on the basis of earnings per share	Times	13.78	9.46	7.10	3.60	5.62	5.21
Dividend cover - on the basis of distributable earnings per share	Times	1.30	1.39	1.49	1.47	1.24	1.48
Dividends	Rs in million	410.24	347.66	340.49	309.44	245.71	227.85
Cash dividend per share	Rupees	3.72	3.78	3.71	3.37	3.34	3.10
Stock dividend per share	%	20	-	-	25	-	100
Market value per share							
year end	Rupees	468.60	373.43	136.57	93.81	107.37	129.38
highest during the year	Rupees	764.32	391.40	163.99	119.04	138.44	328.77
lowest during the year	Rupees	351.14	136.97	90.06	81.00	99.87	121.32
Breakup value per share	Rupees	104.27	183.10	147.56	124.91	145.18	125.05
CAPITAL STRUCTURE RATIOS							
Debt to equity	%	44.69 : 55.31	1.94 : 98.06	10.22 : 89.78	7.62 : 92.38	10.86 : 89.14	15.76 : 84.24
Interest cover	Times	6.39	29.03	23.83	7.30	12.10	7.88

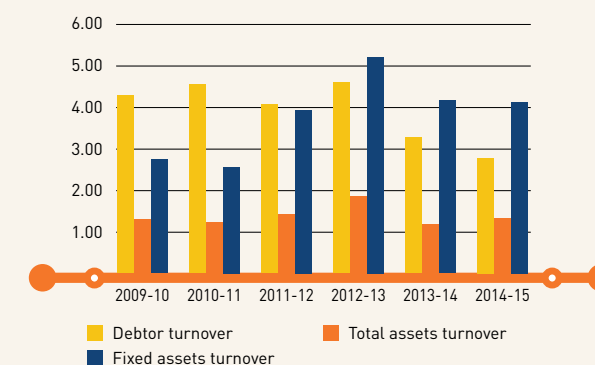
Profitability Ratios
(Percentage)



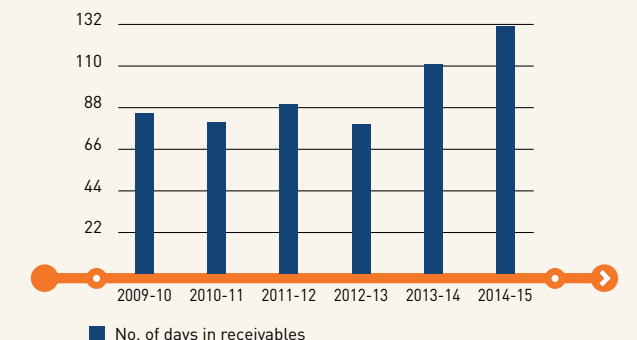
Liquidity Ratios
(Times)



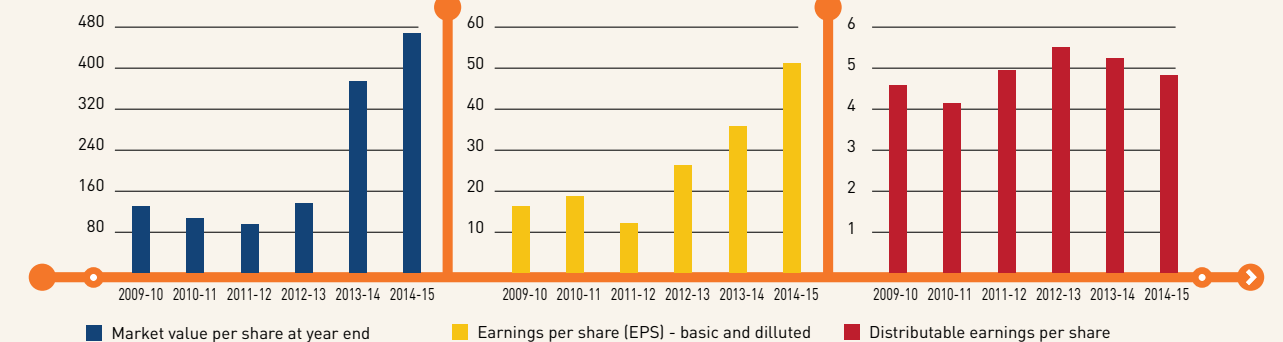
Activity / Turnover Ratios
(Times)



(Days)



Investment / Market Ratios
(Rupees)



Analysis

In 2014-15, increase in net sales and other income resulted in increase in profitability ratios. Liquidity ratios in 2014-15 are lower compared to last year due to decrease in cash and bank balances mainly attributable to repayment of long term financing.

29

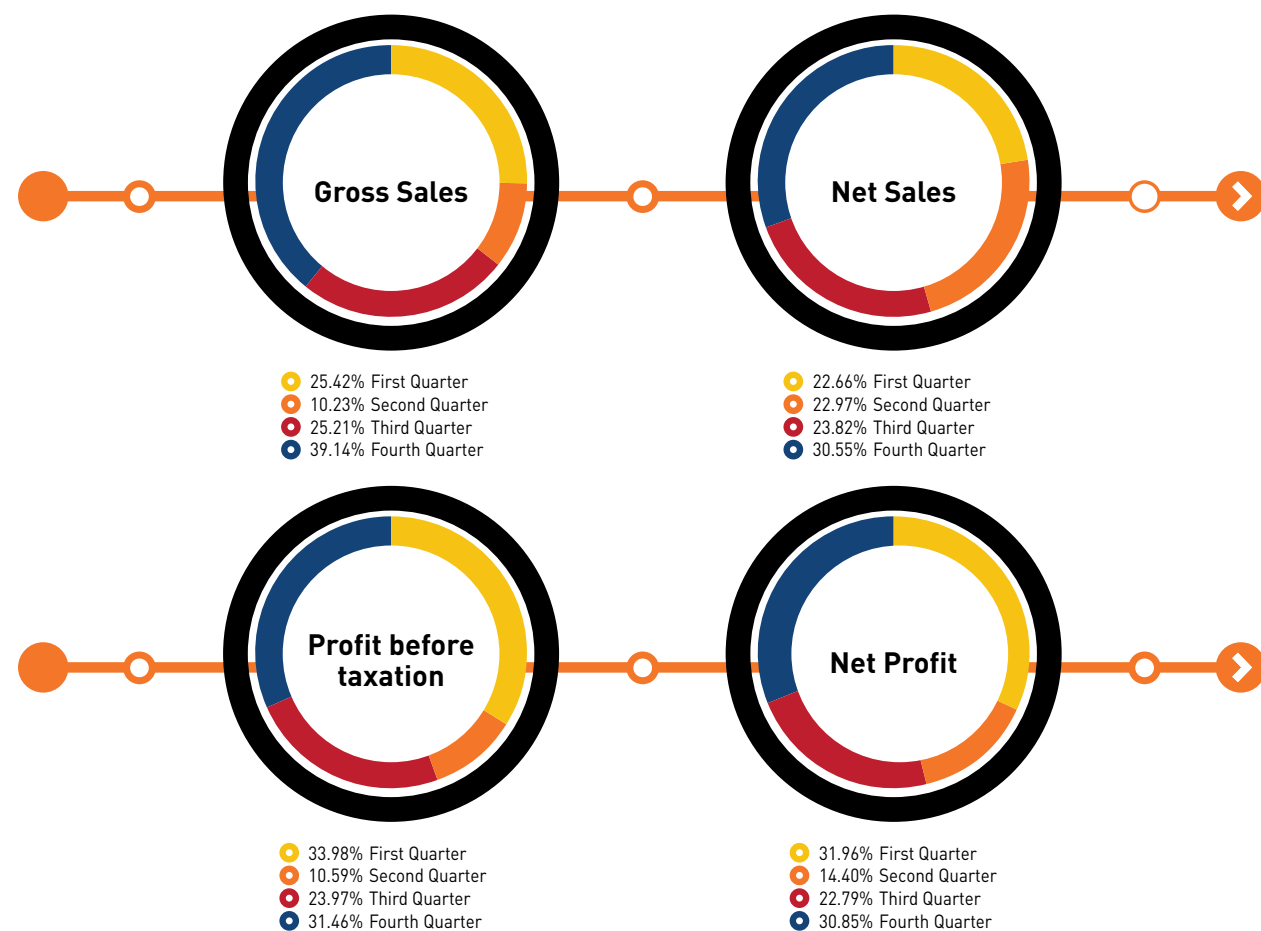
Annual Report 2015

VARIATION IN RESULTS OF INTERIM REPORTS WITH THE FINAL ACCOUNTS

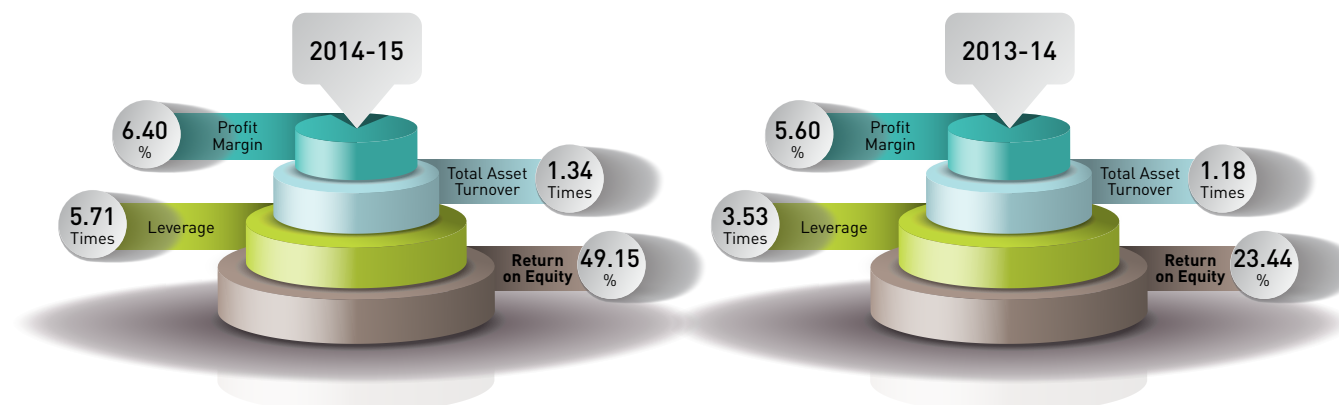
	First Quarter ended Sep 30, 2014	Second Quarter ended Dec 31, 2014	Third Quarter ended Mar 31, 2015	Fourth Quarter ended June 30, 2015	Total for the year June 30, 2015
(Rupees in thousand)					
Profit and Loss items					
Gross sales	22,432,078	9,024,552	22,242,026	34,540,881	88,239,537
Sales - net	4,391,434	4,451,070	4,614,418	5,919,099	19,376,021
Profit before taxation	2,226,300	693,988	1,570,609	2,060,975	6,551,872
Net profit	1,805,851	813,475	1,287,711	1,743,276	5,650,313

Analysis:

The decrease in gross sales in second quarter as compared to first quarter is mainly due to non-applicability of Gas Infrastructure Development Cess on sale invoices from October 2014 to December 2014 as a result of stay orders of Courts. The increase in gross sales in fourth quarter is due to retrospective application of GIDC through promulgation of GIDC Act 2015.



RETURN ON EQUITY (DUPONT ANALYSIS)



In the year 2014-15, Return on Equity (ROE) increased as compared to 2013-14 due to higher profit margins, higher asset efficiency and higher equity multiplier.

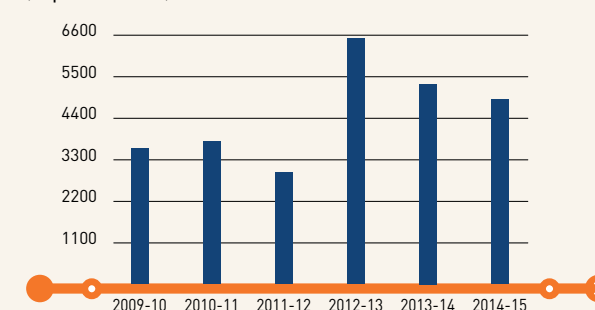
SUMMARY OF THE CASH FLOW STATEMENT

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
(Rupees in million)						
Cash flows from operating activities	6,609.010	6,096.578	5,374.004	1,241.985	2,527.117	2,302.035
Cash flows from investing activities	(5,393.894)	(5,918.203)	(2,421.167)	(1,193.764)	(1,527.651)	(871.767)
Cash flows from financing activities	(1,621.744)	(1,379.671)	604.906	(877.392)	(826.784)	482.399
Increase / (Decrease) in cash and cash equivalents	(406.628)	(1,201.296)	3,557.743	(829.171)	172.682	1,912.667
Cash and cash equivalents at beginning of year	5,307.263	6,508.559	2,950.816	3,779.987	3,607.305	1,694.638
Cash and cash equivalents at end of year	4,900.635	5,307.263	6,508.559	2,950.816	3,779.987	3,607.305

Analysis

During the year, an amount of Rs 6,609 million was generated from operating activities of the Company which was used mainly to undertake exploration activities, capital expenditures, payment of dividends to the shareholders, repayment of long term financing and finance cost to banks.

Cash and Cash Equivalents at end of year (Rupees in million)



Strategies to overcome liquidity problem

Even a short term liquidity problem can quickly result in serious problem for any company. MPCL does not foresee any liquidity problem in the year ahead. In order to avoid any liquidity problem, the Company bills its customers in a timely fashion and follows up any unpaid invoices as soon as they become past due. The Company is also in the process of arranging a standby running finance facility to help overcome liquidity problems, if any

Mari Petroleum Company Limited												32
(Rupees in thousand)												
	2015	15 vs 14 %age	2014	14 vs 13 %age	2013	13 vs 12 %age	2012	12 vs 11 %age	2011	11 vs 10 %age	2010	10 vs 09 %age
EQUITY AND LIABILITIES												
Share capital and reserves												
Issued, subscribed and paid up capital	1,102,500	20.00	918,750	-	918,750	-	918,750	25.00	735,000	-	735,000	100.00
General reserve	-	-	-	-	-	-	-	-	-	-	-	(100.00)
Undistributed percentage return reserve	395,331	(4.51)	414,014	(28.49)	578,994	37.84	420,048	(14.31)	490,220	34.60	364,205	(42.95)
Exploration, evaluation and development reserve	8,240,521	79.76	4,584,270	9.50	4,186,644	0.87	4,150,409	2.30	4,057,194	44.89	2,800,268	43.51
Capital redemption reserve fund	1,300,000	100.00	-	-	-	-	-	-	-	-	-	-
Reserve for Mari Seismic Unit	422,329	(63.46)	1,155,725	25.62	920,000	100.00	-	-	-	-	-	-
Profit and loss account	35,537	(99.64)	9,749,472	40.23	6,952,345	16.13	5,986,939	11.12	5,388,001	1.83	5,291,353	0.34
	11,496,218	(31.66)	16,822,231	24.09	13,556,733	18.13	11,476,146	7.55	10,670,415	16.10	9,190,826	11.64
Non current liabilities												
Redeemable preference shares - unsecured	9,290,001	100.00	-	-	-	-	-	-	-	-	-	-
Long term financing - secured	-	(100.00)	332,505	(78.45)	1,543,207	63.01	946,667	(27.18)	1,300,000	(24.42)	1,720,000	43.33
Deferred liabilities	5,468,973	16.00	4,714,598	23.48	3,818,180	(13.53)	4,415,608	20.44	3,666,342	41.79	2,585,710	35.49
Deferred income tax liability	-	-	-	-	-	-	-	-	-	(100.00)	165,321	100.00
	14,758,974	192.42	5,047,103	(5.86)	5,361,387	(0.02)	5,362,275	7.97	4,966,342	11.08	4,471,031	43.83
Current liabilities												
Trade and other payables	36,656,379	1.33	36,177,006	160.88	13,867,316	(13.06)	15,950,674	75.44	9,091,816	21.20	7,501,647	(10.10)
Current maturity of redeemable preference shares	1,300,000	100.00	-	-	-	-	-	-	-	-	-	-
Current maturity of long term financing	332,505	(75.89)	1,379,173	43.42	961,603	117.45	442,222	5.29	420,000	10.53	380,000	100.00
Profit accrued on redeemable preference shares	1,099,242	100.00	-	-	-	-	-	-	-	-	-	-
Interest accrued on long term financing	10,500	(72.01)	37,514	(10.76)	42,039	(25.29)	56,273	(28.06)	78,217	(10.87)	87,752	74.25
Provision for income tax	-	-	-	(100.00)	403,360	100.00	-	(100.00)	183,849	276.40	48,844	(93.18)
	39,398,626	4.80	37,593,693	146.12	15,274,318	(7.14)	16,449,169	68.30	9,773,882	21.90	8,018,243	(11.99)
	65,653,818	10.41	59,463,027	73.91	34,192,438	2.72	33,287,590	31.00	25,410,639	17.21	21,680,100	6.01
ASSETS												
Non current assets												
Property, plant and equipment	9,774,533	12.71	8,671,909	48.02	5,858,512	31.00	4,472,186	(6.58)	4,787,239	5.44	4,540,056	(6.97)
Development and production assets	2,187,715	(39.59)	3,621,571	74.72	2,072,821	(39.47)	3,424,616	0.95	3,392,447	10.29	3,075,836	16.01
Exploration and evaluation assets	9,399,602	105.04	4,584,270	9.50	4,186,644	0.87	4,150,409	2.30	4,057,194	44.89	2,800,268	43.51
Long term loans and advances	20,489	168.78	7,623	3.01	7,400	7.34	6,894	194.49	2,341	(17.86)	2,850	0.04
Long term deposits and prepayments	10,639	(41.97)	18,335	31.12	13,983	43.46	9,747	(11.51)	11,015	1.26	10,878	5.60
Deferred income tax asset	2,392,765	23.95	1,930,387	22.12	1,580,793	222.26	490,528	306.32	120,726	100.00	-	(100.00)
	23,785,743	26.29	18,834,095	37.27	13,720,153	9.29	12,554,380	1.48	12,370,962	18.61	10,429,888	(0.12)
Current assets												
Stores and spares	1,717,945	105.73	835,055	1.76	820,648	1.70	806,905	66.40	484,906	67.06	290,262	41.10
Trade debts	32,355,308	3.82	31,165,789	162.37	11,878,669	(23.89)	15,606,293	102.50	7,706,622	26.35	6,099,654	(15.15)
Loans and advances	1,755,283	2.66	1,709,860	99.78	855,871	(18.45)	1,049,463	11.69	939,599	(20.17)	1,176,947	35.87
Short term prepayments	122,341	119.03	55,857	(16.47)	66,871	131.84	28,844	(40.50)	48,474	76.59	27,450	(3.69)
Interest accrued	1,922	(67.00)	5,824	(79.74)	28,750	67.00	17,216	161.60	6,581	(85.26)	44,634	196.83
Other receivables	3,282	(99.64)	913,739	192.01	312,917	293.82	79,457	8.09	73,508	1,756.26	3,960	(60.61)
Income tax paid in advance	1,011,359	59.13	635,545	100.00	-	(100.00)	194,216	100.00	-	-	-	-
Cash and bank balances	4,900,635	(7.66)	5,307,263	(18.46)	6,508,559	120.57	2,950,816	(21.94)	3,779,987	4.79	3,607,305	112.87
	41,868,075	3.05	40,628,932	98.46	20,472,285	(1.26)	20,733,210	59.00	13,039,677	15.91	11,250,212	12.40
	65,653,818	10.41	59,463,027	73.91	34,192,438	2.72	33,287,590	31.00	25,410,639	17.21	21,680,100	6.01

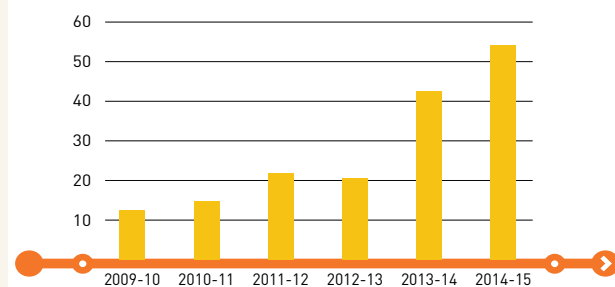
[Rupees in thousand]												
	2015	15 vs 14 %age	2014	14 vs 13 %age	2013	13 vs 12 %age	2012	12 vs 11 %age	2011	11 vs 10 %age	2010	10 vs 09 %age
Gross sales to customers	88,239,537	25.24	70,454,050	11.35	63,269,794	33.41	47,425,041	51.02	31,402,132	10.22	28,490,653	7.38
Gas development surcharge	18,017,729	[9.73]	19,959,539	[6.06]	21,246,005	[7.39]	22,940,839	29.47	17,719,495	0.05	17,710,340	8.90
General sales tax	12,370,744	24.29	9,952,761	17.51	8,469,429	33.20	6,358,537	43.21	4,440,084	14.14	3,889,878	6.30
Excise duty	1,630,044	5.31	1,547,845	3.47	1,495,971	1.43	1,474,944	8.30	1,361,913	102.80	671,554	5.68
Gas infrastructure development cess	36,050,495	51.90	23,733,661	31.58	18,037,931	127.25	7,937,394	100.00	-	-	-	-
Wind fall levy	794,504	53.91	516,224	1.56	508,291	51.50	335,497	26.05	266,165	733.15	31,947	-
Surplus / (deficit) under the Gas Price Agreement	-	[100.00]	[133,949]	[107.72]	1,734,400	111.02	821,915	69.05	486,205	[48.65]	946,817	412.05
Sales - net	68,863,516	23.91	55,576,081	7.93	51,492,027	29.15	39,869,126	64.25	24,273,862	4.40	23,250,536	12.09
Royalty	19,376,021	30.23	14,877,969	26.32	11,777,767	55.87	7,555,915	6.00	7,128,270	36.03	5,240,117	[9.48]
	2,519,026	31.06	1,922,086	25.51	1,531,378	58.10	968,604	9.15	887,402	34.34	660,553	[8.72]
	16,856,995	30.11	12,955,883	26.44	10,246,389	55.55	6,587,311	5.55	6,240,868	36.28	4,579,564	[9.59]
Operating expenses	5,396,190	23.34	4,375,198	[3.12]	4,516,086	30.69	3,455,644	15.31	2,996,889	24.39	2,409,175	38.00
Exploration and prospecting expenditure	3,194,383	2.51	3,116,299	24.85	2,496,075	52.26	1,639,378	332.75	378,828	[49.13]	744,677	[3.77]
Other charges	498,725	54.61	322,563	[2.49]	330,809	169.27	122,856	[43.17]	216,186	121.04	97,804	[39.84]
	9,089,298	16.32	7,814,060	6.42	7,342,970	40.73	5,217,878	45.27	3,591,903	10.46	3,251,656	21.23
Other income / (expenses)	7,767,697	51.07	5,141,823	77.10	2,903,419	112.02	1,369,433	[48.30]	2,648,965	99.48	1,327,908	[44.28]
	55,028	[111.54]	[476,755]	[150.08]	951,976	167.14	356,363	175.25	129,467	384.86	26,702	791.55
Operating profit	7,822,725	67.69	4,665,068	21.00	3,855,395	123.40	1,725,796	[37.89]	2,778,432	105.11	1,354,610	[43.23]
Finance income	517,239	[12.87]	593,674	128.79	259,484	[41.94]	446,931	[30.84]	646,219	39.87	462,017	40.21
Finance cost	1,788,092	102.94	881,105	40.66	626,388	[18.68]	770,232	7.61	715,756	53.75	465,539	45.00
Profit before taxation	6,551,872	49.67	4,377,637	25.49	3,488,491	148.73	1,402,495	[48.23]	2,708,895	100.50	1,351,088	[43.58]
Provision for taxation	901,559	107.57	434,334	[59.31]	1,067,415	271.50	287,329	[70.79]	983,595	495.63	165,134	[31.99]
Profit for the year	5,650,313	43.29	3,943,303	62.87	2,421,076	117.10	1,115,166	[35.36]	1,725,300	45.48	1,185,954	[44.89]

Analysis
Increase in net sales and other income were the major reasons for increase in profitability in 2014-15 as compared to 2013-14. This was partially offset with increase in operating expenses, royalty, other charges and finance cost.

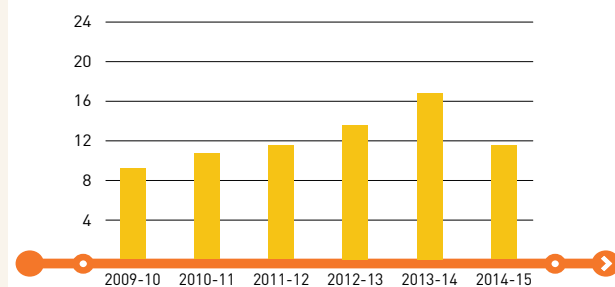
	2015	% age	2014	% age	2013	% age	2012	% age	2011	% age	2010	% age
Gross sales to customers	88,239,537	100.00	70,454,050	100.00	63,269,794	100.00	47,425,041	100.00	31,402,132	100.00	28,490,653	100.00
Gas development surcharge	18,017,729	20.42	19,959,539	28.33	21,246,005	33.58	22,940,839	48.37	17,719,495	56.43	17,710,340	62.16
General sales tax	12,370,744	14.02	9,952,761	14.13	8,469,429	13.39	6,358,537	13.41	4,440,084	14.14	3,889,878	13.65
Excise duty	1,630,044	1.85	1,547,845	2.20	1,495,971	2.36	1,474,944	3.11	1,361,913	4.34	671,554	2.36
Gas infrastructure development cess	36,050,495	40.86	23,733,661	33.69	18,037,931	28.51	7,937,394	16.74	-	-	-	-
Wind fall levy	794,504	0.90	516,224	0.73	508,291	0.80	335,497	0.71	266,165	0.85	31,947	0.11
Surplus / (deficit) under the Gas Price Agreement	-	-	[133,949]	[0.19]	1,734,400	2.74	821,915	1.73	486,205	1.55	946,817	3.32
Sales - net	68,863,516	78.04	55,576,081	78.88	51,492,027	81.38	39,869,126	84.07	24,273,862	77.30	23,250,536	81.61
Royalty	19,376,021	21.96	14,877,969	21.12	11,777,767	18.62	7,555,915	15.93	7,128,270	22.70	5,240,117	18.39
	2,519,026	2.85	1,922,086	2.73	1,531,378	2.42	968,604	2.04	887,402	2.83	660,553	2.32
	16,856,995	19.10	12,955,883	18.39	10,246,389	16.19	6,587,311	13.89	6,240,868	19.87	4,579,564	16.07
Operating expenses	5,396,190	6.12	4,375,198	6.21	4,516,086	7.14	3,455,644	7.29	2,996,889	9.54	2,409,175	8.46
Exploration and prospecting expenditure	3,194,383	3.62	3,116,299	4.42	2,496,075	3.95	1,639,378	3.46	378,828	1.21	744,677	2.61
Other charges	498,725	0.57	322,563	0.46	330,809	0.52	122,856	0.26	216,186	0.69	97,804	0.34
	9,089,298	10.30	7,814,060	11.09	7,342,970	11.61	5,217,878	11.00	3,591,903	11.44	3,251,656	11.41
Other income / (expenses)	7,767,697	8.80	5,141,823	7.30	2,903,419	4.59	1,369,433	2.89	2,648,965	8.44	1,327,908	4.66
	55,028	0.06	[476,755]	[0.68]	951,976	1.50	356,363	0.75	129,467	0.41	26,702	0.09
Operating profit	7,822,725	8.87	4,665,068	6.62	3,855,395	6.09	1,725,796	3.64	2,778,432	8.85	1,354,610	4.75
Finance income	517,239	0.59	593,674	0.84	259,484	0.41	446,931	0.94	646,219	2.06	462,017	1.62
Finance cost	1,788,092	2.03	881,105	1.25	626,388	0.99	770,232	1.62	715,756	2.28	465,539	1.63
Profit before taxation	6,551,872	7.43	4,377,637	6.21	3,488,491	5.51	1,402,495	2.96	2,708,895	8.63	1,351,088	4.74
Provision for taxation	901,559	1.02	434,334	0.62	1,067,415	1.69	287,329	0.61	983,595	3.13	165,134	0.58
Profit for the year	5,650,313	6.40	3,943,303	5.60	2,421,076	3.83	1,115,166	2.35	1,725,300	5.49	1,185,954	4.16

GRAPHICAL PRESENTATION OF HORIZONTAL ANALYSIS

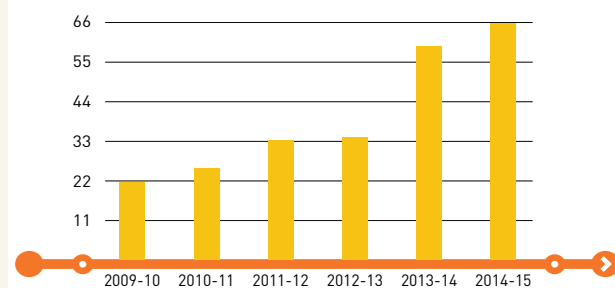
Total Liabilities
(Rs in billion)



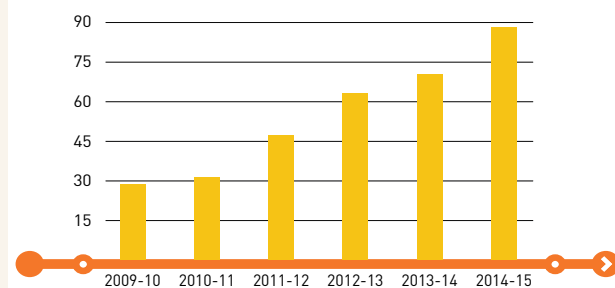
Share Capital and Reserves
(Rs in billion)



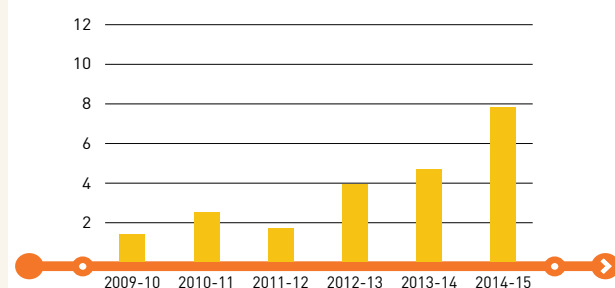
Total Assets
(Rs in billion)



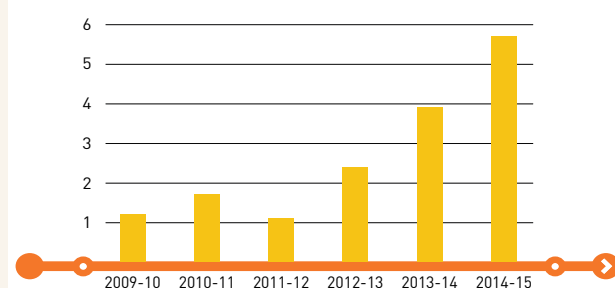
Gross Sales
(Rs in billion)



Operating profit
(Rs in billion)

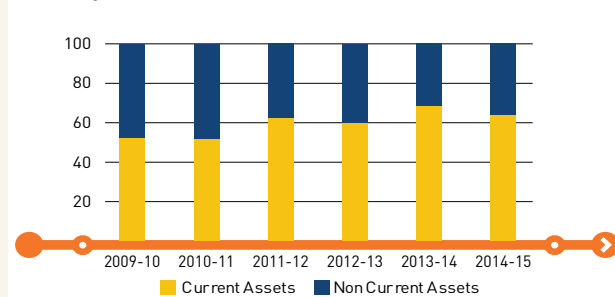


Net profit
(Rs in billion)

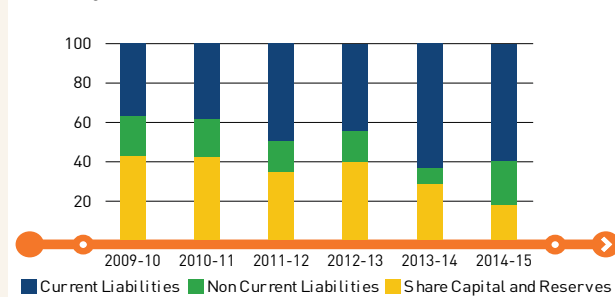


GRAPHICAL PRESENTATION OF VERTICAL ANALYSIS

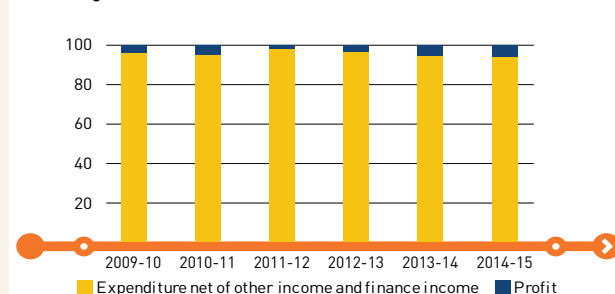
Composition of Assets
(Percentage)



Composition of Equity and Liabilities
(Percentage)



Composition of Profit and Loss Account
(Percentage)



TEN YEARS AT A GLANCE

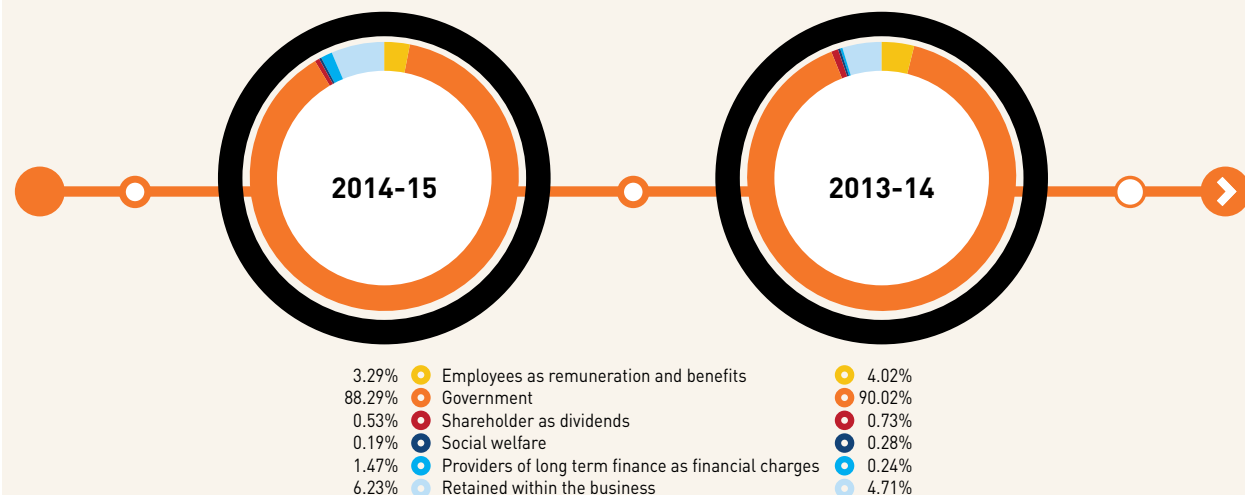


(Rupees in million)

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
FINANCIAL										
Revenue	88,811.80	70,570.97	65,128.56	48,228.33	32,177.82	28,979.37	26,864.38	21,943.97	22,647.80	20,018.14
Government levies:										
Income tax, other charges, royalty,										
excise duty, general sales tax, gas										
development surcharge, gas										
infrastructure development cess										
and windfall / petroleum levy	73,242.31	58,599.39	55,511.89	41,617.72	26,647.09	23,061.72	22,117.41	17,993.02	20,023.99	17,771.56
Sales - net	19,376.02	14,877.97	11,777.77	7,555.92	7,128.27	6,423.01	5,789.20	6,697.20	3,677.11	2,811.71
Operating profit	7,822.73	4,665.07	3,198.70	1,725.80	2,778.43	2,460.75	2,545.84	4,112.10	1,237.48	344.09
Profit before taxation	6,551.87	4,377.64	3,488.49	1,402.50	2,708.90	2,341.47	2,394.73	3,960.31	1,382.14	602.64
Profit for the year	5,650.31	3,943.30	2,421.08	1,115.17	1,725.30	1,185.95	2,151.92	2,560.41	683.89	189.25
Issued, subscribed and paid up capital	1,102.50	918.75	918.75	918.75	735.00	735.00	367.50	367.50	367.50	367.50
Reserves	10,393.72	15,903.48	12,637.98	10,557.40	9,935.42	8,455.83	7,865.22	5,381.53	3,390.12	2,315.15
Property, plant and equipment - at cost	14,857.61	12,798.64	9,426.47	7,560.05	7,417.33	6,699.57	6,626.01	4,861.36	2,881.92	3,395.29
Net current assets	2,469.45	3,035.24	5,197.97	4,284.04	3,265.80	3,231.97	898.45	861.62	942.62	805.72
Long term liabilities including deferred liabilities	14,758.97	5,047.10	5,361.39	5,362.28	4,966.34	4,471.03	3,108.47	2,143.80	1,361.60	1,528.39
NATURAL GAS										
Development and production leases										
(sq. kilometers)	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5
Ultimate recovery of proved reserves (BSCF)										
- Habib Rahi (Mari Field)	6,988.0	6,988.0	6,988.0	6,988.0	6,988.0	6,988.0	6,988.0	6,800.0	6,800.0	6,800.0
Cumulative production (BSCF)	4,869.4	4,644.6	4,427.3	4,216.1	4,009.7	3,821.9	3,642.2	3,472.5	3,301.1	3,128.6
Number of producing wells	119	118	114	107	99	98	89	88	86	84
Production (BSCF)	224.7	217.3	211.2	206.5	187.8	179.7	169.7	171.4	172.5	171.0
Daily average (BSCF)	0.616	0.595	0.579	0.564	0.515	0.492	0.465	0.468	0.473	0.469
OIL										
Production (barrels)	414,433	175,312	192,259	124,279	130,093	62,212	41,510	-	-	-
LPG										
Production (metric ton)	362	263	477	2,062	5,031	1,231	-	-	-	-

STATEMENT OF VALUE ADDITION

	Year 2014-15		Year 2013-14	
	(Rs in million)	% age	(Rs in million)	% age
Gross sales to customers	88,239.54	106.85%	70,454.05	109.27%
Less: Operating and exploration expenses	(5,713.59)	(6.92%)	(4,715.84)	(7.31%)
	82,525.94	99.93%	65,738.21	101.96%
Add: Other income and finance income	627.19	0.76%	116.92	0.18%
Less: Other expenses	(572.44)	(0.69%)	(1,380.73)	(2.14%)
Total value added	82,580.69	100.00%	64,474.40	100.00%
DISTRIBUTED AS FOLLOWS:				
Employees as remuneration and benefits	2,716.07	3.29%	2,595.58	4.02%
Government as:				
Levies	68,863.52	83.39%	55,576.08	86.20%
Royalty	2,519.03	3.05%	1,922.09	2.98%
Other charges	498.73	0.60%	322.56	0.50%
Company taxation	932.57	1.13%	108.70	0.17%
Dividends	97.72	0.12%	106.46	0.17%
	72,911.55	88.29%	58,035.88	90.02%
Shareholder as dividends	433.65	0.53%	472.42	0.73%
Social welfare	160.91	0.19%	180.08	0.28%
Providers of long term finance as financial charges	1,215.64	1.47%	156.16	0.24%
Retained within the business	5,142.86	6.23%	3,034.27	4.71%
	82,580.69	100.00%	64,474.40	100.00%



STATEMENT OF CHARITY ACCOUNT

(Rupees in thousand)

Description	2014-15
Health care	88,858
Education	25,158
Social Welfare	41,666
National Cause	5,229
	160,911

PATTERN OF SHAREHOLDING

as at June 30, 2015

No. of Shareholders	Shareholding		Total shares held
1,124	1	TO	100
1,170	101	TO	500
655	501	TO	1,000
813	1,001	TO	5,000
125	5,001	TO	10,000
53	10,001	TO	15,000
16	15,001	TO	20,000
8	20,001	TO	25,000
9	25,001	TO	30,000
9	30,001	TO	35,000
9	35,001	TO	40,000
2	40,001	TO	45,000
5	45,001	TO	50,000
4	50,001	TO	55,000
2	65,001	TO	70,000
3	70,001	TO	75,000
1	100,001	TO	105,000
2	115,001	TO	120,000
1	125,001	TO	130,000
2	130,001	TO	135,000
2	145,001	TO	150,000
1	170,001	TO	175,000
1	200,001	TO	205,000
1	215,001	TO	220,000
1	260,001	TO	265,000
1	275,001	TO	280,000
1	315,001	TO	320,000
1	330,001	TO	335,000
1	380,001	TO	385,000
1	525,001	TO	530,000
1	900,001	TO	905,000
1	1,265,001	TO	1,270,000
1	1,765,001	TO	1,770,000
1	1,800,001	TO	2,000,000
1	3,645,001	TO	3,650,000
1	4,170,001	TO	4,300,000
1	20,270,001	TO	20,275,000
1	22,050,000	TO	22,051,000
1	44,100,000	TO	44,200,000
4,033			110,250,000

PATTERN OF SHAREHOLDING
as at June 30, 2015

Categories of Shareholders

Categories of Shareholders	Numbers	Shares held	Pending Shares ***	Total Shares	%age
Associated Companies, Undertakings and Related Parties					
- Fauji Foundation	1	43,732,500	367,500	44,100,000	40.00
- Oil & Gas Development Company Limited	1	21,866,250	183,750	22,050,000	20.00
Mutual Funds					
- CDC - Trustee AKD Index Tracker Fund	1	4,681	43	4,724	0.00
- CDC - Trustee Al Meezan Mutual Fund	1	148,300	1,400	149,700	0.14
- CDC - Trustee Faysal Asset Allocation Fund	1	46,600	-	46,600	0.04
- CDC - Trustee Faysal Balanced Growth Fund	1	23,500	-	23,500	0.02
- CDC - Trustee First Habib Stock Fund	1	12,900	-	12,900	0.01
- CDC - Trustee HBL IPF Equity Sub Fund	1	2,660	140	2,800	0.00
- CDC - Trustee KSE Meezan Index Fund	1	31,864	329	32,193	0.03
- CDC - Trustee Lakson Equity Fund	1	49,250	-	49,250	0.04
- CDC - Trustee MCB Pakistan Stock Market Fund	1	316,850	-	316,850	0.29
- CDC - Trustee Meezan Balanced Fund	1	7,700	300	8,000	0.01
- CDC - Trustee Meezan Islamic Fund	1	1,797,331	8,999	1,806,330	1.64
- CDC - Trustee NAFA Islamic Stock Fund	1	4,000	-	4,000	0.00
- CDC - Trustee National Investment (Unit) Trust	1	4,170,736	38,238	4,208,974	3.82
- CDC - Trustee NIT - Equity Market Opportunity Fund	1	529,002	4,887	533,889	0.48
- CDC - Trustee PIML Islamic Equity Fund	1	15	35	50	0.00
- CDC - Trustee PIML Strategic Multi Asset Fund	1	-	25	25	0.00
- CDC - Trustee First Capital Mutual Fund	1	-	77	77	0.00
- CDC - Trustee First Crosby Dragon Fund	1	-	20	20	0.00
- CDC - Trustee First Habib Islamic Balanced Fund	1	5,000	-	5,000	0.00
- MC FSL - Trustee JS KSE-30 Index Fund	1	837	-	837	0.00
- CDC - Trustee Alfalah GHP Value Fund	1	-	54	54	0.00
- CDC - Trustee Atlas Islamic Stock Fund	1	-	100	100	0.00
- CDC - Trustee Atlas Stock Market Fund	1	-	150	150	0.00
- CDC - Trustee JS KSE-30 Index Fund	1	-	7	7	0.00
- CDC - Trustee Lakson Equity Fund	1	-	1,010	1,010	0.00
Directors, Chief Executive Officer and their spouses and minor children					
- S.H. Mehdi Jamal - Director representing general public	1	600	-	600	0.00
Public Sector Companies and Corporations					
- Oil & Gas Development Company Limited	*				
Banks, Development Financial Institutions and Non-Banking Financial Institutions					
- National Development Finance Corp.	1	4,462	-	4,462	0.00
- Escorts Investment Bank Limited	1	299	-	299	0.00
- Faysal Bank Limited	1	10,150	-	10,150	0.01
- First Dawood Investment Bank Limited	1	3,100	-	3,100	0.00
- Meezan Bank Limited	1	277,600	-	277,600	0.25
- National Bank of Pakistan	1	3,650,871	-	3,650,871	3.31
- M/s Investment Corporation of Pakistan	1	3,332	-	3,332	0.00
- IDBL (ICP Unit) - CDC	1	4,998	-	4,998	0.00

Categories of Shareholders

Categories of Shareholders	Numbers	Shares held	Pending Shares ***	Total Shares	%age
Insurance & Takaful Companies					
- Asia Care Health & Life Insurance Co. Limited	1	1,000	-	1,000	0.00
- Century Insurance Company Limited	1	3,100	-	3,100	0.00
- Excel Insurance Co. Limited	1	40	-	40	0.00
- Habib Insurance Co. Limited	1	50	-	50	0.00
- Jubilee Life Insurance Company Limited	1	262,350	-	262,350	0.24
- Pak Qatar Individual Family Participant Invest Fund	1	1,800	-	1,800	0.00
- State Life Insurance Corp. of Pakistan	1	1,267,724	-	1,267,724	1.15
- Dawood Family Takaful Limited	1	4,381	-	4,381	0.00
Modarabas					
- Crescent Standard Modaraba	1	2,500	-	2,500	0.00
- B.R.R. Guardian Modaraba	1	20,980	-	20,980	0.02
- First Equity Modaraba	1	20,850	-	20,850	0.02
- First Habib Modaraba	1	1,190	-	1,190	0.00
- Trust Modaraba	1	5,000	-	5,000	0.00
Pension Funds					
- CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	127,150	1,300	128,450	0.12
- CDC - Trustee of Crescent Steel & Allied Products Ltd - Pension Fund	1	100	-	100	0.00
- CDC - Trustee National Bank of Pakistan Employes Pesnion Fund	1	383,279	-	383,279	0.35
- CDC - Trustee Pakistan Islamic Pension Fund - Equity Sub Fund	1	400	-	400	0.00
Shareholders holdings 5% or more voting interest	**				
General Public					
- Local Individuals	3,895	7,111,748	-	7,111,748	6.45
Others					
- Government of Pakistan	1	20,270,014	-	20,270,014	18.39
- Federal Board of Revenue	1	45,289	-	45,289	0.04
- Joint Stock Companies	57	242,279	-	242,279	0.22
- Leasing Companies	1	213	-	213	0.00
- Trusts and Provident Funds	13	2,168,728	-	2,168,728	1.97
- Other Executives	6	19,561	-	19,561	0.02
- Foreign Companies	5	972,022	-	972,022	0.88
- Others	1	4,500	-	4,500	0.00
	4,033	109,641,636	608,364	110,250,000	100.00
* Public Sector Companies and Corporations (separately included above)					
- Oil & Gas Development Company Limited		21,866,250	183,750	22,050,000	20.00
** Shareholders holdings 5% or more voting interest (separately included above)					
- Fauji Foundation		43,732,500	367,500	44,100,000	40.00
- Oil & Gas Development Company Limited		21,866,250	183,750	22,050,000	20.00
- Government of Pakistan		20,270,014	-	20,270,014	18.39
Shares held by sponsor shareholders					
- Fauji Foundation		43,732,500	367,500	44,100,000	40.00
- Oil & Gas Development Company Limited		21,866,250	183,750	22,050,000	20.00
- Government of Pakistan		20,270,014	-	20,270,014	18.39
Shares held by Directors and Executives					
- Directors		600	-	600	0.00
- Executives		19,561	-	19,561	0.02

*** Bonus Shares are withheld and have not been issued due to pending resolution of issue relating to deduction of withholding tax on issuance of bonus shares.

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, 2015.

REVISION IN MARI WELL HEAD GAS PRICING FORMULA

The previous gas price mechanism for Mari field was 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. Effective July 1, 2014, the Agreement has been replaced with revised Mari Wellhead Gas Price Agreement (2015) ("Revised Agreement") dated July 29, 2015 in line with the Economic Coordination Committee (ECC) decision explained below:

Effective July 1, 2014, the cost plus wellhead gas pricing formula is replaced with a crude

oil price linked formula which provides a discounted wellhead gas price to be gradually achieved in five years from July 1, 2014. Mari field wellhead gas price for the year has been determined in line with the revised formula as approved by ECC. The revised formula provides dividend distribution to be continued for next ten years in line with the previous cost plus formula. Accordingly, the shareholders are entitled to a minimum return of 30%, net of all taxes, on shareholders' funds which 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%. Any residual profits for the next ten years are to be reinvested for exploration and development activities in Mari as well as outside Mari field. Under the revised formula, the Government of Pakistan will no more provide exploration funds to the Company.

The Company has declared a specie dividend against undistributable balance of profit and loss account at June 30, 2014 in the form of non voting, non-cumulative redeemable preference shares amounting to Rs 9,670 million carrying profit rate of one year KIBOR prevailing on the last working day of each financial year + 3% per annum. The preference shares shall be redeemed in 10 years' time in the form of cash to the preference shareholders. However, in lieu of consideration for revision



FINANCIAL RESULTS

The profit and appropriations for the year are as follows:

	Rs "000"
Profit	
Profit for the year after taxation	5,650,313
Other comprehensive income	23,915
Un-appropriated profit brought forward	9,749,472
	15,423,700
Appropriations	
First interim dividend @ 37.2% per share declared in June 2015	410,240
Redeemable preference shares	9,670,001
Undistributed Percentage Return Reserve	165,067
Exploration, evaluation and development reserve	3,656,251
Capital redemption reserve fund	1,300,000
Reserve for Mari Seismic Unit	186,604
Total appropriations for the year	15,388,163
	35,537

Gross sales for the year under review increased to Rs 88,240 million from Rs 70,454 million in 2014-15 (25.2% increase). The increase is mainly due to increase in gas, crude oil and condensate production

in the formula, the major shareholders have surrendered their right to receive the specie dividend in favour of Government of Pakistan. Accordingly, preference shares have been issued to the Government of Pakistan and minority shareholders. Further, Government's investment in Mari Seismic Unit amounting to Rs 920 million has also been converted into preference shares on the same terms. The ECC of the Cabinet has approved the above arrangement. Approvals of shareholders, Security and Exchange Commission of Pakistan (SECP) and other regulatory bodies have also been obtained.





and increase in rates of Gas Infrastructure Development Cess. The Company's contribution to the Government Exchequer amounted to Rs 73,242 million against Rs 58,599 million in the last year. The operating expenses were Rs 5,396 million as against Rs 4,375 million for the last year.

The operating results in the financial statements for the year show profit for the year of Rs 5,650 million as against Rs 3,943 million of the previous year. Increase in net sales and other income were the major reasons for increase in profitability. This was partially offset with increase in royalty, operating expenses,

other charges and finance cost.

Earning per share (EPS) for the year on the basis of profit and loss account increased to Rs 51.25 per share as compared to last year's Rs 35.77 per share.

The rate of return to the shareholders for the year has increased to 39.87% against last year's 38.65%, which is in proportion to increase in production level.

CASH FLOW STRATEGY

Cash and bank balances were Rs 4,901 million as against Rs 5,307 million in the previous year. During the year, an amount of Rs 6,609 million was generated from operating activities of the Company which was used mainly to undertake exploration activities, capital expenditures, payment of dividends to the shareholders, repayment of long term financing and finance cost to banks.

DIVIDENDS

The Company has declared an interim dividend @ Rs. 3.721 (37.21%) [2014: Rs. 3.78 (37.8%)] per ordinary share for the year ended June 30, 2015.

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 2014-15 in terms of energy equivalent is 29,205,262 barrels (2014:

27,880,201 barrels). This has resulted in foreign exchange saving of around Rs 225 billion (2014: Rs 319 billion) for the current year assuming an average crude oil price of US\$ 75.99 per barrel and average foreign exchange rate of US\$ = Rs 101.51 during the year.

In addition, MPCL contributed around Rs 73,242 million to the Government exchequer during the year (Rs 58,599 million during 2013-14) mainly on account of taxes, royalty, excise duty, sales tax, gas infrastructure development cess and gas development surcharge.



OPERATIONS

The Company continued uninterrupted gas supply from Mari Field throughout the year to all its customers namely, Engro Fertilizer Limited (EFL), Fauji Fertilizer Company Limited (FFC), Fatima Fertilizer Company Limited (FFCL), Sui Southern Gas Company Limited (SSGCL), Foundation Power Company Daharki Limited (FPCDL) and Sui Northern Gas Pipelines Limited (SNGPL). A cumulative 217,688 MMSCF of gas at a daily average of 596 MMSCF and 23,167 barrels of condensate (63 barrels per day) were produced from Mari Field during the year as against 212,259 MMSCF of gas at daily

average of 582 MMSCF and 22,683 barrels of condensate (62 barrels per day) for the corresponding year as per the requirement / withdrawal of the customers. In addition, 339,322 barrels of crude oil (930 barrels per day), 51,944 barrels of condensate (142 barrels per day), 7,058 MMSCF of gas (19 MMSCF per day) and 362 metric ton of LPG (1 metric ton per day) was produced and sold from joint ventures during the year, whereas 111,415 barrels of crude oil (305 barrels per day), 41,214 barrels of condensate (113 barrels per day), 5,017 MMSCF of gas (14 MMSCF per day) and 263 metric ton of LPG (1 metric

ton per day) was produced and sold from joint ventures in the comparative year to customers namely Attock Refinery Limited, National Refinery Limited, Pakistan Refinery Limited, Pak Arab Refinery Limited, Western Power Company (Pvt) Limited, SSGCL, SNGPL and Foundation Gas.

Regular maintenance of gas gathering network and production facilities was carried out and production optimization plans were followed as per good oil / gas field practices for effective production and reservoir management.



Market Share Information

Product	Total Output	MPCL's Output	MPCL's Share
Gas (MMSCF)	367,356	38,686	10.53%
Oil (BBLS)	8,583,233	206,767	2.41%

Source: Pakistan Petroleum Information Service by LMKR on behalf of DGPC
*Based on Production data for the Quarter March-May 2015



OPERATIONAL ACTIVITIES AND DEVELOPMENTS

Mari D&P Lease

3D Seismic data acquisition of 1079 sq. km is in progress by Mari Seismic Unit (MSU) and so far 700.04 sq. km 3D seismic data has been recorded as of August 12, 2015. The recording production of MSU has significantly enhanced since early February 2015 after resolution of land permitting issues.

Four new HRL development well locations at Habib Rahi Limestone (HRL) level have been surveyed with the objective to enhance gas production from Mari Field. Further more evaluation of G&G data is in progress to identify more locations for drilling of wells at HRL level to enhance the gas production.

Production Enhancement from Mari Field Daharki

M/s SNGPL utilized only 19 MMSCFD gas on average against the allocation of 44 MMSCFD from Mari Deep in the preceding period. All necessary arrangements have been completed to supply unutilized gas from Mari Deep to TPS



Guddu through M/s SNGPL. This includes installation of 10 inches diameter pipeline from Mari deep well No. 15 to HRL network and associated surface facilities comprising of separation battery, condensate storage etc. The production of additional gas is subject to Government of Pakistan’s approval of ten percent incremental production from the producing field under the 2012 Petroleum Policy Price.

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

After entire procurement, construction and commissioning activities, first gas supply from Zarghun South commenced from August 08, 2014. Supply of both conventional and tight gas was maintained as per commitment and pipeline quality standards were adequately met. Wellhead flowing pressure trend of both Zarghun South wells is towards a decline. Therefore, following a proactive approach, in-house compression study has been started for future compression needs.

EXPLORATION AND DEVELOPMENT ACTIVITIES – OTHER THAN MARI D&P LEASE / ZARGHUN SOUTH D&P LEASE

The Company’s working interests in onshore exploration licenses in Pakistan are as follows:

S. No	Name of Block	MPCL's Working Interest	Name of operator
1	Ziarat Exploration License	60%	MPCL
2	Karak Exploration License	60%	MPCL
3	Sukkur Exploration License	58.8%	MPCL
4	Ghauri Exploration License	35%	MPCL
5	Hanna Exploration License	100%	MPCL
6	Harnai Exploration License	40%	MPCL
7	Sujawal Exploration License	100%	MPCL
8	Khetwaro Exploration License	51%	MPCL
9	Peshawar East Exploration License	100%	MPCL
10	Hala Exploration License	35%	PPL
11	Zindan Exploration License	35%	PPL
12	Kohlu Exploration License	30%	OGDCL
13	Kalchas Exploration License	20%	OGDCL
14	Kohat Exploration License	20%	OGDCL
15	Bannu West Exploration License	10%	Tullow Pakistan

Operated Blocks

ZIARAT BLOCK

Production operations have been suspended for next five years with the consent of Ziarat JV partners after observing the Khost-3 well production behavior during entire flowing period and testing additional perforations. The well has been killed as per safe industrial practice. Surface facility equipment has been dismantled and shifted to Quetta warehouse for suitable utilization accordingly.

Contract for acquisition of 170 line km 2D seismic data has been awarded to M/s SENSHE to evaluate the remaining hydrocarbons potential as part of commitment.

Subsequent to the camp construction, survey, drilling and parameter testing, recording of seismic data commenced on July 19, 2015 and 57.05 Line Km data has been acquired as of August 12, 2015. It is expected that the said campaign would be completed by October 2015. Seismic Data Acquisition would be followed by processing and interpretation to firm up a lead for drilling.





KARAK BLOCK
Drilling of Halini Deep and Kalabagh-1A Wells – Karak Block

Kalabagh-1A:
Kalabagh-1A was spudded in on March 20, 2015 in Karak Block with Rig Mari-1 to test the hydrocarbons potential of Sakessar, Lockhart, Hangu and Lumshiwal formations down to the depth of ±2,750 M. Subsequently, the Company decided to deepen the well down to 3,003 M to evaluate the hydrocarbons potential of Samanasuk and Datta Formations based on their prospectivity. Well TD @ 3,003 m has been achieved in Datta Formation. Three promising formations i.e. Samanasuk, Datta and Lockhart have been selected for testing. Currently second DST in Datta Formation is in progress.

Interpretation of 337 Line km 2D seismic data was completed and based thereon, additional 2D seismic data acquisition is being planned for September 2015 to firm up the identified leads as prospects for drilling of well. Accordingly, the said seismic campaign would help to enter into second phase of license.

Halini Deep:
Halini Deep was spudded in on February 18, 2015 in Karak Block with Rig Mari-3 to test the hydrocarbons potential of Sakesar, Datta, Triassic and Permian reservoirs down to the depth of ± 5,600 M. In addition, the well will also drain the attic potential of Lockhart, Hangu and Lumshiwal reservoirs, which are producing at Halini Well -1. Currently, the well has been drilled down to the depth of 5,220 m (MD) into Datta Formation as of August 12, 2015 and further drilling is in progress.

Artificial Gas lift at Halini X-1 – Well-Karak Block
Production from Halini X-1 well commenced in January 2012. Based on fluctuating crude oil production and well head flowing pressure trend, optimized production strategy study was carried out. The study report proposed to introduce Artificial Gas Lift at Halini X-1 well. In this regard, work over operations were performed at the well; old existing tubing of certain length (3 ½ ") was replaced with (4 ½ ") dia tubing, gas lift mandrels were installed and additional perforation was made. Rental compression services were acquired and Gas Lift Injection was successfully started in October 2014. Own procured compressor set has reached at site, the commissioning of which is expected in the month of August 2015. After successful run, rental compression services will be discontinued.

SUKKUR BLOCK
Planning has been completed to acquire 350 L. Km 2D seismic data for delineation of leads at SML level or otherwise. However, award of contract is subject to the approval of JV partner.



GHAURI BLOCK
Contract has been awarded to M/s BGP for acquisition of 380 sq.km 3D seismic data based on competitive bidding. Parameter testing has been completed and data recording is expected to commence by mid-August 2015. Survey and drilling of holes is in progress and currently, 3,146 deep holes have been drilled (50 sq.km) and total 227 sq.km source survey has been completed. 3D seismic data would help to delineate new prospects for finding additional hydrocarbon reserves. This will also help to evaluate Up-Dip potential of Ghauri prospect, if any.

Geochemical and quantitative analysis study of ditch cutting samples of Ghauri X-1 is in progress at M/s CGG-Robertson.

Based on promising well testing results, Ghauri X-1 well was put on regular production on July 01, 2014. However, very soon steep decline was observed in well production and it was envisaged that the well would no longer produce naturally. In absence of natural production potential, artificial lift by using Jet Pump was introduced. A unique experiment was adopted by introducing the down hole Jet pump at SSD. This experiment remained successful and well production was sustained remarkably.

HANNA BLOCK
Geochemical analysis of ditch cutting samples study of Hanna X-1 well is being integrated with the available G&G data to decide a way forward on the block.

HARNAI BLOCK
Planning is in progress to acquire 150 L.km 2D seismic



data for delineation of prospect and also to fulfil the outstanding commitment. One of the JV Partners, as 20% working interest owner, did not approve the work program/budget 2015 including acquisition of 2D seismic data. However, the Operator invited bids for fulfilling outstanding commitment of seismic data acquisition. Currently, the matter is being pursued for its resolution.

SUJAWAL BLOCK
Processing of newly acquired 465 line km 2D seismic data has been completed at Mari Seismic Processing Centre. Currently, Quality Control (QC) of the data is in progress before start of its interpretation.

Based on the interpretation of 200 sq.km 3D seismic data, location of Sujawal Deep-1 well at Sujawal Structure

has been finalized to test the hydrocarbons potential of Basal and Massive sands of Lower Goru Formation down to the depth of ± 4000 m. It is expected that well would be spud-in during fourth quarter of 2015.

Post Stack Seismic Inversion study is in progress at M/s Beicep Franlab, France to de-risk the Lower Goru Deeper Sands for placement of Sujawal Deep-1 Well.

The reservoir characterization and sedimentology study of Upper Sands of Lower Goru Formation is in progress at M/s RPS Energy UK. The study will help to evaluate the hydrocarbons potential through reservoir modeling in order to highlight the areas having potential for the existence of reservoir rocks.

Designing for acquisition of about 415 Sq. Km 3D seismic over Sujjal discovery and additional leads area has been completed. Accordingly, bids have been invited for award of contract on competitive rates.

Development Activities at Sujawal X-1 & Sujjal -1 Wells – Sujawal Block

Sujawal field development plan has been accomplished in two phases. During the first phase, only Gas Dehydration Unit was installed and the specified dehydrated gas was supplied w.e.f March 02, 2013. After the gas / condensate discovery of Sujjal-1 well in March 2014, second phase of field



development plan started which comprised of synchronization of Amine Sweetening Unit (ASU) and Hydrocarbon Dew point Unit (HCDPU) with Sujjal-1 well and Sujawal X-1 well. Proactively planned integration of Sujjal-1 well with gas processing facility of Sujawal X-1 was also completed. After installation of 17 KM long gas pipeline, comingled gas of Sujjal-1 with Sujawal X-1 commenced on January 06, 2015 from the Sujawal X-1 Gas Dehydration Unit. Besides supplying the dehydrated gas, ASU and HCDPU installation and commissioning activities have been completed in June 2015.

KHETWARO BLOCK

Location for second exploratory well has been finalized based on integrated analysis of in-house G&G interpretation and seismic reservoir study conducted by M/s Beicep Franlab, France. The well has been designed to test new stratigraphic play concept of Karst features and Basal Ghazij Sand pinch out. The well is expected to be spud-in during fourth quarter of 2015.

Drilling of Exploratory Khetwaro X-1 Well –Khetwaro Block

The Company has acquired operatorship with 51% interest in Khetwaro block from Saif Energy. Khetwaro X-1 is pending due to a land acquisition problem. Long Lead Items (LLIs) have been purchased for the well. Planned depth of well is 1,300m.

PESHAWAR EAST BLOCK

Technical evaluation of bids for acquisition of 212 Line Km 2D seismic data firm and 203 Line Km contingent has been completed. The seismic data would help to identify viable subsurface leads or otherwise.

Non Operated Blocks

HALA BLOCK

Fourth exploratory well Fazl X-1 was spud-in on May 29, 2015 to test the hydrocarbons potential of Basal and Massive Sands of Lower Goru Formation down to the depth of $\pm 4,111$ M. Currently, drilling is in progress and present depth is 4,067 m into Massive Sands as of August 12, 2015.



Recording of 180 Sq. Km 3D seismic data commenced on May 18, 2015 and was completed on June 23, 2015 to firm up additional leads and to explore/evaluate the remaining hydrocarbons potential of the block. The processing of 180 Sq.km 3D Seismic Data has commenced, the contract of which was awarded to GRI, China. This would be followed by interpretation for additional wells over firmed-up prospects during first quarter of 2016 on fast track basis.

ZINDAN BLOCK

Preparations for civil works and access road are in progress in a very difficult, rough and rugged terrain to spud-in first exploratory well Lakki -1 in the block during third quarter of 2015. The well would be drilled down to a total depth of about $\pm 2,500$ M with the objectives of testing the hydrocarbons potential of Datta, Kingriali and Khewra formations.

KOHLU BLOCK

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

KALCHAS BLOCK

First exploratory well Kup-1 was spud-in on December 25, 2014 in the block to test the hydrocarbons potential of Pab, Parh, Mughal Kot, Gom/Samber and Chiltan formations down to the depth of $\pm 4,100$ m. Currently, the well is drilled down to 2,308m. Based on the well behavior, it has been decided to acquire wireline logs and land 9 5/8" casing. Currently, landing of 9 5/8" casing is in progress.

KOHAT BLOCK

Contract has been awarded to M/s SENSHE for acquisition of 319 sq. km 3D and 256 Line km 2D seismic data over identified leads in the block. The said seismic will help to understand and resolve the subsurface structural complexities at Sheikhan & Jabbi prospects and to delineate additional prospects for drilling of exploratory wells.



Parameter testing has been completed and currently, survey and drilling of shot- holes is in progress and data recording is expected to commence by mid-August 2015 subject to weather conditions.

BANNU WEST BLOCK

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

Future Wells

Four Habib Rahi Limestone (HRL) wells

Four HRL infill wells are planned to be drilled in Mari D&P lease with Skytop Rig. Wells are expected to be spud-in in the month of September 2015. Planned depth of each well is 750 M. Purchase Orders (POs) have been issued for the procurement of LLIs. Expected delivery of the material is in September 2015.

Sujawal Deep

Sujawal deep is planned to be drilled in Sujawal block in October 2015 with Rig Mari-1. Planned depth of well is 4,000m. POs have been issued for the procurement of LLIs. Expected delivery of the material is in Oct-Nov, 2015.

New Ventures

MPCL is consistently reviewing the data of different local and international blocks for possible farm-in opportunities as an Operator and as Joint Venture Partner.



MARI SERVICES DIVISION (MSD)

MSD was established to manage different services units operated by MPCL to acquire 3D seismic acquisition, 2D/3D seismic data processing, drilling of wells through its own drilling rigs, slick line unit and other allied services. MSD has entered into the second year of its existence and has played pivotal role in acquiring 3D seismic data, processing of data and drilling of wells. MSD will further improve the management of its service units to provide services to MPCL and other E&P companies working in Pakistan and abroad on competitive basis.

Mari Seismic Services Unit (MSU)

MSU continued acquisition of 3D data in Mari D&P Lease and has so far acquired 700.04



Sq. Kms with an objective to acquire 1,079 Sq. Kms data. MSU commenced its recording operation in October 2013. Despite facing several challenges, the acquired data is of high quality.

Mari Drilling Services Unit (MDU)

MDU consists of three drilling rigs: Rig Mari 2 ST (300 HP), Rig Mari 1 (1,500HP) and Rig Mari 3 (2,500 HP) having the capability to drill onshore wells between the depths of 500 meters to 6,000 meters.

MPCL increased its fleet of rigs by inclusion of 2500 HP rig, having capacity to drill a well up to 6,000 meters. It was purchased from BOMCO and reached Pakistan in July 2014. Rig Mari 3 was successfully commissioned in February 2015 and is currently drilling Halini Deep exploration well.

Rig Mari 1 (1,500 HP) completed successful work over operations at Halini X- 1 well in Karak block by August 2014. After carrying

out maintenance activities the rig was deployed at Kalabagh exploration well.

Currently drilling of two exploration wells in Karak block is in progress; whereas a work over well and a pirkoh appraisal well were completed during 2014-15.

Mari Seismic Processing Center (MSPC)

MSPC was established in January 2014 and subsequently carried out a number of data processing and reprocessing projects of different blocks. MSPC processed 315 Line kms data of Peshawar East, 183 Line Kms of Hanna and Harani blocks, 465 Line Kms of Sujawal block and 16 Line Kms test line of Ziarat block. The quality of processing and reprocessing was appreciated by the client. MSPC will maintain high standards while carrying processing of upcoming projects during 2015-16.





RISK MANAGEMENT AND
OUTLOOK

MPCL recognizes the fact that Pakistan needs reliable and affordable energy resources to meet its growing demand for oil and gas. The Company remains committed to help meet that demand while delivering sustained value to its shareholders, employees, business partners and the communities where it operates.

The Company continues to play a pivotal role in sustainable growth of the country by supplying uninterrupted gas to fertilizer and power sectors. MPCL has always upheld E&P best practices in all its core and allied services operations while maintaining an enviable record in Health Safety & Environment (HSE).

The Company closely monitors developments in the areas in which it operates and holds assets, and seeks to manage risks in operating its facilities and businesses.

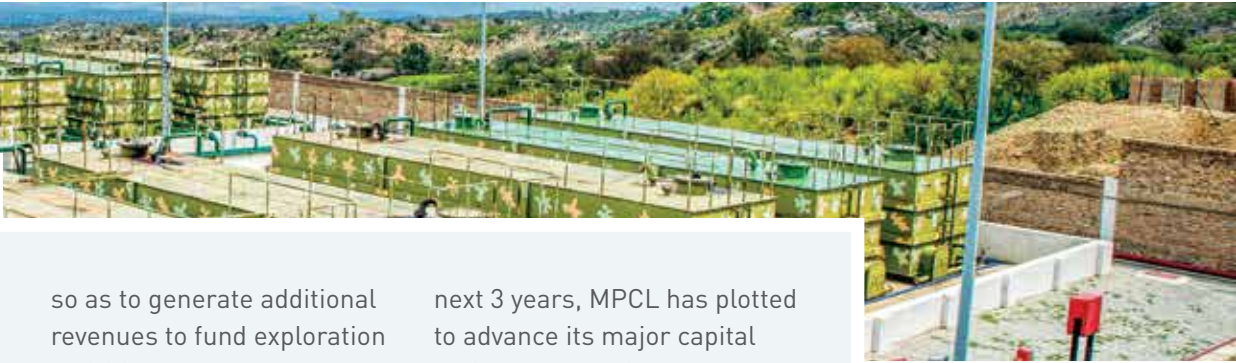
Business Strategy- Enhanced
Production & Exploration led
strategy

The year 2015 is proving to be a year of historic transition for MPCL perpetuated by the dismantling of its Mari Gas Price Agreement (GPA) and replaced by a revised market based business formula. The new market related formula (revised GPA) is a huge step towards expansion of the business and will accrue long-term benefits to itself, Government of Pakistan and the shareholders.

MPCL has developed elaborate plans to capitalize on this transition by treading a path of balanced growth encompassing enhanced production, expanded exploration portfolio, lean management processes and an enabling organizational environment. The balanced approach targeted at stability and sustainability, aims at maximising growth with minimum exposure.

MPCL's strategic objectives are aligned with its operational priorities. During next three years:

- i. The Company plans to remain focused on its core business, particularly after dismantling and to optimize field productions especially from Mari D&P Lease area



so as to generate additional revenues to fund exploration activities.

- ii. Exploration-led growth strategy shall continue to be the guiding principle in replenishing its hydrocarbon reserves.

In the wake of suppressed oil prices, MPCL has formulated plans to exploit price incentives on enhanced production offered by the Government to the E&P sector in Pakistan. The Company plans to enhance production of gas up to 105 MMSCFD from Mari and Sujawal Fields.

For this purpose, Company has proceeded with significant investments in drilling of additional wells, workovers in existing wells, augmenting the existing production/processing facilities, laying of additional pipelines and acquisition of land; besides acquiring 1,079 Sq.km 3D seismic data.

Enhanced production will help MPCL to generate sufficient revenues to keep its aggressive exploration programme on track aiming to substantially increase its reserve base, thus reducing its reserves depletion rate.

MPCL's business strategy includes aggressive pursuit of additional national and international exploration acreages, both through bidding process as well as from farm-in opportunities. Over the course of

next 3 years, MPCL has plotted to advance its major capital projects to remain on track and to strengthen its crude oil and natural gas production.

For the year 2015-16, the Board of Directors has approved an ambitious exploration budget of the Company. In addition to the minimum commitments in its operated and non-operated blocks, the budget includes back to back prospect generating activities in prime exploration acreages. Dedicated professionals from MPCL continually evaluate opportunities to acquire exploration assets complementary to its asset base to help augment its financial performance and growth.

At the heart of the Company's Business Strategy is consistent capital discipline and focus on reducing operating costs throughout the business cycle. This will position MPCL to deliver future growth in its core operations and strong returns to its shareholders.

Resilience to Volatility

The year in review brought a precipitous drop in crude oil prices which adversely affected the E&P sector all over the world. In response to volatile market conditions, the Company continues to be guided by its strategic plan and by the rigorous processes it follows to remain a top competitor in the E&P sector in Pakistan.

In these times of oil price volatility, professionals at MPCL keep a keen eye on the world and domestic market to leverage its strengths to maintain MPCL's competitive position by focusing on financial, operational and portfolio resilience.

Geographical Challenges

Every E&P Company in Pakistan is exposed to risks associated with the geopolitical situation in the western part of the Country. MPCL has always remained fully cognizant of these challenges confronting its development and exploration pursuits. It is uniquely positioned to develop and nurture mutually beneficial relationships with the local governments, tribal elders and security agencies.

To ensure continuity of its operations in challenging areas of Pakistan, it has developed in-house capabilities in seismic and drilling operations. This initiative has enabled the Company to decrease its reliance on third party contractors for essential services.

MPCL remains one of the very few companies in Pakistan, operating successfully in the troubled areas, and will continue to do so with a proactive approach towards safeguarding its workforce and hydrocarbon resources.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

MPCL's HSE Management system has been successful in mitigating health and safety risks and reducing the number of incidents. Continuous improvement in HSE at all locations was observed.

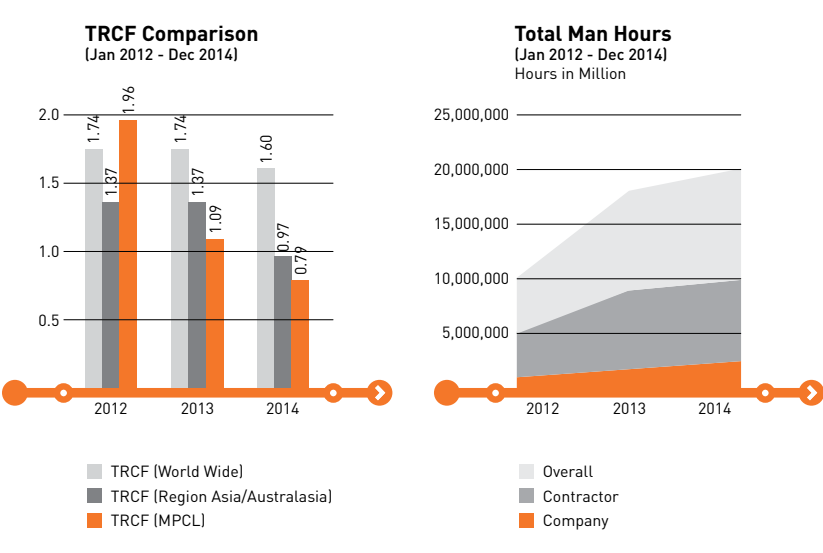
Devoted and committed leadership was demonstrated at all levels towards achievement of HSE goals and objectives. Persistent policies, procedures and practical guidelines ensured a safe workplace and a conducive work environment for all staff and contractors. Consequently in 2014, the Company recorded best-ever combined (employee and contractor workforce) Total Recordable Case Frequency (TRCF) of 0.79, which is less than worldwide TRCF of 0.97 for Asia/Australasia Region among the E & P companies.

Our Commitment

Our policy and commitment reflects the integrated way we work across MPCL in the areas of Health, Safety, Environment and Quality (HSEQ). All MPCL employees, contractors and joint ventures under our operational control must manage HSE in line with the commitment and policy.

Way Forward

- IMS Certifications for our existing and new blocks
- Pursue the goal of no harm to people and assets.
- Report our performance publicly.
- Protection of the environment.



In MPCL we are all committed to:

- Monitor HSE performance by implementing HSEMS requirements and conduct regular audits of legal compliance.
- Use energy efficient equipment during operational activities.
- Respect neighboring communities and contribute through social welfare activities in the areas where we operate.
- Take a leading role in promoting best industry practices and promote a culture where all MPCL employees share their commitment.

- Manage HSEQ matters as any other critical business activity.
- We aim to have an HSEQ performance we can be proud of. We strive to earn the confidence of customers, stakeholders, community and to contribute towards sustainable development and be a good neighbor.

Management System

In order to achieve excellence in HSEQ performance, we made an effort by streamlining our business processes by fulfilling the requirements of the ISO standards and subsequently achieved the IMS certification in 2007 for the following International Standards;

- 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)

We have further expanded our scope of certification by including Rig Mari 1 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, we were able to achieve this certification without any major non-conformance.

HSE Training & 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. We ensure this by imparting following trainings at all locations through audio & visual aids:

● Permit to work system	● First Aid
● Waste Management	● Incident Investigation & Risk Assessment
● Job Hazard Analysis	● Safe food handling
● General HSE awareness	● HSE Laws & Regulations
● IEE/EIA awareness session	● Health awareness
● Sessions on IMS & ISMS	● Defensive driving
● Defensive driving	● Chemical handling
● Use of Breathing apparatus	
● H ₂ S awareness	



Crisis Management

Our structured Crisis & Emergency Management Plan enables us 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 considered to be mandatory for oil and gas exploration and production operations. This is also a requirement under the Oil & Gas (Safety in Drilling & Production) Regulations.



These drills simulate different scenarios so that employees are prepared to tackle / handle any real life situations and are aware of what precautionary measures to undertake.

Occupational Health & Safety Management

Organizing health and safety requires both management and employees to be actively involved in and committed to the policy. In MPCL this has been achieved by ensuring management control, the effective co-operation of employees and their safety representatives, by establishing an effective safety communication system, achieving co-ordination of activities and ensuring the competence of all employees. Risk assessment methods are used to establish priorities and objectives for eliminating hazards and reducing risks.

We undertake following Health & Safety initiatives during our operational activities:

- Development of Objectives & Targets
- HAZOP & Operational Studies
- Fire Management At All Sites
- Incident Investigation & Reporting
- Air Emission Monitoring
- Job Safety Analysis
- Establishment of Clinics at all sites
- No Smoking campaign
- Health Risk Assessments for Operational sites
- Malaria & dengue prevention campaign at all locations
- HSE Plans for Operational Activities
- Project Risk Assessments & Task Risk assessments
- Road Safety Management
- Water Quality Monitoring
- Noise & Ambient Air Monitoring
- HSE Audits & Inspections
- Medical screening of catering crew
- Heat stress management centers at all locations
- Annual Medical Checkups of all Employees



Environmental Management & Compliance

Environmental compliance is given top priority in MPCL 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 considered and the adverse impact of project activities is reduced 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.

Tree Plantation & Development of Green Areas

Every year, Tree Plantation campaign is one of the major activities undertaken by MPCL which involves all management staff right from the top. Tree Plantation is carried out in the head office and at all sites. A fruit orchard has been established at Daharki on 18 acres of land. All sites have

been instructed to develop green areas and 3-4 saplings of trees have been distributed to management staff for plantation at their residence.

MPCL Health Management System

Health coverage to all employees, contractor staff and surrounding community is a cornerstone of the sustainable development agenda and a priority for MPCL Health policy.

MPCL has well established Health Management System at all its controlled sites to ensure patient safety; eliminating illness/injuries; managing medical care by controlling health risks so that every person, everywhere, has access to quality health care without suffering financial hardship and thus promoting and maintaining a healthy workforce. This is not only essential for optimizing business performance but also for the reputation of the Company. In this regard MPCL



has its own medical setups and is also collaborating with Agha Khan University Hospital and Pakistan Red Crescent Society to protect and promote health of its employees and other stakeholders.

Few of the measures in place are as follows:

PREVENTIVE MEASURES:

- i. **Pre-Employment Medical Examination:** Thorough medical examination of all employees in order to ensure that healthy employees are inducted.
- ii. **Annual Medical Examination:** Annual medical examination of all employees is carried out and health risk assessment is done. This helps to find out any general health risks and following measures were taken by the management to prevent health risks arising from sedentary life style.
- a. **Gymnasium.** A state of the art Gymnasium with a qualified trainer has been established in Head office building for the physical fitness of employees. Similar setups with swimming pool and other sport facilities are functioning

at Daharki Field and other fields to maintain healthy work force.

- b. **Food Menus** are being monitored to give healthy diet to the employees.

- c. **Health Awareness Advices / alerts** are being regularly issued to update employees on current health issues.

- iii. **Dengue & Malaria Prevention:** Fumigation and distribution of anti-mosquito sprays/ lotions/ refills to prevent and sensitize all employees against Malaria & Dengue fever is being carried out twice a year.

- iv. **Water testing.** Regular water testing is being done to prevent waterborne diseases.

- v. **Alcohol & Drug Free Company:** No employee (including Contractor/ subcontractor) shall use, be in possession of, involve in the sale or distribute any drug at the worksites or other Company's premises. In order to achieve this following steps have been taken:



- a) Pre-employment drug testing to detect any drug usage is mandatory for all type of employments whether contractors or otherwise.

- b) Awareness alerts and sessions on the subject have been organized in collaboration with Anti Narcotic Force.

- c) In addition random test, will be conducted as an ongoing process to identify any case of harm full drugs specially for employees on HSE sensitive positions.

Trainings

- **First Aid Trainings:** In order to enable the employees to deal with any emergency health situation, two sessions were conducted on First Aid and Emergency Training in collaboration with Red Crescent at the Head Office. Similar sessions are also planned for other sites.
- **Continuous Professional Development (CPD)** In order to keep Medical staff updated; quarterly two days (CPD) Continuous Professional Development program for Doctors by



senior Specialist from AKU is being regularly conducted.

- Continuation of ongoing on-job training of Doctors at Agha Khan Hospital Karachi to keep the doctors abreast with the latest management of illnesses.
- Quality assurance monitoring to improve the systems of health care delivery.
- Community Health Awareness sessions for Daharki employees, families, school staff and students are being arranged to common health issues.

Outsourcing Mari Medical Complex

In order to provide health services to the community and employees through contractor and to lessen the burden on management, Mari Medical Complex Daharki has been out sourced to Red Crescent Society.

All these measures reiterate the will of the management to keep its employees and stakeholders safe and healthy.

HUMAN RESOURCE DEVELOPMENT (HRD)

Human Capital

In MPCL the basic and most valuable intangible asset is the human capital which is not just the people working in an organization; rather it's a broad combination of their experience, attitudes, abilities, culture and skills etc. Human capital is positively related to planning strategy, which in turn positively impacts success. It helps to increase the ability of employees to perform their day to day job responsibilities.

Employment of Special Persons

The Company is an equal opportunity employer and considers it a moral and social responsibility to accommodate special persons.

Human Resource Development

The role of human resource development is to ensure appropriate and effective utilization of human resources, to establish desirable working relationships among all employees of the Company and to ensure maximum individual development.

MPCL is focused on helping employees develop their personal and organizational skills, knowledge and abilities. This is achieved by providing opportunities such as employee training, employee career development, performance management and development, mentoring, succession planning and organizational development.

The key focus with regards to HRD is on developing a superior workforce so that the organization and individual employees can accomplish their corporate and work goals respectively. In order to attract and retain a high quality workforce,



the Company provides competitive remuneration packages and world class training, development and growth opportunities for a true international career.

Training and Development

The principal objective of the Human Resource Department is to ensure that the Company has the “right people with the right skills to achieve its business goals”.

This is primarily the reason why the Company places great emphasis on meeting training and development objectives. A comprehensive Training Needs Analysis, taking into account factors such as appraisals, experience, past training record and futuristic needs of MPCL is conducted annually in order to identify the training needs of the Company. This enables us to create and conduct training programmes relevant to employees.

Following is a brief summary of the number of employees that attended foreign/local courses, seminars, symposiums in the FY 2014-15:

Number of Employees			
	Technical	Non-Technical	Total
Foreign			
- Courses	28	19	47
- Conferences/Seminars	12	4	16
Local			
- Courses	44	45	89
- Conferences/Seminars	51	25	76



Apart from the foreign and local trainings, effective new employees orientation programmes and orientation visits to industry leaders are organized. A comprehensive programme helps give employees a solid foundation from which to build a positive employment relationship, besides giving them requisite guidance and support they need to become productive and fully engaged team members.

Internship Programme

The summer Internship Programme introduced by MPCL is competitive and is open to all students pursuing graduates and post-graduate degrees from top universities of Pakistan. In addition to Mari Gas Field, the Company also sends interns to Ghauri, Koonj, Halini, Zarghun, Mari Rig-I and Mari Rig-III. The interns are accommodated both in the Technical and Non-

technical Departments at the Head Office and Fields.

Team Building

MPCL encourages team building activities to develop high performing teams. As a result of these activities, employees are motivated to perform better and gain immense satisfaction from having shared their achievements as a team.

In-House Lectures and Discussions

In order to promote and encourage a learning culture in the Company, the HR Department arranges in-house lectures and discussions in order to make all employees (especially the new inductees) aware of the pivotal role and functioning of other departments. Every month, one department delivers a presentation with regards to key functioning areas and procedures in place.

Personnel Management

The human resources division of MPCL has the formidable task of ensuring that the Company has the best and most effective workforce possible by keeping the employees happy, motivated and on the right track.

Succession Planning

Just as business practices have evolved over the years, succession planning has also grown and changed. It is no longer reserved for only the most senior positions within a company; it now transcends all levels within an organization. MPCL realizes the importance of succession planning and how it helps to ensure continued effective performance through leadership continuity. MPCL ensures that its succession planning process incorporates six key elements:

- 1. Strategic Planning;
- 2. Recruiting and Retention;
- 3. Employee Development;
- 4. Performance Management and Key Performance Indicators (KPIs);
- 5. Talent Assessment, and
- 6. Technology.



INFORMATION TECHNOLOGY

MPCL uses leading hardware and software system to stay abreast with the new technological trends in the oil and gas sector around the globe. This creates an innovative culture, enhances productivity and offers value added benefits to stakeholders.

Data is the lifeblood of today's exploration and production companies. Never before had E&P companies relied more on data to base their decisions, whether it was selection of a drilling target or allocation of production. Effective E&P data management can lead to overall company performance improvements.

After successfully establishing its own latest 2D and 3D seismic data processing center, the Company is effectively utilizing high quality seismic data processing. The initiative will help to early process the data acquired through seismic surveys and make it ready for interpretation by teams of Company's geoscientists.

First phase of E&P Data Management System has started. Phase wise

implementation approach will provide better technology absorption leading towards integration between Exploration, Operation and related departments professional teams for effective planning, coordination and decision making during various E&P activities.

SAP system implementation has laid foundation for enterprise level integrated information architecture and helped the Company to adopt industry best practices and business processes.

To support Company's Mission, critical data processing and information needs, a state of the art data center has been built. The initiative will provide more robust and high availability data processing environment built on latest and more environment friendly technologies.

The Company's technology adoption approach aligned with corporate vision makes automation initiatives well mapped with its business strategy.

Safeguarding of Records

For recording and reporting of



financial transactions, world leading software systems are being used for secure and fast accessibility of financial records.

Enterprise Content Management System (ECM) is actively used in the Company for storage of various types of important electronic documents. The system provides quick and reliable search and retrieval of desired contents. Paper based documentation is properly fumigated and placed at a storage facility for legal requirements.

Softcopy of supporting financial documents and record is securely maintained in SAP system to be accessed by the authorized users only. Regular backups of SAP System are maintained. The Company is certified for ISO 27001 – 2013 Information Security Management System standard. This provides us an internationally recognized framework and reliable controls to safeguard information assets.

Disaster Recovery Plan

In order to meet any contingency, disaster recovery plans for all critical systems have been developed and are periodically tested. Disaster recovery plans are kept aligned with the business impact analysis findings of mission critical systems. This not only helps continual improvement to enhance efficacy of recovery procedures and processes but

also improve our infrastructure readiness to minimize systems down time in any disaster situation.

IT Governance Policy

Information Technology initiatives and functions are overseen by a Steering Committee headed by the Managing Director (MD) and all Head of Departments are its members. The committee meets four times a year.

IT Steering Committee's key responsibilities are:

- Ensure that automation plans are established, monitored and implemented.
- Promote IT culture by adopting emerging technologies.
- Provide sufficient resources to establish, implement, operate, monitor, review, maintain and improve IT functions to achieve the Company's strategic objectives.
- Ensure that IT functions are reviewed by internal and external auditors on regular intervals and receive independent assurance on the effectiveness.
- Ensure that the IT strategy is aligned with the Company's business objectives.
- Ensure that appropriate and effective controls are



in place to safeguard the Company's information assets.

- Measure the effectiveness of controls to verify information security requirements.
- Ensure that the requirements of Information Security Management System (ISMS – 27001) standard are adequately met and continual improvements in ISMS are identified and implemented.

INDUSTRIAL RELATIONS

The working environment and overall industrial relations climate remained cordial at all locations of the Company. 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)

Our CSR strategy is an integral part of Company's culture and reflects continuing commitment of our business to contribute towards the well-being and quality of life of our workforce, local community and society at large. In order to ensure the element of continuity and sustainability in our social welfare programs, our CSR philosophy is anchored in tripartite approach of development; involving the community, local government and MPCL management.

We are acutely aware of participative relationship that we share with society and continuously invest in the interventions related to education, health, water supply schemes, philanthropic donations and communication infrastructure.

Joint Venture Blocks

- a. Projects:** In FY 2014-15, eleven projects worth Rs 13.4 million have been completed. Nineteen projects worth Rs 64.7 million have been planned during FY 2015-16. Out of the total planned amount, Rs 36 million have been earmarked for education, Rs 15.7 million for health and Rs 13 million for clean water related initiatives.
- b. Establishment of Medical Camps:** Regular medical camps are established at our fields at Halini and Zarghun due to non-availability of medical facilities in these areas. At each location, 60-70 patients (approx.) are treated on daily basis. These medical camps have been highly appreciated by the local communities.
- c. MGPO as Implementing Partners:** MPCL signed an MOU with Mountain and Glacier Protection Organization (MGPO) on January 23, 2015 to implement its CSR interventions at Ghauri Block. Work on one of the projects "Reconstruction of BHU Karunta" worth Rs 7.8 million has already started on March 02, 2015. Whereas, another project to support and facilitate girls education at Govt Girls High School (GGHS) Pail Mirza is in the pipeline.
- d. Special Training Sessions in the Field:** In June 2015, MPCL, Head Start School Islamabad and MGPO jointly conducted a week long training program (on English language and computer literacy) for the students of GGHS Pail Mirza, Jhelum. Participants were awarded merit certificates, at the end of the training.



Mari Field

Eight projects worth Rs 8.1 million have been completed at Mari Field, Daharki. In addition, an annual budget of Rs 42.5 million was earmarked to sustain following CSR activities at Mari Field on continued basis:

- 3 Mobile Dispensaries
 - Maternity Home (Dad Leghari)
 - Dispensary at Well No 8
 - TB Clinic (at Well No 8)
 - PCR Test of Hepatitis – B and C positive cases
 - Mari Education and Medical Complex (MEMC)
 - Financial assistance to local district administration for anti-polio campaign
 - Mari Special Education School
 - Operational expenditures of schools (at Well No 8, Lohi Pull and Khirohi)
- a. Outsourcing of Health Facility at MEMC, Daharki:** In order to deliver optimum healthcare to the local community, MPCL has outsourced health facility of Mari Education and Medical Complex (MEMC) at Daharki to Pakistan Red Crescent Society (PRCS) where about 140 patients are treated (free of cost) on daily basis.
 - b. Outsourcing of Education Facility at MEMC, Daharki:** For quality education and better management of the said facility, MPCL has outsourced education facility of Mari Education and Medical Complex (MEMC) at Daharki to The Citizens Foundation (TCF), initially for a period of 10 years.
 - c. MPCL-AKU Collaboration in Health Sector at Mari Field, Daharki:** To improve health delivery system at Mari Field

Daharki, MPCL has collaborated with Agha Khan University (AKU) to develop a quality assurance program in healthcare management system, continuous professional development of healthcare providers/ clientele and to conduct Hepatitis C pilot project in the area.

CSR - Other than JV Blocks / Mari Field

MPCL has undertaken various projects / made donations worth Rs 55 million during 2014, over and above our mandatory CSR obligations and social welfare initiatives at Mari field Daharki.

Implementation of ISO 26000 Guidelines on Social Responsibility (SR)

In order to evaluate sustainability strategy and implementation performance of MPCL against ISO 26000 framework, a process has been initiated wherein SGS - the world's leading inspection, verification, testing and certification company - performed gap analysis of MPCL systems in the month of June 2015. Findings of this activity would delineate future course of action for the Company in conformity with ISO 26000 Guidelines on SR.

RESEARCH AND DEVELOPMENT

The Company has taken the initiative to carry out research and development activities (R&D) with the objective of gaining knowledge and expertise to overcome the technical and operational problems and to enhance the oil and gas production more efficiently and economically. During the year, Company's R&D activities related to: Mari Field Tight Reservoirs Cuttings Analysis, Base data acquisition through Intelligent Pigging, Geological Reservoir Properties Phase-2, Drilling Design and Analysis for optimization, Geomechanics and Frac. Design, Mari Sembar Organic Geochemistry, Academia Collaboration and Technical Sessions. Total amount spent was Rs 22.849 million.



CORPORATE GOVERNANCE

Board Structure

S.No	Director	Category
1.	Lt. Gen. Khalid Nawaz Khan (Retd.)	Non-executive director
2.	Lt. Gen. Nadeem Ahmed (Retd.)	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. Mumtaz Ahmad Bajwa (Retd.)	Non-executive director
7.	Mr. Sabino Sikandar Jalal	Non-executive director
8.	Qazi Mohammad Saleem Siddiqui	Non-executive director
9.	Mr. Ahmad Hussain	Non-executive director
10.	Mr. Zahid Mir	Non-executive director
11.	Mr. Ahmed Hayat Lak	Non-executive director
12.	Mr. Shahid Ghaffar	Non-executive director
13.	Engr. S. H. Mehdi Jamal	Independent non-executive director

Lt. Gen. Khalid Nawaz Khan (Retd.) is the Chairman of the Board and Lt. Gen. Nadeem Ahmed (Retd.) is the CEO of the Company. Therefore, Chairman of the Board is other than the CEO of the Company.



Formal Orientation at Induction and Directors Training Program

Upon joining the Board, each director is provided with an orientation pack comprising of MPCL Memorandum and Articles of Association, MPCL Significant Policies, Participation and Shareholders Agreement, Mari Gas Well Head Price Agreement, Managing Director's Power of Attorney, Petroleum Exploration & Production Policy 2012, Code of Corporate Governance and MPCL's Latest Annual Report. The Company Secretary gives a briefing to the new Director covering the salient features of Corporate Structure, Board's and Individual Director's roles and responsibilities, overall structure, history and operations of the Company.

MPCL has been cognizant of the requirements of the Code regarding Directors Training Program and making efforts to comply with them. During the year, Engr. S. H. Mehdi Jamal was nominated for Directors Training Program arranged by ICAP at Islamabad in April-May 2015. He duly completed the training and became a certified director.

Following directors joined the Board during the year:

1. Lt. Gen. Khalid Nawaz Khan (Retd.)
2. Maj. Gen. Mumtaz Ahmad Bajwa (Retd.)
3. Mr. Sabino Sikandar Jalal
4. Mr. Zahid Mir
5. Mr. Shahid Ghaffar

Following directors left the Board during the year:

1. Lt. Gen. Muhammad Mustafa Khan (Retd.)
2. Maj Gen Ghulam Haider (Retd.)
3. Mr. Mohammad Naeem Malik
4. Mr. Muhammad Rafi
5. Mr. Manzoor Ahmad

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.

Role of the Chairman and the MD/CEO

The roles of the Chairman, MPCL Board and MD/CEO, MPCL are separate and complementary, with responsibilities clearly divided as required under the Code of Corporate Governance 2012.

Chairman

Chairman MPCL Board is responsible for providing effective leadership to the Board particularly during Board and shareholders meetings, and creating the conditions & environment conducive for overall effectiveness of the Board. The chairman facilitates and encourages the contribution of executive, non-executive, and independent directors in carrying out the Board's business in line with applicable laws, rules and regulations.

MD/CEO

The Managing Director is responsible for providing effective leadership to the management and the employees, and overseeing the day-to-day operations and management of the Company's businesses and affairs by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees. He keeps the Board updated on significant and sensitive issues that might affect the Company. He ensures that operational plans and control systems are in place, and regularly monitors actual performance against plans and takes remedial actions, where necessary.





Board Meetings

Six meetings of the Board of Directors were held during the financial year 2014-15. The attendance of the directors in the meetings is as under:

Director	Meetings Attended
Lt. Gen. Khalid Nawaz Khan (Retd.)	04
Lt. Gen. Muhammad Mustafa Khan (Retd.)	02
Lt. Gen Nadeem Ahmed (Retd.)	06
Mr. Qaiser Javed	06
Dr. Nadeem Inayat	05
Maj. Gen. Mumtaz Ahmad Bajwa (Retd.)	04
Maj. Gen. Ghulam Haider (Retd.)	02
Brig. Dr. Gulfam Alam (Retd.)	06
Mr. Sabino Sikandar Jalal	03
Mr. Mohammad Naeem Malik	02
Qazi Mohammad Saleem Siddiqui	06
Mr. Ahmad Hussain	02
Mr. Zahid Mir	02
Mr. Muhammad Rafi	02
Mr. Ahmed Hayat Lak	06
Mr. Shahid Ghaffar	06
Engr. S. H. Mehdi Jamal	06

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, has established an Audit Committee which currently comprises of the following directors:

Director	Designation
Mr. Qaiser Javed	President
Mr. Shahid Ghaffar	Member
Mr. Ahmed Hayat Lak	Member
Mr. Ahmad Hussain	Member

Attendance in the meetings

Five meetings of the Audit Committee were held during the financial year 2014-15. The attendance of directors in the meetings is as under:

Director	Meetings Attended
Mr. Qaiser Javed	05
Mr. Shahid Ghaffar	05
Mr. Ahmed Hayat Lak	05
Mr. Ahmad Hussain	02

Terms of Reference (TOR)

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.



TOR 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;
- n) Consideration of any other issue or matter as may be assigned by the Board of Directors; and
- o) Approval of resolutions for transfer of shares and issuance of duplicate share certificates of the Company, as per provisions of the Companies Ordinance 1984 (resolutions to be signed by any two members).

Report of the Audit Committee

In accordance with its TORs, the Audit Committee reviewed the Company’s Annual and Interim Financial Statements, including non-financial information, prior to publication. Audit Committee periodically reviewed the adequacy and appropriateness of internal control, matters relating to accounting policies, financial risks and compliance with accounting standards, statutory and legal requirements and regulations. The Audit Committee discussed with external auditors issues arising from interim and annual audits along with the Management Letter issued by External Auditors’ and Management responses thereto. Important findings, risks identified and follow-up actions were examined thoroughly in order to allow appropriate measures to be taken.



TECHNICAL COMMITTEE

Composition

Technical Committee of the Board currently comprises of the following directors:

Director	Designation
Brig. Dr. Gulfam Alam (Retd)	President
Dr. Nadeem Inayat	Member
Maj. Gen. Mumtaz Ahmad Bajwa (Retd.)	Member
Mr. Sabino Sikandar Jalal	Member
Qazi Mohammad Saleem Siddiqui	Member

The major role of the Committee is to review the technical and operational matters of the Company and present its recommendations to the Board for consideration and approval.

Attendance in the meetings

One meeting of the Technical Committee was held during the financial year 2014-15. The attendance of directors in the meeting is as under:

Director	Meetings Attended
Brig. Dr. Gulfam Alam (Retd)	01
Dr. Nadeem Inayat	01
Maj. Gen. Mumtaz Ahmad Bajwa (Retd.)	01
Mr. Sabino Sikandar Jalal	01
Qazi Mohammad Saleem Siddiqui	01

HR AND REMUNERATION COMMITTEE

Composition

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

Director	Designation
Dr. Nadeem Inayat	President
Mr. Zahid Mir	Member
Engr. S.H. Mehdi Jamal ¹	Member

1. Engr. S.H. Mehdi Jamal is an independent non-executive director.

The major role of the Committee is to review HR related matters of the Company and present its recommendations to the Board for consideration and approval.

Attendance in the meetings

Two meetings of HR&R Committee were held during the financial year 2014-15. The attendance of the directors in the meetings is as under:

Director	Meetings Attended
Dr. Nadeem Inayat	02
Mr. Zahid Mir ¹	00
Engr. S.H. Mehdi Jamal	02
Brig. Dr. Gulfam Alam (Retd) ²	01
Mr. Muhammad Rafi ³	01

1. No meeting of HR&R Committee was held after appointment of Mr. Zahid Mir on April 24, 2015
2. Brig. Dr. Gulfam Alam (Retd) attended one meeting of HR&R Committee on invitation.
3. Mr. Muhammad Rafi left the Board on April 13, 2015.

Terms of Reference

TOR of the HR&R Committee are as follows:

- a) Recommendation of human resource policies to the Board of Directors.
- b) Recommending to the Board of Directors the selection, evaluation, compensation (including retirement benefits), and succession planning of the CEO.
- c) Recommending to the Board of Directors the selection, evaluation, compensation (including retirement benefits) of the COO, CFO, Company Secretary and Head of Internal Audit.
- d) Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.
- e) Review management’s proposals for the promotion of senior staff in accordance with Article 100 (c) of the Articles of Association and make recommendations for consideration of the Board.
- f) Review management’s proposals for changes in personnel compensation policy and salary structure of employees and make recommendations for consideration of the Board. President of the Audit Committee, if not already a member, will be the co-opted member of the Human Resource Committee for this function.



- g) Review management’s proposals for changes in the Company’s organogram and make recommendation for consideration of the Board.
- h) Evaluate the candidates and make recommendation for the appointment of senior staff in Group 26 and above. For this particular function, the Managing Director will be co-opted member of the Committee. The Committee may also co-opt any other director for this purpose.
- i) Take up any matter assigned by the Board and make its recommendations to the Board thereon.

Pattern of Shareholding

A statement showing the pattern of shareholding as at June 30, 2015 is placed on page 39.

Stakeholders’ Engagement

Major stakeholders of the Company include Shareholders (Institutional and Minority), Customers, Suppliers, Joint Venture Partners, Regulators, Banks and Other Lenders, Media, Employees, and Communities in MPCL Concession areas.

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

ENGAGEMENT WITH MAJOR STAKEHOLDERS

Engagement with Shareholders

- Relationships with the shareholders are 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.
- Annual and 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.

- Besides their right to appoint directors to oversee affairs of the Company, the Shareholders are invited to all the shareholders meetings (AGMs, EOGMs) and are encouraged to present their viewpoint on important matters.
- There is an Investor Relations section on the Company’s website which contains important Investor specific information as well as an Online Complaint Form for minority investors.
- The Board in its meeting held on April 24, 2015 approved an Investor Relations and Grievance Policy which contains the mechanism for handling shareholders complaints and queries.
- Minority investors can also lodge their complaints and submit their queries directly to the Shares Department using conventional mail, fax, email or phone.
- Material Information pertaining to the Company’s operations is circulated to Stock Exchanges, SECP and the Shareholders as and when need arises.

Engagement with Regulators

- 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.
- Annual and Quarterly Accounts of the Company are filed with the Registrar of the Companies and SECP and are also circulated to the Stock Exchanges.
- Material Information pertaining to the Company’s operations is circulated to the Stock Exchanges and SECP as and when need arises.
- The Company also participates in trainings and awareness seminars arranged by the stock exchanges and SECP from time to time.

Business Ethics

MPCL conducts its business in a socially responsible and ethical manner and in compliance with applicable laws. The Company has prepared a Code of Conduct which, inter alia covers the matters such as conflict of interest, business integrity, gifts, entertainment and bribery, insider trading and accountability etc. Members of the Board and the employees, while joining and during their tenure with the Company, are required to read, acknowledge, and abide by the Code.



The Board in its meeting held on April 24, 2015 approved a Whistleblower Policy to encourage employees, who have concerns about suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Company, to come forward and express such concerns without fear of punishment or unfair treatment.

An independent Internal Audit Department periodically reviews the conduct of business of each department and points out the areas for improvement, if any.

Conflict of Interest

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 are not allowed to 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.

Board Self Evaluation Mechanism

A mechanism for Board Self Evaluation was approved by MPCL Board in its Meeting held on September 30, 2014. The approved Board Performance Evaluation Template contains 36

Performance Factors covering areas such as Composition of Board and its Committees, Functions and Performance of the Board and its Committees and Company Performance Monitoring System. Every year, the Template is forwarded to all Board Members with request to rate each Factor on a scale of 1 to 5. The scores are consolidated through a specially designed program and Mean Values, Standard Deviations and Bar Charts for each factor are calculated.

The Board Evaluation for the year 2014-15 revealed that the Mean Value against all Performance Factors is above 3, which shows that in the opinion of the Directors, the composition and performance of the Board and its Committees is satisfactory. The value of Standard Deviation is less than 1 against 35 of the Performance Factors, showing unanimity in the opinions of the Directors. The value of standard deviation is more than 1 against Performance Factor pertaining to “Orientation/Training/

Continuous Education Programs of the Directors”, which means opinions of the Directors differ on this factor.

The Directors were of the view that the Board has fair amount of experience and is performing satisfactorily in the best interest of the Company with complete transparency. However, it was recommended that orientation and regular training programs for the Directors shall be arranged to expose them to latest trends and practices in company directorship.

MD/CEO Performance Review

MD/CEO’s report on the Company’s operations, major achievements, and progress of outstanding issues is presented to the Board of Directors as a regular agenda item in each meeting (at least once in each quarter) for review, discussion and decisions, all of which are duly recorded in minutes. During the year 2014-15, five such reports were presented to the Board.

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 Relations Section on the Company’s website contains important 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 Shareholders, EPS, P/E Ratio and 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 and SECP in a timely manner.

Last Annual General Meeting (AGM)

The 30th AGM of the Company was held on October 31, 2014 at 10:00 a.m., at the Registered Office of the Company situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad.

AGENDA, DECISIONS AND IMPLEMENTATION

- a) Agenda:** Approval of the minutes of 29th Annual General Meeting.
Decision and Implementation: The minutes were duly approved by the members and subsequently circulated to all concerned.
- b) Agenda:** To receive, consider and adopt audited accounts of the Company for the year ended June 30, 2014 together with the directors’ and auditors’ reports thereon.
Decision & Implementation: Audited accounts, directors’ and auditors’ reports were duly approved and adopted by the members. Thereafter, audited accounts, directors’ and auditors’ reports were filed with the Registrar and circulated to SECP and all the stock exchanges.
- c) Agenda:** Appointment of auditors for the year ending June 30, 2015 and to fix their remuneration.
Decision & Implementation: M/s A.F. Ferguson & Co., Chartered Accountants, were appointed as auditors to hold office until the conclusion of the next Annual General Meeting of the Company for the year ending June 30, 2015 at the fee agreed by the Board of Directors.

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 Code of Corporate Governance. The Statement of Compliance with the Best Practices of Code of Corporate Governance 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 accounts of the Company have been maintained.
- c)** Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent 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.
- j)** Value of investments including bank deposits and accrued income of various funds as at June 30, 2014, based on their respective audited accounts, is as under:

Contributory provident fund	Rs 487.37 million
Management staff gratuity fund	Rs 514.06 million
Non-management staff gratuity fund	Rs 224.04 million

- k)** All major Government levies as mentioned in Note 13 to the financial statements payable as at June 30, 2015 have been deposited subsequent to the year-end except gas development surcharge for FPCDL and gas infrastructure development cess, which is being paid as and when realized.





POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on August 12, 2015 has proposed a final cash dividend for the year ended June 30, 2015 @ Rs 1.50 per share for approval of the members in Annual General Meeting.

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, 2016.

ACKNOWLEDGEMENT

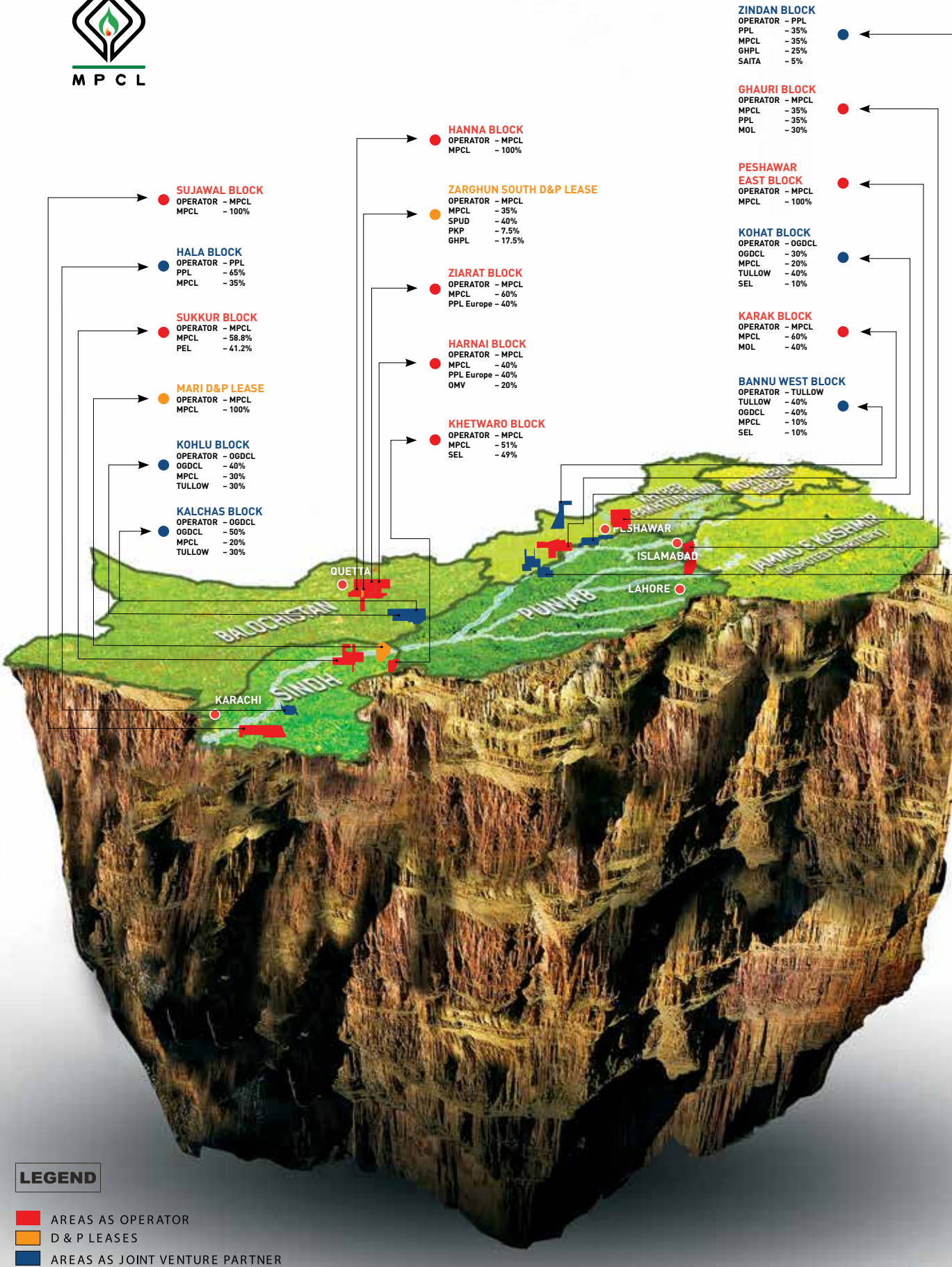
The Board of Directors would like to express its appreciation for the efforts and dedication of all employees of the Company, which enabled the management to run the Company efficiently during the year resulting in continued production and supply of hydrocarbons to its customers. The Board also wishes 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

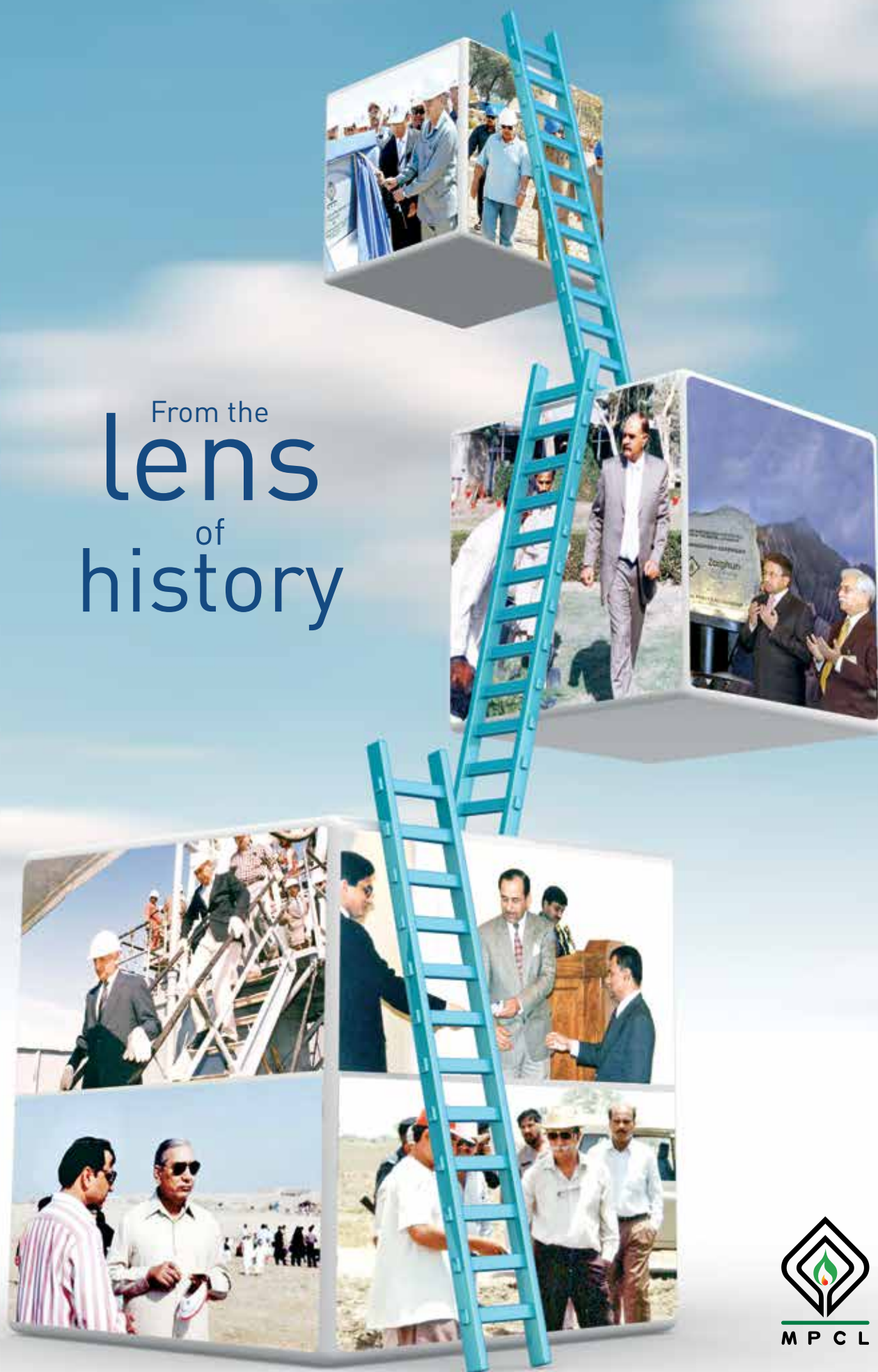
Lt Gen Khalid Nawaz Khan
HI (M), SE, (Retd)
Chairman

Islamabad
August 12, 2015

MPCL CONCESSIONS AND WORKING INTERESTS



From the lens of history



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 clause No. 5.19.23 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of Listing Regulations of 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:

Category	Names
Independent Director	Engr. S. H. Mehdi Jamal
Executive Director	Lt. Gen. Nadeem Ahmed (Retd.)
Non-Executive Directors	Lt. Gen. Khalid Nawaz Khan (Retd.)
	Mr. Qaiser Javed
	Dr. Nadeem Inayat
	Brig. Dr. Gulfam Alam (Retd.)
	Maj Gen Mumtaz Ahmad Bajwa (Retd.)
	Mr. Sabino Sikandar Jalal
	Qazi Mohammad Saleem Siddiqui
	Mr. Zahid Mir
	Mr. Ahmed Hussain
	Mr. Ahmed Hayat Lak
	Mr. Shahid Ghaffar

The independent director meets the criteria of independence under clause 5.19.1 (b) of the Code of Corporate Governance 2012.

2. All 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 Development Finance Institution or a Non-Banking Financial Institution, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year five casual vacancies occurred on the Board on August 11, 2014, January 2, 2015, January 31, 2015, April 7, 2015, and April 13, 2015 respectively, which were filled within 90 days. A previous casual vacancy which occurred on August 23, 2013 is still unfilled as no nomination has so far been received from the nominating institution.
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 and 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.

In compliance with clause 35 (xi) of Code of Corporate Governance 2012, one director was sent on directors’ training program offered by the Institute of Chartered Accountants of Pakistan in May 2015.
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.
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.
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. During the year an existing independent director on the Committee has joined directorship of an associated company. Accordingly, he no longer meets the requirement of the Code for an independent director and the Company is in the process of appointing an independent director on the Committee to meet the requirements of the Code.
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 three members and all of them are non-executive directors. Chairman of the Committee is a non-executive director and one member is an independent director.
18.

The Board has set-up an effective internal audit function, staffed with professionals who are suitably qualified and experienced for the purpose and are well 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.

Islamabad
August 12, 2015

For and on behalf of the Board

Lt Gen Khalid Nawaz Khan (Retd)
Chairman

REVIEW REPORT TO THE MEMBERS

on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Mari Petroleum Company Limited (the Company) for the year ended June 30, 2015, to comply with the requirements of Regulation No. 5.19.23 of the Rule book of Karachi Stock Exchange Limited and Listing Regulations of the other respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with 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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Further, we highlight the matter in relation to the requirement of the Code in respect of appointment of Independent director on the Audit Committee as mentioned in note 15 of the Statement of Compliance.

Asim Masood Iqbal

Chartered Accountants
Islamabad
Date: August 12, 2015

Engagement Partner: **Asim Masood Iqbal**



FINANCIAL STATEMENTS OF MARI PETROLEUM COMPANY LIMITED FOR THE YEAR ENDED JUNE 30, 2015

85	Auditors' Report to the Members
86	Balance Sheet
88	Profit and Loss Account
89	Statement of Comprehensive Income
90	Cash Flow Statement
91	Statement of Changes in Equity
92	Notes to and Forming Part of the Financial Statements

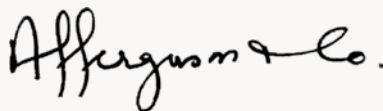
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Mari Petroleum Company Limited as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the 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

Islamabad

Date: August 12, 2015

Engagement Partner: **Asim Masood Iqbal**

		2015	2014
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
250,000,000 (2014: 250,000,000) ordinary shares of Rs 10 each		2,500,000	2,500,000
1,059,000,100 (2014: Nil) preference shares of Rs 10 each		10,590,001	-
		13,090,001	2,500,000
Issued, subscribed and paid up capital	4	1,102,500	918,750
Undistributed percentage return reserve	5	395,331	414,014
Exploration, evaluation and development reserve	6	8,240,521	4,584,270
Capital redemption reserve fund	7	1,300,000	-
Reserve for Mari Seismic Unit	8	422,329	1,155,725
Profit and loss account	9	35,537	9,749,472
		11,496,218	16,822,231
NON CURRENT LIABILITIES			
Redeemable preference shares - unsecured	10	9,290,001	-
Long term financing - secured	11	-	332,505
Deferred liabilities	12	5,468,973	4,714,598
		14,758,974	5,047,103
CURRENT LIABILITIES			
Trade and other payables	13	36,656,379	36,177,006
Current maturity of redeemable preference shares	10	1,300,000	-
Current maturity of long term financing	11	332,505	1,379,173
Profit accrued on redeemable preference shares		1,099,242	-
Interest accrued on long term financing		10,500	37,514
		39,398,626	37,593,693
CONTINGENCIES AND COMMITMENTS			
	14	65,653,818	59,463,027

The annexed notes 1 to 47 form an integral part of these financial statements.

D. J. [Signature]

Lt Gen Nadeem Ahmed, HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

[illegible]

Gen. T.

Qaiser Javed
Director

Profit and Loss Account

for the year ended June 30, 2015

Note	2015	2014	
	(Rupees in thousand)		
Gross sales to customers	29	88,239,537	70,454,050
Gas development surcharge		18,017,729	19,959,539
General sales tax		12,370,744	9,952,761
Excise duty		1,630,044	1,547,845
Gas infrastructure development cess		36,050,495	23,733,661
Wind fall levy		794,504	516,224
Deficit under the Gas Price Agreement		-	(133,949)
		68,863,516	55,576,081
Sales - net		19,376,021	14,877,969
Royalty		2,519,026	1,922,086
		16,856,995	12,955,883
Operating expenses	30	5,396,190	4,375,198
Exploration and prospecting expenditure	31	3,194,383	3,116,299
Other charges	32	498,725	322,563
		9,089,298	7,814,060
		7,767,697	5,141,823
Other income / (expenses)	33	55,028	(476,755)
Operating profit		7,822,725	4,665,068
Finance income	34	517,239	593,674
Finance cost	35	1,788,092	881,105
Profit before taxation		6,551,872	4,377,637
Provision for taxation	36	901,559	434,334
Profit for the year		5,650,313	3,943,303
Earnings per share - basic and diluted			
Earnings per ordinary share (Rupees)	37	51.25	35.77
Distributable earnings per ordinary share (Rupees)	37	4.82	5.25

The annexed notes 1 to 47 form an integral part of these financial statements.

[Signature]

Lt Gen Nadeem Ahmed, HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

[Signature]

Kaiser Javed
Director

Statement of Comprehensive Income

for the year ended June 30, 2015

Note	2015	2014
	(Rupees in thousand)	
Profit for the year	5,650,313	3,943,303
Other comprehensive income / (loss):		
Items that will not be reclassified to profit or loss:		
Remeasurement gains / (losses) on defined benefit plans	54,921	(655,787)
Tax effect related to remeasurement on defined benefit plans		
- Current tax (charge) / credit	(33,897)	320,371
- Deferred tax credit	2,891	5,266
	23,915	(330,150)
Total comprehensive income for the year	5,674,228	3,613,153
Total comprehensive income for the year is apportioned as follows:		
Distributable profits	531,373	578,878
Transfer to exploration, evaluation and development reserve 6	3,656,251	397,626
Transfer to capital redemption reserve fund 7	1,300,000	-
Transfer to reserve for Mari Seismic Unit 8	186,604	(101,211)
Profit and loss account - undistributable balance 9	-	2,737,860
	5,674,228	3,613,153

The annexed notes 1 to 47 form an integral part of these financial statements.

[Signature]

Lt Gen Nadeem Ahmed, HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

[Signature]

Kaiser Javed
Director

CASH FLOW STATEMENT

for the year ended June 30, 2015

90

Mari Petroleum Company Limited

	2015	2014
	(Rupees in thousand)	
Note		
Cash flows from operating activities		
Cash receipts from customers	87,251,571	51,310,130
Cash paid to the Government for Government levies	(69,642,020)	(36,738,021)
Cash paid to suppliers and employees	(9,229,784)	(6,978,335)
Income tax paid	(1,770,757)	(1,497,196)
Cash flow from operating activities	6,609,010	6,096,578
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,077,379)	(3,397,631)
Development and production assets	(265,090)	(1,366,708)
Exploration and evaluation assets	(4,421,766)	(2,300,513)
Proceeds from disposal of property, plant and equipment	53,451	9,958
Proceeds from disposal of working interest in concessions	-	601,158
Interest received	316,890	535,533
Cash flow from investing activities	(5,393,894)	(5,918,203)
Cash flows from financing activities		
Long term financing received	150,000	210,590
Long term financing repaid	(1,529,173)	(1,003,722)
Finance cost paid	(149,945)	(240,737)
Dividends paid	(92,626)	(345,802)
Cash flow from financing activities	(1,621,744)	(1,379,671)
Decrease in cash and cash equivalents	(406,628)	(1,201,296)
Cash and cash equivalents at beginning of year	5,307,263	6,508,559
Cash and cash equivalents at end of year	28 4,900,635	5,307,263

The annexed notes 1 to 47 form an integral part of these financial statements.

Lt Gen Nadeem Ahmed, HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

Kaiser Javed
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2015

91

Annual Report 2015

	Issued, subscribed and paid up capital	Undistributed percentage return reserve	Exploration, evaluation and development reserve	Capital redemption reserve fund	Reserve for Mari Seismic Unit	Profit and loss account	Total
	(Rupees in thousand)						
Balance as at July 1, 2013	918,750	578,994	4,186,644	-	920,000	6,952,345	13,556,733
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	3,943,303	3,943,303
Other comprehensive loss	-	-	-	-	-	(330,150)	(330,150)
	-	-	-	-	-	3,613,153	3,613,153
First interim cash dividend for the year ended June 30, 2014 @ Rs 2.784 per share	-	-	-	-	-	(255,780)	(255,780)
Second interim cash dividend for the year ended June 30, 2014 @ Rs 1.00 per share	-	-	-	-	-	(91,875)	(91,875)
Transfer from profit and loss account to undistributed percentage return reserve	-	223,781	-	-	-	(223,781)	-
Transfer from profit and loss account to exploration, evaluation and development reserve	-	-	397,626	-	-	(397,626)	-
Transfer from undistributed percentage return reserve to reserve for Mari Seismic Unit	-	(388,761)	-	-	388,761	-	-
Shareholders' share of Mari Seismic Unit loss transferred from profit and loss account to reserve for Mari Seismic Unit	-	-	-	-	(153,036)	153,036	-
Balance as at June 30, 2014	918,750	414,014	4,584,270	-	1,155,725	9,749,472	16,822,231
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	5,650,313	5,650,313
Other comprehensive income	-	-	-	-	-	23,915	23,915
	-	-	-	-	-	5,674,228	5,674,228
Issuance of bonus shares	183,750	(183,750)	-	-	-	-	-
First interim cash dividend for the year ended June 30, 2015 @ Rs 3.721 per share	-	-	-	-	-	(410,240)	(410,240)
Transfer to redeemable preference shares - note 10	-	-	-	-	(920,000)	(9,670,001)	(10,590,001)
Transfer from profit and loss account to undistributed percentage return reserve	-	165,067	-	-	-	(165,067)	-
Transfer from profit and loss account to capital redemption reserve fund	-	-	-	1,300,000	-	(1,300,000)	-
Transfer from profit and loss account to exploration, evaluation and development reserve	-	-	3,656,251	-	-	(3,656,251)	-
Net profit of Mari Seismic Unit transferred from profit and loss account to reserve for Mari Seismic Unit	-	-	-	-	186,604	(186,604)	-
Balance as at June 30, 2015	1,102,500	395,331	8,240,521	1,300,000	422,329	35,537	11,496,218

The annexed notes 1 to 47 form an integral part of these financial statements.

Lt Gen Nadeem Ahmed, HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

Kaiser Javed
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

1. LEGAL STATUS AND OPERATIONS

1.1 Mari Petroleum Company Limited ("the Company") is a public limited company incorporated in Pakistan on December 4, 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 registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

1.2 Revision in Mari Wellhead Gas Pricing formula

The previous gas price mechanism for Mari field was 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. Effective July 1, 2014, the Agreement has been replaced with revised Mari Wellhead Gas Price Agreement (2015) ("Revised Agreement") dated July 29, 2015 in line with the Economic Coordination Committee (ECC) decision explained below:

Effective July 1, 2014, the cost plus wellhead gas pricing formula is replaced with a crude oil price linked formula which provides a discounted wellhead gas price to be gradually achieved in five years from July 1, 2014. Mari field wellhead gas price for the year has been determined in line with the revised formula as approved by ECC. The revised formula provides dividend distribution to be continued for next ten years in line with the previous cost plus formula. Accordingly, the shareholders are entitled to a minimum return of 30%, net of all taxes, on shareholders' funds which 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 shareholder's 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%. Any residual profits for the next ten years are to be reinvested for exploration and development activities in Mari as well as outside Mari field. Under the revised formula, the Government of Pakistan will no more provide exploration funds to the Company.

The Company has declared a specie dividend against undistributable balance of profit and loss account at June 30, 2014 in the form of non voting, non-cumulative redeemable preference shares amounting to Rs 9,670 million carrying profit rate of one year KIBOR prevailing on the last working day of each financial year + 3% per annum. The preference shares shall be redeemed in 10 years time in the form of cash to the preference shareholders. However, in lieu of consideration for revision in the formula, the major shareholders have surrendered their right to receive the specie dividend in favour of Government of Pakistan. Accordingly, preference shares have been issued to the Government of Pakistan and minority shareholders. Further, Government's investment in Mari Seismic Unit amounting to Rs 920 million has also been converted into preference shares on the same terms. The ECC of the Cabinet has approved the above arrangement. Approvals of shareholders, Security and Exchange Commission of Pakistan (SECP) and other regulatory bodies have also been obtained. Further, the Company has applied to Oil and Gas Regulatory Authority (OGRA) for notification of revised wellhead price for Mari has field from July 1, 2014 onward.

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 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	July 1, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	July 1, 2016
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2016
IAS 16	Property, Plant and Equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate Financial Statements (revised 2011)	January 1, 2015
IAS 28	Associates and Joint Ventures (revised 2011)	January 1, 2015
IAS 34	Interim Financial Reporting (Amendments)	January 1, 2016
IAS 38	Intangible Assets (Amendments)	January 1, 2016
IAS 41	Agriculture (Amendments)	January 1, 2016

The management anticipates that, adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

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:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments

The following interpretations issued by the IASB have been waived off by SECP:

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 the 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

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.

In the process of applying the Company’s accounting policies, the management has made the following estimates, assumptions and judgements which are significant to these financial statements:

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, impairment 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 may 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 38 to the financial statements for determination of present value of defined benefit obligations and fair value of plan assets.

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 employee defined benefit plans that is carried at present value of defined benefit obligations net of fair value of plan assets.

3.2 **Functional and presentation currency**

These financial statements are presented in Pakistan 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 32% 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. The associated asset retirement costs are capitalized as part of property, plant and equipment, development and production assets and exploration and evaluation 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, development and production assets and exploration and evaluation 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

adjustment to the provision and a corresponding adjustments to property, plant and equipment, development and production assets and exploration and evaluation assets. The unwinding of discount on decommissioning provision is recognized as finance cost.

The provision has been discounted using discount rate of 10.75% per annum (2014: 13% per annum).

3.6 Employee benefits

The Company operates:

- i) Defined benefit funded and unfunded plans for its management and non-management employees. The amounts arising as a result of remeasurements on employee retirement benefits are recognized immediately in other comprehensive income. Past service cost and curtailments are recognized in profit and loss account, in the period in which change takes place.

Actuarial valuation is conducted periodically using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2015. The results of the valuation are summarized in note 38 to these financial statements.

- ii) Defined contribution provident fund for its employees for which contributions of Rs 49.76 million (2014: Rs 39.59 million) are charged to income for the year. The contributions to the fund are made by the Company at the rate of 10% per annum of the basic salary.
- iii) 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 15 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 derecognized.

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, cost of recognizing provisions for future site restoration and decommissioning 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, including the Company's vehicles, drilling rigs and other property, plant and equipment used by the Company's exploration function 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, 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.

Where an impairment loss subsequently reverses, the carrying amount of the Intangible E&E asset is increased due to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined had no impairment loss being recognized for the Intangible E&E asset in prior years. A reversal of the impairment loss is recognized as income in the profit and loss account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

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. Effect of adjustment, if any, arising from revision in sale price is reflected as and when the prices are finalized with the customers and/or approved by the Government. Finance income is recognized proportionately with reference to the principal outstanding and the applicable rate of return. Revenue from services is recognised when the related services are rendered.

3.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method.

Preference shares, which are mandatorily redeemable by the Company are classified as liabilities. The profit on these preference shares is recognized in the profit and loss account as finance cost.

3.14 Borrowing cost

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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 account.

3.15 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, revenue and expenses in such joint ventures which is pro rata to the Company's interest in the joint venture operations.

The financial statements of the Company include its prorata share of assets, liabilities and expenses in joint venture operations which are accounted for on the basis of latest audited financial statements and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date.

3.16 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each balance sheet date, or wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date. Reversals of the impairment loss are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no new impairment loss had been recognised. An impairment loss or reversal of impairment loss is recognised in income for the year.

3.17 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is charged, cancelled or expired. All financial assets and liabilities, other than at fair value through

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

profit or loss assets and liabilities, are initially recognised at fair value. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are charged to income for the year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gain or loss on derecognition of financial assets and financial liabilities is included in income for the year.

3.18 Financial assets

The Company classifies its financial assets in the following categories: investments at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the company commits to purchase or sell the asset.

(i) Held-to-maturity investments

Investments with fixed payments and maturity that the Company has the intent and ability to hold to maturity are classified as held-to-maturity investments and are carried at amortized cost less impairment losses.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade debts', 'Loans and advances', 'Interest accrued', Other receivables', 'Deposits' and 'Cash and bank balances' in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest method less allowance for any uncollectible amounts.

An allowance for uncollectible amounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than the credit period specified in sales agreements) are considered indicators that the amount is uncollectible. When the amount is uncollectible, it is written off against the allowance.

3.19 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3.20 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.

3.21 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.

3.22 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 recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.23 Cash and cash equivalents

Cash and cash equivalents, for the purposes of cash flow statement, comprise cash in hand and at bank 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.

3.24 Dividend distribution

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

3.25 Research and development costs

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

3.26 Operating leases

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

3.27 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.

		2015	2014
Note		(Rupees in thousand)	
4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
24,850,007 (2014: 24,850,007) ordinary shares of			
Rs 10 each issued for cash		248,500	248,500
11,899,993 (2014: 11,899,993) ordinary shares of			
Rs 10 each issued for consideration other than cash 4.1		119,000	119,000
73,500,000 (2014: 55,125,000) ordinary shares of			
Rs 10 each issued as bonus shares 4.2		735,000	551,250
		1,102,500	918,750

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

- 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
- The Board of Directors in its meeting held on September 30, 2014 proposed issuance of 20% bonus shares amounting to Rs 183,750 thousand. The bonus shares were subsequently issued after approval of the shareholders in the Annual General Meeting held on October 31, 2014. As at June 30, 2015, 608,364 bonus shares have not been issued pending resolution of issue relating to deduction of withholding tax on issuance of bonus shares.

	2015	2014
	(Percentage)	
4.3 Major shareholding of the Company is as follows:		
Fauji Foundation	40.00*	40.00
Oil and Gas Development Company Limited (OGDCL)	20.00*	20.00
Government of Pakistan	18.39	18.39

* Pattern of shareholding includes 367,500 (0.83%) and 183,750 (0.83%) bonus shares of Fauji Foundation and OGDCL respectively, which have not been issued as at June 30, 2015 as referred to in note 4.2.

4.4 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 investments. 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 2, 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (II)/2011 dated June 7, 2011.

Had the exemption not been granted, the staff costs of the Company for the year would have been higher by Rs 260.38 million, profit for the year would have been lower by Rs 122.38 million, earnings per share would have been lower by Rs 1.11 per share and reserves would have been higher by Rs 380.52 million.

The Management understands that the Scheme is currently under review by the GoP, the impact of which cannot be determined as of June 30, 2015.

Note	2015	2014
	(Rupees in thousand)	
5. UNDISTRIBUTED PERCENTAGE RETURN RESERVE		
Balance at beginning of the year	414,014	578,994
Bonus shares issued during the year	(183,750)	-
Transferred from profit and loss account	5.1 165,067	223,781
Transferred to reserve for Mari Seismic Unit	-	(388,761)
Balance at end of the year	395,331	414,014

- 5.1
- This represents the amount of distributable profits for the year related to undistributable percentage return reserve.
- 5.2
- The amount held in this reserve represents the balance of the percentage return reserve on Shareholders’ Funds as referred to in the Revised Agreement.

	2015	2014
	(Rupees in thousand)	
6. EXPLORATION, EVALUATION AND DEVELOPMENT RESERVE		
Balance at beginning of the year	4,584,270	4,186,644
Additions during the year	-	2,300,513
Cost of dry and abandoned wells written off	-	(751,396)
Impairment of well cost	-	(951,985)
Disposal of working interest in concessions	-	(88,711)
Depreciation for the year	-	(110,795)
Transferred from profit and loss account	3,656,251	-
	3,656,251	397,626
Balance at end of the year	8,240,521	4,584,270

- 6.1
- This includes Rs 4,584.27 million created by the Company upto June 30, 2014 through the operation of the Agreement and Rs 3,656.25 million represents the balance amount transferred to this reserve from profit and loss account during the year, to be reinvested for exploration and development activities in Mari as well as outside Mari field.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

7. CAPITAL REDEMPTION RESERVE FUND

This reserve has been created to redeem redeemable preference shares in the form of cash to the preference shareholders as explained in note 10.

	Note	2015 (Rupees in thousand)	2014
8. RESERVE FOR MARI SEISMIC UNIT			
Government's investment in Mari Seismic Unit:			
Opening balance		920,000	920,000
Transferred to redeemable preference shares	8.2	(920,000)	-
Closing balance		-	920,000
Shareholders' investment in Mari Seismic Unit:			
Opening balance		235,725	-
Transferred from undistributed percentage return reserve		-	388,761
Shareholders' share of Mari Seismic Unit profit / (loss):			
Prior period loss transferred from profit and loss account		-	(51,825)
Net profit / (loss) for the year transferred from profit and loss account		186,604	(101,211)
		186,604	(153,036)
Closing balance		422,329	235,725
		422,329	1,155,725

- 8.1 The Company has established its own state of the art Mari Seismic Unit (MSU) for the acquisition of 3D and 2D seismic data.
- 8.2 As explained in note 1.2 and 10, the Government's investment in Mari Seismic Unit as at June 30, 2014 has been converted into non-voting, non-cumulative, redeemable preference shares.

9. PROFIT AND LOSS ACCOUNT

The amount of Rs 35.54 million (2014: Rs 9,749.47 million) represents the following:

	Note	2015 (Rupees in thousand)	2014
9.1 Undistributable balance			
Opening balance		9,670,001	6,932,141
Generated during the year		-	2,737,860
Transferred to redeemable preference shares	9.1.1	(9,670,001)	-
Closing balance		-	9,670,001

- 9.1.1 As explained in note 1.2 and 10, the undistributable balance of profit and loss account as at June 30, 2014 has been converted into non-voting, non-cumulative, redeemable preference shares.

	2015 (Rupees in thousand)	2014
9.2 Distributable balance		
Undistributed return	35,537	79,471

This represents the balance amount of distributable return to shareholders on account of increase in hydrocarbons production.

	Note	2015 (Rupees in thousand)	2014
10. REDEEMABLE PREFERENCE SHARES - UNSECURED			
Non-voting, non-cumulative redeemable preference shares	10.1	10,590,001	-
Current maturity		(1,300,000)	-
		9,290,001	-

- 10.1 As referred to in note 1.2, the Company has issued non-voting, non-cumulative, redeemable preference shares in line with the approval of the ECC of the Cabinet to transfer the undistributable balance of profit and loss account at June 30, 2014 amounting to Rs 9,670 million in the ratio of Rs 87.70 for every ordinary share held in favour of the Government of Pakistan and minority shareholders at the par value of Rs 10 each. Further, the Company has also issued non-voting, non-cumulative, redeemable preference shares in respect of Government's investment in MSU at June 30, 2014 amounting to Rs 920 million at par value of Rs 10 each to the Government of Pakistan exclusively. These preference shares rank pari passu inter se each other. Profit rate on preference shares is one year KIBOR prevailing on the last working day of each financial year plus 3% per annum i.e. 10.38% per annum for the year ended June 30, 2015. The preference shares are redeemable by the Company in 10 years time in the form of cash to preference shareholders through a sinking fund created out of the profits of the Company. As at June 30, 2015, 5,335,946 preference shares have not been issued pending resolution of issue of deduction of withholding of tax on bonus shares as explained in note 4.2.
- 10.2 As at June 30, 2015, the Government of Pakistan held 931,781,840 preference shares of the Company at par value of Rs 10 each.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

	Note	2015 (Rupees in thousand)	2014
11. LONG TERM FINANCING - SECURED			
Loan for Mari field development	11.1		
Opening balance		380,000	760,000
Amount repaid during the year		(380,000)	(380,000)
		-	380,000
Amount repayable within next twelve months shown as current maturity of long term financing		-	(380,000)
		-	-
Loan for Zarghun field development	11.2		
Opening balance		665,011	744,810
Amount received during the year		-	210,590
Amount repaid during the year		(332,506)	(290,389)
		332,505	665,011
Amount repayable within next twelve months shown as current maturity of long term financing		(332,505)	(332,506)
		-	332,505
Loan for Mari Seismic Unit	11.3		
Opening balance		666,667	1,000,000
Amount received during the year		150,000	-
Amount repaid during the year		(816,667)	(333,333)
		-	666,667
Amount repayable within next twelve months shown as current maturity of long term financing		-	(666,667)
		-	-
Long term financing - secured		-	332,505
Amount repayable within next twelve months shown as current maturity of long term financing		332,505	1,379,173

11.1 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 was payable semi-annually in arrears on the outstanding facility amount at six months KIBOR + 1.35% per annum. The mark-up rate was revised downward to six months KIBOR + 0.75% per annum from December 1, 2013. The effective mark-up rate for the year ended June 30, 2015 was 10.82% (2014: 10.42%) per annum. The loan was repayable in ten equal semi-annual instalments after a grace period of 24 months from the date of first disbursement. All ten instalments amounting to Rs 1,900 million have been fully repaid on March 13, 2015. Security charge against the loan has been vacated upon approval from SECP.

11.2 In order to finance Zarghun South Field, the Company arranged Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Entire amount of the facility was drawn upto June 30, 2014. The mark-up was payable

semi-annually in arrears on the outstanding facility amount at the average of six months KIBOR + 1.35% per annum. The mark-up rate was revised downward to six months KIBOR + 0.75% per annum from January 1, 2014. The effective mark-up rate for the year ended June 30, 2015 was 10.49% (2014: 10.60%) per annum. The loan is repayable in ten equal semi-annual instalments after a grace period of 24 months from the date of first disbursement. Eight instalments amounting to Rs 779 million have been paid upto June 30, 2015. 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.

11.3 A long term finance facility initially amounting to Rs 1,000 million was availed from Allied Bank Limited for financing of Seismic Data Acquisition Equipment. The entire amount of the facility was drawn on June 28, 2013. Facility amount was enhanced by Rs 150 million and the amount was drawn on December 8, 2014. Mark-up for the said loan was paid quarterly in arrears on the outstanding facility amount at six months KIBOR + 0.25% per annum. The effective mark-up rate for the year ended June 30, 2015 was 10.22% (2014: 9.87%) per annum. The loan was repayable in three equal semi-annual instalments after 12 months from the date of first disbursement. The loan has been fully repaid on June 26, 2015. The loan was secured by an exclusive charge of Rs 1.33 billion 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. Necessary steps are being undertaken for vacation of charge against this facility.

	Note	2015 (Rupees in thousand)	2014
12. DEFERRED LIABILITIES			
Provision for decommissioning cost	12.1	4,944,791	4,247,050
Provision for employee benefits - unfunded	12.2	388,642	340,341
Provision for compensated leave absences		126,739	125,805
Deferred income		8,801	1,402
		5,468,973	4,714,598
12.1 Provision for decommissioning cost			
Balance at beginning of the year		4,247,050	3,597,174
Provision made during the year		147,905	220,699
Revision due to change in estimates		(2,280)	33,488
Unwinding of discount		552,116	395,689
Balance at end of the year		4,944,791	4,247,050
The above provision is analyzed as follows:			
Wells		4,460,346	3,990,224
Production facilities including gathering lines		484,445	256,826
		4,944,791	4,247,050

It is expected that cash outflows resulting from decommissioning will occur between 2017 to 2050.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

108

Mari Petroleum Company Limited

	Note	2015 (Rupees in thousand)	2014
12.2 Provision for employee benefits - unfunded			
Post retirement leave benefits for management employees	38.2	294,486	263,171
Post retirement medical benefits for management employees	38.2	55,998	49,958
Pension plan for non-management employees	38.2	38,158	27,212
		388,642	340,341
13. TRADE AND OTHER PAYABLES			
Creditors		717,249	879,202
Accrued liabilities		2,304,597	2,413,480
Joint venture partners		303,732	192,703
Retention and earnest money deposits		69,531	63,810
Gratuity funds		159,452	801,014
Gas development surcharge		3,962,933	5,895,110
General sales tax		2,895,516	845,762
Excise duty		165,491	128,884
Gas Infrastructure Development Cess (GIDC)	13.1	23,976,978	23,933,942
Royalty		496,473	-
Workers' Welfare Fund		828,577	685,129
Workers' Profit Participation Fund	13.2	355,276	235,010
Unclaimed dividend		10,333	9,410
Unpaid dividend		410,241	93,550
		36,656,379	36,177,006

13.1 Out of Rs 23,976.98 million, an amount of Rs 10,968.91 million on account of GIDC has been received from customers and paid to GoP as of August 12, 2015.

	2015 (Rupees in thousand)	2014
13.2 Workers' Profit Participation Fund		
Balance at beginning of the year	235,010	190,965
Allocation for the year	355,276	235,010
Interest on delayed payments @ 28.99% (2014: 28.38%) per annum	16,424	7,870
	371,700	242,880
	606,710	433,845
Amount paid to the Fund	(251,434)	(198,835)
Balance at end of the year	355,276	235,010

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

- (i) The Company has not recognized interest income of Rs 7,197.19 million (2014: Rs 6,462.46 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 3,220.83 million (2014: Rs 3,220.83 million) payable to the Government of Pakistan (GoP) on account of late payment of Gas Development Surcharge.
- (ii) Indemnity bonds given to Collector of Customs against duty concessions on import of vehicles amounted to Rs 5.23 million (2014: Rs 5.23 million).
- (iii) Contractor's claim not acknowledged as debt of Rs 20.35 million (2014: Rs 20.35 million).

14.2 Commitments

	2015 (Rupees in thousand)	2014
Capital expenditure:		
Share in joint ventures	7,507,467	8,111,269
Mari field	596,127	800,718
	8,103,594	8,911,987

109

Annual Report 2015

15. 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' production facilities including Gathering Lines	Capital work in progress (note 15.1)	Total
(Rupees in thousand)															
As at July 1, 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
Year ended June 30, 2014															
Opening 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
Additions	-	-	212,655	576,527	13,020	86,892	2,159,837	90,604	57,997	15,082	320,624	48,416	33,377	3,948,883	7,563,914
Revision due to change in estimates of provision for decommissioning cost	-	-	-	-	-	-	-	-	-	-	-	-	5,799	-	5,799
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(12,830)	(1,039)	-	(55)	(3,055)	(47,660)	-	-	(64,639)
Accumulated depreciation	-	-	-	-	-	-	2,077	791	-	55	3,055	46,116	-	-	52,094
Transfers	-	-	-	-	-	-	(10,753)	(248)	-	-	-	(1,544)	-	-	(12,545)
Depreciation charge	-	(1,487)	(39,517)	(7,489)	(10,441)	(93,616)	(225,180)	(13,407)	(134,191)	(5,866)	(41,443)	(37,778)	(450)	(4,132,906)	(4,132,906)
Net book value	622,476	90,734	615,540	629,941	62,607	424,165	2,595,354	98,126	777,732	41,395	301,609	124,571	55,320	2,232,339	8,671,909
As at July 1, 2014															
Cost	622,476	102,224	956,323	683,445	170,514	1,272,772	3,354,160	199,264	2,056,681	91,594	651,803	312,599	92,441	2,232,339	12,798,635
Accumulated depreciation	-	11,490	340,783	53,504	107,907	848,607	758,806	101,138	1,278,949	50,199	350,194	188,028	37,121	-	4,126,726
Net book value	622,476	90,734	615,540	629,941	62,607	424,165	2,595,354	98,126	777,732	41,395	301,609	124,571	55,320	2,232,339	8,671,909
Year ended June 30, 2015															
Opening net book value	622,476	90,734	615,540	629,941	62,607	424,165	2,595,354	98,126	777,732	41,395	301,609	124,571	55,320	2,232,339	8,671,909
Additions	-	-	72,762	27,005	22,048	2,133,685	318,351	24,352	33,788	5,674	34,942	41,079	14,884	1,250,386	3,978,976
Revision due to change in estimates of provision for decommissioning cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(250,345)	(1,192)	-	-	-	-	-	-	(251,557)
Accumulated depreciation	-	-	-	-	-	-	37,982	1,192	-	-	-	-	-	-	39,174
Transfers	-	-	-	-	-	-	(212,383)	-	-	-	-	-	-	-	(212,383)
Tangible assets of Zarghun field transferred from development and production assets	-	-	-	-	-	-	789,585	838	238,736	-	-	9,747	-	-	1,038,926
Depreciation charge	-	(1,487)	(46,088)	(34,975)	(11,238)	(173,992)	(403,283)	(31,811)	(137,036)	(6,404)	(106,723)	(40,176)	(2,315)	-	(995,528)
Net book value	622,476	89,247	642,214	621,971	73,417	2,383,858	3,087,624	91,505	913,220	40,665	229,848	135,241	247,235	596,012	9,774,533
As at June 30, 2015															
Cost	622,476	102,224	1,029,085	710,450	192,562	3,406,457	4,211,731	223,262	2,329,205	97,268	686,765	363,445	286,671	596,012	14,857,613
Accumulated depreciation	-	12,977	386,871	88,479	119,145	1,022,599	1,124,107	131,757	1,415,985	56,603	456,917	228,204	39,436	-	5,083,080
Net book value	622,476	89,247	642,214	621,971	73,417	2,383,858	3,087,624	91,505	913,220	40,665	229,848	135,241	247,235	596,012	9,774,533
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 43.83 million (2013: Rs 51.92 million), which represents the net book value of line heaters rented to an associated company, Foundation Power Company Daharki Limited.

15.1 Capital work in progress

	2015 (Rupees in thousand)	2014
Mari Field		
Infill and Pirkoh wells		
Land	15,892	15,892
Stores and spares	46,277	56,850
Plant and equipment	9,841	48,313
	72,010	121,055
Up front wells and production facilities		
Land	15,636	15,636
Stores and spares	6,960	6,960
Plant and equipment	10,813	19,075
	33,409	41,671
Others	3,161	3,161
	108,580	165,887
Mari Seismic Unit		
Equipment	-	49,286
Advances to suppliers	-	1,687
	-	50,973
Drilling Rig		
Equipment	-	1,020,746
Advances to suppliers	-	593,290
	-	1,614,036
Support of production		
Land, buildings, roads and bridges	171,546	210,188
Plant, machinery and others	315,886	191,255
	487,432	401,443
	596,012	2,232,339
15.2 The depreciation charge has been allocated as follows:		
Operating expenses	528,672	371,264
Other income		
Mari Seismic Unit income / (loss)	292,863	145,985
Rig rental income / (loss)	173,993	93,616
	995,528	610,865

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
for the year ended June 30, 2015

15.3 Detail of property and equipment as at June 30, 2015 relating to Mari Seismic Unit is as follows:

Description	Cost	Accumulated Depreciation	Net Book value
(Rupees in thousand)			
Buildings on freehold land	21,901	1,796	20,105
Equipment	1,863,726	284,051	1,579,675
Computers and allied equipment	3,043	876	2,167
Furniture and fixture	27	7	20
Vehicles	301,273	114,109	187,164
	2,189,970	400,839	1,789,131

15.4 Detail of property, plant and equipment disposed off during the year is as follows:

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
Plant and equipment	250,365	37,982	212,383	53,331*	By insurance claim*	EFU General Insurance Company
Computers	1,192	1,192	-	120	Company policy	Various employees
	251,557	39,174	212,383	53,451		

* The Company has received insurance claim amounting to Rs 53.33 million during the year and is in the process of lodging of insurance claim in respect of remaining amount.

16. DEVELOPMENT AND PRODUCTION ASSETS

Description	Producing fields		Sub total	Decommissioning cost	Total
	Wholly owned	Joint ventures			
(Rupees in thousand)					
As at July 1, 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
Year ended June 30, 2014					
Opening net book value	1,205,352	306,408	1,511,760	561,061	2,072,821
Additions - note 16.1	488,888	957,870	1,446,758	187,322	1,634,080
Revision due to change in estimates of provision for decommissioning cost	-	-	-	29,509	29,509
Amortization for the year	(93,593)	-	(93,593)	(21,246)	(114,839)
Net book value	1,600,647	1,264,278	2,864,925	756,646	3,621,571
As at July 1, 2014					
Cost	4,505,398	1,264,278	5,769,676	1,340,187	7,109,863
Accumulated amortization	(2,904,751)	-	(2,904,751)	(583,541)	(3,488,292)
Net book value	1,600,647	1,264,278	2,864,925	756,646	3,621,571
Year ended June 30, 2015					
Opening net book value	1,600,647	1,264,278	2,864,925	756,646	3,621,571
Additions - note 16.1	109,493	162,127	271,620	81,585	353,205
Tangible assets of Zarghun field transferred to Property, Plant and Equipment	-	(1,038,926)	(1,038,926)	-	(1,038,926)
Transferred to exploration and evaluation assets	-	-	-	(443,505)	(443,505)
Revision due to change in estimates of provision for decommissioning cost	-	-	-	(153,788)	(153,788)
Amortization for the year	(102,141)	(23,899)	(126,040)	(24,802)	(150,842)
Net book value	1,607,999	363,580	1,971,579	216,136	2,187,715
As at June 30, 2015					
Cost	4,614,891	387,479	5,002,370	824,479	5,826,849
Accumulated amortization	(3,006,892)	(23,899)	(3,030,791)	(608,343)	(3,639,134)
Net book value	1,607,999	363,580	1,971,579	216,136	2,187,715

16.1 Additions include borrowing costs capitalized during the year amounting to Rs 6.53 million (2014: Rs 80.05 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

114

Mari Petroleum Company Limited

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
17. EXPLORATION AND EVALUATION ASSETS			
Balance at beginning of the year		4,584,270	4,186,644
Additions during the year		4,473,202	2,300,513
Capital expenditure transferred from other receivables	26.1	608,960	-
Left over inventory transferred to stores and spares		(349,711)	-
Decommissioning cost of wells under evaluation transferred from development and production assets		443,505	-
Revision due to change in estimates of provision for decommissioning cost		(27,838)	-
Impairment of well and decommissioning cost		(179,581)	(951,985)
Cost of dry and abandoned wells written off		-	(751,396)
Disposal of working interest in concessions		-	(88,711)
Depreciation for the year		(153,205)	(110,795)
		4,815,332	397,626
Balance at end of the year		9,399,602	4,584,270

17.1 Exploration and evaluation assets include Company's share of net book value of tangible assets amounting to Rs 2,192.44 million (2014: Rs 839.60 million). This includes assets amounting to Rs 265.51 million (2014: Rs 319.23 million), being Company's share in joint ventures operated by others (assets not in the possession of the Company).

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

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
Current liabilities related to exploration and evaluation		1,466,533	1,030,145
Current assets related to exploration and evaluation		2,372,969	2,011,719
Exploration and prospecting expenditure	31	1,417,494	2,770,986

18. LONG TERM LOANS AND ADVANCES

Considered good - secured			
Executives	18.1	22,748	10,077
Other employees	18.1	14,046	6,025
		36,794	16,102
Less: amount due within twelve months shown under current loans and advances	23		
Executives		11,550	6,052
Other employees		4,755	2,427
		16,305	8,479
		20,489	7,623

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

	Balance as at July 1, 2014	Disbursements during the year	Repayments during the year	Balance as at June 30, 2015
(Rupees in thousand)				
Executives	10,077	27,719	15,048	22,748
Other employees	6,025	19,628	11,607	14,046
Total	16,102	47,347	26,655	36,794
Year ended June 30, 2014	15,921	21,283	21,102	16,102

18.2 The maximum amount due from executives at the end of any month during the year was Rs 29.10 million (2014: Rs 15.40 million).

18.3 Loans and advances to employees are for general purpose and for house rent advance which are recoverable in 12 to 60 equal monthly instalments 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.

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
19. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits		10,639	18,310
Prepayments		-	25
		10,639	18,335

20. 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	2,952,198	2,829,708
Accounting and tax depreciation / amortization	(812,561)	(1,139,068)
Provision for employee benefits - unfunded	124,365	119,119
Provision for doubtful debts	128,763	120,628
	2,392,765	1,930,387

21. STORES AND SPARES

Stores	21.1	1,545,835	672,776
Spares		172,110	162,279
		1,717,945	835,055

21.1 Stores include:

Share in joint ventures operated by the Company	415,680	62,368
Share in joint ventures operated by others (assets not in possession of the Company)	-	5,807
	415,680	68,175

115

Annual Report 2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

116

Mari Petroleum Company Limited

	2015	2014
	(Rupees in thousand)	
22. TRADE DEBTS		
Due from related parties - considered good		
Pakistan Electric Power Company	402,866	402,866
Foundation Power Company Daharki Limited	5,451,270	5,828,668
Fauji Fertilizer Company Limited	1,516,236	16,309,108
Sui Southern Gas Company Limited	2,533,801	487,582
Sui Northern Gas Pipelines Limited	467,583	48,237
Foundation Gas	4,932	3,874
	10,376,688	23,080,335
Due from others - considered good		
Engro Fertilizer Limited	12,361,567	6,763,328
Fatima Fertilizer Company Limited	8,527,670	413,925
Byco Petroleum Pakistan Limited	614,192	614,192
National Refinery Limited	89,789	82,195
Attock Refinery Limited	314,781	153,224
Pakistan Refinery Limited	46,853	55,811
Western Power Company (Private) Limited	9,017	2,779
Pak Arab Refinery Limited	14,751	-
	32,355,308	31,165,789

22.1 Trade debts due from related parties and trade debts due from others are net of provision for doubtful debts amounting to Rs 384.45 million (2014: Rs 344.65 million) and Rs 17.38 million (2014: Rs Nil) respectively.

22.2 Out of Rs 23,976.98 million trade debts receivable on account of GIDC, an amount of Rs 10,968.91 million has been received from customers and paid to GoP as of August 12, 2015.

	2015	2014
Note	(Rupees in thousand)	
23. LOANS AND ADVANCES		
Considered good		
Current portion of long term loans and advances	18	
Executives	11,550	6,052
Other employees	4,755	2,427
	16,305	8,479
Advances to employees against expenses	42,945	25,901
Advances to suppliers and others	510,294	292,391
Advances to joint venture partners	1,185,739	1,130,764
Royalty paid in advance	-	118,376
Receivable from the President of Pakistan under the Gas Price Agreement	-	133,949
	1,755,283	1,709,860

117

Annual Report 2015

	2015	2014
	(Rupees in thousand)	
24. SHORT TERM PREPAYMENTS		
Prepaid insurance	49,703	8,906
Mining lease	3,631	3,631
Letter of credits	-	1,595
Others	69,007	41,725
	122,341	55,857

25. Interest accrued includes Rs 0.41 million (2014: Rs 0.72 million) from Askari Bank Limited, a related party.

	2015	2014
Note	(Rupees in thousand)	
26. OTHER RECEIVABLES		
Due from related parties		
Rig rentals - Sujawal joint venture	-	263,830
Rig rentals - Karak joint venture	-	39,500
Due from others		
Unclaimed exploration and evaluation expenditure	26.1	608,960
Others	3,282	1,449
	3,282	913,739

26.1 This represents exploration and evaluation expenditure in excess of the allowed limit under the Cost Plus formula of the Agreement as at June 30, 2014. This has been transferred to exploration and evaluation assets during the year.

	2015	2014
Note	(Rupees in thousand)	
27. INCOME TAX PAID IN ADVANCE		
Balance at beginning of the year	635,545	(403,360)
(Provision) / credit for the year:		
Profit and loss account	(1,361,046)	(778,662)
Statement of comprehensive income	(33,897)	320,371
	(1,394,943)	(458,291)
Income tax paid during the year	1,770,757	1,497,196
Balance at end of the year	1,011,359	635,545

28. CASH AND BANK BALANCES		
Cash in hand	1,202	1,379
Balances with banks on:		
Deposit accounts	28.1	4,884,220
Current accounts		15,213
		4,899,433
		4,900,635
		5,305,884
		5,307,263

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

28.1 These include foreign currency accounts amounting to US\$ 8.38 million (2014: US\$ 6.36 million) having mark-up rate of 0.5% (2014: ranging from 0.05% to 0.75%) per annum. The mark-up rate for local currency accounts ranges from 3.25% to 9.65% (2014: 6% to 9.75%) per annum.

28.2 Balances with banks include Rs 101.63 million (2014: Rs 53.32 million) held in joint bank account with respective DCO(s) of the operated concessions in line with the instructions of Directorate General of Petroleum Concessions (DGPC) related to unspent social welfare obligation of the operated concessions.

28.3 Cash and bank balances include Rs 4,185 million (2014: Rs 3,273 million) held with Askari Bank Limited, a related party.

	Note	2015 (Rupees in thousand)	2014
29. GROSS SALES TO CUSTOMERS			
Sale of:			
Gas	29.1	85,020,981	68,420,696
Crude Oil	29.2	2,565,936	1,268,483
Less: Transportation charges		60,671	36,813
		2,505,265	1,231,670
Condensate	29.3	601,755	756,691
Less: Transportation charges		22,113	14,103
		579,642	742,588
Liquefied Petroleum Gas (LPG)	29.4	26,809	24,440
Own consumption		106,840	34,656
		88,239,537	70,454,050
29.1 This represents sale of gas as per details below:			
Mari Field		81,373,351	66,667,964
Sujawal block		2,557,648	1,247,918
Zarghun block		620,344	-
Hala block		384,068	358,926
Sukkur block		34,867	127,915
Karak block		50,703	17,973
		85,020,981	68,420,696
29.2 This represents sale of crude oil as per details below:			
Karak block		1,713,063	1,249,150
Ghauri block		849,674	7,630
Ziarat block		3,199	11,703
		2,565,936	1,268,483
29.3 This represents sale of condensate as per details below:			
Mari Field		205,277	281,515
Sujawal block		238,148	286,916
Hala block		147,418	188,260
Zarghun block		10,912	-
		601,755	756,691

29.4 This represents sale of LPG from Hala block.

29.5 Sale of gas includes sale from Hala block 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.

29.6 As explained in note 1.2, the Company has applied to OGRA for notification of price for Mari gas field upon revision of Mari Wellhead Gas Price Agreement.

	Note	2015 (Rupees in thousand)	2014
30. OPERATING EXPENSES			
Salaries, wages and benefits	30.1	2,205,002	2,035,745
Employee benefits		293,599	349,174
Rent, rates and taxes		41,339	9,596
Legal and professional services		107,811	6,376
Fuel, light, power and water		186,474	112,226
Maintenance and repairs	30.2	299,884	252,969
Insurance		52,609	47,243
Depreciation of property, plant and equipment		528,672	371,264
Depreciation of exploration and evaluation assets		153,205	110,795
Amortization of development and production assets and decommissioning cost		150,842	114,839
Employees medical and welfare		217,468	210,665
Field and other services		752,405	681,690
Travelling		46,419	23,297
Communications		16,498	15,393
Printing and stationery		11,888	9,640
Office supplies		13,963	10,971
Technical software		26,863	36,026
Auditor's remuneration	30.3	5,634	4,006
Mobile dispensary and social welfare		143,572	154,839
Training		88,362	57,274
Advertisement		5,418	1,631
Books and periodicals		1,133	578
Public relations and social activities		6,346	7,570
Directors' fee and expenses		9,007	11,585
Freight and transportation		5,142	4,163
Subscriptions		11,793	3,219
Allied services		39,057	-
Reservoir study and production logging		40,072	-
Research and development		22,849	42,932
Sukkur block		37,649	31,629
Hala block		141,436	123,096
Kohat block		1,484	4,786
Karak block		150,154	111,973
Ziarat block		58,190	79,711
Sujawal block		158,403	123,022
Zarghun block		109,976	-
Ghauri block		124,562	-
Provision for doubtful debts	30.4	57,181	35,514
Miscellaneous		12,830	2,416
		6,335,191	5,197,853
Less: Recoveries from joint ventures	30.5	939,001	822,655
		5,396,190	4,375,198

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

30.1 Salaries, wages and benefits include operating lease rentals amounting to Rs 42.23 million (2014: Rs 21.78 million) in respect of company leased vehicles.

	2015	2014
	(Rupees in thousand)	
30.2 These represent:		
Maintenance and repairs - Plant and equipment	194,583	189,823
- Others	105,301	63,146
	299,884	252,969
30.3 Auditor's remuneration		
Statutory audit	1,325	1,150
Review of half yearly accounts, special reports and other certifications	996	903
Tax services	2,787	1,677
Out of pocket expenses	526	276
	5,634	4,006

30.4 It includes Rs 39.80 million (2014: Rs 35.51 million) related to provision for doubtful debts of related parties.

	2015	2014
	(Rupees in thousand)	
30.5 Recoveries from joint ventures		
Time write cost	684,678	590,173
Overheads	247,496	228,421
Computer and equipment support cost	6,827	4,061
	939,001	822,655

31. EXPLORATION AND PROSPECTING EXPENDITURE

Mari Field		
3D seismic data acquisition	1,776,889	345,313
Joint ventures		
Cost of dry and abandoned wells written off	-	751,396
Impairment of well and decommissioning cost	179,581	951,985
Prospecting expenditure	1,237,913	1,580,052
	1,417,494	3,283,433
Disposal of working interest in concessions	-	[512,447]
	3,194,383	3,116,299

	2015	2014	2015	2014
	Working Interest (%)		(Rupees in thousand)	
OPERATED BLOCKS				
Zarghun South Field	35.00	35.00	84,742	65,242
Ziarat Block	60.00	60.00	195,190	1,032,544
Karak Block	60.00	60.00	206,606	765,435
Hanna Block	100.00	100.00	45,100	738,437
Harnai Block	40.00	40.00	16,323	10,125
Sujawal Block	100.00	100.00	527,966	195,239
Sukkur Block	58.82	58.82	34,866	36,101
Ghauri Block	35.00	35.00	49,993	74,837
Peshawar East Block	100.00	100.00	44,708	5,202
Khetwaro Block	51.00	51.00	155	306,063
			1,205,649	3,229,225
NON - OPERATED BLOCKS				
Hala Block	35.00	35.00	163,795	15,929
Kohat Block	20.00	20.00	11,517	[1,289]
Bannu West Block	10.00	10.00	1,355	1,439
Kohlu Block	30.00	30.00	3,895	4,558
Kalchas Block	20.00	20.00	9,998	5,249
Zindan Block	35.00	35.00	21,285	29,383
Block G & H	-	-	-	[1,607]
Oman Block	-	-	-	546
			211,845	54,208
			1,417,494	3,283,433

31.1 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.

	Note	2015	2014
		(Rupees in thousand)	
32. OTHER CHARGES			
Workers' Profit Participation Fund		355,276	235,010
Workers' Welfare Fund		143,449	87,553
		498,725	322,563

33. OTHER INCOME / (EXPENSES)

Mari Seismic Unit income / (loss) - Net of related expenses	33.1	186,604	[463,446]
Rig loss - Net of related rental income	33.2	[189,412]	[65,099]
Line heaters rental income		36,390	36,560
Loss / (gain) on disposal of property and equipment		120	[2,587]
Miscellaneous		21,326	17,817
		55,028	[476,755]

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

122

Mari Petroleum Company Limited

33.1 Break-up of Mari Seismic Unit income / (loss) - net is as follows:

	2015	2014
	(Rupees in thousand)	
Income:		
Mari seismic unit income	1,758,651	326,453
Insurance claim	53,331	-
Income on bank deposits	18,093	61,087
	1,830,075	387,540
Less: Expenses		
Operating expenses	1,083,322	597,420
Depreciation of property and equipment	292,863	145,985
Loss on disposal of property and equipment	212,383	-
Mark-up on long term financing - secured	54,879	98,345
Exchange loss	-	9,190
Bank charges	24	46
	1,643,471	850,986
	186,604	(463,446)

33.2 Break-up of Rig loss - net is as follows:

Income:		
Rig rental income	763,312	457,065
Less: Expenses		
Operating expenses	778,731	428,548
Depreciation of property and equipment	173,993	93,616
	952,724	522,164
	(189,412)	(65,099)

34. FINANCE INCOME

Income on bank deposits	294,895	451,520
Interest income on delayed payments from Foundation Power Company Daharki Limited:		
- For the year	222,344	275,471
- For prior years	-	(133,317)
	517,239	593,674

123

Annual Report 2015

	2015	2014
	(Rupees in thousand)	
35. FINANCE COST		
Profit on redeemable preference shares - unsecured	1,099,242	-
Mark-up on long term financing - secured	61,522	57,817
Interest expense on delayed payments to the Government of Pakistan	118,403	214,110
Unwinding of discount on provision for decommissioning cost	552,116	395,689
Exchange loss / (gain)	(61,328)	204,875
Interest on Workers' Profit Participation Fund	16,424	7,870
Bank charges	1,713	744
	1,788,092	881,105
36. PROVISION FOR TAXATION		
Current	1,361,046	778,662
Deferred	(459,487)	(344,328)
	901,559	434,334

	2015	2014
	(Percentage)	
36.1 Reconciliation of effective tax rate		
Applicable tax rate	50	50
Tax effect of depletion allowance and royalty payments	(39)	(40)
Tax effect of super tax	3	-
Tax effect of amount not deductible for tax purposes	-	7
Others	-	(7)
Effective tax rate	14	10

37. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year (Rupees in thousand)	5,650,313	3,943,303
Distributable earnings (Rupees in thousand)	531,373	578,878
Number of ordinary shares outstanding (in thousand)	110,250	110,250
Earnings per ordinary share (in Rupees)	51.25	35.77*
Distributable earnings per ordinary share (in Rupees)	4.82	5.25*

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

* Earnings and distributable earnings per ordinary share for the year ended June 30, 2014 are restated taking into effect of bonus shares issued during the year ended June 30, 2015.

37.1 Distributable earnings reflect return to shareholders for the year ended June 30, 2015 @ 39.87% (2014: 38.65%) per annum on shareholders' funds as referred to in the "Revised Agreement".

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
for the year ended June 30, 2015

38. EMPLOYEE BENEFITS

The results of the actuarial valuation carried out as at June 30, 2015 and June 30, 2014 are as follows:

38.1 Funded benefits

	2015		2014	
	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	1,165,045	476,989	1,116,966	420,433
Fair value of plan assets	(1,050,493)	(432,089)	(512,351)	(224,033)
Liability recognized in balance sheet	114,552	44,900	604,615	196,400
Movement in payable to defined benefit plan				
Balance as at beginning of year	604,615	196,400	146,240	32,469
Expense for the year	114,552	44,900	604,613	196,400
	719,167	241,300	750,853	228,869
Contribution to fund during the year	(604,615)	(196,400)	(146,238)	(32,469)
Balance as at end of year	114,552	44,900	604,615	196,400
Movements in the present value of defined benefit obligation				
Present value of defined benefit obligation at beginning of the year	1,116,966	420,433	877,251	274,388
Service cost	99,644	11,658	90,428	15,555
Interest cost on defined benefit obligation	151,572	55,038	89,553	29,644
Actual benefits paid during the year	(143,516)	(19,302)	(109,617)	(4,866)
Re-measurements: Actuarial (gain) / loss on obligation	(59,621)	9,162	169,351	105,712
Present value of defined benefit obligation at end of the year	1,165,045	476,989	1,116,966	420,433
Movement in fair value of plan assets				
Balance as at beginning of year	512,351	224,033	436,528	179,093
Contributions during the year	604,615	196,400	146,238	32,469
Interest income on plan assets	65,671	28,833	44,839	20,069
Remeasurement gain / (loss) on plan assets	11,372	2,125	(5,637)	(2,732)
Benefits paid during the year	(143,516)	(19,302)	(109,617)	(4,866)
Balance as at end of year	1,050,493	432,089	512,351	224,033
Plan assets comprise of:				
Deposit with banks	1,050,493	432,089	512,351	224,033

	2015		2014	
	Management Gratuity	Non- Management Gratuity	Management Gratuity	Non- Management Gratuity
	(Rupees in thousand)			
Expense for the year:				
Recognized in profit and loss account				
Current service cost	99,644	11,658	67,096	15,555
Interest cost	151,572	55,038	89,553	29,644
Past service cost	-	-	23,332	-
Interest income on plan assets	(65,671)	(28,833)	(44,839)	(20,069)
	185,545	37,863	135,142	25,130
Recognized in statement of comprehensive income				
Remeasurement loss / (gain) on obligations:				
Effect of experience adjustment	(59,621)	9,162	173,429	141,674
Effect of changes in demographic assumptions	-	-	(4,051)	(35,962)
Effect of changes in financial assumptions	-	-	(27)	-
Remeasurement on plan assets	(11,372)	(2,125)	5,637	2,732
Prior period effect of revised IAS 19 - Remeasurement loss	-	-	294,483	62,826
	(70,993)	7,037	469,471	171,270
Total expense for the year	114,552	44,900	604,613	196,400
Actual return on plan assets	77,043	30,958	39,202	17,337
			Management Gratuity	Non- Management Gratuity
			(Rupees in thousand)	
Projected benefit payments from gratuity fund are as follows:				
For the year 2016			92,511	41,047
For the year 2017			104,991	39,624
For the year 2018			56,508	74,936
For the year 2019			231,140	23,456
For the year 2020			312,466	47,787
For the years 2021-25			1,041,487	377,763

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
for the year ended June 30, 2015

38.2 Un-funded benefits

	2015			2014		
	Management		Non-Management	Management		Non-Management
	Post Retirement Leaves	Post Retirement Medical	Pension	Post Retirement Leaves	Post Retirement Medical	Pension
	(Rupees in thousand)					
Reconciliation of payable to defined benefit plan						
Present value of defined benefit obligations	294,486	55,998	38,158	263,171	49,958	27,212
Movement in payable to defined benefit plan						
Balance at beginning of the year	263,171	49,958	27,212	71,673	28,344	27,526
Expense for the year	57,811	11,370	10,946	199,242	24,206	(314)
	320,982	61,328	38,158	270,915	52,550	27,212
Payments during the year	(26,496)	(5,330)	-	(7,744)	(2,592)	-
Balance at end of the year	294,486	55,998	38,158	263,171	49,958	27,212
Expense for the year:						
Recognized in profit and loss account						
Current service cost	26,257	1,847	1,032	5,703	1,920	1,054
Past service cost	-	-	-	154,594	-	-
Interest cost	34,870	6,670	3,732	7,884	3,399	2,473
Immediate recognition of curtailment loss/(gain)	(3,316)	-	-	31,061	-	-
	57,811	8,517	4,764	199,242	5,319	3,527
Recognized in statement of comprehensive income						
Remeasurement loss / (gain) on obligations:						
Effect of experience adjustment	-	2,853	1,676	-	4,029	1,970
Effect of changes in demographic assumptions	-	-	-	-	3,758	2,625
Effect of changes in financial assumptions	-	-	4,506	-	7,098	(2,358)
Prior period effect of revised IAS 19 - Remeasurement loss	-	-	-	-	4,002	(6,078)
	-	2,853	6,182	-	18,887	(3,841)
Total expense / (income) for the year	57,811	11,370	10,946	199,242	24,206	(314)

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

	2015	2014
	(Per annum)	
Discount rate	9.75%	13.25%
Expected rate of salary increase	9.75%	13.25%
Expected rate of pension increase	5.00%	8.50%
Increase in cost of medical benefits	9.75%	13.25%

38.4 Sensitivity analysis and weighted average number of years

	Weighted average number of years as at June 30, 2015	Effect on payable to defined benefit plan of			
		Discount rate		Salary/Medical rate	
		0.5% point		0.5% point	
		increase	decrease	increase	decrease
		(Rupees in thousand)		(Rupees in thousand)	
Management Gratuity	6.90	(40,730)	43,411	43,208	(40,911)
Non-Management Gratuity	6.51	(15,116)	15,972	15,897	(15,183)
Management Post Retirement Medical	8.27	(2,316)	2,492	18	(19)

38.5 The employee benefit expenses (funded and unfunded) are recognized in profit and loss account for the year as per following details:

Description	2015	2014
	(Rupees in thousand)	
Employee benefits - Operating expenses	248,980	313,592
Employees medical and welfare - Operating expenses	11,585	15,614
Mobile dispensary and social welfare - Operating expenses	9,472	16,245
Public relations and social activities - Operating expenses	165	135
Rig rental income / (loss)	14,492	15,325
Mari Seismic Unit income / (loss)	9,806	7,449
	294,500	368,360

39. 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 29.

Revenue from five major customers of the Company constitutes 91% of the total revenue during the year ended June 30, 2015 (2014: 86%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

40. FINANCIAL INSTRUMENTS

40.1 Financial assets and liabilities

	Loans and receivables	
	2015	2014
	(Rupees in thousand)	
Financial assets		
Maturity up to one year		
Trade debts	32,355,308	31,165,789
Loans and advances	1,202,044	1,391,568
Interest accrued	1,922	5,824
Other receivables	3,282	913,739
Cash and bank balances	4,900,635	5,307,263
Maturity after one year		
Long term loans and advances	20,489	7,623
Long term deposits	10,639	18,310
	38,494,319	38,810,116
	Other financial liabilities	
	2015	2014
	(Rupees in thousand)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	36,656,379	36,177,006
Current maturity of redeemable preference shares	1,300,000	-
Current maturity of long term financing	332,505	1,379,173
Profit accrued on redeemable preference shares	1,099,242	-
Interest accrued on long term financing	10,500	37,514
Maturity after one year		
Provision for decommissioning cost	4,944,791	4,247,050
Deferred income	8,801	1,402
Redeemable preference shares - unsecured	9,290,001	-
Long term financing - secured	-	332,505
Provision for employee benefits - unfunded	388,642	340,341
Provision compensated leave absences	126,739	125,805
	54,157,600	42,640,796

40.2 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	2015	2014
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	A1+	8,946,991	771,238
	A1	20,814,221	13,005,921
	A2	46,853	55,811
Counterparties without external credit rating		2,547,243	17,332,819
		32,355,308	31,165,789
Loans and advances			
Counterparties without external credit rating			
Joint venture partners and employees with no default in the past		1,202,044	1,391,568
Interest accrued			
Counterparties with external credit rating	A1+	1,922	5,371
	A1	-	453
		1,922	5,824
Other receivables			
Counterparties without external credit rating		3,282	913,739
Bank balances			
Counterparties with external credit rating	A1+	4,898,514	5,057,938
	P-1	-	9,486
	A1	904	238,446
	A2	15	14
		4,899,433	5,305,884
Long term loans and advances			
Counterparties without external credit rating			
Receivable from employees		20,489	7,623
Long term deposits			
Counterparties without external credit rating		10,639	18,310

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

40.3 FINANCIAL RISK MANAGEMENT

40.3.1 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 rate 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, power generation and distribution 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), the Government of Pakistan.

As of June 30, 2015, trade debts of Rs 25,211 million (2014: Rs 4,195 million), withheld by customers, were past due but not impaired. The ageing analysis of past due trade debts is as follows:

	2015				2014			
	(Rupees in thousand)							
	Gross	Impairment			Gross	Impairment		
Due from related parties								
Past due 0-30 days	959,301	-			492,896	-		
Past due 30-60 days	340,711	-			398,568	-		
Past due 60-90 days	1,918,818	-			293,705	-		
Over 90 days	2,013,534	384,448			2,714,305	344,650		
	5,232,364	384,448			3,899,474	344,650		
Due from others								
Past due 0-30 days	959,018	17,383			26,312	-		
Past due 30-60 days	18,805,806	-			-	-		
Past due 60-90 days	1,619	-			-	-		
Over 90 days	614,192	-			614,192	-		
	25,612,999	401,831			4,539,978	344,650		

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 A2. 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 reputation. The Company maintains sufficient cash and bank balances. At June 30, 2015, the Company had financial assets of Rs 38,494,319 thousand (2014: Rs 38,810,116 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	Over 5 years
	(Rupees in thousand)		
As at June 30, 2015			
Trade and other payables	36,656,379	-	-
Interest accrued on long term financing	10,500	-	-
Profit accrued on redeemable preference shares	1,099,242	-	-
Provision for decommissioning cost	-	584,851	6,586,316
Redeemable preference shares - unsecured	1,300,000	4,645,000	4,645,001
Long term financing - secured	332,505	-	-
Provision for employee benefits - unfunded	-	-	388,642
Provision for compensated leave absences	-	-	126,739
Deferred credits	-	8,801	-
As at June 30, 2014			
Trade and other payables	36,177,006	-	-
Interest accrued on long term financing	37,514	-	-
Provision for decommissioning cost	31,671	112,593	6,523,333
Long term financing - secured	1,379,173	332,505	-
Provision for employee benefits - unfunded	-	-	340,341
Provision for compensated leave absences	-	-	125,805
Deferred income	-	1,402	-

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

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:

	2015	2014	2015	2014
	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
Cash and bank balances	853,000	627,815	8,387	6,358
Trade debts	146,448	106,650	1,440	1,080
Loans and advances	1,185,739	1,130,764	11,659	11,451
Trade and other payables	(987,932)	(713,353)	(9,714)	(7,224)
	1,197,255	1,151,876	11,772	11,665

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2015	2014	2015	2014
	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
US\$ 1	101.51	102.90	101.70	98.75

Foreign currency sensitivity analysis

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

	Change to foreign exchange rates	Effect on profit after tax	Effect on equity
		(Rupees in thousand)	(Rupees in thousand)
2015			
US\$	+10%	56,271	56,271
	-10%	(56,271)	(56,271)
2014			
US\$	+10%	57,594	57,594
	-10%	(57,594)	(57,594)

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:

	2015	2014
	(Rupees in thousand)	(Rupees in thousand)
Financial assets		
Cash and bank balances	4,884,220	3,277,848
Trade debts	937,179	2,672,354
	5,821,399	5,950,202
Financial liabilities		
Redeemable preference shares - unsecured	10,590,001	-
Long term financing - Habib Bank Limited	332,505	665,011
Long term financing - Bank Alfalah Limited	-	380,000
Long term financing - Allied Bank Limited	-	666,667
Trade and other payables	-	2,231,605
	10,922,506	3,943,283

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

Interest rate sensitivity analysis

At June 30, 2015 if interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Company’s profit after tax for the year ended June 30, 2015 would increase/ decrease by Rs 120 million (2014: increase/ decrease by Rs 50 million). This is mainly attributable to the Company’s exposure to interest rates on its variable rate borrowings.

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.

40.3.2 Capital management

The Company’s objective when managing capital is to safeguard the Company’s ability to remain as a going concern and continue to provide returns to shareholders and benefits to other stakeholders.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

40.4 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.

41. 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 is as follows:

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	5,118	505,694	6,280	395,757
Company's contribution to provident fund	512	41,692	580	32,482
Company's contribution to gratuity fund	1,363	169,188	116	125,654
Housing and utilities	7,486	491,472	7,496	396,961
Other allowances and benefits	5,145	583,111	10,144	379,772
Bonuses	4,835	423,508	6,643	508,161
	24,459	2,214,665	31,259	1,838,787
Number of persons including those who worked part of the year	1	299	2	244

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 13 [2014: 14] directors were paid aggregate fee of Rs 8,555 thousand [2014: Rs 11,103 thousand].

	2015	2014
42. NUMBER OF EMPLOYEES		
Total number of employees as at the year end	1,362	1,064
Average number of employees during the year	1,209	860

43. 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 as disclosed in note 41 to the financial statements. Transactions with related parties, other than remuneration and benefits to directors and key management personnel, are as follows:

	2015	2014
	(Rupees in thousand)	
Sale of gas and LPG to related parties is as follows:		
Fauji Fertilizer Company Limited	36,048,706	31,618,550
Foundation Power Company Daharki Limited	7,172,259	7,270,127
Foundation Gas	26,809	24,440
Pakistan Electric Power Company	-	567,648
Sui Southern Gas Company Limited	3,593,935	1,631,482
Sui Northern Gas Pipelines Limited	1,318,339	578,276
Line heaters rental income	36,390	36,560
Interest income on delayed payments	222,344	142,154
Interest income on bank accounts	203,208	259,704
Provision for doubtful debts	39,798	35,514
Contribution to funded employee benefit plans	801,015	178,707

44. INFORMATION RELATING TO PROVIDENT FUND

Mari Petroleum Company Limited (MPCL) Employees' Provident Fund is a defined contribution plan for benefit of employees of the Company. The details are as follows:

	2015	2014
Net assets (Rupees in thousand)	655,409	557,176
Cost of investments made (Rupees in thousand)	564,479	487,337
Percentage of investments made (Percentage)	86%	87%
Fair value of investments (Rupees in thousand)	564,479	487,337
Break-up of investments:		
Bank and term deposits (Rupees in thousand)	564,479	487,337

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.

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
for the year ended June 30, 2015

45. CORRESPONDING FIGURES

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

	Rupees in thousand
Profit and loss account	
Following amounts have been reclassified to Mari Seismic Unit income / (loss) - net in “Other income” from:	
- Mari Seismic Unit in “Operating expenses”	597,420
- Depreciation on property, plant and equipment in “Operating expenses”	145,985
- Mark-up on long term financing - secured in “Finance cost”	98,345
- Income on bank deposits in “Finance income”	61,087
- Exchange loss in “Finance cost”	9,190
- Bank charges in “Finance cost”	46
Following amounts have been reclassified to rig rental loss - net in “Other income” from:	
- Rig in “Operating expenses”	428,548
- Depreciation on property, plant and equipment in “Operating expenses”	93,616

46. NON - ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 12, 2015 has proposed a final cash dividend for the year ended June 30, 2015 @ Rs 1.50 per share for approval of the members in Annual General Meeting.

47. GENERAL

- 47.1 Information about the capacity is not relevant to the business operations of the Company.
- 47.2 These financial statements have been authorized for issue by the Board of Directors of the Company on August 12, 2015.

Lt Gen Nadeem Ahmed, HI (M), SE, T Bt, (Hon D Univ), (Retd)
Managing Director / CEO

Qaiser Javed
Director

CALENDAR OF MAJOR EVENTS

S#	Event	Date
1.	Enhancement of Oil Production from Halini X-1 Well in Karak Block, KPK/Punjab	July 2014
2.	Commencement of Commercial Production of Gas from Zarghun South Gas Field, Balochistan	August 2014
3.	Issuance of 20% Bonus Shares	September 2014
4.	Commencement of Commercial Production of Crude Oil from Ghauri Block, Punjab	September 2014
5.	Discovery of Gas and Condensate at Adam West X-1 Well in Hala Block, Sindh (Non-Operated)	September 2014
6.	Dismantling of Mari Gas Price Agreement	November 2014
7.	Mari D&P Lease Extension	November 2014
8.	Commencement of Gas Production from Sujjal-1 Well in Sujawal Block, Sindh	February 2015
9.	Spudding of Exploratory Wells Kalabagh-1 and Halini Deep-1 in Karak Block, KPK/Punjab	Feb./March 2015
10.	Declaration of First Interim Dividend for the year 2014-15	June 2015
11.	Issuance of Preference Shares	June 2015
12.	Revised Mari GPA Signed with Government of Pakistan	July 2015

GLOSSARY

AGM	Annual General Meeting	IEE/EIA	Initial Environmental Examination/ Environmental Impact Assessment
API	American Petroleum Institute	IFAC	International Federation of Accountants
BBLs	Barrels	IMS	Integrated Management System
BOE	Barrels of Oil Equivalent	ISMS	Information Security Management System
BSCF	Billion Standard Cubic Feet	ISO	International Standards Organization
CCG	Code of Corporate Governance	JV	Joint Venture
CDC	Central Depository Company of Pakistan Limited	KIBOR	Karachi Interbank Offered Rate
CFO	Chief Financial Officer	KPIs	Key Performance Indicators
COO	Chief Operating Officer	LLIs	Long Lead Items
COTs	Corporate Objectives and Targets	LPG	Liquified Petroleum Gas
CSR	Corporate Social Responsibility	MD/CEO	Managing Director/Chief Executive Officer
D&P	Development and Production	MDU	Mari Drilling Services Unit
DGPC	Director General Petroleum Concessions	MEMC	Mari Education and Medical Complex
DST	Drill Stem Test	MMSCF	Million Standard Cubic Feet
E&P	Exploration and Production	MP&NR	Ministry of Petroleum and Natural Resources
EBITDA	Earnings Before Interest Taxes Depreciation and Amortization	MSD	Mari Services Division
ECC	Economic Coordination Committee of the Cabinet	MSPC	Mari Seismic Processing Centre
ECM	Enterprise Content Management	MSU	Mari Seismic Services Unit
EOGM	Extra Ordinary General Meeting	NTN	National Tax Number
EPS	Earnings Per Share	OGRA	Oil and Gas Regulatory Authority
EWT	Extended Well Test	OHSAS	Occupational Health and Safety Management Systems
G&G	Geological and Geophysical	P/E	Price to Earnings Ratio
GDS	Gas Development Surcharge	PAT	Profit After Tax
GIDC	Gas Infrastructure Development Cess	QC	Quality Control
GoP	Government of Pakistan	ROE	Return on Equity
GPA	Gas Price Agreement	SECP	Securities and Exchange Commission of Pakistan
HAZOP	Hazard and Operability	SML	Sui Main Lime
HCDPU	Hydrocarbon Dew Point Unit	SRO	Statutory Regulatory Order
HR&R	Human Resource and Remuneration	TD	Target Depth
HRL	Habib Rahi Limestone	TORs	Terms of Reference
HSEMS	Health, Safety & Environment Management Systems	TRCF	Total Recordable Case Frequency
HSEQ	Health, Safety, Environment & Quality		

PROXY FORM

The Company Secretary
Mari Petroleum Company Limited
21 – Mauve Area, 3rd Road,
G-10/4, 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 31st Annual General Meeting of the Company, to
be held on September 18, 2015 and at any adjournment thereof.

Affix
Revenue
Stamp

Dated this _____ day of _____ 2015. _____
Signature of the Shareholder

Signature of Proxy _____
Name in Block Letters

Notes: _____
Folio/CDC Ref:

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
MARI PETROLEUM COMPANY LIMITED
21–Mauve Area, 3rd Road,
Sector G–10/4,
ISLAMABAD.



mpcl.com.pk



M P C L

Head Office: **21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad-44000.** UAN: +92 51 111 410 410 Fax: +92 51 2352859

Karachi Liaison Office: **D-87, Block-4, Kehkashan Clifton, Karachi- 75600 P.O. Box: 3887.** UAN: +92 21 111 410 410 Fax: +92 21 35870273

Deharki Field Office: **Daharki, District Ghotki.** UAN: +92 723 111 410 410 Fax: +92 723 660402

Quetta Liaison Office: **26, Survey-31, Defence Officers Housing Scheme, Airport Road, Quetta.** Tel: +92 81 2821052, 2864085, 2839790 Fax: +92 81 2834465