Mari Petroleum Company Limited
Annual Report 2014

Annual Report of Mari Petroleum Company Limited for the year ended June 30, 2014

mpcl.com.pk

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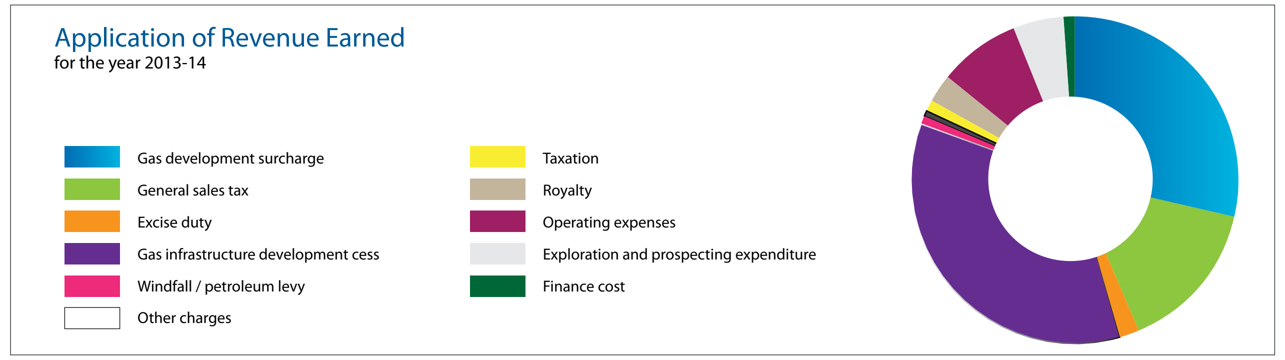
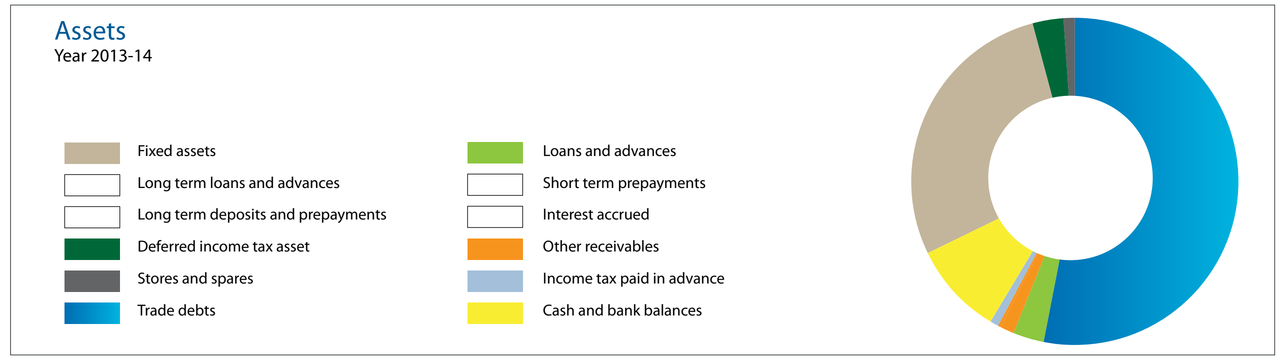
MPCL

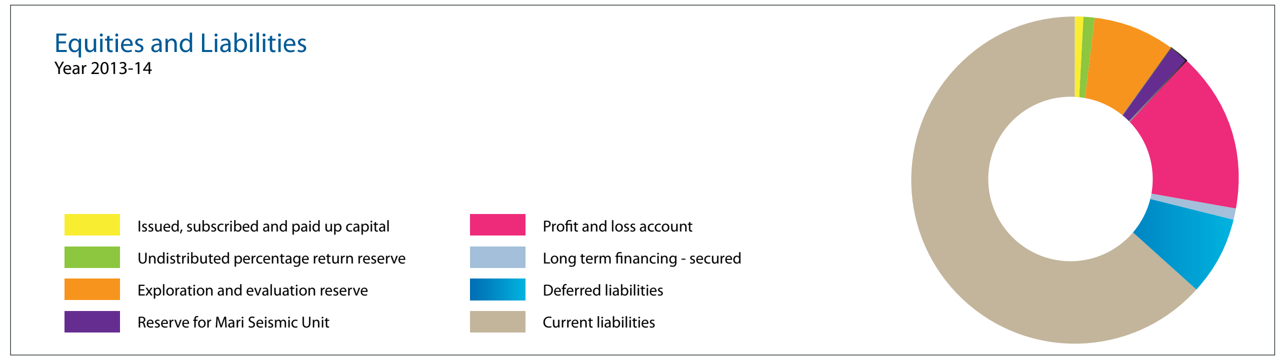
Head Office: 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad - 44000 UAN: +92 51 111 410 410 FAX: +92 51 2352859
Karachi Liaison Office: D-87, Block-4, Kehkashan Clifton, Karachi - 75600 P. O. Box: 3887 UAN: +92 21 111 410 410 FAX: +92 21 35870273
Daharki Field Office: Daharki, Distric Ghotki. UAN: +92 723 111 410 410 FAX: +92 723 641038
Quetta Liaison Office: 26, Survey-31, Defence Officers Housing Scheme, Airport Road, Quetta Tel: +92 081-2821052, 2864085, 2839790 Fax: +92 081-2834465

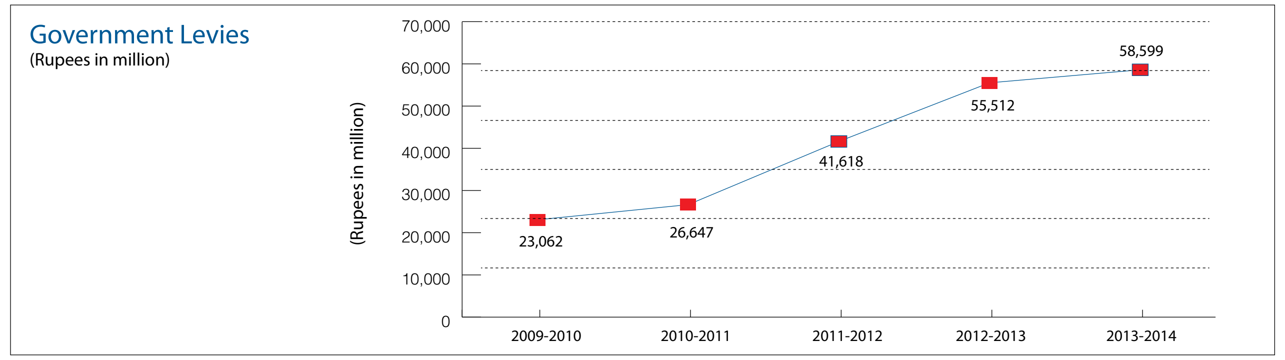
FINANCIAL HIGHLIGHTS

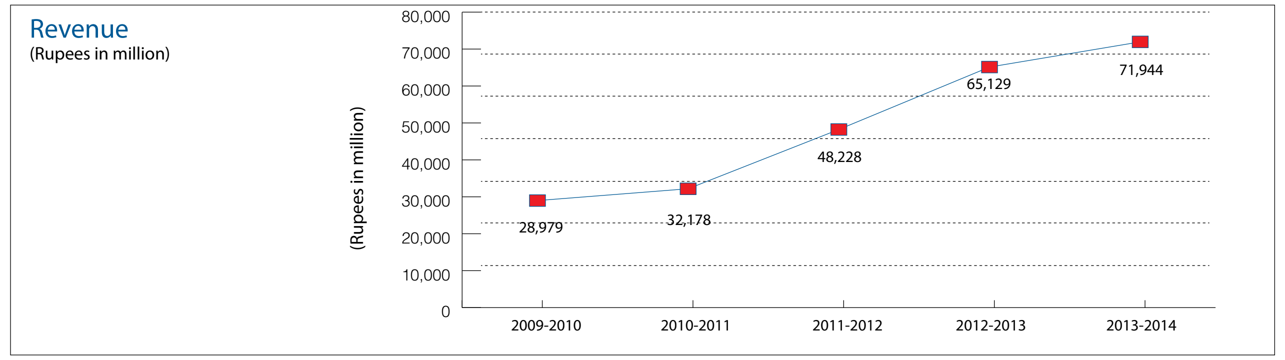
		Year 2013-14	Year 2012-13
Revenue	Rupees in million	71,944.12	65,128.56
Government levies	Rupees in million	58,599.39	55,511.89
Profit before taxation	Rupees in million	4,377.64	3,488.49
Profit for the year	Rupees in million	3,943.30	2,421.08
Dividend per share	Rupees	3.78	3.71
Property, plant and equipment - at cost	Rupees in million	12,798.64	9,426.47
Number of shares issued and subscribed	Shares in million	91.88	91.88

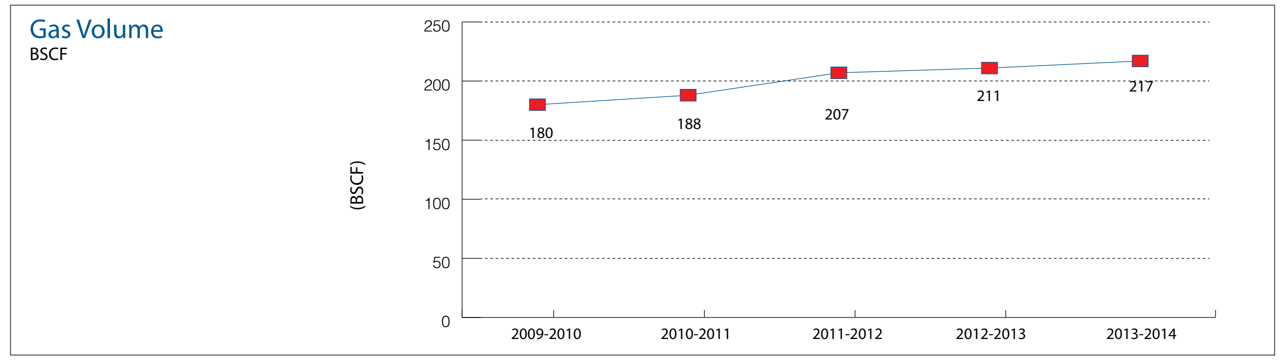


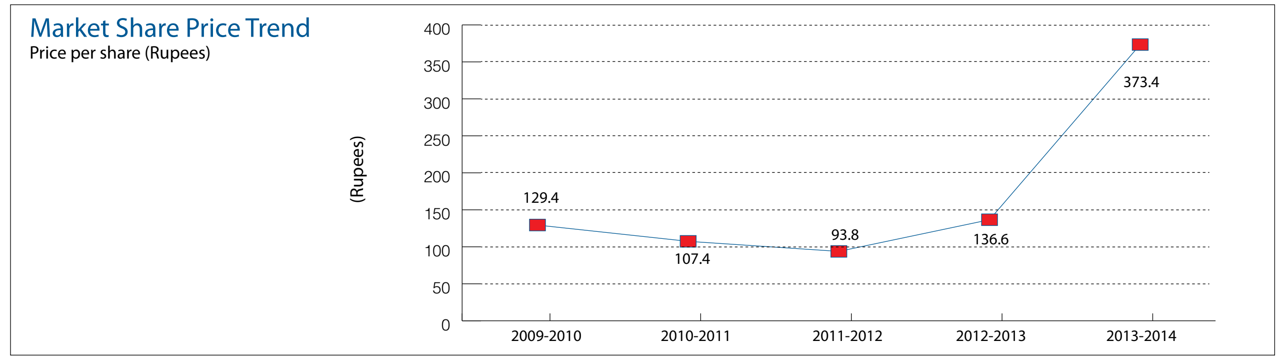


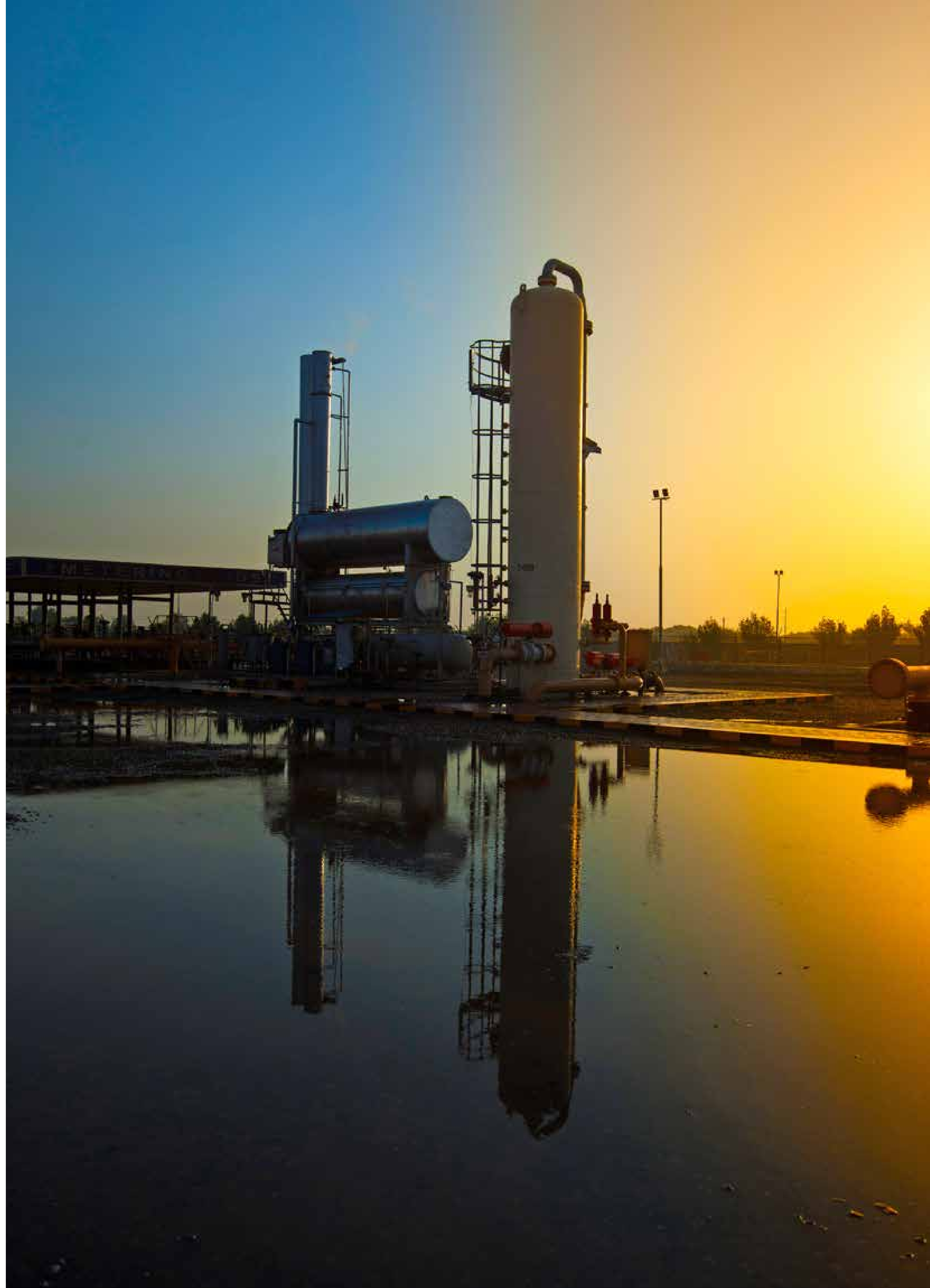












Maximising production *through*
Aggressive exploration *aiming at*
Reserves enhancement *using*
Innovative approaches

In the ever-changing energy landscape of today, we must constantly strive to meet the evolving needs of local and international businesses alike.

At Mari Petroleum Company Limited, we continually seek ways to create an energised Pakistan, through significantly contributing towards the national hydrocarbon reserves base.

On our cover, we reflect on the feats we have accomplished during the past year: from ground-breaking discoveries to the highest ever oil & gas production – our aggressive pursuits and innovative approaches have led us to maximise production in the shortest time frame yet.

COMPANY PROFILE

LEAVING NO STONE UNTURNED

MARI PETROLEUM COMPANY LIMITED (MPCL) IS PAKISTAN'S MAJOR E&P COMPANY OPERATING THE COUNTRY'S SECOND LARGEST GAS RESERVOIR AT MARI FIELD, DISTRICT GHOTKI, SINDH. THE COMPANY IS ENGAGED IN THE EXPLORATION, DEVELOPMENT AND PRODUCTION OF HYDROCARBON RESOURCES (NATURAL GAS, CRUDE OIL, CONDENSATE & LPG) IN THE COUNTRY.

Starting with just the production and sale of natural gas from a single field, the Company has expanded its scope of business over the years. It now offers full spectrum exploration, production and sale of oil, gas and other petroleum products in various concession areas, a feat which required a change of name reflecting the extended scope of business.

The Company was renamed Mari Petroleum Company Limited in November 2012. At present, in addition to Mari Gas Field, MPCL operates nine exploration blocks (Ziarat, Hanna, Harnai, Sukkur, Sujawal, Karak, Ghauri, Peshawar East and Khetwaro) and one D&P Lease (Zarghun South). The Company is also a non-operating joint venture partner in six exploration blocks (Kohlu, Kalchas, Kohat, Bannu West, Zindan and Hala).

As an Operator, MPCL has a 69.23% exploration success record, which is attributed to its dynamic, proactive and efficient approach. The Company not only embarked upon proven reservoir plays but also introduced new reservoir play concepts such as Pirkoh Limestone in Mari Field, Dunghan Limestone in Ziarat Block in Balochistan and Lower Goru Upper C-sand at

Sujjal-1 well in Sindh, which was considered to be non-prospective for these reservoirs.

In addition, MPCL's oil discovery at Ghauri X-1 well in Punjab is a significant success, being the first hydrocarbons discovery in Ghauri Block in the most eastern part of the Potowar Plateau after decades of multiple failures. Resultantly, the area was considered less prospective due to the possible absence of adequate source rock potential. Besides adding substantial resources to the Country's hydrocarbon reserve base, these discoveries have also expanded the hydrocarbon potential for other E&P companies operating in the extended fairways.

Seismic data acquisition, processing and drilling of exploratory wells are at the core of the exploration operations of an E&P Company. The Company has been outsourcing all of seismic and a majority of its drilling needs. However, due to cost factors, difficulty in the timely availability of contractual services and the prevailing security situation, the Company has added its integral services department, comprising of a 3D seismic unit, a 2D/3D seismic data processing centre, three land drilling rigs and two slick line units. Other critical services may be added in future.

BASED ON THE COMPANY'S REQUIREMENTS, MARI SERVICES DIVISION WILL NOT ONLY CATER TO THE IN-HOUSE NEEDS, BUT WILL ALSO OFFER THESE SERVICES ON COMPETITIVE BASIS TO OTHER E&P COMPANIES WORKING IN PAKISTAN AND ABROAD.

The Company is making significant contribution towards national development by providing raw material to the fertilizer industry and supplying gas for power generation. The Company's contribution to the national exchequer is to the tune of Rs. 59 billion per annum. On a regional level, the Company has not only provided jobs to the local population but has also developed infrastructure in its areas of operations, which has significantly helped in the development of these areas. Besides, numerous projects of local community welfare are being operated by MPCL benefitting the locals in the areas of operations.

The authorised share capital of the Company is Rs. 2,500,000,000 divided into 250,000,000 ordinary shares of Rs. 10/- each. The paid-up share capital of the Company is Rs. 918,750,000 divided into 91,875,000 ordinary shares of Rs. 10/- each. The shares of the Company, quoted on all the three Stock Exchanges of Pakistan, command due respect from the investors.

COMPANY INFORMATION

Registered Office

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

Daharki Field Office

Daharki, District Ghotki
Tel: (+92) 723-111-410-410
Tel: (+92) 723-660403 - 30
Fax: (+92) 723-641038

Karachi Liaison Office

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

Quetta Liaison Office

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

Shares Registrar

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

Auditors

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

Bankers

Allied Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Askari Bank Limited (Islamic Banking)
Bank AL Habib Limited
Bank Alfalah Limited
Bank Alfalah Limited (Islamic Banking)
Bank of Punjab
Burj Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
United Bank Limited

Legal Advisor

Ali Shah Associates
Advocates High Court
1-Ali Plaza, 4th Floor,
1-E, Jinnah Avenue,
Blue Area, Islamabad.
Tel: (+92) 51-2825632

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th Annual General Meeting of the Shareholders of Mari Petroleum Company Limited will be held on Friday, October 31, 2014 at 10:00 a.m., at the Registered Office of the Company situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

Ordinary Business

1. To confirm the minutes of the 29th Annual General Meeting held on October 29, 2013.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year 2014-15 and fix their remuneration.

Special Business

4. (a) To approve the issue of bonus shares in the ratio of one share for every five shares held (i.e. 20%) as recommended by the Board of Directors in their meeting held on September 30, 2014; and

   (b) To revise the already approved amount for transfer from undistributed percentage return reserve to specific capital reserve for investing in the joint venture for seismic acquisition unit; and

if thought fit, pass the following Resolution as Ordinary Resolution:

RESOLUTION

RESOLVED THAT a sum of Rs 183,750,000 (One Hundred Eighty Three Million Seven Hundred Fifty Thousand Only) out of the Reserves of the Company available for appropriation as at June 30, 2014, be capitalized and applied for the issue of 18,375,000 (Eighteen Million Three Hundred Seventy Five Thousand) ordinary shares of Rs.10/- each as fully paid bonus shares to the members of the Company whose names will appear on the Register of Members as at the close of business on October 24, 2014 in proportion of one share for every five shares held (i.e. 20%) and that such shares shall rank pari passu in every respect with the existing ordinary shares of the Company.

FURTHER RESOLVED THAT fractional entitlement of the members shall be consolidated into whole shares and sold in the Karachi Stock Exchange. The sale proceeds thereof will be donated as deemed appropriate by the Board.

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

FURTHER RESOLVED THAT the transfer of undistributed percentage return reserve amounting to Rs. 420.048

million, as approved by the Shareholders in their Annual General Meeting held on October 25, 2012 to a specific capital reserve for investing in the joint venture for seismic acquisition unit, may be revised to Rs. 388.761 million.

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

By order of the Board

Assad Rabbani
Company Secretary

Islamabad
October 9, 2014

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 25, 2014 to October 31, 2014 (both days Inclusive). Transfers received in order at the Company's Shares Registrar, M/s Corpink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore, at the close of business on October 24, 2014 will be treated as in time for the purpose to determine entitlement of bonus shares and to attend the Annual General Meeting.

2. A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the Meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company not less than 48 hours before the time of holding of the meeting.

3. Those members, who have deposited their shares into Central Depository Company of Pakistan (CDC), are requested to bring their Original Computerized National Identity Cards along with their account numbers in CDC for verification at the time of meeting.

4. CDC account holders will further have to follow the guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

5. Members are requested to notify the change in their mailing address to the Company's Shares Registrar.

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

This statement sets out the material facts concerning the Special Business, given in agenda item No.4 of the Notice, to be transacted at the 30th Annual General Meeting of the Company.

Issue of Bonus Shares

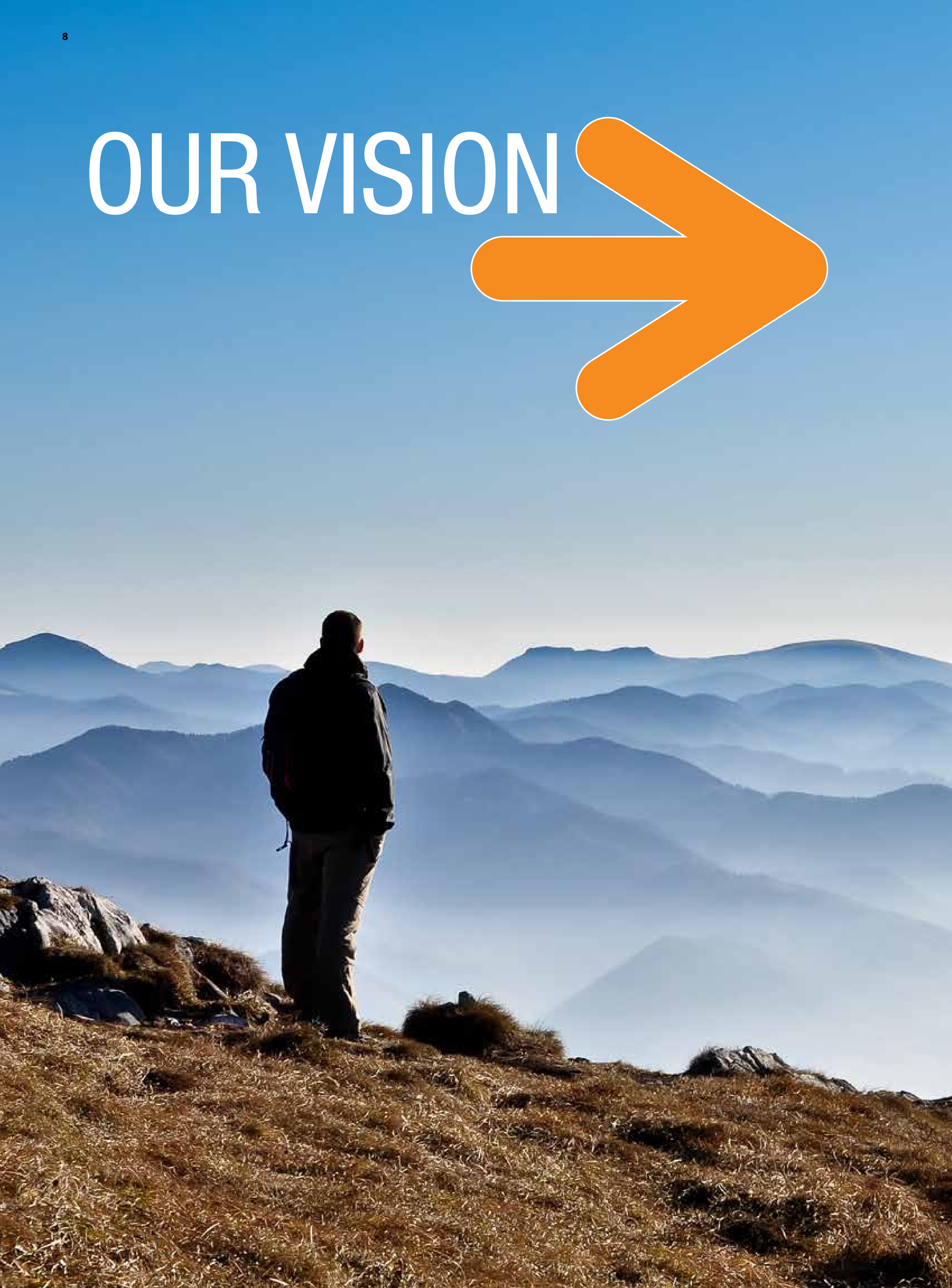
The Directors are of the view that the Company's financial position and its undistributed reserves justify the capitalization of free reserves amounting to Rs. 183,750,000 (One Hundred Eighty Three Million Seven Hundred Fifty Thousand Only) for the issue of 18,375,000 (Eighteen Million Three Hundred Seventy Five Thousand) ordinary shares of Rs.10/- each as fully paid bonus shares in the ratio of one bonus share for every five ordinary shares held (i.e. 20%). The Directors directly or indirectly are not personally interested in this issue except to the extent of their shareholding in the Company.

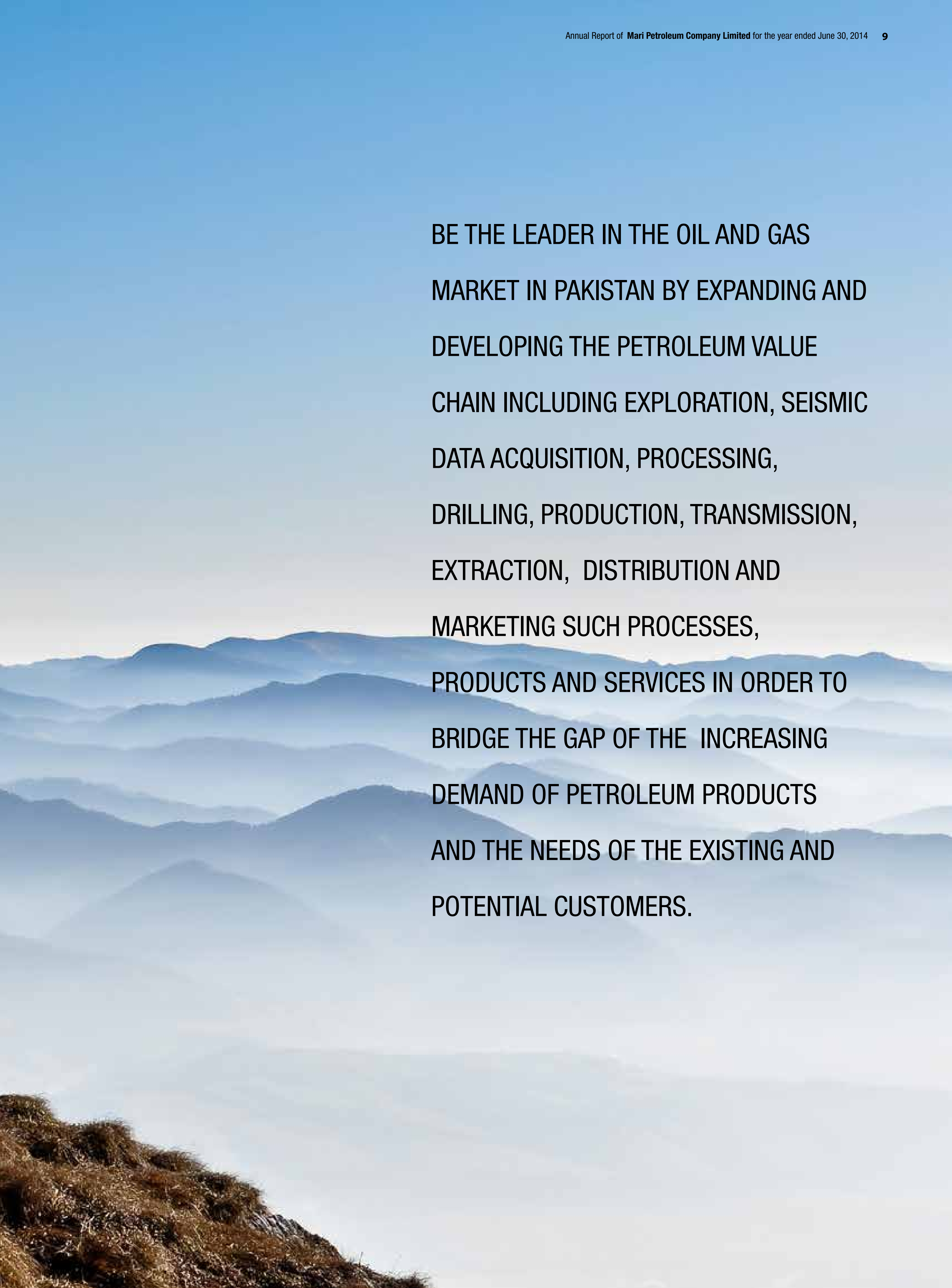
Pursuant to Rule 6 (iii) of the Companies (Issue of Capital Rules), 1996, the Auditors have certified that the reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased Paid-up Capital.

Undistributed Percentage Return Reserve

On the recommendation of the Board of Directors, the shareholders in Annual General Meeting, held on October 25, 2012 had authorized to transfer an amount of Rs. 420.048 million from the undistributed percentage return reserve as at June 30, 2012 to a specific capital reserve for investing in the Joint Venture for Seismic acquisition unit, subject to the condition that the amount may be utilized to the extent required. Accordingly, keeping in view the actual requirements, the above amount is revised from Rs. 420.048 million to Rs. 388.761 million.

OUR VISION





BE THE LEADER IN THE OIL AND GAS MARKET IN PAKISTAN BY EXPANDING AND DEVELOPING THE PETROLEUM VALUE CHAIN INCLUDING EXPLORATION, SEISMIC DATA ACQUISITION, PROCESSING, DRILLING, PRODUCTION, TRANSMISSION, EXTRACTION, DISTRIBUTION AND MARKETING SUCH PROCESSES, PRODUCTS AND SERVICES IN ORDER TO BRIDGE THE GAP OF THE INCREASING DEMAND OF PETROLEUM PRODUCTS AND THE NEEDS OF THE EXISTING AND POTENTIAL CUSTOMERS.

MARI PETROLEUM COMPANY LIMITED WILL BE CUSTOMER FOCUSED AND COMPETITIVE WITH A VIEW TO CONTRIBUTING SUBSTANTIALLY TO THE NATIONAL ECONOMY, WHILE ENSURING CONTINUOUS GROWTH AND VIABILITY OF THE COMPANY AND THE PAYMENT OF PROFITABLE DIVIDENDS TO THE STAKEHOLDERS.

OUR COMMITMENT

- PROVIDING UNINTERRUPTED PETROLEUM PRODUCTS SUPPLY TO CUSTOMERS.
- MAINTAINING BEST AND SAFE OPERATIONAL PRACTICES.
- ADOPTING ADVANCED TECHNOLOGY, COST EFFECTIVE/EFFICIENT OPERATIONS, INCREASING OPERATING EFFICIENCY AND ADHERENCE TO HIGH ENVIRONMENTAL STANDARDS.
- EXPLORING AND ENHANCING THE POTENTIAL OF OUR HUMAN RESOURCES.
- ALIGNING THE INTERESTS OF OUR SHAREHOLDERS, HUMAN RESOURCES, CUSTOMERS AND OTHER STAKEHOLDERS TO CREATE SIGNIFICANT BUSINESS VALUE CHARACTERIZED BY EXCELLENT FINANCIAL RESULTS, OUTSTANDING PROFESSIONAL ACCOMPLISHMENTS AND SUPERIOR PERFORMANCE.

CODE OF CONDUCT

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

Financial Disclosure

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

Conflict of Interest

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

Compliance with Laws, Directives & Rules

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

Confidentiality

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

Conduct of Personnel in Dealings with Government Officials

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

Time Management

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

Business Integrity

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

Gifts, Entertainment & Bribery

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

Insider Trading

Every director and employee who has knowledge of confidential material information is prohibited from trading in securities of the Company to which the information relates.

Health, Safety & Environment

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

Involvement in Politics

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

Equal Employment Opportunity

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

Compliance

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

Accountability

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

CORPORATE CULTURE AND CORE VALUES

PROFESSIONAL EXCELLENCE

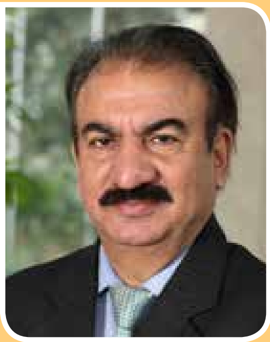
INNOVATIVE SOLUTIONS

GOAL DRIVEN TEAMWORK

ETHICS AND TRANSPARENCY

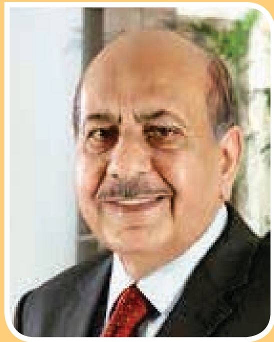
LOYALTY AND COMMITMENT

BOARD OF DIRECTORS



Lt Gen Muhammad Mustafa Khan (Retd)
Managing Director, Fauji Foundation
Chairman MPCL Board

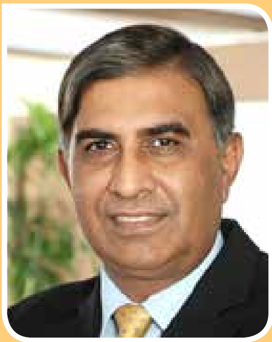
Lt Gen Nadeem Ahmed (Retd)
Managing Director/CEO
Mari Petroleum Company Limited



Mr Qaiser Javed
Director Finance
Fauji Foundation

Dr Nadeem Inayat
Director Investment
Fauji Foundation

Maj Gen Ghulam Haider (Retd)
Director Welfare (Health)
Fauji Foundation



Brig Dr Gulfam Alam (Retd)
Director P & D
Fauji Foundation

Mr Mohammad Naeem Malik
Additional Secretary
Ministry of Petroleum & Natural Resources

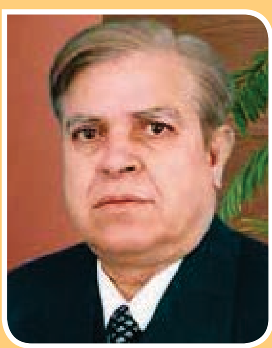
Qazi Mohammad Saleem Siddiqui
Director General (GAS)
Ministry of Petroleum & Natural Resources

Mr Ahmad Hussain
Financial Advisor
Ministry of Petroleum & Natural Resources

Mr Muhammad Rafi
Managing Director / CEO
OGDCL

Mr Ahmed Hayat Lak
GM (Legal Services)
OGDCL

Mr Shahid Ghaffar
Managing Director / CEO
NITL



Engr. S.H. Mehdi Jamal
Member, MPCL Board of Directors

Mr. Muhammad Asif
General Manager Finance / CFO

Mr Assad Rabbani
Company Secretary

KEY MANAGEMENT

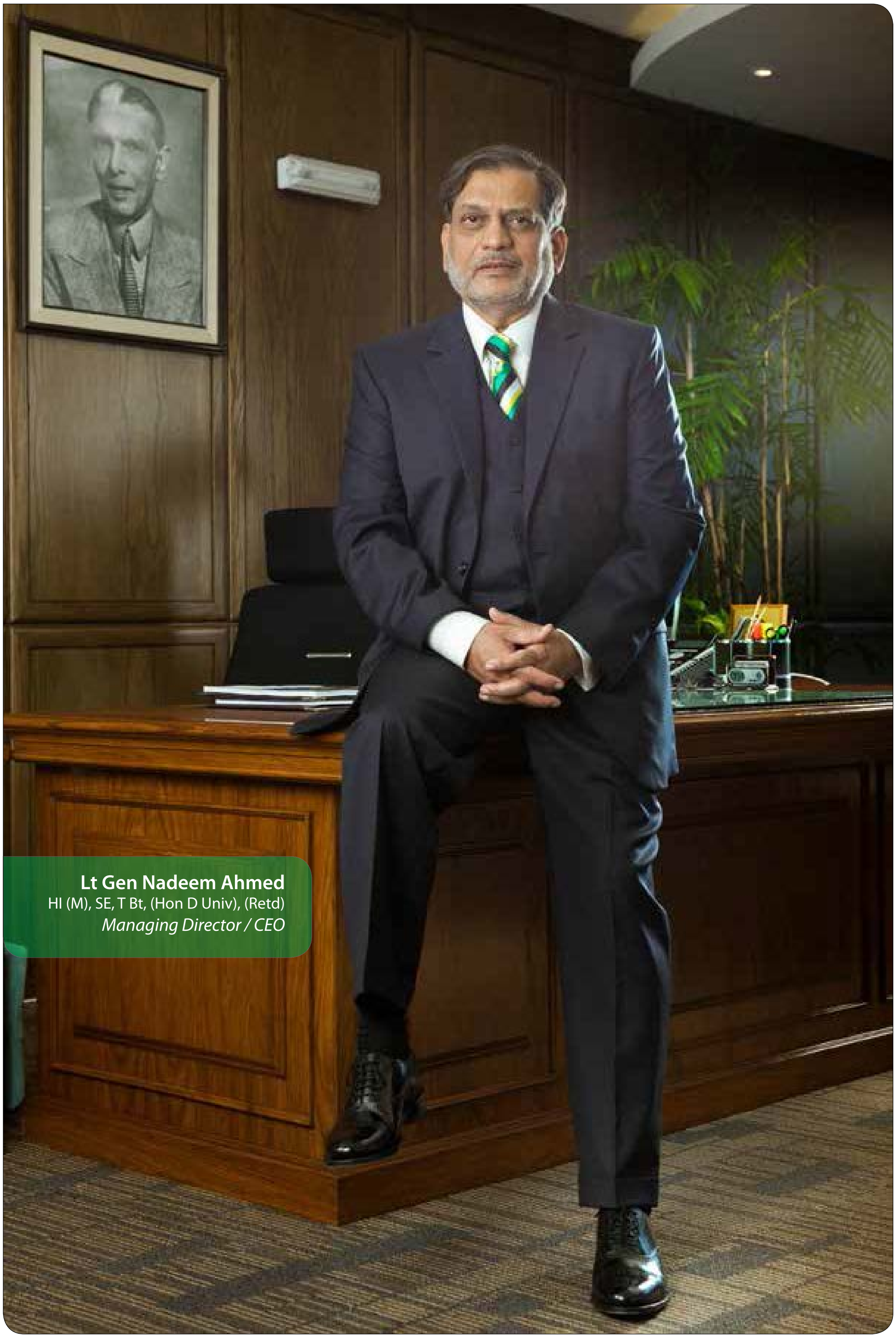
Sitting Left to Right:

Mr. Javed Iqbal Jadoon (General Manager Operations), Mr. Muhammad Asif (General Manager Finance), Lt Gen Nadeem Ahmed (Retd) (Managing Director/CEO), Brig Saleem Mahmood Khan (Retd) (Resident General Manager Balochistan), Brig Muhammad Nazar Tiwana (Retd) (General Manager Admin & Security)

Standing Left to Right:

Mr. Assad Rabbani (Company Secretary), Brig Obaid Ur Rehman Lodhi (Retd) (General Manager Human Resource), Mr. Tufail Ahmed Khoso (General Manager Exploration), Brig Rashid Mujeeb Alavi (Retd) (General Manager Procurement), Mr. Asif Ali Rangoonwala (Consultant Business Development, Marketing, Commercial & Legal)

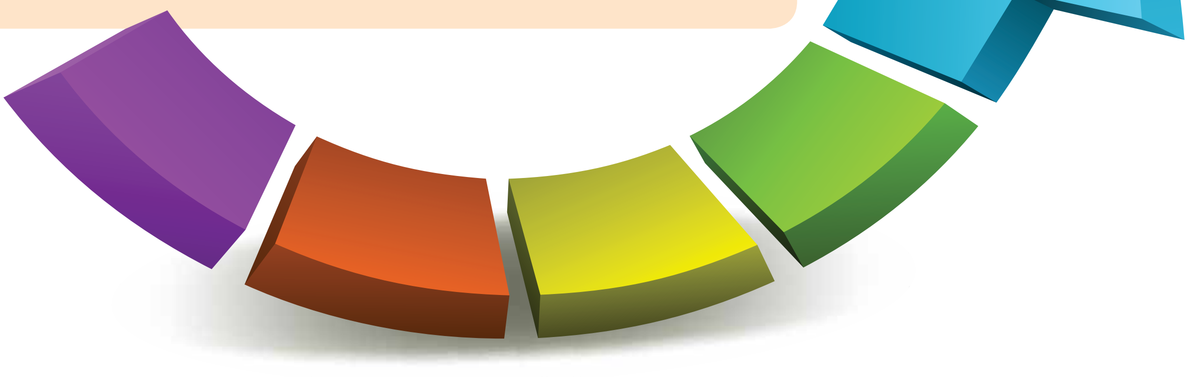
MANAGING DIRECTOR'S OUTLOOK



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

RAISING THE BAR

- HIGHEST EVER OIL & GAS PRODUCTION
- HIGHEST EVER RETURN TO SHAREHOLDERS
- FIRST EVER TIGHT GAS PRODUCTION



THE MANAGEMENT HAS INVIGORATED A NEW OBJECTIVE OF RESERVE REPLENISHMENT IN THE FIRST PHASE AND RESERVE ENHANCEMENT IN THE SECOND, AIMED AT MAXIMISING THE PRODUCTION OF OIL AND GAS THROUGH INNOVATIVE TECHNOLOGIES, TECHNOLOGICALLY DRIVEN AGGRESSIVE EXPLORATION AND MODERN DEVELOPMENT & PRODUCTION METHODOLOGIES.

Seen in the light of the above objective, the financial year 2013-14 proved to be a successful year, owing to the Management's resolve to deliver outstanding performance to its shareholders. During the year, the Company produced the highest ever, 27.7 million barrels of oil equivalent of oil and gas by increasing production in all operated fields, achieved the highest ever rate of return of 38.65% to shareholders, made significant hydrocarbon discoveries and acquired strategically interesting exploration acreage.
Also, while endeavouring to achieve its corporate objectives, MPCL adhered to the highest standards of health, safety and environment and corporate philanthropy.

ENERGISING THE COUNTRY

At MPCL, our ultimate goal is to energise Pakistan through our contribution to the indigenous hydrocarbon reserves. The cornerstones of this strategy are to explore new areas optimally, increase production from existing fields and commercialise new discoveries in the shortest time frame.

MPCL's exploration strategy and targets for next three years include extensive 2D/3D seismic surveys

MANAGING DIRECTOR'S OUTLOOK

in existing blocks as well as in the Mari D&P Lease to delineate and drill (a) conventional proven reservoirs (b) evaluate existing failures through new exploration ideas/techniques for possible re-entry/drilling (c) deeper horizons, stratigraphic plays and frontier areas for chasing bigger reserves (d) tight sand and shale oil/gas prospects.

The Company also aims to continue to aggressively identify new exploration blocks/areas and pursue farm-in opportunities in prospective blocks within the country and abroad. MPCL's phased development programme to optimise production from existing fields includes the most innovative and sophisticated techniques in the E&P process. Landmark discoveries from Ghauri, Sujawal, Zarghun, Halini and Mari Field are now being put on production, on war footings, to augment Pakistan's energy supply.

BENCHMARKING EXCELLENCE

The year under review witnessed two major discoveries; a crude oil discovery in the Ghauri Block (Punjab) and a gas/condensate discovery in the Sujawal Block (Sindh). These discoveries, besides adding substantial resources to the Country's hydrocarbon reserve base, have also extended the hydrocarbon potential fairways for the whole E&P industry in the Country.

The recent commencement of production from the Zarghun Gas Field, which is MPCL's first Tight Gas Reservoir, is a source of immense pride for MPCL. The field remained stranded after years of delay, due to the adverse security situation and economic challenges. The production of 20 MMSCFD of gas from the Zarghun field, located within 52 km of Quetta, is a strategic resource dedicated to the province of Balochistan.

As part of MPCL's efforts to achieve energy independence for Pakistan, the Company embarked upon an ambitious plan of developing indigenous capacities in all aspects of the E&P business functions. To this end, Mari Services Division consisting of state of the art drilling rigs, 2D/3D seismic data acquisition unit, 2D/3D seismic data processing centre and slick line units, has been successfully commissioned adding new flexibility, resourcefulness and technology for cutting edge exploration and production efficiencies.

These achievements and our aspirations for future achievements, cannot be realised without a highly skilled, innovative and enthusiastic human resource. We pride ourselves in our ability to attract and retain some of the best and brightest in the profession, putting their technical capabilities to test in the most challenging situations to realise the operational excellence.

We are distinctly aware that the very nature of our business places great responsibility on our shoulders to not only meet the shareholder's expectations but to also provide a much needed impetus to the E&P business – which translates into a prosperous and vibrant Pakistan. With this realisation, the Management looks ahead into the future, equipped with sound business planning, robust financial discipline, responsible corporate citizenship, strategic diversification plans, dedicated workforce and the support and guidance of MPCL's shareholders and Board of Directors for greater successes in the years ahead.

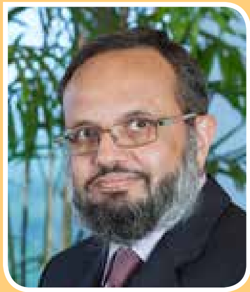
May Allah sanctify this Company with the share of successes it deserves, Ameen!

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


T-600

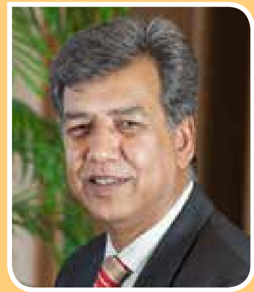
THE MANAGEMENT

Mr. Muhammad Aqib Anwar
Deputy General Manager Finance



Mr. Shahid Hussain
Senior Manager Procurement

Mr. Muhammad Saleem Siddique
Senior Manager Reservoir



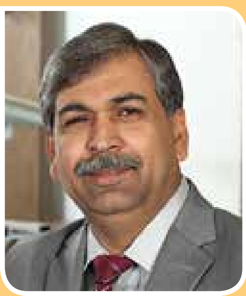
Maj. M. Iftikhar-ul-Haq (Retd)
Manager CSR & External Security

Lt Col Shah Rukh (Retd)
Manager Projects

Mr. Muhammad Asim Butt
Manager Health Safety & Environment

Mr. Saeed Ahmad Qureshi
Manager Production

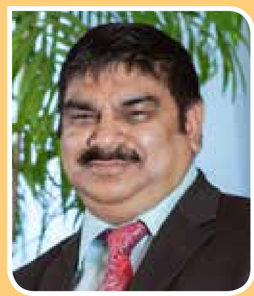
Mr. Munir Ahmed Memon
Manager Mari Seismic Unit



Mr. Muhammad Ijaz
Regional Manager Sindh

Mr. Afzaal Latif Malik
Head Internal Audit

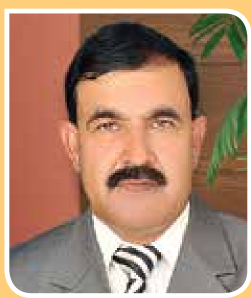
Mr. Zaheer Ahmad Zafar
Manager Exploration



Sheikh Naveed Ahmed
Manager Human Resource

Mr. Shahzad Nazir
Head Information Technology

Mr. Muhammad Saleem Awan
Incharge Ghauri Field



Mr. Ghulam Murshad
Incharge Halini Field

Mr. Fahad Khan Niazi
Incharge Zarghun Field

Mr. Shahid Ahmed Shaikh
Incharge Koonj Field

Mr. Muhammad Sibtain Gohar
Incharge Sujawal Field

INTEGRATED MANAGEMENT SYSTEM POLICY

To realize our strategic vision and to achieve professional excellence in petroleum sector, we are committed to meet all requirements of Integrated Management Systems for Quality, Environment, Occupational Health & Safety and Information Security, consistent with internationally recognized management system standards. We are devoted to maintaining effectiveness and continual improvement of IMS by monitoring Company objectives, customer satisfaction and complying with the legal and other applicable requirements. Our top management is committed to provide all resources required to ensure compliance with its IMS Policy and to attain best international performance criterion.

THE SUCCESS STORIES OF YOUR COMPANY

ZARGHUN

ENSURING A BRIGHTER TOMORROW

The Zarghun South Block lies 52 km north east of Quetta, in the Harnai district at the seam of the Baloch and Pashtun tribal belts in Balochistan. The discovery of hydrocarbons in the area was first made by a British Kuwait consortium company, known as Premier Kufpec in 1998. The company drilled two wells to an average depth of 2000 meters and made a successful discovery in Dunghan and Mughal Kot/Chiltan formations by flowing the well at an accumulated and optimised rate of 20-22 MMSCFD, with an associated production of 25-30 barrels of condensate.

In 2003, operatorship of the block was acquired by Mari Petroleum Company Limited through the formation of Bolan Joint Venture. The Operator took over the responsibility of field development to produce and sell the hydrocarbons. This, however, was not an easy task due to the sour nature of the gas with the presence of H_2S and CO_2, which required the installation of a processing facility to treat it to the desired specifications and in order to transport the gas through a new gas transmission line of approximately 64 km up to the nearest tie-in-point.

MPCL initiated the process of field development by engaging a reputed engineering consultant to establish the requirements of surface production and processing facilities and at the same time initiated negotiations with SSGC and GOP for gas sales volume, financial aspects and laying of the pipeline. Contractors were hired to initiate civil works for the plant area and the drilling of the third well, when the activities were hampered by the attacks of miscreants on site security forces and the abduction/kidnapping of contractor's work force personnel.

Meanwhile, evaluation of the bids was carried out to complete the Zarghun field development project on EPCC basis. Financial figures quoted by the most commercially viable bidder were to the tune of US$ 42 Million in 2009. Marginal reserves of the field, combined with exorbitant security and field development cost factors rendered the project un-economical.

In order to bring down the cost to an acceptable and profitable level and to re-initiate the project, an "out of box" strategy was developed whereby MPCL would utilise its in-house resources to develop the field on self-execution basis by covering the aspects of engineering, procurement and site supervision. This shifted the entire onus on MPCL and it became pivotal for the Company to deliver. MPCL took this strategy as a challenge by re-launching the project.

Bids were called in from vendors to supply production and processing facilities and an engineering contractor was engaged to help MPCL in the production of mechanical fabrication drawings and civil/structural layouts.

Meanwhile the GOP approved the Tight Gas Policy in 2012 and MPCL succeeded in getting the Zarghun Gas Field qualified for a higher price under this policy. This improved the valuation of tight gas reserves of Dunghan reservoir at a higher gas price.

Despite all the challenges relating to the economics, site security situation and local issues, MPCL re-launched the project early in 2013 with the initiation of the procurement phase by placing orders for all long lead items and hiring of contractors for site mechanical and civil works. The mobilisation of personnel and camp establishment was completed by October 2013. Site civil works were aggressively taken up and completed by February 2014. Mechanical construction of piping structure and process piping were initiated in mid-January 2014. Project supervision during site construction works for civil, mechanical and electrical activities were undertaken by MPCL personnel. Many obstacles were encountered during this stage varying from attacks by miscreants, adverse weather conditions and delays in shipment etc. However, MPCL overcame all these obstacles when the supply of the first gas to SSGC from Zarghun Field was achieved on August 26, 2014 and the field was inaugurated by the honourable Managing Director. Needless to say, that what once seemed impossible due to the valuation price of project quoted by EPCC contractor in 2009 has actually been completed at an astonishingly lower capital cost of US$ 23 Million in 2013-2014.

THE DAWN OF A NEW ERA

The Zarghun Field Project is unique and important in the context of area development and uplift, as it is the only field from which the gas produced is supplied to the area locals and not dedicated to any power project or inter-provincial supply.

As part of its social responsibility towards the locals, MPCL has also keenly and energetically contributed towards the socio-economic development of the region.

A hefty amount of US$ 100,000 has been specifically dedicated for Corporate Social Responsibility projects. This amount is being utilised for the establishment of schools, water supply courses, medical facilities etc.

The development of Zarghun Gas Field and related CSR activities have opened new prospects for the area. It is hoped that with the development of infrastructure, employment and easy access to basic needs, the project will usher in a new age of energy sustainability and socio-economic growth for the region.

THE SUCCESS STORIES OF YOUR COMPANY

GHAURI BLOCK

UNFLINCHING RESOLVE. BREAKTHROUGH EXECUTION.

Granted to MPCL in February 2010, the Ghauri Block covers an expansive area of 1291.52 sq. km, stretching across the districts of Jhelum and Rawalpindi located in the Potowar Plateau of Punjab.

Since 1960, considerable exploration activities have been carried out in the eastern part of Potowar: OGDCL at Missa Keswal in 1991 and Rajian in 1994 drew exploration efforts to this area. However, after successive failures of Chak Meyun in 1994, Shahab-1A, Harno, Kallar and Boski, the area was considered less prospective due to the absence of source rock.

A STEP FORWARD

After decades of failures by various E&P companies, MPCL made a breakthrough discovery at the Ghauri X-1 well, located in the eastern area of Potowar. It was a pioneering hydrocarbons find, that has opened a new realm of untapped potential in this region.

Subsequent to acquisition of the block, MPCL purchased G&G data, reprocessed about 2400 line km vintage 2D seismic data and acquired 252 line km 2D seismic data in the block. Based on the interpretation of 2D seismic data and its integration with the available G&G data, the prospect was firmed up, the same prospect where Shahab 1A well was drilled in 1996. Ghauri X-1 well was drilled down to the depth of 3990m. During testing, Ghauri X-1 flowed 136 BBL/D of oil in surges with a nitrogen kickoff from Kussak Formation, which could be attributed to be a tight oil sand discovery.

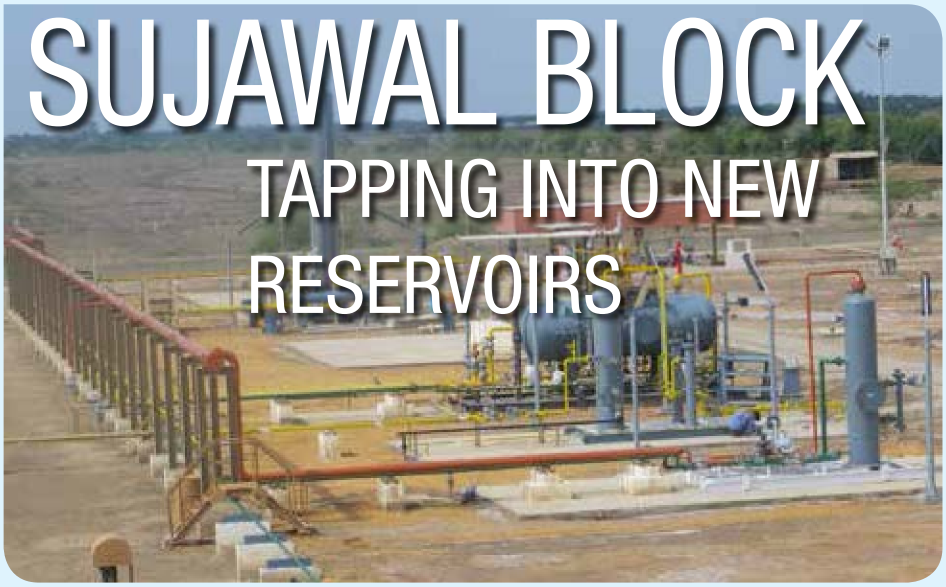
Further, upon testing of Sakessar formation, it flowed a commercial quantity of oil i.e. 1200 BBL/D at 28/64" choke size. Although, upon stimulation treatment, the well initially flowed 5500 BBL/D oil for a short duration, during normal production natural oil flows from the well have still not stabilized. Production history of other finds in the region also indicates a similar trend. The Company has therefore decided to install a jet pump to further enhance the production by 550 BBL/D.

ANOTHER FEATHER IN THE CAP

The Ghauri X-1 discovery adds to MPCL's high success rate, since the commencement of its exploration activities. This new discovery will add indigenous resources to the nation's reserves base and would help in reducing the energy shortfall.

MPCL now has very aggressive exploration plans to explore the hydrocarbons potential of the block. During the next three years, MPCL plans to acquire 750 sq.km 3D, 570 line km 2D seismic data and carry out the drilling of two exploratory/appraisal wells, subject to firming up of prospects as a result of the said seismic campaign.

THE SUCCESS STORIES OF YOUR COMPANY



Located in the southernmost part of the country, the Sujawal Block belongs to the historic districts of Sujawal and Badin based in the province of Sindh. The block was awarded to MPCL on June 21, 2006 with 100% working interest. MPCL carried out geological and geophysical (G&G) studies, purchased G&G data, reprocessed 525 line km of 2D seismic data, acquired 200 sq. km of 3D seismic and 145 line km of 2D seismic data. Based on the interpretation of 3D seismic data and its integration with geological and geophysical information, the first exploratory well Sujawal X-1 was drilled in 2010 down to the depth of 3000 m to test the hydrocarbon potential of Upper Sands of the Lower Goru Formation. It was a bold decision of MPCL's management to drill the Sujawal X-1 well, despite the fact that the prospect was interpreted as highly risky in terms of reservoir characteristics. The well turned out to be a successful gas/condensate discovery. Subsequently, the well was brought on gas/condensate production through the Extended Well Testing (EWT) during 2013 and the gas was supplied to the SSGCL.

During early 2013, additional infill seismic data of 154 line km 2D was acquired and based on the in-house interpretation of selected seismic lines and its integration with the available G&G data, the second exploratory well namely, Sujjal-1, was drilled during 2014 down to a total depth of 2535m to test the hydrocarbons potential of the Upper Sands of the Lower Goru Formation. Upon testing, C-Sand flowed a good quality of 31.1 MMSCFD of gas and 75 BBL/D condensate with the wellhead flowing pressure of 2477 Psi @ 32/64" choke size. In addition, the Lower Goru A-Sand also flowed 2.1 MMSCFD of gas during the test. It was MPCL's milestone gas/condensate discovery from Lower Goru Upper C-Sand in the southern-most part of the Country, which in the past was considered to be non-prospective for this reservoir. This success has unlocked a new play concept for the E&P sector of Pakistan by tapping its potential. This new discovery will add indigenous resource to the nation's gas reserves base and would help to reduce the energy shortfall in the Country.

STEPPING STONE TO SUCCESS

MPCL's management has been taking aggressive but prudent decisions for the exploration in Sujawal Block, whether it was the testing of the highly risky prospect of Sujawal X-1 or the new hydrocarbons play concept at Sujjal-1. The Company now looks forward to taking further advantage of the success.

ENABLING THE FUTURE

MPCL now has aggressive exploration plans to drill one deep exploratory well to test the hydrocarbons potential of Lower Goru Massive Sand and to acquire 500 sq. km 3D and 320 line km 2D seismic data in the block to evaluate the remaining hydrocarbons potential of Lower Goru Sands and Pab Sandstone reservoirs.

THE SUCCESS STORIES OF YOUR COMPANY

KARAK BLOCK

DISCOVERING THE TREASURES WITHIN

The Karak Block was granted to MPCL on April 14, 2005, located in the Karak, Lakki Marwat and Bannu districts of the KPK Province and the Mianwali district of the Punjab Province. It covers an area of 2335 sq.km.

During the past, the Karak Block had been under exploration by some national and international E&P companies and was relinquished due to poor hydrocarbons prospectivity. After acquiring the block, MPCL carried out geological studies of the area and acquired 296 line km 2D seismic data during 2006 in the northwestern part of the block.

RISING TO THE CHALLENGE

During 2009 MPCL acquired 230 line km 2D seismic data over and around Halini area. Based on the processing and interpretation, the Halini prospect was finalised for the drilling of a deep exploratory well down to the depth of ± 6000m. The Halini prospect was recognised as of high risk in terms of the target reservoir rock properties at that great depth along with across/lateral fault seal of the structure.

However, a prudent decision was made by MPCL's management to drill an exploratory well down to a depth of 5350m, one of the few deepest wells in Pakistan's exploration history, despite the fact that the area stands out to be one of the most geologically challenging in terms of drilling operations.

Nonetheless, a significant crude oil discovery was made in the later part of 2011 at Halini X-1 well. The well is on production through EWT since January 2012 and although its production had initially declined, due to successful intervention and stimulation, it has now increased to 1100 BBL/D. The Company is in the process of installing an artificial gas lift to further boost the production.

THE SUCCESS STORIES OF YOUR COMPANY

MARI SERVICES DIVISION (MSD)

Seismic data acquisition, processing, interpretation, drilling and production are the core processes in achieving the Company's targets of augmenting its hydrocarbon reserves base and revenues. MPCL being an Exploration & Production (E&P) Company is currently operating nine Exploration Licences in onshore areas of the Country with the objective to acquire more petroleum rights in near future. MPCL is cognizant of the fact that all the services relating to acquisition, processing and drilling incur huge costs and are not easily available amid law and order situation in the Country preventing service companies to provide services all across Pakistan.

The Company has taken a paradigm step with the establishment of Mari Services Division to set new direction to increase exploration, drilling and production activities through self-reliance and subsequently expand the services base to other E&P companies to generate revenues.

MSD combines the capability of the state of the art technology drilling rigs, 2D/3D seismic data acquisition unit, 2D/3D seismic data processing center and slick line units. All service units have been established in record time period.

Mari Seismic Unit (MSU) is currently acquiring 1079 Sq.Kms 3D data in Mari Development and Production Lease area. The setting-up of the seismic unit and successful parameters testing took place in the 1st quarter of 2013-14 with acquisition starting during October 2013. MSU has set very high standards for the quality of data it has acquired so far dully appreciated by the 3rd party QC and client. MSU would soon be expanding through addition of 2nd seismic acquisition party for acquiring 2D seismic data.

Mari Seismic Data Processing Center (MSPC) has been established in February 2014 having capabilities to process newly acquired 2D/3D data and re-process the vintage data. MSPC has so far processed 80% of the 2D acquired data in Hanna and Harnai blocks in very short period. The processing center is also being used for quality control, checks and analysis of the acquired data to eliminate the requirement of services from overseas professionals which would cut cost, save operational time and increase revenues of the company.

Mari Drilling Services Unit (MDU) consists of three onshore drilling Rigs having 300, 1500 and 2500 Horse Power (HP) capacity which gives an option to drill wells up to the depth of 6500 meters. The newly purchased Mari Rig 3 (2500 HP) is the first deep drilling rig owned by a Pakistani E&P company. Mari Rig 3 was mobilized to Karachi in July 2014 and it is expected that the commissioning and drilling would commence by December 2014. Mari Rig 1 (1500 HP) successfully drilled two exploration wells in Hanna and Sujawal Exploration Licences areas and performed safe and smooth work over operations at Halini X-1 well in Karak Block. Mari Rig 1 would drill three exploration wells in Khetwaro, Sujawal and Karak blocks by March 2015. Mari Rig 2 skytop (300 HP) has drilled three wells in Pirkoh formation in Mari D&PL since July 2013.

Mari Allied Services Unit (MASU) has recently been established by purchase of a state of the art technology slick line unit which was delivered to MPCL in March 2014 and after its commissioning which is under way would soon be operational to perform slick line jobs for MPCL and other E&P companies.

MSD has planned to establish its own seismic acquisition data design center to cater needs of designing the spread/mesh for acquisition of 2D/3D seismic data which would become functional by October 2014.

CORPORATE SOCIAL RESPONSIBILITY

DRIVING A POSITIVE CHANGE

MPCL'S CSR STRATEGY IS AN INTEGRAL PART OF THE COMPANY'S CULTURE AND REFLECTS THE CONTINUING COMMITMENT OF OUR BUSINESS TO CONTRIBUTE TOWARDS THE WELL-BEING AND QUALITY OF LIFE OF OUR WORKFORCE, LOCAL COMMUNITY AND SOCIETY AT LARGE.

CSR remains an ever evolving and continuous process at the heart of MPCL's management, that tries its best to accommodate the local needs on priority basis. In order to ensure the element of continuity and sustainability in our social welfare programs, MPCL's CSR philosophy is anchored in a tripartite approach of development; involving the community, the local government and the MPCL management in its development projects.

CSR at MPCL is not just confined to its statutory obligations, it is an on-going process to build social equity and to provide innovative and sustainable solutions to meet the challenges / needs of the local community. We are acutely aware of the participative relationship that we share with the society and continuously invest in the interventions related to education, health, water supply schemes, philanthropic donations and communication infrastructure.

MPCL HAS SPENT AROUND US$7.7 MILLION (TILL 2013) ON SOCIAL WELFARE PROJECTS ACROSS PAKISTAN.

BUILDING A BETTER NATION TOGETHER

As an active corporate citizen, MPCL has undertaken various projects that enable and empower local communities across the Country.

BALOCHISTAN

MPCL operates 4JV blocks in Balochistan i.e. Ziarat, Bolan (Zarghun), Harnai and Hanna blocks. CSR projects worth US$ 556,937 have been successfully completed until December 2013. Also, an amount of US$ 462,614 has been earmarked for 2014.

A hallmark of CSR excellence

Bolan (Zarghun) Block

As the operator of the Bolan Joint Venture, MPCL acquired the field from Premier- Kufpec in October 2003. SPUD, PKP and GHPL are our JV partners in this block. Owing to the adverse security situation, MPCL could not undertake any operational activity in the field for next 9 years. However, MPCL dared to face this challenge when it commenced its operational activities in the field in 2012. In tandem with the operational development of the field, MPCL spared no effort to improve the quality of life of this neglected community. Undaunted by multifarious security threats and infrastructural inhibitions, our CSR team achieved this goal within a span of three years. By the grace of Almighty Allah, projects worth US$ 340,000 have been successfully completed. This includes the construction of two primary schools, two water channels, the establishment of medical camps and the widening of road from Margat to Dilwani. MPCL doctors located at Zarghun field hold medical camps on weekly basis and provide free medical treatment to the local community. These quintessential components of social development herald a new era of security, hope and socio-economic uplift of the area.

The Bolan Joint Venture has planned projects worth US$ 100,000 in 2014-15. This budget will increase manifold on the declaration of commercial discovery at Zarghun Field. InshAllah the Zarghun valley will be a hallmark of CSR excellence and a precedence for other oil and gas companies operating in Balochistan.

Ziarat Block

Ziarat EL was granted to MPCL in January 2003. PPL Europe is our JV partner in this block. CSR projects worth US$155,028 have been successfully completed in the Ziarat Block. These include renovation/ additional construction at schools and BHUs at Khost (district Harnai), water supply schemes and the establishment of medical/eye surgery camps, along with the provision of scholarships to the students. The drilling of four wells at Khost and Shahrig provided hundreds of jobs to the locals, who were jobless due to the closure of local coal mines. Furthermore, projects worth US$ 67,000 will be undertaken in 2014.

Hanna Block

Hanna EL was granted to MPCL in June 2006. This block is located in district Quetta. MPCL completed projects worth US $ 58,312 till December 2013. These included the renovation/additional construction at Boys High School Hanna and the repair of Govt. Girls School at Killi Malik Abdul Samad. Projects worth US$ 136,348 have been approved for the year 2014 and will be undertaken soon.

Harnai Block

Harnai EL was granted to MPCL in 2006. PPL Europe and OMV are our JV partners in this block. Unfortunately, no major operational activity could be undertaken in Harnai block due to adverse security situation. However, MPCL CSR projects worth US$ 12,468 have been completed till December 2014, while CSR projects worth US$ 179,205 are still in the pipeline.

SINDH

Mari D&P Lease

MPCL is under no CSR obligation in Mari field, as per PCA. However, MPCL has still been spending huge amounts annually on social welfare activities in Mari D&P lease area since inception. Mari D&P has been spearheading landmark social welfare initiatives in the sectors of health, education and communication infrastructure. Projects worth US$ 6.3 million have been undertaken at Mari Field till 2014.

Major CSR projects at Mari Field (Daharki) are listed below;

- 3x Mobile Dispensaries
- Maternity Home Dad Leghari
- Dispensary at Well # 08
- TB – Clinic near Well # 08
- PCR Test of Hepatitis – B & C positive cases
- Operational Expenditure of School at Khirohi
- Operational Expenditure of School near Well # 08
- Operational Expenditure of School near Lohi Pull
- Mari Education and Medical Complex
- Establishment of Technical Training Center at Daharki

MPCL has spent a huge amount on the communication network for the benefit of the locals. So far we have developed a road network of over 500 KM (metalled and dirt) at various locations in Mari Field Daharki.

Sukkur Block

Sukkur EL was granted to MPCL in April 2006. PEL is our JV partner in this block. Projects worth US$ 164,597 have been successfully completed till December 2013. These include renovation/additional construction

DRIVING A POSITIVE CHANGE

at Govt Schools, up-gradation of BHU, provision of school/office furniture, scholarships to deserving students and the improvement of facilities for handicapped children. Projects worth US$60,582 have been approved and will be undertaken before the end of the year 2014.

Sujawal Block

Sujawal EL was granted to MPCL in June 2006. Projects worth US$ 142,311 have been successfully completed and US$ 79,945 will be spent on CSR projects during the year 2014.

PUNJAB/ KHYBER PAKHTUNKHAWA (KPK)

MPCL operates one JV block in Punjab and one in Punjab/KPK i.e. Ghauri (in Punjab) and Karak (25% in KPK & 75% in Punjab). CSR projects worth US$ 132,431 have been successfully completed until December 2013. Whereas, US$ 216,404 has been earmarked for 2014.

The Block wise details are given below;

Ghauri Block

PPL and MOL are our JV partners in this block. CSR projects worth US$ 249,150 have already been approved by the MPCL management. The major projects in the pipeline are;

1. Construction of BHU at Karunta.
2. Water Supply Scheme at Jharna.
3. Installation of hand pump at Govt Primary School, Killi Chohan.
4. Rehabilitation of Govt Girls High School Pail Mirza.

MPCL has also undertaken to execute major projects over and above its mandatory obligations. The work on widening and repair of road from Sohawa to Dhamyak worth US$ 1 Million is already in progress.

Karak Block

The Karak exploration license was granted to MPCL in May 2005. MOL is our JV partner in this block. Projects worth US$ 132,431 have been successfully completed till 2013, which include the improvement of existing educational facilities, the adoption of dispensary / provision of free medical treatment to patients at Kamarsar, the provision of clean drinking water and the enhancement of communication infrastructure. Projects worth US$ 67,253 are already in progress.

Federal Capital - Repair/ Renovation of Girls School in Sector G-10

While MPCL's Head Office is located in Islamabad, it is not under any obligation to spend any amount on social welfare projects in the metropolis. However, since MPCL deems CSR as an important segment of its corporate culture and the vision of its top management, it is actively pursuing social welfare/ development initiatives in the Federal Capital.

MPCL's management has adopted the Islamabad Model School for Girls G-10/1 as its flagship program at the cost of US$ 46,698. This includes major civil works, uplifting of school ambiance, provision of IT equipment and the establishment of IT lab along with development of sports facilities in the school.

Donating for a cause

MPCL has always remained at the forefront to extend any possible assistance to the affected communities during natural calamities. The employees of the Company have been personally engaged in earthquake & relief activities.

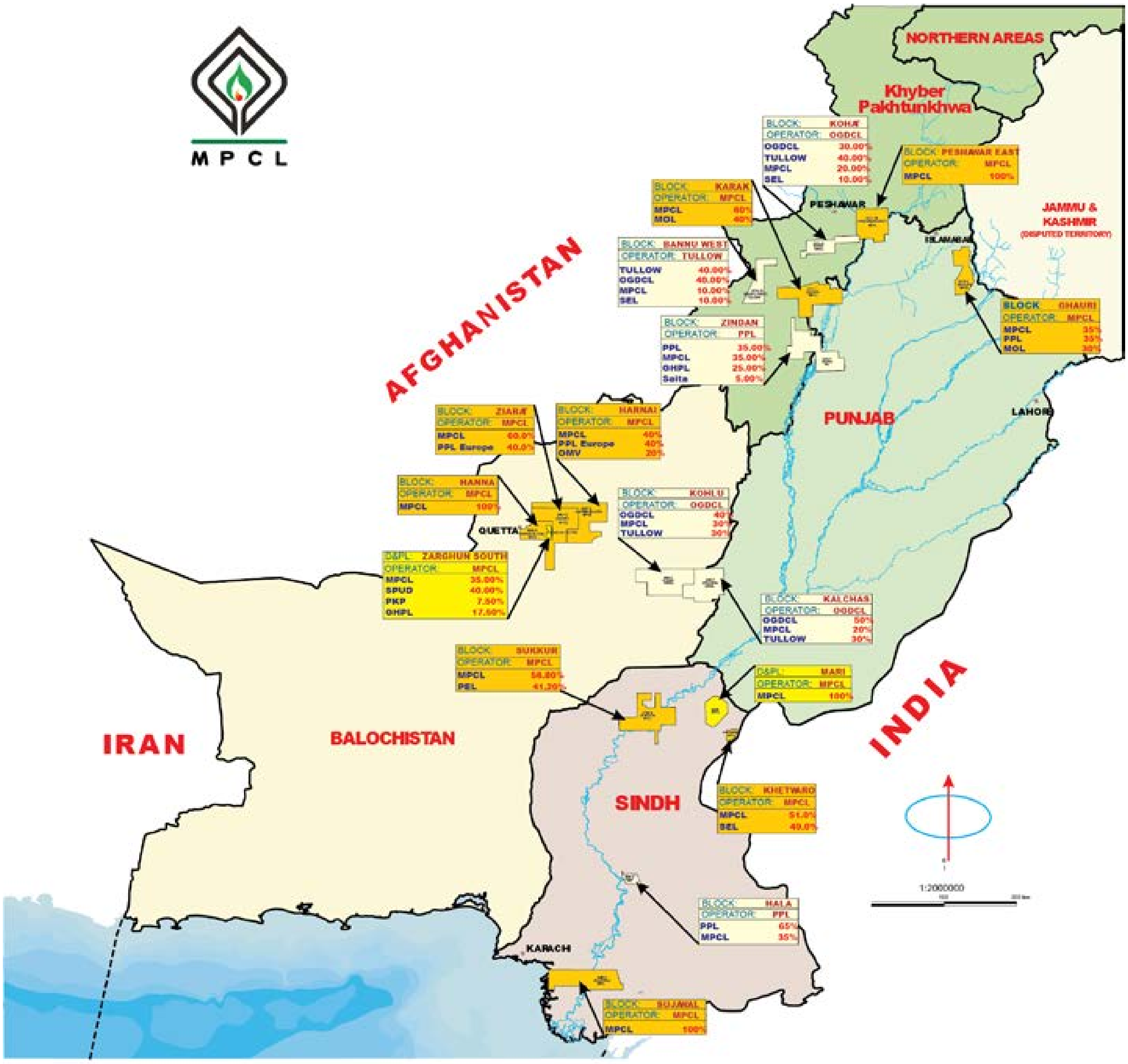
MPCL has extended financial assistance on following occasions:

- Earthquake 2005 (AJK & NWFP): US$ 195,238
- Earthquake 2008 (Balochistan): US$ 5,000
- Flood Relief (2010-11): US$ 361,048
- Swat IDPs (2008-10): US$ 51,810
- Earthquake 2013 (Awaran): US$ 30,000
- Sponsorship of the Women Football Team: US$ 15,000
- NWA IDPs (2014): US$ 82,980
- Austin Centre Rawalpindi : US$ 12,000

Certificate of Recognition – Pakistan Centre of Philanthropy (PCP)

In addition to fuelling the national economy through our dedicated E&P efforts across Pakistan, we are committed to energise lives of our society through meaningful CSR interventions. In appreciation of our relentless CSR efforts, MPCL has received two Certificates of Recognition from the Pakistan Centre of Philanthropy (PCP) in 2014. The first certificate places MPCL at number 1 out of 478 Public Limited Companies by volume of donations as percentage of Profit before Taxation (PBT). The second certificate places MPCL at number 6 out of 478 Public Limited Companies by volume of donations. Both rankings are based on PCP's Corporate Philanthropy Survey 2012.

MPCL CONCESSIONS AND WORKING INTERESTS

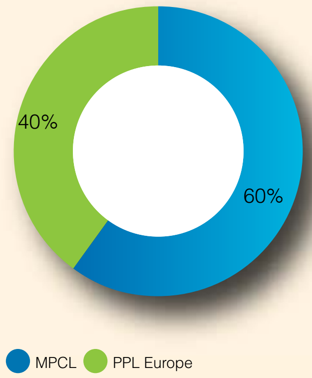


LEGEND

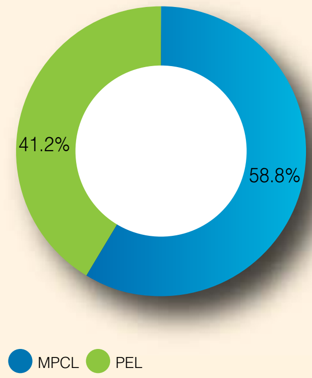
- AREAS AS OPERATOR
- AREAS AS JOINT VENTURE PARTNER
- D & P LEASES

MPCL'S OPERATED BLOCKS AND DEVELOPMENT & PRODUCTION LEASES

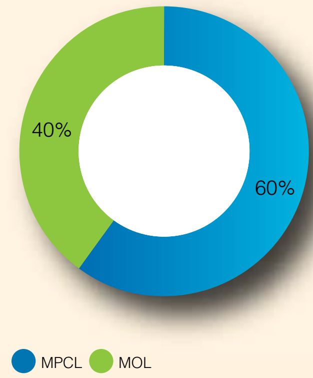
Ziarat Block



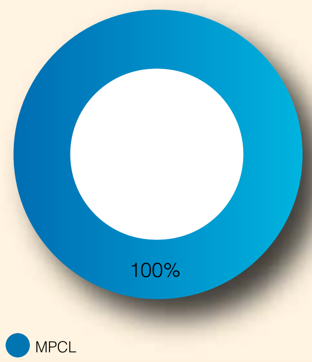
Sukkur Block



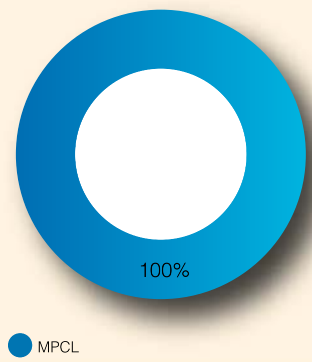
Karak Block



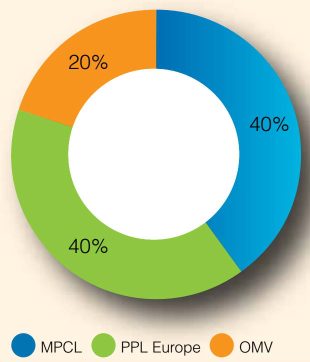
Sujawal Block



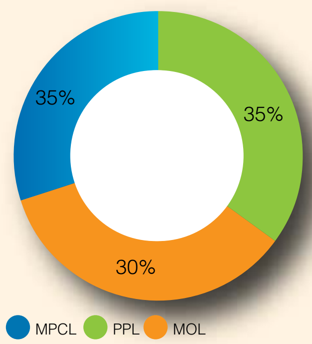
Hanna Block



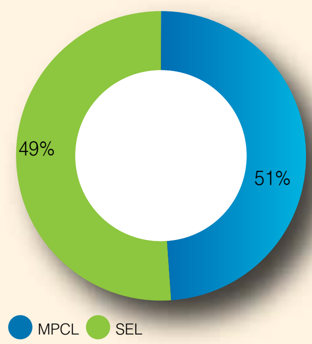
Harnai Block



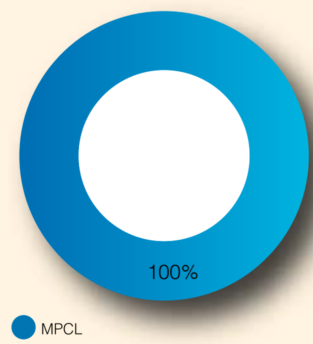
Ghauri Block



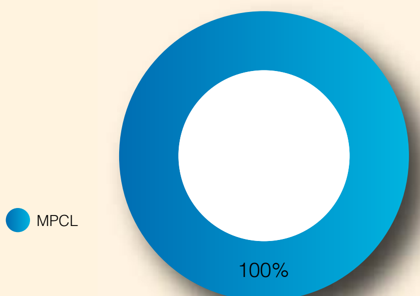
Khetwaro Block



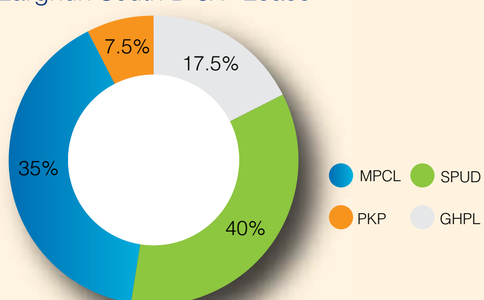
Peshawar East Block



MARI D & P Lease

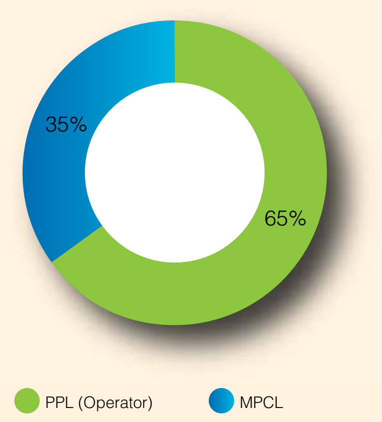


Zarghun South D & P Lease

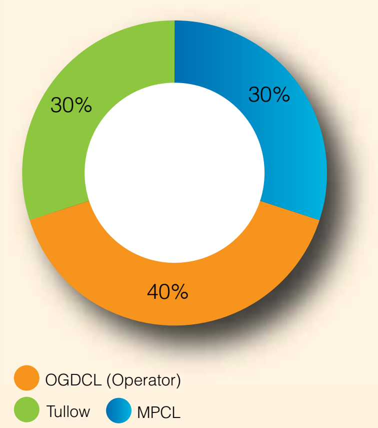


MPCL'S NON-OPERATED BLOCKS

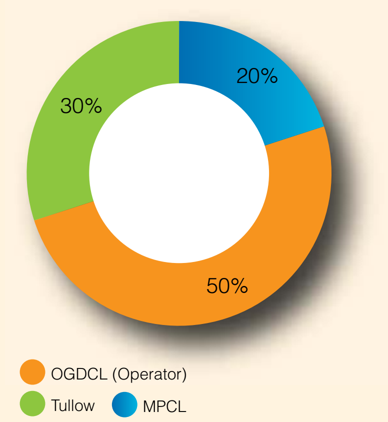
Hala Block



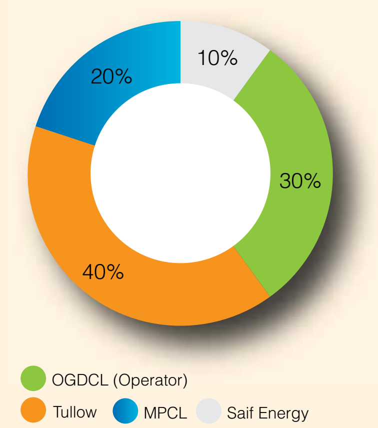
Kohlu Block



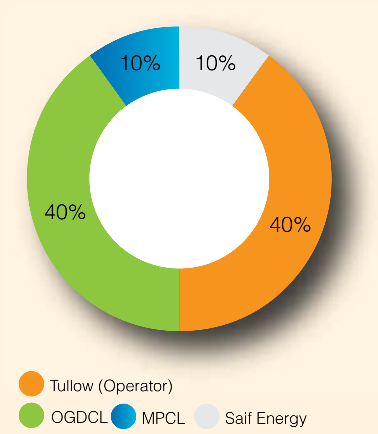
Kalchas Block



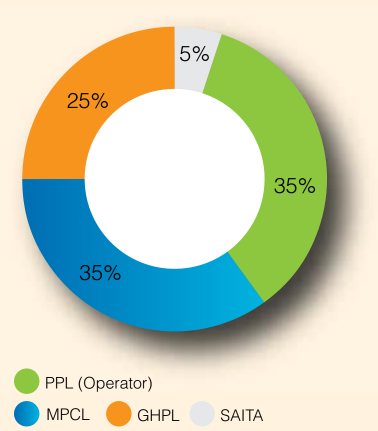
Kohat Block



Bannu West Block



Zindan Block



TEN YEARS AT A GLANCE

(Rupees in million)

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
FINANCIAL										
Revenue	71,944.12	65,128.56	48,228.33	32,177.82	28,979.37	26,864.38	21,943.97	22,647.80	20,018.14	16,059.63
Government levies:										
Income tax, other charges, royalty, excise duty, general sales tax, gas development surcharge, gas infrastructure development cess and windfall / petroleum levy	58,599.39	55,511.89	41,617.72	26,647.09	23,061.72	22,117.41	17,993.02	20,023.99	17,771.56	14,117.36
Sales - net	14,877.97	11,777.77	7,555.92	7,128.27	6,423.01	5,789.20	6,697.20	3,677.11	2,811.71	2,693.94
Operating profit	4,711.56	3,198.70	1,725.80	2,778.43	2,460.75	2,545.84	4,112.10	1,237.48	344.09	656.49
Profit before taxation	4,377.64	3,488.49	1,402.50	2,708.90	2,341.47	2,394.73	3,960.31	1,382.14	602.64	677.93
Profit for the year	3,943.30	2,421.08	1,115.17	1,725.30	1,185.95	2,151.92	2,560.41	683.89	189.25	361.52
Issued, subscribed and paid up capital	918.75	918.75	918.75	735.00	735.00	367.50	367.50	367.50	367.50	367.50
Reserves	15,903.48	12,637.98	10,557.40	9,935.42	8,455.83	7,865.22	5,381.53	3,390.12	2,315.15	2,239.75
Property, plant and equipment - at cost	12,798.64	9,426.47	7,560.05	7,417.33	6,699.57	6,626.01	4,861.36	2,881.92	3,395.29	3,726.83
Net current assets	3,035.24	5,197.97	4,284.04	3,265.80	3,231.97	898.45	861.62	942.62	805.72	808.73
Long term financing and deferred liabilities	5,047.10	5,361.39	5,362.28	4,966.34	4,471.03	3,108.47	2,143.80	1,361.60	1,528.39	1,939.45
INVESTOR INFORMATION										
Earnings per share (EPS)	6.30	5.51	4.94	4.14	4.58	3.71	6.43	5.68	5.06	4.45
Earnings per share - as per GPA	42.92	26.35	12.14	18.78	16.14	29.28	69.67	18.61	5.15	9.84
Debtor turnover	111	79	90	80	85	66	33	22	20	21
Market value per share at the end of year	373.43	136.57	93.81	107.37	129.38	148.83	269.53	175.00	126.50	194.65
Price earning Ratio	59.27	24.79	18.99	25.93	28.25	40.12	41.92	30.81	25.02	43.76
Dividends	347.66	340.49	309.44	245.71	227.85	118.23	119.00	118.26	113.85	111.98
Cash dividend per share	3.78	3.71	3.37	3.34	3.10	3.22	3.24	3.22	3.10	3.05
Dividend Yield	1.01%	2.72%	3.59%	3.11%	2.40%	2.16%	1.20%	1.84%	2.45%	1.57%
Dividend payout ratio	60.00%	67.33%	68.22%	80.68%	67.69%	86.71%	50.36%	56.66%	61.29%	68.50%
Return on capital employed	24.54%	25.17%	12.90%	21.90%	20.55%	23.95%	49.72%	30.20%	15.36%	15.71%
Debt : Equity ratio	1.94 : 98.06	10.22 : 89.78	7.62: 92.38	10.86 : 89.14	15.76 : 84.24	12.72 : 87.28	7.50: 92.50	0.00 : 100.00	4.00: 96.00	11.00 : 89.00
Liquidity ratio	1.06	1.29	1.21	1.28	1.37	1.08	1.16	1.19	1.16	1.19
Debt service ratio	3.12 : 1	3.40 : 1	2.19 : 1	2.97 : 1	5.07 : 1	9.55 : 1	10.40 : 1	3.17 : 1	2.32 : 1	2.96 : 1
NATURAL GAS										
Development and production leases (sq. kilometers)	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5
Ultimate recovery of proved reserves (BSCF) - Habib Rahi (Mari Field)	6,988.0	6,988.0	6,988.0	6,988.0	6,988.0	6,988.0	6,800.0	6,800.0	6,800.0	6,800.0
Cumulative production (BSCF)	4,644.6	4,427.3	4,216.1	4,009.7	3,821.9	3,642.2	3,472.5	3,301.1	3,128.6	2,957.6
Number of producing wells	118	114	107	99	98	89	88	86	84	83
Production (BSCF)	217.3	211.2	206.5	187.8	179.7	169.7	171.4	172.5	171.0	162.3
Daily average (BSCF)	0.595	0.579	0.564	0.515	0.492	0.465	0.468	0.473	0.469	0.445
OIL										
Production (barrels)	175,312	192,259	124,279	130,093	62,212	41,510	-	-	-	-
LPG										
Production (metric ton)	263	477	2,062	5,031	1,231	-	-	-	-	-

HORIZONTAL ANALYSIS - BALANCE SHEET

(Rupees in million)

	2014 (Rs.)	14 Vs 13 %	2013 (Rs.)	13 Vs 12 %	2012 (Rs.)	12 Vs 11 %	2011 (Rs.)	11 Vs 10 %	2010 (Rs.)	10 Vs 09 %
EQUITY AND LIABILITIES										
SHARE CAPITAL AND RESERVES										
Issued, subscribed and paid up capital	919	-	919	-	919	25.03	735	-	735	99.73
Undistributed percentage return reserve	414	(28.49)	579	37.86	420	(14.29)	490	34.62	364	(42.95)
Exploration and evaluation reserve	4,584	9.50	4,187	0.89	4,150	2.29	4,057	44.89	2,800	43.52
Reserve for Mari Seismic Unit	1,156	25.62	920	100.00	-	-	-	-	-	-
Profit and loss account	9,749	40.23	6,952	16.12	5,987	11.12	5,388	1.83	5,291	0.32
General reserve	-	-	-	-	-	-	-	-	-	(100.00)
	16,822	24.09	13,557	18.13	11,476	7.55	10,670	16.10	9,190	11.62
NON CURRENT LIABILITIES										
Long term financing - secured	333	(78.45)	1,543	62.94	947	(27.15)	1,300	(24.42)	1,720	43.33
Deferred liabilities	4,715	23.48	3,818	(13.54)	4,416	20.43	3,667	41.80	2,586	35.46
Deferred income tax liability	-	-	-	-	-	-	-	(100.00)	165	100.00
	5,047	(5.86)	5,361	(0.04)	5,363	7.97	4,967	11.09	4,471	43.81
CURRENT LIABILITIES										
Trade and other payables	36,177	160.88	13,867	(13.07)	15,951	75.44	9,092	21.19	7,502	(10.09)
Current maturity of long term financing	1,379	43.42	962	117.65	442	5.24	420	10.53	380	100.00
Interest accrued on long term financing	38	(10.76)	42	(25.00)	56	(28.21)	78	(11.36)	88	76.00
Provision for income tax	-	(100.00)	403	100.00	-	(100.00)	184	275.51	49	(93.16)
	37,594	146.12	15,274	(7.14)	16,449	68.29	9,774	21.89	8,019	(11.98)
	59,463	73.91	34,192	2.72	33,288	31.00	25,411	17.21	21,680	6.00
ASSETS										
NON CURRENT ASSETS										
Property, plant and equipment	8,672	48.04	5,858	30.99	4,472	(6.58)	4,787	5.44	4,540	(6.97)
Development and production assets	3,622	74.72	2,073	(39.47)	3,425	0.97	3,392	10.27	3,076	16.03
Exploration and evaluation assets	4,584	9.50	4,187	0.89	4,150	2.29	4,057	44.89	2,800	43.52
Long term loans and advances	8	3.01	7	-	7	250.00	2	(33.33)	3	-
Long term deposits and prepayments	18	31.12	14	40.00	10	(9.09)	11	-	11	10.00
Deferred income tax asset	1,930	22.12	1,581	222.00	491	305.79	121	100.00	-	(100.00)
	18,834	37.28	13,720	9.28	12,555	1.50	12,370	18.60	10,430	(0.11)
CURRENT ASSETS										
Stores and spares	835	1.71	821	1.73	807	66.39	485	67.24	290	40.78
Trade debts	31,166	162.38	11,878	(23.89)	15,606	102.49	7,707	26.34	6,100	(15.15)
Loans and advances	1,710	99.75	856	(18.40)	1,049	11.60	940	(20.14)	1,177	35.91
Short term prepayments	56	(16.47)	67	131.03	29	(39.58)	48	77.78	27	(6.90)
Interest accrued	6	(79.74)	29	70.59	17	142.86	7	(84.44)	45	200.00
Other receivables	914	192.01	313	291.25	80	8.11	74	1,750.00	4	(60.00)
Income tax paid in advance	636	100.00	-	(100.00)	194	100.00	-	-	-	-
Cash and bank balances	5,307	(18.45)	6,508	120.54	2,951	(21.93)	3,780	4.80	3,607	112.80
	40,629	98.46	20,472	(1.26)	20,733	58.98	13,041	15.92	11,250	12.39
	59,463	73.91	34,192	2.72	33,288	31.00	25,411	17.21	21,680	6.00

VERTICAL ANALYSIS - BALANCE SHEET

(Rupees in million)

	2014 (Rs.)	% age	2013 (Rs.)	% age	2012 (Rs.)	% age	2011 (Rs.)	% age	2010 (Rs.)	% age
EQUITY AND LIABILITIES										
SHARE CAPITAL AND RESERVES										
Issued, subscribed and paid up capital	919	1.55	919	2.69	919	2.76	735	2.89	735	3.39
Undistributed percentage return reserve	414	0.70	579	1.69	420	1.26	490	1.93	364	1.68
Exploration and evaluation reserve	4,584	7.71	4,187	12.24	4,150	12.47	4,057	15.97	2,800	12.92
Reserve for Mari Seismic Unit	1,156	1.94	920	2.69	-	-	-	-	-	-
Profit and loss account	9,749	16.40	6,952	20.33	5,987	17.99	5,388	21.20	5,291	24.40
	16,822	28.29	13,557	39.65	11,476	34.47	10,670	41.99	9,190	42.39
NON CURRENT LIABILITIES										
Long term financing - secured	333	0.56	1,543	4.51	947	2.84	1,300	5.12	1,720	7.93
Deferred liabilities	4,715	7.93	3,818	11.17	4,416	13.26	3,667	14.43	2,586	11.93
Deferred income tax liability	-	-	-	-	-	-	-	-	165	0.76
	5,047	8.49	5,361	15.68	5,363	16.11	4,967	19.55	4,471	20.62
CURRENT LIABILITIES										
Trade and other payables	36,177	60.84	13,867	40.56	15,951	47.92	9,092	35.78	7,502	34.60
Current maturity of long term financing	1,379	2.32	962	2.81	442	1.33	420	1.65	380	1.75
Interest accrued on long term financing	38	0.06	42	0.12	56	0.16	78	0.31	88	0.41
Provision for income tax	-	-	403	1.18	-	-	184	0.72	49	0.23
	37,594	63.22	15,274	44.67	16,449	49.41	9,774	38.46	8,018	36.99
	59,463	100.00	34,192	100.00	33,288	100.00	25,411	100.00	21,680	100.00
ASSETS										
NON CURRENT ASSETS										
Property, plant and equipment	8,672	14.58	5,858	17.13	4,472	13.43	4,787	18.84	4,540	20.94
Development and production assets	3,622	6.09	2,073	6.06	3,425	10.29	3,392	13.35	3,076	14.19
Exploration and evaluation assets	4,584	7.71	4,187	12.24	4,150	12.47	4,057	15.97	2,800	12.92
Long term loans and advances	8	0.01	7	0.02	7	0.02	2	0.01	3	0.01
Long term deposits and prepayments	18	0.03	14	0.04	10	0.03	11	0.04	11	0.05
Deferred income tax asset	1,930	3.25	1,581	4.62	491	1.48	121	0.48	-	-
	18,834	31.67	13,720	40.12	12,554	37.72	12,370	48.68	10,430	48.11
CURRENT ASSETS										
Stores and spares	835	1.40	821	2.40	807	2.42	485	1.91	290	1.34
Trade debts	31,166	52.41	11,878	34.75	15,606	46.88	7,707	30.31	6,100	28.14
Loans and advances	1,710	2.88	856	2.50	1,049	3.15	940	3.70	1,177	5.43
Short term prepayments	56	0.09	67	0.20	29	0.09	48	0.19	27	0.12
Interest accrued	6	0.01	29	0.08	17	0.05	7	0.03	45	0.21
Other receivables	914	1.54	313	0.92	80	0.24	74	0.29	4	0.02
Income tax paid in advance	636	1.07	-	-	194	0.58	-	-	-	-
Cash and bank balances	5,307	8.93	6,508	19.03	2,951	8.87	3,780	14.88	3,607	16.63
	40,629	68.33	20,472	59.88	20,733	62.28	13,041	51.31	11,250	51.89
	59,463	100.00	34,192	100.00	33,288	100.00	25,411	100.00	21,680	100.00

HORIZONTAL ANALYSIS - PROFIT AND LOSS ACCOUNT

(Rupees in million)

	2014 (Rs.)	14 Vs 13 %	2013 (Rs.)	13 Vs 12 %	2012 (Rs.)	12 Vs 11 %	2011 (Rs.)	11 Vs 10 %	2010 (Rs.)	10 Vs 09 %
Gross sales to customers	70,454	11.35	63,270	33.41	47,425	51.02	31,402	10.22	28,491	7.38
Gas development surcharge	19,960	(6.06)	21,246	(7.39)	22,941	29.46	17,720	0.06	17,710	8.90
General sales tax	9,953	17.51	8,470	33.20	6,359	43.22	4,440	14.14	3,890	6.31
Excise duty	1,548	3.47	1,496	1.42	1,475	8.30	1,362	102.68	672	5.66
Gas infrastructure development cess	23,734	31.58	18,038	127.26	7,937	100.00	-	-	-	-
Wind fall / petroleum levy	516	1.56	508	51.50	335	25.94	266	731.25	32	100.00
(Deficit) / surplus under the Gas Price Agreement	(134)	(107.72)	1,734	110.95	822	69.14	486	(305.93)	(236)	(227.57)
	55,576	7.93	51,492	29.15	39,869	64.25	24,274	10.00	22,068	6.39
Sales - net	14,878	26.32	11,778	55.88	7,556	6.00	7,128	10.98	6,423	10.95
Royalty	1,922	25.51	1,531	58.00	969	9.24	887	9.78	808	11.60
	12,956	26.44	10,247	55.56	6,587	5.54	6,241	11.15	5,615	10.86
Operating expenses	5,641	25.04	4,511	30.54	3,456	15.32	2,997	24.41	2,409	37.97
Exploration and prospecting expenditure	3,116	24.57	2,502	52.60	1,639	332.45	379	(49.13)	745	(3.75)
Other income	835	182.89	295	(17.14)	356	173.85	130	381.48	27	800.00
Other charges	323	(2.49)	331	169.11	123	(43.06)	216	51.05	143	(11.73)
Operating profit	4,712	47.30	3,199	85.43	1,725	(37.93)	2,779	18.51	2,345	(1.72)
Finance income	655	(58.12)	1,563	249.83	447	(30.81)	646	39.83	462	40.00
Finance cost	989	(22.38)	1,274	65.36	770	7.54	716	53.98	465	44.86
Profit before taxation	4,378	25.47	3,489	148.86	1,402	(48.25)	2,709	15.67	2,342	(2.21)
Provision for taxation	434	(59.33)	1,068	272.13	287	(70.83)	984	414.88	1,156	375.72
Profit for the year	3,943	62.87	2,421	117.13	1,115	(35.36)	1,725	45.45	1,186	(44.89)

VERTICAL ANALYSIS - PROFIT AND LOSS ACCOUNT

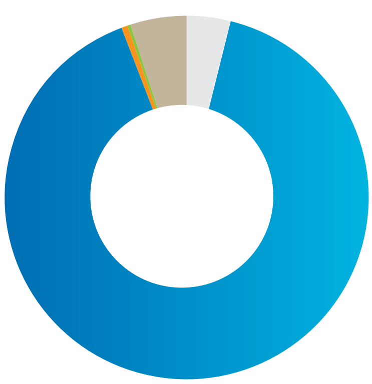
(Rupees in million)

	2013 (Rs.)	% age	2013 (Rs.)	% age	2012 (Rs.)	% age	2011 (Rs.)	% age	2010 (Rs.)	% age
Gross sales to customers	70,454	100.00	63,270	100.00	47,425	100.00	31,402	100.00	28,491	100.00
Gas development surcharge	19,960	28.33	21,246	33.58	22,941	48.37	17,720	56.43	17,710	62.16
General sales tax	9,953	14.13	8,470	13.39	6,359	13.41	4,440	14.14	3,890	13.65
Excise duty	1,548	2.20	1,496	2.36	1,475	3.11	1,362	4.34	672	2.36
Gas infrastructure development cess	23,734	33.69	18,038	28.51	7,937	16.74	-	-	-	-
Wind fall / petroleum levy	516	0.73	508	0.80	335	0.71	266	0.85	32	0.11
(Deficit) / surplus under the Gas Price Agreement	(134)	(0.19)	1,734	2.74	822	1.73	486	1.55	(236)	(0.83)
	55,576	78.88	51,492	81.38	39,869	84.07	24,274	77.30	22,068	77.46
Sales - net	14,878	21.12	11,778	18.62	7,556	15.93	7,128	22.70	6,423	22.54
Royalty	1,922	2.73	1,531	2.42	969	2.04	887	2.83	808	2.84
	12,956	18.39	10,246	16.20	6,587	13.89	6,241	19.87	5,615	19.71
Operating expenses	5,641	8.01	4,511	7.13	3,456	7.29	2,997	9.54	2,409	8.46
Exploration and prospecting expenditure	3,116	4.42	2,502	3.95	1,639	3.46	379	1.21	745	2.61
Other income	835	1.19	295	0.47	356	0.75	130	0.41	27	0.09
Other charges	323	0.46	331	0.52	123	0.26	216	0.69	143	0.50
Operating profit	4,712	6.69	3,199	5.06	1,725	3.64	2,779	8.85	2,345	8.23
Finance income	655	0.93	1,563	2.47	447	0.94	646	2.06	462	1.62
Finance cost	989	1.40	1,274	2.01	770	1.62	716	2.28	465	1.63
Profit before taxation	4,378	6.21	3,489	5.51	1,402	2.96	2,709	8.63	2,342	8.22
Provision for taxation	434	0.62	1,068	1.69	287	0.61	984	3.13	1,156	4.06
Profit for the year	3,943	5.60	2,421	3.83	1,115	2.35	1,725	5.49	1,186	4.16

STATEMENT OF VALUE ADDITION

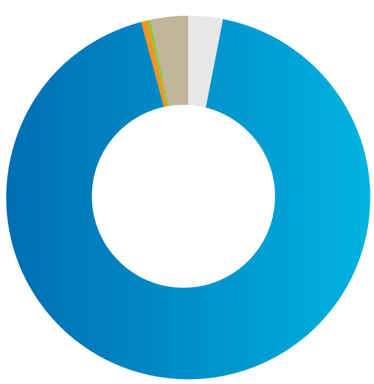
	Year 2013-14		Year 2012-11	
	(Rs in million)	% age	(Rs in million)	% age
Gross sales to customers	70,454.05	108.94%	63,269.79	107.55%
Less: Operating and exploration expenses	-6,006.64	-9.29%	-5,027.52	-8.55%
	64,447.41	99.65%	58,242.27	99.00%
Add: Other income and finance income	1,211.46	1.88%	1,858.76	3.16%
Less: Other expenses	-988.69	-1.53%	-1,273.69	-2.17%
Total value added	64,670.18	100.00%	58,827.34	100.00%
DISTRIBUTED AS FOLLOWS:				
Employees as remuneration and benefits	2,595.59	4.01%	1,892.35	3.22%
Government as:				
Levies	55,576.08	85.94%	51,492.03	87.53%
Royalty	1,922.09	2.97%	1,531.38	2.60%
Other charges	322.56	0.50%	330.81	0.56%
Company taxation	434.33	0.67%	1,067.42	1.81%
Dividends	106.46	0.16%	93.16	0.16%
	58,361.52	90.24%	54,514.80	92.66%
Shareholder as dividends	472.42	0.73%	413.44	0.70%
Social welfare	154.84	0.24%	92.30	0.16%
Retained within the business	3,085.82	4.78%	1,914.45	3.25%
	64,670.18	100.00%	58,827.34	100.00%

Year 2013-14



Employees as remuneration and benefits
Government as levies, royalty, other charges, company taxation and dividends
Shareholder as dividends
Social welfare
Retained within the business

Year 2012-13



Employees as remuneration and benefits
Government as levies, royalty, other charges, company taxation and dividends
Shareholder as dividends
Social welfare
Retained within the business

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

No. of Shareholders	Shareholding			Total shares held
704	1	TO	100	43,122
964	101	TO	500	316,948
630	501	TO	1,000	518,529
733	1,001	TO	5,000	1,587,238
95	5,001	TO	10,000	763,199
155	10,001	AND	ABOVE	88,645,964
3,281				91,875,000

Categories of Shareholders as at June 30, 2014

Categories of Shareholders	Numbers	Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
- Fauji Foundation	1	36,750,000	40.0000
- Oil & Gas Development Company Limited	1	18,375,000	20.0000
Mutual Funds			
- CDC - Trustee AKD Index Tracker Fund	1	4,354	0.0047
- CDC - Trustee Al Meezan Mutual Fund	1	75,000	0.0816
- CDC - Trustee Atlas Stock Market Fund	1	15,000	0.0163
- CDC - Trustee Faysal Asset Allocation Fund	1	21,000	0.0229
- CDC - Trustee Faysal Balanced Growth Fund	1	1,000	0.0011
- CDC - Trustee First Capital Mutual Fund	1	4,000	0.0044
- CDC - Trustee HBL-Stock Fund	1	67,500	0.0735
- CDC - Trustee HBL IPF Equity Sub Fund	1	29,500	0.0321
- CDC - Trustee HBL PF Equity Sub Fund	1	16,400	0.0179
- CDC - Trustee KSE Meezan Index Fund	1	24,595	0.0268
- CDC - Trustee Lakson Equity Fund	1	120,000	0.1306
- CDC - Trustee Meezan Balanced Fund	1	30,000	0.0327
- CDC - Trustee Meezan Islamic Fund	1	467,500	0.5088
- CDC - Trustee National Investment (Unit) Trust	1	3,858,854	4.2001
- CDC - Trustee NIT- Equity Market Opportunity Fund	1	488,742	0.5320
- CDC - Trustee PICIC Islamic Stock Fund	1	17,000	0.0185
- CDC - Trustee HBL Islamic Stock Fund	1	100,800	0.1097
- MC FSL - Trustee JS KSE-30 Index Fund	1	880	0.0010
Directors, Chief Executive Officer and their spouses and minor children			
- S.H. Mehdi Jamal - Director representing general public	1	500	0.0005
Public Sector Companies and Corporations			
- Oil & Gas Development Company Limited	*		
Banks, Development Financial Institutions and Non-Banking Financial Institutions			
- M/s Investment Corporation of Pakistan	1	2,800	0.0030
- IDBL (ICP Unit)	1	4,200	0.0046
- National Development Finance Corp.	1	3,750	0.0041
- Escorts Investment Bank Limited	1	250	0.0003
- Faysal Bank Limited	1	45,000	0.0490
- Meezan Bank Limited	1	100,000	0.1088
- National Bank of Pakistan	1	3,042,394	3.3114

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2014

Categories of Shareholders as at June 30, 2014

Categories of Shareholders	Numbers	Shares held	Percentage
Insurance & Takaful Companies			
- Excel Insurance Co. Ltd.	1	20,000	0.0218
- State Life Insurance Corp. of Pakistan	1	1,056,437	1.1499
- Dawood Family Takaful Limited	1	7,152	0.0078
Modarabas			
- First Prudential Modaraba	1	6,000	0.0065
- B.R.R. Guardian Modaraba	1	25,000	0.0272
- First Equity Modaraba	1	8,800	0.0096
- First Habib Modaraba	1	1,000	0.0011
Pension Funds			
- CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund	1	100,000	0.1088
Shareholders holdings 5% or more voting interest	**		
General Public			
- Local Individuals	3,164	6,740,639	7.3367
Others			
- Government of Pakistan	1	16,891,679	18.3855
- Joint Stock Companies	59	611,941	0.6661
- Leasing Companies	1	1,125	0.0012
- Trusts and Provident Funds	8	1,836,672	1.9991
- Other Executives	10	22,936	0.0250
- Foreign Companies	2	879,600	0.9574
	3,281	91,875,000	100

	Shares held	Percentage
***Public Sector Companies and Corporations (separately included above)**		
- Oil & Gas Development Company Limited	18,375,000	20.0000
****Shareholders holdings 5% or more voting interest (separately included above)**		
- Fauji Foundation	36,750,000	40.0000
- Oil & Gas Development Company Limited	18,375,000	20.0000
- Government of Pakistan	16,891,679	18.3855

DIRECTORS' REPORT

THE DIRECTORS ARE PLEASED TO PRESENT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND THE AUDITORS' REPORT THEREON FOR THE YEAR ENDED JUNE 30, 2014.

FINANCIAL RESULTS

The profit and appropriations for the year are as follows:

	Rs "000"
Profit	
Profit for the year after taxation	3,943,303
Other comprehensive loss	(330,150)
Un-appropriated profit brought forward	6,952,345
	10,565,498
Appropriations	
First interim dividend @ 27.8% per share declared in February 2014	255,780
Second interim dividend @ 10% per share declared in June 2014	91,875
Undistributed Percentage Return Reserve	223,781
Exploration and evaluation reserve	397,626
Reserve for Mari Seismic Unit	(153,036)
Total appropriations for the year	816,026
	9,749,472

The directors have decided to retain Rs 223.781 million representing the balance of percentage return reserve relating to the year ended June 30, 2014 under the provision of Mari Gas Wellhead Price Agreement (the Agreement). Therefore, the aforesaid amount has been transferred to "Undistributed Percentage Return Reserve". Pursuant to adoption of IFRS-6 which is applicable to the Company's financial statements with effect from July 01, 2007, net amount of Rs 397.626 million during the year has been shown as exploration and evaluation reserve and the corresponding amount of exploration expenditure has been shown as exploration and evaluation assets. An amount of Rs 153.036 million, pertaining to Mari Seismic Unit has been transferred to Reserve for Mari Seismic Unit during the year.

Gross sales for the year under review increased to Rs 70,454 million from Rs 63,270 million in 2013-14 (11.4% increase). The increase is mainly due to increase in gas and condensate production, increase in rates of Gas Infrastructure Development Cess and increase in gas prices. Company's contribution to the Government Exchequer amounted to Rs 58,599 million against Rs 55,512 million in the last year. The operating expenses were Rs 5,641 million as against Rs 4,511 million for the last year.

The operating results in the financial statements for the year show profit for the year of Rs 3,943 million as against Rs 2,421 million of the previous year. Increase in well head value, other income and decrease in finance cost and provision for taxation were the major reasons for increase in profitability. This was partially offset with increase in operating expenses, exploration and prospecting expenditure, royalty and decrease in finance income.

Earnings per share (EPS) on the basis of distributable profits increased to Rs 6.30 per share from Rs 5.51 per share for the last year. EPS for the year on the basis of profit and loss account (including undistributable balance) also increased to Rs 42.92 per share as compared to last year's Rs 26.35 per share.

The rate of return to the shareholders for the year has increased to 38.65% against last year's 37.84%, which is in proportion to increase in production level.

CASH FLOW STRATEGY

Cash and cash equivalents were Rs 5,307 million as against Rs 6,509 million in the previous year. During the year, an amount of Rs 6,097 million was generated from operating activities of the Company which was used mainly to undertake exploration activities, capital expenditures, payment of dividends to the shareholders, repayment of long term financing and finance cost to banks. In addition, the Company also obtained long term financing amounting to Rs 211 million to meet the requirements of its project namely Zarghun field development.

DIVIDENDS

The Company has paid first interim dividend of 27.8% (2013: 27.1%) on ordinary shares in February 2014 followed by second interim dividend of 10% (2013: 10%) on ordinary shares in June 2014. This makes the total cash dividend payout to the shareholders during the year to 37.8% (2013: 37.1%).

FOREIGN EXCHANGE SAVINGS AND GOVERNMENT REVENUES

MPCL is a major contributor to the national economy. The Company's share of production of natural gas, condensate, crude oil and LPG from its Mari field and other joint ventures for the financial year 2013-14 in terms of energy equivalent is 27,880,201 barrels (2013: 26,706,362 barrels). This has resulted in foreign exchange saving of around Rs 319 billion (2013: Rs 283 billion) for the current year assuming an average crude oil price of US$ 111.05 per barrel and average foreign exchange rate of US$ = Rs 102.90 during the year.

In addition, MPCL contributed around Rs 58,599 million to the Government exchequer during the year (Rs 55,512 million during 2012-13) mainly on account of taxes, royalty, excise duty, sales tax, gas infrastructure development cess and gas development surcharge.

OPERATIONS

The Company continued un-interrupted gas supply from Mari Field throughout the year to all its customers namely, Engro Fertilizer Limited (EFL), Fauji Fertilizer Company Limited (FFC), Fatima Fertilizer Company Limited (FFCL), Sui Southern Gas Company Limited (SSGCL), Foundation Power Company Daharki Limited (FPCDL) and Sui Northern Gas Pipelines Limited (SNGPL). A cumulative 212,259 MMSCF of gas at a daily average of 582 MMSCF and 22,683 barrels of condensate (62 barrels per day) were produced from Mari Field during the year as against 209,302 MMSCF of gas at daily average of 573 MMSCF and 28,422 barrels of condensate (78 barrels per day) for the corresponding year as per the requirement/withdrawal of the customers.

In addition, 111,415 barrels of crude oil (305 barrels per day), 41,214 barrels of condensate (113 barrels per day), 5,017 MMSCF of gas (14 MMSCF per day) and 263 metric ton of LPG (1 metric ton per day) was produced and sold from joint ventures during the year, whereas 145,480 barrels of crude oil (399 barrels per day), 18,357 barrels of

condensate (50 barrels per day), 1,926 MMSCF of gas (5 MMSCF per day) and 477 metric ton of LPG (1 metric ton per day) was produced and sold from joint ventures in the comparative year to customers namely Attock Refinery Limited, National Refinery Limited, Pak Arab Refinery Limited, Pakistan Refinery Limited, Western Power Company Limited, Sui Southern Gas Company Limited, Sui Northern Gas Pipelines Limited and Foundation Gas.

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

Market Share Information

Product	Total Output	MPCL's Output	MPCL's Share
Gas (MMSCF)	373,733	33,565	9%
Oil (BBLS)	8,625,442	63,705	1%

Source: Pakistan Petroleum Information Service by LMKR on behalf of DGPC
*Based on Production data for the Quarter March-May 2014

FUTURE PROSPECTS, PLANS AND STRATEGY

MPCL, being a major player in oil and gas sector of Pakistan is aggressively pursuing the vision of enhancing the energy resources of the country. In pursuance thereof, various drilling projects in different MPCL's blocks have been planned in the year 2014-15.

Exploration and Development activities, planned for the year 2014-15, will add to the hydrocarbon reserve base of MPCL and would also help to reduce the gap between supply and demand of energy which is essentially required to overcome the prevailing energy crisis in the country.

OPERATIONAL ACTIVITIES AND DEVELOPMENTS

Mari D&P Lease

Drilling of Pirkoh Wells

Based on interpretation and integration of G&G data, the location of two Pirkoh appraisal wells was finalized in order to appraise the discovery areas of MP-1 and MPX-1 wells, which were successful discoveries during 2013. Accordingly, first appraisal well "Mari PKL-7" was spud-in on June 14, 2014 to appraise the discovery area of MP-1. The well was successfully drilled down to a total depth of 555 meter and based on wireline log interpretation, a 12 meter thick zone (498 – 510 meter) was perforated and tested. As a result, Mari PKL-7 has flowed 2.1 MMSCFD at 32/64" choke size with well head flowing pressure of 483 psi.

Second appraisal well "Mari PKL-8" was spud-in on July 31, 2014. The

well was successfully drilled down to a total depth of 553 meter and based on wireline log interpretation; a 9 meter thick zone (505 – 514m) was perforated and tested. As a result, Mari PKL-8 has flowed 1.37 MMSCFD at 32/64" choke size with well head flowing pressure of 281 psi.

Mari D&P Lease Seismic Activities

Currently, survey for acquisition / recording of 1,079 sq. km 3D seismic data is in progress by Mari Seismic Unit (MSU). So far, recording of 152 sq. km 3D seismic data has been completed as of date.

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

Mari Petroleum has taken lead by developing its assets at Zarghun South Gas Field on self-execution basis. A major milestone in this regard was achieved on August 08, 2014 when MPCL started the supply of first gas to SSGCL by controlling H_2S through H_2S Scavenger and dehydrating the gas. SSGCL has accepted the gas for an interim period whereas this period shall be utilized by MPCL to commission Amine Sweetening Unit and other allied equipment in parallel. Start of specification gas at full volume is expected to commence by last week of September 2014 after installation of plant automation system.

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

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

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

Operated Blocks

Ziarat Block

A multidisciplinary subsurface study has been conducted / carried out to decide the way forward on Khost oil and gas discovery area. Ziarat Joint Venture has also planned to acquire 170 line km 2D seismic data to fulfill the outstanding work commitment and to evaluate the remaining hydrocarbon potential of the block. Technical / financial evaluation of fresh bids have been completed and negotiations with lowest bidder are in progress.

Karak Block

MPCL has applied for two years extension in third contract year of Phase-I against work commitment of two firm exploratory wells having minimum financial commitment of US $ 16 million.

Crude oil discovery in Karak Block was made in the later part of 2011. To further appraise the potential of block, 3D Seismic survey was planned and executed in 2013. Based on the processing and interpretation of 3D data, the location of two exploratory wells Halini Deep-1 and Kalbagh-1 have been stacked on the ground on May 17, 2014. All procurement cases have been finalized and the process for preparation of approach road and well locations has been initiated. It is expected that both wells shall be spudded in the fourth quarter of 2014 simultaneously. In addition, work over job at Halini X-1 well, which includes re-perforations and additional perforations has been completed and currently, the well is on production.

Processing / reprocessing of 705 line Km 2D seismic data is in progress at M/s GRI China. It is expected that processing /reprocessing of the newly acquired and vintage seismic will be completed by end of third quarter of 2014. The said data will be interpreted in-house to delineate future prospects for drilling. Bids have been invited to conduct structural modelling study of Karak block on the basis of 2D processed / reprocessed seismic data. The said study is expected to complete by the end of 2014. Reserves study of Halini structure from third party using 2D and 3D seismic data is in progress at M/s IPR Houston office. The reserves study is expected to complete by the end of third quarter of 2014.

In order to install the artificial gas lift system (Gas Lift), the workover operations at Halini-1 was carried out. The well remained shut-in from June 17, 2014 to August 11, 2014. During the operation, existing completion was pulled out, re-perforated and was completed with gas lift mandrels. The production from the well was resumed back on August 12, 2014. At present the well is producing 1400 – 1450 BOPD.

Sukkur Block

A sequence stratigraphic study at M/s Terra Dynamics has been completed. A TCM/OCM was held on July 3, 2014 to discuss the revised work program/budget including way forward of the block. Sukkur joint venture partner agreed to apply for two years extension against a work commitment of 200 line Km 2D seismic data acquisition to explore the prospectivity of SML in block where seismic data is either not available or is sparse.

Ghauri Block

Ghauri Block was granted to MPCL on Feb 16, 2010, covering an area of 1291.52 sq. Km, falling in Jhelum and Rawalpindi districts of the Punjab Province. The block was considered very risky at that time due to presence of seven unsuccessful wells within the block; failure of these wells was presumed due to non-existence of mature source rock in the area. MPCL accepted the challenge and decided to take aggressive exploration activities in the area.

Based on in-house interpretation of 2D seismic data, first exploratory well Ghauri X-1 was spud-in on November 04, 2013 and target depth of 3,990 m was achieved on March 01, 2014. The drilling and associated operations were completed in a record time of 117 days as against 235 planned days usually required for drilling a deep well in Northern region, resulting in a cumulative saving of over 5 million US Dollars. During Drill Stem Test, the well flowed 5,500 Bbls/day from Sakesar Formation at 32" choke size. Presently, the well is on production through EWT.

Based on the interpretation of wireline logs, drilling and geological data, four DSTs were conducted. MPCL made multiple finds at Exploration Well Ghauri X-1 while undertaking Drill Stem Test in Kussak Sand Stone and Sakesar Limestone. The well was successfully completed in Sakesar Limestone formation.

MPCL is accredited for success of this well which will definitely be a benchmark for other E&P Companies to increase exploration activities in an area previously considered as least prospective and high risk bearing.

JV partners intend to carry out 3D seismic data acquisition over Ghauri discovery area and Harno structure to appraise the discovery area and to firm up additional prospects for drilling of exploratory well in the block. Accordingly, the contract is being awarded to carryout design which would be followed by acquisition of 3D seismic data, expected to commence by end of 2014.

MPCL plans to conduct basin modeling study and Geochemical studies of ditch cutting samples of the exploratory well Ghauri X-1 and other wells for source rock evaluation. The study would be commenced by October, 2014 and would be completed by April, 2015. Reprocessing of 330 line Km 2D seismic data is also in progress at M/s GT Poland, which would be completed by end September 2014.

Development of the field is planned in two phases for early cash inflows. In first phase, a rental production facility have been acquired and well is put on production in last week of June 2014. This is worth mentioning that the production facilities were completed in a record time of 26 days.

Hanna Block

In-house post well evaluation of Hanna X-1 is in progress and in this regard ditch cutting samples have been sent to M/s Weatherford Houston, USA for geochemical analysis. Initial results of study have been received, which are being reviewed. The study will help in post well failure analysis and to decide the way forward on the block.

Harnai Block

Presently the operator is planning to invite fresh bids for the remaining 2D seismic data acquisition of 146 line km to find any viable trap for drilling of exploratory well and to fulfill work commitment of Phase-I.

Sujawal Block

Sujawal Block is located in the Sujawal District, Sindh Province. It was awarded to MPCL on June 21, 2006 with 100% working interest. Based on detailed geological and geophysical studies in the subsequent years, first exploratory well Sujawal X-1 was drilled down to depth of 3000 m during 2010 which tested commercial gas from Upper sands of the Lower Goru Formation. Presently, the well is producing 10 MMSCFD, which is being provided to SSGCL.

After having encouraging results at Sujawal exploration well, the Company embarked upon the drilling of another exploratory well namely Sujjal-1. The preceding well is located at a distance of 20 km from Sujawal X-1. Drilling began on January 26, 2014 and target depth of 2,535 meters was achieved in 46 days as against 66 days initially planned resulting in saving of over 1 million US Dollars. Based on the wireline logs and drilling data, five DSTs were conducted to test the most promising zones.

By the grace of Almighty Allah, MPCL was blessed with a significant gas and condensate discovery in Sujjal-1 well. The well flowed 19.3 MMSCFD gas and 103 bbls/day condensate from C-sand of Lower Goru Formation at 48/64" choke size. Initial gas analysis shows that the gas is of very good quality having calorific value of around 1,045 BTU/

SCF with low contents of inerts. The discovered gas has a heating value of 1043 BTU/SCF and its condensate API is 53 @600F. In addition to the C-sand, the well also flowed 2 MMSCFD gas and 3.5 bbls/Day condensate from A-sand at 48/64" choke size. The well was successfully completed in Lower Goru C-Sands.

After discovery of gas condensate at exploratory well Sujjal-1, field development plan has been formulated. Accordingly, gas from Sujjal-1 shall be transported through 17 KM x 8" diameter line to Sujawal-1 for commingled processing. Surface facilities at Sujawal were proactively planned for enhanced capacity and had the additional capacity for new find at Sujjal-1.

For enhancement of process facilities, Dehydration plant was installed and production from Sujawal X-1 well was commenced in the month of March 2013 in the first phase. Amine sweetening unit and hydrocarbon dew point plants are to be installed in second phase.

The purchase order for the procurement of process package is placed with M/s McGuffey, a US based manufacturing facility. The shipment of consignment is expected in September 2014 and the installation on the pre-poured foundation in October 2014.

MPCL also plans to conduct a reservoir characterization and sedimentological study of the Upper Sands of the Lower Goru Formation to evaluate its distribution and reservoir potential in the area.

The company also intends to carry-

out 2D/3D seismic data acquisition campaign to evaluate the remaining hydrocarbons potential and also to explore the possibilities of hydrocarbons in the western part of the block. In addition, reprocessing of 200 Sq. Km 3D and 1,000 line Km 2D Seismic data is in progress at M/s GRI China and M/s SAGeo Pakistan, which is expected to complete in third and fourth quarter of 2014, respectively. Based on the interpretation of newly reprocessed 3D seismic data, the location of third exploratory well would be finalized and accordingly, it is expected that the said well would be spud-in during first quarter of 2015.

Khetwaro Block

MPCL farmed-in the Khetwaro Block of Saif Energy Limited (SEL) as an Operator on February 1, 2014 with 51% working interest. Block is currently in third license year.

A seismic reservoir study was carried out by M/s Beicip Franlab, France in order to de-risk the exploratory well, which will target the stratigraphic features of Eocene level i.e Karst and Basal Ghazij Pinchout.

Based on seismic reservoir study results and in-house interpretation of seismic / geological data, an optimum well location for second exploratory well in the block has been finalized. The said well will be drilled during fourth quarter of 2014.

Peshawar East Block

Peshawar East Block was awarded to MPCL on February 21, 2014 with 100% working interest. The contract for carrying out geological fieldwork in the block has been awarded to Peshawar University. Geological field work commenced on August 07, 2014. In addition, vintage seismic data have been selected and purchased for re-processing.

Non Operated Blocks

Hala Block

Based on the interpretation of newly merged reprocessed 3D volume, the third exploratory well "Adam West X-1" was placed and subsequently, spud-in on May 20, 2014 in order to test the hydrocarbons potential of Basal and Massive sands of Lower Goru Formation. Accordingly, Adam

West X-1 has been drilled down to 4057 meter (MD)/4012.75 meter (TVD). Currently, preparations are in process to land 7" liner which will be followed by testing.

Zindan Block

2D seismic data acquisition and processing of 517 line Km. was completed. In order to enhance the seismic imaging, the data was also reprocessed from M/s GT Poland. Subsequently, interpretation of the said seismic has been completed and location for drilling of first exploratory well namely, Laki X-1 has been finalized to spud it during fourth quarter of 2014.

Kohlu Block

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

Kalchas Block

The Operator plans to drill Kup-1 in third quarter of 2014, subject to availability of rig. Civil works have already been completed. Further, JV partners plan to acquire seismic data over Kup and other leads subject to availability of seismic crew.

Kohat Block

Bids have been invited for 2D and 3D seismic data acquisition in the block. Technical evaluation of the invited bids is in progress. Kohat Joint Venture intends to acquire approximately 319 sq. km 3D seismic data which includes (87 sq. km over Sheikhan and 232 sq. km over Tanda Jabbi areas) and 256 line km 2D seismic data over identified leads in the block. The objective of 3D and 2D seismic data is to delineate additional prospect.

Bannu West Block

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

New Areas

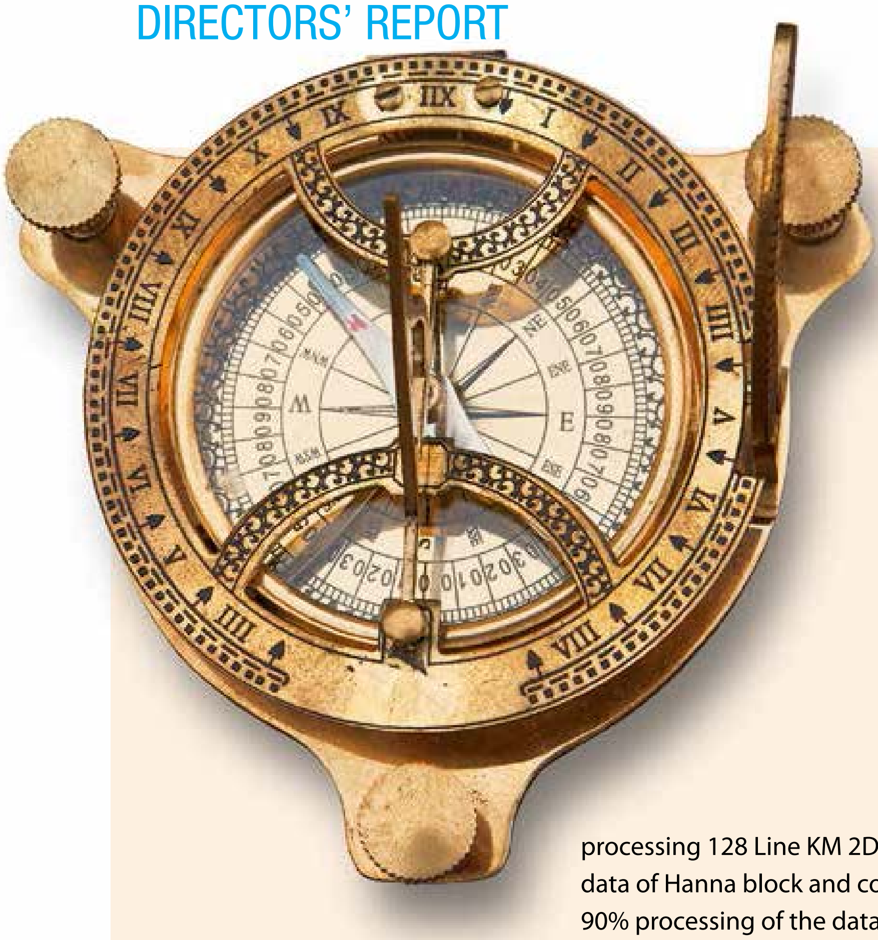
The Company continues to pursue its evaluation of potential sedimentary basins of the country to identify new exploration areas as well as assessing prospects and negotiating terms for Company's participation in the already awarded blocks through farm-in agreements with other companies.

MARI SERVICES DIVISION (MSD)

Mari Services Division has been established to manage different services units recently established by MPCL to acquire 3D seismic acquisition, 3D seismic data processing, drilling of wells through its own drilling rigs, slick line unit and other allied services which may be added in future on need basis. MSD would improve the management of its service units to provide services to MPCL and other E&P companies working in Pakistan and abroad on competitive basis.

Mari Seismic Unit (MSU)

MSU started acquisition of 3D seismic data in Mari D& P Lease area and acquired 152 Sq. Kms till date with an objective to acquire 1,079 Sq. Kms data. MSU commenced its recording operation during October 2013 and despite facing permitting issues, the acquired data quality was of very high standards.



Mari Drilling Services Unit (MDU)

MPCL has several operating blocks where the drilling depth of wells is more than 5000 meter which requires onshore drilling rigs having 2500 HP capacity. Due to scarcity and non-availability of deep drilling rigs in the country, MPCL has purchased its own 2500 HP rig. MDU consists of three drilling rigs having 300, 1,500 and 2,500 HP providing the capability to drill onshore wells between the depth of 500 meters up to 6,000 meters. MDU drilled two exploration wells and one appraisal well while the work over job at Halini X-1 in Karak block was underway in June 2014.

Mari Seismic Data Processing Center (MSPC)

MSPC was established in January 2014 and commenced its proper operations in April 2014 after providing professional training to its processing team. Currently MSPC is processing 128 Line KM 2D seismic data of Hanna block and completed 90% processing of the data till date. MSPC has also completed processing of 56 Line KM 2D seismic data of Harnai block. MSPC may carry out further processing of seismic data acquired from Sujawal block, Mari D&P Lease and Peshawar block during 2014-15.

RESEARCH AND DEVELOPMENT

In the year 2013-14, the Company carried out the following R&D related Projects:

Drilling Optimization of Ghauri X-1: Oil Discovery

This project was ideally handled by EDS Drilling Services Company and the Iranian company called Tehran Energy Consultants (TEC) Parsian Kish Drilling (PKD). The initial analysis was Post-mortem analysis of the previous Shahab X-1 well in the Ghauri block, close to Ghauri X-1, where there were initial oil shows. The Company evaluated the down-hole design, long lead items, bits and bit design with bottom hole assembly, with mud and cementation as well. Operations department interacted with EDS on use of down-hole motors which resulted in far quicker and better drilling in Ghauri X-1 saving over US $ 4 million despite the loss and gain problems in the Siwaliks. The Ghauri X-1 well with a good oil discovery was drilled by Saxon Drilling Company now purchased by Schlumberger.

EDS has also analyzed the future potential wells after post-mortem review of Chak Meyun-1, Harno-1 and Boski-1.

1D Mem Hydraulic Fracing Study Of Kussak Tight Oil In Ghauri X-1, Reservoir and Pore Pressure Analysis

Schlumberger was involved in a number of operational services on the Ghauri X-1 discovery with Saxon as drilling services, Dowell Schlumberger on cementation, and Schlumberger of logging of Siwaliks and reservoir intervals.

As part of R&D the non-conventional part was the Kussak Formation which is a Tight Shaley, radioactive, sandstone reservoir, which produced oil only on nitrogen kick-off. Hence R&D interacted with Schlumberger in coordination with Operations to review oil production of Kussak if there is a hydraulic fracturing analysis and design to recover maximum oil from Ghauri X-1. The 1D MEM can only be done after mineral analysis on matrix by use of the ECS and Sonic Scanner logs in the Cased Hole after the actual formation water was confirmed from Khewra on the DST where the Sw then was changed.

A comprehensive analysis of reservoir testing and 1D MEM has been done worldwide with the Schlumberger HUB. An initial report is submitted for MPCL review with a Schlumberger international presentation on the final report which could have another well design for recovery of oil not just from Sakesar but Kussak as well. There will be slant-hole design as a kH multiplier for enhanced oil production on a future development well, where there will be designs for artificial lift, as well since the solution gas volume on the 22 to 24 API oil is low.

Sujawal Block, Sindh: Dari-1 Ditch Cuttings Roqscan for Mineral and Porosity Analysis

The ditch cuttings of the previous Union Texas Dari-1 well were purchased, from HDIP after DGPC approval. They were security cleared and sent to CGG Robertson in Houston, Texas, USA for a RoqSCAN analysis of porosity imaging, typing and mineral matrix analysis.

The Lower Goru Cretaceous aged reservoirs are confirmed to have calcite cementation besides clay minerals and quartz for acid stimulation design. These cuttings were analyzed while MPCL had a good gas discovery in the Sujjal-1 well in the same Sujawal block from the Lower Goru "C" Sand, but tighter intervals of "A" & "B" which are calcite cemented.

Ziarat Gas Discovery: Dunghan and Chiltan Reservoir Ditch Cuttings Analysis for Porosity Imaging and Mineral Analysis for Reservoir Properties

The Ziarat and Khost fields have a gas discovery with an "Oil Rim" where the objective of MPCL has been to deliver hydrocarbons to Baluchistan. One of the issues of Baluchistan blocks are the elevation of reservoirs is shallower, hence pressure is lower so there are losses during drilling and previous cementation was poorer but later improved. MPCL brought an Artificial Lift Jet Pump to recover oil. The oil was produced but dropped with increase in water in Khost-3. R&D selected the main Dunghan Limestone Reservoir and Secondary Chiltan Reservoir cuttings from Ziarat-1 for RoqSCAN analysis which would confirm porosity. The strength of porosity imaging and typing is that it enhances log re-processed data for confirmed reservoir properties.

As part of optimum hydrocarbon recovery, the gas cap could also pick more oil rim as a by-product. The CGG Robertson final report is received which confirms porosity types, actual images of 5% which add value to confirmed reservoir properties besides images of micro-fractures.

Habib Rahi "A" Tight Reservoir Core Analysis in Comparison with Habib Rahi "B" Reservoir for Optimum Gas Recovery: Mari-94 and Mari-97

Four cores from two wells Mari-94 and Mari-97 were transported to

Core Laboratories in Karachi, for Gamma Ray detection for log-depth adjustment, specific core plugs for Helium Gas Expansion Porosity, Air Permeability, and Plane Light/Ultra-Violet Light Photography on slant edge drilling of the four Habib Rahi "A" and "B" Cores in two wells.

Habib Rahi "A" reservoir was considered tight and the R&D requirement was analyzed for geological reservoir properties so the "tight reservoir" related to gas recovery has a system for optimum recovery of gas even from the tight reservoir as part of non-conventional work.

The final reports have been received and reviewed and indicate that Habib Rahi "A" has limemudstone and shales which separate Foramiferal Packstone reservoirs that have lower vuggy, matrix and secondary porosity. Whereas, Habib Rahi "B" is generally a Foramniferal Wackestone which is a far better reservoir with greater primary matrix and smaller secondary porosities with high permeability. Micro-fractures were found in both reservoirs.

Orifrice Flow-Meter Installation to Enhance Mari Deep Analysis of Gas and Fluids

A good deal of analytical work was done in the Mari Field in Dharki where flow-meters consisting of Venturi and Orifice were initially analyzed. Company called Sprint was selected as a service provider to bring the flow-meter from China for installation in the field. The work with flow-meter has started to ensure gas and fluid monitoring so gas mobility in the pipelines can be enhanced.

C36+ Gas Composition Chemical Analysis

Gas composition was selected from multiple areas and analyzed for detailed chemistry by two independent laboratories for confirmation where gas design could be improved for the Fauji Power Plant to reduce by-products.

The two laboratory gas chemical data was received in detail for a study by HDCP Company for design of reducing the by-products.

C 36 Detailed Chemical Analysis Study

The Final Report from HDCP Company on C36+ Gas analysis has been shared by MPCL and Fauji Power to enhance the capacity to reduce undesired by-products of hydrocarbons and fluids which are not required for the electrical power generation by the Fauji Power Plant.

Gas Emission Study by HSE on R&D

The HSE Department completed a full study on emission of gases including Ammonia, Carbon Dioxide and Nitrogen on fertilizer plants in Dharki to reduce human health issues.

RISK MANAGEMENT AND OUTLOOK

MPCL in pursuit of playing a key role in Pakistan's energy sector is following a progressive business strategy. Providing uninterrupted gas supplies to its customers especially to the fertilizer sector is at the core of its business operations. In doing so, Company's cost effective operations, while maintaining its highest levels of operational efficiencies and HSEQ standards, are unmatched by any of the peer companies operating in the Country.

In view of its strategic outlook and position in the upstream sector, Company accepts a larger share of responsibility in taking on the energy challenges faced by the Country today; and is therefore, focused on enhancing production from its Mari field as well as its newer oil and gas discoveries.

Company's ongoing extended well test (EWT) operations over its new oil and gas discoveries in Karak, Ghauri, Sukkur and Sujawal blocks are successfully underway. After concluding these tests, developments of these new fields would supplement the current supply of oil and gas to the national market on sustainable basis.

In the near future, Company plans to continue its exploration-led growth strategy and is therefore, looking at maintaining a healthy portfolio of exploration assets. It has recently added some very prospective blocks in its portfolio.

The Company's operational plan for year 2014-15 includes commencement of full-scale production from its Zarghun South (ZS) gas/condensate project in Baluchistan. The ZS project, which has been successfully completed by Bolan Joint Venture (operated by MPCL) at the cost of US$21 million and is currently in commissioning phase with initial gas supply already on stream will be ramped-up to supply 20MMSCF per day gas to Quetta, the capital city of Balochistan Province.

The Company's immediate plans include fast-tracked G&G work including extensive 2D/3D seismic acquisition and an aggressive drilling program with twenty four wells planned in the next two years comprising exploration, appraisal and development wells in its presently held block portfolio plus the additional investments earmarked for new acquisitions. The Company, based on its bold exploration strategies, will also continue scouting for possible new opportunities both locally and internationally to give further impetus to its pace of progress, business growth and expansion.

While the majority of the Company's activities are the result of internal prospect generation, the Company remains open to participation in opportunities generated by others that are consistent with our operating philosophy and meet our technical and economic criteria.

The Company is well aware of the challenges confronting its development and exploration pursuits. Apart from the technical challenges faced by the Company; the most distressing and intimidating are the risks of security volatility; generally in the country and more particularly in Balochistan and KPK, where the Company operates four exploration licenses and one development lease.

The Company's recently developed own seismic acquisition unit and enhancement of its deeper-drilling capabilities are in fact, part of Company's strategy to deal with the challenges being faced by it. These challenges are similar to that of most of the other companies operating in security sensitivity areas, where foreign contractors are unwilling to provide such services.

While being one of the very few companies, operating successfully in the troubled areas, we believe that secret of handling today's challenges on sustainable basis lies in a collective initiative by the government authorities, the industry and of course the local population. The Company, however, is determined and is all out to keep on track the pace and progress of its activities; alert and adapting to the needs of these circumstances as they unfold; particularly ensuring the safety and security of its work force in its operational areas and upholding the highest HSEQ standards.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Senior management provides strong leadership and commitment, and ensures that this commitment is translated into the necessary resources to develop, operate and maintain Health, Safety and Environment Management System (HSEMS). To attain the policy and strategic objectives, management ensured that full account is taken of HSE policy requirements and provide maximum support for all actions taken to protect health, safety and the environment during all exploration and production activities.

MPCL creates a sustainable HSE culture that supports HSEMS, based on:

- belief in the company's desire to improve HSE performance;
- motivation to improve personal HSE performance;
- acceptance of individual responsibility and accountability for HSE performance;
- participation and involvement at all levels in HSEMS development;
- employees of both the company and its contractors are involved in the creation and maintenance of such a supportive culture.

Policy and Strategic Objectives

The Company has defined and documented its HSE policies and strategic objectives and ensured that they:

- are relevant to its activities, products and services and their effects on HSE;
- are consistent with the Company's other policies;
- have equal importance with the Company's other policies and objectives;
- are implemented and maintained at all organizational levels;
- are publicly available;
- commit the Company to meet or exceed all relevant regulatory and legislative requirements;
- apply responsible standards of its own where laws and regulations do not exist;
- commit the Company to reduce the risks and hazards to health, safety and the environment of its activities, products and services to levels which are as low as reasonably practicable;
- provide for the setting of HSE objectives that commit the Company to continuous efforts to improve HSE performance.

The Company has established and periodically reviewed strategic HSE objectives which are in-line with Company's HSE policy and reflect activities, relevant HSE hazards and effects and operational and business requirements. In addition, the views of employees, contractors, customers and all stakeholders are given due consideration in the development of such objectives.

Organizational Structure and Responsibilities

Successful handling of HSE matters is a line responsibility requiring the active participation of all levels of management and supervision; this has been reflected in the organizational structure and allocation of resources.

The Company has defined, documented and communicated the roles, responsibilities, authorities, accountabilities and interrelations necessary to implement the HSEMS, including but not limited to:

- provision of resources and personnel for HSEMS development and implementation;
- initiation of action to ensure compliance with HSE policy;
- acquisition, interpretation and provision of information on HSE matters;
- identification and recording of corrective actions and opportunities to improve HSE performance;
- recommendation, initiation or provision of mechanisms for improvement and verification of their implementation;
- control of activities whilst corrective actions are being implemented; and
- control of emergency situations.

Contractors

In MPCL, we maintain procedures to ensure that our contractors operate a management system that is consistent and compatible with the requirements of IMS. Procedures facilitate interfacing of contractors' activities with those of the Company and with those of other contractors, as appropriate. This is achieved by means of a specific interface document between Company and contractor so that any differences may be resolved and procedures agreed before work commences.

Although all the recommendations in these Guidelines may be applicable to the contracted organization, the procedures usually pay particular attention to the following:

- selection of contractors including (amongst other considerations) specific assessment of their HSE policy, practices and performance and the adequacy of their HSEMS, commensurate with the risks associated with the services to be provided.

- effective communication of the key elements of the Company's HSEMS and of the standards of worker and environmental protection expected from the contractor including agreed HSE objectives and performance criteria.
- sharing by Company and contractor of relevant information which may impact on the HSE performance of either.

Risk Management

The Company is maintaining procedures to identify systematically the hazards which may affect or arise from its activities and from the materials which are used or encountered in them. The scope of the identification covers activities from inception through to abandonment and disposal.

The identification includes consideration of:

- planning, construction and commissioning (i.e. asset acquisition, development and improvement activities).
- routine and non-routine operating conditions, including shut-down, maintenance and start-up.
- incidents and potential emergency situations including those arising from:
- product/material containment failures.
- structural failure.
- climatic, geophysical and other external natural events.
- human factors including breakdowns in the HSEMS.
- decommissioning, abandonment, dismantling and disposal.

Different methods are used to minimize the risk of incidents with a high potential for escalating into major events. HSE risk management is an area where MPCL has carried out extensive studies to minimize risk to people, environment, assets and reputation. This issue tends to become more critical as most of the activities done are outsourced to local contractors who generally lack awareness on HSE, therefore become highly prone to HSE mishaps. Explicit HSE requirements have been introduced during the contracting process. This approach has considerably reduced HSE risks. Evaluation of health, safety and environmental risks and effects include consideration of:

- Fire and explosion.
- Impacts and collisions.
- Asphyxiation and electrocution.
- Chronic and acute exposure to chemical, physical and biological agents.
- Ergonomic factors.

Evaluation of acute and chronic environmental effects includes, where appropriate, consideration of:

- Controlled and uncontrolled emissions of matter and energy to land, water and the atmosphere.
- Generation and disposal of solid and other wastes.
- Use of land, water, fuels and energy, and other natural resources.
- Noise, odour, dust, vibration.
- Effects on specific parts of the environment including ecosystems.
- Effects on archaeological and cultural sites and artifacts, natural areas, parks and conservation areas.

HSE Training

The company is maintaining procedures to ensure and increase competence through identification of training needs and provision of appropriate training for all personnel. HSE training is provided through formal in house sessions and external trainers were required.

The extent and nature of training is sufficient to ensure achievement of the company's policy and objectives, and meet or exceed requirement by legislation and regulations. Appropriate records of training are maintained. Particular focus is given to the following areas as a minimum;

- Stress Management
- General HSE awareness
- Fire Fighting
- Permit to work system
- Incident Investigation and Risk Assessment
- Job Hazard Analysis
- First Aid
- Sessions on IMS and ISMS
- Office Ergonomics
- Defensive driving
- Safe food handling
- Initial Environmental Examinations / Environmental Impact Assessments awareness session
- Waste Management
- Chemical handling
- HSE Laws and Regulations
- Use of Breathing apparatus
- H_2S awareness
- Health awareness

Asset Integrity

In MPCL we ensure that HSE-critical facilities and equipment which it designs, constructs, procures, operates, maintains and/or inspects are suitable for the required purpose and comply with defined criteria. Procedures and systems are there for ensuring asset integrity (amongst other factors) structural integrity, process containment, ignition control and systems for protection, detection, shutdown, emergency response and life-saving. Deviation from approved design practices and standards is permitted only after review and approval by designated personnel and/or authorities, and the rationale for the deviation is documented.

Contingency and Emergency Planning

The company maintains procedures to identify foreseeable emergencies by systematic review and analysis. A record of such identified potential emergencies is made, and updated at appropriate intervals in order to ensure effective response to them.

We have developed plans for responding to such potential emergencies, and communicate such plans to:

- command and control personnel;
- emergency services;
- employees and contractors who may be affected;
- others likely to be impacted.

To assess the effectiveness of response plans, we maintain procedures to test emergency plans by scenario drills and other suitable means, at appropriate intervals, and revise them as necessary in the light of the experience gained.

Monitoring of HSE Performance

Procedures are in place for both active and reactive monitoring. Active monitoring provides information in the absence of any incident, ill-health or damage to the receiving environment. It includes checking that HSEMS requirements (e.g. procedures) are being complied with, and that objectives and performance criteria are met. Reactive monitoring provides information on incidents (including near-miss incidents, ill-health or environmental damage) that have occurred and provides insights into the means of preventing similar incidents in the future.

We maintain procedures for the internal recording and reporting of incidents which affected, or could have affected, HSE performance, so that the relevant lessons can be learned and appropriate actions taken.

There is a defined mechanism for the reporting of incidents to regulatory bodies, to the extent required by law or to such greater extent as the policy of the company on external communication may require.

In 2013, MPCL recorded best-ever combined employee and contractor workforce. Total Recordable Case Frequency (TRCF) by achieving 1.09 against the set target of 1.8, which is a visible improvement when compared to worldwide standard.

Non-Compliance and Corrective Action

There are defined responsibilities and authority for initiating investigation and corrective action in the event of non-compliance with specified requirements relating to the IMS and regulatory requirements. Situations of non-compliance are identified by the monitoring programme, through communications with employees, contractors, customers, government agencies or the public, or from investigations of incidents.

Auditing and Management Review

In MPCL audits and reviews are carried out as a normal part of

business control, in order to determine:

- whether or not HSE management system elements and activities conform to planned arrangements, and are implemented effectively.
- the effective functioning of the HSEMS in fulfilling the company's HSE policy, objectives and performance criteria.
- compliance with relevant legislative requirements and ISO standards.
- identification of areas for improvement, leading to progressively better HSE management.

The company's senior management, at appropriate intervals, reviews the HSEMS and its performance, to ensure its continuing suitability and effectiveness. The review addresses:

- the possible need for changes to the policy and objectives, in the light of changing circumstances and the commitment to strive for continual improvement.
- resource allocation for HSEMS implementation and maintenance.
- sites and/or situations on the basis of evaluated hazards and risks, and emergency planning.

Environmental Management and Compliance

In general, the following activities are carried out before the start of any activity;

- Environmental Risk Assessments
- Initial Environmental Examination (IEE)

- Environmental Impact Assessment (EIA)
- Develop Environmental Management Plan (EMP) for all operational activities. Execute the EMP at all locations.
- Carryout noise and ambient air monitoring at our locations.

Controls for Air Pollution

- Air emission monitoring is a regular feature of our activities.
- Generators and vehicles used during the operation are properly tuned and maintained to minimize air emissions.
- Well site and camp sites are located at least 500 meter away from communities.
- Dust emissions due to road travel are minimized by regulating vehicle speeds and sprinkling of access tracks.
- Dust emissions during construction activities are minimized by good management practices such as locating stock piles out of the wind direction, keeping the height of the stock piles to a minimum, keeping earthwork areas damp etc.
- During construction leveling or widening along the access road will be done in sections, immediately followed by sprinkling of water and also preferably compaction (where required).
- The quantity of waste is burnt at one time in the burn pit and is managed such that excessive smoke does not arise during burning.
- Plantation of indigenous and fruit trees are given a priority during field development at all locations.

Controls for Water Contamination

- Regular water quality monitoring is carried out at all locations.
- Washing of vehicles is done at designated areas within camp site.
- Checking of vehicles and fuel tanks for fuel or oil leaks.
- Disposal of all spills including contaminated soil is done according to waste management protocol.
- Disposal of drill cuttings and drilling waste water is done into a lined pit to avoid ground water contamination.
- Handling of produced water during production phase containing high concentration of chlorides is done through lined evaporation ponds and deep well injection process.
- Monitoring wells near evaporation ponds are also used to assess the ground water contamination.
- Disposal of sewage is done in septic system whereas disposal of grey waste water is done in soak pits.
- Construction of soak pits is done in absorbent soil 300 meter away from water source.
- The contaminated soil is excavated and stored in abunded area lined with an impermeable base.

  Depending on the volume, the contaminated soil is disposed off by burning of limited volumes of the soil in the burn pit.
- Fuel and oil storage areas have secondary containment in the form of concrete or brick masonry bunds. The volume of the containment area is equal to at least 120% of the total volume of fuel or oil stored.
- Shovels, plastic bags, and absorbent materials used near fuel and oil storage or handling areas to attend spills and leaks.
- Chemicals used during the drilling operation are stored on brick masonry pads with periphery drains discharging into the waste pit.
- The quantity of water used during construction and drilling is kept to the minimum by taking prudent water conservation measures on site.
- Proper and justified compensation for water utilized is paid by MPCL and the contractors to the owner of the water wells.

HUMAN RESOURCES DEVELOPMENT (HRD)

The ultimate goal of professional HR processes is to attract, develop and retain highly qualified staff, to put in place optimal organisational structures and to promote a safe working environment, in which staff can give their best to achieve the organizational objectives. We have, over the years, managed to keep our talent pipeline healthy by attracting and retaining high quality talent through our unique reward system. Even in these difficult times, we have continued to offer industry leading

remuneration packages, world class training and opportunities of a true international career. The fact that we have managed to attract a number of mid career recruits and kept turnover within manageable limits is a testimony of the strength of the MPCL and its reputation to provide excellent career growth and development opportunities. The HR department does not only take care of the present organizational objectives but it also examines and determines the future organizational needs for developing strategies as per the future requirements. Moreover, after identifying the fact that employee turnover is directly proportional to the employee dissatisfaction, taking care of the needs of the employees is also one of the major considerations of HRD.

Training and Development

The primary objective of the Human Resource Department is to ensure that we have the "right people with the right skills to achieve our business goals". This is the reason why the company has a great focus on training efforts on areas where we can reap the biggest, fastest and easiest rewards. A thorough Training Needs Analysis, taking into account many factors (appraisals, experience, past training record etc), is conducted annually in order to identify employees for attending training courses/seminars. After identifying skill or knowledge gaps, the next step is to find the best form of training to achieve the results Company wants. A training plan is chalked out before the start of the fiscal year to ensure smooth conduct of training.

Once the employee attends the training, the Company ensures that the employee imparts training to all relevant staff accordingly and submits course report while applying the maximum to the workplace. Two Directors were also given an opportunity to attend local and foreign trainings. Following is a brief summary of number of employees that attended foreign/local courses, seminars, symposiums etc in the FY 2013-14:-

	Number of Employees		
	Technical	Non-Technical	Total
Foreign			
- Courses	37	16	53
- Conferences/Seminars	8	2	10
Local			
- Courses	27	13	40
- Conferences/Seminars	35	6	41

Apart from the superlative foreign and local trainings, effective orientation programs are in placed to familiarize the new incumbent with the organization and its functions. In view of the same, periodic field orientation visits are also planned to provide practical knowledge to the new inductees. Special emphasis is placed on the training and development of trainees, for which a comprehensive training program to expose them to practical application of their theoretical knowledge is in place.

In-house Technical Presentations and Talks

In order to promote the learning culture in the Company, the HR Department arranges in-house technical presentations and talks for the employees on frequent basis. Recently, an in-house technical presentation was arranged for the non-technical employees with an aim to provide them an insight of the terminologies, structures and processes of the Exploration and Production companies. This training was imparted by a talented and experienced team comprising senior officers/engineers of Business Development, Commercial and Legal Department, Exploration, Drilling and Production Department. All non-technical employees benefitted from this presentation especially the new inductees and trainees.

Similarly, Technical talks were arranged titled "Energy Security in the 21st Century and Role of Natural Gas in Global Energy Mix" and "Pakistan's Energy Overview: Opportunities and Challenges" presented by our renowned expert and attended by approximately 60 employees. Another technical talk covering "Prospects of Shale Gas Exploration and Commercial Production in Pakistan" is in pipeline. Such in-house lectures provide an excellent opportunity to learn the latest global trends in the Energy Market thus benefitting the Company and its employees.

Human Capital

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

Business Ethics

In recent years, measures of ethical behavior and perceptions in MPCL already at high levels, have improved even further. Ethics and integrity have always been core principles at MPCL which is also reflected in our value statements i.e. do what's right, respect others and perform with excellence. The Company takes its obligations very seriously and takes appropriate action in response to violations of this Code, even if these actions are not always visible.

Succession Plan

Effective succession or talent pool management concerns itself with building a series of feeder groups up and down the entire leadership pipeline or progression. MPCL ensures that employees are recruited and developed to fill each key role within the company. Through the succession planning process, we recruit superior employees, develop their knowledge, skills, and abilities and prepare them for advancement or promotion into ever more challenging roles. Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role. Our succession planning guarantees that Company has employees who are ready and waiting to fill new roles.

Efficient Use of IT Systems

In order to keep pace with the rapidly changing environment and technology, MPCL has acquired SAP HCM module. SAP HCM module enables to keep a better track of everything, from hiring professionals to managing details of designations, payments, compensation, promotions, payroll, trainings etc making HRD more efficient and effective. An ECM (Enterprise Content Management) Portal has also been developed with the purpose of sharing professional information with the employees. The portal contains features such as employees' salary slip, attendance report, forms, policies and procedures related to all the departments. Other than this, HRIS (Human Resource Information System) is also placed to manage and record all the data related to human capital and extract various reports on single click.

INFORMATION TECHNOLOGY

MPCL has a business driven technology adoption approach aligned with corporate vision to achieve professional excellence in the petroleum sector. This strategy makes technology initiates well mapped with Company's business objectives.

The Company uses cutting edge technologies and world acclaimed business processes to stay abreast with the new technological trends in the oil and gas sector, around the globe. This creates innovative culture, enhance our productivity, and provide advantage to offer value added benefits to our stake holders.

The Company has established its own Seismic Data Processing Center. This has built in-house capability and facilities for high quality 3D data processing.

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

The Company is in the process of implementing E&P data management system with an objective to benefit from oil and gas industry best practices in this domain. The system is aimed to provide more integration among Exploration, Operation and related departments professional teams for effective planning and coordination of various E&P activities.

SAP system implementation has laid foundation for enterprise level integrated information architecture and helped the Company to adopt industry best practiced business processes. To cater for data processing and information needs for expanding business as an integrated Company, more SAP modules have been implemented.

To support Company's mission critical data processing and information needs, a state of the art data center is being built as per TIA 942 Tier 3 specifications. The initiative will provide more robust and high availability data processing environment built on latest and more environment friendly technologies.

Safeguarding of Records

For recording and reporting of financial transactions, leading software tools are being used for the security and quick accessibility of financial records.

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

Softcopy of supporting financial documents and record is securely maintained in SAP system to be accessed by the authorized users only. Regular backups of

SAP System are maintained. The company is certified for ISO 27001 - Information Security Management System standard. This provides us internationally recognized framework and reliable controls to safeguard information assets.

IT Governance Policy

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

IT Steering Committee's key responsibilities are:

- Ensure that automation plans are established, monitored and implemented.
- Promote IT culture by adopting emerging technologies.
- Provide sufficient resources to establish, implement, operate, monitor, review, maintain and improve IT functions to achieve the company's strategic objectives.
- Ensure that IT functions are reviewed by internal and external auditors on regular intervals and receive independent assurance on the effectiveness.
- Ensure that the IT strategy is aligned with the company's business objectives.
- Ensure that appropriate and effective controls are in place to safeguard the Company's information assets.
- Measure the effectiveness of controls to verify information security requirements.
- Ensure that the requirements of Information Security Management System (ISMS – 27001) standard are adequately met and continual improvements in ISMS are identified and implemented.

INDUSTRIAL RELATIONS

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR remains the focus of the Company's corporate strategy for building sustainable relations with local communities. In pursuance of its CSR mission, MPCL is continuously striving for provision of better facilities in multifarious fields including health, education, provision of clean water and communication infrastructure etc. by undertaking various social welfare schemes in its operating areas.

The Company, as a responsible corporate entity, believes in playing effective role in sustainable development to ensure maximum economic benefit in its operational areas.

CSR at MPCL is not only confined to implementing projects to fulfill its statutory obligations, it is an on-going process to develop long lasting relationship with the community at large. MPCL's CSR interventions are more focused towards health and education of the community living in our operated blocks. In 2014, we envisage projects worth Rs 111 million to mainly cater health and educational needs of this community.

Education

- A new primary school has been constructed at one of the farthest villages of Zarghun Ghar (Distt Harnai). The children of this area were completely deprived of basic education due to long distances involved. Over 150 children are expected to avail this facility.
- MPCL has adopted schools at Kamersar (Distt Mianwali), Zarghun Ghar (Distt Harnai) and Khost (Distt Harnai). Computer lab has been established at school at Khost. Furniture, books, stationery and uniforms etc are being provided to over 500 students in these schools annually.
- Additional construction/ renovations have been carried out in three (3) schools in Balochistan, three (3) in Sindh and one (1) in Punjab. Additionally one Girl's High School at Islamabad has been completely renovated and equipped with state of the art computer lab.

Water Supply Schemes

A water supply scheme has been

completed at Karkan, Zarghun, Distt Harnai.

Health

Major health related CSR projects include:

- Over 5000 patients are given treatment by MPCL medical staff every week at Mother and Child Health Care Centre, Mirpur Mathelo, Maternity Home Dad Laghari and seven (7) permanent/mobile dispensaries at Mari field Daharki
- Taking over local dispensaries at Kamersar (Karak block) catering the needs of over 300 patients
- Construction of new dispensary in Zarghun block (Distt Harnai) and a child care center at Tehsil HQ hospital at Khanpur (Distt Shikarpur) have been completed in June
- Field medical camps are being established twice a week at Khost and Zarghun where medical facilities were non-existent

Certificate of Recognition – Pakistan Centre of Philanthropy (PCP)

In addition to fueling national economy through our dedicated E&P efforts across Pakistan, we are committed to energize lives of our society through meaningful CSR interventions. In appreciation of relentless CSR efforts, MPCL received two Certificates of Recognition from Pakistan Centre of Philanthropy (PCP). The first certificate places MPCL at first place out of 478 Public Limited Companies by volume of donations as percentage of Profit before Taxation (PBT). The second certificate places MPCL at sixth place out of 478 Public Limited Companies by volume of donations.

Both rankings are based on PCP's Corporate Philanthropy Survey 2012.

CORPORATE GOVERNANCE

BOARD STRUCTURE

Sr. No.	Director	Category
1	Lt. Gen. Muhammad Mustafa Khan (Retd.) *	Non-executive director
2	Lt. Gen. Nadeem Ahmed (Retd.) *	Executive director
3	Mr. Qaiser Javed	Non-executive director
4	Dr. Nadeem Inayat	Non-executive director
5	Brig. Dr. Gulfam Alam (Retd.)	Non-executive director
6	Maj Gen Ghulam Haider (Retd.)	Non-executive director
7	Mr. Mohammad Naeem Malik	Non-executive director
8	Qazi Mohammad Saleem Siddiqui	Non-executive director
9	Mr. Ahmad Hussain	Non-executive director
10	Mr. Muhammad Rafi	Non-executive director
11	Mr. Ahmed Hayat Lak	Non-executive director
12	Mr. Shahid Ghaffar**	Non-executive director
13	Engr. S. H. Mehdi Jamal	Independent Non-executive director

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

** Mr. Shahid Ghaffar replaced Mr. Manzoor Ahmad on August 18 2014.

Following directors joined the Board during the year:

1. Lt. Gen. Nadeem Ahmed (Retd.)
2. Maj Gen Ghulam Haider (Retd.)
3. Mr. Ahmad Hussain
4. Mr. Ahmed Hayat Lak

Following directors left the Board during the year:

1. Lt. Gen. Raza Muhammad Khan (Retd.)
2. Mr. Masood Siddiqui
3. Maj Gen Nasir Mahmood (Retd.)
4. Mr. Pervaiz Akhtar
5. Mr. Muhammad Riaz Khan

The Board wishes to record its appreciation for the valuable contributions and services by the outgoing directors during their tenure and extends warm welcome to the incoming directors.

ROLE OF THE CHAIRMAN AND THE MD/CEO

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

Chairman

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

MD/CEO

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

FORMAL ORIENTATION AT INDUCTION AND DIRECTORS TRAINING PROGRAMME

Upon joining the Board, each director is provided with an orientation pack comprising of MPCL Memorandum and Articles of Association, MPCL Significant Policies, Participation and Shareholders Agreement, Mari Gas Well Head Price Agreement,

Managing Director's Power of Attorney, Petroleum Exploration & Production Policy 2012, Code of Corporate Governance 2012 and MPCL Latest Annual Report. The Company Secretary gives a briefing to the new Director covering the salient features of Corporate Structure, Board's and Individual Director's roles and responsibilities, overall structure, history and operations of the Company.

MPCL has been cognizant of the requirements of the Code regarding Directors Training Program and making efforts to comply with them. During the year, Mr. Muhammad Rafi was sent on a Directors Training Program arranged by ICAP in Karachi, in August 2013.

BOARD MEETINGS

Five meetings of Board of Directors were held during the financial year 2013-14. The attendance of directors in the meetings is as under:

Director	Meetings attended
Lt. Gen. Muhammad Mustafa Khan (Retd.)	5
Lt. Gen Raza Muhammad Khan (Retd.)	3
Lt. Gen Nadeem Ahmed (Retd.)	3
Mr. Qaiser Javed	5
Dr. Nadeem Inayat	4
Maj General Nasir Mahmood (Retd.)	4
Maj General Ghulam Haider (Retd.)	1
Brig. Dr. Gulfam Alam (Retd.)	5
Mr. Mohammad Naeem Malik	5
Qazi Mohammad Saleem Siddiqui	5
Mr. Pervaiz Akhtar	3
Mr. Ahmad Hussain	2
Mr. Muhammad Rafi	5
Mr. Muhammad Riaz Khan	4
Mr. Ahmed Hayat Lak	-
Mr. Manzoor Ahmed	5
Engr. S. H. Mehdi Jamal	5

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company oversees the operations and affairs of the Company in an efficient and effective manner. For the sake of smooth functioning, the Board has constituted three committees.

These committees are entrusted with the task of ensuring speedy management decisions relating to their respective domains.

Audit Committee

Composition

The Board of Directors of the Company, in compliance with the Code of Corporate Governance (CCG), has established an Audit Committee comprising of the following directors:

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

Attendance in the meetings

Six meetings of the Audit Committee were held during the financial year 2013-14. The attendance of directors in the meetings is as under:

Director	Meetings attended
Mr. Qaiser Javed	6
Mr. Pervaiz Akhtar *	3
Mr. Ahmad Hussain *	2
Mr. Muhammad Riaz Khan	6
Mr. Manzoor Ahmed	5

* Mr. Ahmad Hussain replaced Mr. Pervaiz Akhtar during the year

Terms of Reference

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

Terms of reference of the Audit Committee are as follows:

a) Determination of appropriate measures to safeguard the company's assets;

b) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:
   - major judgmental areas;
   - significant adjustments resulting from the audit;
   - going-concern assumption;
   - any changes in accounting policies and practices;
   - compliance with applicable accounting standards;
   - compliance with listing regulations and other statutory and regulatory requirements; and
   - significant related party transactions.

c) Review of preliminary announcements of results prior to publication;

d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

e) Review of management letter issued by external auditors and management's response thereto;

f) Ensuring coordination between the internal and external auditors of the Company;

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

h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;

i) Ascertaining that the internal control system including financial and operational controls, accounting system for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and reporting structure are adequate and effective;

j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;

k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;

l) Determination of compliance with relevant statutory requirements;

m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;

n) Consideration of any other issue or matter as may be assigned by the Board of Directors; and

o) Approval of resolutions for transfer of shares and issuance of duplicate share certificates of the Company, as per provisions of the Companies Ordinance 1984 (resolutions to be signed by any two members).

Report of the Audit Committee

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

Technical Committee

Composition

Technical Committee of the Board comprises of the following directors:

Director	Designation
Brig. Dr. Gulfam Alam (Retd)	President
Dr. Nadeem Inayat	Member
Maj Gen. Ghulam Haider (Retd)	Member
Mr. Mohammad Naeem Malik	Member
Qazi Mohammad Saleem Siddiqui	Member

The major role of the Committee is to review and recommend the technical and operational matters of the Company to the Board of Directors.

Attendance in the meetings

Five meetings of the Technical Committee were held during the financial year 2013-14. The attendance of directors in the meetings is as under:

DIRECTORS' REPORT

Director	Meetings attended
Brig. Dr. Gulfam Alam (Retd)	5
Dr. Nadeem Inayat	2
Maj. Gen. Nasir Mahmood (Retd) *	3
Maj Gen. Ghulam Haider (Retd) *	–
Mr. Mohammad Naeem Malik	5
Qazi Mohammad Saleem Siddiqui	5

*Maj Gen. Ghulam Haider (Retd) replaced Maj. Gen. Nasir Mahmood (Retd) during the year, however no meeting of Technical committee was held after his appointment.

HR and Remuneration Committee

Composition

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

Director	Designation
Dr. Nadeem Inayat	President
Mr. Muhammad Rafi	Member
Engr. S.H. Mehdi Jamal*	Member

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

The major role of the Committee is to review and recommend the Company's HR related matters to the Board of Directors.

Attendance in the meetings

Two meetings of HR&R Committee were held during the financial year 2013-14. The attendance of directors in the meetings is as under:

Director	Meeting Attended
Dr. Nadeem Inayat	2
Mr. Muhammad Rafi	2
Engr. S.H. Mehdi Jamal	2

Terms of Reference

Terms of reference of the HR&R Committee are as follows:

a) Recommending the human resource policies to the Board of Directors.

b) Recommending to the Board of Directors the selection, evaluation, compensation (including retirement benefits), and succession planning of the CEO.

c) Recommending to the Board of Directors the selection, evaluation, compensation (including retirement benefits) of the COO, CFO, Company Secretary and Head of Internal Audit.

d) Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

e) Review management's proposals for the promotion of senior staff in accordance with Article 100-c of the Articles of Association and make recommendations for consideration of the Board of Directors.

f) Review management's proposals for changes in personnel compensation policy and salary structure of employees and make recommendations for consideration of the Board. President of the Audit Committee, if not already a member, will be the co-opted member of the Human Resource Committee for this function.

g) Review management's proposals for changes in the Company's organogram and make recommendation for consideration of the Board.

h) Evaluate the candidates and make recommendation for the appointment of senior staff in Group 26 and above. For this particular function, the Managing Director will be co-opted member of the Committee. The Committee may also co-opt any other director of this purpose.

i) Take up any matter assigned by the Board and make its recommendations to the Board thereon.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at June 30, 2014 is provided on pages 41-42.

STAKEHOLDERS' ENGAGEMENT

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

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

Engagement with Major Stakeholders'

Engagement with Shareholders'

- Relationships with the shareholders are managed in line with the provisions of Shareholders and Participation Agreement, applicable corporate laws/rules/regulations/notifications, notably the Companies Ordinance 1984, Code of Corporate Governance 2012, Listing Regulations of Stock Exchanges, and the Memorandum and Articles of Association of the Company.
- Annual and Quarterly Accounts of the Company are placed on the Company's Website while Annual Audited Accounts are also circulated to the Shareholders in physical form.
- Besides their right to appoint directors to oversee affairs of the Company, the Shareholders are invited to all the shareholders meetings (AGMs, EOGMs) and are encouraged to present their viewpoint on important matters.
- There is an Investor Relations Section on the Company's website which contains important Investor specific information as well as an Online Complaint Form for minority investors.
- Minority investors can also lodge their complaints and submit their queries directly to the Shares Department using conventional mail, fax, email or phone.
- Material Information pertaining to the Company's operations is circulated to Stock Exchanges, SECP and the Shareholders as and when need arises.

Engagement with Regulators

- Relationship with SECP and Stock Exchanges are managed as per applicable corporate laws/rules/regulations/notifications, notably the Companies Ordinance 1984, Code of Corporate Governance 2012, Listing Regulations of Stock Exchanges, and the Memorandum and Articles of Association of the Company.
- Annual and Quarterly Accounts of the Company are filed with the Registrar of the Companies and SECP and are also circulated to the Stock Exchanges.
- Material Information pertaining to the Company's operations is circulated to the Stock Exchanges and SECP as and when need arises.
- The Company also participates in trainings and awareness seminars arranged by the stock exchanges and SECP from time to time.

BUSINESS ETHICS

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

DIRECTORS' REPORT

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

CONFLICT OF INTEREST

The matter of Conflict of Interest relating to Board members is dealt with in accordance with the provisions of the Companies Ordinance 1984 and the Articles of Association of the Company. Any person intending to become a Director of the Company has to submit a declaration that he/she is aware of the powers and duties of a Director as envisaged in the Companies Ordinance 1984 and has read the Articles of Association of the Company.

Further, MPCL has a Code of Ethics which, among others, covers this area. It is overriding intention of the Company that all business transitions conducted by it are on arm's length basis. Adequate internal controls have been implemented to ensure that transactions with related parties are appropriately identified in the information system and disclosed in the financial statements. Related Parties Transactions are reviewed by the board. Interested directors are required to disclose their interest and they are not allowed to participate in the voting on any transaction in which they are interested.

Similarly, MPCL executives are required to disclose buying and selling of Company shares.

MD / CEO PERFORMANCE REVIEW

MD/CEO's report on the Company's operations, major achievements, and progress of outstanding issues is presented to the Board of Directors as a regular agenda item in each meeting (at least once in each quarter) for review, discussion and decisions, all of which are duly recorded in minutes. A summary of the Company's progress and achievements under the incumbent MD/CEO is also provided in the Annual Report each year.

SHARE PRICE SENSITIVITY ANALYSIS

Investor Relations Section on the Company's website contains important information such as Share Price (along with turnover, trading value, trades, market capitalization and graphical representation of share price movement over the period), Financial Highlights and Indicators, Pattern of Shareholders, EPS, P/E Ratio and Breakup Value etc. The information is compiled and provided by Business Recorder under an arrangement with the Company. All the material information which might affect the share price of the Company is communicated to the Stock Exchanges and SECP in a timely manner.

LAST ANNUAL GENERAL MEETING (AGM)

29th AGM of MPCL was held on October 29, 2013 at 11:00 a.m., at the Registered Office of the Company situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad.

Agenda, Decisions and Implementation

a) Approval of the minutes of 28th Annual General Meeting. Minutes were duly approved by the members and circulated to all concerned.

b) To receive, consider and adopt audited accounts of the Company for the year ended June 30, 2013 together with the directors' and auditors' reports thereon. Audited accounts, directors' and auditors' reports were duly approved and adopted by the members. Thereafter, audited accounts, directors' and auditors' reports were filed with the Registrar and circulated to SECP and all the stock exchanges.

c) Appointment of auditors for the year ending June 30, 2014 and to fix their remuneration. M/s A.F. Ferguson & Co., Chartered Accountants, were appointed as auditors to hold office until the conclusion of the next Annual General Meeting of the Company for the year ending June 30, 2014 at the fee agreed by the Board of Directors.

CODE OF CORPORATE GOVERNANCE (CCG)

The Securities and Exchange Commission of Pakistan (SECP) has issued CCG to establish a framework of good corporate governance whereby every listed company is managed in compliance with the best practices. The CCG was incorporated in the listing regulations of all the Stock Exchanges for implementation by the listed companies.

The Company makes every effort to achieve full compliance with the Best Practices of Code of Corporate

Governance. The Statement of Compliance with the Best Practices of Code of Corporate Governance prepared by the Board of Directors of the Company is also reviewed and verified by the External Auditors of the Company.

Directors' Statement

The Directors of the Company hereby confirm the following:

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

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

c) Appropriate accounting policies have been consistently applied in preparation of financial statements except for the change as stated in note 3.6 to the financial statements and accounting estimates are based on reasonable and prudent judgment.

d) Approved accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom, has been adequately disclosed and explained in note 3.6(i) to the financial statements. The same has also been highlighted in the Auditor's Report to the members.

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

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

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

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

i) Key operating and financial data of last ten years is annexed on page 36.

j) Value of investments including bank deposits and accrued income of various funds as at June 30, 2013, based on their respective audited accounts, is as under:

Contributory provident fund	Rs.449.18 million
Management staff gratuity fund	Rs.434.65 million
Non-management staff gratuity fund	Rs.178.99 million

k) All major Government levies as mentioned in Note 11 to the financial statements payable as at June 30, 2014 have been deposited subsequent to the year-end except gas development surcharge for FPCDL and gas infrastructure development cess, which is being paid as and when realized.

POST BALANCE SHEET EVENTS

The Board of Directors have proposed issuance of Bonus Shares in ratio of one share for every five shares held (i.e. 20%) in its meeting held on September 30, 2014.

AUDITORS

The present auditors, M/s A.F.Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment as auditors of the Company. The Audit Committee has recommended the reappointment of M/s A.F.Ferguson & Company, Chartered Accountants as auditors for the financial year ending June 30, 2015.

ACKNOWLEDGEMENT

The Board of Directors would like to express its appreciation for the efforts and dedication of all employees of the Company, which enabled the management to run the Company efficiently during the year resulting in continued production and supply of hydrocarbons to its customers. The Board also wishes to express its appreciation for continued assistance and cooperation received from the local administration at Daharki and other locations, Provincial Governments, various departments of Federal Government particularly the Ministry of Petroleum and Natural Resources, Oil and Gas Regulatory Authority, Directorates of Petroleum Concessions and Gas, Ministry of Finance, Fauji Foundation and Oil & Gas Development Company Limited.

For and on behalf of the Board

Lt Gen Muhammad Mustafa Khan (Retd)
Chairman

Islamabad
September 30, 2014

Statement of Compliance
with the Code of Corporate Governance

The statement is being presented to comply with the Code of Corporate Governance (CCG) contained in 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 (the Board). At present, the Board includes:

Category	**Names**
Independent Director	Engr. S. H. Mehdi Jamal
Executive Directors	Lt. Gen. Nadeem Ahmed (Retd.)
Non-Executive Directors	Lt. Gen. Muhammad Mustafa Khan (Retd.) Mr. Qaiser Javed Dr. Nadeem Inayat Brig. Dr. Gulfam Alam (Retd.) Maj Gen Ghulam Haider (Retd.) Mr. Mohammad Naeem Malik Qazi Mohammad Saleem Siddiqui Mr. Ahmad Hussain Mr. Muhammad Rafi Mr. Ahmed Hayat Lak Mr. Shahid Ghaffar

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

2. All the directors, except one, have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable). One director who is serving on the Boards of more than seven companies has been given special dispensation by the Securities and Exchange Commission of Pakistan in this regard.

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 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Five casual vacancies occurred on the Board on August 23, 2013, February 25, 2014, April 7, 2014, June 4, 2014, June 26, 2014, which were filled by the directors within 90 days, except the casual vacancy occurring on August 23, 2013 against which no nomination has so far been received from the nominating institution.

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

6. The Board has developed a vision/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.

Statement of Compliance
with the Code of Corporate Governance

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In compliance with clause 35 (xi) of Code of Corporate Governance 2012, one director was sent on directors' training program offered by the Institute of Chartered Accountants of Pakistan in the month of August 2013.

10. The Board has approved appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of four members and all of them are non-executive directors including a director representing minority shareholding.

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

17. The Board has formed an HR and Remuneration Committee. It comprises of three members and all of them are non-executive directors. Chairman of the Committee is a non-executive director and one member is an independent director.

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

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

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

For and on behalf of the Board

Islamabad
September 30, 2014

Lt Gen Muhammad Mustafa Khan (Retd)
Chairman

Review Report to the Members
on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Mari Petroleum Company Limited for the year ended June 30, 2014, to comply with the requirements of Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

CHARTERED ACCOUNTANTS
Engagement Partner
Sohail M. Khan

Islamabad
September 30, 2014

Financial Statements of Mari Petroleum Company Limited

for the year ended June 30, 2014

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87 Statement of Changes in Equity

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Auditors' Report to the Members

We have audited the annexed balance sheet of Mari Petroleum Company Limited as at June 30, 2014 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 the change as stated in note 3.6 (i) 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) The Company has not restated the comparative figures of the financial statements for change in accounting policy under IAS 19 "Employee Benefits" which constitutes a departure from the approved accounting standards. The financial effect of the departure on each item of the financial statements that would have been reported in complying with the requirement is given in note 3.6 (i) to the financial statements.

   In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matter described in the preceding paragraph, 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 the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

CHARTERED ACCOUNTANTS
Engagement Partner
Sohail M. Khan

Islamabad
September 30, 2014

Balance Sheet
as at June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
250,000,000 ordinary shares of Rs 10 each	4	2,500,000	2,500,000
Issued, subscribed and paid up capital	4	918,750	918,750
Undistributed percentage return reserve	5	414,014	578,994
Exploration and evaluation reserve	6	4,584,270	4,186,644
Reserve for Mari Seismic Unit	7	1,155,725	920,000
Profit and loss account	8	9,749,472	6,952,345
		16,822,231	13,556,733
NON CURRENT LIABILITIES			
Long term financing - secured	9	332,505	1,543,207
Deferred liabilities	10	4,714,598	3,818,180
		5,047,103	5,361,387
CURRENT LIABILITIES			
Trade and other payables	11	36,177,006	13,867,316
Current maturity of long term financing	9	1,379,173	961,603
Interest accrued on long term financing		37,514	42,039
Provision for income tax	12	–	403,360
		37,593,693	15,274,318
CONTINGENCIES AND COMMITMENTS	13		
		59,463,027	34,192,438

The annexed notes 1 to 44 form an integral part of these financial statements.

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

	Note	2014	2013
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	8,671,909	5,858,512
Development and production assets	15	3,621,571	2,072,821
Exploration and evaluation assets	16	4,584,270	4,186,644
Long term loans and advances	17	7,623	7,400
Long term deposits and prepayments	18	18,335	13,983
Deferred income tax asset	19	1,930,387	1,580,793
		18,834,095	13,720,153
CURRENT ASSETS			
Stores and spares	20	835,055	820,648
Trade debts	21	31,165,789	11,878,669
Loans and advances	22	1,709,860	855,871
Short term prepayments	23	55,857	66,871
Interest accrued	24	5,824	28,750
Other receivables	25	913,739	312,917
Income tax paid in advance	12	635,545	–
Cash and bank balances	26	5,307,263	6,508,559
		40,628,932	20,472,285
		59,463,027	34,192,438

Qaiser Javed
DIRECTOR

Profit and Loss Account
for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Gross sales to customers	27	70,454,050	63,269,794
Gas development surcharge		19,959,539	21,246,005
General sales tax		9,952,761	8,469,429
Excise duty		1,547,845	1,495,971
Gas infrastructure development cess		23,733,661	18,037,931
Wind fall / petroleum levy		516,224	508,291
(Deficit) / surplus under the Gas Price Agreement		(133,949)	1,734,400
		55,576,081	51,492,027
Sales - net		14,877,969	11,777,767
Royalty		1,922,086	1,531,378
		12,955,883	10,246,389
Operating expenses	28	5,640,767	4,510,500
Exploration and prospecting expenditure	29	3,116,299	2,501,661
Other charges	30	322,563	330,809
		9,079,629	7,342,970
		3,876,254	2,903,419
Other income	31	835,308	295,278
Operating profit		4,711,562	3,198,697
Finance income	32	654,761	1,563,483
Finance cost	33	988,686	1,273,689
Profit before taxation		4,377,637	3,488,491
Provision for taxation	34	434,334	1,067,415
Profit for the year		3,943,303	2,421,076
Earnings per share - basic and diluted			
Earnings per share on the basis of distributable profits (Rupees)	35	6.30	5.51
Earnings per share on the basis of profit and loss account (Rupees)	35	42.92	26.35

The annexed notes 1 to 44 form an integral part of these financial statements.

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

Qaiser Javed
DIRECTOR

Statement of Comprehensive Income
for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Profit for the year		3,943,303	2,421,076
Other comprehensive income / (loss): Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit plans		(655,787)	–
Tax credits related to remeasurement losses on defined benefit plans			
- Current tax		320,371	–
- Deferred tax		5,266	–
		(330,150)	–
Total comprehensive income for the year		3,613,153	2,421,076
Total comprehensive income for the year represents the following:			
Distributable profits		578,878	506,601
Exploration and evaluation reserve	6	397,626	36,235
Reserve for Mari Seismic Unit	7	(101,211)	920,000
Profit and loss account - undistributable balance	8	2,737,860	958,240
		3,613,153	2,421,076

The annexed notes 1 to 44 form an integral part of these financial statements.

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

Qaiser Javed
DIRECTOR

Cash Flow Statement
for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
Cash flows from operating activities			
Cash receipts from customers		51,310,130	67,705,104
Cash paid to the Government for Government levies and surplus payable as per the Agreement		(36,738,021)	(55,122,465)
Cash paid to suppliers and employees		(6,978,335)	(5,648,531)
Income tax paid		(1,497,196)	(1,560,104)
Cash flow from operating activities		6,096,578	5,374,004
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,397,631)	(2,041,556)
Development and production assets		(1,366,708)	(43,518)
Exploration and evaluation assets		(2,300,513)	(855,971)
Proceeds from disposal of property, plant and equipment		9,958	65,214
Proceeds from disposal of working interest in concessions		601,158	–
Interest received		535,533	454,664
Cash flow from investing activities		(5,918,203)	(2,421,167)
Cash flows from financing activities			
Long term financing received		210,590	1,601,000
Long term financing repaid		(1,003,722)	(485,079)
Finance cost paid		(240,737)	(172,279)
Dividends paid		(345,802)	(338,736)
Cash flow from financing activities		(1,379,671)	604,906
(Decrease) / increase in cash and bank balances		(1,201,296)	3,557,743
Cash and bank balances at beginning of year		6,508,559	2,950,816
Cash and bank balances at end of year	26	5,307,263	6,508,559

The annexed notes 1 to 44 form an integral part of these financial statements.

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

Qaiser Javed
DIRECTOR

Statement of Changes in Equity

for the year ended June 30, 2014

	Issued, subscribed and paid up capital	Undistributed percentage return reserve	Exploration and evaluation reserve	Reserve for Mari Seismic Unit	Profit and loss account	Total
			(Rupees in thousand)			
Balance as at July 1, 2012	918,750	420,048	4,150,409	–	5,986,939	11,476,146
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	2,421,076	2,421,076
Other comprehensive income	–	–	–	–	–	
	–	–	–	–	2,421,076	2,421,076
First interim cash dividend for the year ended June 30, 2013 @ Rs 2.71 per share	–	–	–	–	(248,614)	(248,614)
Second interim cash dividend for the year ended June 30, 2013 @ Rs 1.00 per share	–	–	–	–	(91,875)	(91,875)
Transfer from profit and loss account to undistributed percentage return reserve	–	158,946	–	–	(158,946)	–
Transfer from profit and loss account to exploration and evaluation reserve	–	–	36,235	–	(36,235)	–
Transfer from profit and loss account to reserve for Mari Seismic Unit	–	–	–	920,000	(920,000)	–
Balance as at June 30, 2013	918,750	578,994	4,186,644	920,000	6,952,345	13,556,733
Total comprehensive income for the year:						
Profit for the year	–	–	–	–	3,943,303	3,943,303
Other comprehensive loss	–	–	–	–	(330,150)	(330,150)
	–	–	–	–	3,613,153	3,613,153
First interim cash dividend for the year ended June 30, 2014 @ Rs 2.784 per share	–	–	–	–	(255,780)	(255,780)
Second interim cash dividend for the year ended June 30, 2014 @ Rs 1.00 per share	–	–	–	–	(91,875)	(91,875)
Transfer from profit and loss account to undistributed percentage return reserve	–	223,781	–	–	(223,781)	–
Transfer from profit and loss account to exploration and evaluation reserve	–	–	397,626	-	(397,626)	–
Transfer from undistributed percentage return reserve to reserve for Mari Seismic Unit	–	(388,761)	–	388,761	–	–
Shareholders' share of Mari Seismic Unit loss transferred from profit and loss account to reserve for Mari Seismic Unit	–	–	–	(153,036)	153,036	–
Balance as at June 30, 2014	918,750	414,014	4,584,270	1,155,725	9,749,472	16,822,231

The annexed notes 1 to 44 form an integral part of these financial statements.

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

Qaiser Javed
DIRECTOR

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

1. LEGAL STATUS AND OPERATIONS

1.1 Mari Petroleum Company Limited "the Company" is a public limited company incorporated in Pakistan on December 4, 1984 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The Company is principally engaged in exploration, production and sale of hydrocarbons. The gas price mechanism is governed by Mari Gas Well Head Price Agreement ("the Agreement") dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

1.2 Gas price mechanism

In terms of the Mari Gas Well Head Price Agreement, well head gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders' Funds (as defined in the Agreement) after maintaining specified ratios and deductibles. The return to shareholders is to be escalated in the event of increase in the Company's gas or equivalent oil production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders' Funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%. The return to shareholders for the year was 38.65% (2013: 37.84%).

Effective July 1, 2001, the Government of Pakistan (GoP) authorized the Company to incur expenditure not exceeding Rupee equivalent of US$ 20,000,000 per annum or 30% of the Company's annual gross sales revenue as disclosed in the last audited financial statements, whichever is less, in connection with exploration and development in any concession area other than Mari Field, provided that if such exploration and development results in additional gas or equivalent oil production, the revenues generated from such additional gas or equivalent oil production shall be credited to and treated as revenue under the Agreement. The revenues from sale of gas and crude / condensate from fields other than Mari Field are determined as per the applicable Petroleum Policy / Petroleum Concession Agreement. Effective January 1, 2012, the Economic Coordination Committee of the cabinet gave its approval for enhancing the limit of US$ 20,000,000 per annum by US$ 5,000,000 each year upto US$ 40,000,000 per annum over a period of four years. The limit for the year was US$ 32,500,000 (2013: US$ 27,500,000)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan except for the departure referred in note 3.6 (i) to the financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Adoption of new and revised standards and interpretations

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IFRS 2	Share-based Payments (Amendments)	July 1, 2014
IFRS 3	Business Combinations (Amendments)	July 1, 2014
IFRS 8	Operating Segments (Amendments)	July 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IAS 16	Property, Plant and Equipment (Amendments)	July 1, 2014 & January 1, 2016
IAS 19	Employee Benefits (Amendments)	July 1, 2014
IAS 24	Related Party Disclosures (Amendments)	July 1, 2014
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2014
IAS 36	Impairment of Assets (Amendments)	January 1, 2014
IAS 38	Intangible Assets (Amendments)	July 1, 2014 & January 1, 2016
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2014
IAS 40	Investment Property (Amendments)	July 1, 2014
IAS 41	Agriculture (Amendments)	January 1, 2016
IFRIC 21	Levies	January 1, 2014

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

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

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

IFRIC 4	Determining Whether an Arrangement Contains Lease
IFRIC 12	Service Concession Arrangements

2.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment within the next financial year are discussed in ensuing paragraphs:

a) Estimation of natural gas reserves

Gas reserves are an important element in impairment testing for development and production assets of the Company. Estimates of these reserves are inherently imprecise, require the application of judgement and are subject to future revision. Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including contract terms or development plans. Changes to the Company's estimates of proved reserves, particularly proved developed reserves, also affect the amount of depreciation, depletion and amortization recorded in the financial statements for fixed assets related to hydrocarbon production activities.

b) Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to changes. Estimates of the amounts of provision are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provision is regularly reviewed and adjusted to take account of such changes.

c) Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates may affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

d) Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment on periodic basis and carrying amount in excess of recoverable amount is charged to the profit and loss account.

e) Employee benefits

Certain actuarial assumptions have been adopted as disclosed in note 36 to the financial statements for determination of present value of defined benefit obligations and fair value of plan assets.

f) Income taxes

In making the estimates of income taxes currently payable by the Company, the management takes into account the income tax law applicable to the Company and the decisions of appellate authorities on certain issues in the past. This involves judgement on the future tax treatment of certain transactions. Deferred tax is recognized based on the expectation of the tax treatment of these transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented in these financial statements except for the change as stated in note 3.6 to these financial statements.

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except provision for decommissioning cost that has been measured at present value and the obligation under employee defined benefit plans that is carried at present value of defined benefit obligations net of fair value of plan assets.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees (Rupees) which is the functional currency of the Company. All figures are rounded off to the nearest thousands of Rupees.

3.3 Taxation

Current

Provision for current taxation is based on taxable income at the applicable tax rates after taking into account tax credits and tax rebates, if any.

Deferred

The Company accounts for deferred taxation on all timing differences, using the 'liability method' in respect of all major temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent, it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred taxation has been calculated at the estimated effective tax rate of 35% after taking into account the availability of depletion allowance and royalty.

3.4 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.5 Provision for decommissioning cost

Estimated decommissioning and restoration costs, which are primarily in respect of abandonment and removal of wells and production facilities at Mari Field and the Company's proportionate share in joint venture fields, are based on current requirements, technology and price levels and are stated at present value, and the associated asset retirement costs are capitalized as part of property, plant and equipment and development and production assets and amortized on unit of production basis over the total proved reserves of the relevant field. The liability is recognized once an obligation (whether legal or constructive) crystallizes in the period when a reasonable estimate of the fair value can be made; and a corresponding amount is recognized in property, plant and equipment and development and production assets.

The present value is calculated using amounts discounted over the useful economic life of the reserves. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustments to property, plant and equipment and development and production assets. The unwinding of discount on decommissioning provision is recognized as finance cost.

The decommissioning cost has been discounted @ 13% per annum (2013: 11% per annum).

3.6 Employee benefits

The Company operates:

i) Defined benefit funded and unfunded plans for its management and non-management employees. Contributions are made to these plans on the basis of actuarial recommendations. Actuarial valuations are conducted periodically using the Projected Unit Credit Method as required by IAS 19 - Employee Benefits and the latest valuation was carried out as at June 30, 2014. The results of the valuation are summarized in note 36 to these financial statements.

Consequent to the revision of IAS 19 "Employee Benefits" which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the remeasurement gains and losses on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the remeasurement gains/losses in excess of the corridor limit were recognised in profit and loss account over the remaining service of the employees. In addition, past service cost and curtailments are recognized in the profit and loss account, in the period in which a change takes place. The unrecognized remeasurement losses upto June 30, 2013 of Rs 355 million have been accounted for as 'other comprehensive loss' for the year ended June 30, 2014. Prior period figures presented have not been restated as the management considers that restatement of comparative figures presented is impracticable as the Company is operating under cost plus formula. As per Article III of the Agreement, the Company is required to present audited financial statements to the President each year, reflecting adjustment required in the revenue generated through the fixed gas price to bring the actual results in line with Article II of the Agreement. This adjustment, representing either 'Surplus payable to the President' or 'Deficit receivable from the President', is verified and confirmed by Oil and Gas Regulatory Authority (OGRA). As a result of this settlement in cash, subsequent adjustments/restatements cannot be made in prior years' financial statements. However, since the Company is operating under cost plus formula as explained in note 1.2, the above does not affect the current year or prior years' profit (including the guaranteed return to the shareholders under the Agreement) and equity. The financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement is as follows:

	2013	2014
	(Rupees in thousand)	
Total comprehensive income for the year		
Remeasurement losses on defined benefit plans	355,233	(355,233)
Tax credits related to remeasurement losses		
- Current tax	(178,655)	178,655
- Deferred tax	727	(727)
Adjustment under the Gas Price Agreement	(177,305)	177,305
Effect on total comprehensive income for the year	–	–
Balance sheet		
Trade and other payables - Gratuity funds	357,309	–
Deferred liabilities - Provision for employee benefits (unfunded)	(2,076)	–
Provision for income tax	(178,655)	–
Deferred income tax asset	727	–
Payable to the President of Pakistan under the Gas Price Agreement	(177,305)	–
	–	–
Statement of changes in equity		
Effect on statement of changes in equity.	–	–
Cash flow statement		
Effect on cash flow statement.	–	–

ii) Defined contribution provident fund for its permanent employees for which contributions are charged to profit and loss account for the year. The contributions to the fund are made by the Company at the rate of 10% per annum of the basic salary.

iii) The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.7 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in note 3.5 to these financial statements.

Depreciation on property, plant and equipment is charged to income using the straight line method at rates specified in note 14 to these financial statements so as to write off the cost of property, plant and equipment over their estimated useful lives.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Subsequent costs are included in the assets' carrying amounts when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals are credited or charged to income in the year of disposal.

Capital work in progress is stated at cost less impairment loss, if any, and transferred to respective item of property, plant and equipment when available for intended use.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of the impairment loss is recognized as income in the profit and loss account.

3.8 Exploration and evaluation assets

The Company applies the "successful efforts" method of accounting for Exploration and Evaluation (E&E) expenditures. Under this method of accounting, exploratory/evaluation drilling expenditures are initially capitalized as intangible E&E assets in cost centers by well, field or exploration area, as appropriate, till such time that technical feasibility and commercial viability of extracting gas and oil are demonstrated.

Major costs capitalized include material, chemical, fuel, well services, rig costs and any other cost directly attributable to a particular well. All other exploration costs including cost of technical studies, seismic acquisition and processing, geological and geophysical activities are charged currently against income as exploration and prospecting expenditure. Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the profit and loss account as and when incurred.

Tangible assets used in E&E activities, other than stores held, including the Company's vehicles, drilling rigs and other property, plant and equipment used by the Company's exploration function are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E & E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible E&E asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilized in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

Intangible E&E assets relating to each exploration license/field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets and if commercial reserves have not been found, the capitalized costs are written off as dry hole costs.

Intangible E&E assets are not amortized prior to the conclusion of appraisal activities.

Intangible E&E assets are assessed for impairment when facts and circumstances indicate that carrying amounts may exceed the recoverable amounts of these assets. Such indicators include, the point at which a determination is made as to whether or not commercial reserves exist, the period for which the Company has right to explore has either expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event, that may give rise to indication that such assets are impaired.

3.9 Development and production assets

Development and production assets are accumulated generally on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in note 3.8 above. The cost of development and production assets also includes the cost of acquisitions of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning. Development and production assets are amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of commercial reserves at the end of the year plus the production during the year.

Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Acquisition cost of leases, where commercial reserves have been discovered, are capitalized and amortized on unit of production basis.

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amounts of the development and production assets may exceed their recoverable amount. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production concession and the net selling price of the hydrocarbons produced.

The carrying amounts are compared against expected recoverable amounts of the oil and gas assets, generally by reference to the present value of the future net cash flows expected to be derived from such assets.

3.10 Stores and spares

These are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Material in transit is valued at cost. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.11 Foreign currencies

Pakistan Rupees is the functional as well as reporting currency of the Company. Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date. All exchange differences are taken to the profit and loss account.

3.12 Revenue recognition

Revenue from sale of gas, oil and LPG is recognized on delivery of the same to customers. Finance income is recognized proportionately with reference to the principal outstanding and the applicable rate of return. Income from services is recognised on rendering of services to customers.

3.13 Borrowing cost

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The Company suspends capitalization of borrowing costs during extended period when active development of a qualifying asset is suspended. All other borrowing costs are charged to profit and loss account.

3.14 Joint venture operations

The Company has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policies are determined by the participants in such a way that the operation itself has no significant independence to pursue its commercial strategy. These arrangements do not constitute a joint venture entity due to the fact that financial and operational policies of such joint ventures are those of the participants. The financial statements of the Company include its share of assets, liabilities, revenue and expenses in such joint ventures which is pro rata to the Company's interest in the joint venture operations.

The Company's share of assets, liabilities and expenses in joint venture operations is recognized on the basis of latest available audited financial statements of the joint ventures and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the balance sheet date.

3.15 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company derecognises the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. The Company recognises the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other payables are carried at their amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received.

b) Trade debts and other receivables

Trade debts and other receivables are recognised and carried at their amortized cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realizability of these receivables, appropriate amount of provision is made.

c) Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.16 Cash and cash equivalents

Cash and cash equivalents, for the purposes of cash flow statement, comprise cash in hand and at bank and include short term highly liquid investments that are readily convertible to the known amounts of cash and are subject to an insignificant risk of change in value.

3.17 Dividend distribution

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

3.18 Research and development costs

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

3.19 Operating leases

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

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment.

	Note	2014	2013
		(Rupees in thousand)	
4. SHARE CAPITAL			
Authorized capital			
250,000,000 (2013: 250,000,000) ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid up capital			
24,850,007 (2013: 24,850,007) ordinary shares of Rs 10 each issued for cash		248,500	248,500
11,899,993 (2013: 11,899,993) ordinary shares of Rs 10 each issued for consideration other than cash	4.1	119,000	119,000
55,125,000 (2013: 55,125,000) ordinary shares of Rs 10 each issued as bonus shares		551,250	551,250
		918,750	918,750

4.1 This represents shares allotted to the Government of Pakistan and Fauji Foundation in consideration for transfer of assets and liabilities of Pak Stanvec Petroleum Project.

	2014 (Percentage)	2013 (Percentage)
4.2 Major shareholding of the Company is as follows:		
Fauji Foundation	40.00	40.00
Oil and Gas Development Company Limited	20.00	20.00
Government of Pakistan	18.39	18.39

4.3 Application of IFRS 2 - Share Based Payment

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

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

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

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of the State Owned Enterprises, needs to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

Had the exemption not been granted, the staff costs of the Company for the year would have been higher by Rs 364.65 million, profit for the year would have been lower by Rs 182.33 million, earnings per share would have been lower by Rs 1.98 per share and reserves would have been higher by Rs 258.14 million.

However, since the Company is operating under cost plus formula as explained in note 1.2 above, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

As per the Privatization Commission of Pakistan, the Scheme is currently under review by the GoP, the impact of which cannot be determined as of June 30, 2014.

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

		Note	2014	2013
			(Rupees in thousand)	
5.	**UNDISTRIBUTED PERCENTAGE RETURN RESERVE**			
	Balance at beginning of the year		578,994	420,048
	Transferred from profit and loss account		223,781	158,946
	Transferred to reserve for Mari Seismic Unit	5.2	(388,761)	–
	Balance at end of the year		414,014	578,994

5.1 The amount held in this reserve represents the balance of the percentage return reserve on Shareholders' Funds as defined in the Agreement.

5.2 This represents the amount that has been utilized from this reserve for Mari Seismic Unit as per the approval of the Board of Directors and shareholders.

		2014	2013
		(Rupees in thousand)	
6.	**EXPLORATION AND EVALUATION RESERVE**		
	Balance at beginning of the year	4,186,644	4,150,409
	Additions during the year	2,300,513	855,971
	Cost of dry and abandoned wells written off	(751,396)	(13,727)
	Impairment of well cost	(951,985)	(732,401)
	Disposal of working interest in concessions	(88,711)	–
	Depreciation for the year	(110,795)	(73,608)
		397,626	36,235
	Balance at end of the year	4,584,270	4,186,644

6.1 This reserve consists of exploration and evaluation expenditure net of cost of dry and abandoned wells written off, depreciation, impairment and disposal of working interest in concessions. The corresponding effect of the reserve has been incorporated as exploration and evaluation assets.

		2014	2013
		(Rupees in thousand)	
7.	**RESERVE FOR MARI SEISMIC UNIT**		
	Government's investment in Mari Seismic Unit	920,000	920,000
	Shareholders' investment in Mari Seismic Unit		
	Transferred from undistributed percentage return reserve	388,761	–
	Shareholders' share of Mari Seismic Unit loss		
	Prior period loss transferred from profit and loss account	(51,825)	–
	Net loss for the year transferred from profit and loss account	(101,211)	–
		(153,036)	–
		235,725	–
		1,155,725	920,000

8. PROFIT AND LOSS ACCOUNT

The amount of Rs 9,749.47 million (2013: Rs 6,952.35 million) represents the following:

8.1 Undistributable balance

The amount of Rs 9,670.00 million (2013: Rs 6,932.14 million), which is not distributable, has been provided through the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the followings:

	Generated upto, June 30, 2013	Generated during the year ended June 30, 2014 (Rupees in thousand)	Generated upto, June 30, 2014
a) Rupee element of capital expenditure (net of depreciation/ amortization) and repayment of borrowings	6,667,370	2,737,860	9,405,230
b) Maintenance of debt service ratio	90,234	–	90,234
c) Maintenance of current ratio	174,537	–	174,537
Total	6,932,141	2,737,860	9,670,001
Year ended June 30, 2013	5,922,076	1,010,065	6,932,141

8.2 Gas Infrastructure Development Cess (GIDC) will be paid to the Government as and when related amounts are received from customers. Accordingly, Rs 23,911 million receivable from customers and the amount of Rs 23,934 million payable to the Government as at June 30, 2014 have not been taken into account for the purpose of maintenance of current ratio.

	2014	2013
	(Rupees in thousand)	
8.3 Mari Seismic Unit		
Pre-operating expenses charged to profit and loss account	–	(51,825)
This loss has been transferred to Reserve for Mari Seismic Unit during the year.		
8.4 Distributable balance		
Undistributed guaranteed return	79,471	72,029

This represents the additional 8.65% (2013: 7.84%) guaranteed return to shareholders on account of increase in hydrocarbons production during the year in accordance with the Agreement as referred to in note 1.2 to these financial statements.

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
9. LONG TERM FINANCING - SECURED			
Loan for Mari field development	9.1		
Opening balance		760,000	1,140,000
Amount repaid during the year		(380,000)	(380,000)
		380,000	760,000
Amount repayable within next twelve months shown as current maturity of long term financing		(380,000)	(380,000)
		–	380,000
Loan for Zarghun field development	9.2		
Opening balance		744,810	248,889
Amount received during the year		210,590	601,000
Amount repaid during the year		(290,389)	(105,079)
		665,011	744,810
Amount repayable within next twelve months shown as current maturity of long term financing		(332,506)	(248,270)
		332,505	496,540
Loan for Mari Seismic Unit	9.3		
Opening balance		1,000,000	–
Amount received during the year		–	1,000,000
Amount repaid during the year		(333,333)	–
		666,667	1,000,000
Amount repayable within next twelve months shown as current maturity of long term financing		(666,667)	(333,333)
		–	666,667
Long term financing - secured		332,505	1,543,207
Amount repayable within next twelve months shown as current maturity of long term financing		1,379,173	961,603

9.1 The Company arranged a Syndicated Term Finance Loan amounting to Rs 1,900 million from a consortium of banks led by Bank Alfalah Limited for financing of drilling of three wells in Mari Deep, Goru B reservoirs. The mark-up is payable semi-annually in arrears on the outstanding facility amount at six months KIBOR + 1.35% per annum. The mark-up rate is revised downward to six months KIBOR + 0.75% per annum from December 1, 2013. The effective mark-up rate for the year ended June 30, 2014 was 10.42% (2013: 12.00%) per annum. The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from the date of first disbursement. Eight installments amounting to Rs 1,520 million have been paid upto June 30, 2014. Loan is secured by a first pari passu charge by way of hypothecation over all present and future fixed and current assets and businesses, and first pari passu equitable mortgage over Company's all existing and future immovable properties of an amount of Rs 4.67 billion.

9.2 In order to finance Zarghun South Field, the Company arranged Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Entire amount of the facility has been drawn upto June 30, 2014. The mark-up is payable semi-annually in arrears on the outstanding facility amount at the average of six months KIBOR + 1.35% per annum. The mark-up rate is revised downward to six months KIBOR + 0.75% per annum from January 1, 2014. The effective mark-up rate for the year ended June 30, 2014 was 10.60% (2013: 11.62%) per annum. The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from the date of first disbursement. Six installments amounting to Rs 446 million have been paid upto June 30, 2014. Loan is secured by a first pari passu charge over present and future assets of the Company by way of hypothecation, equitable mortgage and floating charge of an amount of Rs 2.12 billion.

9.3 A long term finance facility amounting to Rs 1,000 million has been availed from Allied Bank Limited for financing of Seismic Data Acquisition Equipment. The entire amount of the facility was drawn on June 28, 2013. Mark-up for the said loan is to be paid quarterly in arrears on the outstanding facility amount at six months KIBOR + 0.25% per annum. The effective mark-up rate for the year ended June 30, 2014 was 9.87% (2013: 9.34%) per annum. The loan is repayable in three equal semi-annual installments after 12 months from the date of first disbursement. Installment amounting to Rs 333 million has been paid upto June 30, 2014. The loan is secured by an exclusive charge of Rs 1.33 billion over Seismic Data Acquisition Equipment and exclusive hypothecation charge by way of assignment of receivables of Rs 200 million under the services rendered by the Seismic Data Acquisition Equipment. The loan was disbursed against a ranking hypothecation charge, which has now been converted to an exclusive charge after obtaining NOCs from existing charge holders.

	Note	2014	2013
		(Rupees in thousand)	
10. DEFERRED LIABILITIES			
Provision for decommissioning cost	10.1	4,247,050	3,597,174
Provision for employee benefits - unfunded	10.2	340,341	127,543
Provision for compensated leave absences		125,805	84,529
Deferred income		1,402	8,934
		4,714,598	3,818,180
10.1 Provision for decommissioning cost			
Balance at beginning of the year		3,597,174	4,257,659
Provision made during the year		220,699	219,939
Revision due to change in estimates		35,308	(1,556,678)
Exchange (gain) / loss		(1,820)	207,911
Unwinding of discount		395,689	468,343
Balance at end of the year		4,247,050	3,597,174
The above provision is analyzed as follows:			
Wells		3,990,224	3,401,003
Gathering lines		256,826	196,171
		4,247,050	3,597,174

It is expected that cash outflows resulting from decommissioning will occur between 2015 to 2050.

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
10.2 Provision for employee benefits - unfunded			
Post retirement leave benefits for management employees	36.2	263,171	71,673
Post retirement medical benefits for management employees	36.2	49,958	28,344
Pension plan for non-management employees	36.2	27,212	27,526
		340,341	127,543

11. TRADE AND OTHER PAYABLES

	Note	2014	2013
Creditors		879,202	758,963
Accrued liabilities		2,413,480	924,456
Retention and earnest money deposits		63,810	42,070
Gratuity funds		801,014	178,709
Unclaimed dividend		9,410	7,091
Unpaid dividend		93,550	94,016
Gas development surcharge		5,895,110	3,096,471
General sales tax		845,762	742,894
Excise duty		128,884	131,704
Gas Infrastructure Development Cess (GIDC)		23,933,942	4,744,065
Workers' Welfare Fund		685,129	597,576
Workers' Profit Participation Fund	11.1	235,010	190,965
Joint venture partners		192,703	623,936
Payable to the President of Pakistan under the Gas Price Agreement		–	1,734,400
		36,177,006	13,867,316

11.1 Workers' Profit Participation Fund

	2014	2013
Balance at beginning of the year	190,965	141,957
Allocation for the year	235,010	190,965
Interest on delayed payments @ 28.38% (2013: 27.80%) per annum	7,870	4,973
	242,880	195,938
	433,845	337,895
Amount paid to the Fund	(198,835)	(146,930)
Balance at end of the year	235,010	190,965

	2014	2013
	(Rupees in thousand)	
12. INCOME TAX PAYABLE / (PAID IN ADVANCE)		
Balance at beginning of the year	403,360	(194,216)
Provision for the year:		
Profit and loss account	778,662	2,157,680
Statement of comprehensive income	(320,371)	–
	458,291	2,157,680
Income tax paid during the year	(1,497,196)	(1,560,104)
Balance at end of the year	(635,545)	403,360

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(i) The Company has not recognized interest income of Rs 6,462.46 million (2013: Rs 5,695.09 million) on amounts due from Pakistan Electric Power Company (PEPCO) and has also not made any provision in these financial statements for related interest expense of Rs 3,220.83 million (2013: Rs 3,154.62 million) payable to the Government of Pakistan (GoP) on account of late payment of Gas Development Surcharge. However, such non - recognition does not affect the current year or future years' profit after taxation which includes the guaranteed return to shareholders under the Agreement due to the gas price mechanism.

(ii) Indemnity bonds given to Collector of Customs against duty concessions on import of vehicles amounted to Rs 5.23 million (2013: Rs 5.23 million).

(iii) Contractor's claim not acknowledged as debt of Rs 20.35 million (2013: Rs 20.35 million).

	2014	2013
	(Rupees in thousand)	
13.2 Commitments		
(i) Capital expenditure:		
Share in joint ventures	8,111,269	5,857,811
Mari field	800,718	434,197
Mari Seismic Unit	–	1,738,336
	8,911,987	8,030,344
(ii) Operating lease rentals due:		
Less than one year	28,171	20,724
More than one year but less than five years	57,319	41,871
	85,490	62,595

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

14. PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Roads and bridges	Drilling rig, tools and equipment	Equipment and general plant	Computers and allied equipment	Gathering lines	Furniture and fixtures	Vehicles-heavy	Vehicles-light	Decommissioning Cost–Mari field and Joint Ventures Gathering Lines	Capital work in progress (note 14.1)	Total
	(Rupees in thousand)														
As at July 1, 2012															
Cost	672,819	52,266	641,850	106,918	111,540	1,177,378	1,169,157	98,379	1,893,171	69,758	323,181	241,225	153,639	848,770	7,560,051
Accumulated depreciation	–	8,895	263,436	40,860	88,491	647,628	442,697	78,437	992,593	39,671	279,242	175,006	30,909	–	3,087,865
Net book value	672,819	43,371	378,414	66,058	23,049	529,750	726,460	19,942	900,578	30,087	43,939	66,219	122,730	848,770	4,472,186
Year ended June 30, 2013															
Opening net book value	672,819	43,371	378,414	66,058	23,049	529,750	726,460	19,942	900,578	30,087	43,939	66,219	122,730	848,770	4,472,186
Additions	–	–	101,433	–	45,954	8,502	104,129	12,013	105,513	6,995	11,053	78,372	–	2,099,438	2,573,402
Revision due to change in estimates of provision for decommissioning cost	–	–	–	–	–	–	–	–	–	–	–	–	(100,374)	–	(100,374)
Disposals															
Cost	–	–	–	–	–	–	(66,133)	(693)	–	(186)	–	(7,754)	–	–	(74,766)
Accumulated depreciation	–	–	–	–	–	–	7,593	693	–	160	–	7,748	–	–	16,194
	–	–	–	–	–	–	(58,540)	–	–	(26)	–	(6)	–	–	(58,572)
Transfers	(50,343)	49,958	385	–	–	–	–	–	–	–	–	–	–	(531,846)	(531,846)
Depreciation charge	–	(1,108)	(37,830)	(5,155)	(8,975)	(107,363)	(100,599)	(10,778)	(152,165)	(4,877)	(32,564)	(29,108)	(5,762)	–	(496,284)
Net book value	622,476	92,221	442,402	60,903	60,028	430,889	671,450	21,177	853,926	32,179	22,428	115,477	16,594	2,416,362	5,858,512
As at July 1, 2013															
Cost	622,476	102,224	743,668	106,918	157,494	1,185,880	1,207,153	109,699	1,998,684	76,567	334,234	311,843	53,265	2,416,362	9,426,467
Accumulated depreciation	–	10,003	301,266	46,015	97,466	754,991	535,703	88,522	1,144,758	44,388	311,806	196,366	36,671	–	3,567,955
Net book value	622,476	92,221	442,402	60,903	60,028	430,889	671,450	21,177	853,926	32,179	22,428	115,477	16,594	2,416,362	5,858,512
Year ended June 30, 2014															
Opening net book value	622,476	92,221	442,402	60,903	60,028	430,889	671,450	21,177	853,926	32,179	22,428	115,477	16,594	2,416,362	5,858,512
Additions	–	–	212,655	576,527	13,020	86,892	2,159,837	90,604	57,997	15,082	320,624	48,416	33,377	3,948,883	7,563,914
Revision due to change in estimates of provision for decommissioning cost	–	–	–	–	–	–	–	–	–	–	–	–	5,799	–	5,799
Disposals															
Cost	–	–	–	–	–	–	(12,830)	(1,039)	–	(55)	(3,055)	(47,660)	–	–	(64,639)
Accumulated depreciation	–	–	–	–	–	–	2,077	791	–	55	3,055	46,116	–	–	52,094
	–	–	–	–	–	–	(10,753)	(248)	–	–	–	(1,544)	–	–	(12,545)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,132,906)	(4,132,906)
Depreciation charge	–	(1,487)	(39,517)	(7,489)	(10,441)	(93,616)	(225,180)	(13,407)	(134,191)	(5,866)	(41,443)	(37,778)	(450)	–	(610,865)
Net book value	622,476	90,734	615,540	629,941	62,607	424,165	2,595,354	98,126	777,732	41,395	301,609	124,571	55,320	2,232,339	8,671,909
As at June 30, 2014															
Cost	622,476	102,224	956,323	683,445	170,514	1,272,772	3,354,160	199,264	2,056,681	91,594	651,803	312,599	92,441	2,232,339	12,798,635
Accumulated depreciation	-	11,490	340,783	53,504	107,907	848,607	758,806	101,138	1,278,949	50,199	350,194	188,028	37,121	–	4,126,726
Net book value	622,476	90,734	615,540	629,941	62,607	424,165	2,595,354	98,126	777,732	41,395	301,609	124,571	55,320	2,232,339	8,671,909
Annual rates of depreciation (%)	-	1-3	5	5	10	10-33.33	10	25	10	10	30	20	Note 3.5		

Property, plant and equipment includes Rs 43.83 million (2013: Rs 51.92 million), which represents the net book value of line heaters rented to an associated company, Foundation Power Company Daharki Limited.

		2014	2013
		(Rupees in thousand)	
14.1	**Capital work in progress**		
	Mari Field		
	Infill and Pirkoh wells		
	Land	15,892	12,030
	Stores and spares	56,850	83,934
	Plant and equipment	48,313	495,125
		121,055	591,089
	3 Up front wells and production facilities		
	Land	15,636	15,636
	Stores and spares	6,960	12,305
	Plant and equipment	19,075	48,702
		41,671	76,643
	Others	3,161	2,899
		165,887	670,631
	Head office building		
	Buildings	–	283,053
	Advances to suppliers	–	5,788
		–	288,841
	Mari Seismic Unit		
	Equipment	49,286	610,345
	Building	–	13,230
	Advances to suppliers	1,687	341,887
	Stores and spares	–	1,369
	Financial charges	–	2,508
		50,973	969,339
	Drilling Rig		
	Equipment	1,020,746	–
	Advances to suppliers	593,290	–
		1,614,036	–
	Support of production		
	Land, buildings, roads and bridges	210,188	297,592
	Plant, machinery and others	191,255	189,959
		401,443	487,551
		2,232,339	2,416,362

14.2 Detail of property and equipment as at June 30, 2014 relating to Mari Seismic Unit is as follows:

Description	Cost	Accumulated Depreciation	Net book value
	(Rupees in thousand)		
Buildings on freehold land	21,901	701	21,200
Equipment	1,938,792	121,099	1,817,693
Computers and allied equipment	1,624	225	1,399
Furniture and fixtures	26	2	24
Vehicles	295,445	23,957	271,488
Capital work in progress	50,973	–	50,973
	2,308,761	145,984	2,162,777

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

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

DESCRIPTION	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Plant and equipment	10,608	1,528	9,080	9,505	Company policy	Karak joint venture
Plant and equipment	1,877	204	1,673	188	Company policy	Ex Chief Executive Officer
Plant and equipment	345	345	–	3	Company policy	Various employees
Furniture & fixtures	55	55	–	13	Company policy	Various employees
Computers	365	117	248	38	Company policy	Ex Chief Executive Officer
Computers	120	120	–	12	Company policy	Major Iftikhar - employee
Computers	554	554	–	–	Donated	Islamabad Model School G-10/1
Vehicles	1,991	896	1,095	199	Company policy	Ex Chief Executive Officer
Vehicles	48,724	48,275	449	–	Returned	Custom Authorities
	64,639	52,094	12,545	9,958		

15. DEVELOPMENT AND PRODUCTION ASSETS

Description	Producing fields Wholly owned	Shut–in–fields Joint ventures	Sub total	Decommissioning Cost	Total
	(Rupees in thousand)				
As at July 1, 2012					
Cost	4,016,510	262,890	4,279,400	2,359,721	6,639,121
Accumulated amortization	(2,745,749)	–	(2,745,749)	(468,756)	(3,214,505)
Net book value	1,270,761	262,890	1,533,651	1,890,965	3,424,616
Year ended June 30, 2013					
Opening net book value	1,270,761	262,890	1,533,651	1,890,965	3,424,616
Additions	–	43,518	43,518	219,939	263,457
Revision due to change in estimates of provision for decommissioning cost	–	–	–	(1,456,304)	(1,456,304)
Amortization	(65,409)	–	(65,409)	(93,539)	(158,948)
Net book value	1,205,352	306,408	1,511,760	561,061	2,072,821
As at July 1, 2013					
Cost	4,016,510	306,408	4,322,918	1,123,356	5,446,274
Accumulated amortization	(2,811,158)	–	(2,811,158)	(562,295)	(3,373,453)
Net book value	1,205,352	306,408	1,511,760	561,061	2,072,821
Year ended June 30, 2014					
Opening net book value	1,205,352	306,408	1,511,760	561,061	2,072,821
Additions	488,888	957,870	1,446,758	187,322	1,634,080
Revision due to change in estimates of provision for decommissioning cost	–	–	–	29,509	29,509
Amortization	(93,593)	–	(93,593)	(21,246)	(114,839)
Net book value	1,600,647	1,264,278	2,864,925	756,646	3,621,571
As at June 30, 2014					
Cost	4,505,398	1,264,278	5,769,676	1,340,187	7,109,863
Accumulated amortization	(2,904,751)	–	(2,904,751)	(583,541)	(3,488,292)
Net book value	1,600,647	1,264,278	2,864,925	756,646	3,621,571

15.1 Additions include borrowing costs capitalized during the year amounting to Rs 80.05 million (2013: Nil).

		2014	2013
		(Rupees in thousand)	
16.	**EXPLORATION AND EVALUATION ASSETS**		
	Balance at beginning of the year	4,186,644	4,150,409
	Additions during the year	2,300,513	855,971
	Cost of dry and abandoned wells written off	(751,396)	(13,727)
	Impairment of well cost	(951,985)	(732,401)
	Disposal of working interest in concessions	(88,711)	–
	Depreciation for the year	(110,795)	(73,608)
		397,626	36,235
	Balance at end of the year	4,584,270	4,186,644

16.1 Exploration and evaluation assets include Company's share of net book value of tangible assets amounting to Rs 839.60 million (2013: Rs 694.59 million). This includes assets amounting to Rs 319.23 million (2013: Rs 372.94 million), being Company's share in joint ventures operated by others (assets not in the possession of the Company).

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

	Note	2014	2013
		(Rupees in thousand)	
Current liabilities related to exploration and evaluation		1,030,145	1,362,758
Current assets related to exploration and evaluation		2,011,719	1,326,036
Exploration and prospecting expenditure	29	2,770,986	2,496,075

		Note	2014	2013
			(Rupees in thousand)	
17.	**LONG TERM LOANS AND ADVANCES**			
	Considered good - secured			
	Executives	17.1	10,077	9,673
	Other employees	17.1	6,025	6,248
			16,102	15,921
	Less: amount due within twelve months shown under current loans and advances	22		
	Executives		6,052	5,834
	Other employees		2,427	2,687
			8,479	8,521
			7,623	7,400

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

	Balance as at July 1, 2013	Disbursements during the year	Repayments during the year	Balance as at June 30, 2014
	(Rupees in thousand)			
Executives	9,673	18,014	17,610	10,077
Other employees	6,248	3,269	3,492	6,025
Total	15,921	21,283	21,102	16,102
Year ended June 30, 2013	15,746	22,046	21,871	15,921

17.2 The maximum amount due from executives at the end of any month during the year was Rs 15.40 million (2013: Rs 11.94 million).

17.3 Loans and advances to employees are for general purpose and for house rent advance which are recoverable in 30 to 60 equal monthly installments respectively and are secured by an amount due to the employee against provident fund. These loans and advances are interest free. These do not include any amount receivable from the Chief Executive and Directors.

	Note	2014	2013
		(Rupees in thousand)	
18. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits		18,310	13,870
Prepayments		25	113
		18,335	13,983
19. DEFERRED INCOME TAX ASSET			
The balance of deferred tax is in respect of following temporary differences:			
Exploration expenditure charged to profit and loss account but to be claimed in tax return in future years		2,829,708	2,184,103
Accelerated tax depreciation		(1,139,068)	(756,148)
Provision for employee benefits - unfunded		119,119	44,640
Provision for doubtful debts		120,628	108,198
		1,930,387	1,580,793
20. STORES AND SPARES			
Stores	20.1	672,776	661,242
Spares		162,279	159,406
		835,055	820,648

		2014	2013
		(Rupees in thousand)	
20.1	**Stores and spares include:**		
	Share in joint ventures operated by the Company	62,368	46,285
	Share in joint ventures operated by others (assets not in possession of the Company)	5,807	5,807
		68,175	52,092

21. TRADE DEBTS

	2014	2013
Due from related parties - considered good		
Pakistan Electric Power Company	402,866	2,559,640
Foundation Power Company Daharki Limited	5,828,668	2,796,177
Fauji Fertilizer Company Limited	16,309,108	3,576,763
Sui Southern Gas Company Limited	487,582	399,481
Sui Northern Gas Pipelines Limited	48,237	100,231
Foundation Gas	3,874	–
	23,080,335	9,432,292
Due from others - considered good		
Engro Fertilizer Limited	6,763,328	1,322,643
Fatima Fertilizer Company Limited	413,925	227,264
Byco Petroleum Pakistan Limited	614,192	614,192
National Refinery Limited	82,195	97,949
Attock Refinery Limited	153,224	139,855
Pakistan Refinery Limited	55,811	–
Western Power Company Limited	2,779	–
Pak Arab Refinery Limited	–	44,474
	31,165,789	11,878,669

21.1 Trade debts due from related parties are net of provision for doubtful debts amounting to Rs 345 million (2013: Rs 309 million).

21.2 Trade debts include Gas Infrastructure Development Cess (GIDC) withheld by customers amounting to Rs 23,911 million (2013: Rs 4,464 million)

22. LOANS AND ADVANCES

	Note	2014	2013
		(Rupees in thousand)	
Considered good			
Current portion of long term loans and advances	17		
Executives		6,052	5,834
Other employees		2,427	2,687
		8,479	8,521
Advances to employees against expenses		25,901	32,511
Advances to suppliers and others		292,391	468,096
Advances to joint venture partners		1,130,764	204,660
Royalty paid in advance		118,376	142,083
Receivable from the President of Pakistan under the Gas Price Agreement		133,949	–
		1,709,860	855,871

			2014	2013
			(Rupees in thousand)	
23.	**SHORT TERM PREPAYMENTS**			
	Prepaid insurance		8,906	2,054
	Mining lease		3,631	3,610
	Letters of credit		1,595	17,390
	Others		41,725	43,817
			55,857	66,871

24. Interest accrued includes Rs 0.72 million (2013: Nil) from Askari Bank Limited, a related party.

		Note	2014	2013
			(Rupees in thousand)	
25.	**OTHER RECEIVABLES**			
	Due from related parties			
	Rig rentals - Sujawal joint venture		263,830	–
	Rig rentals - Karak joint venture		39,500	–
	Rig rentals - Zarghun south joint venture		–	62,584
	Rig rentals - Hanna joint venture		–	59,280
	Due from others			
	Unclaimed exploration and evaluation expenditure	25.1	608,960	188,320
	Others		1,449	2,733
			913,739	312,917

25.1 This represents unclaimed exploration and evaluation expenditure exceeding the allowed limit of US$ 32.5 million for the year as explained in note 1.2, available to the Company for exploration and development in any concession area other than Mari field.

		Note	2014	2013
			(Rupees in thousand)	
26.	**CASH AND BANK BALANCES**			
	Cash in hand		1,379	676
	Balances with banks on:			
	Deposit accounts	26.1	3,277,848	6,504,246
	Current accounts		2,028,036	3,637
			5,305,884	6,507,883
			5,307,263	6,508,559

26.1 These include foreign currency accounts amounting to US$ 6.36 million (2013: US$ 3.32 million) having mark-up rate ranging from 0.05% to 0.75% (2013: 0.05% to 1.50%) per annum. The mark-up rate for local currency accounts ranges from 6% to 9.75% (2013: 6% to 11.85%) per annum.

26.2 Balances with banks include Rs 53.32 million (2013: Nil) held in joint bank account with respective DCO(s) of the operated concessions in line with the instructions of Directorate General of Petroleum Concessions (DGPC) related to unspent social welfare obligation of the operated concessions.

26.3 Cash and bank balances include Rs 3,273 million (2013: Rs 2,935 million) held with Askari Bank Limited, a related party.

	Note	2014	2013
		(Rupees in thousand)	
27. GROSS SALES TO CUSTOMERS			
Sale of:			
Gas	27.1	68,420,696	61,164,617
Crude Oil	27.2	1,268,483	1,539,322
Less: Transportation charges		36,813	44,600
		1,231,670	1,494,722
Condensate	27.3	756,691	538,815
Less: Transportation charges		14,103	8,637
		742,588	530,178
LPG	27.4	24,440	47,280
Own consumption		34,656	32,997
		70,454,050	63,269,794

27.1 This represents sale of gas as per detail below:

	2014	2013
Mari Field	66,667,964	60,565,858
Sujawal block	1,247,918	395,723
Hala block	358,926	57,665
Sukkur block	127,915	140,272
Karak block	17,973	–
Kohat block	–	5,099
	68,420,696	61,164,617

27.2 This represents sale of crude oil as per detail below:

	2014	2013
Karak block	1,249,150	1,513,753
Ziarat block	11,703	25,569
Ghauri block	7,630	–
	1,268,483	1,539,322

27.3 This represents sale of condensate as per detail below:

	2014	2013
Mari Field	281,515	344,539
Sujawal block	286,916	77,098
Hala block	188,260	116,462
Kohat block	–	716
	756,691	538,815

27.4 This represents sale of LPG from Hala block.

27.5 Sale of gas includes sale from Sukkur, Kohat, Karak and Hala blocks invoiced on provisional prices. There may be adjustment in gross sales upon issuance of final wellhead prices notification by Oil and Gas Regulatory Authority (OGRA), impact of which cannot be determined at this stage.

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		Note	2014	2013
			(Rupees in thousand)	
28.	**OPERATING EXPENSES**			
	Salaries, wages and benefits	28.1	2,035,745	1,521,467
	Employee benefits	28.2	349,174	208,822
	Rent, rates and taxes		9,596	8,993
	Legal and professional services		6,376	5,457
	Fuel, light, power and water		112,226	100,861
	Maintenance and repairs	28.3	252,969	273,478
	Insurance		47,243	45,775
	Depreciation on property, plant and equipment		610,865	496,284
	Depreciation on exploration and evaluation assets		110,795	73,608
	Amortization		114,839	158,948
	Employees medical and welfare		210,665	162,055
	Field and other services		681,690	489,414
	Travelling		23,297	25,545
	Communications		15,393	13,974
	Printing and stationery		9,640	9,580
	Office supplies		10,971	11,502
	Technical software		36,026	41,329
	Auditor's remuneration	28.4	4,006	3,937
	Mobile dispensary and social welfare		154,839	92,296
	Training		57,274	37,912
	Advertisement		1,631	6,730
	Books and periodicals		578	853
	Public relations and social activities		7,570	6,299
	Directors' fee and expenses		11,585	10,554
	Freight and transportation		4,163	3,185
	Subscriptions		3,219	5,633
	Rig		428,548	302,891
	Mari Seismic Unit		597,420	51,825
	Seismic data reprocessing		–	25,269
	Research and development		42,932	66,086
	Sukkur block		31,629	42,801
	Hala block		123,096	155,382
	Kohat block		4,786	14,184
	Karak block		111,973	214,415
	Ziarat block		79,711	31,865
	Sujawal block		123,022	11,383
	Provision for doubtful debts - related parties		35,514	309,136
	Miscellaneous		2,416	7,726
			6,463,422	5,047,454
	Less: Recoveries from joint ventures	28.5	822,655	536,954
			5,640,767	4,510,500

28.1 These include operating lease rentals amounting to Rs 21.78 million (2013: Rs 21.92 million) in respect of company leased vehicles provided to employees of the Company.

28.2 These include Rs 35.58 million (2013: Rs 28.81 million) on account of provident fund.

		2014	2013
		(Rupees in thousand)	
28.3	These represent:		
	Maintenance and repairs - Plant and equipment	168,393	97,255
	- Others	62,220	33,408
		230,613	130,663
	Stores and spares - Plant and equipment	21,430	91,487
	- Others	926	51,328
		22,356	142,815
		252,969	273,478
28.4	**Auditor's remuneration**		
	Statutory audit	1,150	1,000
	Review of half yearly accounts, special reports and other certifications	903	1,062
	Tax services	1,677	1,550
	Out of pocket expenses	276	325
		4,006	3,937
28.5	**Recoveries from joint ventures**		
	Time write cost	590,173	384,069
	Overheads	228,421	148,664
	Computer and equipment support cost	4,061	4,221
		822,655	536,954

		2014	2013
29.	**EXPLORATION AND PROSPECTING EXPENDITURE**		
	Mari Field		
	3D seismic data acquisition	345,313	5,586
	Joint ventures		
	Cost of dry and abandoned wells written off	751,396	13,727
	Impairment of well cost	951,985	732,401
	Prospecting expenditure	1,580,052	1,749,947
		3,283,433	2,496,075
	Disposal of working interest in concessions	(512,447)	–
		3,116,299	2,501,661

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	2014	2013	2014	2013
	Working interest (%)		(Rupees in thousand)	
OPERATED BLOCKS				
Zarghun South Field	35.00	35.00	65,242	133,113
Ziarat Block	60.00	60.00	1,032,544	46,222
Karak Block	60.00	60.00	765,435	587,686
Noor Block	100.00	100.00	–	20
Hanna Block	100.00	100.00	738,437	54,642
Harnai Block	40.00	40.00	10,125	4,724
Sujawal Block	100.00	100.00	195,239	224,038
Sukkur Block	58.82	58.82	36,101	25,186
Ghauri Block	35.00	65.00	74,837	275,561
Peshawar East Block	100.00	–	5,202	–
Khetwaro Block	51.00	–	306,063	–
			3,229,225	1,351,192
NON - OPERATED BLOCKS				
Dhadar Block	29.13	29.13	–	(8,614)
Hala Block	35.00	35.00	15,929	689,776
Kohat Block	20.00	20.00	(1,289)	124,685
Bannu West Block	10.00	10.00	1,439	611
Kohlu Block	30.00	30.00	4,558	4,295
Kalchas Block	20.00	20.00	5,249	12,032
Zindan Block	35.00	35.00	29,383	287,100
Block G & H	5.00	5.00	(1,607)	–
Oman Block	–	25.00	546	34,998
			54,208	1,144,883
			3,283,433	2,496,075

29.1 Exploration and prospecting expenditure represents cost other than drilling expenditure directly charged to profit and loss account as referred in note 3.8 to these financial statements.

	2014	2013
	(Rupees in thousand)	
30. OTHER CHARGES		
Workers' Profit Participation Fund	235,010	190,965
Workers' Welfare Fund	87,553	139,844
	322,563	330,809
31. OTHER INCOME		
Rig rental income	457,065	167,893
Mari seismic unit income	326,453	–
Line heaters rental income	36,560	34,878
Caravans rental income	–	25,048
Insurance claims	–	33,639
Gain / (loss) on sale of property, plant and equipment	(2,587)	6,642
Miscellaneous	17,817	27,178
	835,308	295,278

		2014	2013
		(Rupees in thousand)	
32.	**FINANCE INCOME**		
	Income on bank deposits	512,607	466,198
	Interest income on delayed payments from Foundation Power Company Daharki Limited:		
	- For the year	275,471	676,389
	- For prior years	(133,317)	420,896
		654,761	1,563,483
33.	**FINANCE COST**		
	Mark-up on long term financing - secured	156,162	152,794
	Interest expense on delayed payments to the Government of Pakistan:		
	- For the year	214,110	428,084
	- For prior years	–	12,503
	Unwinding of discount on provision for decommissioning cost	395,689	468,343
	Exchange loss	214,065	206,714
	Interest on Workers' Profit Participation Fund	7,870	4,973
	Bank charges	790	278
		988,686	1,273,689
34.	**PROVISION FOR TAXATION**		
	Current - For the year	778,662	2,342,072
	- For prior years	–	(184,392)
		778,662	2,157,680
	Deferred - For the year	(344,328)	(1,090,265)
		434,334	1,067,415

		2014	2013
		Percentage	
34.1	**Reconciliation of effective tax rate**		
	Applicable tax rate	50	50
	Tax effect of depletion allowance and royalty payments	(40)	(66)
	Tax effect of amount not deductible for tax purposes	7	32
	Others	(7)	15
	Effective tax rate	10	31

		2014	2013
35.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit for the year (Rupees in thousand)	3,943,303	2,421,076
	Balance distributable profit after tax (Rupees in thousand)	578,878	506,601
	Number of shares outstanding (in thousand)	91,875	91,875
	Earnings per share on the basis of distributable profits (in Rupees)	6.30	5.51
	Earnings per share on the basis of profit and loss account (in Rupees)	42.92	26.35

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

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36. EMPLOYEE BENEFITS

36.1 Funded benefits

The results of the actuarial valuation carried out as at June 30, 2014 and June 30, 2013 are as follows:

	2014		2013	
	Management Gratuity	Non-Management Gratuity	Management Gratuity	Non-Management Gratuity
	(Rupees in thousand)			
Reconciliation of payable to defined benefit plan				
Present value of defined benefit obligations	1,116,966	420,433	877,251	274,388
Fair value of plan assets	(512,351)	(224,033)	(436,528)	(179,093)
Net actuarial (losses) not recognized	–	–	(294,483)	(62,826)
Liability recognized in balance sheet	604,615	196,400	146,240	32,469
Movement in payable to defined benefit plan				
Balance as at beginning of year	146,240	32,469	113,042	24,456
Cost for the year	604,613	196,400	146,238	32,469
	750,853	228,869	259,280	56,925
Contribution to fund during the year	(146,238)	(32,469)	(113,040)	(24,456)
Balance as at end of year	604,615	196,400	146,240	32,469
Movement in fair value of plan assets				
Balance as at beginning of year	436,528	179,093	425,841	153,660
Contributions during the year	146,238	32,469	113,040	24,456
Interest income on plan assets	44,839	20,069	53,381	20,344
Actuarial (loss) on plan assets	(5,637)	(2,732)	(22,603)	(3,848)
Benefits paid	(109,617)	(4,866)	(133,131)	(15,519)
Balance as at end of year	512,351	224,033	436,528	179,093
Plan assets comprise of:				
Deposit with banks	512,351	224,033	436,528	179,093
Cost for the year:				
Recognized in profit and loss account				
Current service cost	67,096	15,555	73,199	13,221
Past service cost	23,332	–	–	–
Amortization of actuarial loss	–	–	9,766	5,342
Interest cost	89,553	29,644	116,654	34,250
Interest income on plan assets	(44,839)	(20,069)	(53,381)	(20,344)
	135,142	25,130	146,238	32,469
Recognized in statement of comprehensive income				
Remeasurement loss / (gain) on obligations:				
Effect of changes in demographic assumptions	(4,051)	(35,962)	–	–
Effect of changes in financial assumptions	(27)	–	–	–
Effect of experience adjustment	173,429	141,674	–	–
Remeasurement on plan assets	5,637	2,732	–	–
Prior period effect of revised IAS 19 - Remeasurement loss	294,483	62,826	–	–
	469,471	171,270	–	–
Total cost for the year	604,613	196,400	146,238	32,469
Actual return on plan assets	39,202	17,337	30,778	16,496

	Management Gratuity	Non-Management Gratuity
	(Rupees in thousand)	
Projected benefit payments from gratuity fund are as follows:		
For the year 2015	145,348	33,419
For the year 2016	119,454	39,275
For the year 2017	64,884	33,268
For the year 2018	65,031	79,432
For the year 2019	284,581	25,431
For the years 2020-24	1,455,250	401,642

36.2 Un–funded benefits

	2014			2013		
	Management		Non-Management	Management		Non-Management
	Post Retirement Leaves	Post Retirement Medical	Pension	Post Retirement Leaves	Post Retirement Medical	Pension
			(Rupees in thousand)			
Reconciliation of payable to defined benefit plan						
Present value of defined benefit obligations	263,171	49,958	27,212	71,673	32,346	21,448
Net actuarial (losses)/gains not recognized	–	–	–	–	(4,002)	6,078
Liability recognized in balance sheet	263,171	49,958	27,212	71,673	28,344	27,526
Movement in payable to defined benefit plan						
Balance at beginning of the year	71,673	28,344	27,526	57,992	23,912	24,042
Cost for the year	199,242	24,206	(314)	28,179	7,036	3,484
	270,915	52,550	27,212	86,171	30,948	27,526
Payments during the year	(7,744)	(2,592)	–	(14,498)	(2,604)	–
Balance at end of the year	263,171	49,958	27,212	71,673	28,344	27,526
Cost for the year:						
Recognized in profit and loss account						
Current service cost	5,703	1,920	1,054	4,107	1,577	1,125
Past service cost	154,594	–	–	–	–	–
Interest cost	7,884	3,399	2,473	7,249	4,061	2,673
Immediate recognition of curtailment loss/(gain)	31,061	–	–	16,823	1,398	(314)
	199,242	5,319	3,527	28,179	7,036	3,484
Recognized in statement of comprehensive income						
Remeasurement loss / (gain) on obligations:						
Effect of changes in demographic assumptions	–	3,758	2,625	–	–	–
Effect of changes in financial assumptions	–	7,098	(2,358)	–	–	–
Effect of experience adjustment	–	4,029	1,970	–	–	–
Prior period effect of revised IAS 19 - Remeasurement loss	–	4,002	(6,078)	–	–	–
	–	18,887	(3,841)	–	–	–
Total cost for the year	199,242	24,206	(314)	28,179	7,036	3,484

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

	2014	2013
	(Per annum)	
- Discount rate	13.25%	11.00%
- Expected rate of salary increase	13.25%	11.00%
- Expected rate of pension increase	8.50%	6.00%
- Increase in cost of medical benefits	13.25%	9.25%

36.4 Sensitivity analysis and weighted average number of years

	Weighted average number of years as at June 30, 2014	Effect on payable to defined benefit plan of			
		Discount rate 0.5% point		Salary/Medical rate 0.5% point	
		increase	decrease	increase	decrease
		(Rupees in thousand)		(Rupees in thousand)	
Management Gratuity	6.79	(35,723)	37,893	37,722	(35,877)
Non-Management Gratuity	6.97	(13,870)	14,651	14,585	(13,930)
Management Post Retirement Medical	9.56	(2,133)	2,466	2,390	(2,209)

36.5 The employee benefit expenses (funded and unfunded) recognized in profit and loss account are included in operating expenses as per following detail:

Description	(Rupees in thousand)
Employee benefits	313,592
Employees medical and welfare	15,614
Mobile dispensary and social welfare	16,245
Public relations and social activities	135
Rig	15,325
Mari Seismic Unit	7,449
	368,360

37. OPERATING SEGMENTS

The financial statements have been prepared on the basis of a single reportable segment. Revenue from external customers for products of the Company is disclosed in note 27.

Revenue from five major customers of the Company constitutes 95% of the total revenue during the year ended June 30, 2014 (2013: 95%).

	Loans and receivables 2014	2013
	(Rupees in thousand)	
38. FINANCIAL INSTRUMENTS		
38.1 Financial assets and liabilities		
Financial assets		
Maturity up to one year		
Trade debts	31,165,789	11,878,669
Loans and advances	1,391,568	355,264
Interest accrued	5,824	28,750
Other receivables	913,739	312,917
Cash and bank balances	5,307,263	6,508,559
Maturity after one year		
Long term loans and advances	7,623	7,400
Long term deposits	18,310	13,870
	38,810,116	19,105,429

	Other financial liabilities 2014	2013
	(Rupees in thousand)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	36,177,006	13,867,316
Current maturity of long term financing	1,379,173	961,603
Interest accrued on long term financing	37,514	42,039
Maturity after one year		
Provision for decommissioning cost	4,247,050	3,597,174
Long term financing - secured	332,505	1,543,207
Provision for employee benefits - unfunded	340,341	127,543
Provision for compensated leave absences	125,805	84,529
Deferred income	1,402	8,934
	42,640,796	20,232,345

38.2 Credit quality of financial assets

The credit quality of Company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA), JCR - VIS Credit Rating Company Limited (JCR-VIS) and Moody's. The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	Rating	2014	2013
		(Rupees in thousand)	
Trade debts			
Counterparties with external credit rating	A1+	771,238	781,990
	A1	13,005,921	3,023,441
	A2	55,811	1,322,643
Counterparties without external credit rating		17,332,819	6,750,595
		31,165,789	11,878,669
Loans and advances			
Counterparties without external credit rating		1,391,568	355,264
Interest accrued			
Counterparties without external credit rating		5,824	28,750
Other receivables			
Counterparties without external credit rating		913,739	312,917
Bank balances			
Counterparties with external credit rating	A1+	5,057,938	6,066,382
	P-1	9,486	26,584
	A1	238,446	414,903
	A2	14	14
		5,305,884	6,507,883
Long term loans and advances			
Counterparties without external credit rating		7,623	7,400
Long term deposits			
Counterparties without external credit rating		18,310	13,870

38.3 FINANCIAL RISK MANAGEMENT

38.3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk, the Company maintains procedures covering the function for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, the financial viability of all counterparties is regularly monitored and assessed.

The Company's credit risk exposures are categorised under the following headings:

Counter parties

The Company conducts transactions with the following major types of counterparties:

Trade Debts

Trade debts are essentially due from fertilizer and power generation companies and the Company does not expect these companies to fail to meet their obligations. The sales to the Company's customers are made under gas purchase and sale agreements signed between the Company and its customers with the prior approval of Oil and Gas Regulatory Authority (OGRA), Government of Pakistan.

As of June 30, 2014, trade debts of Rs 4,195 million (2013: Rs 3,971 million), excluding GIDC withheld by customers, were past due but not impaired. The ageing analysis of past due trade debts is as follows:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in thousand)			
Due from related parties				
Past due 0-30 days	492,896	–	1,097,625	–
Past due 30-60 days	398,568	–	759,280	–
Past due 60-90 days	293,705	–	542,649	–
Over 90 days	2,714,305	344,650	1,240,221	309,136
	3,899,474	344,650	3,639,775	309,136
Due from others				
Past due 0-30 days	26,312	–	24,529	–
Past due 30-60 days	–	–	155	–
Past due 60-90 days	–	–	45	–
Over 90 days	614,192	–	615,166	–
	4,539,978	344,650	4,279,670	309,136

Cash and investments

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A2. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liability when due under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains sufficient cash and bank balances. At June 30, 2014, the Company had financial assets of Rs 38,810,116 thousand (2013: Rs 19,105,429 thousand).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date. The amounts disclosed in the table are undiscounted cash flows:

	Less than 1 year	Between 1 to 5 years (Rupees in thousand)	Over 5 years
As at June 30, 2014			
Trade and other payables	36,177,006	–	–
Interest accrued on long term financing	37,514	–	–
Provision for decommissioning cost	31,671	112,593	6,523,333
Long term financing - secured	1,379,173	332,505	–
Provision for employee benefits - unfunded	–	–	340,341
Provision for compensated leave absences	–	–	125,805
Deferred credits	–	1,402	–
As at June 30, 2013			
Trade and other payables	13,867,316	–	–
Interest accrued on long term financing	42,039	–	–
Provision for decommissioning cost	18,114	116,753	4,606,251
Long term financing - secured	961,603	1,543,207	–
Provision for employee benefits - unfunded	–	–	127,543
Provision for compensated leave absences	–	–	84,529
Deferred credits	–	8,934	–

c) **Market risk**

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on financial instruments.

i) **Currency risk**

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of currency risk management is to manage and control currency risk exposures within acceptable parameters, while optimizing the return on financial instruments.

Exposure to foreign currency risk

The Company's exposure to currency risk is as follows:

	2014	2013	2014	2013
	(Rupees in thousand)		(US$ in thousand)	
Cash and bank balances	627,815	327,670	6,358	3,316
Trade debts	106,650	71,136	1,080	720
Loans and advances	1,130,764	204,660	11,451	2,071
Trade and other payables	(713,353)	(704,950)	(7,224)	(7,135)
	1,151,876	(101,484)	11,665	(1,028)

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2014	**2013**	**2014**	**2013**
		(Rupees)		
US$ 1	102.90	96.89	98.75	98.80

Foreign currency sensitivity analysis

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

	Change in foreign exchange rates	Effect on profit after tax	Effect on equity
		(Rupees in thousand)	
2014			
US$	+10%	57,594	57,594
	-10%	(57,594)	(57,594)
2013			
US$	+10%	(5,074)	(5,074)
	-10%	5,074	5,074

However, since the Company is operating under cost plus formula as explained in note 1.2, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2014	2013
	(Rupees in thousand)	
Financial assets		
Cash and bank balances	3,277,848	6,504,246
Trade debts	2,672,354	938,850
	5,950,202	7,443,096
Financial liabilities		
Long term financing - Bank Alfalah Limited	380,000	760,000
Long term financing - Habib Bank Limited	665,011	744,810
Long term financing - Allied Bank Limited	666,667	1,000,000
Trade and other payables	2,231,605	–
	3,943,283	2,504,810

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

Interest rate sensitivity analysis

At June 30, 2014 if interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Company's profit for the year ended June 30, 2014 would increase/ decrease by Rs 50 million (2013: increase/ decrease by Rs 123 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

However, since the Company is operating under cost plus formula as explained in note 1.2, any variance on account of above does not affect the profitability of the Company and the guaranteed rate of return to the shareholders.

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company does not have financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market prices.

38.3.2 Capital management

The Company is operating under Mari Gas Wellhead Price Agreement. The Agreement ensures the Company's ability to continue as a going concern and also to meet its requirements for expansion, enhancement of its business and guaranteed return to shareholders. There are no externally imposed capital requirements.

38.4 Fair value of financial instruments

All financial assets and financial liabilities are initially recognised at the fair value of consideration paid or received, net of transactions cost as appropriate and subsequently carried at amortized cost. The carrying values of financial assets and liabilities approximate their fair values.

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements as remuneration and allowances including all benefits, to chief executive, directors and executives of the Company was as follows:

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	6,280	395,757	6,889	326,864
Company's contribution to provident fund	580	32,482	689	25,896
Company's contribution to gratuity fund	116	125,654	932	114,975
Housing and utilities	7,496	396,961	7,975	318,610
Other allowances and benefits	10,144	379,772	6,023	368,400
Bonuses	6,643	508,161	7,556	286,021
	31,259	1,838,787	30,064	1,440,766
Number of persons including those who worked part of the year	2	244	1	193

The above were also provided with medical facilities, gratuity and post retirement leave benefits. The chief executive and certain executives were provided with free use of Company maintained cars, residential telephones and use of club facilities. Executives based at plant site, Daharki, are also provided with schooling and subsidized club facilities. Further, certain assets were sold to Chief Executive Officer retired during the year as disclosed in note 14.3 to the financial statements.

In addition 14 (2013: 14) directors were paid aggregate fee of Rs 11,103 thousand (2013: Rs 10,313 thousand).

		2014	2013
40.	**NUMBER OF EMPLOYEES**		
	Total number of employees as at the year end	1,064	658
	Average number of employees during the year	860	591

41. TRANSACTIONS WITH RELATED PARTIES

Fauji Foundation holds 40% shares of the Company, therefore, all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of associated companies, directors, major shareholders, key management personnel and employees' retirement benefit funds. Transactions with related parties, other than remuneration and benefits to directors and key management personnel, are as follows:

	2014	2013
	(Rupees in thousand)	
Sale of gas and LPG to related parties is as follows:		
Fauji Fertilizer Company Limited	31,618,550	27,482,836
Foundation Power Company Daharki Limited	7,270,127	7,159,356
Foundation Gas	24,440	47,280
Pakistan Electric Power Company	567,648	10,246,061
Sui Southern Gas Company Limited	1,631,482	476,350
Sui Northern Gas Pipelines Limited	578,276	823,891
Line heaters rental income	36,560	34,878
Interest income on delayed payments	142,154	1,097,285
Interest income on bank accounts	259,704	196,995
Provision for doubtful debts	35,514	309,136
Cost of funded employee benefit plans	840,603	210,905

42. INFORMATION RELATING TO PROVIDENT FUND

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

	2014 (Unaudited)	2013 (Audited)
Net assets (Rupees in thousand)	557,176	477,069
Cost of investments made (Rupees in thousand)	487,337	449,183
Percentage of investments made (Percentage)	87%	94%
Fair value of investments (Rupees in thousand)	487,337	449,183
Break-up of investments:		
Bank deposits (Rupees in thousand)	487,337	449,183

Notes to and Forming Part of the Financial Statements
for the year ended June 30, 2014

All investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

43. CORRESPONDING FIGURES

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

Profit and loas account	**Rupees in thousand**
(i) 3D seismic data acquisition expenses reclassified from 'operating expenses' to 'exploration and prospecting expenditure'	5,586
(ii) Interest income on delayed payments reclassified from 'other income' to 'finance income'	1,097,285
(iii) Interest expense on delayed payments reclassified from 'other income' to 'finance cost'	440,587
(iv) Exchange loss reclassified from 'finance income' to 'finance cost'	206,714

44. GENERAL

44.1 Information about the capacity is not relevant to the business operations of the Company.

44.2 These financial statements have been authorized for issue by the Board of Directors of the Company on September 30, 2014.

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

Qaiser Javed
DIRECTOR

Proxy Form

The Company Secretary
Mari Petroleum Company Limited
21 – Mauve Area, 3rd Road,
G–10/4, Islamabad

I/We, the undersigned, being a member(s) of Mari Petroleum Company Limited and holder of ____________________ Ordinary Shares, hereby appoint ____________________ of ____________
whom failing ____________________
of ____________________
as my/our proxy to vote and act for me/our behalf, at the 30th Annual General Meeting of the Company, to be held on October 31, 2014 and at any adjournment thereof.

Affix
Revenue
Stamp

Dated this ______ day of _________ 2014.

____
Signature of the Shareholder

____
Signature of Proxy

____
Name in Block Letters

Folio/CDC Ref: ____________

Notes:

1. A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad not less than 48 hours before the time of holding of the meeting.
2. Those members, who have deposited their shares into Central Depository Company of Pakistan (CDC), are requested to bring their Original Computerized National identity Cards along with their account numbers in CDC for verification at the time of meeting.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

Witnesses:

1. ____________________

2. ____________________

AFFIX
CORRECT
POSTAGE

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