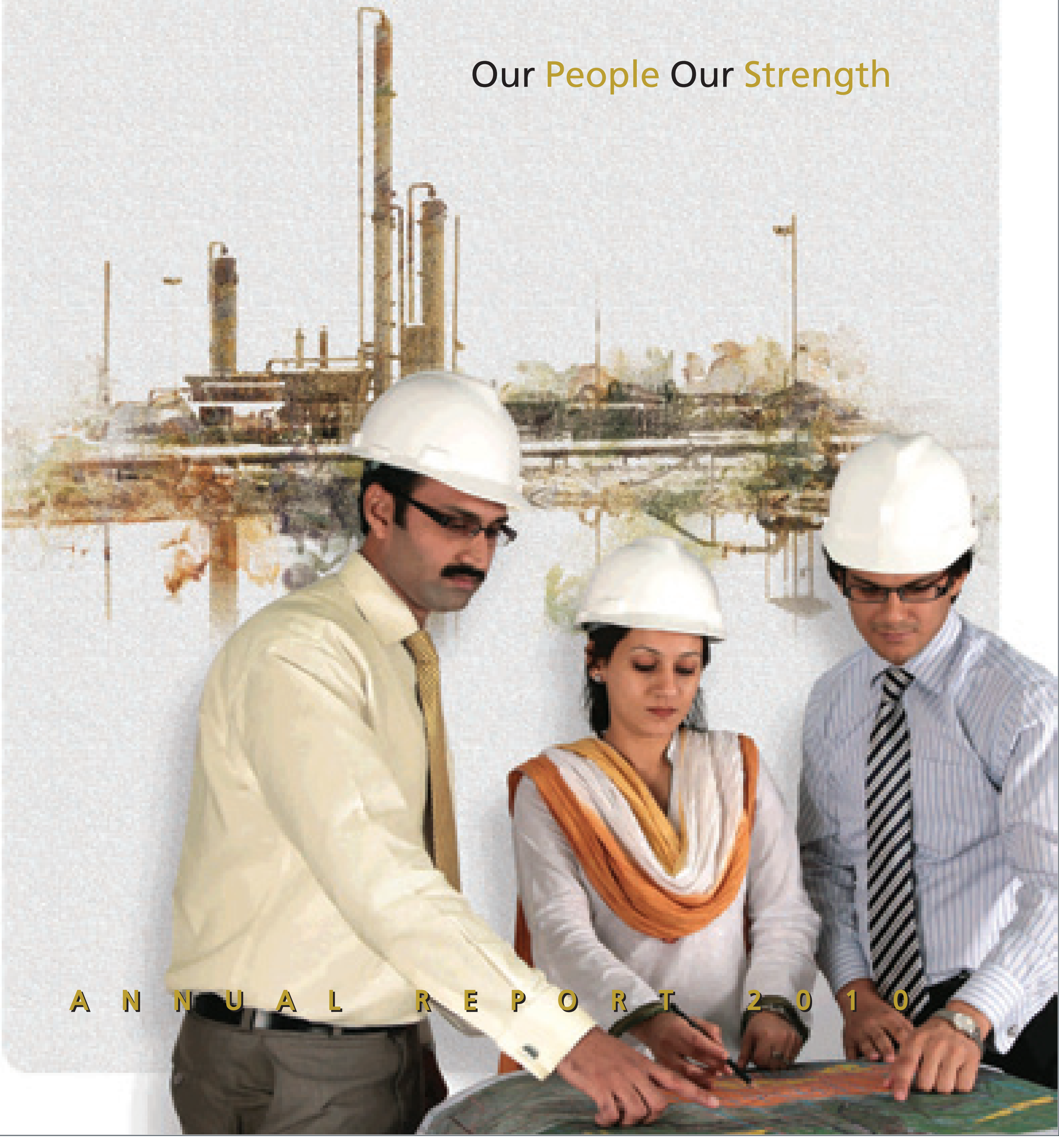
Pakistan Petroleum Limited

Our People Our Strength



ANNUAL REPORT 2010

Our People Our Strength

PPL's current positioning and recognition is hinged on our people, their extraordinary **Leadership**, **Creativity**, **Teamwork** and pursuit of **Excellence** that steers the Company forward towards its business goals.

Our people come from multidisciplinary backgrounds but work as a cohesive, integrated team, motivating, supporting and learning from each other.

Powered by their strength, we are confident to score more successes and sustain the edge synonymous with the PPL name for 55 years.

Contents

Vision

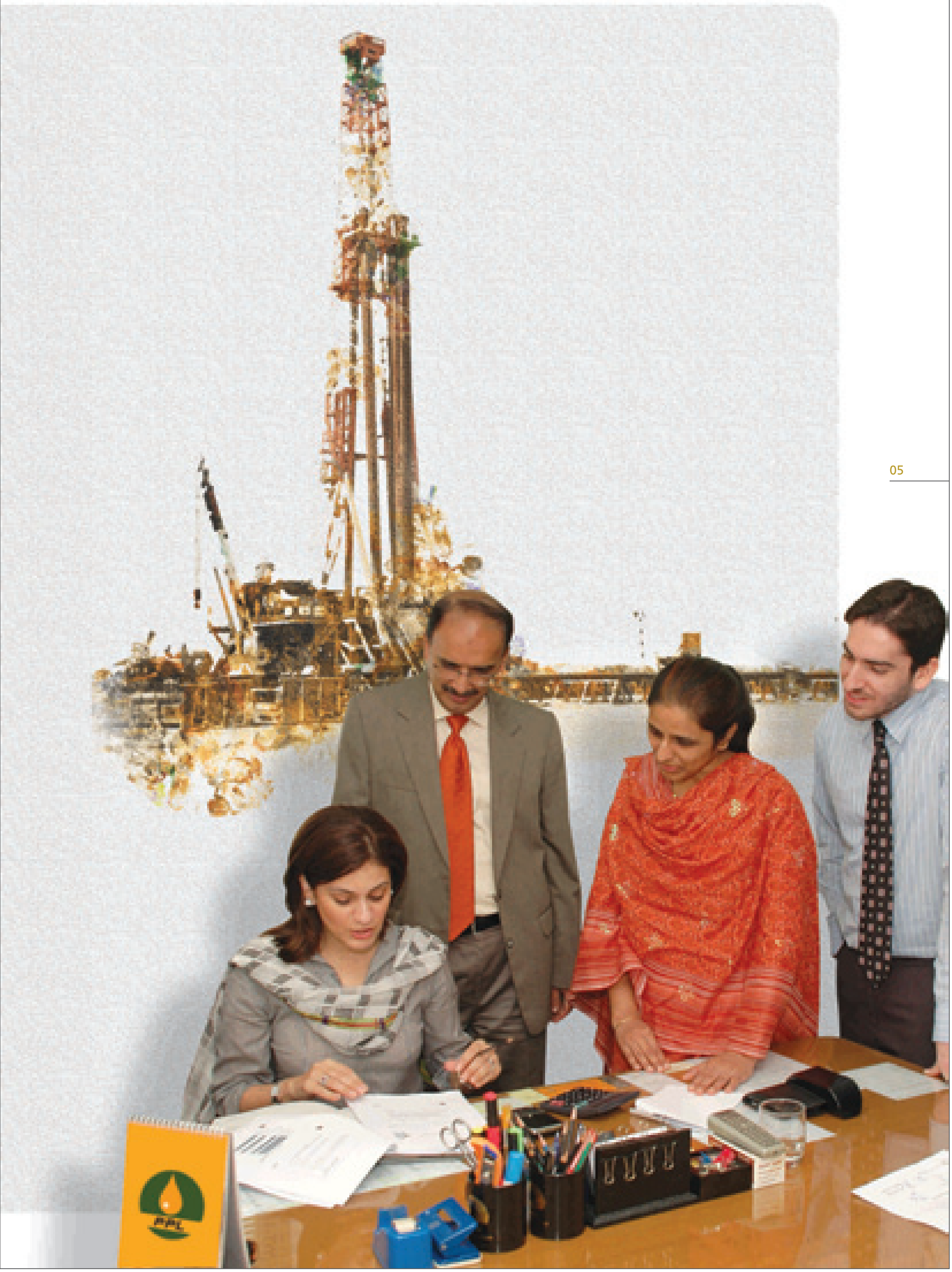
To maintain PPL's position as the premier producer of hydrocarbons in the country and at the same time make a strategic transition to become an international Company, exploiting oil and gas resources beyond the borders of Pakistan, resulting in value addition to shareholders' investment and to the nation as a whole.

Mission

To sustain long-term growth by pursuing an aggressive hydrocarbons exploration and production optimisation program in the most efficient manner locally as well as in the international arena through a team of professionals utilising the latest developments in technology while ensuring that quality is an integral part of all operations and maintaining the highest standards of health, safety and environment protection.

Leadership

PPL encourages its younger cadre to assume responsibility and take part in decision making to prepare them for future leadership roles. To this end, the Company ensures an enabling, equitable and merit-oriented working environment that is tailored to nurture potential in order to sustain long-term progress and growth.



Core Values

- Recognise that Leadership, Empowerment and Accountability are essential for corporate success.
- Pursue the Highest Standards of Ethical Behaviour and Integrity.
- Consider Our People as the most important resource.
- Value Creativity and Innovation.
- Committed to Excellence in all spheres of performance.
- Work as a Team and advocate Teamwork.
- Respect the Environment and remain committed to its protection.

Strategic Objectives

- Growth is the prime focus of PPL's strategy. With a premium share of total domestic production, PPL is better placed to strengthen its leading position as a provider of clean and safe energy to meet the rising domestic demand. The Company will continue to integrate, create value and strategically transit towards expansion of its operations beyond the national borders.

- The Company's ambitious exploration program and reserves acquisition strategy will provide the necessary thrust for the replenishment of the depleting reserves and a plan for production optimisation from the existing fields and new discoveries will be followed to maintain the growth momentum.

- The Company's dedicated teams will continue to evaluate various significant projects in the energy sector with a view to further expand and diversify the business portfolio.

- Safety and reliability factors will remain the key components of Company's operational excellence. Utmost importance will be given to training of employees and contractors for enhancing safety awareness and active incorporation of industry best practices in the overall operating setup. The Company is committed to increase investment in research and innovation and also recognises the importance of CO_2 management to its business and the opportunities it represents.

- The Company takes great pride in promoting development of the communities where it operates. The Company cares deeply about the environment and will continue to take concrete steps to protect it.

- The Company will leverage the available financial resources and project management skills so that large projects in oil & gas business and value chain integration can be undertaken as required.

- The Company places great emphasis on investing in people to build organizational capability, as timely availability of qualified and trained manpower is vital for undertaking complex and diverse operations of the Company.

- The Company's commitment to improve base business returns, selectively grow with a focus on integrated value creation and seek innovative solutions, while ensuring quality as an integral part of its operations, will provide necessary support to become preferred partner for multinational companies and other resource holders, now and in the future.

The Company's ambitious exploration program and reserves acquisition strategy will provide the necessary thrust for the replenishment of the depleting reserves and a plan for production optimisation from the existing fields and new discoveries will be followed to maintain the growth momentum.

Creativity

Our people have remained on the forefront of the E&P industry by deploying cutting-edge technology and solutions in our exploration and drilling activities. It is their creative power and ingenuity that births new ideas, more efficient processes and innovative ways of doing business, translating into value creation for our stakeholders.

Company Information

Board of Directors

Mr. Hidayatullah Pirzada
Chairman (Non-Executive Director)

Mr. Khalid Rahman
Chief Executive Officer / Managing Director

Mr. Sajid Zahid
(Non-Executive Director)

Mr. Irshad Ahmed Kaleemi
(Non-Executive Director)

Mr. Mohammad Naeem Malik
(Non-Executive Director)

Mr. Zain Magsi
(Non-Executive Director)

Mr. Saifullah Khan Paracha
(Non-Executive Director)

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

Acting Company Secretary

Mr. M. Mubbasshar Siddiqui

Registered Office

P.I.D.C. House, Dr. Ziauddin Ahmed Road,
P.O. Box 3942, Karachi-75530.
UAN: 111-568-568
Fax: 021-35680005 & 021-35682125
Website: www.ppl.com.pk
Email: info@ppl.com.pk

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

Allied Bank Limited
Arif Habib Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Barclays Bank Plc.
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland Limited
United Bank Limited

Shares Registrar

FAMCO Associates (Pvt.) Ltd.
1st Floor, State Life Building No.1-A
I.I. Chundrigar Road, Karachi-74000.
Telephone: 021-32420755, 32427012 & 32426597
Fax: 021-32426752

Legal Advisors

Surridge & Beecheno

Highlights of the Year

Four Discoveries

- Four discoveries namely Nashpa-1 in Nashpa Block, Maramzai-1 in Tal Block, Rehman-1 in Kirthar Block and Latif North-1 in Latif Block have been made during the year which flowed oil / gas in Nashpa-1, gas / condensate in Maramzai-1 and gas in Rehman-1 and Latif North-1 during initial testing.

Extended Well Test Processing Facility at Hala Block set up

- Extended Well Test (EWT) Processing Facility at Adam X-1 discovery set up in Hala Block and transmission of first gas and delivery of condensate / LPG commenced from December 2009.

Extended Well Testing of Nashpa-1 commenced

- EWT of exploratory well Nashpa-1 at Nashpa Block started with an average production of 4,600 bpd oil and 16 MMscfd gas.

Central Processing Facility at Manzalai commissioned

- Central Processing Facility at Manzalai in Tal Block commissioned during the year and first gas from the facility commenced in October 2009.

Kandhkot Field Gas Compression Station installed

- Kandhkot Field Gas Compression Station to maintain flow of sales gas to customers at contractual delivery pressure installed to maximize recovery of gas.

Standby Dehydration Unit at Kandhkot commissioned

- A new Standby Dehydration Unit of 130 MMscfd capacity commissioned at Kandhkot Gas Field.

Sawan Field Gas Compression Project commissioned

- A Compression Facility to maintain gas supplies at contractual delivery pressure commissioned at Sawan Gas Field.

14 New Exploration Blocks acquired in Bidding Round 2009

The Company actively participated in the exploration bidding round held in September 2009 successfully acquiring 14 new exploration blocks.

Awards and Accolades

- PPL won Occupational Health, Safety and Environment Award in Oil, Gas and Energy Sector from Employers' Federation of Pakistan in collaboration with International Labor Organization.
- PPL won the 6th Annual Environment Excellence Award 2009 in recognition of an environmentally responsible exploration and production organization.
- PPL was selected by the Karachi Stock Exchange as one of the top 25 companies for the year 2008 and ranked at 5th position.

Four discoveries namely Nashpa-1 in Nashpa Block, Maramzai-1 in Tal Block, Rehman-1 in Kirthar Block and Latif North-1 in Latif Block have been made during the year which flowed oil / gas in Nashpa-1, gas / condensate in Maramzai-1 and gas in Rehman-1 and Latif North-1 during initial testing.

Teamwork

By its very nature, our operational success is underpinned by teamwork. Working together to achieve common objectives is promoted as part of PPL corporate culture so that varied strengths are fused to maximize synergies and operational efficiency. This creates common stake, ownership and pride in the Company's milestones and achievements.

Business Conduct and Ethics

It is a fundamental policy of Pakistan Petroleum Limited (PPL) to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards. The Company has adopted comprehensive Codes of Business Conduct and Ethics (Codes) for members of the Board of Directors and Employees. The Codes provide guidance to help Directors / Employees recognise and deal with specific situations that may arise and foster a culture of honesty, accountability and high standards of personal and professional integrity.

Salient Features of the Code for the Directors

- Each Director must avoid any conflict of interest between the Director and the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly.

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

- Directors should maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company that comes to them, except when disclosure is authorised by the Chairman of the Board or legally mandated.

- Directors shall endeavour to deal fairly with the Company's customers, suppliers, competitors and employees.

- Directors shall comply with laws, rules and regulations applicable to the Company including insider trading laws.

Specific Guidelines for Employees

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

- Employees are expected to safeguard confidential information and must not, without authority, disclose such information about the Company's

It is a fundamental policy of PPL to conduct its business with honesty, integrity and in accordance with the highest ethical and legal standards. The Company has adopted comprehensive Codes of Business Conduct and Ethics for members of the Board of Directors and Employees.

activities to the press, to any outside source or to employees who are not entitled to such information.

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

- Bribes or other payments, which are intended to influence a business decision or compromise independent judgment are strictly prohibited.

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

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

- Accepting gifts that might place an employee under obligation is prohibited. Employees must politely but firmly decline any such offer.

- Alcohol in any form and use of drugs, except under medical advice, is prohibited at all work sites / locations.

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

Profile of the Board of Directors

Hidayatullah Pirzada
Chairman

Khalid Rahman
CEO / Managing Director

Sajid Zahid
Director

Irshad Ahmed Kaleemi
Director

Hidayatullah Pirzada
Chairman

Mr. Hidayatullah Pirzada joined PPL Board as Chairman in July 2010. He also chairs the Board Operations and Finance Committee and the Board Human Resource Committee.

Mr. Pirzada is a seasoned politician. He has been affiliated with Pakistan Peoples Party 'PPP' since 1975 and has served on several prominent positions in the party. He is also a member Federal Council 'PPP' from Balochistan since 1998.

During 1989-90 he actively played a lead role in infrastructure development works at Quetta which is well-remembered by the locals. His endeavours for advancement of agriculture and welfare of the poor agriculturists at his native town Punjpai and other far-flung areas of Balochistan have immense social impact and recognition.

He has served as member on the Board of Evacuee Trust Property, member of the Board of Directors of 'Hope', a non-governmental organization and member Chamber of Commerce, Balochistan.

As part of high level delegations, he has visited several countries with political leadership for maintaining global peace and addressing environmental issues and has attended various seminars.

Khalid Rahman
Chief Executive Officer / Managing Director

Mr. Khalid Rahman is the Chief Executive Officer (CEO) and Managing Director (MD) of the Company since 1 August, 2008. He is also a Member of the Board Operations and Finance and Board Human Resource Committees.

Mr. Rahman joined PPL in 1992 and has since held various senior management positions in the Company. Prior to his appointment as CEO and MD, he was Deputy Managing Director and oversaw the finance, human resources and corporate services functions. He has also served as the Chief Financial Officer (CFO) and Company Secretary.

A fellow member of the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants of Pakistan since 1982, Mr. Rahman brings rich and varied professional experience spanning nearly 35 years in senior management positions in the accounting profession as well as oil and gas and banking industries in Pakistan and abroad, particularly Europe and the Far East. Before returning to Pakistan, he worked in the United Kingdom and Hong Kong for 17 years, handling regional responsibilities.

Mr. Rahman is an active member on the Board / Management Committees of other reputed organisations and professional bodies, including:

- Vice Chairman, Pakistan Petroleum Exploration and Production Companies Association (PPEPCA)
- Member, Board of Directors, Petroleum Institute of Pakistan (PIP)
- Member, Council of the Institute of Chartered Accountants of Pakistan (ICAP)
- Director, Board of Pakistan Institute of Corporate Governance (PICG)
- Member, Managing Committee, Overseas Investors Chamber of Commerce & Industry (OICCI)
- Member, Board of Governors, National Management Foundation, Lahore University of Management Sciences (LUMS)
- Member of the Management Board, Community Development through Civil Society Organizations and Corporate Sector Scheme, Government of Sindh
- Member, National Coordinating Body for Mangroves for the Future, Government of Pakistan

He has attended various trainings and seminars, including Executive Development Programme at Kellog School of Management, Northwestern University and, most recently, the Executive Development Program at Graduate School of Business, Stanford University, USA.

Sajid Zahid
Director

Mr. Sajid Zahid joined the PPL Board in March 2000. He is also the Chairman of the Board Audit Committee.

Mr. Zahid is a Barrister-at-Law from Lincoln's Inn, London. He is a practicing lawyer with over 36 years of experience in Corporate and Commercial Laws, on behalf of leading local and foreign organisations, which include leading companies in the oil and gas sector, has acted as Counsel in national and international arbitrations, contributed articles in leading international journals and presented papers at international conferences.

He is a Joint Senior Partner of Orr, Dignam & Co., a leading firm of corporate lawyers and a Director of Habib Bank Limited. He has also been a Director of Sui Southern Gas Company Limited, the Chairman of The First MicroFinance Bank Limited and a member of the Banking Laws Review Commission of Pakistan.

Irshad Ahmed Kaleemi
Director

Mr. Irshad Ahmed Kaleemi joined PPL Board in February 2008. He is also a Member of the Board Operations and Finance Committee and the Board Audit Committee.

Mr. Kaleemi holds Master of Science degree with majors in Economics & Finance and a Masters degree in Geology with majors in Petroleum and Marine Geology. He is further pursuing Ph.D. in Development Economics.

He joined the Government Service after qualifying the competitive examination of CSS in 1984 and since then has served on senior positions in various Government functions. He has extensive experience in the areas of Financial / Commercial Accounting, Government Accounting, Public and Corporate Finance Management, Development Economics, Performance Auditing and Performance Evaluation. He had served as Deputy Secretary World Bank, Economic Coordination, Asia Pacific Countries and Paris Club wings of the Economic Affairs Division and was actively involved in finalizing financing arrangements for Pakistan from foreign governments and various multilateral and bilateral organisations.

He is Governor, SAARC Energy Board, SAARC. He has been a Primary Consulting Officer nominated by Common Wealth for Pakistan, a focal point of Korean Overseas International Cooperation Agency for Pakistan and Official Lifetime Ambassador of Leduc Nisku Economic Development Authority, Alberta, Canada. He is the author of "Pakistan Development Forum - PDF 2004" published by the World Bank Resident Mission, Islamabad.

Presently, he is serving as Joint Secretary / Chief Finance and Accounts Officer in the Ministry of Petroleum & Natural Resources, Government of Pakistan.

Profile of the Board of Directors

Mohammad Naeem Malik
Director

Zain Magsi
Director

Saifullah Khan Paracha
Director

Saquib H. Shirazi
Director

Mohammad Naeem Malik
Director

Mr. Mohammad Naeem Malik joined PPL Board in February 2010. He is also a Member of the Board Operations and Finance Committee.

Mr. Naeem Malik is a Chemical Engineer by profession having over 30 years of experience in the petroleum sector.

He started his career with a Petro-chemical industry in the private sector and then later on joined Ministry of Petroleum and Natural Resources in 1981. Since then he has been working on different important assignments in the Government of Pakistan. He remained Director General (Gas), (Oil), (Administration / Special Projects) and (Petroleum Concessions). He brings with him a very rich experience of upstream, midstream and downstream oil and gas sector with administrative experience. Presently, he is Director General (Petroleum Concessions).

He remained Director on the Boards of almost all public sector companies including Sui Northern Gas Pipelines Limited, Sui Southern Gas Company Limited, Inter State Gas Systems (Pvt.) Limited, Pirkoh Gas Company, Pakistan Petroleum Limited, Oil & Gas development Company Limited, Mari Gas Company Limited etc.

Presently he is also Director on Board of Mari Gas and Board of Governors (Hydrocarbon Development Institution of Pakistan).

Zain Magsi
Director

Mr. Zain Magsi joined PPL Board in July 2010. He is also Member of the Board Audit Committee.

He did his graduation in 1997 from the University of Charleston, USA. He is a thorough IT professional with over ten years of experience in developing cutting edge IT solutions.

During his professional career, he had been associated in the capacity of web designer, project manager and senior IT consultant with various well reputed organizations which included Ericsson, Proxicom, Legg Mason, COMTek, Nine Yards Media, EDS, Sprint Communications, National Geographic and others.

During the years from 2007 to 2009 he served as Director of Interactive Media and Public Relations in Captus Communications with the responsibility to manage the interactive media department and lead the assessment, development and design of web and media projects.

Saifullah Khan Paracha
Director

Mr. Saifullah Khan Paracha joined PPL Board in July 2010. He is also a member of the Board Audit Committee.

Mr. Paracha did his Senior Cambridge from Aitchison College Lahore and graduation in Mechanical and Mining Engineering from Berkeley University, California, USA.

He had been active in politics for last 50 years. During his political career, he served as Minister for Agriculture, Forest, Livestock, Fisheries, Finance, Planning, Development, Information, Food, Communication, Works, Industries, Commerce, Local Government, Law and Parliamentary Affairs for five years in the Balochistan Cabinet. He was elected twice as Member of Senate of Pakistan in April 1977 and again in February 1994.

He had also served as President of the Federation of Pakistan Chambers of Commerce and Industry, Member of the Advisory Board of the Ministry of Interior, Director on the Board of Industrial Development Bank of Pakistan, Member of the Provincial Assembly of West Pakistan and Balochistan. He represented Pakistan in the 37th United Nation's General Assembly Session held in New York in 1982.

In recognition of his services in profession of Engineering, he was presented a Shield by the President of Pakistan on recommendation of the Pakistan Engineering Council in December 1998.

Presently, he is serving as a member of the Board of Directors of Habibullah Energy Limited.

Saquib H. Shirazi
Director

Mr. Saquib H. Shirazi joined PPL Board in July 2010. He is also the member of Board Human Resource Committee.

Mr. Shirazi did BS in Economics from Wharton School of Finance, USA and MBA from Harvard Business School, USA.

He has extensive working experience of the commercial and investment banking. During his professional career, he was associated with the Bank of Tokyo-Mitsubishi New York (1991-95), Cititbank N.A, London (1988) and ANZ Grindlays (now Standard Chartered) Bank (1987).

Presently, he is serving as the Chief Executive Officer of Atlas Honda Ltd. and is a member of the Group Executive Committee and Director Strategic Planning of the Atlas Group.

Mr. Shirazi also serves as a Director on the Boards of Shirazi Investments Company (Pvt) Ltd, Shirazi Trading Company (Pvt) Ltd, Atlas Power Limited, Shirazi Capital (Pvt) Ltd, Cherat Papersack Limited and Pakistan Cables Ltd.

Board Operations and Finance Committee

Composition

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

- Mr. Hidayatullah Pirzada Chairman
- Mr. Khalid Rahman Member
- Mr. Irshad Ahmed Kaleemi Member
- Mr. Mohammad Naeem Malik Member

Terms of Reference

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

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

(ii) Financial statements;

(iii) Budgets;

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

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

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

(vii) Cash and fund management policies and procedures; and

(viii) Major financial commitments of the Company.

The Board Operations and Finance Committee met twice during the year with 100% participation of its members.

The Board has established three Committees namely Board Operations and Finance Committee, Board Human Resource Committee and Board Audit Committee for effective governance of the Company. The composition, role and responsibilities of the Board Committees are clearly defined in their respective Terms of References.

Board Human Resource Committee

Composition

The Board Human Resource Committee is composed of the following:

- Mr. Hidayatullah Pirzada — Chairman
- Mr. Khalid Rahman — Member
- Mr. Saquib H. Shirazi — Member

Terms of Reference

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

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

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

(ii) Establishment of Human Resource plans and procedures;

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

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

(v) review and evaluation of compensation policies, practices and procedures.

The Board Human Resource Committee met four times during the year with 100% participation of its members.

The Board Human Resource Committee met four times during the year with 100% participation of its members.

Board Audit Committee

Composition

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

• Mr. Sajid Zahid	Chairman
• Mr. Irshad Ahmed Kaleemi	Member
• Mr. Zain Magsi	Member
• Mr. Saifullah Khan Paracha	Member

Terms of Reference

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

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

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

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

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

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

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

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

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

The Board Audit Committee met four times during the year with 100% participation of its members.

The Board Audit Committee is composed of four non-executive Directors. The Terms of Reference of the Audit Committee are consistent with those stated in the Code of Corporate Governance.

Executive Committee

The Executive Committee comprises of the CEO / Managing Director, Deputy Managing Director and the Functional Heads as follows:

- Mr. Khalid Rahman
  - CEO / Managing Director
- Mr. Asim Murtaza Khan
  - Deputy Managing Director
- Mr. Fasih-uz-Zaman
  - Senior General Manager
- Mr. Munawar Ahmed
  - General Manager Production
- Mr. M. Yaqub
  - General Manager Corporate Services
- Mr. Kamran Wahab Khan
  - General Manager Finance / CFO
- Mr. Masroor Ahmad
  - General Manager Human Resources
- Mr. Moin Raza Khan
  - General Manager Exploration

The Committee reviews all the operational aspects of the organisation, advises improvements to operational policies and procedures and monitors implementation of the same.

In line with the Company's commitment to achieve and enhance Operational Excellence in all spheres, the Executive Committee is a forum where Operational Excellence pursuits are devised, discussed and engineered into action.

The Committee reviews all the operational aspects of the organisation, advises improvements to operational policies and procedures and monitors implementation of the same.

Excellence

Our people strive to follow best practices in every sphere of activity and remain accountable to all our stakeholders. This is the reason why Quality and Excellence figure as keystones in everything we do. The Company's Performance Excellence Award scheme recognizes and rewards staff demonstrating extraordinary performance and innovative thinking in their respective disciplines.

Statement of Value Addition

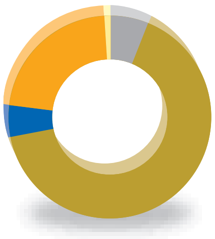
	2009-10 Rs million	%	2008-09 Rs million	%
Gross Revenue (including Gas Development Surcharge (GDS), Excise Duty and Sales Tax)	77,211	111	77,798	104
Less: Operating and Exploration Expenses	(10,103)	(14)	(6,912)	(9)
	67,108	97	70,886	95
Add: Income from Investment	2,412	3	3,113	4
Other Income	227	*	1,037	1
Less: Other Expenses	(12)	*	-	-
Total Value Added	69,735	100	75,036	100
DISTRIBUTED AS FOLLOWS:				
Employees Remuneration and Benefits	4,145	6	3,359	4
Government as:				
Company Taxation	11,208	16	14,206	19
Levies (including GDS, Excise Duty and Sales Tax)	17,249	25	16,218	22
Royalty	7,076	10	7,463	10
Workers' Funds	2,556	4	3,103	4
Dividend **	6,253	9	8,458	11
Bonus Shares **	1,390	2	1,301	2
	45,732	66	50,749	68
Shareholders other than the Government as:				
Dividend **	2,709	4	2,330	3
Bonus Shares **	602	1	358	1
	3,311	5	2,688	4
Society				
Donations	68	*	93	*
Social Welfare / Community Development	320	*	284	*
Free Gas Supply	135	*	148	*
	523	1	525	1
Retained in Business:				
Depreciation	1,649	2	1,262	2
Amortisation	1,853	2	1,103	1
Net Earnings	12,367	18	15,256	20
	15,869	22	17,621	23
Financial Charges to providers of finance:	155	*	94	*
	69,735	100	75,036	100

* Negligible

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

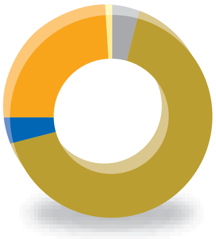
Value Added 2009 - 10

Government	66%
Employees Remuneration & Benefits	6%
Society	1%
Retained in Business	22%
Shareholders other than the Government	5%



Value Added 2008 - 09

Government	68%
Employees Remuneration & Benefits	4%
Society	1%
Retained in Business	23%
Shareholders other than the Government	4%



Chairman's Message

The composition of the Board of Directors of the Company has changed significantly with effect from 6 July, 2010. Four new directors, including myself, Zain Magsi, Saifullah Khan Paracha and Saquib H. Shirazi succeeded outgoing directors M.A.K. Alizai, S.R. Poonegar, Roshan Khursheed Bharucha and Pervaiz Kausar, respectively, as the nominees of the Government of Pakistan on the Board.

While welcoming the new Directors on the Company's behalf, I would like to express our appreciation of the valuable contributions made by the outgoing Directors, particularly former Chairman M.A.K. Alizai. Looking ahead, I hope to play my part in taking PPL forward towards its strategic aims and objectives.

One crucial factor that sets PPL apart from other organisations in the oil and gas sector is consistent value creation for its stakeholders. As such, I am pleased to note that the Company performed well during the year and the Board recommended payment of 50% final cash dividend and issue of 20% bonus shares among shareholders in addition to the interim dividend of 40% paid in March 2010. This brings total distribution to 90% cash dividend and 20% bonus shares for the financial year 2009-10.

PPL continues to pursue an aggressive exploration programme to ensure a sustainable energy future for the country. In this context, the Company is striving to maximize gas recovery from mature fields as well as identifying prospective areas for direct participation and pursuing farm-in opportunities with other companies.

To meet its ambitious business targets, the Company has a team of technically competent and committed professionals and continues its drive to recruit and retain the best available talent in order to maintain a competitive edge and corporate excellence synonymous with the PPL brand. My thanks are due to PPL's Management and staff for enabling the Company to achieve its strategic objectives through their support, sagacity and dedication.

It is my privilege to serve as the Chairman of the PPL Board and assure its support to the Management in achieving the Company's strategic objectives.

(HIDAYATULLAH PIRZADA)
CHAIRMAN

Karachi
6 August, 2010

One crucial factor that sets PPL apart from other organisations in the oil and gas sector is consistent value creation for its stakeholders.

Managing Director's Outlook

I am pleased to report that the Company performed well on the operational front despite the challenges faced during the current year that witnessed impact of sharp decline in the average international crude oil price on revenues and profitability.

Strategically, the Company remained on course, the main features of which were optimising production and reserves replacement, enhancing exploration activities and embedding good governance and responsible corporate citizenship across the board in all operational areas.

As a result of extensive exploration activities, four new discoveries were made during the year in partner-operated blocks (i.e. Naspha-1 - Nashpa Block, Maramzai-1 - Tal Block, Rehman-1 - Kirthar Block and Latif North-1 - Latif Block) which flowed oil / gas in Nashpa-1, gas / condensate in Maramzai-1 and gas in Rehman-1 and Latif North-1 during initial testing. Potential reserves from these discoveries will be evaluated based on the data generated through EWT.

In line with its aggressive exploration targets, PPL took active part in the Bidding Round held by the Government in September 2009. Of the 38 blocks provisionally granted, PPL won 14 new exploration blocks (13 operated and 1 partner-operated) the highest number won by any company. A detailed, fast-track work programme has been chalked out for the new blocks and exploration activities have already been started in Sirani, Jungshahi and Kotri North to deliver maximum results within the three-year time span committed to the Government.

Concurrently, a proactive farm-out campaign seeking joint venture partnerships has been rolled out to reduce the Company's exposure in the new blocks. Farm-out agreements have been executed with various local and international Exploration and Production companies.

The Management stands committed to maintaining gas supplies at contractual delivery pressure and flow rates and optimising gas recovery from existing fields and discoveries. To this end, the compression facility at Sawan Gas Field was successfully installed and commissioned during the year. In addition, the installation of the Kandhkot Gas Field Compression Station is complete and will be commissioned shortly.

Total gas production increased during the year, mainly due to successful commissioning of the Central Processing Facility at Manzalai in Tal Block and EWT Processing Facility at Adam X-1 in Hala Field, together with additional production from recent discoveries.

Like every other credible corporate entity, our primary aim is to maximize shareholder returns by adhering to best practices of corporate governance on the one hand and ethical and social values on the other. This is amply reflected

Strategically, the Company remained on course, the main features of which were optimising production and reserves replacement, enhancing exploration activities and embedding good governance and responsible corporate citizenship across the board in all operational areas.

by the Company winning the Management Association of Pakistan's award in 2008 and 2009 and being ranked in the Karachi Stock Exchange 'Top 25 Companies' for three consecutive years in 2006, 2007 and 2008.

PPL remains a leading corporate provider of social development and welfare services with a well-funded, diverse and sustainable Corporate Social Responsibility (CSR) programme that reaches out to disadvantaged communities living in all our operational areas as well as other parts of the country. Our CSR portfolio comprises several strategic initiatives in the field of healthcare, education, infrastructure development, livelihood generation and disaster management.

To integrate qualitative improvements in systems and procedures, the Company is steadily moving towards ISO 9001 certification at the field and office level. Several fields, plants and departments have been certified for ISO 9001. The health and safety of employees and stakeholders and sustainable use of natural resources also remain priority areas throughout our operations evident by the fast-track ISO 14001 and OHSAS 18001 certification of our fields, facilitates and departments.

Our ambitious business and socio-economic development agenda is steered by our staff and their professionalism, integrity, dedication and pursuit of excellence. The Company continues to draw and retain the best available talent by pursuing a transparent and merit-based human resource development programme, the main focus of which is to create an enabling working environment, offer capacity building opportunities for skill enhancement and professional growth and recognize motivation, drive and creativity.

This commitment coupled with our experience, healthy financial resources and the support of the Government positions the Company to meet its strategic objectives and long-term business goals without compromising on its corporate principles, work ethics and values.

I take this opportunity to thank the Government, Board of Directors, Management and staff for the enablement, commitment and ownership that will undoubtedly bring continual improvement and success for the Company.

(KHALID RAHMAN)
CEO / MANAGING DIRECTOR

Karachi
6 August, 2010

Global Compact

WE SUPPORT

PPL takes pride in being the signatory of the United Nations' Global Compact, a voluntary charter to make this world a better place and help protect the environment.

The main goal of the charter is to disseminate the practice of ten basic principles encompassing protection of Human Rights, elimination of all forms of discrimination of employment and occupation, promotion of greater environmental responsibility, elimination of all forms of unethical practices and promotion of transparency in all spheres of activities. These principles have been adopted to serve as broad guidelines for the Company to demonstrate its commitment to universal values and readiness to act as a good corporate citizen.

PPL stands committed to the Ten Principles of Global Compact. The Company gives the highest priority to good corporate governance, environmental conservation, maintaining strict health and safety standards while contributing to society as a good corporate citizen. We, at PPL remain cognizant of the immense social, economic and environmental responsabilities that businesses have within the sphere of their operations. In order to pursue a distinct corporate strategy the Company has in place an accountable system that enables us to be compliant with principles of the Global Compact.

Human Rights

Principle 1

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

PPL's Commitment

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

Principle 2

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

PPL's Commitment

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

Labour Standards

Principle 3

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

PPL's Commitment

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

Principles 4 & 5

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

PPL's Commitment

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

Principle 6

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

PPL's Commitment

PPL is committed to provide equal opportunities for employment as well as growth opportunities without

any discrimination on the basis of race, sex, religion, language, social origin, birth or other status.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

PPL's Commitment

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

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

PPL's Commitment

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

Principle 9

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

PPL's Commitment

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

Anti-Corruption

Principle 10

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

PPL's Commitment

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

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

Directors' Report

Your directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended 30 June, 2010 together with the Auditors' Report thereon.

PROFIT AND APPROPRIATIONS

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

	2009-10 Rs million	2008-09 Rs million
Profit before Taxation	34,528.207	41,908.420
Taxation	11,207.689	14,205.629
Profit after Taxation	23,320.518	27,702.791
Unappropriated profit as at 30 June, 2009 / 2008	40,188.762	26,038.882
	63,509.280	53,741.673
Appropriations during the year:		
• Final dividend for the year 2008-09 on Ordinary shares @ 30% (2007-08: nil)	2,489.539	-
• Transfer to Insurance Reserve	5,500.000	1,500.000
• Transfer of cost relating to Sui well -38	(1,478.106)	-
• Transfer to Assets Acquisition Reserve	5,000.000	3,000.000
• Issuance of Bonus shares	1,659.692	754.406
• Interim dividend for the year 2009-10 on Ordinary and Convertible Preference shares @ 40% (2008-09: 50%) and 30% (2008-09: 30%), respectively	3,983.305	4,149.274
• Second interim dividend for the year 2009-10 on Ordinary shares @ nil (2008-09: 50%)	-	4,149.231
Balance as at 30 June, 2010 / 2009	46,354.850	40,188.762
Subsequent Effects:		
The Board of Directors of the Company in their meeting held on 6 August, 2010 has proposed the following:		
• Transfer to Insurance Reserve	5,500.000	5,500.000
• Transfer to Assets Acquisition Reserve	5,000.000	5,000.000
• Final dividend on Ordinary shares @ 50% (2008-09: 30%)	4,979.080	2,489.539
• Issue of Bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held i.e. 20% (2008-09: 20%)	1,991.632	1,659.692
	17,470.712	14,649.231

The Directors have recommended a final cash dividend on Ordinary shares at 50 % and issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held i.e. 20 % by capitalization of free reserves of the Company.

FINANCIAL RESULTS

The sales revenue of Rs 59.9 billion for the year was lower by 2.6% compared to the previous year. The profit after tax of Rs 23.3 billion was earned for the year as compared to Rs 27.7 billion during the previous year. The decrease in profitability during the current year as compared to the corresponding year is mainly attributable to the impact of low international crude oil prices, partially offset by exchange gain impact on gas / oil prices. The earnings per share (EPS) of the Company for the year stood at Rs 23.42 against EPS of Rs 27.82 for 2008-09.

Field expenditure during the year increased by 39% as compared to the previous year mainly due to acquisition of 2D and 3D seismic data in Nushki, Khuzdar, Sirani, Baska, Mamikhel (Tal) and Nashpa blocks and drilling of exploratory wells Shark-1 in Offshore Indus Block-M, Thar and Makori West-1, which were declared unsuccessful and cost of wells charged to profit and loss account.

Other operating income also declined by Rs 1.5 billion during the current year mainly due to lower investments as a result of increasing overdues from the customers and decline in deposit rates.

LIQUIDITY MANAGEMENT AND CASH FLOW STRATEGY

During the year an amount of Rs 26.5 billion was generated from operating activities of the Company which was spent mainly for meeting expenditures on capital projects, payment of dividends to shareholders and purchase of investments. At the end of the year, the Company had a liquid fund position comprising of cash and cash equivalents amounting to Rs 27.7 billion. At present the Company's funds to the tune of Rs 21 billion are tied-up in inter-corporate circular debt. PPL has taken up the matter with relevant authorities for early settlement of the issue.

To ensure sufficient availability of funds at all times while generating optimum returns through placement of surplus liquidity in various available investment avenues, cash inflows and outflows are projected on regular basis and rigorously monitored. Cash requirements for the year ending 30 June, 2011 for Company operations are forecasted to be adequately financed through internal cash generation without recourse to external financing.

The Company follows a conservative investment strategy for placement of its' surplus funds to ensure that the investment portfolio of the Company is secured and well-diversified. A rigorous vigilance system is in place whereby the Company's existing investment portfolio and new proposals for funds placement are extensively reviewed by the Investment Committee comprising of senior management staff.

DIVIDENDS

The Directors have recommended a final cash dividend on Ordinary shares at 50 % (2008-09: 30%) and issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held i.e. 20 % (2008-09: 20%) by capitalization of free reserves of the Company. This is in addition to an interim dividend of 40% (2008-09: 1st and 2nd interim dividends of 50% each) on ordinary shares and 30% (2008-09: 30%) on convertible preference shares paid in March 2010.

OPERATIONS AND SIGNIFICANT EVENTS

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

New Discoveries

During the year four discoveries in partner operated blocks namely Nashpa-1 in Nashpa Block, Maramzai-1 in Tal Block, Rehman-1 in Kirthar Block, and Latif North-1 in Latif Block have been made which flowed

Directors' Report

oil / gas in Nashpa-1, gas / condensate in Maramzai-1, and gas in Rehman-1 and Latif North-1 during initial testing.

Extended Well Testings (EWTs)

EWT Processing Facility at Adam X-1 discovery was set up in Hala Block and transmission of first gas to SSGCL system and delivery of condensate / LPG commenced from December 2009.

In May 2010, EWT of exploratory well Nashpa-1 at Nashpa Block started with an average production of 4,600 bpd oil and 16 MMscfd gas.

EWT of exploratory well Tajjal-1 in Gambat Block is continuing with an average gas production of about 21 MMscfd. Declaration of Commerciality has been submitted to the Government and field development plan is being finalized.

EWT phase of Latif discovery is over and Declaration of Commerciality has been submitted to the Government.

The third discovery Mamikhel-1 in Tal block has been connected with the Manzalai Central Processing Facility (CPF) for its appraisal through EWT. Preparations are underway for the EWT of fourth discovery Maramzai-1 in Tal Block that will also be connected to the Manzalai CPF.

Preparations are also underway to undertake EWT of Rehman-1 discovery in Kirthar Block. Re-entry and drilling of about 500 m horizontal section with multiple fracs of ex-Lasmo well Halel-1 is also planned.

On the conclusion of Makori-1 EWT, Commerciality of Makori was declared in September 2009 and the Field Development Plan was submitted to DGPC in March 2010. Evaluation for selecting the contractor for the FEED study for the Makori Gas Processing Plant is in hand.

Central Processing Facility Manzalai

Central Processing Facility at Manzalai was commissioned during the year and first gas from the facility commenced in October 2009. Discovery and development of the Manzalai Field has provided a major breakthrough in the quest for oil and gas production in Pakistan.

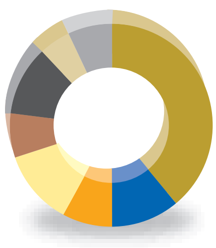
Kandhkot Field Gas Compression Station and Kandhkot Field Standby Dehydration Unit

Installation of Kandhkot Field Gas Compression Station (KFGCS) to maintain flow of sales gas to customers at contractual delivery pressure and to maximize recovery of gas has been completed.

A new Standby Dehydration Unit (SDHU) of 130 MMscfd capacity has successfully been installed and commissioned at Kandhkot Gas Field during the year. The unit is in operation in parallel to the existing DHUs thus increasing reliability of existing production facility.

Sales Revenue 2009 - 10

Sui	38%
Kandhkot	11%
Adhi	9%
Sawan	12%
Nashpa	7%
Tal	11%
Qadirpur	5%
Others	7%



Sales Revenue 2008 - 09

Sui	48%
Kandhkot	12%
Adhi	6%
Sawan	17%
Nashpa	5%
Tal	4%
Qadirpur	4%
Others	4%

Sawan Compression Project

During the year, a Compression Facility to maintain gas supplies at contractual delivery pressure was installed and commissioned at Sawan Gas Field.

Acquisition of new Exploration Blocks

The Company actively participated in the exploration bidding round held in September, 2009 and successfully acquired 14 new exploration blocks which are by far the highest by any company. With the acquisition of new blocks, PPL's exploration portfolio stands at 32 exploration blocks comprising of 19 PPL-operated and 13 partner-operated blocks (including one Block in Yemen).

MARKET SHARE

PPL, being the pioneer natural gas producer in the country, has been playing a crucial role since 1955 in augmentation of indigenous hydrocarbon reserves. Presently PPL's share in the country's total natural gas production stands at around 24%. PPL continues to strive for enhancing its hydrocarbon reserves and optimizing production in order to maintain its position as the premier exploration and production company of the country.

PRODUCTION DURING THE YEAR

Management is committed to maintain the quality and quantity of gas supply on long term basis without compromising on health, safety and environmental standards. Maintaining production levels in mature fields and focus on exploring additional potential and adding reserves are part of the production strategy of the Company. In real terms this is being achieved by bringing timely compression facilities at fields. Key challenges are maximization of number of wells, plant availability for production and stretching the sales targets.

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

	2009-10	2008-09
Natural gas (Million cubic feet)	356,682	356,195
Crude Oil (Thousand barrels)	950	953
NGL (Thousand barrels)	804	478
Condensate (Thousand barrels)	72	76
LPG (Tonnes)	23,047	19,959

The production during the period under review, including share from joint ventures, averaged at 977 MMscfd of gas, 2,603 bpd of oil, 2,400 bpd of NGL / condensate and 63 tonnes of LPG per day.

Directors' Report

FIELDWISE REVIEW OF OPERATIONS - PERFORMANCE AND FUTURE PROSPECTS

PPL OPERATED PRODUCING FIELDS

Sui Gas Field (PPL share 100%)

Since its discovery in 1952, the Sui Gas Field remains an important source of gas supply meeting substantial part of gas demand of the country. Gas supplies from the field remained as per contractual obligation, despite the field being in depletion phase. The volume of gas sales during the year was 177,574 MMscf against 189,887 MMscf in 2008-09.

Development well Sui-88(M) was spud-in in May 2009 as a replacement of well Sui-9 (M). The well reached Target Depth (TD) of 1,415 m and was completed as gas producer from Sui Main Limestone (SML) reservoir. After completion of the mechanical and civil works, the well was commissioned in December 2009.

Drilling of Sui-92(P) which was commenced in March 2010 is in progress. Target formation of the well is Pab sandstone with a total planned depth of 2,128 m.

In order to enhance the reliability of the Purification Plant operation, various revamping and up-gradation activities were performed during the year. Instrumentation of one of the Boilers control system was revamped and Emergency Shut Down (ESD) valves were installed on fuel gas line at three Boilers. One Solar Gas Turbine was completely overhauled and fire detection systems of two Solar Gas Turbines were up-graded. A new UPS system was installed and commissioned for process and boiler instrumentations. The plant was also successfully certified for ISO 9001: 2000.

Kandhkot Gas Field (PPL share 100%)

Gas from Kandhkot Field is mainly supplied to WAPDA and SNGPL for use at Guddu Thermal Power Station. A nominal quantity of gas is also supplied to SSGCL for Kandhkot Town. Field facilities have recently been expanded after the installation of Gas Compressor Station and commissioning of a Standby Dehydration Unit. The volume of gas sales during the year 2009-10 was 59,583 MMscf as against 58,010 MMscf in 2008-09.

Workover of well KDT-8(M) was completed in November 2009 and well was re-commissioned successfully.

Installation of Kandhkot Field Gas Compression Station (KFGCS) to maintain flow of sales gas to customers at contractual delivery pressure and to maximize recovery of gas has been completed. The test runs of main equipment have been completed. All utility packages / equipment have been commissioned and are in operation. The commissioning of KFGCS is awaited for vendors commissioning engineers' mobilization to site which is expected shortly.

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

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

	2009-10	2008-09
Natural gas (Million cubic feet)	15,243	14,386
NGL / Crude Oil (Thousand barrels)	1,735	1,656
LPG (Tonnes)	53,188	51,206

A total of eleven wells are in production at Adhi field. Two wells are producing crude oil from Sakesar Formation and the remaining are Tobra (T) / Khewra (K) formation wells producing oil, NGL and gas. LPG is also extracted from the Plant feed and sold to customers. The current daily production rates are around 42 MMscf gas, 145 tonnes LPG, 2,500 bbl NGL and 2,800 bbl crude oil.

Based on encouraging results of hydraulic fracturing at well Adhi-18 (T/K), workover for well Adhi-14 (T/K) commenced in January 2010 and Tobra Formation was successfully fractured with 2.5 times increase in oil production. The workover operation at Adhi-12 (T/K) commenced in April 2010 and is currently in progress.

As part of continuous improvement to optimize production, an EPF Study has been undertaken to review the existing design capacities, piping network and layout along with appropriateness and compatibility of all additions and modifications undertaken since commissioning. Final recommendations of the study are being finalized.

Continuing with field development studies, additional 2D seismic data acquisition was completed in December 2008 and data has been processed for interpretation. The data has been included in the scope of Compositional Reservoir Study which is being carried out by Gaffney Cline & Associates (GCA). The results of the Compositional Reservoir Study would enable JV Partners to decide on further development of the field.

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

Mazarani Gas Field comprises Gas Processing Plant and an 8" dia. 75 km long gas transmission pipeline for injection of Mazarani gas into SSGCL's Indus Right Bank Transmission System. The total volume of gas sold from

Mazarani to SSGCL during the financial year was 4,039 MMscf as compared to 4,010 MMscf during 2008-09.

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

The field is expected to continue current optimal production levels to keep water production at manageable levels.

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

As part of its business development strategy, PPL acquired Chachar Gas Field in March 2009. The field is to the East of Kandhkot Gas Field and is currently producing about 8 MMscfd gas.

A total of three wells have been drilled in Chachar Field, out of which, two wells are in operation and one is shut-in due to high water production. The total volume of gas sold from Chachar field was 2,696 MMscf as against 1,035 MMscf during 2008-09.

For maintaining the production of Chachar Field, two Compressor Skids have been installed and commissioned in April 2010. The Compressors are in operation and helping in capturing the natural decline of the reservoir.

Chachar Field achieved the ISO-14001 and OHSAS-18001 Environmental Management certification in October 2009. The Field also achieved ISO 9001~2008 Quality Management System certification in May 2010.

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

EWT Processing Facilities at Adam X-1 discovery in Hala Block on Build, Operate and Maintain (BOM) have been installed and commissioned. The plant was inaugurated by Minister of Petroleum and Natural Resources. The transmission of first gas from Hala Early Production Facility was commenced in December 2009.

The plant started processing 10-11 MMscfd raw gas and the plant feed rate was raised to its full capacity of 15 MMscfd raw gas in April 2010. The current average production is about 13 MMscfd gas, 1,200 bpd of condensate and 35 metric tonne per day of LPG. On achieving the design feed rate and on establishing stable plant operation for reasonable period, the performance test of the plant was successfully carried out in May 2010. The plant continues to operate satisfactorily at its design capacity.

PARTNER OPERATED PRODUCING FIELDS

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

Block-22 is currently producing around 15 MMscfd from 6 wells. The production from the field has however declined over the last one year due to water incursion in some of the wells. The total volume of gas sold from Block-22 during the year was 5,154 MMscf as compared to 5,414 MMscf during 2008-09.

A compression project was initiated to maintain field's production. Tie-in jobs were completed during Plant Annual Turnaround in October 2009 and installation work has been completed in January 2010.

To tap potential gas reserves at Hassan concession area, drilling of well Hassan-4 is planned in 2nd quarter of 2010-11.

Sawan Gas Field (PPL share 26.184%) PPL / Eni / MND / GHPL / OMV Joint Venture (Operator OMV)

A total of 15 wells have been drilled in Sawan Field and currently 14 are supplying 270 MMscfd gas to SNGPL and 40 MMscfd to SSGCL. The total volume of gas sold from Sawan field during the year was 104,754 MMscf as compared to 123,485 MMscf during 2008-09.

During October 2009 Sawan-15 well was drilled and tied in with the processing facility. Another well Sawan-12 was drilled and completed in May 2010 in Sawan South Zone. However, due to very low deliverability, it was decided to update 3D reservoir model, revise GIIP and reserves estimate, conduct fracture feasibility study and economic evaluation based on new TGS policy.

As per field development plan, three compressors were installed and commissioned in February 2010 and the fourth compressor train was installed and commissioned in April 2010. Currently all four Compressor trains are in operation.

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

Miano gas is being jointly processed with Kadanwari gas at Kadanwari Plant. The field is supplying gas to SSGCL from nine Miano wells. The total volume of gas sold from Miano field during the year was 25,276 MMscf as compared to 26,056 MMscf during 2008-09.

During the year 2009-10 drilling of well Miano-12 was completed. A letter has been sent to DGPC about Miano-12 candidacy for tight gas and to get approval

for test production while continuing the tie-in operations.

For optimizing the recovery and eliminating operational problems, Phase-II of field compression program is in progress. Additional 3 compressors of 20 MMscfd each and 1 compressor of 10 MMscfd are planned to be installed. The commissioning of 2 compressors is underway. Project completion is expected in first quarter of year 2010-11.

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

Qadirpur Gas Field is the second largest gas field in Pakistan with recoverable gas reserves of 4.2 Tcf. A total of forty five (45) wells have been drilled in Qadirpur Gas Field out of which 40 wells are producing.

Qadirpur Field is currently supplying an average of 400 MMscfd purified sales gas to SNGPL while 45 MMscfd of raw gas is being supplied to Liberty Power. In addition, supply of about 45 MMscfd permeate gas for Engro Power has commenced from February 2010. The total volume of gas sales during the year was 181,036 MMscf as compared to 199,128 MMscf in 2008-09.

In order to meet the immediate compression requirements in view of declining reservoir pressures, an Interim Compression Project consisting of a battery of 14 Compressors is being installed. The supply contract for the project was placed with M/s Valerus in May 2009. Pre-commissioning activities are in progress. Units are expected to be commissioned by September 2010.

In addition to the Interim Compression arrangement, long term compression requirement was planned to be met by re-locating existing 3 redundant Compressor units from OGDCL's Pirkoh field. First phase of the project dismantling / shifting of two compressor units was completed during February 2010. Work on second phase which involves civil works, installation, erection, tie-in, re-installation of refurbished turbine engines and compressors in the existing system has been initiated. The compressors are planned to be commissioned by October 2010.

In view of previous recurring problems in existing two Permeate Compressors and to handle additional permeate gas due to 600 MMscfd Capacity Enhancement Project, installation of two additional Permeate Compressors is in progress. The Permeate Compressors are expected to be commissioned by September 2010.

Tal (PPL share 27.763%) PPL / OGDCL / GHPL / POL / MOL Joint Venture (Operator MOL)

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

	2009-10	2008-09
Natural gas (Million cubic feet)	64,194	21,814
Condensate (Thousand barrels)	1,322	816

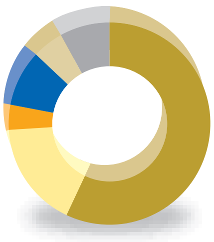
Manzalai Field

Performance of Gurguri Gas Plant has been satisfactory during the year. The plant is processing the fluids produced from wells Manzalai-1 & 3, with current production of about 35 MMscfd gas, 370 bpd condensate and 1,060 bpd water. First gas from Manzalai Central Processing Facility (CPF) commenced in October 2009. Presently, five wells are feeding the CPF with production level of about 227 MMscfd gas and 4,300 bpd condensate.

During the year a total of 60,592 MMscf gas and 1.023 million bbl condensate was sold from Manzalai field.

Fieldwise Production of Natural Gas 2009 - 10

Sui	57%
Kandhkot	17%
Qadirpur	4%
Sawan	9%
Manzalai	5%
Others	8%



Fieldwise Production of Oil 2009 - 10

Mela (Nashpa)	56%
Nashpa	6%
Adhi	29%
Makori (Tal)	9%

Makori Discovery

Production from Makori-1 is continuing, Makori-3 has also been commissioned from June 2010. Current production from Makori-1 & Makori-3 is about 25 MMscfd gas, 1,800 bpd condensate and 1,365 bpd water. Activities related to full fledged development of the discovery have been initiated.

During the year a total of 3,519 million cubic feet gas and 288,180 bbl condensate was sold from Makori.

Mamikhel Discovery

The third discovery Mamikhel-1 in Tal block has been connected with the Manzalai CPF for its appraisal through EWT.

Maramzai Discovery

Subsequent to the discovery made on Maramzai structure in Tal block, the plan is to put the discovery well Maramzai-1 on EWT by connecting it with the feeder line of Mamikhel-1 which is already being tied-in with Manzalai CPF. First gas from the EWT is expected by November 2010.

Nashpa (PPL share 26.05%) PPL / GHPL / OGDCL Joint Venture (Operator OGDCL)

Mela Discovery

Production from the discovery well Mela-1 and appraisal well Mela-2 through Early Production Facility (EPF) continued during the year. Current production from Mela-1 and Mela-2 is about 16.6 MMscfd gas and 5,170 bpd oil. Drilling of the appraisal well Mela-3 is in progress.

During the year a total of 6,143 MMscf gas and 2 million barrels of crude oil were sold from Mela EPF.

Nashpa Discovery

Second discovery, Nashpa-1, made in Nashpa block is being evaluated through EWT which commenced in May 2010 and the well is currently producing about 4,600 bpd oil and 16 MMscfd gas. Production is expected to increase to 6,500 bpd oil and 26 MMscfd gas after the storage capacity is enhanced during the 2nd phase of the EWT by January 2011.

During the year a total of 564 million cubic feet gas and 206,428 barrels of crude oil were sold from the field.

Latif (PPL share 33.30%) PPL / OMV / Eni Joint Venture (Operator OMV)

EWT phase is over and Declaration of Commerciality has been submitted to the Government in June 2010. Production from the discovery well Latif-1 and appraisal well Latif-2 is continuing. Current gas production from Latif-1 and Latif-2 is about 2.9 MMscfd and 29 MMscfd respectively.

During the year a total of 7,406 million cubic feet gas was sold from Latif Field.

Gambat (PPL share 23.68%) PPL / OMV/ Eni / GHPL Joint Venture (Operator OMV)

EWT phase is over and Declaration of Commerciality has been submitted to the Government in December 2009. Production from the discovery well Tajjal-1 is continuing. The well is currently producing about 21 MMscfd of gas.

During the year a total of 7,009 million cubic feet gas was sold from Tajjal Field.

The Company currently holds working interest in 32 exploration licences, 19 operated and 13 partner operated with a mixture of low to medium and relatively high risk frontier areas.

EXPLORATION ACTIVITIES

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

Taking advantage of the liberal Government policies, PPL has achieved outstanding success in expanding its exploration portfolio with the right mix of operated and partner operated areas to augment its reserves base. The Company currently holds working interest in 32 exploration licences, 19 operated and 13 partner operated with a mixture of low to medium and relatively high risk frontier areas.

In addition to completing the exploration work program in the pre 2009 exploration areas, the exploration activities in the new blocks have started on a fast track basis to achieve the maximum result in the committed time. A detailed exploration program is in place with time lines for different activities and key objectives to be achieved on yearly basis.

PPL is always on the look out to acquire working interest and form alliance with established foreign and local oil & gas companies and is currently evaluating exploratory blocks both onshore and offshore. In line with Company's vision, producing assets in Pakistan are also being reviewed.

A review of both PPL and partner operated exploration blocks is given below:

PPL OPERATED BLOCKS

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

Based on interpretation / mapping of newly acquired 3D and 2D seismic data, additional three leads have been identified, from which the most promising has been firmed-up for drilling of 2nd exploration well based on detailed G&G studies. The well is planned to be spud in first quarter of 2011.

The 3rd licence year of Hala EL was valid upto March, 2010. A request has been submitted to the Government in February 2010 for entering into Phase-II of the EL after committing drilling of an exploration well.

Block 2867-3 (Dadhar) (PPL share 45.66%)
PPL / KUFPEC / MGCL / GHPL Joint Venture

The Government had granted 6 months extension in 3rd licence year upto 5 December, 2010 for post well study and evaluation of remaining potential of the block.

Post well study of Tangna Pusht X-1 well and evaluation of remaining potential of the Dadhar Block was completed. Based on the limited remaining prospectivity and taking into account the geological, technical, financial, security risks and logistical issues, Joint Venture partners have decided to relinquish Dadhar EL with effect from licence expiry in December 2010. Accordingly, the decision has been notified to the Government.

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

After completion of Khuzdar seismic survey, the BGP crew is preparing to mobilize to Barkhan Block for acquisition of about 271 line km 2D seismic data. Data recording is expected to start shortly. Evaluation of deeper prospects and other in-house G&G evaluation is also in progress.

The Government had granted one year extension in 2nd licence year upto 30 June, 2010. A request has been made to the Government for extension in 2nd licence year upto 31 December, 2011.

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

After obtaining security clearance from Government of Balochistan and necessary security arrangement, BGP crew mobilized to Nushki Block in October 2009 for conducting 130 line km 2D seismic survey. Data acquisition has successfully been completed in January 2010. Seismic data processing has also been completed by Thrust Belt Imaging (TBI), Canada and final deliverables from contractor have been received and reviewed. In-house data interpretation is in progress which is expected to complete shortly.

Government has granted 18 months extension in 2nd licence year upto 30 September, 2010 to complete the 2nd year work commitment and exercise drill / drop decision.

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

A microseep survey was conducted by the contractor IPC / GMT, USA during September-October 2009. In January 2010 BGP seismic crew was mobilized to Khuzdar Block. Recording of seismic data completed in July 2010 with total acquisition of 167 line km. TBI, Canada have been selected for processing of 2D seismic data.

Regional Source Rock and Basin Modeling Study, covering Khuzdar and Kalat blocks has been completed.

Government has granted one year extension in 3rd licence year upto 8 March, 2011.

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

BGP's gravity and magnetic survey crew was mobilized to Kalat Block in March 2010 for acquisition of data at 1,824 stations. Survey was completed in May 2010 and currently processing / interpretation of data is in progress which is expected to be completed shortly.

A request has been sent to the Government in July 2010 for grant of nine months extension in 2nd licence year up to 21 December, 2010.

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

In-house interpretation / mapping of newly acquired 508 line km 2D seismic data has been completed and a potential lead has been delineated in the block.

Integrated G&G study to finalize prospect for drilling of exploration well has been completed by contractor Fugro Robertson, UK. Results of the detailed in-house evaluation carried out in parallel are in agreement with the contractors' evaluation and only one potential prospect has been identified in the block, which is being further evaluated to determine if it can be firmed up for drilling of exploration well.

Block 2568-18 (Gambat South) (PPL share 100%)

Exploration licence for the Gambat South Block was granted to PPL as Operator in December 2009.

3D seismic survey design study has been completed by RPS Energy, UK. The survey is planned to start from October 2010.

Seismic and off-set well data has been procured from DGPC / LMKR and its interpretation / evaluation is in progress.

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

Exploration licence for Jungshahi Block was granted to PPL as Operator in December 2009.

Directors' Report

Geological Fieldwork was carried out during April 2010. Seismic & off-set well data has been procured from DGPC / LMKR and its interpretation / evaluation is in progress.

BGP advance party was mobilized to the Block in May 2010 for 2D seismic survey and data acquisition is in progress. A total of 45 line km data has been acquired against the planned 764 line km.

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

Kharan and Kharan East Blocks were granted to PPL in January 2010, while Kharan West Block was granted in February 2010.

As a first step regional seismic acquisition is planned in the block as no seismic has previously been acquired in the area. Geological Field Work is also being planned in the Block.

Block 3371-15 (Dhok Sultan) (PPL share 100%)

Exploration licence was granted to PPL as Operator in February 2010. Presently in-house evaluation of G&G data is in progress.

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

Exploration licence was granted to PPL as Operator in April 2010.

Geological Fieldwork was carried out in Kotri Block during April 2010. Seismic & off-set well data has been procured from DGPC / LMKR and its interpretation / evaluation is in progress.

Block 2568-21 (Kotri North) (PPL share 100%)

Exploration licence was granted to PPL as Operator in April 2010.

Seismic & off-set well data has been procured from DGPC/LMKR and its interpretation / evaluation is in progress.

Block 2468-10 (Sirani) (PPL share 100%)

Sirani Block was granted to PPL as Operator in April 2010.

Revision of interpretation based on newly purchased seismic data is being carried out. Several leads have been identified on vintage seismic data.

BGP advanced party was mobilized to the Sirani Block in June 2010 for 2D seismic survey and data acquisition is in progress. A total of 133.6 line km data has been acquired against the planned 446 line km.

G&G data has been purchased and being evaluated.

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

Dera Ismail Khan Block was granted to PPL as Operator in April 2010. In-house evaluation of G&G data is in progress.

Block 2668-9 (Naushahro Firoz) (PPL share 100%)

Naushahro Firoz Block was granted to PPL as Operator in June 2010.

Leads have been identified at SML level by using vintage seismic data. Acquisition of 2D seismic data for approximately 900 line km is planned.

G&G data have been purchased and being evaluated.

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

Zamzama South Block was granted to PPL as Operator in June 2010.

Revision of interpretation based on newly purchased seismic data is being carried out. Acquisition of 2D seismic data for approximately 500 line km is planned.

G&G data have been purchased and being evaluated.

Block 3270-7 (Zindan) (PPL share 95%)
PPL / Saita Joint Venture (Operator PPL)

Zindan Block was granted to Saita Pakistan Pte Ltd in February 2010. Subsequently, 95% working interest along with operatorship was transferred to PPL through an Assignment Agreement executed in April 2010.

Review / evaluation of wells and seismic data is in progress.

PARTNER OPERATED BLOCKS

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

Simulation Study for appraisal of Hamza discovery was conducted by Schlumberger. Although the Study was considered inconclusive, however, the Joint Venture partners approved drilling of Hamza-3 based on its overall positive impact on the economics of Hamza discovery. Accordingly, location of Hamza-3 was stacked which is 8 m up-dip of Hamza X-1.

Government has granted 6 months extension in Hamza Appraisal Licence with effect from 6 March, 2009 to appraise Hamza discovery and drill Hamza-3 well.

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

Sixth exploration well Maramzai-1 was drilled to a target depth (TD) of 3,425 m and successfully completed as a gas/condensate discovery.

Seventh exploration well Makori West-1 was drilled to a TD of 4,360 m and found to be water wet. Therefore, the well was suspended with an option to use it as water disposal well in future.

Eighth exploration well Tolanj X-1 was spud-in in June 2010 with a planned TD of 3,473 m in Datta Formation (Jurassic) with an option to drill second sheet to a TD of 4,160 m. Drilling of the well is in progress.

Acquisition of 3D seismic data for Mamikhel-Maramzai has been completed in May 2010 with a total coverage of 655 sq. km.

Reprocessing and interpretation of 400 km 2D seismic over Tolanj area and interpretation of 762 line km vintage 2D and 1,100 sq km 3D seismic data has been completed.

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

First exploration well Rehman-1 was spud-in in April 2009 and reached TD of 2,800 m in Mughalkot Formation. The well was suspended after conducting two DSTs in Pab sandstone and rig was released in July 2009. Later, Lower and Upper Pab sandstone were successfully hydraulically fractured in December 2009 during workover in order to increase the productivity of well.

The Government has granted 15 months extension in 3rd licence year with effect from 17 February, 2010 to complete the exploration and appraisal work.

Acquisition of 242 sq km 3D seismic on Rehman-1 discovery area started in July 2010. The 100 line km 2D seismic in the northern part of the block is planned after completing 3D seismic.

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

Exploratory well Nashpa-1 was completed as an oil and gas producer and its EWT was started in May 2010 with average production of 4,600 bpd oil and 16 MMscfd gas.

Appraisal well Mela-3 was drilled to 5,197m and is being sidetracked due to fish stuck in the hole.

Acquisition of 104 line km 2D seismic data has been completed over Mela discovery whereas, remaining 190 line km in central Nashpa has been delayed due to security reasons. Processing of newly acquired 104 line km 2D seismic and reprocessing of 500 line km vintage 2D seismic over Mela discovery is in progress. Reprocessing of 138 line km 2D seismic over Nashpa South has been completed. About 60 line km new 2D seismic is planned to firm up the Nashpa South lead.

The Government has approved 18 months extension in the first one year renewal till 16 October, 2011.

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

The Government has granted 1st two years renewal of Phase II of EL from 1 July, 2009 against the commitment of an exploration well over Latif North prospect and 20% area relinquishment.

Third exploration well Latif North-1 was drilled to TD of 3,510 m and was completed as gas producer. Post well GIIP estimates, economic evaluation and third party reserves audit have been completed. Prospectivity evaluation of Latif South area, G&G studies, 3D reservoir modeling and GIIP estimates of Latif discovery are in progress.

Interpretation and inversion of 422 sq. km 3D seismic data, Latif-2 special core studies and Digenetic studies of wells (Latif-1 and 2) have been completed. Reprocessing / merging of 3D volumes are in progress.

Declaration of Commerciality document has been submitted to the Government.

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

Exploration well Duljan East-1 was drilled to a TD of 3,625 m. Based on the results of wireline log and drilling data the well has been suspended for future consideration. DST is currently in progress.

EWT of Tajjal-1 is continuing with an average gas production of about 21 MMscfd. Declaration of Commerciality for Tajjal has been submitted to the Government and field development plan is being finalized.

Directors' Report

Interpretation of 490 sq. km 3D seismic over Tajjal East has been completed. Mega 3D data merging of 1,300 sq. km 3D coverage of Gambat EL has also been completed and the data is being reviewed. Inversion for 750 sq. km is currently in progress.

The Government has granted 3rd one year renewal till 2 September, 2010.

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

Processing and preliminary interpretation of newly acquired 405 sq. km 3D seismic over Lower Goru leads has been completed. Mega merging of 625 sq. km coverage of South West Miano-II Block has also been completed and the data review and inversion are in progress.

The Government has granted 9 months extension in 1st two year renewal till 15 October, 2010.

Blocks 2569-2 (Thar), 2469-8 (Umarkot) (PPL share 25%), Blocks 2470-2 (Rajar) & 2470-3 (Mithi) (PPL share 15%)
PPL / Eni Joint Ventures
(Operator Eni)

First exploration well Thar-1 was spud-in in July 2009 with a planned TD of 1,535 m in Chiltan Formation. Based on the disappointing results of drilling data, wireline logs including MDT and no gas shows, the well was plugged and abandoned as dry hole and rig was released in July 2009.

Thar and Mithi blocks were relinquished in December 2009, while Rajar Block was relinquished in February 2010. Subsequently Umarkot Block was also relinquished upon expiry of 6 months extension on 30 June, 2010.

Block 2366-7 (Offshore Indus-C) (PPL share 40%), Blocks 2366-4 (Offshore Indus-M) & 2366-5 (Offshore Indus-N) (PPL share 30%) PPL / Eni Joint Venture
(Operator Eni)

In Block M, exploratory well Shark-1 was drilled to a TD of 3,500 m with no hydrocarbon indications. The well was plugged & abandoned as dry hole. Post well G&G studies are in progress.

In Block-C, processing and interpretation of 222 line km newly acquired 2D seismic data has been completed. Integrated G&G studies, interpretation of 1,575 line km 2D seismic vintage data, 2D PSDM processing / AVO study on selected lines using Pakcan-1 well and evaluation of Surmai prospect based on newly acquired 222 line km 2D seismic data are in progress.

The Government has granted one year extension in 3rd Licence year with effect from 12 October, 2009 for evaluation and ranking of Kuna and Pakcan prospect.

In Block N, processing and interpretation of 37 line km 2D and 739 sq. km 3D seismic over Dawan prospect has been completed. PSDM processing and integrated G&G studies are in progress.

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

The 2D seismic acquisition was started in May 2009. After recording of 124 line km against the planned 224 line km seismic data, BGP crew was demobilized from the Savi Ragha area due to heavy rains and security concerns. The newly acquired 124 line km 2D seismic has been processed and contract has been awarded for its interpretation.

The Government had granted further 7 months extension in the 1st licence year with expiry on 31 December, 2009. After fulfilling the commitments of 1st licence year, Baska JV entered in the 2nd licence year with effect from 1 January, 2010 with the firm commitment of 100 sq. km 3D seismic and drilling of an exploration well.

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

Sukhpur Block was granted to Eni as Operator in February 2010. Reprocessing of selected vintage data has been started while Geological Fieldwork has been completed.

Farm-out of New Exploration Areas

Subsequent to PPL's overwhelming success in the 2009 bidding round with award of 13 exploratory blocks as oprator, a comprehensive Farm-Out (FO) Campaign was launched. The objective of the campaign is to dilute financial exposure of the Company by farming out the working interest to reputable Oil & Gas companies / investors within and outside Pakistan.

An Investment brochure was sent to companies in Pakistan and abroad and participation in Oil & Gas events in Singapore and Bahrain was jointly done with OGDCL. Customized presentations to foreign and local E & P companies were made.

Expressions of Interest for newly granted blocks have been received from AROL, GHPL, Heritage, PGNiG and POL. The farm out agreement for 10 percent working interest each in Gambat South, Naushahro Firoz and Kotri North with AROL, an independent foreign, company has been executed. The farm out agreements for

25 percent working interest each in Dhok Sultan, Zindan, Sirani and Gambat South blocks with GHPL have also been executed in July while a couple of more farm out agreements are expected to be signed shortly. In financial value this translates to investment of about fifty million US dollars of the projected actual expenditures in the exploration blocks.

International Exploration

Being the premier E&P Company in Pakistan, PPL is endeavoring to expand its operations beyond the national borders. PPL has already acquired working interest in Block 29 (Yemen) with OMV and YGCOG as Joint Venture Partners.

A number of opportunities have been evaluated in various countries of Africa, Middle East, Central Asian Republics and Indonesia while various options are being considered to expand on international front. Evaluation of these opportunities have provided PPL with data base and working experience conducive for taking prompt decisions.

PPL continues to have interest in North and West Africa, the Middle East and Central Asian Republics and it is interested in joint venture with other companies operating in these regions. Currently, a proposal of PPL is under review of the Government for decision regarding PPL's participation in international exploration and development opportunities.

Yemen
Block-29 (PPL share 50%): (Operator OMV)

In Yemen Block G&G studies are in progress. The field potential study based on vintage gravity / magnetic data was completed. Basin modeling report provided by OMV is being reviewed. Efforts continue to divest PPL's interest in the Block.

Algeria

Based on the review of information provided by Eni on various exploration opportunities available for farm-out in eight countries, Kerzaz (Algeria) appeared to be the best among the opportunities.

Eni Pakistan was accordingly approached for possible farm-in into the Kerzaz Block, Algeria. Response from Eni on data room visit and terms of participation is awaited.

FUTURE PROSPECTS AND PLANS

PPL has achieved outstanding success in expanding its exploration portfolio by embarking upon many new ventures to augment its reserves base. While pursuing an aggressive exploration programme, PPL also aims to maintain highest standards of HSEQ by ensuring high standard results.

PPL currently maintains a portfolio of operated and partner-operated areas with a mix of low to medium

The Company follows a multi-pronged strategy including capturing the opportunities for joint biddings, farm-in(s) / farm-out(s) and swap arrangements with other E&P companies to reduce its exposure to increased competition and to maintain a balanced exploration portfolio.

and high risk areas, with an upside potential of discoveries in structural and stratigraphic entrapments, in both conventional and unconventional reservoirs. Besides the Company also endeavors to acquire undeveloped and partly-developed reserves. Furthermore, the company also plans to evaluate prospectivity of deeper potential in its producing assets.

BOLAN MINING ENTERPRISES

Bolan Mining Enterprises (BME), a 50:50 Joint Venture between PPL and the Government of Balochistan (GoB) has its own grinding mill of 50,000 tonnes per year (tpy) capacity and over the years has met almost 80% of the total barytes requirement of the oil exploration companies operating in Pakistan. Bolan barytes are produced strictly in accordance with the American Petroleum Institute (API) specifications. BME has also been authorized by API to use their official Monogram on BME barytes.

BME posted a pre-tax profit of Rs 148.820 million from Barytes Project, Khuzdar during the financial year as compared to Rs 173.272 million earned in 2008-09. The sales of Barytes was 43,768 tonnes during the year.

After appropriation of Rs 29.504 million towards reserve for development and expansion, your company's 50% share of the profits was Rs 59.658 million.

MAJOR BUSINESS RISKS AND CHALLENGES

The Company operates in a challenging environment with a degree of uncertainty inherent in the E&P business which may adversely affect its' operations and profitability.

The Company has tailored its business strategies accordingly to effectively address the risks and has developed a well integrated mechanism which identifies potential risks, evaluates and prioritizes them and prompts timely and appropriate actions to keep risk level within tolerable limits.

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

Major Risks & Challenges	Mitigating Factors
Significant decline in international crude oil prices resulting in consequential reduction in profitability	Decline in prices of crude oil have an adverse impact on the Company's revenue as the base prices for gas and crude oil sales are linked to a basket of Middle East crude oils according to specified formulae. While the price risk is largely beyond Company's control, however, gas sales which constitute more than 80% of Company's revenues are less prone to this risk since the gas prices are subject to sliding scale / zonal discounts which reduce the impact of variability of crude oil prices on the gas prices. In addition gas prices of certain fields including Adhi, Manzalai, Makori, Block-22, Nashpa etc. are capped at fixed crude oil / HSFO prices and are affected only in case the international crude oil price falls below the capped price.

Risks & Challenges	Mitigating Factors
Under performance of major oil and gas fields forcing material revision in production and reserve estimates	The Company's investment in the development of any oil and gas discovery is preceded by extensive technical studies and evaluation of the underlying reservoir. The reserves estimates for each of PPL's fields are certified and audited by reputable international petroleum consultants and updated as required.
Security conditions at locations disrupting operations and exploration efforts	Field exploration and production activities carried out under strict security cover arranged in collaboration with law enforcement agencies and security personnel. The Company has well-defined Emergency Response Procedures in place at all field locations. A crisis management and business continuity plan has been developed by the Company to avoid business disruptions in all possible crisis scenarios.
Delay or default in settlement of Company bills by customers	Rigorous follow-ups are maintained on defaulting customers to recover Company dues. All possible recovery measures are adopted to ensure that overdue bills are settled by the customers without delay. Intervention of Government authorities are sought wherever considered necessary.
Adverse conditions arising from economic and political instability	Economic and financial market conditions and political climate of the countries where the Company operates are regularly monitored. Based on thorough review an appropriate strategy based on a consultative process is developed as deemed appropriate in the given circumstances to reduce the impact of risks arising out of any unfavourable situation.
Exposure to increased competition due to entry of new players in the oil and gas sector	The Company follows a multi-pronged strategy including capturing the opportunities for joint biddings, farm-in(s) / farm-out(s) and swap arrangements with other E&P companies to reduce its exposure to increased competition and to maintain a balanced exploration portfolio.

Directors' Report

HUMAN RESOURCES

The Company remains committed to the optimization of hydrocarbon production through a leading team of competent professionals. The skill shortages which are pronounced, especially in the core technical areas, have been overcome by adopting prudent recruitment and retention strategies that have helped the Company keep a competitive edge in the industry. Management is dedicated to recruit, train and develop high calibre staff that will sustain the prominent growth pattern experienced in the last few years.

Policies and Procedures applied are fair and transparent reinvigorating staff's resolve to achieve high standards of performance. Keeping in line with best corporate practices top performers are acknowledged through a Performance Excellence Award programme which aims not only at rewarding and instilling a sense of pride in high performers but also motivates other staff to work diligently and to set for themselves the same performance benchmarks as have been achieved by their high-performing peers.

Succession Planning is an important focus area at PPL that identifies key positions and competencies along with performance standards suitable for the position. The Company fully recognizes the need to develop potential candidates to ensure continuity in leadership.

Continuing with the employee engagement process HR has successfully launched the Suggestion Management Scheme enabling staff to provide the Management with their valuable input. Similarly Town Hall meetings that were initiated last year have completed their first round at Head Office and Sui Field. The meetings are planned to be continued so that the benefits arising out of an open communication forum could be reaped by staff and Management alike.

A proactive approach of the Management has lead to a continuous improvement in the Company's culture facilitating the workforce to achieve its true potential and maximize its contribution to the business as well as to the community in which it operates.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

In addition to above, a "Whistle Blowing" policy has also been introduced that encourages transparency and reinforces the Company's resolve to carry out its operations in a fair manner. This policy provides PPL employees and vendors an avenue to raise concerns, in line with PPL's commitment to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication.

TRAINING AND HUMAN RESOURCES DEVELOPMENT

PPL continues to invest in its people in order to help them reach their highest potential and become the best in their chosen field. Training has been a strategic priority for capacity building in today's turbulent and highly competitive business environment in order to gain a competitive edge and sustain a learning culture within the organization.

We focus on developing specific technical and soft skills which our professionals need in order to perform their jobs more efficiently and be on the right track for advancement.

High quality programs with practical and relevant content are chosen for staff based on regular assessment of training needs and organizational priorities in line with emerging business requirements. Accordingly, they regularly participate in both in-house programs and those organized by local and international training providers.

As part of an initiative to develop the technical competencies of its E&P professionals in line with international standards, PPL has embarked on a pilot project with PetroSkills for Developing Technical Job Competency Models for selected job positions in Exploration, Drilling, Reservoir Engineering and Production Engineering. A total of 37 technical personnel are participating in this project and based on its outcome further actions will be proposed to management.

During the year, a total of 1,864 staff members attended 182 local and 33 foreign training programs. They comprised of a range of technical and soft skills courses, workshops and seminars. As part of our two year On-the-Job trainee program over 80 fresh graduates from various local & foreign universities and 2 special trainee engineers from Sui / Dera Bugti are also undergoing training at Head Office and field locations.

In addition, induction process for hiring 15 diploma holders as Special Trainee Technicians and 5 engineers as Special Trainee Engineers from Sui / Dera Bugti has been initiated and is expected to be completed soon.

Apart from this, summer and winter internships are regularly offered to students every year in various professional disciplines at Head Office and field locations for duration of 4 to 6 weeks.

Under PPL's foreign scholarship scheme, two scholars have joined the Company after completing their Masters degree while four scholars are currently pursuing higher studies in Petroleum Engineering at reputed foreign universities.

In our industry where talent and skills are at a premium the learning and development function demonstrates its value to the business, by proactively supporting the changing needs of the organization for future growth.

INDUSTRIAL RELATIONS

Harmonious working environment and cordial industrial relations atmosphere prevailed at all locations of the Company including Sui Gas Field. The discipline of workers at Sui Gas Field remained satisfactory despite changed political scenario.

Recreational and motivational activities in the form of Annual Sports and Long Service Awards ceremonies were organized at Sui, Kandhkot, Adhi, Mazarani Fields and Head Office. Musical evenings for workers and management staff were also held at Sui Field and Head Office. The events were largely attended by the employees and their families and were very well received by all. Negotiations on Charter of Demands for the years 2009-10 are continuing.

PPL Employees Empowerment Trust has been established in September 2009 under Benazir Employees Stock Option Scheme (BESOS) and to date it has distributed two dividends to the eligible employees.

The tribo-political environment continued to remain conducive due to presence and vigilance of law enforcing agencies in Sui / Dera Bugti area.

Employment of Special Persons

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

OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT

PPL is striving for maintaining and continually improving its position as a key provider of safe energy through native sources by observing extraordinary Health, Safety & Environment standards while meeting statutory requirements.

International HSE Certifications have been secured for 13 PPL departments / fields resulting in increased awareness level, employee participation in HSE activities, incident reporting and reduction in Loss Time Injury Illness (LTII) rate in comparison with preceding years. LTII target is set at the beginning of each year as a core HSE Key Performance Indicator (KPI), on the basis of target achieved in preceding year and taking into consideration control measures adopted. LTII Rate of 0.22% has been achieved against the targeted 1.22% for the year 2009.

HSE Internal & External Audits of all PPL Dept. / Fields are conducted at set frequency to evaluate compliance against Company policies, procedures together with International Standards requirements.

World Environment Day and World Day on Safety & Health at Work with themes of 'Biodiversity - Ecosystems Management & The Green Economy' and 'Emerging Risks and New Patterns of Prevention in a Changing World of Work' respectively were celebrated across the Company for creating awareness amongst Staff and advocating PPL's share in global humanitarian causes.

Environmental Protection Measures

Compliance to statutory requirements holds prime importance at PPL. Initial Environmental Examination (IEE) & Environmental Impact Assessment (EIA) studies are conducted as prerequisite for all development projects including Exploration, Drilling and Field Development Activities in pursuance of Pakistan Environmental Protection Act, 1997.

Environmental monitoring of effluent & emissions is conducted at all operated Fields through external laboratory on monthly basis for compliance of National Environmental Quality Standards (NEQS). Electronic reports are submitted to provincial EPAs through Self Monitoring and Reporting Tool (SMART) Software registered with Federal Environmental Protection Agency.

ENERGY CONSERVATION

As a key producer of safe energy from indigenous natural resources, PPL is eminently aware of the country's need for conservation to bridge the gap between energy supply and increasing demand. To this end, PPL's management has issued strict directives to conserve energy in day-to-day operations at all Company offices and field locations. The directive not only covers use of lights, air conditioners and other equipment but also fuel consumption in Company-owned vehicles.

The Company also participated as a Corporate Ambassador in Earth Hour 2010, a global energy conservation initiative launched for the first time in the country by World Wide Fund (WWF) for Nature - Pakistan. In observance, all lights and other equipment were switched off at PPL offices and field locations for one hour on 27 March, 2010.

DISASTER RECOVERY AND BUSINESS CONTINUITY PLAN (BCP)

Cognizant of vital importance of Business Continuity Planning to ensure continuity of operations, PPL developed preliminary BCPs for its head office and field locations in 2008 with a view to minimize disruption in case of a disaster by efficiently dealing with the crisis situation, avoiding ad-hoc decisions and restoring normal business activities within the shortest possible time.

The effort has since been expanded to a complete Business Continuity Management Program through a dedicated Business Continuity Team. Realizing the importance of embedding business continuity in the organization culture, officers from all departments have been provided BCP training and they act as Domain Experts / focal persons for implementing BCP in their departments.

The Company continues its efforts to improve the existing Plans, develop BC Plans for new field locations, and improve its alternate Head Office facilities dedicated to BCP. Aligning BCP to international standards and Best Practices ensures effectiveness of the Plan. PPL has initiated the process of acquiring services of a world class BCP consultant to help achieve this objective.

The resilience of IT Systems and Service has been the key business need since SAP Go-Live in 2004. The project started with consolidation of users' critical data and application systems to withstand a site disaster. Subsequently initiative of developing Disaster Recovery capability was adopted and in early 2010 Disaster Recovery Plan (DRP) was formally approved. Disaster Recovery (DR) Site has now been established and first fully operational DR drill was successfully performed by IT Infrastructure in-house team.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Philanthropy

PPL's CSR programme dates back to the start of its commercial operations in Sui in the early 1950s with the establishment of Sui Model School. Responding to the needs of local communities, government bodies and civil society organizations, however, the Company's

Environmental monitoring of effluent & emissions is conducted at all operated fields through external laboratory on monthly basis for compliance of National Environmental Quality Standards.

CSR portfolio has widened over the years to include education, healthcare, infrastructural development, livelihood generation and post-disaster rehabilitation.

As evident by the wide and diverse outreach and generous finding of its Corporate Social Responsibility (CSR) programme, PPL is among the country's largest corporate givers. Though PPL's CSR interventions are concentrated in its operational areas, the company also extends financial and in-kind support to welfare and development organizations spread across the country.

National-cause Donations

PPL has always come forward and donated generously in cash and kind in times of national emergencies. Following the 2005 earthquake that struck Khyber Pakhtoonkhwa (then called NWFP) and Azad Jammu and Kashmir (AJK), claiming over 70,000 lives and leaving 170,000 injured, the Company provided emergency aid and played a proactive role in national rehabilitation efforts.

In May 2006, PPL signed a Memorandum of Understanding with Murshid Hospital and Healthcare Centre to provide financial assistance to construct a rehabilitation centre at the District Headquarters Hospital at Bagh, AJK, for free-of-cost treatment and follow-up care for those maimed in the earthquake.

The Bagh Rehabilitation Centre (BRC) has been operational since December 2006 due to PPL support and is operated by the Pakistan Institute of Orthotic and Prosthetic Sciences. Initially, PPL provided support for three years, which was extended in September 2009 with the establishment of an endowment fund to meet BRC's operational expenses. So far, some 3,500 amputees have been treated at the centre, among which about 500 patients have been provided assistive devices.

Similarly, PPL sent relief aid for flood victims in Sindh and Balochistan. More recently, relief consignments were sent for victims of the earthquake that occurred in Balochistan's Ziarat, Pishin and Qilla Abdullah districts in late 2009.

Community Investment and Welfare Schemes / Welfare Spending for Under-privileged Classes

To uplift the underprivileged societies, PPL is contributing since long and is committed to continue the same in times to come. As a responsible corporate citizen, the Company's support plays a vital role for betterment of society in general and upliftment of the communities around its operation fields, in particular. In order to ensure sustainability and maximum benefit, the Company's community development schemes are initiated in consultation with relevant community and local government representatives to ensure need-based focus on the one hand and sustainability on the other.

Currently, a number of communities at Sui, Kandhkot, Adhi and Mazarani are benefiting from PPL's welfare initiatives that include free potable water to Sui Town, Ghabi Dhero and Kamber-Shahdadkot, free gas supply to Sui Town, multilevel educational scholarships for boys and girls, particularly for residents of Dera Bugti, mobile dispensaries and in-kind support to various healthcare facilities.

Rural Development Programmes

Since the Company's operational areas are primarily located in remote rural stretches of the country, its Corporate Social Responsibility efforts tend to be focused on rural development. Besides initiatives in education, healthcare, PPL has carried out significant infrastructure development to meet operational requirements for its fields at Sui, Kandhkot and Adhi. This includes the construction of roads, bridges and culverts that have benefited communities, not only by improving access civic amenities but also providing crucial commercial linkages and business opportunities for local communities.

PPL Welfare Trust

In order to ensure transparency, sustainability and cohesion, the Company's CSR initiatives are overseen by the PPL Welfare Trust that works as a separate body. The Company has dedicated a budget of 1.5 percent of its annual pre-tax profit for CSR activities.

The current year remained very eventful during which a number of CSR activities were undertaken by the Company:

Education

- Scholarships awarded to male and female students of District Dera Bugti to pursue Higher Professional Education at HEC recognized institutions within/ outside Balochistan.
- Scholarships granted to local students of District Dera Bugti to study in Balochistan Public School, Sui.
- Sui Model School upgraded till intermediate level for girls to pursue HSC level education.
- Established and inaugurated Computer Training Center Cum Library at Sui Town for the local population of Sui Town.
- Donated Computers to Inter College Dera Bugti.
- Donated Water Coolers to schools nearby Adhi Field.
- Constructed verandah & renovated Govt. Middle School, Naban Janjua, near Adhi Field.
- Constructed Primary block at Govt. Girls High School Miana Mohra near Adhi Field.
- Constructed Auditorium at Govt High School at Miana Mohra, Adhi and Govt. Girls High School at Barkhan Town.
- Constructed workshop and lavatory blocks at Technical Training Centre, Daultala near Adhi Field.
- Constructed Town-Hall-cum-Public Library at Dhadar Town.
- Constructed academic blocks at Govt. Boys High School at Kani, Govt. Girls Middle School, Jhamat and the Hub School, Karachi.
- Renovated two Govt. Boys Primary School Jaalo Khan Chachar, Govt. Boys Primary School Bahawal Bangwar and Govt. Girls Primary School, Rasool Bux Chachar.
- Contribution to The Helpcare Society, Lahore towards meeting the annual operational expenditure of students.

Healthcare

- Provided medicines to Rural Health Centre, Sui on monthly basis.
- Operated free Mobile Dispensary at Sui Town and union council Ghaibi Dero near Mazarani Gas Field.
- Organized 3 days two medical and eye surgical camps at District Dera Bugti.
- Organized 3 days free surgical eye camps at RHC, Daultala, RHC, Pir Phulahi near Adhi Field, Kohlu, Barkhan and Mazarani.
- Organized two camps for the treatment of scabies near Mazarani Gas Field.
- Continued support to Marie Adelaide Leprosy Centre's Triple Merger Centre Kandhkot, Kech and Turbat for treatment of poor leprosy, blindness and TB patients.

The Company's CSR portfolio has widened over the years to include education, healthcare, infrastructural development, livelihood generation and post-disaster rehabilitation.

- Donated furniture and equipments to Basic Health Unit, Maluk Junejo near Hala Field.
- Donated ward items to PPL constructed female surgical ward at Khuzdar.
- Contribution towards purchase of psychotropic medicines for Psychiatric Care & Rehabilitation Centre of Karwan-e-Hayat, Karachi throughout the year.
- Carried out Malaria eradication campaign at the communities around Chachar field.
- Sponsored 20 dialysis patients at Zubaida Medical Centre, Karachi.
- Contributed to The Patients Welfare Society for treatment of poor patients at Aga Khan University Hospital, Karachi.
- Contributed to National Institute of Cardiovascular (NICVD) towards renovation of its private ward.
- Contributed to Bait-ul-Sakoon Cancer Hospital to sponsor the treatment of poor cancer patients at the Hospital.
- Supported Poor Patient Aid Society, Civil Hospital, Karachi to purchase ultrasound machine for Ultrasound Department of Civil Hospital, Karachi.

Public Welfare & Goodwill

- Constructed Police Emergency and Quick Response Centre at Kandhkot.
- Contributed to Pakistan Centre for Philanthropy (PCP) for establishment of endowment fund.

Child Protection & Development

- Constructed mosque at SOS Children Village, Quetta.
- Contribution towards construction of SOS Children Village, Jamshoro.
- Donated hearing aids with accessories to Institute of Special Children, Quetta.

Water Supply Scheme

Operated water supply schemes at village Ghaibi Dero near Mazarani Gas Field.

In recognition of PPL's commitment to social development and change, the Company won the Pakistan Centre for Philanthropy's Corporate Philanthropy Award for four consecutive years since 2004.

BUSINESS PROCESS RE-ENGINEERING / DEVELOPMENT ACTIVITIES

INFORMATION TECHNOLOGY

The Information Technology is a key enabler for the business performance of the Company. The focus of Information Technology is rationalization and optimization of processes by reorganizing and aligning with international standards and industry best practices.

Project Revolution is a major Business Process Re-Engineering initiative spearheaded by in-house SAP Competence Centre to maximize return on investment in SAP System by aligning PPL's current business processes with SAP Best Practices and monitoring identified Key Performance Indicators (KPI). The ultimate aim is to set Continuous Performance Improvement Cycle with better process integration, data consistency and less paper work. The Assessment phase of the project has been accomplished by joint efforts of SAP Consulting Services and the Process Owners. Business Process Blueprints documents have been completed with a roadmap for the Optimization phase of this project.

As first step towards IT Infrastructure transformation at the front-end, recent adoption of unified storage and blades servers is a step further to mitigate security risks and improve operational performance at the back-end. Servers and desktop virtualization is a next logical milestone in the data centre transformation roadmap for more service-orientation, agility and protection of information assets.

The resilience of enterprise messaging and content management system is being enhanced, with later being gradually extended to field locations to position electronic messaging as the most preferred mode of communication and collaboration. A new dimension of collaboration has been added with Microsoft Office Communication Server (OCS) deployment at Head Office and Islamabad Office to set the stage for implementation of enterprise wide unified communication system. Another initiative in this regard is the deployment of FTP Services, using a combination of hosted and internal FTP sites within enterprise and with business partners.

Corporate intranet comprises of thirteen (13) connected sites with forty (40) Network Segments in all including DR site connectivity. These locations are converging to HO through cost-effective blend of available link technologies ranging from the high-speed fiber optic link to the latest variant of satellite communication, C-band iDirect. All the links can be promptly redirected to Disaster Recovery Site. The network performance is monitored and managed through advanced network management systems. Better cost-performance options are being identified and evaluated to more efficiently deliver centralized IT Services to remote locations.

QUALITY MANAGEMENT SYSTEM

The Company is striving to institutionalize and strengthen quality factor in all its operations. PPL is the largest E&P Company in Pakistan in terms of greatest number of ISO 9001 QMS implemented departments / fields. SGS, an UKAS accredited international organization has granted ISO 9001 QMS certification to Company's eleven departments / production facilities after verifying the process, performance measurement, continual improvement, quality of product, design and development, customer satisfaction and other requirements of ISO 9001 certification. These include Sui Production, Sui Engineering, Sui Field Gas Compressor Station, Purification Plant, Kandhkot Field, Adhi Field, Mazarani Field, Chachar Field, Monitoring & Inspection, Design and Construction and Drilling Operation Departments. The system is being maintained at certified departments / production facilities through the process of internal and external audits. We have successfully completed three rounds of internal audits and two rounds of Surveillance audits and maintained the certifications.

More engineers have been provided training to ISO 9001 to cater growing need for maintenance and increase receptiveness of the implemented system at all levels of employees. Improvement strategy is being augmented with induction of Quality Tools i.e. 5S practice at Sui Production as pilot project and training sessions on Data Analysis at field level. The purpose is to improvise acknowledgement for analysis and facts based improvement actions triggered from analysis and create environment for employee empowerment.

Consumer Protection Measures

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

APPLICATION OF LATEST TECHNOLOGIES

Adopting innovative processes is an integral part of Company's operations, which helps to keep pace with the technological advancement in the industry. This in turn helps to maintain the competitiveness as well as economic and environmental sustainability of the Company's activities. At PPL, we are constantly on the lookout for new methods and procedures to conduct successful operations. In this regard, following technologies are being applied / planned by PPL in its operated blocks.

AVO Inversion

AVO Inversion is a technique of transforming seismic reflection data into a quantitative rock property that helps better understand the description of oil and gas reservoirs. This technique has been applied in Hala Block, Kandhkot and Sui fields.

Stress Field Detector (SFD) Survey:

The SFD sensors detect horizontal stress variation created from the earth's tectonic forces, which are also responsible for generating traps which may accumulate hydrocarbons. Integration of SFD interpretation with available geological and geophysical information may provide an inventory of exploration targets for focused / detailed seismic acquisition thereby providing means of optimizing seismic acquisition program cost. This survey is being considered for PPL operated Kharan blocks.

Micro-seep Survey

Micro-seep survey can help to delineate zones of near surface geochemical anomalies related to active hydrocarbon micro-seepage associated with migration pathways or accumulation of hydrocarbons in the subsurface. This survey was conducted in Khuzdar and Bahawalpur East blocks.

Spectral Anomaly

Spectral Anomaly Analysis, maps the mineral assemblages that are indicative of hydrocarbon seepage. This has been applied in Dadhar, Khuzdar, Kalat and Nushki blocks.

Hydraulic Fracturing

Hydraulic Fracturing Technology has witnessed enhanced utilization for hydrocarbon production optimization from unconventional / low permeability reservoirs. The technology has been successfully applied in some Adhi development wells and recently at PPL JV exploratory well Rehman-01. Post fracture production test proved increased deliverability in this well. Some of PPL new blocks have additional potential of unconventional / Tight Gas Sand where this technology is planned to be applied.

CORPORATE AWARDS

During the year PPL secured three major corporate awards which include Occupational Health, Safety and Environment award, Annual Environment Excellence Award and Karachi Stock Exchange Top 25 Companies Award for the year 2008.

Occupational Health, Safety And Enovironment Award

PPL recently won Occupational Health, Safety & Environment Award in Oil, Gas & Energy Sector from Employers' Federation of Pakistan in collaboration with International Labor Organization. This is another step towards achieving operational excellence, alignment with industry best practices and fostering an organizational culture based on Health, Safety and Environmental values.

Annual Environment Excellence Award

During the year PPL won the 6th Annual Environment Excellence Award (AEEA) 2009 in recognition of an environmentally responsible exploration and production organization. This is the third time that the Company has bagged this award, the first being in 2006, followed by 2008. The award seeks to encourage private sector, public and civil society organizations and media to adopt environment-friendly practices and minimize the ecological foot print of their operations.

During the year PPL secured three major corporate awards which include Occupational Health, Safety and Environment award, Annual Environment Excellence Award and Karachi Stock Exchange Top 25 Companies Award for the year 2008.

Fieldwise Production of Condensate 2009 - 10

Kandhkot	24%
Mazarani	31%
Qadirpur	39%
Miano	6%

Fieldwise Production of NGL 2009 - 10

Adhi	50%
Manzalai (Tal)	36%
Adam	14%

Karachi Stock Exchange Top 25 Companies Award

PPL has been selected by the Karachi Stock Exchange as one of the top 25 companies for the year 2008 on the basis of its remarkable performance in relation to best investor returns and good corporate governance. KSE's top 25 companies' award is undoubtedly a proof of Company's genuine care for all its stakeholders. The Company had previously secured this award in the years 2006 and 2007 as well and over the years has consistently improved its ranking. For the year 2008 the Company was ranked at 5th position as compared to 17th rank for year 2007.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

PPL is a significant contributor to the national economy. The Company's share of production of natural gas, oil, LPG and NGL from its operated and partner-operated fields, for the financial year 2009-10 in terms of energy, was equivalent to around 181,500 barrels of crude oil per day resulting in foreign exchange savings of around US$ 5.0 billion for the current year assuming an average crude oil price of US$ 75 per barrel prevalent during the year.

In addition, payments to the Government Exchequer by the Company was around Rs 36 billion during the year (Rs 43 billion during 2008-09) on account of taxes, royalties, excise duty, sales tax, GDS and dividends.

INTERNAL AUDIT AND CONTROL

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

The function is adequately staffed and possesses requisite competencies and resources necessary to discharge its responsibilities in an effective and efficient manner. The internal audit personnel have unrestricted access to all Company records and information to effectively perform their duties. The function is also equipped with a dedicated Information Systems Audit Cell, which continuously monitors the IT operations of the Company and provides independent and consultative information to the Board Audit Committee and the CEO, in apprising performance of IT strategy of the Company.

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

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

The Board attaches utmost importance in adhering to the international and local principles of good corporate governance and is committed to inculcating healthy corporate culture, ethical business practices, reliable and transparent financial reporting, open communication channels with the stakeholders and conducting business strictly in compliance with the laws and regulations.

CORPORATE GOVERNANCE

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

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

A code of conduct exists for directors, executives and other employees of the Company which sets the standard for good business-like behavior expected of them and binds them to demonstrate ethical, honest and responsible attitude. All Directors and employees are required to sign the Code of the Ethics annually in acknowledgement of their understanding and acceptance of the same.

Before each meeting of the board of directors a closed period is declared by the Company during which directors, CEO, executives of the Company and their spouses are not allowed to trade in shares of the Company in any manner, whether directly or indirectly.

All directors including the Chief Executive Officer, Chief Financial Officer and Executives of the Company were given written notices to immediately inform in writing any trading in the company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and form of share certificates to the Company Secretary. The non-executive Directors and Chief Executive Officer have confirmed that no trading in Company shares was done by them or their spouses during the year. The trading in shares of the Company carried out by Company's executives during the year, other than during the closed period was placed before the Board for information.

The Directors of the Company are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations.

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

The Directors are pleased to state that:

(i) 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.

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

(iii) Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies have been disclosed

in the financial statements. The accounting estimates are based on reasonable and prudent judgment.

(iv) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

(vii) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

(viii) Key operating and financial data of last six years has been given on page 70 of the Annual Report.

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

(x) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2009 are as follows:

	Rs million
Senior Provident Fund	1,076.376
Junior Provident Fund	766.809
Executive Staff Gratuity Fund	271.837
Non-Executive Staff Gratuity Fund	273.977
Executive Staff Pension Fund	1,827.668
Non-Executive Staff Pension Fund	728.600

(xi) During the year, six (6) meetings of the Board of Directors were held. Leave of absence was granted to Directors who could not attend some of the board meetings.

Attendance by each Director is summarized as follows:

Name of Director	Total number of Board meetings *	Number of Board meetings attended
Mr. M.A.K. Alizai	6	5
Mr. Khalid Rahman	6	6
Mr. S. R. Poonegar	6	6
Mr. Sajid Zahid	6	5
Mr. Rashad R. Kaldany ** (Alternate Mr. Nadeem Siddiqui)	3	1
Mr. Pervaiz Kausar	6	5
Mrs. Roshan Khursheed Bharucha	6	6
Mr. Irshad Ahmed Kaleemi	6	5
Mr. Khushhal Khan ***	4	4
Mr. Mohammad Naeem Malik ***	2	2

* Held during the period concerned Director was on the Board

** Resigned from Board in December 2009

*** Appointed on Board in February 2010 in place of Mr. Khushhal Khan

(xii) A statement of the pattern of shareholding in the Company as at 30 June, 2010 of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, CEO, Company Secretary and their spouses and minor

Subsequent to the Balance sheet date a significant change in composition of the Board of Directors has occurred on majority shareholders' advice. Four Directors namely Mr. Hidayatullah Pirzada, Mr. Zain Magsi, Mr. Saifullah Khan Paracha and Mr. Saquib H. Shirazi have been co-opted on the Board.

children during the year is shown on page 147 of the Annual Report.

POST BALANCE SHEET EVENTS

Subsequent to the Balance sheet date a significant change in composition of the Board of Directors has occurred on majority shareholders' advice. Four Directors namely Mr. Hidayatullah Pirzada, Mr. Zain Magsi, Mr. Saifullah Khan Paracha and Mr. Saquib H. Shirazi have been co-opted on the Board in place of the outgoing Directors Mr. M.A.K. Alizai, Mr. S.R. Poonegar, Mrs. Roshan K. Bharucha and Mr. Pervaiz Kausar. Mr. Hidayatuallah Pirzada has been elected as Chairman of the Board.

Since the term of the present Board had already expired in 2008, the fresh election of Directors for constitution of the Board for a new three years term will be held in forthcoming Annual General Meeting on 29 September, 2010.

CHIEF EXECUTIVE

The two years term of Mr. Khalid Rahman as Chief Executive of the Company expired on 31 July, 2010, however his term of appointment has further been extended by the Board of Directors with effect from 1 August, 2010 till further advice.

DIRECTORS

Since the last Annual General Meeting held on 29 September, 2009, IFC nominee Director, Mr. Rashad R. Kaldany tendered his resignation vacating IFC's seat on PPL Board. During the year another casual vacancy was arisen due to resignation of Mr. Khushhal Khan which was filled up through appointment of Mr. Mohammad Naeem Malik.

AUDITORS

The auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for reappointment for the year 2010-11. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

On behalf of the Board

(HIDAYATULLAH PIRZADA) CHAIRMAN	(KHALID RAHMAN) CEO / MANAGING DIRECTOR

Karachi
6 August, 2010

Balance Sheet Composition

Assets - 2010

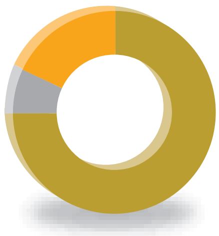
Fixed assets	39%
Other long-term assets	2%
Current assets	59%

Assets - 2009

Fixed assets	42%
Other long-term assets	3%
Current assets	55%

Shareholder's Equity and Liabilities - 2010

Share capital and reserves	74%
Non-current liabilities	8%
Current liabilities	18%



Shareholder's Equity and Liabilities - 2009

Share capital and reserves	76%
Non-current liabilities	6%
Current liabilities	18%

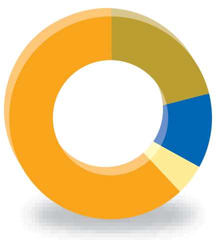
Analysis of Profit & Loss Account

Analysis of Sales - 2010

- Field expenditure 30%
- Profit before tax excluding BME income and other income 53%
- Other operating expenses and finance cost 5%
- Royalties 12%

Analysis of Sales - 2009

- Field expenditure 21%
- Profit before tax excluding BME income and other income 62%
- Other operating expenses and finance cost 5%
- Royalties 12%



Analysis of Profit Before Tax - 2010

- Profit before tax excluding BME income and other income 92%
- Share of Profit from BME and other income 8%

Analysis of Profit Before Tax - 2009

- Profit before tax excluding BME income and other income 90%
- Share of Profit from BME and other income 10%

Analysis of Cash Flows

Utilisation of cash available / generated during the year 2009-10

- Investing activities 16%
- Financing activities 16%
- Cash and Cash Equivalents at the end of the year 68%

A total of Rs 14.3 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 26.5 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 40.8 billion. Out of this Rs 6.5 billion (16%) were spent on investing activities, Rs 6.6 billion (16%) were used in financing activities and the remaining Rs 27.7 billion (68%) was available as cash and cash equivalents at the end of the year

Utilisation of cash available / generated during the year 2008-09

- Investing activities 28%
- Financing activities 27%
- Cash and Cash Equivalents at the end of the year 45%

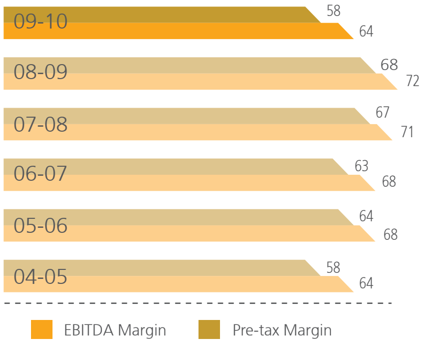
A total of Rs 18.2 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 13.3 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 31.5 billion. Out of this Rs 8.8 billion (28%) were spent on investing activities, Rs 8.3 billion (27%) were used in financing activities and the remaining Rs 14.3 billion (45%) was available as cash and cash equivalents at the end of the year

A sum of Rs 26.5 billion was generated from operating activities during the year making the total cash and cash equivalents available to Rs 40.8 billion.

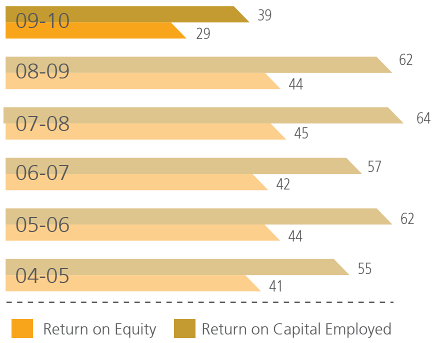
Six Years' Summary

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Financial Performance						
Profitability						
Operating margin (%)	59	62	64	65	67	58
EBITDA[1] margin to sales (%)	64	68	68	71	72	64
Pre tax margin (%)	58	64	63	67	68	58
Net profit to sales (%)	37	42	44	43	45	39
Return on equity (%)	41	44	42	45	44	29
Return on capital employed (%)	55	62	57	64	62	39
Operating Performance / Liquidity						
Total assets turnover (times)	0.82	0.87	0.84	0.82	0.86	0.63
Fixed assets turnover (times)	2.37	2.63	2.72	2.49	2.19	1.56
Debtors turnover (times)	5.53	5.51	4.81	4.11	3.00	2.05
Debtors turnover (days)	66.01	66.23	75.81	88.99	121.53	178.33
Current ratio	2.50	3.25	4.35	2.79	3.10	3.21
Quick ratio	2.21	3.04	4.09	2.61	2.91	3.07
Creditors turnover (times) [2]	-	-	-	-	-	-
Creditors turnover (days) [2]	-	-	-	-	-	-
Inventory turnover [2]	-	-	-	-	-	-
Capital Market / Capital Structure Analysis Ratios						
Market value per share as at June 30 (Rs)	215.10	211.85	262.45	245.99	189.54	184.12
- Low during the year (Rs)	109.20	150.50	196.15	229.80	98.50	162.40
- High during the year (Rs)	320.40	306.70	277.75	306.95	248.50	238.74
Breakup value per share (Rs)	30.98	44.02	58.47	57.87	75.99	80.24
Earnings per share (Rs) [3]	8.66	13.46	16.84	19.79	27.82	23.42
Price earning ratio	24.84	15.74	15.58	12.43	6.81	7.86
Cash dividend yield (%)	2.56	4.25	4.19	6.30	6.86	4.89
Cash dividend cover ratio	2.29	2.17	2.22	1.69	2.57	2.60
Debt equity ratio [4]	-	-	-	-	-	-
Weighted average cost of debt [4]	-	-	-	-	-	-
Interest cover ratio [4]	-	-	-	-	-	-
Summary of Profit & Loss Account			Rs million			
Sales - gross (including Govt. levies)	32,816	43,565	51,080	57,885	77,798	77,211
Sales - net (excluding Govt. levies)	23,294	31,757	38,383	45,717	61,580	59,962
Exploration expenditure	1,461	2,003	2,201	2,448	3,249	3,967
Operating profit	13,669	19,841	24,541	29,506	40,956	34,612
Profit before tax	13,475	20,190	24,357	30,447	41,908	34,528
Profit after tax	8,623	13,401	16,768	19,707	27,703	23,321
EBITDA [1]	14,873	21,713	26,072	32,675	44,367	38,185

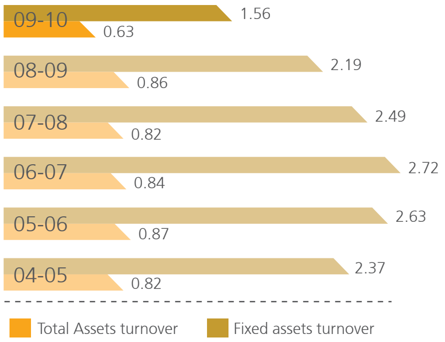
EBITDA Margin / Pre-tax Margin (%)



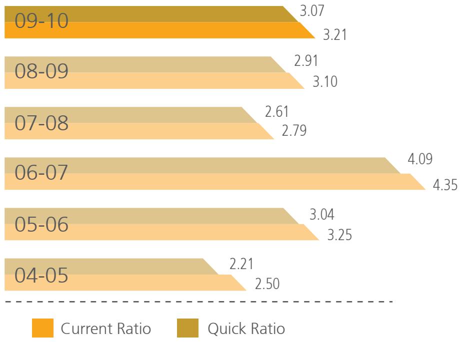
Return on Equity / Capital Employed (%)



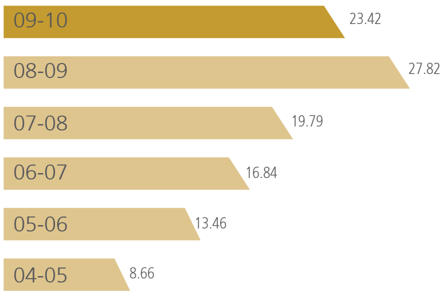
Total Assets / Fixed Assets Turnover (times)



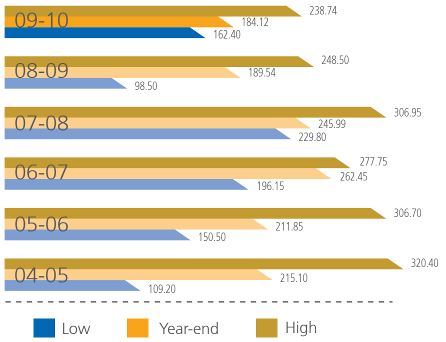
Current / Quick Ratio



Earnings Per Share (Rs)



Share Prices Low / Year End/ High



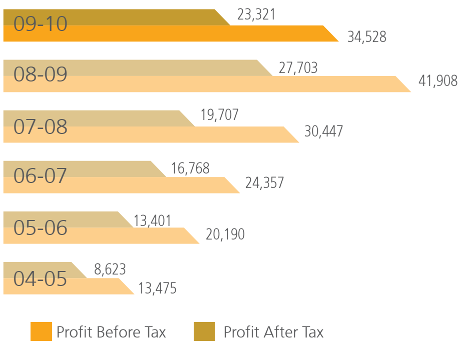
Six Years' Summary

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Corporate Distribution						
Dividend						
- Interim (Rs million)	1,715	2,400	3,086	11,693	8,298	3,983
- Final (Rs million) [5]	2,057	3,772	4,458	-	2,490	4,979
Cash dividend per share (Rs) [5]	5.50	9.00	11.00	15.50	13.00	9.00
Cash dividend payout ratio (%)	63.52	66.88	65.32	78.33	46.73	38.43
Bonus (Rs million) [5]	-	-	686	754	1,660	1,992
Bonus Issue (%) [5]	-	-	10	10	20	20
Summary of Balance Sheet			Rs million			
Share capital	6,858	6,858	6,858	7,544	8,299	9,958
Reserves	14,387	23,330	33,240	36,110	54,760	69,948
Long-term / deferred liabilities	3,329	2,545	2,556	3,790	5,203	8,047
Current assets	18,040	27,053	33,592	37,862	45,439	63,057
Current liabilities	7,217	8,332	7,715	13,579	14,648	19,623
Property, plant & equipment	11,199	12,763	15,227	21,187	34,763	41,695
Fixed assets	11,275	12,870	15,377	21,368	34,971	42,070
Long term investments	652	308	677	1,781	1,854	1,804
Stores and spares	1,291	1,273	1,475	1,604	1,872	2,069
Trade debts	4,583	6,942	9,002	13,228	27,780	30,811
Short term investments	10,406	16,577	21,417	20,743	13,217	27,296
Cash and bank balances	260	750	788	1,095	1,384	1,874
Summary of Cash Flows						
Cash & cash equivalents at beg. of the year	6,638	10,666	17,327	20,892	18,181	14,352
Cash flows from operating activities	10,082	13,119	13,637	21,563	13,293	26,460
Cash used in investing activities	(2,631)	(1,946)	(3,163)	(8,060)	(8,768)	(6,513)
Cash used in financing activities	(3,423)	(4,512)	(6,909)	(16,214)	(8,354)	(6,613)
Net change in cash & cash equivalents	4,028	6,661	3,565	(2,711)	(3,829)	13,334
Cash & cash equivalents at end of the year	10,666	17,327	20,892	18,181	14,352	27,686
Others						
Payments to Government Exchequer (including dividend)	18,074	24,910	32,839	37,613	43,385	36,403
Market capitalisation	147,520	145,291	179,994	185,576	157,289	183,350

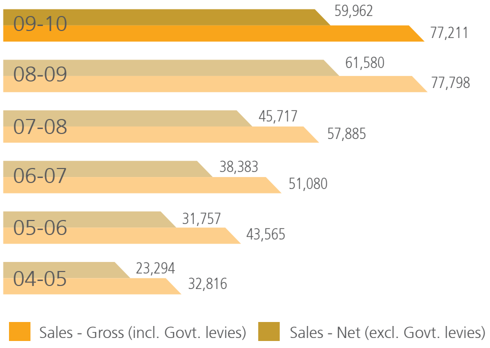
Notes:

1 EBITDA stands for earnings before interest, taxes, depreciation and amortisation.
2. Not applicable in view of the nature of Company's business.
3. The earnings per share for prior years have been restated to take into account the issue of bonus shares in 2006-07, 2007-08 & 2008-09.
4. Not applicable as the Company does not have debt besides lease financing for procurement of vehicles and computer equipments which forms a very small part of its capital structure.
5. Includes declaration of final cash dividend and issue of bonus shares subsequent to year end.

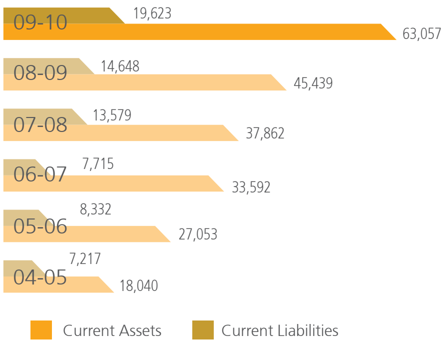
Profit before & after Tax (Rs million)



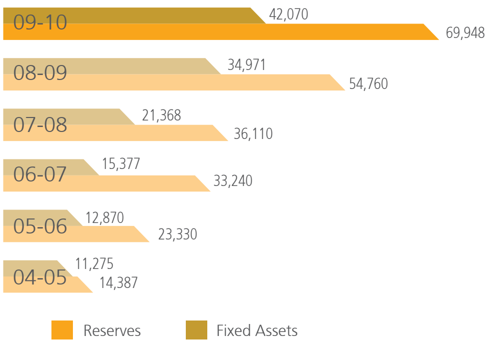
Gross Sales vs Net Sales (Rs million)



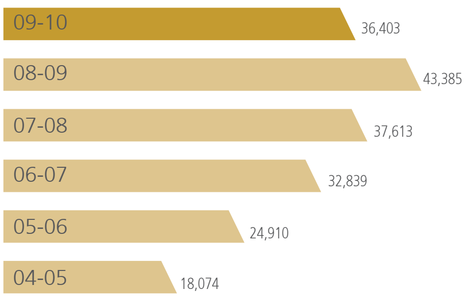
Current Assets vs Current Liabilities (Rs million)



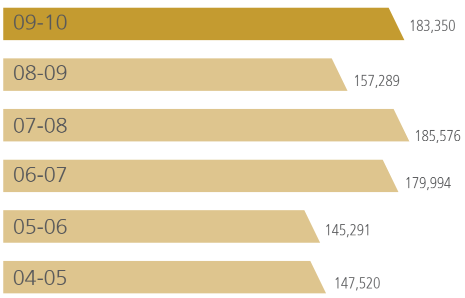
Reserves/ Fixed Assets (Rs million)



Payment to Government Exchequer (Rs million)



Market Capitalisation (Rs million)



Horizontal Analysis

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Balance Sheet Items							
Property, plant and equipment	100	114	130	155	216	355	426
Intangible assets	100	81	114	161	194	222	401
Long-term investments	100	476	225	495	1,302	1,355	1,319
Long-term deposit	-	-	-	-	-	100	102
Long-term receivable	100	54	14	-	-	2	1
Long-term loans - staff	100	92	103	88	96	81	75
Deferred tax asset	100	85	52	61	-	-	-
Stores and spares	100	114	113	131	142	166	183
Trade debts	100	119	181	234	344	723	802
Loans and advances	100	244	81	156	315	231	84
Trade deposits and short-term prepayments	100	85	74	55	61	110	111
Accrued financial income	100	1,010	1,755	2,289	4,174	6,039	3,613
Current maturity of long-term investments	-	-	100	29	66	7	66
Current maturity of long-term receivable	100	140	140	46	-	4	4
Other receivables	100	140	31	55	22	250	259
Short-term investments	100	255	406	525	508	324	669
Cash and bank balances	100	10	29	31	43	54	73
Total Assets	100	125	162	199	241	327	425
Share capital	100	100	100	100	110	121	145
Reserves	100	156	254	362	393	596	761
Provision for decommissioning obligations	100	114	96	104	168	238	336
Long-term liability for gas development surcharge	100	54	14	-	-	-	-
Liabilities against assets subject to finance leases	100	94	121	105	118	152	134
Deferred liabilities	100	114	134	154	179	206	236
Deferred income	-	-	-	-	-	100	55
Deferred taxation	-	-	-	-	100	354	3,113
Trade and other payables	100	86	109	161	273	301	407
Current maturity of long-term liability for gas development surcharge	100	140	140	46	-	-	-
Current maturity of liabilities against assets subject to finance leases	100	135	161	184	163	167	4,394
Current maturity of deferred income	-	-	-	-	-	100	271
Taxation	100	473	485	38	234	204	36
Total Shareholders' Equity and Liabilities	100	125	162	199	241	327	425
Profit & Loss Account Items							
Sales - net	100	132	180	217	259	349	339
Field expenditure	100	111	130	148	171	210	292
Royalties	100	137	192	234	282	382	362
Share of profit in Bolan Mining Enterprises	100	106	76	172	202	250	216
Other operating income	100	323	876	1,426	1,791	2,407	1,521
Finance costs	100	105	165	271	365	513	848
Other operating expenses	100	133	199	459	368	548	453
Profit before taxation	100	149	223	269	336	462	381
Taxation	100	198	278	310	439	581	458
Profit after taxation	100	130	203	253	298	419	352
Basic and diluted earnings per share (Rs)	100	130	203	253	298	419	352

Vertical Analysis

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Balance Sheet Items						
Property, plant and equipment	35.23	31.07	30.24	34.72	41.93	38.75
Intangible assets	0.24	0.26	0.30	0.30	0.25	0.35
Long-term investments	2.05	0.75	1.34	2.92	2.24	1.68
Long-term deposit	-	-	-	-	0.74	0.59
Long-term receivable	2.58	0.52	-	-	0.03	0.01
Long-term loans - staff	0.04	0.03	0.02	0.02	0.01	0.01
Deferred tax assets	3.13	1.49	1.41	-	-	-
Stores and spares	4.06	3.10	2.93	2.63	2.26	1.92
Trade debts	14.41	16.90	17.87	21.68	33.50	28.64
Loans and advances	1.38	0.35	0.56	0.93	0.50	0.14
Trade deposits and short-term prepayments	0.78	0.53	0.32	0.29	0.39	0.30
Accrued financial income	0.16	0.22	0.23	0.35	0.37	0.17
Current maturity of long-term investments	-	0.83	0.20	0.37	0.03	0.21
Current maturity of long-term receivable	2.22	1.72	0.46	-	0.02	0.02
Other receivables	0.17	0.03	0.04	0.01	0.12	0.10
Short-term investments	32.73	40.37	42.52	33.99	15.94	25.37
Cash and bank balances	0.82	1.83	1.56	1.79	1.67	1.74
	100.00	100.00	100.00	100.00	100.00	100.00
Share capital	21.59	16.70	13.62	12.37	10.01	9.25
Reserves	45.25	56.81	65.99	59.17	66.04	65.02
Provision for decommissioning obligations	5.97	3.92	3.46	4.61	4.79	5.21
Long-term liability for gas development surcharge	2.58	0.52	-	-	-	-
Liabilities against assets subject to finance leases	0.19	0.19	0.14	0.13	0.12	0.08
Deferred liabilities	1.72	1.57	1.47	1.41	1.19	1.06
Deferred Income	-	-	-	-	0.01	-
Deferred taxation	-	-	-	0.06	0.17	1.13
Trade and other payables	12.13	11.94	14.34	20.06	16.25	16.93
Current maturity of long-term liability for gas development surcharge	2.22	1.72	0.46	-	-	-
Current maturity of liabilities against assets subject to finance leases	0.12	0.11	0.10	0.07	0.06	1.13
Taxation	8.23	6.52	0.42	2.12	1.36	0.19
Total Shareholders' Equity and Liabilities	100.00	100.00	100.00	100.00	100.00	100.00
Profit & Loss Account Items						
Sales - net	100.00	100.00	100.00	100.00	100.00	100.00
Field expenditure	29.85	25.74	24.14	23.38	21.37	30.48
Royalties	11.48	11.79	11.92	12.07	12.12	11.80
Share of profit in Bolan Mining Enterprises	(0.13)	(0.07)	(0.12)	(0.12)	(0.11)	(0.10)
Other operating income	(2.35)	(4.68)	(6.30)	(6.64)	(6.63)	(4.30)
Finance costs	0.08	0.09	0.13	0.15	0.15	0.26
Other operating expenses	3.22	3.55	6.77	4.56	5.04	4.28
Taxation	20.83	21.38	19.77	23.49	23.07	18.69
Profit after taxation	37.02	42.20	43.69	43.11	44.99	38.89
	100.00	100.00	100.00	100.00	100.00	100.00

Movement of Estimated Reserves

	Natural Gas MMscf	Oil / NGL Thousand barrels	LPG Tonnes
Original Proven Recoverable Reserves			
At 1 July, 2009	14,223,214	34,720[5]	540,120[5]
Change during the year			
- Addition of new reserves	128,002[1]	3,013[2]	-
- Revision in estimates of previous reserves	(46,338)[3]	(6,630)[4]	-
At 30 June, 2010	14,304,878	31,103	540,120
Production			
Accumulated on 1 July, 2009	10,895,404[5]	11,337[5]	187,497
Production during the year	356,682	1,826	23,047
Accumulated upto 30 June, 2010	11,252,086	13,163	210,544
Net reserves 30 June, 2010	3,052,792	17,940	329,576
Net reserves 30 June, 2009	3,327,810	23,383	352,623
Daily average production	977	5.00	63.14

Notes:

1 Additional Gas reserves due to Nashpa discovery at Nashpa Block, Maramzai discovery at Tal Block, Rehman discovery at Kirthar Block and Latif North-1 discovery in Latif Block.

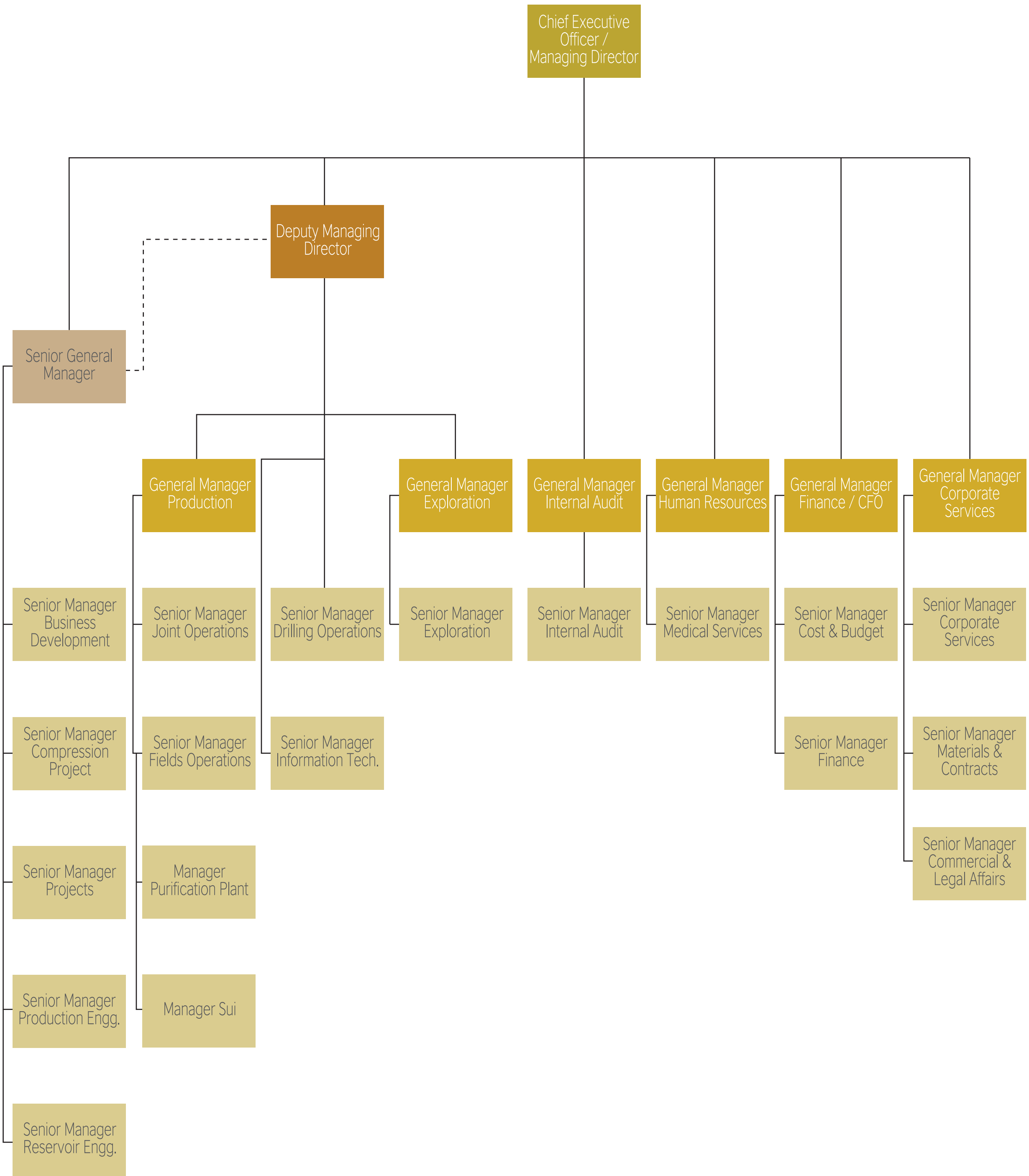
2 Additional Oil/NGL reserves due to Nashpa discovery at Nashpa Block and Maramzai discovery at Tal Block.

3 Revision in field recoverable gas reserves estimates of Mazarani field, Makori discovery at Tal block and Tajjal discovery at Gambat Block.

4 Revision in field recoverable Oil / NGL reserve estimates of Makori discovery at Tal block and Sakesar at Adhi field.

5 The previous years figures have been restated wherever necessary for comparison purposes.

Organogram


Chief Executive Officer / Managing Director
Deputy Managing Director
Senior General Manager
General Manager Production
General Manager Exploration
General Manager Internal Audit
General Manager Human Resources
General Manager Finance / CFO
General Manager Corporate Services
Senior Manager Business Development
Senior Manager Joint Operations
Senior Manager Drilling Operations
Senior Manager Exploration
Senior Manager Internal Audit
Senior Manager Medical Services
Senior Manager Cost & Budget
Senior Manager Corporate Services
Senior Manager Compression Project
Senior Manager Fields Operations
Senior Manager Information Tech.
Senior Manager Finance
Senior Manager Materials & Contracts
Senior Manager Commercial & Legal Affairs
Senior Manager Projects
Manager Purification Plant
Senior Manager Production Engg.
Manager Sui
Senior Manager Reservoir Engg.

Statement of Compliance
with the best practices of the code of corporate governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance (the Code) setout in the 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 Code 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 seven non-executive directors and an executive director. All directors of the Company are nominees of the Government of Pakistan.

2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member in any of the stock exchanges.

4. The three years term of the present Board had expired on 25 April, 2008, however, the directors are continuing to perform their functions until their successors are appointed through fresh election. The election of Directors for a new three years term is scheduled on 29 September, 2010 in the Annual General Meeting.

5. Two casual vacancies occurred in the Board during the year. One casual vacancy occurred in February 2010 was filled up by the directors within thirty days thereof. The other casual vacancy occurred in the Board in December 2009 consequent to vacation of IFC's seat on the Board through resignation of its nominee Director. This casual vacancy is continuing and will be filled by the appointment of the minority shareholders' nominee on the Board in the forthcoming election of Directors.

6. The Company has issued a "Statement of Ethics and Business Practices" which has been signed by all the directors of the Company. The Statement has been circulated to all employees of the Company for their awareness and majority of them have signed it as acknowledgement of their understanding and acceptance.

7. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Company has maintained a complete record of particulars of significant policies along with the dates on which they were approved and amended.

8. All the powers of the Board have been duly exercised and decisions on material transactions including appointment, determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman who is a non-executive director. The Board met at least once in every quarter during the year. 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.

10. All the transactions entered into by the Company with related parties during the year have been reviewed by the Board Audit Committee and approved by the Board. A complete party-wise record of related party transactions has been maintained by the Company.

11. The Board has been provided with detailed in-house briefings and information package to apprise them of their duties and responsibilities.

12. No new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were made during the year. However, any changes to the remuneration, terms and conditions of employment of CFO, Company Secretary and Head of Internal Audit have been determined by the CEO with the approval of the Board of Directors.

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

14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board. The half yearly and annual accounts were also initialled by the external auditors before presentation to the Board.

15. 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.

16. The Company has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed an Audit Committee. It comprises four members, all of them are non-executive directors including the Chairman of the Committee.

18. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been determined by the Board and advised to the Committee for compliance.

19. The Board has set up an effective internal audit function for the Company.

20. The statutory auditors of the Company have confirmed that they have been awarded a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), that neither the firm nor any of the partner of the firm or their spouses or minor children at any time since last Annual General Meeting held, purchased, sold or took any position in the shares of the Company or any of its associated companies or undertakings and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

21. 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.

22. We confirm that all other material principles contained in the Code have been complied with.

(HIDAYATULLAH PIRZADA)
CHAIRMAN

(KHALID RAHMAN)
CEO / MANAGING DIRECTOR

Karachi:
6 August, 2010

Review Report to the Members

on statement of compliance with the best practices of the code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June, 2010 prepared by the Board of Directors of Pakistan Petroleum Limited (the Company) to comply with the Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulation No. 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June, 2010.

Chartered Accountants

Karachi
6 August, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2010 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 expect for changes as stated in note 2.3 to the accompanying financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2010 and of the profit, 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.

[illegible]
Chartered Accountants

Audit Engagement Partner:
Shariq Ali Zaidi

Karachi
6 August, 2010

Balance Sheet

As at June 30, 2010

	Note	June 30, 2010 Rs '000	June 30, 2009 Rs '000
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	41,695,388	34,763,453
Intangible assets	5	374,850	207,264
		42,070,238	34,970,717
Long-term investments	6	1,804,498	1,854,333
Long-term deposit	7	630,000	615,000
Long-term receivables	8	8,502	27,531
Long-term loans - staff	9	9,229	9,897
		44,522,467	37,477,478
CURRENT ASSETS			
Stores and spares	10	2,069,408	1,871,644
Trade debts	11	30,811,189	27,779,864
Loans and advances	12	150,096	414,760
Trade deposits and short-term prepayments	13	324,771	319,967
Accrued financial income	14	184,268	308,003
Current maturity of long-term investments	6	224,613	24,980
Current maturity of long-term receivables	8	19,615	19,029
Other receivables	15	102,923	99,347
Short-term investments	16	27,295,840	13,216,706
Cash and bank balances	17	1,874,393	1,384,353
		63,057,116	45,438,653
		107,579,583	82,916,131
SHARE CAPITAL AND RESERVES			
Share capital	18	9,958,298	8,298,606
Reserves	19	69,947,933	54,759,951
		79,906,231	63,058,557
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation	20	5,605,226	3,974,307
Liabilities against assets subject to finance leases	21	87,881	100,105
Deferred liabilities	22	1,135,029	990,685
Deferred income	8	3,194	5,830
Deferred taxation	23	1,218,934	138,563
		8,050,264	5,209,490
CURRENT LIABILITIES			
Trade and other payables	24	18,210,479	13,474,434
Current maturity of liabilities against assets subject to finance leases	21	1,210,728	45,946
Current maturity of deferred income	8	2,636	971
Taxation		199,245	1,126,733
		19,623,088	14,648,084
CONTINGENCIES AND COMMITMENTS	25	-	-
		107,579,583	82,916,131

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

Director

Chief Executive

Profit and Loss Account

For the year ended June 30, 2010

	Note	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Sales - net	26	59,961,616	61,580,072
Field expenditures	27	(18,273,006)	(13,161,294)
Royalties		(7,076,111)	(7,463,192)
		(25,349,117)	(20,624,486)
		34,612,499	40,955,586
Share of profit in Bolan Mining Enterprises	6.1.2	59,658	69,116
Other operating income	29	2,578,837	4,080,616
Finance cost	30	(154,832)	(93,628)
Other operating expenses	31	(2,567,955)	(3,103,270)
Profit before taxation		34,528,207	41,908,420
Taxation	32	(11,207,689)	(14,205,629)
Profit after taxation		23,320,518	27,702,791
			(Restated)
Basic and diluted earnings per share (Rs)	37	23.42	27.82

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

Director

Chief Executive

Statement of Comprehensive Income

For the year ended June 30, 2010

	Note	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Profit after taxation		23,320,518	27,702,791
Other comprehensive income-net of taxation		-	-
Total comprehensive income		23,320,518	27,702,791

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

Director

Chief Executive

Cash Flow Statement

For the year ended June 30, 2010

	Note	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		74,179,219	63,246,960
Receipts of other income		114,082	926,632
Cash paid to suppliers / service providers and employees		(14,624,320)	(11,698,474)
Payment of indirect taxes and Government levies including royalty		(22,100,357)	(24,893,580)
Income tax paid		(11,054,806)	(14,271,868)
Finance costs paid		(55,732)	(19,944)
Long-term loans - staff (net)		1,797	3,548
Net cash generated from operating activities		26,459,883	13,293,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(7,862,534)	(14,805,293)
(Purchases) / redemption of long-term investments (net)		(75,000)	184,249
(Purchases) / redemption of short-term investments (net)		(1,174,442)	3,430,304
Long-term deposit		(15,000)	(615,000)
Long-term receivables		18,443	(10,203)
Share of profit received from Bolan Mining Enterprises		-	25,000
Financial income received		2,457,642	2,982,609
Proceeds on sale of property, plant and equipment		138,215	39,615
Net cash used in investing activities		(6,512,676)	(8,768,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(139,962)	(55,087)
Dividends paid		(6,472,844)	(8,298,505)
Net cash used in financing activities		(6,612,806)	(8,353,592)
Net increase / (decrease) in cash and cash equivalents		13,334,401	(3,829,037)
Cash and cash equivalents at beginning of the year		14,352,153	18,181,190
Cash and cash equivalents at end of the year	35	27,686,554	14,352,153

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

Director

Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2010

	Subscribed and paid-up share capital		Capital reserve	Revenue Reserves					Total reserves	Total
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Unappropriated profit	Total		
	Rs '000									
Balance as at June 30, 2008	7,544,055	145	1,428	69,761	3,000,000	7,000,000	26,038,882	36,108,643	36,110,071	43,654,271
Appropriation of insurance reserve for the year ended June 30, 2008	-	-	-	-	1,500,000	-	(1,500,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2008	-	-	-	-	-	3,000,000	(3,000,000)	-	-	-
Issuance of bonus shares 10% (one share for every ten ordinary shares held)	754,406	-	-	-	-	-	(754,406)	(754,406)	(754,406)	-
Conversion of preference shares into ordinary shares	4	(4)	-	-	-	-	-	-	-	-
Total comprehensive income for the year ended June 30, 2009	-	-	-	-	-	-	27,702,791	27,702,791	27,702,791	27,702,791
First interim dividend for the year ended June 30, 2009										
- Ordinary shares - 50%	-	-	-	-	-	-	(4,149,231)	(4,149,231)	(4,149,231)	(4,149,231)
- Convertible preference shares - 30%	-	-	-	-	-	-	(43)	(43)	(43)	(43)
Second interim dividend on ordinary shares @ 50% for the year ended June 30, 2009	-	-	-	-	-	-	(4,149,231)	(4,149,231)	(4,149,231)	(4,149,231)
Balance as at June 30, 2009	8,298,465	141	1,428	69,761	4,500,000	10,000,000	40,188,762	54,758,523	54,759,951	63,058,557
Appropriation of insurance reserve for the year ended June 30, 2009	-	-	-	-	5,500,000	-	(5,500,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2009	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-
Issuance of bonus shares 20% (two shares for every ten ordinary shares held)	1,659,692	-	-	-	-	-	(1,659,692)	(1,659,692)	(1,659,692)	-
Conversion of preference shares into ordinary shares	3	(3)	-	-	-	-	-	-	-	-
Final dividend on ordinary shares @ 30% for the year ended June 30, 2009	-	-	-	-	-	-	(2,489,539)	(2,489,539)	(2,489,539)	(2,489,539)
Transfer of cost relating to Well-38 (Sui) - note 27.1	-	-	-	-	(1,478,106)	-	1,478,106	-	-	-
Total comprehensive income for the year ended June 30, 2010	-	-	-	-	-	-	23,320,518	23,320,518	23,320,518	23,320,518
Interim dividend for the year ended June 30, 2010										
- Ordinary shares - 40%	-	-	-	-	-	-	(3,983,263)	(3,983,263)	(3,983,263)	(3,983,263)
- Convertible preference shares - 30%	-	-	-	-	-	-	(42)	(42)	(42)	(42)
Balance as at June 30, 2010	9,958,160	138	1,428	69,761	8,521,894	15,000,000	46,354,850	69,946,505	69,947,933	79,906,231

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

Director

Chief Executive

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of 'financial assets at fair value through profit or loss' which are recorded at fair value in accordance with the requirements of IAS - 39 “Financial Instruments: Recognition and Measurement”.

2.3 Changes in accounting policies and disclosures

During the current year, the Company has adopted the following new and amended IFRSs as of July 01, 2009, which has resulted in extended disclosures as described below:

IAS 1 - Presentation of Financial Statements (Revised)
IFRS 7 - Financial Instruments: Disclosures (Amended)
IFRS 8 - Operating Segments

IAS 1 - “Presentation of Financial Statements”

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced a statement of comprehensive income, which presents all items of recognised income and expense, either as a single statement, or in two linked statements. The Company has opted to present two linked statements and accordingly has presented a separate statement of comprehensive income in these financial statements. Comparative figures have also been re-presented to bring in conformity with the revised standard.

IFRS 7 - “Financial Instruments: Disclosures” (Amendments)

The amended standard, which became effective for the financial years starting on or after January 01, 2009, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. The fair value measurement disclosures are presented in note 34(a) to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are also presented in note 34(d) to the financial statements.

IFRS 8 - "Operating Segments"

IFRS 8 replaced IAS 14 'Segment Reporting', effective for the financial years starting on or after January 01, 2009. This standard requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. The Company concluded that the operating segments determined in accordance with the IFRS 8 are the same as the business segments previously indentified under IAS 14.

2.4 Standards and interpretations that became effective but not relevant to the Company

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IFRS 3 - Business Combinations (Revised)
IAS 23 - Borrowing Costs (Revised)
IAS 27 - Consolidated and Separate Financial Statements (Revised)
IAS 32 - Financial Instruments (Amended for Puttable instruments and obligations arising on liquidation)
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)
IFRIC 15 - Agreements for the Construction of Real Estate
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
IFRIC 17 - Distributions of Non-cash Assets to Owners
IFRIC 18 - Transfers of Assets from Customers

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

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

	Effective for periods beginning on or after
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 32 - Financial Instruments: Presentation - Amendments relating to Classification of Rights Issues	February 01, 2010
IFRS 2 - Share-based Payment: Amendments relating to Group Cash - settled Share-based Payment Transactions	January 01, 2010
IFRIC14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January 01, 2011
IFRIC19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not effect the Company's financial statements in the period of initial application except for the implications of IAS 24 - Related Party Disclosures (revised), which may effect certain disclosures and the implications of IFRS 2 - Share-based Payment: Amendments relating to Group Cash-settled Share-based Payment Transactions, which are being evaluated for reporting requirements, if any. The matter regarding clarification of accounting and reporting implications of Benazir Employees Stock Option Scheme (BESOS) under the applicable framework, including the implications under IFRS 2, is under consideration of the Institute of Chartered Accountants of Pakistan (ICAP). The Company is also considering to approach the Securities and Exchange Commission of Pakistan (SECP) in this respect. Details of the BESOS are given in note 18.1.

2.6 Property, plant and equipment

a) Owned assets

i. Property, plant and equipment, except freehold land and capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost. Capital work-in-progress is stated at cost less impairment losses, if any.

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

   Gains or losses on disposals of property, plant and equipment, if any, are included in profit and loss account.

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

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

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

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

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

b) Assets subject to finance leases

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

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

2.7 Intangible assets

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

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

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

2.8 Depreciation and amortisation

a) Property, plant and equipment

i. Depreciation on property, plant and equipment, except freehold land and capital work- in-progress, is charged on a straight line basis at the rates specified in note 4.1 and depreciation on capital spares is charged over the useful lives of the related items of plant and machinery to which these spares relate.

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

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

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

b) Intangible assets

Intangible assets are amortised from the month when such assets are available for use on straight-line basis over their useful economic life at the rate stated in note 5.1.

2.9 Business combination

The Company uses purchase method of accounting for acquisition of assets or class of assets, whereby, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities based on the fair value at the date of acquisition.

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

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

2.10 Investments

a) Subsidiary

Investment in subsidiary is stated at cost less impairment, if any.

b) Joint venture

Investment in Bolan Mining Enterprises (BME), a joint venture on a 50:50 basis with the Government of Balochistan, is accounted for using the equity method, whereby, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the joint venture. The profit and loss account reflects the Company's share of the results of the operations of the joint venture.

2.11 Stores and spares

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

2.12 Trade debts

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

2.13 Financial assets

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

a) Held-to-maturity

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

b) At fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or investments that are part of a portfolio of financial instruments exhibiting short-term profit taking are designated and classified as investments at fair value through profit or loss. These are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

c) Available-for-sale

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

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

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

d) Loans and receivables

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

2.14 Cash and cash equivalents

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

2.15 Decommissioning obligation and its provision

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

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

The unwinding of discount is included in the finance costs.

2.16 Staff retirement benefits

a) Defined benefit plans

i. The Company operates approved funded pension and gratuity schemes, separately, for its executive and non-executive permanent staff. Provisions are made periodically, on the basis of actuarial valuations, for these pension and gratuity schemes. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, following the introduction of or changes to a scheme, past service costs are recognised immediately.

ii. The Company provides post retirement medical benefits to its executive and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining service lives of the employees based on actuarial valuations. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of pervious reporting period exceed 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees.

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

iv. Actuarial valuations are conducted annually and the last valuations were conducted as on June 30, 2010 based on the 'projected unit credit method'.

b) Defined contribution plan

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

2.17 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff is recognised on the basis of actuarial valuations. The latest valuations were conducted as on June 30, 2010.

2.18 Provisions

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

2.19 Taxation

a) Current taxation

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

b) Deferred taxation

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

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

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

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

2.20 Trade and other payables

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

2.21 Revenue recognition

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

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

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

Income on held-to-maturity investments is recognised on time proportion basis taking into account the effective yield of such investments.

Income on term deposits and saving accounts with banks is proportionately accrued upto the balance sheet date.

2.22 Operating leases / Ijarah contracts

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

2.23 Joint venture operations

The Company's share in transactions and balances related to joint venture operations in which the Company has a working interest are accounted for on the basis of the latest available cost statements. Estimates of expenditure are made for the intervening period upto the balance sheet date.

2.24 Foreign currency transactions and translation

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

2.25 Financial instruments

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

2.26 Off-setting of financial assets and financial liabilities

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

2.27 Fair value

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

2.28 Functional and presentation currency

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

2.29 Related party transactions

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

2.30 Impairment

The carrying amount 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, recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognised as expense in the profit and loss account.

2.31 Dividends and appropriation to reserves

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

2.32 Segment reporting

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

3.1 Estimation of proven oil and natural gas reserves

Oil and gas reserves are an important element in testing for impairment of prospecting and development assets of the Company. Changes in oil and gas reserves will also affect the rate of amortisation which is charged on unit of production method, which is a ratio of oil and gas production in a year to the estimated quantities of commercial reserves at the end of the year plus the production during the year. Estimates of oil and gas reserves require the application of judgment and are subject to future revision. Proved reserves are estimated quantities of crude oil and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under the existing conditions. Proved reserves are estimates with reference to available reservoir and well information, including production and pressure trends for producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors. Although, the possibility exists for changes in reserves to have a critical effect on amortisation charge, however, it is expected that in the normal course of business the probability of occurrence of such an event is remote.

3.2 Provision and amortisation of decommissioning obligation

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

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

During the year, the Company revised its estimates of outflows or resources to settle decommissioning liability, based on future projected costs adjusted to present value. This has been treated as a change in accounting estimate, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities. Had there been no change in the estimates, provision for decommissioning obligation and property, plant and equipment would have been lower by Rs 902 million.

3.3 Provision for defined benefit plans and compensated absences

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

3.4 Provision for taxation

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

3.5 Contingencies

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

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 4.1	26,909,324	18,318,870
Capital work-in-progress - note 4.5	14,786,064	16,444,583
	41,695,388	34,763,453

4.1 Operating assets

	Owned assets										Assets subject to finance leases				
	Freehold Land	Buildings, roads and civil constructions	Plant and machinery	Tanks and pipelines	Furniture, fittings and equipment	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommiss-ioning cost	Sub total	Plant and machinery **	Computers and allied equipment	Rolling stock*	Sub total	Total
	Rs '000														
Net carrying value basis															
Net book value (NBV) as on July 01, 2009	91,804	399,185	4,895,710	1,692,941	212,791	118,760	24,290	7,782,412	2,940,823	18,158,716	-	36,300	123,854	160,154	18,318,870
Additions (at cost)	-	60,827	6,460,640	339,258	22,434	28,725	37,598	2,569,202	1,780,237	11,298,921	1,210,962	8,951	35,152	1,255,065	12,553,986
Adjustments / reclassification	-	25,519	(10,958)	(35,249)	(25,483)	5,948	4,345	(147,030)	(246,105)	(429,013)	-	(5,561)	(4,331)	(9,892)	(438,905)
Disposals (at NBV)	-	(4)	(381)	(76,832)	(750)	(93)	(1,569)	-	-	(79,629)	-	-	(7,681)	(7,681)	(87,310)
Depreciation / amortisation charge	-	(33,606)	(1,181,573)	(219,270)	(39,563)	(54,575)	(11,817)	(1,396,153)	(391,703)	(3,328,260)	(60,548)	(11,599)	(36,910)	(109,057)	(3,437,317)
NBV as on June 30, 2010	91,804	451,921	10,163,438	1,700,848	169,429	98,765	52,847	8,808,431	4,083,252	25,620,735	1,150,414	28,091	110,084	1,288,589	26,909,324
Gross carrying value basis															
Cost	91,804	1,146,456	22,793,767	3,016,552	446,731	335,804	234,358	11,962,171	5,332,767	45,360,410	1,210,962	41,418	189,816	1,442,196	46,802,606
Accumulated depreciation / amortisation	-	(694,535)	(12,630,329)	(1,315,704)	(277,302)	(237,039)	(181,511)	(3,153,740)	(1,249,515)	(19,739,675)	(60,548)	(13,327)	(79,732)	(153,607)	(19,893,282)
NBV as on June 30, 2010	91,804	451,921	10,163,438	1,700,848	169,429	98,765	52,847	8,808,431	4,083,252	25,620,735	1,150,414	28,091	110,084	1,288,589	26,909,324
Net carrying value basis															
NBV as on July 01, 2008	74,312	406,118	5,554,146	1,223,971	180,045	98,223	24,954	5,764,559	2,063,433	15,389,761	-	30,066	115,431	145,497	15,535,258
Additions (at cost)	17,492	47,453	296,561	644,501	30,574	76,490	7,799	2,930,330	1,087,249	5,138,449	-	23,174	49,217	72,391	5,210,840
Adjustments / reclassification	-	(22,060)	(20,557)	(18,186)	27,512	2,563	653	(76,062)	-	(106,137)	-	(8,202)	(653)	(8,855)	(114,992)
Disposals (at NBV)	-	(145)	(166)	-	(347)	-	(775)	-	-	(1,433)	-	-	(2,138)	(2,138)	(3,571)
Depreciation / amortisation charge	-	(32,181)	(934,274)	(157,345)	(24,993)	(58,516)	(8,341)	(836,415)	(209,859)	(2,261,924)	-	(8,738)	(38,003)	(46,741)	(2,308,665)
NBV as on June 30, 2009	91,804	399,185	4,895,710	1,692,941	212,791	118,760	24,290	7,782,412	2,940,823	18,158,716	-	36,300	123,854	160,154	18,318,870
Gross carrying value basis															
Cost	91,804	1,060,169	16,354,733	2,906,217	456,576	311,120	180,954	9,539,999	3,798,637	34,700,209	-	48,913	201,343	250,256	34,950,465
Accumulated depreciation / amortisation	-	(660,984)	(11,459,023)	(1,213,276)	(243,785)	(192,360)	(156,664)	(1,757,587)	(857,814)	(16,541,493)	-	(12,613)	(77,489)	(90,102)	(16,631,595)
NBV as on June 30, 2009	91,804	399,185	4,895,710	1,692,941	212,791	118,760	24,290	7,782,412	2,940,823	18,158,716	-	36,300	123,854	160,154	18,318,870
Rate of depreciation / amortisation (%)		5 & 10	10 & 100***	10	10	30	20	****	****		10	30	20		

* Represents light and heavy vehicles.

** Represents Company's share of Early Production Facility (EPF) at the Company operated Hala Field.

*** For below ground installations in fields other than Sui Gas Field.

**** Amortised on unit of production basis.

4.2 Summary of significant assets

The following assets have a significant operational value to the Company:

Particulars	Cost Rs '000	NBV Rs '000
Sui Field		
SML / SUL Compression and High Pressure Casing	5,587,418	539,207
Purification Plant	658,390	131,678
20" Diameter Main Water Line	160,214	144,193
IDECO Drilling Rig H-725	131,879	-
Adhi Field		
LPG Plant -2	652,812	354,696
LPG Plant -1	85,333	-
Kandhkot Field		
TEG Dehydration Unit	474,884	474,884
130 MMcfd Dehydration Plant	109,484	-
Hala Block		
Early Production Facilities	1,210,962	1,150,414
Mazarani Field		
Processing Facilities	319,545	94,589
Transmission Pipeline	249,063	72,176
Qadirpur Field		
Production Facilities	205,116	-
Capacity Enhancement Project	165,598	132,479
Plant and Machinery	164,201	80,732
Sawan Field		
Front End Compression	2,476,601	2,455,963
Plant and Machinery	1,811,767	543,530
Gas Processing with Amine and Dehydration Unit	875,601	328,350
Debottlenecking of Plant	153,338	107,337
Flowline and Tie-in of Sawan-10	142,899	114,319
Tal Block		
CPF Manzalai	2,958,923	2,761,661
Surface Facilities for EWT, Manzalai-1	227,439	111,719
Miano Field		
Plant and Machinery	411,601	82,320
Latif Field		
Tie-in of Latif-1	156,237	140,613
Gambat Block		
Tie-in of Tajjal-1	136,111	122,500

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

4.3 Operating assets disposed off during the year

Asset description	Method of disposal	Sold to	Cost	Accumulated Depreciation	Net Book Value	Sale proceeds
			Rupees '000			
Owned						
Buildings, roads and civil constructions						
(Items have book value upto Rs. 50,000)	Tender	Various	58	(54)	4	280
Plant and machinery						
Volt Master Generator	Tender	M/s. Jehanzeb Contractor	275	(183)	92	3
AGS Gas Generator	Tender	M/s. Combine Iron & Steel	220	(152)	68	35
Power House Turbo Generator	Tender	M/s. Asher Impex	373	(298)	75	1,003
Items having book value upto Rs. 50,000	Tender	Various	8,507	(8,359)	148	2,487
			9,375	(8,992)	383	3,528
Furniture, fittings and equipment						
Naushuatec Photocopier	Tender	M/s. Yousufzai Traders	339	(288)	51	4
Portable Moisture Analyzer	Tender	M/s. Yousufzai Traders	281	(229)	52	1
Minolta Photocopier	Tender	M/s. Khalid Brothers	450	(292)	158	6
Ricoh Photocopier	Tender	Mr. Mujeeb Alam	206	(146)	60	4
Items having book value upto Rs. 50,000	Tender	Various	5,029	(4,599)	430	473
			6,305	(5,554)	751	488
Tanks and pipelines						
Gas Transmission Line (Gurguri-Kohat)	Joint Venture Agreement	SNGPL	156,268	(79,436)	76,832	85,036
Items having book value upto Rs. 50,000	Tender	Various	37,405	(37,405)	-	34,949
			193,673	(116,841)	76,832	119,985
Rolling stock						
Suzuki Mehran (VX), AHF-368	Company Policy	Mr. Rashid Jawed	329	(275)	54	92
Honda City A/T, ATG-493	Company Policy	Mr. Rizwan H. Qidwai	1,392	-	1,392	902
Items having book value upto Rs. 50,000	Auction / Tender	Various	6,944	(6,819)	125	1,901
			8,665	(7,094)	1,571	2,895
Computers and allied equipment						
UPS 5 KVA	Tender	M/s Jehanzeb Contractor	180	(102)	78	5
Items having book value upto Rs. 50,000	Tender	Various	22,441	(22,425)	16	227
			22,621	(22,527)	94	232
Assets subject to finance leases						
Rolling stock						
Suzuki Mehran VX, AHF-367	Company Policy	Mr. Mohsin Raza Khan	327	(272)	55	92
Suzuki Mehran VX, AHF-371	Company Policy	Mr. Tariq Mehmood	310	(258)	52	92
Suzuki Mehran VX, AHF-370	Company Policy	Mr. Rahat Hussain	310	(258)	52	92
Suzuki Mehran VX, AHF-369	Company Policy	Mr. Zafar Yab Ali Wasti	310	(258)	52	92
Suzuki Mehran VX, AHN-643	Company Policy	Mr. Shaheen Perwaz Akhtar	310	(258)	52	92
Honda Civic VTi A/T, AGW-325	Company Policy	Mr. Moin Raza Khan	1,198	(1,018)	180	240
Toyota Corolla Xli, AKA-610	Company Policy	Mr. Haroon Rashid Siddiqui	893	(640)	253	440
Suzuki Mehran VX, AJW-370	Company Policy	Dr. Saima Sitwat Siddiqui	315	(226)	89	129
Suzuki Mehran VX, AJW-371	Company Policy	Mr. Abu Rehan	315	(226)	89	129
Suzuki Mehran VX, AJW-375	Company Policy	Syed Azhar Hussain Rizvi	320	(229)	91	131
Suzuki Mehran VX, AJW-372	Company Policy	Dr. Murtaza Boustani	320	(229)	91	131
Suzuki Mehran VX, AJW-367	Company Policy	Mr. Saleem Ahmed	320	(229)	91	131
Suzuki Mehran VX, AJW-377	Company Policy	Mr. Sajjad Ahmed	320	(229)	91	131
Suzuki Mehran VX, AJW-376	Company Policy	Mr. Omer Hayat Bugti	320	(229)	91	131
Honda Accord, AKF-343	Company Policy	M. Anwar Moghal	2,465	(1,767)	698	942
Suzuki Cultus VXL, AKW-117	Company Policy	Mrs. Bushra Mustehsan	627	(418)	209	240
Suzuki Cultus VXR, AMC-176	Company Policy	Mr. Arshad Ahmed Mallick	565	(358)	207	265
Suzuki Mehran VXR, AMG-548	Company Policy	Mohammad Yasin	368	(197)	171	206
Suzuki Mehran VXR, AMG-547	Company Policy	Dr. Afzal Ali Shah Rizvi	368	(197)	171	206
Suzuki Mehran VXR, AMG-958	Company Policy	Mohammad Noman Khan	368	(197)	171	206
Suzuki Mehran VXR, AMG-957	Company Policy	Mr. Mumtaz Husain	368	(197)	171	206
Suzuki Mehran VXR, AMG-962	Company Policy	Syed Ahmed Rashid	368	(197)	171	206
Suzuki Mehran VXR, AMG-954	Company Policy	Syed Ghazanfar Iqbal	369	(197)	172	206
Suzuki Mehran VXR, AMG-955	Company Policy	Mr. Abdul Malik Kakar	369	(197)	172	205
Suzuki Mehran VXR, AMG-956	Company Policy	Mr. Kamran Aziz	368	(197)	171	205
Suzuki Mehran VXR, AMJ-071	Company Policy	Syed Ali Mohtashim Zaidi	368	(197)	171	205
Suzuki Mehran VXR, AMH-524	Company Policy	Mr. Ejaz-Ul-Haq	363	(194)	169	205
Suzuki Mehran VXR, ANP-197	Company Policy	Mr. Imran Ahmed	371	(154)	217	231
Suzuki Mehran VXR, ANP-198	Company Policy	Mr. Bilal Ahmed	371	(154)	217	231
Honda Civic Prosmatec, APL-594	Insurance Claim	EFU General Insurance Ltd.	1,417	(449)	968	1,420
Suzuki Cultus VXL, ARG-480	Insurance Claim	EFU General Insurance Ltd.	736	(110)	626	725
Honda Civic Prosmatec, APY-194	Insurance Claim	EFU General Insurance Ltd.	1,417	(520)	897	1,420
Suzuki Cultus VXL, APP-061	Company Policy	Mr. Jawaid Sadiq	636	(276)	360	408
Items having book value upto Rs. 50,000	Company Policy	Various	4,070	(3,833)	237	815
			22,240	(14,565)	7,675	10,806
			262,937	(175,627)	87,310	138,214

	Cost June 30, 2010	Cost June 30, 2009	Accumulated depreciation June 30, 2010	Accumulated depreciation June 30, 2009
	Rs '000			

4.4 Cost and accumulated depreciation include

	Cost June 30, 2010	Cost June 30, 2009	Accumulated depreciation June 30, 2010	Accumulated depreciation June 30, 2009
Share in joint ventures operated by the Company	2,261,584	2,048,290	1,098,726	927,080
Share in joint ventures operated by others (assets not in possession of the Company)	11,681,874	6,111,667	3,491,005	2,773,039
	13,943,458	8,159,957	4,589,731	3,700,119

4.5 Capital work-in-progress

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Plant, machinery, fittings and pipelines	10,027,955	13,402,927
Prospecting and development wells	4,478,060	2,886,572
Land, buildings and civil constructions	184,017	69,894
Capital stores for drilling and development	96,032	85,190
	14,786,064	16,444,583

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

	Plant, machinery, fittings and pipelines	Prospecting and development wells	Land, buildings and civil constructions	Capital stores for drilling and development	Total
	Rs '000				
Balance as at July 1, 2008	3,679,283	1,878,149	9,511	84,965	5,651,908
Capital expenditure incurred / advances made during the year	10,797,297	3,862,690	101,062	225	14,761,274
Adjustments / reclassification	15,734	-	24,266	-	40,000
Transferred to operating assets	(1,089,387)	(2,854,267)	(64,945)	-	(4,008,599)
Balance as at June 30, 2009	13,402,927	2,886,572	69,894	85,190	16,444,583
Capital expenditure incurred / advances made during the year	4,671,639	4,013,661	219,570	10,842	8,915,712
Adjustments / reclassification	51,339	-	(44,621)	-	6,718
Transferred to operating assets	(8,097,950)	(2,422,173)	(60,826)	-	(10,580,949)
Balance as at June 30, 2010	10,027,955	4,478,060	184,017	96,032	14,786,064

5. INTANGIBLE ASSETS

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Computer software including ERP system - note 5.1	178,520	177,759
Intangible assets under development	196,330	29,505
	374,850	207,264

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2010

	June 30, 2010			June 30, 2009		
	ERP system	Computer software	Total	ERP system	Computer software	Total
	Rs '000					
5.1 Computer Software including ERP system						
Net carrying value basis						
NBV as on July 01	123,593	54,166	177,759	104,104	50,375	154,479
Additions (at cost)	29,593	36,206	65,799	49,006	30,662	79,668
Amortisation charge - note 27	(33,555)	(31,483)	(65,038)	(29,517)	(26,871)	(56,388)
NBV as on June 30	119,631	58,889	178,520	123,593	54,166	177,759
Gross carrying value basis						
Cost	268,977	160,267	429,244	239,385	124,061	363,446
Accumulated amortisation	(149,346)	(101,378)	(250,724)	(115,792)	(69,895)	(185,687)
NBV as on June 30	119,631	58,889	178,520	123,593	54,166	177,759
Rate of amortisation (%)	20	33		20	33	

6. LONG-TERM INVESTMENTS

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Investments in related parties		
BME - a joint venture - note 6.1	15,000	15,000
Profit receivable from BME	299,312	239,654
	314,312	254,654
Fully paid shares in a subsidiary - note 6.2	1	1
Other investments		
Held-to-maturity		
- Term Finance Certificates - note 6.3	149,910	74,910
- Pakistan Investment Bonds - note 6.4	1,564,888	1,549,748
	1,714,798	1,624,658
Less: Current maturities		
- Term Finance Certificates	(25,010)	(24,980)
- Pakistan Investment Bonds	(199,603)	-
	(224,613)	(24,980)
	1,804,498	1,854,333

6.1 Bolan Mining Enterprises

6.1.1 The Company's interest in assets and liabilities of the joint venture is as follows:

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Tangible fixed assets	42,419	11,584
Current assets	349,894	308,433
	392,313	320,017
Current liabilities	(41,636)	(17,429)
Reserve for development and expansion	(35,471)	(47,157)
Provision for leave preparatory to retirement	(894)	(777)
	(78,001)	(65,363)
Net assets	314,312	254,654

6.1.2 The Company's share in profit and loss of the joint venture is as follows:

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Sales	118,164	130,392
Cost of goods sold	(57,649)	(60,064)
	60,515	70,328
Operating expenses	(18,626)	(17,809)
Operating profit	41,889	52,519
Other income	32,521	34,117
	74,410	86,636
Transfer to reserve for development and expansion	(14,752)	(17,520)
	59,658	69,116

6.2 Subsidiary company

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited, a wholly owned subsidiary of the Company, has neither made any profits nor incurred any losses from the date of its incorporation to June 30, 2010. The latest audited financial statements of the subsidiary are annexed. The paid-up capital of the subsidiary is Rs 1,000 divided into 100 ordinary shares of Rs 10 each.

SECP through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 has exempted the Company from preparation of consolidated financial statements under section 237 of the Companies Ordinance 1984. Accordingly, the Company has not prepared the consolidated financial statements for the year ended June 30, 2010 in respect of its investment in the aforementioned wholly owned subsidiary.

6.3 Term Finance Certificates (TFCs) of listed companies

	Number of certificates	Nominal value of each certificate Rs	Final maturity date	Implicit mark-up %	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Jahangir Siddiqui & Co. Ltd.	10,000	5,000	December 21, 2009	8.29	-	24,960
	10,000	5,000	November 21, 2011	KIBOR+ 2.5	49,930	49,950
Bank Al-Falah Limited	20,000	5,000	December 01, 2017	KIBOR+ 2.5	99,980	-
					149,910	74,910
Current maturity of TFCs					(25,010)	(24,980)
					124,900	49,930

	Final maturity date	Implicit mark-up %	June 30, 2010	June 30, 2009
			Rs '000	
6.4 Pakistan Investment Bonds (PIBs) *				
Issued on:				
May 19, 2006	May 19, 2011	9.54	199,603	199,191
August 22, 2007	August 22, 2012	10.15	49,195	48,877
August 22, 2007	August 22, 2012	10.23	98,240	97,544
August 22, 2007	August 22, 2012	10.30	98,108	97,361
August 22, 2007	August 22, 2012	10.81	97,187	96,076
August 22, 2007	August 22, 2012	10.86	97,096	95,951
May 19, 2006	May 19, 2016	10.90	47,217	46,896
August 22, 2007	August 22, 2012	10.90	97,008	95,827
August 22, 2007	August 22, 2012	10.95	96,916	95,701
August 22, 2007	August 22, 2012	11.00	48,413	47,788
May 19, 2006	May 19, 2016	11.14	93,455	92,707
August 22, 2007	August 22, 2017	11.43	91,217	90,455
August 22, 2007	August 22, 2017	11.49	90,971	90,189
August 22, 2007	August 22, 2017	11.54	90,748	89,949
August 22, 2007	August 22, 2017	11.59	90,528	89,711
August 22, 2007	August 22, 2017	11.64	90,305	89,471
August 22, 2007	August 22, 2017	11.88	44,623	44,165
August 22, 2007	August 22, 2012	16.08	44,058	41,889
			1,564,888	1,549,748
Current maturity of PIBs			(199,603)	-
			1,365,285	1,549,748

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

7. LONG-TERM DEPOSIT

The Company, as per the Production Sharing Agreement (PSA) signed with the Republic of Yemen for carrying out exploration in Block-29, was required to submit an irrevocable letter of credit, issued by a local bank of Yemen, to the Ministry of Oil and Gas, Yemen, for its share of Minimum Expenditure Obligation amounting to US$ 7.5 million for the first exploration period of 4 years.

Accordingly, the Company arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US$ 7.5 million through United Bank Limited against 100% cash margin and lien on deposit of Rs 630 million (2009: Rs 615 million).

8. LONG-TERM RECEIVABLES

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Long-term receivables from Government Holdings Private Limited (GHPL)	28,117	46,560
Less: Current maturity of long-term receivables	(19,615)	(19,029)
	8,502	27,531

8.1 Long-term receivables from GHPL represents share of carrying cost, borne by the Company, in respect of Chachar and Tal Fields, which is recoverable from GHPL in accordance with the terms set out under the relevant Petroleum Concession Agreements (PCAs).

Under the arrangement for acquisition of 75% working interest in Chachar Gas Field, the Company had paid an amount of Rs 10.203 million to M/s Tullow against the share of carrying cost amounting to Rs 17.004 million which is recoverable from GHPL. The income amounting to Rs 6.801 million, arising from aforesaid arrangement was classified as a deferred income. During the current year, amount of Rs 0.971 million has been transferred to profit and loss account and accordingly, the balance in the deferred income account is Rs 5.830 million.

9. LONG-TERM LOANS - STAFF

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Unsecured and considered good		
- Executive staff - note 9.2	8,416	9,142
- Other employees	4,420	5,491
	12,836	14,633
Current maturity of long-term loans- note 12		
- Executive staff	(2,626)	(2,816)
- Other employees	(981)	(1,920)
	(3,607)	(4,736)
	9,229	9,897

9.1 These represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are recoverable by the Company in accordance with the Company's rules over a maximum period of ten years. The loans carry interest rate ranging from 1% to 10% (2009: 1% to 10%) per annum.

9.2 Reconciliation of the carrying amount of long-term loans to executive staff:

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Balance as on July 01	9,142	7,628
Disbursements	2,736	3,590
Repayments / adjustments	(3,462)	(2,076)
Balance as on June 30	8,416	9,142

9.3 The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 8.990 million (2009: Rs 9.891 million).

10. STORES AND SPARES

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Stores and spares	2,098,913	1,885,905
Stores and spares in transit	53,414	57,779
	2,152,327	1,943,684
Provision for obsolete / slow moving stores	(82,919)	(72,040)
	2,069,408	1,871,644

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
10.1 Reconciliation of provision for obsolete / slow moving stores:		
Balance as on July 01	72,040	76,775
Charge / (reversal) for the year	10,879	(4,735)
Balance as on June 30	82,919	72,040

11. TRADE DEBTS

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Unsecured and considered good		
Related parties		
Water and Power Development Authority (WAPDA)	7,235,291	3,488,054
Sui Northern Gas Pipelines Limited (SNGPL)	13,657,728	13,595,536
Sui Southern Gas Company Limited (SSGCL)	7,617,534	8,756,616
Pakistan Refinery Limited (PRL)	50,962	19,173
	28,561,515	25,859,379
Others		
Attock Refinery Limited (ARL)	1,522,549	1,804,364
Byco Petroleum Pakistan Limited	511,089	-
Others	216,036	116,121
	2,249,674	1,920,485
	30,811,189	27,779,864

11.1 The ageing of trade debts at June 30 is as follows:

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Neither past due nor impaired	12,997,012	12,130,219
Past due but not impaired		
- within 90 days	10,576,445	11,923,474
- 91 to 180 days	3,708,711	3,139,278
- over 180 days	3,529,021	586,893
	17,814,177	15,649,645
	30,811,189	27,779,864

11.2 Trade debts include overdue amount of Rs 17,342 million (June 30, 2009: Rs 14,757 million) receivable from the State controlled utility companies (i.e. WAPDA, SSGCL, SNGPL and Pakistan Refinery Limited (PRL)). Based on the measures being undertaken by the Government to resolve the Inter Corporate Circular Debt issue, the Company considers this amount to be fully recoverable and therefore, no provision for doubtful debts has been created in these financial statements.

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
12. LOANS AND ADVANCES		
Unsecured and considered good		
Loans and advances to staff - note 12.1	12,605	6,797
Advances to suppliers and others	38,187	36,849
Advance payment of cash calls to Joint Ventures - note 24.2	95,697	366,378
Current maturity of long-term loans - staff - note 9	3,607	4,736
	150,096	414,760
12.1 Loans and advances to staff		
- Executive staff	196	17
- Other employees	12,409	6,780
	12,605	6,797
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	31,758	31,691
Prepayments	142,969	154,779
Current accounts with Joint Ventures - note 24.2	150,044	133,497
	324,771	319,967
14. ACCRUED FINANCIAL INCOME		
Profit receivable on		
- bank deposits	30,415	57,080
- long-term investments	48,747	47,694
- term deposits with banks	101,046	191,786
- long-term deposit	4,060	11,443
	184,268	308,003
15. OTHER RECEIVABLES		
Receivable from SNGPL for Sui field services	5,359	1,265
Receivable from SSGCL for Sui field services	1,434	390
Receivable from Workers' Profit Participation Fund	-	77,836
Other receivables	96,130	19,856
	102,923	99,347

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2010

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
16. SHORT-TERM INVESTMENTS		
Held-to-maturity		
Term deposits with banks		
Local currency - note 16.1	11,836,000	10,231,000
Foreign currency - note 16.2	3,349,695	2,736,800
	15,185,695	12,967,800
Investment in Treasury Bills - note 16.3	10,626,466	-
Investment in Musharika Certificates		
Standard Chartered Modarba	-	50,000
At fair value through profit or loss - note 16.4		
AMZ Plus Income Fund	56,198	100,903
Dawood Money Market Fund	-	98,003
Crosby Phoenix Fund	19,581	-
UBL Liquidity Plus Fund	415,744	-
MCB Cash Management Optimizer Fund	570,550	-
Meezan Cash Fund	102,595	-
NAFA Government Securities Liquid Fund	216,828	-
NIT Government Bond Fund	102,183	-
	1,483,679	198,906
	27,295,840	13,216,706

16.1 The local currency term deposits have a maximum maturity period of six months, carrying profit ranging from 10.85% to 12.75% (2009: from 9.80% to 19.95%) per annum.

16.2 The foreign currency term deposits have a maximum maturity period of six months, carrying profit ranging from 1.20% to 3.00% (2009: from 2.00% to 9.75%) per annum.

16.3 Treasury bills have a maximum maturity period of six months, carrying profit ranging from 11.64% to 12.45% (2009: nil) per annum.

16.4 Fair value of these investments is determined using their respective redemption / repurchase price.

17. CASH AND BANK BALANCES

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
At banks		
- Saving accounts		
Local currency - note 17.1	1,699,061	1,139,572
Foreign currency - note 17.2	20,689	135,476
	1,719,750	1,275,048
- Current accounts (local currency)	113,826	98,532
Cash and cheques in hand	40,817	10,773
	1,874,393	1,384,353

17.1 These carry profit at the rate ranging from 5% to 12% (2009: from 5% to 14%) per annum.

17.2 These carry profit at the rate ranging from 0.10% to 0.25% (2009: from 0.10% to 0.50%) per annum.

	June 30, 2010 Rs '000	June 30, 2009 Rs '000

18. SHARE CAPITAL

Authorised		
1,500,000,000 (2009: 1,000,000,000) ordinary shares of Rs 10 each	15,000,000	10,000,000
26,510 (2009: 26,510) convertible preference shares of Rs 10 each	265	265
	15,000,265	10,000,265
Issued		
996,005,505 (2009: 830,035,970) ordinary shares of Rs 10 each - note 18.1	9,960,055	8,300,360
13,850 (2009: 14,100) convertible preference shares of Rs 10 each - note 18.2	138	141
	9,960,193	8,300,501
Subscribed and paid-up		
683,073,793 (2009: 683,073,543) ordinary shares of Rs 10 each for cash - note 18.1	6,830,738	6,830,735
309,992,165 (2009: 144,022,880) ordinary shares of Rs 10 each issued as bonus shares - note 18.3		
- Opening balance	1,440,230	685,824
- Issued during the year	1,659,692	754,406
- Closing balance	3,099,922	1,440,230
2,750,000 (2009: 2,750,000) ordinary shares of Rs 10 each for consideration other than cash under an Agreement for Sale of assets dated March 27, 1952 with Burmah Oil Company Limited	27,500	27,500
	9,958,160	8,298,465
13,850 (2009: 14,100) convertible preference shares of Rs 10 each for cash - note 18.2	138	141
	9,958,298	8,298,606

18.1 Issued, subscribed and paid-up capital

During June 2002, a rights issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders, irrespective of the class. Out of the above, 189,547 (2009: 189,547) shares remained unsubscribed.

In July 2004, the Government of Pakistan (GoP) disinvested its shareholding, equivalent to 15% of the paid-up share capital (i.e. 102,875,500 ordinary shares) of the Company through an Initial Public Offering.

The Government of Pakistan introduced BESOS on August 14, 2009. Under the arrangement, 12% shares (78,070,120 shares) from Government's holding were transferred to PPL Employees Empowerment Trust established on September 14, 2009 under a Trust Deed. Under the scheme, shares were given to the permanent employees on PPL's payroll as on August 14, 2009, through unit certificates. The employees are entitled to 50% dividends and the remaining 50% dividends are transferred to the Central Revolving Fund of the Privatisation Commission (PC). However, on fulfillment of vesting conditions, the employees will be entitled to payments from the Fund, equal to average quoted value of shares of immediately preceding month at Karachi Stock Exchange and the shares will be transferred back to the President of the Islamic Republic of Pakistan upon receipt of the return value from the PC. In this connection reference should also be made to note 2.5 to the financial statement.

Currently, the GoP holds 69.77% (2009: 78.40%) of the paid-up ordinary share capital.

18.2 Convertible preference shares

In accordance with article 3(iv) of the Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Company Secretary by the holders of such convertible preference shares to that effect. During the year one (2009: seven) shareholder(s) holding 250 (2009: 340) convertible preference shares exercised their option to convert those shares into ordinary shares.

The convertible preference shares have right to a dividend ranking pari passu with the level of dividend payable to the holders of ordinary shares subject, however, to a maximum rate of thirty percent per annum of the value of the total number of such convertible preference shares held. The convertible preference shares issued by the Company do not carry any fixed return and are convertible into ordinary shares. The Company is of the view that their characteristics are that of an equity instrument rather than a liability instrument and accordingly, these are treated to be as such.

18.3 During the year the Company issued 20% bonus shares (165,969,285 shares) to the ordinary share holders (i.e. two ordinary shares for every ten ordinary shares held).

19. RESERVES

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Capital reserve - note 19.1	1,428	1,428
Revenue reserves		
General and contingency reserve - note 19.2	69,761	69,761
Insurance reserve - note 19.3	8,521,894	4,500,000
Assets acquisition reserve - note 19.4	15,000,000	10,000,000
Unappropriated profit	46,354,850	40,188,762
	69,946,505	54,758,523
	69,947,933	54,759,951

19.1 Capital reserve

The amount of Rs 1.428 million represents consideration for the surrender of the right of the Mari North Mining Lease. In accordance with the transfer agreement with the GoP, the foregoing consideration has to be carried forward as capital reserve and cannot be distributed.

19.2 General and contingency reserve

The balance in general and contingency reserve account is constant since December 31, 1981. The reserve was built through appropriation from the available profit after taxation on a yearly basis to cater for unforeseen requirements. As at December 31, 1981, the balance available in the profit and loss account after appropriation of dividend for the year was transferred to the general and contingency reserve upon the coming into effect of the Sui Gas Well-head Price Agreement, 1982 (1982 GPA) which required inclusion of this reserve as a part of the shareholders' funds for qualifying for return under the 1982 GPA (now dismantled). Since then, this balance has remained constant.

19.3 Insurance reserve

Due to difficulty in obtaining insurance policy for terrorism, sabotage and civil commotion at reasonable premiums and deductibles, the Company has built-up an insurance reserve for self insurance cover against these risks and plans to build up this reserve in future years.

However, during the year the Company has arranged terrorism cover from the international market upto the limit of liability of US$ 100 million (Rs 8,540 million) for single occurrence as well as annual aggregate. Due to the limited cover available, the Company will continue to build-up this reserve.

During the current year, the Company has transferred cost relating to fire incident at well-38 of Sui Gas Field amounting to Rs 1,478.106 million from the insurance reserve to unappropriated profit.

The Board of Directors at their meeting held on August 06, 2010 has approved to transfer Rs 5,500 million (2009: Rs 5,500 million) from unappropriated profit to the insurance reserve.

19.4 Assets acquisition reserve

In view of the declining hydrocarbon reserves profile of the Company, it is intended to acquire sizeable producing reserves for which a separate assets acquisition reserve has been established and the Company plans to build up this reserve in future years.

The Board of Directors at their meeting held on August 06, 2010 has approved to transfer Rs 5,000 million (2009: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
20. PROVISION FOR DECOMMISSIONING OBLIGATION		
Balance brought forward	3,974,307	2,813,374
Provision / adjustment during the year - note 4.1	1,534,132	1,087,249
Unwinding of discount - note 30	96,787	73,684
	5,605,226	3,974,307

The provision for decommissioning obligation includes Rs 1,500.783 million (2009: Rs 1,064.518 million), representing the Company's share of the expected decommissioning cost of partner operated fields. The provision for decommissioning cost in respect of the Company's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partner operated fields is based on estimates provided by the respective operators. The provision has been discounted using a real discount rate of 2.60% per annum (2009: 2.60% per annum).

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Present value of minimum lease payments	1,298,609	146,051
Current maturity shown under current liabilities	(1,210,728)	(45,946)
	87,881	100,105

21.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies / contractor for vehicles and plant and machinery. The periodic lease payments include rates of mark-up ranging from 6.13% to 21.86% (2009: 7.50% to 21.83%) per annum. The Company has the option to purchase the assets upon expiry of the respective lease terms. There are no financial restrictions in the lease agreements.

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	Minimum lease payments		Financial charges		Present value of minimum lease payments	
	Rs '000					
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Year to June 30,						
2010	-	61,670	-	15,725	-	45,945
2011	1,260,967	54,211	50,239	14,808	1,210,728	39,403
2012	47,525	37,074	12,771	8,621	34,754	28,453
2013	35,323	25,604	7,371	4,330	27,952	21,274
2014	20,964	12,473	3,529	1,497	17,435	10,976
2015	8,552	-	812	-	7,740	-
Total	1,373,331	191,032	74,722	44,981	1,298,609	146,051

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
22. DEFERRED LIABILITIES		
Post retirement medical benefits - note 28.2.1	763,266	676,024
Leave preparatory to retirement - note 28.3	371,763	314,661
	1,135,029	990,685
23. DEFERRED TAXATION		
Credit / (debit) balances arising on account of:		
Exploration expenditure	(3,174,704)	(2,798,785)
Amortisation of intangible assets	(551)	(857)
Provision for staff retirement and other benefits	(397,260)	(346,740)
Provision for obsolete / slow moving stores	(29,022)	(25,214)
Provision for Workers' Welfare Fund	(1,437,278)	(1,118,655)
Provision for decommissioning obligation	(416,654)	-
Accelerated tax depreciation allowances	3,202,600	1,582,277
Prospecting and development expenditure	3,476,083	2,841,601
Others	(4,280)	4,936
	1,218,934	138,563
24. TRADE AND OTHER PAYABLES		
Creditors	101,377	748,452
Accrued liabilities	1,473,501	1,809,783
Advances from customers	169,651	39,904
Retention money	435,763	323,948
Unpaid and unclaimed dividends	98,452	86,916
Gas development surcharge	5,639,880	1,205,572
Federal excise duty	103,672	103,768
Sales tax (net)	795,210	822,024
Royalties	4,307,661	4,720,213
Surplus due to the President - note 24.1	72,539	72,539
Current accounts with Joint Venture Partners - note 24.2 and 39.1	1,615,772	857,780
Workers' profits participation fund - note 24.3	3,228	-
Workers' welfare fund - note 25.1.4	3,362,964	2,658,307
Others	30,809	25,228
	18,210,479	13,474,434

24.1 According to Article 3.4 of the 1982 GPA (now dismantled), the surplus or deficit arising as a result of gas price calculation was required to be settled in cash between the Company and the President (i.e. GoP) within forty five days of the receipt of the auditors' initialed accounts for that year provided, however, that in the event of a surplus payable to the President, any tax paid in excess of the current taxation as disclosed by that year's audited accounts was to be paid to the President on recovery from the tax authorities upon finalisation of the Company's tax assessment for that year. Accordingly, these amounts of 'surplus' will be paid to the President upon finalisation of the relevant income tax assessments.

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2010

24.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2010 and 2009 have been stated net of the respective current assets and current liabilities, as providing details for each respective joint venture separately would be very exhaustive especially in view of the materiality of that information in the overall context of these financial statements.

24.3 Workers' profits participation fund (WPPF)

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Balance as on July 01	-	8,390
Allocation for the year - note 31	1,851,228	2,247,164
Interest on funds utilised in the Company's business - note 30	135	708
	1,851,363	2,256,262
Amount paid during the year		
- for current year	(1,848,135)	(2,325,708)
- for prior year	-	(8,390)
	(1,848,135)	(2,334,098)
	3,228	(77,836)
Receivable from WPPF classified under other receivables - note 15	-	77,836
Balance as on June 30	3,228	-

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 Indemnity bonds and corporate guarantees

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years.	146,985	282,387
Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities.	129,500	129,569

25.1.2 Pursuant to the directives of the Price Determining Authority, Ministry of Petroleum & Natural Resources, the Company is not taking credit for interest income receivable from WAPDA and no provision is being made for the interest payable to GoP on late payment of gas development surcharge.

25.1.3 The Company had filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the Large Taxpayers Unit (LTU), which required the Company to pay sales tax on LPG sales made from Adhi during the period from August, 1999 to April, 2004. However, in order to avail benefits under the amnesty scheme notified through S.R.O. 247(I)/2004 dated May 5, 2004, the Company paid and charged to profit and loss account for the year ended June 30, 2004 sales tax and additional tax amounting to Rs 77.548 million and Rs 12.426 million, respectively, on sales of LPG made during the period from August, 1999 to April, 2004. The ATIR subsequently decided the appeal in favour of the Company and directed the LTU to refund the aforesaid amount subject to verification that the customers of LPG had fully paid the amount of sales tax. Accordingly, the LTU has partially verified the payment of sales tax and has refunded an amount of Rs 8.499 million (2009: Rs 23.858 million) during the current year, which has been included in other operating income. The Company had also filed an appeal in the Sindh High Court (SHC). Pursuant to an amendment in the law, the case was transferred to the ATIR on the advice of SHC, which in its order dated February 23, 2010 declared the original show cause notice as "illegal and ab-initio void and not sustainable in the eyes of law". Accordingly, the Company is pursuing for refund of balance amount of Rs 57.617 million.

25.1.4 The Workers' Welfare Fund Ordinance (WWFO), 1971 is applicable on all the industrial establishments except for those establishments which are owned by the Government of Pakistan (GoP). The management, based on advice of its lawyer, is confident that since majority of the shareholding of the Company is held by the GoP, therefore, WWFO does not apply to the Company. Accordingly, the Company has not made the payments to Workers' Welfare Fund (WWF), effective from July 01, 2002.

The Company had filed rectification application for refund of WWF paid for the years ended June 30, 1998 to June 30, 2002 on the above grounds, which were rejected by the income tax department. On the appeals filed by the Company against the tax department, the ATIR decided the issue against the Company. In view of the Order of the ATIR, the Company filed reference applications before the SHC. The SHC, vide its order dated December 19, 2008 had decided the reference applications in favour of the Company. To give effect to the SHC decision, ATIR vide order dated October 10, 2009 has directed the tax department to give effect to SHC order for the years 1998 to 2002. The taxation authorities have filed appeals before the Supreme Court of Pakistan (SCP) against the orders of the SHC.

The Taxation Officer had issued amended assessment orders for tax years 2003 to 2007. The Company had filed appeals before the Commissioner Inland Revenue (Appeals) {CIR(A)} against the orders of Taxation Officer and obtained stay against the demand of WWF from the SHC. The CIR(A) vide Order dated July 17, 2008 had decided the appeals for the tax years 2003 to 2006 in favour of the Company on technical grounds. However, on the merits of the case, CIR(A) had decided the appeals against the Company. Accordingly, the Company and the tax authorities had filed appeals before the ATIR against the order of the CIR(A). ATIR has decided the case in favour of the Company vide its order dated October 28, 2009, against which the Tax Department has filed an appeal before SHC.

In respect of tax year 2007, CIR(A) had upheld the decision of the Taxation Officer. The Company had filed appeal before the ATIR against the order of the CIR(A), which was decided against the Company. Accordingly, the Company had filed reference application before the SHC. The SHC vide its order dated February 03, 2009 had decided the appeal in favour of the Company. The Tax authorities have filed appeal before the SCP against the order of the SHC.

During the current year, the tax department has amended the assessment orders for the tax years 2008 and 2009, and has raised the WWF demands for Rs 1,293 million. The Company has filed appeals before the CIR (A) against the amended assessment orders, which are pending for hearing. The Company had also filed appeals for the stay of demand with the SHC, which has been granted upto SHC level.

The Company, as a matter of prudence, has been providing for WWF in the books of accounts. Accordingly, an amount of Rs 704.657 million (2009: Rs 856.106 million) has been provided. In case the matter is decided in favour of the Company, an amount of Rs 3,401.385 million will be credited in profit and loss account for that year.

25.1.5 The Company had revised the tax rates of certain producing fields in line with the provisions of PCAs and prevailing industry practices and filed its tax returns for the tax years 2006 to 2009 on the same basis. The Company had also revised its tax returns for the tax years 2003 to 2005 resulting in tax refundable amounting to Rs 383.146 million.

The tax authorities have issued Assessment Orders for tax years 2003 to 2009, thereby, disputing the calculation of depletion allowance, allowability of provision for decommissioning cost and calculation of tax liability at lower tax rates of 50% for certain fields. The Company has filed appeals before the CIR(A) against the aforesaid orders which are pending for adjudication. The Company has obtained stay of demand from the SHC on lumpsum payment of Rs 1,118 million.

On the basis of the appeals filed with CIR(A) the Company has been claiming decommissioning cost against the taxable income, upto tax year 2009. However, the Finance Act 2010 has introduced an amendment in the Fifth Schedule to the Income Tax Ordinance, 2001, whereby, the decommissioning cost is an allowable expense from tax year 2010, over a period of 10 years or the remaining life of the field, whichever is less, starting from the year of commencement of commercial production. Accordingly, the Company has provided for the tax expense, relating to the decommissioning cost issue for the tax years 2003 to 2009, amounting to Rs 426 million during the current year.

The Company, based on the advice of its legal counsel, is confident that it has good grounds to defend the appeals on the issues of depletion allowance and tax rates. The Company, as a matter of prudence, continues to provide tax liability at the higher tax rates in the books of accounts, however, no provision has been created in respect of tax liability for depletion allowance aggregating to Rs 1,512 million. In case the appeals are decided in favour of the Company, an amount of Rs 1,527 million will be credited in the profit and loss account for that year. However, if the appeals are decided against the Company, an amount of Rs 1,512 million will be charged in the profit and loss account for that year.

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
25.2 Commitments		
25.2.1 Capital expenditure		
Owned assets	1,984,406	419,687
Share in joint ventures	6,199,149	8,372,258
Operating leases / Ijarah contracts	69,203	-
	8,252,758	8,791,945

Commitments for rentals under operating leases / Ijarah contracts in respect of vehicles are as follows:

	June 30, 2010 Rs '000
Year ending June 30,	
2011	19,286
2012	19,286
2013	13,785
2014	8,931
2015	7,915
	69,203

25.2.2 Exploration expenditure

The Company's share of net exploration activities in respect of Block 2966-1 (Nushki), Block 2766-1 (Khuzdar), Block 2568-13 (Hala), Block 2866-2 (Kalat), Block 2969-8 (Barkhan), Block 2971-5 (Bahawalpur East), Block 3270-7 (Zindan), Block 2467-12 (Jungshahi), Block 3170-6 (Dera Ismail Khan), Block 2468-12 (Kotri), Block 2568-21 (Kotri North), Block 3371-15 (Dhok Sultan), Block 2568-18 (Gambat South), Block 2763-3 (Kharan), Block 2764-4 (Kharan East), Block 2763-4 (Kharan West), Block 2468-10 (Sirani), Block 2667-11 (Zamzama South), Block 2668-9 (Naushahro Firoz), Block 3370-3 (Tal), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano-II), Block 3370-10 (Nashpa), Block 2669-3 (Latif), Block 2667-7 (Kirthar), Block 2366-4 (Offshore Indus 'M') , Block 2366-5 (Offshore Indus 'N'), Block 2366-7 (Offshore Indus 'C'), Block 3070-13 (Baska), Block 2568-20 (Sukhpur), Block-29 (Republic of Yemen), provision for new exploration areas and for international exploration phased for the year ending June 30, 2011 amounts to Rs 4,828 million (2010: Rs 1,799 million).

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
26. SALES - net (including internal consumption)		
Sales	77,210,544	77,798,368
Federal excise duty	(1,223,810)	(1,262,372)
Sales tax	(9,273,749)	(9,830,994)
Gas development surcharge	(6,751,369)	(5,124,930)
	(17,248,928)	(16,218,296)
	59,961,616	61,580,072
Product wise break-up of sales is as follows:		
Natural gas sales	65,312,167	69,805,448
Federal excise duty	(1,212,868)	(1,252,053)
Sales tax	(9,044,198)	(9,669,284)
Gas development surcharge	(6,751,369)	(5,124,930)
	(17,008,435)	(16,046,267)
	48,303,732	53,759,181
Gas supplied to Sui villages - note 27.5	134,526	148,090
Federal excise duty	(4,364)	(4,105)
Sales tax	(18,555)	(20,426)
	(22,919)	(24,531)
	111,607	123,559
Internal consumption of gas - note 26.1	144,486	166,381
Federal excise duty	(4,695)	(4,580)
Sales tax	(19,929)	(22,949)
	(24,624)	(27,529)
	119,862	138,852
Condensate sales	3,303,855	1,377,424
Sales tax	(361)	-
	3,303,494	1,377,424
NGL (condensate) sales	1,852,697	1,697,774
Crude oil sales	5,080,192	3,745,321
LPG sales	1,382,621	857,930
Federal excise duty	(1,883)	(1,634)
Sales tax	(190,706)	(118,335)
	(192,589)	(119,969)
	1,190,032	737,961
	59,961,616	61,580,072

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
26.1 Internal consumption of gas comprises of the following:		
Industrial and domestic use	100,332	113,951
Gas used for electricity generation at Sui	44,154	52,430
	144,486	166,381

26.2 The Company has not allowed any sales discount to the customers during the years ended June 30, 2010 and 2009.

27. FIELD EXPENDITURES

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Development and drilling - note 27.1	4,222,347	2,024,175
Exploration	3,966,500	3,249,394
Depreciation - note 4.1	1,649,461	1,262,391
Amortisation of intangible assets - note 5.1	65,038	56,388
Amortisation of decommissioning cost - note 4.1	391,703	209,859
Amortisation of prospecting and development expenditure - note 4.1	1,396,153	836,415
Salaries, wages, welfare and other benefits - note 27.2	3,868,609	3,117,151
Employees' medical benefits - note 27.3	239,721	220,051
Manpower development	37,058	22,177
Travelling and conveyance	411,047	345,420
Communication	29,906	23,414
Stores and spares consumed	879,829	748,188
Fuel and power	205,774	222,168
Rent, rates and taxes	62,797	57,125
Insurance	157,703	142,690
Repairs and maintenance	293,560	234,074
Professional services	31,631	40,943
Auditors' remuneration - note 27.4	3,801	3,308
Free supply of gas to Sui villages - note 27.5	134,526	148,090
Donations - note 27.6	68,327	92,539
Social welfare / community development	46,957	56,215
Other expenses	133,258	73,642
	18,295,706	13,185,817
Recoveries	(22,700)	(24,523)
	18,273,006	13,161,294

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27.1 This includes cost of Rs 1,478.106 million incurred in respect of fire incident at well-38 of Sui Gas Field.

27.2 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 89.585 million, Rs 328.658 million, Rs 153.391 million and Rs 90.374 million, respectively (2009: Rs 80.024 million, Rs 202.635 million, Rs 30.118 million and Rs 54.855 million, respectively).

27.3 This includes expenditure relating to post retirement medical benefits amounting to Rs 112.212 million (2009: Rs 110.318 million).

27.4 Auditors' remuneration is as under:

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Audit fee	1,800	1,500
Limited review, special certifications and various advisory services	1,828	1,596
Out of pocket expenses	173	212
	3,801	3,308

27.5 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 26.

27.6 Donations include the payments to following institutions in which the directors are interested:

Name of Director(s)	Nature of interest in Donee	Name and address of Donee	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Mrs. Roshan Khursheed Bharucha	Chairperson	SOS Children's Village of Balochistan.	2,000	12,803
Mrs. Roshan Khursheed Bharucha	Chairperson	Hunnar, Small Industries Estate, Sirki Road, Quetta.	-	5,000
Mr. Khalid Rahman	Member council	ICAP, Clifton, Karachi.	500	-
Mr. Khalid Rahman	Member, Board of Governors	Lahore University of Management Sciences LUMS Sector U, DHA, Lahore Cantt.	-	8,700
			2,500	26,503

28. STAFF RETIREMENT BENEFITS

28.1 Funded post retirement pension and gratuity schemes

As mentioned in note 2.16 to the financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

28.1.1 Fair value of plan assets and the present value of obligations

The fair value of plan assets and the present value of defined benefit obligations of the pension and gratuity schemes at the valuation dates are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2010					June 30, 2009
	Rs '000					
Present value of defined benefit obligations - note 28.1.5	2,801,785	396,220	737,566	380,427	4,315,998	4,173,197
Fair value of plan assets- note 28.1.4	(1,884,135)	(375,035)	(658,693)	(320,013)	(3,237,876)	(3,132,376)
Deficit	917,650	21,185	78,873	60,414	1,078,122	1,040,821
Unrecognised actuarial loss	(917,650)	(19,469)	(78,873)	(60,414)	(1,076,406)	(1,040,821)
Unrecognised past service cost	-	(1,716)	-	-	(1,716)	-
Asset / liability recognised in the balance sheet	-	-	-	-	-	-

28.1.2 Movement in amounts receivable from defined benefit plans

Movement in amounts receivable from staff retirement benefit funds during the year are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2010					June 30, 2009
	Rs '000					
Balances as on July 01	-	-	-	-	-	-
Charge for the year - note 28.1.3	269,930	121,866	58,728	31,525	482,049	232,753
Payments during the year	(269,930)	(121,866)	(58,728)	(31,525)	(482,049)	(232,753)
Balances as on June 30	-	-	-	-	-	-

28.1.3 Amounts recognised in the profit and loss account

Amounts charged to the profit and loss account during the year in respect of pension and gratuity schemes are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2010					June 30, 2009
	Rs '000					
Current service cost	152,876	24,308	31,097	14,462	222,743	168,871
Interest cost	284,036	42,357	99,974	41,095	467,462	392,893
Expected return on plan assets	(210,140)	(34,805)	(80,409)	(29,862)	(355,216)	(344,555)
Recognition of actuarial loss	43,158	-	8,066	5,830	57,054	15,544
Amortisation of unrecognised past service cost	-	858	-	-	858	-
Recognition of past service cost	-	89,148	-	-	89,148	-
	269,930	121,866	58,728	31,525	482,049	232,753
Actual return on plan assets	(201,316)	(33,917)	(72,686)	(31,564)	(339,483)	(352,549)

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28.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2010					June 30, 2009
	Rs '000					
Fair value of plan assets at beginning of the year	1,825,403	272,354	748,917	285,702	3,132,376	2,876,956
Expected return on plan assets	210,140	34,805	80,409	29,862	355,216	344,555
Contributions by the Company	269,930	121,866	58,728	31,525	482,049	232,753
Benefits paid	(414,779)	(52,585)	(201,321)	(17,053)	(685,738)	(329,665)
Actuarial (loss) / gain	(6,559)	(1,405)	(28,040)	(10,023)	(46,027)	7,777
Fair value of plan assets at end of the year	1,884,135	375,035	658,693	320,013	3,237,876	3,132,376

28.1.5 Changes in present value of pension and gratuity obligations

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2010					June 30, 2009
	Rs '000					
Present value of obligations at beginning of the year	2,555,714	298,069	930,713	388,701	4,173,197	3,310,769
Current service cost	152,876	24,308	31,097	14,462	222,743	168,871
Interest cost	284,036	42,357	99,974	41,095	467,462	392,893
Benefits paid	(414,779)	(52,585)	(201,321)	(17,053)	(685,738)	(329,665)
Actuarial loss / (gain)	223,938	(7,651)	(122,897)	(46,778)	46,612	630,329
Past service cost	-	91,722	-	-	91,722	-
Present value of obligations at end of the year	2,801,785	396,220	737,566	380,427	4,315,998	4,173,197

28.1.6 Break up of plan assets

The major categories of plan assets as a percentage of total plan assets of pension and gratuity schemes are as follows:

	Rate of return	Executives		Non-Executives		Executives		Non-Executives	
		Rs `000	%	Rs `000	%	Rs `000	%	Rs `000	%
	%	June 30, 2010				June 30, 2009			
Pension Fund									
Government securities	6.22-14.47	1,717,437	91	589,408	89	828,535	46	328,298	44
Shares		9,432	-	1,441	-	5,235	-	800	-
TFCs	8.45-13.14	104,462	6	38,532	6	114,240	6	44,973	6
Cash and bank balances	5.00-9.00	52,804	3	29,312	5	877,393	48	374,846	50
Total		1,884,135	100	658,693	100	1,825,403	100	748,917	100
Gratuity Fund									
Government securities	6.22-14.47	337,642	90	288,269	90	202,763	75	208,620	73
Shares		1,441	-	2,102	1	800	-	1,166	-
TFCs	8.45-13.14	25,598	7	20,718	6	26,614	10	27,203	10
Cash and bank balances	5.00-9.00	10,354	3	8,924	3	42,177	15	48,713	17
Total		375,035	100	320,013	100	272,354	100	285,702	100

28.1.7 Comparison of present value of obligations, fair value of plan assets and surplus / deficit on pension and gratuity schemes for five years

	2010	2009	2008	2007	2006
	Rs `000				
Executive Pension Fund					
Present value of defined benefit obligations	2,801,785	2,555,714	2,065,129	1,746,009	1,514,528
Fair value of plan assets	(1,884,135)	(1,825,403)	(1,687,631)	(1,498,380)	(1,338,899)
Deficit	917,650	730,311	377,498	247,629	175,629
Loss on experience adjustments on obligations	(223,938)	(328,034)	(170,637)	(132,422)	(171,124)
(Loss) / gain on experience adjustments on plan assets	(6,559)	(40,323)	34,129	58,224	54,458
Executive Gratuity Fund					
Present value of defined benefit obligations	396,220	298,069	273,058	259,266	248,535
Fair value of plan assets	(375,035)	(272,354)	(274,497)	(257,721)	(241,185)
Deficit / (surplus)	21,185	25,715	(1,439)	1,545	7,350
Gain / (loss) on experience adjustments on obligations	7,651	(20,880)	(4,154)	(2,292)	(10,982)
(Loss) / gain on experience adjustments on plan assets	(1,405)	(6,274)	7,138	7,548	6,242
Non-Executive Pension Fund					
Present value of defined benefit obligations	737,566	930,713	685,216	637,531	527,622
Fair value of plan assets	(658,693)	(748,917)	(655,468)	(590,078)	(520,074)
Deficit / (surplus)	78,873	181,796	29,748	47,453	7,548
Gain / (loss) on experience adjustments on obligations	122,897	(194,894)	(865)	(78,143)	(37,132)
(Loss) / gain on experience adjustments on plan assets	(28,040)	42,846	26,702	30,006	24,501
Non-Executive Gratuity Fund					
Present value of defined benefit obligations	380,427	388,701	287,366	288,507	229,309
Fair value of plan assets	(320,013)	(285,702)	(259,360)	(233,296)	(224,429)
Deficit	60,414	102,999	28,006	55,211	4,880
Gain / (loss) on experience adjustments on obligations	46,778	(86,521)	23,367	(54,691)	22,160
(Loss) / gain on experience adjustments on plan assets	(10,023)	11,528	1,442	4,360	3,651

28.2 Unfunded post retirement medical benefits

28.2.1 The Company provides free medical facilities to its executive and non-executive retired employees. The latest actuarial valuation of liability for post retirement medical benefits cost was carried out as at June 30, 2010, results of which are as follows:

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Present value of defined benefit obligations - note 28.2.4	843,535	753,865
Unrecognised actuarial loss	(80,269)	(77,841)
Liability recognised in the balance sheet - note 22	763,266	676,024
28.2.2 Movement in the liability recognised in the balance sheet is as follows:		
Balance as on July 01	676,024	586,941
Charge for the year - note 28.2.3	112,212	110,318
Payments during the year	(24,970)	(21,235)
Balance as on June 30	763,266	676,024
28.2.3 Amounts charged to the profit and loss account during the year for the above benefits are as follows:		
Current service cost	27,150	25,735
Interest cost	82,769	82,038
Recognition of actuarial loss	2,293	2,545
	112,212	110,318
28.2.4 Changes in present value of post retirement medical obligations:		
Opening balance	753,865	682,821
Current service cost	27,150	25,735
Interest cost	82,769	82,038
Benefits paid	(24,970)	(21,235)
Actuarial loss / (gain)	4,721	(15,494)
Closing balance	843,535	753,865

28.2.5 A one percent change in the medical cost trend rate would have following effect:

	1% increase Rs '000	1% decrease Rs '000
Present value of medical obligation	99,301	(130,571)
Current service cost and interest cost	17,686	(24,401)

28.3 Leave preparatory to retirement

Movement in liability recognised in the balance sheet is as follows:

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Balance as on July 01	314,661	272,838
Charge for the year	90,374	54,855
	405,035	327,693
Payments during the year	(33,272)	(13,032)
Balance as on June 30 - note 22	371,763	314,661

28.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

	Per annum	
	June 30, 2010	June 30, 2009
	%	%
- discount rate	12.75	11.00
- expected rate of return on plan assets	12.75	11.00
- expected rate of increase in salaries	12.75	11.00
- expected rate of increase in pension	7.75	6.00
- expected rate of escalation in medical cost	8.75	7.00

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
29. OTHER OPERATING INCOME		
Income on loans and bank deposits	272,910	210,958
Income on term deposits	1,396,815	2,681,110
Income on long-term held-to-maturity investments	189,195	194,494
Income from investment in treasury bills	490,928	-
Profit on musharika certificates	1,512	4,488
Gain on re-measurement / disposal of investments at fair value through profit or loss (net)	60,330	22,156
Rental income on assets	1,430	1,881
Profit on sale of property, plant and equipment (net)	50,904	36,044
Profit on sale of stores and spares (net)	-	38,707
Foreign exchange gain	40,343	547,694
Income from joint venture partners under farm-out agreement	-	123,916
Share of profit on LPG sales	39,645	186,987
Refund of sales tax paid under amnesty scheme - note 25.1.3	8,499	23,858
Reversal of provision for obsolete / slow moving stores	-	4,735
Others	26,326	3,588
	2,578,837	4,080,616

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	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
30. FINANCE COST		
Interest on WPPF - note 24.3	135	708
Financial charges for liabilities against assets subject to finance leases	57,910	19,236
Unwinding of discount on decommissioning obligation - note 20	96,787	73,684
	154,832	93,628
31. OTHER OPERATING EXPENSES		
Workers' profits participation fund - note 24.3	1,851,228	2,247,164
Workers' welfare fund		
- Current year	704,657	855,292
- Prior year	-	814
	704,657	856,106
Loss on sale of stores and spares (net)	1,191	-
Provision for obsolete / slow moving stores - note 10.1	10,879	-
	2,567,955	3,103,270

32. TAXATION

Provision for taxation for the years ended June 30, 2010 and 2009 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas falling under the purview of the Fifth Schedule to the Income Tax Ordinance, 2001 and for the non-agreement areas on the basis of tax rate of 35%.

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Current		
- for the year	9,727,779	14,082,203
- for prior years (net)	399,539	24,020
	10,127,318	14,106,223
Deferred		
- for the year	1,497,025	89,341
- for prior years	(416,654)	10,065
	1,080,371	99,406
	11,207,689	14,205,629
32.1 Relationship between accounting profit and taxation		
Accounting profit for the year before taxation	34,528,207	41,908,420
Tax at applicable rate of 45.22% (2009: 43.12%)	15,613,655	18,070,856
Tax effect of amounts that are not deductible for tax purposes	96,653	245,940
Tax effect of depletion allowance and royalty allowed for tax purposes	(4,485,504)	(4,145,252)
Net effect of deferred tax relating to prior years recognised in current year	(416,654)	10,065
Tax charge relating to prior years	399,539	24,020
	11,207,689	14,205,629

33. INTERESTS IN JOINT VENTURES

The joint venture areas in which the Company has working interest are as follows:

Name of joint venture	Operator	Percentage of the Company's working interest as at June 30, 2010
Producing fields		
Adhi	PPL	39.00
Mazarani	PPL	87.50
Hala EWT Phase	PPL	65.00
Kandhkot East (Chachar)	PPL	75.00
Qadirpur	OGDCL	7.00
Miano	OMV	15.16
Sawan	OMV	26.18
Hasan, Sadiq & Khanpur - D&P (Block-22)	PEL	35.53
Manzalai D&P (Tal Block)	MOL	27.76
Makori EWT Phase (Tal Block)	MOL	27.76
Mela EWT Phase (Nashpa Block)	OGDCL	26.05
Nashpa EWT Phase (Nashpa Block)	OGDCL	26.05
Tajjal EWT Phase (Gambat Block)	OMV	23.68
Latif EWT Phase (Latif Block)	OMV	33.30
Exploration and development blocks (within Pakistan)		
Block 2568 - 13 (Hala)	PPL	65.00
Block 2971 - 5 (Bahawalpur East)	PPL	49.00
Block 2966 - 1 (Nushki)	PPL	65.00
Block 2766 - 1 (Khuzdar)	PPL	65.00
Block 2866 - 2 (Kalat)	PPL	35.00
Block 2969 - 8 (Barkhan)	PPL	35.00
Block 2763 - 3 (Kharan)	PPL	100.00
Block 2764 - 4 (Kharan-East)	PPL	100.00
Block 2763 - 4 (Kharan-West)	PPL	100.00
Block 3371 - 15 (Dhok Sultan)	PPL	100.00
Block 2467 - 12 (Jungshahi)	PPL	100.00
Block 2568 - 18 (Gambat South)	PPL	100.00
Block 3170 - 6 (Dera Ismail Khan)	PPL	100.00
Block 2468 - 12 (Kotri)	PPL	100.00
Block 2568 - 21 (Kotri North)	PPL	100.00
Block 2468 - 10 (Sirani)	PPL	100.00
Block 2668 - 9 (Naushahro Firoz)	PPL	100.00
Block 2667 - 11 (Zamzama South)	PPL	100.00
Block 3270 - 7 (Zindan)	PPL	95.00
Block 2768 - 3 (Block-22)	PEL	45.00
Block 2668 - 4 (Gambat)	OMV	30.00
Block 2669 - 3 (Latif)	OMV	33.30
Block 3370 - 10 (Nashpa)	OGDCL	30.00
Block 2667 - 7 (Kirthar)	POGC	30.00
Block 3070 - 13 (Baska)	Zhen Hua	49.00
Block 2366 - 7 (Eastern offshore Indus 'C')	Eni	40.00
Block 2366 - 4 (Eastern offshore Indus 'M')	Eni	30.00
Block 2366 - 5 (Eastern offshore Indus 'N')	Eni	30.00
Block 3370 - 3 (Tal)	MOL	30.00
Block 2668 - 5 (South West Miano-II)	OMV	33.30
Block 2568 - 20 (Sukhpur)	Eni	30.00
Outside Pakistan		
Block - 29 (Yemen)	OMV	50.00

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments which are stated at amortised cost.

a) Market risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk management

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

Level 1: quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	(Rupees '000)			
Financial assets				
June 30, 2010				
Investments at fair value through profit or loss	1,483,679	1,483,679	-	-
	1,483,679	1,483,679	-	-
June 30, 2009				
Investments at fair value through profit or loss	198,906	198,906	-	-
	198,906	198,906	-	-

Foreign currency risk management

Financial assets include Rs 4,000.384 million (2009: Rs 3,487.276 million) and financial liabilities include Rs 1,439.426 million (2009: Rs 2,245.238 million) which were subject to foreign currency risk. The US dollar deposits also serve as a synthetic hedge against the Company's exposure to foreign currency risk resulting from outstanding payments for imports.

A one rupee change in the exchange rate of foreign currencies would have the following effect:

	One Rupee Increase Rs '000	One Rupee Decrease Rs '000
Foreign currency financial assets	39,466	(39,466)
Foreign currency financial liabilities	17,447	(17,447)

Commodity price risk management

The Company is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products which can adversely affect the profitability of the Company. However, the Company has limited exposure to the price risk, as the prices of the Company's major product i.e. natural gas are determined under various Gas Price Agreements signed with the GoP, wherein, the Company is only allowed notional increment in gas price if the international crude oil price is above US$ 36 per barrel. The Company is of the view that the price risk is within acceptable limits, therefore, the Company has not entered in any commodity derivative transactions.

b) Credit risk management

(i) Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts, investments in TFCs and mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Company monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Company has maintained lines and limits with banks for effective monitoring of credit risk.

The Company's major portion of sales is to WAPDA, SNGPL and SSGCL. However, it does not consider itself to be exposed to any substantial credit risk as these companies are state controlled entities.

(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Long term investments		
AAA	1,564,888	1,549,748
AA	149,910	74,910
	1,714,798	1,624,658
Musharika certificates		
AA	-	50,000
Trade debts		
Customers with no defaults in the past one year	356,786	42,506
Customers with some defaults in past one year which have been fully recovered	739,697	25,257
Customers with defaults in past one year which have not yet been recovered	11,900,529	12,062,456
	12,997,012	12,130,219
Investments at fair value through profit or loss		
AA	1,407,900	-
A	19,581	98,003
Not rated	56,198	100,903
	1,483,679	198,906
Cash at bank and short-term deposits		
AAA	12,506,310	1,276,764
AA	15,138,952	13,064,162
A	475	454
	27,645,737	14,341,380

c) Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns to shareholders and benefits to other stakeholders.

d) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

Year ended June 30, 2010	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rs in '000					
Liability against assets subject to finance lease	-	115,475	1,095,253	87,881	-	1,298,609
Trade and other payables	115,017	2,713,854	895,994	-	-	3,724,865
	115,017	2,829,329	1,991,247	87,881	-	5,023,474

Year ended June 30, 2009	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	Rs in '000					
Liability against assets subject to finance lease	-	18,107	27,838	100,106	-	146,051
Trade and other payables	138,649	2,194,660	635,790	-	-	2,969,099
	138,649	2,212,767	663,628	100,106	-	3,115,150

35. CASH AND CASH EQUIVALENTS

	June 30, 2010 Rs '000	June 30, 2009 Rs '000
Cash and bank balances - note 17	1,874,393	1,384,353
Short-term highly liquid investments - note 16	25,812,161	12,967,800
	27,686,554	14,352,153

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives	
	Year ended June 30, 2010	Year ended June 30, 2009	Year ended June 30, 2010	Year ended June 30, 2009
	Rs '000	Rs '000	Rs '000	Rs '000
Managerial remuneration	15,761	14,058	1,836,014	1,401,163
Housing, conveyance and utilities	-	223	13,081	9,299
Retirement benefits	4,490	2,947	471,769	245,139
Bonus	1,313	68	141,574	93,534
Medical and leave passage	103	331	107,165	269,892
	21,667	17,627	2,569,603	2,019,027
Number, including those who worked for part of the year	1	2	903	794

36.1 Certain executives including the Chief Executive of the Company are also provided with free use of Company's cars and club subscriptions in accordance with their entitlements.

36.2 Aggregate amount charged in these financial statements in respect of fees paid to eight directors was Rs 0.171 million (2009: Rs 0.036 million for eleven directors).

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2010

	Year ended June 30, 2010	Year ended June 30, 2009

37. EARNINGS PER SHARE

37.1 Basic earnings per share

	Year ended June 30, 2010	Year ended June 30, 2009
Profit after taxation (Rs '000)	23,320,518	27,702,791
Dividend on convertible preference shares (Rs '000)	(42)	(43)
Profit attributable to ordinary shareholders (Rs '000)	23,320,476	27,702,748
		(Restated)
Weighted average number of ordinary shares in issue	995,815,958	995,815,708
Basic earnings per share (Rs)	23.42	27.82

Profit after taxation has been adjusted for dividend to a maximum rate of thirty percent per annum of the value of the total number of convertible preference shares held.

37.2 Diluted earnings per share

	Year ended June 30, 2010	Year ended June 30, 2009
Profit after taxation (Rs '000)	23,320,518	27,702,791
Weighted average number of ordinary shares in issue	995,815,958	995,815,708
Adjustment for conversion of convertible preference shares	13,850	14,100
		(Restated)
Weighted average number of ordinary shares for diluted earnings per share	995,829,808	995,829,808
Diluted earnings per share (Rs)	23.42	27.82

37.3 During the year the Company has issued 20% bonus shares (i.e. two shares for every ten ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2009.

38. FINAL DIVIDEND

The Board of Directors in their meeting held on August 06, 2010 have recommended 20% bonus shares (199,163,193 shares) i.e. two shares for every ten ordinary shares held (2009: 20% bonus shares (165,969,285 shares) i.e. two shares for every ten ordinary shares held) and final cash dividend @ 50% amounting to Rs 4,979.080 million (2009: @ 30% amounting to Rs 2,489.539 million) on the existing paid-up value of the ordinary share capital for approval of the shareholders in the Annual General Meeting to be held on September 29, 2010.

39. TRANSACTIONS WITH RELATED PARTIES

39.1 Transactions with related parties are as follows:

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
Sales of gas / condensate to State controlled entities (including Government Levies):		
WAPDA	12,716,291	11,539,416
SSGCL	10,451,213	12,784,407
SNGPL	42,144,663	45,481,624
PRL	102,939	55,361
	65,415,106	69,860,808
Trade debts and other receivables from State controlled entities:	See note 11 & 15	
Transactions with Bolan Mining Enterprises:		
Purchase of goods	356	2,137
Reimbursement of employee cost on secondment	8,508	7,169
Receipt of profit	-	25,000
Transactions with Joint Ventures:		
Income from Joint Venture Partners under farm-out agreements	-	123,916
Payments of cash calls to Joint Ventures	11,059,975	12,432,462
Expenditures incurred by the Joint Ventures	12,086,333	12,843,589
Amounts receivable from / (payable to) Joint Venture Partners	See note 12, 13 & 24.2	
Income from rental of assets to Joint Ventures	1,430	1,881
Other related parties:		
Payment of dividend to GoP	4,496,840	6,505,844
Dividend paid to Trust under BESOS	519,947	-
Transactions with retirement benefit funds	See note 27.2 & 28	
Remuneration to key management personnel	See note 36	
Payment of rental to Pakistan Industrial Development Corporation	33,763	33,142
Payment to National Insurance Company Limited	294,269	281,408
Payment to Pakistan State Oil Company Limited	129,135	58,748

39.2 Gas sales are made to various State controlled utility organisations, at prices notified by the GoP. Transactions with Bolan Mining Enterprises for purchase of goods are conducted at prices determined by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller. Transactions with other parties are carried at fair value.

40. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Company are organised into one operating segment i.e. exploration, development and production of oil and gas. The company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements relate to the Company's only reportable segment.

The operating interests of the Company are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these financial statements relate to the Company's only reportable operating segment relating to Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to exploration, development and production of oil and gas.

	Year ended June 30, 2010 Rs '000	Year ended June 30, 2009 Rs '000
WAPDA	12,716,291	11,539,416
SSGCL	10,451,213	12,784,407
SNGPL	42,144,663	45,481,624
ARL	9,266,664	6,605,237
	74,578,831	76,410,684

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 06, 2010 by the Board of Directors of the Company.

42. GENERAL

42.1 Number of employees

Number of permanent employees as at June 30, 2010 was 2,735 (June 30, 2009: 2,667).

42.2 Capacity and production

Product	Unit	Installed Capacity (PPL's share)	Actual production for the year (PPL's share)
Natural gas	MMCF	Not relevant	356,682
Crude oil	BBL	Not relevant	949,735
NGL / Condensate	BBL	Not relevant	875,903
LPG	M. Ton	25,041	23,047

42.3 Corresponding figures

Corresponding figures have been reclassified for the purpose of better presentation and comparison. Changes made during the year are as follows:

Note	Reclassification from the caption component	Note	Reclassification to the caption component	Amount Rs '000
28	Field expenditure - Employees medical and welfare	27	Field expenditure - Manpower development	22,177
	- Employees medical and welfare		- Salaries, wages, welfare and other benefits	161,559
-	Cash Flow Statement - Redemption / (purchases) of long - term investments (net)	-	Cash Flow Statement - Long-term deposit	(615,000)

42.4 Figures have been rounded off to the nearest thousands unless otherwise stated.

Director

Chief Executive

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of The Pakistan Petroleum Provident Fund Trust Company (Private) Limited as at 30 June, 2010 together with the notes forming part thereto, 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 the 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 has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account; and

  (ii) no expenditure was incurred and no investments were made during the year;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes forming part thereto, conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2010; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants

Audit Engagement Partner:
Shariq Ali Zaidi

Karachi
August 6, 2010

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Balance Sheet as at June 30, 2010

	June 30, 2010 Rupees	June 30, 2009 Rupees
SHARE CAPITAL		
Authorised, issued and fully paid-up		
100 (2009: 100) Ordinary shares of Rs 10 each (note 3)	1,000	1,000
ASSET		
Current account with a bank	1,000	1,000

Notes:

1. The Pakistan Petroleum Provident Fund Trust Company (Private) Limited was incorporated in Pakistan as a private limited company on November 7, 1955. The Company is engaged in administrating the trusts formed for the benefits of the employees of Pakistan Petroleum Limited.

2. These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984. A profit and loss account has not been prepared as the Company had no revenue or cash transactions during the years ended June 30, 2010 and June 30, 2009. All administrative costs incurred are borne by the parent company - Pakistan Petroleum Limited.

3. Hundred percent equity of the Company is owned by its parent company- Pakistan Petroleum Limited.

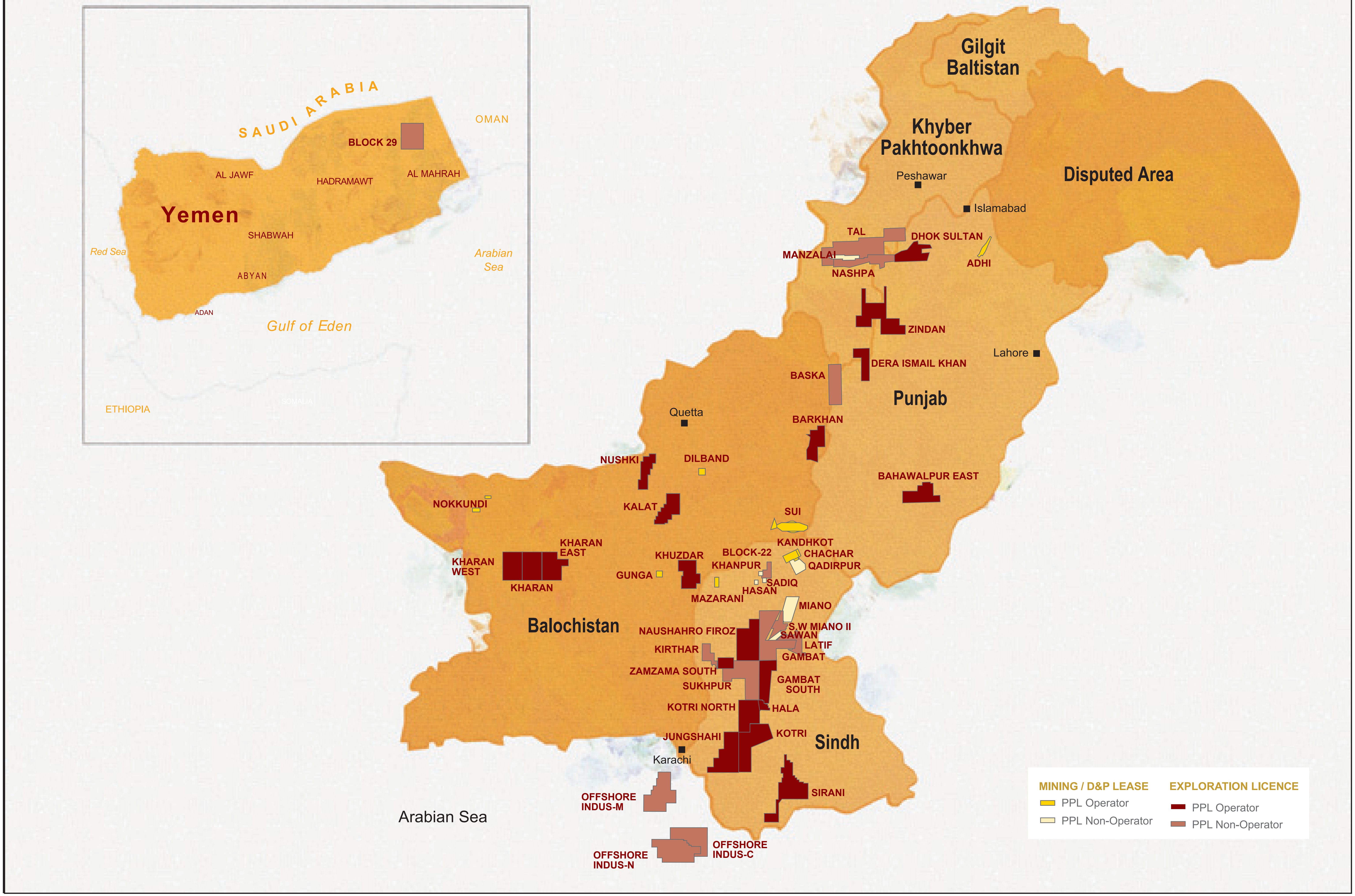
Director

Chief Executive

List of Producing Assets and Exploration Blocks

Producing Fields / Discoveries	PPL Working Interest (%)	Operator
Sui	100	PPL
Kandhkot	100	PPL
Adhi	39	PPL
Mazarani	87.50	PPL
Chachar	75	PPL
Hala	65	PPL
Qadirpur	7	OGDCL
Miano	15.16	OMV
Sawan	26.18	OMV
Block-22 (Hasan, Sadiq and Khanpur)	35.53	PEL
Tal Block (Manzalai, Makori and Mamikhel)	27.76	MOL
Nashpa	26.05	OGDCL
Latif	33.30	OMV
Gambat	23.68	OMV
Exploration Blocks		
Onshore		
Nushki	65	PPL
Hala	65	PPL
Khuzdar	65	PPL
Kalat	35	PPL
Barkhan	35	PPL
Bahawalpur East	49	PPL
Gambat South	100	PPL
Jungshahi	100	PPL
Kharan	100	PPL
Kharan East	100	PPL
Kharan West	100	PPL
Dhok Sultan	100	PPL
Kotri North	100	PPL
Kotri	100	PPL
Sirani	100	PPL
Dera Ismail Khan	100	PPL
Zindan	95	PPL
Naushahro Firoz	100	PPL
Zamzama South	100	PPL
Tal	30	MOL
Gambat	30	OMV
Nashpa	30	OGDCL
South West Miano-II	33.30	OMV
Latif	33.30	OMV
Block-22 (Hamza)	45	PEL
Kirthar	30	POGC
Baska	49	ZhenHua
Sukhpur	30	Eni
Offshore		
Indus C	40	Eni
Indus M	30	Eni
Indus N	30	Eni
International		
Block29 (Yemen)	50	OMV

Map of PPL's Held Interests



List of Abbreviations

Abbreviation	Description
AROL	Asia Resource Oil Limited
AVO	Amplitude Variation with Offset
BBL	Billion Barrels
BESOS	Benazir Employees Stock Option Scheme
BGP	BGP Inc.
BME	Bolan Mining Enterprises
BPD	Barrels per Day
CEO	Chief Executive Officer
CPF	Central Processing Facility
CSR	Corporate Social Responsibility
DFI	Development Financial Institution
DGPC	Director General Petroleum Concessions
DST	Drill Stem Test
D&PL	Development and Production Lease
EL	Exploration Licence
Eni	Eni Pakistan Limited
EPF	Early Production Facility
EPS	Earnings per Share
EWT	Extended Well Testing
E&P	Exploration and Production
FEED	Front End Engineering and Design
GHPL	Government Holdings (Pvt.) Limited
GIIP	Gas Initial In Place
GoP	Government of Pakistan
GPA	Gas Price Agreement
G&G	Geological & Geophysical
HEC	Higher Education Commission
HSE	Health, Safety and Environment
HSFO	High Sulfur Fuel Oil
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPC	Integrated Petroleum Consultants (Pvt.) Ltd.
ISO	International Organization for Standardization
IT	Information Technology
KIBOR	Karachi Inter Bank Offer Rate
KM	Kilometer
KUFPEC	Kuwait Foreign Petroleum Exploration Company
LPG	Liquefied Petroleum Gas
M	Meter
MDT	Modular Dynamic Tester
MGCL	Mari Gas Company Limited
MMSCFD	Million Standard Cubic Feet Per Day
MND	Moravske Naftov Doly
MOL	MOL Pakistan Oil and Gas BV
NBFI	Non-Banking Financial Institution
NGL	Natural Gas Liquids
OGDCL	Oil and Gas Development Company Limited
OHSAS	Occupational Health and Safety Assessment System
OMV	OMV (Pakistan) Exploration GmbH
PCP	Pakistan Centre for Philanthropy
PEII	Pyramid Energy International Incorporated
PEL	Petroleum Exploration (Pvt.) Limited
PGNiG	Polish Oil and Gas Company
PKP	Premier Kufpec Pakistan
POGC	Polish Oil & Gas Company
POL	Pakistan Oilfields Limited
PPL	Pakistan Petroleum Limited
PSDM	Pre-Stack Depth Migration
SAITA	Saita Pakistan Pte Ltd.
SAP	System Application Products in Data Processing
SML	Sui Main Limestone
SNGPL	Sui Northern Gas Pipelines Limited
SSGCL	Sui Southern Gas Company Limited
TD	Target Depth
TGS	Tight Gas Sand
TCF	Trillion Cubic Feet
WAPDA	Water and Power Development Authority
ZHENHUA	China ZhenHua Oil Co. Ltd.

Shareholders and Investors Information

Annual General Meeting

The annual shareholders' meeting will be held at 10:00 am on Wednesday, 29 September, 2010 at Pearl Continental Hotel, Karachi. Shareholders as of 21 September, 2010 are encouraged to participate and vote.

Shareholders' Enquiries

Enquiries about the shareholding, dividends or share certificates should be directed either to Company's registered office or share registrars at the following address:

FAMCO Associates (Pvt) Ltd
1st Floor State Life Building No. 1-A
I.I. Chundrigar Road
Karachi 74000

Telephone: (021) 32420755/ 32427012 / 32426597/ 32475606
Fax: (021) 32426752

Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the preceding year can be accessed at PPL's website www.ppl.com.pk or printed copies can be obtained by writing to the Company Secretary.

Annual Report

The Annual Report of the Company summarizes the Company's performance during the year and provides an outlook for the future.

The Annual report may be downloaded from the Company's website:

www.ppl.com.pk or

printed copies obtained by writing to:

The Company Secretary
Pakistan Petroleum Limited
P.I.D.C. House, Dr. Ziauddin Ahmed Road
P.O. Box 3942, Karachi- 75530,
Pakistan

Stock Exchange Listing

Pakistan Petroleum Limited's shares are traded on all the three Stock Exchanges of the country i.e. Karachi, Lahore and Islamabad. The symbol code for dealing in shares of Pakistan Petroleum Limited at KSE, LSE and ISE is 'PPL'.

Pattern of Shareholding
as at June 30, 2010

From		To	Number of Shareholders	Total Shares held
1	-	100	1,922	94,178
101	-	500	2,002	550,029
501	-	1000	12,154	8,811,561
1001	-	5000	2,237	4,636,938
5001	-	10000	339	2,438,493
10001	-	15000	107	1,344,661
15001	-	20000	66	1,185,629
20001	-	25000	34	753,022
25001	-	30000	28	797,869
30001	-	35000	26	844,841
35001	-	40000	21	808,206
40001	-	45000	20	855,408
45001	-	50000	13	625,903
50001	-	55000	15	792,449
55001	-	60000	13	758,383
60001	-	65000	9	564,840
65001	-	70000	6	409,493
70001	-	75000	6	441,500
75001	-	80000	8	619,987
80001	-	85000	6	495,094
85001	-	90000	9	785,371
90001	-	95000	3	277,876
95001	-	100000	6	594,900
100001	-	105000	2	208,080
105001	-	110000	1	106,000
115001	-	120000	3	357,656
120001	-	125000	3	368,771
125001	-	130000	3	382,740
130001	-	135000	1	134,860
135001	-	140000	6	831,712
140001	-	145000	2	285,624
145001	-	150000	4	596,931
150001	-	155000	5	761,926
160001	-	165000	1	162,175
165001	-	170000	3	497,500
170001	-	175000	2	343,600
175001	-	180000	4	715,743
180001	-	185000	3	551,518
185001	-	190000	1	188,880
190001	-	195000	1	194,692
195001	-	200000	1	195,316
200001	-	205000	1	201,960
205001	-	210000	2	416,184
225001	-	230000	1	230,000
230001	-	235000	1	233,421
235001	-	240000	4	949,969
240001	-	245000	2	485,277
245001	-	250000	4	990,938
250001	-	255000	1	251,160
255001	-	260000	1	256,320
260001	-	265000	1	263,285
275001	-	280000	2	554,810
280001	-	285000	1	283,800
290001	-	295000	1	293,045
295001	-	300000	3	900,000
305001	-	310000	1	308,000
310001	-	315000	2	620,281
325001	-	330000	2	660,000
340001	-	345000	1	340,201
345001	-	350000	2	697,737

From	To	Number of Shareholders	Total Shares held
350001	- 355000	1	350,644
360001	- 365000	1	364,452
365001	- 370000	1	369,056
375001	- 380000	1	377,100
395001	- 400000	1	397,398
400001	- 405000	1	400,625
415001	- 420000	1	416,436
425001	- 430000	1	427,200
435001	- 440000	1	436,300
445001	- 450000	3	1,347,100
450001	- 455000	1	450,627
495001	- 500000	1	499,488
510001	- 515000	1	510,019
540001	- 545000	1	540,541
555001	- 560000	1	559,964
595001	- 600000	1	600,000
600001	- 605000	1	601,182
660001	- 665000	1	660,690
665001	- 670000	1	666,786
680001	- 685000	1	683,742
695001	- 700000	1	699,192
700001	- 705000	1	701,522
705001	- 710000	1	707,983
715001	- 720000	1	718,528
740001	- 745000	1	745,000
780001	- 785000	1	782,564
785001	- 790000	1	785,983
795001	- 800000	2	1,597,889
835001	- 840000	1	835,613
870001	- 875000	1	871,040
880001	- 885000	1	885,000
890001	- 895000	1	893,755
915001	- 920000	1	918,000
920001	- 925000	1	923,000
945001	- 950000	1	949,500
955001	- 960000	1	958,060
1015001	- 1020000	1	1,018,105
1065001	- 1070000	1	1,068,630
1105001	- 1110000	1	1,105,364
1160001	- 1165000	1	1,161,037
1245001	- 1250000	1	1,247,489
1295001	- 1300000	1	1,296,961
1360001	- 1365000	1	1,361,129
1445001	- 1450000	1	1,445,708
2010001	- 2015000	1	2,014,555
2200001	- 2205000	1	2,200,287
2350001	- 2355000	1	2,354,001
2405001	- 2410000	1	2,409,214
2480001	- 2485000	1	2,480,612
2580001	- 2585000	1	2,581,839
3155001	- 3160000	1	3,155,756
3570001	- 3575000	1	3,574,194
14710001	- 14715000	1	14,710,608
15385001	- 15390000	1	15,385,769
18565001	- 18570000	1	18,569,884
66030001	- 66035000	1	66,034,872
85875001	- 85880000	1	85,877,132
694820001	- 694825000	1	694,824,090
		19,190	995,815,958

Pattern of Shareholding
as at June 30, 2010

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Ordinary			
Associated companies, undertakings and related parties	-	-	*
NIT and ICP	2	2,864,020	0.29
Directors, CEO and their spouse and minor children	2	15,122	*
Executives	80	107,563	0.01
Public Sector Companies and Corporations	11	32,816,087	3.30
Bank, Development Financial Institutions, Non-Banking Financial Institutions	26	5,224,088	0.53
Insurance Companies	27	5,122,679	0.52
Modarabas and Mutual Funds	80	41,146,902	4.13
Non-Resident Financial Institutions	55	89,157,981	8.95
Shareholders holding 10% or more			
Government of Pakistan	1	694,824,090	69.77
PPL Employees Empowerment Trust	1	85,877,132	8.62
General Public			
Local	18,407	30,708,554	3.08
Foreign	237	165,648	0.02
Joint Stock Companies	179	4,079,103	0.41
Others			
Employee Trust / Foundations etc.	79	3,701,125	0.37
Nazir of High Court	2	42	*
Administrator of Abandoned Properties	1	5,822	*
	19,190	995,815,958	100.00
Convertible Preference Shares			
Individuals	76	13,440	97.04
Joint Stock Companies	1	370	2.67
Nazir of High Court	1	40	0.29
	78	13,850	100.00

* Negligible

Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

Shareholders' Categories	Number of Shareholders	Number of Shares held
Associated Companies, undertakings and related parties	-	-
NIT and ICP		
National Bank of Pakistan,Trustee Deptt.	1	2,354,001
National Investment Trust Limited	1	510,019
Directors', CEO's and their spouses and minor children		
Mr. Khalid Rahman	1	14,396
Mrs. Rubina Naeem (spouse of Mr. M. Naeem Malik)	1	726
Executives	80	107,563
Public Sector Companies & Corporations	11	32,816,087
Banks, Development Financial Institutions, Non-Banking Financial Institutions	26	5,224,088
Insurance Companies	27	5,122,679
Modarbas and Mutual Funds	80	41,146,902
Shareholders holding 10% or more voting interest		
President of the Islamic Republic of Pakistan	1	694,824,090

Trade in shares of the Company by Directors, CEO, CFO, Company Secretary and their spouses and minor children Nil

Notice of Annual General Meeting

NOTICE is hereby given that the fifty ninth Annual General Meeting of the Company will be held at Pearl Continental Hotel, Karachi on Wednesday, 29 September, 2010, at 10:00 a.m. for transacting the following business:

Ordinary Business

1. To receive and consider the Report of Directors and the Audited Balance Sheet and Accounts of the Company, together with the Auditors' Report thereon, for the financial year ended 30 June, 2010.

2. To approve, as recommended by the Directors, payment of final dividend of fifty percent (50%) on the paid-up Ordinary Share Capital for the financial year ended 30 June, 2010 in addition to an interim dividend of forty percent (40%) on the Ordinary Share Capital and thirty percent (30%) on the paid-up Convertible Preference Share Capital which was paid to shareholders in March, 2010.

3. To elect ten (10) Directors of the Company for a period of three years commencing from the date of elections in accordance with the provisions of Sections 178 and 180 of the Companies Ordinance, 1984.

a) The number of directors to be elected has been fixed by the Board at ten (10) under Section 178(1) of the Companies Ordinance, 1984.

b) The names of the retiring directors are as follows:-

   (i) Mr. Hidayatullah Pirzada
   (ii) Mr. Khalid Rahman
   (iii) Mr. Sajid Zahid
   (iv) Mr. Irshad Ahmed Kaleemi
   (v) Mr. M. Naeem Malik
   (vi) Mr. Zain Magsi
   (vii) Mr. Saifullah Khan Paracha
   (viii) Mr. Saquib H. Shirazi

4. To appoint auditors for the year ending 30 June, 2011 and fix their remuneration.

Special Business

5. To approve, as recommended by the Directors, issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held by the Members (i.e. 20%).

6. To approve changes in the Company's Articles of Association

A Statement under Section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the shareholders along with this Notice.

By Order of the Board

M. MUBBASSHAR SIDDIQUI
Actg. Company Secretary

Registered Office:
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi

7 September, 2010

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the fifty ninth Annual General Meeting of the Company to be held on 29 September, 2010.

1. Issue of Bonus Shares to Members

The Directors in their meeting held on 6 August, 2010 have recommended issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held by the Members (i.e. 20%).

The following Resolution is proposed to be passed as Ordinary Resolution:

RESOLVED THAT:

(i) A sum of Rs 1,991,631,930 be capitalized out of the free reserves of the Company and applied towards issue of 199,163,193 Ordinary shares of Rs 10 each as bonus shares in the proportion of two (2) Ordinary shares for every ten (10) Ordinary shares held by the Members whose names appear on the Member Register at the close of the business on 20 September, 2010.

(ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final dividend declared for the year ended 30 June, 2010.

(iii) Members entitled to fraction shares as a result of their holding either being less than five (5) Ordinary shares or in excess of an exact multiple of five (5) Ordinary shares shall be given the sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.

(iv) The Company Secretary be and is hereby authorized to give effect to this resolution and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, distribution of the said bonus shares or payment of the sale proceeds of the fractions.

The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

2. Amendment in the Company's Articles of Association

Approval of the shareholders will be sought for amendment in Article 58 of the Company's Articles of Association to the effect that, in future, the Directors' compensation for attending Board/ Committee meetings and remuneration for performance of extra services shall be determined by the Board of Directors of the Company in accordance with section 191 of the Companies Ordinance, 1984.

The following Resolution is therefore proposed to be passed as Special Resolution:

"RESOLVED THAT Article 58 of the Articles of Association of the Company be and is hereby substituted as under:

Each Director, other than the Chief Executive and any full-time working Director of the Company, shall be entitled to receive such fee as remuneration for attending every meeting of the Directors or any committee of the Directors plus such additional amount covering all travelling, hotel and incidental expenses in relation to attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company, as decided from time to time by the Board of Directors of the Company. The remuneration of the Directors for performing extra services including the holding of the office of Chairman shall be determined by the Board of Directors of the Company."

NOTES:

1. The Share Transfer Books of the Company will remain closed from 21 September, 2010 to 29 September, 2010 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers received in order at the office of our Share Registrars M/s FAMCO Associates (Pvt) Ltd, 1st Floor, State Life Building No 1-A, I.I. Chundrigar Road, Karachi- 74000 by the close of the business on 20 September, 2010 will be in time for the purpose of payment of final dividend and issue of bonus shares to the transferees.

2. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him. Forms of Proxies, duly stamped and signed, and the

Notice of Annual General Meeting

power of attorney or other authority (if any) under which they are signed or a notarially certified copy of that power or authority must be deposited at the Shares Registrar's office, M/s FAMCO Associates (Pvt) Ltd., 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi-74000 not later than 48 hours before the time of the meeting.

3. Any person who seeks to contest the election of Directors shall file with the Company at its Registered Office not later than fourteen days before the day of the above said meeting his / her intention to offer himself / herself for the election of Director in terms of Section 178(3) of the Companies Ordinance, 1984 together with (A) consent in Form 28, (B) a Declaration with Consent to act as Director in the prescribed form under clause (ii) of the Code of Corporate Governance to the effect that he/she is aware of the duties and powers of Directors under the Companies Ordinance 1984, the Memorandum and Articles of Association of the Company and the listing regulations of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange and has read the relevant provisions contained therein, (C) a declaration in terms of clauses (iii) and (iv) of the Code of Corporate Governance to the effect that he / she is not serving as a Director of ten other listed companies, that his / her name is borne on the register of National Tax Payers (except where he / she is a non-resident), that he / she has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution, or he / she being a member of a stock exchange has not been declared as a defaulter by such stock exchange.

4. In accordance with the provisions of Article 3 (v) of the Company's Articles of Association the holders of Convertible Preference Shares in the Company have no right at any time to vote in respect of any election of directors.

5. The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

   a) For attending the meeting:

   In case of individuals, the account holders or sub-account holders and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.

   In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

   b) For appointing proxies:

   (i) In case of individuals, the account holders or sub-account holders and / or persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations, shall submit the proxy forms as per the above requirements.

   (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

   (iii) Attested copies of CNICs or the passports of the individuals referred to at (i) above and the proxies shall be furnished with the proxy forms.

   (iv) The proxies shall produce their original CNIC or original passport at the time of the meeting.

   (v) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

6. Shareholders are requested to notify any change in their address immediately to our Shares Registrars M/s FAMCO Associates (Pvt) Ltd.

7. Copies of the minutes of the Annual General Meeting held on 29 September, 2009 will be available to the Members on request free of charge.

Form of Proxy

The Secretary
Pakistan Petroleum Limited
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi.

I/We ____

of ______________________________ being a Member of Pakistan Petroleum Limited

and holder(s) of ____________ ordinary shares as per Share Register Folio No. ____________

For beneficial owners as per CDC List	
CDC Participant I.D. No. ____________	Sub Account No. ____________
CNIC No. ☐☐☐☐☐-☐☐☐☐☐☐☐-☐	Passport No. ____________

hereby appoint ____________ of ____________ who is also a Member of the Company, Folio No ____________ or failing him / her ____________ of ____________, who is also a Member of the Company, Folio No. ____________ as my / our proxy to vote and act for me/our behalf at the fifty ninth Annual General Meeting of the Company to be held on 29 September, 2010 and at any adjournment thereof.

Signed this ____________ day of September, 2010

Please affix
Rupees five
revenue
stamp

Signature of Member
(Signature should agree with the specimen signature registered with the Company)

For beneficial owners as per CDC list

1. WITNESS	2. WITNESS
Signature: ____________	Signature: ____________
Name: ____________	Name: ____________
Address: ____________	Address: ____________
CNIC No: ☐☐☐☐☐-☐☐☐☐☐☐☐-☐	CNIC No: ☐☐☐☐☐-☐☐☐☐☐☐☐-☐
or Passport No: ____________	or Passport No: ____________

Note:
Proxies, in order to be effective, must be received at the Shares Registrar's office, M/s FAMCO Associates (Pvt.) Ltd., 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi- 74000 not later than 48 hours before the meeting.

The CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission.

Pakistan Petroleum Limited

P.I.D.C. House, Dr. Ziauddin Ahmed Road
P.O. Box 3942, Karachi-75530
UAN: 111-568-568
Fax: 021-35680005, 021-35682125
Email: info@ppl.com.pk
Website: www.ppl.com.pk