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## ■ Legal Advisors

Orr Dignam & Company  
Legal Advisor Inc.  
Ali Shah Law Associate

## ■ Auditors

M. Yousaf Adil Saleem & Company  
Chartered Accountants

## ■ Bankers

Allied Bank of Pakistan Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Habib Bank Limited  
National Bank of Pakistan  
United Bank Limited  
Hong Kong and Shanghai Banking Corporation

## ■ Registered Office

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


Website: [www.marigas.com.pk](http://www.marigas.com.pk)

Email: [info@marigas.com.pk](mailto:info@marigas.com.pk)

## ■ Registrar Office

Corplink (Pvt) Limited  
Share Registrar & Corporate  
Consultants  
Wings Arcade, 1-K Commercial,  
Model Town, Lahore,  
Pakistan.

Email: [corplink786@yahoo.com](mailto:corplink786@yahoo.com)

A pair of safety glasses is shown in silhouette against a background of a sunset. The reflection in the left lens shows a tall, illuminated industrial drilling rig at night. The rig is a complex lattice structure with a central derrick, lit up with bright lights. The background of the entire page is a soft, blurred sunset with a bright sun low on the horizon, creating a warm orange and yellow glow. A solid tan vertical bar is on the right side of the page.

Our technology  
does things. It  
rubs out the  
boundaries that  
separate us from  
unknown worlds  
and newer  
destinations.

# Notice of Annual General Meeting



Notice is hereby given that the 25th Annual General Meeting of the Shareholders of Mari Gas Company Limited will be held on Friday, October 30, 2009 at 10:00 a.m, at Company's Head Office, situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

## Ordinary Business

1. To confirm the minutes of the 24th Annual General Meeting held on October 28, 2008.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2009 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 2009-10 and fix their remuneration.

## Special Business

4. To approve the issue of bonus shares in the ratio of one share for every one share held (i.e.,100%) as recommended by the Board of Directors in their meeting held on September 28, 2009, and if thought fit, pass the following Resolution as Ordinary Resolution.

## RESOLUTION

RESOLVED THAT a sum of Rs. 367,500,000 (Rupees Three hundred sixty seven million five hundred thousand only)

out of Reserves of the Company available for appropriation as at June 30, 2009, be capitalized and applied for the issue of 36,750,000 (Thirty Six Million Seven Hundred Fifty Thousand) ordinary shares of Rs.10/- each allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members as at close of business on October 23, 2009 in proportion of one share for every one share held (i.e. 100%) and that such shares shall rank pari passu in every respect with the existing ordinary shares of the Company.

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares.

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

By order of the Board

Islamabad  
October 09, 2009

**Assad Rabbani**  
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 24, 2009 to October 30, 2009 (both days inclusive). Transfers received at the Company's Share Registrar, M/s Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore, at the close of business on October 23, 2009 will be treated as in time for the purpose to determine entitlement of bonus shares and to attend the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a person/representative as Proxy to attend and vote in place of the member at the Meeting. The instrument of Proxy duly executed in accordance with Articles of Association of the Company must be received at the Registered Office of the Company at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad, not less than 48 hours before the time of holding of meeting.
3. Those Members who have deposited their shares into Central Depository Company of Pakistan (CDC) are requested to bring their Original Computerized National Identity Cards along with Participant's ID number and their account numbers in CDC to facilitate identification at the time of Annual General Meeting.
4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of meeting.
5. Members are requested to notify the change in their mailing address and submit the photocopy of their Computerized National Identity Cards if they have not submitted the same earlier to the Company's Share Registrar.

**Statement under Section 160(1) of the Companies Ordinance, 1984**

This statement sets out the material facts concerning the Special Business, given in agenda item No.4 of the Notice, to be transacted at the 25th Annual General Meeting of the Company.

**Issue of Bonus Shares**

The Directors are of the view that Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 367,500,000 (Rupees Three Hundred Sixty Seven Million Five Hundred Thousand only) for the issue of 36,750,000 (Thirty Six Million Seven Hundred Fifty Thousand) ordinary shares of Rs.10/- each as fully paid bonus shares in the ratio of one bonus share for every one ordinary share held (i.e.,100%). The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

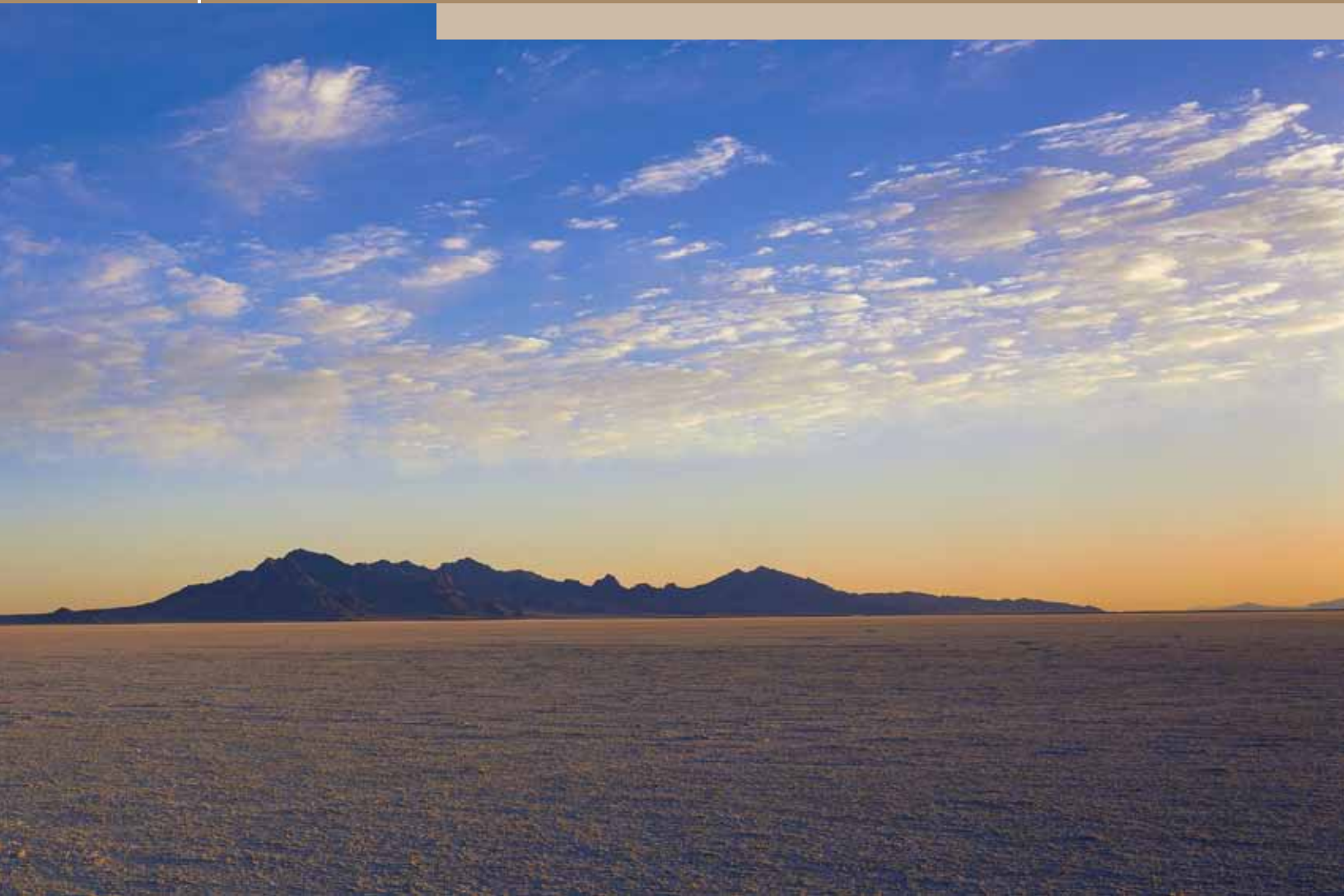
Pursuant to Rule 6 (iii) of the Companies (Issue of Capital) Rules, 1996, the Auditors have certified that the reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased paid-up capital.



## **Our Vision**

Be the leader in the gas market in Pakistan by expanding and developing the gas value chain including exploration, production, transmission, extraction, processing, distribution and marketing of the gas and gas related processes, products and services in order to bridge the increasing demand for gas with a view to meeting the needs of the existing and potential customers.

Exploit any hydrocarbon-based sources, when the opportunities present themselves in order to move beyond the existing gas business with a view to providing superior value to customers and others through expansion and synthesis of products and services.



## **Our Mission**

Mari Gas Company Limited will be customer-focused and competitive with a view to continue contributing meaningfully to the national economy, while ensuring viability of the Company and profitable dividends to the stakeholders.

We will achieve our mission by:

- a. Providing uninterrupted gas supply to customers.
- b. Maintaining good operational practices.
- c. Adopting advanced technology, cost effective / efficient operations, increasing operating efficiency and adherence to high environmental standards.
- d. Exploring and enhancing the potential of our human resources.
- e. Aligning the interest of our shareholders, human resources, customers and other stakeholders to create significant business value characterized by excellent financial results, outstanding professional accomplishments and superior performance.
- f. Ensuring safety, reliability and a healthy environment for workforce.

# Managing Director's Message





I am pleased to announce that Mari Gas Company Limited has continued its mission of serving Pakistan by realising its hydrocarbon potential and creating shareholder value. The Director's Report contained in this Annual Report is a clear manifestation of the determined efforts to this effect. MGCL has maintained its robust financial leverage based on the solid foundations of prudent financial management practiced by the Company.

The Company's working interests in onshore exploration licenses in Pakistan and overseas are 13, out of which 7 are being operated by MGCL. The Management is pursuing its exploration targets with the utmost vigour and professionalism. MGCL's own land drilling rig commissioned last year is fully operational and in full swing to complement the exploration activities. The Company also made technical arrangements for supply of additional gas to two new customers of MGCL; one Independent Power Producer and one Fertilizer Company.

We are looking ahead to the next year by maintaining our performance and consolidating our growth through sound business strategies, sincere work ethic and a skilled workforce. While doing so, we remain distinctly aware that MGCL's strength, ultimately contributes to the nation's strength. We also, once again reiterate that we remain committed and resolute in our efforts to make a vital contribution towards a prosperous and vibrant Pakistan.

May Allah grant us the fortitude to achieve all that – Ameen

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by the name 'Mushtaq Hussain' and a horizontal line extending to the right.

Lt Gen Mushtaq Hussain HI(M) (Retd)

# Board of Directors



**Lt Gen Hamid Rab Nawaz HI(M) (Retd)**  
Managing Director, Fauji Foundation



**Lt Gen Mushtaq Hussain HI(M) (Retd)**  
Managing Director, Mari Gas Company Ltd.



**Qaiser Javed**  
Director Finance, Fauji Foundation



**Brig Arif Rasul Qureshi (Retd)**  
Director Industries, Fauji Foundation



**Brig Rahat Khan (Retd)**  
Director, P & D, Fauji Foundation



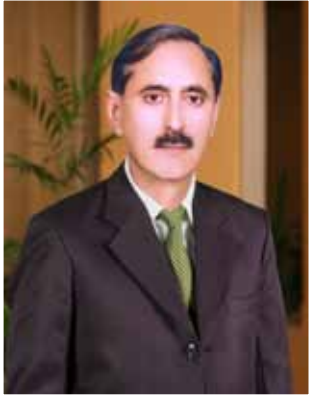
**Dr Nadeem Inayat**  
Director Investment, Fauji Foundation



**Muhammad Ejaz Chaudhry**  
Additional Secretary, Ministry of P & NR



**Muhammad Naeem Malik**  
Director General Administration,  
Ministry of P & NR



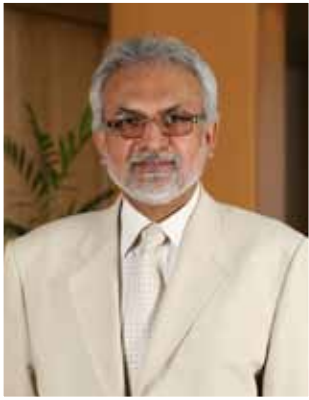
**Muhammad Razi Abbas**  
Director, MGCL



**Syed Zahid Hussain**  
Managing Director, OGDCL



**Muhammad Riaz Khan**  
GM Production,  
Process & Plants OGDCL



**Aftab Ahmad**  
Executive Director Finance, OGDCL



**Basharat A Mirza**  
GM Projects, OGDCL



**Abdus Sattar**  
Director, MGCL



**Assad Rabbani**  
Company Secretary



*From Left to Right:*

**Brig Abdul Rehman Dogar (Retd)** (*General Manager Procurement*), **Brig Syed Agha Haider Naqvi (Retd)** (*General Manager HR*), **Brig Muhammad Aslam Khan (Retd)** (*General Manager Administration*), **Lt Gen Mushtaq Hussain HI(M) (Retd)** (*Managing Director*), **Mr. Muhammad Asif** (*General Manager Finance*), **Mr. Muhammad Khurshid Akhtar** (*General Manager Exploration*), **Mr. Shahid Salim** (*General Manager Operations*) **Mr. Assad Rabbani** (*Company Secretary*)

*Not in Picture:*

**Col Amjad Javed (Retd)** (*Residential General Manager-Mari Field*), **Brig Saleem Mahmood (Retd)** (*Residential General Manager, Quetta*)

# Key Personnel



**Muhammad Ali Mughal**  
Manager Drilling & Allied Services



**Asif Ali Rangoonwala**  
Manager Business Development



**Muhammad Aqib Anwar**  
Manager Finance



**Muhammad Liaquat Ali Khan**  
Manager Production



**Javed Iqbal Jadoon**  
Manager Planning & Engineering



**Lt. Col M. Haddique (Retd)**  
Manager Administration, Daharki



**Shahid Hussain**  
Manager Accounts



**Muhammad Saleem Siddique**  
Manager Production, Daharki



**Ali Ejaz Rasool Mirza**  
Head-Internal Audit



**Mahboob Habibi**  
Manager Finance JV



**Tufail Ahmed Khoso**  
Manager Exploration - North



**Major M. Iftikhar-ul-Haq (Retd)**  
Manager Public Affairs



**Gp Capt Shamim Ahmad (Retd)**  
Manager Procurement



**Numair Aman**  
Manager HSE



**Lt Col Shah Rukh (Retd)**  
Manager Projects



**Muhammad Shifaat Alam**  
Manager Exploration - South



**Sheikh Naveed Ahmed**  
Acting Manager HR



**Lt Col Altaf Hussain (Retd)**  
Acting Manager Administration

# History of Company

## Exploration Business and its Future Vision



Mari Gas Company Limited (MGCL) is one of the largest National Exploration & Production companies of Pakistan.

MGCL's Habib Rahi gas reserve base which is its mainstay was discovered by the Company when it operated as a branch of Esso Eastern Inc. in 1957.

MGCL primarily operated as a production company till 2001, developing the discovered Habib Rahi Reservoir in phases for supply of gas to the new fertilizer plants which were being built in the country for urea production. Simultaneous with these development phases, the Company also pursued appraisal activities within its Mari D&P Lease by drilling step-out wells to determine the final boundaries of Habib Rahi Reservoir, which on its discovery by Esso was estimated at 2-3 TCF of gas. However, subsequent appraisals conducted by MGCL proved its extended potential by establishing a total reserve of 10.6 TCF of gas in place.

Based on MGCL's gas supply to the fertilizer companies, they have now more than doubled their production capabilities with 114% operational efficiency. This has only been possible because of MGCL's field development, production growth achievements and uninterrupted gas supply to their plants, without any breakdown, consistently for more than 40 years.

The Company's production facilities comprise wells/ pipeline-network of more than 250 kilometres some of which is more than 30 years old. The varying age of the facilities is being maintained and managed most efficiently with the latest state of the art maintenance technology, manifested not only by the Company's uninterrupted gas supply to all of its customers but also by the fact that MGCL consistently remains the country's lowest cost operator.

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



Accordingly it embarked upon an aggressive exploration program by developing comprehensive in-house capabilities in terms of database, acquiring latest state of the art prospect evaluation technologies and developing effective manpower/professional capabilities with a blend of extensively experienced expertise as well as by professional development of its existing and committed workforce. As a result, MGCL today has fully developed high-end in-house professional capabilities acknowledged as one of the leading in the industry.

In its exploration segment, MGCL initially acquired non-operated joint venture interests in various exploration blocks. Simultaneously with its detailed in-house analysis of all the country's sedimentary basins, it carved out and acquired seven new exploration blocks as operator. Thus within a short span, it is now operating three exploration blocks (Ziarat, Hanna, Harnai) and one D&P Lease (Zarghun South) in Balochistan, two exploration blocks in Sindh (Sukkur & Sajawal) and one in NWFP (Karak).

The phenomenal success of MGCL can be judged from the following facts:

- a. Average daily production increased from 179 MMSCF in 1985 to 465 MMSCF in 2008-09 (capacity to produce 500 MMSCFD against the Government's allocation of 494.1 MMSCFD). Due to the Company's enhanced production capacity, new fertilizer plants were established under Fertilizer Policy 1989, to overcome the shortfall of urea and meet the national demand.
- b. Revenues of the Company also increased phenomenally from Rs 0.8 billion in 1985 to Rs 26.5 billion in 2008-09. Resultantly, contribution to Government exchequer in the form of levies also increased from Rs 0.5 billion to Rs 21.9 billion representing 83% of the gross sales. Moreover, MGCL remains the most economical gas production Company in comparison to other gas production companies operating in Pakistan.

# History of Company

## Exploration Business and its Future Vision



c. In addition to Habib Rahi Formation, MGCL has successfully discovered gas in Goru-B, Pirkoh and Sui Main Limestone Formations besides increasing the number of producing wells from 21 in 1985 to 89 in 2008-09. After discovery of Goru-B reservoir, the Company has successfully drilled and completed nine wells to supply 110 MMSCFD of gas to two power plants. The development work on the project is in hand and it is expected that additional gas production of 110 MMSCFD would start in 2009.

d. MGCL's own operated exploration pursuits have yielded the discovery of the new gas reservoir in Sukkur block where it is in the process of implementing Extended Well Test (EWT) operations to determine the well deliverability and lateral extent of the new gas reservoir; simultaneously also setting up Early Production Facilities (EPF) to process and inject approximately 10 MMSCFD gas into the National Gas Grid during EWT operations.

It's exploration activities in Ziarat Block have not only resulted in a gas discovery in 1st exploratory well but also Alhamdo-Lilah, a historic and landmark, first ever crude oil discovery from its second well in Balauchistan. To test the deliverability and potential of this oil discovery, a EWT/EPF project has been installed to sell a daily crude oil production of approximately 1000-1200 barrels to the Government nominated refinery.

To determine further potentials of these two blocks, the Company plans to drill two additional exploratory wells in Sukkur and two to four such wells in Ziarat block. In its Karak and Sajawal blocks it is conducting seismic work to drill one exploratory well in each of these blocks.

The Company's non-operated Hala block has been successful in discovering a gas/condensate reservoir during the drilling of its first exploratory well. The joint venture is in the process of setting up an EWT/EPF project for sale of the production from this well.

e. MGCL has thus changed its status from just a Production Company till year 2000 to a well established and recognized Exploration and Production Company.



- f. In view of the shortage of drilling rigs in the country and its impact on the company's development and exploration work program, MGCL has acquired its own drilling rig and crew to ensure its fast pace of activities is not hampered on this account.
  
- g. In pursuit of Company's vision to become a major E&P player in the industry and based on its business expansion plan, the Company has executed farm-in agreements to acquire non-operating working interest share in two overseas exploration blocks in Oman and Yemen. MGCL is thus actively striving to expand its operations both locally and overseas, being cognisant of the Nation's endeavour to achieve an expanded hydrocarbon resource base and energy security in today's world of high energy demand and escalating oil prices.
  
- h. Another milestone in MGCL's achievements has been its distinction in having been accredited with three ISO certifications simultaneously in the year 2007.

The above stated facts clearly demonstrate that MGCL has grown at a tremendous pace over the years i.e. from its position as the country's 2nd largest gas production company to emerging as also a major exploration operator. This development/growth could not have been possible without the management's vision and effective business plan for growth/expansion and the dedication and hard work of its employees.



# Entrance into Foreign Ventures

Mari Gas Company Limited (MGCL) signed a Farm-out Agreement with OMV (Yemen) SSE GmbH (OMV) on September 17, 2008 to acquire 20% participating interest from OMV's 50% participating interest in its operated Block 29 in Yemen. OMV is a leading international oil and gas Company headquartered in Vienna, Austria. OMV is engaged in the down stream business of oil refineries, filling stations and petrochemical.

The Yemen block was awarded jointly to OMV as operator with 50% and PPL as 50% participating working interest holders. The Exploration and Production Sharing Agreement with the Ministry of Oil and Minerals Yemen was executed in April 2008 and ratified by the Parliament / President in March 2009. The Deed of Assignment for affecting transfer of interest to MGCL is in the process of Yemeni Government's approval.

Simultaneously to OMV's farming out of interest in Yemen block, MGCL assigned to OMV 20% participating interest each from its 60% owned and operated Hanna & Harnai exploration blocks.

Yemen block comprises an area of 9,237 sq. kms while the Hanna & Harnai blocks are situated in the Balochistan Province having an area of 887 and 2,482 sq. kms respectively. All the three blocks are in the first exploration phase with similar planned work program covering 2D seismic acquisition in 2009 and drilling of exploration well in 2011.





## WE VALUE.....

### 1. INTEGRITY

We maintain the highest standards-ethical, moral and legal in all our dealings with our customers and with each other, without compromise. Integrity is the foundation of who we are and what we stand for. Integrity means that there is no gap between what we say and what we do and there is continuity between our thoughts and actions.

### 2. TEAMWORK

We treat one another with respect and communicate openly. We foster collaboration while maintaining individual accountability. Coming together is a beginning, staying together is progress and working together is success.

### 3. INNOVATION

We thrive on creativity and ingenuity. We seek the innovations and ideas that can change the world. We anticipate market trends and move quickly to embrace them. We are not afraid to take informed, responsible risk.

### 4. PROFESSIONAL EXCELLENCE

Knowledge is our capital. We maintain a second-to-none level of technical competence in our core areas and assign work to those who are best qualified for the task. We take the ethical responsibilities of our profession very seriously.



## 5. PEOPLE

Employee talent is the cornerstone of our success: Their expertise and capabilities win us the work, perform the work, create value for our clients, and generate loyalty in our investors. So we create an environment where our employees meet fresh, exciting challenges and experience the satisfaction of a job well done. In MGCL, every employee contributes to value-added performance.

## 6. TRUST & RESPECT

We earn the trust and respect of our customers, colleagues, Government Authorities and others by being open, honest and honorable in all we say and do.

## 7. WINNING CULTURE

We commit to provide an environment that enables our customers, associates and suppliers to achieve and celebrate success.



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

- **Financial disclosure**

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

- **Conflict of interest**

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

- **Compliance with laws, directives & rules**

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

- **Confidentiality**

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

- **Conduct of personnel in dealings with government officials**


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

- **Time management**

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

- **Business integrity**

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



## We view our core personnel today as more valuable than ever

- **Gifts, entertainment & bribery**

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

Every director and employee who has knowledge of confidential material information is prohibited from trading in securities of the Company to which the information relates.
- **Health, safety & environment**

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

The Company shall not make payments or other contributions to political parties and organizations. Employees must ensure that if they elect to take part in any form of political activity in their spare time, such activity does not and will not have any adverse affects on the Company and such activities must be within the legally permissible limits.
- **Equal employment opportunity**

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

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

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

# Financial Highlights

|  |                   | Year 2008-09 | Year 2007-08 |
|--|-------------------|--------------|--------------|
| Revenue                                | Rupees in million | 26,864.38    | 21,943.97    |
| Government levies                      | Rupees in million | 22,117.42    | 17,993.02    |
| Profit before tax                      | Rupees in million | 2,394.73     | 3,960.31     |
| Profit after tax                       | Rupees in million | 2,151.92     | 2,560.41     |
| Dividend per share                     | Rupees            | 3.22         | 3.24         |
| Property plant & equipment - at cost   | Rupees in million | 6,626.01     | 4,861.36     |
| Number of shares issued and subscribed | Share In million  | 36.75        | 36.75        |



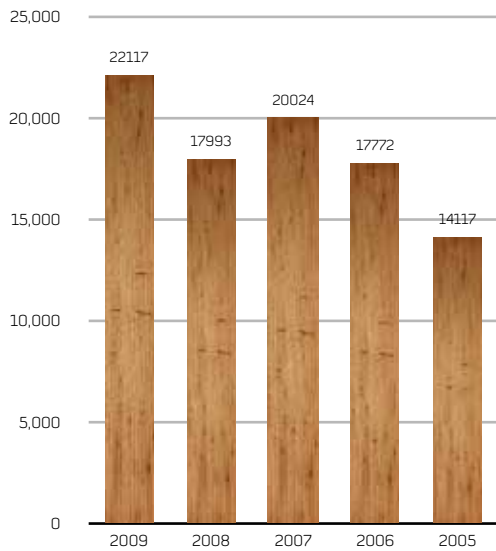
Our human operators are there to monitor the system, catch errors and fine-tune production processes for greater efficiency.



# Financial Highlights

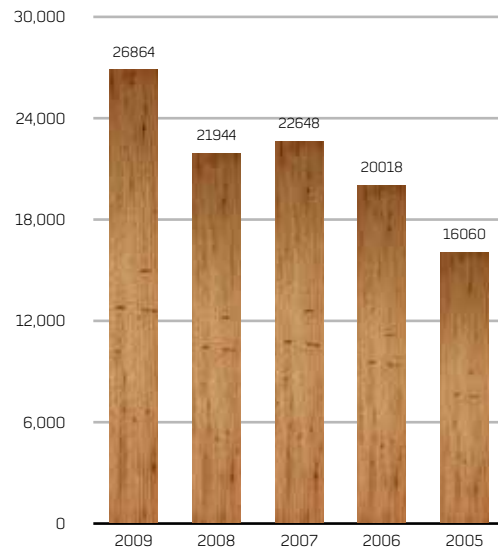
## GOVERNMENT LEVIES

RUPEES IN MILLION



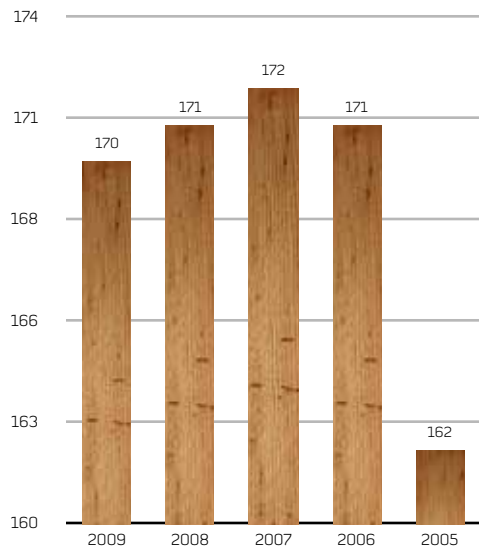
## GROSS REVENUE

RUPEES IN MILLION



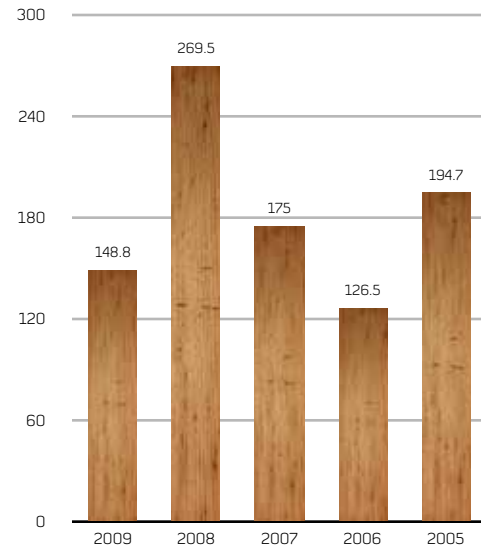
## GAS VOLUME

IN BSCF

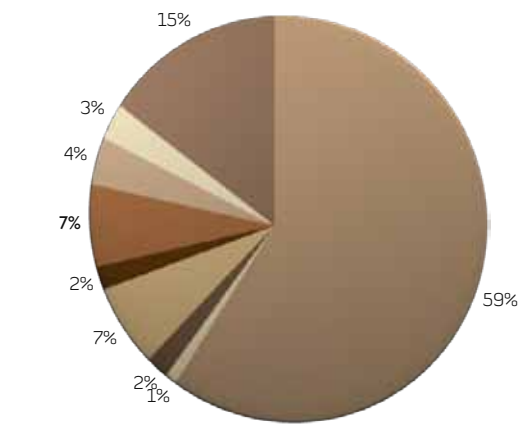


## MARKET SHARE PRICE TREND

PRICE PER SHARE (RUPEES)

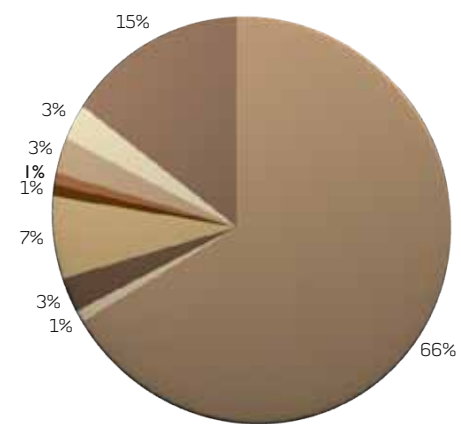


**APPLICATION OF REVENUE EARNED**  
FOR THE YEAR 2007-08



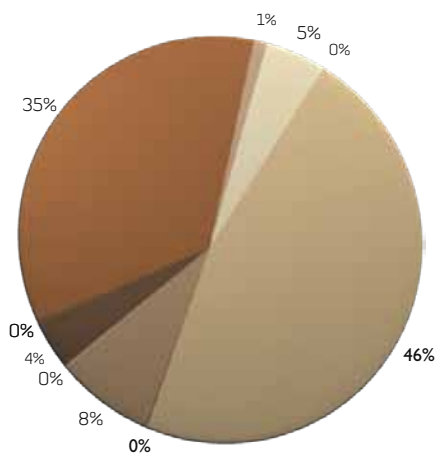
- Development Surcharge
- Exploration & Prospecting Expenditure
- Worker's Funds
- Royalty
- General Sales Tax
- Financial Charges
- Operating Expenses
- Income Tax
- Excise Duty

**APPLICATION OF REVENUE EARNED**  
FOR THE YEAR 2008-09



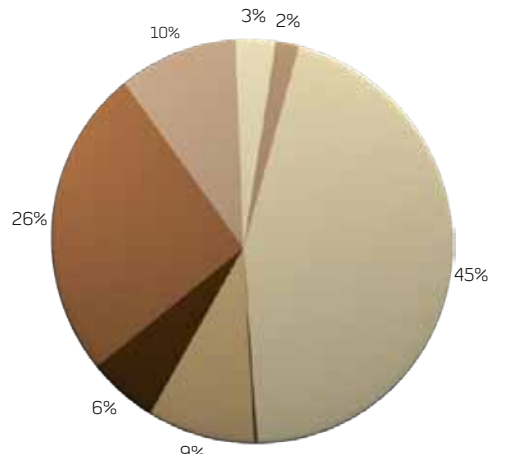
- Development Surcharge
- Exploration & Prospecting Expenditure
- Worker's Funds
- Royalty
- General Sales Tax
- Financial Charges
- Operating Expenses
- Income Tax
- Excise Duty

**ASSETS**  
2008-09



- Cash & cash equivalents
- Loans and advances
- Short term prepayments
- Stores & spares
- Long term loans & advances
- Long term deposits & prepayments
- Interest accrued
- Others receivables
- Trade debts
- Deferred taxation
- Fixed assets

**EQUITIES & LIABILITIES**  
2008-09



- Issued, subscribed & paid up capital
- Deferred liabilities
- Long term financing - secured
- Exploration and evaluation reserve
- Current liabilities
- Provision for decommissioning cost
- Profit and loss account
- Undistributed percentage return reserve

# Ten Years at a Glance

2008-09 2007-08 2006-07 2005-06 2004-05 2003-04 2002-03 2001-02 2000-01 1999-00

(Rupees in million)

## FINANCIAL

|  |           |           |           |           |           |           |           |           |           |          |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| Revenue  | 26,864.38 | 21,943.97 | 22,647.80 | 20,018.14 | 16,059.63 | 14,308.22 | 12,564.22 | 11,441.45 | 10,600.32 | 9,117.06 |
| Government levies  |           |           |           |           |           |           |           |           |           |          |
| Income tax, workers' funds, royalty, excise duty, sales tax and surcharge on gas | 22,117.42 | 17,993.02 | 20,024.00 | 17,771.56 | 14,117.36 | 12,195.90 | 10,594.20 | 9,905.29  | 9,820.34  | 8,421.77 |
| Net Turnover   | 5,789.20  | 6,697.20  | 3,677.11  | 2,811.71  | 2,693.94  | 2,762.78  | 2,436.17  | 1,681.26  | 931.47    | 807.23   |
| Operating profit   | 2,545.84  | 4,112.10  | 1,237.48  | 344.09    | 656.49    | 990.97    | 1,149.98  | 507.67    | 308.08    | 266.02   |
| Net profit before tax  | 2,394.73  | 3,960.31  | 1,382.14  | 602.64    | 677.93    | 936.82    | 1,052.35  | 402.99    | 282.14    | 284.85   |
| Net profit after taxation  | 2,151.92  | 2,560.41  | 683.89    | 189.25    | 361.52    | 519.80    | 646.01    | 394.58    | 191.59    | 198.73   |
| Issued & paid up capital   | 367.50    | 367.50    | 367.50    | 367.50    | 367.50    | 367.50    | 367.50    | 367.50    | 367.50    | 367.50   |
| Reserves   | 7,865.22  | 5,381.53  | 3,390.12  | 2,315.15  | 2,239.75  | 1,990.21  | 1,581.25  | 1,045.48  | 761.15    | 652.25   |
| Property, plant & equipment  | 6,626.01  | 4,861.4   | 2,881.92  | 3,395.29  | 3,726.83  | 3,731.88  | 3,566.37  | 1,915.39  | 1,803.36  | 1,015.98 |
| Net current assets   | 898.45    | 861.62    | 942.62    | 805.72    | 808.73    | 882.37    | 701.01    | 578.14    | 279.98    | 161.33   |
| Long term financing, provisions & deferred liabilities                           | 3,108.47  | 2,143.80  | 1,361.60  | 1,528.39  | 1,939.45  | 2,265.83  | 2,326.72  | 1,087.84  | 964.71    | 118.40   |

## INVESTOR INFORMATION

|   |               |           |          |          |          |         |         |         |         |         |
|---|---------------|-----------|----------|----------|----------|---------|---------|---------|---------|---------|
| Earning per share (EPS)                   | 742           | 643       | 568      | 506      | 445      | 407     | 379     | 359     | 261     | 255     |
| Earning per share - as per GPA            | 58.56         | 69.67     | 18.61    | 5.15     | 9.84     | 14.14   | 17.58   | 10.74   | 5.21    | 5.41    |
| Debtor turnover                           | 66            | 33        | 22       | 20       | 21       | 22      | 42      | 63      | 51      | 37      |
| Market value per share at the end of year | 148.83        | 269.53    | 175.00   | 126.50   | 194.65   | 82.95   | 67.05   | 37.55   | 21.85   | 18.00   |
| Price earning ratio                       | 20.06         | 41.92     | 30.81    | 25.02    | 43.76    | 20.41   | 17.69   | 10.45   | 8.36    | 7.07    |
| Dividend                                  | 118.23        | 119.00    | 118.26   | 113.85   | 111.98   | 110.84  | 110.25  | 110.25  | 82.69   | 82.69   |
| Cash dividend per share                   | 3.22          | 3.24      | 3.22     | 3.10     | 3.05     | 3.02    | 3.00    | 3.00    | 2.25    | 2.25    |
| Dividend Yield                            | 2.16%         | 1.20%     | 1.84%    | 2.45%    | 1.57%    | 3.64%   | 4.47%   | 7.99%   | 10.30%  | 12.50%  |
| Dividend payout ratio                     | 43.36%        | 50.36%    | 56.66%   | 61.29%   | 68.50%   | 74.19%  | 79.16%  | 83.52%  | 86.11%  | 88.37%  |
| Return on capital employed                | 23.95%        | 49.72%    | 30.20%   | 15.36%   | 15.71%   | 21.09%  | 27.26%  | 23.23%  | 17.37%  | 28.71%  |
| Debt : Equity ratio                       | 12.72 : 87.28 | 75 : 92.5 | 00 : 100 | 04 : 96  | 11 : 89  | 19 : 81 | 29 : 71 | 42 : 58 | 43 : 57 | 08 : 92 |
| Liquidity ratio                           | 1.08          | 1.16      | 1.19     | 1.16     | 1.19     | 1.29    | 1.21    | 1.12    | 1.06    | 1.04    |
| Debt service ratio                        | 9.55 : 1      | 10.40 : 1 | 3.17 : 1 | 2.32 : 1 | 2.96 : 1 | 3.7 : 1 | 5.9 : 1 | 3.0 : 1 | 1.7 : 1 | 1.8 : 1 |

## NATURAL GAS

|  |          |          |         |         |       |       |       |       |       |       |
|--|----------|----------|---------|---------|-------|-------|-------|-------|-------|-------|
| Development & production leases (sq. kilometers) | 969.30   | 969.30   | 969.3   | 969.3   | 969.3 | 969.3 | 969.3 | 969.3 | 969.3 | 969.3 |
| Ultimate recovery of proved reserves (BSCF)      | 6,988.00 | 6,800.00 | 6,800.0 | 6,800.0 | 6,800 | 6,309 | 6,309 | 6,309 | 6,309 | 6,309 |
| Cumulative production (BSCF)                     | 3,642.2  | 3,472.5  | 3,301.1 | 3,128.6 | 2,958 | 2,795 | 2,636 | 2,480 | 2,330 | 2,182 |
| Number of producing wells                        | 89       | 88       | 86      | 84      | 83    | 77    | 64    | 64    | 64    | 64    |
| Production (BSCF)                                | 169.7    | 171.4    | 172.5   | 171.0   | 162   | 159   | 156   | 150   | 148   | 147   |
| Daily average (BSCF)                             | 0.465    | 0.468    | 0.473   | 0.469   | 0.445 | 0.434 | 0.428 | 0.411 | 0.405 | 0.402 |

# Pattern of Shareholding

as at June 30, 2009

| No. of Shareholders | Shareholding |     |        | Total shares held |
|---------------------|--------------|-----|--------|-------------------|
| 577                 | 1            | TO  | 100    | 36,655            |
| 855                 | 101          | TO  | 500    | 280,387           |
| 519                 | 501          | TO  | 1,000  | 378,666           |
| 350                 | 1,001        | TO  | 5,000  | 899,081           |
| 50                  | 5,001        | TO  | 10,000 | 379,000           |
| 67                  | 10,001       | AND | ABOVE  | 34,776,211        |
| 2,418               |              |     |        | 36,750,000        |

## Categories of Shareholders as at June 30, 2009

| Categories of Shareholders   | Number | Shares held | Percentage |
|--|--------|-------------|------------|
| <b>NIT &amp; ICP</b>   |        |             |            |
| National Bank of Pakistan- Trustee Department-NIT                                  | 1      | 3,102,586   | 8.4424     |
| Investment Corporation of Pakistan   | 1      | 2,800       | 0.0076     |
| <b>Directors, Chief Executive Officer<br/>and their spouse and minor children</b>  |        |             |            |
| Mr. Abdus Sattar - Director representing<br>General Public                         | 1      | 500         | 0.0014     |
| <b>Executives</b>  | 9      | 9,900       | 0.0269     |
| <b>Banks, DFIs, NBFIs, Insurance Companies,<br/>Modarabas &amp; Mutual Funds</b>   | 21     | 918,002     | 2,4980     |
| <b>Joint Stock Companies</b>   | 74     | 411,497     | 1,1197     |
| <b>Individuals</b>   | 2,304  | 2,889,515   | 7.8626     |
| <b>Shareholders holding ten percent or more<br/>voting interest in the Company</b> |        |             |            |
| Fauji Foundation   | 1      | 14,700,000  | 40.0000    |
| Government of Pakistan   | 1      | 7,350,000   | 20.0000    |
| Oil & Gas Development Company Limited  | 1      | 7,350,000   | 20.0000    |
| <b>Others</b>  | 4      | 1,5,200     | 0.0414     |
|  | 2,418  | 36,750,000  | 100.00     |



Lt Gen Hamid Rab Nawaz HI(M) (Retd)

The Directors take pleasure in presenting their report together with the audited financial statements of the Company and the Auditors' report thereon for the year ended June 30, 2009.

## FINANCIAL RESULTS

The profit and appropriations for the year are as follows:

|  | Rs ' 000         |
|--|------------------|
| <b>Profit</b>  |                  |
| Profit for the year under review after taxation                        | 2,151,917        |
| Un-appropriated profit brought forward                                 | 4,151,230        |
|  | 6,303,147        |
| <b>Appropriations</b>  |                  |
| - First interim dividend @ 22.17 % per share declared in February 2009 | 81,475           |
| - Second interim dividend @ 10 % per share declared in June 2009       | 36,750           |
| Total dividend for the year  | 118,225          |
|  | 6,184,922        |
| <b>Represented by</b>  |                  |
| Undistributed percentage return reserve                                | 155,262          |
| Exploration and evaluation reserve                                     | 756,168          |
| Profit and loss account- undistributable balance                       | 5,273,492        |
|  | <b>6,184,922</b> |

The directors have decided to retain Rs 155,262 million representing the balance of percentage return reserve relating to the year ended June 30, 2009 under the provision of Mari Gas Wellhead Price Agreement (The Agreement). Therefore, the aforesaid amount has been transferred to "Undistributed Percentage Return Reserve". Pursuant to adoption of IFRS-6 which is applicable to Company's financial statements with effect from July 01, 2007, an amount of Rs 756,168 million has been shown as exploration and evaluation reserve and the corresponding amount of exploration expenditure has been shown as exploration and evaluation assets.

Gross sales for the period under review increased to Rs 26,532 million from Rs 21,566 million in 2008-09 (23.03% increase) due to increase in selling price from Rs 125.81/MSCF to Rs 156.33 / MSCF. Company's contribution to the Government exchequer amounted to Rs 21,872 million. The operating expenses amounted to Rs 1,746 million against Rs 1,287 million last year, which were only 6.58 % of the gross revenue (5.96 % last year).

The operating results in the financial statements for the year show profit after tax of Rs 2,152 million as against Rs 2,560 million of the previous year. Lower wellhead price, increase in operating as well as exploration expenses along with increase in finance cost were the major reasons for decrease in profitability.

The rate of return to the shareholders for the year under the revised gas price formula has decreased proportionately to 32.00% against last year of 32.17% due to decrease in production level.





Earning per share (EPS) on the basis of distributable profit increased to Rs 742 per share from Rs 6.43 per share last year. However, due to the limitation of Gas Price Agreement, EPS for the year on the basis of profit and loss account (including undistributable balance) decreased to Rs 58.56 per share as compared to last year's Rs 69.67 per share.

## **CASH FLOW STRATEGY**

During the year an amount of Rs 1,940 million was generated from operating activities of the Company which was used mainly to undertake exploration activities, capital expenditures, payment of dividends to the shareholders and finance cost to banks. In addition to that the Company also obtained long term financing amounting to Rs 700 million to meet the requirements of its two development projects namely Mari Deep and Zarghun Gas field.

## **DIVIDENDS**

The Company has paid 2nd interim dividend of 10.0% (2007-08: 10.0%) on ordinary shares in June, 2009

in addition to the 1st interim dividend of 22.17% (2007-08: 22.38%) on ordinary shares in February 2009. This makes the total cash dividend payout to the ordinary shareholders during the year to 32.17% (2007-08: 32.38%) which is paid to the ordinary shareholders as provided in the Agreement.

## **FOREIGN EXCHANGE SAVINGS AND GOVERNMENT REVENUES**

MGCL is a major contributor to the national economy. The Company's share of production of natural gas from its Mari field for the financial year 2008-09 was 465 MMSCF per day which in term of energy is equivalent to 60,914 barrels of oil equivalent per day resulting in foreign exchange saving of around Rs 81 billion for the current year assuming an average crude oil price of US\$ 66.77 per barrel prevalent during the year.

In addition, payments to the Government exchequer by the Company was around Rs 22 billion during the year (Rs 18 billion during 2007-08) on account of taxes, royalties, excise duty, sales tax and gas development surcharge.

## **OPERATIONS**

The company continued un-interrupted gas supply throughout the year under review to all its customers namely, Engro Chemical Pakistan Limited, Fauji Fertilizer Company Limited, Fatima Fertilizer Company Limited, Pakistan Electric Power Company (PEPCO) and Sui Southern Gas Co. Ltd. The gas produced during the year ended June 30, 2009 was 169,705 MMSCF at a daily average of 465 MMSCF as against 171,419 MMSCF at daily average of 468 MMSCF for the corresponding period of last year as per the requirement/withdrawal of the customers.

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





## **FUTURE PROSPECTS, PLANS AND STRATEGY**

### **Gas sale to Fatima Fertilizer Company Limited.**

After signing & execution of 2nd Supplemental Gas Price Sale Agreement with M/s Fatima Fertilizer Company Limited, 110 MMSCFD gas from Mari field shallow reservoir will be supplied from November 2009. The commissioning & line Pack activities are presently in progress.

### **Commencement of Goru-B gas production**

MGCL has completed the construction & installation of wellhead production facilities, pipeline network and central processing/ condensate storage. MGCL has made all necessary arrangement for first gas supply to two IPPs.

### **Guru B upfront wells**

After the successful drilling & completion of Mari Deep 15 as a Goru-B gas producer, the drilling rig was mobilized to Mari Deep 14 location. Mari Deep 14 was spud on June 27, 2009 and drilling is in progress. Meanwhile Mari Deep 15 is being hooked up with the Mari Deep Production Facilities.

### **Reservoir Simulation Study of Mari SML/SUL Formation**

The SML/SUL reservoir simulation study is being conducted by M/s Petresin Integrated Technology, Houston, USA and the consultant has submitted the first progress report.

### **Development of Zarghun Gas Field**

The request for seeking participation of reputed firms was published in national & international print media. A total of 35 firms submitted their interest to participate in different options (EPCC, Rental, and BOOM). The process of pre-qualification of firms was completed and ITB/FEED documents were floated to the pre-qualified contractors on June 15, 2009.

### **Extended Well Test at Khost well 2 and drilling of Khost well 3 & 4 in Ziarat block**

In order to produce oil and obtain well data MGCL has undertaken the EWT program for six months. DG Oil has approved the allocation of produced crude oil during EWT to the refinery M/s Boscior Pakistan Limited in Baluchistan. For conducting EWT, construction of surface production facilities with 7

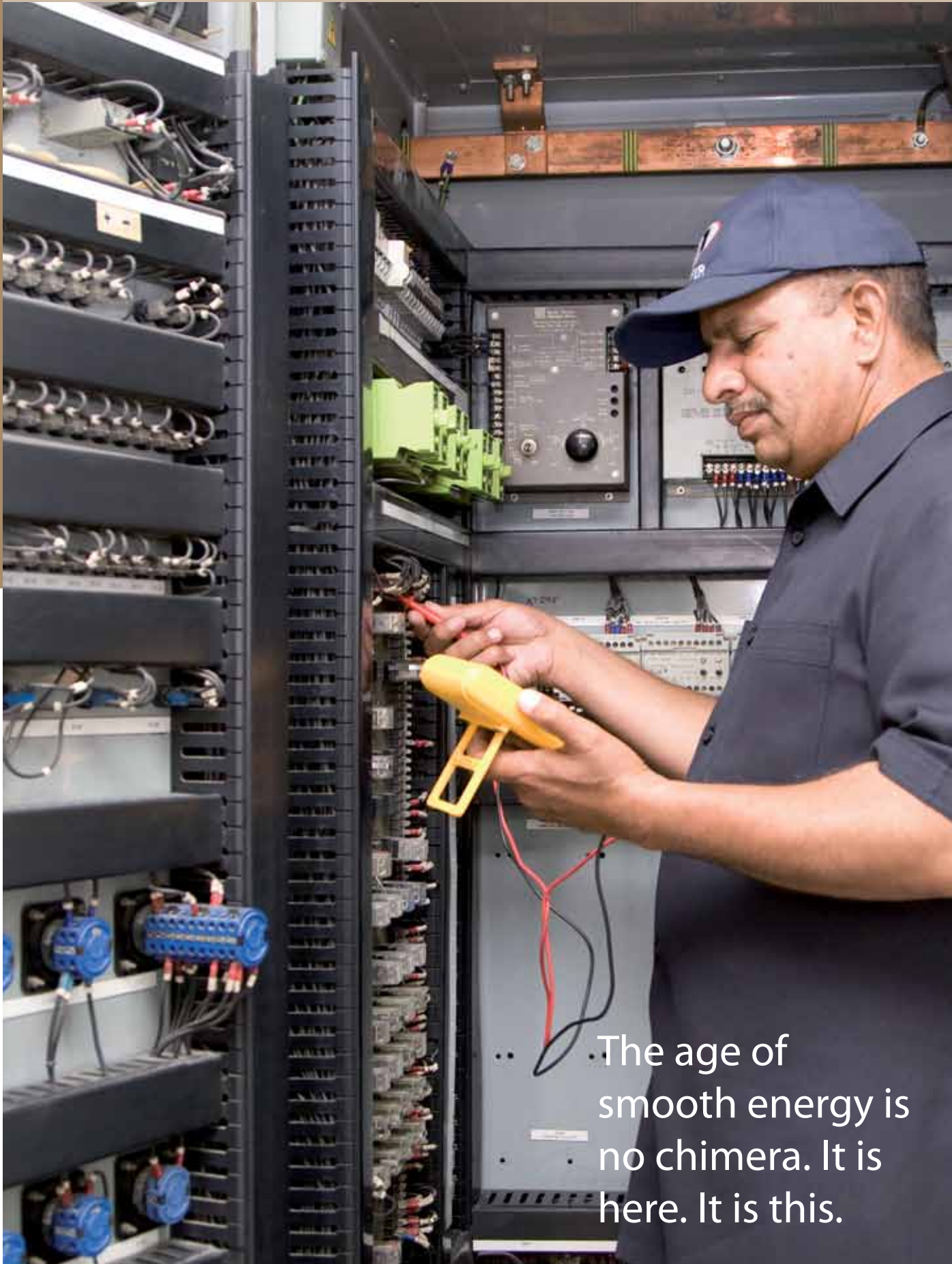


oil storage tanks (500 barrels capacity each) has been successfully completed.

EWT operations were started on May 25, 2009. After producing 2285 bbls of crude oil, the well was shut on June 15, 2009 for pressure build-up. Production logging is being planned and would be executed after necessary approvals.

### **Extended Well Test at Koonj 1 in Sukkur block.**

Extended Well Test (EWT) for one year is planned after approval from DGPC. Preparations for EWT at Koonj Well 1A are in progress and first gas production is expected during November, 2009. A draft Gas Sale Agreement has been prepared & sent to SNGPL for their review.



The age of smooth energy is no chimera. It is here. It is this.



## Drilling of Sujawal X1 Well in Sujawal block

Sujawal X1 well is being planned in Sujawal block operated by MGCL. The purchasing of long lead items such as casing, tubing, mud chemical etc is in process. The pre-spud activities are expected to start in the month of October 2009. The Sujawal X1 well is planned to be spud in the month of December 2009.

## EXPLORATION ACTIVITIES

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

| Sr. No. | Name of Block                  | MGCL's Working Interest | Name of Operator |
|---------|--------------------------------|-------------------------|------------------|
| 1       | Ziarat Exploration License     | 60%                     | MGCL             |
| 2       | Karak Exploration License      | 60%                     | MGCL             |
| 3       | Sukkur Exploration License     | 50%                     | MGCL             |
| 4       | Hanna Exploration License      | 40%                     | MGCL             |
| 5       | Harnai Exploration License     | 40%                     | MGCL             |
| 6       | Sujawal Exploration License    | 85%                     | MGCL             |
| 7       | Dadhar Exploration License     | 27.67%                  | PPL              |
| 8       | Hala Exploration License       | 35%                     | PPL              |
| 9       | Kohlu Exploration License      | 30%                     | OGDCL            |
| 10      | Kalchas Exploration License    | 20%                     | OGDCL            |
| 11      | Kohat Exploration License      | 20%                     | OGDCL            |
| 12      | Bannu West Exploration License | 10%                     | Tullow Pakistan  |
| 13      | Oman 43B (Overseas Block)      | 25%                     | MOL              |



## Operated Blocks

### Ziarat block

The Company is planning to drill four appraisal wells (two firm and two contingent) back to back in Ziarat block from 4th quarter 2009 to appraise the discovery area. In addition, the Company has planned to acquire about 350 line km (250 firm and 100 contingent) 2D seismic data during 1st quarter 2010. The objective of seismic data acquisition is to reduce the existing seismic grid of already acquired seismic data. The new seismic data will help in locating additional appraisal and development wells.

DGPC has granted one year extension in the 3rd license year w.e.f February 02, 2009 to February 01, 2010 against additional work commitment of 170 line km 2D seismic data acquisition.

### Karak block

Acquisition of 230 line km 2D seismic data has been completed over the identified lead based on the last geological fieldwork. Reprocessing of vintage data has been completed by M/s Cosmoseis, Abu Dhabi



while processing of newly acquired 2D seismic data is in progress at M/s Western Geco, Cairo. Based on the results of the in-house interpretation/mapping and integration of all G&G data, a prospect has been firm up to drill the committed exploratory well, which is expected to be spud in 1st quarter 2010

DGPC has granted eight months extension in 3rd license year up to December 2009. In-addition Farm-out assignment of 40% working interest to MOL Pakistan Oil and Gas Company B.V has been executed.

### Sukkur block

Regional geological study of Sui Main Limestone / Goru sands is being conducted by M/s Fugro Robertson, UK to identify additional prospects for pursuance.

Drilling of 3rd committed exploratory well has been deferred to early 2010 till the completion of G&G studies. Accordingly, application for 18 months extension in the 3rd license year has been submitted to DGPC w.e.f April 20, 2009 to complete the additional studies for finalizing location/drilling of the 3rd exploratory well.



## **Hanna block**

Acquisition of about 160 line km 2D seismic data is planned during 3rd/4th quarter 2009 subject to crew mobilization.

Decision on requests for one year extension in 2nd license year is pending with DGPC.

## **Harnai block**

Acquisition of about 230 line km 2D is planned during 3rd/4th quarter 2009 subject to crew mobilization.

Decision on requests for one year extension in 2nd license year is pending with DGPC.

## **Sujawal block**

Interpretation and mapping of 3D seismic data has been completed and location of the committed exploratory well has been finalized and stacked on the ground. The exploratory well is scheduled to be spud during 4th quarter of 2009.

In addition, processing of 145 line km 2D seismic data has also been completed by M/s Spectrum Geopex, Egypt. In-house interpretation of the said seismic data is in progress.

## **Non Operated Blocks**

### **Dahdar block**

First exploratory well Tangna Pusht X 1 was spud on March 29, 2009. The well was drilled down to total

depth of 2070 m into Dunghan Limestone. After the discouraging results during drilling and subsequent wireline logs interpretation, the well was plugged and abandoned (P & A). Presently, post well studies are in progress.

### **Hala block**

Acquisition of 124 sq. km 3D and 51 line km 2D seismic data has been completed and processing is in progress. The said additional seismic data will help to identify new prospects in the block. Geological and geophysical studies are in progress to develop better understanding of source, reservoir rocks and trap geometry.

### **Kohlu block**

Exploration activities are subject to the security clearance.

### **Kalchas block**

Acquisition of 339 line km 2D seismic data was started on February 16, 2009, out of which, 107 line km 2D seismic data has been completed, which will be followed by processing. Remaining seismic lines have been located, which will be carried out later subject to security clearance from the concerned agencies.

### **Kohat block**

Drilling of two committed exploratory wells was delayed due to non-availability of rig and security concerns. Spud of 1st exploratory well is anticipated during 4th quarter of 2009 subject to receipt of security clearance and rig availability.

### **Bannu West block**

Geological and geophysical activities are planned subject to the security clearance.



### **Oman 43B block**

Based on the interpretation of the newly acquired and vintage seismic data, it was concluded by the both JV partners that the identified prospect carries high risk. Therefore, it was agreed to enter into 2nd phase by committing acquisition of 300 line km 2D or 200 sq km 3D seismic data to acquire, process and interpret the additional seismic over another identified lead for firming up into prospect in Hawasina window area.

Technical workshop, TCM/OCM and JCM were held at Muscat, Oman on June 19 - 21, 2009 to discuss and review 1st half 2009, 2nd half 2009 work program/budget and way forward for the additional three years.

### **Yemen block 29**

Assignment of working interest is in progress.

## **FUTURE OUTLOOK AND RISK MANAGEMENT**

The Company is looking forward to the results of Extended Well Test being conducted on its Ziarat and Sukkur discoveries and accordingly plans appraisal and development of these discoveries. The

Company is also looking forward to the forthcoming drilling campaign on the prospects that have been established in its Sujawal and Karak blocks, the latter being the most technically challenging because of not only the rugged/unfriendly topography of the Karak prospect area but also for the complication involved in its complicated sub surface, lithography and its pressure composition/variances.

The general increase in the security volatility of the northern and more particularly of the Balochistan region has added another risk dimension to the Company's activities in these regions, consequently effecting/delaying the time schedule of the Company's work program of its Balochistan blocks. However, the Company is actively pursuing options and coordinating efforts with the Government and provincial security agencies to recommence and put on track its stalled activities.

The Company is evaluating possible acquisition of certain new areas as well as joint venture farm-in opportunities in E&P companies' blocks to expand the sphere of its exploration portfolios. At the same time, discussions to farm-out certain portion of its working interest share to balance/limit the overall monetary risk exposure are also in process.







## HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Company is striving to maintain applicable HSE standards of Oil and Gas sector particularly taking into account the increased operational activities in several concession areas. The Company has a close liaison with Joint venture partners to bring the same level of considerations to the core performance parameters of environmental protection and occupational health & safety. At filed projects, HSE performance is derived by the increased awareness and a stronger control on lost time incidents.

Under the command of Steering Committee (Head Office), HSE committees at all locations monitor the HSE objectives and targets especially pertaining to lost time accident frequency and occupational ill health rate, non-hazardous and hazardous waste management, CO2 emissions and energy consumption. Effective conduct of HSE trainings at all management levels is extensively considered by the management. This approach continuously enhances the HSE management and strengthens the risk assessment process.

As part of Integrated Management System (IMS) based on international management standards, internal and external HSE audits are regular feature of HSE monitoring. Audits are carried out against a set performance criteria by the trained system auditors supported with HSE professionals.





## HUMAN RESOURCES DEVELOPMENT

Development of human resource is planned and coordinated in a systematic manner in terms of the needs, talents required in the company and to meet the organizational goals. The Company continues to strengthen its staff, building succession models throughout the organization. The Company spends quality time thinking about how to best recruit and retain talented employees. A meticulous training need analysis, taking into account many factors (appraisals, experience, past training record etc) is conducted annually in order to identify deserving employees for attending training courses / seminars. After the employee attends the training, the Company ensures that the employee has applied maximum knowledge in a way that benefits the Company.

Following are the key elements of human resource development:-

**i. Optimum utilization of human resources:** Through training and development, employees tend to give peak performance since they are enthusiastic, motivated and equipped with new concepts.

- ii. Development of skills of employees:** Increasing the job knowledge and skills of employees at each level and expanding the horizons of human intellect and an overall personality of employees.
- iii. Boost productivity:** Employees perform well and implement their concepts.
- iv. Improving morale of the work force/ job satisfaction:** An intrinsically motivated employee not only creates a better work culture in his/her own working but helps in achieving organizational goals, thus becoming a motivated and committed performer.
- v. Key to change management and creative approaches:** Improving skills and competencies, helps in removing the mental blocks which prevents an employee to deliver his/her best in his/her work. Thus an employee in himself/herself becomes a change agent who facilitates innovative and creative approach to management.

**vi. Succession planning:** MGCL provides a perfect platform to establish a development program for future leaders because it creates a motivated and capable group of employees that are ready to move forward in the organization when the need arises.

**vii. Employee retention/reducing employee turnover:** The employees are given a feeling that they are wanted and that the Company is ready to invest a huge amount on their professional growth which results in reducing turnover.

**viii. Healthy work environment:** It helps to build good employee relationship so that individual goals align with organizational goal.

The Company also focuses on hiring fresh talented graduates equipped with the academic knowledge and emerging concepts in their respective fields through management trainee programs.

## INFORMATION TECHNOLOGY

The Company's IT Strategy is to transit MGCL into a IT regime which can lay the foundation for development of an integrated, enterprise wide information architecture.



The mission is to use IT to:

- a) create an innovative culture
- b) enable an aggressive expansion strategy, and
- c) increase organizational effectiveness and efficiency.



Implementation of an ERP system has been planned to yield improved practices, procedures, and smooth operations of the Company. The result will be a single system that can integrate enterprise wide data and provide timely information to meet the Company's business objectives.

## INDUSTRIAL RELATIONS

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



## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR approach is to carry out sustainable development in our lease areas to meet the present needs of local community without undermining the capacity of their future generations to meet their own needs.

### Mari D&P Lease Area.

Mari Gas Wellhead Price Agreement does not specify any fund for social welfare program in Mari D & P Lease area. As a responsible corporate entity, MGCL believes in sustainable development of the areas and fulfilling its moral commitments to the communities with which it interacts. MGCL has not only persistently carried out its existing social welfare programmes in Mari D & P Lease area, it has further expanded its long-term community development, healthcare and educational programmes to other concession areas. Detail of projects carried out are as under:-

- a. Mobile Dispensaries for providing medical care to the local population.
- b. Maternity Home at Dad Leghari.

- c. Dispensary at Well 08 in Mari Gas Field.
- d. Treatment of TB patients.
- e. Mother and Child Health Care Centre at Mirpur Mathelo.
- f. Mass Vaccination against Hepatitis "B" completed in Union Council Dad Leghari, Keenjhur, Beruta and Sain Dnio Malik, Raharki.
- g. Books, and laboratory equipment/furniture for schools.
- h. Herbal treatment of Hepatitis "B" patients.
- i. Renovation of school building at Nurley bridge.
- j. Construction of boundary wall at primary school – Chandan Sharif.
- k. Construction of 10 x drinking water tanks (2000 gallon each).

### Out side Mari D & P Lease Area

Notwithstanding inhospitable terrain where the Company has acquired exploration blocks, the Company remains committed to carry out its social welfare program in coordination with local Governments. After carrying out survey of various blocks, the main focus of our development activities remained on provision of clean drinking water,



improvement of existing health and education facilities. Some of our projects have already been completed and others are in the pipeline. These projects are handed over to the District Government after completion as per Government policy. With the progress of our exploration activities, new blocks in Balochistan and Sindh remain the focus of the Company's CSR programs despite many limitations.

### Completed projects

- i. Ziarat Kach water supply scheme in Ziarat block, District Harnai.
- ii. Boys primary school at Dilwani – Zarghun Gas Field, District Harnai.
- iii. Lined water channel at Dilwani – Zarghun Gas Field, District Harnai.

### Ongoing projects

- i. Renovation/provision of furniture etc to boys high school Khost in Ziarat block, District Harnai.
- ii. Renovation of jamia masjid Khost in Ziarat block.
- iii. Repair of dispensary at Khost, Ziarat block.
- iv. Repair and widening of track to village Dilwani in Zarghun Gas Field.

### Future projects

Necessary co-ordination is being carried out with District Governments for planning of new projects which include improvement of existing facilities as well as new projects. Some of the projects which have been identified so far are:-

#### Ziarat block

- a. Improvement/renovation of girls primary school Khost.
- b. Extension of water supply scheme at Ziarat Kach.



- c. Construction of two rooms at Khost dispensary

#### Zarghun Gas Field

- a. Construction of dispensary at village Karkan
- b. Widening/maintenance of road from T-Junction to Dilwani Village
- c. Lined water channel with water storage tank at village Karkan

#### Sukkur block

- a. Improvement of facilities at Rehabilitation Centre for multiple handicapped children Allahabad, Shikarpur
- b. Improvement of facilities at Government Service Center for Blinds, Shikarpur
- c. Repair/renovation of primary school Goth Ali Gohar. Shar, Tehsil Khanpur, District Shikarpur.
- d. Repair/renovation of mosque at Ghari Syed, Tehsil Khanpur, District Shikarpur



## IMS CERTIFICATION

Mari Gas Company successfully achieved three International Standard Certifications for its Integrated Management Certification (IMS) comprising ISO Quality Management System (ISO 9001), ISO Environmental System (ISO 14001) and Occupational Health and Safety Management System (ISO 18001) through management commitment, in-house and external trainings for creating awareness among employees. Being an IMS certified company MGCL is now known to be a more progressive entity, which is compliant with international standards, resultantly bringing it at par with international companies and imparting a cutting edge benefit of making its systems more credible and well founded. Thus the Company has become the pioneer in E&P local sector.

As part of Integrated Management System (IMS) based on International Management Standards, internal and external HSE audits are regular feature of HSE monitoring. Audits are carried out against a set performance criteria by the trained system auditors supported with HSE professionals. The audit approach reduces the subjectivity, encourages improvement and provides consistency in safe operational performance.

The Company has undergone two surveillance audits conducted by the Certification Body M/s. SGS Pakistan Private Limited in November 2008 and May 2009. Internally, IMS is being monitored by the management representative with the coordination of more than thirty qualified IMS Internal System Auditors.

ISO 9001 : 2000



ISO 14001 : 2004



OHSAS 18001 : 1999





## DIRECTORS

During the year under review following directors vacated their positions from the Company's Board.

1. Lt General Syed Arif Hasan HI(M) (Retd)
2. Mr Shaukat Hayat Durrani
3. Mr Arshad Nasar
4. Mr Tahir Azizuddin

These vacancies were filled by:

1. Lt Gen Hamid Rab Nawaz HI(M) (Retd)
2. Mr Muhammad Ejaz Chaudhry
3. Mr Aftab Ahmad
4. Mr Basharat A. Mirza

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

## BOARD MEETINGS

Five meetings of Board of Directors were held during the financial year 2008-2009. The attendance of directors in the board meetings is as under:

| Name of Directors                     | Meetings Attended |
|---------------------------------------|-------------------|
| Lt. Gen Syed Arif Hassan HI(M) (Retd) | 2                 |
| Lt. Gen Hamid Rab Nawaz HI(M) (Retd)  | 3                 |
| Lt. Gen Mushtaq Hussain HI(M) (Retd)  | 5                 |
| Mr. Qaiser Javed                      | 5                 |
| Brig. Arif Rasul Qureshi (Retd)       | 5                 |
| Brig. Rahat Khan (Retd)               | 5                 |
| Dr. Nadeem Inayat                     | 5                 |
| Mr. Shaukat Hayat Durrani             | -                 |
| Mr. Muhammad Naeem Malik              | 5                 |
| Mr. Muhammad Razi Abbas               | 5                 |
| Mr. Muhammad Ejaz Chaudhry            | 3                 |
| Mr. Arshad Nasar                      | -                 |
| Syed Zahid Hussain                    | 4                 |
| Mr. Muhammad Riaz Khan                | 5                 |
| Mr. Aftab Ahmad                       | 2                 |
| Mr. Tahir Azizuddin                   | 2                 |
| Mr. Basharat A. Mirza                 | 2                 |
| Mr. Abdus Sattar                      | 5                 |

## COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of Mari Gas Company Limited performs the task of overseeing the efficient and responsible use of shareholders' funds. In the interest of smooth functioning, the Board of MGCL has three sub-committees. These sub-committees are entrusted with the task of ensuring speedy management decisions.

### Audit Committee

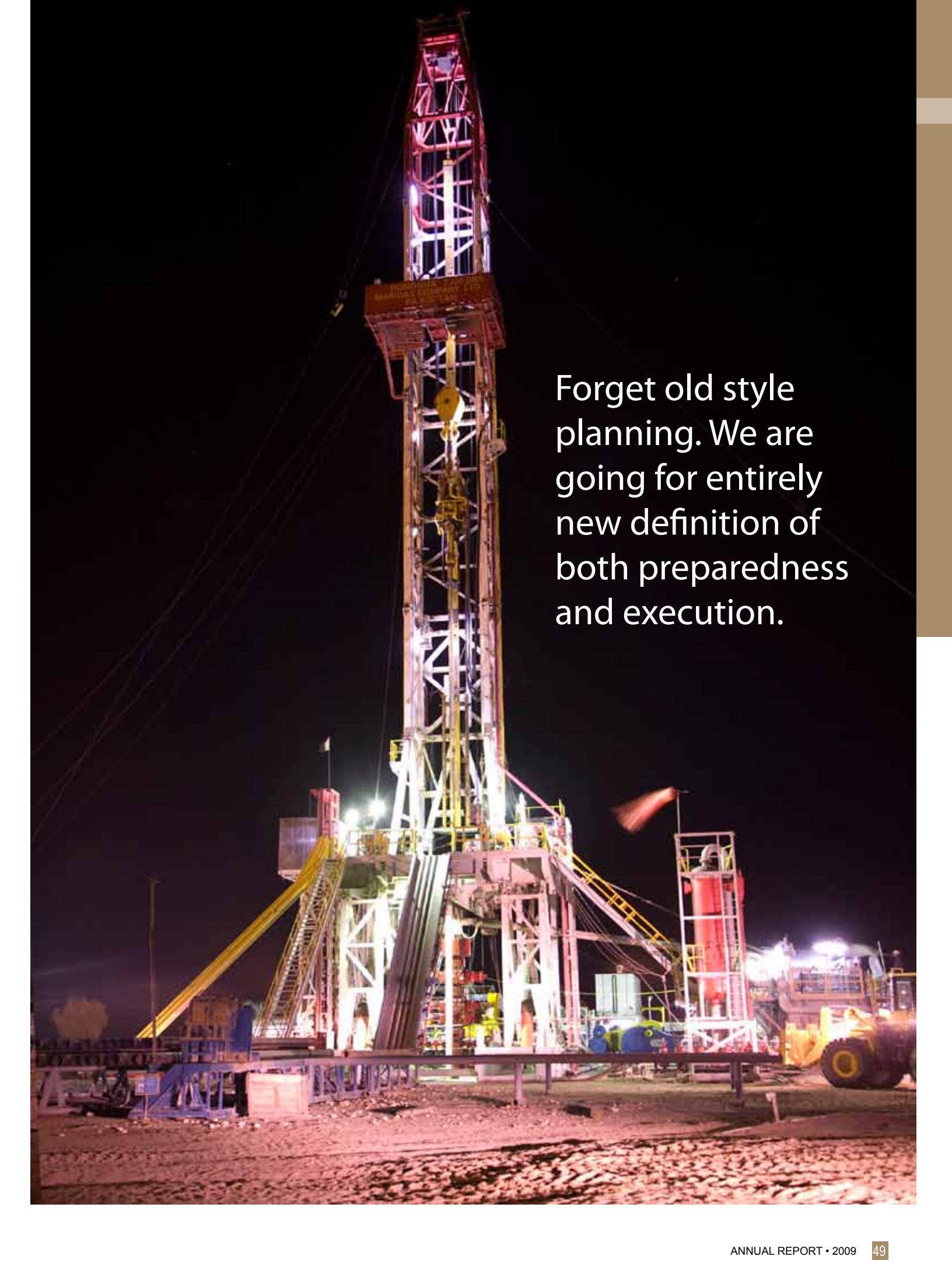
The Board of Mari Gas Company Limited, in compliance with the Code of Corporate Governance, has established an Audit Committee comprising of the following members:

|                                 |             |
|---------------------------------|-------------|
| Mr. Qaiser Javed                | - President |
| Brig. Arif Rasul Qureshi (Retd) | - Member    |
| Mr. Muhammad Razi Abbas         | - Member    |
| Syed Zahid Hussain              | - Member    |
| Mr. Muhammad Riaz Khan          | - Member    |

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

- a. Determination of appropriate measures to safeguard the Company's assets;
- b. Review of preliminary announcements of results prior to publication;
- c. Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards; and
  - compliance with listing regulations and other statutory and regulatory requirements.
- d. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e. Review of management letter issued by external auditors and management's response thereto;
- f. Ensuring coordination between the internal and external auditors of the Company;
- g. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h. Consideration of major findings of internal investigations and management's response thereto;
- i. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- j. Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- l. Determination of compliance with relevant statutory requirements;
- m. Monitoring compliance with the best practices of corporate governance; and
- n. Consideration of any other issue or matter as may be assigned by the Board of Directors from time to time.





Forget old style  
planning. We are  
going for entirely  
new definition of  
both preparedness  
and execution.

## Technical Committee

Technical Committee of the Board comprises of the following directors:

|                            |             |
|----------------------------|-------------|
| Brig Rahat Khan (Retd)     | - President |
| Mr. Muhammad Ejaz Chaudhry | - Member    |
| Mr. Mohammad Naeem Malik   | - Member    |
| Dr. Nadeem Inayat          | - Member    |
| Mr. Abdus Sattar           | - Member    |

The major role of the committee is to review and recommend the technical and operational matters of the Company to the BOD.

## Human Resource Committee

Human Resource Committee of the Board comprises of the following directors:

|                                |             |
|--------------------------------|-------------|
| Brig Arif Rasul Qureshi (Retd) | - President |
| Mr. Muhammad Ejaz Chaudhry     | - Member    |
| Dr. Nadeem Inayat              | - Member    |
| Mr. Aftab Ahmad                | - Member    |
| Mr. Basharat A. Mirza          | - Member    |

The major role of the committee is to review and recommend the matters related to Human Resource of the Company to BOD.

## PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at June 30, 2009 including details of trading carried out in the shares of the Company by a Director and company executives is attached.

## CODE OF CORPORATE GOVERNANCE

Securities & Exchange Commission of Pakistan (SECP) has issued Code of Corporate Governance to establish a framework of good corporate governance whereby every listed company is managed in compliance with best practices. This code was incorporated in the listing regulations of all the Stock Exchanges for the listed companies for implementation. The Directors of the Company hereby confirm the following as required by Clause (xix) of the Code issued by SECP:

a) The financial statements, prepared by the

management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

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

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

d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

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

h) Key operating and financial data of last ten years is enclosed.

i) Value of investments including bank deposits, of various funds as at June 30, 2009, based on their respective audited accounts, is as under:

|                                    |    |       |         |
|------------------------------------|----|-------|---------|
| Contributory provident fund        | Rs | 156.0 | Million |
| Management staff gratuity fund     | Rs | 140.8 | Million |
| Non-management staff gratuity fund | Rs | 72.1  | Million |
| Management staff pension fund      | Rs | 28.2  | Million |

j) All major Government levies as mentioned in Note 12 to the financial statements payable as at June 30, 2009 have been deposited subsequent to the year-end except for PEPCO which are being paid as and when realized.

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Mari Gas Company Limited has made compliance

with the Code of Corporate Governance during the year ended June 30, 2009. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes 13 independent non-executive directors and one executive director. Also two directors out of them represent minority shareholding.
2. The directors have confirmed that none of them is serving in more than ten listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancies occurred in the Board during the year ended June 30, 2009 were filled up within 30 days of occurrence.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed Vision/Mission Statements and significant policies of the Company.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along-with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO were approved by the Board.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of five members including the President and all of them are non-executive directors.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has set-up an effective internal audit function and they are involved in the internal audit function on a full time basis.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan and that the firm and all its partners, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance

# Directors' Report



with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. In compliance of the requirements of Listing Regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited, the related party transactions have been placed before the Audit Committee and approved by the Board of Directors.
20. The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
21. It is also confirmed that all other material principles contained in the Code have been complied with.

## POST BALANCE SHEET EVENTS

The Board of Directors has proposed issuance of Bonus Shares in ratio of one share for every one share held (i.e. 100%) in its meeting held on September 28, 2009.

## AUDITORS

The present auditors, M/s M. Yousuf Adil Saleem & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment as auditors of the Company.

## ACKNOWLEDGEMENT

The Board of Directors would like to express their appreciation for the efforts and dedication of all officers and staff of the Company including those in the field, which enabled the management to run the Company efficiently during the year resulting in continued production of gas to its customers. The Board also wishes to express its appreciation for continued assistance and cooperation received from the local administration at Daharki, Government of Sindh, various departments of Federal Government particularly the Ministry of Petroleum and Natural Resources and the Ministry of Finance, Fauji Foundation and Oil & Gas Development Company Limited.

For and on behalf of the Board

**Lt Gen Hamid Rab Nawaz, HI(M) (Retd)**  
Chairman

Islamabad  
September 28, 2009

# Auditors' Report to the Members

We have audited the annexed balance sheet of Mari Gas Company Limited ("the Company") as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

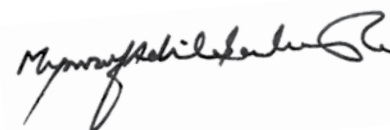
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with 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, 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, 2009 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.



**CHARTERED ACCOUNTANTS**

Audit Engagement Partner:  
Mohammed Saleem

Islamabad  
September 28, 2009

# Review Report to the Members

## on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Mari Gas Company Limited ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

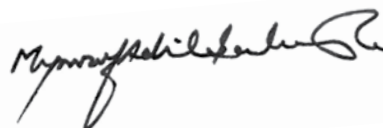
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required

and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.



**M. Yousuf Adil Saleem & Co**  
Chartered Accountants

Islamabad  
September 28, 2009

Delivering premium  
value, defined growth  
& independence



ISO 9001:2000



ISO 14001:2004



OHSAS 18001:1999



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## Delivering premium value, defined growth & independence

Accomplishing a new goal... doing anything worthwhile in life...giving something precious to others... requires more than a positive mindset, more than an imagined dream. It requires time, time requires tenacity, and tenacity requires persistence. In these challenging times of global unrest, depleting energy resources and many other disasters looming on the horizon, 'persistence', 'tenacity', 'perseverance' might be trivial words in most businesses, but not here at Mari Gas.

Because we focus more on developing our strengths than on lamenting our weaknesses; working more on visionary roadmaps that lead to self-reliance than on nitty gritty processes and procedures. We believe difficult times are also times of growth, of new insights, of creativity and of high achievements.