Pakistan Petroleum Limited

Venturing for Value

ANNUAL REPORT 2013

Venturing for
Value

For over 60 years for all stakeholders, the PPL brand is synonymous with the business of adding value.

Contents

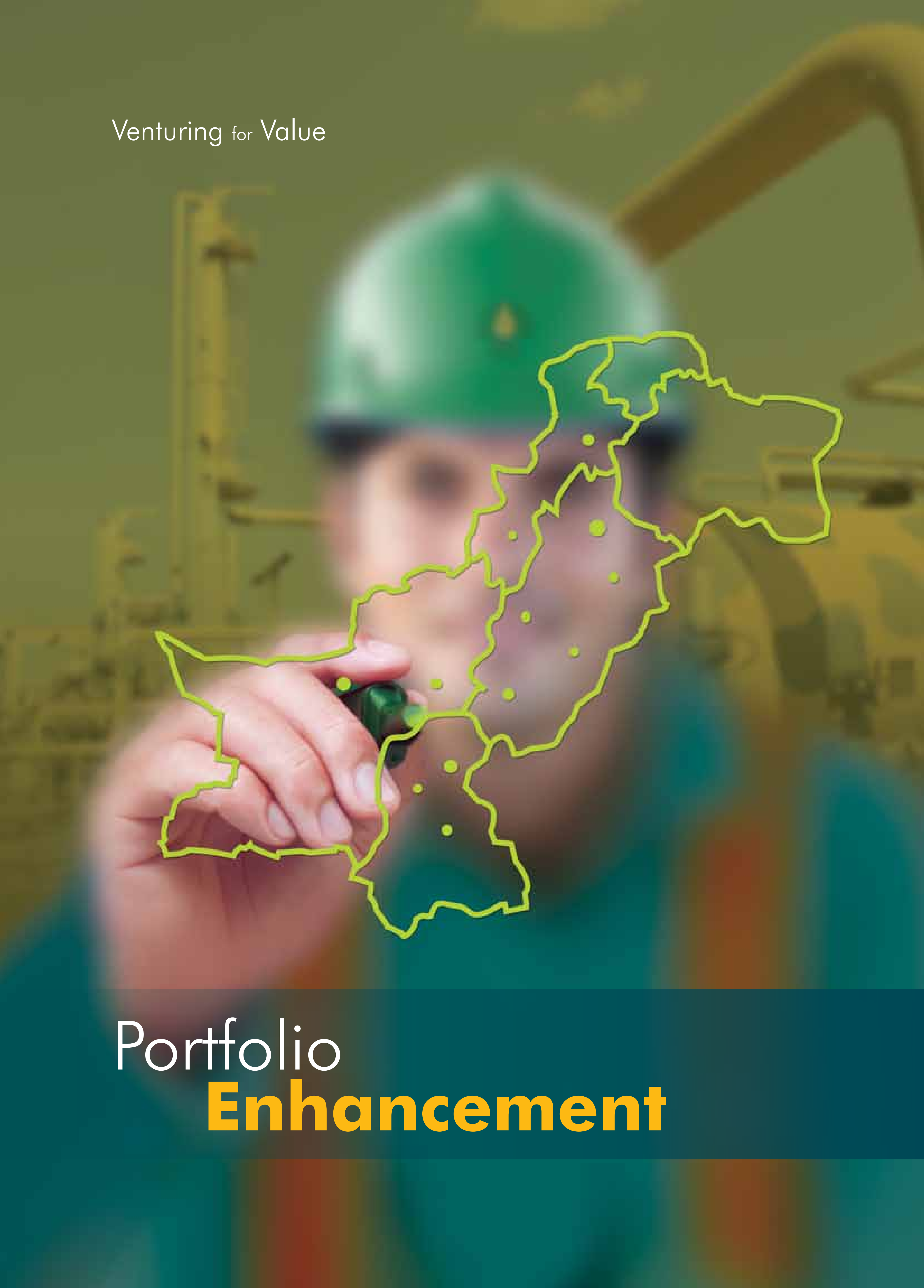
Vision

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

Mission

To sustain long term growth by pursuing an aggressive hydrocarbons exploration and production optimization program in the most efficient manner through a team of professionals utilizing the latest developments in technology, while ensuring that quality is an integral part of all operations and maintaining the highest standards of health, safety, environment protection and addressing community development needs.

Venturing for Value



Portfolio Enhancement

Aligned with its aggressive core business programme targeting optimisation of production and reserves replenishment, PPL won provisional grant of 11 strategically-fit exploration blocks offered in the latest bidding round held in March 2013, with a minimum work commitment of nearly USD 65 million.

Among the largest in the industry, PPL Group exploration portfolio now comprises 48 blocks, of which 27 are operated by the Company and the remaining 21 by partners.

Core **values**

- Recognize that Leadership, Empowerment and Accountability are essential for corporate success.
- Pursue the Highest Standards of Ethical Behaviour and Integrity.
- Consider our people as the most important resource.
- Value creativity and innovation.
- Committed to excellence in all spheres of performance.
- Work as a Team and advocate Teamwork.
- Respect the Environment and remain committed to its protection.

Corporate **Strategy**

- Replenishment of the depleting reserves and production optimisation from the existing fields and new discoveries.
- Evaluate various significant projects in the energy sector.
- Training of employees and contractors for enhancing safety awareness and active incorporation of industry best practices in the overall operating setup.
- Investment in research and innovation giving due importance to CO_2 management.
- Development of the communities where it operates. Care deeply about the environment and take concrete steps to project it.
- Leverage the available financial resources and project management skills.
- Invest in people to build organizational capability.
- Focus on integrated value creation and seek innovative solutions while ensuring quality as an integral part of operations.
- Integrate, create value and strategically transit towards expansion of its operations beyond the national borders.

Company **Information**

Board of Directors

Mr. Asim Murtaza Khan
(Chief Executive Officer / Managing Director)

Mr. Sajid Zahid
(Non-Executive Director)

Mr. Saquib H. Shirazi
(Independent, Non-Executive Director)

Mr. Mohsin Aziz
(Independent, Non-Executive Director)

Dr. Amer Sheikh
(Non-Executive Director)

Mr. Saeedullah Shah
(Non-Executive Director)

Mr. Zain Magsi
(Independent, Non-Executive Director)

Mr. Javed Masud
(Independent, Non-Executive Director)

Mr. Javed Akbar
(Independent, Non-Executive Director)

Company Secretary

Mr. M. Mubbasshar Siddiqui

Auditors

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

Registered Office

P.I.D.C. House
Dr. Ziauddin Ahmed Road
P.O. Box 3942
Karachi-75530

Registration Number

CUIN: 0000378

Contact Details

UAN: +92 (21) 111 568 568
Fax: +92 (21) 35680005, 35682125
Email: info@ppl.com.pk
Web Site: www.ppl.com.pk

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al Habib Limited
Barclays Bank Plc.
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

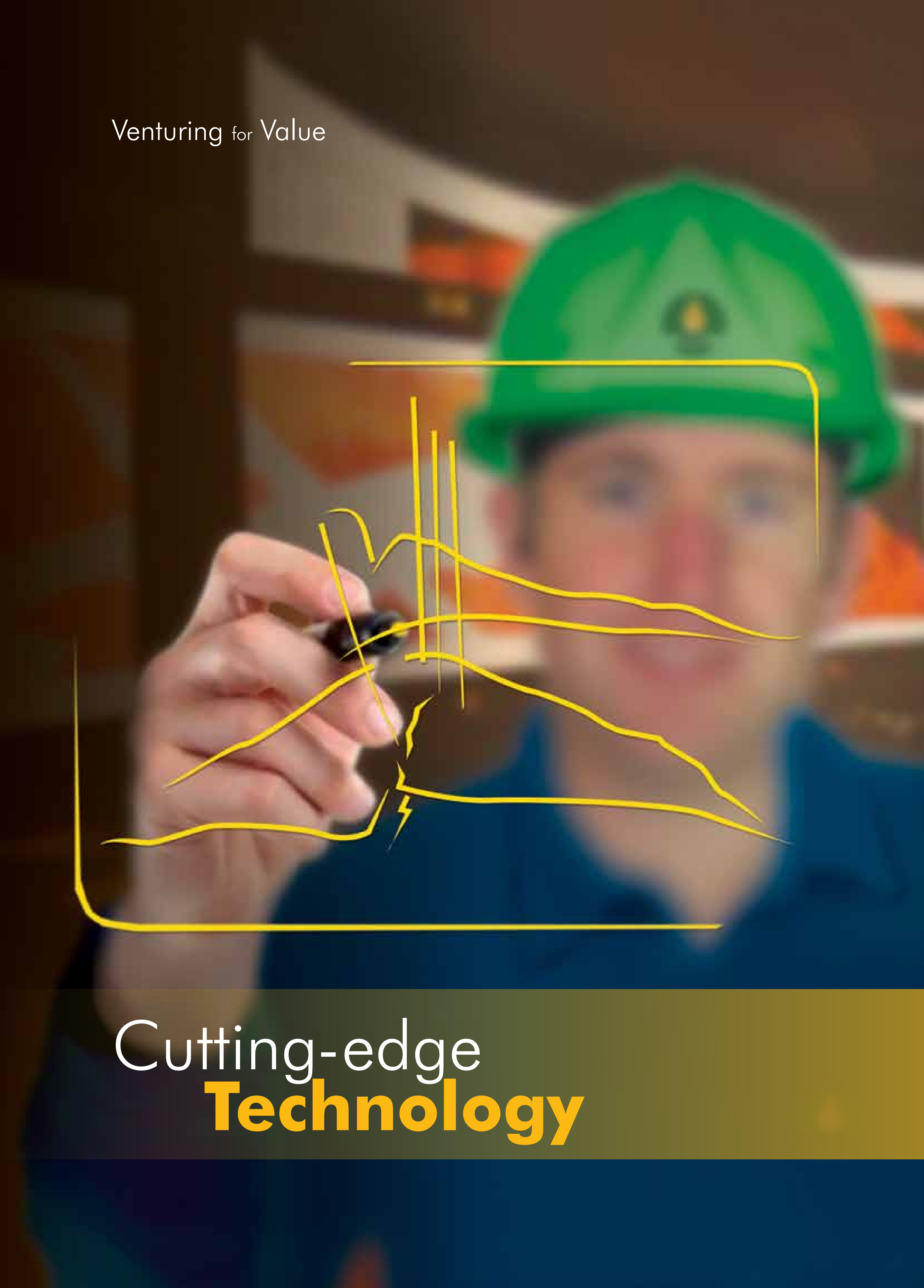
Shares Registrar

FAMCO Associates (Pvt.) Ltd.
8-F, Next to Hotel Faran, Nursery, Block-6,
P.E.C.H.S, Shahra-e-Faisal, Karachi.
Tel: +92 (21) 34380101 - 2
Fax: +92 (21) 34380106

Legal Advisors

Surridge & Beecheno

Venturing for Value



Cutting-edge Technology

PPL has been on the forefront of adopting latest available technology to enhance mapping accuracy and operational efficiency. The Company has been among the first to deploy Stress Field Detection, Electromagnetic Measurement While Drilling, Downhole Deployment Valve along with real time Gamma Ray.

Calendar of Major Events

August 2012	Meeting of the PPL Board of Directors was held to approve the financial statements for the year ended 30 June, 2012 and to recommend 65% final cash dividend and 25% bonus shares to the shareholders.
September 2012	61st Annual General Meeting of the shareholders of the Company was held to approve financial statements for the year ended 30 June, 2012 and 65% final cash dividend and 25% bonus shares.
October 2012	Meeting of the PPL Board of Directors was held to approve the first quarter accounts for the period ended 30 September, 2012.
November 2012	First-ever Tight Gas Sale Purchase Agreement in Pakistan was signed between JV Partners (PPL & POGC) and SSGCL for Kirthar Block. Exploration, Development and Production Service Contract (EDPSC) was signed for exploration activities in Block-8, Iraq.
January 2013	First-ever Stress Field Detection (SFD) survey was carried out in the country, in three PPL operated Kharan Blocks.
February 2013	Meeting of the PPL Board of Directors was held to approve accounts for the half year ended 31 December, 2012 and to approve 50% interim cash dividend to the shareholders.
March 2013	PPL acquired entire Share Capital of MND Exploration and Production Ltd, a company incorporated in England and Wales. The Company actively participated in the Exploration Bidding round by GoP and successfully won eleven (11) Exploration Blocks including one (1) in joint bidding operated by partner.
April 2013	Meeting of the PPL Board of Directors was held to approve the third quarter accounts for the nine months period ended 31 March, 2013.
June 2013	First exploration well Wafiq X-1, drilled in PPL operated Gambat South Block, was successfully declared as gas / condensate discovery. Exploration well Adam X-1 drilled at PPL operated Hala field successfully completed the production testing of Deeper Reservoir of Lower Basal Sands during Drill Stem Test. First exploration well Lundali-1, drilled in partner operated Sukhpur Block, was successfully declared as gas discovery. First tight gas production of the country was achieved from Rehman-1 well from partner operated Kirthar Block.

Code of **Conduct**

It is a fundamental policy of PPL to conduct its business with honesty, integrity and in accordance with the highest professional, ethical and legal standards. The Company has adopted comprehensive Code of Conduct (Code) for members of the Board of Directors and Employees. The Code defines acceptable and unacceptable behaviours, provides guidance to Directors / Employees in specific situations that may arise and foster a culture of honesty, accountability and high standards of personal and professional integrity.

Salient Features of the Code for the Directors

1. Conflict of Interest

Each Director must avoid any conflict of interest between the Director and the Company, its associated or subsidiary undertaking(s). Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly.

2 Corporate Opportunities

Directors are prohibited from taking for themselves personally, opportunities related to the Company's business; using the Company's property, information or position for personal gain or competing with the Company for business opportunities.

3. Confidentiality

Directors must maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company and its associated or subsidiary undertaking(s) that comes to them, except when disclosure is authorized by the Chairman of the Board or legally mandated.

4. Honesty, Integrity and Fair Dealing

Directors must act honestly and fairly and exhibit high ethical standards in dealing with all stakeholders of the Company.

5. Compliance with Laws, Rules and Regulations

Directors shall comply with laws, rules and regulations applicable to the Company including but not limited to the Companies Ordinance 1984, Listing Regulations of the Stock Exchanges and Insider Trading laws.

6. Encouraging the Reporting of Any Possible Illegal or Unethical Behaviour

Directors should take steps to ensure that the Company promotes ethical behaviour; encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; encourages employees to report violations of laws, rules, regulations, Company policies and procedures or the Company's Code of Conduct to appropriate personnel; and informs employees that the Company will not allow retaliation for reports made in good faith.

7. Trading in Company Shares

Certain restrictions/ reporting requirements apply to trading by the Directors in Company shares. Directors shall make sure that they remain compliant with these statutory requirements.

8. Compliance Procedures

Directors should disclose any suspected violations of this Code promptly in the immediately subsequent meeting of the Board of Directors.

Salient Features of the Code for Employees

1. Conflict of Interests

Employees / trainees must not engage in activities or transactions which may give rise, or which may be seen to have given rise, to conflict between their personal interests and the interest of the Company.

2. Confidentiality and Disclosure of Information

Employees / trainees are expected to safeguard confidential information and must not, without authority, disclose such information about Company activities to the press, to any outside source, or to employees / trainees who are not entitled to such information.

3. Political Contribution

No funds or assets of the Company may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office except where such a contribution is permitted by law.

4. Bribes and Commercial Payments

An employee / trainee must not give or receive bribes or other payments, which are intended to influence a business decision or compromise independent judgement; nor must any employee / trainee give money in order to obtain business for the Company, nor receive money for having given Company business to an outside agency.

5. Proper Recording of Funds, Assets, Receipts and Disbursements

All funds, assets, receipts and disbursements must be properly recorded in the books of the Company.

6. Agreements with Agents, Sales Representatives or Consultant

Agreements with agents, sales representatives or consultants should state clearly the services to be performed for the Company, the amount to be paid and all other relevant terms and conditions.

7. Relations and Dealings with Suppliers, Consultants, Agents, Intermediaries and Other Third Parties

PPL's relations and dealings with suppliers, consultants, agents, intermediaries and other third parties should at all times be such that PPL's integrity and its reputation should not be damaged if details of the relationship or dealings were to become public knowledge.

8. Health, Safety & Environment (HSE) Policy

Every employee / trainee at work must take reasonable care for the health and safety of himself / herself and others including visitors who may be affected by his / her acts or omissions at work and co-operate in Company's efforts to protect the environment.

9. Smoking Policy

Smoking and exposure of workplace to tobacco poses serious health hazard to the employee / trainees besides potential risks of fire and explosions. Considering this, smoking is permitted only in designated 'Smoking Areas'.

10. Seat Belt Policy

As per policy it is mandatory for all PPL employees / trainees, contractors, visitors and all other persons to fasten seat belts in the front seats of the vehicle while travelling.

11. Other Employment, Outside Interests, Civic Activities

PPL does not allow its employees / trainees to take any part-time and / or full-time second employment during employees' / trainees' engagement with the Company.

12. Unsolicited Gifts

Accepting gifts that might place an employee/ trainee under obligation is prohibited. Employees / trainees must politely but firmly decline any such offer and explain that in accordance with the Company's instructions, they are unable to accept the offer.

13. Family Connections and Employment of Relatives

Any dealings between staff and outside organizations in which they have a direct, indirect or family connection must be fully disclosed to the Management.

14. Company and Personal Property

An employee / trainee must not take or use Company property or the property of another employee / trainee without permission; nor must the employee / trainee use Company property for private purposes without the Management's permission.

15. Alcohol and Drugs

Alcohol in any form and the use of drugs, except under medical advice, is prohibited at all locations.

16. Gambling

All forms of organized gambling or betting on the Company's premises is forbidden.

17. Rumour Mongering & Gossiping

Rumour mongering, persuasive allegations, accusations and exaggerations with the main purpose of negatively influencing and manipulating the minds and emotions of the fellow employees / trainees are strictly prohibited.

18. Harassment

It is the policy of the Company to promote a productive work environment and not to tolerate verbal or physical conduct by any employee / trainee that harasses, disrupts, or interferes with another's work performance or that creates an intimidating, humiliating, offensive, or hostile environment.

19. Grievance Handling

PPL strives to provide a fair & impartial process to its employees / trainees and ensure timely resolution of their grievance.

20. Whistle Blowing

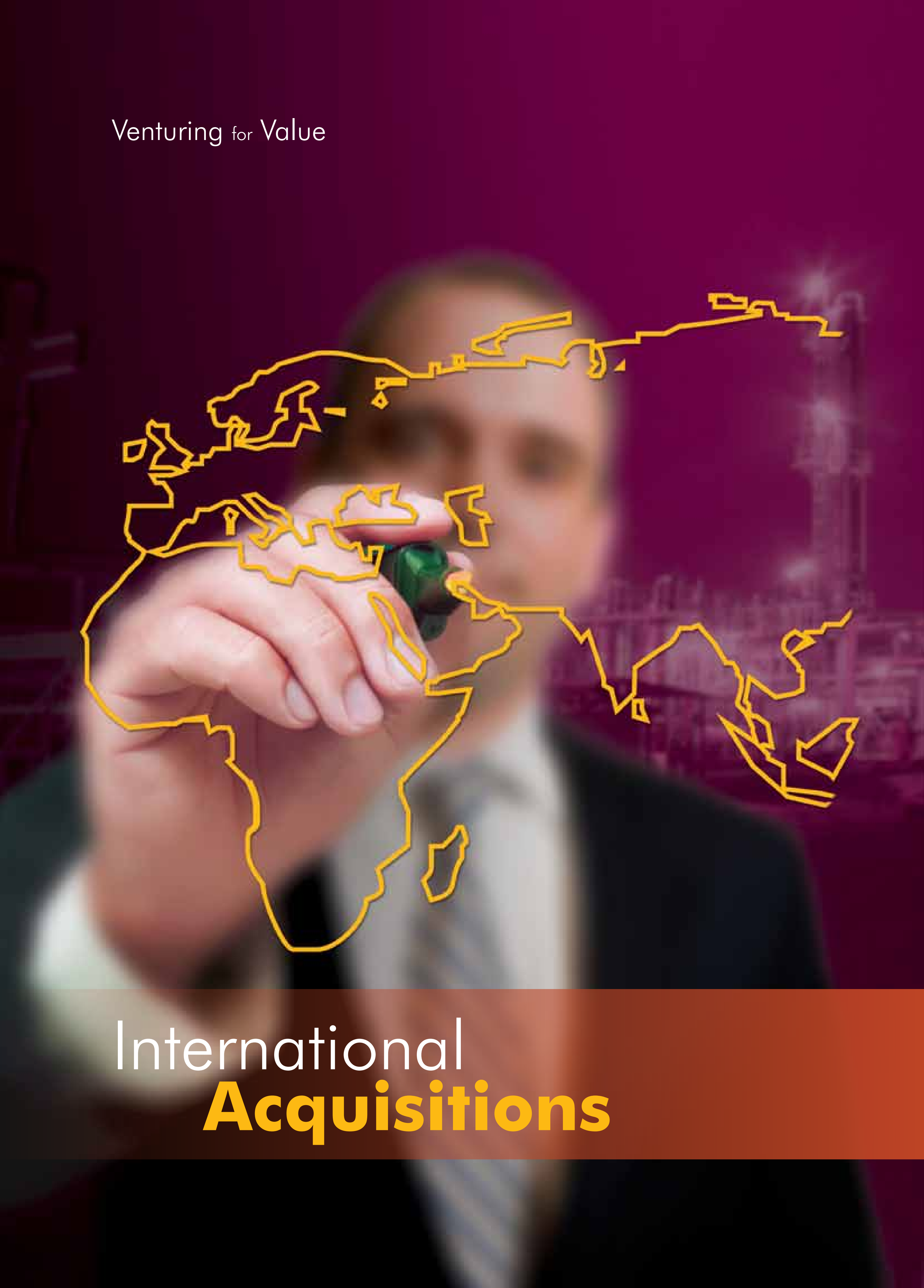
In order to enhance good governance and transparency, PPL has introduced a Whistle Blowing Policy. The Policy provides an avenue to employees / trainees and vendors to raise concerns and report legal and ethical issues like fraud, corruption or any other unlawful conduct or dangers to the public or the environment.

21. General Discipline

Every employee / trainee must adhere to Company's rules of service and make sure that he/she is familiar with all of them.

22. Reporting Violations / Disciplinary Actions

Any violation of this Code shall be promptly reported to the Human Resources department by any employee / trainee having knowledge thereof or having reasonable belief that such a violation has occurred.



International Acquisitions

PPL achieved a major national milestone by acquiring an exploratory block in Iraq, becoming the first State Owned Enterprise with transnational operations. The Company plans to invest a minimum of USD 100 million over the next 5 years to explore and develop the block, bringing in much-needed foreign exchange into the country.

PPL also acquired 100 percent shareholding in MND Exploration & Production Limited, renaming the subsidiary as PPL Europe E&P Limited. PPL Europe has working interest in one producing field and three Exploration Blocks in Pakistan as well as one Exploration Block in Yemen.

Mr. Asim Murtaza Khan | Mr. Sajid Zahid | Mr. Saquib H. Shirazi | Mr. Mohsin Aziz | Dr. Amer Sheikh

Profile of the Board of Directors

Mr. Asim Murtaza Khan
Chief Executive Officer and Managing Director

Mr. Asim Murtaza Khan was appointed Managing Director (MD) and Chief Executive Officer (CEO) by the Government of Pakistan on May 12, 2011. He is also a Member of the Board Operations and Finance, Human Resource, Nomination, Risk Management and Procurement Committees. Before his appointment as MD & CEO, Mr. Khan was Deputy Managing Director of the Company.

Mr. Khan earned his Bachelor's in Mechanical Engineering from NED University of Engineering and Technology, Karachi followed by a Masters in Mechanical Engineering from the University of Manchester Institute of Science and Technology, UK.

Mr. Khan joined PPL in 1982 and has since served on key senior positions, including General Manager Production, General Manager Projects for Mazarani Field Development, Manager Sui Gas Field, Senior Manager Field Operations, Manager Materials and Purchasing, Chief Drilling and Production, Production Engineer In-charge Adhi Field, Senior Design Engineer for Adhi Field Development, Design Engineer for Kandhkot Field Development Project, Construction and Planning and Progress Engineer for Sui Development and Production Engineer.

Mr. Khan is on the boards of Petroleum Institute of Pakistan (PIP), Pakistan Institute of Corporate Governance (PICG) and Community Development Board of the Government of Sindh. He is a member of the Local Council of the Institute of Engineers Pakistan (IEP) Karachi Centre, and the Executive Committee of the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA).

He has also attended several advanced technical and management training programmes and is an alumnus of the Kellogg School of Management, Northwestern University, USA.

Mr. Saeedullah Shah | Mr. Zain Magsi | Mr. Javed Masud | Mr. Javed Akbar

Mr. Sajid Zahid
Director

Mr. Sajid Zahid is the Joint Senior Partner of Orr, Dignam and Company and has been on PPL's Board of Directors since March 2000. He is also Chairman of the Board Audit Committee.

Mr. Zahid is a Barrister-at-Law from Lincoln's Inn, London with over 39 years of experience in corporate and commercial law. He has acted as Counsel in national and international arbitrations on behalf of leading local and foreign organizations, including oil and gas sector companies. Besides, Mr. Zahid has also contributed articles in prominent journals and presented papers at international conferences.

Mr. Zahid is a director of Habib Bank Limited. He has also served as director, Sui Southern Gas Company Limited, Chairman, First MicroFinance Bank Limited and member, Banking Laws Review Commission of Pakistan.

Mr. Saquib H. Shirazi
Director

Mr. Saquib H. Shirazi joined the PPL Board in July 2010 and is Chairman of the Board Nomination Committee and a member of Board Human Resource Committee.

Mr. Shirazi earned his Bachelor's in Economics from Wharton School, University of Pennsylvania, and went on to complete his Masters in Business Administration from Harvard Business School, USA.

He has considerable experience in commercial and investment banking through his association with the Bank of Tokyo-Mitsubishi, New York.

Currently, he is the Chief Executive Officer of Atlas Honda Limited and a member of the Group Executive Committee of the Atlas Group.

Mr. Shirazi also serves as director on the boards of Shirazi Investments Company (Private) Limited, Atlas Power Limited, Cherat Cement Limited and Pakistan Cables Limited.

Mr. Mohsin Aziz
Director

Mr. Aziz joined PPL's Board of Directors in March 2013 and is a member of the Board Operations and Finance and Human Resource Committees.

An industrialist by profession, he is Chairman of Aziz Group of Industries with interests in Textile Spinning and Match, Chipboard and Formica production units as well as interest in agriculture farming.

Mr. Aziz has held various prestigious offices during his career. He was a member of the Central Board of Directors, State Bank of Pakistan for two terms and was also on the boards of Pakistan Railways and Pakistan Industrial Development Corporation. Besides, he served as director of Habib Bank Limited and Peshawar Electric Supply Company as well as president of Sarhad Chamber of Commerce and Industry, Peshawar, two-time Chairman of All Pakistan Textile Mills Association and as Provincial Minister for Industries, Commerce, Labour, Mineral Development, Technical Education and Manpower in the Government of Khyber Pakhtunkhwa.

Presently, Mr. Aziz is member of the Board of Investment, Government of Pakistan as well as chairman of Pakistan Match Manufactures Association. He is also a life member of the Federation of Pakistan Chamber of Commerce and Industry.

Dr. Amer Sheikh
Director

Dr. Amer Sheikh joined PPL's Board of Directors in October 2012. He is also a member of the Board Audit, Nomination and Risk Management Committees.

A graduate from Allama Iqbal Medical College, Lahore, Dr. Sheikh also holds a Master's degree in History from University of Punjab along with a fellowship in Management from Netherlands.

Dr. Sheikh joined the Civil Services of Pakistan in 1990, after completing the Central Superior Services exams. Since then, he has been affiliated with various Federal Ministries and Divisions, serving as Community Welfare Attaché at the Embassy of Pakistan in Tripoli, Libya, Director, President Secretariat (Public) as well as Director General, Prime Minister's Secretariat (Public), Board of Investment, Islamabad.

Dr. Sheikh assumed the post of Joint Secretary (Administration and Corporate Affairs), Ministry of Petroleum and Natural Resources, Islamabad on 17 August, 2012, after completing the National Management Course from National School of Public Policy, Lahore.

Mr. Saeedullah Shah
Director

Mr. Saeedullah Shah joined PPL Board in August 2013. He is also a member of the Board Operations and Finance, Human Resource and Procurement Committees.

Mr. Shah holds Masters Degree in Petroleum Geology and brings with him rich experience of Petroleum Industry.

Mr. Shah has been working in various capacities in the Ministry of Petroleum & Natural Resources for last 29 years and has held the positions of Director General (Gas and Admin / Special Projects). Presently, he is the Director General Petroleum Concessions in the Ministry of Petroleum and Natural Resources since July, 2013.

Mr. Zain Magsi
Director

Mr. Zain Magsi joined Pakistan Petroleum Limited's Board in July 2010. He also serves as a Member of the Board Audit Committee.

Mr. Magsi graduated in 1997 from the University of Charleston, USA, and is an Information Technology (IT) professional with over 13 years of experience.

He has been associated with various reputable organizations, including Ericsson, Proxicom, Legg Mason, COMTek, Nine Yards Media, Sprint Communications and National Geographics.

Between 2007 and 2009, Mr. Magsi also served as Director Interactive Media and Public Relations in Captus Communications.

Mr. Javed Masud
Director

Mr. Masud joined PPL's Board of Directors in February 2013. He is the Chairman of Board Risk Management Committee and also a member of the Board Operations and Finance, Human Resource, Audit, Nomination and Procurement Committees.

A Masters in Economics from Boston University, USA, Masud has several national and international publications to his credit.

He served as the founding Chief Executive Officer of Pakistan Credit Rating Agency Limited (PACRA), the first organization of its kind in the country, for 13 years from 1994 until 2007. In recognition of his contribution for founding PACRA, he was awarded Sitara-e-Imtiaz by the Government of Pakistan in 2009.

Prior to that, Mr. Masud served as a civil servant for 25 years in various federal ministries, including Ministry of Planning, Finance and Production.

Besides, Mr. Masud was Pakistan's Consul General in South Korea and has served on deputation as Senior Executive Vice President and Regional Head, Bankers Equity Limited, Lahore. He was also member of Corporate Law Authority, now known as Securities and Exchange Commission of Pakistan. Mr. Masud has also worked as a financial and management consultant for the World Bank, IFC and the U.N.

Mr. Masud is a member of the board of Lahore Transport Company and chairs the board of IGI Finex Securities.

Mr. Javed Akbar
Director

Mr. Javed Akbar joined the PPL Board in September, 2010. He is the Chairman of Board Procurement Committee and also a member of Board Operations and Finance and Risk Management Committees.

Mr. Akbar holds a Masters Degree in Chemical Engineering from the United Kingdom and has 38 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak.

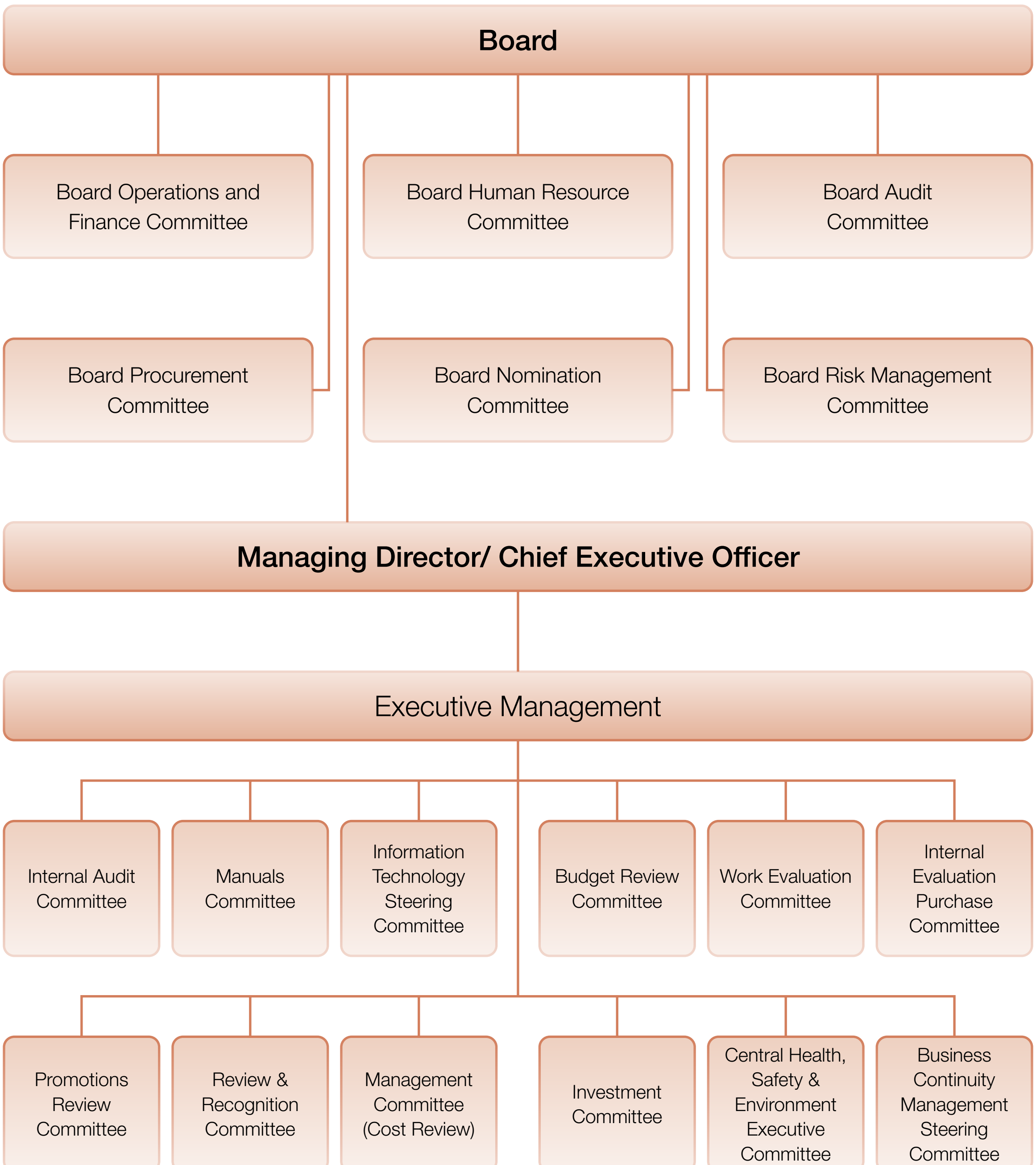
Between 1973 and 2000, he managed the Exxon and Engro fertilizer plants and their expansion in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada besides serving as human resources manager in Exxon, Pakistan.

In 2000, Mr. Akbar was appointed Chief Executive Officer of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. He was also part of the buyout team in 1991 when Exxon divested its stake in Engro.

After his retirement, he established a consulting company in 2006, specializing in strategic analyses and forecasting of petroleum, petrochemical and energy industry trends.

Mr. Akbar serves on the Board of Directors of Engro Fertilizer, Engro Powergen, Engro Vopak Terminal, Dawood Hercules, Dawood Hercules Fertilizers, Engro Powergen Qadirpur Ltd and Javed Akbar Associates and is on the panel of environmental experts of Sindh Environmental Protection Agency.

Governance **Framework**



Attendance of **Board** and **Committee** Meetings

Name	Board			Board Operations & Finance Committee			Board Human Resource Committee			Board Procurement Committee			Board Audit Committee		
	Members	Meetings[1]	Attendance	Members	Meetings[1]	Attendance	Members	Meetings[1]	Attendance	Members	Meetings[1]	Attendance	Members	Meetings[1]	Attendance
Mr. Asim M. Khan	•	8	8	•	5	5	•	9	9	•	1	1	-	-	-
Mr. Sajid Zahid	•	8	7	-	-	-	-	-	-	-	-	-	•	4	4
Mr. Saquib H. Shirazi	•	8	4	-	-	-	•	8	1	-	-	-	-	-	-
Mr. Mohsin Aziz[2]	•	2	2	•	1	1	•	1	1	-	-	-	-	-	-
Dr. Amer Sheikh[3]	•	6	6	-	-	-	•	4	4	-	-	-	•	3	3
Mr. Zain Magsi	•	8	1	-	-	-	-	-	-	-	-	-	•	4	0
Mr. Javed Masud[4]	•	2	2	•	1	1	•	1	1	•	1	1	•	1	1
Mr. Javed Akbar	•	8	6	•	5	5	-	-	-	•	1	0	-	-	-
Mr. Shoukat Saleem[5]	•	2	1	-	-	-	-	-	-	•	1	0	•	1	1
Mr. Qazi M. Saleem Siddiqui[6]	•	5	5	•	3	3	•	4	4	•	1	1	-	-	-
Mr. Sher M. Khan	•	3	3	•	2	2	•	5	5	-	-	-	-	-	-
Mr. Hamid A. Khan	•	2	0	•	1	1	-	-	-	-	-	-	•	1	1
Mr. Hidayatullah Pirzada	•	6	6	•	4	4	•	8	8	-	-	-	-	-	-
Mr. Saifullah K. Paracha	•	6	6	-	-	-	-	-	-	-	-	-	•	3	2
Mr. Saeed Akhtar	•	6	6	•	4	4	•	8	8	-	-	-	•	3	3

Notes
1. Held during the period concerned Director was on the Board
2. Appointed on Board in February, 2013 in place of Mr. Hidayatuallh Pirzada.
3. Appointed on Board in October, 2012 in place of Mr. Hamid Asghar Khan.
4. Appointed on Board in February, 2013 in place of Mr. Saeed Akhtar.
5. Appointed on Board in February, 2013 in place of Mr. Saifullah Khan Paracha.
6. Appointed on Board in November, 2012 in place of Mr. Sher Mohammad Khan.

Board **Committees**

The Board has established six Committees namely Board Operations and Finance Committee, Board Human Resource Committee, Board Audit Committee, Board Risk Management Committee, Board Procurement Committee and Board Nomination Committee for effective governance of the Company.

The Board Risk Management, Procurement and Nomination Committees are formed by the Board in compliance with the requirements of the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The compositions, roles and responsibilities of the Board Committees are clearly defined in their respective Terms of References.

Board **Operations and Finance** Committee

Composition

The Board Operations and Finance Committee is composed of the following:

• Mr. Mohsin Aziz	Chairman
• Mr. Asim Murtaza Khan	Member
• Mr. Saeedullah Shah	Member
• Mr. Javed Masud	Member
• Mr. Javed Akbar	Member

Terms of Reference

The Terms of Reference of the Board Operations and Finance Committee include review and recommendation for Board's approval matters relating to:

(i) Corporate Strategy, operational plan and long-term projections

(ii) Financial statements of the Company

(iii) Budgets

(iv) Progress review of all major projects and status of implementation of approved work program

(v) Selection of new exploration areas, farm-in(s) and farm-out(s) and surrender of exploration blocks

(vi) Strategies for development of existing and new petroleum discoveries

(vii) Cash and fund management policies and procedures

(viii) Major financial commitments of the Company

The Board Operations and Finance Committee met five times during the year with an average participation of 100% of its members.

Board **Human Resource** Committee

Composition

The Board Human Resource Committee is composed of the following:

• Mr. Mohsin Aziz	Chairman
• Mr. Asim Murtaza Khan	Member
• Mr. Saquib H. Shirazi	Member
• Mr. Saeedullah Shah	Member
• Mr. Javed Masud	Member

Terms of Reference

The Committee makes recommendations to the Board for maintaining (i) a sound organizational plan of the Company, (ii) an effective employee development programme and (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve set objectives.

The Terms of Reference of the Board Human Resource Committee include review and recommendation for Board's approval matters relating to:

(i) Changes in organization, functions and relationships affecting management positions

(ii) Establishment of Human Resource plans and procedures

(iii) Determination of appropriate limits of authority and approval procedures for personnel matters

(iv) Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions

(v) Review and evaluation of compensation policies, practices and procedures

The Board Human Resource Committee met nine times during the year with an average participation of 85% of its members.

Board **Audit** Committee

Composition

The Board Audit Committee is composed of the following non-executive Directors:

• Mr. Sajid Zahid	Chairman
• Dr. Amer Sheikh	Member
• Mr. Javed Masud	Member
• Mr. Zain Magsi	Member

Terms of Reference

The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status of audit observations.

The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any question of resignation or removal of external auditors, audit fees and provision by external auditor of any service to the Company in addition to the audit of its financial statements.

The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance and broadly include the following:

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company

(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance

(vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors

The Board Audit Committee met four times during the year with an average participation of 75% of its members.

Board **Risk Management** Committee

Composition

The Board Risk Management Committee is composed of the following:

• Mr. Javed Masud	Chairman
• Mr. Asim Murtaza Khan	Member
• Mr. Javed Akbar	Member
• Dr. Amer Sheikh	Member

Terms of Reference

The Risk Management Committee advises the Board on Company's overall risk appetite, tolerance and strategy taking account of the current and prospective macroeconomic and financial environment drawing on financial stability assessments that may be relevant for the Company's risk policies.

The Terms of Reference of the Committee include the following:

(i) Oversee and advise the Board on current risk exposures of the Company and future risk strategy

(ii) Keep under review the Company's overall risk assessment processes that inform the Board's decision making; set a standard for accurate and timely monitoring of large exposures and certain risk type of critical importance

(iii) Review Company's capability to identify and manage new risk types

(iv) Advise the Board on proposed strategic transactions including acquisitions or disposals focusing in particular on risk aspects and implications for risk appetite and tolerance of the Company

(v) Review effectiveness of the Company's internal controls and risk management systems

(vi) Review Company's procedures for detecting fraud and prevention of bribery

Board **Procurement** Committee

Composition

The Board Procurement Committee is composed of the following:

• Mr. Javed Akbar	Chairman
• Mr. Asim Murtaza Khan	Member
• Mr. Javed Masud	Member
• Mr. Saeedullah Shah	Member

Terms of Reference

The Committee ensures transparency in the procurement transactions and in dealing with the suppliers / service providers and compliance of the provisions of the Public Procurement Regulatory Authority (PPRA) Rules.

The Terms of Reference of the Committee include the following:

(i) Serves as an advisory forum to suggest measures to streamline and simplify procurement of goods and services

(ii) Review and decide on peculiar cases of procurement that are not explicitly covered by the provisions of the Public Procurement Regulatory Authority (PPRA) Rules

(iii) Identify, review and approve new and innovative procurement practices to strengthen, streamline and speedup the procurement process

(iv) Review the Company's policies / procedures for procurement of goods / services / works and recommend changes for improvement

(v) Review and approve awards of high value Engineering Procurement and Construction (EPC) Contracts and Original Equipment Manufacturer (OEM) Procurement Contracts

The Board Procurement Committee met one time during the year with an average participation of 60% of its members.

Board **Nomination** Committee

Composition

The Board Nomination Committee is composed of the following:

• Mr. Saquib H. Shirazi	Chairman
• Mr. Asim Murtaza Khan	Member
• Dr. Amer Sheikh	Member
• Mr. Javed Masud	Member

Terms of Reference

The Committee identifies and recommends candidates for the Board for consideration of the shareholders after examining their skills and characteristics that are needed in such candidates.

The Terms of Reference of the Committee include the following:

(i) Evaluate balance of executive and non-executive directors including independent directors and those representing minority interests with requisite range of skills, competencies, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in context of the Company's operations

(ii) Consider candidates on merit with due regard for benefits of diversity on the Board taking care that appointees have enough time available to devote to their positions

(iii) Identify and nominate for approval of the Board, candidates to fill vacancies as and when they arise

(iv) Monitor and assess the performance of Senior Management on a periodic basis and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose

Management **Team**

The Management Team is headed by the Chief Executive Officer / Managing Director and the Deputy Managing Director and the Functional Heads are its Members:

- Mr. Asim Murtaza Khan
  Chief Executive Officer /
  Managing Director

- Mr. Moin Raza Khan
  Chief Operating Officer /
  Deputy Managing Director

- Mr. Kamran Wahab Khan
  General Manager Finance /
  Chief Financial Officer

- Mr. Masroor Ahmad
  General Manager Human Resources

- Mr. Sultan Maqsood
  General Manager Corporate Services

- Mr. Anwar Hussain Mirza
  General Manager Information Technology

- Mr. Qamaruzzaman
  General Manager Projects

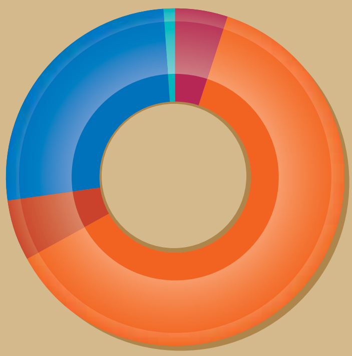
- Mr. Hayat Ahmad
  General Manager Exploration

- Syed Kaleem Akhtar
  General Manager Production
- Mr. Mohammad Ibrahim
  Head of Internal Audit
- Mr. Javed Siddiqui
  General Manager Commercial & Supply Chain

The Management Team discusses management issues in broad spectrum and formulates policies on short term / long term basis. The Team is responsible for devising strategies, reviewing key operational aspects, making operational and investment decisions, bringing about improvements to policies and procedures, allocating resources, planning and monitoring the implementation of the decisions.

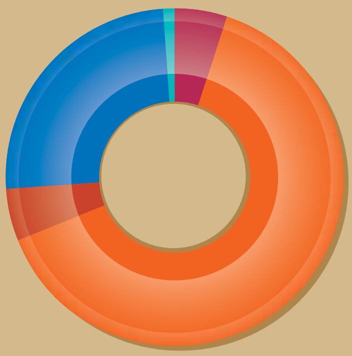
The Management Team meets fortnightly and as required.

Value Added FY 2012-13



- 5% Employees Remuneration & Benefits
- 62% Government
- 6% Shareholders other than the Government
- 26% Retained in Business
- 1% Society

Value Added FY 2011-12



- 5% Employees Remuneration & Benefits
- 64% Government
- 5% Shareholders other than the Government
- 25% Retained in Business
- 1% Society

Statement of **Value** Addition

	2012-13 Rs million	2012-13 %	2011-12 Rs million	2011-12 %
Gross Revenue (including Gas Development Surcharge (GDS), Excise Duty and Sales Tax))	123,938	108	119,646	103
Less: Operating and Exploration Expenses	(15,593)	(14)	(13,479)	(12)
	108,345	94	106,167	91
Add: Income from Investment	6,012	5	6,239	5
Other Income	881	1	5,381	5
Less: Other Expenses	(38)	-	(1,200)	(1)
Total Value Added	115,200	100	116,587	100
DISTRIBUTED AS FOLLOWS:				
Employees Remuneration and Benefits	6,242	5	5,506	5
Government as:				
Company Taxation	20,677	18	23,629	20
Levies (including GDS, Excise Duty and Sales Tax)	21,582	19	23,424	20
Royalty	12,292	10	11,471	10
Workers' Funds	3,295	3	3,455	3
Dividend **	11,092	10	10,741	9
Bonus Shares **	2,335	2	2,335	2
	71,273	62	75,055	64
To Shareholders other than the Government as:				
Dividend **	6,160	5	4,375	4
Bonus Shares **	951	1	951	1
	7,111	6	5,326	5
To Society				
Donations	64	*	59	*
Social Welfare/ Community Development	617	1	736	1
Free Gas Supply	389	*	305	*
	1,070	1	1,100	1
Retained in Business:				
Depreciation	3,279	3	3,208	3
Amortization	4,419	4	3,690	3
Net Earnings	21,412	19	22,523	19
	29,110	26	29,421	25
Financial Charges to providers of finance	394	*	179	*
	115,200	100	116,587	100

* Negligible

** Includes final cash dividend and issue of bonus shares recommended by the Board of Directors subsequent to the year end.

Global **Compact**

PPL takes pride in being a member and signatory of United Nations Global Compact (UNGC).

UNGC was developed in July 2000 as a major initiative to provide a human face to the global market and is aligned with United Nations' efforts, with particular reference to Millennium Development Goals. With over 8,700 signatories, including business and civil society, from over 130 countries, the Global Compact is currently the largest voluntary corporate responsibility initiative in the world, providing a leadership platform for participants to strengthen their commitment to sustainability and corporate citizenship. UNGC binds all participating organizations to share initiatives compliant with UNGC's ten principles, focusing on human rights, enabling working conditions for employees, environmental conservation and transparency.

PPL became a member of UNGC in April, 2006 and stands committed to UNGC principles of sustaining good governance practices, include sustainable socio-economic development of disadvantaged communities, environmental conservation and high standards of health and safety as well as human resource development.

Being a frontline E&P Company, PPL has executed many initiatives through its Corporate Social Responsibility Programme, focusing on healthcare, education, livelihood generation, infrastructure development and post disaster relief and rehabilitation for marginalized communities within and beyond its operational areas.

Human Rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

PPL's Commitment

PPL respects the dignity and rights of its human resource. Through our Corporate Social Responsibility Programme, we also support the right to education, healthcare and basic civic amenities for communities.

Principle 2

Businesses should make sure that they are not complicit in human rights abuses.

PPL's Commitment

PPL is highly committed to conduct its business in accordance with the highest ethical and legal standards.

Labour Standards

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

PPL's Commitment

We acknowledge and respect rights to freedom of association and collective bargaining. We are committed to address issues, problems and grievances proactively to regulate the Company's operations with dignity of labour, minimization of animosity and fostering a relationship of trust between management and workers.

Principles 4 & 5

Businesses should uphold elimination of all forms of forced and compulsory labour; and effective abolition of child labour.

PPL's Commitment

PPL supports abolition of child labour and elimination of all forms of forced and compulsory labour in its areas of operations or by any of its business partners and contractors.

Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

PPL's Commitment

PPL is committed to provide equal opportunities for employment as well as growth opportunities without any discrimination on the basis of race, sex, religion, language, social origin, birth or other status.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

PPL's Commitment

PPL is committed to environmental conservation by complying with National Environment Quality Standards.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

PPL's Commitment

PPL is committed to raise environmental awareness within the Company, suppliers and dealers through encouragement of eco-friendly practices. The Company works towards minimizing the adverse affects of operations on environment and believes in doing business in an environmental friendly and socially acceptable manner.

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

PPL's Commitment

PPL is committed to environment-friendly technology to reduce its carbon footprint.

Anti-Corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

PPL's Commitment

PPL is committed to eliminate corruption through implementation of ethical codes and policies that govern business operations and relationships with external stakeholders.

The ethical commitments and values are embedded in the Company's Code of Business Conduct, the compliance of which is mandatory for all employees. The Company has zero tolerance to all forms of corrupt practices including bribery, extortion and other forms of corruption.

Venturing for Value

Organizational Realignment

In view of rapid growth and shapeshifting business requirements, management announced major top-down changes in company structure and human resource allocation with a view to further streamlining operations, facilitating workflows and timely delivery of enhanced commitments on the one hand and transforming PPL into a fully integrated Exploration, Production and Development company on the other.

To fast track production from two back-to-back discoveries in Gambat South Block together with other development projects, a dedicated function has been created to oversee development and timely delivery of targets.

Mr. Asim Murtaza Khan
Chief Executive Officer / Managing Director

It gives me immense pleasure to report that your Company has achieved an impressive growth in its operations both locally and internationally and an exceptional performance was recorded during the year. The Company posted a healthy profit after tax of Rs 41.9 billion for the year 2012-13 translating into an Earnings per Share of Rs 25.53.

Managing Director's **Outlook**

Continuing with an aggressive strategy towards exploitation of hydrocarbon reserves of the country, PPL actively participated in the Exploration Bidding Round of the country held in 2013 and successfully won 11 Exploration Blocks including one in joint bid operated by partner. The Company is also taking a lead in the exploitation of unconventional hydrocarbon reserve potential of the country which holds the key for the future energy supplies.

During the year the Company's exploration efforts resulted in two consecutive discoveries Wafiq X-1 and Shahdad X-1 in PPL operated Gambat South Block located in Sindh. A third discovery in Lundali-1 well was made in partner operated Sukhpur Block in Sindh. Additionally, the Company successfully tested production from the deeper reservoirs from Adam X-1, Hala Block. Another important milestone was achieved through commencement of first tight gas production of the country from Rehman-1 well from partner operated Kirthar Block.

On the international front, an Exploration, Development and Production Service Contract was signed with Iraqi authorities for Exploration Block-8, Iraq won by the Company in the previous year. Activities are continuing for setting up a branch office in Iraq and as a first step, a wholly owned subsidiary has been established through which the Iraq branch operations will be controlled. During the year, the Company also acquired the entire share capital of MND Exploration and Production Ltd, a Company incorporated in England and Wales, which was renamed as PPL Europe E&P Limited. The incorporation of subsidiary and acquisition of MND has marked the Company's presence in the international business arena through ownership of foreign subsidiaries.

In another significant development during the year, PPL joined hands with Orion Energy Plc., a UK based Exploration Company, by signing a Joint Study Agreement for Pakistan Off-Shore Exploration and a Memorandum of Understanding for Kandhkot Gas to Power Project. It is a great pride for the Company that international companies prefer partnering with PPL for joint project initiatives that are expected to bring substantial foreign investment in the country.

The Company is keeping pace with the application of the state of the art and modern technologies in operations and is the first in the country to carry out Stress Field Detection (SFD) survey, a cutting edge, eco-friendly airborne reconnaissance method to identify potential hydrocarbon traps and reservoirs in a timely and cost-effective manner, in it's three Blocks in Kharan.

The operating environment in the country has become increasingly challenging with added emphasis by regulatory authorities on safe operating procedures. The Company recognizes safety as the key component of operational excellence and is committed to incorporate industry best health, safety and environmental practices in the overall operating setup. The Company also gives utmost importance to training of employees and contractors to enhance safety awareness and minimize incidents.

The recent success has given tremendous boost to our commitments and efforts for ensuring safe and reliable energy supplies and readied us to face more challenges in years to come in the energy industry. The achievements could not have been possible without the concerted efforts of our Employees who deserve full compliments. We are also thankful to the continued support of the Government of Pakistan, the Board of Directors and Shareholders, whose unfaltered trust and confidence in the Management has enabled us to aim and achieve the best.

(ASIM MURTAZA KHAN)
MANAGING DIRECTOR /
CHIEF EXECUTIVE OFFICER

Karachi
21 August, 2013

Directors' Report

Your directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended 30 June, 2013 together with the Auditors' Report thereon.

Profit and appropriations

The Directors propose following appropriations out of the profit for the current year:

	2012-13	2011-12
	Rs million	
		(Restated)
Profit before Taxation	**62,627.743**	64,554.950
Taxation	**(20,676.547)**	(23,629.434)
Profit after Taxation	**41,951.196**	40,925.516
Unappropriated profit as at 1 July, 2012/2011	**68,306.347**	47,789.507
	110,257.543	88,715.023
Appropriations during the year		
– Acquisition of 100% shareholding of PPL Europe E&P Limited	**15,664.177**	-
– Transfer to Insurance Reserve	**(5,000.000)**	(5,000.000)
– Transfer to Assets Acquisition Reserve	**(5,000.000)**	(5,000.000)
– Transfer to Dividend Equalisation Reserve	**(5,000.000)**	-
– Final dividend for the year 2011-12 on Ordinary shares @ 65% (2010-11: 20%)	**(8,544.101)**	(2,389.958)
– Interim dividend for the year 2012-13 on Ordinary and Convertible Preference shares @ 50% (2011-12: 50%) and 30% (2011-12: 30%), respectively	**(8,215.524)**	(6,572.426)
– Issuance of Bonus shares @ 25% (2010-11: 10%)	**(3,286.193)**	(1,194.979)
– Other Comprehensive Income (actuarial gains & losses)	**(797.727)**	(251.313)
Balance as at 30 June, 2013/2012	**90,078.175**	68,306.347

Subsequent Effects

	2012-13	2011-12
The Board of Directors of the Company in their meeting held on 21 August, 2013 have proposed the following:		
– Transfer to Insurance Reserve	**5,000.000**	5,000.000
– Transfer to Assets Acquisition Reserve	**5,000.000**	5,000.000
– Final dividend on Ordinary shares @ 55% (2011-12: Ordinary shares 65%)	**9,037.030**	8,544.101
– Issue of Bonus shares in proportion of one (1) Ordinary share for every five (5) Ordinary shares held i.e. 20% (2011-12: 25%)	**3,286.193**	3,286.193
	22,323.223	21,830.294

Financial Results

The sales revenue of Rs 102.3 billion for the year was higher by 6.3% compared to Rs 96.2 billion of previous year, resulting in increased profitability of Rs 41.9 billion for the year as compared to Rs 40.9 billion during the previous year.

The increase in sales revenue and profitability is mainly due to the impact of higher international oil prices and depreciation of Pakistani Rupee against US Dollar. The Earnings per Share (EPS) of the Company for the year stood at Rs 25.53 against Rs 24.91 for 2011-12.

Field expenditure during the year increased by 13% as compared to the previous year mainly due to 3D seismic acquisitions in Adhi, Tal, Sirani and Digri Blocks, 2D seismic acquisitions in Kharan, Tal, Naushahro Firoz, Zindan, Dhok Sultan and Ghauri Blocks and increase in depreciation and amortization charges due to capitalization of new wells during the current year.

Other operating income of Rs 6.9 billion was earned mainly due to mark-up on placements of term deposits with banks. Investment in Treasury Bills also contributed towards current year's profits of the Company.

Liquidity Management and Cash Flow Strategy

The Company's cash and cash equivalents were decreased by Rs 2.4 billion as compared to last year. The funds were utilized mainly for capital expenditures, acquisition of subsidiary (PPL Europe E&P Limited), investment of funds and payment of dividends to share holders. At the end of the year, the Company had a liquid fund position comprising of cash and cash equivalents amounting to Rs 34.5 billion.

In order to resolve the issue of inter-corporate circular debt prevailing in the energy sector, the Government of Pakistan has taken a number of initiatives and in this respect, the Company was directed to invest in Pakistan Investment Bonds (PIBs) having face value of Rs 21.3 billion to enable Government to arrange settlement of overdue receivables. PIBs, issued by the Government, are liquid and tradable in secondary market. At present, the Company's funds to the tune of Rs 26.9 billion are still tied-up in inter-corporate circular debt.

Directors' Report

Detailed financial projections are prepared and regularly updated to ensure availability of funds at all times while generating optimum returns through placement of surplus liquid funds in various available investment avenues. The Company follows a risk averse investment policy for placement of its' surplus funds to ensure that the investment portfolio of the Company is secured and well diversified.

A rigorous vigilance system is in place whereby the Company's existing investment portfolio and new proposals for long term investments are extensively reviewed by the Investment Committee comprising of Senior Management Staff.

Current cash requirements are adequately financed through internal cash generation without recourse to external financing. However, the Company has substantial borrowing capacity to meet its higher future cash requirements.

Dividends

The Directors have recommended a final cash dividend on Ordinary shares at 55% (2011-12: 65%) and issue of bonus shares in proportion of one (1) Ordinary share for every five (5) Ordinary shares held i.e. 20% (2011-12: 25%) by capitalization of free reserves of the Company. This is in addition to an interim dividend of 50% (2011-12: 50%) on Ordinary shares and 30% (2011-12: 30%) on Convertible Preference shares paid to the shareholders.

Operations and Significant Events

We are pleased to advise the following significant events during the review period:

New Discoveries

- First exploration well Wafiq X-1, drilled in PPL operated Gambat South Block, was successfully declared as Gas / Condensate discovery in June, 2013.
- Second exploration well Shahdad X-1, drilled in PPL operated Gambat South Block, was successfully declared as Gas / Condensate discovery in July, 2013.
- First exploration well Lundali-1, drilled in partner operated Sukhpur Block, was successfully declared as gas discovery in June, 2013.

Production Testing of Deeper Reservoirs

Exploration well Adam X-1 drilled at PPL operated Hala field successfully completed the production testing of Deeper Reservoir of Lower Basal Sands during Drill Stem Test.

Acquisition of MND Exploration and Production Ltd.

As part of its strategy of growth through acquisitions, PPL acquired the entire share capital of MND Exploration and Production Ltd, a Company incorporated in England and Wales, and the transaction was successfully completed in March 2013.

Signing of EDPSC Iraq

After Company's successful bid for the Block-8, Iraq, Exploration, Development and Production Service Contract (EDPSC) signing took place in November 2012.

First Tight Gas Production in the country

First tight gas production of the country was achieved from Rehman-1 well in June 2013 from partner operated Kirthar Block.

Acquisition of 11 New Exploration Blocks

The Company actively participated in the Exploration Bidding round held in March, 2013 and successfully won 11 Exploration Blocks.

1st Stress Field Detection (SFD) in the country

PPL carried out Stress Field Detection (SFD) survey, the first in the country in three Kharan Blocks. SFD is a cutting edge, eco-friendly airborne reconnaissance method to identify potential hydrocarbon traps and reservoirs in a timely and cost-effective manner.

Market Share

PPL, being the pioneer natural gas producer in the country, has been playing a crucial role since 1955 in augmentation of indigenous hydrocarbon reserves. Presently PPL's share in the country's total natural gas production stands at around 22%.

PPL continues to strive for enhancing its hydrocarbon reserves and optimizing production in order to maintain its position as the premier exploration and production Company of the country.

Production during the Year

PPL operates six producing fields namely Sui, Kandhkot, Adhi, Mazarani, Chachar and Hala and has working interests in 8 partner operated producing fields / discoveries. Through these assets, the Company strives to play its role in meeting energy requirements of a large number of domestic, industrial and other consumers. The Company is focused on enhancing production from operated and partner operated fields by deploying latest technology.

Daily gas production from PPL and partner operated fields is nearly 1 billion cubic feet (Bcf) per day. The Company's major customers comprise Sui Southern Gas Company Limited (SSGCL), Sui Northern Gas Pipelines Limited (SNGPL) and Central Power Generation Company Limited (GENCO-II).

Following is a comparison of current year's production with the previous year from PPL's 100% owned fields and its share from all PPL and partner-operated Joint Ventures:

	2012-13	2011-12
Natural Gas (Million cubic feet)	**331,510**	364,948
Crude Oil (Thousand barrels)	**2,949**	2,249
NGL (Thousand barrels)	**686**	862
Condensate (Thousand barrels)	**51**	58
LPG (Tonnes)	**17,136**	20,869

The production during the period under review, including share from Joint Ventures, averaged at 908 MMscfd of gas, 8,079 bpd of oil, 2,019 bpd of NGL / condensate and 47 tonnes of LPG per day.

FIELDWISE REVIEW OF OPERATIONS – PERFORMANCE AND FUTRUE PROSPECTS

PPL OPERATED PRODUCING FIELDS

Sui Gas Field (100% PPL)

Sui Gas Field has been the prime source of supply of gas in the country, meeting country's substantial part of gas demand since its discovery more than 60 years ago. Despite that the field is now under depletion phase, the supply from the field remained as per contractual obligations. The volume of gas sales during the year was 157,339 MMscf against 165,475 MMscf.

Field activities during the current year are described below:

- The drilling of Horizontal well Sui-98(U) was started in October 2012. The well has been completed as single gas producer from SUL formation in June 2013 and tested to produce 3 MMscfd gas. Installation of surface fittings and feederline is in progress and is expected to be completed by September 2013.

- AVO study on 235 Sq Km 3D data completed at Pab level based on which locations of Sui-100 (P) and Sui-94 (P) were finalized. AVO study for shallow reservoirs is expected to be completed by mid September 2013.

- Compressor Station and Dehydration Plant remained in operation satisfactorily throughout the period. Purification Plant also remained in normal operation for purification of raw gas and dehydration of sweet gas. Special emphasis was given to enhance the reliability of equipment and up-gradation of Plant.

Revamping of Existing SML Compressors at SFGCS

The existing SML Compressors installed at Sui Field Gas Compression Station (SFGCS) will complete their designed operating life by early 2015. In order to arrest decline and enhance recovery, existing SML Compressors are being revamped by replacing their internal bundles with newly designed bundles through Original Equipment Manufacturer (OEM). Order for the main/ major Compressor equipments has been placed with OEM for delivery in third quarter of 2013-14. Project completion is expected in fourth quarter of 2014-15.

Sui HRL Field Development

First Habib Rahi Limestone (HRL) well Sui-97(H) has been commissioned in December, 2012 for average daily production of 15 MMscfd.

The second well, Sui-99(H) has been successfully completed as a single string gas producer in January, 2013. The well has been tested to produce 17 MMscfd gas. Installation of surface fittings and feederline on well Sui-99(H) has been completed in June 2013. HRL gas would be brought in production after necessary regulatory approvals.

Kandhkot Gas Field (100% PPL)

Gas from Kandhkot Field is mainly supplied to GENCO-II and SNGPL for use at Guddu Thermal Power Station. A nominal quantity of gas is also supplied to SSGCL for Kandhkot Town. Gas sales from the field were maintained throughout the year according to customers need. The volume of gas sales during the year was 58,213 MMscf against 68,578 MMscf in 2011-12. Kandhkot Field's supply capacity of 200 MMscfd remained underutilized by 40 MMscfd due to lower offtakes by GENCO-II during the year, which is the main reason for reduced gross gas production compared with previous year.

Development well Kdt-28(M) was successfully completed in February, 2013 as single gas producer from SML formation. The well has been tested to produce 19 MMscfd gas and installation of surface fittings and feederline is in progress.

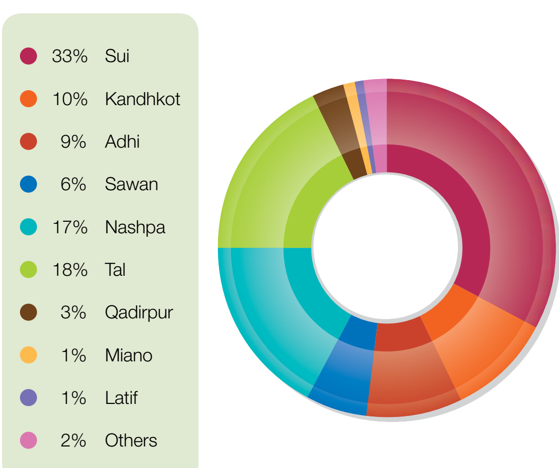
Interpretation / mapping of newly acquired / processed 3D seismic data of 472 Sq. Km has been completed by SAGeo, Islamabad followed by GIIP and reserves estimation.

Adhi Field (PPL share 39%)
PPL / OGDCL / POL Joint Venture
(Operator : PPL)

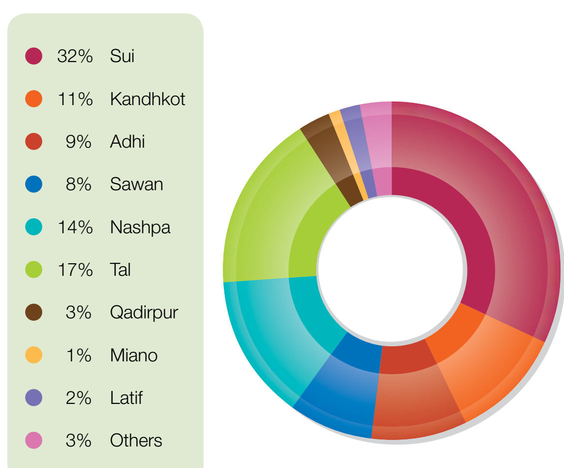
Current year's total sales volume from Adhi field compared with the previous year is as follows:

	2012-13	2011-12
Natural gas (Million cubic feet)	**11,338**	12,497
NGL / Crude Oil (Thousand barrels)	**2,334**	2,298
LPG (Tonnes)	**41,645**	43,467

Sales Revenue 2012-13



Sales Revenue 2011-12



Directors' Report

A total of eleven wells are in production at Adhi. Two wells are producing crude oil from Sakesar formation and the remaining are Tobra/Khewra wells producing Oil, NGL and Gas. LPG is also extracted from the Plant feed and sold to customers.

The current daily production rates are around 32 MMscf Gas, 125 tonnes LPG, 1,500 Bbl NGL and 4,900 Bbl crude oil. Gas, LPG and NGL production rates have decreased due to reduced gas deliverability of some wells owing to change in fluid composition and natural decline.

Following major activities were performed during the year to enhance production from the field:

- Adhi-19 (T/K) well was spud in November, 2012 with planned TD of 3,052m. Tobra and Khewra are the primary targets and well has been drilled upto 2,250m. Drilling is in progress.
- Re-perforation job at Adhi-16(T/K) to maximize the contribution of both Tobra and Khewra formations was successfully completed and resulted in increase in production of oil and gas.
- In order to optimize future well locations in Adhi, a full fold 3D sesmic survey was commenced in May 2012, covering about 450 Sq Km. Data acquisition has been completed and its interpretation is planned to be completed by September 2013.
- EPF Revamp Project was successfully completed and resulted in production of additional 8 -10 M.ton of LPG, 1 MMscfd sales gas and about 100 bbl/day of NGL.
- Installation of 30 MMscfd LPG/NGL Plant-III is planned during 2013-2014 with expected completion in third quarter of 2014-15.

Mazarani Gas Field (PPL share 87.5%)
PPL / GHPL Joint Venture
(Operator : PPL)

Mazarani Gas Field comprises of Gas Processing Plant and a 75 Km long gas transmission pipeline for injection of Mazarani gas into SSGCL's Indus Right bank transmission system.

The total volume of gas sold from Mazarani to SSGCL during current year was 2,384 MMscf as compared to 3,390 MMscf during previous year. Current production is around 7 MMscfd gas and 18 Barrels per day of condensate.

A total of four wells have been drilled to-date in Mazarani Field. Out of these four wells, Maz-1 well was plugged and abandoned while Maz-2(L), Maz-3(L) and Maz-4(L) wells have been completed in Laki formation and are in production. The field is in depletion phase with increase in water production.

Acid stimulation job followed by surface well testing was carried out on Maz-4(L) well to enhance its production.

Chachar Gas Field (PPL share 75%)
PPL / GHPL Joint Venture
(Operator : PPL)

A total of four wells have been drilled in Chachar Field, of which Chachar 1 & 2 are in normal operation. The total volume of gas sold from Chachar Field during 2012-13 was 1,438 MMscf as against 1,912 MMscf during 2011-12. The field is currently producing about 5 MMscfd gas.

BHP survey of Chachar-2 SML and Chachar-3 SUL were carried out during Annual Turn Around maintenance.

Hala Gas Field (PPL share 65%)
MPCL / PPL Joint Venture
(Operator : PPL)

The Field is producing Gas, Condensate and LPG from single well Adam-X1 under EWT.

Hala Plant was operating from Upper Basal at reduced choke to limit water and sand production from Adam X-1. The well was shut-in in March 2013 for workover and was re-completed in Lower Basal. Estimated production after workover will be 9 MMscfd gas, 6 Tonnes / day LPG and 80 BBLs/ day condensate.

PARTNER OPERATED PRODUCING FIELDS

Block- 2768-3 (Block-22) (PPL share 35.5263%)
PEL / PPL / PEII / GHPL Joint Venture
(Operator : PEL)

Block-22 is currently producing around 8 MMscfd from 6 wells. Production from the field has declined over the last few years due to water incursion. The total volume of gas sold from Block-22 during the current year was 2,679 MMscf as against 3,617 MMscf during the previous year.

Sawan Gas Field (PPL share 26.184%)
PPL / ENI / PPLE / GHPL / OMV Joint Venture
(Operator : OMV)

A total 16 wells have been drilled in Sawan Field and currently 14 are producing about 222 MMscfd gas, which is supplied to SNGPL and SSGCL. The total volume of gas sold from Sawan Field during the current year was 57,399 MMscf as against 74,274 MMscf during the previous year.

Fracturing of Sawan-12 was completed in December 2012.

Miano Gas Field (PPL share 15.16%)
PPL / ENI / OGDCL / OMV Joint Venture
(Operator : OMV)

Miano gas is being jointly processed with Kadanwari gas at Kadanwari Plant. The field is supplying gas to SSGCL from six Miano wells. The total volume of gas sold from Miano Field during the current year was 22,068 MMscf as against 23,968 MMscf during the previous year.

Tie-in job of Miano-12 was completed and the well was commissioned in November 2012. The well flowed minimal quantity of gas and production ceased due to water holdup. Operator is evaluating the data for recovering the well. Miano-14ST well was spud in September 2012. The well has been temporarily abandoned and testing data is being evaluated.

The Government has granted D&PL over Miano Tight Gas Reservoir under Tight Gas Policy.

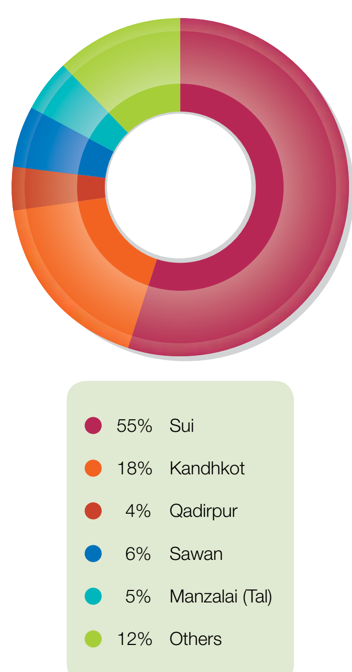
Qadirpur Gas Field (PPL share 7%)
PKP / KUFPEC / PPL / OGDCL Joint Venture
(Operator : OGDCL)

Qadirpur Gas Field is the second largest gas field of the country with recoverable gas reserves of 4.2 Tcf. A total of fifty eight (58) wells have been drilled in Qadirpur out of which 44 are producing. The total volume of gas sold from Qadirpur Gas Field during current the year was 167,876 MMscf as against 180,400 MMscf during the previous year. The current daily production rates are around 535 MMscfd gas and 780 Barrels of condensate.

Following major activities have been carried out during the year:

- Drilling of the HRL-06 well was completed in July 2012 and the well flowed gas at 2 MMscfd
- Drilling of the QP-46 (SUL) well was completed in November 2012 and post acid well testing produced 2 MMscfd Gas.
- QP-48 (SUL-Horizontal) well was spud in March 2013. Well was completed and injected into the system which is producing about 4.5 MMscfd gas
- Drilling of the QP-49 (SML-ERW) well was completed and injected into the system which is producing about 9 MMscfd gas.
- Drilling of two development wells QP HRL-7 & QP47 (ERW) is in progress.
- Two ex-Pirkoh Compressors relocated to Qadirpur Field have been installed and commissioned. Dismantling of third Compressor from Pirkoh field has been completed and it's shifting / installation is in progress.

Fieldwise Production of Natural Gas 2012-13



- Reprocessing of 315 Sq Km 3D seismic data (PSTM) has been completed while PSDM of data is still in progress at Western Geco, Cairo. Processing of newly acquired 196 L Km 2D seismic data has been completed by FSI. AVO inversion of reprocessed data is also in progress at Western Geco, Cairo.

- Sedimentological / Reservoir characterization study of SUL, HRL, and Pirkoh Limestone in Qadirpur gas field has been carried out.

Block 3370-3 (Tal) (PPL share 27.763%)
PPL / OGDCL / GHPL / POL / MOL Joint Venture
(Operator : MOL)

Following is a comparison of current year's sale with the previous year from Tal Field:

	2012-13	**2011-12**
Natural gas (Million cubic feet)	**97,060**	112,962
Crude Oil / Condensate (Thousand barrels)	**3,665**	2,987

So far six discoveries viz., Manzalai, Makori, Mamikhel, Maramzai, Makori East and Tolanj have been made in the Block, which are detailed as under:

Manzalai Discovery

As part of second phase of the development, 300 MMscfd capacity CPF has been installed. So far ten wells (1 exploratory, 1 appraisal and 8 development) have been drilled, whereas well Manzalai-10 was commissioned in June 2013. Production during the year from Manzalai field was about 168 MMscfd gas and 2,415 bpd condensate.

During the year a total of 59,817 MMcf gas and 2,058 thousand barrels condensate were sold from Manzalai.

Makori Discovery

So far three wells (1 exploratory, 1 appraisal and 1 development) have been drilled however appraisal well has been abandoned as dry hole. Production during the year from Makori field was about 8 MMscfd gas and 394 bpd condensate. During the year a total of 2,522 MMscf gas and 654 thousand barrels condensate were sold from Makori.

Installation of 150 MMscfd capacity Makori Gas Processing Facility with handling capacity of 10,000 bpd condensate and 20,000 bpd oil is in progress with expected first gas by November 2013.

Upon completion of EWT of the discovery well Makori-1, Field Development Plan was submitted to the Government.

Mamikhel Discovery

Evaluation of Mamikhel discovery by conducting an EWT of the discovery well, Mamikhel-1 and Mamikhel-2 is in progress. Production during the year was about 31.50 MMscfd of gas and 1,515 bpd of condensate. During the year a total of 11,363 MMscf gas was sold from Mamikhel.

Maramzai Discovery

Evaluation of Maramzai discovery by conducting an EWT of the discovery well, Maramzai-1 and Mamikhel-2 is in progress. Production during the year was about 50 MMscfd of gas and 1,885 bpd of condensate. Well Maramzai-2 commissioned in May 2013.

During the year a total of 17,942 MMscf gas was sold from Maramzai.

Makori East Discovery

Exploratory well Makori East-1 and appraisal well Makori East-2 have been successfully tested and completed as gas / condensate producers. In order to get early production from the wells and acquire dynamic data from the discovery for evaluation, the wells have been connected with the Makori EPF. Drilling of development well Makori East-3 is in progress.

Production during the year was about 15 MMscfd gas and 4,240 bpd crude oil. During the year a total of 5,416 MMscf gas and 953 thousand barrels crude oil were sold from Makori East.

Tolanj Discovery

Exploratory well Tolanj-1 has been successfully tested and completed as gas producer. EWT of the well is planned for which different options are under evaluation.

Block 3370-10 (Nashpa) (PPL share 26.05%) PPL / GHPL / OGDCL Joint Venture (Operator : OGDCL)

So far two discoveries namely Mela and Nashpa have been made in the Block.

Mela Discovery

Production from the discovery well Mela-1 and appraisal wells Mela-2 and 3 through EPF continued during the year. Current production from Mela-1, Mela-2 and Mela-3 is about 3,650 bpd oil and 17.90 MMscfd gas. Development well Mela-4 was spud in April 2013 with a planned TD of 5,050m in the Datta Formation. Currently, drilling below 1,387m in the Kuldana Formation is in progress. FDP has been approved by the Government in April 2013.

During the year a total of 6,225 MMscf gas and 1,306 thousand barrels of crude oil were sold from Mela EPF.

Nashpa Discovery

Production from the discovery well Nashpa-1 and appraisal wells Nashpa-2 and 3 through EPF continued during the year. Current production from field is about 13,535 bpd oil and 47 MMscfd gas. During the year a total of 15,637 MMscf gas and 4,658 thousand barrels of crude oil were sold from the field.

Drilling of appraisal well Nashpa-4 is in progress. FDP has been approved by the Government in June 2013.

Installation of 100 MMscfd capacity CPF comprising of LPG Extraction Plant and Dehydration Unit at Nashpa Field (for processing both Nashpa and Mela field gas) is planned. The Project completion is expected by June 2014.

Block 2669-3 (Latif) (PPL share 33.30%) PPL / OMV / ENI Joint Venture (Operator : OMV)

Latif Development and Production lease was approved by the Government in June 2012. Under the approved Development plan, production from Latif field will be processed at Sawan Plant. Currently about 50 MMscfd gas from Latif field is being processed at Kadanwari Plant. A 50 km, pipeline is being laid from Latif to Sawan and the Project is planned to be completed by November 2013.

Latif wells 5, 6 and 7 have been drilled and completed as gas producers. During the year a total of 13,529 MMscf gas was sold from Latif Field against 20,150 MMscf in the previous year.

Block 2668-4 (Gambat) (PPL share 23.68%) PPL / OMV / ENI / GHPL Joint Venture (Operator : OMV)

A total of 3 development wells have been drilled, of which Tajjal-1 and 4 are producing. Currently about 22 MMscfd gas from Tajjal field is being processed at Sawan Plant. During the year a total of 10,417 MMscf gas was sold from Tajjal.

Tajjal Reception Facility up-gradation job is in progress. Tajjal Wellhead Compression project is under progress and is expected to be completed by August 2013.

Block 2667-7 (Kirthar Block), (PPL share 30%) PPL / POGC Joint Venture (Operator : POGC)

So far one discovery Rehman-1 has been made in the Block. Appraisal of wells Rehman-1 and Hallel X-1 is in progress through EWT and first gas was achieved in June 2013 which is the first tight gas production in Pakistan.

EXPLORATION ACTIVITIES

Company's exploration strategy is focused on evaluating prospective areas for direct participation and pursuing farm-in opportunities. Aligned with its aggressive exploration programme to optimize production and replenish hydrocarbon reserves, PPL won 11 exploration blocks, including one through joint bidding, offered in the latest bidding round held in March 2013.

Directors' Report

Currently, PPL together with its subsidiary has a portfolio of 48 exploration Blocks of which the Company operates 27, including one (1) concession in Iraq, while 21 including three offshore Blocks in Pakistan and two onshore Blocks in Yemen, are operated by Joint Venture partners.

Company's exploration activities and seismic operation gained further momentum during the year. A cumulative data of 2,913 L.km 2D and 3,616 Sq Km 3D seismic was acquired and 3,363 L.km 2D and 3,950 Sq Km 3D seismic data was processed during the year mainly in Kandhkot, Adhi, Qadirpur, Sirani, Kharan, Zindan, Naushahro Firoz, Nashpa, Tal, Gambat, Sukhpur, Digri and Offshore Indus-G.

A review of both PPL and partner operated Exploration Blocks is given below:

PPL OPERATED BLOCKS

Block 2568-13 (Hala) (PPL share 65%)
PPL / MPCL Joint Venture

Merging, reprocessing and inversion of all three acquired 3D seismic volumes in the Block followed by in-house interpretation/ mapping has been completed. Based on technical and economic evaluation, JV partners agreed to drill 3rd exploration well in the Hala Block over Adam West Prospect.

Workover of Adam X-1 to test hydrocarbons in Lower Basal Sand was successfully completed in June, 2013 and the well flowed 12 MMscfd Gas and 120 bpd Condensate.

To exploit the unconventional Shale Gas potential in the Block, lab analysis of Talhar Shale cores of Bhit Shah X-1 has been completed by M/s. Weatherford, Houston. The study suggested that Talhar shale gas development in Hala block is not feasible.

Application for nine months extension in Phase-II of EL is under consideration of the Government.

Block 2969-8 (Barkhan) (PPL share 35%)
PPL / PPLE / OMV Joint Venture

Out of the six prospects identified in the Block, spud-in of Aro Khan X-1 was planned by December 2012 however the drilling activities were put on hold due to security reasons. After concerted efforts by PPL, drilling contractor agreed to resume drilling operations. Accordingly, rig mobilization has been completed and spud-in of well is planned in first quarter 2013-14.

PPL has also planned to drill Miriwah Prospect as second exploratory well wherein procurement of Long Lead Items (LLI) has been initiated and delivery is expected by December, 2013. Spud-in of well is expected by August, 2014.

Block 2966-1 (Nushki) (PPL share 65%)
PPL / Eni Joint Venture

Relinquishment of Block was agreed by JV partners and a notice was served to the Government for relinquishment.

Block 2766-1 (Khuzdar) (PPL share 65%)
PPL / Eni Joint Venture

JV Partner agreed to drill first exploration well at Karkh Prospect. Construction of camp site was completed wherein due to severe difficulties in cutting of hard rocks at well site and security issues, well site construction was suspended. Now, well site construction work is to be carried out by FWO and the well to be spud in February, 2014.

The Government has approved entry into Phase-II of EL which is valid up to December, 2013.

Block 2866-2 (Kalat) (PPL share 35%)
PPL / Eni / OMV Joint Venture

The interpretation and mapping of 200 L.Km 2D seismic data with conjunction of geological understanding, identified three prospects in the Block. However due to complex subsurface geology, the quality of seismic data was poor. To firm up drillable prospects additional 156 L.Km seismic is planned for selected leads using Wide Line Technique which is useful in complex terrains.

Block 2971-5 (Bhawalpur East) (PPL share 49%)
PPL / ZhenHua Joint Venture

Exploration well Bahawalpur X-1 was drilled in March, 2012 and was plugged and abandoned as dry hole due to discouraging results. A detailed

in-house post well evaluation and study for remaining Block prospectivity were conducted. Since the remaining hydrocarbon prospectivity was considered to be very limited therefore JV partners agreed to relinquish the Block.

Block 2568-18 (Gambat South) (PPL share 65%) PPL / GHPL / AROL Joint Venture

First exploration well Wafiq X-1 was spud in February, 2013 and reached TD of 3,550m in Lower Goru Massive Sand in May, 2013. Well was declared as gas/ condensate discovery in June, 2013.

Second exploration well Shahdad X-1 was spud-in in March, 2013 and reached TD of 3,665m in Lower Goru Massive sand in June, 2013. Well was declared as Gas/ Condensate discovery in July, 2013.

In-house G&G evaluation and remaining Block prospectivity evaluation is in progress. Third exploration well is planned to be drilled in December 2013.

Third licence year of the EL was valid upto 23 June, 2013. The application for eighteen months extension in third licence year is under consideration of the Government.

Block 2467-12 (Jungshahi) (PPL share 100%)

Interpretation / mapping of reprocessed 2D seismic data was completed based on which one structural Lead was identified. Attempts were made to improve data quality over the Lead and test line was reprocessed which did not result in success. Re-interpretation / mapping over the structural lead is in progress for optimization of well location.

Regional source rock study has been completed along with other Blocks. Government has granted nine months extension in 2nd licence year from December, 2011.

Block 2763-3, 2764-4, 2763-4 (Kharan, Kharan East, Kharan West) (PPL share 100%)

BGP seismic crew was mobilized in April, 2012 for 2D seismic survey and a total of 1,610 LKm seismic data was acquired against the planned 1,290 LKm. Seismic acquisition was completed in May, 2013 and processing of the newly acquired data is in progress which is expected to be completed by end August, 2013.

PPL conducted Stress Field Detection (SFD) in three Kharan Blocks. SFD Survey results are being integrated with initial results of seismic data.

The Government has granted twelve months extension in 3rd Licence year up to January, 2014 for Kharan & Kharan East ELs and February, 2014 for Kharan West EL.

Block 3371-15 (Dhok Sultan) (PPL share 75%, GHPL 25%)

Special Depth Processing (RTM) of 263 Lkm completed by WesternGeco, Cairo. Based on seismic interpretation / mapping, reserve estimation and economic evaluation of the Prospect have been completed. To firm up the prospect, recording of additional 166 L.km 2D seismic has been completed and processing of data is in progress at WesternGeco, Cairo.

JV Partner in-principle agreed for drilling of the exploration well and the design of the well has been finalized. Bidding process has been initiated for the procurement of LLIs.

Government has granted one year extension in 3rd license year from February, 2013.

Block 2468-12 (Kotri) (PPL share 100%)

Processing / reprocessing of about 750 L.Km 2D seismic data was completed. Based on the seismic interpretation / mapping, insignificant size prospects were identified. In order to enhance confidence level on the identified prospects, reprocessing of 500 L.Km has been initiated which is near to completion.

A Reservoir Quality Study of Kotri, Kotri North and Jungshahi Blocks was conducted through Schlumberger to improve understanding about the considerably variable reservoir quality of Lower Goru Sands/Sembar Formation of the Block.

Block 2568-21 (Kotri North) (PPL share 90%) PPL / AROL Joint Venture

Interpretation and mapping of 612 LKm 2D seismic data has been completed and based on interpretation / mapping, location of the first exploration well has been finalized. Preparations are underway to spud-in the 1st exploratory well Petaro X-1 by December 2013. Land acquisition for well site / access road is in progress.

Block 2468-10 (Sirani) (PPL share 75%) PPL / GHPL Joint Venture

Recording of 3D seismic data was commenced in April, 2012 by M/s. Sinopec, China while survey completed in March, 2013 with a total recording of 712 Sq. Km. Processing of Phase-I 3D seismic was completed by M/s Western Geco, Cairo in April, 2013 while processing of Phase-II is expected to be complete by end August, 2013.

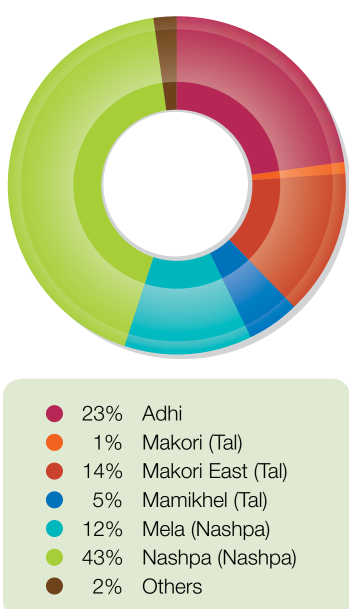
Interpretation of Phase-I (300 Sq.Km) was completed and well location for the 1st exploration well has been finalized in July, 2013. Well has been staked on ground and land acquisition is in progress to spud the well before the license expiry in December, 2013.

2D seismic data acquisition of 283 LKm in southern transition zone of Block is in progress by Sinopec, China and recording of 72 L.Km has been completed.

Block 3170-6 (Dera Ismail Khan), (PPL share 100%)

Block had been fully evaluated and found no commercially viable and drillable lead in the block. Relinquishment letter has been sent to the Government in April, 2013.

Fieldwise Production of Oil / Condensate 2012-13



Block 2668-9 (Naushahro Firoz) (PPL share 90%) PPL / AROL Joint Venture

Acquisition and processing of in-fill 2D seismic of about 194 LKm has been completed. Based on interpretation / mapping of 841 L.Km 2D seismic data, location of 1st exploration well has been finalized and staked on the ground. Bidding for PSDM of 200-300 LKm 2D seismic has been initiated to optimize the well prognosis. Procurement of LLIs, land acquisition and bidding for selection of civil works contractors for the well is in progress.

The Government has been requested for 12 months extension in 3rd Licence year.

Block 2667-11 (Zamzama South) (PPL share 100%)

Interpretation / mapping of newly acquired 370 LKm 2D seismic data has been completed based on which, location of 1st exploration well is being finalized.

Sequence Stratigraphic study was completed by M/s Fugro Robertson, UK to evaluate the potential of stratigraphic trap. Geological modeling / integration to finalize the well location of the 1st exploratory well is in progress.

Application for additional area of 156.6 sq km was submitted to the Government in April, 2013.

Block 3270-7 (Zindan) (PPL share 35%) PPL / MPCL / GHPL / SAITA Joint Venture

2D seismic acquisition and processing of 518 L.Km has been completed. Interpretation of the data is in progress

PARTNER OPERATED BLOCKS

Block 2768-3 (Block-22) (Hamza Appraisal) (PPL share 45%) PPL / PEL / PYRAMID / GHPL Joint Venture (Operator : PEL)

Hasan-4 development well is expected to be spud in 3rd quarter of 2013. The Government has approved the Doc for Hamza Gas Field in accordance with Marginal/ Stranded Gas Pricing criteria.

PPL has indicated its intention not to participate in development of Hamza discovery due to its marginal prospectivity.

Block 3370-3 (Tal) (PPL share 30%)
PPL / MOL / OGDCL / POL / GHPL Joint Venture
(Operator : MOL)

Drilling of Exploration well Kot-1 and Development well Makori East-3 is in progress. Appraisal wells Maramzai-2 and Mamikhel-2 drilled down to TD of 3,400m and 3,026m respectively and completed successfully as gas/condensate producer. Development well Manzalai-10 drilled down to TD of 3,977m and completed successfully as gas/ condensate producer.

Acquisition of 555 Sq.Km 3D seismic data over Tolanj area was completed and the processing is in progress. Processing of 205 L.Km 2D seismic data over Mamikhel East has been completed. Specialised processing of 1,964 Sq. Km merged 3D volume was completed at CGG-Veritas UK.

Block 2667-7 (Kirthar Block), (PPL share 30%)
PPL / POGC Joint Venture
(Operator – POGC)

Tentative well design for Rizq-1 has been received from Operator and is under review. JV partners agreed to enter into the Phase-II of EL by committing one exploration well in Pab Formation or TD of 2,800m whichever is shallower.

As 3rd license year has expired in February 2013 and further 6 months extension has been applied. In-house G&G study is in progress.

Block 3370-10 (Nashpa) (PPL share 30%)
PPL / GHPL / OGDCL Joint Venture
(Operator : OGDCL)

Appraisal well Nashpa-3 was drilled to a TD of 5,250m in Shinawari Formation and completed as oil and gas producer. During testing, the Shinawari, Samansuk, Hangu and Lumshiwal formations flowed hydrocarbons.

Development Well Nashpa-4 spud-in in July 2012 and drilled to a TD of 5,045m in the Lockhart Formation. Currently, testing of the Lockhart formation is in progress.

Reprocessing of 447 LKm 2D seismic data has been completed at FSI, UK. 3D seismic survey is in progress over Mela-Bragai area and 245 Sq. Km data has been acquired against the planned 350 Sq. Km.

Block 2669-3 (Latif) (PPL share 33.3%)
PPL / Eni / OMV Joint Venture
(Operator : OMV)

Development wells Latif-5, Latif-6 and Latif-7 drilled down to TD of 3,458m, 3,437m and 3,445m respectively and completed successfully as gas producers. Post well evaluation of Mehrab-1 well was completed.

3D reservoir modeling and regional integrated sequence stratigraphic study was completed. Evaluation of remaining potential of the Block is in progress.

Block 2668-4 (Gambat) (PPL share 30%)
PPL/OMV/ENI/GHPL Joint Venture
(Operator : OMV)

3D seismic data reprocessing / merging (1,378 sq. km) by CGG Veritas has been completed. Based on interpretation/ mapping of merged 3D seismic data, location for drilling of exploration well over Tajjal South Prospect has been finalized. The well is expected to be spud-in by October 2013.

Tajjal-4 B-Sand depositional facies and diagenesis and field update study has been completed. Regional integrated sequence stratigraphic study for evaluation of remaining potential in the Block has been completed by M/s. Neftex UK.

Lundo-1 C-Sand TGS potential evaluation has been completed whereas Duljan A&C Sands evaluation is in progress. Tajjal FDP has been submitted to the Government.

The last one year renewal period of the Block is valid upto April, 2014.

Block 2668-5 (South West Miano-II)
(PPL share 33.3%)
PPL / Eni / OMV Joint Venture
(Operator : OMV)

Misri Bhambro-1 Tight Gas Sand discovery notification has been sent to the Government. Frac Feasibility study for Misri Bhambro well has been completed by OMV and appraisal program of Misri Bhambro has been finalized. Regional Integrated Sequence Stratigraphy Study of Middle Indus Exploration Blocks by Neftex Petroleum Consultants Limited (UK) has been completed.

The location of exploration well Jiskani-1 has been finalized and drilling is planned in 1st quarter of 2014.

The Government has been requested for 18 months extension in 2nd license renewal.

Block 2366-7 (Offshore Indus-C) (PPL share 40%), & Block 2366-5 (Offshore Indus-N) (PPL share 30%) PPL / Eni Joint Venture (Operator : Eni)

The exploration activities in Blocks N and C are linked with a possible synergy with Block G for which reassignment of working interests of 25% each to Eni (Operator), UEPL, OGDCL and PPL are being finalized.

The Government has granted two years extension in Phase-II of Block N. Application for 2 years extension in Block C has been submitted to the Government.

Block 3070-13 (Baska) (PPL share 49%) PPL / ZHENHUA Joint Venture (Operator : ZhenHua)

On the basis of prospectivity evaluation, the Operator is reluctant to make further investment in the block, whereas PPL considers that the block has potential and merits further exploration.

Block 2568-20 (Sukhpur) (PPL share 30%) PPL / Eni / Shell Joint Venture (Operator : Eni)

First exploration well, Lundali-01, was drilled to a TD of 2,660m and was completed as Gas Discovery. Efforts for EWT are underway.

Acquisition and processing of in-fill 2D seismic of 127 L.Km in eastern part of the block has been completed in December 2012.

Block 2468-9 (Jherruck) (PPL share 30%) PPL / NHEPL / KEC Joint Venture (Operator : NHEPL)

3D seismic survey design work has been completed by the contractor, Geoguide. Planning for 3D seismic survey is in progress.

Government has granted one year extension in 3rd licence year.

Block 2568-19 (Digri) (PPL share 25%) PPL / UEPL Joint Venture (Operator : UEPL)

Recording of 3D seismic data was commenced in November, 2012 with planned surface coverage of 1,762 Sq.Km and recording of 1,454 Sq.Km has been completed. Survey is expected to be completed in first quarter of 2013-14. Processing of newly acquired 3D seismic data by contractors, GRI & CGGV, is in progress.

The Government has granted 4.5 months extension in 3rd licence year. The Government has further been requested for eight months extension.

Block 3273-3 (Ghauri) (PPL share 35%) PPL / MPCL Joint Venture (Operator : MPCL)

Acquisition of 252 L.Km 2D seismic data was completed in August 2012. Processing / Reprocessing of 410 L.km newly acquired & vintage 2D seismic data by TBI, has been completed. Reprocessing of about 700 L.km 2D vintage seismic data over Mahesian prospect has been carried out by SAGeo.

Location of 1st exploratory well Ghauri X-1 has been stacked & the well is expected to be spud in October 2013.

Block 2467-14 (Jati) (PPL share 25%) PPL / KPBV Joint Venture (Operator : KPBV)

Purchase of G&G data was completed by December, 2012. Based on technical and financial evaluations, contract for reprocessing of vintage seismic data was awarded to M/s GRI (BGP), China. Reprocessing of the data is expected to be completed by November, 2013. Planning is underway for acquisition of 2D seismic data of about 900 L.Km.

Exploitation of Unconventional Resources

In line with PPL's strategy for unconventional exploration, work is in progress on generating pertinent data. Shale core has been cut in recently drilled exploration well Wafiq X-1 in Gambat South EL, from Talhar Shale on which detailed laboratory analyses are planned. Bids have been invited from international renowned laboratories for long term contract on callout basis for well site & laboratory analyses of shale cores/ cuttings.

The interim Shale Gas Framework jointly prepared by PPL and Eni has been approved by the Government. In continuation of joint efforts of PPL & Eni to drill 1st Shale Gas Exploratory well for which joint work sessions of G&G staff of both companies were held in Eni's Milan office in April 2013, based on which G&G studies are ongoing to optimize the well location.

The First Tight Gas production in the country has been started from the Rehman-1 discovery in Kirthar Block, a Joint Venture of PPL & POGC. In addition to this, several Tight Gas wells are planned in both PPL operated and Joint Venture projects with OMV in Miano, Sawan and other middle Indus Blocks.

International Exploration and Development

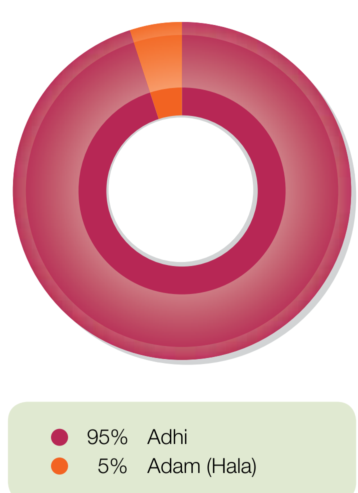
Growth remains the prime focus of the Company's Corporate Strategy with the objective of replacing reserves and enhancing production through organic growth as well as through acquisitions. Concerted efforts were put in during the year to maintain and improve Company's position as a leading exploration and production company in Pakistan. Momentum of the ambitious exploration program was maintained to replenish and enhance the depleting reserves, together with an aggressive plan for production optimization from the existing fields and new discoveries.

As the conventional gas reserves are diminishing and becoming more and more difficult to find, worldwide greater emphasis is shifting towards International E&P opportunities in new basins with unexplored potential. In this regard, PPL has been actively engaged in evaluation of suitable growth opportunities internationally to add reserves base to the Company and provide long term energy security to the country.

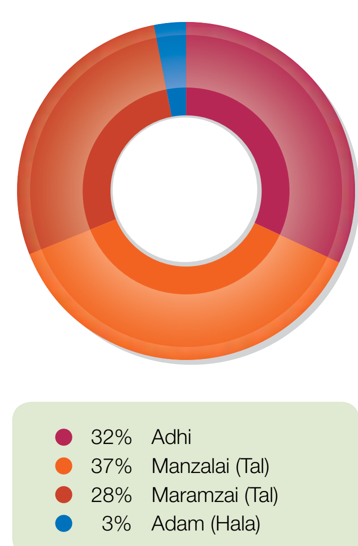
Block-8 (Iraq) (PPL share 100%)

PPL participated in Iraq's 4th Licensing Round in Baghdad, Iraq and submitted a winning bid for Block 8 which lies 110 km North East of Baghdad. Contract signing took place in November 2012 and the effective date for contract after approvals from concerned authorities was notified to be 5 December 2012.

Fieldwise Production of LPG 2012-13



Fieldwise Production of NGL 2012-13



Planning and consultancy work has been initiated for setting up of Branch Office in Baghdad under a wholly owned overseas subsidiary to embark on operational activities. Operational work to commence soon including environmental studies followed by demining and seismic surveys, geological and geophysical studies. Joint Management Committee (JMC) was formed with representation from PPL and Iraqi Midland Oil Company, Oil Exploration Company and Petroleum Contracts and Licensing Directorates.

Block-29 (Yemen) (PPL share 43.75%) (Operator : OMV)

Evaluation of contractors' bids for 2D seismic acquisition is underway. OMV also plans to conduct High Resolution Aero Gravity and Magnetic surveys in the Block-29. Regional geological studies continued in the Block.

Government of Yemen has granted one year extension in 1st Exploration Phase of EL in March, 2013.

THE GROUP AND ITS OPERATIONS

The Group consists of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies i.e. PPL Europe E&P Limited (formerly MND Exploration and Production Limited), PPL Asia DMCC and The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC). The Group, except PPPFTC and PPL Asia DMCC as mentioned below, is principally engaged in conducting exploration, prospecting, development and production of oil and natural gas resources.

Financial statements of the Group reflected increase in consolidated profitability by 3%. Group sales revenue was recorded at Rs 102.8 billion while profit after tax was at Rs 42.1 billion as compared to Rs 96.2 billion and Rs 40.9 billion respectively in 2011-12.

Brief profiles and analysis of the Holding Company and its subsidiary companies are as follows:

PPL Europe E&P Limited

During the year the Holding Company acquired 100% Share Capital of MND Exploration and Production Limited (MND), a company incorporated in England and Wales, in accordance with the terms of Sale and Purchase Agreement executed on 30 August, 2012. After obtaining the required approvals from the regulatory authorities in Pakistan and Yemen, the transaction was completed in March 2013. MND's main objective is exploration and production of oil and gas.

Subsequent to transaction completion, the name of MND was changed to PPL Europe E&P Limited ('PPLE'). PPLE holds non-operated working

interest in one producing field (Sawan) and three exploration blocks (Harnai, Ziarat and Barkhan) in Pakistan. Additionally PPLE also holds a non-operated working interest in Block 3 Yemen..

From the date of acquisition, PPLE has contributed around Rs 441 million to Group revenue and Rs 55 million to Group profit after tax. The earnings per share for the current period ended 30 June, 2013 since the date of acquisition of the subsidiary was Rs 1.42.

PPL Asia DMCC

During the current year, a wholly owned Subsidiary PPL Asia DMCC was established, for the purposes of conducting oil and gas exploration and production activities. However subsequently it was decided by the respective Boards of the Holding Company and PPL Asia DMCC to liquidate PPL Asia DMCC due to reasons stated in para 1 of the consolidated financial statements.

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC) is wholly owned subsidiary of PPL engaged in administrating the trusts formed for the benefits of the employees of the Holding Company. The subsidiary has neither made any profits nor incurred any losses from the date of its incorporation on 7 November, 1955.

Future Prospects and Plans

Given the large number of exploration licenses including recently added international exploration and production assets, the Company is fully geared to achieve its reserves addition and reserves replacement targets, primarily through organic growth. Leveraging upon its large E&P database built over the five decades, PPL is well-placed to continue its rigorous exploration campaign.

As part of its strategy to replace production and add reserves and thus contribute to country's energy security, PPL has recently been able to further expand its international exploration and production portfolio. Evaluation of emerging plays and basins internationally and farm-in and M&A opportunities continue. Exploration acreage covering the early mature and emerging plays will be the prime focus as the potential of making large discoveries is high in such acreage.


TEG UNIT

Directors' Report

Bolan Mining Enterprises

Bolan Mining Enterprises (BME), a 50:50 Joint Venture between the Government of Balochistan, (GOB) and PPL was established in the year 1974 for the mining, grinding and marketing of Barytes from Gunga (Khuzdar) and other minerals from the province of Balochistan. PPL's investment in the Joint Venture is Rs 15 million.

BME has its own grinding mills of 50,000 tpy capacity and over the years has met almost 80% of the total barytes requirement of the oil exploration companies operating in Pakistan. Bolan Barytes is produced strictly in accordance with the American Petroleum Institute (API) Specs and also been authorized to use API's official Monogram on Bolan Barytes. Efforts were made to increase the sales of barytes through exports to USA, Europe and Middle East by utilizing the network of domestic exporters. During the year BME sold 82,360 tonnes of lump and fine ore.

M/s POSCO of South Korea and Al-Ittifaq Steel Production Company (ISPC) after signing an Memorandum of Understanding (MoU) with Government of Pakistan, are in liaison with PPL/ BME for the formation of a Company for the development of Nokkundi Iron Ore.

BME posted a pre-tax profit of Rs 298.036 million during the current financial year as compared to Rs 170.310 million earned in 2011-12.

After appropriation of Rs 44.524 million towards reserve for development and expansion, your company's 50% share of the profit was Rs 126.756 million.

Major Business Risks and Challenges

The Company operates in a challenging environment with a degree of uncertainty inherent in the E&P business which may adversely affect its' operations and profitability. The Company has tailored its business strategies accordingly to effectively address the risks and has developed a well integrated mechanism which identifies potential risks, evaluates and prioritizes them and prompts timely and appropriate actions to keep risk level within tolerable limits. PPL has further initiated steps towards adoption of internationally recognized Enterprise Risk Management practices in the Company.

A Board Risk Management Committee has recently been setup to advise the Board on Company's overall risk appetite, tolerance and strategy taking account of the current and prospective macroeconomic and financial environment drawing on financial stability assessments that may be relevant for the Company's risk policies.

The table below sets out the key business risks faced by PPL together with the factors mitigating such risks:

Major Risks & Challenges	Mitigating Factors
Significant decline in international crude oil prices resulting in consequential reduction in profitability	Decline in prices of crude oil have an adverse impact on the Company's revenue as the base prices for gas and crude oil sales are linked to a basket of Middle East crude oils according to specified formulae. While the price risk is largely beyond Company's control, however, prices of Company's major product i.e. natural gas are less prone to this risk since the gas prices are subject to sliding scale / zonal discounts which reduce the impact of variability of crude oil prices on the gas prices. In addition gas prices of certain fields including Adhi, Manzalai, Makori, Block-22, Nashpa etc. are capped at fixed crude oil / HSFO prices and are affected only in case the international crude oil price falls below the capped price.
Under performance of major oil and gas fields forcing material revision in production and reserve estimates	The Company's investment in the development of any oil and gas discovery is preceded by extensive technical studies and evaluation of the underlying reservoir. The reserves estimates for each of PPL's fields are certified and audited by reputable international petroleum consultants and updated as required.
Security conditions at locations disrupting operations and exploration efforts	Field exploration and production activities carried out under strict security cover arranged in collaboration with law enforcement agencies and security personnel. The Company has well-defined Emergency Response Procedures in place at all field locations. A crisis management and business continuity plan is operational in the Company to avoid business disruptions in all possible crisis scenarios.
Delay or default in settlement of Company bills by customers	Rigorous follow-ups are maintained on defaulting customers to recover Company dues. All possible recovery measures are adopted to ensure that overdue bills are settled by the customers without delay. Intervention of Government authorities are sought wherever considered necessary.
Adverse conditions arising from economic and political instability	Economic and financial market conditions and political climate of the countries where the Company operates are regularly monitored. Based on thorough review an appropriate strategy based on a consultative process is developed as deemed appropriate in the given circumstances to reduce the impact of risks arising out of any unfavourable situation.
Exposure to increased competition due to entry of new players in the oil and gas sector	The Company follows a multi-pronged strategy including capturing the opportunities for joint biddings, farm-ins/ farm-outs and swap arrangements with other E&P companies to reduce its exposure to increased competition and to maintain a balanced exploration portfolio.

Responsible Corporate Citizenship

Focusing on healthcare, education, livelihood generation, infrastructure development and disaster relief and rehabilitation for marginalised communities within as well as beyond operational areas, new initiatives were launched through PPL's Corporate Social Responsibility programme to enhance on ground delivery, impact and sustainability, winning the Company the Pakistan Centre for Philanthropy's coveted award for largest corporate giver by total volume of donations for community welfare and development.

Directors' Report

Human Resources

Continuous upsurge in exploration and development activities in the E&P sector has created persistent shortage of technical staff around the globe. In order to attract and retain qualified and specialized staff, PPL has to compete with other E&P companies particularly for core technical disciplines in Geosciences, Production, Reservoir and Drilling Engineering for achieving its ambitious exploration and reserve acquisition program to meet country's energy demand. PPL strives to offer market competitive remuneration packages and performance incentives in order to attract and retain technical and specialized human resource.

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

Training and Human Resources Development

Keeping in view the emergent business priorities arising out of growth in the Company's business portfolio and new acquisitions, PPL continued to offer extensive Training and Development opportunities for technical and management skill enhancement.

To ensure that the investment in learning delivers desired outcomes, staff training needs were assessed, discussed with appropriate stakeholders and the framework thus developed was applied to staff at all levels to develop skills and competencies, tackle specific technical and leadership gaps, meet operational standards and add value by raising overall organizational productivity.

As part of capacity building initiatives for young professionals, the Company inducted 40 graduates and diploma holders under its on-job training program and on-job Special Training Scheme for underdeveloped areas of Balochistan. Besides the above, in order to expose youth from a cross-section of society to a structured learning environment, the Company also initiated an Extended Internship Program under the umbrella of PPL Welfare Trust through which 65 graduates and diploma holders are currently undergoing training at PPL's Head Office and field locations. In addition the Company is also providing one year technical training / educational opportunity for specific skill development to 13 diploma holders from Sui / Dera Bugti.

Apart from this summer and winter internships are regularly offered to students every year in various professional disciplines at Head Office and field locations for duration of 4 to 6 weeks. Under PPL's foreign scholarship scheme, seven scholars are currently pursuing Masters Degrees in Petroleum Engineering & Geosciences in reputed foreign universities.

Industrial Relations

Harmonious working environment and cordial industrial relations atmosphere prevailed at all locations of the Company including Sui Gas Field. The tribo-political environment continued to be conducive due to presence and vigilance of law enforcing agencies in Sui / Dera Bugti area.

Recreational and motivational activities in the form of Annual Sports and Long Service Awards ceremonies were organized at Sui, Kandhkot, Adhi Fields and Head Office. Moreover, musical evenings for workers and management staff were also held at Sui Field and Head Office.

Negotiations on Charter of Demands for the year 2013-14 are in progress and meetings will be held to arrive at an amicable agreement at the earliest.

PPL Employees Empowerment Trust established under Benazir Employees Stock Option Scheme (BESOS) is being revamped by the Government as per the advice received from the Privatization Commission.

Employment of Special Persons

Company is complying with the mandatory requirements of employment under disabled persons' quota in accordance with section 10 of the Disabled Persons (Employment & Rehabilitation) Ordinance, 1981.

Occupational Health, Safety & Environment

PPL is committed to achieve excellence in health, safety and environment across its business. The HSE requirements are integrated into PPL business planning and decision making processes to achieve sustainable business success.

PPL expects active commitment and accountability to HSE policies from all employees, visitors and contractors. PPL complies with applicable HSE laws and regulations, and apply industry best practice. PPL maintains a safe working environment and takes responsibility for the health and wellbeing of its staff and contractors.

PPL HSE Policy and Management System is dependent on proactive identification of workplace hazards through risk assessment and control of risks that may affect the employees, nearby settlements and surrounding natural environment of the project / operational areas.

Lost Time Injury & Illness Rate

Incident statistics and associated KPIs are widely used tools to reflect HSE Management System performance status. HSE policies and procedures encourage incidents including near-miss reporting at all levels to ensure that incidents are investigated and reported for root cause analysis and prevention of recurrence through close follow ups.

Statutory Compliance

The Company monitors effluent and gaseous emissions at all of its installations through external laboratory on monthly basis for compliance of National Environmental Quality Standards (NEQS). Electronic reports are submitted to provincial EPAs through Self Monitoring and Reporting Tool (SMART) Program registered with Federal Environmental Protection Agency

Environmental Protection Measures

In compliance of local environmental laws & regulations, IEE and EIA studies are undertaken to obtain NOCs from concerned Government authorities prior to commencement of development projects. Environmental Management Plans (EMPs) are developed and its implementation is ensured through regular checks for mitigation of adverse environmental

impacts. Emphasis is given to monthly monitoring and reporting of effluent and gaseous emissions testing through certified external laboratories to concerned EPAs.

The Company has engaged international environmental consultant Dome Oilfield Engineering for Environmental Study of Block-8 in Iraq. PPL has also initiated Environmental Studies in its 10 new local PPL operated exploration Blocks acquired in March 2013.

ISO 14001 and OHSAS 18001 Certifications

PPL recorded landmark achievements of its international HSE Certification of thirteen fields and departments since January 2009 to-date. Other departments are gradually being added in the pool of certifications for Companywide HSE cultural growth. The first cycle of certifications has been completed and now the Company is passing through re-certification process.

Occupational Health Surveillance Program:

PPL had introduced Occupational Health Surveillance Program in 2011 to identify and address job related, individual health risk factors that affect the ability of employees to work safely and effectively. PPL now plans to give new dimensions to Occupational Health Surveillance Program by adopting OGP guidelines in 2013.

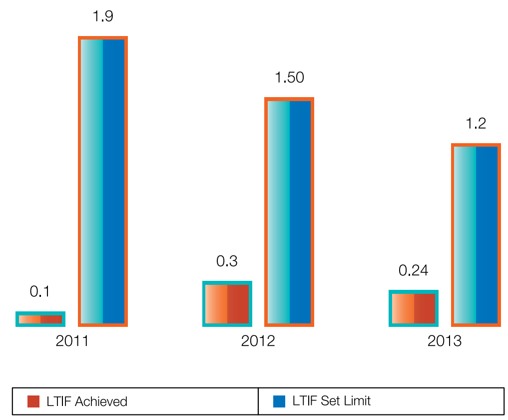
HSE Trainings

During the current year, various training sessions were held at Head Office and Fields on various HSE topics.

Energy Conservation

PPL observed Earth Hour (EH) 2013 on the night of 23 March 2013 to reiterate its support for energy conservation. EH was strictly observed by switching off all non-essential lights and electronic devices at the head and regional offices as well as field locations during the designated hour. EH was observed to highlight the need for conserving dwindling energy resources in particular and other environmental challenges such as climate change and rapid biodiversity loss.

Lost Time Injury Frequency



Business Continuity Plan (BCP)

During the year, BCMS exercises were held for different departments to check the preparedness level to continue the Company business in any major disaster like situation. In this context full scale exercises were conducted where departments were asked to continue their work from alternate work site for several days. IT infrastructure and related facilities, which have been upgraded at Alternate Work Site were checked through periodic testing. Capacity of Alternate work site was increased, and Training sessions also continued during the year.

Organisational Project Management (OPM)

Integrated Project Management System is under implementation in the Company, which will facilitate in reflecting real time progress of all the critical projects on Project Dashboard. Extensive training of relevant staff is conducted regularly to increase the awareness and importance of integrated planning for exploratory and development wells as well as of other major Projects undertaken by the Company. Organizational Project Management guidelines have also been prepared for timely mitigating the issues and risks.

Corporate Social Responsibility

Corporate Philanthropy

The Government, the public representatives and the communities expect the Corporate Sector to play its role for social, economic and environmental upliftment of the society in which it operates.

Directors' Report

PPL recognizes that its business values and operations must be integrated to meet the expectations of its stakeholders at large.

The Company's social welfare initiatives are directed towards promotion of education, health care, infrastructure development, water resources development and cash donations for humanitarian activities. The list is not limited rather expanding as the Company takes on initiatives where it considers that its contribution is going to make a meaningful difference. PPL believes that strong bond of partnership with communities is imperative for long-term relationship and business growth. The overall objective of the PPL's initiatives is the sustainable development of communities hence, these initiatives are need based and participatory.

These welfare projects are undertaken individually as well as in partnership with local Governments, civil society institutions and the Non-Governmental Organizations (NGOs).

National-cause Donations – Emergency Relief

Being a good corporate citizen, PPL has traditionally played a proactive role in assisting affectees of national calamities, especially those living in operational areas. Keeping up with the tradition and to supplement the Government's relief and rehabilitation efforts, the Company's Board of Directors approved Rs 50 million towards relief efforts for affectees of this year's monsoon that caused havoc to millions of lives.

Several teams of PPL doctors treated around 3,000 patients suffering from various deceases including malaria, diarrhea and skin infections etc. The Company also dispatched consignments of relief goods, carrying over 7,000 dry food packages and around 1,500 tents to Kashmore, Chachar, Dera Bugti, Naseerabad, Loralai and Qilla Saifullah based on need identification. In Dera Bugti District, relief goods and dry foods were also distributed to affected communities.

Community Investment and Welfare Schemes / Welfare Spending for Underprivileged Classes

Being an exploration and production Company, PPL usually finds itself operating in far-flung areas, characterized by fragile environments. In all such situations, PPL works for well-being of deprived segments of the society and draws out schemes for welfare of the communities.

For communities living in neighbourhood of Company's production fields and exploration Blocks, an array of welfare initiatives are undertaken including scholarship schemes, free gas and free water supply to Sui town, healthcare through mobile medical dispensaries, water supply to village Ghaibi Dero, eye camps, various education and healthcare initiatives and support to public welfare institutions. PPL provided Sanitation truck to Town Municipal Administration, Kandhkot. Sufficient support also extended to noble causes for welfare for underprivileged segments of our society. All these tangible and sustainable investments are aimed at welfare of the society that leads to long-term development of the area.

Rural Development Programmes

PPL treats rural development as a self-sustained process which aims to enhance income generation and livelihood opportunities for inhabitants of the rural areas. PPL heavily invests in providing necessary infrastructure required for development of rural areas and also imparts necessary skills and trainings to locals to secure jobs and increase their income generation. PPL undertakes schemes to improve physical infrastructures, entrepreneurship, vocational and skill development programs for livelihood generation to help improve quality of rural communities.

PPL Welfare Trust

Founded and funded by PPL, the PPL Welfare Trust (WT) is a registered legal entity separate from PPL. PPLWT implements project directly as well makes alliances with credible Implementation/ Operational Partners for project identification, planning, implementation, monitoring and evaluation.

Business Process Re-Engineering/ Development Activities

Information Technology

The Information Technology is the key enabler for the business processes of the Company and is rapidly adopting new and innovative solutions to the competitive advantage of the Company.

PPL's in-house SAP Competence Centre has an impact on both Strategic and Operational levels. It performs a key role by setting up a continuous process improvement cycle, with particular focus on Process Automation, Control and Information Integrity.

Information Technology Infrastructure Services is based on adoption of industry standards and best practices for IT Services and Information Security Management and Governance. High-availability and resilience has been achieved through proactive maintenance and monitoring of IT Infrastructure. Considering cost effectiveness and industry trend IT department has transformed its' resources from physical to fully virtualized environment. To achieve high availability and quick provisioning of services, IT department has taken another initiative to move its services to Private Cloud and core network has been upgraded to 10 G.

Secure and regulated Wireless LAN with BYOD support is being deployed. Security of back-end infrastructure has been fortified by fine tuning of Unified Threat Management System. Moreover, all major fields are now connected through long-haul fiber network with auto failover giving tremendous boost to application performance at remote locations. New Data Center project has been initiated to support current business needs and provide secure, reliable and highly available environment for such sophisticated infrastructure equipments.

SAP ERP landscape has been upgraded to latest EHP (Enhancement Package) level. The Technology Management Centre (TMC) is aligned with Company's Exploration and Production activities. It contributes towards managing wealth of physical and digital data/ information assets since 1940's, which is available round the clock. TMC is also mandated to provide the back-end technological support to PPL core functions thus enabling them to concentrate on their prime task/ assignment.

IT Controls and Compliance (ITCC) is responsible for managing information security conforming to International standards ISO/IEC: 27001:2005. ITCC is also implementing Enterprise Content Management (ECM) through SharePoint Portal Server. ECM will facilitate users in preserving information, efficient search and retrieval of the same reducing the paper generation through workflow based automation.

IT Support & Services (ITSS) provides front end support. ITSS is providing Remote & Onsite support to users all over PPL locations. ITIL compliant IT Service Desk has been established through implementation of Incident and Problem Management through System Center Service Manager (SCSM). Recently ITSS has successfully implemented IT Asset Management through Provance Ad-on for SCSM which has streamlined all IT inventory, spread throughout PPL locations. Implementation of System Center Configuration Manager (SCCM) has streamlined the Operating System deployment of new desktops and centralized the software patch management.

Quality Management System

The aspiration to improve is bringing innovative approaches in execution of department role. Modern techniques of inspection are now being applied along with gradual addition of quality tools on foundation of ISO 9001 Quality Management System to enhance benefits.

State of the art Non Intrusive Inspection technique for online inspection of pressure vessels is carefully evaluated, validated and its application is incorporated in inspection activities at Fields. First phase of Pipeline and plant piping inspection is completed during the year at all fields. Second phase of inspection will commence from Kandhkot Field in year 2013-14 and preliminary work to develop Risk Based Inspection (RBI) program for Fields has been started.

SAP Audit Module has been successfully developed and rolled out. Integration of this module in QMS has made audit process more effective and easy to control by reducing paper work and time consumption.

SAP Quality Module has been developed and being validated at all Fields. The module will maintain history of individual instrument, improvise monitoring and reducing large volume of paper based records of calibration / verification activities at all fields.

The Company is embarked upon 'Cost of Quality' and '5S' quality tools at fields and departments to assist in identification of cost associated with non conformances and facilitate upgrading of working practices. Refinement in existing work practices related to laboratories at Sui Purification Plant, Sui Field Gas Compressor Station and Kandhkot Gas Field were also addressed to enhance effectiveness and efficiency.

Consumer Protection Measures

Maintaining the ISO certification is a proof of the sustainability of achievement accomplished for the quality services provided to our customers and the increased level of customer satisfactions as well as adopting and enhancing the best international practices and procedures.

Corporate Awards

During the year PPL secured five corporate awards as detailed below:

Karachi Stock Exchange Top 25 Companies Award

PPL maintained its position among Karachi Stock Exchange's Top 25 Companies for the year 2011. The companies were selected by the KSE on the basis of a comprehensive parameter, which includes dividend payouts, return on equity, compliance with Listing Regulations, sound corporate governance practices and Corporate Social Responsibility. This is the sixth consecutive year that PPL has featured on the KSE's Top 25 companies list.

Corporate Philanthropy Award

In recognition of its social welfare activities, PPL was once again selected as the largest corporate giver in the category of total volume of donations for the year 2011 at the Corporate Philanthropy Awards. The Company bagged the award for the eighth consecutive year in the same category.

PPL contributed Rs 844 million in the year 2010-11 towards various Corporate Social Responsibility (CSR) initiatives.

Best Corporate Report Award for Annual Report 2011

PPL's Annual Report 2011 was chosen as the best in the Fuel and Energy sector at the 'Best Corporate Report Awards' conducted by a Joint Committee of the Institute of Chartered Accountants of Pakistan and the Institute of Cost & Management Accountants of Pakistan. This is the sixth award that PPL has won, the first being in 2005, followed by 2007, 2008, 2009 and 2010.

SAFA's Certificate of Merit Award for Annual Report 2011

PPL's Annual Report 2011 achieved another distinction by receiving the South Asian Federation of Accountants (SAFA) was awarded Certificate of Merit in manufacturing sector.

Good Learning Practices Award 2013

Company won Good Learning Practices Award 2013 awarded by the Pakistan Society for Training and Development. The award demonstrates commitment of PPL's management towards building a learning culture in the organization and enhancement of human resources competencies over the years.

Contribution to National Exchequer and the Economy

PPL is a significant contributor to the national economy. The Company's share of production of natural gas from its operated and non-operated fields, and production of Oil, LPG and NGL from Adhi, Tal, Nashpa and Hala fields for the financial year 2012-13 in terms of energy, was equivalent to around 174,000 barrels of crude oil per day resulting in foreign exchange savings of around US$ 7.2 billion for the current year assuming an average crude oil price of US$ 113 per barrel prevalent during the year.

In addition, payments to the Government Exchequer by the Company was around Rs 52 billion during the year (Rs 50 billion during 2011-12) on account of taxes, royalties, excise duty, sales tax, GDS and dividends.

Internal Audit and Control

The Board has set up an independent audit function headed by a qualified and a full time employee of the Company reporting to the Chairman of the Board Audit Committee and administratively to the Managing Director/ Chief Executive Officer. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its' internal control system in accordance with business risk assessments. This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. The internal audit also undertakes special studies, value for money studies and such other special projects as and when required by the Board Audit Committee.

The function is adequately staffed and possesses requisite competencies and resources necessary to discharge its responsibilities in an effective and efficient manner. The internal audit personnel have unrestricted access to all Company records and information to effectively perform their duties. Internal Audit function, is also equipped with staff having IS Audit certification and experience to continuously monitor the IT operations of the company and provides independent and consultative information to the Board Audit Committee and the MD/CEO, in apprising performance of IT strategy of the Company.

Non-Operator's / Joint Venture Audits are an important activity conducted by Internal Audit Department. These audits are carried out either solely, jointly with other Non-Operators or using the services of a reputable consultants / service provider. The purpose of these audits is to safeguard PPL's interest in Joint Ventures.

A strong control environment and established internal control framework exists in the Company comprising of clear structures, segregation of duties, authorization limits for Company officials for operating bank accounts and approving expenditures, policies and procedures and budgeting and review processes to reduce the risk of undetected error / fraud and limit opportunities for misappropriation of assets or concealment of intentional misstatements.

The internal audit function is an integral and effective part of the Company's corporate governance structure which provides the Management with adequate assurance that internal controls and the check and balance system is operating properly, identification of opportunities for implementation of better and cost effective controls, weaknesses in the existing system and processes and alternate procedures and corrective actions needed to strengthen the control system.

Business Ethics and Anti-corruption Measures

It is a fundamental policy of the Company to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards. As a general obligation of the Company, PPL does not discriminate on the basis of race, sex, religion, disability or family status in the recruitment, training or advancement of its employees. All employees are required to give an Annual Compliance Certificate in acknowledgement of their understanding and acceptance of the Code of Business Ethics.

Whistle Blowing Policy

PPL is one of the few companies in Pakistan that has a whistle blowing policy. The whistle blowing policy ensures that not only employees but company's contractors and service providers are able to lodge complaints through email to dedicated email account as well as through Drop boxes installed at Head office and all Company's locations. Each complaint is taken up by the Internal Audit Function and thoroughly investigated.

Corporate Governance

Sound corporate governance is critical to PPL's business integrity and in maintaining investors' trust in the Company. Responsibility for good governance lies with the Board and the Directors spend quality time at Board and Committee meetings and in discussions with executives to ensure there is a strong and effective governance system in place throughout the Company.

The Board is committed to inculcating healthy corporate culture, ethical business practices, reliable and transparent financial reporting, open communication channels with the stakeholders and compliance with the laws and regulations. As a result, good corporate governance principles have been deeply ingrained in Company's decision making and operating set-up as well as monitoring processes.

Recognition of Stakeholders' Rights

The Company recognizes and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others. The Company encourages active participation of shareholders in all general meetings of the company and values their views towards better governance and operational management. The Company is also cognizant of its legal and constructive obligations towards its business partners, local communities where it operates and other stakeholders and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

Board's Composition

The status of each Director on Company's Board whether non-executive, executive or independent has been disclosed in this report in accordance with the Code of Corporate Governance, 2012 (CCG) issued by the Securities and Exchange Commission of Pakistan. Five directors on Company's board are independent in terms of clause i(b) of CCG.

The Board values diversity of business skills and experience as directors with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance Board's performance by bringing a wide range of perspectives to the Company.

New Board Committees

In compliance with the requirements of the provisions of Public Sector Companies (Corporate Governance) Rules, 2013, the Board has constituted three new Board Committees during the year namely Risk Management, Procurement and Nomination Committees to strengthen governance of respective functions. These new Committees are in addition to the existing Board Operations and Finance, Human Resource and Audit Committees.

Fiduciary Responsibilities and Directors' Trainings

The Directors of the Company are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations. During the year, PICG training programs were arranged for three Directors of the Company.

During the year the Board was actively involved in performing their duties including those required to be performed under various laws and the Memorandum and Articles of Association of the Company with the ultimate objective of safeguarding the interests of the shareholders, enhancing the profitability of the Company, increasing shareholders' wealth and promoting market confidence.

Code of Conduct for Directors and Employees

The Code of Conduct for Directors and employees strengthens the standard for professional business-like behavior expected of Directors and employees and binds them to demonstrate ethical, honest and responsible attitude. The Code has been disseminated across the Company to all Directors and employees for their compliance.

Reporting of Share Transactions and Closed Period

Before meetings of the Board of Directors a Closed Period is declared by the Company during which directors, CEO, Executives of the Company and their spouses are not allowed to trade in shares of the Company in any manner, whether directly or indirectly. The Board annually reviews the threshold defining categories of management employees as 'Executives' in terms of clause (xvi) of CCG, consequent to which they are subject to additional regulatory requirements for trading and disclosing their transactions in Company shares.

All Directors, Chief Executive Officer, Chief Financial Officer and Executives of the Company were given written notices to immediately inform in writing any trading in the company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and form of share certificates to the Company Secretary. The transactions reported by Directors / Executives were placed before the Board for information.

Board and CEO's Performance Evaluation

The Board strives to continuously improve its and Committee's effectiveness and undertake annual reviews to assess Company's performance. The Board also reviews developments in corporate governance to ensure that the Company always remains aligned with best practices.

In order to ensure on-going effectiveness as a high performing Board, actions have been initiated to develop a mechanism for performance evaluation of the Board and Board Committees. The Board also reviews the performance of the CEO against pre-determined operational, tactical and strategic goals.

The Directors are pleased to state that:

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

(ii) Proper books of account of the Company have been maintained.

(iii) Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

(iv) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

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

(vi) There are no significant doubts upon the Company's ability to continue as a going concern.

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

(viii) Key operating and financial data of last six years has been given on page 80 of the Annual Report.

Directors' Report

(ix) Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.

(x) Significant plans and decisions regarding corporate restructuring, business expansion and discontinuance of operations are outlined along with future prospects, risks and uncertainties have been disclosed in relevant sections of Directors Report.

(xi) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2012 are as follows:

	Rs million
Senior Provident Fund	1,479.580
Junior Provident Fund	857.659
Executive Staff Gratuity Fund	352.340
Non-Executive Staff Gratuity Fund	375.369
Executive Staff Pension Fund	2,701.439
Non-Executive Staff Pension Fund	781.811

(xii) Details of number of Board and Committees' meetings held during the year and attendance by each Director has been disclosed on page 23 of the Annual Report. Leave of absence was granted to Directors who could not attend some of the Board and Committee meetings.

(xiii) A statement of the pattern of shareholding in the Company as at 30 June, 2013 of certain classes of shareholders whose disclosure is required under the CCG and the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on page 223 of the Annual Report.

Post Balance Sheet Events

Establishment of PPL Asia E&P B.V.

Subsequent to the Balance sheet date, PPL established a wholly owned Subsidiary PPL Asia E&P B.V. based in Amsterdam, Kingdom of Netherlands on 22 July 2013. The Subsidiary's main objective is exploration and production of oil and gas and PPL will assign its interest in Block -8, Iraq, under the EDPSC with Midland Oil Company, Iraq, to its Subsidiary, PPL Asia E&P B.V. The financial results of the subsidiary will be reflected in next year's consolidated accounts.

Term of the Board

The term of the present Board is expiring on 28 September, 2013 and fresh election of Directors for constitution of the Board for a new three years term will be held in forthcoming Annual General Meeting on 30 September, 2013.

Directors

Since the last Annual General Meeting held on 28 September, 2012, five casual vacancies arose due to resignations of Mr. Hamid Asghar Khan, Mr. Sher Mohammad Khan, Mr. Saeed Akhtar, Mr. Hidayatullah Pirzada and Mr. Saifullah Khan Paracha which were filled up through appointment of Dr. Amer Sheikh, Mr. Qazi Mohammad Saleem Siddiqui, Mr. Javed Masud, Mr. Mohsin Aziz and Mr. M. Shoukat Saleem respectively.

Subsequent to the Balance Sheet date, Mr. Saeedullah Shah replaced Mr. Qazi Mohammad Saleem Siddiqui on PPL Board in August, 2013. Moreover Mr. M. Shoukat Saleem also resigned from the Board in July, 2013 and consequently a casual vacancy exists on the Board.

Auditors

The auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and are eligible for reappointment for the year 2013-14. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

On behalf of the Board

(JAVED AKBAR)
DIRECTOR

(ASIM MURTAZA KHAN)
CHIEF EXECUTIVE /
MANAGING DIRECTOR

Karachi
21 August, 2013

Risk and Opportunity Report

The Company's business activities are subject to significant risk factors that could have a material adverse effect on the Company's operational performance, earnings, cash flows and financial condition. PPL's risk and opportunity management principles and system provide the framework to conduct business in a well controlled environment.

A summary, highlighting major risks and opportunities, is presented below:

Risks

- The Company's revenues are directly linked with the international crude oil prices. Decline in the prices of crude oil will cause a decline in the Company's revenues and consequential reduction in profitability.

- Since the prices of gas and oil are US Dollar denominated, appreciation of the Pakistani Rupee against the US Dollar can cause the company's revenues and profitability to decline.

- The Company is part of the oil and gas sector, which is one of the most heavily regulated sectors of the economy. Changes in applicable laws and regulations can adversely affect the Company's revenues and profitability.

- Numerous uncertainties exist in estimating quantities of proved reserves. Actual future production may not be in line with the estimated proven reserves.

- Deteriorating security situation of the country, especially in those areas where the Company has working interest, can disrupt the Company's operations and exploration efforts.

- Delay or default in settlement of Company's bills by customers may cause liquidity crisis.

Opportunities

- Rising demand curve for energy indicates good growth opportunities for the Company in future.

- Investing in exploratory blocks where international E&P companies are reluctant to participate.

- PPL together with its subsidiaries has an impressive portfolio of exploration assets, which presents significant opportunities for the Company.

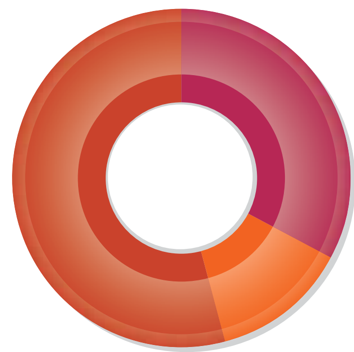
- Various risks described above are counterbalanced by the opportunities that could result from positive trends.

Balance Sheet Composition

Assets-2013

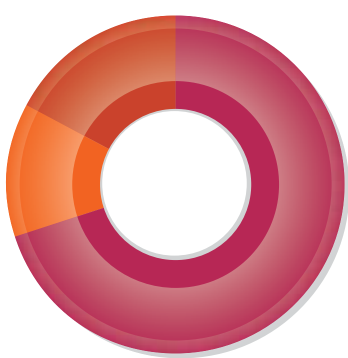
- 33% Fixed assets
- 27% Other long-term assets
- 40% Current assets

Assets-2012



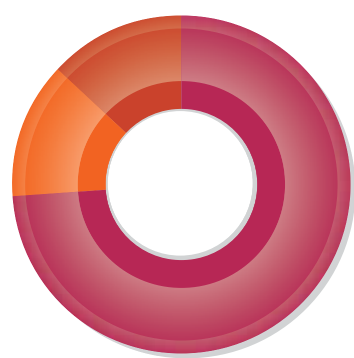
- 33% Fixed assets
- 13% Other long-term assets
- 54% Current assets

Shareholders' Equity and Liabilities - 2013



- 70% Share capital and reserves
- 13% Non-current liabilities
- 17% Current liabilities

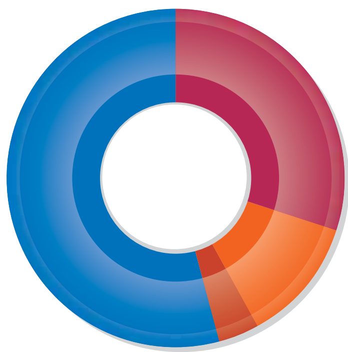
Shareholders' Equity and Liabilities - 2012



- 74% Share capital and reserves
- 13% Non-current liabilities
- 13% Current liabilities

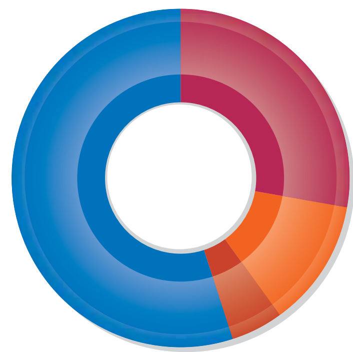
Analysis of **Profit & Loss** Account

Analysis of Sales - 2013



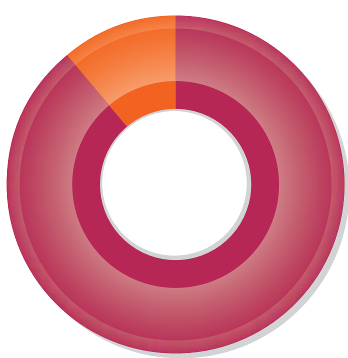
- 30% Field expenditure
- 12% Royalties
- 4% Other operating expenses and finance cost
- 54% Profit before tax excluding other income

Analysis of Sales - 2012



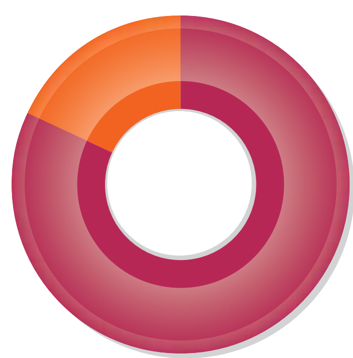
- 28% Field expenditure
- 12% Royalties
- 5% Other operating expenses and finance cost
- 55% Profit before tax excluding other income

Analysis of Profit Before Tax - 2013



- 89% Profit before tax excluding other income
- 11% Share of Profit from other income

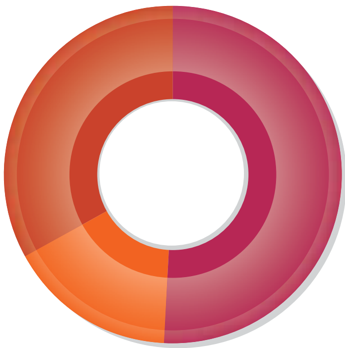
Analysis of Profit Before Tax - 2012



- 82% Profit before tax excluding other income
- 18% Share of Profit from other income

Analysis of **Cash Flows**

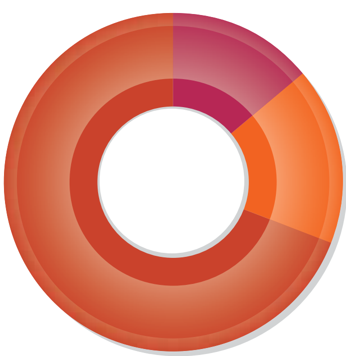
Utilisation of cash available / generated during the year 2013



- 51% Investing activities
- 16% Financing activities
- 33% Cash and Cash Equivalents at the end of the year

A total of Rs 36.9 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 67.1 bilion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 104 billion. Out of this Rs 52.7 billion (51%) were spent on investing activities, Rs 16.8 billion (16%) were used in financing activities and the remaining Rs 34.5 billion (33%) was available as cash and cash equivalents at the end of the year.

Utilisation of cash available / generated during the year 2012



- 14% Investing activities
- 17% Financing activities
- 69% Cash and Cash Equivalents at the end of the year

A total of Rs 22.4 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 31.3 bilion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 53.7 billion. Out of this Rs 7.7 billion (14%) were spent on investing activities, Rs 9.1 billion (17%) were used in financing activities and the remaining Rs 36.9 billion (69%) was available as cash and cash equivalents at the end of the year.

Quarterly Analysis

For the year ended June 2013

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales volumes					
Natural Gas (MMscf)	74,856	75,015	76,310	68,230	**294,411**
Crude Oil / NGL / Condensate (BBL)	831,815	843,476	861,298	998,564	**3,535,153**
LPG (Tonnes)	4,943	3,654	4,148	4,375	**17,120**
	---------------------------------- Rs million ----------------------------------				
Revenue	24,472	26,201	26,504	25,180	**102,357**
Profit after Taxation	11,298	11,019	11,213	8,421	**41,951**
Net Assets	129,138	140,157	143,155	149,354	**149,354**

Sales Volumes

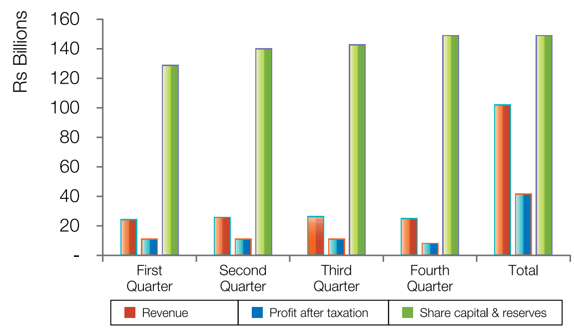
Gas Sales volumes have shown increasing trend over the first three quarters. However, the gas sales volumes reduced in the fourth quarter mainly due to lower gas off-take by GENCO-II, as well as natural decline of Sui and Sawan gas fields. Oil Sales volumes have shown slightly increasing trend over the first three quarters. However ,the oil sales volumes were higher in the fourth quarter, due to various operational improvements. LPG Sales volumes have shown a decline due to LPG plant maintenance activity at Adhi field. Further, the LPG production from Hala field was insignificant due to field depletion with no sales during the fourth quarter.

Sales - Net

Sales revenues trend is generally in line with the trend of sales volumes. During the second quarter, sales revenue was higher mainly due to the higher international oil prices, as compared to the first quarter. In the third quarter, sales revenue increased as a result of combined net effect of increase in exchange rate and sales volumes, partially offset by decrease in gas prices. Sales revenue reduced in the fourth quarter, mainly due to lower international oil prices as compared to the third quarter.

Profit after taxation

Profit after taxation (PAT) reduced in the second quarter, as increase in sales revenue was offset by increase in the field expenditures. Moreover, other income reduced due to lower weighted average deposit rates on investments. In the third quarter, PAT slightly increased in line with the increase in sales revenues. PAT significantly reduced in the fourth quarter due to lower sales revenue, as well as higher field expenditures.



Profit after taxation

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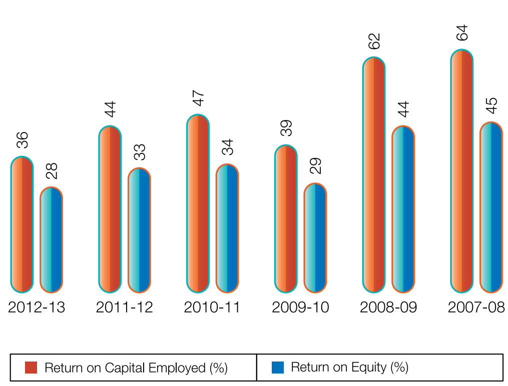
Share capital and reserves

Share Capital and Reserves Rs 126,384 million at the start of the year, which increased to Rs 129,138 million by the end of the first quarter due to profits for the quarter, partially offset by payment of final dividend on ordinary shares for the year ended June 30, 2012. During the second and third quarter, the amount of share capital and reserves increased to Rs140,157 million and Rs143,155 million respectively, by the amount of the profits for the quarters. During the third quarter, the unappropriated profit was partially offset by payment of an interim divided for the year ended June 30, 2013. Share Capital and Reserves increased at the end of the year to Rs 149,354 million, mainly due to profits for the fourth quarter.

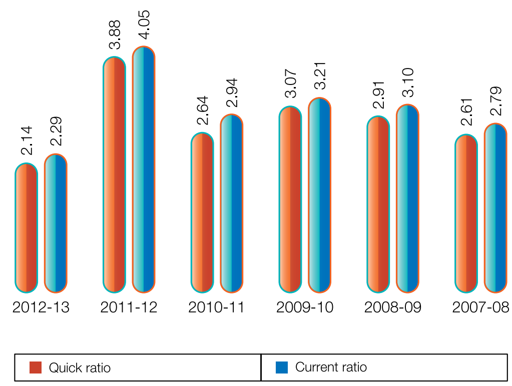
Six Years' Summary

	2007-08	2008-09	2009-10	2010-11	2011-12	**2012-13**
Financial Performance						
Profitability						
Operating Margin (%)	65	67	58	61	60	**58**
EBITDA Margin to sales (%) [1]	71	72	64	68	74	**69**
Operating Leverage (%)	131	109	663	131	145	**(41)**
Pre tax Margin (%)	67	68	58	62	67	**61**
Net profit to sales (%)	43	45	39	40	43	**41**
Return on Equity (%)	45	44	29	34	33	**28**
Return on Capital Employed (%)	64	62	39	47	44	**36**
Operating Performance/ Liquidity						
Total assets turnover (times)	0.82	0.86	0.63	0.68	0.65	**0.53**
Fixed assets turnover (times)	2.49	2.19	1.56	1.77	1.87	**1.61**
Debtor turnover (times)	4.11	3.00	2.05	2.49	2.34	**2.26**
Debtor turnover (days)	88.99	121.53	178.33	146.71	156.01	**161.35**
Current ratio	2.79	3.10	3.21	2.94	4.05	**2.29**
Quick ratio	2.61	2.91	3.07	2.64	3.88	**2.14**
Cash to Current Liabilities	1.62	1.00	1.49	1.08	1.63	**0.94**
Cash flow from Operation to Sales	0.47	0.22	0.44	0.39	0.33	**0.66**
Creditors turnover (times) [2]	-	-	-	-	-	-
Creditors turnover (days) [2]	-	-	-	-	-	-
Inventory turnover [2]	-	-	-	-	-	-
Operating Cycle [2]	-	-	-	-	-	-
Capital Market/ Capital Structure Analysis Ratios						
Market value per share as at June 30 (Rs)	245.99	189.54	184.12	207.07	188.29	**211.58**
- Low during the year (Rs)	229.80	98.50	162.40	168.70	160.00	**170.10**
- High during the year (Rs)	306.95	248.50	238.74	229.80	217.49	**229.75**
Breakup value per share (Rs)	57.87	75.99	80.24	78.03	95.06	**90.90**
Basic Earnings per share (Rs)	26.12	33.38	23.42	26.31	31.13	**25.53**
Diluted Earnings per share (Rs)	26.12	33.38	23.42	26.31	31.13	**25.53**
Basic Earnings per share - Restated (Rs. [3]	11.99	16.86	14.19	19.13	24.91	**25.53**
Diluted Earnings per share - Restated (Rs) [3 & 6]	11.99	16.86	14.19	19.13	24.91	**25.53**
Price earning ratio [7]	9.42	5.68	7.86	7.87	6.05	**8.29**
Cash Dividend Yield (%)	6.30	6.86	4.89	5.80	6.11	**4.96**
Cash Dividend Cover Ratio	1.69	2.57	2.60	2.19	2.71	**2.43**
Debt Equity Ratio [4]	-	-	-	-	-	-
Weighted average cost of debt [4]	-	-	-	-	-	-
Interest Cover Ratio [4]	-	-	-	-	-	-
Financial Leverage Ratio [4]	-	-	-	-	-	-
Summary of Profit & Loss			Rs million			
Sales - Gross (including Govt. levies)	57,885	77,798	77,211	98,613	119,646	**123,938**
Sales - Net (excluding Govt. levies)	45,717	61,580	59,962	78,252	96,222	**102,357**
Field expenditure	10,694	13,161	18,273	21,264	26,982	**30,603**
Operating Profit	29,506	40,956	34,612	47,655	57,769	**59,461**
Profit before Tax	30,447	41,908	34,528	48,365	64,555	**62,628**
Profit after Tax	19,707	27,703	23,321	31,446	40,926	**41,951**
EBITDA [1]	32,675	44,367	38,185	53,525	71,632	**70,720**

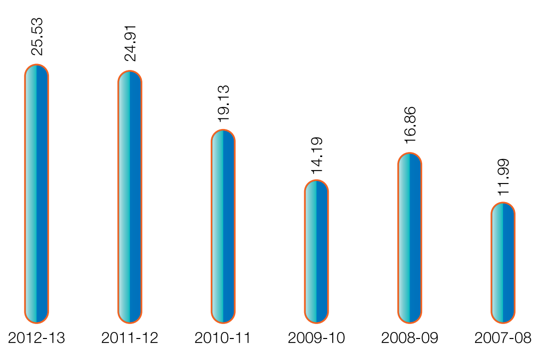
Return on Equity / Capital Employed (%)



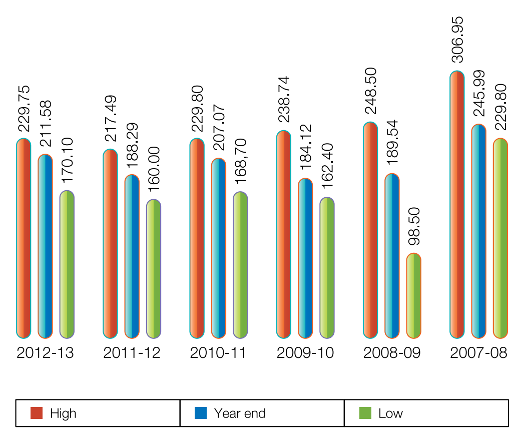
Current / Quick Ratio



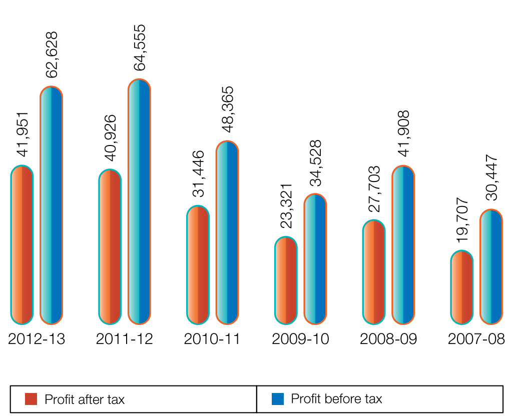
Earnings Per Share - Restated (Rs)



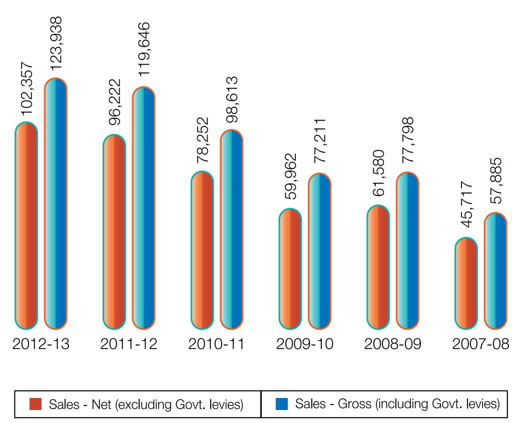
Share prices Low / Year End / High (Rs)



Profit Before & After Tax (Rs million)



Gross Sales vs Net Sales (Rs million)



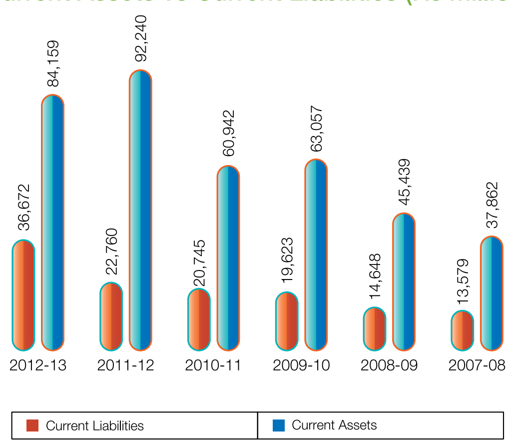
Six Years' Summary

	2007-08	2008-09	2009-10	2010-11	2011-12	**2012-13**
Corporate Distribution						
Dividend - Interim	11,693	8,298	3,983	11,950	6,572	**8,215**
- Final	-	2,490	4,979	2,390	8,544	**9,037**
Cash Dividend per share (Rs) [5]	15.50	13.00	9.00	12.00	11.50	**10.50**
Cash Dividend Payout Ratio (%) [5]	59.34	38.95	38.43	45.61	36.94	**41.13**
Bonus [5]	754	1,660	1,992	1,195	3,286	**3,286**
Bonus Issue (%) [5]	10	20	20	10	25	**20**
Summary of Balance Sheet			Rs million			
Share Capital	7,544	8,299	9,958	11,950	13,145	**16,431**
Reserves	36,110	54,760	69,948	81,299	111,816	**132,923**
Long-term / Deferred Liabilities	3,790	5,203	8,047	9,783	22,433	**26,875**
Current Assets	37,862	45,439	63,057	60,942	92,240	**84,159**
Current Liabilities	13,579	14,648	19,623	20,745	22,760	**36,672**
Property, Plant & Equipment	21,187	34,763	41,695	45,924	56,327	**70,079**
Fixed Assets	21,368	34,971	42,070	46,412	56,761	**70,481**
Long Term Investments	1,781	1,854	1,804	15,748	20,361	**55,707**
Stores and Spares	1,604	1,872	2,069	1,767	2,454	**2,835**
Trade Debts	13,228	27,780	30,811	32,096	50,159	**40,337**
Short term investments	20,743	13,242	27,296	20,851	35,265	**28,339**
Cash and bank balances	1,095	1,384	1,874	1,503	1,675	**6,184**
Summary of Cash Flows			Rs million			
Cash and Cash equivalent at beginning of the year	20,892	18,181	14,352	27,686	22,354	**36,940**
Cash flows from operating activities	21,563	13,293	26,460	30,131	31,354	**67,142**
Cash used in investing activities	(8,060)	(8,768)	(6,513)	(17,314)	(7,726)	**(52,698)**
Cash used in financing activities	(16,214)	(8,354)	(6,613)	(18,149)	(9,042)	**(16,866)**
Net change in cash and cash equivalents	(2,711)	(3,829)	13,334	(5,332)	14,586	**(2,422)**
Cash and Cash equivalent at end of the year	18,181	14,352	27,686	22,354	36,940	**34,517**
Others			Rs million			
Payments to Government Exchequer (including dividend)	37,613	43,385	36,403	62,509	49,615	**52,355**
Market Capitalisation	185,576	157,289	183,350	247,444	247,503	**347,646**

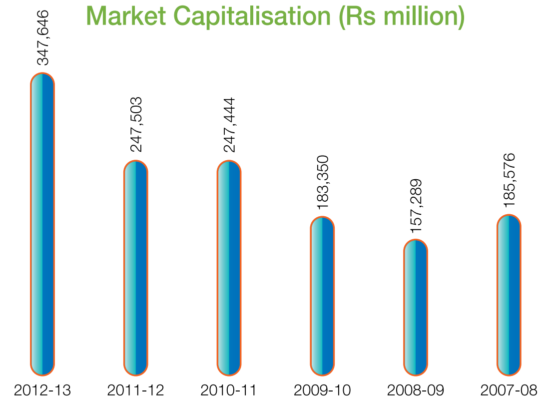
Notes:

1. EBITDA stands for Earnings before interest, taxes, depreciation and amortisation.
2. Not applicable in view of the nature of Company's business.
3. The earnings per share for prior years have been restated to take into account the issues of bonus shares in 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 & 2011-12.
4. Not applicable as the Company does not have debt besides lease financing for procurement of vehicles and computer equipment which forms a very small part of its capital structure.
5. Includes declaration of final cash dividend and issue of bonus shares subsequent to year end.
6. Convertible Preference Shares are of insignificant value in Company's total share capital therefore it has negligible dilution effect on EPS.
7. Price earning ratio and cash dividend payout ratio have been calculated on basic EPS.

Current Assets vs Current Liabilities (Rs million)



Market Capitalisation (Rs million)



Comments on Six Years' Summary

Sales-Net

Sales revenues (Excluding Govt. levies) have increased from Rs 45,717 million in 2007-08 to Rs 102,357 million in 2012-13 which is more than doubled in the six years' period (i.e. 124 %). The increase in sales is mainly due to new discoveries, higher international crude oil prices and depreciation of Pak Rupee against the US dollar.

Field Expenditures

Field expenditures have increased from Rs 10,694 million in 2007-08 to Rs 30,603 million in 2012-13, showing an increase of 186%. The increase in field expenditures is mainly attributable to inflation, increase in staff strength, drilling activities and 2D & 3D seismic data acquisition in new blocks awarded to PPL.

Profit Before Tax

Profit before tax was Rs 30,447 million in 2007-08, which has increased to Rs 62,628 million in 2012-13. Such a significant increase in profit before tax is the effect of higher net sales revenue due to factors stated above.

Share Capital and Reserves

Share capital and Reserves of the Company for the last six years continues to increase significantly from Rs 43,654 million to Rs 149,354 million, a growth of almost 242%, due to profit retention in the business.

Payment to Government Exchequer

PPL is a significant contributor to the Government and contributed an amount of Rs 281,880 million during last six years to the Government Exchequer, on account of income taxes, royalties, excise duty, sales tax, gas development surcharge and dividends.

Trade Debts

Trade debts were Rs 13,228 million in 2007-08 and have now accumulated to Rs 40,337 million by the end of 2012-13. Trade Debts include amounts receivable from State Owned Enterprises (i.e. GENCO-II, SSGCL, SNGPL) and the refineries.

Trade debts have increased, mainly due to increase in sales revenue and issue of inter-corporate circular debt prevailing in the energy sector.

Horizontal Analysis

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	**2012-13**
Balance Sheet Items							
Property, plant and equipment	100	139	228	274	302	370	**460**
Intangible assets	100	120	138	249	324	288	**268**
Long-term investments	100	316	321	299	3,165	4,092	**11,195**
Long-term loans and advance	100	108	91	85	172	196	**13,998**
Long-term deposits	-	-	100	102	105	113	**121**
Long-term receivables	-	-	100	31	41	261	**1,063**
Stores and spares	100	109	127	140	120	166	**192**
Trade debts	100	147	309	342	357	557	**448**
Loans and advances	100	202	148	53	180	246	**357**
Trade deposits and short-term prepayments	100	110	198	108	83	100	**175**
Interest accrued	100	182	264	158	429	474	**1,281**
Current maturity of long-term investments	100	228	25	228	51	758	**2,028**
Current maturity of long-term receivables	100	-	8	8	2	2	**13**
Other receivables	100	41	458	1,167	1,294	2,437	**7,622**
Short-term investments	100	97	62	127	97	165	**132**
Cash and bank balances	100	139	176	238	191	213	**785**
Total Assets	**100**	**121**	**165**	**214**	**246**	**338**	423
Share capital	100	110	121	145	174	192	**240**
Reserves	100	109	165	210	245	336	**400**
Provision for decommissioning obligations	100	161	228	321	328	822	**916**
Liabilities against assets subject to finance leases	100	112	145	127	147	190	**238**
Deferred liabilities	100	116	134	153	184	222	**244**
Deferred income	-	-	100	55	20	-	**-**
Deferred taxation	-	100	354	3,113	6,602	16,138	**22,749**
Trade and other payables	100	170	187	252	287	271	**463**
Current maturity of liabilities against assets subject to finance leases	100	88	91	2,388	105	164	**214**
Current maturity of deferred income	-	-	100	271	208	121	**-**
Taxation	100	608	530	94	-	1,452	**1,489**
Total Shareholders' Equity and Liabilities	**100**	**121**	**165**	**214**	**246**	**338**	423
Profit & Loss Items							
Sales - net	100	119	160	156	204	251	**267**
Field expenditure	100	115	142	197	231	291	**330**
Royalties	100	121	163	155	202	251	**269**
Other income	100	126	169	107	184	481	**285**
Other operating expenses	100	80	119	99	138	179	**128**
Finance costs	100	135	189	313	416	362	**798**
Profit before taxation	100	125	172	142	199	265	**257**
Taxation	100	142	187	148	223	311	**272**
Profit after taxation	100	118	165	139	188	244	**250**
Basic and diluted earnings per share (Rs.)	100	118	165	139	187	244	**250**

Vertical Analysis

	2007-08	2008-09	2009-10	2010-11	2011-12	**2012-13**
Balance Sheet Items						
Property, plant and equipment	34.72	41.93	38.75	37.11	33.11	**32.92**
Intangible assets	0.30	0.25	0.35	0.39	0.25	**0.19**
Equity-accounted investment in joint venture	0.35	0.31	0.29	-	-	**-**
Long-term investments	2.57	1.93	1.39	12.72	11.97	**26.17**
Long-term loans - staff	0.02	0.01	0.01	0.02	0.01	**0.71**
Long-term deposit	-	0.74	0.59	0.52	0.41	**0.35**
Long-term receivable	-	0.03	0.01	0.01	0.04	**0.14**
Stores and spares	2.63	2.26	1.92	1.43	1.44	**1.33**
Trade debts	21.68	33.50	28.64	25.93	29.48	**18.95**
Loans and advances	0.93	0.50	0.14	0.41	0.41	**0.47**
Trade deposits and short-term prepayments	0.29	0.39	0.16	0.11	0.09	**0.13**
Accrued financial income	0.35	0.37	0.17	0.40	0.33	**0.70**
Current maturity of long-term investments	0.37	0.03	0.21	0.04	0.44	**0.94**
Current maturity of long-term receivable	-	0.02	0.02	-	-	**0.01**
Other receivables	0.01	0.12	0.24	0.23	0.31	**0.78**
Short-term investments	33.99	15.94	25.37	16.85	20.73	**13.31**
Taxation	-	-	-	2.62	-	**-**
Cash and bank balances	1.79	1.67	1.74	1.21	0.98	**2.90**
	100.00	100.00	100.00	100.00	100.00	**100.00**
Share capital	12.37	10.01	9.25	9.66	7.74	**7.72**
Reserves	59.17	66.04	65.02	65.68	65.71	**62.43**
Provision for decommissioning obligations	4.61	4.79	5.21	4.63	8.42	**7.51**
Liabilities against assets subject to finance leases	0.13	0.12	0.08	0.08	0.08	**0.08**
Deferred liabilities	1.41	1.19	1.06	1.10	0.97	**0.85**
Deferred Income	-	0.01	-	-	-	**-**
Deferred taxation	0.06	0.17	1.13	2.09	3.71	**4.18**
Trade and other payables	20.06	16.25	16.93	16.72	11.51	**15.69**
Current maturity of liabilities against assets subject to finance leases	0.07	0.06	1.13	0.04	0.05	**0.05**
Taxation	2.12	1.36	0.19	-	1.81	**1.49**
Total Shareholders' Equity and Liabilities	100.00	100.00	100.00	100.00	100.00	**100.00**
Profit & Loss Items						
Sales - net	100.00	100.00	100.00	100.00	100.00	**100.00**
Field expenditure	23.38	21.37	30.48	27.31	28.04	**29.89**
Royalties	12.07	12.12	11.80	11.80	11.92	**12.00**
Share of profit in equity - accounted investment in joint venture	(0.12)	(0.11)	(0.10)	(0.07)	-	**-**
Other operating income	(6.64)	(6.63)	(4.30)	(5.69)	(12.08)	**(6.73)**
Other operating expenses	4.56	5.04	4.28	4.59	4.84	**3.26**
Finance costs	0.15	0.15	0.26	0.26	0.19	**0.39**
Taxation	23.49	23.07	18.69	21.62	24.56	**20.20**
Profit after taxation	43.11	44.99	38.89	40.18	42.53	**40.99**
	100.00	100.00	100.00	100.00	100.00	**100.00**

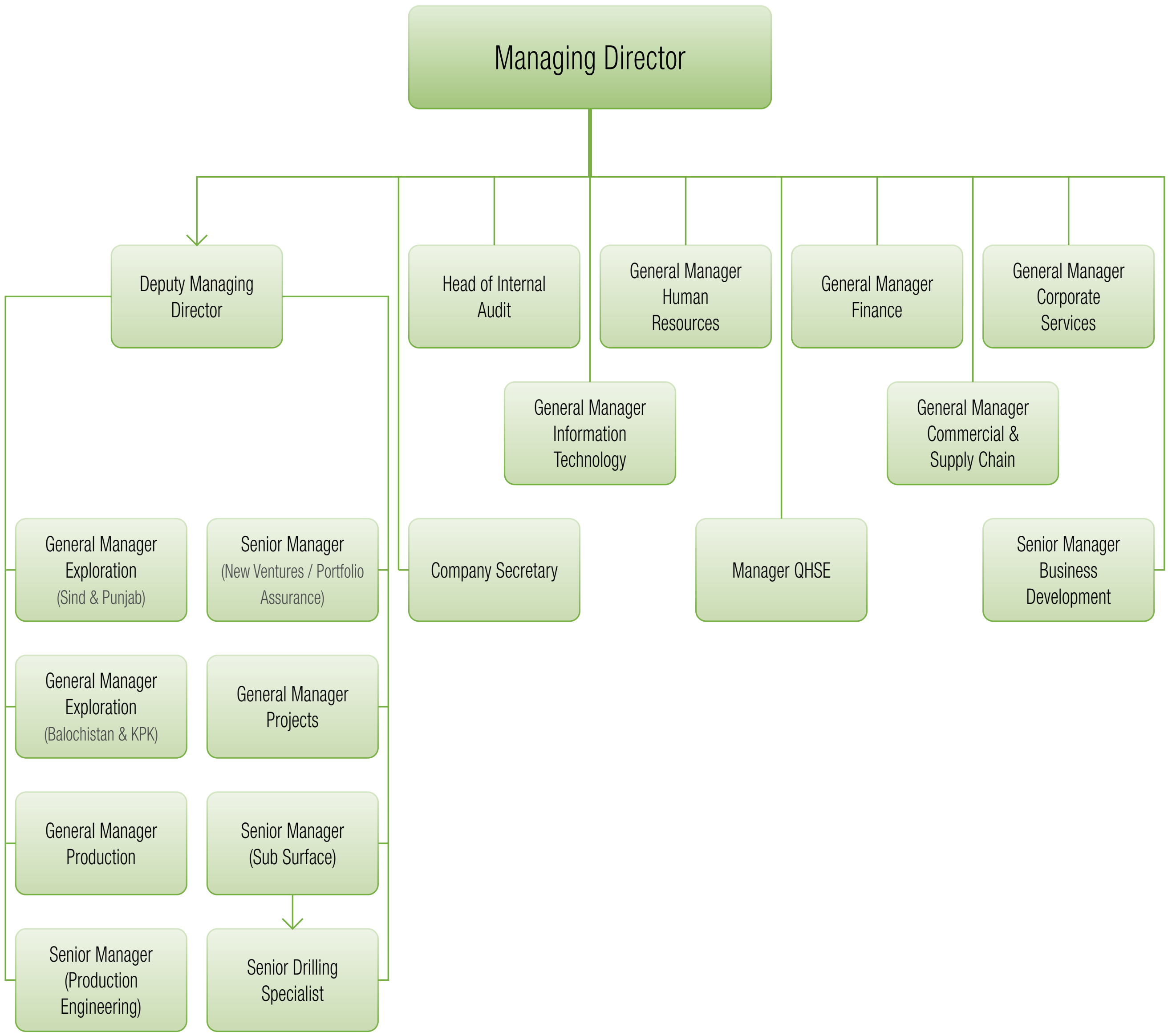
Movement of **Estimated Reserves**

	Natural Gas MMSCF	OIL / NGL Thousand barrels	LPG Tonnes
Original proven recoverable reserves			
At 1 July, 2012	14,772,000	61,453	631,244
Change during the year			
- Revision in estimates of previous reserves	37,000 [1]	469 [2]	54,286 [3]
At 30 June 2013	14,809,000	61,922	685,530
Production			
Accumulated on 1 July 2012	11,983,005 [4]	19,018 [4]	258,537 [4]
Production during the year	331,510	3,671	17,136
Accumulated upto 30 June 2013	12,314,515	22,689	275,673
Net reserves 30 June 2013	2,494,485	39,233	409,857
Net reserves 30 June 2012	2,788,995	42,435	372,707
Daily average production	908	10.06	46.95

Notes:

1. Revision in field recoverable gas reserves estimates of Adhi field, Miano, Tajjal at Tal Block and Latif Blocks.
2. Revision in field recoverable NGL reserve estimates of Adhi and Manzalai at Tal Block.
3. Revision in recoverable LPG reserves estimates of Mela and Nashpa at Nashpa Block.
4. The previous years' figures have been restated wherever necessary for comparision purposes.

Organogram


Managing Director
Deputy Managing Director
Head of Internal Audit
General Manager Human Resources
General Manager Finance
General Manager Corporate Services
General Manager Information Technology
General Manager Commercial & Supply Chain
General Manager Exploration (Sind & Punjab)
Senior Manager (New Ventures / Portfolio Assurance)
Company Secretary
Manager QHSE
Senior Manager Business Development
General Manager Exploration (Balochistan & KPK)
General Manager Projects
General Manager Production
Senior Manager (Sub Surface)
Senior Manager (Production Engineering)
Senior Drilling Specialist

Statement of Compliance

with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Non-Executive Directors	(i) Mr. Sajid Zahid (ii) Dr. Amer Sheikh (iii) Mr. Qazi M. Saleem Siddiqui **
Executive Director	(i) Mr. Asim Murtaza Khan
Independent Directors	(i) Mr. Zain Magsi (ii) Mr. Saquib H. Shirazi (iii) Mr. Javed Akbar (iv) Mr. Mohsin Aziz (v) Mr. Javed Masud (vi) Mr. M. Shoukat Saleem *

* Mr. M. Shoukat Saleem subsequently resigned in the month of July 2013.
** Mr. Saeedullah Shah replaced Mr. Qazi M. Saleem Siddiqui in August, 2013.

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding 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 NBFI. None of the directors is a member of any of the Stock Exchanges.

4. Five casual vacancies occurred in the Board during the months of October 2012, November 2012 and February 2013 and all were filled up by the directors maximum within 17 days.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment of non-executive directors, determination of their remuneration for attending Board/ Committee meetings and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. No new appointment of CEO has been made during the year.

8. The meetings of the Board were presided over by the Chairman and in his absence by a Director elected by the Board for this purpose

and the Board met at least once in every quarter. Written notices of the Board meetings, along with the 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 new Directors have been provided with detailed in-house briefings and information package to acquaint them with the Code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company for and on behalf of the shareholders. During the year, Pakistan Institute of Corporate Governance (PICG) training programs were arranged for three Directors of the Company.

10. During the year, a new Head of Internal Audit was appointed by the Board on superannuation of the former incumbent. No new appointments of the Chief Financial Officer (CFO) and the Company Secretary were made during the year. The remunerations, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit and any change thereto have been determined by the CEO with the approval of the Board of Directors.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of five (5) members, all of whom are non-executive directors including Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource Committee. It comprises of five (5) members, of whom four (4) are non-executive Directors including the Chairman of the Committee.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the ICAP.

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

21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and Stock Exchanges.

22. Material / price sensitive information has been disseminated amongst all the market participants at once through the Stock Exchanges.

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

(ASIM MURTAZA KHAN)
CHIEF EXECUTIVE / MANAGING DIRECTOR

Karachi
21 August, 2013

Review Report to the Members

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June, 2013 prepared by the Board of Directors of Pakistan Petroleum Limited (the Company) to comply with the Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange Limited, where the Company is listed.

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

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

Further, the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June, 2013.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi
21 August, 2013

Report of the **Audit Committee**

The role of the Board Audit Committee in the context of the Board's broader governance framework is to oversee:

(i) The integrity of financial statements;
(ii) The appointment , remuneration, qualification, independence and performance of External Auditors
(iii) The performance and leadership of Internal audit function
(iv) The outcome of Internal Audit activities
(v) The effectiveness of system of internal controls and risk management
(vi) Compliance with legal and regulatory requirements
(vii) Compliance by management with constraints imposed by Board

The Audit Committee has concluded its review of the conduct and operations of the Company during 2013, and reports that:

- The Unconsolidated Financial Statements, Consolidated Financial Statements, Directors Report and other information in the Annual Report have been reviewed by Managing Director/Chief Executive and the CFO. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.

- Appropriate accounting policies have been consistently applied. Applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended 30 June, 2013, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

- The preparation of Financial Statements is in conformity with International Financial Reporting Standards and requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances.

- Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the Auditors of the Company.

- Understanding and compliance with Company codes and policies has been affirmed by the Management and employees of the Company individually. Employees have confirmed and signed their understanding of the Company's code of ethics.

- All direct or indirect trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

Internal Audit

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy. The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

- The Head of Internal Audit has direct access to the Chairman of the Board Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.

- During the year four Board Audit Committee meetings were held to ensure that the Audit Function effectively performed its assigned task.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

External Auditors

- The statutory Auditors of the Company, Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended 30 June, 2013 and shall retire on the conclusion of the 62nd Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Audit Management Letter with the External Auditors.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meeting of the Company during the year and have indicated their willingness to continue as Auditors.

- The Audit Committee has recommended the reappointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as External Auditors of the Company for the year ending 30 June 2014.

SAJID ZAHID
CHAIRMAN – BOARD AUDIT COMMITTEE

Karachi
22 August, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of 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 are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in notes 2.4 and 2.6 to the accompanying financial statements with which we concur;
   ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2013 and of the profit, its comprehensive income, 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi
21 August, 2013

Unconsolidated Balance Sheet

as at June 30, 2013

	Note	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
			Rs '000	
NON-CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	4	70,078,912	56,326,932	45,924,411
Intangible assets	5	402,152	433,569	487,195
		70,481,064	56,760,501	46,411,606
Long-term investments	6	55,706,855	20,361,358	15,747,524
Long-term loans and advance	7	1,519,155	21,262	18,720
Long-term deposits	8	742,676	697,676	645,000
Long-term receivables	9	292,598	71,805	11,172
		128,742,348	77,912,602	62,834,022
CURRENT ASSETS				
Stores and spares	10	2,835,182	2,454,071	1,766,813
Trade debts	11	40,337,320	50,159,492	32,096,358
Loans and advances	12	1,003,037	691,862	505,889
Trade deposits and short-term prepayments	13	283,213	161,013	134,647
Interest accrued	14	1,495,560	553,290	501,290
Current maturity of long-term investments	6	2,000,740	748,276	49,950
Current maturity of long-term receivables	9	29,082	4,251	4,251
Other receivables	15	1,651,601	528,023	280,490
Short-term investments	16	28,338,853	35,265,000	20,851,145
Taxation		-	-	3,248,006
Cash and bank balances	17	6,184,285	1,675,160	1,503,126
		84,158,873	92,240,438	60,941,965
		212,901,221	170,153,040	123,775,987
SHARE CAPITAL AND RESERVES				
Share capital	18	16,431,102	13,144,909	11,949,930
Reserves	19	132,923,238	111,815,587	81,298,747
		149,354,340	124,960,496	93,248,677
NON-CURRENT LIABILITIES				
Provision for decommissioning obligation	20	15,989,704	14,334,962	5,729,595
Liabilities against assets subject to finance leases	21	164,616	131,115	101,848
Deferred liabilities	22	1,812,967	1,647,611	1,364,872
Deferred income		-	-	1,172
Deferred taxation	23	8,907,869	6,319,324	2,585,139
		26,875,156	22,433,012	9,782,626
CURRENT LIABILITIES				
Trade and other payables	24	33,397,782	19,588,255	20,689,234
Current maturity of liabilities against assets subject to finance leases	21	108,622	82,923	53,428
Current maturity of deferred income		-	1,172	2,022
Taxation		3,165,321	3,087,182	-
		36,671,725	22,759,532	20,744,684
CONTINGENCIES AND COMMITMENTS	25	-	-	-
		212,901,221	170,153,040	123,775,987

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Director

Chief Executive

Unconsolidated Profit and Loss Account

for the year ended June 30, 2013

	Note	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
		Rs '000	
Sales - net	26	102,356,656	96,221,728
Field expenditures	27	(30,602,879)	(26,981,574)
Royalties		(12,292,375)	(11,471,151)
		(42,895,254)	(38,452,725)
		59,461,402	57,769,003
Other income	29	6,893,448	11,619,481
Other operating expenses	30	(3,332,675)	(4,654,529)
Finance costs	31	(394,432)	(179,005)
Profit before taxation		62,627,743	64,554,950
Taxation	32	(20,676,547)	(23,629,434)
Profit after taxation		41,951,196	40,925,516
			(Restated)
Basic and diluted earnings per share (Rs)	37	25.53	24.91

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Director

Chief Executive

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

	Note	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
		Rs '000	
Profit after taxation		41,951,196	40,925,516
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods			
Actuarial losses on defined benefit plans - net		(1,227,272)	(386,635)
Deferred taxation		429,545	135,322
Net comprehensive income not to be reclassified to profit and loss account in subsequent periods	3.10	(797,727)	(251,313)
Total comprehensive income		41,153,469	40,674,203

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Director

Chief Executive

Unconsolidated Cash Flow Statement

for the year ended June 30, 2013

	Note	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
		Rs '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		133,754,246	100,401,389
Receipts of other income		273,634	261,346
Cash paid to suppliers / service providers and employees		(21,979,739)	(22,255,549)
Payment of indirect taxes and Government levies including royalty		(27,286,144)	(33,595,965)
Income tax paid		(17,580,313)	(13,424,739)
Finance costs paid		(34,625)	(30,035)
Long-term loans - staff (net)		(5,026)	(2,688)
Net cash generated from operating activities		67,142,033	31,353,759
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure (net)		(19,966,533)	(9,162,743)
Purchase of long-term investments		(23,875,327)	(4,865,336)
Disposal / redemption of long-term investments		4,371,573	978,353
Investment in PPL Europe E&P Limited	6	(15,664,177)	-
Advance against issuance of shares	7	(1,498,144)	-
Investment in PPL Asia DMCC	16	(5,350)	-
Long-term deposits		(45,000)	(52,676)
Long-term receivables		(246,796)	(62,655)
Dividend income received from jointly controlled entity - BME		15,000	25,000
Financial income received		4,193,046	5,315,018
Proceeds on sale of property, plant and equipment	4.3	23,212	98,786
Net cash used in investing activities		(52,698,496)	(7,726,253)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(106,284)	(79,233)
Dividends paid		(16,759,625)	(8,962,384)
Net cash used in financing activities		(16,865,909)	(9,041,617)
Net (decrease) / increase in cash and cash equivalents		(2,422,372)	14,585,889
Cash and cash equivalents at the beginning of the year		36,940,160	22,354,271
Cash and cash equivalents at the end of the year	35	34,517,788	36,940,160

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Director

Chief Executive

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

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves						Total reserves	Total
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Dividend equalisation reserve	Unappropriated profit	Total		
	Rs '000										
Balance as at June 30, 2011 - as previously reported	11,949,792	138	1,428	69,761	14,021,894	20,000,000	-	48,380,020	82,471,675	82,473,103	94,423,033
Effect of acquisition of Chachar gas field - note 42.3	-	-	-	-	-	(583,843)	-	583,843	-	-	-
Effect of change in accounting policy - note 3.10	-	-	-	-	-	-	-	(819,332)	(819,332)	(819,332)	(819,332)
Effect of change in accounting policy - note 3.5	-	-	-	-	-	-	-	(355,024)	(355,024)	(355,024)	(355,024)
Balance as at June 30, 2011 - as restated	11,949,792	138	1,428	69,761	14,021,894	19,416,157	-	47,789,507	81,297,319	81,298,747	93,248,677
Appropriation of insurance reserve for the year ended June 30, 2011	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2011	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Issuance of bonus shares @ 10% (one share for every ten ordinary shares held)	1,194,979	-	-	-	-	-	-	(1,194,979)	(1,194,979)	(1,194,979)	-
Final dividend on ordinary shares @ 20% for the year ended June 30, 2011	-	-	-	-	-	-	-	(2,389,958)	(2,389,958)	(2,389,958)	(2,389,958)
Profit after taxation	-	-	-	-	-	-	-	40,925,516	40,925,516	40,925,516	40,925,516
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-	(251,313)	(251,313)	(251,313)	(251,313)
Total comprehensive income for the year ended June 30, 2012	-	-	-	-	-	-	-	40,674,203	40,674,203	40,674,203	40,674,203
Interim dividend for the year ended June 30, 2012											
- Ordinary shares - 50%	-	-	-	-	-	-	-	(6,572,385)	(6,572,385)	(6,572,385)	(6,572,385)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(41)	(41)	(41)	(41)
Balance as at June 30, 2012 - restated	13,144,771	138	1,428	69,761	19,021,894	24,416,157	-	68,306,347	111,814,159	111,815,587	124,960,496
Appropriation of insurance reserve for the year ended June 30, 2012	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2012	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Appropriation of dividend equalisation reserve for the year ended June 30, 2013	-	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-
Acquisition of 100% shareholding of PPL Europe E&P Limited - note 6	-	-	-	-	-	(15,664,177)	-	15,664,177	-	-	-
Issuance of bonus shares @ 25% (one share for every four ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	(3,286,193)	(3,286,193)	-
Final dividend on ordinary shares @ 65% for the year ended June 30, 2012	-	-	-	-	-	-	-	(8,544,101)	(8,544,101)	(8,544,101)	(8,544,101)
Profit after taxation	-	-	-	-	-	-	-	41,951,196	41,951,196	41,951,196	41,951,196
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-	(797,727)	(797,727)	(797,727)	(797,727)
Total comprehensive income for the year ended June 30, 2013	-	-	-	-	-	-	-	41,153,469	41,153,469	41,153,469	41,153,469
Interim dividend for the year ended June 30, 2013											
- Ordinary shares - 50%	-	-	-	-	-	-	-	(8,215,482)	(8,215,482)	(8,215,482)	(8,215,482)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(42)	(42)	(42)	(42)
Balance as at June 30, 2013	16,430,964	138	1,428	69,761	24,021,894	13,751,980	5,000,000	90,078,175	132,921,810	132,923,238	149,354,340

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.

Director

Chief Executive

Notes to and Forming Part of the Unconsolidated Financial Statements
for the year ended June 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.2 These unconsolidated financial statements are the separate financial statements of the Company, in which investments in the below mentioned subsidiaries and jointly controlled entity have been accounted for at cost less accumulated impairment losses, if any. As of balance sheet date, the Company has the following subsidiaries and a jointly controlled entity:

Wholly-owned subsidiaries:
a) PPL Europe E&P Limited (formerly MND Exploration and Production Limited)
b) PPL Asia DMCC
c) The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Jointly Controlled Entity:
Bolan Mining Enterprises – 50% shareholding

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Implications of revised IFRS 2 - Share-based Payment on Benazir Employees' Stock Option Scheme

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs), including Pakistan Petroleum Limited, and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Company, under the provisions of revised International Financial Reporting Standard - 2, "Share - based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan (SECP), on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(l)/2011 dated June 07, 2011 to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the impact, based on the independent actuarial valuations conducted as on June 30, 2013 and June 30, 2012 would have been as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
Staff costs of the Company for the year would have been higher by:	3,170,611	2,689,899
Profit after taxation would have been lower by:	3,170,611	2,689,899
		(Restated)
Earnings per share would have been lower by (Rs):	1.93	1.64

	June 30, 2013	June 30, 2012
	Rs '000	
Retained earnings would have been lower by:	13,376,312	10,205,701
Reserves would have been higher by:	13,376,312	10,205,701

2.3 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except for the following material items in the balance sheet:

a. 'Financial assets at fair value through profit or loss' which are measured at fair value.

b. Obligation under certain employee benefits and provision for decommissioning cost have been measured at present value.

c. Held-to-maturity investments and loans and receivables, which are measured at amortised cost.

2.4 Standards that became effective but not relevant to the Company or do not have material effect

The following standards became effective for the current financial year but are either not relevant or do not have any material effect on the unconsolidated financial statements of the Company except for IAS 1 which has affected the presentation of items of other comprehensive income:

IAS 1 - Presentation of Financial Statements (Amendment)
IAS 12 - Income Taxes (Amendment)

2.5 Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

Description	Effective for periods beginning on or after
Revision / improvements / amendments to IFRSs and interpretations	
IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 01, 2013 & January 01, 2015
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2013
IAS 27 - Separate Financial Statements	January 01, 2013
IAS 28 - Investments in Associates and Joint Ventures	January 01, 2013
IAS 32 - Financial Instruments: Presentation (Amendment)	January 01, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21 - Levies	January 01, 2014
Annual improvements to IFRS (the 2009-2011 cycle)	January 01, 2013
Standards issued by IASB but not yet notified by SECP	
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013
IFRS 10, IFRS 12 and IAS 27 - Investments Entities (Amendments)	January 01, 2014

The Company expects that the adoption of the above standards and interpretations will not have material effect on the Company's unconsolidated financial statements in the period of initial application except for IFRS 9 - Financial Instruments: Classification and Measurement, IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities, which may affect certain disclosures.

2.6 Change in accounting policies

2.6.1 During the current year, the Company has early adopted IAS 19 - Employee Benefits (Revised) which is effective from annual periods beginning on or after January 01, 2013. Accordingly, the change in accounting policy and its related impact is disclosed in note 3.10 to these unconsolidated financial statements.

2.6.2 During the current year, the Company has prepared consolidated financial statements of PPL Group, under the provisions of the Companies Ordinance, 1984 and IAS 27 - Consolidated and Separate Financial Statements (IAS 27). As per the requirements of IAS 27, if a Company prepares separate financial statements, the investment in jointly controlled entity is accounted for either at cost or in accordance with IAS 39. Accordingly, the Company has changed its accounting policy in respect of investment in jointly controlled entity - BME and has opted to account for the investment at cost. The change in accounting policy and its related impact is disclosed in note 3.5(b) to these unconsolidated financial statements.

2.7 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

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

a) Property, plant and equipment

The Company reviews the useful lives, method of depreciation and residual values of property, plant and equipment on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

b) Prospecting and development expenditure

i. Exploration expenditure

The Company's accounting policy for exploration expenditure results in cost of exploratory wells being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy a judgment is made that recovery of the expenditure is unlikely, the relevant capitalised amount is transferred to the profit and loss account in the period when the new information becomes available.

ii. Development and production expenditure

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration expenditure. Any such estimates and assumptions may change as new information becomes available.

c) Estimation of proven oil and natural gas reserves

Oil and gas reserves are an important element in testing for impairment of prospecting and development assets of the Company. Changes in oil and gas reserves will also affect the rate of amortisation, which is charged on unit of production method, which is a ratio of oil and gas production in a year to the estimated quantities of commercial reserves at the end of the year plus the production during the year.

Estimates of oil and gas reserves require the application of judgment and are subject to future revision. Proved reserves are estimated quantities of oil, natural gas and LPG that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under the existing conditions. Proved reserves are estimates with reference to available reservoir and well information, including production and pressure trends for producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors. Although, the possibility exists for changes in reserves to have a significant effect on amortisation charge, however, it is expected that in the normal course of business the probability of occurrence of such an event is remote.

d) Provision and amortisation of decommissioning cost

Provision is recognised for the future decommissioning and restoration of oil and gas wells, production facilities and pipelines at the end of their economic lives. The estimated cost is charged to income over the life of the proved reserves on a unit of production basis.

The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognised are based on current legal and constructive obligations, technology and price levels. Provision is based on the best estimates, however, the actual outflows may differ from estimated cash outflows due to changes in laws, regulations, technology, prices and conditions, and the fact that actual expenditure will take place many years in the future. The carrying amount of provision is reviewed annually and adjusted to take account of such changes.

During the current year, the Company revised its estimates of outflows or resources to settle decommissioning liability, based on future projected costs adjusted to present value. This has been treated as a change in accounting estimate, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities. Had there been no change in the estimates, provision for decommissioning obligation and property, plant and equipment would have been lower by Rs 53.509 million and Rs 29.527 million, respectively and amortisation of decommissioning cost for the year would have been lower by Rs 23.982 million and profit after tax would have been higher by Rs 16.066 million.

e) Provision for defined benefit plans and compensated absences

Defined benefit plans and compensated absences are provided for permanent employees of the Company. The plans are structured as separate legal entities managed by trustees, however, for post retirement medical benefits and compensated absences, liability is recognised in the Company's unconsolidated financial statements. These benefits are evaluated with reference to uncertain events and are based upon actuarial assumptions including inter alia, discount rates, expected rates of salary increases, medical cost rates and mortality rates. The actuarial valuations are conducted by independent actuaries on annual basis using Projected Unit Credit Actuarial Cost Method. Pension and gratuity costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years. Calculations are sensitive to changes in the underlying assumptions.

f) Provision for taxation

The provision for taxation is accounted for by the Company after taking into account the relevant laws and decisions taken by appellate authorities. Instances, where the Company's view differs from the view taken by the tax authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities / assets.

g) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence / non-occurrence of the uncertain future event(s).

h) Provision for trade debts, advances and other receivables

On annual basis, the Company reviews the recoverability of its trade debts, advances and other receivables, to assess the amount required for provision of doubtful debts. Trade debts, advances and other receivables considered irrecoverable are written off. No provision is made in respect of the active customers which are considered good.

i) Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Owned assets

i. Property, plant and equipment, except freehold land, leasehold land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and leasehold land are stated at cost. Capital work-in-progress is stated at cost less accumulated impairment losses, if any and is transferred to the respective item of property, plant and equipment when available for intended use.

Maintenance and normal repairs are charged to profit and loss account, as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net, within other income in profit and loss account.

Assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

ii. Capital spares held by the Company for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any.

iii. Prospecting and development expenditure is accounted for under the "successful efforts" method, whereby, costs of acquisition of rights to explore, cost to acquire producing reserves, successful exploratory wells and development wells, including unsuccessful development wells, are capitalised.

Unsuccessful exploratory wells are initially capitalised within the capital work-in-progress. However, they are transferred to profit and loss account when declared to be non-productive.

All exploration costs other than those related to exploratory drilling are charged to profit and loss account, as incurred.

b) Assets subject to finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

3.2 Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the Company and that the cost of such assets can also be measured reliably.

Generally, costs associated with the development or maintenance of computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Computer software costs that are directly associated with the computer and computer controlled machines, which cannot operate without the related specific software, are included in the costs of the respective assets. When the software is not an integral part of the related hardware, it is classified as an intangible asset. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditures which enhance or extend the performance of computer software beyond their original specification and useful life are recognised as capital improvement and added to the original cost of the software.

3.3 Depreciation and amortisation

a) Property, plant and equipment

i. Depreciation on property, plant and equipment, except freehold land, leasehold land, capital work-in-progress, prospecting and development expenditure and decommissioning cost, is charged on a straight line basis at the rates specified in note 4.1 to these unconsolidated financial statements and depreciation on capital stores in operating assets is charged over the useful lives of the related items of plant and machinery to which these stores relate.

Depreciation on additions is charged from the month following the one in which the asset is available for use and on disposals upto the month the asset is in use.

Depreciation on leased assets is charged at the same rates as charged on the Company's own assets.

ii. Capitalised prospecting and development expenditure, including cost to acquire producing reserves in respect of proven reserves, and decommissioning cost are amortised and charged to profit and loss account on the basis of unit of production method.

b) Intangible assets

Amortisation on intangible assets is charged over their useful economic life on straight line basis at the rates stated in note 5.1 to these unconsolidated financial statements.

Amortisation on additions is charged from the month following the one in which the asset is available for use and on disposals upto the month the asset is in use.

3.4 Business combinations and goodwill

The Company uses acquisition method of accounting for acquisition of assets or class of assets, whereby, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities assumed based on the fair value at the date of acquisition. Acquisition related costs are expensed as incurred and included in field expenditures.

Goodwill is initially measured as of the acquisition date, being the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree; and (b) the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

In case the fair value attributable to the Company's interest in the identifiable net assets exceeds the fair value of consideration, the Company recognises the resulting gain in the profit and loss account on the acquisition date.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any, and is tested annually or whenever, there is an indication of impairment as referred in note 3.25 to these unconsolidated financial statements. Impairment loss in respect of goodwill is recognised in the profit and loss account.

3.5 Investments

a) Subsidiary

Investment in subsidiary is stated at cost less accumulated impairment losses, if any. A reversal of an impairment loss on subsidiary is recognised as it arises provided the increased carrying value does not exceed cost.

Gain or loss on sale of investments in subsidiary is included in the profit and loss account for the year.

b) Investment in Bolan Mining Enterprises (BME)

Investment in BME, a joint venture on a 50:50 basis with the Government of Balochistan, is recorded at cost less accumulated impairment losses, if any. A reversal of an impairment loss on joint venture is recognised as it arises provided the increased carrying value does not exceed cost.

Change in accounting policy

As disclosed in note 2.6.2 to these unconsolidated financial statements, during the current year, the Company has changed its accounting policy in respect of valuation of investment in jointly controlled entity, whereby, with effect from the current year, these are carried at cost less accumulated impairment losses, if any, instead of past policy of carrying the same using equity method of accounting. However, in the consolidated financial statements the said investments will continue to be accounted for under equity method of accounting.

The above change has been accounted for in accordance with the requirement of IAS 27 due to preparation of unconsolidated and consolidated financial statements in the current year. As required under IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), such a change is required to be applied retrospectively. Due to the above change in accounting policy, the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 01, 2011, and related notes in accordance with requirement of IAS 1 - Presentation of Financial Statements (Revised) (IAS 1).

Had there been no change in accounting policy, as of July 01, 2011 the carrying value of investment in the jointly controlled entity and retained earnings would have been higher by Rs 355.024 million. The following are the impacts of change in accounting policy as of and for the years ended June 30, 2013 and 2012.

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
Investment in jointly controlled entity for the year would have been higher by:	111,756	43,123
Profit after taxation would have been higher by:	111,756	43,123
Basic and diluted earnings per share would have been higher by (Rs):	0.07	0.03

	June 30, 2013	June 30, 2012
	Rs '000	
Retained earnings would have been higher by:	509,903	398,147
Investment in jointly controlled entity would have been higher by:	509,903	398,147

3.6 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realisable value (NRV) except for stores in transit, which are valued at costs incurred upto the balance sheet date. NRV is estimated based on management's experience and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

3.7 Financial assets

Financial assets are classified in the following categories: held-to-maturity, at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation at each balance sheet date.

a) Held-to-maturity

These are investments with fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially measured at fair value plus transaction costs and are subsequently stated at amortised cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

b) At fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and repurchasing in near term. Held for trading assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes sales and purchase decision based on their fair value in accordance with the Company's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. All transaction costs are recognised directly in profit and loss account. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognised directly in the profit and loss account. These are classified as current and non-current assets in accordance with criteria set out by IFRSs. The Company has not classified any financial asset as held for trading.

c) Available-for-sale

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in the market conditions.

At initial recognition, available-for-sale financial assets are measured at fair value plus directly attributable transaction costs. For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account and removed from the available-for-sale reserve.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

Trade debts are carried at original invoice amounts less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts at the balance sheet date. Bad debts are written off, when identified.

3.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and cheques in hand and at banks, and include short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

3.9 Decommissioning obligation and its provision

Estimated cost to abandon and dismantle wells and production facilities is recognised as liability and a corresponding equivalent amount is capitalised under property, plant and equipment. The amount is based on present value of the estimated future expenditure.

Changes in the timing / cost of decommissioning estimates are dealt with prospectively, by recording adjustment to the provision and a corresponding adjustment to the property, plant and equipment.

The unwinding of discount is included in the finance costs.

3.10 Staff retirement benefits

a) Defined benefit plans

i. The Company operates approved funded pension and gratuity schemes, separately, for its executive and non-executive permanent staff. Provisions are made periodically, on the basis of actuarial valuations, for these pension and gratuity schemes. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations.

These schemes are governed by their respective Trust Deeds and Rules. All matters pertaining to these schemes including contributions to the schemes and payments to outgoing members are dealt with in accordance with the respective Trust Deeds and Rules.

The liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, are covered by the Fund on the valuation date, the total balance sheet reserve as of the valuation date, future contributions to the Fund and future projected investment income of the Fund. As far as possible the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

ii. The Company provides post retirement medical benefits to its executive staff, except for those inducted after December 31, 2010, and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining working lives of the employees based on actuarial valuations. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

iii. Change in accounting policy

As disclosed in 2.6.1 to these unconsolidated financial statements, during the year the Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised:

- actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees;

- all past service costs at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations benefits, instead of past policy, where the past service costs were recognised as an expense on a straight line basis over the average period until the benefits became vested, and if the benefits were already vested, following the introduction of or changes to a scheme, past service costs were recognised immediately in profit and loss account; and

- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

  The above change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised), as required under IAS 8, such a change to be applied retrospectively. Due to the above change in accounting policy, the Company has presented balance sheet as at the beginning of the earliest comparative period i.e., July 01, 2011, and related notes in accordance with requirement of IAS 1.

  Had there been no change in accounting policy due to recognition of actuarial losses on defined benefit plans in accordance with IAS 19 (Revised), the following would have been the impacts as of July 01, 2011, June 30, 2012 and June 30, 2013 and for the years then ended:

	Executives Pension	Executives Gratuity	Non-Executives Pension	Non-Executives Gratuity	Medical Benefits	Total
	Rs '000					
As of July 01, 2011:						
Employee benefit liability would have been lower by:	899,200	3,055	174,776	159,180	24,299	1,260,510
Deferred taxation would have been higher by:	(314,720)	(1,069)	(61,172)	(55,713)	(8,504)	(441,178)
Opening retained earnings would have been higher by:	584,480	1,986	113,604	103,467	15,795	819,332
As of and for the year ended June 30, 2012:						
Employee benefit liability would have been lower by:	1,054,688	79,179	206,623	151,366	85,901	1,577,757
Deferred taxation would have been higher by:	(369,141)	(27,713)	(72,318)	(52,978)	(30,065)	(552,215)
Retained earnings would have been higher by:	685,547	51,466	134,305	98,388	55,836	1,025,542
Actuarial loss on defined benefit plan would have been lower by:	207,648	76,124	39,324	1,937	61,602	386,635
Deferred taxation expense would have been higher by:	(72,677)	(26,643)	(13,763)	(678)	(21,561)	(135,322)
Other comprehensive income would have been higher by:	134,971	49,481	25,561	1,259	40,041	251,313
Field expenditures due to expense recognised under old policy would have been higher by:	52,160	-	7,477	9,751	-	69,388
Deferred taxation expense would have been lower by:	(18,256)	-	(2,617)	(3,413)	-	(24,286)
Profit after taxation would have been lower by:	33,904	-	4,860	6,338	-	45,102
Basic and diluted earnings per share would have been lower by (Rs):	0.02	-	-	-	-	0.03
As of and for the year ended June 30, 2013:						
Employee benefit liability would have been lower by:	1,829,238	161,202	413,739	186,631	13,248	2,604,058
Deferred taxation would have been higher by:	(640,233)	(56,420)	(144,809)	(65,321)	(4,636)	(911,419)
Retained earnings would have been higher by:	1,189,005	104,782	268,930	121,310	8,612	1,692,639
Actuarial loss on defined benefit plan would have been lower by:	839,063	86,383	287,691	86,788	(72,653)	1,227,272
Deferred taxation expense would have been higher by:	(293,672)	(30,234)	(100,692)	(30,376)	25,429	(429,545)
Other comprehensive income would have been higher by:	545,391	56,149	186,999	56,412	(47,224)	797,727
Field expenditures due to expense recognised under old policy would have been higher by:	64,513	4,360	80,575	51,523	-	200,971
Deferred taxation expense would have been lower by:	(22,580)	(1,526)	(28,201)	(18,033)	-	(70,340)
Profit after taxation would have been lower by:	41,933	2,834	52,374	33,490	-	130,631
Basic and diluted earnings per share would have been lower by (Rs):	0.03	-	0.03	0.02	-	0.08

iv. The Company accrues entitlement to leave preparatory to retirement of its executive staff on the basis of actuarial valuation. Actuarial gains and losses are recognised immediately.

v. Actuarial valuations are conducted annually and the latest valuations were conducted as on June 30, 2013 based on the ‘projected unit credit actuarial cost method’.

b) Defined contribution plan

The Company operates recognised provident fund schemes, separately, for its executive and non-executive permanent staff. Equal monthly contributions are made by the Company and the employees to the respective funds.

3.11 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff is recognised on the basis of actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2013.

3.12 Provisions

Provisions are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.13 Taxation

a) Current taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, adjusted for payments to GoP on account of royalty, as applicable, and any adjustment to tax payable in respect of previous years.

b) Deferred taxation

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit and loss account.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same Tax Authority.

Tax benefits acquired as a part of business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit and loss account.

3.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost at the balance sheet date, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.15 Revenue recognition

Sales are recorded on transfer of significant risks and rewards of ownership of gas and other petroleum products, when the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control, the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably, which occurs on actual delivery of gas and other petroleum products.

Revenue from the sale is measured at the fair value of the consideration received or receivable, net of Government levies. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalised with the customers and / or approved by the GoP.

Revenue from the sale of gas and other petroleum products in which the Company has an interest with other joint venture partners is recognised based on the Company's working interest and the terms of the relevant agreements.

3.16 Finance income and expense

Finance income comprises interest income on funds invested, delayed payments from customers, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Income on held-to-maturity investments and saving accounts with banks is recognised on time proportion basis taking into account the effective yield of such investments. The Company recognises interest if any, on delayed payments from customers on receipt basis. Dividend income on equity investments is recognised when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

Finance cost comprises interest expense on borrowings, if any, unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to profit and loss account in the period in which they are incurred.

3.17 Operating leases / Ijara contracts

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight line basis over the lease term.

3.18 Joint venture operations

The Company has certain contractual arrangements with other participants to engage in joint activities, where all significant operating and financial policies are predetermined by the participants, such that the Operator itself has no significant independence to pursue its own commercial strategy. These joint arrangements are not structured through separate vehicles and as financial and operational decisions of such joint venture are those of participants, therefore these do not create joint venture entities.

The financial statements of the Company include its prorata share of assets, liabilities, revenues and expenses in joint venture operations are accounted for on the basis of cost statements received from the operators of the respective joint ventures. Estimates are made for the intervening period up to the balance sheet date. The difference, if any, between the cost statements and estimates is accounted for in the next accounting year.

3.19 Foreign currency transactions and translation

Foreign currency transactions are recorded at the exchange rates approximating those prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated in Pakistani Rupee at the exchange rates ruling at the balance sheet date. Exchange differences are recognised in the profit and loss account.

Non-monetary items that are measured in terms of historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date on which the fair value was determined.

3.20 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company substantially transfers all the risks and rewards of ownership of the financial asset. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when the obligation specified in the contract is discharged, cancelled or expired.

3.21 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.22 Fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined with reference to quoted market bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

3.23 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupee, which is the Company's functional currency. All financial information presented in Pakistani Rupee is rounded to the nearest thousand unless otherwise stated.

3.24 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated in the manner given in note 39 to these unconsolidated financial statements.

3.25 Impairment

a) Financial assets

The Company assesses at each reporting date whether there is an indication that an asset or a group of asset is impaired. If any indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

b) Non-financial assets, goodwill and investments in subsidiaries and associates

For assets excluding goodwill and intangible assets having indefinite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

Impairment losses relating to goodwill and intangible assets with indefinite useful lives are not reversed in future periods.

3.26 Dividends and appropriation to reserves

Dividends and appropriation to reserves are recognised in the unconsolidated financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the unconsolidated financial statements are authorised for issue, they are disclosed in the notes to these unconsolidated financial statements.

3.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Notes to and Forming Part of the Unconsolidated Financial Statements

for the year ended June 30, 2013

	June 30, 2013	June 30, 2012
	Rs '000	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 4.1	51,116,458	48,127,203
Capital work-in-progress - note 4.5	18,962,454	8,199,729
	70,078,912	56,326,932

4.1 Operating assets

	Owned assets												Assets subject to finance leases			
	Freehold land	Leasehold land	Buildings, roads and civil construction on freehold land	Buildings, roads and civil construction on leasehold land	Plant and machinery	Furniture, fittings and equipment	Tanks and pipelines	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommissioning cost	Sub total	Computers and allied equipment	Rolling stock*	Sub total	Total
	Rs'000															
Net carrying value basis																
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Additions (at cost)	-	11,732	309,043	-	720,712	58,598	982,499	33,785	65,096	6,869,025	1,316,667	10,367,157	45,122	115,144	160,266	10,527,423
Adjustments / reclassifications	-	-	-	-	-	(80)	-	(1,736)	77	(16,963)	(21,732)	(40,434)	1,816	(77)	1,739	(38,695)
Disposals (at NBV)	-	-	(2)	-	(82)	(284)	-	(4)	(284)	-	-	(656)	-	(7,262)	(7,262)	(7,918)
Depreciation / amortisation charge	-	-	(70,983)	(133)	(2,628,781)	(32,288)	(360,293)	(72,992)	(30,996)	(2,776,883)	(1,435,591)	(7,408,940)	(32,320)	(50,295)	(82,615)	(7,491,555)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,126,660	215,413	3,062,101	147,406	135,417	19,145,666	10,381,530	50,829,859	91,091	195,508	286,599	51,116,458
Gross carrying value basis																
Cost	110,777	1,328,308	2,035,180	2,664	35,257,370	591,766	5,162,673	558,703	409,219	28,879,804	15,062,732	89,399,196	150,760	309,013	459,773	89,858,969
Accumulated depreciation / amortisation	-	-	(860,875)	(388)	(20,130,710)	(376,353)	(2,100,572)	(411,297)	(273,802)	(9,734,138)	(4,681,202)	(38,569,337)	(59,669)	(113,505)	(173,174)	(38,742,511)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,126,660	215,413	3,062,101	147,406	135,417	19,145,666	10,381,530	50,829,859	91,091	195,508	286,599	51,116,458
Net carrying value basis																
NBV as on June 30, 2011	120,803	1,316,576	847,489	2,542	19,126,273	171,949	2,068,772	81,760	106,108	12,269,644	3,570,007	39,681,923	31,868	124,458	156,326	39,838,249
Additions (at cost)	-	-	148,736	-	610,201	62,460	665,653	148,906	21,649	4,897,507	8,518,276	15,073,388	65,098	62,459	127,557	15,200,945
Adjustments / reclassifications	(10,026)	-	(574)	-	(36,529)	221	10,028	209	1,968	(47,309)	(61,879)	(143,891)	-	(1,969)	(1,969)	(145,860)
Disposals (at NBV)	-	-	(1)	-	(1,062)	(1,090)	-	(100)	-	-	-	(2,253)	(78)	(2,147)	(2,225)	(4,478)
Depreciation / amortisation charge	-	-	(59,403)	(133)	(2,664,072)	(44,073)	(304,558)	(42,422)	(28,201)	(2,049,355)	(1,504,218)	(6,696,435)	(20,415)	(44,803)	(65,218)	(6,761,653)
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Gross carrying value basis																
Cost	110,777	1,316,576	1,726,145	2,664	34,544,820	542,591	4,180,174	538,023	344,757	22,027,742	13,767,797	79,102,066	111,508	253,107	364,615	79,466,681
Accumulated depreciation / amortisation	-	-	(789,898)	(255)	(17,510,009)	(353,124)	(1,740,279)	(349,670)	(243,233)	(6,957,255)	(3,245,611)	(31,189,334)	(35,035)	(115,109)	(150,144)	(31,339,478)
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Rate of depreciation / amortisation (%)			5 & 10	5	10 & 100**	10	10	30	20	***	***		30	20		

* Represents light and heavy vehicles.
** For below ground installations in fields other than Sui Gas Field.
*** Amortised on unit of production basis.

Notes to and Forming Part of the Unconsolidated Financial Statements

for the year ended June 30, 2013

4.2 Summary of significant assets

The following assets have significant operational value to the Company:

Particulars	June 30, 2013		June 30, 2012	
	Cost	NBV	Cost	NBV
	Rs '000		Rs '000	
Head Office				
Land for Head Office Building	1,315,076	1,315,076	1,315,076	1,315,076
Corporate Data Management Project	271,902	151,550	271,902	239,267
Sui Field				
SML / SUL Compression and High Pressure Casing	5,664,138	157,043	5,679,046	284,431
Purification Plant	657,117	-	657,277	-
20" Diameter Sui KPS Main Water Line	872,200	623,937	872,200	708,590
IDECO Drilling Rig H-725	131,879	-	131,879	-
Adhi Field				
LPG Plant -2	652,812	158,857	652,812	224,138
LPG Plant -1	85,374	-	85,374	-
Kandhkot Field				
TEG Dehydration Unit	474,884	332,419	474,884	379,908
130 MMcfd Dehydration Plant	110,456	-	110,456	-
Gas Compression Station	8,634,309	6,502,652	8,634,309	7,357,884
Effluent Well	129,050	103,252	129,050	116,157
Gas Gathering System	243,199	243,199	-	-
Hala Field				
Early Production Facilities (EPF) of Adam X-1	1,252,858	819,944	1,252,858	945,230
Mazarani Field				
Processing Facilities	319,545	-	319,545	30,680
Transmission Pipeline	230,093	-	230,093	8,111
Qadirpur Field				
Production Facilities	205,116	-	205,116	-
Capacity Enhancement Project	165,598	82,799	165,598	99,359
Wellhead Compression Facility	271,021	211,644	268,479	236,172
Extension of Facilities in Flood Plain of River Indus	114,378	103,540	114,378	109,259
Relocation of Pirkoh Compressors	260,490	247,117	66,866	60,179
Permeate Compressor	197,407	164,506	197,407	184,246
Other Plant and Machinery	164,201	31,472	164,201	47,892
Sawan Field				
Front End Compression	2,480,735	1,716,169	2,480,735	1,964,242
Gas Processing with Amine and Dehydration Unit	971,071	72,717	971,071	169,824
Debottlenecking of Plant	153,338	61,335	153,338	76,669
Flowline and Tie-in of Sawan-10	142,899	71,449	142,899	85,739
Other Plant and Machinery	1,811,767	-	1,811,767	181,177
Tal Field				
CPF Manzalai	3,130,814	1,989,095	3,119,058	2,289,521
Surface Facilities for EWT, Manzalai-1	227,439	43,487	227,439	66,231
EPF of Mamikhel-1	133,844	96,752	133,844	110,137
EWT of Maramzai-1	203,689	163,086	203,689	183,455
EPF Augmentation of Processing Facility - Makori	251,827	245,531	-	-
Wellhead Surface Fittings & Flowline - Makori East-1	218,099	212,646	-	-
Nashpa Field				
EWT of Nashpa X-1	120,412	96,330	120,412	108,371
Miano Field				
Wellhead Compression	136,595	107,645	136,599	121,309
Other Plant and Machinery	411,601	-	411,601	37,730
Latif Field				
Tie-in of Latif-1	156,237	93,742	156,237	109,366
Tie-in of Latif North	155,078	124,062	155,078	139,570
Gambat Field				
Tie-in of Tajjal-1	137,734	82,982	137,734	96,756
Wellhead Surface Fittings and Flowline for Tajjal-4	109,734	98,760	109,734	109,734

4.3 Operating assets disposed off during the year

Asset description	Method of disposal	Sold to	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds
			Rupees '000			
Owned assets						
Buildings, roads and civil constructions						
Items having book value upto Rs. 50,000	Tender	Various	8	6	2	2
Plant and machinery						
Mobile Welding Plant With Diesel Engine	Tender	Mr. Muhammad Ateeq	287	225	62	33
Items having book value upto Rs. 50,000	Tender	Various	7,875	7,855	20	3,322
			8,162	8,080	82	3,355
Furniture, fittings and equipment						
Items having book value upto Rs. 50,000	Tender	Various	9,343	9,059	284	598
Rolling stock						
Toyota Corolla Altis, ATL-275	Company policy	Mr. Kaleem Akhtar	284	-	284	284
Items having book value upto Rs. 50,000	Tender	Various	3,158	3,158	-	2,594
			3,442	3,158	284	2,878
Computer and allied equipment						
Items having book value upto Rs. 50,000	Tender	Various	10,133	10,129	4	140
Assets subject to finance leases						
Rolling stock						
Honda City Vario, AQL-936	Company policy	Mr. Haroon-Ur-Rashid	916	794	122	182
Suzuki Cultus VXLi, ARZ-125	Company policy	Syed Farooq Haider Pasha	926	602	324	457
Toyota Corolla XLi, ARY-527	Company policy	Mr. Mohammad Ilyas Khan	1,309	938	371	513
Suzuki Cultus VXLi, ASF-861	Company policy	Mr. Mohsin Raza Khan	828	456	372	386
Toyota Altis A/T, AUL-205	Company policy	Mr. Mohammad Zakir	1,909	795	1,114	1,156
Toyota Corolla XLi, AWC-967	Company policy	Mr. Imran Nazir Qureshi	1,436	168	1,268	1,170
Toyota Corolla Altis A/T, AWM-791	Company policy	Mr. Abdul Salam	1,958	294	1,664	1,620
Toyota Corolla GLi, AYN-118	Insurance claim	EFU General Insurance Ltd.	1,713	57	1,656	1,673
Items having book value upto Rs. 50,000	Company policy	Various	45,434	45,063	371	9,082
			56,429	49,167	7,262	16,239
		2013	87,517	79,599	7,918	23,212
		2012	173,238	168,760	4,478	98,786

4.4 Cost and accumulated depreciation of joint venture assets includes:

	Cost		Accumulated depreciation	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rs '000			
Share in Company's operated joint ventures	3,794,892	3,661,208	2,124,012	1,795,137
Share in partners' operated joint ventures (assets not in possession of the Company)	14,698,609	13,733,457	7,235,493	5,932,181
	18,493,501	17,394,665	9,359,505	7,727,318

4.5 Capital work-in-progress

	June 30, 2013	June 30, 2012
	Rs '000	
Plant, machinery, fittings and pipelines	8,329,028	2,194,892
Prospecting and development wells	4,032,963	4,852,857
Land, buildings and civil constructions	100,123	110,517
Capital stores for drilling and development	6,500,340	1,041,463
	18,962,454	8,199,729

4.6 Reconciliation of the carrying amount of capital work-in-progress

	Plant, machinery, fittings and pipelines	Prospecting and development wells (note 4.6.1)	Land, buildings and civil constructions	Capital stores for drilling and development	Total
	Rs '000				
Balance as on July 1, 2011	1,176,066	4,280,648	69,458	559,990	6,086,162
Capital expenditure incurred / advances made during the year (net)	2,648,152	5,422,410	116,034	481,473	8,668,069
Adjustments / reclassifications	(29,430)	(3)	73,619	-	44,186
Transferred to operating assets	(1,599,896)	(4,850,198)	(148,594)	-	(6,598,688)
Balance as on June 30, 2012	2,194,892	4,852,857	110,517	1,041,463	8,199,729
Capital expenditure incurred / advances made during the year (net)	8,411,951	8,136,821	50,273	3,354,224	19,953,269
Adjustments / reclassifications	(256,859)	(2,104,653)	260,108	2,104,653	3,249
Transferred to operating assets	(2,020,956)	(6,852,062)	(320,775)	-	(9,193,793)
Balance as on June 30, 2013	8,329,028	4,032,963	100,123	6,500,340	18,962,454

4.6.1 Break-up of prospecting and development expenditure

	Exploration expenditure	Development expenditure	Total
	Rs '000		
Balance as on July 1, 2011	1,751,224	2,529,424	4,280,648
Capital expenditure incurred / advances made during the year	3,094,643	2,327,767	5,422,410
Adjustments / reclassifications	-	(3)	(3)
Transferred to operating assets	(1,849,766)	(3,000,432)	(4,850,198)
Balance as on June 30, 2012	2,996,101	1,856,756	4,852,857
Capital expenditure incurred / advances made during the year	2,138,513	5,998,308	8,136,821
Adjustments / reclassifications	(465,876)	(1,638,777)	(2,104,653)
Transferred to operating assets	(2,807,201)	(4,044,861)	(6,852,062)
Balance as on June 30, 2013	1,861,537	2,171,426	4,032,963

4.7 Property, plant and equipment includes major spare parts and standby equipments having cost of Rs 241.375 million and net book value of Rs 63.246 million.

	June 30, 2013	June 30, 2012
	Rs '000	
5. INTANGIBLE ASSETS		
Computer software including ERP system - note 5.1	391,606	423,911
Intangible assets under development	10,546	9,658
	402,152	433,569

5.1 Computer Software including ERP system

	June 30, 2013			June 30, 2012		
	ERP system	Computer software	Total	ERP system	Computer software	Total
	Rs '000					
Net carrying value basis						
NBV as on July 01	86,655	337,256	423,911	128,960	130,978	259,938
Additions (at cost)	5,230	168,614	173,844	-	299,940	299,940
Adjustment / reclassification	(63)	-	(63)	-	-	-
Amortisation charge - note 27	(42,328)	(163,758)	(206,086)	(42,305)	(93,662)	(135,967)
NBV as on June 30	49,494	342,112	391,606	86,655	337,256	423,911
Gross carrying value basis						
Cost	319,263	736,679	1,055,942	315,950	566,550	882,500
Accumulated amortisation	(269,769)	(394,567)	(664,336)	(229,295)	(229,294)	(458,589)
NBV as on June 30	49,494	342,112	391,606	86,655	337,256	423,911
Rate of amortisation (%)	20	33.33		20	33.33	

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000		
6. LONG-TERM INVESTMENTS			
Investments in related parties:			
- Wholly owned subsidiaries			
The Pakistan Petroleum Provident Fund Trust Company (Private) Limited - note 6.1	1	1	1
PPL Europe E&P Limited - note 6.2	15,664,177	-	-
	15,664,178	1	1
-Investment in jointly controlled entity			
Bolan Mining Enterprises - note 3.5	15,000	15,000	15,000
Other investments			
Held-to-maturity			
Term Finance Certificates - note 6.3	99,860	99,900	149,850
Pakistan Investment Bonds - note 6.4	22,949,043	1,400,393	1,381,803
GoP Ijara Sukuk - note 6.5	2,501,006	2,501,972	2,002,300
Local currency term deposits with banks - note 6.6	2,000,000	2,000,000	2,000,000
Foreign currency term deposits with banks - note 6.7	5,873,010	5,285,635	3,797,532
	33,422,919	11,287,900	9,331,485
Designated at fair value through profit or loss - note 6.8			
AMZ Plus Income Fund	-	-	34,713
Faysal Savings Growth Fund	-	-	701,903
UBL Liquidity Plus Fund	1,693,577	2,017,388	1,488,202
MCB Cash Management Optimizer Fund	928,046	1,213,725	1,087,455
Meezan Cash Fund	644,574	592,263	114,241
NAFA Government Securities Liquid Fund	573,810	1,586,094	1,073,669
ABL Cash Fund	1,376,193	1,934,578	867,049
Atlas Money Market Fund	358,056	336,566	208,283
HBL Money Market Fund	934,833	783,815	310,489
Askari Sovereign Cash Fund	415,191	757,367	153,733
IGI Money Market Fund	235,642	317,127	50,683
NIT Government Bond Fund	294,384	267,810	360,568
NAFA Money Market Fund	893,015	-	-
First Habib Cash Fund	103,246	-	-
Alfalah GHP Cash Fund	51,608	-	-
Pakistan Cash Management Fund	51,673	-	-
PICIC Cash Fund	51,650	-	-
	8,605,498	9,806,733	6,450,988
Less: Current maturity of long-term investments			
Term Finance Certificates - note 6.3	(40)	(40)	(49,950)
Pakistan Investment Bonds - note 6.4	-	(748,236)	-
GoP Ijara Sukuk - note 6.6	(2,000,700)	-	-
	(2,000,740)	(748,276)	(49,950)
	55,706,855	20,361,358	15,747,524

6.1 The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC), a wholly owned subsidiary of the Company, has neither made any profits nor incurred any losses from the date of its incorporation to June 30, 2013. The latest audited financial statements of the subsidiary are annexed. The paid-up capital of the subsidiary is Rs 1,000 divided into 100 ordinary shares of Rs 10 each.

Securities and Exchange Commission of Pakistan (SECP) through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 has exempted the Company from consolidation of financial statements in respect of its investment in PPPFTC under section 237 of the Companies Ordinance, 1984. Accordingly, the Company has not consolidated the PPPFTC in its consolidated financial statements for the year ended June 30, 2013.

6.2 PPL Europe E&P Limited (formerly MND Exploration and Production Limited)

During the current year, the Company acquired 100% shareholding of MND Exploration and Production Limited (MND), incorporated in England and Wales. Subsequent to acquisition, name of MND was changed to PPL Europe E&P Limited. The registered office of PPL Europe E&P Limited is situated at 6th Floor, One London Wall, London, United Kingdom.

The main objective of PPL Europe E&P Limited is exploration and production of oil and gas and currently it has working interest in one producing field and three exploration blocks in Pakistan, as well as one exploration block in Yemen.

	Number of certificates	Nominal value of each certificate (Rs)	Final maturity date	Implicit mark-up %	June 30, 2013	June 30, 2012
					Rs '000	
6.3 Term Finance Certificates (TFCs) of listed companies						
Bank Alfalah Limited	20,000	5,000	December 01, 2017	KIBOR+2.5	99,860	99,900
Current maturity of TFCs					(40)	(40)
					99,820	99,860
6.4 Pakistan Investment Bonds (PIBs)						
Issued on:						
August 22, 2007			August 22, 2012	10.15	-	49,942
August 22, 2007			August 22, 2012	10.23	-	49,936
August 22, 2007			August 22, 2012	10.23	-	49,936
August 22, 2007			August 22, 2012	10.30	-	99,862
August 22, 2007			August 22, 2012	10.81	-	99,793
August 22, 2007			August 22, 2012	10.86	-	99,786
August 22, 2007			August 22, 2012	10.90	-	49,890
August 22, 2007			August 22, 2012	10.90	-	49,890
August 22, 2007			August 22, 2012	10.95	-	99,773
August 22, 2007			August 22, 2012	11.00	-	49,883
August 22, 2007			August 22, 2012	16.08	-	49,545
May 19, 2006			May 19, 2016	10.90	48,426	47,975
May 19, 2006			May 19, 2016	11.14	96,285	95,229
August 22, 2007			August 22, 2017	11.88	46,361	45,715
August 22, 2007			August 22, 2017	11.64	93,456	92,286
August 22, 2007			August 22, 2017	11.59	93,610	92,466
August 22, 2007			August 22, 2017	11.54	93,762	92,642
August 22, 2007			August 22, 2017	11.49	93,916	92,823
August 22, 2007			August 22, 2017	11.43	94,085	93,021
July 19, 2012 - note 6.4.2			July 19, 2017	10.05	22,289,142	-
					22,949,043	1,400,393
Current maturity of PIBs					-	(748,236)
					22,949,043	652,157

6.4.1 PIBs are in custody of various financial institutions on behalf of the Company.

6.4.2 As per partial resolution of Inter-Corporate Circular Debt issue prevailing in the energy sector, the GoP has directed the Company to invest in PIBs, having face value of Rs 21,285 million, on June 28, 2013. The coupon rate of PIBs is 11.5% per annum payable on six monthly basis. The PIB was subscribed by the Company in order to settle its overdue receivables from SNGPL and GENCO-II.

6.5 GoP Ijara Sukuk

	Principal Amount	Final Maturity date	Mark-up (%)	June 30, 2013	June 30, 2012
	Rs. '000			Rs. '000	
Issued on:					
May 16, 2011	2,000,000	May 16, 2014	9.43	2,000,700	2,001,500
April 30, 2012	500,000	April 30, 2015	9.43	500,306	500,472
				2,501,006	2,501,972
Current maturity of GoP Ijara Sukuk				(2,000,700)	-
				500,306	2,501,972

GoP Ijara Sukuk are in custody of various financial institutions on behalf of the Company. Mark-up on investments in GoP Ijara Sukuk is subject to revision after every six months.

6.6 Local currency term deposits with banks

This represents the six months term deposits with bank with interest rate of 9.32% (2012: 13.75% to 13.80%) per annum. These investments are due to mature within next three months, however, these have been classified as non-current assets, as the management intends and has an ability to reinvest the amounts for longer term.

6.7 Foreign currency term deposits with banks

This represents the term deposits with banks with effective interest rate ranging from 1.25% to 4.0% (2012: 0.2% to 4.0%) per annum. These investments are due to mature within next eleven months, however, these have been classified as non-current assets, as the management intends and has an ability to reinvest the amounts for longer term.

6.8 Designated at fair value through profit or loss

Fair value of these investments is determined using their respective redemption / repurchase price.

	June 30, 2013	June 30, 2012
	Rs '000	
7. LONG-TERM LOANS AND ADVANCE		
Long-term loans - staff		
Unsecured and considered good		
- Executive staff - note 7.2	22,405	20,870
- Other employees	12,085	8,594
	34,490	29,464
Current maturity of long-term loans - note 12		
- Executive staff	(6,659)	(5,756)
- Other employees	(6,820)	(2,446)
	(13,479)	(8,202)
	21,011	21,262
Long-term advance		
Advance against issuance of shares - note 7.3	1,498,144	-
	1,519,155	21,262

7.1 These mainly represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are recoverable by the Company in accordance with the Company's rules over a maximum period of ten years. The loans carry interest rate ranging from 1% to 10% (2012: 1% to 10%) per annum.

7.2 Reconciliation of the carrying amount of long-term loans to executive staff

	June 30, 2013	June 30, 2012
	Rs '000	
Balance as on July 01	20,870	14,877
Disbursements	7,861	11,902
Repayments / adjustments	(6,326)	(5,909)
Balance as on June 30	22,405	20,870

The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 22.405 million (2012: Rs 21.191 million).

7.3 Advance against issuance of shares

Subsequent to the year end, the Company has established a wholy owned subsidiary, PPL Asia E&P B.V. on 22 July, 2013 having corporate seat in Amsterdam, Kingdom of Netherlands, with main objective of exploration and production of oil and gas. In this respect, the Company will assign its interest in Block 8, Iraq, under the Exploration, Development and Production Service Contract (EDPSC) with Midland Oil Company, Iraq, to the Subsidiary. The Company has paid a signature bonus under the EDPSC and after the assignment of Block 8 to PPL Asia E&P B.V., the amount of signature bonus will be transferred to the Subsidiary against its share capital.

	June 30, 2013	June 30, 2012
	Rs '000	
8. LONG-TERM DEPOSITS		
Cash margin:		
- For guarantee to International Bank of Yemen - note 8.1	735,000	690,000
- Others - note 25.1.4	7,676	7,676
	742,676	697,676

8.1 The Company, as per the Production Sharing Agreement (PSA) signed with the Republic of Yemen for carrying out exploration in Block - 29, was required to submit an irrevocable letter of credit, issued by a local bank of Yemen, to the Ministry of Oil and Gas, Yemen, for its share of Minimum Expenditure Obligation amounting to US$ 7.5 million for the first exploration period of 4 years. Extension has been granted for twelve months for the first exploration period effective March 17, 2013 and it is expected that further extension will be granted, until the exploration work program commitments are fulfilled.

Accordingly, the Company arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US$ 7.5 million through United Bank Limited against 100% cash margin of Rs 735 million (2012: Rs 690 million).

	June 30, 2013	June 30, 2012
	Rs '000	

9. LONG-TERM RECEIVABLES

	June 30, 2013	June 30, 2012
Long-term receivables from:		
- Government Holdings (Pvt) Ltd (GHPL) - note 9.1	182,560	4,251
- National Highway Authority - note 9.2	139,120	71,805
	321,680	76,056
Current maturity of long-term receivables from GHPL	(29,082)	(4,251)
	292,598	71,805

9.1 Long-term receivables from GHPL represents share of carrying cost borne by the Company, in respect of Tal and Nashpa fields, which is recoverable from GHPL in accordance with the terms set out under the relevant Petroleum Concession Agreements (PCAs).

9.2 Nashpa and Tal joint venture partners have financed National Highway Authority for the construction of Khushalgarh Bridge on River Indus, district Kohat. As per the terms of the agreement, the Company has paid Rs 35.763 million (out of Rs 46.145 million to be financed by the Company in Nashpa field) and Rs 103.357 million (out of Rs 133.377 million to be financed by the Company in Tal field). The loan is interest free, which shall be recovered in seven years, starting after the successful completion of work.

	June 30, 2013	June 30, 2012
	Rs '000	

10. STORES AND SPARES

	June 30, 2013	June 30, 2012
Stores and spares	2,551,399	2,030,386
Stores and spares in transit	390,189	523,948
	2,941,588	2,554,334
Provision for obsolete / slow moving stores - note 10.1	(106,406)	(100,263)
	2,835,182	2,454,071

10.1 Reconciliation of provision for obsolete / slow moving stores:

	June 30, 2013	June 30, 2012
Balance as on July 01	100,263	81,799
Charge for the year - note 30	6,143	18,464
Balance as on June 30	106,406	100,263

11. TRADE DEBTS

	June 30, 2013	June 30, 2012
Unsecured and considered good		
Related parties		
Central Power Generation Company Limited (GENCO-II)	5,306,529	16,412,700
Sui Northern Gas Pipelines Limited (SNGPL)	12,395,026	10,082,065
Sui Southern Gas Company Limited (SSGCL)	17,282,345	14,766,219
	34,983,900	41,260,984
Non-related parties		
Attock Refinery Limited (ARL)	3,347,914	7,926,337
National Refinery Limited (NRL)	1,798,997	81,520
Others	206,509	890,651
	5,353,420	8,898,508
	40,337,320	50,159,492
Unsecured and considered doubtful		
Non-related party		
Byco Petroleum Pakistan Limited (Byco)	1,156,220	1,181,220
Less: Provision for doubtful debts - note 11.3	(1,156,220)	(1,181,220)
	-	-
	40,337,320	50,159,492

Notes to and Forming Part of the Unconsolidated Financial Statements
for the year ended June 30, 2013

11.1 The ageing of trade debts as at June 30 is as follows:

	June 30, 2013	June 30, 2012
	Rs '000	
Neither past due nor impaired	16,367,811	18,336,934
Past due but not impaired:		
Related parties		
- within 90 days	9,100,732	9,210,692
- 91 to 180 days	4,094,196	7,637,393
- over 180 days	10,068,833	11,244,132
	23,263,761	28,092,217
Non-related parties		
- within 90 days	672,372	3,677,583
- 91 to 180 days	11,842	36,392
- over 180 days	21,534	16,366
	705,748	3,730,341
	40,337,320	50,159,492

11.2 Trade debts include overdue amount of Rs 23,263 million (2012: Rs 28,092 million) receivable from the State controlled utility companies (i.e. GENCO-II, SSGCL and SNGPL) and Rs 1,862 million (June 30, 2012: Rs 4,916 million) overdue receivable from refineries (i.e. ARL, Byco, Pak-Arab Refinery Limited, NRL and Pakistan Refinery Limited).

In order to resolve the issue of Inter-Corporate Circular Debt in the energy sector, the GoP has taken a number of initiatives and in this respect, the Company has invested in PIBs as mentioned in note 6.4.2 to these unconsolidated financial statements.

Based on the measures being undertaken by the GoP, the Company considers the overdue amounts to be fully recoverable and therefore, no further provision for doubtful debts has been created in these unconsolidated financial statements, except for provision against receivable from Byco, as mentioned in note 11.3 to these unconsolidated financial statements.

11.3 Provision for doubtful debts:

	June 30, 2013	June 30, 2012
	Rs '000	
Balance as on July 1	1,181,220	-
Provision during the year - note 30	-	1,181,220
Reversal during the year - note 29	(25,000)	-
Balance as on June 30	1,156,220	1,181,220

An amount of Rs 1,181.220 million was overdue receivable from Byco for the period from January 2010 to January 2011. The receivable was considered doubtful and accordingly, provision for doubtful debt was made during the year ended June 30, 2012. However, during the current year, the Company has received Rs 25 million from Byco and accordingly, the provision for doubtful debts has been reversed to the extent of the aforesaid amount in these unconsolidated financial statements. During the current year, the Company has filed legal suit in the Sindh High Court (SHC) against Byco for recovery of overdues.

		June 30, 2013	June 30, 2012
		Rs '000	
12.	LOANS AND ADVANCES		
	Unsecured and considered good		
	Loans and advances to staff - note 12.1	5,327	4,016
	Advances to suppliers and others	158,612	152,965
	Advance payment of cash calls to joint ventures - note 24.2	825,619	526,679
	Current maturity of long-term loans - staff - note 7	13,479	8,202
		1,003,037	691,862
12.1	Loans and advances to staff:		
	- Executive staff	1,156	88
	- Other employees	4,171	3,928
		5,327	4,016
13.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
	Trade deposits	57,466	56,965
	Prepayments	225,747	104,048
		283,213	161,013
14.	INTEREST ACCRUED		
	Profit receivable on:		
	- bank deposits - saving accounts	5,873	578
	- long-term investments	1,283,182	279,342
	- short-term bank deposits	197,288	260,623
	- long-term bank deposits	9,217	12,747
		1,495,560	553,290
15.	OTHER RECEIVABLES		
	Receivable from SNGPL for Sui field services	7,685	11,914
	Receivable from SSGCL for Sui field services	8,014	1,186
	Receivable from PPL Asia DMCC	1,896	-
	Receivable from Workers' Profits Participation Fund (WPPF) - note 15.1	69,434	189,155
	Current accounts with joint ventures - note 24.2	474,886	263,769
	Sales tax (net)	1,076,086	43,687
	Other receivables	13,600	18,312
		1,651,601	528,023
15.1	Workers' Profits Participation Fund		
	Balance as on July 01	189,155	54,934
	Allocation for the year - note 30	(3,295,426)	(3,454,845)
	Interest on funds utilised in the Company's business - note 31	(333)	(286)
		(3,106,604)	(3,400,197)
	Amount paid during the current year (net)	3,176,038	3,589,352
	Balance as on June 30	69,434	189,155

	June 30, 2013	June 30, 2012
	Rs '000	
16. SHORT-TERM INVESTMENTS		
Investment in related party:		
- Wholly owned subsidiary		
PPL Asia DMCC - note 16.1	5,350	-
Held-to-maturity		
Local currency term deposits with banks - note 16.2	23,740,000	25,440,000
Investment in Treasury Bills - note 16.3	4,593,503	9,825,000
	28,333,503	35,265,000
	28,338,853	35,265,000

16.1 PPL Asia DMCC

During the current year, the Company has established a wholly owned Subsidiary PPL Asia DMCC, registered on February 04, 2013 with the Registrar of Companies of the Dubai Multi Commodities Centre Authority (DMCCA). The registered office of PPL Asia DMCC is situated at Unit No 3O-01-701, Floor No.1, Building No 3, Plot Number 550-554 J&G, DMCCA, Dubai, United Arab Emirates.

The Company was registered in Dubai under the certificate number DMCCA-3851 for the purposes of conducting oil and gas exploration and production activities. However, the license number DMCCA-32853, issued on the February 28, 2013, provided by the DMCCA does not authorise it to perform such activities. Therefore, it has been decided by the respective Boards of the Company and PPL Asia DMCC to liquidate PPL Asia DMCC. Accordingly, after necessary compliance of legal formalities, the Company will be liquidated within twelve months from the balance sheet date. No provision for impairment has been accounted for in these unconsolidated financial statements based on the fact that the said investment is totally recoverable.

16.2 The local currency short-term deposits have a maximum maturity period of four months, carrying profit ranging from 9.36% to 9.80% (2012: from 11.85% to 12.15%) per annum.

16.3 Treasury bills have a maximum maturity period of four months, carrying profit ranging from 9.35% to 9.36% (2012: 11.82% to 11.88%) per annum.

	June 30, 2013	June 30, 2012
	Rs '000	
17. CASH AND BANK BALANCES		
At banks		
- Saving accounts		
Local currency - note 17.1	5,728,202	1,567,896
Foreign currency - note 17.2	339,426	34,988
	6,067,628	1,602,884
- Current accounts (local currency)	77,465	40,192
Cash and cheques in hand	39,192	32,084
	6,184,285	1,675,160

17.1 These carry profit at the rate ranging from 6% to 8.55% (2012: from 6% to 11.1%) per annum.

17.2 These carry profit at the rate ranging from 0.10% to 0.25% (2012: from 0.10% to 0.25%) per annum.

	June 30, 2013	June 30, 2012
	Rs '000	
18. SHARE CAPITAL		
Authorised		
2,500,000,000 (2012: 2,500,000,000) ordinary shares of Rs 10 each	25,000,000	25,000,000
26,510 (2012: 26,510) convertible preference shares of Rs 10 each	265	265
	25,000,265	25,000,265
Issued		
1,643,285,893 (2012: 1,314,666,624) ordinary shares of Rs 10 each - note 18.1	16,432,859	13,146,666
13,840 (2012: 13,840) convertible preference shares of Rs 10 each - note 18.2	138	138
	16,432,997	13,146,804
Subscribed and paid-up		
683,073,803 (2012: 683,073,803) ordinary shares of Rs 10 each for cash - note 18.1	6,830,738	6,830,738
957,272,543 (2012: 628,653,274) ordinary shares of Rs 10 each issued as bonus shares- note 18.3		
-Opening balance	6,286,533	5,091,554
-Issued during the year	3,286,193	1,194,979
-Closing balance	9,572,726	6,286,533
2,750,000 (2012: 2,750,000) ordinary shares of Rs10/- each for consideration other than cash under an Agreement for Sale of Assets dated March 27, 1952 with Burmah Oil Company Limited	27,500	27,500
	16,430,964	13,144,771
13,840 (2012: 13,840) convertible preference shares of Rs 10 each for cash - note 18.2	138	138
	16,431,102	13,144,909

18.1 Issued, subscribed and paid-up capital

During June 2002, a rights issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders, irrespective of the class. Out of the above, 189,547 (2012: 189,547) shares remained unsubscribed.

In July 2004, the GoP disinvested its shareholding, equivalent to 15% of the paid-up ordinary share capital (i.e. 102,875,500 ordinary shares) of the Company through an Initial Public Offering.

Currently, the GoP holds 71.06% (2012: 71.05%) of the paid-up ordinary share capital.

18.2 Convertible preference shares

In accordance with article 3(iv) of the Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Company Secretary by the holders of such convertible preference shares to that effect. During the current and last year, no shareholder exercised his option to convert those shares into ordinary shares.

The convertible preference shares have right to a dividend ranking pari passu with the level of dividend payable to the holders of ordinary shares subject, however, to a maximum rate of thirty percent per annum of the value of the total number of such convertible preference shares held. The convertible preference shares issued by the Company do not carry any fixed return. The Company is of the view that their characteristics are that of an equity instrument rather than a liability instrument and accordingly, these are treated to be as such.

18.3 During the current year, the Company has issued 25% bonus shares i.e., 328,619,269 shares (2012: 119,497,916 shares) to the ordinary shareholders (one ordinary shares for every four ordinary shares held).

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000		
19. RESERVES			
Capital reserve - note 19.1	1,428	1,428	1,428
Revenue reserves			
General and contingency reserve - note 19.2	69,761	69,761	69,761
Insurance reserve - note 19.3	24,021,894	19,021,894	14,021,894
Assets acquisition reserve - note 19.4	13,751,980	24,416,157	19,416,157
Dividend equalisation reserve - note 19.5	5,000,000	-	-
Unappropriated profit - note 3.5 and 3.10	90,078,175	68,306,347	47,789,507
	132,921,810	111,814,159	81,297,319
	132,923,238	111,815,587	81,298,747

19.1 Capital reserve

The amount of Rs 1.428 million represents consideration for the surrender of the right of the Mari North Mining Lease. In accordance with the transfer agreement with the GoP, the foregoing consideration has to be carried forward as capital reserve and cannot be distributed.

19.2 General and contingency reserve

The balance in general and contingency reserve account is constant since December 31, 1981. The reserve was built through appropriation from the available profit after taxation on a yearly basis to cater for unforeseen requirements. As at December 31, 1981, the balance available in the profit and loss account after appropriation of dividend for the year was transferred to the general and contingency reserve upon the coming into effect of the Sui Gas Well-head Price Agreement, 1982 (1982 GPA), which required inclusion of this reserve as a part of the shareholders' funds for qualifying for return under the 1982 GPA (now dismantled). Since then, this balance has remained constant.

19.3 Insurance reserve

Due to difficulty in obtaining insurance policy for full value of Company's assets against terrorism, sabotage and civil commotion at reasonable premiums and deductibles, the Company has built-up an insurance reserve for self insurance cover against these risks and plans to continue to build-up this reserve in future years.

The Company has arranged terrorism cover from the international market upto the limit of liability of US$ 100 million (Rs 9,860 million) for single occurrence, as well as, annual aggregate. Due to the limited cover available, the Company will continue to build-up this reserve.

The Board of Directors at their meeting held on 21 August 2013 has approved to transfer Rs 5,000 million (2012: Rs 5,000 million) from unappropriated profit to the insurance reserve.

19.4 Assets acquisition reserve

In view of the declining hydrocarbon reserves profile of the Company, it is intended to acquire sizeable producing reserves for which a separate assets acquisition reserve has been established and the Company plans to continue to build-up this reserve in future years.

As disclosed in note 6 to these unconsolidated financial statements, the Company has invested Rs 15,664.177 million in PPL Europe E&P Limited and accordingly, during the current year, the Company has transferred the equivalent amount from assets acquisition reserve to unappropriated profit.

The Board of Directors at their meeting held on 21 August 2013 has approved to transfer Rs 5,000 million (2012: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

19.5 Dividend equalisation reserve

During the current year, the Company has established a dividend equalisation reserve and transferred an amount of Rs 5,000 million to the reserve from unappropriated profit to maintain dividend declarations.

The Board of Directors at their meeting held on February 04, 2013 has approved to transfer Rs 5,000 million (2012: Nil) from unappropriated profit to the dividend equalisation reserve.

	June 30, 2013	June 30, 2012
	Rs '000	
20. PROVISION FOR DECOMMISSIONING OBLIGATION		
Balance brought forward	14,334,962	5,729,595
Provision during the year - note 4.1	1,294,935	8,456,397
Unwinding of discount - note 31	359,807	148,970
	15,989,704	14,334,962

20.1 The provision for decommissioning obligation includes Rs 2,149.135 million (2012: Rs 1,827.690 million), representing the Company's share of the expected decommissioning cost of partners' operated fields. The provision for decommissioning cost in respect of the Company's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partners' operated fields is based on estimates provided by the respective operators. The provision has been discounted using a real discount rate of 2.43% per annum (2012: 2.51% per annum).

	June 30, 2013	June 30, 2012
	Rs '000	
21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		
Present value of minimum lease payments	273,238	214,038
Current maturity shown under current liabilities	(108,622)	(82,923)
	164,616	131,115

21.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies for rolling stock, computers and allied equipment. The periodic lease payments include rates of mark-up ranging from 12.94% to 21.83% (2012: 14.00% to 21.83%) per annum. The Company has the option to purchase the assets upon expiry of the respective lease terms. There are no financial restrictions in the lease agreements.

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	Minimum lease payments		Financial charges		Present value of minimum lease payments	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rs '000					
Year ended June 30,						
2013	-	103,075	-	20,152	-	82,923
2014	133,677	84,887	25,055	17,695	108,622	67,192
2015	87,324	37,777	20,842	8,478	66,482	29,299
2016	53,915	23,818	11,906	4,232	42,009	19,586
2017	39,838	16,910	6,903	1,872	32,935	15,038
2018	25,350	-	2,160	-	23,190	-
Total	340,104	266,467	66,866	52,429	273,238	214,038

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000		
22. DEFERRED LIABILITIES			
Post retirement medical benefits - note 3.10 and 28.2.1	1,155,168	1,087,776	895,793
Leave preparatory to retirement - note 28.3	657,799	559,835	469,079
	1,812,967	1,647,611	1,364,872
23. DEFERRED TAXATION			
Credit / (debit) balances arising on account of:			
Exploration expenditure	(3,699,703)	(4,015,497)	(4,491,298)
Amortisation of intangible assets	(4,013)	(4,648)	(254)
Provision for staff retirement and other benefits - note 3.10	(1,616,298)	(1,098,812)	(910,379)
Provision for obsolete / slow moving stores	(37,242)	(35,092)	(28,630)
Provision for doubtful debts	(462,488)	(472,488)	-
Provision for Workers' Welfare Fund (WWF)	-	-	(1,921,295)
Provision for decommissioning obligation	178,645	283,495	(219,516)
Accelerated tax depreciation allowances	5,200,870	5,608,865	5,850,327
Exploratory wells cost	1,646,234	938,908	-
Prospecting and development expenditure	7,697,189	5,114,445	4,305,816
Others	4,675	148	368
	8,907,869	6,319,324	2,585,139
24. TRADE AND OTHER PAYABLE			
Creditors	163,589	178,763	209,875
Accrued liabilities	2,665,857	2,710,589	2,009,831
Security deposits from LPG distributors	169,651	169,651	169,651
Retention money	56,814	308,210	455,730
Unpaid and unclaimed dividends	161,232	131,969	1,864,289
Gas development surcharge (GDS) - note 24.1	15,510,383	10,604,097	2,590,407
Gas infrastructure development cess	2,117,340	423,001	-
Federal excise duty (net)	99,805	176,691	166,702
Sales tax (net)	-	-	882,960
Royalties	6,284,059	2,011,939	4,804,008
Surplus due to the President	-	-	72,539
Current accounts with joint venture partners - note 24.2	3,526,422	1,361,257	1,716,062
Liabilities for staff retirement benefit plans - note 3.10 and 28.1.1	2,590,810	1,491,856	1,236,211
WWF	-	-	4,446,633
Others	51,820	20,232	64,336
	33,397,782	19,588,255	20,689,234

24.1 Subsequent to the year ended June 30, 2013, GDS amounting to Rs 13,481.454 million has been deposited into the Government Treasury. The payment has been made in line with the GoP's initiative to resolve the Inter-Corporate Circular Debt, as stated in note 6.4.2 to these unconsolidated financial statements.

24.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2013 and 2012 have been stated net of the respective current assets and current liabilities, as providing details for each respective joint venture separately would be very exhaustive especially in view of the materiality of that information in the overall context to these unconsolidated financial statements.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 Indemnity bonds and corporate guarantees

	June 30, 2013	June 30, 2012
	Rs '000	
Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years.	24,174	49,246
Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities.	40,890	40,890

25.1.2 Pursuant to the directives of the Price Determining Authority, Ministry of Petroleum & Natural Resources, the Company is not taking credit for interest income receivable from GENCO-II and no provision is being made for the interest payable to GoP on late payment of gas development surcharge.

25.1.3 Sales tax

The Company had filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against a Show Cause Notice (SCN) of the Large Taxpayers Unit (LTU), which required the Company to pay sales tax on LPG sales made from Adhi field during the period August, 1999 to June, 2002. However, in order to avail benefits under an amnesty scheme notified through S.R.O. 247(I)/2004 dated May 05, 2004, the Company paid and charged to profit and loss account for the year ended June 30, 2004, sales tax and additional tax amounting to Rs 77.548 million and Rs 12.426 million, respectively, aggregating to Rs 89.974 million, on sales of LPG made during the period August, 1999 to April, 2004.

The ATIR subsequently decided the appeal in favour of the Company and directed the LTU to refund the aforesaid amount subject to verification. Accordingly, the LTU partially verified the payment of sales tax and refunded amounts of Rs 32.357 million. Subsequently the matter was again referred to ATIR by SHC. The ATIR on the advice of SHC, which in its order dated February 23, 2010 declared the original SCN as "illegal and ab-initio void and not sustainable in the eyes of law". As a result, during the year ended June 30, 2012, Rs 31.12 million were refunded to the Company based on LTU's contention that the Company is only entitled to refund for the period from August 1999 to June 2002, as covered by the quashed SCN. The LTU had filed a reference application with the SHC, against the ATIR's 2010 order. During the current year, LTU rejected PPL's request for refund of the remaining amount of Rs 26.497 million on the ground that the amount could not be verified. However, the Company is pursuing the case in the Sindh High Court.

25.1.4 The tax authorities have issued various letters / notices / orders for different tax periods either disallowing / intending to disallow the input sales tax claimed by the Company under the provisions of sections 8(1)(ca) and 8A of the Sales Tax Act, 1990 and Rule 12(5) of the Sales Tax Rules, 2006. Being aggrieved with the impugned orders, the Company has filed appeals before the Commissioner Inland Revenue Appeals {CIR(A)}. During the current year, the Company has received all the three orders under appeal before the CIR(A). In two of the three orders, the CIR(A) has set-aside the orders passed by the Assessing Officer with directions to cross match and verify the documents in respect of each supplier submitted by the Company and pass a fresh and speaking order after providing opportunity of being heard. Since the said orders were set-aside by the CIR(A), therefore no further action is required on this account. In one of the orders, the CIR(A) has confirmed the action of the Assessing Officer on the ground that the Company has failed to prove that the input tax claimed was deposited in the Government treasury. Being aggrieved with the decision of the CIR(A) the Company has filed an appeal before the ATIR.

The Company has also filed a Constitutional Petition alongwith the stay application before the SHC challenging the above mentioned provisions. The SHC in response to the stay application filed by the Company vide order dated October 27, 2011 had granted stay subject to the provision of bank guarantee amounting to Rs 7.676 million, which was duly provided. During the current year, the aforesaid order of the SHC has been renewed by another order dated June 25, 2013. The original petition filed before the SHC, however, is pending for hearing.

25.1.5 Income tax

The Company had revised the tax rates of certain producing fields in line with the provisions of Petroleum Concession Agreements (PCAs) and prevailing industry practices and filed its tax returns for the tax years 2006 to 2012 on the same basis. The Company had also revised its tax returns for the tax years 2003 to 2005 resulting in tax refundable amounting to Rs 383.146 million.

The Tax authorities have amended the Assessment Orders for tax years 2003 to 2012, thereby, disputing the calculation of depletion allowance, allowability of provision for Sui decommissioning cost and calculation of tax liability at lower tax rates of 50% for certain fields. The Tax authorities have raised demand of Rs 6,943 million for tax years 2003 to 2012 in respect of the above issues, out of which the Company has paid Rs 5,201 million. The Company had filed appeals before the CIR(A) against the aforesaid orders. During the current year, the CIR(A) has passed the orders for the tax years 2003 to 2007, 2011 and 2012 deciding the aforesaid issues against the Company. The Company has filed appeals before the ATIR against the orders of CIR(A) for the tax years 2003 to 2007, 2011 and 2012. The appeals for tax years 2008 and 2009 are pending before the ATIR since CIR(A) decided the above issues against the Company except for the rate issue which has been decided in favour of the Company.

During the current year, the Tax authorities whilst amending the assessment for the tax year 2012 have disallowed tax credits under sections 65A, 65B and 65E amounting to Rs. 459 million in respect of Agreement Areas, which is subsequently confirmed by the CIR(A). In addition, the CIR(A) at the time of passing the appellate order for the tax year 2011 has given direction to the Tax authorities to compute and disallow the amount of tax credit under section 65A amounting to Rs 194 million in respect of Agreement Areas while exercising the powers of enhancement of income. The Tax authorities have given effect to the decision of the CIR(A). The Company has filed an appeal before the ATIR against the aforesaid decision of CIR(A).

The Company had obtained stays of demand for tax years 2003 to 2009 from the SHC against lumpsum payments of Rs 1,118 million. During the current year, the Company has also obtained stay from the CIR upto ATIR level subject to payment of 50 per cent of the outstanding demand of Rs 78 million and Rs 441 million for the tax years 2011 and 2012 respectively.

The Company based on the advice of its legal counsel, is confident that it has sound grounds to defend the appeals on the tax rate issue. The Company, as a matter of prudence, continues to provide for tax liability at the higher tax rates, depletion allowance and Sui decommissioning cost in the books of account. In case the appeals are decided in favour of the Company, an amount of Rs 7,225 million (2012: Rs 5,505 million) will be credited in the profit and loss account for that year.

25.1.6 Other contingencies

The Company is defending various suits filed against it in various courts in Pakistan for sums, aggregating to Rs 871 million (2012: Rs 594 million), related to its business operations. The legal council is confident that these suits are expected to be decided in favour of the Company and, accordingly, no provision has been made for any liability against these law suits in these unconsolidated financial statements.

25.2 Commitments

25.2.1 The Company has a commitment to spend upto US$ 100 million (Rs 9,860 million) over the first five years of exploration period under EDPSC for Block 8 in Iraq signed with Midland Oil Company, Iraq.

25.2.2 Capital expenditure

	June 30, 2013	June 30, 2012
	Rs '000	
Owned assets	3,671,970	964,296
Share in joint ventures	20,522,010	9,527,984
Operating leases / Ijara contracts	15,179	29,196
	24,209,159	10,521,476

Commitments for rentals under cancellable operating leases / Ijara contracts in respect of vehicles are as follows:

	June 30, 2013	June 30, 2012
		Rs '000
Year ending June 30,		
2013	-	13,337
2014	7,985	8,502
2015	7,194	7,357
	15,179	29,196

25.2.3 Exploration expenditure

The Company's share of net exploration activities in respect of Block 2766-1 (Khuzdar), Block 2568-13 (Hala), Block 2866-2 (Kalat), Block 2969-8 (Barkhan), Block 3270-7 (Zindan), Block 2467-12 (Jungshahi), Block 2468-12 (Kotri), Block 2568-21 (Kotri North), Block 3371-15 (Dhok Sultan), Block 2568-18 (Gambat South), Block 2763-3 (Kharan), Block 2764-4 (Kharan East), Block 2763-4 (Kharan West), Block 2468-10 (Sirani), Block 2667-11 (Zamzama South), Block 2668-9 (Naushahro Firoz), Block 3272-18 (Karsal), Block 3372-23 (Hisal), Block 2870-5 (Sadiqabad), Block 2469-16 (Shah Bandar), Block 2864-4 (Nausherwani), Block 2566-6 (Bela West), Block 2566-4 (Hab), Block 2569-5 (Khipro East), Block 2467-13 (Malir), Block 2866-4 (Margand), Block 3370-3 (Tal), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano-II), Block 3370-10 (Nashpa), Block 2669-3 (Latif), Block 2667-7 (Kirthar), Block 2468-9 (Jherruck), Block 3070-13 (Baska), Block 2366-7 (Offshore Indus-C), Block 2366-5 (Offshore Indus-N), Block 2568-20 (Sukhpur), Block 2568-19 (Digri), Block 3273-3 (Ghauri), Block 2467-14 (Jati), Block 2265-1 (Indus-G), Block-29 (Republic of Yemen) amounts to Rs 6,101 million and for Block-8 (Iraq) amounts to Rs 6,161 million, for the year ending June 30, 2014 (2013: Rs 6,493 million).

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
26. SALES - net (including internal consumption)		
Sales	123,938,180	119,645,743
Federal excise duty	(2,127,355)	(2,323,249)
Sales tax	(12,444,102)	(12,653,202)
Gas infrastructure development cess	(1,694,339)	(423,001)
Petroleum Levy	-	(10,873)
Gas development surcharge	(5,315,728)	(8,013,690)
	(21,581,524)	(23,424,015)
	102,356,656	96,221,728
Product wise break-up of sales is as follows:		
Natural gas sales	87,349,129	88,851,388
Federal excise duty	(2,101,685)	(2,299,447)
Sales tax	(12,135,499)	(12,334,944)
Gas infrastructure development cess	(1,694,339)	(423,001)
Gas development surcharge	(5,315,728)	(8,013,690)
	(21,247,251)	(23,071,082)
	66,101,878	65,780,306
Gas supplied to Sui villages - note 27.4	388,580	304,685
Federal excise duty	(15,025)	(13,183)
Sales tax	(53,742)	(42,026)
	(68,767)	(55,209)
	319,813	249,476
Internal consumption of gas - note 26.1	239,076	205,103
Federal excise duty	(9,244)	(8,917)
Sales tax	(33,061)	(28,290)
	(42,305)	(37,207)
	196,771	167,896
Condensate sales	8,188,552	8,981,667
NGL (condensate) sales	1,682,384	1,768,259
Crude oil sales	24,486,299	17,737,064
LPG sales	1,604,160	1,797,577
Federal excise duty	(1,401)	(1,702)
Petroleum Levy	-	(10,873)
Sales tax	(221,800)	(247,942)
	(223,201)	(260,517)
	1,380,959	1,537,060
	102,356,656	96,221,728

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
26.1 Internal consumption of gas comprises of the following:		
Industrial and domestic use	169,028	140,440
Gas used for electricity generation at Sui	70,048	64,663
	239,076	205,103

26.2 The Company has not allowed any sales discount to the customers during the years ended June 30, 2013 and 2012.

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
	Rs '000	
27. FIELD EXPENDITURES		
Development and drilling	5,252,330	6,953,084
Exploration	6,797,597	3,823,468
Depreciation - note 4.1	3,279,081	3,208,080
Amortisation of intangible assets - note 5.1	206,086	135,967
Amortisation of decommissioning cost - note 4.1	1,435,591	1,504,218
Amortisation of prospecting and development expenditure - note 4.1	2,776,883	2,049,355
Salaries, wages, welfare and other benefits - note 27.1	5,841,755	5,144,975
Employees' medical benefits - note 27.2	374,843	324,062
Manpower development	25,799	36,703
Travelling and conveyance	586,092	546,767
Communication	29,662	32,375
Stores and spares consumed	1,341,838	1,010,397
Fuel and power	317,088	294,191
Rent, rates and taxes	170,685	83,768
Insurance	651,290	399,572
Repairs and maintenance	458,074	445,090
Professional services	215,182	75,349
Auditors' remuneration - note 27.3	5,741	5,004
Free supply of gas to Sui villages - note 27.4	388,580	304,685
Donations - note 27.5	63,770	58,899
Social welfare / community development	250,861	455,758
Other expenses	179,997	133,565
	30,648,825	27,025,332
Recoveries	(45,946)	(43,758)
	30,602,879	26,981,574

27.1 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 159.754 million, Rs 458.558 million, Rs 72.583 million and Rs 140.259 million, respectively (2012: Rs 127.894 million, Rs 408.758 million, Rs 65.700 million and Rs 110.159 million, respectively).

27.2 This includes expenditure relating to post retirement medical benefits amounting to Rs 179.435 million (2012: Rs 164.505 million).

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
27.3 Auditors' remuneration is as under:		
Audit fee	2,500	2,200
Limited review, special certifications and advisory services	3,005	2,585
Out of pocket expenses	236	219
	5,741	5,004

27.4 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 26 to these unconsolidated financial statements.

27.5 Donations include the payments to following institutions in which the directors / ex-directors are interested:

Name of director(s) / ex-director(s)	Nature of interest in donee	Name and address of donee	Year ended June 30, 2013	Year ended June 30, 2012
			Rs '000	
Mr. Asim Murtaza Khan	Chairman	Petroleum Institute of Pakistan	535	131
Mr. Saeed Akhtar (Ex-Director)	Director	Karwan-e-Hayat, an Institute of Mental Health Care & Rehabilitation	150	150
			685	281

28. STAFF RETIREMENT BENEFITS

28.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.10 to these unconsolidated financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

28.1.1 Fair value of plan assets and the present value of obligations

The fair value of plan assets and the present value of defined benefit obligations of the pension and gratuity schemes at the valuation dates are as follows:

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Present value of defined benefit obligations - note 28.1.5	5,408,390	542,351	1,441,794	713,783	8,106,318	5,986,288	5,099,799
Fair value of plan assets - note 28.1.4	(3,579,152)	(381,149)	(1,028,055)	(527,152)	(5,515,508)	(4,494,432)	(3,863,588)
Liability recognised in the balance sheet	1,829,238	161,202	413,739	186,631	2,590,810	1,491,856	1,236,211

28.1.2 Movement in amounts payable to defined benefit plans

Movement in amounts payable to staff retirement benefit plans during the year are as follows:

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Balances as on July 01	1,054,688	79,179	206,623	151,366	1,491,856	1,236,211	1,078,122
Charge for the year - note 28.1.3	390,538	34,645	68,020	37,938	531,141	474,458	427,105
Payments during the year	(455,051)	(39,005)	(148,595)	(89,461)	(732,112)	(543,846)	(488,414)
Amount recognised in Other Comprehensive Income (OCI) for the year	839,063	86,383	287,691	86,788	1,299,925	325,033	219,398
Balances as on June 30	1,829,238	161,202	413,739	186,631	2,590,810	1,491,856	1,236,211

28.1.3 Amounts recognised in the profit and loss account

Amounts charged to the profit and loss account during the year in respect of pension and gratuity schemes are as follows:

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	Year ended June 30, 2013					Year ended June 30, 2012 (Restated)	Year ended June 30, 2011 (Restated)
	Rs '000						
Current service cost	260,977	24,877	40,627	17,663	344,144	309,614	273,269
Interest cost	531,789	59,662	138,974	74,015	804,440	738,875	582,620
Interest income on plan assets	(402,228)	(49,894)	(111,581)	(53,740)	(617,443)	(574,031)	(428,784)
Charge for the year recognised in profit and loss account	390,538	34,645	68,020	37,938	531,141	474,458	427,105
Actual return on plan assets	407,975	46,005	109,336	57,816	621,132	454,088	415,985

28.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Fair value of plan assets at beginning of the year	2,848,562	380,383	844,776	420,711	4,494,432	3,863,588	3,237,876
Interest income on plan assets	402,228	49,894	111,581	53,740	617,443	574,031	428,784
Contributions by the Company	455,051	39,005	148,595	89,461	732,112	543,846	488,414
Benefits paid	(147,526)	(84,585)	(75,437)	(41,990)	(349,538)	(380,700)	(281,094)
Amount recognised in OCI for the year	20,837	(3,548)	(1,460)	5,230	21,059	(106,333)	(10,392)
Fair value of plan assets at end of the year	3,579,152	381,149	1,028,055	527,152	5,515,508	4,494,432	3,863,588

28.1.5 Changes in present value of pension and gratuity obligations

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Present value of obligations at beginning of the year	3,903,250	459,562	1,051,399	572,077	5,986,288	5,099,799	4,315,998
Current service cost	260,977	24,877	40,627	17,663	344,144	309,614	273,269
Interest cost	531,789	59,662	138,974	74,015	804,440	738,875	582,620
Benefits paid	(147,526)	(84,585)	(75,437)	(41,990)	(349,538)	(380,700)	(281,094)
Amount recognised in OCI for the year	859,900	82,835	286,231	92,018	1,320,984	218,700	209,006
Present value of obligations at end of the year	5,408,390	542,351	1,441,794	713,783	8,106,318	5,986,288	5,099,799

28.1.6 Break-up of plan assets

The major categories of plan assets as a percentage of total plan assets of pension and gratuity schemes are as follows:

	Rate of return	Executives		Non-Executives		Executives		Non-Executives	
		Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
	%	June 30, 2013 (Unaudited)				June 30, 2012 (Audited)			
Pension Fund									
Government securities	5.98-14.47	1,012,620	28	317,676	31	1,397,117	49	349,920	42
Shares	-	157,619	5	48,191	5	122,357	4	37,577	4
TFCs	13.58-13.60	68,710	2	25,590	2	70,876	3	22,671	3
Cash and bank balances	5.00-10.30	2,340,203	65	636,598	62	1,258,212	44	434,608	51
Total		3,579,152	100	1,028,055	100	2,848,562	100	844,776	100
Gratuity Fund									
Government securities	6.22-14.47	123,429	32	170,838	32	189,530	50	211,050	50
Shares	-	27,186	7	23,908	5	21,104	6	18,458	4
TFCs	13.56-13.58	2,934	1	12,718	2	22,511	6	12,983	3
Cash and bank balances	5.00-10.30	227,600	60	319,688	61	147,238	38	178,220	43
Total		381,149	100	527,152	100	380,383	100	420,711	100

28.1.7 Sensitivity analysis:

	June 30, 2013			
	Executives		Non-Executives	
	1% increase	1% decrease	1% increase	1% decrease
Pension:				
Salary rate sensitivity	388,613	(338,425)	87,180	(77,637)
Pension rate sensitivity	378,107	(317,697)	102,811	(85,453)
Gratuity:				
Salary rate sensitivity	29,931	(26,885)	37,004	(32,935)

28.1.8 Maturity profile of the defined benefit obligation:

	June 30, 2013			
	Executives		Non-Executives	
	Pension	Gratuity	Pension	Gratuity
Weighted average duration (years)	14.26	5.67	12.42	5.27
The retirement will at most continue (year)	2050	2050	2051	2051

28.1.9 The Company expects to contribute Rs 686.861 million to the pension and gratuity funds in 2013-14.

28.2 Unfunded post retirement medical benefits

28.2.1 The Company provides free medical facilities to its executive and non-executive retired employees, as mentioned in note 3.10 to these unconsolidated financial statements. The latest actuarial valuation for post retirement medical benefits was carried out as at June 30, 2013, results of which are as follows:

	June 30, 2013	June 30, 2012 (Restated) Rs '000	July 01, 2011 (Restated)
Present value of defined benefit obligations - note 22 and 28.2.4	1,155,168	1,087,776	895,793

28.2.2 Movement in the liability recognised in the balance sheet is as follows:

	June 30, 2013	June 30, 2012 (Restated) Rs '000	July 01, 2011 (Restated)
Balance as on July 01	1,087,776	895,793	843,535
Charge for the year - note 28.2.3	179,435	164,505	137,834
Payments during the year	(39,390)	(34,124)	(30,017)
Amount charged to the OCI	(72,653)	61,602	(55,559)
Balance as on June 30	1,155,168	1,087,776	895,793

28.2.3 Amounts recognised in the profit and loss account

Amounts charged to the profit and loss account during the year for the above benefits are as follows:

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated) Rs '000	Year ended June 30, 2011 (Restated)
Current service cost	32,888	30,544	29,178
Interest cost	146,547	133,961	108,656
	179,435	164,505	137,834

	June 30, 2013	June 30, 2012 (Restated)	June 30, 2011 (Restated)
		Rs '000	
28.2.4 Changes in present value of post retirement medical obligations:			
Opening balance	1,087,776	895,793	843,535
Current service cost	32,888	30,544	29,178
Interest cost	146,547	133,961	108,656
Benefits paid	(39,390)	(34,124)	(30,017)
Amount charged to the OCI	(72,653)	61,602	(55,559)
Balance as on June 30	1,155,168	1,087,776	895,793

28.2.5 A one percent change in the medical cost trend rate would have following effect:

	1% increase	1% decrease
	Rs '000	
Present value of medical obligation	154,663	(207,090)
Current service cost and interest cost	24,230	(40,457)

28.2.6 The Company expects to contribute Rs 164.030 million to the unfunded post retirement medical benefits in 2013-14.

28.2.7 The weighted average duration of the defined benefit obligation works out to 23.41 years in respect of Executive and 19.94 years in respect of Non-Executives.

28.3 Leave preparatory to retirement benefits

Movement in liability recognised in the balance sheet is as follows:

	June 30, 2013	June 30, 2012
	Rs '000	
Balance as on July 01	559,835	469,079
Charge for the year	140,259	110,159
	7,00,094	579,238
Payments during the year	(42,295)	(19,403)
Balance as on June 30 - note 22	657,799	559,835

28.3.1 The Company expects to contribute Rs 133.321 million to the Leave preparatory to retirement benefits in 2013-14.

28.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

	Per annum	
	June 30, 2013	June 30, 2012
	%	
- discount rate	11.00	13.50
- expected rate of increase in salaries	11.00	13.50
- expected rate of increase in pension	6.00	8.50
- expected rate of escalation in medical cost	7.00	9.50

28.5 Description of the risks to the Company

The defined benefit plans expose the Company to the following risks:

Mortality risks - The risk that the actual mortality experience is different. Similar to the Withdrawal risk, the effect depends on the beneficiaries' service/age distribution and the benefit. Especially in the case of pension and post retirement medical benefit, there is an additional longevity risk after cessation of service that the mortality will improve and the benefit is payable for longer period of time.

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Medical escalation risk - The risk that the cost of post retirement medical benefits will increase.

28.6 Provident fund

	June 30, 2013 (Unaudited)	June 30, 2012 (Audited)
	Rs '000	
Size of the fund	3,370,693	2,848,241
Cost of investments made	2,510,450	2,291,206
Percentage of investments made	74.50%	80.40%
Fair value of investments	2,675,951	2,337,239

28.6.1 Break-up of Investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	June 30, 2013 (Unaudited)		June 30, 2012 (Audited)	
	Investments (Rs '000)	% of investment as size of the fund	Investments (Rs '000)	% of investment as size of the fund
Pakistan Investment Bonds	912,464	27.0	1,034,702	36.3
Treasury Bill	80,938	2.4	298,432	10.5
Short Term Deposit Account	1,124,480	33.3	702,000	24.6
NIT Units	249,577	7.4	178,076	6.3
Shares	304,908	9.0	100,907	3.5
TFCs	3,584	0.1	23,122	0.8
	2,675,951		2,337,239	

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

29. OTHER INCOME

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
	Rs '000	
Income from financial assets		
Income on loans and bank deposits	553,377	535,896
Income on term deposits	2,685,041	2,730,303
Income on long-term held-to-maturity investments	722,135	840,797
Income from investment in treasury bills	1,182,478	1,277,785
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	869,299	854,147
	6,012,330	6,238,928
Income from assets other than financial assets		
Rental income on assets	123,737	91,730
Profit on sale of property, plant and equipment (net)	15,294	94,308
Profit on sale of stores and spares (net)	6,621	12,800
Exchange gain on foreign currency	552,190	553,267
Share of profit on sale of LPG	83,126	101,073
Refund of sales tax paid under amnesty scheme - note 25.1.3	-	31,120
Reversal of provision for doubtful debts - Byco - note 11.3	25,000	-
Reversal of provision for WWF	-	4,446,633
Dividend income from BME - note 3.5	15,000	25,000
Others	60,150	24,622
	881,118	5,380,553
	6,893,448	11,619,481

30. OTHER OPERATING EXPENSES

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
WPPF - note 15.1	3,295,426	3,454,845
Provision for obsolete / slow moving stores - note 10.1	6,143	18,464
Provision for doubtful debts - note 11.3	-	1,181,220
Receivable from SNGPL written off - note 30.1	31,106	-
	3,332,675	4,654,529

30.1 During the year, the Company has written-off 50 percent of receivable against off-specification gas as per settlement with SNGPL and has received the balance amount.

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	

31. FINANCE COSTS

Interest on WPPF - note 15.1	333	286
Financial charges for liabilities against assets subject to finance leases	34,292	29,749
Unwinding of discount on decommissioning obligation - note 20	359,807	148,970
	394,432	179,005

32. TAXATION

Provision for taxation for the years ended June 30, 2013 and 2012 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas and for the non-agreement areas on the basis of tax rate of 35%, as mentioned in note 3.13 to these unconsolidated financial statements.

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
	Rs '000	
Current		
- for the year	17,221,920	18,341,069
- for prior years (net)	436,532	1,418,859
	17,658,452	19,759,928
Deferred		
- for the year - note 3.10	3,018,095	1,948,211
- for prior years	-	1,921,295
	3,018,095	3,869,506
	20,676,547	23,629,434

32.1 Relationship between accounting profit and taxation:

Accounting profit for the year before taxation	62,627,743	64,554,950
Tax at applicable rate of 43.78% (2012: 44.16%)	27,421,399	28,507,248
Net tax effect of amounts not taxable for tax purposes	(177,524)	(1,550,018)
Tax effect of depletion allowance and royalty allowed for tax purposes	(7,003,860)	(6,667,950)
Net effect of deferred tax relating to prior years recognised in current year	-	1,921,295
Tax charge relating to prior years	436,532	1,418,859
	20,676,547	23,629,434
Effective tax rate %	33.01	36.60

33. INTERESTS IN JOINT VENTURES

The joint venture areas in which the Company has working interests are as follows:

Name of joint venture	Operator	Percentage of the Company's working interest as at June 30, 2013
Producing fields		
Adhi	PPL	39.00%
Mazarani	PPL	87.50%
Hala EWT Phase	PPL	65.00%
Kandhkot East (Chachar)	PPL	75.00%
Qadirpur	OGDCL	7.00%
Hasan, Sadiq & Khanpur - D&P (B-22)	PEL	35.53%
Mela EWT Phase (Nashpa Block)	OGDCL	26.05%
Nashpa EWT Phase (Nashpa Block)	OGDCL	26.05%
Miano	OMV	15.16%
Sawan	OMV	26.18%
Tajjal EWT Phase (Gambat Block)	OMV	23.68%
Latif D&P (Latif Block)	OMV	33.30%
Manzalai D&P (Tal Block)	MOL	27.76%
Makori D&P (Tal Block)	MOL	27.76%
Makori East EWT Phase (Tal Block)	MOL	27.76%
Mamikhel EWT Phase (Tal Block)	MOL	27.76%
Maramzai EWT Phase (Tal Block)	MOL	27.76%
Exploration and development blocks (within Pakistan)		
Block 2568-13 (Hala)	PPL	65.00%
Block 2766-1 (Khuzdar)	PPL	65.00%
Block 2866-2 (Kalat)	PPL	35.00%
Block 2969-8 (Barkhan)	PPL	35.00%
Block 2763-3 (Kharan)	PPL	100.00%
Block 2764-4 (Kharan-East)	PPL	100.00%
Block 2763-4 (Kharan-West)	PPL	100.00%
Block 3371-15 (Dhok Sultan)	PPL	75.00%
Block 2467-12 (Jungshahi)	PPL	100.00%
Block 2568-18 (Gambat South)	PPL	65.00%
Block 2468-12 (Kotri)	PPL	100.00%
Block 2568-21 (Kotri North)	PPL	90.00%
Block 2468-10 (Sirani)	PPL	75.00%
Block 2668-9 (Naushahro Firoz)	PPL	90.00%
Block 2667-11 (Zamzama South)	PPL	100.00%
Block 3270-7 (Zindan)	PPL	35.00%
Block 2768-3 (Block-22)	PEL	45.00%
Block 2668-4 (Gambat)	OMV	30.00%
Block 2669-3 (Latif)	OMV	33.30%
Block 2668-5 (South West Miano-II)	OMV	33.30%
Block 3370-10 (Nashpa)	OGDCL	30.00%
Block 2667-7 (Kirthar)	POGC	30.00%
Block 3070-13 (Baska)	ZHEN HUA	49.00%
Block 2366-7 (Indus-C)	ENI	40.00%
Block 2366-5 (Indus-N)	ENI	30.00%
Block 2568-20 (Sukhpur)	ENI	30.00%
Block 2265-1 (Indus-G)	ENI	25.00%
Block 3370-3 (Tal)	MOL	30.00%
Block 2468-9 (Jherruck)	NHEPL	30.00%
Block 2568-19 (Digri)	UEPL	25.00%
Block 3273-3 (Ghauri)	MPCL	35.00%
Block 2467-14 (Jati)	KPBV	25.00%
Exploration blocks (Outside Pakistan)		
Block-29 (Yemen)	OMV	43.75%
Block -8 (Iraq)	PPL	100.00%

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments, which are stated at amortised cost. No changes were made in the objectives, policies or processes during the years ended June 30, 2013 and 2012.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

i) Interest rate risk management

The interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's long-term investment in GoP Ijara Sukuk certificates with floating interest rates. The Company manages its interest rate risk by having significant investment in fixed interest bearing financial assets, like PIBs, term deposit receipts with banks and treasury bills. As of balance sheet date, the sensitivity on the Company's profit before tax to a reasonable possible change of 1% in interest rates is Rs 25 million (2012: Rs 25 million), with all other variables held constant.

Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

Level 1: Quoted market prices
Level 2: Valuation techniques (market observable)
Level 3: Valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
Financial assets	Rs '000			
June 30, 2013				
Investments designated at fair value through profit or loss	8,605,498	8,605,498	-	-
June 30, 2012				
Investments designated at fair value through profit or loss	9,806,733	9,806,733	-	-

ii) Foreign currency risk management

Financial assets include Rs 6,949.332 million (2012: Rs 6,010.623 million) and financial liabilities include Rs 6,325.762 million (2012: Rs 3,126.764 million), which were subject to foreign currency risk. The US Dollar deposits also serve as a synthetic hedge against the Company's exposure to foreign currency risk resulting from outstanding payments for imports.

A one rupee change in the exchange rate of foreign currencies would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Foreign currency financial assets	70,480	(70,480)
Foreign currency financial liabilities	58,068	(58,068)

iii) Commodity price risk management

The Company is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products, which can affect the profitability of the Company. However, keeping in view the pricing mechanism under various Gas Price Agreements signed with the GoP, the Company is of the view that the price risk, in respect of gas sales which constitute major portion of Company's total sales, is within acceptable limits. Therefore, the Company has not entered in any commodity derivative transactions.

A one rupee change in the commodity prices would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Natural Gas	52,994	(52,994)
Crude Oil / Condensate / NGL	3,534	(3,534)
LPG	203	(203)

b) Credit risk management

(i) Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its receivables including trade debts, investments in TFCs, mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Company monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Company has maintained lines and limits with banks for effective monitoring of credit risk.

The Company's major portion of sales is to GENCO-II, SNGPL and SSGCL. However, it does not consider itself to be exposed to any substantial credit risk as these companies are State controlled entities.

(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	June 30, 2013	June 30, 2012
	Rs '000	
Long term investments - note 6		
AAA	26,490,722	7,488,459
AA	15,537,695	13,606,174
A	-	-
Not rated	-	-
	42,028,417	21,094,633
Trade debts - note 11.1		
Customers with no defaults in the past one year	-	-
Customers with some defaults in past one year which have been fully recovered	104,438	83,348
Customers with defaults in past one year which have not yet been recovered	16,263,373	18,253,586
	16,367,811	18,336,934
Short-term investments and cash at banks - notes 16 & 17		
AAA	16,577,660	9,968,258
AA	17,895,988	26,938,155
A	4,948	1,663
	34,478,596	36,908,076

c) Capital risk management

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

d) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs '000					
Liability against assets subject to finance leases	-	30,922	77,700	164,616	-	273,238
Trade and other payables	235,864	5,633,687	696,552	-	-	6,566,103
Year ended 30 June 2013	235,864	5,664,609	774,252	164,616	-	6,839,341

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs '000					
Liability against assets subject to finance leases	-	27,136	55,787	131,115	-	214,038
Trade and other payables	262,450	3,308,317	1,120,022	-	-	4,690,789
Year ended 30 June 2012	262,450	3,335,453	1,175,809	131,115	-	4,904,827

	June 30, 2013	June 30, 2012
	Rs '000	

35. CASH AND CASH EQUIVALENTS

	June 30, 2013	June 30, 2012
Cash and bank balances - note 17	6,184,285	1,675,160
Short-term highly liquid investments - note 16	28,333,503	35,265,000
	34,517,788	36,940,160

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Director		Executives	
	Year ended June 30, 2013	Year ended June 30, 2012	Year ended June 30, 2013	Year ended June 30, 2012	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000					
Managerial remuneration	32,433	26,256	1,804	1,500	3,257,132	2,670,457
Housing, conveyance and utilities	-	-	-	-	122,798	20,620
Retirement benefits	7,154	5,627	-	-	664,767	523,875
Bonus	-	-	-	-	55,622	12,006
Medical and leave passage	159	134	-	-	217,463	155,737
Leave encashment	1,566	-	-	-	92,933	42,921
	41,312	32,017	1,804	1,500	4,410,715	3,425,616
Number, including those who worked for part of the year	1	1	1	1	1,162	1,046

36.1 Certain executives including the Chief Executive of the Company are also provided with free use of Company's cars and club subscriptions in accordance with their entitlements.

36.2 Aggregate amount charged in these unconsolidated financial statements in respect of fees paid to nine non-executive directors was Rs 11.771 million (2012: Rs 0.905 million for nine directors).

	Year ended June 30, 2013	Year ended June 30, 2012

37. EARNINGS PER SHARE

37.1 Basic earnings per share

	Year ended June 30, 2013	Year ended June 30, 2012
Profit after taxation (Rs '000)	41,951,196	40,925,516
Dividend on convertible preference shares (Rs '000)	(42)	(41)
Profit attributable to ordinary shareholders (Rs '000)	41,951,154	40,925,475
		(Restated)
Weighted average number of ordinary shares in issue	1,643,096,346	1,643,096,346
Basic earnings per share (Rs)	25.53	24.91

Profit after taxation has been adjusted for dividend to a maximum rate of thirty percent per annum of the value of the total number of convertible preference shares held.

37.2 Diluted earnings per share

	Year ended June 30, 2013	Year ended June 30, 2012
Profit after taxation (Rs '000)	41,951,196	40,925,516
Weighted average number of ordinary shares in issue	1,643,096,346	1,643,096,346
Adjustment for conversion of convertible preference shares	13,840	13,840
		(Restated)
Weighted average number of ordinary shares for diluted earnings per share	1,643,110,186	1,643,110,186
Diluted earnings per share (Rs)	25.53	24.91

37.3 During the current year, the Company has issued 25% bonus shares (i.e. one ordinary share for every four ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2012.

38. FINAL DIVIDEND

The Board of Directors in their meeting held on 21 August, 2013 have recommended 20% bonus shares (328,619,269 shares) i.e. one share for every five ordinary shares held (2012: 25% bonus shares (328,619,269 shares) i.e. one share for every four ordinary shares held) and final cash dividend @ 55% amounting to Rs 9,037.030 million (2012: @ 65% amounting to Rs 8,544.101 million) on the existing paid-up value of the ordinary share capital for approval of the shareholders in the Annual General Meeting to be held on 30 September, 2013.

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
39. TRANSACTIONS WITH RELATED PARTIES		
39.1 Transactions with related parties are as follows:		
Sales of gas to State controlled entities (including Government Levies):		
GENCO-II	13,636,828	17,047,862
SNGPL	59,524,221	57,073,719
SSGCL	14,188,080	14,729,807
	87,349,129	88,851,388
Trade debts and other receivables from State controlled entities as at June 30	See notes 9,11 & 15	
Transaction with subsidiary:		
Receivable from PPL Asia DMCC - note 15	1,896	-
Transactions with Bolan Mining Enterprises:		
Dividend income	15,000	25,000
Purchase of goods	60,966	-
Reimbursement of employee cost on secondment	13,368	10,665
Transactions with Joint Ventures:		
Payments of cash calls to joint ventures	24,150,090	13,842,057
Expenditures incurred by the joint ventures	26,041,464	13,315,878
Amounts receivable from / (payable to) joint venture partners as at June 30	See notes 12, 15 & 24.2	
Income from rental of assets to joint ventures	1,158	91,730
Other related parties:		
Dividend to GoP	14,244,675	7,203,138
Dividend to Trust under BESOS	1,473,852	1,225,062
Transactions with retirement benefit funds	See notes 27.1 & 28	
Remuneration to key management personnel	See note 36	
Payment of rental to Pakistan Industrial Development Corporation	52,133	45,723
Payment to National Insurance Company Limited	1,149,267	692,551
Payment to Pakistan State Oil Company Limited	264,008	100,871

39.2 Gas sales are made to various State controlled utility organisations, at prices notified by the GoP. Transactions with Bolan Mining Enterprises for purchase of goods are conducted at prices determined by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller. Transactions with other parties are carried at fair value.

40. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Company are organised into one operating segment i.e. exploration, development and production of oil and gas. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these unconsolidated financial statements are related to the Company's only reportable segment.

The operating interests of the Company are confined to Pakistan in terms of production areas and customers. Accordingly, the production and revenue figures reported in these unconsolidated financial statements relate to the Company's only reportable operating segment in Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to exploration, development and production of oil and gas.

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
GENCO-II	13,636,828	17,047,862
SSGCL	14,188,080	14,729,807
SNGPL	59,524,221	57,073,719
ARL	31,248,917	26,933,567
	118,598,046	115,784,955

41. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 21 August, 2013 by the Board of Directors of the Company.

42. GENERAL

42.1 Number of employees

Number of permanent employees as at June 30, 2013 was 2,699 (2012: 2,660) and average number of employees during the year was 2,662 (2012: 2,696).

42.2 Capacity and production

Product	Unit	Actual production for the year (PPL's share)
Natural gas	MMCF	331,510
Crude oil	BBL	2,948,597
NGL / Condensate	BBL	737,408
LPG	M. Ton	17,136

Due to the nature of operations of the Company, installed capacity of above products is not relevant.

42.3 Corresponding figures

Corresponding figures have been reclassified for the purpose of better presentation and comparison. Material changes made during the year are as follows:

Note	Reclassification from the caption component	Note	Reclassification to the caption component	Amount Rs '000
37	Managerial remuneration (2012)	36	Leave encashment (2012)	42,921
11	Stores and spares (2012)	4	Capital work-in progress (2012)	1,013,481
11	Stores and spares (2011)	4	Capital work-in progress (2011)	506,139
21.4	Assets acquisition reserve (2011)	19	Un-appropriated profit (2011)	583,843

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

Director

Chief Executive

Auditors' Report on Consolidated Financial Statements to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies (together referred to as Group) as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies namely PPL Europe E&P Limited (formerly MND Exploration and Production Limited) and PPL Asia DMCC. The draft audit report of PPL Asia DMCC has been modified by adding as emphasis of matter paragraph in respect of applicability of going concern assumption. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at 30 June 2013 and the results of their operations for the year then ended.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi
21 August, 2013

Consolidated Balance Sheet

as at June 30, 2013

	Note	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
			Rs '000	
NON-CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	6	84,672,828	56,326,932	45,924,411
Intangible assets	7	3,626,619	433,569	487,195
		88,299,447	56,760,501	46,411,606
Equity-accounted investment in joint venture	8	524,903	413,147	370,024
Long-term investments	9	40,027,678	20,346,358	15,732,524
Long-term loans - staff	10	21,011	21,262	18,720
Long-term deposits	11	742,676	697,676	645,000
Long-term receivables	12	292,598	71,805	11,172
		129,908,313	78,310,749	63,189,046
CURRENT ASSETS				
Stores and spares	13	2,835,182	2,454,071	1,766,813
Trade debts	14	40,631,950	50,159,492	32,096,358
Loans and advances	15	1,132,757	691,862	505,889
Trade deposits and short-term prepayments	16	288,197	161,013	134,647
Interest accrued	17	1,495,560	553,290	501,290
Current maturity of long-term investments	9	2,000,740	748,276	49,950
Current maturity of long-term receivables	12	29,082	4,251	4,251
Other receivables	18	1,950,581	528,023	280,490
Short-term investments	19	28,333,503	35,265,000	20,851,145
Taxation		-	-	3,248,006
Cash and bank balances	20	9,064,275	1,675,160	1,503,126
		87,761,827	92,240,438	60,941,965
		217,670,140	170,551,187	124,131,011
SHARE CAPITAL AND RESERVES				
Share capital	21	16,431,102	13,144,909	11,949,930
Reserves	22	133,540,743	112,213,734	81,653,771
		149,971,845	125,358,643	93,603,701
NON-CURRENT LIABILITIES				
Provision for decommissioning obligation	23	16,146,357	14,334,962	5,729,595
Liabilities against assets subject to finance leases	24	164,616	131,115	101,848
Deferred liabilities	25	1,812,967	1,647,611	1,364,872
Deferred income		-	-	1,172
Deferred taxation	26	12,333,150	6,319,324	2,585,139
		30,457,090	22,433,012	9,782,626
CURRENT LIABILITIES				
Trade and other payables	27	33,630,168	19,588,255	20,689,234
Current maturity of liabilities against assets subject to finance leases	24	108,622	82,923	53,428
Current maturity of deferred income		-	1,172	2,022
Taxation		3,502,415	3,087,182	-
		37,241,205	22,759,532	20,744,684
CONTINGENCIES AND COMMITMENTS	28	-	-	-
		217,670,140	170,551,187	124,131,011

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Director

Chief Executive

Consolidated Profit and Loss Account
for the year ended June 30, 2013

	Note	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
		Rs '000	
Sales - net	29	102,797,172	96,221,728
Field expenditures	30	(30,995,010)	(26,981,574)
Royalties		(12,339,915)	(11,471,151)
		(43,334,925)	(38,452,725)
		59,462,247	57,769,003
Share of profit in equity-accounted			
investment in joint venture	8	126,756	68,123
Other income	32	6,878,672	11,594,481
Other operating expenses	33	(3,337,346)	(4,654,529)
Finance costs	34	(395,073)	(179,005)
Profit before taxation		62,735,256	64,598,073
Taxation	35	(20,620,008)	(23,629,434)
Profit after taxation		42,115,248	40,968,639
			(Restated)
Basic and diluted earnings per share (Rs)	40	25.63	24.93

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Director

Chief Executive

Consolidated Statement of Comprehensive Income

for the year ended June 30, 2013

	Note	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
		Rs '000	
Profit after taxation		42,115,248	40,968,639
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit and loss account in subsequent periods			
Actuarial losses on defined benefit plans - net		(1,227,272)	(386,635)
Deferred taxation		429,545	135,322
Net comprehensive income not to be reclassified to profit and loss account in subsequent periods	4.10	(797,727)	(251,313)
Other comprehensive income to be reclassified to profit and loss account in subsequent periods			
Foreign exchange difference on translation of subsidiaries	22	55,306	-
Other comprehensive income, net of tax		(742,421)	(251,313)
Total comprehensive income		41,372,827	40,717,326

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Director

Chief Executive

Consolidated Cash Flow Statement
for the year ended June 30, 2013

	Note	Year ended June 30, 2013	Year ended June 30, 2012
		Rs '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		133,896,344	100,401,389
Receipts of other income		273,634	261,346
Cash paid to suppliers / service providers and employees		(22,645,091)	(22,255,549)
Payment of indirect taxes and Government levies including royalty		(27,333,718)	(33,595,965)
Income tax paid		(17,653,966)	(13,424,739)
Finance costs paid		(34,625)	(30,035)
Long-term loans - staff (net)		(5,026)	(2,688)
Net cash generated from operating activities		66,497,552	31,353,759
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure (net)		(21,633,251)	(9,162,743)
Purchase of long-term investments		(23,875,327)	(4,865,336)
Disposal / redemption of investments		5,412,126	978,353
Acquisition of PPL Europe E&P Limited (net)	5.2	(13,029,409)	-
Long-term deposits		(45,000)	(52,676)
Long-term receivables		(246,796)	(62,655)
Share of profit received from equity-accounted investment in joint venture		15,000	25,000
Financial income received		4,194,688	5,315,018
Proceeds on sale of property, plant and equipment	6.3	23,212	98,786
Net cash used in investing activities		(49,184,757)	(7,726,253)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(106,284)	(79,233)
Dividends paid		(16,759,625)	(8,962,384)
Net cash used in financing activities		(16,865,909)	(9,041,617)
Net increase in cash and cash equivalents		446,886	14,585,889
Cash and cash equivalents at the beginning of the year		36,940,160	22,354,271
Net foreign exchange differences		10,732	-
Cash and cash equivalents at the end of the year	38	37,397,778	36,940,160

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Director

Chief Executive

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

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves							Total reserves	Total
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Dividend equalisation reserve	Unappropriated profit	Translation reserve	Total		
	Rs '000											
Balance as at June 30, 2011 - as previously reported	11,949,792	138	1,428	69,761	14,021,894	20,000,000	-	48,380,020	-	82,471,675	82,473,103	94,423,033
Effect of acquisition of Chachar gas field - note 45.3.2	-	-	-	-	-	(583,843)	-	583,843	-	-	-	-
Effect of change in accounting policy - note 4.10	-	-	-	-	-	-	-	(819,332)	-	(819,332)	(819,332)	(819,332)
Balance as at June 30, 2011 - as restated	11,949,792	138	1,428	69,761	14,021,894	19,416,157	-	48,144,531	-	81,652,343	81,653,771	93,603,701
Appropriation of insurance reserve for the year ended June 30, 2011	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2011	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-	-
Issuance of bonus shares @ 10% (one share for every ten ordinary shares held)	1,194,979	-	-	-	-	-	-	(1,194,979)	-	(1,194,979)	(1,194,979)	-
Final dividend on ordinary shares @ 20% for the year ended June 30, 2011	-	-	-	-	-	-	-	(2,389,958)	-	(2,389,958)	(2,389,958)	(2,389,958)
Profit after taxation	-	-	-	-	-	-	-	40,968,639	-	40,968,639	40,968,639	40,968,639
Other comprehensive income for the year - net of tax	-	-	-	-	-	-	-	(251,313)	-	(251,313)	(251,313)	(251,313)
Total comprehensive income for the year ended June 30, 2012	-	-	-	-	-	-	-	40,717,326	-	40,717,326	40,717,326	40,717,326
Interim dividend for the year ended June 30, 2012												
- Ordinary shares - 50%	-	-	-	-	-	-	-	(6,572,385)	-	(6,572,385)	(6,572,385)	(6,572,385)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(41)	-	(41)	(41)	(41)
Balance as at June 30, 2012 - restated	13,144,771	138	1,428	69,761	19,021,894	24,416,157	-	68,704,494	-	112,212,306	112,213,734	125,358,643
Appropriation of insurance reserve for the year ended June 30, 2012	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2012	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-	-
Appropriation of dividend equalisation reserve for the year ended June 30, 2013	-	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-	-
Acquisition of 100% shareholding of PPL Europe E&P Limited - note 5.2	-	-	-	-	-	(15,664,177)	-	15,664,177	-	-	-	-
Issuance of bonus shares @ 25% (one share for every four ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	-	(3,286,193)	(3,286,193)	-
Final dividend on ordinary shares @ 65% for the year ended June 30, 2012	-	-	-	-	-	-	-	(8,544,101)	-	(8,544,101)	(8,544,101)	(8,544,101)
Profit after taxation	-	-	-	-	-	-	-	42,115,248	-	42,115,248	42,115,248	42,115,248
Other comprehensive income for the year - net of tax	-	-	-	-	-	-	-	(797,727)	55,306	(742,421)	(742,421)	(742,421)
Total comprehensive income for the year ended June 30, 2013	-	-	-	-	-	-	-	41,317,521	55,306	41,372,827	41,372,827	41,372,827
Interim dividend for the year ended June 30, 2013												
- Ordinary shares - 50%	-	-	-	-	-	-	-	(8,215,482)	-	(8,215,482)	(8,215,482)	(8,215,482)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(42)	-	(42)	(42)	(42)
Balance as at June 30, 2013	16,430,964	138	1,428	69,761	24,021,894	13,751,980	5,000,000	90,640,374	55,306	133,539,315	133,540,743	149,971,845

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Director

Chief Executive

Notes to and Forming Part of the Consolidated Financial Statements

for the year ended June 30, 2013

1. THE GROUP AND ITS OPERATIONS

The Group consists of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies i.e. PPL Europe E&P Limited (formerly MND Exploration and Production Limited), PPL Asia DMCC and The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC). The Group, except PPPFTC and PPL Asia DMCC as mentioned below, is principally engaged in conducting exploration, prospecting, development and production of oil and natural gas resources. Brief profiles of the Holding Company and its subsidiary companies are as follows:

Pakistan Petroleum Limited

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

PPL Europe E&P Limited

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

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

PPL Asia DMCC

During the current year, the Holding Company has also established a wholly owned Subsidiary PPL Asia DMCC, registered on February 04, 2013 with the Registrar of Companies of Dubai Multi Commodities Centre Authority (DMCCA). The registered office of PPL Asia DMCC is situated at Unit No 3O-01-701, Floor No.1, Building No 3, Plot Number 550-554 J&G, DMCCA, Dubai, United Arab Emirates.

PPL Asia DMCC was registered in Dubai under the certificate number DMCCA-3851 for the purposes of conducting oil and gas exploration and production activities. However, the license number DMCCA-32853, issued on the February 28, 2013, provided by the DMCCA does not authorise it to perform such activities. Therefore, it has been decided by the respective Boards of the Holding Company and PPL Asia DMCC to liquidate PPL Asia DMCC. Accordingly, after necessary compliance of legal formalities, PPL Asia DMCC will be liquidated within twelve months from the balance sheet date.

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC) was incorporated in Pakistan as a private limited company on November 7, 1955. The Subsidiary Company is engaged in administrating the trusts formed for the benefits of the employees of the Holding Company.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, except PPPFTC as mentioned in note 9.1 to these consolidated financial statements, here-in-after referred to as "the Group".

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

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

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

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

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

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3.2 Implications of revised IFRS 2 - Share-based Payment on Benazir Employees' Stock Option Scheme

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs), including Pakistan Petroleum Limited, and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Holding Company, under the provisions of revised International Financial Reporting Standard - 2, "Share - based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan (SECP), on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 07, 2011 to such entities from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, the impact, based on the independent actuarial valuations conducted as on June 30, 2013 and June 30, 2012 would have been as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
Staff costs of the Group for the year would have been higher by:	3,170,611	2,689,899
Profit after taxation would have been lower by:	3,170,611	2,689,899
		(Restated)
Earnings per share would have been lower by (Rs):	1.93	1.64

	June 30, 2013	June 30, 2012
	Rs '000	
Retained earnings would have been lower by:	13,376,312	10,205,701
Reserves would have been higher by:	13,376,312	10,205,701

3.3 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for the following material items in the balance sheet:

a. 'Financial assets at fair value through profit or loss' which are measured at fair value.
b. Obligation under certain employee benefits and provision for decommissioning cost have been measured at present value.
c. Held-to-maturity investments and loans and receivables, which are measured at amortised cost.

3.4 Standards that became effective but not relevant to the Group or do not have material effect

The following standards became effective for the current financial year but are either not relevant or do not have any material effect on the consolidated financial statements of the Group except for IAS 1 which has affected the presentation of items of other comprehensive income:

IAS 1 - Presentation of Financial Statements (Amendment)
IAS 12 - Income Taxes (Amendment)

3.5 Standards and interpretations issued but not yet effective for the current financial year

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

Description	Effective for periods beginning on or after
Revision / improvements / amendments to IFRSs and interpretations	
IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 01, 2013 & January 01, 2015
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2013
IAS 27 - Separate Financial Statements	January 01, 2013
IAS 28 - Investments in Associates and Joint Ventures	January 01, 2013
IAS 32 - Financial Instruments: Presentation (Amendment)	January 01, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
IFRIC 21 - Levies	January 01, 2014
Annual improvements to IFRS (the 2009-2011 cycle)	January 01, 2013
Standards issued by IASB but not yet notified by SECP	
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013
IFRS 10, IFRS 12 and IAS 27 - Investments Entities (Amendments)	January 01, 2014

The Group expects that the adoption of the above standards and interpretations will not have material effect on the Group's consolidated financial statements in the period of initial application except for IFRS 9 - Financial Instruments: Classification and Measurement, IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities, which may affect certain disclosures.

3.6 Change in accounting policy

During the current year, the Group has early adopted IAS 19 - Employee Benefits (Revised) which is effective from annual periods beginning on or after January 01, 2013. Accordingly, the change in accounting policy and its related impact is disclosed in note 4.10 to these consolidated financial statements.

3.7 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the Group's accounting policies, the management has made the following estimates and judgments which are significant to these consolidated financial statements:

a) Property, plant and equipment

The Group reviews the useful lives, method of depreciation and residual values of property, plant and equipment on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

b) Prospecting and development expenditure

i. Exploration expenditure

The Group's accounting policy for exploration expenditure results in cost of exploratory wells being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy a judgment is made that recovery of the expenditure is unlikely, the relevant capitalised amount is transferred to the profit and loss account in the period when the new information becomes available.

ii. Development and production expenditure

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration expenditure. Any such estimates and assumptions may change as new information becomes available.

c) Estimation of proven oil and natural gas reserves

Oil and gas reserves are an important element in testing for impairment of prospecting and development assets of the Group. Changes in oil and gas reserves will also affect the rate of amortisation, which is charged on unit of production method, which is a ratio of oil and gas production in a year to the estimated quantities of commercial reserves at the end of the year plus the production during the year.

Estimates of oil and gas reserves require the application of judgment and are subject to future revision. Proved reserves are estimated quantities of oil, natural gas and LPG that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under the existing conditions. Proved reserves are estimates with reference to available reservoir and well information, including production and pressure trends for producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors. Although, the possibility exists for changes in reserves to have a significant effect on amortisation charge, however, it is expected that in the normal course of business the probability of occurrence of such an event is remote.

d) Provision and amortisation of decommissioning cost

Provision is recognised for the future decommissioning and restoration of oil and gas wells, production facilities and pipelines at the end of their economic lives. The estimated cost is charged to income over the life of the proved reserves on a unit of production basis.

The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognised are based on current legal and constructive obligations, technology and price levels. Provision is based on the best estimates, however, the actual outflows may differ from estimated cash outflows due to changes in laws, regulations, technology, prices and conditions, and the fact that actual expenditure will take place many years in the future. The carrying amount of provision is reviewed annually and adjusted to take account of such changes.

During the current year, the Group revised its estimates of outflows or resources to settle decommissioning liability, based on future projected costs adjusted to present value. This has been treated as a change in accounting estimate, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities. Had there been no change in the estimates, provision for decommissioning obligation and property, plant and equipment would have been lower by Rs 66.228 million and Rs 40.567 million, respectively and amortisation of decommissioning cost for the year would have been lower by Rs 25.661 million and profit after tax would have been higher by Rs 16.871 million.

e) Provision for defined benefit plans and compensated absences

Defined benefit plans and compensated absences are provided for permanent employees of the Holding Company. The plans are structured as separate legal entities managed by trustees, however, for post retirement medical benefits and compensated absences, liability is recognised in the consolidated financial statements. These benefits are evaluated with reference to uncertain events and are based upon actuarial assumptions including inter alia, discount rates, expected rates of salary increases, medical cost rates and mortality rates. The actuarial valuations are conducted by independent actuaries on annual basis using Projected Unit Credit Actuarial Cost Method. Pension and gratuity costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years. Calculations are sensitive to changes in the underlying assumptions.

f) Provision for taxation

The provision for taxation is accounted for by the Group after taking into account the relevant laws and decisions taken by appellate authorities. Instances, where the Group's view differs from the view taken by the tax authorities at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities / assets.

g) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence / non-occurrence of the uncertain future event(s).

h) Provision for trade debts, advances and other receivables

On annual basis, the Group reviews the recoverability of its trade debts, advances and other receivables, to assess the amount required for provision of doubtful debts. Trade debts, advances and other receivables considered irrecoverable are written off. No provision is made in respect of the active customers which are considered good.

i) Stores and spares

The Group reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

a) Owned assets

i. Property, plant and equipment, except freehold land, leasehold land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and leasehold land are stated at cost. Capital work-in-progress is stated at cost less accumulated impairment losses, if any and is transferred to the respective item of property, plant and equipment when available for intended use.

Maintenance and normal repairs are charged to profit and loss account, as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net, within other income or other operating expenses in profit and loss account.

Assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

ii. Capital spares held for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any.

iii. Prospecting and development expenditure is accounted for under the “successful efforts” method, whereby, costs of acquisition of rights to explore, cost to acquire producing reserves, successful exploratory wells and development wells, including unsuccessful development wells, are capitalised.

Unsuccessful exploratory wells are initially capitalised within the capital work-in-progress. However, they are transferred to profit and loss account when declared to be non-productive.

All exploration costs other than those related to exploratory drilling are charged to profit and loss account, as incurred.

b) Assets subject to finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

4.2 Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the assets will flow to the Group and that the cost of such assets can also be measured reliably.

Generally, costs associated with the development or maintenance of computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Computer software costs that are directly associated with the computer and computer controlled machines, which cannot operate without the related specific software, are included in the costs of the respective assets. When the software is not an integral part of the related hardware, it is classified as an intangible asset. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditures which enhance or extend the performance of computer software beyond their original specification and useful life are recognised as capital improvement and added to the original cost of the software.

4.3 Depreciation and amortisation

a) Property, plant and equipment

i. Depreciation on property, plant and equipment, except freehold land, leasehold land, capital work-in-progress, prospecting and development expenditure and decommissioning cost, is charged on a straight line basis at the rates specified in note 6.1 to these consolidated financial statements and depreciation on capital stores in operating assets is charged over the useful lives of the related items of plant and machinery to which these stores relate.

Depreciation on additions is charged from the month following the one in which the asset is available for use and on disposals upto the month the asset is in use.

Depreciation on leased assets is charged at the same rates as charged on the Group’s own assets.

ii. Capitalised prospecting and development expenditure, including cost to acquire producing reserves in respect of proven reserves, and decommissioning cost are amortised and charged to profit and loss account on the basis of unit of production method.

b) Intangible assets

Amortisation on intangible assets is charged over their useful economic life on straight line basis at the rates stated in note 7.2 to these consolidated financial statements.

Amortisation on additions is charged from the month following the one in which the asset is available for use and on disposals upto the month the asset is in use.

4.4 Business combinations and goodwill

The Group uses acquisition method of accounting for acquisition of assets or class of assets, whereby, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities assumed based on the fair value at the date of acquisition. Acquisition related costs are expensed as incurred and included in field expenditures.

Goodwill is initially measured as of the acquisition date, being the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree; and (b) the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

In case the fair value attributable to the Group's interest in the identifiable net assets exceeds the fair value of consideration, the Group recognises the resulting gain in the profit and loss account on the acquisition date.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any, and is tested annually or whenever, there is an indication of impairment as referred in note 4.25 to these consolidated financial statements. Impairment loss in respect of goodwill is recognised in the profit and loss account.

4.5 Investments

a) Subsidiary

Investment in PPPFTC is stated at cost less accumulated impairment losses, if any. A reversal of an impairment loss on the subsidiary is recognised as it arises provided the increased carrying value does not exceed cost.

Gain or loss on sale of investments in subsidiary is included in the profit and loss account for the year.

b) Investment in Bolan Mining Enterprises (BME)

Investment in BME, a joint venture on a 50:50 basis with the Government of Balochistan, is accounted for using the equity method, whereby, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the joint venture. The profit and loss account reflects the Group's share of the results of the operations of the joint venture.

4.6 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realisable value (NRV) except for stores in transit, which are valued at costs incurred upto the balance sheet date. NRV is estimated based on management's experience and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

4.7 Financial assets

Financial assets are classified in the following categories: held-to-maturity, at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation at each balance sheet date.

a) Held-to-maturity

These are investments with fixed maturity that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are initially measured at fair value plus transaction costs and are subsequently stated at amortised cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

b) At fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are classified as held for trading if they are acquired for the purpose of selling and repurchasing in near term. Held for trading assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes sales and purchase decision based on their fair value in accordance with the Group's investment strategy.

All investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. All transaction costs are recognised directly in profit and loss account. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognised directly in the profit and loss account. These are classified as current and non-current assets in accordance with criteria set out by IFRSs. The Group has not classified any financial asset as held for trading.

c) Available-for-sale

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in the market conditions.

At initial recognition, available-for-sale financial assets are measured at fair value plus directly attributable transaction costs. For investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, or the fair value cannot be reasonably calculated, are measured at cost, subject to impairment review at each balance sheet date.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account and removed from the available-for-sale reserve.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by IFRSs.

Trade debts are carried at original invoice amounts less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts at the balance sheet date. Bad debts are written off, when identified.

4.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and cheques in hand and at banks, and include short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

4.9 Decommissioning obligation and its provision

Estimated cost to abandon and dismantle wells and production facilities is recognised as liability and a corresponding equivalent amount is capitalised under property, plant and equipment. The amount is based on present value of the estimated future expenditure.

Changes in the timing / cost of decommissioning estimates are dealt with prospectively, by recording adjustment to the provision and a corresponding adjustment to the property, plant and equipment.

The unwinding of discount is included in the finance costs.

4.10 Staff retirement benefits

a) Defined benefit plans

i. The Holding Company operates approved funded pension and gratuity schemes, separately, for its executive and non-executive permanent staff. Provisions are made periodically, on the basis of actuarial valuations, for these pension and gratuity schemes. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Holding Company has recognised related restructuring or terminations.

These schemes are governed by their respective Trust Deeds and Rules. All matters pertaining to these schemes including contributions to the schemes and payments to outgoing members are dealt with in accordance with the respective Trust Deeds and Rules.

The liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, are covered by the Fund on the valuation date, the total balance sheet reserve as of the valuation date, future contributions to the Fund, and future projected investment income of the Fund. As far as possible the contribution to the Fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

ii. The Holding Company provides post retirement medical benefits to its executive staff, except for those inducted after December 31, 2010, and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining working lives of the employees based on actuarial valuations. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

iii. Change in accounting policy

As disclosed in note 3.6 to these consolidated financial statements, during the year the Group has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Group has recognised:

- actuarial gains and losses as they occur in other comprehensive income, instead of past policy, where actuarial gains and losses were recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceeded 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date, and such gains or losses were recognised over the expected average remaining working lives of the employees;

- all past service costs at the earlier of when the amendment or curtailment occurs and when the Group has recognised related restructuring or terminations benefits, instead of past policy, where the past service costs were recognised as an expense on a straight line basis over the average period until the benefits became vested, and if the benefits were already vested, following the introduction of or changes to a scheme, past service costs were recognised immediately in profit and loss account; and

- interest on net defined benefit obligation (net of plan assets) in profit and loss account, which is calculated using the discount rate used to measure the defined benefit obligation or asset, and expected returns on plan assets will no longer be recognised in profit and loss account.

The above change has been accounted for in accordance with the requirements of IAS 19 - Employee Benefits (Revised), as required under IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) such a change to be applied retrospectively. Due to the above change in accounting policy, the Group has presented balance sheet as at the beginning of the earliest comparative period i.e., July 01, 2011, and related notes in accordance with requirement of IAS 1 - Presentation of Financial Statements (Revised) (IAS 1).

Had there been no change in accounting policy due to recognition of actuarial losses on defined benefit plans in accordance with IAS 19 (Revised), the following would have been the impacts as of July 01, 2011, June 30, 2012 and June 30, 2013 and for the years then ended:

	Executives		Non-Executives		Medical	
	Pension	Gratuity	Pension	Gratuity	Benefits	Total
	Rs '000					
As of July 01, 2011:						
Employee benefit liability would have been lower by:	899,200	3,055	174,776	159,180	24,299	1,260,510
Deferred taxation would have been higher by:	(314,720)	(1,069)	(61,172)	(55,713)	(8,504)	(441,178)
Opening retained earnings would have been higher by:	584,480	1,986	113,604	103,467	15,795	819,332
As of and for the year ended June 30, 2012:						
Employee benefit liability would have been lower by:	1,054,688	79,179	206,623	151,366	85,901	1,577,757
Deferred taxation would have been higher by:	(369,141)	(27,713)	(72,318)	(52,978)	(30,065)	(552,215)
Retained earnings would have been higher by:	685,547	51,466	134,305	98,388	55,836	1,025,542
Actuarial loss on defined benefit plan would have been lower by:	207,648	76,124	39,324	1,937	61,602	386,635
Deferred taxation expense would have been higher by:	(72,677)	(26,643)	(13,763)	(678)	(21,561)	(135,322)
Other comprehensive income would have been higher by:	134,971	49,481	25,561	1,259	40,041	251,313
Field expenditures due to expense recognised under old policy would have been higher by:	52,160	-	7,477	9,751	-	69,388
Deferred taxation expense would have been lower by:	(18,256)	-	(2,617)	(3,413)	-	(24,286)
Profit after taxation would have been lower by:	33,904	-	4,860	6,338	-	45,102
Basic and diluted earnings per share would have been lower by (Rs):	0.02	-	-	-	-	0.03
As of and for the year ended June 30, 2013:						
Employee benefit liability would have been lower by:	1,829,238	161,202	413,739	186,631	13,248	2,604,058
Deferred taxation would have been higher by:	(640,233)	(56,420)	(144,809)	(65,321)	(4,636)	(911,419)
Retained earnings would have been higher by:	1,189,005	104,782	268,930	121,310	8,612	1,692,639
Actuarial loss on defined benefit plan would have been lower by:	839,063	86,383	287,691	86,788	(72,653)	1,227,272
Deferred taxation expense would have been higher by:	(293,672)	(30,234)	(100,692)	(30,376)	25,429	(429,545)
Other comprehensive income would have been higher by:	545,391	56,149	186,999	56,412	(47,224)	797,727
Field expenditures due to expense recognised under old policy would have been higher by:	64,513	4,360	80,575	51,523	-	200,971
Deferred taxation expense would have been lower by:	(22,580)	(1,526)	(28,201)	(18,033)	-	(70,340)
Profit after taxation would have been lower by:	41,933	2,834	52,374	33,490	-	130,631
Basic and diluted earnings per share would have been lower by (Rs):	0.03	-	0.03	0.02	-	0.08

iv. The Holding Company accrues entitlement to leave preparatory to retirement of its executive staff on the basis of actuarial valuation. Actuarial gains and losses are recognised immediately.

v. Actuarial valuations are conducted annually and the latest valuations were conducted as on June 30, 2013 based on the 'Projected Unit Credit Actuarial Cost Method'.

b) Defined contribution plan

The Holding Company operates recognised provident fund schemes, separately, for its executive and non-executive permanent staff. Equal monthly contributions are made by the Holding Company and the employees to the respective funds.

4.11 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff of the Holding Company is recognised on the basis of actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2013.

4.12 Provisions

Provisions are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.13 Taxation

a) Current taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, adjusted for payments to GoP on account of royalty, as applicable, and any adjustment to tax payable in respect of previous years.

b) Deferred taxation

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit and loss account.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same Tax Authority.

Tax benefits acquired as a part of business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit and loss account.

4.14 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost at the balance sheet date, which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Group.

4.15 Revenue recognition

Sales are recorded on transfer of significant risks and rewards of ownership of gas and other petroleum products, when the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control, the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably, which occurs on actual delivery of gas and other petroleum products.

Revenue from the sale is measured at the fair value of the consideration received or receivable, net of Government levies. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalised with the customers and / or approved by the GoP.

Revenue from the sale of gas and other petroleum products in which the Group has an interest with other joint venture partners is recognised based on the Group's working interest and the terms of the relevant agreements.

4.16 Finance income and expense

Finance income comprises interest income on funds invested, delayed payments from customers, dividend income, exchange gain and changes in the fair value of financial assets at fair value through profit or loss. Income on held-to-maturity investments and saving accounts with banks is recognised on time proportion basis taking into account the effective yield of such investments. The Group recognises interest if any, on delayed payments from customers on receipt basis. Dividend income on equity investments is recognised when the right to receive the payment is established. Foreign currency gains and losses are reported on a net basis.

Finance cost comprises interest expense on borrowings, if any, unwinding of the discount on provisions and bank charges. Mark up, interest and other charges on borrowings are charged to profit and loss account in the period in which they are incurred.

4.17 Operating leases / Ijara contracts

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight line basis over the lease term.

4.18 Joint venture operations

The Group has certain contractual arrangements with other participants to engage in joint activities, where all significant operating and financial policies are predetermined by the participants, such that the Operator itself has no significant independence to pursue its own commercial strategy. These joint arrangements are not structured through separate vehicles and as financial and operational decisions of such joint venture are those of participants, therefore these do not create joint venture entities.

The financial statements of the Group include its prorata share of assets, liabilities, revenues and expenses in joint venture operations are accounted for on the basis of cost statements received from the operators of the respective joint ventures. Estimates are made for the intervening period up to the balance sheet date. The difference, if any, between the cost statements and estimates is accounted for in the next accounting year.

4.19 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the Group companies at their respective functional currency at the exchange rates approximating those prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated in Pakistani Rupee at the exchange rates ruling at the balance sheet date. Exchange differences are recognised in the profit and loss account.

Non-monetary items that are measured in terms of historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into Pakistani Rupees at the rate of exchange prevailing at the balance sheet date and their income and expenses are translated at exchange rates approximating those prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4.20 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Group substantially transfers all the risks and rewards of ownership of the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when the obligation specified in the contract is discharged, cancelled or expired.

4.21 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the balance sheet if the Group has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.22 Fair value

The fair value of financial instruments that are actively traded in organised financial markets is determined with reference to quoted market bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which has substantially similar characteristics, discounted cash flow analysis or other valuation models.

4.23 Functional and presentation currency

These consolidated financial statements are presented in Pakistani Rupee, which is the Holding Company's functional currency. All financial information presented in Pakistani Rupee is rounded to the nearest thousand unless otherwise stated.

4.24 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated in the manner given in note 42 to these consolidated financial statements.

4.25 Impairment

a) Financial assets

The Group assesses at each reporting date whether there is an indication that an asset or a group of asset is impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

b) Non-financial assets, goodwill and investments in subsidiary and associates

Goodwill is tested for impairment annually at year end and when the circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognised.

Intangible assets with indefinite useful lives are tested for impairment annually at year end either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

For assets excluding goodwill and intangible assets having indefinite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

Impairment losses relating to goodwill and intangible assets with indefinite useful lives are not reversed in future periods.

4.26 Dividends and appropriation to reserves

Dividends and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved. However, if these are approved after the reporting period but before the consolidated financial statements are authorised for issue, they are disclosed in the notes to these consolidated financial statements.

4.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

5. ACQUISITION OF OPERATIONS OF PPL EUROPE E&P LIMITED (FORMERLY MND EXPLORATION AND PRODUCTION LIMITED)

5.1 a) Growth remains the prime focus of the Holding Company's Corporate Strategy with the objective to replenish reserves and enhance production through organic growth, as well as acquisitions. Accordingly, on March 21, 2013 the Holding Company acquired 100% shareholding of MND Exploration and Production Limited, a company incorporated in England and Wales, from MND E&P a.s.

b) The acquisition of MND Exploration and Production Limited will not only enrich the Group's asset portfolio but also acts as a catalyst for international operations expansion into newer plays through this wholly-owned Subsidiary. Subsequent to acquisition, the name of the Subsidiary has been changed to PPL Europe E&P Limited.

c) The acquisition of PPL Europe E&P Limited has been accounted for under the 'acquisition method' as laid down by International Financial Reporting Standard IFRS 3 - Business Combinations (IFRS 3) as applicable in Pakistan.

5.2 The fair value of assets acquired and liabilities assumed as of the date of acquisition are as follows:

	Fair value of assets / liabilities recognised
	Rs '000
ASSETS	
Property, plant and equipment - note 5.3	13,172,986
Trade debts	388,108
Loans and advances	134,712
Trade deposits and short-term prepayments	3,317
Other receivables - note 5.4	300,546
Cash and bank balances - note 5.5	2,634,768
	16,634,437
LIABILITIES	
Provision for decommissioning obligation	141,769
Deferred taxation - note 5.6	3,573,248
Trade and other payables	182,291
Taxation - note 5.7	284,338
	4,181,646
Fair value of identifiable net assets on acquisition	12,452,791
Consideration (cost of acquisition)	15,664,177
Goodwill on acquisition - note 5.6	3,211,386
Foreign exchange difference on translation	13,081
Goodwill as at June 30, 2013 - note 7	3,224,467
Net cash outflow on acquisition is as follows:	
Cash paid on acquisition	15,664,177
Cash acquired in Subsidiary	(2,634,768)
Net cash outflow	13,029,409

5.3 The amount includes prospecting and development expenditures pertaining to oil and gas producing field and exploratory blocks.

5.4 Other receivables included Rs 300 million indemnification asset in respect of tax years 2010 to 2012, as MND E&P a.s is liable to compensate the Group against any unfavourable orders in respect of tax upto tax year 2012. The corresponding amount of liability has also been recognised under the head taxation (note 5.7).

5.5 Cash and bank balances included Rs 520 million provided as cash collateral to the Subsidiary's bank, to provide bank guarantees to host Governments as security against the Subsidiary's contractual license work commitments (note 28.1.6).

5.6 The goodwill mainly arises due to the requirement to recognise deferred tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair values. Goodwill recognised is not expected to be deductible for income tax purposes (note 26).

5.7 The taxation amount is net of the tax liabilities and the amount of tax refundable from the Tax Department. Tax liabilities included Rs 899 million recognised as per the requirements of IFRS-3 for tax years 2003 to 2012 pertaining to the tax rate, depletion allowance and decommissioning costs issues. The Subsidiary had already paid amount of Rs 599 million to the Tax Department under protest, as per tax amnesty scheme which had exempted the whole amount of default surcharge and penalties on tax demands pertaining to tax years 2003 to 2009. The Subsidiary has filed appeals at Islamabad High Court and is of the opinion that the grounds of appeals are strong. The estimated tax demands for tax years 2010 to 2012 amount to Rs 300 million (note 5.4).

5.8 From the date of acquisition, PPL Europe E&P Limited has contributed around Rs 441 million to Group revenue and Rs 55 million to Group profit after tax. If the acquisition of the Subsidiary had been completed on the first day of the financial year, the consolidated profit and loss account for the year ended June 30, 2013 would have included revenue and profit after tax of around Rs 2,013 million and Rs 594 million, respectively.

5.9 The Holding Company had incurred various transaction related costs amounting to Rs 116 million on acquisition of PPL Europe E&P Limited and the same have been recorded in the field expenditures under the heads rent, rates and taxes, and professional services.

5.10 The initial accounting in respect of acquisition under IFRS 3 involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets and liabilities, including goodwill.

In this respect, the management is in the process of carrying out a detailed exercise for the identification and valuation of assets and liabilities required to be separately recognised under the initial accounting for the acquisition under IFRS 3, and the exercise is expected to be completed shortly. IFRS 3 envisages such a situation and allows an acquirer to account for the acquisition using provisional values if the initial accounting for the acquisition can be determined only provisionally at the year end. However, adjustments to these provisional values consequent to completion of the initial accounting of the acquisition are required under IFRS 3 to be incorporated in the consolidated financial statements within a period of twelve months from the acquisition date.

	June 30, 2013	June 30, 2012
	Rs '000	
6. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 6.1	54,639,005	48,127,203
Capital work-in-progress - note 6.5	30,033,823	8,199,729
	84,672,828	56,326,932

6.1 Operating assets

	Owned assets												Assets subject to finance leases			
	Freehold land	Leasehold land	Buildings, roads and civil construction on freehold land	Buildings, roads and civil construction on leasehold land	Plant and machinery	Furniture, fittings and equipment	Tanks and pipelines	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommiss-ioning cost	Sub total	Computers and allied equipment	Rolling stock*	Sub total	Total
	Rs'000															
Net carrying value basis																
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Additions (at cost)	-	11,732	309,043	-	1,196,363	58,598	982,499	33,785	65,096	10,171,605	1,353,214	14,181,935	45,122	115,144	160,266	14,342,201
Adjustments / reclassifications	-	-	-	-	-	(80)	-	(1,736)	77	(16,963)	(21,732)	(40,434)	1,816	(77)	1,739	(38,695)
Disposals (at NBV)	-	-	(2)	-	(82)	(284)	-	(4)	(284)	-	-	(656)	-	(7,262)	(7,262)	(7,918)
Depreciation / amortisation Charge	-	-	(70,983)	(133)	(2,658,264)	(32,288)	(360,293)	(72,992)	(30,996)	(3,035,828)	(1,439,394)	(7,701,171)	(32,320)	(50,295)	(82,615)	(7,783,786)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,572,828	215,413	3,062,101	147,406	135,417	22,189,301	10,414,274	54,352,406	91,091	195,508	286,599	54,639,005
Gross carrying value basis																
Cost	110,777	1,328,308	2,035,180	2,664	35,733,021	591,766	5,162,673	558,703	409,219	32,182,384	15,099,279	93,213,974	150,760	309,013	459,773	93,673,747
Accumulated depreciation / amortisation	-	-	(860,875)	(388)	(20,160,193)	(376,353)	(2,100,572)	(411,297)	(273,802)	(9,993,083)	(4,685,005)	(38,861,568)	(59,669)	(113,505)	(173,174)	(39,034,742)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,572,828	215,413	3,062,101	147,406	135,417	22,189,301	10,414,274	54,352,406	91,091	195,508	286,599	54,639,005
Net carrying value basis																
NBV as on June 30, 2011	120,803	1,316,576	847,489	2,542	19,126,273	171,949	2,068,772	81,760	106,108	12,269,644	3,570,007	39,681,923	31,868	124,458	156,326	39,838,249
Additions (at cost)	-	-	148,736	-	610,201	62,460	665,653	148,906	21,649	4,897,507	8,518,276	15,073,388	65,098	62,459	127,557	15,200,945
Adjustments / reclassifications	(10,026)	-	(574)	-	(36,529)	221	10,028	209	1,968	(47,309)	(61,879)	(143,891)	-	(1,969)	(1,969)	(145,860)
Disposals (at NBV)	-	-	(1)	-	(1,062)	(1,090)	-	(100)	-	-	-	(2,253)	(78)	(2,147)	(2,225)	(4,478)
Depreciation / amortisation charge	-	-	(59,403)	(133)	(2,664,072)	(44,073)	(304,558)	(42,422)	(28,201)	(2,049,355)	(1,504,218)	(6,696,435)	(20,415)	(44,803)	(65,218)	(6,761,653)
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Gross carrying value basis																
Cost	110,777	1,316,576	1,726,145	2,664	34,544,820	542,591	4,180,174	538,023	344,757	22,027,742	13,767,797	79,102,066	111,508	253,107	364,615	79,466,681
Accumulated depreciation / amortisation	-	-	(789,898)	(255)	(17,510,009)	(353,124)	(1,740,279)	(349,670)	(243,233)	(6,957,255)	(3,245,611)	(31,189,334)	(35,035)	(115,109)	(150,144)	(31,339,478)
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Rate of depreciation / amortisation (%)			5 & 10	5	10 & 100**	10	10	30	20	***	***		30	20		

* Represents light and heavy vehicles.
** For below ground installations in fields other than Sui Gas Field.
*** Amortised on unit of production basis.

6.2 Summary of significant assets

The following assets have significant operational value to the Group:

Particulars	June 30, 2013		June 30, 2012	
	Cost	NBV	Cost	NBV
	Rs '000		Rs '000	
Head Office				
Land for Head Office Building	1,315,076	1,315,076	1,315,076	1,315,076
Corporate Data Management Project	271,902	151,550	271,902	239,267
Sui Field				
SML / SUL Compression and High Pressure Casing	5,664,138	157,043	5,679,046	284,431
Purification Plant	657,117	-	657,277	-
20" Diameter Sui KPS Main Water Line	872,200	623,937	872,200	708,590
IDECO Drilling Rig H-725	131,879	-	131,879	-
Adhi Field				
LPG Plant -2	652,812	158,857	652,812	224,138
LPG Plant -1	85,374	-	85,374	-
Kandhkot Field				
TEG Dehydration Unit	474,884	332,419	474,884	379,908
130 MMcfd Dehydration Plant	110,456	-	110,456	-
Gas Compression Station	8,634,309	6,502,652	8,634,309	7,357,884
Effluent Well	129,050	103,252	129,050	116,157
Gas Gathering System	243,199	243,199	-	-
Hala Field				
Early Production Facilities (EPF) of Adam X-1	1,252,858	819,944	1,252,858	945,230
Mazarani Field				
Processing Facilities	319,545	-	319,545	30,680
Transmission Pipeline	230,093	-	230,093	8,111
Qadirpur Field				
Production Facilities	205,116	-	205,116	-
Capacity Enhancement Project	165,598	82,799	165,598	99,359
Wellhead Compression Facility	271,021	211,644	268,479	236,172
Extension of Facilities in Flood Plain of River Indus	114,378	103,540	114,378	109,259
Relocation of Pirkoh Compressors	260,490	247,117	66,866	60,179
Permeate Compressor	197,407	164,506	197,407	184,246
Other Plant and Machinery	164,201	31,472	164,201	47,892
Sawan Field				
Front End Compression	2,480,735	1,716,169	2,480,735	1,964,242
Gas Processing with Amine and Dehydration Unit	971,071	72,717	971,071	169,824
Debottlenecking of Plant	153,338	61,335	153,338	76,669
Flowline and Tie-in of Sawan-10	142,899	71,449	142,899	85,739
Other Plant and Machinery	3,662,992	1,701,994	1,811,767	181,177
Tal Field				
CPF Manzalai	3,130,814	1,989,095	3,119,058	2,289,521
Surface Facilities for EWT, Manzalai-1	227,439	43,487	227,439	66,231
EPF of Mamikhel-1	133,844	96,752	133,844	110,137
EWT of Maramzai-1	203,689	163,086	203,689	183,455
EPF Augmentation of Processing Facility - Makori	251,827	245,531	-	-
Wellhead Surface Fittings & Flowline - Makori East-1	218,099	212,646	-	-
Nashpa Field				
EWT of Nashpa X-1	120,412	96,330	120,412	108,371
Miano Field				
Wellhead Compression	136,595	107,645	136,599	121,309
Other Plant and Machinery	411,601	-	411,601	37,730
Latif Field				
Tie-in of Latif-1	156,237	93,742	156,237	109,366
Tie-in of Latif North	155,078	124,062	155,078	139,570
Gambat Field				
Tie-in of Tajjal-1	137,734	82,982	137,734	96,756
Wellhead Surface Fittings and Flowline for Tajjal-4	109,734	98,760	109,734	109,734

6.3 Operating assets disposed off during the year

Asset description	Method of disposal	Sold to	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds
			Rupees '000			
Owned assets						
Buildings, roads and civil constructions						
Items having book value upto Rs. 50,000	Tender	Various	8	6	2	2
Plant and machinery						
Mobile Welding Plant With Diesel Engine	Tender	Mr. Muhammad Ateeq	287	225	62	33
Items having book value upto Rs. 50,000	Tender	Various	7,875	7,855	20	3,322
			8,162	8,080	82	3,355
Furniture, fittings and equipment						
Items having book value upto Rs. 50,000	Tender	Various	9,343	9,059	284	598
Rolling stock						
Toyota Corolla Altis, ATL-275	Holding Company policy	Mr. Kaleem Akhtar	284	-	284	284
Items having book value upto Rs. 50,000	Tender	Various	3,158	3,158	-	2,594
			3,442	3,158	284	2,878
Computer and allied equipment						
Items having book value upto Rs. 50,000	Tender	Various	10,133	10,129	4	140
Assets subject to finance leases						
Rolling stock						
Honda City Vario, AQL-936	Holding Company policy	Mr. Haroon-Ur-Rashid	916	794	122	182
Suzuki Cultus VXLi, ARZ-125	Holding Company policy	Syed Farooq Haider Pasha	926	602	324	457
Toyota Corolla XLi, ARY-527	Holding Company policy	Mr. Mohammad Ilyas Khan	1,309	938	371	513
Suzuki Cultus VXLi, ASF-861	Holding Company policy	Mr. Mohsin Raza Khan	828	456	372	386
Toyota Altis A/T, AUL-205	Holding Company policy	Mr. Mohammad Zakir	1,909	795	1,114	1,156
Toyota Corolla XLi, AWC-967	Holding Company policy	Mr. Imran Nazir Qureshi	1,436	168	1,268	1,170
Toyota Corolla Altis A/T, AWM-791	Holding Company policy	Mr. Abdul Salam	1,958	294	1,664	1,620
Toyota Corolla GLi, AYN-118	Insurance claim	EFU General Insurance Ltd.	1,713	57	1,656	1,673
Items having book value upto Rs. 50,000	Holding Company policy	Various	45,434	45,063	371	9,082
			56,429	49,167	7,262	16,239
		2013	87,517	79,599	7,918	23,212
		2012	173,238	168,760	4,478	98,786

6.4 Cost and accumulated depreciation of joint venture assets includes:

	Cost		Accumulated depreciation	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rs '000			
Share in Group's operated joint ventures	3,794,892	3,661,208	2,124,012	1,795,137
Share in partners' operated joint ventures (asset not in possession of the Group)	16,549,834	13,733,457	7,384,724	5,932,181
	20,344,726	17,394,665	9,508,736	7,727,318

	June 30, 2013	June 30, 2012
	Rs '000	
6.5 Capital work-in-progress		
Plant, machinery, fittings and pipelines	8,333,268	2,194,892
Prospecting and development wells	14,732,632	4,852,857
Land, buildings and civil constructions	100,123	110,517
Capital stores for drilling and development	6,867,800	1,041,463
	30,033,823	8,199,729

6.6 Reconciliation of the carrying amount of capital work-in-progress

	Plant, machinery, fittings and pipelines	Prospecting and development wells (note 6.6.1)	Land, buildings and civil constructions	Capital stores for drilling and development	Total
	Rs '000				
Balance as on July 1, 2011	1,176,066	4,280,648	69,458	559,990	6,086,162
Capital expenditure incurred / advances made during the year (net)	2,648,152	5,422,410	116,034	481,473	8,668,069
Adjustments / reclassifications	(29,430)	(3)	73,619	-	44,186
Transferred to operating assets	(1,599,896)	(4,850,198)	(148,594)	-	(6,598,688)
Balance as on June 30, 2012	2,194,892	4,852,857	110,517	1,041,463	8,199,729
Capital expenditure incurred / advances made during the year (net)	8,416,191	18,836,490	50,273	3,721,684	31,024,638
Adjustments / reclassifications	(256,859)	(2,104,653)	260,108	2,104,653	3,249
Transferred to operating assets	(2,020,956)	(6,852,062)	(320,775)	-	(9,193,793)
Balance as on June 30, 2013	8,333,268	14,732,632	100,123	6,867,800	30,033,823

6.6.1 Break-up of prospecting and development expenditure

	Exploration expenditure	Development expenditure	Total
	Rs '000		
Balance as on July 1, 2011	1,751,224	2,529,424	4,280,648
Capital expenditure incurred / advances made during the year	3,094,643	2,327,767	5,422,410
Adjustments / reclassifications	-	(3)	(3)
Transferred to operating assets	(1,849,766)	(3,000,432)	(4,850,198)
Balance as on June 30, 2012	2,996,101	1,856,756	4,852,857
Capital expenditure incurred / advances made during the year	12,838,182	5,998,308	18,836,490
Adjustments / reclassifications	(465,876)	(1,638,777)	(2,104,653)
Transferred to operating assets	(2,807,201)	(4,044,861)	(6,852,062)
Balance as on June 30, 2013	12,561,206	2,171,426	14,732,632

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended June 30, 2013

6.7 Property, plant and equipment includes major spare parts and standby equipments having cost of Rs 241.375 million and net book value of Rs 63.246 million.

7. INTANGIBLE ASSETS

	June 30, 2013	June 30, 2012
	Rs '000	
Goodwill - notes 5.2 and 7.1	3,224,467	-
Computer software including ERP system - note 7.2	391,606	423,911
Intangible assets under development	10,546	9,658
	3,626,619	433,569

7.1 Subsequent to the acquisition of PPL Europe E&P Limited (formerly MND Exploration and Production Limited), the Group has performed its annual impairment test at the year end. As a result of such assessment made by the management, no impairment was identified in the CGU to which the goodwill is allocated.

7.2 Computer Software including ERP system

	June 30, 2013			June 30, 2012		
	ERP system	Computer software	Total	ERP system	Computer software	Total
	Rs '000					
Net carrying value basis						
NBV as on July 01	86,655	337,256	423,911	128,960	130,978	259,938
Additions (at cost)	5,230	168,614	173,844	-	299,940	299,940
Adjustment / reclassification	(63)	-	(63)	-	-	-
Amortisation charge - note 30	(42,328)	(163,758)	(206,086)	(42,305)	(93,662)	(135,967)
NBV as on June 30	49,494	342,112	391,606	86,655	337,256	423,911
Gross carrying value basis						
Cost	319,263	736,679	1,055,942	315,950	566,550	882,500
Accumulated amortisation	(269,769)	(394,567)	(664,336)	(229,295)	(229,294)	(458,589)
NBV as on June 30	49,494	342,112	391,606	86,655	337,256	423,911
Rate of amortisation (%)	20	33.33		20	33.33	

8. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE

	June 30, 2013	June 30, 2012
	Rs '000	
BME - a joint venture	15,000	15,000
Profit receivable from BME	509,903	398,147
	524,903	413,147

8.1 The Group's interest in BME's assets and liabilities is as follows:

	June 30, 2013	June 30, 2012
Tangible fixed assets	94,210	93,927
Intangible assets	742	1,480
	94,952	95,407
Current assets	517,494	386,863
	612,446	482,270
Assets of a discontinued operation	258	253
Current liabilities	(31,784)	(19,530)
Reserve for development and expansion	55,057	(47,194)
Provision for leave preparatory to retirement	(960)	(2,652)
	(87,801)	(69,376)
Net assets	524,903	413,147

8.2 The Group's share in BME's profit and loss account is as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
Sales	244,334	142,363
Cost of goods sold	(96,040)	(65,064)
	148,294	77,299
Operating expenses	(34,829)	(26,884)
Operating profit	113,465	50,415
Other income	37,724	35,474
	151,189	85,889
Transfer to reserve for development and expansion	(22,262)	(17,031)
	128,927	68,858
Loss from discontinued operation	(688)	(735)
Prior year adjustment	(1,483)	-
	126,756	68,123

	June 30, 2013	June 30, 2012
	Rs '000	
9. LONG-TERM INVESTMENTS		
Investment in related party – wholly owned subsidiary:		
Fully paid shares in PPPFTC - note 9.1	1	1
Other investments		
Held-to-maturity		
Term Finance Certificates - note 9.2	99,860	99,900
Pakistan Investment Bonds - note 9.3	22,949,043	1,400,393
GoP Ijara Sukuk - note 9.4	2,501,006	2,501,972
Local currency term deposits with banks - note 9.5	2,000,000	2,000,000
Foreign currency term deposits with banks - note 9.6	5,873,010	5,285,635
	33,422,919	11,287,900
Designated at fair value through profit or loss - note 9.7		
UBL Liquidity Plus Fund	1,693,577	2,017,388
MCB Cash Management Optimizer Fund	928,046	1,213,725
Meezan Cash Fund	644,574	592,263
NAFA Government Securities Liquid Fund	573,810	1,586,094
ABL Cash Fund	1,376,193	1,934,578
Atlas Money Market Fund	358,056	336,566
HBL Money Market Fund	934,833	783,815
Askari Sovereign Cash Fund	415,191	757,367
IGI Money Market Fund	235,642	317,127
NIT Government Bond Fund	294,384	267,810
NAFA Money Market Fund	893,015	-
First Habib Cash Fund	103,246	-
Alfalah GHP Cash Fund	51,608	-
Pakistan Cash Management Fund	51,673	-
PICIC Cash Fund	51,650	-
	8,605,498	9,806,733
Less: Current maturity of long-term investments		
Term Finance Certificates - note 9.2	(40)	(40)
Pakistan Investment Bonds - note 9.3	-	(748,236)
GoP Ijara Sukuk - note 9.4	(2,000,700)	-
	(2,000,740)	(748,276)
	40,027,678	20,346,358

9.1 Subsidiary company

The PPPFTC, a wholly owned subsidiary of the Holding Company, has neither made any profits nor incurred any losses from the date of its incorporation to June 30, 2013. The latest audited financial statements of the subsidiary are annexed. The paid-up capital of the subsidiary is Rs 1,000 divided into 100 ordinary shares of Rs 10 each.

Securities and Exchange Commission of Pakistan (SECP) through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 has exempted the Holding Company from consolidation of financial statements in respect of its investment in PPPFTC under section 237 of the Companies Ordinance, 1984. Accordingly, the Holding Company has not consolidated the PPPFTC in its consolidated financial statements for the year ended June 30, 2013.

	Number of certificates	Nominal value of each certificate (Rs)	Final maturity date	Implicit mark-up %	June 30, 2013	June 30, 2012
					Rs '000	
9.2 Term Finance Certificates (TFCs) of listed companies						
Bank Alfalah Limited	20,000	5,000	December 01, 2017	KIBOR+2.5	99,860	99,900
Current maturity of TFCs					(40)	(40)
					99,820	99,860
9.3 Pakistan Investment Bonds (PIBs)						
Issued on:						
August 22, 2007			August 22, 2012	10.15	-	49,942
August 22, 2007			August 22, 2012	10.23	-	49,936
August 22, 2007			August 22, 2012	10.23	-	49,936
August 22, 2007			August 22, 2012	10.30	-	99,862
August 22, 2007			August 22, 2012	10.81	-	99,793
August 22, 2007			August 22, 2012	10.86	-	99,786
August 22, 2007			August 22, 2012	10.90	-	49,890
August 22, 2007			August 22, 2012	10.90	-	49,890
August 22, 2007			August 22, 2012	10.95	-	99,773
August 22, 2007			August 22, 2012	11.00	-	49,883
August 22, 2007			August 22, 2012	16.08	-	49,545
May 19, 2006			May 19, 2016	10.90	48,426	47,975
May 19, 2006			May 19, 2016	11.14	96,285	95,229
August 22, 2007			August 22, 2017	11.88	46,361	45,715
August 22, 2007			August 22, 2017	11.64	93,456	92,286
August 22, 2007			August 22, 2017	11.59	93,610	92,466
August 22, 2007			August 22, 2017	11.54	93,762	92,642
August 22, 2007			August 22, 2017	11.49	93,916	92,823
August 22, 2007			August 22, 2017	11.43	94,085	93,021
July 19, 2012 - note 9.3.2			July 19, 2017	10.05	22,289,142	-
					22,949,043	1,400,393
Current maturity of PIBs					-	(748,236)
					22,949,043	652,157

9.3.1 PIBs are in custody of various financial institutions on behalf of the Holding Company.

9.3.2 As per partial resolution of Inter-Corporate Circular Debt issue prevailing in the energy sector, the GoP has directed the Holding Company to invest in PIBs, having face value of Rs 21,285 million, on June 28, 2013. The coupon rate of PIBs is 11.5% per annum payable on six monthly basis. The PIB was subscribed by the Holding Company in order to settle its overdue receivables from SNGPL and GENCO-II.

9.4 GoP Ijara Sukuk

	Principal Amount	Final Maturity date	Mark-up (%)	June 30, 2013	June 30, 2012
	Rs. '000			Rs. '000	
Issued on:					
May 16, 2011	2,000,000	May 16, 2014	9.43	2,000,700	2,001,500
April 30, 2012	500,000	April 30, 2015	9.43	500,306	500,472
				2,501,006	2,501,972
Current maturity of GoP Ijara Sukuk				(2,000,700)	-
				500,306	2,501,972

GoP Ijara Sukuk are in custody of various financial institutions on behalf of the Holding Company. Mark-up on investments in GoP Ijara Sukuk is subject to revision after every six months.

9.5 Local currency term deposits with banks

This represents the six months term deposits with bank with interest rate of 9.32% (2012: 13.75% to 13.80%) per annum. These investments are due to mature within next three months, however, these have been classified as non-current assets, as the management intends and has an ability to reinvest the amounts for longer term.

9.6 Foreign currency term deposits with banks

This represents the term deposits with banks with effective interest rate ranging from 1.25% to 4.0% (2012: 0.2% to 4.0%) per annum. These investments are due to mature within next eleven months, however, these have been classified as non-current assets, as the management intends and has an ability to reinvest the amounts for longer term.

9.7 Designated at fair value through profit or loss

Fair value of these investments is determined using their respective redemption / repurchase price.

	June 30, 2013	June 30, 2012
	Rs '000	
10. LONG-TERM LOANS - STAFF		
Unsecured and considered good		
- Executive staff - note 10.2	22,405	20,870
- Other employees	12,085	8,594
	34,490	29,464
Current maturity of long-term loans - note 15		
- Executive staff	(6,659)	(5,756)
- Other employees	(6,820)	(2,446)
	(13,479)	(8,202)
	21,011	21,262

10.1 These mainly represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are recoverable by the Holding Company in accordance with the Holding Company's rules over a maximum period of ten years. The loans carry interest rate ranging from 1% to 10% (2012: 1% to 10%) per annum.

10.2 Reconciliation of the carrying amount of long-term loans to executive staff

	June 30, 2013	June 30, 2012
	Rs '000	
Balance as on July 01	20,870	14,877
Disbursements	7,861	11,902
Repayments / adjustments	(6,326)	(5,909)
Balance as on June 30	22,405	20,870

The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 22.405 million (2012: Rs 21.191 million).

11. LONG-TERM DEPOSITS

	June 30, 2013	June 30, 2012
	Rs '000	
Cash margin:		
- For guarantee to International Bank of Yemen - note 11.1	735,000	690,000
- Others - note 28.1.3	7,676	7,676
	742,676	697,676

11.1 The Holding Company, as per the Production Sharing Agreement (PSA) signed with the Republic of Yemen for carrying out exploration in Block - 29, was required to submit an irrevocable letter of credit, issued by a local bank of Yemen, to the Ministry of Oil and Gas, Yemen, for its share of Minimum Expenditure Obligation amounting to US$ 7.5 million for the first exploration period of 4 years. Extension has been granted for twelve months for the first exploration period effective March 17, 2013 and it is expected that further extension will be granted, until the exploration work program commitments are fulfilled.

Accordingly, the Holding Company arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US$ 7.5 million through United Bank Limited against 100% cash margin of Rs 735 million (2012: Rs 690 million).

12. LONG-TERM RECEIVABLES

	June 30, 2013	June 30, 2012
	Rs '000	
Long-term receivables from:		
- Government Holdings (Pvt) Ltd (GHPL) - note 12.1	182,560	4,251
- National Highway Authority - note 12.2	139,120	71,805
	321,680	76,056
Current maturity of long-term receivables from GHPL	(29,082)	(4,251)
	292,598	71,805

12.1 Long-term receivables from GHPL represents share of carrying cost borne by the Holding Company, in respect of Tal and Nashpa fields, which is recoverable from GHPL in accordance with the terms set out under the relevant Petroleum Concession Agreements (PCAs).

12.2 Nashpa and Tal joint venture partners have financed National Highway Authority for the construction of Khushalgarh Bridge on River Indus, district Kohat. As per the terms of the agreement, the Holding Company has paid Rs 35.763 million (out of Rs 46.145 million to be financed by the Holding Company in Nashpa field) and Rs 103.357 million (out of Rs 133.377 million to be financed by the Holding Company in Tal field). The loan is interest free, which shall be recovered in seven years, starting after the successful completion of work.

	June 30, 2013	June 30, 2012
	Rs '000	
13. STORES AND SPARES		
Stores and spares	2,551,399	2,030,386
Stores and spares in transit	390,189	523,948
	2,941,588	2,554,334
Provision for obsolete / slow moving stores - note 13.1	(106,406)	(100,263)
	2,835,182	2,454,071
13.1 Reconciliation of provision for obsolete / slow moving stores:		
Balance as on July 01	100,263	81,799
Charge for the year - note 33	6,143	18,464
Balance as on June 30	106,406	100,263

14. TRADE DEBTS

	June 30, 2013	June 30, 2012
Unsecured and considered good		
Related parties		
Central Power Generation Company Limited (GENCO-II)	5,306,529	16,412,700
Sui Northern Gas Pipelines Limited (SNGPL)	12,654,403	10,082,065
Sui Southern Gas Company Limited (SSGCL)	17,306,975	14,766,219
	35,267,907	41,260,984
Non-related parties		
Attock Refinery Limited (ARL)	3,347,914	7,926,337
National Refinery Limited (NRL)	1,809,620	81,520
Others	206,509	890,651
	5,364,043	8,898,508
	40,631,950	50,159,492
Unsecured and considered doubtful		
Non-related party		
Byco Petroleum Pakistan Limited (Byco)	1,156,220	1,181,220
Less: Provision for doubtful debts - note 14.3	(1,156,220)	(1,181,220)
	-	-
	40,631,950	50,159,492
14.1 The ageing of trade debts as at June 30 is as follows:		
Neither past due nor impaired	16,662,441	18,336,934
Past due but not impaired:		
Related parties		
- within 90 days	9,100,732	9,210,692
- 91 to 180 days	4,094,196	7,637,393
- over 180 days	10,068,833	11,244,132
	23,263,761	28,092,217
Non-related parties		
- within 90 days	672,372	3,677,583
- 91 to 180 days	11,842	36,392
- over 180 days	21,534	16,366
	705,748	3,730,341
	40,631,950	50,159,492

14.2 Trade debts include overdue amount of Rs 23,263 million (2012: Rs 28,092 million) receivable from the State controlled utility companies (i.e. GENCO-II, SSGCL and SNGPL) and Rs 1,862 million (2012: Rs 4,916 million) overdue receivable from refineries (i.e. ARL, Byco, Pak-Arab Refinery Limited, NRL and Pakistan Refinery Limited).

In order to resolve the issue of Inter-Corporate Circular Debt in the energy sector, the GoP has taken a number of initiatives and in this respect, the Holding Company has invested in PIBs as mentioned in note 9.3.2 to these consolidated financial statements.

Based on the measures being undertaken by the GoP, the Holding Company considers the overdue amounts to be fully recoverable and therefore, no further provision for doubtful debts has been created in these consolidated financial statements, except for provision against receivable from Byco, as mentioned in note 14.3 to these consolidated financial statements.

	June 30, 2013	June 30, 2012
	Rs '000	
14.3 Provision for doubtful debts:		
Balance as on July 1	1,181,220	-
Provision during the year - note 33	-	1,181,220
Reversal during the year - note 32	(25,000)	-
Balance as on June 30	1,156,220	1,181,220

An amount of Rs 1,181.220 million was overdue receivable from Byco for the period from January 2010 to January 2011. The receivable was considered doubtful and accordingly, provision for doubtful debt was made during the year ended June 30, 2012. However, during the current year, the Holding Company has received Rs 25 million from Byco and accordingly, the provision for doubtful debts has been reversed to the extent of the aforesaid amount in these consolidated financial statements. During the current year, the Holding Company has filed legal suit in the Sindh High Court (SHC) against Byco for recovery of overdues.

	June 30, 2013	June 30, 2012
	Rs '000	
15. LOANS AND ADVANCES		
Unsecured and considered good		
Loans and advances to staff - note 15.1	5,327	4,016
Advances to suppliers and others	158,612	152,965
Advance payment of cash calls to joint ventures - note 27.2	955,339	526,679
Current maturity of long-term loans - staff - note 10	13,479	8,202
	1,132,757	691,862
15.1 Loans and advances to staff:		
- Executive staff	1,156	88
- Other employees	4,171	3,928
	5,327	4,016
16. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	57,466	56,965
Prepayments	230,731	104,048
	288,197	161,013

	June 30, 2013	June 30, 2012
	Rs '000	
17. INTEREST ACCRUED		
Profit receivable on:		
- bank deposits - saving accounts	5,873	578
- long-term investments	1,283,182	279,342
- short-term bank deposits	197,288	260,623
- long-term bank deposits	9,217	12,747
	1,495,560	553,290
18. OTHER RECEIVABLES		
Receivable from SNGPL for Sui field services	7,685	11,914
Receivable from SSGCL for Sui field services	8,014	1,186
Receivable from Workers' Profits Participation Fund (WPPF) - note 18.1	69,434	189,155
Current accounts with joint ventures - note 27.2	474,886	263,769
Sales tax (net)	1,076,086	43,687
Indemnification asset – note 5.4	300,730	-
Other receivables	13,746	18,312
	1,950,581	528,023
18.1 Workers' Profits Participation Fund		
Balance as on July 01	189,155	54,934
Allocation for the year - note 33	(3,295,426)	(3,454,845)
Interest on funds utilised in the Holding Company's business - note 34	(333)	(286)
	(3,106,604)	(3,400,197)
Amount paid during the current year (net)	3,176,038	3,589,352
Balance as on June 30	69,434	189,155
19. SHORT-TERM INVESTMENTS		
Held-to-maturity		
Local currency term deposits with banks - note 19.1	23,740,000	25,440,000
Investment in Treasury Bills - note 19.2	4,593,503	9,825,000
	28,333,503	35,265,000

19.1 The local currency short-term deposits have a maximum maturity period of four months, carrying profit ranging from 9.36% to 9.80% (2012: from 11.85% to 12.15%) per annum.

19.2 Treasury bills have a maximum maturity period of four months, carrying profit ranging from 9.35% to 9.36% (2012: 11.82% to 11.88%) per annum.

	June 30, 2013	June 30, 2012
	Rs '000	
20. CASH AND BANK BALANCES		
At banks		
- Saving accounts		
Local currency - note 20.1	5,728,202	1,567,896
Foreign currency - note 20.2	2,152,463	34,988
	7,880,665	1,602,884
- Current accounts		
Local currency	93,222	40,192
Foreign currency	6,738	-
	99,960	40,192
Cash and cheques in hand	39,229	32,084
Restricted cash - collateral for bank guarantees - notes 5.5 and 28.1.6	1,044,421	-
	9,064,275	1,675,160

20.1 These carry profit at the rate ranging from 6% to 8.55% (2012: from 6% to 11.1%) per annum.

20.2 These carry profit at the rate ranging from 0.05% to 0.25% (2012: from 0.10% to 0.25%) per annum.

	June 30, 2013	June 30, 2012
	Rs '000	
21. SHARE CAPITAL		
Authorised		
2,500,000,000 (2012: 2,500,000,000) ordinary shares of Rs 10 each	25,000,000	25,000,000
26,510 (2012: 26,510) convertible preference shares of Rs 10 each	265	265
	25,000,265	25,000,265
Issued		
1,643,285,893 (2012: 1,314,666,624) ordinary shares of Rs 10 each - note 21.1	16,432,859	13,146,666
13,840 (2012: 13,840) convertible preference shares of Rs 10 each - note 21.2	138	138
	16,432,997	13,146,804
Subscribed and paid-up		
683,073,803 (2012: 683,073,803) ordinary shares of Rs 10 each for cash - note 21.1	6,830,738	6,830,738
957,272,543 (2012: 628,653,274) ordinary shares of Rs 10 each issued as bonus shares- note 21.3		
- Opening balance	6,286,533	5,091,554
- Issued during the year	3,286,193	1,194,979
- Closing balance	9,572,726	6,286,533
2,750,000 (2012: 2,750,000) ordinary shares of Rs10/- each for consideration other than cash under an Agreement for Sale of Assets dated March 27, 1952 with Burmah Oil Company Limited	27,500	27,500
	16,430,964	13,144,771
13,840 (2012: 13,840) convertible preference shares of Rs 10 each for cash - note 21.2	138	138
	16,431,102	13,144,909

21.1 Issued, subscribed and paid-up capital

During June 2002, a rights issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders of the Holding Company, irrespective of the class. Out of the above, 189,547 (2012: 189,547) shares remained unsubscribed.

In July 2004, the GoP disinvested its shareholding, equivalent to 15% of the paid-up ordinary share capital (i.e. 102,875,500 ordinary shares) of the Holding Company through an Initial Public Offering.

Currently, the GoP holds 71.06% (2012: 71.05%) of the paid-up ordinary share capital of the Holding Company.

21.2 Convertible preference shares

In accordance with article 3(iv) of the Holding Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Holding Company's Secretary by the holders of such convertible preference shares to that effect. During the current and last year, no shareholder exercised his option to convert those shares into ordinary shares.

The convertible preference shares have right to a dividend ranking pari passu with the level of dividend payable to the holders of ordinary shares subject, however, to a maximum rate of thirty percent per annum of the value of the total number of such convertible preference shares held. The convertible preference shares issued by the Holding Company do not carry any fixed return. The Holding Company is of the view that their characteristics are that of an equity instrument rather than a liability instrument and accordingly, these are treated to be as such.

21.3 During the current year, the Holding Company has issued 25% bonus shares i.e., 328,619,269 shares (2012: 119,497,916 shares) to the ordinary shareholders (one ordinary shares for every four ordinary shares held).

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000		
22. RESERVES			
Capital reserve - note 22.1	1,428	1,428	1,428
Revenue reserves			
General and contingency reserve - note 22.2	69,761	69,761	69,761
Insurance reserve - note 22.3	24,021,894	19,021,894	14,021,894
Assets acquisition reserve - note 22.4	13,751,980	24,416,157	19,416,157
Dividend equalisation reserve - note 22.5	5,000,000	-	-
Unappropriated profit - note 4.10	90,640,374	68,704,494	48,144,531
Translation reserve	55,306	-	-
	133,539,315	112,212,306	81,652,343
	133,540,743	112,213,734	81,653,771

22.1 Capital reserve

The amount of Rs 1.428 million represents consideration for the surrender of the right of the Mari North Mining Lease. In accordance with the transfer agreement with the GoP, the foregoing consideration has to be carried forward as capital reserve and cannot be distributed.

22.2 General and contingency reserve

The balance in general and contingency reserve account is constant since December 31, 1981. The reserve was built through appropriation from the available profit after taxation on a yearly basis to cater for unforeseen requirements. As at December 31, 1981, the balance available in the profit and loss account after appropriation of dividend for the year was transferred to the general and contingency reserve upon the coming into effect of the Sui Gas Well-head Price Agreement, 1982 (1982 GPA), which required inclusion of this reserve as a part of the shareholders' funds for qualifying for return under the 1982 GPA (now dismantled). Since then, this balance has remained constant.

22.3 Insurance reserve

Due to difficulty in obtaining insurance policy for full value of Holding Company's assets against terrorism, sabotage and civil commotion at reasonable premiums and deductibles, the Holding Company has build-up an insurance reserve for self insurance cover against these risks and plans to continue to build-up this reserve in future years.

The Holding Company has arranged terrorism cover from the international market upto the limit of liability of US$ 100 million (Rs 9,860 million) for single occurrence, as well as, annual aggregate. Due to the limited cover available, the Holding Company will continue to build-up this reserve.

The Board of Directors of the Holding Company at their meeting held on 21 August, 2013 has approved to transfer Rs 5,000 million (2012: Rs 5,000 million) from unappropriated profit to the insurance reserve.

22.4 Assets acquisition reserve

In view of the declining hydrocarbon reserves profile of the Holding Company, it is intended to acquire sizeable producing reserves for which a separate assets acquisition reserve has been established and the Holding Company plans to continue to build-up this reserve in future years.

As disclosed in note 5 to these consolidated financial statements, the Holding Company has invested Rs 15,664.177 million in PPL Europe E&P Limited and accordingly, during the current year, the Holding Company has transferred the equivalent amount from assets acquisition reserve to unappropriated profit.

The Board of Directors of the Holding Company at their meeting held on 21 August, 2013 has approved to transfer Rs 5,000 million (2012: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

22.5 Dividend equalisation reserve

During the current year, the Holding Company has established a dividend equalisation reserve and transferred an amount of Rs 5,000 million to the reserve from unappropriated profit to maintain dividend declarations.

The Board of Directors of the Holding Company at their meeting held on February 04, 2013 has approved to transfer Rs 5,000 million (2012: Nil) from unappropriated profit to the dividend equalisation reserve.

23. PROVISION FOR DECOMMISSIONING OBLIGATION

	June 30, 2013	June 30, 2012
	Rs '000	
Balance brought forward	14,334,962	5,729,595
Provision during the year	1,450,947	8,456,397
Unwinding of discount - note 34	360,448	148,970
	16,146,357	14,334,962

23.1 The provision for decommissioning obligation includes Rs 2,303.984 million (2012: Rs 1,827.690 million), representing the Group's share of the expected decommissioning cost of partners' operated fields. The provision for decommissioning cost in respect of the Group's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partners' operated fields is based on estimates provided by the respective operators. The Holding Company has discounted the provision using a real discount rate of 2.43% per annum (2012: 2.51% per annum).

	June 30, 2013	June 30, 2012
	Rs '000	
24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		
Present value of minimum lease payments	273,238	214,038
Current maturity shown under current liabilities	(108,622)	(82,923)
	164,616	131,115

24.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies for rolling stock, computers and allied equipment. The periodic lease payments include rates of mark-up ranging from 12.94% to 21.83% (2012: 14.00% to 21.83%) per annum. The Holding Company has the option to purchase the assets upon expiry of the respective lease terms. There are no financial restrictions in the lease agreements.

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	Minimum lease payments		Financial charges		Present value of minimum lease payments	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	Rs '000					
Year ended June 30,						
2013	-	103,075	-	20,152	-	82,923
2014	133,677	84,887	25,055	17,695	108,622	67,192
2015	87,324	37,777	20,842	8,478	66,482	29,299
2016	53,915	23,818	11,906	4,232	42,009	19,586
2017	39,838	16,910	6,903	1,872	32,935	15,038
2018	25,350	-	2,160	-	23,190	-
Total	340,104	266,467	66,866	52,429	273,238	214,038

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000		
25. DEFERRED LIABILITIES			
Post retirement medical benefits - note 4.10 and 31.2.1	1,155,168	1,087,776	895,793
Leave preparatory to retirement - note 31.3	657,799	559,835	469,079
	1,812,967	1,647,611	1,364,872

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
		Rs '000	

26. DEFERRED TAXATION

Credit / (debit) balances arising on account of:			
Exploration expenditure	(3,699,703)	(4,015,497)	(4,491,298)
Amortisation of intangible assets	(4,013)	(4,648)	(254)
Provision for staff retirement and other benefits - note 4.10	(1,616,298)	(1,098,812)	(910,379)
Provision for obsolete / slow moving stores	(37,242)	(35,092)	(28,630)
Provision for doubtful debts	(462,488)	(472,488)	-
Provision for Workers' Welfare Fund (WWF)	-	-	(1,921,295)
Provision for decommissioning obligation	246,919	283,495	(219,516)
Accelerated tax depreciation allowances	4,931,385	5,608,865	5,850,327
Exploratory wells cost	1,646,234	938,908	-
Prospecting and development expenditure	11,323,682	5,114,445	4,305,816
Others	4,674	148	368
	12,333,150	6,319,324	2,585,139

27. TRADE AND OTHER PAYABLES

Creditors	163,589	178,763	209,875
Accrued liabilities	2,798,049	2,710,589	2,009,831
Security deposits from LPG distributors	169,651	169,651	169,651
Retention money	56,814	308,210	455,730
Unpaid and unclaimed dividends	161,232	131,969	1,864,289
Gas development surcharge (GDS) - note 27.1	15,510,383	10,604,097	2,590,407
Gas infrastructure development cess	2,117,340	423,001	-
Federal excise duty (net)	99,805	176,691	166,702
Sales tax (net)	18,387	-	882,960
Royalties	6,296,273	2,011,939	4,804,008
Surplus due to the President	-	-	72,539
Current accounts with joint venture partners - note 27.2	3,559,601	1,361,257	1,716,062
Liabilities for staff retirement benefit plans - notes 4.10 and 31.1.1	2,590,810	1,491,856	1,236,211
WWF	36,414	-	4,446,633
Others	51,820	20,232	64,336
	33,630,168	19,588,255	20,689,234

27.1 Subsequent to the year ended June 30, 2013, GDS amounting to Rs 13,481.454 million has been deposited into the Government Treasury by the Holding Company. The payment has been made in line with the GoP's initiative to resolve the Inter-Corporate Circular Debt, as stated in note 9.3.2 to these consolidated financial statements.

27.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2013 and 2012 have been stated net of the respective current assets and current liabilities, as providing details for each respective joint venture separately would be very exhaustive especially in view of the materiality of that information in the overall context to these consolidated financial statements.

	June 30, 2013	June 30, 2012
	Rs '000	

28. CONTINGENCIES AND COMMITMENTS

28.1 Contingencies

28.1.1 Indemnity bonds and corporate guarantees

	June 30, 2013	June 30, 2012
Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years.	24,174	49,246
Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities.	40,890	40,890

28.1.2 Pursuant to the directives of the Price Determining Authority, Ministry of Petroleum & Natural Resources, the Holding Company is not taking credit for interest income receivable from GENCO-II and no provision is being made for the interest payable to GoP on late payment of gas development surcharge.

28.1.3 Sales tax

The Holding Company had filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against a Show Cause Notice (SCN) of the Large Taxpayers Unit (LTU), which required the Holding Company to pay sales tax on LPG sales made from Adhi field during the period August, 1999 to June, 2002. However, in order to avail benefits under an amnesty scheme notified through S.R.O. 247(I)/2004 dated May 05, 2004, the Holding Company paid and charged to profit and loss account for the year ended June 30, 2004, sales tax and additional tax amounting to Rs 77.548 million and Rs 12.426 million, respectively, aggregating to Rs 89.974 million, on sales of LPG made during the period August, 1999 to April, 2004.

The ATIR subsequently decided the appeal in favour of the Holding Company and directed the LTU to refund the aforesaid amount subject to verification. Accordingly, the LTU partially verified the payment of sales tax and refunded amounts of Rs 32.357 million. Subsequently the matter was again referred to ATIR by SHC. The ATIR on the advice of SHC, which in its order dated February 23, 2010 declared the original SCN as "illegal and ab-initio void and not sustainable in the eyes of law". As a result, during the year ended June 30, 2012, Rs 31.12 million were refunded to the Holding Company based on LTU's contention that the Holding Company is only entitled to refund for the period from August 1999 to June 2002, as covered by the quashed SCN. The LTU had filed a reference application with the SHC, against the ATIR's 2010 order. During the current year, LTU rejected Holding Company's request for refund of the remaining amount of Rs 26.497 million on the ground that the amount could not be verified. However, the Holding Company is pursuing the case in the Sindh High Court.

28.1.4 The tax authorities have issued various letters / notices / orders for different tax periods either disallowing / intending to disallow the input sales tax claimed by the Holding Company under the provisions of sections 8(1)(ca) and 8A of the Sales Tax Act, 1990 and Rule 12(5) of the Sales Tax Rules, 2006. Being aggrieved with the impugned orders, the Holding Company has filed appeals before the Commissioner Inland Revenue Appeals {CIR(A)}. During the current year, the Holding Company has received all the three orders under appeal before the CIR(A). In two of the three orders, the CIR(A) has set-aside the orders passed by the Assessing Officer with directions to cross match and verify the documents in respect of each supplier submitted by the Holding Company and pass a fresh and speaking order after providing opportunity of being heard. Since the said orders were set-aside by the CIR(A), therefore no further action is required on this account. In one of the orders, the CIR(A) has confirmed the action of the Assessing Officer on the ground that the Holding Company has failed to prove that the input tax claimed was deposited in the Government treasury. Being aggrieved with the decision of the CIR(A) the Holding Company has filed an appeal before the ATIR.

The Holding Company has also filed a Constitutional Petition alongwith the stay application before the SHC challenging the above mentioned provisions. The SHC in response to the stay application filed by the Holding Company vide order dated October 27, 2011 had granted stay subject to the provision of bank guarantee amounting to Rs 7.676 million, which was duly provided. During the current year, the aforesaid order of the SHC has been renewed by another order dated June 25, 2013. The original petition filed before the SHC, however, is pending for hearing.

28.1.5. Income tax

The Holding Company had revised the tax rates of certain producing fields in line with the provisions of Petroleum Concession Agreements (PCAs) and prevailing industry practices and filed its tax returns for the tax years 2006 to 2012 on the same basis. The Holding Company had also revised its tax returns for the tax years 2003 to 2005 resulting in tax refundable amounting to Rs 383.146 million.

The Tax authorities have amended the Assessment Orders for tax years 2003 to 2012, thereby, disputing the calculation of depletion allowance, allowability of provision for Sui decommissioning cost and calculation of tax liability at lower tax rates of 50% for certain fields. The Tax authorities have raised demand of Rs 6,943 million for tax years 2003 to 2012 in respect of the above issues, out of which the Holding Company has paid Rs 5,201 million. The Holding Company had filed appeals before the CIR(A) against the aforesaid orders. During the current year, the CIR(A) has passed the orders for the tax years 2003 to 2007, 2011 and 2012 deciding the aforesaid issues against the Holding Company. The Holding Company has filed appeals before the ATIR against the orders of CIR(A) for the tax years 2003 to 2007, 2011 and 2012. The appeals for tax years 2008 and 2009 are pending before the ATIR since CIR(A) decided the above issues against the Holding Company except for the rate issue which has been decided in favour of the Holding Company.

During the current year, the Tax authorities whilst amending the assessment for the tax year 2012 have disallowed tax credits under sections 65A, 65B and 65E amounting to Rs. 459 million in respect of Agreement Areas, which is subsequently confirmed by the CIR(A). In addition, the CIR(A) at the time of passing the appellate order for the tax year 2011 has given direction to the Tax authorities to compute and disallow the amount of tax credit under section 65A amounting to Rs 194 million in respect of Agreement Areas while exercising the powers of enhancement of income. The Tax authorities have given effect to the decision of the CIR(A). The Holding Company has filed an appeal before the ATIR against the aforesaid decision of CIR(A).

The Holding Company had obtained stays of demand for tax years 2003 to 2009 from the SHC against lump sum payments of Rs 1,118 million. During the current year, the Holding Company has also obtained stay from the CIR upto ATIR level subject to payment of 50 per cent of the outstanding demand of Rs 78 million and Rs 441 million for the tax years 2011 and 2012 respectively.

The Holding Company based on the advice of its legal counsel, is confident that it has sound grounds to defend the appeals on the tax rate issue. The Holding Company, as a matter of prudence, continues to provide for tax liability at the higher tax rates, depletion allowance and Sui decommissioning cost in the books of account. In case the appeals are decided in favour of the Holding Company, an amount of Rs 7,225 million (2012: Rs 5,505 million) will be credited in the profit and loss account for that year.

28.1.6. Other contingencies

a) The Holding Company is defending various suits filed against it in various courts in Pakistan for sums, aggregating to Rs 871 million (2012: Rs 594 million), related to its business operations. The legal council is confident that these suits are expected to be decided in favour of the Holding Company and, accordingly, no provision has been made for any liability against these law suits in these consolidated financial statements.

b) In respect of PPL Europe E&P Limited, the Tax Authorities have raised demands for tax years 2003-2009 amounting to Rs 592 million relating to tax rate, depletion and decommissioning cost issues. Under amnesty scheme, the Subsidiary has paid Rs 592 million under protest and filed appeals with Islamabad High Court which are pending for hearing. The estimated tax demands for tax years 2010 to 2013 amount to Rs 333 million. Although, PPL Europe E&P Limited based on the advice of its legal counsel, is confident that it has sound grounds to defend the appeals on the tax rate issue, however in line with the Group's policy, provision in respect of above mentioned issues amounting to Rs 925 million has been accounted for in these consolidated financial statements.

c) During 2009, the Tax Authorities raised a demand of Rs 775 million on account of non deduction of tax on the gross consideration paid by the Subsidiary to MND E&P a.s. for obtaining the working interest of South West Miano Block (Sawan). The Subsidiary has won its appeal against this ruling at ATIR level. However, the Tax Authorities have filed an appeal in the Islamabad High Court. MND E&P a.s is liable to compensate the Holding Company against any unfavourable order in respect of the tax demand.

d) PPL Europe E&P Limited has minimum expenditure commitments of US$ 10.6 million under the terms of its exploration licenses of Ziarat, Barkhan and Harnai blocks. As required under terms of its exploration licenses, bank guarantees of Rs 523 million have been provided which represents 50% of the minimum commitment amount.

28.2 Commitments

28.2.1 The Holding Company has a commitment to spend upto US$ 100 million (Rs 9,860 million) over the first five years of exploration period under Exploration, Development and Production Service Contract (EDPSC) for Block 8 in Iraq signed with Midland Oil Company, Iraq.

28.2.2 Capital expenditure

	June 30, 2013	June 30, 2012
	Rs '000	
Owned assets	3,671,970	964,296
Share in joint ventures	21,016,010	9,527,984
Operating leases / Ijara contracts	15,179	29,196
	24,703,159	10,521,476

Commitments for rentals under cancellable operating leases / Ijara contracts in respect of vehicles are as follows:

	June 30, 2013	June 30, 2012
	Rs '000	
Year ending June 30,		
2013	-	13,337
2014	7,985	8,502
2015	7,194	7,357
	15,179	29,196

28.2.3 Exploration expenditure

The Group's share of net exploration activities in respect of Block 2766-1 (Khuzdar), Block 2568-13 (Hala), Block 2866-2 (Kalat), Block 2969-8 (Barkhan), Block 3270-7 (Zindan), Block 2467-12 (Jungshahi), Block 2468-12 (Kotri), Block 2568-21 (Kotri North), Block 3371-15 (Dhok Sultan), Block 2568-18 (Gambat South), Block 2763-3 (Kharan), Block 2764-4 (Kharan East), Block 2763-4 (Kharan West), Block 2468-10 (Sirani), Block 2667-11 (Zamzama South), Block 2668-9 (Naushahro Firoz), Block 3272-18 (Karsal), Block 3372-23 (Hisal), Block 2870-5 (Sadiqabad), Block 2469-16 (Shah Bandar), Block 2864-4 (Nausherwani), Block 2566-6 (Bela West), Block 2566-4 (Hab), Block 2569-5 (Khipro East), Block 2467-13 (Malir), Block 2866-4 (Margand), Block 3370-3 (Tal), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano-II), Block 3370-10 (Nashpa), Block 2669-3 (Latif), Block 2667-7 (Kirthar), Block 2468-9 (Jherruck), Block 3070-13 (Baska), Block 2366-7 (Offshore Indus-C), Block 2366-5 (Offshore Indus-N), Block 2568-20 (Sukhpur), Block 2568-19 (Digri), Block 3273-3 (Ghauri), Block 2467-14 (Jati), Block 2265-1 (Indus-G), Block 2967-2 (Ziarat), Block 3067-3 (Harnai), Block-29 (Republic of Yemen) amounts to Rs 6,624 million and for Block-8 (Iraq) amounts to Rs 6,161 million, for the year ending June 30, 2014 (2013:Rs 6,493 million).

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	

29. SALES - net (including internal consumption)

	Year ended June 30, 2013	Year ended June 30, 2012
Sales	124,451,361	119,645,743
Federal excise duty	(2,127,355)	(2,323,249)
Sales tax	(12,516,767)	(12,653,202)
Gas infrastructure development cess	(1,694,339)	(423,001)
Petroleum Levy	-	(10,873)
Gas development surcharge	(5,315,728)	(8,013,690)
	(21,654,189)	(23,424,015)
	102,797,172	96,221,728
Product wise break-up of sales is as follows:		
Natural gas sales	87,862,310	88,851,388
Federal excise duty	(2,101,685)	(2,299,447)
Sales tax	(12,208,164)	(12,334,944)
Gas infrastructure development cess	(1,694,339)	(423,001)
Gas development surcharge	(5,315,728)	(8,013,690)
	(21,319,916)	(23,071,082)
	66,542,394	65,780,306
Gas supplied to Sui villages - note 30.4	388,580	304,685
Federal excise duty	(15,025)	(13,183)
Sales tax	(53,742)	(42,026)
	(68,767)	(55,209)
	319,813	249,476
Internal consumption of gas - note 29.1	239,076	205,103
Federal excise duty	(9,244)	(8,917)
Sales tax	(33,061)	(28,290)
	(42,305)	(37,207)
	196,771	167,896
Condensate sales	8,188,552	8,981,667
NGL (condensate) sales	1,682,384	1,768,259
Crude oil sales	24,486,299	17,737,064
LPG sales	1,604,160	1,797,577
Federal excise duty	(1,401)	(1,702)
Petroleum Levy	-	(10,873)
Sales tax	(221,800)	(247,942)
	(223,201)	(260,517)
	1,380,959	1,537,060
	102,797,172	96,221,728

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
29.1 Internal consumption of gas comprises of the following:		
Industrial and domestic use	169,028	140,440
Gas used for electricity generation at Sui	70,048	64,663
	239,076	205,103

29.2 The Group has not allowed any sales discount to the customers during the years ended June 30, 2013 and 2012.

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
	Rs '000	
30. FIELD EXPENDITURES		
Development and drilling	5,278,905	6,953,084
Exploration	6,827,990	3,823,468
Depreciation - note 6.1	3,308,564	3,208,080
Amortisation of intangible assets - note 7.2	206,086	135,967
Amortisation of decommissioning cost - note 6.1	1,439,394	1,504,218
Amortisation of prospecting and development expenditure - note 6.1	3,035,828	2,049,355
Salaries, wages, welfare and other benefits - note 30.1	5,861,437	5,144,975
Employees' medical benefits - note 30.2	374,843	324,062
Manpower development	25,799	36,703
Travelling and conveyance	586,989	546,767
Communication	30,189	32,375
Stores and spares consumed	1,341,838	1,010,397
Fuel and power	318,044	294,191
Rent, rates and taxes - note 5.9	173,705	83,768
Insurance	651,883	399,572
Repairs and maintenance	458,179	445,090
Professional services - note 5.9	221,557	75,349
Auditors' remuneration - note 30.3	9,986	5,004
Free supply of gas to Sui villages - note 30.4	388,580	304,685
Donations - note 30.5	63,770	58,899
Social welfare / community development	250,861	455,758
Other expenses	186,529	133,565
	31,040,956	27,025,332
Recoveries	(45,946)	(43,758)
	30,995,010	26,981,574

30.1 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 159.754 million, Rs 458.558 million, Rs 73.318 million and Rs 140.259 million, respectively (2012: Rs 127.894 million, Rs 408.758 million, Rs 65.700 million and Rs 110.159 million, respectively).

30.2 This includes expenditure relating to post retirement medical benefits amounting to Rs 179.435 million (2012: Rs 164.505 million).

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
30.3 Auditors' remuneration is as under:		
Audit fee		
- Holding Company	2,500	2,200
- Subsidiary Companies	4,097	-
	6,597	2,200
Limited review, special certifications and advisory services	3,005	2,585
Out of pocket expenses	384	219
	9,986	5,004

30.4 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 29 to these consolidated financial statements.

30.5 Donations include the payments to following institutions in which the directors / ex-directors are interested:

Name of director(s) / ex-director(s)	Nature of interest in donee	Name and address of donee	Year ended June 30, 2013	Year ended June 30, 2012
			Rs '000	
Mr. Asim Murtaza Khan	Chairman	Petroleum Institute of Pakistan	535	131
Mr. Saeed Akhtar (Ex-Director)	Director	Karwan-e-Hayat, an Institute of Mental Health Care & Rehabilitation	150	150
			685	281

31. STAFF RETIREMENT BENEFITS

31.1 Funded post retirement pension and gratuity schemes

As mentioned in note 4.10 to these consolidated financial statements, the Holding Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

31.1.1 Fair value of plan assets and the present value of obligations

The fair value of plan assets and the present value of defined benefit obligations of the pension and gratuity schemes at the valuation dates are as follows:

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Present value of defined benefit obligations - note 31.1.5	5,408,390	542,351	1,441,794	713,783	8,106,318	5,986,288	5,099,799
Fair value of plan assets - note 31.1.4	(3,579,152)	(381,149)	(1,028,055)	(527,152)	(5,515,508)	(4,494,432)	(3,863,588)
Liability recognised in the balance sheet	1,829,238	161,202	413,739	186,631	2,590,810	1,491,856	1,236,211

31.1.2 Movement in amounts payable to defined benefit plans

Movement in amounts payable to staff retirement benefit plans during the year are as follows:

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Balances as on July 01	1,054,688	79,179	206,623	151,366	1,491,856	1,236,211	1,078,122
Charge for the year - note 31.1.3	390,538	34,645	68,020	37,938	531,141	474,458	427,105
Payments during the year	(455,051)	(39,005)	(148,595)	(89,461)	(732,112)	(543,846)	(488,414)
Amount recognised in Other Comprehensive Income (OCI) for the year	839,063	86,383	287,691	86,788	1,299,925	325,033	219,398
Balances as on June 30	1,829,238	161,202	413,739	186,631	2,590,810	1,491,856	1,236,211

31.1.3 Amounts recognised in the profit and loss account

Amounts charged to the profit and loss account during the year in respect of pension and gratuity schemes are as follows:

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	Year ended June 30, 2013					Year ended June 30, 2012 (Restated)	Year ended June 30, 2011 (Restated)
	Rs '000						
Current service cost	260,977	24,877	40,627	17,663	344,144	309,614	273,269
Interest cost	531,789	59,662	138,974	74,015	804,440	738,875	582,620
Interest income on plan assets	(402,228)	(49,894)	(111,581)	(53,740)	(617,443)	(574,031)	(428,784)
Charge for the year recognised in profit and loss account	390,538	34,645	68,020	37,938	531,141	474,458	427,105
Actual return on plan assets	407,975	46,005	109,336	57,816	621,132	454,088	415,985

31.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total		
	Pension	Gratuity	Pension	Gratuity			
	June 30, 2013					June 30, 2012 (Restated)	July 01, 2011 (Restated)
	Rs '000						
Fair value of plan assets at beginning of the year	2,848,562	380,383	844,776	420,711	4,494,432	3,863,588	3,237,876
Interest income on plan assets	402,228	49,894	111,581	53,740	617,443	574,031	428,784
Contributions by the Holding Company	455,051	39,005	148,595	89,461	732,112	543,846	488,414
Benefits paid	(147,526)	(84,585)	(75,437)	(41,990)	(349,538)	(380,700)	(281,094)
Amount recognised in OCI for the year	20,837	(3,548)	(1,460)	5,230	21,059	(106,333)	(10,392)
Fair value of plan assets at end of the year	3,579,152	381,149	1,028,055	527,152	5,515,508	4,494,432	3,863,588

31.1.5 Changes in present value of pension and gratuity obligations

	Executives Pension	Executives Gratuity	Non-Executives Pension	Non-Executives Gratuity	Total June 30, 2013	Total June 30, 2012 (Restated)	Total July 01, 2011 (Restated)
	June 30, 2013						
	Rs '000						
Present value of obligations at beginning of the year	3,903,250	459,562	1,051,399	572,077	5,986,288	5,099,799	4,315,998
Current service cost	260,977	24,877	40,627	17,663	344,144	309,614	273,269
Interest cost	531,789	59,662	138,974	74,015	804,440	738,875	582,620
Benefits paid	(147,526)	(84,585)	(75,437)	(41,990)	(349,538)	(380,700)	(281,094)
Amount recognised in OCI for the year	859,900	82,835	286,231	92,018	1,320,984	218,700	209,006
Present value of obligations at end of the year	5,408,390	542,351	1,441,794	713,783	8,106,318	5,986,288	5,099,799

31.1.6 Break-up of plan assets

The major categories of plan assets as a percentage of total plan assets of pension and gratuity schemes are as follows:

	Rate of return	Executives Rs '000	Executives %	Non-Executives Rs '000	Non-Executives %	Executives Rs '000	Executives %	Non-Executives Rs '000	Non-Executives %
	%	June 30, 2013 (Unaudited)				June 30, 2012 (Audited)			
Pension Fund									
Government securities	5.98-14.47	1,012,620	28	317,676	31	1,397,117	49	349,920	42
Shares	-	157,619	5	48,191	5	122,357	4	37,577	4
TFCs	13.58-13.60	68,710	2	25,590	2	70,876	3	22,671	3
Cash and bank balances	5.00-10.30	2,340,203	65	636,598	62	1,258,212	44	434,608	51
Total		3,579,152	100	1,028,055	100	2,848,562	100	844,776	100
Gratuity Fund									
Government securities	6.22-14.47	123,429	32	170,838	32	189,530	50	211,050	50
Shares	-	27,186	7	23,908	5	21,104	6	18,458	4
TFCs	13.56-13.58	2,934	1	12,718	2	22,511	6	12,983	3
Cash and bank balances	5.00-10.30	227,600	60	319,688	61	147,238	38	178,220	43
Total		381,149	100	527,152	100	380,383	100	420,711	100

31.1.7 Sensitivity analysis:

	June 30, 2013			
	Executives		Non-Executives	
	1% increase	1% decrease	1% increase	1% decrease
Pension:				
Salary rate sensitivity	388,613	(338,425)	87,180	(77,637)
Pension rate sensitivity	378,107	(317,697)	102,811	(85,453)
Gratuity:				
Salary rate sensitivity	29,931	(26,885)	37,004	(32,935)

31.1.8 Maturity profile of the defined benefit obligation:

	June 30, 2013			
	Executives		Non-Executives	
	Pension	Gratuity	Pension	Gratuity
Weighted average duration (years)	14.26	5.67	12.42	5.27
The retirement will at most continue (year)	2050	2050	2051	2051

31.1.9 The Holding Company expects to contribute Rs 686.861 million to the pension and gratuity funds in 2013-14.

31.2 Unfunded post retirement medical benefits

31.2.1 The Holding Company provides free medical facilities to its executive and non-executive retired employees, as mentioned in note 4.10 to these consolidated financial statements. The latest actuarial valuation for post retirement medical benefits was carried out as at June 30, 2013, results of which are as follows:

	June 30, 2013	June 30, 2012 (Restated)	July 01, 2011 (Restated)
		Rs '000	
Present value of defined benefit obligations - notes 25 and 31.2.4	1,155,168	1,087,776	895,793
31.2.2 Movement in the liability recognised in the balance sheet is as follows:			
Balance as on July 01	1,087,776	895,793	843,535
Charge for the year - note 31.2.3	179,435	164,505	137,834
Payments during the year	(39,390)	(34,124)	(30,017)
Amount charged to the OCI	(72,653)	61,602	(55,559)
Balance as on June 30	1,155,168	1,087,776	895,793

31.2.3 Amounts recognised in the profit and loss account

Amounts charged to the profit and loss account during the year for the above benefits are as follows:

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)	Year ended June 30, 2011 (Restated)
		Rs '000	
Current service cost	32,888	30,544	29,178
Interest cost	146,547	133,961	108,656
	179,435	164,505	137,834

	June 30, 2013	June 30, 2012 (Restated)	June 30, 2011 (Restated)
		Rs '000	

31.2.4 Changes in present value of post retirement medical obligations:

	June 30, 2013	June 30, 2012 (Restated)	June 30, 2011 (Restated)
Opening balance	1,087,776	895,793	843,535
Current service cost	32,888	30,544	29,178
Interest cost	146,547	133,961	108,656
Benefits paid	(39,390)	(34,124)	(30,017)
Amount charged to the OCI	(72,653)	61,602	(55,559)
Balance as on June 30	1,155,168	1,087,776	895,793

31.2.5 A one percent change in the medical cost trend rate would have following effect:

	1% increase	1% decrease
	Rs '000	
Present value of medical obligation	154,663	(207,090)
Current service cost and interest cost	24,230	(40,457)

31.2.6 The Holding Company expects to contribute Rs 164.030 million to the unfunded post retirement medical benefits in 2013-14.

31.2.7 The weighted average duration of the defined benefit obligation works out to 23.41 years in respect of Executive and 19.94 years in respect of Non-Executives.

31.3 Leave preparatory to retirement benefits

Movement in liability recognised in the balance sheet is as follows:

	June 30, 2013	June 30, 2012
	Rs '000	
Balance as on July 01	559,835	469,079
Charge for the year	140,259	110,159
	700,094	579,238
Payments during the year	(42,295)	(19,403)
Balance as on June 30 - note 25	657,799	559,835

31.3.1 The Holding Company expects to contribute Rs 133.321 million to the Leave preparatory to retirement benefits in 2013-14.

31.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

	Per annum	
	June 30, 2013	June 30, 2012
	%	
- discount rate	11.00	13.50
- expected rate of increase in salaries	11.00	13.50
- expected rate of increase in pension	6.00	8.50
- expected rate of escalation in medical cost	7.00	9.50

31.5 Description of risks

The defined benefit plans exposes the Holding Company to the following risks:

Mortality risks - The risk that the actual mortality experience is different. Similar to the Withdrawal risk, the effect depends on the beneficiaries' service/age distribution and the benefit. Especially in the case of pension and post retirement medical benefit, there is an additional longevity risk after cessation of service that the mortality will improve and the benefit is payable for longer period of time.

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Medical escalation risk - The risk that the cost of post retirement medical benefits will increase.

	June 30, 2013 (Unaudited)	June 30, 2012 (Audited)
	Rs '000	
31.6 Provident fund		
Size of the fund	3,370,693	2,848,241
Cost of investments made	2,510,450	2,291,206
Percentage of investments made	74.50%	80.40%
Fair value of investments	2,675,951	2,337,239

31.6.1 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund of the Holding Company are as follows:

	June 30, 2013 (Unaudited)		June 30, 2012 (Audited)	
	Investments (Rs '000)	% of investment as size of the fund	Investments (Rs '000)	% of investment as size of the fund
Pakistan Investment Bonds	912,464	27.0%	1,034,702	36.3%
Treasury Bill	80,938	2.4%	298,432	10.5%
Short Term Deposit Account	1,124,480	33.3%	702,000	24.6%
NIT Units	249,577	7.4%	178,076	6.3%
Shares	304,908	9.0%	100,907	3.5%
TFCs	3,584	0.1%	23,122	0.8%
	2,675,951		2,337,239	

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	

32. OTHER INCOME

	Year ended June 30, 2013	Year ended June 30, 2012
Income from financial assets		
Income on loans and bank deposits	553,601	535,896
Income on term deposits	2,685,041	2,730,303
Income on long-term held-to-maturity investments	722,135	840,797
Income from investment in treasury bills	1,182,478	1,277,785
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	869,299	854,147
	6,012,554	6,238,928
Income from assets other than financial assets		
Rental income on assets	123,737	91,730
Profit on sale of property, plant and equipment (net)	15,294	94,308
Profit on sale of stores and spares (net)	6,621	12,800
Exchange gain on foreign currency	552,190	553,267
Share of profit on sale of LPG	83,126	101,073
Refund of sales tax paid under amnesty scheme - note 28.1.3	-	31,120
Reversal of provision for doubtful debts - Byco - note 14.3	25,000	-
Reversal of provision for WWF	-	4,446,633
Others	60,150	24,622
	866,118	5,355,553
	6,878,672	11,594,481

33. OTHER OPERATING EXPENSES

	Year ended June 30, 2013	Year ended June 30, 2012
WPPF - note 18.1	3,295,426	3,454,845
WWF	4,671	-
Provision for obsolete / slow moving stores - note 13.1	6,143	18,464
Provision for doubtful debts - note 14.3	-	1,181,220
Receivable from SNGPL written off - note 33.1	31,106	-
	3,337,346	4,654,529

33.1 During the year, the Holding Company has written-off 50 percent of receivable against off-specification gas as per settlement with SNGPL and has received the balance amount.

34. FINANCE COSTS

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
Interest on WPPF - note 18.1	333	286
Financial charges for liabilities against assets subject to finance leases	34,292	29,749
Unwinding of discount on decommissioning obligation - note 23	360,448	148,970
	395,073	179,005

35. TAXATION

Provision for taxation for the years ended June 30, 2013 and 2012 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas and for the non-agreement areas on the basis of tax rate of 35%, as mentioned in note 4.13 to these consolidated financial statements.

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
	Rs '000	
Current		
- for the year	17,281,143	18,341,069
- for prior years (net)	436,532	1,418,859
	17,717,675	19,759,928
Deferred		
- for the year - note 4.10	2,902,333	1,948,211
- for prior years	-	1,921,295
	2,902,333	3,869,506
	20,620,008	23,629,434

35.1 Relationship between accounting profit and taxation:

	Year ended June 30, 2013	Year ended June 30, 2012 (Restated)
Accounting profit for the year before taxation	62,735,256	64,598,073
Tax at applicable rate of 43.78% (2012:44.16%)	27,465,495	28,526,509
Net tax effect of amounts not taxable for tax purposes	(278,159)	(1,569,279)
Tax effect of depletion allowance and royalty allowed for tax purposes	(7,003,860)	(6,667,950)
Net effect of deferred tax relating to prior years recognised in current year	-	1,921,295
Tax charge relating to prior years	436,532	1,418,859
	20,620,008	23,629,434
Effective tax rate %	32.87	36.58

Notes to and Forming Part of the Consolidated Financial Statements
for the year ended June 30, 2013

36. INTERESTS IN JOINT VENTURES

The joint venture areas in which the Group has working interest are as follows:

Name of joint venture	Operator	Percentage of the Group's working interest as at June 30, 2013
Producing fields		
Adhi	PPL	39.00%
Mazarani	PPL	87.50%
Hala EWT Phase	PPL	65.00%
Kandhkot East (Chachar)	PPL	75.00%
Qadirpur	OGDCL	7.00%
Hasan, Sadiq & Khanpur - D&P (B-22)	PEL	35.53%
Mela EWT Phase (Nashpa Block)	OGDCL	26.05%
Nashpa EWT Phase (Nashpa Block)	OGDCL	26.05%
Miano	OMV	15.16%
Sawan	OMV	34.07%
Tajjal EWT Phase (Gambat Block)	OMV	23.68%
Latif D&P (Latif Block)	OMV	33.30%
Manzalai D&P (Tal Block)	MOL	27.76%
Makori D&P (Tal Block)	MOL	27.76%
Makori East EWT Phase (Tal Block)	MOL	27.76%
Mamikhel EWT Phase (Tal Block)	MOL	27.76%
Maramzai EWT Phase (Tal Block)	MOL	27.76%
Exploration and development blocks (within Pakistan)		
Block 2568-13 (Hala)	PPL	65.00%
Block 2766-1 (Khuzdar)	PPL	65.00%
Block 2866-2 (Kalat)	PPL	35.00%
Block 2969-8 (Barkhan)	PPL	85.00%
Block 2763-3 (Kharan)	PPL	100.00%
Block 2764-4 (Kharan-East)	PPL	100.00%
Block 2763-4 (Kharan-West)	PPL	100.00%
Block 3371-15 (Dhok Sultan)	PPL	75.00%
Block 2467-12 (Jungshahi)	PPL	100.00%
Block 2568-18 (Gambat South)	PPL	65.00%
Block 2468-12 (Kotri)	PPL	100.00%
Block 2568-21 (Kotri North)	PPL	90.00%
Block 2468-10 (Sirani)	PPL	75.00%
Block 2668-9 (Naushahro Firoz)	PPL	90.00%
Block 2667-11 (Zamzama South)	PPL	100.00%
Block 3270-7 (Zindan)	PPL	35.00%
Block 2768-3 (Block-22)	PEL	45.00%
Block 2668-4 (Gambat)	OMV	30.00%
Block 2669-3 (Latif)	OMV	33.30%
Block 2668-5 (South West Miano-II)	OMV	33.30%
Block 3370-10 (Nashpa)	OGDCL	30.00%
Block 2667-7 (Kirthar)	POGC	30.00%
Block 3070-13 (Baska)	ZHEN HUA	49.00%
Block 2366-7 (Indus-C)	ENI	40.00%
Block 2366-5 (Indus-N)	ENI	30.00%
Block 2568-20 (Sukhpur)	ENI	30.00%
Block 2265-1 (Indus-G)	ENI	25.00%
Block 3370-3 (Tal)	MOL	30.00%
Block 2468-9 (Jherruck)	NHEPL	30.00%
Block 2568-19 (Digri)	UEPL	25.00%
Block 3273-3 (Ghauri)	MPCL	35.00%
Block 2467-14 (Jati)	KPBV	25.00%
Block 2967-2 (Ziarat)	MPCL	40.00%
Block 3067-3 (Harnai)	MPCL	40.00%
Exploration blocks (Outside Pakistan)		
Block-29 (Yemen)	OMV	43.75%
Block -8 (Iraq)	PPL	100.00%
Block-3 (Yemen)	TOTAL	20.00%

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments, which are stated at amortised cost. No changes were made in the objectives, policies or processes during the years ended June 30, 2013 and 2012.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Group's income or the value of its holdings of financial instruments.

i) Interest rate risk management

The interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to the Holding Company's long-term investment in GoP Ijara Sukuk certificates with floating interest rates. The Holding Company manages its interest rate risk by having significant investment in fixed interest bearing financial assets, like PIBs, term deposit receipts with banks and treasury bills. As of balance sheet date, the sensitivity on the Group's profit before tax to a reasonable possible change of 1% in interest rates is Rs 25 million (2012: Rs 25 million), with all other variables held constant.

Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

Level 1: Quoted market prices
Level 2: Valuation techniques (market observable)
Level 3: Valuation techniques (non-market observable)

The Group held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	Rupees '000			
Financial assets				
June 30, 2013				
Investments designated at fair value through profit or loss	8,605,498	8,605,498	-	-
June 30, 2012				
Investments designated at fair value through profit or loss	9,806,733	9,806,733	-	-

ii) Foreign currency risk management

Financial assets include Rs 9,938.633 million (2012: Rs 6,010.623 million) and financial liabilities include Rs. 6,373.066 million (2012: Rs 3,126.764 million), which were subject to foreign currency risk. The US Dollar deposits also serve as a synthetic hedge against the Group's exposure to foreign currency risk resulting from outstanding payments for imports.

A one rupee change in the exchange rate of foreign currencies would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Foreign currency financial assets	100,997	(100,997)
Foreign currency financial liabilities	58,547	(58,547)

iii) Commodity price risk management

The Group is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products, which can affect the profitability of the Group. However, keeping in view the pricing mechanism under various Gas Price Agreements signed with the GoP, the Group is of the view that the price risk, in respect of gas sales which constitute major portion of Group's total sales, is within acceptable limits. Therefore, the Group has not entered in any commodity derivative transactions.

A one rupee change in the commodity prices would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Natural Gas	53,206	(53,206)
Crude Oil / Condensate / NGL	3,534	(3,534)
LPG	203	(203)

b) Credit risk management

(i) Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its receivables including trade debts, investments in TFCs, mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Group monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Group has maintained lines and limits with banks for effective monitoring of credit risk.

The Group's major portion of sales is to GENCO-II, SNGPL and SSGCL. However, it does not consider itself to be exposed to any substantial credit risk as these companies are State controlled entities.

(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	June 30, 2013	June 30, 2012
	Rs '000	
Long term investments - note 9		
AAA	26,490,722	7,488,459
AA	15,537,695	13,606,174
A	-	-
Not rated	-	-
	42,028,417	21,094,633
Trade debts - note 14.1		
Customers with no defaults in the past one year	294,630	-
Customers with some defaults in past one year which have been fully recovered	104,438	83,348
Customers with defaults in past one year which have not yet been recovered	16,263,373	18,253,586
	16,662,441	18,336,934
Short-term investments and cash at banks - notes 19 & 20		
AAA	16,583,030	9,968,258
AA	20,770,571	26,938,155
A	4,948	1,663
	37,358,549	36,908,076

c) Capital risk management

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

d) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs in '000					
Liability against assets subject to finance leases	-	30,922	77,700	164,616	-	273,238
Trade and other payables	489,679	5,633,687	696,552	-	-	6,819,918
Year ended 30 June 2013	489,679	5,664,609	774,252	164,616	-	7,093,156

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs in '000					
Liability against assets subject to finance leases	-	27,136	55,787	131,115	-	214,038
Trade and other payables	262,450	3,308,317	1,120,022	-	-	4,690,789
Year ended 30 June 2012	262,450	3,335,453	1,175,809	131,115	-	4,904,827

38. CASH AND CASH EQUIVALENTS

	June 30, 2013	June 30, 2012
	Rs '000	
Cash and bank balances - note 20	9,064,275	1,675,160
Short-term highly liquid investments - note 19	28,333,503	35,265,000
	37,397,778	36,940,160

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Non-Executive Director		Executives	
	Year ended June 30, 2013	Year ended June 30, 2012	Year ended June 30, 2013	Year ended June 30, 2012	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000					
Managerial remuneration	32,433	26,256	1,804	1,500	3,261,755	2,670,457
Housing, conveyance and utilities	-	-	-	-	122,798	20,620
Retirement benefits	7,154	5,627	-	-	664,767	523,875
Bonus	-	-	-	-	55,622	12,006
Medical and leave passage	159	134	-	-	217,463	155,737
Leave encashment	1,566	-	-	-	92,933	42,921
	41,312	32,017	1,804	1,500	4,415,338	3,425,616
				-		
Number, including those who worked for part of the year	1	1	1	1	1,165	1,046

39.1 Certain executives including the Chief Executive of the Holding Company are also provided with free use of Holding Company's cars and club subscriptions in accordance with their entitlements.

39.2 Aggregate amount charged in these consolidated financial statements in respect of fees paid to nine non-executive directors of the Holding Company was Rs 11.771 million (2012: Rs 0.905 million for nine directors).

	Year ended June 30, 2013	Year ended June 30, 2012
40. EARNINGS PER SHARE		
40.1 Basic earnings per share		
Profit after taxation (Rs '000)	42,115,248	40,968,639
Dividend on convertible preference shares (Rs '000)	(42)	(41)
Profit attributable to ordinary shareholders (Rs '000)	42,115,206	40,968,598
		(Restated)
Weighted average number of ordinary shares in issue	1,643,096,346	1,643,096,346
Basic earnings per share (Rs)	25.63	24.93

Profit after taxation has been adjusted for dividend to a maximum rate of thirty percent per annum of the value of the total number of convertible preference shares held.

40.2 Diluted earnings per share

	Year ended June 30, 2013	Year ended June 30, 2012
Profit after taxation (Rs '000)	42,115,248	40,968,639
Weighted average number of ordinary shares in issue	1,643,096,346	1,643,096,346
Adjustment for conversion of convertible preference shares	13,840	13,840
		(Restated)
Weighted average number of ordinary shares for diluted earnings per share	1,643,110,186	1,643,110,186
Diluted earnings per share (Rs)	25.63	24.93

40.3 During the current year, the Holding Company has issued 25% bonus shares (i.e. one ordinary share for every four ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2012.

41. FINAL DIVIDEND

The Board of Directors of the Holding Company in their meeting held on 21 August 2013 have recommended 20% bonus shares (328,619,269 shares) i.e. one share for every five ordinary shares held (2012: 25% bonus shares (328,619,269 shares) i.e. one shares for every four ordinary shares held) and final cash dividend @ 55% amounting to Rs 9,037.030 million (2012: @ 65% amounting to Rs 8,544.101 million) on the existing paid-up value of the ordinary share capital for approval of the shareholders in the Annual General Meeting to be held on 30 September, 2013.

42. TRANSACTIONS WITH RELATED PARTIES

42.1 Transactions with related parties are as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
Sales of gas to State controlled entities (including Government Levies):		
GENCO-II	13,636,828	17,047,862
SNGPL	59,596,081	57,073,719
SSGCL	14,556,736	14,729,807
	87,789,645	88,851,388
Trade debts and other receivables from State controlled entities as at June 30	See notes 12,14 and 18	
Transactions with Bolan Mining Enterprises:		
Share of profit received	15,000	25,000
Purchase of goods	60,966	-
Reimbursement of employee cost on secondment	13,368	10,665
Transactions with Joint Ventures:		
Payments of cash calls to joint ventures	24,267,538	13,842,057
Expenditures incurred by the joint ventures	26,527,470	13,315,878
Amounts receivable from / (payable to) joint venture partners as at June 30	See notes 15, 18 and 27.2	
Income from rental of assets to joint ventures	1,158	91,730
Other related parties:		
Dividend to GoP	14,244,675	7,203,138
Dividend to Trust under BESOS	1,473,852	1,225,062
Transactions with retirement benefit funds	See notes 30.1 and 31	
Remuneration to key management personnel	See note 39	
Payment of rental to Pakistan Industrial Development Corporation	52,133	45,723
Payment to National Insurance Company Limited	1,149,267	692,551
Payment to Pakistan State Oil Company Limited	264,008	100,871

42.2 Gas sales are made to various State controlled utility organisations, at prices notified by the GoP. Transactions with Bolan Mining Enterprises for purchase of goods are conducted at prices determined by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller. Transactions with other parties are carried at fair value.

43. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Group are organised into one operating segment i.e. exploration, development and production of oil and gas. The Group operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these consolidated financial statements are related to the Group's only reportable segment.

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the production and revenue figures reported in these consolidated financial statements relate to the Group's only reportable operating segment in Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Group's overall revenue related to exploration, development and production of oil and gas.

	Year ended June 30, 2013	Year ended June 30, 2012
	Rs '000	
GENCO-II	13,636,828	17,047,862
SSGCL	14,556,736	14,729,807
SNGPL	59,596,081	57,073,719
ARL	31,248,917	26,933,567
	119,038,562	115,784,955

44. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 21 August, 2013 by the Board of Directors of the Holding Company.

45. GENERAL

45.1 Number of employees

Number of permanent employees as at June 30, 2013 was 2,712 (2012: 2,660) and average number of employees during the year was 2,675 (2012: 2,696).

45.2 Capacity and production

Product	Unit	Actual production for the year (Group's share)
Natural gas	MMCF	350,780
Crude oil	BBL	2,948,597
NGL / Condensate	BBL	737,408
LPG	M. Ton	17,136

Due to the nature of operations of the Group, installed capacity of above products is not relevant.

Notes to and Forming Part of the Consolidated Financial Statements

for the year ended June 30, 2013

45.3 Corresponding figures

45.3.1 As the subsidiary companies were acquired and incorporated during the current year, hence corresponding figures of consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity are not comparable.

45.3.2 Corresponding figures have been reclassified for the purpose of better presentation and comparison. Material changes made during the year are as follows:

Note	Reclassification from the caption component	Note	Reclassification to the caption component	Amount Rs '000
37	Managerial remuneration (2012)	39	Leave encashment (2012)	42,921
11	Stores and spares (2012)	6	Capital work-in progress (2012)	1,013,481
11	Stores and spares (2011)	6	Capital work-in progress (2011)	506,139
21.4	Assets acquisition reserve (2011)	22	Un-appropriated profit (2011)	583,843

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

Director

Chief Executive

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Provident Fund Trust Company (Private) Limited (the Company) as at 30 June, 2013 together with the notes forming part thereof, 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 statement in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on the statements based on our audit.

We conducted our audit in accordance with 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 has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account; and

   (ii) no expenditure was incurred and no investments were made during the year;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet 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 30 June, 2013; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi
21 August, 2013

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Balance Sheet as at June 30, 2013

	June 30, 2013 Rupees	June 30, 2012 Rupees
Share Capital		
Authorised, issued and fully paid-up 100 (2012: 100) Ordinary share of Rs 10 each (note 4)	**1,000**	1,000
Asset		
Current account with the bank	**1,000**	1,000

Notes

1 Pakistan Petroleum Provident Fund Trust Company (Private) Limited was incorporated in Pakistan as a private limited company on November 7, 1955. The Company is engaged in administrating the trusts formed for the benefits of the employees of Pakistan Petroleum Limited.

2 These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984. A profit and loss account has not been prepared as the Company had no revenue or cash transactions during the years ended June 30, 2013 and June 30, 2012. All administrative costs incurred are borne by the parent company – Pakistan Petroleum Limited.

3 During the year, a penalty of Rs 1 million was imposed by Securities and Exchange Commission of Pakistan (SECP) on the Company for alleged contravention of provisions of Section 15 (A) (1) of the Securities and Exchange Ordinance, 1969 (SE Ordinance). The Company has filed an Appeal with SECP in this respect. In view of the legal opinion received from its legal counsel, the Company is confident that the matter will be decided in favour of the Company. Accordingly, no provision in respect of the alleged penalty amount has been booked in the books of the Company as at June 30, 2013.

4 Hundred percent equity of the Company is owned by its parent company - Pakistan Petroleum Limited.

Director

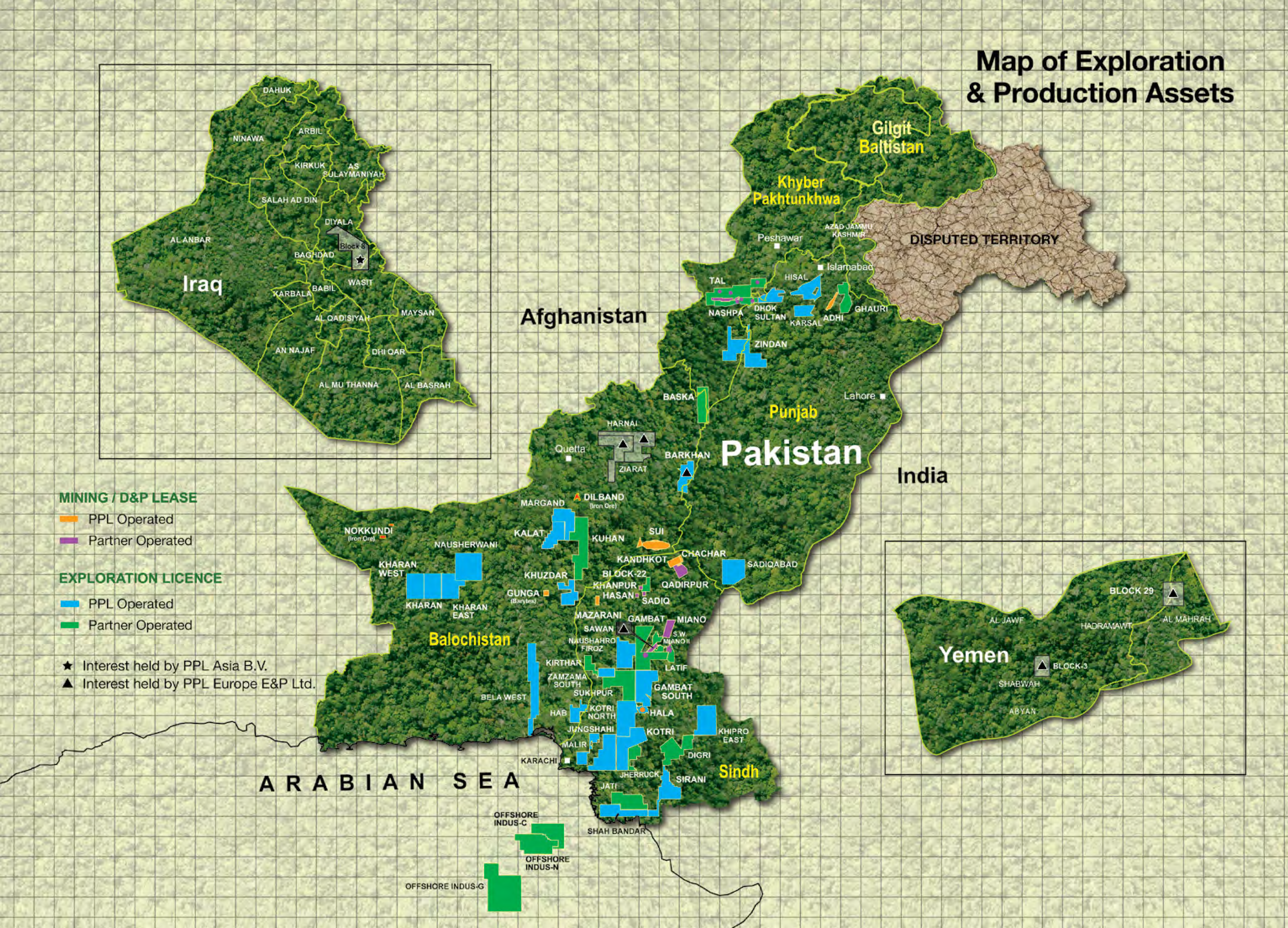
Moin Raza Khan

Chief Executive

List of **Abbreviations**

Abbreviation	Description	Abbreviation	Description
AROL	Asia Resource Oil Limited	KM	Kilometer
AVO	Amplitude Variation with Offset	KPBV	Kirthar Pakistan B.V.
BBL	Barrels	KPI	Key Performance Indicator
BCM	Business Continuity Management	KUFPEC	Kuwait Foreign Petroleum Exploration Company
BME	Bolan Mining Enterprises	LAN	Local Area Network
BPD	Barrels per day	LPG	Liquefied Petroleum Gas
BYOD	Bring Your Own Device	LLI	Long Lead Items
CCG	Code of Corporate Governance	M	Meter
CEO	Chief Executive Officer	M&A	Mergers and Acquisitions
CPF	Central Processing Facility	MPCL	Mari Petroleum Company Limited
DOC	Declaration of Commerciality	MMSCF	Million Standard Cubic Feet
D&PL	Development and Production Lease	MMSCFD	Million Standard Cubic Feet Per Day
EDPSC	Exploration, Development & Production Service Contract	MND	MND Exploration & Production Limited
EIA	Environmental Impact Assessment	MOL	MOL Pakistan Oil and Gas BV
EL	Exploration License	NHEPL	New Horizon Exploration and Production Limited
Eni	Eni Pakistan Limited	NBFI	Non-Banking Financial Institution
EPF	Early Production Facility	NGL	Natural Gas Liquids
EPS	Earnings per Share	OGDCL	Oil and Gas Development Company Limited
ERW	Extended Reach Well	OHSAS	Occupational Health and Safety Assessment System
EWT	Extended Well Testing	OMV	OMV (Pakistan) Exploration GmbH
E&P	Exploration and Production	PEII	Pyramid Energy International Incorporated
FDP	Field Development Plan	PEL	Petroleum Exploration (Pvt.) Limited
FWO	Frontier Works Organization	PKP	Premier Kufpec Pakistan
GDS	Gas Development Surcharge	POGC	Polish Oil & Gas Company
GENCO-II	Central Power Generation Company Limited	POL	Pakistan Oilfields Limited
GHPL	Government Holdings (Pvt.) Limited	PSDM	Pre-Stack Depth Migration
GIIP	Gas Initial In Place	PSTM	Pre-Stack Time Migration
G&G	Geological & Geophysical	RTM	Reverse Time Migration
HRL	Habib Rahi Limestone	SAITA	Saita Pakistan Pte Ltd.
HSE	Health, Safety and Environment	SAP	System Application Products in Data Processing
HSFO	High Sulfur Fuel Oil	SML	Sui Main Limestone
IAS	International Accounting Standards	SNGPL	Sui Northern Gas Pipelines Limited
ICAP	Institute of Chartered Accountants of Pakistan	SSGCL	Sui Southern Gas Company Limited
ICMAP	Institute of Cost & Management Accountants of Pakistan	SUL	Sui Upper Limestone
IEE	Initial Environmental Examination	TD	Target Depth
IFRIC	International Financial Reporting Interpretations Committee	TCF	Trillion Cubic Feet
IFRS	International Financial Reporting Standards	TGS	Tight Gas Sand
ISO	International Organization for Standardization	UEPL	United Energy Pakistan Limited
IT	Information Technology	ZHENHUA	China ZhenHua Oil Co. Ltd.
JV	Joint Venture		

Map of Exploration & Production Assets



List of **Producing and Exploration** Assets

As on 30 June, 2013

Producing Fields / Discoveries

S. No.		PPL Working Interest (%)	Operator
1	Sui	100	PPL
2	Kandhkot	100	PPL
3	Adhi	39	PPL
4	Mazarani	87.50	PPL
5	Chachar	75	PPL
6	Hala	65	PPL
7	Qadirpur	7	OGDCL
8	Miano	15.16	OMV
9	Sawan [1]	34.07	OMV
10	Block-22(Hasan, Sadiq and Khanpur)	35.53	PEL
11	Tal Block (Manzalai, Makori, Makori East, Mamikhel and Maramzai)	27.76	MOL
12	Nashpa (Nashpa and Mela)	26.05	OGDCL
13	Latif	33.30	OMV
14	Gambat	23.68	OMV

Exploration Blocks

	Onshore		
1	Hala	65	PPL
2	Khuzdar	65	PPL
3	Kalat	35	PPL
4	Barkhan [3]	85	PPL
5	Gambat South	65	PPL
6	Jungshahi	100	PPL
7	Kharan	100	PPL
8	Kharan East	100	PPL
9	Kharan West	100	PPL
10	Dhok Sultan	75	PPL
11	Kotri North	90	PPL
12	Kotri	100	PPL
13	Sirani	75	PPL
14	Zindan	35	PPL
15	Naushahro Firoz	90	PPL
16	Zamzama South	100	PPL
17	Bela West [2]	100	PPL

S. No.		PPL Working Interest (%)	Operator
18	Margand [2]	100	PPL
19	Hab [2]	100	PPL
20	Nausherwani [2]	100	PPL
21	Hisal [2]	100	PPL
22	Karsal [2]	100	PPL
23	Sadiqabad [2]	100	PPL
24	Malir [2]	100	PPL
25	Shah Bandar [2]	100	PPL
26	Khipro East [2]	100	PPL
27	Tal	30	MOL
28	Gambat	30	OMV
29	Nashpa	30	OGDCL
30	South West Miano-II	33.30	OMV
31	Latif	33.30	OMV
32	Block-22 (Hamza)	45	PEL
33	Kirthar	30	POGC
34	Baska	49	ZHENHUA
35	Sukhpur	30	ENI
36	Jherruck	30	NHEPL
37	Digri	25	UEP
38	Ghauri	35	MPCL
39	Jati	25	KPBV
40	Kuhan [2]	50	OMV
	Offshore		
41	Offshore Indus C	40	ENI
42	Offshore Indus N	30	ENI
43	Offshore Indus G	25	ENI
	International		
44	Iraq (Block-8)	100	PPL
45	Yemen (Block-29)	43.75	OMV
	PPL Europe Exploration & Production Limited (PPLE)		
46	Ziarat	40	MPCL
47	Harnai	40	MPCL
48	Yemen (Block-3)	20	TOTAL

Notes

1. Including the working interest of 7.89% held by PPLE.
2. New Blocks won in the bidding round 2013. Assignment and Licensing of the Blocks are under process.
3. The working interest includes 50% interest held by PPLE.

Pattern of **Shareholding**

As at June 30, 2013

From		To	Number of Shareholders	Total Shares held
1	-	100	1,606	72,874
101	-	500	2,770	759,856
501	-	1,000	1,641	1,333,029
1,001	-	5,000	12,854	19,121,391
5,001	-	10,000	582	4,409,848
10,001	-	15,000	266	3,337,223
15,001	-	20,000	137	2,451,840
20,001	-	25,000	86	1,976,478
25,001	-	30,000	75	2,093,643
30,001	-	35,000	54	1,769,592
35,001	-	40,000	43	1,640,300
40,001	-	45,000	22	951,634
45,001	-	50,000	32	1,565,518
50,001	-	55,000	25	1,339,162
55,001	-	60,000	15	867,681
60,001	-	65,000	11	692,554
65,001	-	70,000	17	1,156,527
70,001	-	75,000	14	1,017,088
75,001	-	80,000	13	1,010,444
80,001	-	85,000	8	658,948
85,001	-	90,000	11	964,890
90,001	-	95,000	6	554,084
95,001	-	100,000	15	1,481,807
100,001	-	105,000	4	406,281
105,001	-	110,000	7	757,143
110,001	-	115,000	4	450,552
115,001	-	120,000	8	948,172
120,001	-	125,000	3	369,770
125,001	-	130,000	4	504,770
130,001	-	135,000	3	401,041
135,001	-	140,000	4	551,990
140,001	-	145,000	4	576,970
145,001	-	150,000	6	888,764
150,001	-	155,000	3	458,337
155,001	-	160,000	3	473,410
160,001	-	165,000	2	324,798
165,001	-	170,000	5	843,024
170,001	-	175,000	2	347,000
175,001	-	180,000	1	176,573
180,001	-	185,000	3	545,720
185,001	-	190,000	1	188,428
190,001	-	195,000	1	194,850
195,001	-	200,000	5	999,888
200,001	-	205,000	1	200,300
205,001	-	210,000	1	208,640
210,001	-	215,000	2	428,350
220,001	-	225,000	3	671,652
225,001	-	230,000	2	453,305
230,001	-	235,000	4	926,923
235,001	-	240,000	4	951,468
245,001	-	250,000	1	250,000
250,001	-	255,000	3	757,127
255,001	-	260,000	1	256,225
260,001	-	265,000	3	784,512
265,001	-	270,000	1	267,393
270,001	-	275,000	3	824,929
275,001	-	280,000	3	832,860

Pattern of **Shareholding**

As at June 30, 2013

From		To	Number of Shareholders	Total Shares held
280,001	-	285,000	2	568,296
290,001	-	295,000	1	294,030
305,001	-	310,000	2	611,875
320,001	-	325,000	1	320,458
325,001	-	330,000	2	657,500
330,001	-	335,000	3	995,692
340,001	-	345,000	2	686,901
355,001	-	360,000	2	712,700
360,001	-	365,000	1	362,150
365,001	-	370,000	3	1,098,262
370,001	-	375,000	2	744,820
375,001	-	380,000	1	378,500
380,001	-	385,000	1	383,877
390,001	-	395,000	1	391,560
395,001	-	400,000	1	399,323
400,001	-	405,000	1	400,750
405,001	-	410,000	1	410,000
410,001	-	415,000	1	413,875
415,001	-	420,000	2	835,152
425,001	-	430,000	1	428,750
445,001	-	450,000	1	450,000
455,001	-	460,000	2	912,185
465,001	-	470,000	1	468,270
470,001	-	475,000	1	473,017
475,001	-	480,000	2	957,531
480,001	-	485,000	1	484,600
485,001	-	490,000	1	487,000
495,001	-	500,000	1	500,000
500,001	-	505,000	1	502,235
505,001	-	510,000	1	506,214
520,001	-	525,000	1	525,000
530,001	-	535,000	1	530,490
540,001	-	545,000	1	544,500
545,001	-	550,000	3	1,644,882
550,001	-	555,000	1	551,696
565,001	-	570,000	1	565,865
575,001	-	580,000	1	576,856
580,001	-	585,000	1	583,996
590,001	-	595,000	3	1,776,227
620,001	-	625,000	2	1,245,911
665,001	-	670,000	1	667,356
670,001	-	675,000	2	1,348,262
680,001	-	685,000	1	680,050
690,001	-	695,000	1	691,650
705,001	-	710,000	1	710,000
715,001	-	720,000	1	719,540
740,001	-	745,000	1	740,200
775,001	-	780,000	1	778,560
815,001	-	820,000	1	815,357
845,001	-	850,000	1	846,550
870,001	-	875,000	1	872,145
875,001	-	880,000	1	879,898
885,001	-	890,000	1	885,811
890,001	-	895,000	1	893,750
895,001	-	900,000	1	900,000
925,001	-	930,000	2	1,853,150
945,001	-	950,000	1	946,815

Pattern of **Shareholding**

As at June 30, 2013

From		To	Number of Shareholders	Total Shares held
975,001	-	980,000	1	975,192
995,001	-	1,000,000	1	1,000,000
1,000,001	-	1,005,000	1	1,000,200
1,010,001	-	1,015,000	1	1,010,805
1,015,001	-	1,020,000	1	1,015,202
1,045,001	-	1,050,000	1	1,045,922
1,065,001	-	1,070,000	1	1,065,427
1,070,001	-	1,075,000	1	1,072,488
1,105,001	-	1,110,000	1	1,109,490
1,280,001	-	1,285,000	1	1,280,170
1,285,001	-	1,290,000	2	2,576,823
1,295,001	-	1,300,000	1	1,296,870
1,335,001	-	1,340,000	1	1,335,430
1,340,001	-	1,345,000	1	1,344,902
1,470,001	-	1,475,000	1	1,475,000
1,490,001	-	1,495,000	1	1,495,000
1,515,001	-	1,520,000	1	1,518,800
1,520,001	-	1,525,000	1	1,525,000
1,680,001	-	1,685,000	1	1,682,500
1,720,001	-	1,725,000	1	1,725,000
1,750,001	-	1,755,000	1	1,754,422
1,760,001	-	1,765,000	1	1,764,458
2,300,001	-	2,305,000	1	2,303,115
2,375,001	-	2,380,000	1	2,376,000
2,560,001	-	2,565,000	1	2,560,738
2,585,001	-	2,590,000	1	2,587,135
2,635,001	-	2,640,000	1	2,636,876
2,710,001	-	2,715,000	1	2,711,062
2,730,001	-	2,735,000	1	2,730,830
2,920,001	-	2,925,000	1	2,924,500
3,525,001	-	3,530,000	1	3,526,575
3,550,001	-	3,555,000	1	3,552,415
3,735,001	-	3,740,000	1	3,737,117
3,790,001	-	3,795,000	1	3,794,933
3,800,001	-	3,805,000	1	3,803,585
3,940,001	-	3,945,000	1	3,943,655
3,980,001	-	3,985,000	1	3,983,265
4,030,001	-	4,035,000	1	4,034,020
4,825,001	-	4,830,000	1	4,827,452
4,885,001	-	4,890,000	1	4,886,227
5,030,001	-	5,035,000	1	5,030,505
5,685,001	-	5,690,000	1	5,689,243
6,080,001	-	6,085,000	1	6,082,561
6,770,001	-	6,775,000	1	6,772,880
12,930,001	-	12,935,000	1	12,931,233
25,225,001	-	25,230,000	1	25,227,601
31,065,001	-	31,070,000	1	31,069,668
60,840,001	-	60,845,000	1	60,842,585
120,805,001	-	120,810,000	1	120,807,560
1,157,160,001	-	1,167,596,293	1	1,167,596,293
			20,536	1,643,096,346

Pattern of **Shareholding**

As at June 30, 2013

Categories of Shareholders	No. of Shareholders	No. of Shares Held	%age
Ordinary shares			
Directors, CEO and their spouse and minor children	3	70,687	*
Associated companies, undertakings and related parties			
PPL Employees Empowerment Trust	1	120,807,560	7.35
PPL Employees Retirement Benefit Funds	6	914,627	0.06
NIT and ICP	2	2,838,118	0.17
Banks, Development Financial Institutions, Non-Banking Financial Institutions	26	9,417,174	0.57
Insurance Companies	19	7,154,761	0.44
Modarabas and Mutual Funds	79	32,485,908	1.98
Shareholders holding 10% or more			
Government of Pakistan	1	1,167,596,293	71.06
General Public			
Local	19,719	59,622,823	3.63
Foreign	222	251,772	0.02
Others			
Non-Resident Financial Institutions	100	163,117,957	9.93
Public Sector Companies and Corporations	14	60,330,951	3.67
Joint Stock Companies	189	11,389,435	0.69
Employee Trust / Foundations etc.	148	7,087,883	0.43
Administrator of Abandoned Properties	2	9,605	*
Nazir of High Court	5	792	*
	20,536	1,643,096,346	100.00
Convertible Preference Shares			
Individuals	75	13,430	97.04
Joint Stock Companies	1	370	2.67
Nazir of High Court	1	40	0.29
	77	13,840	100.00

* Negligible

Pattern of **Shareholding**

As at June 30, 2013

Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

Shareholders' Category	No. of Shareholders	No. of Shares Held
Associated Companies, undertakings and related parties		
Trustees PPL Senior Provident Fund	1	846,550
Trustees PPL Junior Provident Fund	1	11,000
Trustees PPL Executive Staff Pension Fund	1	34,903
Trustees PPL Non-Executive Staff Pension Fund	1	11,155
Trustees PPL Executive Staff Gratuity Fund	1	6,046
Trustees PPL Non-Executive Staff Gratuity Fund	1	4,973
PPL Employees Empowerment Trust	1	120,807,560
Mutual Funds (namewise details are given on next page)	70	32,184,950
Directors, their spouses and minor children		
Mr. Asim Murtaza Khan	1	69,997
Mr. Javed Akbar	1	688
Mr. Javed Masud	1	2
Executives	140	211,424
Public Sector Companies & Corporations	14	60,330,951
Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas & Pension Funds	75	17,810,949
Shareholders holding five percent or more voting rights		
President of the Islamic Republic of Pakistan	1	1,167,596,293
PPL Employees Empowerment Trust	1	120,807,560

Trade in shares of the Company by Directors, Executives, their spouses and minor children

Name	Date	Previous Holding	Purchase	Rate Rs / Share	Holding as on 30 June, 2013
Mr. Javed Masud	22 Feb, 2013	-	2	10	2

Pattern of **Shareholding**

Namewise Details of Mutual Funds as at June 30, 2013

S.No	Name	Shareholding
1	Adamjee Life Assurance Co. Ltd. - Amaanat Fund	2,700
2	Prudential Stock Fund Ltd.	42
3	CDC - Trustee Pakistan Stock Market Fund	277,148
4	CDC - Trustee Pakistan Capital Market Fund	154,525
5	CDC - Trustee PICIC Investment Fund	576,856
6	CDC - Trustee PICIC Growth Fund	1,045,922
7	CDC - Trustee Pak Strategic Alloc. Fund	136,848
8	CDC - Trustee Atlas Stock Market Fund	275,000
9	CDC - Trustee Meezan Balanced Fund	456,120
10	CDC - Trustee JS Islamic Fund	55,000
11	CDC - Trustee Alfalah GHP Value Fund	168,237
12	CDC - Trustee Unit Trust of Pakistan	215,000
13	Asian Stock Fund Limited	415,152
14	CDC - Trustee AKD Index Tracker Fund	81,742
15	CDC - Trustee PICIC Energy Fund	975,192
16	Safeway Mutual Fund Limited	428,750
17	CDC - Trustee Pak. Int. Element Islamic Asset Allocation Fund	85,225
18	MC FSL - Trustee JS KSE-30 Index Fund	17,373
19	CDC - Trustee Al Meezan Mutual Fund	885,811
20	CDC - Trustee Meezan Islamic Fund	3,526,575
21	CDC - Trustee UBL Stock Advantage Fund	525,000
22	CDC - Trustee Atlas Islamic Stock Fund	200,000
23	CDC - Trustee UBL Sharia Stock Fund	680,050
24	CDC - Trustee NAFA Stock Fund	188,428
25	CDC - Trustee NAFA Multi Asset Fund	54,186
26	CDC - Trustee MCB Dynamic Stock Fund	239,131
27	CDC - Trustee Askari Asset Allocation Fund	73,300
28	CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	331,381
29	CDC - Trustee APF-Equity Sub Fund	28,000
30	CDC - Trustee JS Pension Savings Fund - Equity Account	6,000
31	CDC - Trustee Alfalah GHP Islamic Fund	172,500
32	CDC - Trustee HBL - Stock Fund	1,010,805
33	CDC - Trustee NAFA Islamic Multi Asset Fund	33,900
34	CDC - Trustee APIF - Equity Sub Fund	30,000
35	MC FSL - Trustee JS Growth Fund	60,000
36	CDC - Trustee HBL Multi - Asset Fund	65,000
37	CDC - Trustee KASB Asset Allocation Fund	40,000
38	CDC - Trustee MCB Dynamic Allocation Fund	166,500
39	First Capital Mutual Fund Limited	100,000
40	CDC - Trustee IGI Stock Fund	58,000
41	CDC - Trustee Alfalah GHP Alpha Fund	48,375
42	CDC - Trustee NIT State Enterprise Fund	12,931,233
43	CDC - Trustee NIT-Equity Market Opportunity Fund	2,303,115
44	CDC - Trustee ABL Stock Fund	333,000
45	MC FSL - Trustee Askari Islamic Asset Allocation Fund	59,000
46	CDC - Trustee First Habib Stock Fund	54,626
47	CDC - Trustee Lakson Equity Fund	40,000
48	CDC - Trustee Crosby Dragon Fund	75,990
49	MCBFSL - Trustee URSF-Equity Sub Fund	56,175
50	MCBFSL - Trustee UIRSF-Equity Sub Fund	43,675
51	CDC - Trustee NAFA Asset Allocation Fund	872
52	CDC - Trustee Pakistan Premier Fund	115,721
53	CDC - Trustee NAFA Savings Plus Fund - MT	477,900
54	CDC - Trustee AKD Aggressive Income Fund - MT	65,500
55	CDC - Trustee HBL Islamic Stock Fund	184,707
56	Trustee - Pakistan Pension Fund - Equity Sub Fund	44,936
57	Trustee - Pakistan Islamic Pension Fund - Equity Sub Fund	33,086
58	CDC - Trustee Meezan Capital Protected Fund-II	38,550
59	CDC - Trustee PICIC Stock Fund	48,000
60	CDC - Trustee Askari Equity Fund	62,000
61	MCBFSL - Trustee ABL AMC Capital Protected Fund	37,600
62	CDC - Trustee KSE Meezan Index Fund	530,490
63	MCBFSL - Trustee ABL Islamic Stock Fund	367,000
64	CDC - Trustee JS Aggressive Asset Allocation Fund	78,700
65	CDC - Trustee ABL Income Fund	35,500
66	CDC - Trustee PICIC Income Fund - MT	95,200
67	MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	30,000
68	CDC - Trustee Lakson Income Fund - MT	15,000
69	CDC - Trustee First Habib Islamic Balanced Fund	39,000
70	CDC - Trustee Atlas Income Fund - MT	98,600
		32,184,950

Notice of **Annual** General Meeting

NOTICE is hereby given that the 62nd Annual General Meeting of the Company will be held at Marriot Hotel, Karachi on Monday, 30 September, 2013, at 10:00 a.m. for transacting the following business:

Ordinary Business

1. To receive and consider the Report of Directors and the Audited Balance Sheet and Accounts of the Company, together with the Auditors' Report thereon, for the financial year ended 30 June, 2013.

2. To approve, as recommended by the Directors, payment of final dividend of fifty five percent (55%) on the paid-up Ordinary Share Capital for the financial year ended 30 June, 2013. This is in addition to an interim dividend of fifty percent (50%) on paid-up Ordinary Share Capital and thirty percent (30%) on the paid-up Convertible Preference Share Capital already paid to shareholders during the year.

3. To elect ten (10) Directors of the Company for a period of three years commencing from the date of elections in accordance with the provisions of Sections 178 and 180 of the Companies Ordinance, 1984.

   a) The number of directors to be elected has been fixed by the Board at ten (10) under Section 178(1) of the Companies Ordinance, 1984.

   b) The names of the retiring directors are as follows:-

      (i) Mr. Asim Murtaza Khan
      (ii) Mr. Sajid Zahid
      (iii) Mr. Saquib H. Shirazi
      (iv) Dr. Amer Sheikh
      (v) Mr. Saeedullah Shah
      (vi) Mr. Zain Magsi
      (vii) Mr. Mohsin Aziz
      (viii) Mr. Javed Masud
      (ix) Mr. Javed Akbar

4. To appoint auditors for the year ending 30 June, 2014 and fix their remuneration.

Special Business

5. To approve, as recommended by the Directors, issue of bonus shares in proportion of one (1) Ordinary share for every five (5) Ordinary shares held by the Members (i.e. 20%).

A Statement under Section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the shareholders along with this Notice.

By Order of the Board

M. MUBBASSHAR SIDDIQUI
Company Secretary

Registered Office:
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi
8 September, 2013

Notes:

1. Closure of Share Transfer Books:

   a. The Share Transfer Books of the Company will remain closed from 18 September, 2013 to 30 September, 2013 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers received in order at the office of our Share Registrars M/s FAMCO Associates (Pvt) Ltd, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, by the close of the business on 17 September, 2013 will be in time for the purpose of payment of final dividend and issue of bonus shares to the transferees.

   b. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him. Forms of Proxies, duly stamped and signed, and the power of attorney or other authority (if any) under which they are signed or a notarially certified copy of that power or authority must be deposited at the Shares Registrars office, M/s FAMCO Associates (Pvt) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, not later than 48 hours before the time of the meeting.

2. Eligibility of Candidates to Contest Election:

   a. Any person who seeks to contest the election of Directors shall file with the Company at its Registered Office not later than fourteen days before the day of the above said meeting his intention to offer himself for the election of Director in terms of Section 178(3) of the Companies Ordinance, 1984 together with:

      (i) Consent to act as Director on Form-28

      (ii) a Declaration under Rule 3(5) of Public Sector Companies (Corporate Governance) Rules, 2013 to the effect that he is not serving as a Director of five or more other Public Sector Companies and listed companies simultaneously, except their subsidiaries

      (iii) A Declaration that he is aware of the duties and powers of Directors under the Companies Ordinance 1984, the Memorandum and Articles of Association of the Company and the Listing Regulations of the Stock Exchanges and has read the relevant provisions contained therein

      (iv) A Declaration that he is a registered tax payer and has not been declared by a court of competent jurisdiction as a defaulter in repayment of loan to a financial institution or he, being a member of a stock exchange, has not been declared as a defaulter by such stock exchange.

3. Representation of Independent Director on Board:

   The Company encourages representation of independent directors on the Board in accordance with Rule 3(2) of the Public Sector Companies (Corporate Governance) Rules, 2013 which requires that forty percent of the total members of the Board shall be independent director in the first two years which shall be raised to majority subsequently.

4. No Voting Rights of CPS holders for election of Directors:

   In accordance with the provisions of Article 3 (v) of the Company's Articles of Association the holders of Convertible Preference Shares in the Company have no right at any time to vote in respect of any election of directors.

5. Guidelines for CDC Account Holders:

The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

a) For attending the meeting:

In case of individuals, the account holders or sub-account holders and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.

In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

(i) In case of individuals, the account holders or sub-account holders and / or persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations, shall submit the proxy forms as per the above requirements.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNICs or the passports of the individuals referred to at (i) above and the proxies shall be furnished with the proxy forms.

(iv) The proxies shall produce their original CNIC or original passport at the time of the meeting.

(v) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

6. Intimation of change of address:

Shareholders are requested to notify any change in their address immediately to our Shares Registrars M/s FAMCO Associates (Pvt.) Ltd.

7. Submission of copies of CNICs:

In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(I) 2012 dated July 05, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

Accordingly, Members who have not yet submitted copy of their valid CNIC/ NTN (in case of corporate entities) are requested to submit the same to the Company, with Members' folio no. mentioned thereon for updating record.

8. Minutes of previous AGM:

Copies of the minutes of the Annual General Meeting held on 28 September, 2012 will be available to the Members on request free of charge.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the 62nd Annual General Meeting of the Company to be held on 30 September, 2013.

1. Issue of Bonus Shares to Members

The Directors in their meeting held on 21 August, 2013 have recommended issue of bonus shares in proportion of one (1) Ordinary share for every five (5) Ordinary shares held by the Members (i.e. 20%).

The following Resolution is proposed to be passed as Ordinary Resolution:

RESOLVED THAT:

(i) A sum of Rs. 3,286,192,690 be capitalized out of the free reserves of the Company and applied towards issue of 328,619,269 Ordinary shares of Rs. 10 each as bonus shares in the proportion of one (1) Ordinary share for every five (5) Ordinary shares held by the Members whose names appear on the Member Register at the close of the business on 17 September, 2013.

(ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final dividend declared for the year ended 30 June, 2013.

(iii) Members entitled to fraction shares as a result of their holding either being less than five (5) Ordinary shares or in excess of an exact multiple of five (5) Ordinary shares shall be given the sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.

(iv) The Managing Director and Company Secretary be and are hereby jointly and/or severally authorized to give effect to this Resolution and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, distribution of the said bonus shares or payment of the sale proceeds of the fractions.

The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

Form of Proxy

The Company Secretary
Pakistan Petroleum Limited
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi

I / We ____

of ______________________________ being a Member of Pakistan Petroleum Limited

and holder(s) of ______________ Ordinary shares as per Share Register Folio No. __________

For beneficial owners as per CDC List

CDC Participant I.D. No. ______________ Sub Account No. ______________

CNIC No. ☐☐☐☐☐■☐☐☐☐☐☐☐■☐ Passport No. ______________

hereby appoint ______________ of ______________ who is also a Member of the Company, Folio No. ________ or failing him / her ______________ of ______________ who is also a Member of the Company, Folio No. ________ as my / our proxy to vote and act for my / our behalf at the 62nd Annual General Meeting of the Company to be held on 30 September, 2013 and at any adjournment thereof.

Signed this ________ day of September, 2013

Please affix
Rupees five
revenue
stamp

Signature of Member
(Signature should agree with the specimen
signature registered with the Company)

For beneficial owners as per CDC list

1. **Witness**	2. **Witness**
Signature: ______________	Signature: ______________
Name: ______________	Name: ______________
Address: ______________	Address: ______________
CNIC No: ☐☐☐☐☐■☐☐☐☐☐☐☐■☐	CNIC No: ☐☐☐☐☐■☐☐☐☐☐☐☐■☐
or Passport No: ______________	or Passport No: ______________

Notes

Proxies, in order to be effective, must be received at the Shares Registrars office, M/s FAMCO Associates (Pvt.) Ltd., 8-F Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi not later than 48 hours before the meeting.

CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission.

Affix
Correct
Postage

The Company Secretary
Pakistan Petroleum Limited
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi-75530
Pakistan

Pakistan Petroleum Limited

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