

# Mari Gas Company Limited

Annual Report 2000

## Contents

- Company Information
- Financial Highlights
- Notice of Meeting
- Board of Directors
- Directors' Report
- Key Personnel
- Auditors' Report to the Members
- Balance Sheet
- Profit & Loss Account
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Accounts
- Ten Years at a Glance
- Pattern of Shareholding

## COMPANY INFORMATION

### Legal Advisors

Orr Digham & Company  
Khan & Piracha

### Auditors

A.E Ferguson & Company  
Chartered Accountants

### Bankers

Askari Commercial Bank Limited  
National Bank of Pakistan  
Allied Bank of Pakistan Limited  
Habib Bank Limited  
Citibank N.A.  
ABN AMRO Bank N.V.  
Emirates Bank International  
Bank Alfalah

### Registered Office

21-Mauve Area, 3rd Road  
Sector G- 10/4,  
Islamabad.

## FINANCIAL HIGHLIGHTS

		<i>1999-2000</i>	<i>1998-99</i>
Revenue	Rs. Million	8,997.86	5,953.27
Government levies	Rs. Million	8,397.98	5,432.14
Profit before tax	Rs. Million	284.85	229.35
Profit after tax	Rs. Million	198.73	160.23
Dividend per share	Rs.	2.25	2.25
Tangible fixed assets (Gross)	Rs. Million	2,188.96	2,076.09
Number of shares issued and subscribed	Million	36.75	36.75

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Sixteenth Annual General Meeting of the Shareholders of Mari Gas Company Limited will be held on Friday, December 22, 2000 at 09:00 a.m. at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2000 together with the Directors' and Auditors' reports thereon.
2. To appoint auditors for the year 2000-2001 and fix their remuneration.

By order of the Board

Islamabad,  
November 28, 2000

Khurram Khan  
Company Secretary

### **NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy. The instrument of proxy duly executed in accordance with the Articles of Association of the Company must be deposited at the Registered Office of the Company at Islamabad, at least 48 hours before the time of holding the meeting.

2. Shareholders are requested to promptly notify the Company of any change in their addresses.

### **Beneficial Owners in Central Depository Company of Pakistan Limited**

3. In case of individuals, the account holders/sub account holders and/or the persons whose securities are in group account shall authenticate their identity by showing original National Identity Card (NIC) at the time of attending the meeting.

4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

5. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

## **BOARD OF DIRECTORS**

### **CHAIRMAN**

**Lt Gen. Muhammad Maqbool (Retd)**  
Managing Director  
Fauji Foundation

### **CHIEF EXECUTIVE**

**Lt Gen Khalid Nawaz Malik (Retd)**  
Managing Director  
Mari gas Company Limited

### **DIRECTOR**

**Brig Muhammad Saeed Baig (Retd)**  
Director P&D  
Fauji Foundation

### **DIRECTOR**

**Brig Muhammad Akram Ali Khan (Retd)**  
Director Sugar  
Fauji Foundation

### **DIRECTOR**

**Brig Karam Dad (Retd)**  
Director P&A  
Fauji Foundation

**DIRECTOR**

**Mr. Qaiser Javed**

Director Finance  
Fauji Foundation

**DIRECTOR**

**Mr. Shahid Ahmad**

Director General (PC)  
Government of Pakistan

**DIRECTOR**

**Mr. M. Jehangir Bashar**

Joint Secretary Development  
Government of Pakistan

**DIRECTOR**

**Major General Parvez Akmal**

Managing Director  
OGDCL

**DIRECTOR**

**Mr. Najam K. Hyder**

Executive Director Corporate  
OGDCL

**DIRECTOR**

**Mr. F.Q. Usmani**

Executive Director  
Technical Services & Support  
OGDCL

**DIRECTOR**

**Mr. Abdul Rahman**

Businessman

**DIRECTOR**

**Mr. Istaqbal Mehdi**

Chief Executive  
NIT

**COMPANY SECRETARY**

Mr. Khurram Khan

**DIRECTORS' REPORT**

The Directors take pleasure in presenting their report together with the audited accounts of the Company and the Auditors' report thereon for the year ended June 30, 2000.

**Operations**

The Company continued uninterrupted gas supply throughout the year under review to all its customers namely, Fauji Fertilizer Company Ltd, Engro Chemical Pakistan Ltd, Pak Saudi Fertilizers Company Ltd, Water and Power Development Authority (WAPDA) and Sui Southern Gas Company Limited. The cumulative gas produced during the year ended June 30, 2000 was 146,938.927 million standard cubic feet (MASTIFF) as against 139,891.383 (MMSCF) during the corresponding period of 1998-99. The daily average gas production for the year was 401.472 MMSCF as compared to 383.264 MMSCF last year.

The gas allocation to fertilizer companies remained the same during the year at 336 MMSCF per day as was in the last year. However, gas allocation to WAPDA for power generation was enhanced from 66 MMSCF per day to 90 MMSCF per day effective November 01 1999.

Regular maintenance of the field infrastructure and equipment was carried out as per good gas field practices and reservoir monitoring was conducted throughout the year for preventing any breakdowns and controlling water coning problem in wells.

### Future Challenges

Mari Gas discovered a substantial reservoir at deeper horizon in 1997-98 in addition to shallow reservoir. In order to appraise and develop the newly discovered reservoir, 440 km Dynamite Seismic Survey was conducted in 1999. The acquired seismic data indicated some additional extension of structure at the south east section of reservoir. To ensure the extension of deeper gas reservoir beyond the boundaries of existing Mari Development & Production Lease, approval for Mari Reconnaissance Permit was obtained from Directorate General of Petroleum Concessions. The interpretation of additional seismic data acquired in the Reconnaissance Permit confirmed the extension of deeper reservoir beyond the limits of existing lease area. In view of this, additional Development & Production Lease for about 246 sq. km has been requested from Government of Pakistan. Based on the processing and interpretation of seismic data, drilling of four appraisal wells is planned and it is expected to spud the first well in December 2000. These appraisal wells will delineate the reservoir extent and future development of the reservoir will be planned accordingly.

### Financial Results

The profit and appropriations for the year are as follows:

Profit	<i>Rs. '000</i>
- Profit for the period under review after taxation	198,734
- Un-appropriated profit brought forward	487,859
	-----
	686,593
Appropriations	
- First Interim Dividend @ 15% per share declared in February 2000	55,125
- Second Interim Dividend @ 7.5% per share declared in June 2000	27,563
	-----
- Total Dividend for the year	82,688
- Transferred to Undistributed Percentage Return Reserve	10,878
	-----
- Un-appropriated profit carried forward	593,027
	=====

### Directors

During the period under review the following directors resigned from the Company's Board of Directors.

Mr. Iltifat Rasul Khan  
 Mr. Zaka Ud Din Malik  
 Mr. Nasim Beg

These vacancies were filled by:

Mr. Qaiser Javed  
 Maj Gen Parvez Akmal  
 Mr. Istaqbal Mehdi

I wish to record the Board's appreciation for valuable contributions and services rendered by the retiring directors during their tenure and extend warm welcome to the incoming directors.

### Auditors

The present auditors, Messrs. A. F. Ferguson & Company, Chartered Accountants, retire and being eligible offer themselves for reappointment as auditors of the Company.

### Human Resources

Relations between the Management and the workers continued to be cordial and are expected to remain so in the future.

### Welfare Activities

The Company continues to maintain its regular welfare activities for the local community in the vicinity of Mari Gas Field.

### Pattern of Shareholding

A statement showing the pattern of shareholding in the Company as at June 30, 2000 is attached.

### Acknowledgment

The board of directors would like to express their appreciation for the efforts and dedication of all officers and staff of the Company which enabled the management to run the Company efficiently during the year. The board also wish to express their appreciation for continued assistance and cooperation received from the local administration at Daharki, various departments of Federal

Government particularly the Ministry of Petroleum and Natural Resources and the Ministry of Finance in respect of matters relating to Company's operations and cooperation extended by Fauji Foundation and Oil and Gas Development Company Limited.

For and on behalf of the Board  
**Lt Gen Muhammad Maqbool (Retd)**  
Chairman

## **KEY PERSONNEL**

**Brig Tariq Masood Khan Niazi (Retd)**  
General Manager Admin & Human Resources

**Parveiz Usman**  
General Manager Finance

**Muhammad Ali Mughal**  
Manager Operations

**Muhammad Ajmal Abbasi**  
Manager Reservoir

**Khurram Khan**  
Company Secretary

**Asif Ali Rangoonwala**  
Resident Manager Karachi

**Muhammad Liaquat Ali Khan**  
Mari Field Manager

**Lt Col Javed Iqbal Ahmed (Retd)**  
Manager Administration

**Muhammad Asif**  
Manager Accounts

**Lt Col Manzoor Iqbal Awan (Retd)**  
Manager Human Resources

**Muhammad Aqib Anwer**  
Manager Finance

**Col. Amjad Javed (Retd)**  
Manager Procurement

## **AUDITORS' REPORT TO THE MEMBER**

We have audited the annexed balance sheet of Mari Gas Company Limited as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and the requirements of Mari Gas Well Head Price 13 Agreement dated December 22, 1985 where its requirements are not consistent with the requirements of the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the 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, 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, and the Agreement referred to in (b) (i) above 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, 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.  
Chartered Accountants

Islamabad  
November 06, 2000

## Balance Sheet as at June 30, 2000

	<i>Note</i>	<i>2000</i> <i>(Rupees in thousand)</i>	<i>1999</i>
<b>SHARE CAPITAL, RESERVES AND SURPLUS</b>			
Authorized capital		500,000	500,000
50,000,000 ordinary shares of Rs 10 each		=====	=====
Issued, subscribed and paid-up capital	3	367,500	367,500
General reserve		2,046	2,046
Undistributed percentage return reserve	4	57,181	46,303
Profit and loss account	5	593,027	487,859
		-----	-----
		1,019,754	903,708
<b>REDEEMABLE CAPITAL AND ACCRUED MARK-UP</b>	6	50,027	138,934
<b>LONG TERM LOANS AND DEFERRED LIABILITIES</b>			
Loans - secured	7	41,296	123,884
Employees' retirement benefits		2,387	1,768
Deferred credits	8	74,717	40,490
		-----	-----
		118,400	166,142
<b>CURRENT LIABILITIES</b>			
Current maturity of - redeemable capital and accrued mark-up	6	88,907	75,871
- long term loans	7	82,588	82,588
Accrued and other liabilities	9	1,770,497	1,464,487
		-----	-----
		1,941,992	1,622,946
<b>CONTINGENCIES AND COMMITMENTS</b>	10	--	--
		-----	-----
		3,130,173	2,831,730
		=====	=====

**TANGIBLE FIXED ASSETS**

Operating assets	11	894,768	870,453
Capital work-in-progress	12	121,209	153,250
		-----	-----
		1,015,977	1,023,703

**LEASING AND EXPLORATION COSTS**

Cost		5,606	5,606
Less: Amortization		2,985	2,892
		-----	-----
		2,621	2,714

**LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS**

	13	8,258	6,948
--	----	-------	-------

**CURRENT ASSETS**

Stores and spares		77,980	73,481
Trade debts - unsecured, considered good	14	1,018,460	815,222
Loans, advances and prepayments	15	17,899	21,423
Other receivables	16	246,471	163,268
Taxation	17	50,441	94,165
Bank and cash balances	18	692,066	630,806
		-----	-----
		2,103,317	1,798,365
		-----	-----
		3,130,173	2,831,730
		=====	=====

The annexed notes form an integral part of these accounts.

**Lt Gen Khalid Nawaz Mallik (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

**Profit and Loss Account for the year ended June 30, 2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
Sales - net	19	807,232	694,187
Less: Royalty		100,904	86,760
		-----	-----
Other operating expenses	20	706,328	607,427
		440,313	360,343
		-----	-----
Operating profit		266,015	247,084
Other income	21	95,415	83,395
		-----	-----
		361,430	330,479
Financial charges	22	56,246	84,560
Other charges	23	20,331	16,570
		-----	-----
		76,577	101,130
		-----	-----
Profit before taxation		284,853	229,349
Taxation		86,119	69,115
		-----	-----
Profit after taxation		198,734	160,234
Unappropriated profit brought forward		487,859	419,193
		-----	-----
Profit available for appropriation		686,593	579,427
Appropriations/transfers:			
Dividends - 1st Interim @ 15 % (1999:15 %)		55,125	55,125
- 2nd Interim @ 7.5 % (1999:7.5 %)		27,563	27,564
Transferred to undistributed percentage return reserve - note 4.1		10,878	8,879

	93,566	91,568
Un-appropriated profit carried forward	593,027	487,859

The annexed notes form an integral part of these accounts.

**Lt Gen Khalid Nawaz Mallik (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

### Cash Flow Statement for the year ended June 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	24	392,296	765,137
Taxes paid		(42,395)	(77,282)
Long-term loans, advances, deposits and prepayments		(1,311)	(2,106)
Deferred credits		34,227	10,225
		-----	-----
		382,817	695,974
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(120,113)	(121,131)
Sale proceeds of fixed assets		2,550	527
Interest received		101,212	76,805
		-----	-----
		(16,351)	(43,799)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redeemable capital and accrued mark-up repaid during the year		(75,871)	(64,747)
Long-term loans repaid during the year		(82,588)	(82,588)
Dividends paid		(82,376)	(75,710)
Financial charges paid		(64,371)	(91,811)
		-----	-----
		(305,206)	(314,856)
Increase in cash and cash equivalents		61,260	337,319
Cash and cash equivalents at the beginning of the year		630,806	293,487
		-----	-----
Cash and cash equivalents at the end of the year	18	692,066	630,806

The annexed notes form an integral part of these accounts.

**Lt Gen Khalid Nawaz Mallik (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

### Statement of Changes in Equity for the year ended June 30, 2000

	<i>Share capital</i>	<i>General reserve</i>	<i>Undistributed percentage return reserve</i>	<i>Unappropriated profit and loss account</i>	<i>Total</i>
	<i>Rupees ('000)</i>	<i>Rupees ('000)</i>	<i>Rupees ('000)</i>	<i>Rupees ('000)</i>	<i>Rupees ('000)</i>
Balance at June 30, 1998	367,500	2,046	37,424	419,193	826,163
Profit for the year	--	--	--	160,234	160,234
Dividends	--	--	--	(82,689)	(82,689)
Transferred to undistributed percentage return reserve	--	--	8,879	(8,879)	--
	-----	-----	-----	-----	-----
Balance at June 30, 1999	367,500	2,046	46,303	487,859	903,708
Profit for the year	--	--	--	198,734	198,734
Dividends	--	--	--	(82,688)	(82,688)



Transferred to undistributed percentage return reserve	--	--	10,878	(10,878)	--
Balance at June 30, 2000	367,500	2,046	57,181	593,027	1,019,754

The annexed notes form an integral part of these accounts.

**Lt Gen Khalid Nawaz Mallik (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

## Notes to the Accounts for the year ended June 30, 2000

### 1. LEGAL STATUS AND OPERATIONS

The Company is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are listed at all stock exchanges of Pakistan. The Company is principally engaged in drilling, production and sale of natural gas. The gas price mechanism is governed by Marl Gas Well Head Price Agreement dated December 22, 1985 between The President of Islamic Republic of Pakistan and the Company.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Mark up on redeemable capital

Mark-up on long term finance is allocated to periods during the deferred payment term so as to produce a constant periodic rate of financial cost.

#### 2.3 Employees' retirement benefits

The Company operates defined benefit funded pension and gratuity schemes for its management employees. The scheme provides life pension to employees and thereafter to their spouse. Contributions, including special contribution to cover any deficit, are made to these funds on the basis of actuarial recommendations. Based on the latest actuarial valuation as at June 30, 1999 of the schemes, the fair value of the funds' assets and the liabilities were Rs 28.535 million and Rs 31.857 million respectively for pension scheme and Rs 4.612 million and Rs 10.065 million respectively for the gratuity scheme.

Projected Unit Credit Actuarial Cost Method, using following significant assumptions, is used for valuation of the above mentioned funded schemes:

- Expected rate of increase in salaries at 12% per annum.
- Expected rate of interest on investment at 12% per annum.

In addition, the Company operates an unfunded pension scheme for its non-management employees. Provisions made in the accounts to cover obligations under the scheme are shown under deferred liabilities. In lieu of pension, the non-management employees may opt for lump sum gratuity, which is expensed on payment.

The Company also operates a defined contribution provident fund for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

#### 2.4 Taxation

Provision for taxation is based on taxable income at the current rate of taxation.

Deferred tax is not accounted for as per the terms of "Mad Gas Well Head Price Agreement". Had the company provided for deferred taxation under liability method, there would have been a liability of Rs 144 million as at June 30, 2000 (1999: Rs 166 million).

#### 2.5 Tangible fixed assets

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost.

Depreciation and amortization on fixed assets other than lease and well investment cost is charged to income using straight line method whereas lease and well investment costs are amortized in proportion to the ratio that the offtakes for the year bear to balance of developed reserves of

Mari Gas Field as estimated at the beginning of that year as applied to written down values in accordance with "Mari Gas Well Head Price Agreement".

The full calendar quarter's depreciation is charged on additions during a calendar quarter, while no depreciation is charged for the calendar quarter during which the asset is disposed.

Gains and losses on disposals are taken into account in current income. Maintenance and normal repairs are charged to income as and when incurred.

**2.6 Leasing and exploration costs**

These are stated at cost to the Company calculated in terms of the Assets Transfer Agreement dated December 22, 1985 less amortization thereon. In accordance with "Mari Gas Well Head Price Agreement" leasing and exploration costs are amortized in proportion to the ratio that the offtakes for the year bear to balance of developed reserves of Marl Gas Field as estimated at the beginning of that year as applied to written down values.

**2.7 Stores and spares**

These are valued at moving average cost except material in transit which are valued at cost.

**2.8 Foreign currency translation**

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date except:

- i) foreign currency loans where exchange rate is guaranteed; and
- ii) bank balances out of adhoc disbursement of such loans.

Such liabilities and assets have been translated at guaranteed rates.

Exchange gains and losses are taken into income except on foreign currency loans obtained for Mari Gas Field which are capitalized till the date of substantial completion of a project.

**2.9 Revenue recognition**

Sales are recorded on actual delivery of gas or under minimum billing provisions as and when the same becomes applicable under respective agreement with each customer.

**2000            1999**  
**(Rupees in thousand)**

**3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

24,850,007 (1999: 24,850,007) Ordinary shares of Rs 10 each for cash	248,500	248,500
11,899,993 (1999:11,899,993) Ordinary shares of Rs 10 each for consideration other than cash	119,000	119,000
	367,500	367,500
	367,500	367,500

**4. UNDISTRIBUTED PERCENTAGE RETURN RESERVE**

4.1 Opening balance	46,303	37,424
Transferred from profit and loss account	10,878	8,879
	57,181	46,303
	57,181	46,303

4.2 The amount held in this reserve represents the balance of the percentage return reserve on shareholders' funds as defined in the Marl Gas Well Head Price Agreement.

**5. PROFIT AND LOSS ACCOUNT**

The amount of Rs 593.027 million, which is not distributable, has been provided through the operation of Article II of Mari Gas Well Head Price Agreement to meet the obligations and to the extent indicated for the following:

<i>Generated</i>	<i>Generated</i>	
<i>upto</i>	<i>during the</i>	
<i>June 30,</i>	<i>year ended</i>	
<i>1999</i>	<i>June 30, 2000</i>	<i>Total</i>
------(Rupees in thousand)-----		

a) Repayment of borrowings	382,149	105,168	487,317
b) Maintenance of debt service ratio	90,234	--	90,234
c) Maintenance of current ratio	15,476	--	15,476
	-----	-----	-----
	487,859	105,168	593,027
	=====	=====	=====

**2000      1999**  
**(Rupees in thousand)**

**6. REDEEMABLE CAPITAL AND ACCRUED MARK UP - SECURED**

Long term finance and accrued mark-up during grace period	138,934	214,805
Less: Current maturity shown under current liabilities	88,907	75,871
	-----	-----
	50,027	138,934
	=====	=====

The Company has obtained on mark-up basis a long term finance of Rs 437.913 million from National Development Finance Corporation (NDFC) for Phase V project. The amount of Rs 437.913 million represents Purchase Price with a corresponding "Marked-up Price" of Rs 1,157.230 million. A rebate of Rs 305.991 million shall be available to the Company if all installments are paid on due dates. The marked-up price is payable in 16 equal half yearly installments commencing from February 01, 1994.

The above finance is secured by:

- i) Equitable mortgage on Company's immovable properties ratably and pari passu with IFC, referred to in note 7.
- ii) Hypothecation on all present and future plant and machinery and current assets.
- iii) Floating charge on all the business, undertaking and goodwill and all other properties and assets both present and future.

The charge created under (ii) and (iii) above rank pari passu with charge created for long term loan from IFC, referred to in note 7.

**2000      1999**  
**(Rupees in thousand)**

**7. LONG TERM LOANS - SECURED**

From a Financial Institution- International Finance Corporation (IFC) US Dollar loan - US \$ 4.30 million (1999: US \$7.16 million)	123,884	206,472
Less: Current maturity shown under current liabilities	82,588	82,588
	-----	-----
	41,296	123,884
	=====	=====

The Company on February 27, 1992 signed an Investment Agreement with International Finance Corporation (IFC) in respect of Phase V project for US \$19.5 million out of which US \$12 million disbursed in 1992 is repayable in 16 equal half yearly installments commencing from April 15, 1994 and the balance of US \$7.5 million disbursed in 1996 for drilling to a deeper prospect in the Mari field, is repayable in 11 equal half yearly installments commencing from October 15, 1996. The interest is payable quarterly at the rate of 9.4375 percent per annum.

The above Loan is secured by:

- i) Equitable mortgage on Company's all immovable properties except Mari Gas Mining Leases, ratably and pari passu with NDFC, referred to in note 6.

ii) Floating charge by way of hypothecation on all the Company's other assets (present and future, including future gas production) ranking *pari passu* with NDFC, referred to in note 6.

The Company has exercised the option given under Foreign Exchange Circular No.76 of 1984 to transfer the exchange risk to the Government on payment of a fee at the rate of 6.51% per annum.

**2000                      1999**  
**(Rupees in thousand)**

**8. DEFERRED CREDITS**

Minimum billings to customers adjustable against future gas supplies	42,908	37,060
Advance for Gas Compression Project	31,809	3,430
	-----	-----
	74,717	40,490
	=====	=====

**9. ACCRUED AND OTHER LIABILITIES**

Interest accrued on secured loan	2,371	4,060
Mark-up accrued on redeemable capital	9,552	14,768
Exchange risk and other charges	1,720	2,940
Excise duty	60,209	98,731
General sales tax	102,465	--
Withholding tax on sales	138	--
Other accrued liabilities	28,645	35,215
Workers' profits participation fund - note 9.1	15,259	12,296
Workers' welfare fund	16,805	11,733
Development surcharge - note 15.1	1,476,137	1,249,904
Retention and earnest money	6,389	6,041
Royalty payable	3,310	5,279
Unclaimed/unpaid dividend	23,715	23,403
Gas price surplus due to The President under the provisions of Mad Gas Well Head Price Agreement	23,782	117
	-----	-----
	1,770,497	1,464,487
	=====	=====

**9.1 Workers' profits participation fund**

Balance payable at the beginning of the year	12,296	8,653
Allocation for the year	15,259	12,296
Interest on delayed payment	637	592
Amount paid to the Trustees of the Fund	(12,933)	(9,245)
	-----	-----
Balance payable at the end of the year	15,259	12,296
	=====	=====

**10. CONTINGENCIES AND COMMITMENTS**

10.1 The Price Determining Authority (PDA), Ministry of Petroleum & Natural Resources through letter No. DGO(AC)-5(50)/94-IA dated March 30, 1995 had advised that till further instructions:

(i) the Company should not take any credit for interest income receivable from WAPDA under Gas Purchase and Sale Agreement between the Company and WAPDA on account of delayed payment of Company's gas sales bills for supplies of gas; and

(ii) the Company should also not make any provision in the accounts for the interest payable to Government in terms of Natural Gas (Development Surcharge) Ordinance, 1967 and the Natural Gas (Development Surcharge) Rules, 1967 on account of late deposit of gas development surcharge which has resulted from delayed payment by WAPDA as mentioned above.

PDA through letter No. DGO(AC)-5(50)/95 dated October 1, 1996 has since advised that the above referred interest income from WAPDA be taken into account after it is actually received and that interest payable to Government be paid after such receipt.

Accordingly, the Company has not recognized interest income of Rs 1,606.863 million (inclusive of Rs 301.752 million for the year ended June 30, 2000) on amount due from WAPDA and has

also not made any provision in the accounts for interest expense of Rs 747.588 million (inclusive of Rs 78.258 million for the year ended June 30, 2000) payable to the Government on account of late payment of Development Surcharge. However, such non-recognition does not affect the current year's or future years' profit after taxation which includes the return available to shareholders under the Mari Gas Well Head Price Agreement.

#### 10.2 Other contingent liabilities

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
(i) Indemnity bonds given to collector of Customs against duty concessions on import of equipment and materials for Phase V project	96,900	79,473
(ii) Income tax demands related to assessment ' years 1992-93 and subsequent years not accepted by the company and which are currently under appeal	77,973	185,219
(iii) Claims for additional excise duty related to 1994-95 and late payment of exchange risk fee related to 1994 to 1997, not accepted by the company and currently being contested	52,036	52,036

#### 10.3 Commitments

Commitments in respect of capital expenditure contracted for as at June 30, 2000 amounted to Rs 245.287 million (1999: Rs 20.701 million)

#### 11. OPERATING ASSETS

Particulars	<i>Cost as at July 1, 1999</i>	<i>Additions (disposals)</i>	<i>Cost as at June 30, 2000</i>	<i>Accumulated Depreciation</i>		<i>Accumulated depreciation as at June 30, 2000</i>	<i>Net book value as at June 30, 2000</i>	<i>Annual rate of depreciation %</i>
				<i>as at July 1, 1999</i>	<i>charge for the year/ (on disposals)</i>			
<i>(Rupees in thousand)</i>								
Freehold land	40,248	19,681	59,929	--	--	--	59,929	
Leasehold land	5,910	--	5,910	443	81	524	5,386	1-3
Buildings freehold	138,271	17,838	156,209	41,023	7,155	48,178	108,031	5
Buildings leasehold	44,940	--	44,940	5,677	2,248	7,925	37,015	5
Roads and bridges	39,353	--	39,353	19,817	2,815	22,632	16,721	10
Drilling tools and equipment	21,432	--	21,432	21,432	--	21,432	--	20
Equipment and general plant	170,343	11,977 (3,885)	178,435	96,286	14,039 (3,440)	106,885	71,550	10
Gathering lines	408,204	--	408,204	299,347	25,631	324,978	83,226	10
Furniture and fixtures	21,659	3,224 (196)	24,687	9,071	1,982 (181)	10,872	13,815	10
Vehicles - Heavy	59,179	5,007 (171)	64,015	50,601	6,025 (171)	56,455	7,560	30
- Light	25,464	2,387 (2,995)	24,856	20,971	1,759 (2,995)	19,735	5,121	20
Drilling expenditure	862,199	92,040	954,239	443,590	64,220	507,810	446,429	10
Lease and well investment	85,541	--	85,541	44,132	1,424	45,556	39,985	Refer note 2.5
Total Rupees	1,922,843	152,154 (7,247)	2,067,750	1,052,390	127,379 (6,787)	1,172,982	894,768	
1999 Rupees	1,881,172	43,189 (1,518)	1,922,843	925,703	127,479 (792)	1,052,390	870,453	

#### 11.1 Details of assets disposed off during the year

Description	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of Purchaser
Equipment	287	255	32	53	Tender	M/s Muhammad Khalid, Faisalabad.
	549	539	10	123	- do -	M/s Chaudry M. Azeem, Daharki.
	217	133	84	16	- do -	M/s Shahab & Company, Multan.
	111	106	5	30	- do -	M/s Shafqat Mahmood, Ghotki.
	699	558	141	26	- do -	M/s Zafar Iqbal Rawalpindi.
	62	51	11	30	- do -	M/s Zia Auctioneer, Islamabad.
	1,003	852	151	50	Trade-in	M/s Digital Communications (Pvt.) Limited, Karachi.
	19	11	8	3	As per Company Policy	Mr. Khurram Khan, Employee
	938	935	3	200	Tender	Miscellaneous
	-----	-----	-----	-----		
	3,885	3,440	445	531		
	-----	-----	-----	-----		
Furniture	27	21	6	7	Tender	M/s Zia Auctioneer, Islamabad.
	169	160	9	39	- do -	Miscellaneous
	-----	-----	-----	-----		
	196	181	15	46		
	-----	-----	-----	-----		
Vehicle	3,166	3,166	0	1,973	Tender	Miscellaneous
	=====	=====	=====	=====		
Total Rupees	7,247	6,787	460	2,550		
	=====	=====	=====	=====		

## 12. CAPITAL WORK-IN-PROGRESS

	2000	1999
	<i>(Rupees in thousand)</i>	
Phase-V Project		
Land	18,358	17,168
Building	2,204	2,204
Materials and equipment	43,834	45,211
Others	233	73,581
	-----	-----
	64,629	138,164
Goru-B Project		
Land	210	--
Materials and equipment	838	--
Others	1,897	--
	-----	-----
	2,945	--
Gas compression equipment	24,019	--
Support of Production		
Land	4,850	2,898
Building, roads and bridges	4,785	2,153
Plant, machinery and others	19,981	10,035
	-----	-----

	29,616	15,086
	-----	-----
	121,209	153,250
	=====	=====

### 13. LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

Loans and advances - considered good

- Executives	8,123	7,346
- Other employees	3,461	3,389
	-----	-----
	11,584	10,735
	=====	=====

Less: Recoverable within one year - note 16

- Executives	3,877	3,515
- Other employees	1,471	1,411
	-----	-----
	5,348	4,926
	-----	-----

Deposits	6,236	5,809
Prepayments	1,943	1,079
	79	60
	-----	-----
	8,258	6,948
	=====	=====

13.1 The above did not include any amount outstanding for periods exceeding three years (1999: Nil)

13.2 The loans and advances given to executives and employees represent transport loans and other advances repayable in 36 to 60 equal monthly installments.

### 14. STORES AND SPARES

	2000	1999
	<i>(Rupees in thousand)</i>	
Stores	45,580	41,159
Spares	32,400	32,322
	-----	-----
	77,980	73,481
	=====	=====

### 15. TRADE DEBTS - Unsecured, considered good

15.1 Trade debts include Rs 562.214 million (1999: Rs 485.783 million) receivable from WAPDA on account of gas development surcharge. The Company also has outstanding liability on account of development surcharge which will be met as and when such amounts are received from WAPDA.

15.2 The amount due from an associated undertaking as at June 30, 2000 was Rs 141.582 million (1999: Rs 154.525 million). The maximum amount outstanding at the end of any month during the year was Rs 141.626 million (1999: Rs 184.182 million).

### 16. LOANS, ADVANCES AND PREPAYMENTS

	2000	1999
	<i>(Rupees in thousand)</i>	
Loans and advances - note 13		
- Executives	3,877	3,515
- Other employees	1,471	1,411
	-----	-----
	5,348	4,926
Short term prepayments	6,245	8,021
Advances to suppliers and others	6,306	8,476
	-----	-----
	17,899	21,423
	=====	=====

The maximum amount due from executives at the end of any month during the year was Rs 9.822 million (1999: Rs 7.634 million).

**2000            1999**  
**(Rupees in thousand)**

**17. OTHER RECEIVABLES**

Exchange difference receivable from State Bank of Pakistan	200,521	120,126
Excise duty	36,702	19,728
Income on bank deposits	7,671	17,585
Octroi refundable	775	1,057
Receivable from custom authorities	364	645
Others	438	4,127
	-----	-----
	246,471	163,268
	=====	=====

**18. BANK AND CASH BALANCES**

Balances with banks		
Deposit accounts (including US \$1.735 million; 1999: US \$1.480 million)	679,180	602,123
Current accounts (including US \$ 0.154 million; 1999: US \$ 0.669 million)	12,786	28,171
Cash in hand	100	512
	-----	-----
	692,066	630,806
	=====	=====

**19. SALES (Including internal consumption)**

Gas sale to customers	9,020,227	5,952,663
Less: Excise duty	748,281	852,907
Withholding tax	700	--
General sales tax	1,105,790	--
Development surcharge	6,335,122	4,406,000
	-----	-----
	8,189,893	29
	-----	-----
	830,334	693,756
Internal consumption of gas	1,418	1,332
Less: Excise duty	583	784
General sales tax	155	--
	-----	-----
	680	548
	-----	-----
	831,014	694,304
Less: Adjustment representing surplus payable to The President under the provisions of the Mari Gas Well Head Price Agreement - note 19.1	23,782	117
	-----	-----
	807,232	694,187
	=====	=====

19.1 As explained in note 15.1 to the accounts, the liability on account of gas development surcharge related to WAPDA will be paid to the Government as and when related amounts are received from WAPDA. Accordingly, Rs 562.214 million (1999: Rs 485.783 million) receivable from WAPDA on this account and the amount of Rs 778.132 million (1999: Rs 710.822 million) payable to the Government have not been taken into account for the purpose of calculation of current ratio and consequential adjustment under provisions of clause 2.1(c) of the Mari Gas Well Head Price Agreement.

**20. OTHER OPERATING EXPENSES**

**2000            1999**  
**(Rupees in thousand)**

Salaries, wages and benefits	103,941	82,138
------------------------------	---------	--------



Contribution to - provident fund	3,691	2,652
- gratuity fund	7,766	7,053
- pension fund	6,379	5,192
Provision for unfunded pension scheme	610	374
Rent, rates and taxes	5,816	1,553
Legal and professional services	1,374	874
Fuel, light, power mid water	13,940	10,904
Maintenance and repairs	15,442	20,475
Insurance	5,853	5,516
Depreciation and amortization	127,473	127,568
Employees medical & welfare	23,020	20,971
Security and other services	35,302	31,442
Travelling	4,074	3,938
Communications	4,450	4,184
Office supplies	6,757	7,035
Auditors' remuneration - note 20.1	1,569	606
Stores and spares consumed	18,111	12,641
Donations - note 20.2	364	275
Field dispensary	4,678	3,172
Seismic survey	32,958	--
Miscellaneous	16,745	11,780
	-----	-----
	440,313	360,343
	=====	=====

#### 20.1 Auditors' Remuneration

Audit fee	190	165
Tax and advisory services, audit of funds and special reports	1,339	416
Out of pocket expenses	40	25
	-----	-----
	1,569	606
	=====	=====

20.2 Donations do not include any amount paid to any person or organization in which a director or his spouse had any interest.

#### 21. OTHER INCOME

	2000	1999
	<i>(Rupees in thousand)</i>	
Income on bank deposits	91,298	80,299
Gain/(loss) on disposal of fixed assets	2,090	(199)
Liquidated damages from a customer	2,948	2,369
Miscellaneous	(921)	926
	-----	-----
	95,415	83,395
	=====	=====

#### 22. FINANCIAL CHARGES

Interest on - long term loans	16,064	24,585
- workers' profits participation fund	637	592
Mark-up on redeemable capital	27,221	39,110
Exchange risk and commitment fee	11,418	18,213
Other charges	906	2,060
	-----	-----
	56,246	84,560
	=====	=====

#### 23. OTHER CHARGES

Workers' profits participation fund	15,259	12,296
Workers' welfare fund	5,072	4,274
	-----	-----
	20,331	16,570
	=====	=====

#### 24. CASH GENERATED FROM OPERATIONS

Profit before taxation	284,853	229,349
Adjustment for non cash charges and other items:		
Depreciation and amortization	127,473	127,568
Profit on disposal of fixed assets	(2,090)	199
Employees' retirement benefits	619	387
Interest income	(91,298)	(80,299)
Financial charges	56,246	84,560
Working capital changes - note 24.1	16,493	403,373
	-----	-----
	392,296	765,137
	=====	=====

**24.1 Working capital changes**

Decrease/(Increase) in current assets		
Stores and spares	(4,499)	(6,016)
Trade debts	(203,238)	1,761,440
Loans, advances and prepayments	3,524	(8,048)
Other receivables	(93,117)	(17,035)
	-----	-----
	(297,330)	1,730,341
(Decrease)/Increase in current liabilities		
Accrued and other liabilities	313,823	(1,326,968)
	-----	-----
	16,493	403,373
	=====	=====

**25. FINANCIAL ASSETS AND LIABILITIES**

	Interest bearing			Non-interest bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
------(Rupees in thousand)-----							
<b>FINANCIAL ASSETS</b>							
Trade debts	--	--	--	1,018,460	--	1,018,460	1,018,460
Loans and advances	--	--	--	11,654	8,179	19,833	19,833
Other receivables	--	--	--	246,471	--	246,471	246,471
Cash and bank balances	679,180	--	679,180	12,886	--	12,886	692,066
	-----	-----	-----	-----	-----	-----	-----
	679,180	--	679,180	1,289,471	8,179	1,297,650	1,976,830
<b>FINANCIAL LIABILITIES</b>							
Redeemable capital and accrued mark-up	88,907	50,027	138,934	--	--	--	138,934
Long term loans	82,588	41,296	123,884	--	--	--	123,884
Accrued and other liabilities	--	--	--	1,770,497	--	1,770,497	1,770,497
Commitments	--	--	--	245,287	--	245,287	245,287
	-----	-----	-----	-----	-----	-----	-----
	171,495	91,323	262,818	2,015,784	--	2,015,784	2,278,602
	=====	=====	=====	=====	=====	=====	=====

**25.1 Credit risk**

The Company's sales are essentially to three fertilizer companies and WAPDA. The Company does not expect its customers to fail in meeting their obligations.

**25.2 Foreign exchange risk**

Foreign currency risk arises when financial instruments are receivable or payable in foreign currency. The company hedges the foreign currency risk on its foreign currency payables by obtaining exchange risk coverage.

**26. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amount charged in these accounts for the remuneration of Chief Executive and Executives of the Company were as follows:

	2000		1999
	<i>Chief Executive</i>	<i>Executives</i>	<i>Chief Executive Executives</i>

	(Rupees in thousand)			
Managerial remuneration	874	30,352	794	20,965
Company's contribution to provident fund	87	2,904	48	1,902
Housing and utilities	730	20,694	720	14,335
Leave passage and others	195	19,861	147	13,140
	-----	-----	-----	-----
	1,886	73,811	1,709	50,342
	-----	-----	-----	-----
Number of persons, including those who worked part of the year	1	100	1	85

The above were provided with medical facilities and are eligible for retirement benefits for which Company makes contributions based on actuarial calculations to pension and gratuity funds. The chief executive and certain executives were provided with company cars.

33

In addition, aggregate amount charged in the accounts for fee to twelve (1999: fourteen) directors was Rs 20 thousand (1999: Rs 24 thousand).

## 27. CAPACITY AND ACTUAL PRODUCTION

Considering the nature of the Company's business, information regarding capacity has no relevance. The actual production for the year ended June 30, 2000 was 147 BSCF (1999: 140 BSCF).

## 28. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Sales to an associated undertaking, inclusive of government levies for the year ended June 30, 2000 amounted to Rs 2,645.802 million (1999: Rs 1,750.962 million).

## 29. NUMBER OF EMPLOYEES

Total number of employees at the end of the year were 316 (1999: 305).

## 30. COMPARATIVE FIGURES

Previous year's figures have been re-arranged, wherever necessary, for the purpose of comparison.

**Lt Gen Khalid Nawaz Mallik (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

## Ten Years at a glance

	1999-2000	1998-99	1997-98	1996-97	1995-96	June 1995 (Six months)*	1994	1993	1992	1991
<b>FINANCIAL (Rupees in million)</b>										
Revenue	8,997.86	5,953.27	5,446.36	5,098.45	3,909.77	1,936.40	3,489.26	2,634.36	1,447.70	1,258.53
Govt. Levies										
Income Tax, Workers' funds, royalty, excise duty, sales tax and surcharge on gas	8,397.98	5,432.14	4,928.25	4,619.60	3,544.23	1,727.77	3,077.48	2,403.93	1,260.71	1,069.94
Net profit after taxation	198.73	160.23	153.49	196.74	75.09	57.43	120.43	49.16	50.59	53.21
Dividend	82.69	82.69	82.69	82.69	47.25	15.75	47.25	47.25	47.25	47.25
Issued & paid up capital	367.50	367.50	367.50	367.51	210.00	210.00	210.00	210.00	210.00	210.00
<b>NATURAL GAS</b>										
Development & Production Leases (SQ. KILOMETERS)	969.27	969.27	969.27	969.27	969.27	969.27	969.27	969.27	969.27	969.27

Ultimate recovery

of proved reserves (BSCF)	6,309	6,309	6,309	6,309	6,309	6,300	6,300	6,300	6,300	6,300
Cumulative Production (BSCF)	2,182	2,035	1,895	1,758	1,622	1,489	1,417	1,277	1,147	1,043
No. of Producing Wells	64	64	64	62	59	59	59	59	47	47
Production (BSCF)	147	140	137	136	133	72	140	130	104	99
Daily Average (BSCF)	0.402	0.383	0.375	0.373	0.364	0.398	0.384	0.355	0.284	0.273

\* Since Accounting year had been changed from calendar year to fiscal year in 1995, the figures reflect for six months from January 01 to June 30, 1995.

### Pattern of Shareholding as at June 30, 2000

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>	
381	1	TO	100	20,725
1,110	101	TO	500	357,800
1,126	501	TO	1000	688,975
408	1,001	TO	5000	971,325
88	5,001	TO	10,000	639,225
60	10,001	AND	ABOVE	34,071,950
-----	-----	-----	-----	-----
3,173				36,750,000
-----	-----	-----	-----	-----

### Categories of Shareholders as at June 30, 2000

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares held</i>	<i>Percentage</i>
Individuals	3,105	3,325,225	9.05
Financial Institutions	13	3,485,425	9.48
Insurance Companies	8	112,925	0.31
Investment Companies	10	132,925	0.36
Joint Stock Companies	27	242,825	0.66
Modaraba Companies	4	24,675	0.07
Committee of Administration			
Fauji Foundation	1	14,700,000	40.00
Government of Pakistan	1	7,350,000	20.00
Oil & Gas Development Company Limited	1	7,350,000	20.00
Others	3	26,000	0.07
	-----	-----	-----
	3,173	36,750,000	100.00
	=====	=====	=====