



Pakistan Petroleum Limited



Quarterly Report September 2014

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Vision

To maintain PPL's position as the premier producer of hydrocarbons in the country by exploiting conventional and unconventional oil and gas resources, resulting in value addition to shareholders investment and the nation as a whole.

Mission

To sustain long term growth by pursuing an aggressive hydrocarbons exploration and production optimization program in the most efficient manner through a team of professionals deploying latest technology, maintaining the highest standards of quality, health, safety & environment (QHSE) protection and addressing community development needs.

Core values

- Promote Leadership, Empowerment and Accountability.
- Pursue Highest Standards of Integrity.
- Value people as the most important resource.
- Promote innovation and value creation.
- Ensure excellence in all spheres of performance.
- Advocate Teamwork aligned with business objectives.
- Conserve Environment by minimising carbon footprint.

Company Information

Board of Directors

- Mr. Waqar A. Malik - Chairman (Independent, Non-Executive Director)
- Mr. Arshad Mirza (Chief Executive Officer / Managing Director)
- Mr. Aftab Nabi (Independent, Non-Executive Director)
- Mr. Asif Baig mohamed (Independent, Non-Executive Director)
- Mr. Imtiaz Hussain Zaidi (Independent, Non-Executive Director)
- Mr. Muhammad Ashraf Iqbal Baluch (Independent, Non-Executive Director)
- Mr. Nadeem Mumtaz Qureshi (Independent, Non-Executive Director)
- Mr. Osman Khalid Waheed (Independent, Non-Executive Director)
- Mr. Saeedullah Shah (Non-Executive Director)
- Mr. Shahbaz Yasin Malik (Independent, Non-Executive Director)

Company Secretary

Mr. Saqib Ahmed

Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Registered Office

P.I.D.C. House, Dr. Ziauddin Ahmed Road,
P.O. Box 3942, Karachi-75530, Pakistan.
UAN: +92 (21) 111-568-568
Fax: +92 (21) 35680005, 35682125
Website: www.ppl.com.pk
Email: info@ppl.com.pk

Shares Registrar

FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S.
Shahra-e-Faisal, Karachi.
Tel: +92 (21) 34380101-05
Fax: +92 (21) 34380106

Legal Advisors

Surridge & Beecheno

Directors' Interim Review

Your directors are pleased to present the unaudited condensed interim financial statements for the quarter ended September 30, 2014 and a brief review of the Company's operations.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial

The Company's performance improved with respect to revenue and profitability during the quarter ended September 30, 2014. Profit after taxation of the Company increased by around 10% to Rs 13,688 million during the current quarter, as compared to Rs 12,477 million in the corresponding quarter of last year.

The key financial results of the Company during the quarter ended September 30, 2014 are as follows:

	Quarter ended September 30, 2014 Rs million	Quarter ended September 30, 2013 Rs million
Sales revenue (net)	30,967	27,782
Profit before taxation	19,674	18,844
Taxation	(5,986)	(6,367)
Profit after taxation	13,688	12,477
Basic and Diluted Earnings Per Share (Rs)	6.94	6.33

Profitability during the current quarter, as compared to the corresponding quarter, has increased due to combined effect of increase in oil and LPG sales volumes, decrease in gas sales volumes and appreciation of Pakistani Rupee against US Dollar. Increase in gas sales volumes from Kandhkot, Adhi, Nashpa and Latif fields, oil sales volumes from Adhi, Hala, Tal and Nashpa fields and commencement of production from Kirthar, Sukhpur and Ghauri fields, were partially offset by decrease in gas sales from Sui, Qadirpur, Mazarani, Sawan, Tal, Chachar and Gambat fields.

Operational

A comparison of the Company's share of sales volumes from all PPL-operated and partner-operated fields is given below:

	Unit	Quarter ended September 30, 2014	Quarter ended September 30, 2013
Natural Gas	MMscf	69,051	70,345
Crude Oil / Natural Gas			
Liquids (NGL) / Condensate	BBL	1,370,148	1,072,747
Liquefied Petroleum Gas (LPG)	Tonnes	12,253	4,201

Directors' Interim Review

CORPORATE STRATEGY AND FOCUS AREAS

Growth remains the prime focus of the Company's Corporate Strategy with the objectives of replenishment of the depleting reserves, evaluation of various significant projects, training of employees, investment in research and innovation giving due importance to CO₂ management, development of the communities, leverage the available financial resources, invest in people to build organisational capability, integrated value creation and strategically transit towards expansion of operations beyond the national borders.

Exploration

The Company's exploration strategy is aimed at replenishing and enhancing its existing hydrocarbon reserves, through exploration and production optimisation in order to maintain its position as a premier E&P Company of the Country.

PPL continued its efforts to acquire prospective areas locally and overseas through farm-in application.

New and Ongoing Activities

The Company's portfolio consists of forty seven exploration blocks out of which twenty seven are PPL operated (including Block-8 in Iraq being operated by PPL Asia E&P B.V.) and remaining twenty, including three offshore blocks in Pakistan and two onshore blocks in Yemen, are partner operated. New and ongoing activities that took place in the current period were as follows:

PPL-operated Areas

In Hala Block, third exploratory well Adam West X-1 was spud in May 2014. The well was declared as gas / condensate discovery.

In Khuzdar Block, first exploratory well Karkh X-1 was spud in June 2014 and currently drilling is in progress.

In Gambat South Block, fourth exploratory well Sharf X-1 was spud in April 2014. The well was successfully declared as a gas / condensate discovery. Sixth exploratory well Kinza X-1, spud in July 2014, was also declared as a gas / condensate discovery in October 2014.

2D seismic survey is in progress in Kharan, Nausherwani and Malir Blocks.

3D seismic survey is in progress in Kotri, Karsal and Zamzama South Blocks.

In newly granted Hisal Block, seismic crew mobilisation is in progress for 2D seismic survey.

In Naushahro Firoz Block, second exploratory well Gohar X-1 was spud in June 2014. The well was plugged and abandoned due to discouraging results.

Partner-operated Areas

In Tal Block, drilling of exploratory wells Malgin-1 and Mardan Khel-1 is in progress. Moreover, 2D seismic survey of Tolanj West area is in progress.

In Nashpa Block, 2D seismic survey has been completed. Exploratory well Nashpa X-5 was spud in July 2014 and currently drilling is in progress.

Appraisal and Development

In Kandhkot, development well Kandhkot-32(M) was spud in September 2014. Currently, drilling is in progress.

In Adhi ML, hydraulic fracturing of Adhi-20(T/K) and Adhi-21(T/K) was completed in September 2014. Drilling of development well Adhi-22(T/K), which was spud in July 2014, is in progress. Further, construction of civil foundations of major equipment / packages is nearing completion in respect of Adhi LPG / NGL Plant III.

In Gambat South Block, equipment / packages have been installed on their respective foundations after dismantling and shifting of equipment from Chachar field. First gas is expected in second quarter of 2014-15.

In Kirthar Block, EWT from Rehman discovery is progressing satisfactorily through rental equipment. Efforts are ongoing for the completion of permanent facility.

In Tal Block, drilling of development well Manzalai-11 has been completed as a gas / condensate producer. Further, drilling of development well Makori East-4, spud in September 2014, is in progress.

In Latif Block, development well Latif-10 was spud in August 2014. The well was successfully tested as a gas producer. Completion of well is in progress.

In Nashpa Block, drilling of development well Mela-4 has been completed. Currently well testing is in progress. Completion of Centralised Processing Facility comprising of LPG extraction plant and dehydration unit for processing both Nashpa and Mela field gas, is expected by September 2016.

EWT from discovery well Ghauri X-1 commenced in July 2014 and is satisfactorily in progress.

In Sukhpur Block, gas production from Lundali discovery through EWT was discontinued in July 2014, after reaching the economical production limit.

In Qadirpur field, development well QP-53 was completed as a gas producer.

In South West Miano-II Block, exploratory well Jiskani-1 was spud in June 2014. The well was plugged and abandoned due to discouraging results.

Corporate Social Responsibility

PPL conducts its business in an ethical and responsible manner, bringing development to the land where it operates through meaningful social initiatives that can improve lives of people. These initiatives are aimed to promote quality education, healthcare facilities, infrastructure development, skills, and livelihood opportunities and mitigate sufferings of the disaster victims.

Directors' Interim Review

Education

During the quarter in review, PPL owned TCF Schools at Kandhkot, Sui Model School & Girls College operated satisfactorily, whereas construction works at various Government Schools at Adhi, Kharan, Khuzdar, Barkhan, Washuk and Ghaibi Dero are progressing well.

Healthcare

PPL operated healthcare facilities for neighbouring communities such as Mobile Medical Units and Dispensary operating satisfactorily in Kandhkot, Mazarani and Sui. PPL Public Welfare Hospital, Sui also functioned satisfactorily and provided basic OPD facility to the local patients of Sui town. During this quarter, PPL provided Paeds, Gynae, Surgical and Emergency equipment to Tehsil Headquarter Hospital Karor Lalessan, District Layyah. Construction of medical dispensary at Chutto Khan Wagan, District Naushahro Firoz and PPL Thalassemia Diagnostic, Prevention & Research Center at Badin under PCA obligation is progressing satisfactorily and near completion.

Water supply

Installation of solar energy system as alternate energy system and existing supply scheme for village Jherai, Tehsil Somiani, District Lasbela was completed benefitting over 10,000 population of nine villages. The operation of potable water supply on daily basis to Ghaibi Dero (Mazarani) continued, whereas construction of water supply schemes at Dhoong (near Adhi field), five schemes at Washuk, two schemes at District Jamshoro and one scheme at Karkh (Khuzdar) were near completion.

Skills Development & Enhancing Livelihood Opportunities

During the quarter, PPL sponsored Women Vocational and Welfare Centers at Adhi and Sui continued to operate satisfactorily. During the quarter, the roof slab of Women Vocational Center at Kotri was laid successfully.

Promoting Sports

To promote sports, the Deputy Commissioner, District Washuk in a ceremony held under PCA obligation, distributed sports items to local clubs of Washuk town in Balochistan.

During the quarter, sports activities to discourage drugs usage supported by PPL were organized by Anti-Narcotics Force, Sindh at Lyari Stadium, Karachi.

Emergency Relief & Rehabilitation

Project for rehabilitation of flood affected areas of Kandhkot, installation of hand pumps and construction of pathways was completed in twelve villages. These villages fall in surrounding of PPL's Kandhkot gas field.

Human Resources

PPL strives to offer market competitive remuneration packages and performance incentives in order to attract and retain technical and specialised human resource. It also provides comprehensive capacity building opportunities to youth through on-the-job training.

Due to expansion in exploration and production activities and growth in magnitude of PPL's business, realignment of its organisational structure and work processes has been done not only to support its strategic vision for growth but also to shift the Company's focus from a 'Production' to a full 'Exploration, Development & Production' Company.

Quality, Health, Safety and Environment (QHSE)

QHSE Function, with a clear vision aligned with corporate strategy, is focusing on long term business success through continual improvement towards world class quality, occupational health, and safety and environment practices. Keeping in view the inherent risks associated with upstream oil & gas operations, QHSE activities which progressed during the quarter include Process Safety Information (PSI) package development at all plants / fields, Risk Based Inspection activity at Kandhkot Dehydration Plant and independent monitoring in new exploration blocks for regulatory compliance etc.

QHSE objectives and targets set for year 2014 are monitored and compliance analysed to achieve desired results through employee participation and support. Expansion of QHSE certified pool in respect of ISO 9001, 14001 & OHSAS 18001 is in progress at various fields / departments as per plan.

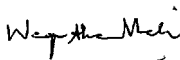
Success of QHSE MS implementation is evident from the fact that a major KPI i.e. Lost Time Injury Frequency for PPL staff is declining over the period of time which is currently held at zero in calendar year 2014 till date.

Industrial Relations

Harmonious working environment and cordial industrial relations atmosphere prevailed at all locations of the Company, including Sui gas field.

ACKNOWLEDGEMENT

The Company's achievements could not have been possible without the concerted efforts of our Employees, who deserve full compliments. We are also thankful to the continued support of the Government of Pakistan and Shareholders, whose unfaltering trust and confidence has enabled us to aim and achieve the best.



(WAQAR A. MALIK)
CHAIRMAN

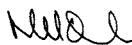
Karachi
October 24, 2014

Unconsolidated Condensed Interim Balance Sheet

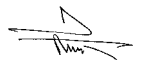
As at September 30, 2014

	Note	September 30, 2014 Unaudited	June 30, 2014 Audited
Rs '000			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	85,267,511	82,636,347
Intangible assets		306,865	277,973
		85,574,376	82,914,320
Long-term investments	5	68,550,136	68,552,287
Long-term loans and advance	6	1,061,325	986,532
Long-term deposits		765,176	765,176
Long-term receivables		376,050	376,050
		156,327,063	153,594,365
CURRENT ASSETS			
Stores and spares		3,923,403	3,543,482
Trade debts	7	51,522,847	49,862,487
Loans and advances		1,706,902	1,685,417
Trade deposits and short-term prepayments		592,844	398,482
Interest accrued		887,237	1,352,521
Current maturity of long-term investments	5	500,137	500,179
Current maturity of long-term receivables		54,800	54,800
Other receivables		2,711,226	3,725,398
Short-term investments	8	32,437,229	19,350,000
Cash and bank balances		3,693,340	2,275,912
		98,029,965	82,748,678
		254,357,028	236,343,043
SHARE CAPITAL AND RESERVES			
Share capital		19,717,295	19,717,295
Reserves		175,887,656	162,200,063
		195,604,951	181,917,358
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation		15,514,793	15,385,920
Liabilities against assets subject to finance leases		167,212	175,770
Deferred liabilities		2,112,355	2,053,738
Deferred taxation	9	15,431,921	15,069,076
		33,226,281	32,684,504
CURRENT LIABILITIES			
Trade and other payables	10	18,911,552	17,915,719
Current maturity of liabilities against assets subject to finance leases		100,394	102,114
Taxation		6,513,850	3,723,348
		25,525,796	21,741,181
CONTINGENCIES AND COMMITMENTS			
	11	-	-
		254,357,028	236,343,043

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Director

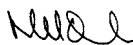


Chief Executive

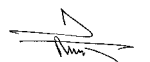
Unconsolidated Condensed Interim Profit and Loss Account (Unaudited) For the quarter ended September 30, 2014

	Note	Quarter ended September 30, 2014	Quarter ended September 30, 2013
		Rs '000	
Sales - net	12	30,966,981	27,782,085
Field expenditures	13	(8,713,793)	(6,760,255)
Royalties		(3,685,929)	(3,242,623)
		(12,399,722)	(10,002,878)
		18,567,259	17,779,207
Other income	14	2,280,062	2,162,360
Other operating expenses		(1,035,465)	(991,776)
Finance costs		(138,099)	(106,036)
Profit before taxation		19,673,757	18,843,755
Taxation	15	(5,986,164)	(6,366,789)
Profit after taxation		13,687,593	12,476,966
Basic and diluted earnings per share (Rs)	18	6.94	6.33

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Director



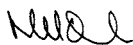
Chief Executive

Unconsolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

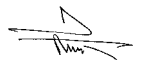
For the quarter ended September 30, 2014

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	
Profit after taxation	13,687,593	12,476,966
Other comprehensive income	-	-
Total comprehensive income	<u>13,687,593</u>	<u>12,476,966</u>

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Director



Chief Executive

Unconsolidated Condensed Interim Cash Flow Statement (Unaudited) For the quarter ended September 30, 2014

Note	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	35,380,289	32,625,375
Receipts of other income	115,700	146,964
Cash paid to suppliers / service providers and employees	(5,691,155)	(8,278,224)
Payment of indirect taxes and Government levies including royalty	(10,086,678)	(23,582,126)
Income tax paid	(2,832,817)	(4,752,156)
Finance costs paid	(9,226)	(9,331)
Long-term loans and advance (net)	(73,780)	(1,213)
Net cash (used in) / generated from operating activities	16,802,333	(3,850,711)

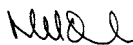
CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure (net)	(4,908,115)	(4,079,458)
Purchase of long-term investments	(1,224,578)	(289,159)
Disposal / redemption of long-term investments	1,795,000	145,350
Advance against issue of shares of PPL Asia E&P B.V.	-	(4,280,460)
Long-term receivables	-	29,082
Financial income received	2,059,945	2,006,249
Proceeds on sale of property, plant and equipment	7,274	4,832
Net cash used in investing activities	(2,270,474)	(6,463,564)

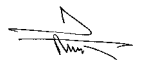
CASH FLOWS FROM FINANCING ACTIVITIES

Payment of liabilities against assets subject to finance leases	(27,202)	(37,514)
Net cash used in financing activities	(27,202)	(37,514)
Net increase / (decrease) in cash and cash equivalents	14,504,657	(10,351,789)
Cash and cash equivalents at the beginning of the period	21,625,912	34,517,788
Cash and cash equivalents at the end of the period	36,130,569	24,165,999

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.



Director



Chief Executive

Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended September 30, 2014

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves					Total reserves	Total	
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Dividend equalisation reserve	Unappropriated profit			Total
Rs '000											
Balance as at June 30, 2013	16,430,964	138	1,428	69,761	24,021,894	13,751,980	5,000,000	90,078,175	132,921,810	132,923,238	149,354,340
Appropriation of insurance reserve for the year ended June 30, 2013	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2013	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Issuance of bonus shares @ 20% (one share for every five ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	(3,286,193)	(3,286,193)	-
Final dividend on ordinary shares @ 55% for the year ended June 30, 2013	-	-	-	-	-	-	-	(9,037,037)	(9,037,037)	(9,037,037)	-
Profit after taxation	-	-	-	-	-	-	-	12,476,966	12,476,966	12,476,966	12,476,966
Other comprehensive income for the quarter ended September 30, 2013, net of tax	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter ended September 30, 2013	-	-	-	-	-	-	-	12,476,966	12,476,966	12,476,966	12,476,966
Balance as at September 30, 2013	19,717,157	138	1,428	69,761	29,021,894	18,751,980	5,000,000	80,231,911	133,075,546	133,076,974	152,794,269
Balance as at June 30, 2014	19,717,157	138	1,428	69,761	29,021,894	18,751,980	5,000,000	109,355,000	162,198,635	162,200,063	181,917,358
Appropriation of insurance reserve for the year ended June 30, 2014	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2014	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Conversion of preference shares into ordinary shares	14	(14)	-	-	-	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-	-	13,687,593	13,687,593	13,687,593	13,687,593
Other comprehensive income for the quarter ended September 30, 2014, net of tax	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the quarter ended September 30, 2014	-	-	-	-	-	-	-	13,687,593	13,687,593	13,687,593	13,687,593
Balance as at September 30, 2014	19,717,171	124	1,428	69,761	34,021,894	23,751,980	5,000,000	113,042,593	175,886,228	175,887,656	195,604,951

The annexed notes 1 to 20 form an integral part of these unconsolidated condensed interim financial statements.


Director


Chief Executive

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Petroleum Limited (the Company) was incorporated in Pakistan in 1950 with the main objectives of conducting exploration, prospecting, development and production of oil and natural gas resources. The Company is listed on all the three stock exchanges of Pakistan with effect from September 16, 2004. The registered office of the Company is located at PIDC House, Dr. Ziauddin Ahmed Road, Karachi.
- 1.2 These unconsolidated condensed interim financial statements are the separate condensed interim financial statements of the Company, in which investments in the below mentioned subsidiaries and jointly controlled entity have been accounted for at cost less accumulated impairment losses, if any. As of balance sheet date, the Company has the following subsidiaries and a jointly controlled entity:

Wholly-owned subsidiaries:

- a) PPL Europe E&P Limited
- b) PPL Asia E&P B.V.
- c) The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Jointly Controlled Entity:

Bolan Mining Enterprises – 50% shareholding

2. BASIS OF PREPARATION

- 2.1 This unconsolidated condensed interim financial report of the Company for the quarter ended September 30, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 – 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2 These unconsolidated condensed interim financial statements are unaudited and do not include all the information and disclosures required in the annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements of the Company for the year ended June 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The accounting policies and the methods of computation adopted in the preparation of this unconsolidated condensed interim financial report are the same as those applied in the preparation of the unconsolidated financial statements for the year ended June 30, 2014.

3.2 Implication of revised IFRS-2 (Share Based Payments) on BESOS

Benazir Employees' Stock Option Scheme (the BESOS scheme) including its terms and conditions, are the same, as mentioned in the unconsolidated financial statements for the year ended June 30, 2014. SECP has granted exemption from application of IFRS-2. Had the exemption not been granted, the impact based on the independent actuarial valuations conducted as on June 30, 2014 and June 30, 2013, as per the Company's policy, for the quarter ended September 30, 2014 and September 30, 2013 would have been as follows:

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	
Staff costs of the Company for the period would have been higher by:	1,270,859	792,653
Profit after taxation would have been lower by:	1,270,859	792,653
Earnings per share would have been lower by (Rs):	0.64	0.40

	September 30, 2014 Unaudited	June 30, 2014 Audited
	Rs '000	
Retained earnings would have been lower by:	19,730,606	18,459,747
Reserves would have been higher by:	19,730,606	18,459,747

4. PROPERTY, PLANT AND EQUIPMENT

Opening Net Book Value (NBV)	58,696,396	51,116,458
Additions to:		
- owned assets	31,821	17,588,492
- assets subject to finance leases	-	142,038
	31,821	17,730,530
	58,728,217	68,846,988
Disposals / adjustments during the period / year (NBV)	(6,101)	(1,895,392)
Depreciation / amortisation charged during the period / year	(2,209,318)	(8,255,200)
	56,512,798	58,696,396
Capital work-in-progress – note 4.1	28,754,713	23,939,951
	85,267,511	82,636,347

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

September 30, 2014 Unaudited	June 30, 2014 Audited
Rs '000	

4.1 Capital work-in-progress

Plant, machinery, fittings and pipelines	5,989,421	4,541,896
Prospecting and development expenditure	11,511,037	9,451,764
Land, buildings and civil constructions	123,062	137,845
Capital stores for drilling and development	11,131,193	9,808,446
	<u>28,754,713</u>	<u>23,939,951</u>

5. LONG-TERM INVESTMENTS

Investment in related party

- Wholly owned subsidiaries

The Pakistan Petroleum Provident Fund Trust
Company (Private) Limited
PPL Europe E&P Limited
PPL Asia E&P B.V.

1	1
15,664,177	15,664,177
7,870,946	7,870,946
<u>23,535,124</u>	<u>23,535,124</u>

- Investment in jointly controlled entity

Bolan Mining Enterprises

15,000

Other investments

Held-to-maturity

- Term Finance Certificates
- Pakistan Investment Bonds
- GoP Ijara Sukuk
- Local currency term deposits with banks
- Foreign currency term deposits with banks

99,820	99,820
22,694,203	22,749,408
500,097	500,139
2,000,000	2,000,000
8,873,267	9,113,904
<u>34,167,387</u>	<u>34,463,271</u>

Designated at fair value through profit or loss

- Mutual Funds

11,332,762

Less: Current maturities

- Term Finance Certificates
- GoP Ijara Sukuk

(40)	(40)
(500,097)	(500,139)
<u>(500,137)</u>	<u>(500,179)</u>

68,550,136

68,552,287

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

6. LONG TERM LOANS AND ADVANCE

This includes a Group Cash Facility Arrangement (agreement) with PPL Europe E&P Limited (Subsidiary) and PPL Europe E&P Limited, Pakistan Branch (Branch), wherein, with effect from October 01, 2013, the Company has agreed to make payments of pending and future cash calls to Barkhan JV Operator on behalf of Subsidiary and Branch for fulfillment of the share of block commitment. The maximum amount of facility is US\$ 20 million. The borrowing amount shall be paid in full within three years from the effective date of this agreement or before termination of agreement, whichever occurs earlier. The said loan carries interest at the rate of 3 months LIBOR + 3% per annum.

September 30, 2014 Unaudited	June 30, 2014 Audited
Rs '000	

7. TRADE DEBTS

Unsecured and considered good

Related parties

Central Power Generation Company Limited
(GENCO-II)
Sui Northern Gas Pipelines Limited (SNGPL)
Sui Southern Gas Company Limited (SSGCL)

7,050,268	6,435,882
12,831,083	11,846,129
19,743,249	20,692,404
39,624,600	38,974,415

Non-related parties

Attock Refinery Limited (ARL)
National Refinery Limited (NRL)
Pak-Arab Refinery Limited (PARCO)
Others

8,347,472	7,172,493
1,039,945	1,343,390
1,991,139	1,765,080
519,691	607,109
11,898,247	10,888,072
51,522,847	49,862,487

Unsecured and considered doubtful

Non-related party

Byco Petroleum Pakistan Limited (Byco)
Less: Provision for doubtful debts

1,156,220	1,156,220
(1,156,220)	(1,156,220)
-	-
51,522,847	49,862,487

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

September 30, 2014 Unaudited	June 30, 2014 Audited
------------------------------------	-----------------------------

Rs '000

7.1 The ageing of trade debts is as follows:

Neither past due nor impaired	21,452,167	21,668,307
Past due but not impaired:		
Related parties		
- within 90 days	10,113,386	10,157,677
- 91 to 180 days	6,051,946	5,867,604
- over 180 days	10,678,835	10,401,911
	26,844,167	26,427,192
Non-related parties		
- within 90 days	2,441,005	1,593,497
- 91 to 180 days	704,006	39,090
- over 180 days	81,502	134,401
	3,226,513	1,766,988
	51,522,847	49,862,487

7.2 Trade debts include overdue amount of Rs 26,844 million (June 30, 2014: Rs 26,427 million) receivable from the State controlled utility companies (GENCO-II, SNGPL and SSGCL) and Rs 4,383 million (June 30, 2014: Rs 2,923 million) overdue receivable from refineries (ARL, Byco, PARCO, NRL and Pakistan Refinery Limited) and various LPG customers.

Based on the measures being undertaken by the Government of Pakistan (GoP) to resolve the Inter-Corporate Circular Debt issue, the Company considers these amounts to be fully recoverable and therefore, no further provision for doubtful debts has been created in these unconsolidated condensed interim financial statements, except for provision against receivable from Byco made in previous years.

September 30, 2014 Unaudited	June 30, 2014 Audited
------------------------------------	-----------------------------

Rs '000

8. SHORT-TERM INVESTMENTS

Held-to-maturity

Local currency term deposits with banks	26,176,000	19,350,000
Investment in Treasury Bills	6,261,229	-
	32,437,229	19,350,000

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

September 30, 2014 Unaudited	June 30, 2014 Audited
------------------------------------	-----------------------------

Rs '000

9. DEFERRED TAXATION

Credit / (debit) balances arising on account of:

Exploration expenditure	(3,441,000)	(3,478,000)
Amortisation of intangible assets	(4,309)	(4,422)
Provision for staff retirement and other benefits	(697,077)	(698,271)
Provision for obsolete / slow moving stores	(39,428)	(40,623)
Provision for doubtful debts	(462,488)	(462,488)
Provision for decommissioning obligation	17,408	71,206
Accelerated tax depreciation allowances	6,045,034	6,346,687
Exploratory wells cost	5,021,967	4,295,870
Prospecting and development expenditure	8,990,599	9,029,247
Others	1,215	9,870
	<u>15,431,921</u>	<u>15,069,076</u>

10. TRADE AND OTHER PAYABLES

Creditors	535,059	288,512
Accrued liabilities	3,045,782	3,100,302
Security deposits from LPG distributors	625,069	625,069
Retention money	44,324	43,100
Unpaid and unclaimed dividends	189,219	192,517
Gas development surcharge	3,892,526	3,805,195
Gas infrastructure development cess	1,285,952	1,479,926
Federal excise duty (net)	139,310	-
Sales tax (net)	46,107	-
Royalties	3,863,736	5,996,004
Current accounts with joint venture partners	4,145,941	2,234,383
Liabilities for staff retirement benefit plans	-	85,395
Workers' Profits Participation Fund	1,035,465	-
Others	63,062	65,316
	<u>18,911,552</u>	<u>17,915,719</u>

11. CONTINGENCIES AND COMMITMENTS

There are no major changes in the status of contingencies and commitments as reported in the annual unconsolidated financial statements for the year ended June 30, 2014.

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

Quarter ended September 30, 2014	Quarter ended September 30, 2013
Rs '000	

12. SALES - net

Natural gas	15,879,529	16,198,362
Gas supplied to Sui villages	67,126	81,305
Internal consumption of gas	50,044	50,998
Condensate / NGL	2,856,842	3,895,752
Crude oil	11,313,696	7,222,966
LPG	799,744	332,702
	<u>30,966,981</u>	<u>27,782,085</u>

13. FIELD EXPENDITURES

Development and drilling – note 13.1	1,069,546	1,605,578
Exploration	2,682,825	521,936
Depreciation	1,039,032	806,861
Amortisation of intangible assets	49,864	53,563
Amortisation of decommissioning cost	336,891	358,863
Amortisation of prospecting and development expenditure	833,394	722,443
Salaries, wages, welfare and other benefits	1,750,573	1,699,411
Employees' medical benefits	86,006	102,570
Manpower development	15,544	5,699
Travelling and conveyance	105,539	123,082
Communication	4,088	9,454
Stores and spares consumed	209,062	233,944
Fuel and power	83,624	75,978
Rent, rates and taxes	28,723	28,992
Insurance	141,508	187,252
Repairs and maintenance	89,858	62,384
Professional services	9,435	1,698
Auditors' remuneration	1,103	625
Free supply of gas to Sui villages	82,216	99,559
Donations	59,887	20,418
Social welfare / community development	20,137	3,832
Other expenses	33,522	48,286
	<u>8,732,377</u>	<u>6,772,428</u>
Recoveries	<u>(18,584)</u>	<u>(12,173)</u>
	<u>8,713,793</u>	<u>6,760,255</u>

- 13.1 These are net of insurance claim received of Rs 97.153 million during the current period in respect of sabotage activity caused at Sui gas field during the year ended June 30, 2011.

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

Quarter ended September 30, 2014	Quarter ended September 30, 2013
Rs '000	

14. OTHER INCOME

Income on loans and bank deposits	108,282	100,614
Income on term deposits	585,926	446,529
Income on long-term held-to-maturity investments	764,135	730,771
Income from investment in treasury bills	81,071	60,891
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	218,990	152,695
	1,758,404	1,491,500
Income from assets other than financial assets		
Rental income on assets	61,555	83,688
Profit on sale of property, plant and equipment	1,173	1,775
Profit on sale of stores and spares (net)	282	12,022
Exchange gain on foreign currency	404,785	522,121
Share of profit on sale of LPG	50,059	24,058
Others	3,804	27,196
	521,658	670,860
	2,280,062	2,162,360

15. TAXATION

Current	5,623,319	5,809,381
Deferred	362,845	557,408
	5,986,164	6,366,789

16. CASH AND CASH EQUIVALENTS

Cash and bank balances	3,693,340	4,240,036
Short-term highly liquid investments	32,437,229	19,925,963
	36,130,569	24,165,999

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

Quarter ended September 30, 2014	Quarter ended September 30, 2013
Rs '000	

17. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are as follows:

Sale of gas to State controlled entities
(including Government Levies):

Genco-II	4,581,386	3,130,809
SSGCL	4,112,951	3,800,296
SNGPL	13,095,945	14,317,929
	<u>21,790,282</u>	<u>21,249,034</u>

Trade debts and other receivables from State controlled entities as at September 30

40,075,688	32,369,859
------------	------------

Transactions with subsidiaries:

Advance against issue of shares of PPL Asia E&P B.V.

-	4,233,705
---	-----------

Receivable from PPL Asia E&P B.V.

12,059	-
--------	---

Receivable from PPL Asia E&P B.V., Iraq branch

164,515	47,403
---------	--------

Long-term loan to PPL Europe E&P Limited

1,032,873	-
-----------	---

Payment of employees cost on secondment

7,295	7,175
-------	-------

Transactions with Bolan Mining Enterprises:

Purchase of goods

4,051	-
-------	---

Reimbursement of employee cost on secondment

6,377	5,463
-------	-------

Transactions with Joint Ventures:

Payments of cash calls to joint ventures

6,045,112	7,248,897
-----------	-----------

Expenditures incurred by the joint ventures

7,986,639	5,427,665
-----------	-----------

Current account receivables relating to joint ventures as at September 30

2,366,201	617,792
-----------	---------

Current account payables relating to joint ventures as at September 30

14,672	17,492
--------	--------

Under advance balances relating to joint ventures as at September 30

2,648,860	874,037
-----------	---------

Income from rental of assets to joint ventures

61,555	83,688
--------	--------

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	
Other related parties:		
Dividends to GoP	-	2,335,193
Dividends to Trust under BESOS	-	241,615
Transactions with retirement benefit funds	166,005	229,868
Remuneration to key management personnel	398,134	348,190
Payment of rental to Pakistan Industrial Development Corporation	16,279	14,216
Payment to National Insurance Company Limited	406,157	703,707
Payment to Pakistan State Oil Company Limited	118,792	77,477
18. EARNINGS PER SHARE		
18.1 Basic earnings per share		
Profit after taxation (Rs'000)	13,687,593	12,476,966
Weighted average number of ordinary shares in issue	1,971,717,086	1,971,717,086
Basic earnings per share (Rs)	6.94	6.33
18.2 Diluted earnings per share		
Profit after taxation (Rs'000)	13,687,593	12,476,966
Weighted average number of ordinary shares in issue	1,971,717,086	1,971,717,086
Adjustment for convertible preference shares	12,369	12,369
Weighted average number of ordinary shares for diluted earnings per share	1,971,729,455	1,971,729,455
Diluted earnings per share (Rs)	6.94	6.33

Notes to and Forming Part of the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

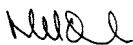
19. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on October 24, 2014 by the Board of Directors of the Company.

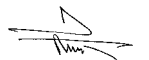
20. GENERAL

20.1 Corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

20.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



Director



Chief Executive

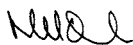
Consolidated Condensed Interim Financial Statements

Consolidated Condensed Interim Balance Sheet

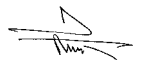
As at September 30, 2014

	Note	September 30, 2014 Unaudited	June 30, 2014 Audited
Rs '000			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	100,187,611	97,143,946
Intangible assets	6	3,658,872	3,500,805
		<u>103,846,483</u>	<u>100,644,751</u>
Equity-accounted investment in joint venture		798,388	735,188
Long-term investments	7	45,000,013	45,002,164
Long-term loans - staff		28,452	26,696
Long-term deposits		765,176	765,176
Long-term receivables		376,050	376,050
		<u>150,814,562</u>	<u>147,550,025</u>
CURRENT ASSETS			
Stores and spares		3,923,403	3,543,482
Trade debts	8	51,757,709	50,225,864
Loans and advances		1,706,902	1,750,468
Trade deposits and short-term prepayments		600,836	408,458
Interest accrued		881,412	1,341,326
Current maturity of long-term investments	7	500,137	500,179
Current maturity of long-term receivables		54,800	54,800
Other receivables		2,912,410	3,858,983
Short-term investments	9	40,646,807	27,243,478
Cash and bank balances		5,397,567	3,728,313
		<u>108,381,983</u>	<u>92,655,351</u>
		<u>259,196,545</u>	<u>240,205,376</u>
SHARE CAPITAL AND RESERVES			
Share capital		19,717,295	19,717,295
Reserves		176,474,601	161,848,566
		<u>196,191,896</u>	<u>181,565,861</u>
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation		15,822,486	15,679,518
Liabilities against assets subject to finance leases		167,212	175,770
Deferred liabilities		2,112,355	2,053,738
Deferred taxation	10	18,351,186	17,892,796
		<u>36,453,239</u>	<u>35,801,822</u>
CURRENT LIABILITIES			
Trade and other payables	11	19,772,733	18,836,998
Current maturity of liabilities against assets subject to finance leases		100,394	102,114
Taxation		6,678,283	3,898,581
		<u>26,551,410</u>	<u>22,837,693</u>
CONTINGENCIES AND COMMITMENTS			
	12	-	-
		<u>259,196,545</u>	<u>240,205,376</u>

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.



Director

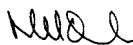


Chief Executive

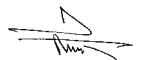
Consolidated Condensed Interim Profit and Loss Account (Unaudited) for the quarter ended September 30, 2014

	Note	Quarter ended September 30, 2014	Quarter ended September 30, 2013
		Rs '000	
Sales - net	13	31,272,300	28,195,951
Field expenditures	14	(9,068,460)	(7,124,673)
Royalties		(3,718,533)	(3,287,212)
		(12,786,993)	(10,411,885)
		18,485,307	17,784,066
Share of profit in equity - accounted investment in joint venture		63,200	46,804
Other income	15	2,286,323	2,162,690
Other operating expenses		(1,035,465)	(996,217)
Finance costs		(151,997)	(111,572)
Profit before taxation		19,647,368	18,885,771
Taxation	16	(5,968,991)	(6,372,288)
Profit after taxation		13,678,377	12,513,483
Basic and diluted earnings per share (Rs)	19	6.94	6.35

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.



Director



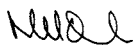
Chief Executive

Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited)

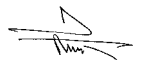
For the quarter ended September 30, 2014

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	
Profit after taxation	13,678,377	12,513,483
Other comprehensive income potentially reclassifiable to profit and loss account in subsequent years		
Foreign exchange differences on translation of subsidiaries	947,658	1,060,291
Total comprehensive income	<u>14,626,035</u>	<u>13,573,774</u>

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.



Director



Chief Executive

Consolidated Condensed Interim Cash Flow

Statement (Unaudited) For the quarter ended September 30, 2014

Note	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	35,792,869	33,026,501
Receipts of other income	115,700	146,964
Cash paid to suppliers / service providers and employees	(5,839,656)	(8,272,955)
Payment of indirect taxes and Government levies including royalty	(10,089,861)	(23,629,705)
Income tax paid	(2,850,189)	(4,803,371)
Finance costs paid	(20,662)	(13,551)
Long-term loans - staff (net)	(743)	(1,213)
Net cash (used in) / generated from operating activities	17,107,458	(3,547,330)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure (net)	(5,030,561)	(4,352,152)
Purchase of long-term investments	(1,224,578)	(289,159)
Disposal / redemption of long-term investments	1,795,000	145,350
Long-term receivables	-	29,082
Financial income received	2,067,282	2,006,579
Proceeds on sale of property, plant and equipment	7,274	4,832
Net cash used in investing activities	(2,385,583)	(2,455,468)

CASH FLOWS FROM FINANCING ACTIVITIES

Payment of liabilities against assets subject to finance leases	(27,202)	(37,514)
Net cash used in financing activities	(27,202)	(37,514)
Net increase / (decrease) in cash and cash equivalents	14,694,673	(6,040,312)
Net foreign exchange differences	377,910	187,495
Cash and cash equivalents at the beginning of the period	30,971,791	37,397,778
Cash and cash equivalents at the end of the period	17 46,044,374	31,544,961

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.


Director


Chief Executive

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended September 30, 2014

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves						Total reserves	Total
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Dividend equalisation reserve	Unappropriated profit	Translation reserve		
Rs '000											
Balance as at June 30, 2013	16,430,964	138	1,428	69,761	24,021,894	13,751,980	5,000,000	90,640,374	55,306	133,539,315	149,971,845
Appropriation of insurance reserve for the year ended June 30, 2013	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2013	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Issuance of bonus shares @ 20% (one share for every five ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	-	(3,286,193)	-
Final dividend on ordinary shares @ 55% for the year ended June 30, 2013	-	-	-	-	-	-	-	(9,037,037)	-	(9,037,037)	(9,037,037)
Profit after taxation	-	-	-	-	-	-	-	12,513,483	-	12,513,483	12,513,483
Other comprehensive income for the quarter ended September 30, 2013, net of tax	-	-	-	-	-	-	-	-	1,060,291	1,060,291	1,060,291
Total comprehensive income for the quarter ended September 30, 2013	-	-	-	-	-	-	-	12,513,483	1,060,291	13,573,774	13,573,774
Balance as at September 30, 2013	19,717,157	138	1,428	69,761	29,021,894	18,751,980	5,000,000	80,830,827	1,115,597	134,789,859	154,508,582
Balance as at June 30, 2014	19,717,157	138	1,428	69,761	29,021,894	18,751,980	5,000,000	109,357,106	(553,603)	161,847,138	181,565,661
Appropriation of insurance reserve for the year ended June 30, 2014	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2014	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Conversion of preference shares into ordinary shares	14	(14)	-	-	-	-	-	-	-	-	-
Profit after taxation	-	-	-	-	-	-	-	13,678,377	-	13,678,377	13,678,377
Other comprehensive income for the quarter ended September 30, 2014, net of tax	-	-	-	-	-	-	-	-	947,658	947,658	947,658
Total comprehensive income for the quarter ended September 30, 2014	-	-	-	-	-	-	-	13,678,377	947,658	14,626,035	14,626,035
Balance as at September 30, 2014	19,717,171	124	1,428	69,761	34,021,894	23,751,980	5,000,000	113,035,483	594,055	176,473,173	196,191,896

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.



Director



Chief Executive

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

The Group consists of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies i.e. PPL Europe E&P Limited, PPL Asia E&P B.V. and The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC).

The Group, except PPPFTC, is principally engaged in conducting exploration, prospecting, development and production of oil and natural gas resources. Brief profiles of the Holding Company and its subsidiary companies are as follows:

Pakistan Petroleum Limited

The Holding Company was incorporated in Pakistan in 1950 with the main objectives of conducting exploration, prospecting, development and production of oil and natural gas resources. The Holding Company is listed on all the three stock exchanges of Pakistan with effect from September 16, 2004. The registered office of the Holding Company is located at PIDC House, Dr. Ziauddin Ahmed Road, Karachi, Pakistan.

PPL Europe E&P Limited

The Holding Company acquired on March 21, 2013, 100% shareholding of MND Exploration and Production Limited, a company incorporated in England and Wales. Subsequent to the acquisition, the name of the Subsidiary was changed to PPL Europe E&P Limited. The registered office of PPL Europe E&P Limited is situated at 6th Floor, One London Wall, London, United Kingdom.

The Subsidiary's main objective is exploration and production of oil and gas and currently it has working interest in one producing field and three exploration blocks in Pakistan, as well as two exploration blocks in Yemen.

PPL Asia E&P B.V.

The Holding Company has established a wholly-owned subsidiary, PPL Asia E&P B.V. on July 22, 2013, a company incorporated in Amsterdam, Kingdom of Netherlands. The registered office of PPL Asia E&P B.V. is situated at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The Subsidiary's main objective is exploration and production of oil and natural gas resources.

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

PPPFTC was incorporated in Pakistan as a private limited company on November 7, 1955. The Subsidiary Company is engaged in administrating the trusts formed for the benefits of the employees of the Holding Company.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, except PPPFTC as mentioned in note 3.3 to these consolidated financial statements, here-in-after referred to as "the Group".

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the profit and loss account from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies. However, the accounting policies of subsidiaries have been changed to conform with accounting policies of the Group, wherever needed.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100% and, therefore, a non-controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI, cumulative translation differences recognised in equity, and recognises fair value of consideration received, any investment retained, surplus or deficit in profit and loss account, and reclassifies the Holding Company share of components previously recognised in other comprehensive income to profit and loss account or retained earnings, as appropriate.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

The presentation and functional currency of the Holding Company, as well as, PPPFTC are Pakistani Rupee and the functional currency of other subsidiary companies is US Dollar. For the purpose of consolidation, the financial statements of the subsidiary companies are translated to functional currency of the Holding Company.

3. BASIS OF PREPARATION

- 3.1 The consolidated condensed interim financial report for the quarter ended September 30, 2014, has been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan and the provisions and directives of the Companies Ordinance, 1984 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

- 3.2 These consolidated condensed interim financial statements are unaudited and do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended June 30, 2014.
- 3.3 Securities and Exchange Commission of Pakistan (SECP) through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 has exempted the Holding Company from consolidation of financial statements in respect of its investment in "The Pakistan Petroleum Provident Fund Trust Company (Private) Limited" (PPPFTC), a wholly owned Subsidiary under section 237 of the Companies Ordinance, 1984. Accordingly, the Group has not consolidated the Subsidiary in its consolidated condensed interim financial statements for the quarter ended September 30, 2014.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial report are the same as those applied in the preparation of the consolidated financial statements for the year ended June 30, 2014.

4.2 Implication of revised IFRS-2 (Share Based Payments) on BESOS

In respect of the Holding Company, Benazir Employees' Stock Option Scheme (the BESOS scheme) including its terms and conditions, are the same, as mentioned in the consolidated financial statements for the year ended June 30, 2014. SECP has granted exemption from application of IFRS-2. Had the exemption not been granted, the impact based on the independent actuarial valuations conducted as on June 30, 2014 and June 30, 2013 as per the Group's policy, for the quarter ended September 30, 2014 and September 30, 2013 would have been as follows:

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
	Rs '000	
Staff costs of the Group for the period would have been higher by:	1,270,859	792,653
Profit after taxation would have been lower by:	1,270,859	792,653
Earnings per share would have been lower by (Rs):	0.64	0.40

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

	September 30, 2014 Unaudited	June 30, 2014 Audited
	Rs '000	
Retained earnings would have been lower by:	19,730,606	18,459,747
Reserves would have been higher by:	19,730,606	18,457,747
5. PROPERTY, PLANT AND EQUIPMENT		
Opening Net Book Value (NBV)	61,507,149	54,639,005
Additions to:		
- owned assets	53,315	17,928,963
- assets subject to finance leases	-	142,038
	53,315	18,071,001
	61,560,464	72,710,006
Disposals / adjustments during the period / year (NBV)	(6,101)	(1,895,392)
Depreciation / amortisation charged during the period / year	(2,434,274)	(9,307,465)
	59,120,089	61,507,149
Capital work-in-progress – note 5.1	41,067,522	35,636,797
	100,187,611	97,143,946
5.1 Capital work-in-progress		
Plant, machinery, fittings and pipelines	5,993,659	4,546,134
Prospecting and development expenditure	23,486,693	20,824,596
Lands, buildings and civil constructions	123,062	137,845
Capital stores for drilling and development	11,464,108	10,128,222
	41,067,522	35,636,797
6. INTANGIBLE ASSETS		
Goodwill	3,352,007	3,222,832
Computer software including ERP System	215,995	265,721
Intangible assets under development	90,870	12,252
	3,658,872	3,500,805

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

September 30, 2014 Unaudited	June 30, 2014 Audited
------------------------------------	-----------------------------

Rs '000

7. LONG-TERM INVESTMENTS

Investment in related party

– wholly owned subsidiary

Fully paid shares in PPPFTC – note 3.3

1

1

Other investments

Held-to-maturity

- Term Finance Certificates

99,820

99,820

- Pakistan Investment Bonds

22,694,203

22,749,408

- GoP Ijara Sukuk

500,097

500,139

- Local currency term deposits with banks

2,000,000

2,000,000

- Foreign currency term deposits with banks

8,873,267

9,113,904

34,167,387

34,463,271

Designated at fair value through profit or loss

- Mutual Funds

11,332,762

11,039,071

Less: Current maturities

- Term Finance Certificates

(40)

(40)

- GoP Ijara Sukuk

(500,097)

(500,139)

(500,137)

(500,179)

45,000,013

45,002,164

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

September 30, 2014 Unaudited	June 30, 2014 Audited
Rs '000	

8. TRADE DEBTS

Unsecured and considered good

Related parties

Central Power Generation Company Limited
(GENCO-II)
Sui Northern Gas Pipelines Limited (SNGPL)
Sui Southern Gas Company Limited (SSGCL)

7,050,268	6,435,882
13,045,595	12,127,303
19,763,599	20,774,049
39,859,462	39,337,234

Non-related parties

Attock Refinery Limited (ARL)
National Refinery Limited (NRL)
Pak-Arab Refinery Limited (PARCO)
Others

8,347,472	7,172,493
1,039,945	1,343,948
1,991,139	1,765,080
519,691	607,109
11,898,247	10,888,630
51,757,709	50,225,864

Unsecured and considered doubtful

Non-related party

Byco Petroleum Pakistan Limited (Byco)
Less: Provision for doubtful debts

1,156,220	1,156,220
(1,156,220)	(1,156,220)
-	-
51,757,709	50,225,864

8.1 The ageing of trade debts is as follows:

Neither past due nor impaired

21,565,332 21,903,695

Past due but not impaired:

Related parties

- within 90 days

10,235,083 10,285,108

- 91 to 180 days

6,051,946 5,867,604

- over 180 days

10,678,835 10,401,911

26,965,864 26,554,623

Non-related parties

- within 90 days

2,441,005 1,594,055

- 91 to 180 days

704,006 39,090

- over 180 days

81,502 134,401

3,226,513 1,767,546

51,757,709 50,225,864

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

- 8.2 Trade debts include overdue amount of Rs 26,966 million (June 30, 2014: Rs 26,555 million) receivable from the State controlled utility companies (GENCO-II, SNGPL and SSGCL) and Rs 4,383 million (June 30, 2014: Rs 2,924 million) overdue receivable from refineries (ARL, Byco, PARCO, NRL and Pakistan Refinery Limited) and various LPG customers.

Based on the measures being undertaken by the Government of Pakistan (GoP) to resolve the Inter-Corporate Circular Debt issue, the Group considers these amounts to be fully recoverable and therefore, no further provision for doubtful debts has been created in these consolidated condensed interim financial statements, except for provision against receivable from Byco made in previous years.

September 30, 2014 Unaudited	June 30, 2014 Audited
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Rs '000

9. SHORT-TERM INVESTMENTS

Held-to-maturity

Local currency term deposits with banks	26,176,000	19,350,000
Foreign currency term deposits with banks	8,209,578	7,893,478
Investment in Treasury Bills	6,261,229	-
	<u>40,646,807</u>	<u>27,243,478</u>

10. DEFERRED TAXATION

Credit / (debit) balances arising on account of:

Exploration expenditure	(3,441,000)	(3,478,000)
Amortisation of intangible assets	(4,309)	(4,422)
Provision for staff retirement and other benefits	(697,077)	(698,271)
Provision for obsolete / slow moving stores	(39,428)	(40,623)
Provision for doubtful debts	(462,488)	(462,488)
Provision for decommissioning obligation	17,408	71,206
Accelerated tax depreciation allowances	5,911,482	6,066,714
Exploratory wells cost	5,021,967	4,444,242
Prospecting and development expenditure	12,218,915	12,216,403
Tax losses and credits	(175,499)	(231,835)
Others	1,215	9,870
	<u>18,351,186</u>	<u>17,892,796</u>

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

September 30, 2014 Unaudited	June 30, 2014 Audited
Rs '000	

11. TRADE AND OTHER PAYABLES

Creditors	535,059	288,512
Accrued liabilities	3,120,399	3,237,535
Security deposits from LPG distributors	625,069	625,069
Retention money	44,324	43,100
Unpaid and unclaimed dividends	189,219	192,517
Gas development surcharge	3,892,526	3,805,195
Gas infrastructure development cess	1,285,952	1,479,926
Federal excise duty (net)	139,310	-
Sales tax (net)	62,871	18,522
Royalties	3,874,006	6,007,351
Current accounts with joint venture partners	4,327,274	2,437,837
Liabilities for staff retirement benefit plans	-	85,395
Workers' Profits Participation Fund	1,035,465	-
Contractual obligations for Iraq EDPSC	564,207	517,819
Others	77,052	98,220
	<u>19,772,733</u>	<u>18,836,998</u>

12. CONTINGENCIES AND COMMITMENTS

There are no major changes in the status of contingencies and commitments as reported in the consolidated financial statements for the year ended June 30, 2014.

Quarter ended September 30, 2014	Quarter ended September 30, 2013
Rs '000	

13. SALES - net

Natural gas	16,184,848	16,612,228
Gas supplied to Sui villages	67,126	81,305
Internal consumption of gas	50,044	50,998
Condensate / NGL	2,856,842	3,895,752
Crude oil	11,313,696	7,222,966
LPG	799,744	332,702
	<u>31,272,300</u>	<u>28,195,951</u>

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

Quarter ended September 30, 2014	Quarter ended September 30, 2013
Rs '000	

14. FIELD EXPENDITURES

Development and drilling - note 14.1	1,082,497	1,642,537
Exploration	2,778,266	553,232
Depreciation	1,040,946	808,667
Amortisation of intangible assets	49,864	53,563
Amortisation of decommissioning cost	340,035	361,209
Amortisation of prospecting and development expenditure	1,053,293	973,509
Salaries, wages, welfare and other benefits	1,763,870	1,708,349
Employees' medical benefits	86,006	102,570
Manpower development	15,544	5,699
Travelling and conveyance	106,533	124,301
Communication	4,197	9,594
Stores and spares consumed	209,062	234,206
Fuel and power	83,864	76,115
Rent, rates and taxes	30,931	31,048
Insurance	141,872	187,717
Repairs and maintenance	90,398	62,986
Professional services	10,700	5,410
Auditors' remuneration	1,168	781
Free supply of gas to Sui villages	82,216	99,559
Donations	59,887	20,418
Social welfare / community development	20,137	3,832
Other expenses	35,758	71,544
	<u>9,087,044</u>	<u>7,136,846</u>
Recoveries	(18,584)	(12,173)
	<u>9,068,460</u>	<u>7,124,673</u>

- 14.1 These are net of insurance claim received of Rs 97.153 million during the current period in respect of sabotage activity caused at Sui gas field during the year ended June 30, 2011.

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

Quarter ended September 30, 2014	Quarter ended September 30, 2013
--	--

Rs '000

15. OTHER INCOME

Income from financial assets

Income on loans and bank deposits	114,273	100,944
Income on term deposits	585,926	446,529
Income on long-term held-to-maturity investments	764,135	730,771
Income from investment in treasury bills	81,071	60,891
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	218,990	152,695
	1,764,395	1,491,830

Income from assets other than financial assets

Rental income on assets	61,555	83,688
Profit on sale of property, plant and equipment	1,173	1,775
Profit on sale of stores and spares (net)	282	12,022
Exchange gain on foreign currency	404,785	522,121
Share of profit on sale of LPG	50,059	24,058
Others	4,074	27,196
	521,928	670,860
	2,286,323	2,162,690

16. TAXATION

Current

- For the quarter	5,623,319	5,897,526
- For the prior year	(100)	-
	5,623,219	5,897,526

Deferred

	345,772	474,762
	5,968,991	6,372,288

17. CASH AND CASH EQUIVALENTS

Cash and bank balances	5,397,567	9,828,898
Short-term highly liquid investments	40,646,807	21,716,063
	46,044,374	31,544,961

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

Quarter ended September 30, 2014	Quarter ended September 30, 2013
--	--

Rs '000

18. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are as follows:

Sale of gas to State controlled entities
(including Government Levies):

GENCO-II	4,581,386	3,130,809
SSGCL	4,148,412	3,896,780
SNGPL	13,418,844	14,707,190
	<u>22,148,642</u>	<u>21,734,779</u>

Trade debts and other receivables from State
controlled entities as at September 30

40,310,550	<u>32,613,814</u>
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Transactions with Bolan Mining Enterprises:

Purchase of goods	4,051	-
Reimbursement of employee cost on secondment	<u>6,377</u>	<u>5,463</u>

Transactions with Joint Ventures:

Payments of cash calls to joint ventures	6,176,943	7,372,165
Expenditures incurred by the joint ventures	<u>8,100,716</u>	<u>5,651,163</u>
Current account receivables relating to joint ventures as at September 30	2,428,129	740,920
Current account payables relating to joint ventures as at September 30	196,005	152,311
Under advance balances relating to joint ventures as at September 30	2,648,859	874,037
Income from rental of assets to joint ventures	<u>61,555</u>	<u>83,688</u>

Other related parties:

Dividends to GoP	-	2,335,193
Dividends to Trust under BESOS	-	241,615
Transactions with retirement benefit funds	166,005	230,126
Remuneration to key management personnel	<u>409,720</u>	<u>356,310</u>
Payment of rental to Pakistan Industrial Development Corporation	16,279	14,216
Payment to National Insurance Company Limited	<u>406,157</u>	<u>703,707</u>
Payment to Pakistan State Oil Company Limited	<u>118,792</u>	<u>77,477</u>

Notes to and Forming Part of the Consolidated Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2014

	Quarter ended September 30, 2014	Quarter ended September 30, 2013
19. EARNINGS PER SHARE		
19.1 Basic earnings per share		
Profit after taxation (Rs'000)	13,678,377	12,513,483
Weighted average number of ordinary shares in issue	1,971,717,086	1,971,717,086
Basic earnings per share (Rs)	6.94	6.35
19.2 Diluted earnings per share		
Profit after taxation (Rs'000)	13,678,377	12,513,483
Weighted average number of ordinary shares in issue	1,971,717,086	1,971,717,086
Adjustment for convertible preference shares	12,369	12,369
Weighted average number of ordinary shares for diluted earnings per share	1,971,729,455	1,971,729,455
Diluted earnings per share (Rs)	6.94	6.35

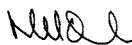
20. DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue on October 24, 2014 by the Board of Directors of the Holding Company.

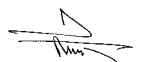
21. GENERAL

21.1 Corresponding figures have been reclassified for the purpose of better presentation and comparison, wherever necessary.

21.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



Director



Chief Executive



Pakistan Petroleum Limited



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