
PPL
Pakistan Petroleum Limited
Synergy
Annual Report 2012

As a major national Exploration and Production (E&P) company in business for nearly seven decades, we at Pakistan Petroleum Limited (PPL) are committed to delivering top value to all our stakeholders. Experience tells us a sustainable way of achieving this is by capitalizing on synergies around key performance objectives, a value that lies at the core of our corporate strategy.

# Synergy

This synergy is geared towards accelerating exploration and production to supplement efforts for a safe energy future by deploying latest technology and participating in international ventures while adhering to best practices of good governance, including transparency, employee health and safety, environmental conservation and socio-economic development of disadvantaged communities.

# Contents


02 Vision-Mission
06 Core Values
07 Corporate Strategy
09 Company Information
12 Highlights of the Year
13 Code of Conduct
18 Profile of the Board of Directors
24 Governance Framework
25 Attendance of Board and Committee Meetings
27 Board Committees
32 Management Team
35 Awards Showcase
37 Statement of Value Addition
38 Global Compact
42 Chairman's Review
44 Managing Director's Outlook
46 Directors' Report
86 Balance Sheet Composition
87 Analysis of Profit and Loss Account
88 Analysis of Cash Flows
90 Six Years' Summary
94 Horizontal and Vertical Analysis
96 Movement of Estimated Reserves
97 Organogram
98 Statement of Compliance with the Best Practices of the Code of Corporate Governance
100 Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance
101 Auditors' Report to the Members
102 Financial Statements
157 Map of PPL's Held Interests
161 List of Producing and Exploration Assets
162 List of Abbreviations
163 Shareholders and Investors Information
164 Pattern of Shareholding
170 Notice of Annual General Meeting
Form of Proxy


# Vision

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

# Mission

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


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# Synergy

Fast-track exploration and development activities across its local assets resulted in a production increase from company-operated assets, a first in recent history, and considerable reduction in the decline rate of Sui Gas Field. All 18 PPL-operated blocks, of which six are in Balochistan, are active and in various stages of exploration.

To supplement these efforts, PPL has also initiated an aggressive acquisition drive for a multiplier effect and recently won exploration rights for a block in Iraq as operator. On commencement of work in Iraq, PPL will become the first local E&P company to operate an international exploration block.

The company has been selected as preferred bidder and is carrying out negotiations for acquisition of MND Exploration and Production Limited (MND), a wholly owned subsidiary of KKCG SE, one of the largest, privately owned groups in the Czech Republic.

# for Growth

# Core values

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


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

# Company Information

## Board of Directors

Mr. Hidayatullah Pirzada
Chairman (Non-Executive Director)

Mr. Asim Murtaza Khan
Chief Executive Officer / Managing Director

Mr. Sajid Zahid
(Non-Executive Director)

Mr. Saifullah Khan Paracha
(Independent, Non-Executive Director)

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

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

Mr. Saeed Akhtar
(Independent, Non-Executive Director)

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

Mr. Sher Muhammad Khan
(Non-Executive Director)

Mr. Hamid Asghar Khan
(Non-Executive Director)

## Company Secretary

Mr. M. Mubbasshar Siddiqui

## Auditors

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

## Registered Office

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

## Contact Details

UAN: (021) 111-568-568
Fax: (021) 35680005 & 35682125
Email Address: info@ppl.com.pk
Web Site: www.ppl.com.pk

## Bankers

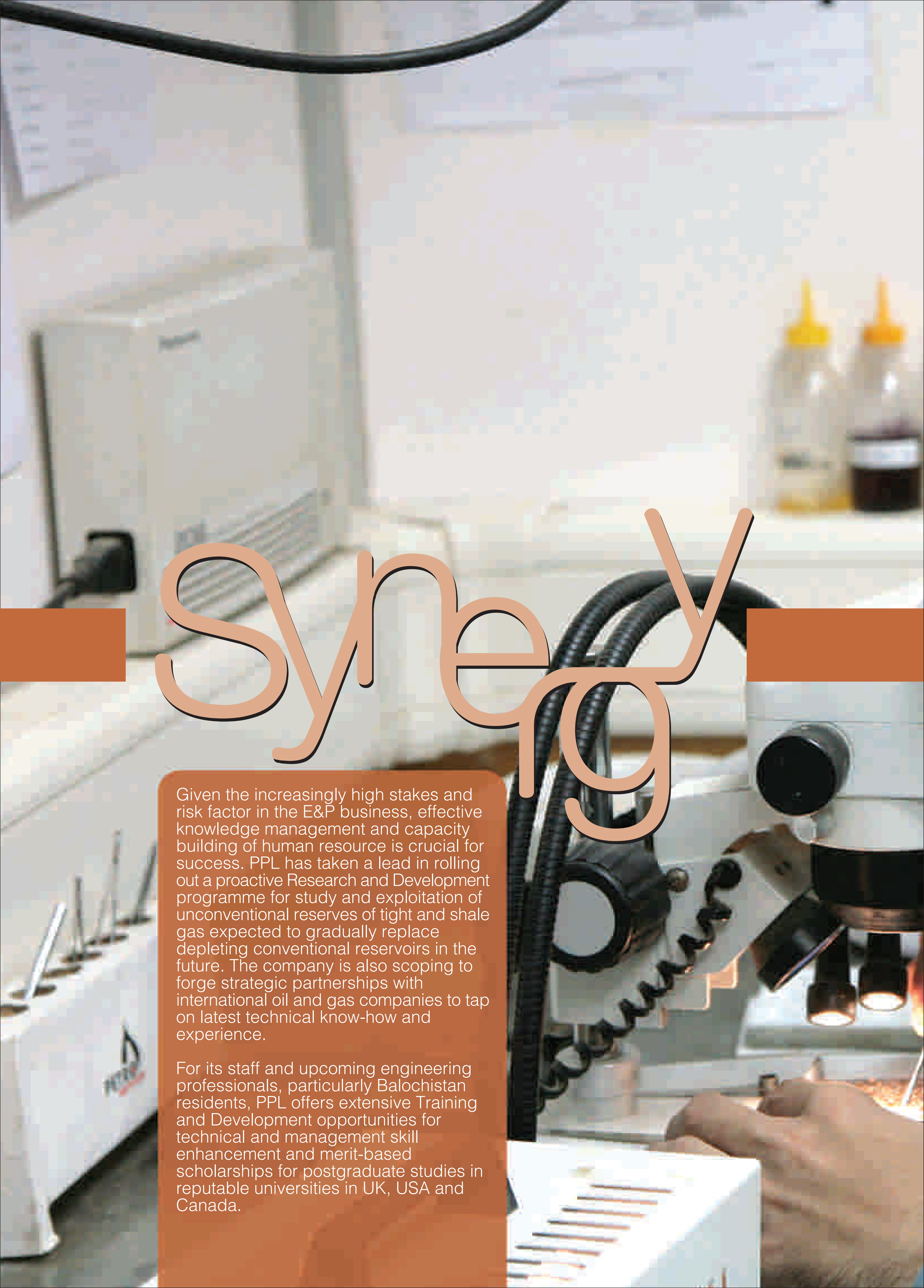
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al Habib Limited
Barclays Bank Plc.
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan)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

## Shares Registrar

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

## Legal Advisors

Surridge & Beecheno



# Synergy

Given the increasingly high stakes and risk factor in the E&P business, effective knowledge management and capacity building of human resource is crucial for success. PPL has taken a lead in rolling out a proactive Research and Development programme for study and exploitation of unconventional reserves of tight and shale gas expected to gradually replace depleting conventional reservoirs in the future. The company is also scoping to forge strategic partnerships with international oil and gas companies to tap on latest technical know-how and experience.

For its staff and upcoming engineering professionals, particularly Balochistan residents, PPL offers extensive Training and Development opportunities for technical and management skill enhancement and merit-based scholarships for postgraduate studies in reputable universities in UK, USA and Canada.


# for Knowledge

# Highlights of the Year

## Financials

- Sales revenue of the Company increased by 23% to reach Rs 96.2 billion.
- Profit before tax increased to Rs 64.5 billion representing 33% growth over last year.
- Profit after tax of Rs 40.9 billion for the current year was all time high up 30% from the previous year's profit.
- Earnings per share of the Company increased by 30% to Rs 31.13.

## Development of Discoveries

- First gas from Extended Well Testing from Makori East discovery in Tal Block was achieved in June 2012.
- Exploratory well Tolanj-1 was successfully tested and completed as gas producer. The discovery is planned to put on EWT for which different options are being evaluated.

## Exploration Block-8 in Iraq

- PPL won an Exploration Block in Iraq which lies 110 km North East of Baghdad. Contract initialing took place in mid July 2012 while contract signing is expected shortly.

  Operational works including de-mining followed by seismic surveys and simultaneous geological and geophysical studies will commence shortly.

## Corporate Acquisition of MND Exploration and Production Limited

- PPL participated in bidding for corporate acquisition of MND Exploration and Production Ltd, a wholly owned subsidiary of KKCG SE, incorporated in UK. PPL was declared a preferred bidder by MND and negotiations on the Sale Purchase Agreement are continuing which is expected to be signed shortly.

  Post acquisition, PPL will be holding a 100% owned subsidiary incorporated in UK with partner-operating working interests in five producing and exploration assets based in Pakistan and Yemen.

## Drilling of Sui-93 (M) using Underbalanced Drilling Technology

- Horizontal well Sui-93 (M), using first ever Underbalanced Drilling technology in the country, was successfully drilled and commissioned during the year.

# Code of Conduct

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

## Salient Features of the Code for the Directors

### 1. Conflict of Interests

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

### 2. Corporate Opportunities

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

### 3. Confidentiality

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

### 4. Honesty, Integrity and Fair Dealing

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

### 5. Compliance with Laws, Rules and Regulations

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

### 6. Encouraging the Reporting of any Possible Illegal or Unethical Behavior

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

### 7. Trading in Company Shares

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

### 8. Compliance Procedures

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

## Salient Features of the Code for Employees

### 1. Conflict of Interests

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

2. Confidentiality and Disclosure of Information

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

3. Political Contribution

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

4. Bribes and Commercial Payments

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

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

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

6. Agreements with Agents, Sales Representatives or Consultants

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

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

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

8. Health, Safety & Environment Policy

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

9. Smoking Policy

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

10. Seat Belt Policy

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

11. Other Employment, Outside Interests, Civic Activities

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

12. Unsolicited Gifts

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

13. Family Connections and Employment of Relatives

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

14. Company and Personal Property

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

15. Alcohol and Drugs

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

16. Gambling

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

17. Rumour Mongering & Gossiping

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

18. Harassment

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

19. Grievance Handling

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

20. Whistle Blowing

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

21. General Discipline

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

22. Reporting Violations / Disciplinary Actions

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

# Synergy

The contemporary business environment requires adapting to shapeshifting demands, innovative thinking, quick solutions and decision making. It is therefore critical that all operational resources and systems are aligned to work as a team towards common objectives for quicker and better results.

PPL has engaged an external consultant to carry out an independent review of organizational structure, management systems and human resource for improved cohesion and synergy for achieving key short and long term business targets. The exercise is progressing steadily and is expected to be implemented in successive phases during the next year.


# for Teamwork

From
left to right | Mr. Hidayatullah Pirzada, Mr. Asim Murtaza Khan, Mr. Sajid Zahid, Mr. Saifullah Khan Paracha and Mr. Zain Magsi

# Profile of the Board of Directors

**Mr. Hidayatullah Pirzada**
**Chairman**

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

Mr. Pirzada is a graduate and seasoned politician. He is affiliated with the Pakistan People's Party (PPP) since 1975 and is a member of the PPP Federal Council, Balochistan. Mr. Pirzada has also served as a member on the boards of Evacuee Trust Property and Hope, a non-governmental organization and the Chamber of Commerce, Balochistan.

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

Mr. Asim Murtaza Khan was appointed Managing Director (MD) / Chief Executive Officer (CEO) PPL in May 2011. He is also a member of the Board Operations and Finance and Human Resource Committees.

Before his appointment as MD & CEO, Mr. Khan served as Deputy Managing Director. He started his career at PPL in 1982 and worked at various key senior positions including General Manager Production, General Manager Projects, Manager Sui Gas Field, Senior Manager Field Operations, Manager Materials and Purchasing, Chief Drilling and Production, Production Engineer In-charge Adhi Field, Senior Design Engineer for Adhi Field Development, Design Engineer for Kandhkot Field Development Project, Construction and Planning and Progress Engineer for Sui Development and Production Engineer.

Mr. Khan earned his Bachelor's in Mechanical Engineering from NED University of Engineering

From left to right | Mr. Saquib H. Shirazi, Mr. Saeed Akhtar, Mr. Javed Akbar, Mr. Sher Muhammad Khan and Mr. Hamid Asghar Khan

and Technology, followed by a Masters in Mechanical Engineering from the University of Manchester Institute of Science and Technology, UK. He has also attended several advanced technical and management training programs and is an alumnus of the Kellogg School of Management, Northwestern University, USA.

### Mr. Sajid Zahid
### Director

Mr. Sajid Zahid joined 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 38 years experience in Corporate and Commercial Laws, on behalf of leading local and foreign organizations, 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 Jt. Senior Partner of Orr, Dignam and Company, 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.

### Mr. Saifullah Khan Paracha
### Director

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

Mr. Paracha graduated from Berkeley University, California, USA, with a major in Mechanical and Mining Engineering.

An experienced politician, Mr. Paracha has headed several ministries including finance, planning and development, communications and law and parliamentary affairs in the Government of Balochistan. In addition, he was twice elected to the Senate in 1977 and 1994.

In addition, Mr. Paracha has served as President, Federation of Pakistan Chambers of Commerce and Industry; Member, Advisory Board, Ministry of Interior; Director, Industrial Development Bank of Pakistan and Member, Provincial Assembly of West Pakistan and Balochistan. He also represented Pakistan in the 37th United Nations General Assembly Session in 1982. Currently, he is on the board of Habibullah Energy Limited.

On recommendation of the Pakistan Engineering Council, Mr. Paracha was presented a shield by the President of Pakistan in 1998 in recognition of his services as an engineer.

Mr. Zain Magsi
Director

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

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

He has been associated with various reputable organizations, including Ericsson, Proxicom, Legg Mason, COMTek, Nine Yards Media, Sprint Communications and National Geographic. Between 2007 and 2009, Mr. Magsi also served as Director Interactive Media and Public Relations in Captus Communications.

Mr. Saquib H. Shirazi
Director

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

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

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

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

Mr. Saeed Akhtar
Director

Mr. Saeed Akhtar was elected to the PPL Board in September 2010 and is a member of the Board Operations and Finance, Audit and Human Resource Committees.

Mr. Akhtar is a fellow and life member of the Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Chartered Accountants of Pakistan. He brings 41 years of experience working in senior positions in UK and Pakistan.

Mr. Akhtar's association with PPL dates back to July 1961 (almost five decades) when he was awarded a PPL scholarship for Chartered Accountancy in UK Starting from October 1969 to January 2003, he worked in PPL in various positions, retiring as Deputy Managing Director. In this capacity, he oversaw Finance and Corporate Services. He also worked as Company Secretary to the Board of Directors for 25 years from 1972 to 1997 and was appointed executive director of PPL from 1997 to 1999.

Mr. Akhtar serves as a director of Karwan-e-Hayat and is a member of the Management Committee of SOS Children's Villages in Sindh.

Mr. Javed Akbar
Director

Mr. Javed Akbar joined PPL Board in September

2010. He is also a member of the Board Operations and Finance Committee.

Mr. Akbar holds a Masters Degree in Chemical Engineering from the UK and has 37 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. Between 1973 and 2000, he managed the Exxon and Engro fertilizer plants and their expansion in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada besides serving as human resources manager in Exxon, Pakistan.

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

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

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

### Mr. Sher Muhammad Khan
### Director

Mr. Sher Muhammad Khan joined PPL Board in December 2010 and is a member of the Board Operations and Finance Committee and Human Resource Committee.

Mr. Khan graduated in Chemical Engineering and worked for six years in a number of companies, including Rafhan Maize Products Corporation and Army Welfare Food Industry etc.

He joined Government in January 1985 as Assistant Director (Technical). Since then, he has served on various key positions.

Mr. Khan also serves as a director on the board of Mari Gas Company Limited.

### Mr. Hamid Asghar Khan
### Director

Mr. Hamid Asghar Khan joined PPL Board in March 2012. He is a member of the Board Audit and Operations and Finance Committees.

Mr. Khan holds a Masters in Business Administration with a focus on marketing from the Institute of Business Administration, University of Punjab.

Mr. Khan has represented Pakistan as a diplomat in the United Arab Emirates, Germany, Australia and UK.

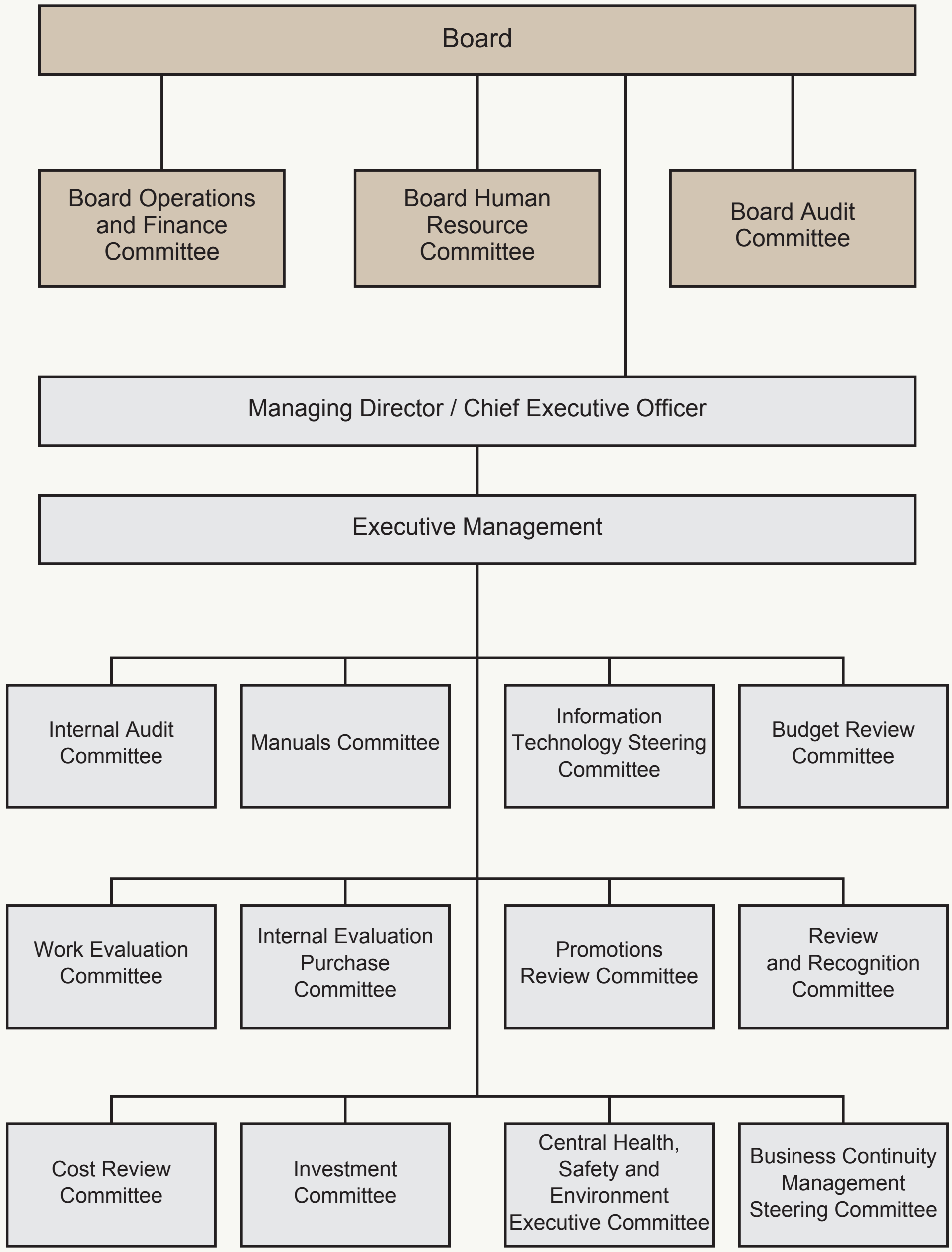
# Synergy

As easy, larger discoveries become few and far between and E&P business becomes challenging and high risk, technology is set to play a major role in accessing hydrocarbons and optimising production. Sustaining its pioneering role in the supply of natural gas, PPL has often been the first to use latest technology to improve evaluation processes and operational practices.

The company successively carried out Reserve Simulation studies at Sui and Adhi and resultantly modified field development plans, achieving improved recovery ratios of hydrocarbons. PPL was also the first local E&P Company to use UnderBalanced Drilling for a development well at Sui that is now in production and has sought approval for carrying out a Stress Field Detection Survey before commencement of seismic activity in Kharan Blocks for enhanced accuracy in assessing prospectivity and identifying potential leads.

# for Technology

# Governance Framework



# Attendance of Board and Committee Meetings

| Name | Board | | | Board Audit Committee | | | Board Operations & Finance Committee | | | Board Human Resource Committee | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Members | Meetings * | Attendance | Members | Meetings * | Attendance | Members | Meetings * | Attendance | Members | Meetings * | Attendance |
| Hidayatullah Pirzada | √ | 13 | 13 | - | - | - | √ | 7 | 7 | √ | 10 | 10 |
| Asim M. Khan | √ | 13 | 13 | - | - | - | √ | 7 | 7 | √ | 10 | 10 |
| Sajid Zahid | √ | 13 | 11 | √ | 4 | 4 | - | - | - | - | - | - |
| Saifullah K. Paracha | √ | 13 | 12 | √ | 4 | 4 | - | - | - | - | - | - |
| Zain Magsi | √ | 13 | - | √ | 4 | - | - | - | - | - | - | - |
| Saquib H. Shirazi | √ | 13 | 8 | - | - | - | - | - | - | √ | 10 | 4 |
| Saeed Akhtar | √ | 13 | 13 | √ | 4 | 4 | √ | - | - | √ | 10 | 10 |
| Javed Akbar | √ | 13 | 10 | - | - | - | √ | 7 | 7 | - | - | - |
| Sher M. Khan | √ | 13 | 13 | - | - | - | √ | 7 | 7 | √ | 10 | 10 |
| Hamid A. Khan ** | √ | 3 | 3 | √ | 1 | 1 | √ | 1 | 1 | - | - | - |
| Raashid B. Mazari ** | √ | 10 | 9 | √ | 3 | 3 | √ | 6 | 5 | - | - | - |

Notes
* Held during the period when concerned Director was on the Board
** Appointed on Board in March 2012 in place of Mr. Raashid Bashir Mazari

The Board Operations and Finance Committee makes recommendations to the Board on formulating corporate strategy, operational and financial plans and monitors progress on implementation of the programmes.

# Board Committees

## Board Operations and Finance Committee

### Composition

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

| | |
|---|---|
| • Mr. Hidayatullah Pirzada | Chairman |
| • Mr. Asim Murtaza Khan | Member |
| • Mr. Sher Muhammad Khan | Member |
| • Mr. Javed Akbar | Member |
| • Mr. Hamid Asghar Khan | Member |
| • Mr. Saeed Akhtar | Member |

### Terms of Reference

The Terms of Reference of the Board Operations and Finance Committee include review and recommendations for the 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 the approved work program.

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

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

(vii) Cash and fund management policies and procedures.

(viii) Major financial commitments of the Company.

The Board Operations and Finance Committee met seven (7) times during the year with an average participation of 97% of its members.

The Committee makes recommendations to the Board for maintaining a sound organizational plan of the Company, an effective employee development programme and sound compensation and benefit plans, policies and practices

# Board Human Resource Committee

## Composition

The Board Human Resource Committee is composed of the following:

| | |
|---|---|
| • Mr. Hidayatullah Pirzada | Chairman |
| • Mr. Asim Murtaza Khan | Member |
| • Mr. Saquib H. Shirazi | Member |
| • Mr. Sher Muhammad Khan | Member |
| • Mr. Saeed Akhtar | Member |

## Terms of Reference

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

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

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

(ii) Establishment of Human Resource plans and procedures.

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

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

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

The Board Human Resource Committee met ten (10) times during the year with an average participation of 88% of its members.

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.

# Board Audit Committee

## Composition

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

| | |
|---|---|
| • Mr. Sajid Zahid | Chairman |
| • Mr. Zain Magsi | Member |
| • Mr. Saifullah Khan Paracha | Member |
| • Mr. Saeed Akhtar | Member |
| • Mr. Hamid Asghar Khan | 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 of any service to the Company by its external auditors in addition to the audit of its financial statements.

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

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

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

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

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

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

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

The Board Audit Committee met four (4) times during the year with an average participation of 75% of its members.

From left to right | Mr. Shaikh Mohammad Khaledin, Mr. Asim Murtaza Khan
Mr. Kamran Wahab Khan, Mr. Abdul Salam and Mr. Anwar Hussain Mirza

# Management Team

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

- Mr. Asim Murtaza Khan
  CEO / Managing Director
- Mr. Moin Raza Khan
  Deputy Managing Director (Operations)
- Mr. Shaikh Mohammad Khaledin
  General Manager Internal Audit
- Mr. Kamran Wahab Khan
  General Manager Finance / CFO
- Mr. Masroor Ahmad
  General Manager Human Resources
- Mr. Abdul Salam
  General Manager Operations
- Mr. Sultan Maqsood
  General Manager Corporate Services

From left to right | Mr. Qamaruzzaman, Mr. Sultan Maqsood Mr. Moin Raza Khan and Mr. Masroor Ahmad

- Mr. Anwar Hussain Mirza
  General Manager Information Technology

- Mr. Qamaruzzaman
  General Manager Joint Ventures

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

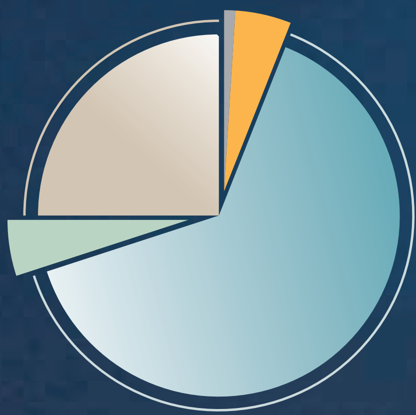
The Management Team meets fortnightly and as required.

In recognition of social welfare activities, PPL was again selected as the largest corporate giver in the category of total volume of donations for the year 2010 at the Corporate Philanthropy Awards. The Company bagged the award for the seventh consecutive year in the same category.

# Awards Showcase

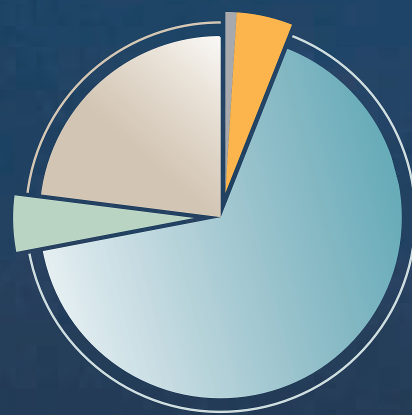
| S. No. | Award | Awarding Authority | In recognition of | Additional Information |
|---|---|---|---|---|
| 1 | Corporate Philanthropy Award | Pakistan Centre for Philanthropy | Largest corporate givings in terms of total volume of donations for 2010. | Seventh consecutive award earned in the same category. |
| 2 | MAP's 28th Corporate Excellence Award | Management Association of Pakistan | Outstanding performance and transparent financial and corporate governance regimes. | Fourth consecutive award in oil and gas and utilities sector. |
| 3 | Best Corporate Reports Award 2010 | Joint Committee of the ICAP and ICMAP | PPL's Annual Report 2010 selected as best corporate report in Fuel and Energy sector. | Fifth award that PPL won, first in 2005 followed by 2007, 2008 and 2009. |
| 4 | SAFA's Best Presented Accounts and Corporate Governance Disclosures Award 2010 | South Asian Federation of Accountants (SAFA) | PPL's Annual Report 2010 selected as joint 2nd runner-up for the award in manufacturing sector. | Second consecutive year of winning the award. |
| 5 | KSE's Top 25 Companies Award 2010 | Karachi Stock Exchange (KSE) | PPL was selected amongst the Top 25 best performing companies,, listed on the Karachi Stock Exchange. | Fifth consecutive year that PPL featured on the KSE's Top 25 companies list. |
| 6 | EFP's Award of Excellence, Best Performing Company in Management and Decent Work | Employers' Federation of Pakistan (EFP) | PPL's best performance in management and decency in work in the oil & gas sector. | PPL is the only Company from the oil and gas sector to receive the award in the category of large public limited companies. |
| 7 | EFP's Award for Best Practices in Occupational Health, Safety and Environment | Employers' Federation of Pakistan (EFP) | First prize for best practices in Occupational Health, Safety and Environment in the oil, gas and Energy sector. | The award reflects the Company's continued commitment and improvement in HSE Management System standards and practices. |

## Value Added FY 2011-12



| | | |
|---|---|---|
| Society | (1%) | |
| Employees Remuneration and Benefits | (5%) | |
| Government | (64%) | |
| Shareholders other than the Government | (5%) | |
| Retained in Business | (25%) | |

## Value Added FY 2010-11



| | | |
|---|---|---|
| Society | (1%) | |
| Employees Remuneration and Benefits | (5%) | |
| Government | (66%) | |
| Shareholders other than the Government | (5%) | |
| Retained in Business | (23%) | |

# Statement of Value Addition

| | 2011-12 Rs million | 2011-12 % | 2010-11 Rs million | 2010-11 % |
|---|---|---|---|---|
| Gross Revenue (including Gas Development Surcharge (GDS), Excise Duty and Sales Tax) | 119,646 | 103 | 98,613 | 106 |
| Less: Operating and Exploration Expenses | (13,478) | (12) | (10,608) | (11) |
| | 106,168 | 91 | 88,005 | 95 |
| Add: Income from Investment | 6,239 | 5 | 4,318 | 5 |
| Other Income | 5,424 | 5 | 188 | * |
| Less: Other Expenses | (1,200) | (1) | - | - |
| Total Value Added | 116,631 | 100 | 92,511 | 100 |
| **Distributed as Follows:** | | | | |
| Employees Remuneration and Benefits | 5,575 | 5 | 4,958 | 5 |
| Government as: | | | | |
| Company Taxation | 23,605 | 20 | 16,919 | 18 |
| Levies (including GDS, Excise Duty and Sales Tax) | 23,424 | 20 | 20,361 | 22 |
| Royalty | 11,471 | 10 | 9,233 | 10 |
| Workers,, Funds | 3,455 | 3 | 3,591 | 4 |
| Dividend ** | 10,741 | 9 | 10,131 | 11 |
| Bonus Shares ** | 2,335 | 2 | 844 | 1 |
| | 75,031 | 64 | 61,079 | 66 |
| Shareholders other than the Government as: | | | | |
| Dividend ** | 4,375 | 4 | 4,208 | 5 |
| Bonus Shares ** | 952 | 1 | 351 | * |
| | 5,327 | 5 | 4,559 | 5 |
| Society: | | | | |
| Donations | 59 | * | 69 | * |
| Social Welfare / Community Development | 736 | 1 | 619 | 1 |
| Free Gas Supply | 305 | * | 156 | * |
| | 1,100 | 1 | 844 | 1 |
| Retained in Business: | | | | |
| Depreciation | 3,208 | 3 | 2,637 | 3 |
| Amortisation | 3,690 | 3 | 2,318 | 3 |
| Net Earnings | 22,521 | 19 | 15,911 | 17 |
| | 29,419 | 25 | 20,866 | 23 |
| Financial Charges to providers of finance | 179 | * | 205 | * |
| | 116,631 | 100 | 92,511 | 100 |

* Negligible

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

# Global Compact

PPL takes pride in being the signatory of the United Nations' Global Compact (UNGC).

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

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

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

## Human Rights

### Principle 1

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

#### PPL's Commitment

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

### Principle 2

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

#### PPL's Commitment

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

## Labour Standards

### Principle 3

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

#### PPL's Commitment

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

### Principles 4 and 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 environmentally friendly technologies.

#### PPL's Commitment

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

## Anti-Corruption

### Principle 10

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

#### PPL's Commitment

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

The ethical commitments and values are embedded in the Company's Code of 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.

# Synergy

Selected for the seventh consecutive year as the largest corporate provider of welfare services and socio-economic opportunities for marginalized communities by the Pakistan Centre for Corporate Philanthropy, PPL understands the value of participatory development for long-term social-asset creation. As such, the company's Corporate Social Responsibility initiatives are developed and driven by involving and in turn gaining trust and ownership of all stakeholders, including local government and communities, for maximum delivery and sustainable impact.

By enabling need-based access to quality health, educational and civic facilities and offering opportunities for livelihood generation, the company seeks to empower communities to improve their well-being and quality of life independently, spurring positive change to address development challenges faced by the country.

# for Community


Hidayatullah Pirzada
Chairman

In line with its mandate to steer the company towards accomplishing strategic targets, the Board selectively approved the Company's proposals for international ventures, making it the first public sector enterprise to become a transnational operator and moving a step further to address the national imperative for energy security.

# Chairman's Review

Despite a challenging business environment, the Company performed exceptionally well in 2011-12 on the financial as well as the operational front, earning record profit after tax and enhancing production from PPL-operated fields for the first time in recent history.

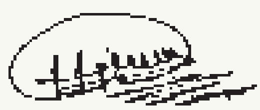
To pass on the benefit of this achievement to shareholders, the Board recommended a payment of 65 percent cash dividend and 25 percent bonus shares in addition to an interim dividend of 50 percent already paid during the year, bringing total distribution for the financial year 2011-12 to 115 percent cash dividend and 25 percent bonus.

In line with its mandate to steer the company towards accomplishing strategic targets, the Board selectively approved the Company's proposals for international ventures, making it the first public sector enterprise to become a transnational operator and moving a step further to address the national imperative for energy security.

Production optimization plans of the Company were also endorsed by the Board to reduce the decline rate of Sui Gas Field and improve recoveries from other PPL-operated producing assets. The Board also supported the Company's Research and Development initiatives for exploitation of unconventional hydrocarbons.

Drawing on the diverse competencies and rich experience of its Directors, I am confident to reiterate that the Board will continue to facilitate the Company in maintaining course and fulfilling business commitments.

Finally, I thank the Management for its purposeful efforts to upscale exploration activities as well as the Government for its enabling guidance and assistance in this regard. I am equally grateful to staff and workers for their hard work and dedication, as I am to shareholders for reposing confidence in the Company.



(HIDAYATULLAH PIRZADA)
CHAIRMAN

Karachi
11 August, 2012

Asim Murtaza Khan
Chief Executive Officer / Managing Director

I am pleased to report that the Company achieved impressive financial results during 2011-12, with profit after tax increasing to Rs 40.9 billion, up by 30 percent over last year, translating into all-time high EPS of Rs 31.13. The increase in profits / EPS is due largely to net increase in oil and gas sales volumes, impact of higher international oil prices and depreciation of rupee against US dollar.

# Managing Director's Outlook

At the macro level, fast-depleting oil and gas reserves, high oil prices and escalating capital costs continue to render Exploration and Production (E&P) business increasingly competitive and risk prone across the globe. The issue is further exacerbated in Pakistan which faces an ongoing energy crisis in addition to these challenges, making it imperative for the E&P sector, especially national companies such as PPL, to supplement the government's efforts to address the situation.

Keenly aware of this responsibility, the Company is focused on fast tracking exploration and development activities to bring new discoveries on stream through extended well testing and early production facilities, arrest production decline in mature fields by deploying latest technology, installing booster compression facilities and enlarge portfolio of producing assets through local and international acquisitions.

To this end, significant milestones were recorded in the period under review. Key among these was the production increase from PPL operated assets, a first in the Company's recent history of declining production, enabled in part by effectively curtailing decline rate of Sui gas field from 5 to 3 percent.

The first phase of the massive exploration programme launched in 2009 also headed towards timely conclusion, the next challenge being the drilling of identified leads for which an equally intensive multiple-string operation is underway.

In line with its business strategy, PPL participated in Iraq's 4th licensing round and was successful in acquiring Block-8 as an operator. In addition, the Company submitted a bid for the acquisition of MND Exploration and Production Limited (MND), a wholly owned subsidiary of KKCG SE, one of the largest, privately owned groups in the Czech Republic. The Company emerged as preferred bidder, in which capacity it is carrying out negotiations with MND.

Following from last year, when PPL initiated a Research and Development programme for exploitation of tight and shale gas reserves, expected to gradually replace depleting conventional reservoirs, the Company is working closely with the Government to develop an enabling regulatory and pricing framework to attract investments.

The Company engaged an international consultant to carry out an independent review of organizational structure, management systems and human resource for improved cohesion and efficiency aligned with its short and long term business strategy. The exercise is progressing steadily and is expected to be implemented in phases.

On governance, PPL retained its position as the largest corporate donor by volume to enhance well-being of disadvantaged communities, particularly those living in and around its operational areas, for the seventh consecutive year, an achievement of which we are justifiably proud, and bagged the Management Association of Pakistan's 28th Corporate Excellence Award for promotion of best practices.

All this would not have been possible without the support of the Government of Pakistan, the Board of Directors, Management, Employees and Shareholders, whose continued support is acknowledged with deep gratitude.

(ASIM MURTAZA KHAN)
MANAGING DIRECTOR /
CHIEF EXECUTIVE OFFICER

Karachi
11 August, 2012

# 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, 2012 together with the Auditors' Report thereon.

## Profit and appropriations

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

| | 2011-12 | 2010-11 |
|---|---|---|
| | Rs million | |
| Profit Before Taxation | 64,528.686 | 48,364.644 |
| Taxation | 23,605.148 | 16,918.929 |
| Profit After Taxation | 40,923.538 | 31,445.715 |
| Unappropriated profit as at 1 July, 2011 / 2010 | 48,380.020 | 46,354.850 |
| | 89,303.558 | 77,800.565 |
| **Appropriations during the year** | | |
| - Final dividend for the year 2010-11 on Ordinary shares @ 20% (2009-10: 50%) | 2,389.958 | 4,979.080 |
| - Transfer to Insurance Reserve | 5,000.000 | 5,500.000 |
| - Transfer to Assets Acquisition Reserve | 5,000.000 | 5,000.000 |
| - Issuance of Bonus shares | 1,194.979 | 1,991.632 |
| - First Interim dividend for the year 2011-12 on Ordinary and Convertible Preference shares @ 50% (2010-11: 50%) and 30% (2010-11: 30%), respectively | 6,572.426 | 5,974.937 |
| - Second interim dividend for the year 2011-12 on Ordinary shares @ Nil (2010-11: 50%) | - | 5,974.896 |
| Balance as at 30 June, 2012 / 2011 | 69,146.195 | 48,380.020 |

## Subsequent Effects

The Board of Directors of the Company in their meeting held on 11 August, 2012 have proposed the following:

| | | |
|---|---|---|
| - Transfer to Insurance Reserve | 5,000.000 | 5,000.000 |
| - Transfer to Assets Acquisition Reserve | 5,000.000 | 5,000.000 |
| - Final dividend on Ordinary shares @ 65% (2010-11: Ordinary shares 20%) | 8,544.101 | 2,389.958 |
| - Issue of Bonus shares in proportion of one (1) ordinary share for every four (4) ordinary shares held i.e. 25% (2010-11: 10%) | 3,286.193 | 1,194.979 |
| | 21,830.294 | 13,584.937 |

## Financial Results

The sales revenue of Rs 96.2 billion for the year was higher by 23% compared to the previous year. The profit after tax of Rs 40.9 billion was earned for the year as compared to Rs 31.4 billion during the previous year. The increase in profitability during the current year as compared to the corresponding year is mainly attributable to net increase in oil and gas sales volumes, impact of higher international oil prices and depreciation of Rupee against US Dollar. The earnings per share of the Company for the year stood at Rs 31.13 against EPS of Rs 23.92 for 2010-11.

Field expenditure during the year increased by 27% as compared to the previous year mainly due to acquisition of 2D and 3D seismic data in Sui, Kandhkot, Adhi, D.I.Khan, Kharan, Zamzama South, Gambat South, Sirani, Zindan, Nashpa, Tal and Baska and increased depreciation and amortisation charges due to capitalisation of appraisal and development wells and other items during the current year.

Other operating income also increased mainly due to reversal of past years„ provision for Workers„ Welfare Fund and increase in income from financial assets during the current year.

## Liquidity Management and Cash Flow Strategy

Net cash generated from operating activities was Rs 30.3 billion as compared to Rs 30.1 billion in the previous year. The funds were utilized 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 36.9 billion. At present, the Company's funds to the tune of Rs 31.8 billion are tied-up in inter-corporate circular debt. The matter is being actively pursued 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 a regular basis and rigorously monitored.

# Directors' Report

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

The Company follows a risk averse investment policy for placement of its' surplus funds to ensure that the investment portfolio of the Company is secured and well-diversified.

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

## Dividends

The Directors have recommended a final cash dividend on Ordinary shares at 65% (2010-11: 20%) and issue of bonus shares in proportion of 1 Ordinary share for every 4 Ordinary shares held i.e. 25% (2010-11: 10%) by capitalization of free reserves of the Company. This is in addition to an interim dividend of 50% (2010-11: 100%) on ordinary shares and 30% (2010-11: 30%) on convertible preference shares paid to the shareholders.

## Operations and Significant Events

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

### Winning of Block 8 in Iraq

PPL won Block 8 in Iraq which lies 110 Km North East of Baghdad. Contract initialing took place in mid July 2012 while contract signing is expected shortly.

### Acquisition of MND Exploration and Production Limited

In June 2012, PPL participated in bidding for acquisition of MND Exploration and Production Ltd, a wholly owned subsidiary of KKCG SE, incorporated in UK. PPL was declared a preferred bidder by MND. Negotiations on Sale Purchase Agreement (SPA) are continuing and the SPA is expected to be signed shortly.

### First-ever well drilled using UBD technology commissioned at Sui

The first successful horizontal well Sui-93 (M) was commissioned in September, 2011 with gas production of around 14 MMscfd at Sui Gas Field. The well was spud in  March in the Sui Main Limestone Formation and was drilled down to a depth of 2,200 meters, using Underbalanced Drilling (UBD) technology, a first-ever in the country, to cope with the challenge of drilling in a depleted zone. The well was completed as a single string gas producer.

## 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 optimising production in order to maintain its position as the premier exploration and production Company of the country.

## Production during the Year

Maintaining the quality and quantity of gas supply on long term basis without compromising on health, safety and environmental standards remains on PPL's priority list. Production strategy of the Company aims to maintain production levels in mature fields, focus on exploiting upside potential, adding reserves and ensuring optimal field production. As part of strategy, the field compression facilities, wherever required, are brought in timely for extending production plateau period maximizing reserves and maintaining contractual gas delivery terms. Potential and performance of producing fields are maximized through professional reservoir and production management and suitable appraisal and development plans.

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:

| | 2011-12 | 2010-11 |
|---|---|---|
| Natural gas | | |
| (Million cubic feet) | 364,948 | 360,733 |
| Crude Oil | | |
| (Thousand barrels) | 2,249 | 1,665 |
| NGL | | |
| (Thousand barrels) | 862 | 988 |
| Condensate | | |
| (Thousand barrels) | 58 | 64 |
| LPG | | |
| (Tonnes) | 20,869 | 27,125 |

The production during the period under review, including share from joint ventures, averaged at 997 MMscfd of gas, 6,145 bpd of oil, 2,513 bpd of NGL / condensate and 57 tonnes of LPG per day.

## 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. Field is under depletion phase however, supply from field remained as per contractual obligation. The volume of gas sales during the year was 165,475 MMscf against 170,805 MMscf. Various measures taken to optimise production resulted in arresting of natural decline to 3.1% against the year on year natural decline of 5%.

### Sui Integrated Reservoir Study

Sui integrated study has been completed. Consultant has recommended certain modifications and installation of booster compressors to arrest the decline and enhance recovery. Work on the project has been started and project is likely to complete and commission by end 2014.

### Sui Booster Compressor Project

Revamp study for Sui Booster Compressor Project has been awarded to Siemens in April 2012 and is in progress. Pre-qualification documents for EPCC Contractor received from 9 applicants are being reviewed. Bids from 5 consultants have been received and are being evaluated.

3D seismic acquisition of 235 Sq. Km by BGP and processing of newly acquired data by SAGeo has been completed. Based on interpretation / mapping, location of development well Sui-95 has been finalized.

### Sui HRL Field Development

Work on HRL development project has been initiated. Well Sui-97(H) has been drilled and is ready for commissioning. Construction of gas gathering system, inlet handling facilities and installation of compressors is in progress and production is expected to commence in September 2012.

Compressor Station, Purification Plant and Dehydration Plant remained in operation satisfactorily throughout the period

### Kandhkot gas field (PPL share 100%)

Gas from Kandhkot Field is mainly supplied to GENCO (WAPDA) and SNGPL for use at Guddu Thermal Power Station. A nominal quantity of gas is also supplied to SSGCL for Kandhkot Town. Sales from the field were maintained throughout the year according to customers need. The volume of gas sales for the period from 1st July, 2011 to 30th June, 2012 was 68,578 MMscf against 54,933 MMscf in 2010-11.

Section of gas gathering system damaged by flood was replaced with buried pipeline as long term solution and five wells connected with this gas gathering system were commissioned and production was restored in November 2011. To meet the increased gas demand, additional gas supply from Kandhkot was ensured and all time high production (217MMscfd) and sales (213 MMscfd) figures were recorded in February 2012.

Compressor Station and Dehydration Plant remained in operation satisfactorily throughout the period. Reliability Guarantee Test (RGT) and one year Defect Liability Period (DLP) of Kandhkot Field Gas Compression Station were successfully

# Directors' Report

completed on 5 June, 2010 and 10 December, 2011, respectively.

BGP crew was mobilized to Kandhkot in August 2011 for acquisition of 472 Sq. Km 3D seismic data and survey was completed on 13 July, 2012. Processing of newly acquired 3D seismic data is in progress at SAGeo, Islamabad.

### Adhi field (PPL share 39%)
### PPL / OGDCL / POL Joint venture

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

| | 2011-12 | 2010-11 |
|---|---|---|
| Natural gas | | |
| (Million cubic feet) | 12,497 | 13,507 |
| NGL / Crude Oil | | |
| (Thousand barrels) | 2,298 | 1,875 |
| LPG | | |
| (Tonnes) | 43,467 | 45,728 |

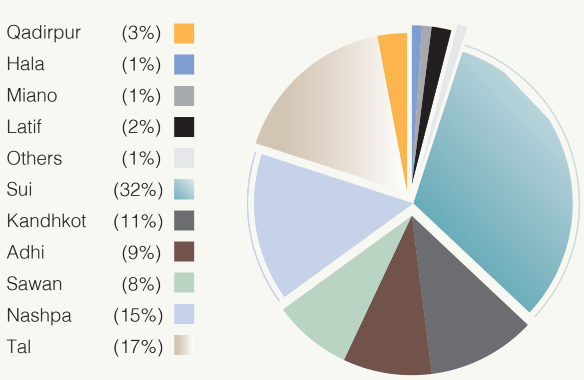
A total of eleven wells are in production at Adhi. Two wells are producing crude oil from Sakesar formation and the remaining are Tobra / Khewra wells producing oil, NGL and gas. LPG is also extracted from the Plant feed and sold to customers.

The current daily production rates are around 36 MMscf gas, 120 Tonnes LPG, 1,691 Bbl NGL and 4,439 Bbl crude oil. Gas, LPG & NGL production rates have declined from the projected targets due to reduced gas deliverability of some wells owing to change in reservoir fluid composition, however, crude oil production has increased due to reservoir behavior and also due to hydraulic fracturing of wells undertaken during 2010-11.

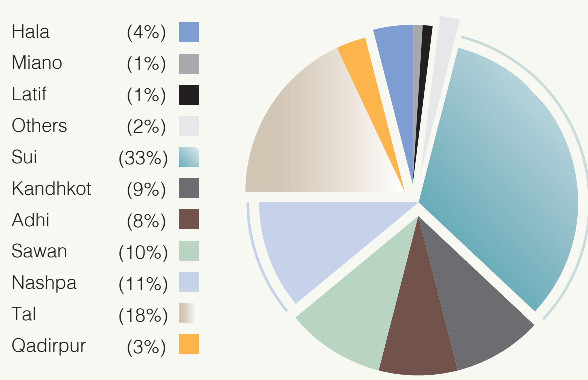
Workover operations at Adhi-16 (T/K) commenced in August 2011 and successfully completed on 10th October, 2011. Well has been completed as a single completion commingled producer from Tobra & Khewra reservoir. Adhi-19 (T/K) drilling is planned to be commenced by October 2012. A full fold 3D Seismic survey has commenced in June 2012, covering about 450 Sq. Km in order to optimise future well locations in Adhi. The survey is planned for completion by July 2013.

To enhance production from Adhi Field, LPG / NGL Recovery Plant III Project has commenced in March 2012. Compositional Reservoir study was completed and installation of 30 MMscfd LPG/NGL Plant (Plant-III) is planned during 2012-2014. Development of Basic Design Package and ITB for Engineering, Procurement, Construction and Commissioning (EPCC) Contract is in progress for which ENAR has been hired as Consultant. Bidding process for EPCC contract for installation of plant is scheduled to commence in October 2012 with target for award of contract by March 2013. The Plant is planned for commissioning in last quarter of 2014.

### Sales Revenue 2011-12




### Sales Revenue 2010-11



# Directors' Report

Bids for EPF Revamp Project were invited on EPCC basis through press tender during October 2011. Contract has been awarded to PDIL. The project is planned to be completed by February 2013.

## Mazarani gas field (PPL share 87.5%)
## PPL / GHPL Joint venture

Mazarani gas field comprises of 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.

A total of four wells have been drilled to-date in Mazarani Field. Out of these four wells, Well 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 total volume of gas sold from Mazarani to SSGCL during financial year 2011-12 was 3,390 MMscf as compared to 3,836 MMscf during 2010-11. Current production is around 8 MMscfd gas and 30 Barrels per day of condensate.

The field is on depletion with increase in water production. In-line Surface well test campaign at Mazarani wells 2, 3 and 4 has been carried out to quantify accurate gas, condensate and water production for better reservoir management.

An acid stimulation job was performed at Maz-3(L) to improve productivity. Post stimulation results showed an increase of about 1 MMscfd gas with small increase in wellhead pressure.

Inline inspection (pigging) of 73.2 km long sales gas line was carried out to evaluate pipeline integrity.

## Chachar gas field (PPL share 75%)
## PPL / GHPL Joint venture

The field is in the East of Kandhkot Gas Field and is currently producing about 5 MMscfd gas.

A total of four wells have been drilled in Chachar Field, of which Chachar 1 and 2 are in normal operation and Chachar-4 is intermittently in operation due to water loading, while Chachar-3 is completely shut-in due to high water production. The total volume of gas sold from Chachar Field during 2011-12 was 1,912 MMscf as against 2,202 MMscf during 2010-11.

Chachar-4 was spud-in during July 2011. The well was completed in SML / SUL formations. Feeder line for Chachar-4 was commissioned on SUL string only and well was taken in service in December 2011, however due to high water influx, well was shut-in in mid January 2012. For isolation of high water production section, workover of the well is planned.

Cathodic Protection System has been installed and commissioned at Chachar-1, 2, 3 and 4 wells.

## Hala gas field (PPL share 65%)
## MGCL / PPL Joint venture

PPL had drilled first exploratory well Adam X-1 in Hala Block during 2007 which resulted in a gas / condensate discovery. The current daily production rates are around 5 MMscf gas, 12 tonnes LPG and 200 bbl condensate.

Hala Plant is being operated under Operation and Maintenance (O&M) Contract with Weatherford, which has expired in August 2012. Process for new contract was started in October 2011. Based on competitive bidding Italtec Energy Islamabad, has been selected as the successful bidder and they will be taking over the field operations from 1 September, 2012.

Plant is operating at reduced rate due to change in reservoir behavior; water and sand production started from Upper Basal formation. For optimising the production and to mitigate sand problem, a sand trap was installed in July 2011 and it has been recently de-commissioned in view of well behaviour.

Bhit Shah X-1 well was drilled to total depth (TD) of 3,730m. The data fracturing of Lower Goru - Massive Sand and Talhar Shale were conducted to establish the potential for the Shale Gas development in Hala Block in particular, and Lower Indus Basin in general. The well is temporarily suspended for fracturing job and tight gas evaluation.

## Partner Operated Producing Fields

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

Block-22 is currently producing around 10 MMscfd gas from 6 wells. However, production from the field has declined over the last few years due to water incursion from some of the wells. Drilling, Completion and Tie-in of Hassan-4 well has been planned from September to November 2012. Drilling of Water Disposal Well is planned after drilling of Hassan-4.

The total volume of gas sold from Block-22 during the year was 3,617 MMscf as against 4,315 MMscf during 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 producing about 285 MMscfd gas, which is supplied to SNGPL and SSGCL. The total volume of gas sold from Sawan Field during the year was 74,274 MMscf as against 99,613 MMscf during 2010-11.

Sawan-12 was completed in May 2010, however, well testing data showed significantly low flow from the well. A fracture feasibility study has been conducted and frac job is planned in first quarter 2012-13. Based on frac results, tie-in will be conducted in fourth quarter of 2012-13.

Field Compression series arrangement was completed in April 2012 during Annual Turnaround of Sawan Plant. Both the Compressor trains are in operation.

Third Party Tight Gas Reservoir certification has been conducted and submitted to the Government along with Field Appraisal Program for approval.

Miano gas field (PPL share 15.16%)
PPL / Eni / OGDCL / OMV Joint venture
(Operator : OMV )

Miano gas is being jointly processed with Kadanwari gas at Kadanwari Plant. The field is supplying gas to SSGCL from six Miano wells.

The total volume of gas sold from Miano Field during the year was 23,968 MMscf as against 23,719 MMscf during 2010-11.

Miano-15 was drilled and tied in with processing facility during May 2012. Drilling of Miano-12 has been completed. Miano-14 Side Track drilling has been scheduled in first and second quarter of 2012-13.

Third Party Tight Gas Reservoir certification has been conducted and submitted to the Government along with Field Development Plan for approval.

Qadirpur gas field (PPL share 7%)
PPL / PKP / KUFPEC / OGDCL Joint venture
(Operator : OGDCL)

Qadirpur gas field is the second largest gas field of Pakistan with recoverable gas reserves of 4.2 Tcf.  A total of fifty four (54) wells have been drilled in Qadirpur Gas Field up to June 2012 out of which 42 wells are producing. The total volume of gas sold from Qadirpur Gas Field during the year was 180,400 MMscf as against 177,591 MMscf during 2010-11. Current daily production rates are around 538 MMscfd gas and 825 Barrels of condensate.

Well Qadirpur-32 A was spud in July 2011 for workover / side track and completed. Post completion test result showed flow of about 3 MMscfd gas.

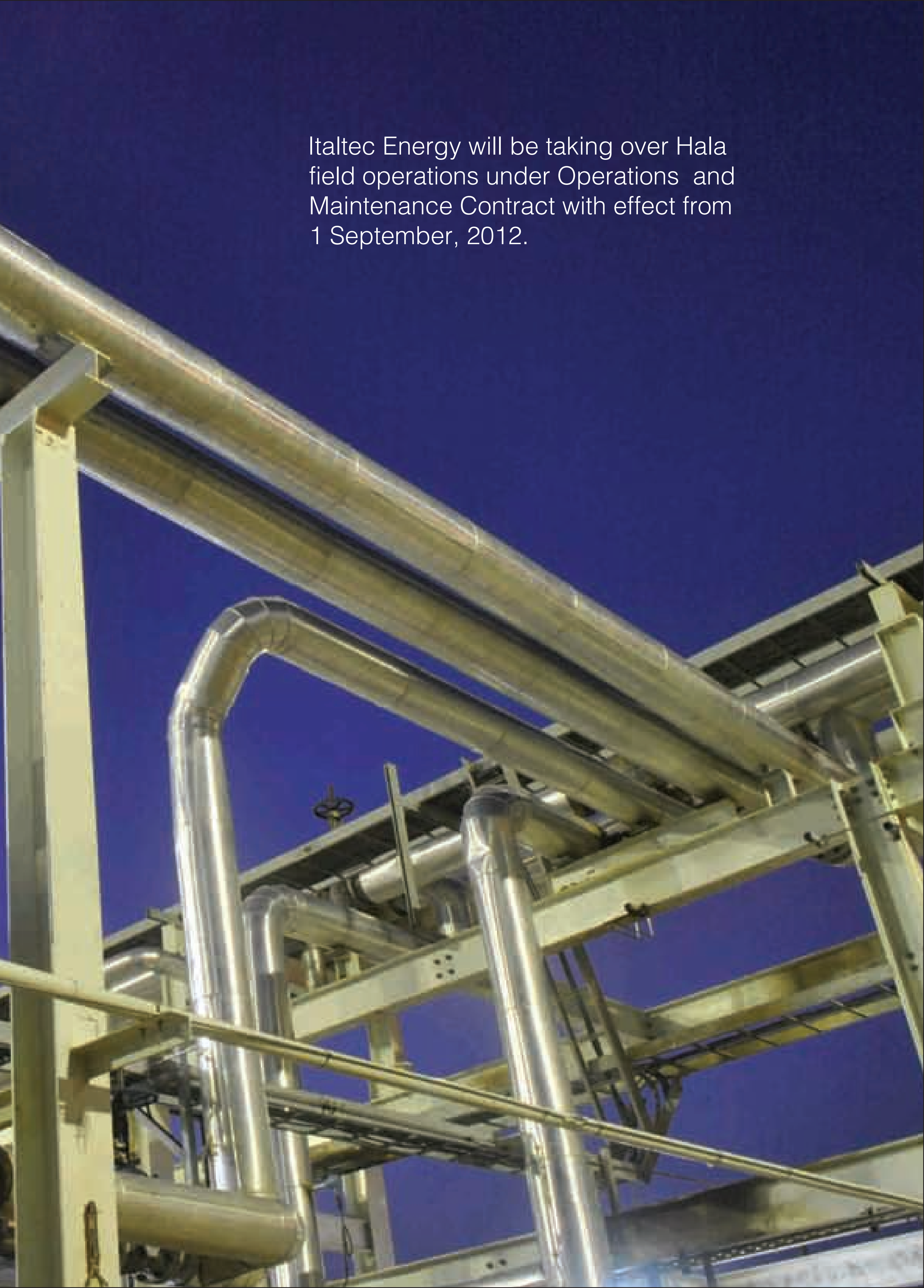
Extended Reach Well Qadirpur-43 (SML-ERW-2) was spud in October 2011. Well was commissioned in December 2011 and is producing about 32 MMscfd Gas.

Extended Reach Well Qadirpur-44 (SML-ERW-1) was spud in December 2011. In view of excessive losses, well was side tracked. The post completion results showed 18 MMscfd gas and well was injected in the system.

Permeate Gas Compressor Units 3 and 4 have been commissioned minimizing gas flaring. Performance test has been completed satisfactorily.

Commissioning of three ex-Pirkoh Compressors relocated to Qadirpur Field has been delayed due to procurement issues. The first two units are

Italtec Energy will be taking over Hala field operations under Operations and Maintenance Contract with effect from 1 September, 2012.



now expected to be commissioned by December 2012.

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

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

| | 2011-12 | 2010-11 |
|---|---|---|
| Natural gas | | |
| (Million cubic feet) | 112,962 | 109,317 |
| Condensate | | |
| (Thousand barrels) | 2,983 | 2,694 |

Tal Block covers about 4,643 Sq. Km of the Kohat Plateau in Khyber Pakhtoonkhwa province. So far six discoveries namely Manzalai, Makori, Mamikhel, Maramzai, Makori East and Tolanj have been made in the block.

#### Manzalai Field

As part of second phase of the development, 300 MMscfd capacity Central Processing Facility (CPF) has been installed. So far nine wells (1 exploratory, 1 appraisal and 7 development) have been drilled, whereas tie-in activities of 9th well are in progress. During the year, a total of 79,358 MMscf gas and 2,468 thousand barrels condensate was sold from Manzalai. Current production from Manzalai field is about 220 MMscfd gas and 3,600 bpd condensate.

#### Makori Discovery

Upon completion of EWT of the discovery well Makori-1, field development plan was submitted. So far three wells (1 exploratory, 1 appraisal and 1 development) have been drilled. Appraisal well has been abandoned as dry hole. Development activities have been initiated with expected completion by fourth quarter of 2013. Drilling of one development well is also planned during the year 2013.

During the year a total of 7,732 MMscf gas, 514 thousand barrels condensate and 4 thousand barrels crude oil were sold from Makori.

#### Mamikhel Discovery

Evaluation of Mamikhel discovery by conducting an EWT of the discovery well, Mamikhel-1 is in progress.

During the year a total of 9,771 MMscf gas was sold from Mamikhel. The well is currently producing about 28.5 MMscfd of gas and 1,565 bpd of condensate.

#### Maramzai Discovery

Evaluation of Maramzai discovery by conducting an EWT of the discovery well, Maramzai-1, is in progress.

During the year, a total of 16,102 MMscf gas was sold from Maramzai. The well is currently producing about 41 MMscfd of gas and 1,700 bpd of condensate.

#### Makori East Discovery

Exploratory well Makori East-1 has been successfully tested and completed as gas / condensate producer. In order to get early production from the well and acquire dynamic data from the discovery for evaluation, it has been connected with the Makori EPF. First gas from the EWT has been achieved through temporary arrangements in June 2012 whereas permanent completion is expected by September 2012.

#### Tolanj Discovery

Exploratory well Tolanj-1 has been successfully tested and completed as gas producer. The plan is to put the discovery well Tolanj-1 on EWT for which different options are under evaluation.

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

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

### Mela Discovery

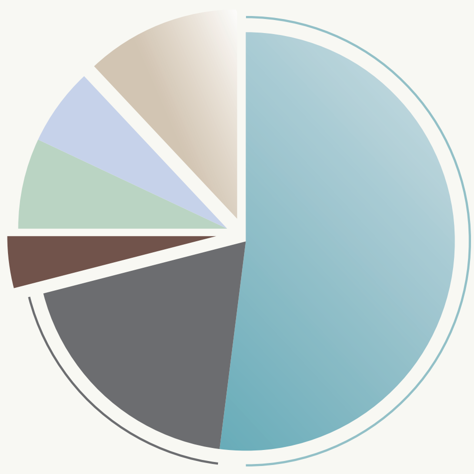
Production from the discovery well Mela-1 and appraisal wells Mela-2 & 3 through EPF continued during the year. Total of three wells have so far been drilled in the block. DOC has been approved and FDP is planned to be submitted by first quarter 2012-13.

During the year, a total of 6,009 MMscf gas and 1,709 thousand barrels of crude oil were sold from Mela EPF. Current production from Mela-1, Mela-2 and Mela-3 is about 4,230 bpd oil and 21 MMscfd gas.

### Nashpa Discovery

EWT of the discovery well Nashpa-1 and appraisal well Nashpa-2 is in progress, with current production of about 11,635 bpd oil and 39 MMscfd gas. Drilling of appraisal well Nashpa-3 is in progress. DOC has been approved and FDP is planned to be submitted in first quarter 2012-13.

**Fieldwise Production of Natural Gas 2011-12**




During the year, a total of 10,466 MMscf gas and 3,154 thousand barrels of crude oil were sold from the field.

### Block 2669-3 (Latif) (PPL share 33.30%) PPL / OMV / Eni Joint venture (Operator : OMV)

Latif concession is located in the district Khairpur in the northeastern part of Sindh province.

So far, total of four wells have been drilled in the block, out of which one well had been abandoned as the target reservoirs were found water wet. The plan to process the Latif gas at Sawan CPP through 16· pipeline funded by Latif JV has been finalized.

Revised Field Development Plan (FDP) for Latif discovery has been approved by Government of Pakistan in June 2012.

During the year, a total of 20,150 MMscf gas was sold from Latif field against 14,609 MMscf in the previous year. Current production from Latif field is about 38 MMscfd and gas is being processed through Kadanwari Miano plant.

### Block 2668-4 (Gambat) (PPL share 23.68%) PPL / OMV/ Eni / GHPL Joint venture (Operator : OMV)

Gambat concession is located in the Thar Desert approximately 120 km southeast of Sukkur in Sindh province.

Subsequent to submission of Declaration of Commerciality (DOC) to the Government, FDP has been submitted in February 2011. Total of four wells have so far been drilled in the discovery area of the block, out of which two wells (Tajjal-2 and 3) were plugged and abandoned as dry holes.

Production from the discovery well Tajjal-1 and development well Tajjal-4 is continued, with current production level of about 41 MMscfd gas. Production from the development well Tajjal-4 commenced in February 2012.

# Directors' Report

## Exploration Activities

In line with the Government's policies and initiatives to accelerate hydrocarbon exploration and meet country's growing energy needs, Company has successfully expanded its exploration portfolio to meet its growth and reserves replacement target. As a result, the exploration prospects inventory has also expanded and would continue to multiply. This caters to the Company's exploration strategy which is aimed at replenishing and enhancing its existing hydrocarbon reserves, through exploration and production optimisation in order to maintain its position as a premier E&P Company of the country.

PPL currently holds working interest in 34 exploration licences out of which 19 are operated including recently acquired Block-8 in Iraq.

PPL's seismic operation in its exploration blocks, acquired in the September 2009 bidding round, is making significant headway. So far, a cumulative of 3,710 L.Km 2D and 897 Sq. Km 3D seismic data has been acquired in these blocks. 2D seismic surveys in Sirani, Jungshahi, Kotri, Kotri North, Naushahro Firoz, Zamzama South and D.I. Khan blocks, whereas, 3D seismic survey in Gambat South EL have already been completed. At present, 3D seismic survey in Sirani block and 2D seismic surveys in the three Kharan and Zindan blocks are in progress, whereas, preparations are underway to conduct in-fill 2D seismic survey in Naushahro Firoz to firm-up the lead into a drillable prospect.

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

Second exploration well Bhit Shah X-1 was spud during the year and reached TD of 3,730m in August 2011.The well is temporarily suspended for fracturing job and tight gas evaluation.To exploit the unconventional Shale Gas potential in the Block, lab analysis of Talhar Shale cores of Bhit Shah X-1 is in progress at Weatherford, Houston. Phase-I of the study completed, while phase-II is expected to be completed in first quarter of 2012-13.

Merging and reprocessing of all three 3D seismic volumes acquired in the Block is underway to be followed by inversion to firm up identified leads into drillable prospects which is expected to complete by December 2012.

The Government has granted one year extension in Phase-II of EL upto 10 March, 2013.

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

Processing / reprocessing of 800 L.Km 2D seismic data (including 500 L.Km vintage data) were completed by TBI, Canada in September 2011. Interpretation / mapping has been completed and several prospects have been identified.

JV agreed to drill first exploration well at Aro Khan prospect. Procurement of LLI of Aro Khan well is in progress. Civil works have been initiated and spud-in of well is expected by early November 2012. PPL has also planned to drill second exploration well at Miriwah Prospect.

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

Advance processing techniques were applied on one test seismic line along with detailed G&G evaluation of the Block, however there was little improvement in the seismic data quality, hence its interpretation / mapping could not be done with any confidence and no lead could be firmed up for drilling.

The Block has been relinquished upon expiry of 2nd licence year on 31 March, 2012.

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

Based on evaluation of G&G data, JV partners agreed to drill first exploration well at Karakh prospect. After security arrangement, construction of access road & wellsite commenced in February


HAND

# Directors' Report

2012 and is in advanced stage. Spud-in of exploration well Karakh X-1 is expected in October 2012.

Government has approved entry into Phase- II of EL which is valid upto 8 December, 2013.

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

Processing of newly acquired 200 L.Km 2D seismic data was carried out by SAGeo, Islamabad. Interpretation / mapping of seismic data has been completed and its integration with other G&G data is in progress. Advance test processing of one seismic line was completed to further improve the seismic data quality.

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

Exploration well Bahawalpur X-1 was spud in March 2012 and reached TD of 2,870m. Due to discouraging results, well was plugged and abandoned as dry hole. Currently, post well studies and evaluation of remaining block prospectivity are in progress.

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

3D seismic survey of 747 Sq. Km was completed in March 2012. Interpretation / mapping of field processed seismic data was completed, based on processing of seismic data at Western Geco, Cairo.

Order for procurement of LLIs for the first two exploration wells has been placed. First exploration well is planned to be spud in February 2013.

The Block is in 3$^{rd}$ licence year valid up to 23 June, 2013.

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

Processing of newly acquired 623 L.Km 2D seismic data completed in October 2011 and the reprocessing of the data was carried out in May 2012. Its interpretation / mapping along with integration of other G&G data are in progress.

Government has been requested for nine months extension in 2$^{nd}$ licence year w.e.f. 24 December, 2011.

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

BGP seismic crew was mobilized to the Kharan blocks in April 2012 for 2D seismic survey and data acquisition is in progress. A total of 207 L.Km data has been acquired against the planned 1,190 L.Km.

Ministry of Defence has issued conditional NOC to conduct airborne Stress Field Detection survey in the allowable area of Kharan blocks. Preparations are being finalized to conduct the survey in first quarter of 2012-13.

### Block 3371-15 (Dhok Sultan) (PPL share 75%)
### PPL/ GHPL Joint venture

Interpretation / mapping of PSTM reprocessed data (509 L.Km) has been completed. Special Depth Processing (RTM) of 263 L.Km is in progress at Western Geco, Cairo to resolve the subsurface structural complexity.

Interpretation / mapping and reserve estimation after the intermediate results of Special Depth Processing has been completed and the economic evaluation is in progress to firm up the prospect for drilling of first exploration well.

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

Processing / reprocessing of about 750 L.Km 2D seismic data has been completed by SAGeo, Islamabad. Based on the seismic interpretation / mapping, prospects identified are of insignificant size. Re-interpretation / mapping of identified prospects is being carried out.

In-house G&G evaluation is in progress, while a joint Reservoir Study of Kotri, Kotri North and Jungshahi blocks is planned through an international contractor to mitigate the reservoir risk.

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

Processing of 568 L.Km newly acquired 2D seismic data has been completed. Based on interpretation / mapping one structural lead has been identified. Additional 44 L.Km 2D seismic data was acquired in March 2012 to firm up the identified lead into drillable prospect.

Integrated G&G study is in progress to finalize the prospect for drilling of first exploration well.

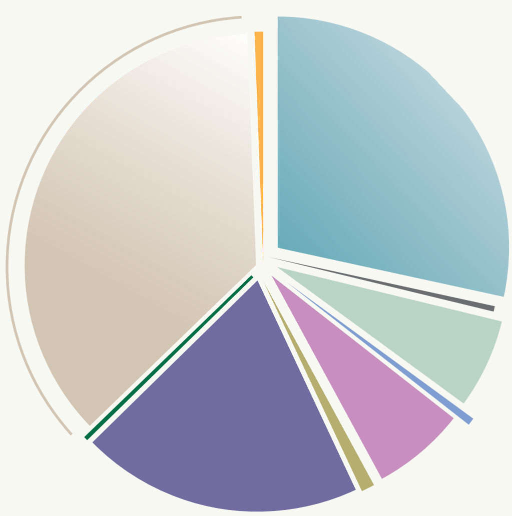
Block 2468-10 (Sirani) (PPL share 75%)
PPL / GHPL Joint venture

Sinopec, China seismic crew was mobilized to Sirani Block in March, 2012 for 3D seismic survey. A total of 146 Sq. Km data has been acquired against the planned 710 Sq. Km. In addition, about 250 L.Km 2D seismic data in the southern part of the block will also be acquired after 3D seismic survey.

Order for procurement of LLIs has been placed for the first two exploration wells.

Government has granted eight months extension in 2nd licence year w.e.f. 30 April, 2012.

## Fieldwise Production of Oil / Condensate 2011-12



| | | | | | |
|---|---|---|---|---|---|
| Sui | (0.60%) | | Mamikhel | (6.51%) | |
| Adhi | (28.41%) | | Qadirpur | (0.93%) | |
| Kandhkot | (0.38%) | | Mela | (19.63%) | |
| Makori | (6.27%) | | Miano | (0.11%) | |
| Mazarani | (0.52%) | | Nashpa | (36.64%) | |

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

Acquisition of 200 L.Km 2D seismic was completed in February 2012. The processing of newly acquired and reprocessing of vintage data is in progress at ION GXT, Cairo.

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

Processing / reprocessing of newly acquired 647 L.Km 2D data along with 171 L.Km vintage data has been completed. Based on interpretation / mapping of seismic data, one potential prospect has been identified. Infill 2D seismic of about 200 L.Km is being carried out to firm-up the prospect for drilling of an exploration well.

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

2D seismic data acquisition of 370 L.Km was completed in November 2011 by BGP. Processing of newly acquired data was completed by Land Ocean, China in March 2012. Seismic interpretation / mapping is in progress.

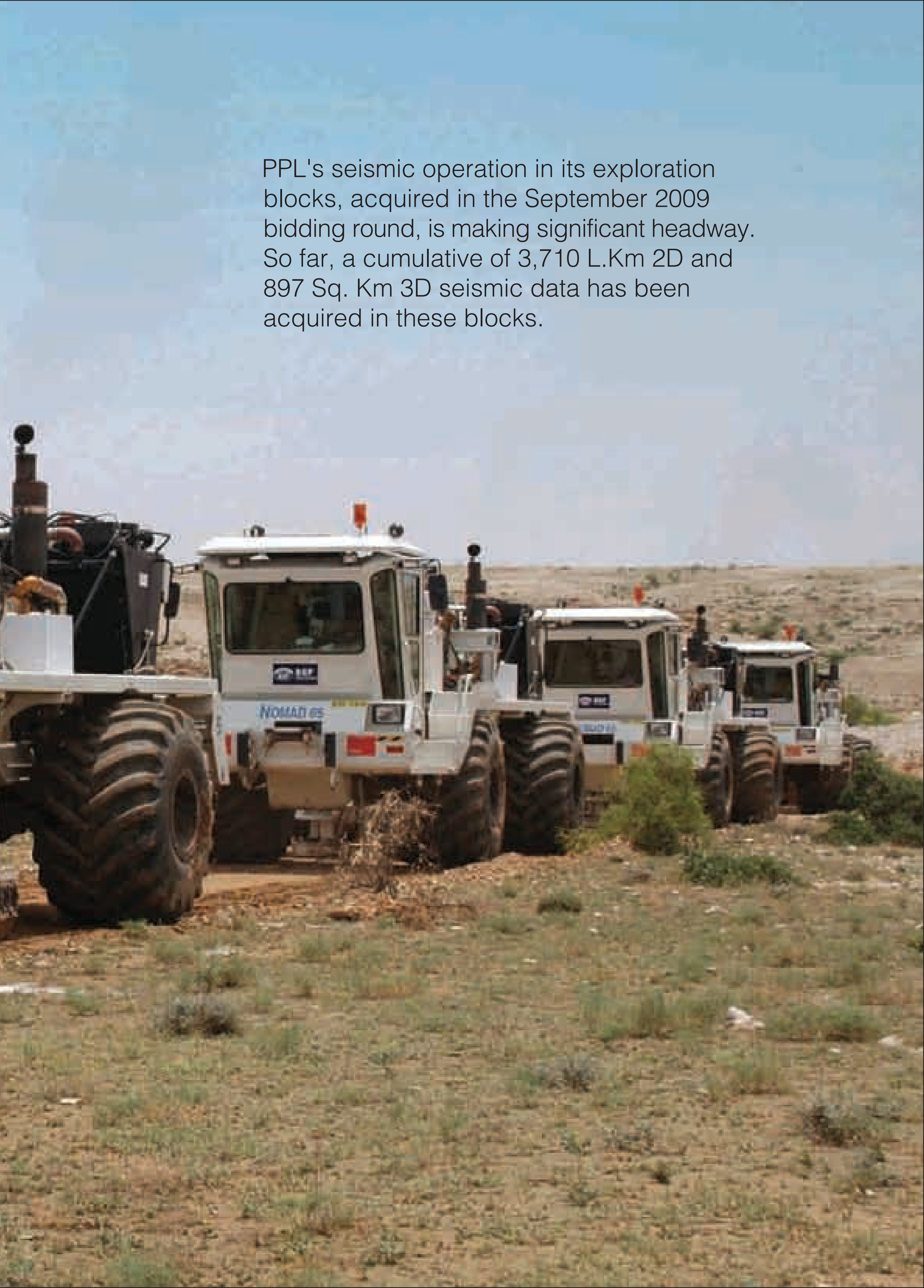
A sequence stratigraphic study is being carried out by Fugro Robertson to evaluate the stratigraphic trap potential of the block.

Block 3270-7 (Zindan) (PPL share 35%)
PPL / MGCL / GHPL / SAITA Joint venture

Processing and interpretation / mapping of vintage 2D seismic data has been completed. BGP seismic crew was mobilized to Zindan Block on 27 April, 2012 for 2D seismic survey. A total of 53 L.Km data has been acquired so far, against the planned 574 L.Km.


BGP
NOMAD 65

PPL's seismic operation in its exploration blocks, acquired in the September 2009 bidding round, is making significant headway. So far, a cumulative of 3,710 L.Km 2D and 897 Sq. Km 3D seismic data has been acquired in these blocks.



# Directors' Report

## Partner Operated Blocks

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

Hasan-4 development well is expected to come on stream in 3rd quarter of 2012. Approval on Hamza Declaration of Commerciality is awaited from the Government for submission of Field Development Plan.

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

Drilling of appraisal wells Maramzai-2 and Mamikhel-3 is in progress.

Appraisal well, Makori East-2 drilled down to TD 5,265m and completed successfully as oil / gas producer. Development well Manzalai-9 drilled down to 4,175m and completed successfully as gas producer.

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

The Government has granted two years extension in 2nd renewal of EL w.e.f. 18 June, 2012.

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

Interpretation / mapping of newly acquired 242 Sq. Km 3D seismic data has been completed by Geo, Australia.

The report on 'Certification of Rehman discovery as tight gas reservoir' received from DeGolyer and MacNaughton, Canada.

Appraisal well Hallel X-1 was spud-in March 2011 and was completed in Pab sandstone after conducting fracturing job. Well operations will remain suspended till the commissioning of EWT in May 2013.

Government has been requested for six months extension in the 3rd licence year w.e.f. 29 February, 2012.

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

Appraisal well Mela-3 drilled to a TD of 5,370m in the Lockhart formation, however testing resulted in no flow. Appraisal well Nashpa-2 drilled to a TD of 4,340m in the Datta Formation. The well was successfully tested and completed in Datta and Shinawari Formations.

Appraisal well Nashpa-3 was spud in March 2011 and drilled to a TD of 5,250m in Shinawari Formation. Currently, testing of Shinawari Formation is in progress. Reprocessing of 425 L.Km 2D seismic data is in progress at FSI.

3D seismic survey is in progress over Mela-Bragai area and so far 117 Sq. Km data has been acquired against the planned 350 Sq. Km.

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

Exploration well, Mehrab-1 was drilled down to TD 3,840m. Upon testing the well flowed minor amount of gas, therefore, it was suspended for tight gas evaluation and future operations.

3D reservoir modeling is in progress, whereas, regional integrated sequence stratigraphic study from Neftex is planned for evaluation of remaining potential in the Block.

The Government has granted 2nd two years renewal period w.e.f. 1 July, 2011 against drilling of an exploration well. The Field Development Plan was approved by the Government on 8 June, 2012.

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

Exploration well, Lundo- 1 was drilled down to TD 4,065m. Upon testing, the well flowed minor amount of gas, therefore, it was suspended for tight gas evaluation and future operations.

3D seismic data reprocessing / merging (1,378 Sq. Km) by CGG Veritas is in progress and expected to complete in first quarter of 2012-13. Decision for drilling of exploratory well at Tajjal South lead will be taken after 3D seismic merging and reprocessing.

Tajjal FDP with 27.7 Sq.Km discovery area has been submitted to the Government in February 2011.

The Government has been requested for nine months extension in 3rd licence renewal w.e.f. 3 July, 2012.

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

Exploration well Misri Bhambro-1 was spud-in on 08 August, 2011 and was drilled to a TD of 3,572m. Upon testing well flowed 2.47 MMscfd gas from the Lower Goru 'B' Interval.

A Sand Acoustic Modeling Study is in progress at CGG Veritas, while Frac Feasibility study of Misri Bhambro-1 is in progress at OMV, Vienna.

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

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

The Government has been requested for two years extension in Phase-II of Blocks N and C w.e.f 24 August, 2011 and 12 October, 2011 respectively.

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

Re-processing and interpretation of 260 L.Km 2D seismic data over Domanda prospect has been completed. 3D Seismic data acquisition and processing / interpretation of 117 Sq. Km over Drug NW structure completed.

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

Processing / reprocessing of 993 L.Km newly acquired and vintage 2D seismic data has been completed.

Based on the interpretation of seismic data and its integration with other G&G data Lundali prospect in the western part of the block has been firmed-up for drilling of first exploration well which is expected to spud-in by first quarter of 2013. Seismic interpretation on eastern part of the block is in progress.

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

Reprocessing of 500 L.Km 2D seismic data by Sensor Geophysics has been completed and its interpretation is in progress.

Integrated Tight Gas and Reservoir Study and Certification of Gas Reserves from Tight Gas Reservoir by DeGolyer and MacNaughton, Canada is in progress.

The Government has been requested for six months extension for submission of Appraisal Program for Jherruck B-1 discovery.

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

Preparations are underway to acquire 1,800 Sq. Km 3D seismic data which is expected to start in September 2012.

### Block 3273-3 (Ghauri) (PPL share 35%) PPL / MGCL Joint venture (Operator : MGCL)

Exploration licence granted to MGCL as Operator in February 2010. PPL acquired 35% working interest in the block and the Assignment Agreement was signed in July 2011.

Seismic crew was mobilized to Ghauri Block in June 2012 for 2D seismic survey. A total of 52 L.Km data has been acquired against the planned 195 L.Km.

# Directors' Report

## Farm-out of New Exploration Areas

As part of its strategy, PPL plans to maintain a manageable exploration portfolio of PPL and partner operated areas that support the Company's reserve replenishment objectives.

To this end, the Company is following Farm-in and Farm-out Strategy for replenishing its declining reserve base by further expanding its exploration activities and maintaining a well diversified portfolio of exploration assets.

## International Exploration and Development

Concerted efforts were put in during the year to maintain and improve Company's position as a leading exploration and production company in Pakistan. Momentum of the ambitious exploration program launched in 2009, was maintained to replenish and enhance the depleting reserves, together with an aggressive plan for production optimization from the existing fields and new discoveries.

As the conventional hydrocarbon reserves in the country are dwindling and becoming more and more difficult to find, greater emphasis of PPL is shifting towards exploitation of unconventional gas reserves. In parallel PPL is focusing its efforts on mergers and acquisitions and international E&P opportunities in new basins with unexplored potential.

In this regard, PPL's cross-functional teams have been actively engaged in evaluation of suitable growth opportunities to add reserves base to the Company.

### Iraq

PPL participated in Iraq's 4th Licensing Round for exploration blocks and submitted a winning bid for Block 8 which lies 110 Km North East of Baghdad in the Diyala and partly in Wasit Governorates. Contract initialing took place in mid July 2012 while contract signing is expected shortly.

Advanced planning and consultancy work has been initiated for setting up of Branch Office in Baghdad to embark on operational activities.

Operational work, including demining followed by seismic surveys and simultaneous geological and geophysical studies, will commence shortly.

### MND

In June 2012, PPL participated in bidding for acquisition of MND Exploration and Production Ltd, a wholly owned subsidiary of KKCG SE, incorporated in UK. PPL was declared a preferred bidder by MND. Currently negotiations on the Sale and Purchase Agreement are underway and it is expected to be signed shortly.

On the successful consummation of transaction, PPL will be holding a 100% owned subsidiary incorporated in London, UK with non-operating working interests in five Pakistan and Yemen based Producing and Exploratory Assets, as follows:

Pakistan based Assets:

| | MND's share | Operator |
|---|---|---|
| • Sawan D&PL | 7.9% | OMV |
| • Ziarat EL | 40% | MGCL |
| • Harnai EL | 40% | MGCL |
| • Barkhan EL | 50% | PPL |

Yemen based Assets:

| | | |
|---|---|---|
| • Block-3 EL | 20% | Total |

These initiatives will also open new avenues for the Company and establish itself as an international E&P player. Taking the lead from the success in Iraq and acquisition of MND assets, the Company is committed to evaluate more E&P growth opportunities. In addition, the Company has also been qualified for participation in the upcoming licensing round in Afghanistan (October 2012) and is also evaluating other available acquisition opportunities.

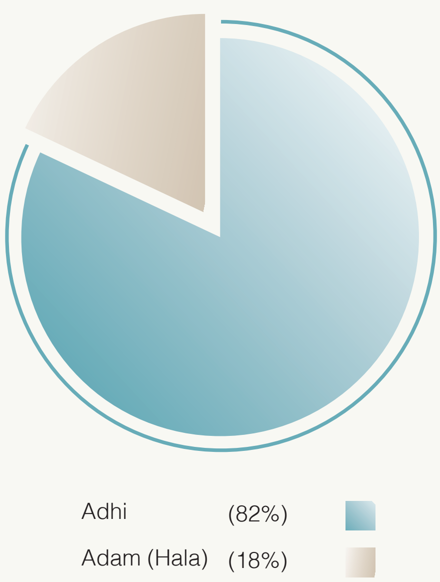
## Block-29 (Yemen) (PPL share 43.75%)
## PPL / OMV / YGCOG Joint venture
## (Operator : OMV)

Test reprocessing of one 2D seismic line has been completed to be followed by reprocessing of entire 900 L.Km seismic data.

Seismic contractor is being finalized for acquisition of 1,000 L.Km 2D seismic data.

Operational activities in Yemen are on hold due to unfavourable security situation. Gravity / magnetic survey and Geological Field Work (GFW) will be initiated as soon as security situation improves in the country.

## Fieldwise Production of LPG 2011-12




### PPL's Plan for the Exploitation of Unconventional Resources

As the conventional gas reserves are declining and becoming more and more difficult to explore, greater emphasis worldwide is being placed on exploitation of unconventional oil and gas resources.

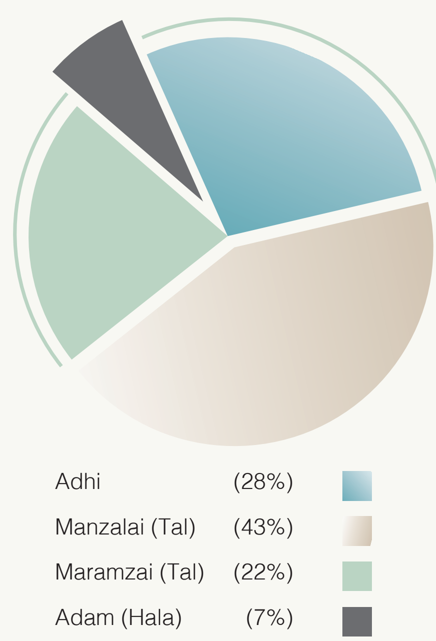
E&P Companies in Pakistan are also focusing on these resources, especially the Tight Gas Resources (TGR) and Shale Gas. Tight Gas Policy 2011 has further facilitated these efforts by providing additional fiscal benefits. PPL has prepared a project plan comprising Short, Medium and Long term objectives. Objectives include the identification and selection of appropriate technologies and methodologies to target the unconventional resources (Shale Gas and Tight Gas) and subtle traps, carry out specialized G&G and technical studies and drilling Shale Gas / Tight Gas wells starting from year 2012-13.

Work has been initiated by PPL on gathering pertinent borehole data. In Bhit Shah X-1 well drilled in Hala EL, advanced analyses on the cores of Talhar Shale have been completed at Weatherford Laboratories, USA, whereas the Data Frac operation on Talhar Shale and the underlying Massive Sand tight gas reservoirs was also conducted. The PPL and Eni Joint Study high-graded the areas for shale gas exploration. Three viable projects have been identified and efforts are underway to develop a strategy and exploit the Shale Gas and Tight Gas potential through Pilot well projects.

In Pakistan, so far, only one Tight Gas development / production project has been carried out which was based on POGC Rehman-01 discovery in Kirthar EL, where PPL has 30% working interest. However, in the upcoming years, several Tight Gas development / production projects are planned to explore Tight Gas reservoirs in PPL joint venture areas.

A technical and commercial study is being planned to develop Business Models for the exploitation and commercialisation of the unconventional gas resources specific to the shale gas formations of Pakistan.

## Fieldwise Production of NGL 2011-12



# Directors' Report

## Future Prospects and Plans

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

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

## Bolan Mining Enterprises

Bolan Mining Enterprises (BME), a 50:50 Joint Venture between PPL and the Government of Balochistan, (GOB) was established in the year 1974 for mining, grinding and marketing of Barytes from Gunga (Khuzdar) and other minerals from the province of Balochistan. New grinding mill was commissioned in November 2011 and remained in operations as per requirement. BME has now two grinding mills at Khuzdar having a total 150,000 tonnes per year (tpy) capacity. Over the years, BME has met over 90% 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) 13-A Specs. BME has also been authorized by API to use their official Monogram on Bolan Barytes. The Sale of Barytes was 50,028 tonnes during the year as compared to 41,316 tonnes during 2010-11.

BME posted a pre-tax profit of Rs 170.310 million from Barytes Project, Khuzdar during the financial year 2011-12 as compared to Rs 138.864 million earned in 2010-11.

After appropriation of Rs 34.062 million towards reserve for development and expansion, your company's 50% share of the profit was Rs 68.124 million.

## Major Business Risks and Challenges

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

The Company has tailored its business strategies accordingly to effectively address the risks and has developed a well integrated mechanism which identifies potential risks, evaluates and prioritizes them and prompts timely and appropriate actions to keep risk level within tolerable limits. PPL has further initiated steps towards adoption of internationally recognized Enterprise Risk Management practices in the Company.

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

| Major Risks & Challenges | Mitigating Factors |
| --- | --- |
| Significant decline in international crude oil prices resulting in consequential reduction in profitability. | Decline in prices of crude oil have an adverse impact on the Company's revenue as the base prices for gas and crude oil sales are linked to a basket of Middle East crude oils according to specified formulae. While the price risk is largely beyond Company's control, however, prices of Company's major product i.e. natural gas are less prone to this risk since the gas prices are subject to sliding scale / zonal discounts which reduce the impact of variability of crude oil prices on the gas prices. In addition gas prices of certain fields including Adhi, Manzalai, Makori, Block-22, Nashpa etc. are capped at fixed crude oil / HSFO prices and are affected only in case the international crude oil price falls below the capped price. |
| Under performance of major oil and gas fields forcing material revision in production and reserve estimates. | The Company's investment in the development of any oil and gas discovery is preceded by extensive technical studies and evaluation of the underlying reservoir. The reserves estimates for each of PPL's fields are certified and audited by reputable international petroleum consultants and updated as required. |
| Security conditions at locations disrupting operations and exploration efforts. | Field exploration and production activities are 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 for early settlement of the overdues by the customers. Intervention of Government authorities are sought wherever considered necessary. |
| Adverse conditions arising from economic and political instability. | Economic and financial market conditions and political climate of the countries where the Company operates are regularly monitored. Based on thorough review an appropriate strategy based on a consultative process is developed as deemed appropriate in the given circumstances to reduce the impact of risks arising out of any unfavourable situation. |
| Exposure to increased competition due to entry of new players in the oil and gas sector. | The Company follows a multi-pronged strategy including capturing the opportunities for joint biddings, farm-ins / farm-outs and swap arrangements with other E&P companies to reduce its exposure to increased competition and to maintain a balanced exploration portfolio. |

Given the large number of exploration licenses including recently added international exploration and production assets, the Company is fully geared to achieve its reserves addition and reserves replacement targets, primarily through organic growth.

# Directors' Report

## Human Resources

A major upsurge in exploration and development activities in the E&P sector around the globe has increased the demand for qualified and specialized staff compelling companies to make efforts to contain staff movements across organizations. The Company has made continuous efforts to improve staff retention particularly in core technical areas i.e. Geosciences, Production, Reservoir, Drilling as well as support departments by aligning its compensation & benefits structure with the prevailing practices in the market. PPL being one of the largest organizations operating in the E&P sector, its staff is vulnerable to opportunities within and outside the country.

The aggressive exploration programme and expansion in core activities has necessitated an independent external review of existing organizational structure to assess optimal fit to the company's key performance objectives and achieve alignment of the organization with corporate strategy.

Accordingly, PPL has engaged a world renowed consultant to review the suitability of its organizational structure and identify organizational

requirements, structures, governance and broad management systems, organizational culture and skill sets of personnel and recommend corrective measures to bridge the gap between strategy, operations and the human resources base. The project is expected to be completed by September 2012.

Succession Planning continues to be an HR priority for key positions to ensure staff development and maintain leadership continuity.

We also continue to acknowledge our top performers 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 emulate their high-performing peers.

## 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 Conduct.

In addition to above, a "Whistle Blowing" policy is in place 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

At PPL, investment in human capital is a strategic priority and to this end the Company imparts focused training and development to ensure capacity building and fast tracking of competent personnel.

Training events are organized either in-house, or by sending staff on training programs organized by external training providers. During the year, a total of 1,481 staff members attended 222 programs in technical, management and HSE areas.

As part of our two year On-the-Job trainee program 95 fresh graduates from various universities all across Pakistan including 5 Special Trainee Engineers from Sui / Dera Bugti are undergoing training at Head Office and field locations. In addition, 15 diploma holders from Sui / Dera Bugti are also gaining professional exposure under Special Trainee Technician scheme at Sui field.

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, four scholars are currently pursuing Masters Degrees in Petroleum Engineering & Geosciences in reputed foreign universities. In addition, five candidates have been awarded PPL scholarship and are expected to join classes before the end of the year.

## Industrial Relations

Harmonious working environment and cordial industrial relations atmosphere prevailed at all locations of the Company including Sui Gas Field.

Recreational and motivational activities in the form of Annual Sports and Long Service Awards ceremonies were organized at Sui, Kandhkot, Adhi Fields and Head Office. Moreover, musical evenings for workers and management staff were also held at Sui field and Head Office. 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 year 2011-2012 are currently underway. Several meetings in this regard were held with CBA Union both at Head Office and Sui field. Negotiations are currently in the final stages and it is expected that the Agreement will be concluded shortly.

This year Company„s medical facilities were extended to spouses of female Non-MPT staff and their children supporting our resolve to apply fair and transparent policies and procedures in line with best corporate practice.

PPL Employees Empowerment Trust was established in September 2009 under Benazir Employees Stock Option Scheme (BESOS) and to-date it has distributed seven dividends paid by PPL, to the eligible employees and has submitted compensation claims to the Ministry of Privatization (Privatization Commission) for 171 employees expired / superannuated, in accordance with the Trust Deed .

The tribo-political environment continued to be 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.

## Business Continuity Plan

During the year, the BCP consultancy assignment reached formal completion and implementation was handed over to PPL BCM Team. In addition, IT infrastructure and related facilities at Alternate Work Site were established and checked through periodic testing. Two mock exercises were conducted to assess the effectiveness of BC plan and preparedness of operating departments. These exercises facilitated awareness of BCP throughout the Company. Awareness and Training sessions continued during the year. Disruption testing at field locations is the next step in developing the BCMS framework implementation at PPL.

## Organisational Project Management

The Company has developed an integrated Project Monitoring system through consolidating real time progress on a Project Dashboard. Extensive training of relevant staff is also conducted regularly to increase the awareness and importance of integrated planning for exploratory and development wells and other Projects.

# Directors' Report

## Occupational Health, Safety and Environment

Health and safety of employees, contractors and visitors along with protection of environment associated with Company's activities remains the top priority at PPL. PPL's well-defined HSE Policy plays a key role in its decision making process to ensure compliance of statutory requirements and to achieve continual improvement in HSE Management System implementation. PPL is committed to align its activities in line with international standards and industry best practices to make the workplace safe and environmental friendly as far as possible for all its stakeholders.

HSE policies and procedures encourage reporting of all incidents including near misses at all levels to ensure that incidents are investigated for root cause establishment and prevention of recurrence through close follow-ups.

PPL's HSE Policy also undertakes proactive identification of workplace hazards through risk assessment and control of risks that may affect the employees, nearby settlements and surrounding natural environment of the project area. Apart from routine measures, including waste minimization through reuse / recycle and its proper disposal, the Company follows the policy of growing more and more trees around its development projects and embeds green practices in its business activities to ensure sustainability.

The Company has introduced Occupational Health Surveillance Program during the period under review for systematic identification, reviewing and addressing the health related risks arising from job related activities to prevent the reoccurrence of occupational injuries or illnesses that affect the ability and performance of employees. This program includes pre-employment health screening, periodic health surveillance, disease analysis, fatigue management, kitchen hygiene and food safety etc.

### Lost Time Injury and Illness Rate

Lost Time Injury and Illness (LTII) target is set at the beginning of each year as a 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% had been achieved against the set limit i.e. 0.30% for the year 2012. HSE Internal & External Audits of all PPL departments / fields are conducted at set frequency to evaluate compliance against Company policies, procedures together with statutory & international standards requirements.

### Statutory Compliance

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

### Environmental Protection Measures.

Formal Initial Environment Examination (IEE) / Environment Impact Assessment (EIA) studies are consistently undertaken at all development projects including seismic, drilling and field developments activities initiated by the Company in pursuance of Pakistan Environmental Protection Act, 1997. IEE / EIA studies are conducted through reputed environmental consultants prior to commencement of projects and submitted to respective provincial EPAs for acquisition of NOC.

HSE Monitoring of operational activities in exploration blocks is regularly undertaken through renowned Consultant to review implementation of IEE's / EIA's Environmental Management Plan and PPL HSE Management System. PPL also deputed HSE Monitor on full time basis in environmentally sensitive area of exploration blocks to review HSE compliance with special focus on environmental compliance in close coordination with Forest, Wildlife and Fisheries department. in line with requirements set forth in associated environmental studies, NOCs and MoU.

### ISO 14001 and OHSAS 18001 Certifications

PPL fields / technical departmets after successfully completing their 3 years of ISO 14001 & OHSAS 18001 certification cycle have moved towards the recertification process. Sui Production and Mazarani field have been recommended for recertification against ISO 14001 & OHSAS 18001 standards during the review period whereas PPL fields and departments which sustained ISO 14001 & OHSAS 18001 certifications including Kandhkot, Adhi, Chachar, Sui Field Gas Compressor Station, Sui Field Engineering, Stores and Hospital together with Drilling Operations, Design and Construction, HSE and Projects Departments respectively. This milestone shows team work and management commitment to excel HSE implementation within the organization.

### Sustainable Energy Management Program:

Sustainable Energy Management program is outlined to establish necessary framework for monitoring & reporting of different energy forms within the organization in line with environmental sustainability principles for identifying practical opportunities for continual improvement and reducing ecological footprint and saving associated cost through sensible / efficient use of various energy forms.

### HSE Trainings

HSE trainings and refreshers programs are designed for employees including contractors with an objective to sharpening skills to meet world class HSE Standards and Practices within the organization. Annual HSE Training Calendar is developed based on carefully conducted Trainings Needs Assessment of all individuals. During the period under review various training sessions held at Head Office and fields by involving internal and external trainers on the topics not limited to HAZOP emergency preparedness & response (first aid, fire fighting & evacuation), Occupational Health Surveillance and basic HSE awareness course etc.

### HSE Celebrations & Participations

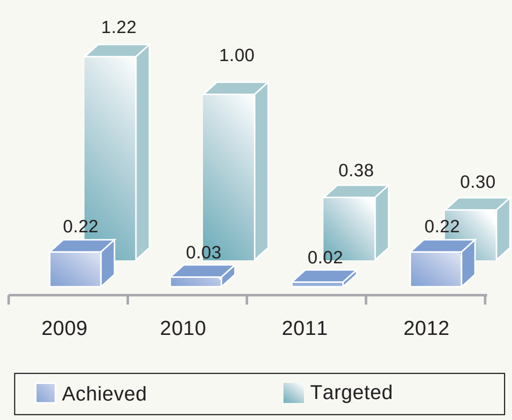
With a clear objective to optimise staff's orientation, participation and motivation towards HSE, PPL Fields annually celebrate HSE weeks, World Day for Safety and Health at Work and World Environment Day incorporating wide range of interesting activities / events. HSE performances of individuals and groups are recognized through prize distribution and publications in corporate journal.

## 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, energy conservation in day-to-day operations at all Company offices and field locations continued.

PPL participated as Corporate Ambassador in Earth Hour 2012, a global energy conservation initiative led by World Wildlife Fund (WWF) for Nature - Pakistan and Ministry of Environment to highlight depleting global energy resources on 31 March, 2012. EH 2012 was strictly observed across PPL by switching off all unnecessary or non-essential lights and electronic devices at the head and regional offices as well as field locations at the designated hour. Enthusiastic participation by staff, especially at fields, not only reiterated the Company's commitment towards conservation but also resulted in tangible outputs.

### Loss Time Injury and Illness Rate Actual vs Target



# Directors' Report

## Business Process Re-engineering / Development Activities

### Information Technology

Conscious of the ever increasing role of Information Technology for organizational sustainability, Information Technology function is enabling its stakeholders to add value to their strategic and operational activities by proactively facilitating them enhance organizational performance, governance and innovation using secure, reliable and friendly Information Technology Systems and Services.

The in-house SAP Competence Centre continues process improvement cycle through automation, integration and optimization of business processes with in-built controls for Organizational Performance Management (OPM) of both strategic and operational activities using KPI dashboards.

Alignment of Information Technology infrastructure and services with the business needs is an on-going program based on adoption of industry standards and best practices for IT Services and Information Security Management and Governance. While planned high-availability and resilience has been achieved through proactive maintenance and monitoring of IT Infrastructure and Systems, various virtualization projects are in progress to transform the upgraded and extended infrastructure into private cloud with balanced distribution of physical resources across primary and secondary hosting sites for performance optimization and better ROI.

The upgraded Intranet Portal has become an essential repository of information assets requisite for Business Continuity Management at all locations, and a program is underway to utilize it for automation of non-transactional workflows for less-paper environment. Further, email lifecycle management system with requisite archival and retention policies has been implemented.

The successful completion of Exploration & Production Data Management (EPDM) Project this year has not only enhanced Business Continuity Management preparedness, but has also  facilitated more convenient and efficient access to a wealth of digital information to the authorized core functions (Geoscientists and Petroleum & Drilling Engineers, etc.) for supplementing their seismic interpretation and modelling activities. A new Technology Management Centre within Information Technology function has been established to manage related operational, support and planning activities by in-house team of experienced professionals from related disciplines.

### Quality Management System

Continuation of implemented ISO 9001 Quality Management System is progressing smoothly with increasing ownership and addition of Field Operations department at Head Office and Kandhkot Gas Field Compressor Station.  This has brought the total of departments / production facilities certified as per ISO 9001 Quality Management System to fifteen.

Upgradation of laboratory operations at Adhi field by integrating QMS with ISO 17025 has been completed.  Laboratories at Purification Plant (Sui), Sui and Kandhkot Gas Field Compressor Station are planned to be upgraded in fiscal year 2012-2013.  Work towards integration of SAP Audit and Quality modules with QMS besides utilization of existing software is in progress.

Implementation of ‡5S· management process improvement tool at Sui Field Engineering has been completed successfully and yielded anticipated benefits. This improvement tool will now be applied at Chachar field in fiscal year 2012-2013.  Training on data analysis is completed at all fields and now started dispensing results.

In addition to technical audits and routine inspections, baseline survey of pipelines and piping at Sui Field is continuing.  This is after completion of baseline surveys at four other fields. Online inspection of pressure vessels will be introduced in coming fiscal year to make activity more efficient with no down time of equipment for the purpose.  These activities are supportive to take preventive measures at fields in great deal and strengthen asset integrity management program.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# Directors' Report

## Consumer Protection Measures

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

## Corporate Awards

During the year, PPL secured seven major corporate awards as detailed below:

### Karachi Stock Exchange Top 25 Companies Award

PPL maintained its position among Karachi Stock Exchange's Top 25 Companies for the year 2010. The companies were selected by the KSE on the basis of a comprehensive parameter, which includes dividend payouts, return on equity, compliance with Listing Regulations, sound corporate governance practices and Corporate Social Responsibility. This is the fifth consecutive year that PPL has featured on the KSE's Top 25 companies list.

### Corporate Philanthropy Award

In recognition of its social welfare activities, PPL was once again selected as the largest corporate giver in the category of total volume of donations for the year 2010 at the Corporate Philanthropy Awards. The Company bagged the award for the seventh consecutive year in the same category.

PPL contributed Rs 523 million in the year 2010 towards various Corporate Social Responsibility initiatives.

### Best Corporate Report Award for Annual Report 2010

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

The award reaffirms PPL's adherence to best corporate governance practices and transparent accounting and financial reporting procedures in the interest of the Company and its stakeholders.

### SAFA Award for Annual Report 2010

PPL's Annual Report 2010 achieved another distinction by receiving the South Asian Federation of Accountants (SAFA) Best Presented Accounts and Corporate Governance Disclosures Award in the manufacturing sector. PPL was honoured as Joint 2nd runner-up at a prestigious awards ceremony held in Dhaka, Bangladesh.

### MAP Corporate Excellence Award

During the year, another milestone was achieved by PPL by securing the prestigious Management Association of Pakistan's (MAP) 28th Corporate Excellence Award in the Oil and Gas and Utilities sector for the fourth consecutive year. MAP's Corporate Excellence Award seeks to recognize and honour companies demonstrating outstanding performance and transparent financial and corporate governance regimes and is a clear recognition of PPL's commitment to quality, maintenance of the highest professional standards and constant strive for achieving excellence in all spheres of its activities.

### Employers Federation of Pakistan's Award of Excellence, Best Performing Company in Management and Decent Work

PPL bagged the 'Award of Excellence, Best Performing Company in Management and Decent Work' at an event hosted by the Employers' Federation of Pakistan (EFP). PPL is the only Company from the Oil and Gas sector to receive the award in the category of Large Public Limited Company.

### Employers Federation of Pakistan's Award for Best Practices in Occupational Health, Safety and Environment

PPL won the first prize for best practices on ‡Occupational Health, Safety & Environment (OHSE)· in the category of Oil, Gas & Energy

Sector from EPF during the review period. PPL also has the recipient of winning ,Annual Environmental Excellence Award,, through National Forum for Environment & Health (NFEH) for the years 2006, 2008, 2009 and 2010.


## Contribution to National Exchequer and the Economy

PPL is a significant contributor to the national economy. The Company's share of production of natural gas from its operated and partner-operated fields and production of Oil, LPG and NGL from Adhi, Tal, Nashpa and Hala fields for the financial year 2011-12 in terms of energy, was equivalent to around 189,000 barrels of crude oil per day resulting in foreign exchange savings of around US$ 7.5 billion for the current year assuming an average crude oil price of US$ 108 per barrel prevalent during the year.

In addition, payments to the Government Exchequer by the Company was around Rs 50 billion during the year (Rs 63 billion during 2010-11) 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.

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

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

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

The Company's share of production of natural gas from its operated and partner-operated fields and production of Oil, LPG and NGL from Adhi, Tal, Nashpa and Hala fields for the financial year 2011-12 in terms of energy, was equivalent to around 189,000 barrels of crude oil per day resulting in foreign exchange savings of around US$ 7.5 billion for the current year.

# Directors' Report

## Corporate Social Responsibility

### Corporate Philanthropy

PPL in context of Corporate Social Responsibility (CSR) makes mandatory as well as voluntary contributions in the social development of its operational areas and society in large. At present, CSR is essentially woven in the culture of the Company, dating back to 1950s when PPL commenced its operations. At PPL, CSR is not a short-term practice but envisaged as a long term process in which development projects are gradually unfolded for the betterment of the society.

PPL considers CSR as a tool to relate and respect communities and their culture. In PPL, CSR activities are driven by desire to positively touch the lives of communities. To ensure sustainability of its CSR schemes, PPL has kept special emphasis on regular assessments and monitoring to help resolve problems and improve performance.

At PPL, CSR is an ongoing Company function where the Directors carefully examine each CSR initiative, its merits, results and impacts, all integrated in the decision-making, encouraging innovation and strengthening local institutions for long-term sustainable development of these areas. PPL has also dedicated a minimum budget of 1.5 percent of annual pre-tax profit for CSR activities.

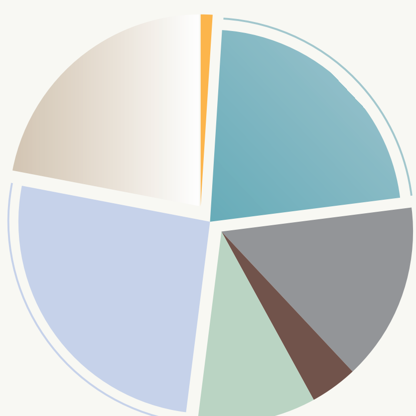
### National Cause Donations - Emergency Relief

In 2011, floods once again played havoc, resulting from heavy monsoon rains in Sindh, eastern Balochistan and southern Punjab. The floods caused considerable damage affecting millions of people and homes. At least 1.7 million acres of arable land inundated as a result of the rain flooding. Sindh, remains by far the worst affected province.

Like past, PPL immediately rose to the occasion to extend support to save lives. The Company delivered food boxes, consisting of essential edible items, potable water and other goods amongst the rain victims of District Thatta, Badin and Sanghar. PPL also distributed 5,000 emergency food packets containing readily eatables in District Sanghar on emergent basis. Besides, PPL distributed tents at Districts Sanghar, Badin, Thatta and Dadu.

In addition to the provision of the above, two medical teams, each comprising of 2 Doctors and 2 Dispensers on two 4x4 vehicles along with required medicines set up medical camps in September 2011 at various locations of District Sanghar. A total of 11 medical camps in 5 out of 6 Union Councils of Taluka Tando Adam, District Sanghar were held by both the teams where more than 5,937 patients (male : 1,200, female : 1,445, children: 3,292) were treated for various ailments and provided medicines. Apart from medical and in-kind assistance, PPL also donated Rs 20 million to Prime Minister's Flood Relief Fund.

**Corporate Social Responsibility Spending 2011-12**




PPL in collaboration with the Pakistan Poverty Alleviation Fund (PPAF) and technical support of Sindh Rural Support Organization (SRSO) has

also launched Project for rehabilitation of physical infrastructure at 3 Union Councils of Kandhkot in District Kashmore.

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

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

For communities living in neighbourhood of our production fields such as Sui, Kandhkot, Adhi, Mazarani, Chachar and Hala as well as communities of our exploration blocks, array of welfare initiatives are undertaken such as various scholarship schemes, free gas and free water supply to Sui town, healthcare through mobile medical dispensaries, water supply to village Ghaibi Dero, medical, eye and skin camps, miscellaneous education and healthcare initiatives, provision of educational and healthcare facilities and various degrees of support extended to public welfare institutions. Sufficient support also extended to noble causes for welfare for under-privileged segments of our society. All these tangible and sustainable investments are aimed at welfare of the society that leads to long-term development of the area.

### Rural Development Programmes

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

### PPL Welfare Trust

In order to undertake public welfare schemes in Company's production areas and beyond, PPL has established PPL Welfare Trust. The Trust has a Board of Trustees to steer and oversee its affairs and promote its activities. The PPL Welfare Trust with the approval of the Trustees makes arrangements, draws up schemes and projects for the development of PPL production areas and its communities.

PPL's CSR initiatives over the years and in the year under review have focused on education, health care, infra-structure development, water resource development, skill development and livelihood generation. It also extends support to noble social initiatives which it considers would contribute towards establishment of a better society. In addition, PPL has always played its role in providing relief and rehabilitation in times of disasters.

# Directors' Report

## Corporate Governance

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

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

The status of each Director on Company's Board whether non-executive, executive or independent has been disclosed in this report in accordance with the revised Code of Corporate Governance, 2012 (CCG) issued by the Securities and Exchange Commission of Pakistan. Five directors on Company's board are independent which exceeds the minimum requirement of one independent director stipulated in the CCG.

The Code of Conduct for directors and employees of the Company has been revisited by the Board and changes were made in line with the new requirements stated in the revised CCG. The revised Code of Conduct strengthens the standard for professional business-like behavior expected of directors and employees and binds them to demonstrate ethical, honest and responsible attitude. The Code has been disseminated across the Company to all directors and employees for their compliance.

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. The Board has reviewed the status of ‚executives„ in terms of clause (xvi) of CCG and has set a threshold defining categories of management employees as ‚executives„ consequent to which they are subject to additional regulatory requirements for trading and disclosing their transactions in Company shares.

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 transactions reported by Directors / executives were 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 its state of affairs fairly, the result of its operations, cash flows and changes in equity.

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

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

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

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

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

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

(viii) Key operating and financial data of last six years has been given on page 90 of the Annual Report.

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

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

(xi) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2011 are as follows:

| | Rs million |
|---|---|
| Senior Provident Fund | 1,547 |
| Junior Provident Fund | 958 |
| Executive Staff Gratuity Fund | 398 |
| Non-Executive Staff Gratuity Fund | 361 |
| Executive Staff Pension Fund | 2,372 |
| Non-Executive Staff Pension Fund | 745 |

(xii) Details of number of Board and Committees' meetings held during the year and attendance by each Director has been disclosed on page 25 of the Annual Report. Leave of absence was granted to Directors who could not attend some of the board and committee meetings.

(xiii) A statement of the pattern of shareholding in the Company as at 30 June, 2012 of certain classes of shareholders whose disclosure is required under the revised CCG and the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on page 168 of the Annual Report.

## Post Balance Sheet Events

Subsequent to the Balance sheet date, no significant change has occurred that warrants reporting to the shareholders.

## Chief Executive / Managing Director

Mr. Asim Murtaza Khan was confirmed as Chief Executive/ Managing Director of the Company effective from 27 September, 2011 for a term of two years.

## Directors

Since the last Annual General Meeting held on 30 September, 2011, one casual vacancy arose due to resignation of Mr. Raashid Bashir Mazari which was filled up through appointment of Mr. Hamid Asghar Khan.

## Auditors

The auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for reappointment for the year 2012-13. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

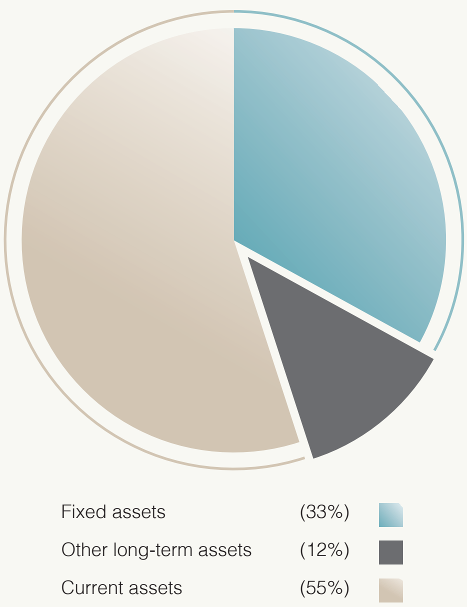
(HIDAYATULLAH PIRZADA)
CHAIRMAN

(ASIM MURTAZA KHAN)
CHIEF EXECUTIVE / MANAGING DIRECTOR

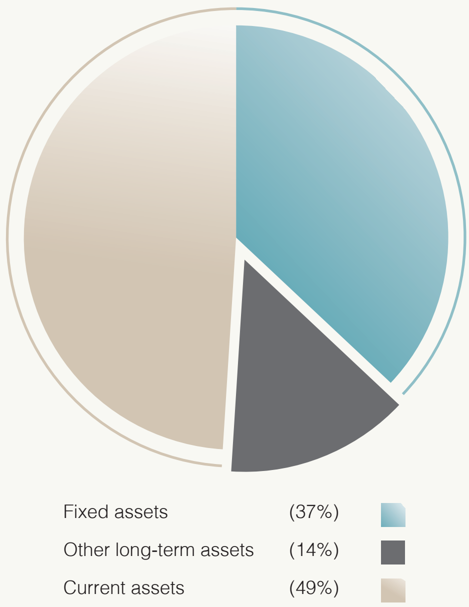
Karachi
11 August, 2012

# Balance Sheet Composition

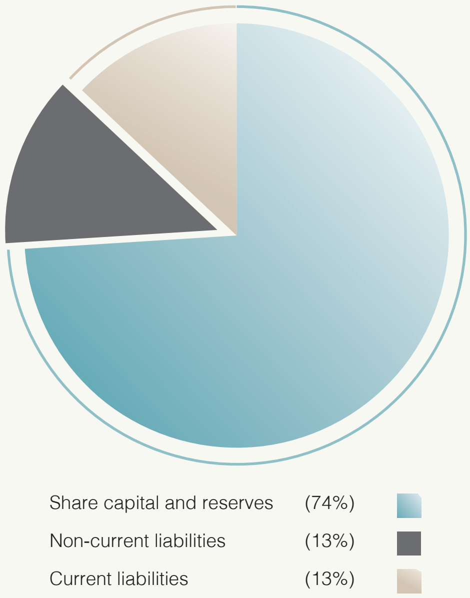
## Assets - 2012



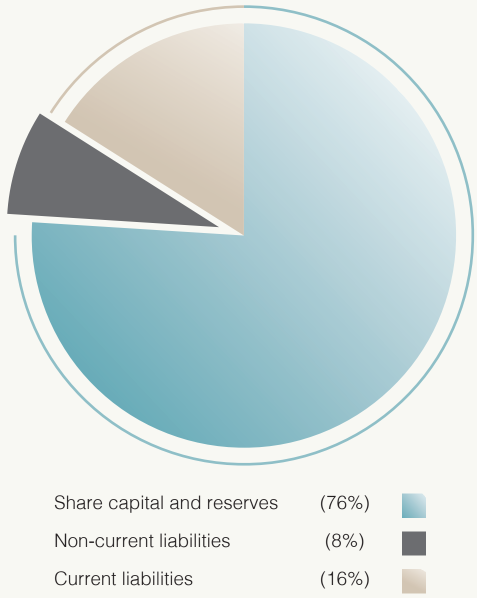

## Assets - 2011




## Shareholders' Equity and Liabilities - 2012

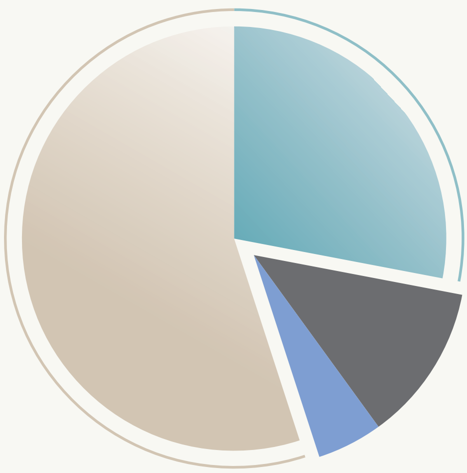



## Shareholders' Equity and Liabilities - 2011



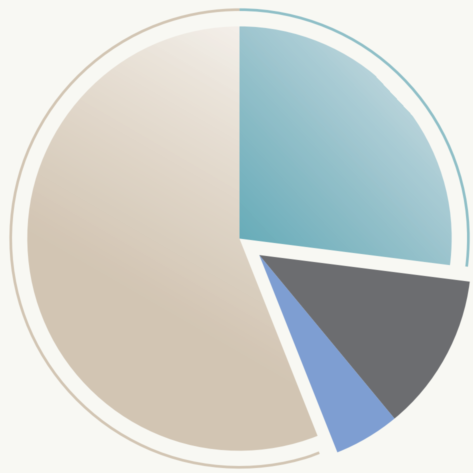
# Analysis of Profit & Loss Account

## Analysis of Sales - 2012



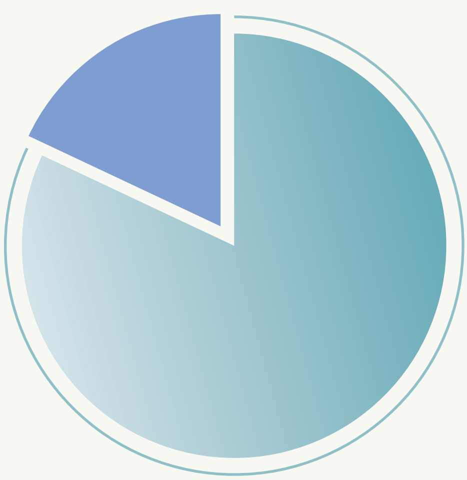
| | |
|---|---|
| Field expenditure | (28%) |
| Royalties | (12%) |
| Other operating expenses and finance cost | (5%) |
| Profit before tax excluding BME income and other income | (55%) |

## Analysis of Sales - 2011



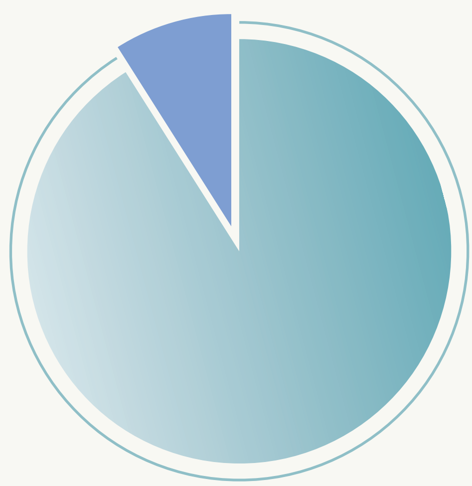
| | |
|---|---|
| Field expenditure | (27%) |
| Royalties | (12%) |
| Other operating expenses and finance cost | (5%) |
| Profit before tax excluding BME income and other income | (56%) |

## Analysis of Profit Before Tax - 2012



| | |
|---|---|
| Profit before tax excluding BME income and other income | (82%) |
| Share of Profit from BME and other income | (18%) |

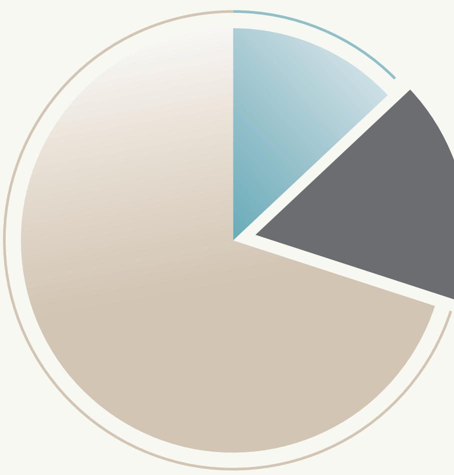
## Analysis of Profit Before Tax - 2011



| | |
|---|---|
| Profit before tax excluding BME income and other income | (91%) |
| Share of Profit from BME and other income | (9%) |

# Analysis of Cash Flows

## Utilisation of cash available / generated during the year 2011-12

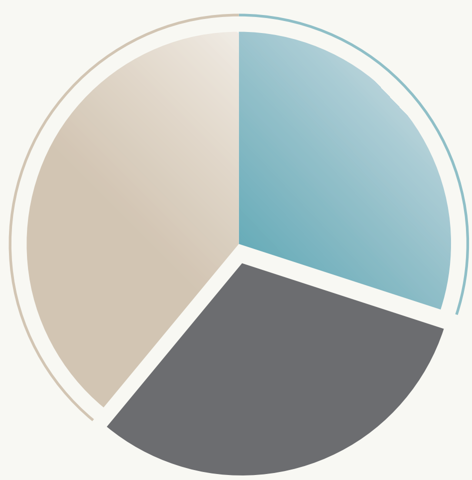


| | | |
|---|---|---|
| Investing activities | (13%) | |
| Financing activities | (17%) | |
| Cash and Cash Equivalents at the end of the year | (70%) | |

A total of Rs 22.4 billion was available as cash and cash equivalents at the beginning of the year. In addition, Rs 30.3 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 52.7 billion. Out of this, Rs 6.7 billion (13%) were spent on investing activities, Rs 9 billion (17%) were used in financing activities and the remaining Rs 37 billion (70%) was available as cash and cash equivalents at the end of the year.

## Utilisation of cash available / generated during the year 2010-11

A total of Rs 27.7 billion was available as cash and cash equivalents at the beginning of the year. In addition, Rs 30.1 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 57.8 billion. Out of this, Rs 17.3 billion (30%) were spent on investing activities, Rs 18.1 billion (31%) were used in financing activities and the remaining Rs 22.4 billion (39%) was available as cash and cash equivalents at the end of the year.



| | | |
|---|---|---|
| Investing activities | (30%) | |
| Financing activities | (31%) | |
| Cash and Cash Equivalents at the end of the year | (39%) | |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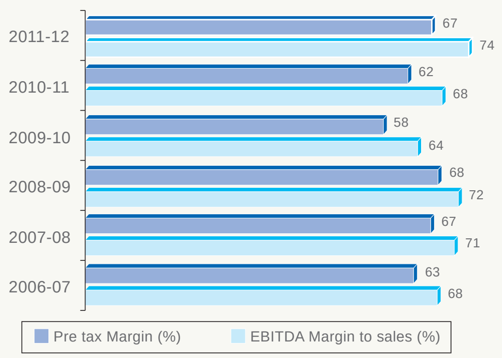
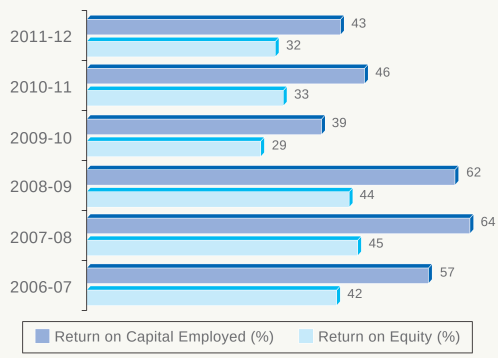
# Six Years' Summary

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|
| **Financial Performance** | | | | | | |
| **Profitability** | | | | | | |
| Operating Margin (%) | 64 | 65 | 67 | 58 | 61 | 60 |
| EBITDA Margin to sales (%)[1] | 68 | 71 | 72 | 64 | 68 | 74 |
| Operating Leverage (%) | 99 | 131 | 109 | 663 | 131 | 145 |
| Pre tax Margin (%) | 63 | 67 | 68 | 58 | 62 | 67 |
| Net profit to sales (%) | 44 | 43 | 45 | 39 | 40 | 43 |
| Return on Equity (%) | 42 | 45 | 44 | 29 | 33 | 32 |
| Return on Capital Employed (%) | 57 | 64 | 62 | 39 | 46 | 43 |
| **Operating Performance / Liquidity** | | | | | | |
| Total assets turnover (times) | 0.84 | 0.82 | 0.86 | 0.63 | 0.68 | 0.65 |
| Fixed assets turnover (times) | 2.72 | 2.49 | 2.19 | 1.56 | 1.78 | 1.89 |
| Debtors' turnover (times) | 4.81 | 4.11 | 3.00 | 2.05 | 2.49 | 2.34 |
| Debtors' turnover (days) | 75.81 | 88.99 | 121.53 | 178.33 | 146.71 | 156.01 |
| Current ratio | 4.35 | 2.79 | 3.10 | 3.21 | 3.15 | 4.38 |
| Quick ratio | 4.09 | 2.61 | 2.91 | 3.07 | 2.81 | 4.16 |
| Cash to Current Liabilities | 2.89 | 1.62 | 1.00 | 1.49 | 1.15 | 1.74 |
| Cash flow from Operation to Sales | 0.36 | 0.47 | 0.22 | 0.44 | 0.39 | 0.32 |
| Creditors turnover (times)[2] | - | - | - | - | - | - |
| Creditors turnover (days)[2] | - | - | - | - | - | - |
| Inventory turnover[2] | - | - | - | - | - | - |
| Operating cycle[2] | - | - | - | - | - | - |
| **Capital Market / Capital Structure Analysis Ratios** | | | | | | |
| Market value per share as at June 30 (Rs) | 262.45 | 245.99 | 189.54 | 184.12 | 207.07 | 188.29 |
| - Low during the year (Rs) | 196.15 | 229.80 | 98.50 | 162.40 | 168.70 | 160.00 |
| - High during the year (Rs) | 277.75 | 306.95 | 248.50 | 238.74 | 229.80 | 217.49 |
| Breakup value per share (Rs) | 58.47 | 57.87 | 75.99 | 80.24 | 79.02 | 96.15 |
| Basic Earnings per share (Rs) | 24.45 | 26.12 | 33.38 | 23.42 | 26.31 | 31.13 |
| Diluted Earnings per share (Rs)[6] | 24.45 | 26.12 | 33.38 | 23.42 | 26.31 | 31.13 |
| Basic Earnings per share - Restated (Rs)[3] | 12.76 | 14.99 | 21.07 | 17.74 | 23.92 | 31.13 |
| Diluted Earnings per share - Restated (Rs)[3 & 6] | 12.76 | 14.99 | 21.07 | 17.74 | 23.92 | 31.13 |
| Price earning ratio[7] | 10.73 | 9.42 | 5.68 | 7.86 | 7.87 | 6.05 |
| Cash Dividend Yield (%) | 4.19 | 6.30 | 6.86 | 4.89 | 5.80 | 6.11 |
| Cash Dividend Cover Ratio | 2.22 | 1.69 | 2.57 | 2.60 | 2.19 | 2.71 |
| Debt Equity Ratio[4] | - | - | - | - | - | - |
| Weighted average cost of debt[4] | - | - | - | - | - | - |
| Interest Cover Ratio[4] | - | - | - | - | - | - |
| Financial Leverage Ratio[4] | - | - | - | - | - | - |
| **Summary of Profit and Loss** | | | Rs million | | | |
| Sales - Gross (including Govt. levies) | 51,080 | 57,885 | 77,798 | 77,211 | 98,613 | 119,646 |
| Sales - Net (excluding Govt. levies) | 38,383 | 45,717 | 61,580 | 59,962 | 78,252 | 96,222 |
| Exploration expenditure | 2,201 | 2,448 | 3,249 | 3,967 | 4,532 | 3,823 |
| Operating Profit | 24,541 | 29,506 | 40,956 | 34,612 | 47,655 | 57,700 |
| Profit before Tax | 24,357 | 30,447 | 41,908 | 34,528 | 48,365 | 64,529 |
| Profit after Tax | 16,768 | 19,707 | 27,703 | 23,321 | 31,446 | 40,924 |
| EBITDA[1] | 26,072 | 32,675 | 44,367 | 38,185 | 53,525 | 71,605 |

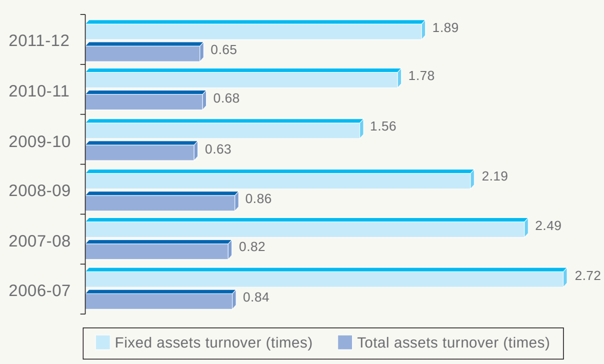
## EBITDA Margin / Pre-tax Margin (%)



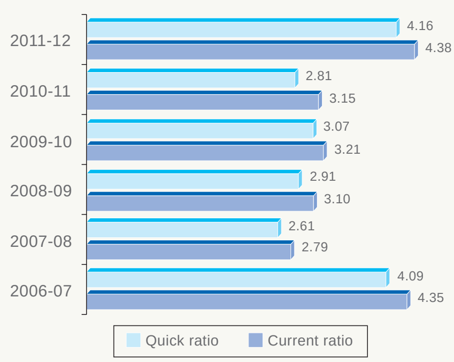

## Return on Equity / Capital Employed (%)



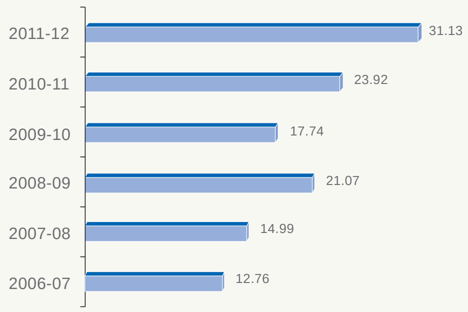

## Total Assets / Fixed Assets Turnover



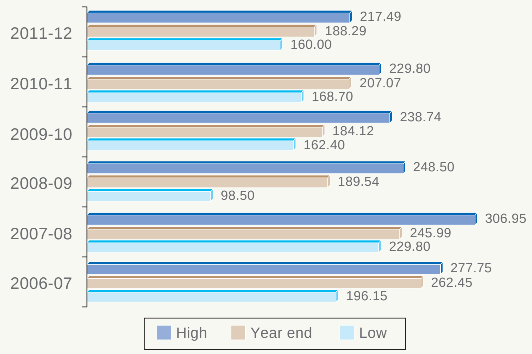

## Current / Quick Ratio




## Earnings Per Share - Restated (Rs)




## Share prices Low / Year End / High



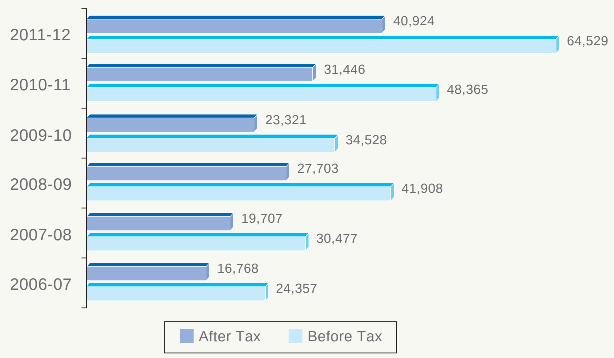
# Six Years' Summary

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|
| **Corporate Distributions** | | | | | | |
| Dividend - Interim (Rs million) | 3,086 | 11,693 | 8,298 | 3,983 | 11,950 | 6,572 |
| - Final (Rs million) | 4,458 | - | 2,490 | 4,979 | 2,390 | 8,544 |
| Cash Dividend per share (Rs)[5] | 11.00 | 15.50 | 13.00 | 9.00 | 12.00 | 11.50 |
| Cash Dividend Payout Ratio (%)[5 & 7] | 44.99 | 59.34 | 38.95 | 38.43 | 45.61 | 36.94 |
| Bonus (Rs million)[5] | 686 | 754 | 1,660 | 1,992 | 1,195 | 3,286 |
| Bonus Issue (%)[5] | 10 | 10 | 20 | 20 | 10 | 25 |
| **Summary of Balance Sheet** (Rs million) | | | | | | |
| Share Capital | 6,858 | 7,544 | 8,299 | 9,958 | 11,950 | 13,145 |
| Reserves | 33,240 | 36,110 | 54,760 | 69,948 | 82,473 | 113,239 |
| Long-term / Deferred Liabilities | 2,556 | 3,790 | 5,203 | 8,047 | 10,198 | 22,899 |
| Current Assets | 33,592 | 37,862 | 45,439 | 63,057 | 61,448 | 93,254 |
| Current Liabilities | 7,715 | 13,579 | 14,648 | 19,623 | 19,508 | 21,268 |
| Property, Plant and Equipment | 15,227 | 21,187 | 34,763 | 41,695 | 45,418 | 55,313 |
| Fixed Assets | 15,377 | 21,368 | 34,971 | 42,070 | 45,905 | 55,747 |
| Long Term Investments | 677 | 1,781 | 1,854 | 1,804 | 15,733 | 20,346 |
| Stores and Spares | 1,475 | 1,604 | 1,872 | 2,069 | 2,273 | 3,468 |
| Trade Debts | 9,002 | 13,228 | 27,780 | 30,811 | 32,096 | 50,159 |
| Short term investments | 21,417 | 20,743 | 13,242 | 27,296 | 20,851 | 35,265 |
| Cash and bank balances | 787 | 1,095 | 1,384 | 1,874 | 1,503 | 1,675 |
| **Summary of Cash Flows** (Rs million) | | | | | | |
| Cash and Cash equivalent at beg. of the year | 17,327 | 20,892 | 18,181 | 14,352 | 27,686 | 22,354 |
| Cash flows from operating activities | 13,637 | 21,563 | 13,293 | 26,460 | 30,131 | 30,340 |
| Cash used in investing activities | (3,163) | (8,060) | (8,768) | (6,513) | (17,314) | (6,713) |
| Cash used in financing activities | (6,909) | (16,214) | (8,354) | (6,613) | (18,149) | (9,041) |
| Net change in cash and cash equivalents | 3,565 | (2,711) | (3,829) | 13,334 | (5,332) | 14,586 |
| Cash and Cash equivalent at end of the year | 20,892 | 18,181 | 14,352 | 27,686 | 22,354 | 36,940 |
| **Others** (Rs million) | | | | | | |
| Payments to Government Exchequer (including cash dividend) | 32,839 | 37,613 | 43,385 | 36,403 | 62,509 | 49,615 |
| Market Capitalisation | 179,994 | 185,576 | 157,289 | 183,350 | 247,444 | 247,503 |

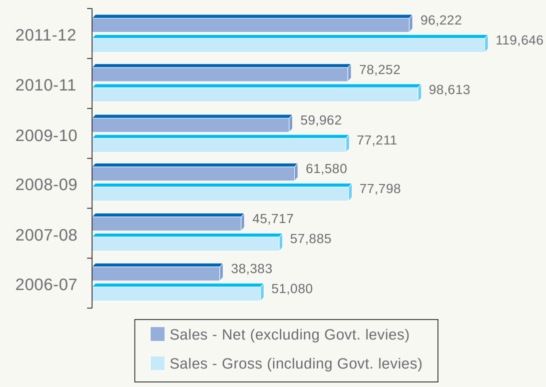
Notes:

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, 2009-10 and 2010-11.
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.
6. Convertible Preference Shares are of insignificant value in Company's total share capital therefore it has negligible dilution effect on EPS.
7. Price earning ratio and cash dividend payout ratio have been calculated on basic EPS.

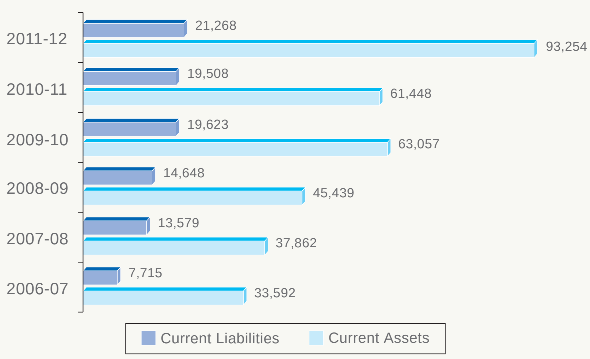
### Profit Before & After Tax (Rs million)



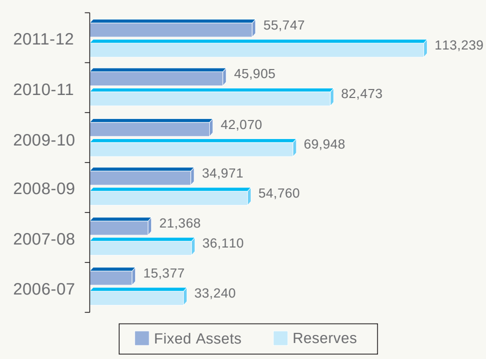

### Gross Sales vs Net Sales (Rs million)



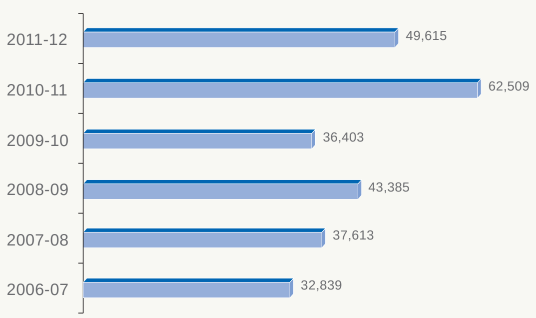

### Current Assets vs Current Liabilities (Rs million)



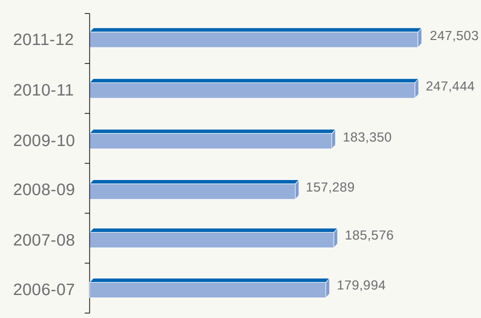

### Reserves / Fixed Assets (Rs million)




### Payment to Government Exchequer (Rs million)




### Market Capitalisation (Rs million)



# Horizontal Analysis

## Balance Sheet Items

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 100 | 119 | 166 | 272 | 327 | 356 | 433 |
| Intangible assets | 100 | 141 | 170 | 195 | 352 | 457 | 407 |
| Equity-accounted investment in joint venture | 100 | 114 | 134 | 162 | 200 | 235 | 263 |
| Long-term investments | 100 | 329 | 1,039 | 1,058 | 985 | 10,400 | 13,451 |
| Long-term loans - staff | 100 | 86 | 93 | 78 | 73 | 148 | 168 |
| Long-term deposit | - | - | - | 100 | 102 | 105 | 113 |
| Long-term receivable | 100 | - | - | 13 | 4 | 5 | 34 |
| Deferred tax asset | 100 | 117 | - | - | - | - | - |
| Stores and spares | 100 | 116 | 126 | 147 | 163 | 179 | 272 |
| Trade debts | 100 | 130 | 191 | 400 | 444 | 462 | 723 |
| Loans and advances | 100 | 193 | 389 | 285 | 103 | 347 | 475 |
| Trade deposits and short-term prepayments | 100 | 75 | 82 | 148 | 81 | 62 | 74 |
| Accrued financial income | 100 | 130 | 238 | 344 | 206 | 560 | 618 |
| Current maturity of long-term investments | 100 | 29 | 66 | 7 | 66 | 15 | 219 |
| Current maturity of long-term receivable | 100 | 33 | - | 3 | 3 | 1 | 1 |
| Other receivables | 100 | 176 | 72 | 807 | 2,054 | 2,277 | 4,287 |
| Short-term investments | 100 | 129 | 125 | 80 | 165 | 126 | 213 |
| Taxation | - | - | - | - | - | 100 | - |
| Cash and bank balances | 100 | 105 | 146 | 185 | 250 | 201 | 223 |
| Total Assets | 100 | 123 | 149 | 202 | 262 | 302 | 415 |
| | | | | | | | |
| Share capital | 100 | 100 | 110 | 121 | 145 | 174 | 192 |
| Reserves | 100 | 142 | 155 | 235 | 300 | 354 | 485 |
| Provision for decommissioning obligations | 100 | 108 | 175 | 247 | 348 | 356 | 891 |
| Long-term liability for gas development surcharge | 100 | - | - | - | - | - | - |
| Liabilities against assets subject to finance leases | 100 | 87 | 98 | 126 | 111 | 128 | 165 |
| Deferred liabilities | 100 | 115 | 133 | 153 | 176 | 208 | 242 |
| Deferred income | - | - | - | 100 | 55 | 20 | - |
| Deferred taxation | - | - | 100 | 354 | 3,113 | 7,729 | 17,549 |
| Trade and other payables | 100 | 147 | 250 | 275 | 371 | 397 | 369 |
| Current maturity of long-term liability for gas development surcharge | 100 | 33 | - | - | - | - | - |
| Current maturity of liabilities against assets subject to finance leases | 100 | 115 | 101 | 104 | 2,737 | 121 | 187 |
| Current maturity of deferred income | - | - | - | 100 | 271 | 208 | 121 |
| Taxation | 100 | 8 | 48 | 42 | 7 | - | 115 |
| Total Shareholders' Equity and Liabilities | 100 | 123 | 149 | 202 | 262 | 302 | 415 |

## Profit & Loss Account Items

| | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|---|
| Sales - net | 100 | 121 | 144 | 194 | 189 | 246 | 303 |
| Field expenditure | 100 | 113 | 131 | 161 | 224 | 261 | 331 |
| Royalties | 100 | 122 | 147 | 199 | 189 | 247 | 306 |
| Share of profit in equity - accounted investment in joint venture | 100 | 226 | 265 | 328 | 283 | 265 | 324 |
| Other operating income | 100 | 163 | 204 | 275 | 174 | 300 | 781 |
| Other operating expenses | 100 | 231 | 185 | 275 | 228 | 319 | 413 |
| Finance costs | 100 | 164 | 221 | 311 | 514 | 683 | 595 |
| Profit before taxation | 100 | 121 | 151 | 208 | 171 | 240 | 320 |
| Taxation | 100 | 112 | 158 | 209 | 165 | 249 | 348 |
| Profit after taxation | 100 | 125 | 147 | 207 | 174 | 235 | 305 |
| Basic and diluted earnings per share (Rs) | 100 | 125 | 147 | 207 | 174 | 235 | 305 |

# Vertical Analysis

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|---|
| **Balance Sheet Items** | | | | | | |
| Property, plant and equipment | 30.23 | 34.72 | 41.93 | 38.75 | 36.58 | 32.43 |
| Intangible assets | 0.30 | 0.30 | 0.25 | 0.35 | 0.39 | 0.25 |
| Equity-accounted investment in joint venture | 0.36 | 0.35 | 0.31 | 0.29 | 0.30 | 0.24 |
| Long-term investments | 0.99 | 2.57 | 1.93 | 1.39 | 12.67 | 11.93 |
| Long-term loans - staff | 0.02 | 0.02 | 0.01 | 0.01 | 0.02 | 0.01 |
| Long-term deposit | - | - | 0.74 | 0.59 | 0.52 | 0.41 |
| Long-term receivable | - | - | 0.03 | 0.01 | 0.01 | 0.04 |
| Deferred tax assets | 1.41 | - | - | - | - | - |
| Stores and spares | 2.93 | 2.63 | 2.26 | 1.92 | 1.83 | 2.03 |
| Trade debts | 17.87 | 21.68 | 33.50 | 28.64 | 25.86 | 29.42 |
| Loans and advances | 0.56 | 0.93 | 0.50 | 0.14 | 0.41 | 0.41 |
| Trade deposits and short-term prepayments | 0.32 | 0.29 | 0.39 | 0.16 | 0.11 | 0.09 |
| Accrued financial income | 0.23 | 0.35 | 0.37 | 0.17 | 0.40 | 0.32 |
| Current maturity of long-term investments | 0.20 | 0.37 | 0.03 | 0.21 | 0.04 | 0.44 |
| Current maturity of long-term receivable | 0.46 | - | 0.02 | 0.02 | - | - |
| Other receivables | 0.04 | 0.01 | 0.12 | 0.24 | 0.23 | 0.31 |
| Short-term investments | 42.52 | 33.99 | 15.94 | 25.37 | 16.80 | 20.69 |
| Taxation | - | - | - | - | 2.62 | - |
| Cash and bank balances | 1.56 | 1.79 | 1.67 | 1.74 | 1.21 | 0.98 |
| | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Share capital | 13.62 | 12.37 | 10.01 | 9.25 | 9.63 | 7.71 |
| Reserves | 65.99 | 59.17 | 66.04 | 65.02 | 66.44 | 66.39 |
| Provision for decommissioning obligations | 3.46 | 4.61 | 4.79 | 5.21 | 4.62 | 8.41 |
| Liabilities against assets subject to finance leases | 0.14 | 0.13 | 0.12 | 0.08 | 0.08 | 0.08 |
| Deferred liabilities | 1.47 | 1.41 | 1.19 | 1.06 | 1.08 | 0.92 |
| Deferred Income | - | - | 0.01 | - | - | - |
| Deferred taxation | - | 0.06 | 0.17 | 1.13 | 2.44 | 4.03 |
| Trade and other payables | 14.34 | 20.06 | 16.25 | 16.93 | 15.67 | 10.60 |
| Current maturity of long-term liability for gas development surcharge | 0.46 | - | - | - | - | - |
| Current maturity of liabilities against assets subject to finance leases | 0.10 | 0.07 | 0.06 | 1.13 | 0.04 | 0.05 |
| Taxation | 0.42 | 2.12 | 1.36 | 0.19 | - | 1.81 |
| 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 | 24.14 | 23.38 | 21.37 | 30.48 | 27.31 | 28.11 |
| Royalties | 11.92 | 12.07 | 12.12 | 11.80 | 11.80 | 11.92 |
| Share of profit in equity - accounted investment in joint venture | (0.12) | (0.12) | (0.11) | (0.10) | (0.07) | (0.07) |
| Other operating income | (6.30) | (6.64) | (6.63) | (4.30) | (5.69) | (12.05) |
| Other operating expenses | 6.77 | 4.56 | 5.04 | 4.28 | 4.59 | 4.84 |
| Finance costs | 0.13 | 0.15 | 0.15 | 0.26 | 0.26 | 0.19 |
| Taxation | 19.77 | 23.49 | 23.07 | 18.69 | 21.62 | 24.53 |
| Profit after taxation | 43.69 | 43.11 | 44.99 | 38.89 | 40.18 | 42.53 |
| | 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, 2011 | 14,469,000[4] | 52,373 | 551,684 |
| Change during the year | | | |
| - Revision in estimates of previous reserves | 303,000[1] | 9,080[2] | 79,560[3] |
| At 30 June, 2012 | 14,772,000 | 61,453 | 631,244 |
| **Production** | | | |
| Accumulated on 1 July, 2011 | 11,618,019 | 15,854 | 237,669 |
| Production during the year | 364,948 | 3,156 | 20,869 |
| Accumulated upto 30 June, 2012 | 11,982,967 | 19,010 | 258,538 |
| **Net reserves 30 June, 2012** | 2,789,033 | 42,443 | 372,706 |
| **Net reserves 30 June, 2011** | 2,850,981[4] | 36,519 | 314,015 |
| **Daily average production** | 997 | 8.62 | 57.02 |

Notes:

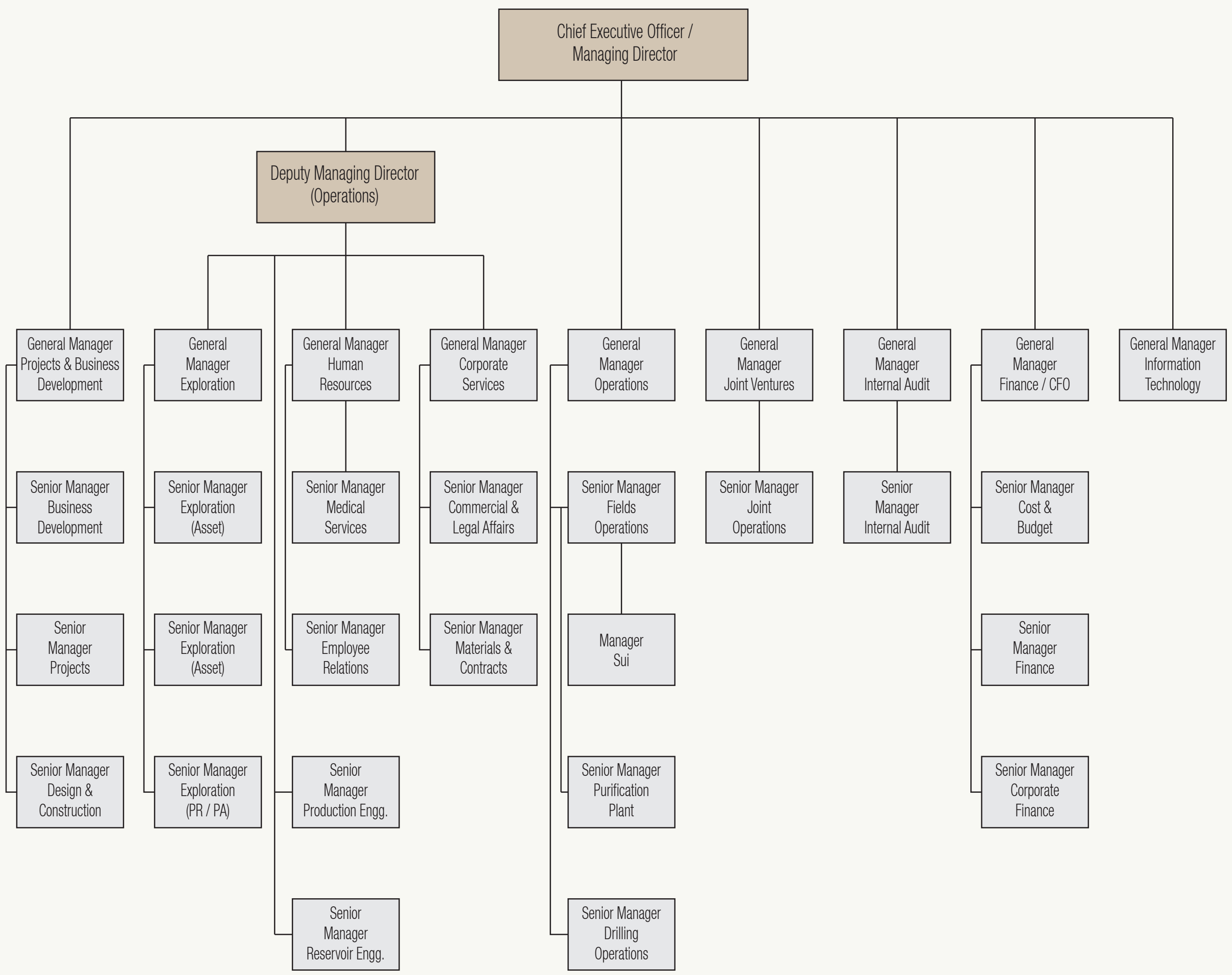
1 Revision in field recoverable gas reserves estimates of Sui SML, SUL and Pab reservoirs, Adhi field, Manzalai at Tal Block, Mela and Nashpa at Nashpa Block.

2 Revision in field recoverable reserve estimates of Adhi NGL, Miano NGL, Manzalai NGL at Tal Block, Mela Oil at Nashpa Block and Nashpa Oil at Nashpa Block.

3 Revision in recoverable LPG reserve estimates of Adhi field.

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

# Organogram


Chief Executive Officer / Managing Director
Deputy Managing Director (Operations)
General Manager Projects & Business Development
Senior Manager Business Development
Senior Manager Projects
Senior Manager Design & Construction
General Manager Exploration
Senior Manager Exploration (Asset)
Senior Manager Exploration (Asset)
Senior Manager Exploration (PR / PA)
General Manager Human Resources
Senior Manager Medical Services
Senior Manager Employee Relations
Senior Manager Production Engg.
Senior Manager Reservoir Engg.
General Manager Corporate Services
Senior Manager Commercial & Legal Affairs
Senior Manager Materials & Contracts
General Manager Operations
Senior Manager Fields Operations
Manager Sui
Senior Manager Purification Plant
Senior Manager Drilling Operations
General Manager Joint Ventures
Senior Manager Joint Operations
General Manager Internal Audit
Senior Manager Internal Audit
General Manager Finance / CFO
Senior Manager Cost & Budget
Senior Manager Finance
Senior Manager Corporate Finance
General Manager Information Technology

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

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

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

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

| Category | Names |
|---|---|
| Non-Executive Directors | (i) Mr. Hidayatullah Pirzada<br>(ii) Mr. Sajid Zahid<br>(iii) Mr. Sher Muhammad Khan<br>(iv) Mr. Hamid Asghar Khan |
| Executive Director | (i) Mr. Asim Murtaza Khan |
| Independent Directors | (i) Mr. Saifullah Khan Paracha<br>(ii) Mr. Zain Magsi<br>(iii) Mr. Saquib H. Shirazi<br>(iv) Mr. Saeed Akhtar<br>(v) Mr. Javed Akbar |

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

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

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

4. Two casual vacancies occurred in the Board on 22 July, 2011 and 12 March, 2012 and these were filled up by the directors within 3 days and same day respectively.

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

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including determination of remuneration and terms and conditions of employment of the CEO. No new appointment of CEO has been made, neither there is any change in the remuneration of non-executive directors during the year.

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

9. The Board has been provided with detailed in-house briefings and information package

to acquaint them with the Code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company for and on behalf of the shareholders. The Chairman is a certified Director from Pakistan Institute of Corporate Governance. In future, arrangements will also be made for other Directors for acquiring certification under the directors training program.

10. No new appointments of the 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 the employment of CFO, Company Secretary and Head of Internal Audit have been determined by the CEO with the approval of the Board of Directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

(HIDAYATULLAH PIRZADA)
CHAIRMAN

(ASIM MURTAZA KHAN)
CHIEF EXECUTIVE /
MANAGING DIRECTOR

Karachi
11 August, 2012

# 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, 2012 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended 30 June, 2012.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi
11 August, 2012

# Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.4 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, 2012 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.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi
11 August, 2012

# Balance Sheet
As at June 30, 2012

| | Note | June 30, 2012 | June 30, 2011 |
|---|---|---|---|
| | | Rs '000 | |
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | | |
| Property, plant and equipment | 4 | 55,313,451 | 45,418,272 |
| Intangible assets | 5 | 433,569 | 487,195 |
| | | 55,747,020 | 45,905,467 |
| Equity-accounted investment in joint venture | 6 | 413,147 | 370,024 |
| Long-term investments | 7 | 20,346,358 | 15,732,524 |
| Long-term loans - staff | 8 | 21,262 | 18,720 |
| Long-term deposits | 9 | 697,676 | 645,000 |
| Long-term receivables | 10 | 71,805 | 11,172 |
| | | 77,297,268 | 62,682,907 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 11 | 3,467,552 | 2,272,952 |
| Trade debts | 12 | 50,159,492 | 32,096,358 |
| Loans and advances | 13 | 691,862 | 505,889 |
| Trade deposits and short-term prepayments | 14 | 161,013 | 134,647 |
| Accrued financial income | 15 | 553,290 | 501,290 |
| Current maturity of long-term investments | 7 | 748,276 | 49,950 |
| Current maturity of long-term receivables | 10 | 4,251 | 4,251 |
| Other receivables | 16 | 528,023 | 280,490 |
| Short-term investments | 17 | 35,265,000 | 20,851,145 |
| Taxation | | - | 3,248,006 |
| Cash and bank balances | 18 | 1,675,160 | 1,503,126 |
| | | 93,253,919 | 61,448,104 |
| | | 170,551,187 | 124,131,011 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 19 | 13,144,909 | 11,949,930 |
| Reserves | 20 | 113,239,278 | 82,473,103 |
| | | 126,384,187 | 94,423,033 |
| **NON-CURRENT LIABILITIES** | | | |
| Provision for decommissioning obligation | 21 | 14,334,962 | 5,729,595 |
| Liabilities against assets subject to finance leases | 22 | 131,115 | 101,848 |
| Deferred liabilities | 23 | 1,561,710 | 1,340,573 |
| Deferred income | | - | 1,172 |
| Deferred taxation | 24 | 6,871,537 | 3,026,317 |
| | | 22,899,324 | 10,199,505 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 25 | 18,096,399 | 19,453,023 |
| Current maturity of liabilities against assets subject to finance leases | 22 | 82,923 | 53,428 |
| Current maturity of deferred income | | 1,172 | 2,022 |
| Taxation | | 3,087,182 | - |
| | | 21,267,676 | 19,508,473 |
| **CONTINGENCIES AND COMMITMENTS** | 26 | | |
| | | - | - |
| | | 170,551,187 | 124,131,011 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Director

Chief Executive

# Profit and Loss Account

For the year ended June 30, 2012

| | Note | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|---|
| | | Rs '000 | |
| Sales - net | 27 | 96,221,728 | 78,252,395 |
| Field expenditures | 28 | (27,050,962) | (21,364,177) |
| Royalties | | (11,471,151) | (9,232,890) |
| | | (38,522,113) | (30,597,067) |
| | | 57,699,615 | 47,655,328 |
| Share of profit in equity - accounted investment in joint venture | 6.2 | 68,124 | 55,712 |
| Other operating income | 30 | 11,594,481 | 4,450,567 |
| Other operating expenses | 31 | (4,654,529) | (3,591,519) |
| Finance costs | 32 | (179,005) | (205,444) |
| Profit before taxation | | 64,528,686 | 48,364,644 |
| Taxation | 33 | (23,605,148) | (16,918,929) |
| Profit after taxation | | 40,923,538 | 31,445,715 |
| | | | (Restated) |
| Basic and diluted earnings per share (Rs) | 38 | 31.13 | 23.92 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Director

Chief Executive

# Statement of Comprehensive Income

For the year ended June 30, 2012

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Profit after taxation | 40,923,538 | 31,445,715 |
| Other comprehensive income - net of taxation | - | - |
| Total comprehensive income | 40,923,538 | 31,445,715 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Director

Chief Executive

# Cash Flow Statement
For the year ended June 30, 2012

| | Note | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|---|
| | | Rs '000 | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | 100,401,389 | 97,328,289 |
| Receipts of other operating income | | 261,346 | 122,625 |
| Cash paid to suppliers / service providers and employees | | (23,269,030) | (14,181,796) |
| Payment of indirect taxes and Government levies including royalty | | (33,595,965) | (34,507,377) |
| Income tax paid | | (13,424,739) | (18,558,798) |
| Finance costs paid | | (30,035) | (59,708) |
| Long-term loans - staff (net) | | (2,688) | (12,591) |
| Net cash generated from operating activities | | 30,340,278 | 30,130,644 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure | | (8,149,262) | (8,737,403) |
| Purchase of long-term investments | | (4,865,336) | (12,344,832) |
| Disposals / redemption of long-term investments | | 978,353 | 219,990 |
| Long-term deposits | | (52,676) | (15,000) |
| Long-term receivables | | (62,655) | 10,058 |
| Share of profit received from equity-accounted investment in joint venture | | 25,000 | - |
| Financial income received | | 5,315,018 | 3,541,977 |
| Proceeds on sale of property, plant and equipment | | 98,786 | 11,034 |
| Net cash used in investing activities | | (6,712,772) | (17,314,176) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment of liabilities against assets subject to finance leases | | (79,233) | (1,219,838) |
| Dividends paid | | (8,962,384) | (16,928,913) |
| Net cash used in financing activities | | (9,041,617) | (18,148,751) |
| Net increase / (decrease) in cash and cash equivalents | | 14,585,889 | (5,332,283) |
| Cash and cash equivalents at the beginning of the year | | 22,354,271 | 27,686,554 |
| Cash and cash equivalents at the end of the year | 36 | 36,940,160 | 22,354,271 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Director

Chief Executive

# Statement of Changes in Equity
For the year ended June 30, 2012

| | 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 | Unappropri-ated profit | Total | | |
| | Rs '000 | | | | | | | | | |
| 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 |
| Appropriation of insurance reserve for the year ended June 30, 2010 | - | - | - | - | 5,500,000 | - | (5,500,000) | - | - | - |
| Appropriation of assets acquisition reserve for the year ended June 30, 2010 | - | - | - | - | - | 5,000,000 | (5,000,000) | - | - | - |
| Issuance of bonus shares @ 20% (two shares for every ten ordinary shares held) | 1,991,632 | - | - | - | - | - | (1,991,632) | (1,991,632) | (1,991,632) | - |
| Final dividend on ordinary shares @ 50% for the year ended June 30, 2010 | - | - | - | - | - | - | (4,979,080) | (4,979,080) | (4,979,080) | (4,979,080) |
| Total comprehensive income for the year ended June 30, 2011 | - | - | - | - | - | - | 31,445,715 | 31,445,715 | 31,445,715 | 31,445,715 |
| First Interim dividend for the year ended June 30, 2011 | | | | | | | | | | |
| - Ordinary shares - 50% | - | - | - | - | - | - | (5,974,896) | (5,974,896) | (5,974,896) | (5,974,896) |
| - Convertible preference shares - 30% | - | - | - | - | - | - | (41) | (41) | (41) | (41) |
| Second interim dividend on ordinary shares @ 50% for the year ended June 30, 2011 | - | - | - | - | - | - | (5,974,896) | (5,974,896) | (5,974,896) | (5,974,896) |
| Balance as at June 30, 2011 | 11,949,792 | 138 | 1,428 | 69,761 | 14,021,894 | 20,000,000 | 48,380,020 | 82,471,675 | 82,473,103 | 94,423,033 |
| Appropriation of insurance reserve for the year ended June 30, 2011 | - | - | - | - | 5,000,000 | - | (5,000,000) | - | - | - |
| Appropriation of assets acquisition reserve for the year ended June 30, 2011 | - | - | - | - | - | 5,000,000 | (5,000,000) | - | - | - |
| Issuance of bonus shares @ 10% (one share for every ten ordinary shares held) | 1,194,979 | - | - | - | - | - | (1,194,979) | (1,194,979) | (1,194,979) | - |
| Final dividend on ordinary shares @ 20% for the year ended June 30, 2011 | - | - | - | - | - | - | (2,389,958) | (2,389,958) | (2,389,958) | (2,389,958) |
| Total comprehensive income for the year ended June 30, 2012 | - | - | - | - | - | - | 40,923,538 | 40,923,538 | 40,923,538 | 40,923,538 |
| Interim dividend for the year ended June 30, 2012 | | | | | | | | | | |
| - Ordinary shares - 50% | - | - | - | - | - | - | (6,572,385) | (6,572,385) | (6,572,385) | (6,572,385) |
| - Convertible preference shares - 30% | - | - | - | - | - | - | (41) | (41) | (41) | (41) |
| Balance as at June 30, 2012 | 13,144,771 | 138 | 1,428 | 69,761 | 19,021,894 | 25,000,000 | 69,146,195 | 113,237,850 | 113,239,278 | 126,384,187 |

The annexed notes 1 to 43 form an integral part of these financial statements.

Director

Chief Executive

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

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

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

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

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

Had the exemption not been granted, the impact, based on the independent actuarial valuations conducted as on June 30, 2012, for the years ended June 30, 2012 and June 30, 2011 would have been as follows:

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Staff costs of the Company for the year would have been higher by: | 2,689,899 | 4,512,121 |
| Profit after taxation would have been lower by: | 2,689,899 | 4,512,121 |
| Earnings per share would have been lower by (Rs): | 2.05 | 3.43 |

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Retained earnings would have been lower by: | 10,205,701 | 7,515,802 |
| Reserves would have been higher by: | 10,205,701 | 7,515,802 |

## 2.3 Accounting convention

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

a. ‘Financial assets at fair value through profit or loss’ which are measured at fair value.
b. Obligation under certain employee benefits and provision for decommissioning cost have been measured at present value.
c. Held-to-maturity investments, and loans and receivables, which are measured at amortised cost.

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

The following standards 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:

### Improvements / amendments to IFRSs and interpretation (May 2010)

IFRS 7 - Financial Instruments: Disclosures
IAS 1 - Presentation of Financial Statements (Amendment)
IAS 34 - Interim Financial Reporting
IFRIC 13 - Customer Loyalty Programmes

### Improvements / amendments to IFRSs and interpretation (Others)

IFRS 7 - Financial Instruments: Disclosures (Amendment)
IAS 24 - Related Party Disclosures (Revised)
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)

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

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

| | Effective for periods beginning on or after |
|---|---|
| **Revision / improvements / amendments to IFRSs and interpretations** | |
| IFRS 7 - Financial instruments: Disclosures (Amendment) | January 01, 2013 & January 01, 2015 |
| IAS 1 - Presentation of Financial Statements (Amendment) | July 01, 2012 & January 01, 2013 |
| IAS 12 - Income Taxes (Amendment) | January 01, 2012 |
| IAS 19 - Employee Benefits (Revised) | January 01, 2013 |
| IAS 27 - Separate Financial Statements | January 01, 2013 |
| IAS 28 - Investments in Associates and Joint Ventures | January 01, 2013 |
| IAS 32 - Financial Instruments: Presentation (Amendment) | January 01, 2014 |
| IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine | January 01, 2013 |
| Annual improvements to IFRS (the 2009-2011 cycle) | January 01, 2013 |
| **Standards issued by IASB but not yet notified by SECP** | |
| IFRS 9 - Financial Instruments: Classification and Measurement | January 01, 2015 |
| IFRS 10 - Consolidated Financial Statements | January 01, 2013 |
| IFRS 11 - Joint Arrangements | January 01, 2013 |
| IFRS 12 - Disclosure of Interests in Other Entities | January 01, 2013 |
| IFRS 13 - Fair Value Measurement | January 01, 2013 |

The Company expects that the adoption of the above standards and interpretations will not have material effect on the Company's financial statements in the period of initial application except for the following:

- IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognised in other comprehensive income as they occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

- IFRS 9 - Financial Instruments: Classification and Measurement, IFRS 11 - Joint Arrangements and IFRS 12 – Disclosure of interests in Other Entities may affect certain disclosures.

## 2.6 Property, plant and equipment

### a) Owned assets

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

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 Company 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 asset. Direct costs include the purchase cost of software and related overhead cost. Computer software costs that are directly associated with the computer and computer controlled machines, which cannot operate without the related specific software, are included in the costs of the respective assets. When the software is not an integral part of the related hardware, it is classified as an intangible asset. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

## 2.8 Depreciation and amortisation

### a) Property, plant and equipment

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

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

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

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

### b) Intangible assets

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

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

## 2.9 Business combinations and goodwill

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.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment, if any, and is tested annually or whenever, there is an indication of impairment as referred in note 2.29. Impairment loss in respect of goodwill is recognised in the profit and loss account.

## 2.10 Investments

### a) Subsidiary

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

### b) Investment in Bolan Mining Enterprises (BME)

Investment in BME, a joint venture on a 50:50 basis with the Government of Balochistan, is accounted for using the equity method, whereby, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the 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 damaged, obsolete and slow moving items.

## 2.12 Financial assets

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

### a) Held-to-maturity

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

### b) At fair value through profit or loss

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

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

#### c) Available-for-sale

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

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

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

#### d) Loans and receivables

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

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

### 2.13 Cash and cash equivalents

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

### 2.14 Decommissioning obligation and its provision

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

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

The unwinding of discount is included in the finance costs.

### 2.15 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 or 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 staff, except for those inducted after December 31, 2010, and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining working lives of the employees based on actuarial valuations. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous 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, 2012 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.

### 2.16 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff is recognised on the basis of actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2012.

### 2.17 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.

### 2.18 Taxation

#### a) Current taxation

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

#### b) Deferred taxation

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

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

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

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

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

### 2.19 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.

### 2.20 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 GoP.

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

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

### 2.21 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.

### 2.22 Joint venture operations

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

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

### 2.23 Foreign currency transactions and translation

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

### 2.24 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company 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 derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when the obligation specified in the contract is discharged or cancelled or expired.

### 2.25 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.

### 2.26 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.

### 2.27 Functional and presentation currency

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

### 2.28 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated in the manner given in note 40 to these financial statements.

### 2.29 Impairment

#### a) Financial assets

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

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

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

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

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

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

### 2.30 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, they are disclosed in the notes to these financial statements.

### 2.31 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 JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

### 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 reviewed annually 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 7,635.719 million and Rs 6,659.759 million, respectively and amortisation of decommissioning cost for the year would have been lower by Rs 975.960 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 relevant laws and decisions taken by appellate authorities. Instances, where the Company's view differs from the view taken by the tax authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities / assets.

### 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).

### 3.6 Provision for trade debts, advances and other receivables

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

# Notes to and forming part of the Financial Statements for the year ended June 30, 2012

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **4. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating assets - note 4.1 | 48,127,203 | 39,838,249 |
| Capital work-in-progress - note 4.5 | 7,186,248 | 5,580,023 |
| | 55,313,451 | 45,418,272 |

## 4.1 Operating assets

| | Owned assets | | | | | | | | | | | | Assets subject to finance leases | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold land | Leasehold land | Buildings, roads and civil construction on freehold land | Buildings, roads and civil construction on leasehold land | Plant and machinery | Furniture, fittings and equipment | Tanks and pipelines | Computers and allied equipment | Rolling stock* | Prospecting and development expenditure | Decommi-ssioning cost | Sub total | Plant and machinery | Computers and allied equipment | Rolling stock* | Sub total | Total |
| | Rs '000 | | | | | | | | | | | | | | | | |
| Net carrying value basis | | | | | | | | | | | | | | | | | |
| NBV as on June 30 2011 | 120,803 | 1,316,576 | 847,489 | 2,542 | 19,126,273 | 171,949 | 2,068,772 | 81,760 | 106,108 | 12,269,644 | 3,570,007 | 39,681,923 | - | 31,868 | 124,458 | 156,326 | 39,838,249 |
| Additions (at cost) | - | - | 148,736 | - | 610,201 | 62,460 | 665,653 | 148,906 | 21,649 | 4,897,507 | 8,518,276 | 15,073,388 | - | 65,098 | 62,459 | 127,557 | 15,200,945 |
| Adjustments /reclassifications | (10,026) | - | (574) | - | (36,529) | 221 | 10,028 | 209 | 1,968 | (47,309) | (61,879) | (143,891) | - | - | (1,969) | (1,969) | (145,860) |
| Disposals (at NBV) | - | - | (1) | - | (1,062) | (1,090) | - | (100) | - | - | - | (2,253) | - | (78) | (2,147) | (2,225) | (4,478) |
| Depreciation /amortisation charge | - | - | (59,403) | (133) | (2,664,072) | (44,073) | (304,558) | (42,422) | (28,201) | (2,049,355) | (1,504,218) | (6,696,435) | - | (20,415) | (44,803) | (65,218) | (6,761,653) |
| NBV as on June 30 2012 | 110,777 | 1,316,576 | 936,247 | 2,409 | 17,034,811 | 189,467 | 2,439,895 | 188,353 | 101,524 | 15,070,487 | 10,522,186 | 47,912,732 | - | 76,473 | 137,998 | 214,471 | 48,127,203 |
| Gross carrying value basis | | | | | | | | | | | | | | | | | |
| Cost | 110,777 | 1,316,576 | 1,726,146 | 2,664 | 34,544,820 | 542,591 | 4,180,174 | 538,023 | 344,757 | 22,027,742 | 13,767,797 | 79,102,067 | - | 111,508 | 253,107 | 364,615 | 79,466,682 |
| Accumulated depreciation / amortisation | - | - | (789,899) | (255) | (17,510,009) | (353,124) | (1,740,279) | (349,670) | (243,233) | (6,957,255) | (3,245,611) | (31,189,335) | - | (35,035) | (115,109) | (150,144) | (31,339,479) |
| NBV as on June 30 2012 | 110,777 | 1,316,576 | 936,247 | 2,409 | 17,034,811 | 189,467 | 2,439,895 | 188,353 | 101,524 | 15,070,487 | 10,522,186 | 47,912,732 | - | 76,473 | 137,998 | 214,471 | 48,127,203 |
| Net carrying value basis | | | | | | | | | | | | | | | | | |
| NBV as on June 30 2010 | 91,804 | - | 451,921 | - | 10,163,438 | 169,429 | 1,700,848 | 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 |
| Additions (at cost) | - | 1,316,576 | 431,587 | 2,664 | 9,973,326 | 44,668 | 652,089 | 45,602 | 79,695 | 5,228,638 | 283,292 | 18,058,137 | - | 19,085 | 57,259 | 76,344 | 18,134,481 |
| Adjustments /reclassifications | 28,999 | - | (10) | - | 1,072,010 | (623) | (42,969) | 3,807 | 99 | (13,265) | (304,659) | 743,389 | (1,059,592) | (3,807) | (100) | (1,063,499) | (320,110) |
| Disposals (at NBV) | - | - | - | - | (127) | (212) | - | - | - | - | - | (339) | - | (24) | (2,001) | (2,025) | (2,364) |
| Depreciation /amortisation charge | - | - | (36,009) | (122) | (2,082,374) | (41,313) | (241,196) | (66,414) | (26,533) | (1,754,160) | (491,878) | (4,739,999) | (90,822) | (11,477) | (40,784) | (143,083) | (4,883,082) |
| NBV as on June 30, 2011 | 120,803 | 1,316,576 | 847,489 | 2,542 | 19,126,273 | 171,949 | 2,068,772 | 81,760 | 106,108 | 12,269,644 | 3,570,007 | 39,681,923 | - | 31,868 | 124,458 | 156,326 | 39,838,249 |
| Gross carrying value basis | | | | | | | | | | | | | | | | | |
| Cost | 120,803 | 1,316,576 | 1,578,031 | 2,664 | 33,992,691 | 489,195 | 3,615,488 | 394,065 | 317,138 | 17,177,544 | 5,311,400 | 64,315,595 | - | 46,506 | 222,732 | 269,238 | 64,584,833 |
| Accumulated depreciation / amortisation | - | - | (730,542) | (122) | (14,866,418) | (317,246) | (1,546,716) | (312,305) | (211,030) | (4,907,900) | (1,741,393) | (24,633,672) | - | (14,638) | (98,274) | (112,912) | (24,746,584) |
| NBV as on June 30, 2011 | 120,803 | 1,316,576 | 847,489 | 2,542 | 19,126,273 | 171,949 | 2,068,772 | 81,760 | 106,108 | 12,269,644 | 3,570,007 | 39,681,923 | - | 31,868 | 124,458 | 156,326 | 39,838,249 |
| Rate of depreciation / amortisation (%) | | | 5 & 10 | 5 | 10 & 100** | 10 | 10 | 30 | 20 | *** | *** | | 10 | 30 | 20 | | |

* Represents light and heavy vehicles.
** 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 | June 30, 2012 | | June 30, 2011 | |
|---|---|---|---|---|
| | Cost | NBV | Cost | NBV |
| | Rs '000 | | | |
| **Head Office** | | | | |
| Land for Head Office Building | 1,315,076 | 1,315,076 | 1,315,076 | 1,315,076 |
| Corporate Data Management Project | 271,902 | 239,267 | - | - |
| **Sui Field** | | | | |
| SML / SUL Compression and High Pressure Casing | 5,679,046 | 284,431 | 5,679,046 | 411,960 |
| Purification Plant | 657,277 | - | 658,390 | 65,839 |
| 20" Diameter Sui KPS Main Water Line | 872,200 | 708,590 | 679,214 | 569,664 |
| IDECO Drilling Rig H-725 | 131,879 | - | 131,879 | - |
| **Adhi Field** | | | | |
| LPG Plant -2 | 652,812 | 224,138 | 652,812 | 289,415 |
| LPG Plant -1 | 85,374 | - | 85,415 | - |
| **Kandhkot Field** | | | | |
| TEG Dehydration Unit | 474,884 | 379,908 | 474,884 | 427,396 |
| 130 MMcfd Dehydration Plant | 110,456 | - | 110,456 | - |
| Gas Compression Station | 8,634,309 | 7,357,884 | 8,634,309 | 8,213,116 |
| Effluent Well | 129,050 | 116,157 | 128,364 | 128,364 |
| **Hala Field** | | | | |
| Early Production Facilities (EPF) of Adam X-1 | 1,252,858 | 945,230 | 1,252,858 | 1,070,516 |
| **Mazarani Field** | | | | |
| Processing Facilities | 319,545 | 30,680 | 319,545 | 62,634 |
| Transmission Pipeline | 230,093 | 8,111 | 230,093 | 28,299 |
| **Qadirpur Field** | | | | |
| Production Facilities | 205,116 | - | 205,116 | - |
| Capacity Enhancement Project | 165,598 | 99,359 | 165,598 | 115,919 |
| Wellhead Compression Facility | 268,479 | 236,172 | 227,662 | 218,176 |
| Extension of Facilities in Flood Plain of River Indus | 114,378 | 109,259 | 101,901 | 101,901 |
| Permeate Compressor | 197,407 | 184,246 | - | - |
| Other Plant and Machinery | 164,201 | 47,892 | 164,201 | 64,312 |
| **Sawan Field** | | | | |
| Front End Compression | 2,480,735 | 1,964,242 | 2,481,943 | 2,213,644 |
| Gas Processing with Amine and Dehydration Unit | 971,071 | 169,824 | 971,071 | 266,931 |
| Debottlenecking of Plant | 153,338 | 76,669 | 153,338 | 92,003 |
| Flowline and Tie-in of Sawan-10 | 142,899 | 85,739 | 142,899 | 100,029 |
| Other Plant and Machinery | 1,811,767 | 181,177 | 1,811,767 | 362,353 |
| **Tal Field** | | | | |
| CPF Manzalai | 3,119,058 | 2,289,521 | 3,145,488 | 2,630,500 |
| Surface Facilities for EWT, Manzalai-1 | 227,439 | 66,231 | 227,439 | 88,975 |
| EPF of Mamikhel-1 | 133,844 | 110,137 | 142,241 | 132,759 |
| EWT of Maramzai-1 | 203,689 | 183,455 | 199,961 | 199,961 |
| **Nashpa Field** | | | | |
| EWT of Nashpa X-1 | 120,412 | 108,371 | 120,412 | 120,412 |
| **Miano Field** | | | | |
| Wellhead Compression | 136,599 | 121,309 | 95,891 | 93,493 |
| Plant and Machinery | 411,601 | 37,730 | 411,601 | 41,160 |
| **Latif Field** | | | | |
| Tie-in of Latif-1 | 156,237 | 109,366 | 156,237 | 124,989 |
| Tie-in of Latif North | 155,078 | 139,570 | 155,078 | 155,078 |
| **Gambat Field** | | | | |
| Tie-in of Tajjal-1 | 137,734 | 96,756 | 136,111 | 108,889 |
| Wellhead Surface Fittings and Flowline for Tajjal-4 | 109,734 | 109,734 | - | - |

# Notes to and forming part of the Financial Statements for the year ended June 30, 2012

## 4.3 Operating assets disposed off during the year

| Asset description | Method of disposal | Sold to | Cost | Accumulated Depreciation | Net Book Value | Sale Proceeds |
|---|---|---|---|---|---|---|
| | | | Rs '000 | | | |
| Owned assets | | | | | | |
| **Buildings, roads and civil construction on freehold land** | | | | | | |
| Items having book value upto Rs 50,000 | Tender | Various | 42 | 41 | 1 | 1 |
| **Plant and machinery** | | | | | | |
| Wellhead Equipment Sui Well - 38 | Tender | M/s Mushtaq & Brothers | 6,412 | 5,931 | 481 | 263 |
| Gas Chromatograph - DHP | Tender | M/s Maqsood & Brothers | 1,341 | 1,017 | 324 | 98 |
| 10 KVA 400 Volts UPS | Tender | M/s Mushtaq Ahmed & Sons | 563 | 385 | 178 | 64 |
| Items having book value upto Rs 50,000 | Tender | Various | 13,227 | 13,148 | 79 | 2,335 |
| | | | 21,543 | 20,481 | 1,062 | 2,760 |
| **Furniture, fittings and equipment** | | | | | | |
| 6KVA Tower UPS | Tender | M/s Mushtaq Ahmed & Sons | 202 | 74 | 128 | 23 |
| Items having book value upto Rs 50,000 | Tender | Various | 9,088 | 8,126 | 962 | 1,176 |
| | | | 9,290 | 8,200 | 1,090 | 1,199 |
| **Tanks and pipelines** | | | | | | |
| Items having book value upto Rs 50,000 | Tender | Various | 110,995 | 110,995 | - | 81,605 |
| **Rolling stock** | | | | | | |
| Items having book value upto Rs 50,000 | Tender/ Company Policy | Various | 5,008 | 5,008 | - | 6,559 |
| **Computers and allied equipment** | | | | | | |
| Items having book value upto Rs 50,000 | Tender/ Company Policy | Various | 5,157 | 5,057 | 100 | 198 |
| **Assets subject to finance leases** | | | | | | |
| **Computer and allied equipment** | | | | | | |
| HP Pro 6450B Notebook | Company Policy | Mr. Munawar Ahmed | 97 | 19 | 78 | 92 |
| **Rolling stock** | | | | | | |
| Honda Civic Prosmatec, APL-138 | Company Policy | Mr. Mohammad Yaqub | 1,417 | 1,205 | 212 | 396 |
| Honda Civic Prosmatec, APL-596 | Company Policy | Mr. Munawar Ahmed | 1,417 | 1,181 | 236 | 396 |
| Honda Civic Prosmatec, APU-609 | Company Policy | Mr. Suhail Qadeer | 1,421 | 1,232 | 189 | 423 |
| Suzuki Cultus VXLi, APP-059 | Company Policy | Mr. Syed Zulfiqar Hussain Shah | 636 | 498 | 138 | 249 |
| Suzuki Cultus VXLi, APP-054 | Company Policy | Mr. Mohammad Waris Hussain | 636 | 498 | 138 | 249 |
| Suzuki Cultus VXLi, AQP-244 | Company Policy | Mr. Syed Basith | 651 | 477 | 174 | 261 |
| Toyota Corolla Altis, ASD-651 | Insurance Claim | EFU General Insurance Ltd. | 1,804 | 842 | 962 | 1,773 |
| Items having book value upto Rs 50,000 | Tender | Various | 13,124 | 13,026 | 98 | 2,625 |
| | | | 21,106 | 18,959 | 2,147 | 6,372 |
| | | 2012 | 173,238 | 168,760 | 4,478 | 98,786 |
| | | 2011 | 32,144 | 29,780 | 2,364 | 11,034 |

## 4.4 Cost and accumulated depreciation include

| | Cost | | Accumulated depreciation | |
|---|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| | Rs '000 | | | |
| Share in Company s operated joint ventures | 3,661,208 | 3,548,375 | 1,795,137 | 1,473,802 |
| Share in partners operated joint ventures (assets not in possession of the Company) | 13,733,457 | 13,154,491 | 5,932,181 | 4,669,931 |
| | 17,394,665 | 16,702,866 | 7,727,318 | 6,143,733 |

## 4.5 Capital work-in-progress

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Plant, machinery, fittings and pipelines | 2,194,892 | 1,176,066 |
| Prospecting and development wells | 4,852,857 | 4,280,648 |
| Land, buildings and civil constructions | 110,517 | 69,458 |
| Capital stores for drilling and development | 27,982 | 53,851 |
| | 7,186,248 | 5,580,023 |

## 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, 2010 | 10,027,955 | 4,478,060 | 184,017 | 96,032 | 14,786,064 |
| Capital expenditure incurred / advances made during the year | 2,361,579 | 5,017,961 | 1,287,938 | (42,181) | 8,625,297 |
| Adjustments / reclassifications | (343,930) | - | 348,330 | - | 4,400 |
| Transferred to operating assets | (10,869,538) | (5,215,373) | (1,750,827) | - | (17,835,738) |
| Balance as at June 30, 2011 | 1,176,066 | 4,280,648 | 69,458 | 53,851 | 5,580,023 |
| Capital expenditure incurred / advances made during the year | 2,648,152 | 5,422,410 | 116,034 | (25,869) | 8,160,727 |
| Adjustments / reclassifications | (29,430) | (3) | 73,619 | - | 44,186 |
| Transferred to operating assets | (1,599,896) | (4,850,198) | (148,594) | - | (6,598,688) |
| Balance as at June 30, 2012 | 2,194,892 | 4,852,857 | 110,517 | 27,982 | 7,186,248 |

## 5. INTANGIBLE ASSETS

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Computer software including ERP system - note 5.1 | 423,911 | 259,938 |
| Intangible assets under development | 9,658 | 227,257 |
| | 433,569 | 487,195 |

### 5.1 Computer Software including ERP system

| | June 30, 2012 | | | June 30, 2011 | | |
|---|---|---|---|---|---|---|
| | ERP system | Computer software | Total | ERP system | Computer software | Total |
| | Rs '000 | | | | | |
| **Net carrying value basis** | | | | | | |
| NBV as on July 01 | 128,960 | 130,978 | 259,938 | 119,631 | 58,889 | 178,520 |
| Additions (at cost) | - | 299,940 | 299,940 | 46,973 | 106,343 | 153,316 |
| Amortisation charge - note 28 | (42,305) | (93,662) | (135,967) | (37,644) | (34,254) | (71,898) |
| NBV as on June 30 | 86,655 | 337,256 | 423,911 | 128,960 | 130,978 | 259,938 |
| **Gross carrying value basis** | | | | | | |
| Cost | 315,950 | 566,550 | 882,500 | 315,950 | 266,610 | 582,560 |
| Accumulated amortisation | (229,295) | (229,294) | (458,589) | (186,990) | (135,632) | (322,622) |
| NBV as on June 30 | 86,655 | 337,256 | 423,911 | 128,960 | 130,978 | 259,938 |
| Rate of amortisation (%) | 20 | 33.33 | | 20 | 33.33 | |

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **6. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE** | | |
| BME - a joint venture | 15,000 | 15,000 |
| Profit receivable from BME | 398,147 | 355,024 |
| | 413,147 | 370,024 |
| **6.1 The Company's interest in BME's assets and liabilities is as follows:** | | |
| Tangible fixed assets | 93,927 | 85,093 |
| Intangible assets | 1,480 | 2,222 |
| | 95,407 | 87,315 |
| Current assets | 387,116 | 349,222 |
| | 482,523 | 436,537 |
| Current liabilities | (19,530) | (27,128) |
| Reserve for development and expansion | (47,194) | (38,020) |
| Provision for leave preparatory to retirement | (2,652) | (1,365) |
| | (69,376) | (66,513) |
| Net assets | 413,147 | 370,024 |

6.2 The Company's share in BME's profit and loss account is as follows:

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Sales | 142,363 | 120,078 |
| Cost of goods sold | (65,064) | (62,144) |
| | 77,299 | 57,934 |
| Operating expenses | (27,619) | (24,434) |
| Operating profit | 49,680 | 33,500 |
| Other income | 35,475 | 35,932 |
| | 85,155 | 69,432 |
| Transfer to reserve for development and expansion | (17,031) | (13,720) |
| | 68,124 | 55,712 |

## 7. LONG-TERM INVESTMENTS

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **Investments in related parties** | | |
| Fully paid shares in a subsidiary - note 7.1 | 1 | 1 |
| **Other investments** | | |
| Held-to-maturity | | |
| Term Finance Certificates - note 7.2 | 99,900 | 149,850 |
| Pakistan Investment Bonds - note 7.3 | 1,400,393 | 1,381,803 |
| GoP Ijara Sukuk - note 7.4 | 2,501,972 | 2,002,300 |
| Local currency term deposits with banks - note 7.5 | 2,000,000 | 2,000,000 |
| Foreign currency term deposits with banks - note 7.6 | 5,285,635 | 3,797,532 |
| | 11,287,900 | 9,331,485 |
| Designated at fair value through profit or loss – note 7.7 | | |
| AMZ Plus Income Fund | - | 34,713 |
| Faysal Savings Growth Fund | - | 701,903 |
| UBL Liquidity Plus Fund | 2,017,388 | 1,488,202 |
| MCB Cash Management Optimizer Fund | 1,213,725 | 1,087,455 |
| Meezan Cash Fund | 592,263 | 114,241 |
| NAFA Government Securities Liquid Fund | 1,586,094 | 1,073,669 |
| ABL Cash Fund | 1,934,578 | 867,049 |
| Atlas Money Market Fund | 336,566 | 208,283 |
| HBL Money Market Fund | 783,815 | 310,489 |
| Askari Sovereign Cash Fund | 757,367 | 153,733 |
| IGI Money Market Fund | 317,127 | 50,683 |
| NIT Government Bond Fund | 267,810 | 360,568 |
| | 9,806,733 | 6,450,988 |
| Less: Current maturities | | |
| Term Finance Certificates - note 7.2 | (40) | (49,950) |
| Pakistan Investment Bonds - note 7.3 | (748,236) | - |
| | (748,276) | (49,950) |
| | 20,346,358 | 15,732,524 |

## 7.1 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, 2012. 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, 2012 in respect of its investment in the aforementioned wholly owned subsidiary.

| | Number of certificates | Nominal value of each certificate Rs | Final maturity date | Implicit mark-up % | June 30, 2012 | June 30, 2011 |
|---|---|---|---|---|---|---|
| | | | | | Rs '000 | |
| **7.2 Term Finance Certificates (TFCs) of listed companies** | | | | | | |
| Jahangir Siddiqui & Co. Ltd. | 10,000 | 5,000 | May 21, 2012 | KIBOR+2.5 | - | 49,910 |
| Bank Al-Falah Limited | 20,000 | 5,000 | December 01, 2017 | KIBOR+2.5 | 99,900 | 99,940 |
| | | | | | 99,900 | 149,850 |
| Current maturity of TFCs | | | | | (40) | (49,950) |
| | | | | | 99,860 | 99,900 |
| **7.3 Pakistan Investment Bonds (PIBs)** | | | | | | |
| Issued on: | | | | | | |
| May 19, 2006 | | | May 19, 2016 | 10.90 | 47,975 | 47,573 |
| August 22, 2007 | | | August 22, 2012 | 10.15 | 49,942 | 49,546 |
| May 19, 2006 | | | May 19, 2016 | 11.14 | 95,229 | 94,289 |
| August 22, 2007 | | | August 22, 2012 | 10.23 | 49,936 | 49,504 |
| August 22, 2007 | | | August 22, 2012 | 10.23 | 49,936 | 49,504 |
| August 22, 2007 | | | August 22, 2012 | 10.30 | 99,862 | 98,934 |
| August 22, 2007 | | | August 22, 2017 | 11.43 | 93,021 | 92,069 |
| August 22, 2007 | | | August 22, 2012 | 10.81 | 99,793 | 98,421 |
| August 22, 2007 | | | August 22, 2017 | 11.49 | 92,823 | 91,845 |
| August 22, 2007 | | | August 22, 2012 | 10.86 | 99,786 | 98,370 |
| August 22, 2007 | | | August 22, 2017 | 11.54 | 92,642 | 91,643 |
| August 22, 2007 | | | August 22, 2017 | 11.59 | 92,466 | 91,442 |
| August 22, 2007 | | | August 22, 2017 | 11.64 | 92,286 | 91,240 |
| August 22, 2007 | | | August 22, 2012 | 10.90 | 49,890 | 49,160 |
| August 22, 2007 | | | August 22, 2012 | 10.90 | 49,890 | 49,160 |
| August 22, 2007 | | | August 22, 2012 | 10.95 | 99,773 | 98,268 |
| August 22, 2007 | | | August 22, 2017 | 11.88 | 45,715 | 45,138 |
| August 22, 2007 | | | August 22, 2012 | 11.00 | 49,883 | 49,108 |
| August 22, 2007 | | | August 22, 2012 | 16.08 | 49,545 | 46,589 |
| | | | | | 1,400,393 | 1,381,803 |
| Current maturity of PIBs | | | | | (748,236) | - |
| | | | | | 652,157 | 1,381,803 |

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

### 7.4 GoP Ijara Sukuk

| | Principal Amount | Final Maturity date | Mark-up (%) | June 30, 2012 | June 30, 2011 |
|---|---|---|---|---|---|
| | Rs '000 | | | Rs '000 | |
| Issued on: | | | | | |
| May 16, 2011 | 2,000,000 | May 16, 2014 | 11.94% | 2,001,500 | 2,002,300 |
| April 30, 2012 | 500,000 | April 30, 2015 | 11.89% | 500,472 | - |
| | | | | 2,501,972 | 2,002,300 |

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

### 7.5 Local currency term deposits with banks

This represents the three years term deposits with bank with effective interest rate from 13.75% to 13.80% (2011: 13.75% to 13.80%) per annum, with rate re-set option after eighteen months period.

### 7.6 Foreign currency term deposits with banks

This represents the term deposits with banks with effective interest rate from 0.2% to 4.0% (2011: 2.2% to 4.0%) per annum. These investments, except US$ 6.398 million (equivalent to Rs 601.412 million) invested in three years term deposit receipts, are due to mature within next twelve months, however, these have been classified as non-current assets, as the management intends and has an ability to reinvest the amounts for longer term.

### 7.7 Designated at fair value through profit or loss

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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **8. LONG-TERM LOANS – STAFF** | | |
| Unsecured and considered good | | |
| - Executive staff - note 8.2 | 20,870 | 14,877 |
| - Other employees | 8,594 | 10,550 |
| | 29,464 | 25,427 |
| Current maturity of long-term loans- note 13 | | |
| - Executive staff | (5,756) | (4,137) |
| - Other employees | (2,446) | (2,570) |
| | (8,202) | (6,707) |
| | 21,262 | 18,720 |

8.1 These mainly represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are recoverable by the Company in accordance with the Company s rules over a maximum period of ten years. The loans carry interest rate ranging from 1% to 10% (2011: 1% to 10%) per annum.

### 8.2 Reconciliation of the carrying amount of long-term loans to executive staff

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Balance as on July 01 | 14,877 | 8,416 |
| Disbursements | 11,902 | 12,332 |
| Repayments / adjustments | (5,909) | (5,871) |
| Balance as on June 30 | 20,870 | 14,877 |

The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 21.191 million (2011: Rs 14.877 million).

## 9. LONG-TERM DEPOSITS

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Cash margin: | | |
| - For guarantee to International Bank of Yemen - note 9.1 | 690,000 | 645,000 |
| - Others - note 26.1.4 | 7,676 | - |
| | 697,676 | 645,000 |

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

Accordingly, the Company arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US$ 7.5 million through United Bank Limited against 100% cash margin of Rs 690 million (2011: Rs 645 million).

## 10. LONG-TERM RECEIVABLES

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Long-term receivable from: | | |
| - Government Holdings (Pvt) Ltd (GHPL) | 4,251 | 8,502 |
| - National Highway Authority- note 10.1 | 71,805 | 6,921 |
| | 76,056 | 15,423 |
| Current maturity of long-term receivables from GHPL | (4,251) | (4,251) |
| | 71,805 | 11,172 |

10.1 Nashpa and Tal joint venture partners have financed to National Highway Authority for the construction of Khushalgarh Bridge on River Indus, district Kohat. As per the terms of the agreement, PPL has paid Rs 18.458 million (out of Rs 46.145 million to be financed by PPL in Nashpa joint venture) and Rs 53.347 million (out of Rs 133.377 million to be financed by PPL in Tal joint venture). The loan shall be recovered in seven years, starting after the successful completion of work.

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **11. STORES AND SPARES** | | |
| Stores and spares | 3,043,867 | 2,270,402 |
| Stores and spares in transit | 523,948 | 84,349 |
| | 3,567,815 | 2,354,751 |
| Provision for obsolete / slow moving stores – note 11.1 | (100,263) | (81,799) |
| | 3,467,552 | 2,272,952 |
| **11.1** Reconciliation of provision for obsolete / slow moving stores: | | |
| Balance as on July 01 | 81,799 | 82,919 |
| Charge / (reversal) for the year - notes 30 & 31 | 18,464 | (1,120) |
| Balance as on June 30 | 100,263 | 81,799 |
| **12. TRADE DEBTS** | | |
| Unsecured and considered good | | |
| Related parties | | |
| Water and Power Development Authority (WAPDA) - note 12.3 | - | 7,589,839 |
| Central Power Generation Company Limited (GENCO-II) - note 12.3 | 16,412,700 | - |
| Sui Northern Gas Pipelines Limited (SNGPL) | 10,082,065 | 8,894,829 |
| Sui Southern Gas Company Limited (SSGCL) | 14,766,219 | 8,718,652 |
| | 41,260,984 | 25,203,320 |
| Non-related parties | | |
| Attock Refinery Limited (ARL) | 7,926,337 | 5,131,273 |
| Byco Petroleum Pakistan Limited (Byco) | - | 1,181,220 |
| Others | 972,171 | 580,545 |
| | 8,898,508 | 6,893,038 |
| | 50,159,492 | 32,096,358 |
| Unsecured and considered doubtful | | |
| Non-related party | | |
| Byco Petroleum Pakistan Limited (Byco) | 1,181,220 | - |
| Less: Provision for doubtful debts - note 12.4 | (1,181,220) | - |
| | - | - |
| | 50,159,492 | 32,096,358 |

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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Neither past due nor impaired | 18,336,934 | 15,364,075 |
| Past due but not impaired | | |
| - within 90 days | 12,888,275 | 7,631,112 |
| - 91 to 180 days | 7,673,785 | 3,813,620 |
| - over 180 days | 11,260,498 | 5,287,551 |
| | 31,822,558 | 16,732,283 |
| | 50,159,492 | 32,096,358 |

12.2 Trade debts include overdue amount of Rs 28,092 million (2011: Rs 14,034 million) receivable from the State controlled utility companies (i.e. GENCO-II, SSGCL and SNGPL) and Rs 4,916 million (June 30, 2011: Rs 2,638 million) overdue receivable from refineries (i.e. ARL, Byco, Pak-Arab Refinery Limited, National Refinery Limited and Pakistan Refinery Limited).

Based on the measures being undertaken by the Government of Pakistan (GoP) to resolve the Inter-Corporate Circular Debt issue, the Company considers these amounts to be fully recoverable and therefore, no provision for doubtful debts has been created in these financial statements, except for provision against receivable from Byco, as mentioned in note 12.4.

12.3 Under a novation agreement signed on September 16, 2011 between the Company, WAPDA and GENCO-II, all rights and liabilities of WAPDA under Kandhkot Gas Sales Agreement have been transferred to GENCO-II.

12.4 Provision for doubtful debts:

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Balance as on July 1 | - | - |
| Provision during the year - note 31 | 1,181,220 | - |
| Balance as on June 30 | 1,181,220 | - |

An amount of Rs 1,181.220 million is overdue receivable from Byco for the period from January 2010 to January 2011. The receivable is considered doubtful and accordingly, has been provided for in these financial statements.

## 13. LOANS AND ADVANCES

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **Unsecured and considered good** | | |
| Loans and advances to staff - note 13.1 | 4,016 | 2,770 |
| Advances to suppliers and others | 152,965 | 120,478 |
| Advance payment of cash calls to joint ventures - note 25.2 | 526,679 | 375,934 |
| Current maturity of long-term loans - staff - note 8 | 8,202 | 6,707 |
| | 691,862 | 505,889 |

## 13.1 Loans and advances to staff:

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| - Executive staff | 88 | 279 |
| - Other employees | 3,928 | 2,491 |
| | 4,016 | 2,770 |

## 14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Trade deposits | 56,965 | 18,879 |
| Prepayments | 104,048 | 115,768 |
| | 161,013 | 134,647 |

## 15. ACCRUED FINANCIAL INCOME

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Profit receivable on: | | |
| - bank deposits – saving accounts | 578 | 13,496 |
| - long-term investments | 279,342 | 130,486 |
| - short-term bank deposits | 260,623 | 343,185 |
| - long-term bank deposits | 12,747 | 14,123 |
| | 553,290 | 501,290 |

## 16. OTHER RECEIVABLES

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Receivable from SNGPL for Sui field services | 11,914 | 707 |
| Receivable from SSGCL for Sui field services | 1,186 | 76 |
| Receivable from Workers' Profits Participation Fund (WPPF) - note 16.1 | 189,155 | 54,934 |
| Current accounts with joint ventures - note 25.2 | 263,769 | 218,326 |
| Sales tax (net) | 43,687 | - |
| Other receivables | 18,312 | 6,447 |
| | 528,023 | 280,490 |

## 16.1 Workers' Profits Participation Fund

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Balance as on July 01 | - | (3,228) |
| Allocation for the year - note 31 | (3,454,845) | (2,595,066) |
| Interest on funds utilised in the Company s business - note 32 | (286) | (869) |
| | (3,455,131) | (2,599,163) |
| Amount paid during the year | | |
| - for current year | 3,644,286 | 2,650,869 |
| - for prior year | - | 3,228 |
| | 3,644,286 | 2,654,097 |
| Balance as on June 30 | 189,155 | 54,934 |

## 17. SHORT-TERM INVESTMENTS

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **Held-to-maturity** | | |
| Local currency term deposits with banks - note 17.1 | 25,440,000 | 19,152,000 |
| Investment in Treasury Bills - note 17.2 | 9,825,000 | 1,699,145 |
| | 35,265,000 | 20,851,145 |

17.1 The local currency short-term deposits have a maximum maturity period of five months, carrying profit ranging from 11.85% to 12.15% (2011: from 13.25% to 13.60%) per annum.

17.2 Treasury bills have a maximum maturity period of five months, carrying profit ranging from 11.82% to 11.88% (2011: 13.37% to 13.39%) per annum.

## 18. CASH AND BANK BALANCES

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| At banks | | |
| - Saving accounts | | |
| Local currency - note 18.1 | 1,567,896 | 1,357,193 |
| Foreign currency - note 18.2 | 34,988 | 62,927 |
| | 1,602,884 | 1,420,120 |
| - Current accounts (local currency) | 40,192 | 34,637 |
| Cash and cheques in hand | 32,084 | 48,369 |
| | 1,675,160 | 1,503,126 |

18.1 These carry profit at the rate ranging from 6% to 11.1% (2011: from 5% to 12%) per annum.

18.2 These carry profit at the rate ranging from 0.10% to 0.25% (2011: from 0.10% to 0.25%) per annum.

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **19. SHARE CAPITAL** | | |
| **Authorised** | | |
| 2,500,000,000 (2011: 1,500,000,000) ordinary shares of Rs 10 each - note 19.4 | 25,000,000 | 15,000,000 |
| 26,510 (2011: 26,510) convertible preference shares of Rs 10 each | 265 | 265 |
| | 25,000,265 | 15,000,265 |
| **Issued** | | |
| 1,314,666,624 (2011: 1,195,168,708 ) ordinary shares of Rs 10 each - note 19.1 | 13,146,666 | 11,951,687 |
| 13,840 (2011: 13,840) convertible preference shares of Rs 10 each - note 19.2 | 138 | 138 |
| | 13,146,804 | 11,951,825 |
| **Subscribed and paid-up** | | |
| 683,073,803 (2011: 683,073,803) ordinary shares of Rs 10 each for cash - note 19.1 | 6,830,738 | 6,830,738 |
| 628,653,274 (2011: 509,155,358 ) ordinary shares of Rs 10 each issued as bonus shares- note 19.3 | | |
| - Opening balance | 5,091,554 | 3,099,922 |
| - Issued during the year | 1,194,979 | 1,991,632 |
| - Closing balance | 6,286,533 | 5,091,554 |
| 2,750,000 (2011: 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 |
| | 13,144,771 | 11,949,792 |
| 13,840 (2011: 13,840) convertible preference shares of Rs 10 each for cash - note 19.2 | 138 | 138 |
| | 13,144,909 | 11,949,930 |

### 19.1 Issued, subscribed and paid-up capital

During June 2002, a right 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 (2011: 189,547) shares remained unsubscribed.

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

Currently, the GoP holds 71.05% (2011: 70.65%) of the paid-up ordinary share capital.

### 19.2 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 no (2011: one) shareholder exercised his option to convert those shares into ordinary shares.

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

19.3 During the year, the Company has issued 10% bonus shares i.e., 119,497,916 shares (2011: 199,163,193 shares) to the ordinary shareholders (one ordinary share for every ten ordinary shares held).

19.4 During the year, the authorised ordinary share capital of the Company has been increased from Rs 15,000 million (1,500 million ordinary shares of Rs 10 each) to Rs 25,000 million (2,500 million ordinary shares of Rs 10 each).

## 20. RESERVES

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Capital reserve - note 20.1 | 1,428 | 1,428 |
| Revenue reserves | | |
| General and contingency reserve - note 20.2 | 69,761 | 69,761 |
| Insurance reserve - note 20.3 | 19,021,894 | 14,021,894 |
| Assets acquisition reserve - note 20.4 | 25,000,000 | 20,000,000 |
| Unappropriated profit | 69,146,195 | 48,380,020 |
| | 113,237,850 | 82,471,675 |
| | 113,239,278 | 82,473,103 |

### 20.1 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.

### 20.2 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.

### 20.3 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.

The Company has arranged terrorism cover from the international market upto the limit of liability of US$ 100 million (Rs 9,400 million) for single occurrence, as well as, annual aggregate. Due to the limited cover available, the Company will continue to build-up this reserve.

The Board of Directors at their meeting held on August 11, 2012 has approved to transfer Rs 5,000 million (2011: Rs 5,000 million) from unappropriated profit to the insurance reserve.

### 20.4 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 11, 2012 has approved to transfer Rs 5,000 million (2011: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **21. PROVISION FOR DECOMMISSIONING OBLIGATION** | | |
| Balance brought forward | 5,729,595 | 5,605,226 |
| Provision / (adjustment) during the year - note 4.1 | 8,456,397 | (21,367) |
| Unwinding of discount - note 32 | 148,970 | 145,736 |
| Unappropriated profit | 14,334,962 | 5,729,595 |

21.1 The provision for decommissioning obligation includes Rs 1,827.690 million (2011: Rs 1,544.312 million), representing the Company's share of the expected decommissioning cost of partners' operated fields. The provision for decommissioning cost in respect of the Company's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partners' operated fields is based on estimates provided by the respective operators. The provision has been discounted using a real discount rate of 2.51% per annum (2011: 2.60% per annum).

During the year, the provision for decommissioning obligation has significantly increased mainly due to price escalation of various materials and services, devaluation of Pakistani Rupee against the US Dollar, increase in man days required to complete abandonment of wells, as a result of higher security cost and deteriorating formations, and incorporation of recent experience of decommissioning various wells of Sui gas field after a sabotage activity.

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES** | | |
| Present value of minimum lease payments | 214,038 | 155,276 |
| Current maturity shown under current liabilities | (82,923) | (53,428) |
| | 131,115 | 101,848 |

22.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies for rolling stock and computers and allied equipment. The periodic lease payments include rates of mark-up ranging from 14.00% to 21.83% (2011: 6.13% to 21.83%) per annum. The Company has the option to purchase the assets upon expiry of the respective lease terms. There are no financial restrictions in the lease agreements.

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

| | Minimum lease payments | | Financial charges | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| | Rs '000 | | | | | |
| Year ended June 30, | | | | | | |
| 2012 | - | 70,307 | - | 16,879 | - | 53,428 |
| 2013 | 103,075 | 58,229 | 20,152 | 14,366 | 82,923 | 43,863 |
| 2014 | 84,887 | 38,545 | 17,695 | 7,927 | 67,192 | 30,618 |
| 2015 | 37,777 | 20,941 | 8,478 | 3,476 | 29,299 | 17,465 |
| 2016 | 23,818 | 10,707 | 4,232 | 805 | 19,586 | 9,902 |
| 2017 | 16,910 | - | 1,872 | - | 15,038 | - |
| Total | 266,467 | 198,729 | 52,429 | 43,453 | 214,038 | 155,276 |

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **23. DEFERRED LIABILITIES** | | |
| Post retirement medical benefits – note 29.2.1 | 1,001,875 | 871,494 |
| Leave preparatory to retirement – note 29.3 | 559,835 | 469,079 |
| | 1,561,710 | 1,340,573 |
| **24. DEFERRED TAXATION** | | |
| Credit / (debit) balances arising on account of: | | |
| Exploration expenditure | (4,015,497) | (4,491,298) |
| Amortisation of intangible assets | (4,648) | (254) |
| Provision for staff retirement and other benefits | (546,599) | (469,201) |
| Provision for obsolete / slow moving stores | (35,092) | (28,630) |
| Provision for doubtful debts | (472,488) | - |
| Provision for Workers' Welfare Fund (WWF) - note 25.3 | - | (1,921,295) |
| Provision for decommissioning obligation | 283,495 | (219,516) |
| Accelerated tax depreciation allowances | 5,608,865 | 5,850,327 |
| Exploratory Wells Cost | 938,908 | - |
| Prospecting and development expenditure | 5,114,445 | 4,305,816 |
| Others | 148 | 368 |
| | 6,871,537 | 3,026,317 |

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **25. TRADE AND OTHER PAYABLES** | | |
| Creditors | 178,763 | 209,875 |
| Accrued liabilities | 2,710,589 | 2,009,831 |
| Security deposits from LPG distributors | 169,651 | 169,651 |
| Retention money | 308,210 | 455,730 |
| Unpaid and unclaimed dividends | 131,969 | 1,864,289 |
| Gas development surcharge | 10,604,097 | 2,590,407 |
| Gas infrastructure development cess | 423,001 | - |
| Federal excise duty (net) | 176,691 | 166,702 |
| Sales tax (net) | - | 882,960 |
| Royalties | 2,011,939 | 4,804,008 |
| Surplus due to the President - note 25.1 | - | 72,539 |
| Current accounts with joint venture partners - note 25.2 | 1,361,257 | 1,716,062 |
| WWF - note 25.3 | - | 4,446,633 |
| Others | 20,232 | 64,336 |
| | 18,096,399 | 19,453,023 |

25.1 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, 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.

In this respect, assessment orders of the Company for the years ended June 30, 1999 and June 30, 2000 were not finalised, due to WWF issue pending with the Honourable Supreme Court of Pakistan (SCP). Accordingly, the amount of Rs 72.539 million was outstanding in prior years under the GPA 1982, as mentioned above.

However, during the current year, the SCP has decided the WWF issue in favour of the Company, whereby, WWF is not applicable on the Company and as a result, the assessment orders for the years ended June 30, 1999 and June 30, 2000 have been finalised. Accordingly, the Company has paid Rs 72.539 million into Government Treasury.

25.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2012 and 2011 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.

25.3 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). As the Company is owned by GoP, having 71.05% shareholding as of the balance sheet date, the Company had not been paying WWF.

However, the Tax department had amended the Company's assessment orders for various tax years by raising WWF demand and accordingly, as a matter of prudence, the Company had been providing for WWF in its books of account.

Against the WWF demands, appeals were filed with the various appellate authorities, including the Honourable Sindh High Court (SHC), which decided the appeals in favour of the Company. Against the SHC decision, the Tax department had filed appeals with the SCP.

During the current year, the SCP has decided WWF issue in favour of the Company and as a result, WWF is not applicable on the Company. Accordingly, the Company based on the advice from its legal and tax advisors, has reversed the WWF provision in its books of account and credited the amount to profit and loss account. As a result, deferred tax asset relating to WWF has also been reversed and charged to profit and loss account.

## 26. CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

#### 26.1.1 Indemnity bonds and corporate guarantees

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years. | 49,246 | 87,915 |
| Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities. | 40,890 | 128,251 |

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

#### 26.1.3 Sales tax

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 field during the period August, 1999 to April, 2004. However, in order to avail benefits under an 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, aggregating to Rs 89.974 million, on sales of LPG made during the period August, 1999 to April, 2004.

The ATIR subsequently decided the appeal in favour of the Company and directed the LTU to refund the aforesaid amount subject to verification 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 had refunded amounts of Rs 32.357 million. The Company had also filed an appeal in the 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 ille gal and ab-initio void and not sustainable in the eyes of law". As a result, the remaining amount of Rs 57.617 million became refundable. During the current year, Rs 31.12 million were refunded to the Company based on LTU's contention that the Company is only entitled to refund for the period from August 1999 to June 2002, as covered by the quashed Show Cause Notice. The LTU has now filed a reference application with the SHC, against the ATIR's 2010 order. The Company does not agree with LTU's view. Accordingly, the Company is pursuing for the leftover refund of Rs 26.497 million for the period July 2002 to April 2004 and expects that the ultimate outcome will be in favour of the Company.

26.1.4 The tax authorities have issued various letters / notices / orders for different tax periods either disallowing / intending to disallow the input sales tax claimed by the Company under the provisions of sections 8(1)(ca) and 8A of the Sales Tax Act, 1990 and Rule 12(5) of the Sales Tax Rules, 2006. Being aggrieved with the impugned orders, the Company has filed appeals before the Commissioner Inland Revenue Appeals {CIR(A)}, which are pending for hearing.

The Company has also filed a Constitutional Petition alongwith the stay application before the SHC challenging the above mentioned provisions. The SHC in response to the stay application filed by the Company vide order dated October 27, 2011 had granted stay subject to the provision of bank guarantee amounting to Rs 7.676 million, which was duly provided. The original petition filed before the SHC, however, is pending for hearing.

#### 26.1.5 Income tax

The Company had revised the tax rates of certain producing fields in line with the provisions of Petroleum Concession Agreements (PCAs) and prevailing industry practices and filed its tax returns for the tax years 2006 to 2011 on the same basis. The Company had also revised its tax returns for the tax years 2003 to 2005 resulting in tax refundable amounting to Rs 383.146 million.

The Tax authorities have amended the Assessment Orders for tax years 2003 to 2011, thereby, disputing the calculation of depletion allowance, allowability of provision for Sui decommissioning cost and calculation of tax liability at lower tax rates of 50% for certain fields. The Company has filed appeals before the CIR(A) against the aforesaid orders. The Company has obtained stays of demand for tax years 2003 to 2009 from the SHC against lumpsum payments of Rs 1,118 million. For tax years 2008 and 2009, CIR(A) has decided the rate issue in favour of the Company, however, CIR(A) has upheld the tax department's decision in respect of the other issues. In respect of tax year 2010, CIR (A) has decided the above issues against the Company. The Company has filed appeal with the ATIR against the CIR(A) decisions.

The Company based on the advice of its legal counsel, is confident that it has sound grounds to defend the appeals on the tax rate issue. The Company, as a matter of prudence, continues to provide for tax liability at the higher tax rates, depletion allowance (gathering and processing element) and Sui decommissioning cost in the books of account. In addition, during the current year, the Company has also provided for the depletion allowance (royalty element) for tax years 2003 to 2011, amounting to Rs 1,794 million. In case the appeals are decided in favour of the Company, an amount of Rs 5,505 million will be credited in the profit and loss account for that year.

### 26.1.6 Other contingencies

The Company is defending various suits filed against it in various courts in Pakistan for sums, aggregating to Rs. 594 million, related to its business operations. The Company's management is confident, based on the advice of its legal advisors that these suits are expected to be decided in its favour and, accordingly, no provision has been made for any liability against these law suits in these financial statements.

## 26.2 Commitments

### 26.2.1 Capital expenditure

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Owned assets | 964,296 | 439,002 |
| Share in joint ventures | 9,527,984 | 6,540,567 |
| Operating leases / Ijarah contracts | 29,196 | 49,917 |
| | 10,521,476 | 7,029,486 |

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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Year ending June 30, | | |
| 2012 | - | 19,286 |
| 2013 | 13,337 | 13,785 |
| 2014 | 8,502 | 8,931 |
| 2015 | 7,357 | 7,915 |
| | 29,196 | 49,917 |

### 26.2.2 Exploration expenditure

The Company's share of net exploration activities in respect of Block 2766-1 (Khuzdar), Block 2568-13 (Hala), Block 2866-2 (Kalat), Block 2969-8 (Barkhan), Block 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 2468-9 (Jherruck), Block 3070-13 (Baska), Block 2568-20 (Sukhpur), Block 2568-19 (Digri), Block 3273-3 (Ghauri) and Block-29 (Republic of Yemen), provision for new exploration areas and for international exploration phased for the year ending June 30, 2013 amounts to Rs 6,493 million (2012: Rs 3,538 million).

# Notes to and forming part of the Financial Statements for the year ended June 30, 2012

## 27. SALES - net (including internal consumption)

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Sales | 119,645,743 | 98,613,458 |
| Federal excise duty | (2,323,249) | (2,295,318) |
| Sales tax | (12,653,202) | (11,525,220) |
| Gas infrastructure development cess | (423,001) | - |
| Petroleum levy | (10,873) | - |
| Gas development surcharge | (8,013,690) | (6,540,525) |
| | (23,424,015) | (20,361,063) |
| | 96,221,728 | 78,252,395 |
| Product wise break-up of sales is as follows: | | |
| Natural gas sales | 88,851,388 | 76,214,990 |
| Federal excise duty | (2,299,447) | (2,275,027) |
| Sales tax | (12,334,944) | (11,171,018) |
| Gas infrastructure development cess | (423,001) | - |
| Gas development surcharge | (8,013,690) | (6,540,525) |
| | (23,071,082) | (19,986,570) |
| | 65,780,306 | 56,228,420 |
| Gas supplied to Sui villages - note 28.4 | 304,685 | 156,402 |
| Federal excise duty | (13,183) | (8,233) |
| Sales tax | (42,026) | (22,725) |
| | (55,209) | (30,958) |
| | 249,476 | 125,444 |
| Internal consumption of gas - note 27.1 | 205,103 | 186,799 |
| Federal excise duty | (8,917) | (9,833) |
| Sales tax | (28,290) | (27,142) |
| | (37,207) | (36,975) |
| | 167,896 | 149,824 |
| Condensate sales | 8,981,667 | 8,056,910 |
| Sales tax | - | 108 |
| | 8,981,667 | 8,057,018 |
| NGL (condensate) sales | 1,768,259 | 1,628,600 |
| Crude oil sales | 17,737,064 | 10,274,474 |
| LPG sales | 1,797,577 | 2,095,283 |
| Federal excise duty | (1,702) | (2,225) |
| Sales tax | (247,942) | (304,443) |
| Petroleum levy | (10,873) | - |
| | (260,517) | (306,668) |
| | 1,537,060 | 1,788,615 |
| | 96,221,728 | 78,252,395 |

27.1 Internal consumption of gas comprises of the following

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Industrial and domestic use | 140,440 | 132,889 |
| Gas used for electricity generation at Sui | 64,663 | 53,910 |
| | 205,103 | 186,799 |

27.2 The Company has not allowed any sales discount to the customers during the years ended June 30, 2012 and 2011.

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **28. FIELD EXPENDITURES** | | |
| Development and drilling | 6,953,084 | 3,780,663 |
| Exploration | 3,823,468 | 4,531,785 |
| Depreciation - note 4.1 | 3,208,080 | 2,637,044 |
| Amortisation of intangible assets - note 5.1 | 135,967 | 71,898 |
| Amortisation of decommissioning cost - note 4.1 | 1,504,218 | 491,878 |
| Amortisation of prospecting and development expenditure - note 4.1 | 2,049,355 | 1,754,160 |
| Salaries, wages, welfare and other benefits - note 28.1 | 5,214,363 | 4,611,821 |
| Employees' medical benefits - note 28.2 | 324,062 | 291,406 |
| Manpower development | 36,703 | 54,342 |
| Travelling and conveyance | 546,767 | 458,738 |
| Communication | 32,375 | 29,956 |
| Stores and spares consumed | 1,010,397 | 974,356 |
| Fuel and power | 294,191 | 261,688 |
| Rent, rates and taxes | 83,768 | 64,484 |
| Insurance | 399,572 | 224,453 |
| Repairs and maintenance | 445,090 | 398,358 |
| Professional services | 75,349 | 80,240 |
| Auditors' remuneration - note 28.3 | 5,004 | 3,761 |
| Free supply of gas to Sui villages - note 28.4 | 304,685 | 156,402 |
| Donations - note 28.5 | 58,899 | 68,814 |
| Social welfare / community development | 455,758 | 349,112 |
| Other expenses | 133,565 | 99,030 |
| | 27,094,720 | 21,394,389 |
| Recoveries | (43,758) | (30,212) |
| | 27,050,962 | 21,364,177 |

28.1 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 127.894 million, Rs 468.395 million, Rs 75.451 million and Rs 110.159 million, respectively (2011: Rs 121.492 million, Rs 422.772 million, Rs 65.642 million and Rs 117.876 million, respectively).

28.2 This includes expenditure relating to post retirement medical benefits amounting to Rs 164.505 million (2011: Rs 138.245 million).

### 28.3 Auditors' remuneration is as under

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Audit fee | 2,200 | 2,000 |
| Limited review, special certifications and various advisory services | 2,585 | 1,528 |
| Out of pocket expenses | 219 | 233 |
| | 5,004 | 3,761 |

28.4 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 27.

28.5 Donations include the payments to following institutions in which the directors / ex-directors are interested:

| Name of director(s) / ex-director(s) | Nature of interest in donee | Name and address of donee | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|---|---|
| | | | Rs '000 | |
| Mr. Asim Murtaza Khan | Chairman | Petroleum Institute of Pakistan | 131 | - |
| Mr. Saeed Akhtar | Director | Karwan-e-Hayat, as Institute of Mental Health Care & Rehabilitation. | 150 | 100 |
| Mr. Khalid Rahman (Ex-MD) | Member council | ICAP, Clifton, Karachi | - | 200 |
| Mr. Khalid Rahman (Ex-MD) | Member of the Managing Committee | Overseas Investors Chamber of Commerce & Industry | - | 150 |
| | | | 281 | 450 |

## 29. STAFF RETIREMENT BENEFITS

### 29.1 Funded post retirement pension and gratuity schemes

As mentioned in note 2.15 to these financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

#### 29.1.1 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, 2012 | | | | | June 30, 2011 |
| | Rs '000 | | | | | |
| Present value of defined benefit obligations - note 29.1.5 | 3,903,250 | 459,562 | 1,051,399 | 572,077 | 5,986,288 | 5,099,799 |
| Fair value of plan assets- note 29.1.4 | (2,848,562) | (380,383) | (844,776) | (420,711) | (4,494,432) | (3,863,588) |
| Deficit | 1,054,688 | 79,179 | 206,623 | 151,366 | 1,491,856 | 1,236,211 |
| Unrecognised actuarial loss | (1,054,688) | (79,179) | (206,623) | (151,366) | (1,491,856) | (1,235,353) |
| Unrecognised past service cost | - | - | - | - | - | (858) |
| Asset / liability recognised in the balance sheet | - | - | - | - | - | - |

### 29.1.2 Movement in amounts receivable from defined benefit plans

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

| | Executives Pension | Executives Gratuity | Non-Executives Pension | Non-Executives Gratuity | Total | Total |
|---|---|---|---|---|---|---|
| | June 30, 2012 | | | | | June 30, 2011 |
| | Rs '000 | | | | | |
| Balances as on July 01 | - | - | - | - | - | - |
| Charge for the year - note 29.1.3 | 397,147 | 24,665 | 71,248 | 50,786 | 543,846 | 488,414 |
| Payments during the year | (397,147) | (24,665) | (71,248) | (50,786) | (543,846) | (488,414) |
| Balances as on June 30 | - | - | - | - | - | - |

### 29.1.3 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 Pension | Executives Gratuity | Non-Executives Pension | Non-Executives Gratuity | Total | Total |
|---|---|---|---|---|---|---|
| | Year ended June 30, 2012 | | | | | Year ended June 30, 2011 |
| | Rs '000 | | | | | |
| Current service cost | 226,943 | 23,966 | 39,555 | 18,292 | 308,756 | 273,269 |
| Interest cost | 479,715 | 55,595 | 131,412 | 72,153 | 738,875 | 582,620 |
| Expected return on plan assets | (361,671) | (55,754) | (107,196) | (49,410) | (574,031) | (428,784) |
| Recognition of actuarial loss | 52,160 | - | 7,477 | 9,751 | 69,388 | 60,451 |
| Amortisation of unrecognised past service cost | - | 858 | - | - | 858 | 858 |
| | 397,147 | 24,665 | 71,248 | 50,786 | 543,846 | 488,414 |
| Actual return on plan assets | 277,411 | 45,338 | 89,273 | 42,066 | 454,088 | 415,985 |

### 29.1.4 Changes in fair value of plan assets

| | Executives Pension | Executives Gratuity | Non-Executives Pension | Non-Executives Gratuity | Total | Total |
|---|---|---|---|---|---|---|
| | June 30, 2012 | | | | | June 30, 2011 |
| | Rs '000 | | | | | |
| Fair value of plan assets at beginning of the year | 2,355,168 | 397,937 | 750,482 | 360,001 | 3,863,588 | 3,237,876 |
| Expected return on plan assets | 361,671 | 55,754 | 107,196 | 49,410 | 574,031 | 428,784 |
| Contributions by the Company | 397,147 | 24,665 | 71,248 | 50,786 | 543,846 | 488,414 |
| Benefits paid | (198,353) | (87,953) | (60,953) | (33,441) | (380,700) | (281,094) |
| Actuarial loss | (67,071) | (10,020) | (23,197) | (6,045) | (106,333) | (10,392) |
| Fair value of plan assets at end of the year | 2,848,562 | 380,383 | 844,776 | 420,711 | 4,494,432 | 3,863,588 |

# Notes to and forming part of the Financial Statements for the year ended June 30, 2012

### 29.1.5 Changes in present value of pension and gratuity obligations

| | Executives | | Non-Executives | | Total | |
|---|---|---|---|---|---|---|
| | Pension | Gratuity | Pension | Gratuity | | |
| | June 30, 2012 | | | | | June 30, 2011 |
| | Rs '000 | | | | | |
| Present value of obligations at beginning of the year | 3,254,368 | 400,992 | 925,258 | 519,181 | 5,099,799 | 4,315,998 |
| Current service cost | 226,943 | 23,966 | 39,555 | 18,292 | 308,756 | 273,269 |
| Interest cost | 479,715 | 55,595 | 131,412 | 72,153 | 738,875 | 582,620 |
| Benefits paid | (198,353) | (87,953) | (60,953) | (33,441) | (380,700) | (281,094) |
| Actuarial loss / (gain) | 140,577 | 66,962 | 16,127 | (4,108) | 219,558 | 209,006 |
| Present value of obligations at end of the year | 3,903,250 | 459,562 | 1,051,399 | 572,077 | 5,986,288 | 5,099,799 |

### 29.1.6 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, 2012 | | | | June 30, 2011 | | | |
| **Pension Fund** | | | | | | | | | |
| Government securities | 6.22-14.47 | 1,397,117 | 49 | 349,920 | 42 | 1,875,693 | 80 | 600,449 | 80 |
| Shares | - | 122,357 | 4 | 37,577 | 4 | 118,682 | 5 | 36,442 | 5 |
| TFCs | 8.45-13.93 | 70,876 | 3 | 22,671 | 3 | 103,661 | 4 | 38,243 | 5 |
| Cash and bank balances | 5.00-11.00 | 1,258,212 | 44 | 434,608 | 51 | 257,132 | 11 | 75,348 | 10 |
| Total | | 2,848,562 | 100 | 844,776 | 100 | 2,355,168 | 100 | 750,482 | 100 |
| **Gratuity Fund** | | | | | | | | | |
| Government securities | 6.22-14.47 | 189,530 | 50 | 211,050 | 50 | 331,195 | 83 | 312,029 | 87 |
| Shares | - | 21,104 | 6 | 18,458 | 4 | 20,460 | 5 | 17,877 | 5 |
| TFCs | 8.45-13.93 | 22,511 | 6 | 12,983 | 3 | 25,565 | 7 | 20,567 | 6 |
| Cash and bank balances | 5.00-11.00 | 147,238 | 38 | 178,220 | 43 | 20,717 | 5 | 9,528 | 2 |
| Total | | 380,383 | 100 | 420,711 | 100 | 397,937 | 100 | 360,001 | 100 |

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

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| | Rs '000 | | | | |
| **Executive Pension Fund** | | | | | |
| Present value of defined benefit obligations | 3,903,250 | 3,254,368 | 2,801,785 | 2,555,714 | 2,065,129 |
| Fair value of plan assets | (2,848,562) | (2,355,168) | (1,884,135) | (1,825,403) | (1,687,631) |
| Deficit | 1,054,688 | 899,200 | 917,650 | 730,311 | 377,498 |
| Loss on experience adjustments on obligations | (140,577) | (30,263) | (223,938) | (328,034) | (170,637) |
| (Loss) / gain on experience adjustments on plan assets | (67,071) | (9,239) | (6,559) | (40,323) | 34,129 |
| **Executive Gratuity Fund** | | | | | |
| Present value of defined benefit obligations | 459,562 | 400,992 | 396,220 | 298,069 | 273,058 |
| Fair value of plan assets | (380,383) | (397,937) | (375,035) | (272,354) | (274,497) |
| Deficit / (surplus) | 79,179 | 3,055 | 21,185 | 25,715 | (1,439) |
| Gain/ (loss)on ex periencead justmentson ob ligations | (66,962) | 21,252 | 7,651 | (20,880) | (4,154) |
| (Loss) / gain on experience adjustments on plan assets | (10,020) | (3,980) | (1,405) | (6,274) | 7,138 |
| **Non-Executive Pension Fund** | | | | | |
| Present value of defined benefit obligations | 1,051,399 | 925,258 | 737,566 | 930,713 | 685,216 |
| Fair value of plan assets | (844,776) | (750,482) | (658,693) | (748,917) | (655,468) |
| Deficit | 206,623 | 174,776 | 78,873 | 181,796 | 29,748 |
| (Loss) / gain on experience adjustments on obligations | (16,127) | (100,262) | 122,897 | (194,894) | (865) |
| (Loss) / gain on experience adjustments on plan assets | (23,197) | 3,894 | (28,040) | 42,846 | 26,702 |
| **Non-Executive Gratuity Fund** | | | | | |
| Present value of defined benefit obligations | 572,077 | 519,181 | 380,427 | 388,701 | 287,366 |
| Fair value of plan assets | (420,711) | (360,001) | (320,013) | (285,702) | (259,360) |
| Deficit | 151,366 | 159,180 | 60,414 | 102,999 | 28,006 |
| Gain / (Loss) on experience adjustments on obligations | 4,108 | (99,733) | 46,778 | (86,521) | 23,367 |
| (Loss) / gain on experience adjustments on plan assets | (6,045) | (1,067) | (10,023) | 11,528 | 1,442 |

29.1.8 The Company expects to contribute Rs 613.201 million to the pension and gratuity funds in 2012-13.

### 29.2 Unfunded post retirement medical benefits

29.2.1 The Company provides free medical facilities to its executive and non-executive retired employees, as mentioned in note 2.15. The latest actuarial valuation of liability for post retirement medical benefits cost was carried out as at June 30, 2012, results of which are as follows:

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Present value of defined benefit obligations - note 29.2.4 | 1,087,776 | 895,793 |
| Unrecognised actuarial loss | (85,901) | (24,299) |
| Liability recognised in the balance sheet - note 23 | 1,001,875 | 871,494 |

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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| Balance as on July 01 | 871,494 | 763,266 |
| Charge for the year - note 29.2.3 | 164,505 | 138,245 |
| Payments during the year | (34,124) | (30,017) |
| Balance as on June 30 | 1,001,875 | 871,494 |

### 29.2.3 Amounts charged to the profit and loss account during the year for the above benefits are as follows:

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Current service cost | 30,544 | 29,178 |
| Interest cost | 133,961 | 108,656 |
| Recognition of actuarial loss | - | 411 |
| | 164,505 | 138,245 |

### 29.2.4 Changes in present value of post retirement medical obligations:

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| Opening balance | 895,793 | 843,535 |
| Current service cost | 30,544 | 29,178 |
| Interest cost | 133,961 | 108,656 |
| Benefits paid | (34,124) | (30,017) |
| Actuarial loss / (gain) | 61,602 | (55,559) |
| Closing balance | 1,087,776 | 895,793 |

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

| | 1% increase | 1% decrease |
|---|---|---|
| | Rs '000 | |
| Present value of medical obligation | 185,659 | (163,275) |
| Current service cost and interest cost | 31,782 | (35,028) |

29.2.6 The Company expects to contribute Rs 181.116 million to the unfunded post retirement medical benefits in 2012-13.

## 29.3 Leave preparatory to retirement benefits

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

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Balance as on July 01 | 469,079 | 371,763 |
| Charge for the year | 110,159 | 117,876 |
| | 579,238 | 489,639 |
| Payments during the year | (19,403) | (20,560) |
| Balance as on June 30 - note 23 | 559,835 | 469,079 |

29.3.1 The Company expects to contribute Rs 135.232 million to the Leave preparatory to retirement benefits in 2012-13.

## 29.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

| | Per annum | |
|---|---|---|
| | June 30, 2012 | June 30, 2011 |
| | % | |
| - discount rate | 13.50 | 14.50 |
| - expected rate of return on plan assets | 13.50 | 14.50 |
| - expected rate of increase in salaries | 13.50 | 14.50 |
| - expected rate of increase in pension | 8.50 | 9.50 |
| - expected rate of escalation in medical cost | 9.50 | 10.50 |

## 30. OTHER OPERATING INCOME

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **Income from financial assets** | | |
| Income on loans and bank deposits | 535,896 | 284,421 |
| Income on term deposits | 2,730,303 | 1,763,381 |
| Income on long-term held-to-maturity investments | 840,797 | 316,447 |
| Income from investment in treasury bills | 1,277,785 | 1,511,664 |
| Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net) | 854,147 | 442,238 |
| | 6,238,928 | 4,318,151 |
| **Income from assets other than financial assets** | | |
| Rental income on assets | 91,730 | 1,029 |
| Profit on sale of property, plant and equipment | 94,308 | 8,670 |
| Profit on sale of stores and spares (net) | 12,800 | 10,258 |
| Exchange gain on foreign currency | 553,267 | 33,867 |
| Share of profit on sale of LPG | 101,073 | 76,949 |
| Refund of sales tax paid under amnesty scheme - note 26.1.3 | 31,120 | - |
| Reversal of provision for obsolete / slow moving stores - note 11.1 | - | 1,120 |
| Reversal of provision for WWF - note 25.3 | 4,446,633 | - |
| Others | 24,622 | 523 |
| | 5,355,553 | 132,416 |
| | 11,594,481 | 4,450,567 |

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **31. OTHER OPERATING EXPENSES** | | |
| WPPF - note 16.1 | 3,454,845 | 2,595,066 |
| WWF - note 25.3 | | |
| - Current year | - | 987,220 |
| - Prior year | - | 9,233 |
| | - | 996,453 |
| Provision for obsolete / slow moving stores - note 11.1 | 18,464 | - |
| Provision for doubtful debts - note 12.4 | 1,181,220 | - |
| | 4,654,529 | 3,591,519 |
| **32. FINANCE COSTS** | | |
| Interest on WPPF - note 16.1 | 286 | 869 |
| Financial charges for liabilities against assets subject to finance leases | 29,749 | 58,839 |
| Unwinding of discount on decommissioning obligation - note 21 | 148,970 | 145,736 |
| | 179,005 | 205,444 |

## 33. TAXATION

Provision for taxation for the years ended June 30, 2012 and 2011 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas and for the non-agreement areas on the basis of tax rate of 35%, as mentioned in note 2.18

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Current | | |
| - for the year | 18,341,069 | 14,716,650 |
| - for prior years (net) | 1,418,859 | 394,897 |
| | 19,759,928 | 15,111,547 |
| Deferred | | |
| - for the year | 1,923,925 | 1,807,382 |
| - for prior years | 1,921,295 | - |
| | 3,845,220 | 1,807,382 |
| | 23,605,148 | 16,918,929 |

### 33.1 Relationship between accounting profit and taxation

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Accounting profit for the year before taxation | 64,528,686 | 48,364,644 |
| Tax at applicable rate of 44.14% (2011:44.81%) | 28,482,962 | 21,672,197 |
| Net tax effect of amounts not (taxable) / deductible for tax purposes | (1,550,018) | 83,339 |
| Tax effect of depletion allowance and royalty allowed for tax purposes | (6,667,950) | (5,231,504) |
| Net effect of deferred tax relating to prior years recognised in current year | 1,921,295 | - |
| Tax charge relating to prior years | 1,418,859 | 394,897 |
| | 23,605,148 | 16,918,929 |
| Effective tax rate % | 36.58 | 34.98 |

## 34. 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, 2012 |
|---|---|---|
| **Producing fields** | | |
| Adhi | PPL | 39.00% |
| Mazarani | PPL | 87.50% |
| Hala | 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 D&P (Tal Block) | MOL | 27.76% |
| Mamikhel EWT Phase (Tal Block) | MOL | 27.76% |
| Maramzai 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 2766 - 1 (Khuzdar) | PPL | 65.00% |
| Block 2866 - 2 (Kalat) | PPL | 35.00% |
| Block 2969 - 8 (Barkhan) | PPL | 35.00% |
| Block 2763 - 3 (Kharan) | PPL | 100.00% |
| Block 2764 - 4 (Kharan-East) | PPL | 100.00% |
| Block 2763 - 4 (Kharan-West) | PPL | 100.00% |
| Block 3371 - 15 (Dhok Sultan) | PPL | 75.00% |
| Block 2467 - 12 (Jungshahi) | PPL | 100.00% |
| Block 2568 - 18 (Gambat South) | PPL | 65.00% |
| Block 3170 - 6 (Dera Ismail Khan) | PPL | 100.00% |
| Block 2468 - 12 (Kotri) | PPL | 100.00% |
| Block 2568 - 21 (Kotri North) | PPL | 90.00% |
| Block 2468 - 10 (Sirani) | PPL | 75.00% |
| Block 2668 - 9 (Naushahro Firoz) | PPL | 90.00% |
| Block 2667 - 11 (Zamzama South) | PPL | 100.00% |
| Block 3270 - 7 (Zindan) | PPL | 35.00% |
| Block 2768 - 3 (Block-22) | PEL | 45.00% |
| Block 2668 - 4 (Gambat) | OMV | 30.00% |
| Block 2669 - 3 (Latif) | OMV | 33.30% |
| Block 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 - 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% |
| Block 2468 - 9 (Jherruck) | NHEPL | 30.00% |
| Block 2568 - 19 (Digri) | UEP | 25.00% |
| Block 3273 - 3 (Ghauri) | MGCL | 35.00% |
| **Outside Pakistan** | | |
| Block-29 (Yemen) | OMV (Yemen) | 43.75% |

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments, which are stated at amortised cost. No changes were made in the objectives, policies or processes during the years ended June 30, 2012 and 2011.

### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Company s income or the value of its holdings of financial instruments.

#### Interest rate risk management

The interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's long term investment in GoP Ijara Sukuk certificates with floating interest rates. The Company manages its interest rate risk by having significant investment in fixed interest bearing financial assets, like PIBs term deposit receipts with banks and treasury bills. As of balance sheet date, the sensitivity on the Company's profit before tax to a reasonable possible change of 1% in interest rates is Rs 25 million (2011: Rs 20 million), with all other variables held constant.

#### Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

Level 1: quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial assets** | Rupees '000 | | | |
| **June 30, 2012** | | | | |
| Investments designated at fair value through profit or loss | 9,806,733 | 9,806,733 | - | - |
| **June 30, 2011** | | | | |
| Investments designated at fair value through profit or loss | 6,450,988 | 6,450,988 | - | - |

#### Foreign currency risk management

Financial assets include Rs 6,010.623 million (2011: Rs 4,505.459 million) and financial liabilities include Rs 2,618.833 million (2011: Rs 1,533.942 million), which were subject to foreign currency risk. The US Dollar deposits also serve as a synthetic hedge against the Company's exposure to foreign currency risk resulting from outstanding payments for imports.

A one rupee change in the exchange rate of foreign currencies would have the following effect:

| | One Rupee Increase | One Rupee Decrease |
|---|---|---|
| | Rs '000 | |
| Foreign currency financial assets | 63,943 | (63,943) |
| Foreign currency financial liabilities | 31,017 | (31,017) |

### Commodity price risk management

The Company is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products, which can affect the profitability of the Company. However, keeping in view the pricing mechanism under various Gas Price Agreements signed with the GoP, the Company is of the view that the price risk, in respect of gas sales which constitute major portion of Company s total sales, is within acceptable limits. Therefore, the Company has not entered in any commodity derivative transactions.

### b) Credit risk management

(i) Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its receivables including trade debts, investments in TFCs, mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Company monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Company has maintained lines and limits with banks for effective monitoring of credit risk.

The Company's major portion of sales is to GENCO-II, SNGPL and SSGCL. However, it does not consider itself to be exposed to any substantial credit risk as these companies are State controlled entities.

(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **Long term investments - note 7** | | |
| AAA | 7,488,459 | 6,457,772 |
| AA | 13,606,174 | 8,588,085 |
| A | - | 701,903 |
| Not rated | - | 34,713 |
| | 21,094,633 | 15,782,473 |
| **Trade debts - note 12.1** | | |
| Customers with no defaults in the past one year | - | 89,310 |
| Customers with some defaults in past one year which have been fully recovered | 83,348 | 26,778 |
| Customers with defaults in past one year which have not yet been recovered | 18,253,586 | 15,247,987 |
| | 18,336,934 | 15,364,075 |
| **Short-term investments and cash at bank - notes 17 & 18** | | |
| AAA | 9,968,258 | 1,869,012 |
| AA | 26,938,155 | 20,430,796 |
| A | 1,663 | 6,094 |
| | 36,908,076 | 22,305,902 |

### c) Capital risk management

The Company s objective when managing capital is to safeguard the Company s ability to remain as a going concern and continue to provide returns to shareholders and benefits to other stakeholders.

### d) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

| | On Demand | Less than 3 months | 3 to less than 12 months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| | Rs in '000 | | | | | |
| Liability against assets subject to finance leases | - | 27,136 | 55,787 | 131,115 | - | 214,038 |
| Trade and other payables | 262,450 | 3,308,317 | 1,120,022 | - | - | 4,690,789 |
| Year ended 30 June 2012 | 262,450 | 3,335,453 | 1,175,809 | 131,115 | - | 4,904,827 |

| | On Demand | Less than 3 months | 3 to less than 12 months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| | Rs in '000 | | | | | |
| Liability against assets subject to finance leases | - | 12,587 | 40,841 | 101,849 | - | 155,277 |
| Trade and other payables | 131,470 | 5,160,976 | 772,344 | - | - | 6,064,790 |
| Year ended 30 June 2011 | 131,470 | 5,173,563 | 813,185 | 101,849 | - | 6,220,067 |

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **36. CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances - note 18 | 1,675,160 | 1,503,126 |
| Short-term highly liquid investments - note 17 | 35,265,000 | 20,851,145 |
| | 36,940,160 | 22,354,271 |

## 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | Chief Executives | | Non-Executive Director | | Executives | |
|---|---|---|---|---|---|---|
| | Year ended June 30, 2012 | Year ended June 30, 2011 | Year ended June 30, 2012 | Year ended June 30, 2011 | Year ended June 30, 2012 | Year ended June 30, 2011 |
| | Rs '000 | | | | | |
| Managerial remuneration | 26,256 | 19,947 | 1,500 | 595 | 2,713,378 | 2,354,492 |
| Housing, conveyance and utilities | - | - | - | - | 20,620 | 28,614 |
| Retirement benefits | 5,627 | 4,610 | - | - | 523,875 | 489,833 |
| Bonus | - | - | - | - | 12,006 | 11,025 |
| Medical and leave passage | 134 | 120 | - | - | 155,737 | 140,944 |
| Leave encashment | - | 2,925 | - | - | - | - |
| | 32,017 | 27,602 | 1,500 | 595 | 3,425,616 | 3,024,908 |
| | | | | - | | |
| Number, including those who worked for part of the year | 1 | 2 | 1 | 1 | 1,046 | 1,063 |

37.1 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.

37.2 Aggregate amount charged in these financial statements in respect of fees paid to nine non-executive directors was Rs 0.905 million (2011: Rs 0.928 million for eight directors).

37.3 The Chairman of the Company is provided with free use of Company's car.

## 38. EARNINGS PER SHARE

### 38.1 Basic earnings per share

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Profit after taxation (Rs '000) | 40,923,538 | 31,445,715 |
| Dividend on convertible preference shares (Rs '000) | (41) | (41) |
| Profit attributable to ordinary shareholders (Rs '000) | 40,923,497 | 31,445,674 |
| | | (Restated) |
| Weighted average number of ordinary shares in issue | 1,314,477,077 | 1,314,477,077 |
| Basic earnings per share (Rs) | 31.13 | 23.92 |

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.

### 38.2 Diluted earnings per share

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| Profit after taxation (Rs '000) | 40,923,538 | 31,445,715 |
| Weighted average number of ordinary shares in issue | 1,314,477,077 | 1,314,477,077 |
| Adjustment for conversion of convertible preference shares | 13,840 | 13,840 |
| | | (Restated) |
| Weighted average number of ordinary shares for diluted earnings per share | 1,314,490,917 | 1,314,490,917 |
| Diluted earnings per share (Rs) | 31.13 | 23.92 |

38.3 During the year the Company has issued 10% bonus shares (i.e. one ordinary share for every ten ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2011.

## 39. FINAL DIVIDEND

The Board of Directors in their meeting held on August 11, 2012 have recommended 25% bonus shares (328,619,269 shares) i.e. 1 share for every four ordinary shares held (2011: 10% bonus shares (119,497,916 shares) i.e. one share for every ten ordinary shares held) and final cash dividend @ 65% amounting to Rs 8,544.101 million (2011: @ 20% amounting to Rs 2,389.958 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 28, 2012.

## 40. TRANSACTIONS WITH RELATED PARTIES

### 40.1 Transactions with related parties are as follows:

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| **Sales of gas to State controlled entities (including Government Levies):** | | |
| WAPDA - note 12.3 | - | 13,350,548 |
| GENCO-II - note 12.3 | 17,047,862 | - |
| SNGPL | 57,073,719 | 49,069,127 |
| SSGCL | 14,729,807 | 13,581,740 |
| | 88,851,388 | 76,001,415 |
| **Trade debts and other receivables from State controlled entities** | See notes 10,12 & 16 | |
| **Transactions with Bolan Mining Enterprises:** | | |
| Share of profit received | 25,000 | - |
| Purchase of goods | - | 6,361 |
| Reimbursement of employee cost on secondment | 10,665 | 13,020 |
| **Transactions with Joint Ventures:** | | |
| Payments of cash calls to joint ventures | 13,842,057 | 13,881,354 |
| Expenditures incurred by the joint ventures | 13,315,878 | 13,700,797 |
| Amounts receivable from / (payable to) joint venture partners | See notes 13, 16 & 25.2 | |
| Income from rental of assets to joint ventures | 91,730 | 1,029 |
| **Other related parties:** | | |
| Dividend to GoP | 7,203,138 | 13,314,880 |
| Dividend to Trust under BESOS | 1,225,062 | 1,064,326 |
| Transactions with retirement benefit funds | See notes 28.1 & 29 | |
| Remuneration to key management personnel | See note 37 | |
| Payment of rental to Pakistan Industrial Development Corporation | 45,723 | 36,623 |
| Payment to National Insurance Company Limited | 692,551 | 252,909 |
| Payment to Pakistan State Oil Company Limited | 100,871 | 163,844 |

40.2 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.

## 41. 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 related to the Company's only reportable segment.

The operating interests of the Company are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these financial statements relate to the Company's only reportable operating segment in Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to exploration, development and production of oil and gas.

| | Year ended June 30, 2012 | Year ended June 30, 2011 |
|---|---|---|
| | Rs '000 | |
| WAPDA | - | 13,350,548 |
| GENCO-II | 17,047,862 | - |
| SSGCL | 14,729,807 | 13,581,740 |
| SNGPL | 57,073,719 | 49,069,127 |
| ARL | 26,933,567 | 17,992,563 |
| | 115,784,955 | 93,993,978 |

## 42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 11, 2012 by the Board of Directors of the Company.

## 43. GENERAL

### 43.1 Number of employees

Number of permanent employees as at June 30, 2012 was 2,660 (2011: 2,741).

### 43.2 Capacity and production

| Product | Unit | Actual production for the year (PPLs share) |
|---|---|---|
| Natural gas | MMCF | 364,948 |
| Crude oil | BBL | 2,248,979 |
| NGL / Condensate | BBL | 920,668 |
| LPG | M. Ton | 20,869 |

Due to the nature of operations of the Company, installed capacity of above products is not relevant.

## 43.3 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 |
|---|---|---|---|---|
| 4.1 | Freehold land (NBV) | 4.1 | Leasehold land (NBV) | 1,316,576 |
| 4.1 | Buildings, roads and civil construction (NBV) | 4.1 | Buildings, roads and civil construction on freehold Land (NBV) | 847,489 |
| | | | Buildings, roads and civil construction on leasehold land (NBV) | 2,542 |

43.4 Figures have been rounded off to the nearest thousand, unless otherwise stated.

Director

Chief Executive

# Pakistan Petroleum
# Provident Fund Trust Company (Private) Limited
# Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Provident Fund Trust Company (Private) Limited (the Company) as at 30 June, 2012 together with the notes forming part thereof, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

    (i) the balance sheet has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account; and

    (ii) no expenditure was incurred and no investments were made during the year;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company s affairs as at 30 June, 2012; 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 11, 2012

# Pakistan Petroleum Provident Fund Trust Company (Private) Limited
# Balance Sheet as at June 30, 2012

| | June 30, 2012 | June 30, 2011 |
|---|---|---|
| | Rupees | |
| **Share Capital** | | |
| Authorised, issued and fully paid-up 100 (2011: 100) Ordinary share of Rs. 10 each (note 3) | 1,000 | 1,000 |
| **Asset** | | |
| Current account with the bank | 1,000 | 1,000 |

**Notes:**

1. Pakistan Petroleum Provident Fund Trust Company (Private) Limited was incorporated in Pakistan as a private limited company on November 7, 1955. The Company is engaged in administrating the trusts formed for the benefits of the employees of Pakistan Petroleum Limited.

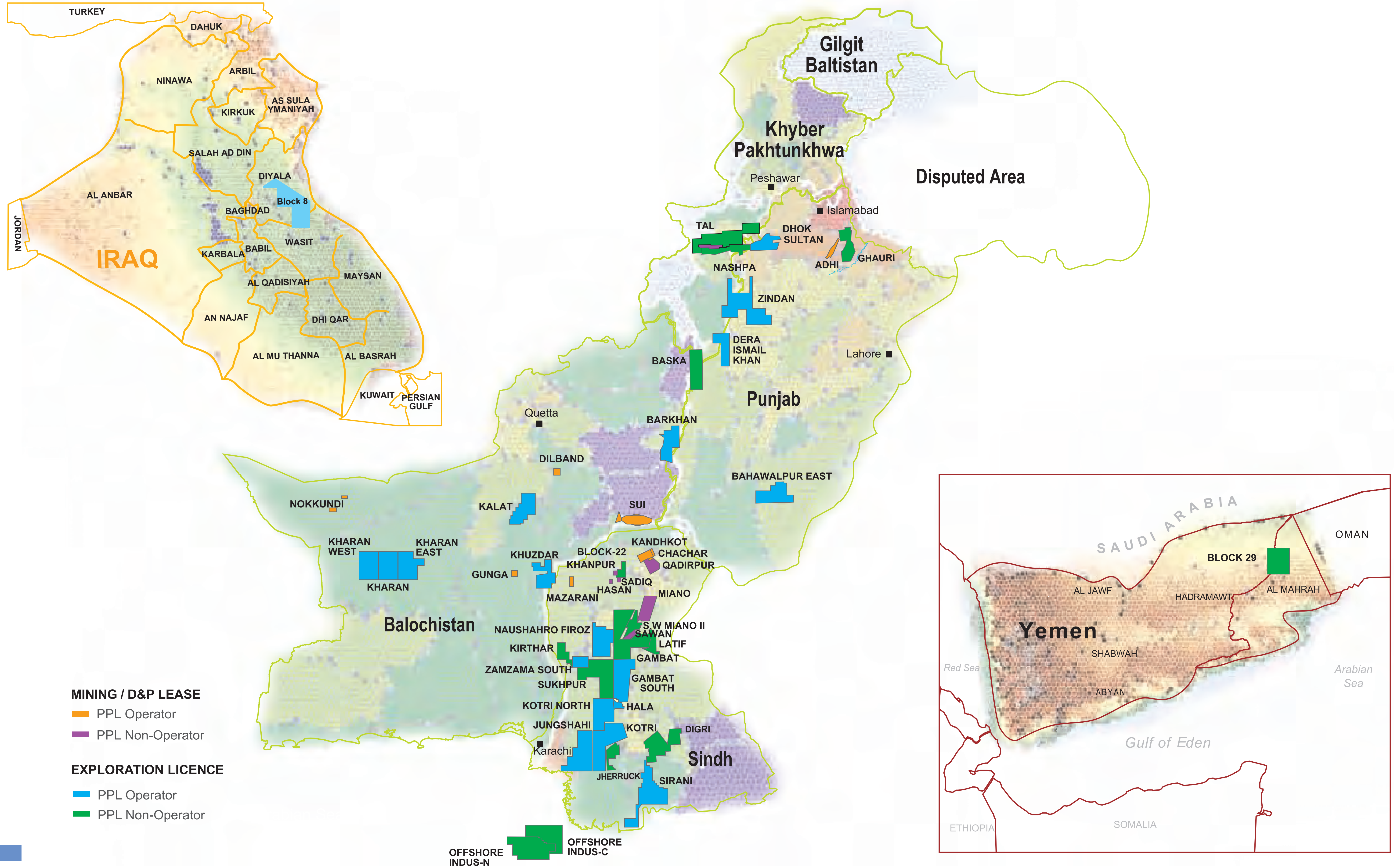
2. These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984. A profit and loss account has not been prepared as the Company had no revenue or cash transactions during the years ended June 30, 2012 and June 30, 2011. All administrative costs incurred are borne 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

## Map of PPL's Held Interests



# List of Producing and Exploration Assets as on June 30, 2012

| | | PPL Working Interest (%) | Operator |
|---|---|---|---|
| **Producing Fields / Discoveries** | | | |
| 1 | Sui | 100 | PPL |
| 2 | Kandhkot | 100 | PPL |
| 3 | Adhi | 39 | PPL |
| 4 | Mazarani | 87.50 | PPL |
| 5 | Chachar | 75 | PPL |
| 6 | Qadirpur | 7 | OGDCL |
| 7 | Miano | 15.16 | OMV |
| 8 | Sawan | 26.18 | OMV |
| 9 | Block-22 (Hasan, Sadiq and Khanpur) | 35.53 | PEL |
| 10 | Tal Block (Manzalai, Makori, Mamikhel, Maramzai, Makori East and Tolanj) | 27.76 | MOL |
| 11 | Nashpa (Nashpa and Mela) | 26.05 | OGDCL |
| 12 | Latif | 33.30 | OMV |
| 13 | Gambat (Tajjal) | 23.68 | OMV |
| 14 | Hala | 65 | PPL |
| **Exploration Blocks** | | | |
| | **Onshore** | | |
| 1 | Hala | 65 | PPL |
| 2 | Khuzdar | 65 | PPL |
| 3 | Kalat | 35 | PPL |
| 4 | Barkhan | 35 | PPL |
| 5 | Bahawalpur East | 49 | PPL |
| 6 | Gambat South | 65 | PPL |
| 7 | Jungshahi | 100 | PPL |
| 8 | Kharan | 100 | PPL |
| 9 | Kharan East | 100 | PPL |
| 10 | Kharan West | 100 | PPL |
| 11 | Dhok Sultan | 75 | PPL |
| 12 | Kotri North | 90 | PPL |
| 13 | Kotri | 100 | PPL |
| 14 | Sirani | 75 | PPL |
| 15 | Dera Ismail Khan | 100 | PPL |
| 16 | Zindan | 35 | PPL |
| 17 | Naushahro Firoz | 90 | PPL |
| 18 | Zamzama South | 100 | PPL |
| 19 | Tal | 30 | MOL |
| 20 | Gambat | 30 | OMV |
| 21 | Nashpa | 30 | OGDCL |
| 22 | South West Miano-II | 33.30 | OMV |
| 23 | Latif | 33.30 | OMV |
| 24 | Block-22 (Hamza) | 45 | PEL |
| 25 | Kirthar | 30 | POGC |
| 26 | Baska | 49 | ZHENHUA |
| 27 | Sukhpur | 30 | ENI |
| 28 | Jherruck | 30 | NHEPL |
| 29 | Digri | 25 | UEPL |
| 30 | Ghauri | 35 | MGCL |
| | **Offshore** | | |
| 31 | Offshore Indus C | 40 | ENI |
| 32 | Offshore Indus N | 30 | ENI |
| | **International** | | |
| 33 | Block 29 (Yemen) | 43.75 | OMV |
| 34 | Block 8 (Iraq)* | 100 | PPL |

* Contract signing expected shortly

# List of Abbreviations

| Abbreviation | Description | Abbreviation | Description |
|---|---|---|---|
| AROL | Asia Resource Oil Limited | MGCL | Mari Gas Company Limited |
| BBL | Barrels | MMSCFD | Million Standard Cubic Feet Per Day |
| BCM | Business Continuity Management | MND | MND Exploration & Production Limited |
| BGP | BGP Inc. | MOL | MOL Pakistan Oil and Gas BV |
| BME | Bolan Mining Enterprises | NHEPL | New Horizon Exploration and Production Limited |
| BPD | Barrels per day | NBFI | Non Banking Financial Institution |
| CCG | Code of Corporate Governance | NGL | Natural Gas Liquids |
| CEO | Chief Executive Officer | OGDCL | Oil and Gas Development Company Limited |
| CPP | Central Processing Plant | OHSAS | Occupational Health and Safety Assessment System |
| CSR | Corporate Social Responsibility | OMV | OMV (Pakistan) Exploration GmbH |
| DOC | Declaration of Commerciality | PEII | Pyramid Energy International Incorporated |
| D&PL | Development and Production Lease | PEL | Petroleum Exploration (Pvt.) Limited |
| EL | Exploration License | PGNiG | PGNiG SA (Polish Oil and Gas Company) |
| Eni | Eni Pakistan Limited | PKP | Premier Kufpec Pakistan |
| EPCC | Engineering, Procurement, Construction and Commissioning | POGC | Polish Oil & Gas Company |
| EPF | Early Production Facility | POL | Pakistan Oilfields Limited |
| EPS | Earnings per Share | PPL | Pakistan Petroleum Limited |
| EWT | Extended Well Testing | PSTM | Pre-Stake Time Migration |
| E&P | Exploration and Production | R&D | Research & Development |
| FDP | Field Development Plan | ROI | Return on Investment |
| GENCO-II | Central Power Generation Company Limited | RTM | Reverse Time Migration |
| GHPL | Government Holdings (Pvt.) Limited | SAITA | Saita Pakistan Pte Ltd. |
| GoP | Government of Pakistan | SAP | System Application Products in Data Processing |
| G&G | Geological & Geophysical | SML | Sui Main Limestone |
| HAZOP | Hazard and Operability Analysis | SNGPL | Sui Northern Gas Pipelines Limited |
| HSE | Health, Safety and Environment | SSGCL | Sui Southern Gas Company Limited |
| HSFO | High Sulphur Fuel Oil | SUL | Sui Upper Limestone |
| IAS | International Accounting Standards | TD | Target Depth |
| ICAP | Institute of Chartered Accountants of Pakistan | Tcf | Trillion Cubic Feet |
| ICMAP | Institute of Cost & Management Accountants of Pakistan | TCF | The Citizens Foundation |
| IEE | Initial Environmental Examination | TVD | True Vertical Depth |
| IFRIC | International Financial Reporting Interpretations Committee | UEPL | United Energy Pakistan Limited |
| IFRS | International Financial Reporting Standards | WAPDA | Water and Power Development Authority |
| ISO | International Organization for Standardization | ZHENHUA | China ZhenHua Oil Co. Ltd. |
| IT | Information Technology | | |
| ITB | Invitation to Bid | | |
| JV | Joint Venture | | |
| KM | Kilometer | | |
| KUFPEC | Kuwait Foreign Petroleum Exploration Company | | |
| LOA | Letter of Award | | |
| LPG | Liquefied Petroleum Gas | | |
| LLI | Long Lead Items | | |
| M | Meter | | |

# Shareholders and Investors Information

## Annual General Meeting

The annual shareholders' meeting will be held at 10:00 am on Friday, 28 September, 2012 at the Pearl Continental Hotel, Karachi. Shareholders as of 19 September, 2012 are encouraged to participate.

## Shareholders' Enquiries

Enquiries about the shareholding, dividends or share certificates should be directed either to the Company's registered office or share registrars at the following address:

Ms FAMCO Associates (Pvt) Ltd
1st Floor State Life Building No. 1-A
I.I. Chundrigar Road
Karachi 74000

Telephone: (021) 32420755, 32427012, 32426597 and 32475606
Fax: (021) 32426752

## Quarterly Reports

The Company publishes interim reports for the 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

## Financial Calendar / Notices / Announcements and Other Information

Financial Calendar, Notices / Announcements and other investor related information is given in the 'Investor Centre' section of PPL website www.ppl.com.pk

## 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, 2012

| From | | To | Number of Shareholders | Total Shares held |
|---|---|---|---|---|
| 1 | - | 100 | 1,938 | 98,031 |
| 101 | - | 500 | 2,047 | 573,071 |
| 501 | - | 1,000 | 11,533 | 10,766,038 |
| 1,001 | - | 5,000 | 2,384 | 5,488,195 |
| 5,001 | - | 10,000 | 462 | 3,400,300 |
| 10,001 | - | 15,000 | 135 | 1,664,495 |
| 15,001 | - | 20,000 | 92 | 1,619,260 |
| 20,001 | - | 25,000 | 65 | 1,466,426 |
| 25,001 | - | 30,000 | 38 | 1,053,040 |
| 30,001 | - | 35,000 | 30 | 972,151 |
| 35,001 | - | 40,000 | 27 | 1,029,829 |
| 40,001 | - | 45,000 | 20 | 860,401 |
| 45,001 | - | 50,000 | 15 | 722,016 |
| 50,001 | - | 55,000 | 19 | 1,002,755 |
| 55,001 | - | 60,000 | 15 | 857,163 |
| 60,001 | - | 65,000 | 13 | 817,580 |
| 65,001 | - | 70,000 | 11 | 747,541 |
| 70,001 | - | 75,000 | 9 | 646,417 |
| 75,001 | - | 80,000 | 10 | 775,085 |
| 80,001 | - | 85,000 | 5 | 416,399 |
| 85,001 | - | 90,000 | 6 | 525,456 |
| 90,001 | - | 95,000 | 5 | 458,428 |
| 95,001 | - | 100,000 | 10 | 981,051 |
| 100,001 | - | 105,000 | 5 | 504,442 |
| 105,001 | - | 110,000 | 4 | 436,260 |
| 110,001 | - | 115,000 | 6 | 679,560 |
| 115,001 | - | 120,000 | 3 | 356,301 |
| 120,001 | - | 125,000 | 1 | 123,913 |
| 125,001 | - | 130,000 | 5 | 639,549 |
| 130,001 | - | 135,000 | 7 | 921,939 |
| 135,001 | - | 140,000 | 5 | 683,060 |
| 140,001 | - | 145,000 | 2 | 285,978 |
| 145,001 | - | 150,000 | 5 | 736,218 |
| 150,001 | - | 155,000 | 3 | 455,134 |
| 155,001 | - | 160,000 | 2 | 319,911 |
| 160,001 | - | 165,000 | 2 | 325,063 |
| 165,001 | - | 170,000 | 1 | 166,236 |
| 170,001 | - | 175,000 | 1 | 170,280 |
| 175,001 | - | 180,000 | 3 | 533,395 |
| 180,001 | - | 185,000 | 2 | 365,180 |
| 185,001 | - | 190,000 | 4 | 747,183 |
| 195,001 | - | 200,000 | 2 | 396,900 |
| 200,001 | - | 205,000 | 4 | 809,021 |
| 205,001 | - | 210,000 | 1 | 210,000 |
| 210,001 | - | 215,000 | 2 | 429,206 |
| 215,001 | - | 220,000 | 3 | 654,851 |
| 220,001 | - | 225,000 | 1 | 222,164 |
| 235,001 | - | 240,000 | 3 | 711,583 |
| 240,001 | - | 245,000 | 5 | 1,211,201 |
| 245,001 | - | 250,000 | 1 | 249,321 |

# Pattern of Shareholding

As at June 30, 2012

| From | | To | Number of Shareholders | Total Shares held |
|---|---|---|---|---|
| 250,001 | - | 255,000 | 2 | 503,589 |
| 260,001 | - | 265,000 | 2 | 525,697 |
| 265,001 | - | 270,000 | 2 | 533,869 |
| 270,001 | - | 275,000 | 3 | 823,637 |
| 275,001 | - | 280,000 | 2 | 550,534 |
| 280,001 | - | 285,000 | 1 | 282,386 |
| 285,001 | - | 290,000 | 1 | 290,000 |
| 310,001 | - | 315,000 | 1 | 313,000 |
| 315,001 | - | 320,000 | 1 | 318,560 |
| 320,001 | - | 325,000 | 1 | 321,865 |
| 325,001 | - | 330,000 | 1 | 325,849 |
| 330,001 | - | 335,000 | 2 | 663,222 |
| 340,001 | - | 345,000 | 1 | 343,000 |
| 370,001 | - | 375,000 | 1 | 374,616 |
| 375,001 | - | 380,000 | 3 | 1,135,465 |
| 390,001 | - | 395,000 | 2 | 784,392 |
| 395,001 | - | 400,000 | 1 | 397,560 |
| 400,001 | - | 405,000 | 1 | 405,000 |
| 425,001 | - | 430,000 | 1 | 427,530 |
| 435,001 | - | 440,000 | 1 | 435,600 |
| 445,001 | - | 450,000 | 2 | 897,500 |
| 460,001 | - | 465,000 | 1 | 463,363 |
| 465,001 | - | 470,000 | 1 | 467,000 |
| 470,001 | - | 475,000 | 2 | 942,893 |
| 480,001 | - | 485,000 | 2 | 966,406 |
| 485,001 | - | 490,000 | 1 | 486,141 |
| 500,001 | - | 505,000 | 2 | 1,006,038 |
| 510,001 | - | 515,000 | 1 | 515,000 |
| 515,001 | - | 520,000 | 1 | 517,404 |
| 520,001 | - | 525,000 | 1 | 523,209 |
| 530,001 | - | 535,000 | 2 | 1,068,524 |
| 540,001 | - | 545,000 | 1 | 544,608 |
| 550,001 | - | 555,000 | 1 | 555,000 |
| 565,001 | - | 570,000 | 2 | 1,133,898 |
| 575,001 | - | 580,000 | 1 | 575,632 |
| 590,001 | - | 595,000 | 1 | 593,374 |
| 595,001 | - | 600,000 | 2 | 1,197,727 |
| 620,001 | - | 625,000 | 1 | 622,848 |
| 625,001 | - | 630,000 | 2 | 1,256,362 |
| 635,001 | - | 640,000 | 1 | 640,000 |
| 640,001 | - | 645,000 | 1 | 643,874 |
| 650,001 | - | 655,000 | 1 | 653,070 |
| 660,001 | - | 665,000 | 1 | 660,852 |
| 670,001 | - | 675,000 | 1 | 673,224 |
| 695,001 | - | 700,000 | 1 | 697,716 |
| 730,001 | - | 735,000 | 1 | 732,342 |
| 770,001 | - | 775,000 | 1 | 771,188 |
| 815,001 | - | 820,000 | 1 | 817,769 |
| 900,001 | - | 905,000 | 1 | 904,079 |
| 950,001 | - | 955,000 | 1 | 954,364 |

# Pattern of Shareholding

As at June 30, 2012

| From | | To | Number of Shareholders | Total Shares held |
|---|---|---|---|---|
| 955,001 | - | 960,000 | 1 | 955,111 |
| 995,001 | - | 1,000,000 | 2 | 1,995,369 |
| 1,020,001 | - | 1,025,000 | 1 | 1,024,136 |
| 1,035,001 | - | 1,040,000 | 2 | 2,075,496 |
| 1,055,001 | - | 1,060,000 | 1 | 1,055,802 |
| 1,060,001 | - | 1,065,000 | 1 | 1,064,978 |
| 1,065,001 | - | 1,070,000 | 1 | 1,067,805 |
| 1,150,001 | - | 1,155,000 | 2 | 2,304,148 |
| 1,155,001 | - | 1,160,000 | 1 | 1,155,044 |
| 1,205,001 | - | 1,210,000 | 2 | 2,418,004 |
| 1,515,001 | - | 1,520,000 | 1 | 1,518,104 |
| 1,540,001 | - | 1,545,000 | 1 | 1,541,100 |
| 1,550,001 | - | 1,555,000 | 1 | 1,554,761 |
| 1,575,001 | - | 1,580,000 | 1 | 1,575,564 |
| 1,650,001 | - | 1,655,000 | 1 | 1,652,875 |
| 1,900,001 | - | 1,905,000 | 1 | 1,900,802 |
| 2,020,001 | - | 2,025,000 | 1 | 2,024,098 |
| 2,105,001 | - | 2,110,000 | 1 | 2,109,501 |
| 2,220,001 | - | 2,225,000 | 1 | 2,221,091 |
| 2,300,001 | - | 2,305,000 | 1 | 2,302,492 |
| 2,495,001 | - | 2,500,000 | 2 | 4,997,528 |
| 2,550,001 | - | 2,555,000 | 1 | 2,551,500 |
| 2,725,001 | - | 2,730,000 | 1 | 2,728,530 |
| 2,840,001 | - | 2,845,000 | 1 | 2,841,932 |
| 2,925,001 | - | 2,930,000 | 1 | 2,927,699 |
| 2,980,001 | - | 2,985,000 | 1 | 2,981,507 |
| 3,035,001 | - | 3,040,000 | 1 | 3,035,947 |
| 3,040,001 | - | 3,045,000 | 1 | 3,042,868 |
| 3,185,001 | - | 3,190,000 | 1 | 3,186,612 |
| 3,225,001 | - | 3,230,000 | 1 | 3,227,216 |
| 3,935,001 | - | 3,940,000 | 1 | 3,939,294 |
| 4,020,001 | - | 4,025,000 | 1 | 4,024,404 |
| 4,060,001 | - | 4,065,000 | 1 | 4,064,342 |
| 4,550,001 | - | 4,555,000 | 1 | 4,551,395 |
| 5,415,001 | - | 5,420,000 | 1 | 5,418,304 |
| 19,405,001 | - | 19,410,000 | 1 | 19,408,001 |
| 21,380,001 | - | 21,385,000 | 1 | 21,381,620 |
| 22,110,001 | - | 22,115,000 | 1 | 22,110,515 |
| 51,295,001 | - | 51,300,000 | 1 | 51,296,768 |
| 96,705,001 | - | 96,710,000 | 1 | 96,707,555 |
| 934,015,001 | - | 934,020,000 | 1 | 934,015,506 |
| | | TOTAL | 19,086 | 1,314,477,077 |

# Pattern of Shareholding
As at June 30, 2012

| Categories of Shareholders | No. of Shareholders | No. of Shares Held | Percentage |
|---|---|---|---|
| **Ordinary shares** | | | |
| Directors, CEO and their spouse and minor children | 3 | 101,037 | 0.01 |
| Associated companies, undertakings and related parties | | | |
| PPL Employees Empowerment Trust | 1 | 96,707,555 | 7.36 |
| PPL Employees Retirement Benefits Funds | 6 | 69,203 | 0.01 |
| NIT and ICP | 2 | 3,401,754 | 0.26 |
| Banks, Development Financial Institutions, Non-Banking Financial Institutions | 24 | 11,234,935 | 0.85 |
| Insurance Companies | 20 | 6,140,711 | 0.47 |
| Modarabas and Mutual Funds | 77 | 42,306,296 | 3.22 |
| Shareholders holding 10% or more | | | |
| Government of Pakistan | 1 | 934,015,506 | 71.05 |
| General Public | | | |
| Local | 18,339 | 39,540,926 | 3.01 |
| Foreign | 223 | 202,748 | 0.01 |
| Others | | | |
| Non-Resident Financial Institutions | 100 | 126,177,789 | 9.60 |
| Public Sector Companies and Corporations | 13 | 43,797,728 | 3.33 |
| Joint Stock Companies | 163 | 5,621,085 | 0.43 |
| Employee Trust / Foundations etc. | 109 | 5,151,644 | 0.39 |
| Administrator of Abandoned Properties | 1 | 7,684 | * |
| Nazir of High Court | 4 | 476 | * |
| | 19,086 | 1,314,477,077 | 100.00 |
| **Convertible Preference Shares** | | | |
| Individuals | 75 | 13,430 | 97.04 |
| Joint Stock Companies | 1 | 370 | 2.67 |
| Nazir of High Court | 1 | 40 | 0.29 |
| | 77 | 13,840 | 100.00 |

* Negligible

# Pattern of Shareholding

As at June 30, 2012

## Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance is as follows:

| Shareholders' Category | No. of Shareholders | No. of Shares Held |
|---|---|---|
| Associated Companies, undertakings and related parties (including PPL Employees Empowerment Trust) | 7 | 96,776,758 |
| Mutual Funds (namewise details are given on next page) | 70 | 42,093,738 |
| Directors and their spouses and minor children | | |
| Mr. Asim Murtaza Khan | 1 | 55,998 |
| Mr. Saeed Akhtar | 1 | 44,488 |
| Mr. Javed Akbar | 1 | 551 |
| Executives | 139 | 167,478 |
| Public Sector Companies & Corporations | 13 | 43,797,728 |
| Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas & Pension Funds | 67 | 18,270,524 |
| Shareholders holding five percent or more voting rights | | |
| President of the Islamic Republic of Pakistan | 1 | 934,015,506 |
| PPL Employees Empowerment Trust | 1 | 96,707,555 |
| Trade in shares of the Company by Directors, executives and their spouses and minor children | | Nil |

# Pattern of Shareholding

## Namewise Details of Mutual Funds as at June 30, 2012

| S.No | Name | Shareholding |
|---|---|---|
| 1 | Prudential Stock Fund Ltd. | 34 |
| 2 | CDC - Trustee Pakistan Stock Market Fund | 482,839 |
| 3 | JS Value Fund Limited | 544,608 |
| 4 | CDC - Trustee Pakistan Capital Market Fund | 162,720 |
| 5 | CDC - Trustee PICIC Investment Fund | 1,067,805 |
| 6 | CDC - Trustee JS Large Cap. Fund | 515,000 |
| 7 | CDC - Trustee PICIC Growth Fund | 2,024,098 |
| 8 | CDC - Trustee Pak Strategic Alloc. Fund | 152,219 |
| 9 | CDC - Trustee Atlas Stock Market Fund | 377,500 |
| 10 | CDC - Trustee Meezan Balanced Fund | 391,416 |
| 11 | CDC - Trustee First Dawood Mutual Fund | 10,000 |
| 12 | CDC - Trustee JS Islamic Fund | 135,000 |
| 13 | CDC - Trustee Alfalah GHP Value Fund | 126,150 |
| 14 | CDC - Trustee Unit Trust Of Pakistan | 653,070 |
| 15 | Asian Stock Fund Limited | 332,122 |
| 16 | CDC - Trustee AKD Index Tracker Fund | 76,314 |
| 17 | CDC - Trustee PICIC Energy Fund | 643,874 |
| 18 | Safeway Mutual Fund Limited | 343,000 |
| 19 | CDC-Trustee Pak. Int. Element Islamic Asset Allocation Fund | 147,700 |
| 20 | MC FSL - Trustee JS KSE-30 Index Fund | 23,087 |
| 21 | CDC - Trustee AL Meezan Mutual Fund | 817,769 |
| 22 | CDC - Trustee Meezan Islamic Fund | 2,551,500 |
| 23 | CDC - Trustee United Stock Advantage Fund | 501,038 |
| 24 | CDC - Trustee Atlas Islamic Stock Fund | 405,000 |
| 25 | CDC - Trustee United Composite Islamic Fund | 160,000 |
| 26 | CDC - Trustee NAFA Stock Fund | 463,363 |
| 27 | CDC - Trustee NAFA Multi Asset Fund | 175,449 |
| 28 | CDC - Trustee MCB Dynamic Stock Fund | 378,265 |
| 29 | CDC - Trustee KASB Stock Market Fund | 56,687 |
| 30 | CDC - Trustee Askari Asset Allocation Fund | 83,614 |
| 31 | CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Sub Fund | 108,240 |
| 32 | CDC - Trustee APF-Equity Sub Fund | 15,500 |
| 33 | CDC - Trustee JS Pension Savings Fund - Equity Account | 8,700 |
| 34 | CDC - Trustee Alfalah GHP Islamic Fund | 139,000 |
| 35 | CDC - Trustee HBL - Stock Fund | 954,364 |
| 36 | CDC - Trustee NAFA Islamic Multi Asset Fund | 66,657 |
| 37 | CDC - Trustee APIF - Equity Sub Fund | 35,000 |
| 38 | MC FSL - Trustee JS Growth Fund | 1,541,100 |
| 39 | CDC - Trustee HBL Multi - Asset Fund | 145,092 |
| 40 | CDC - Trustee KASB Asset Allocation Fund | 89,146 |
| 41 | CDC - Trustee MCB Dynamic Allocation Fund | 19,620 |
| 42 | First Capital Mutual Fund Limited | 15,084 |
| 43 | CDC - Trustee JS Islamic Pension Savings Fund-Equity Account | 21,000 |
| 44 | CDC - Trustee IGI Stock Fund | 136,380 |
| 45 | CDC - Trustee Alfalah GHP Alpha Fund | 39,900 |
| 46 | CDC - Trustee NIT State Enterprise Fund | 21,381,620 |
| 47 | CDC - Trustee NIT-Equity Market Opportunity Fund | 2,302,492 |
| 48 | CDC - Trustee ABL Stock Fund | 129,835 |
| 49 | MC FSL-Trustee Askari Islamic Asset Allocation Fund | 57,418 |
| 50 | CDC - Trustee First Habib Stock Fund | 33,201 |
| 51 | CDC - Trustee Lakson Equity Fund | 61,000 |
| 52 | CDC - Trustee Crosby Dragon Fund | 64,485 |
| 53 | Mcbfsl-Trustee URSF-Equity Sub Fund | 10,000 |
| 54 | Mcbfsl-Trustee UIRSF-Equity Sub Fund | 20,000 |
| 55 | Mcbfsl-Trustee AH Dow Jones Safe Pak Titans 15 Index Fund | 43,545 |
| 56 | CDC-Trustee NAFA Asset Allocation Fund | 57,798 |
| 57 | CDC-Trustee Pakistan Premier Fund | 242,217 |
| 58 | CDC-Trustee NAFA Savings Plus Fund - MT | 8,602 |
| 59 | CDC - Trustee AKD Aggressive Income Fund - MT | 8,429 |
| 60 | CDC-Trustee HBL Islamic Stock Fund | 145,926 |
| 61 | Trustee - Pakistan Pension Fund - Equity Sub Fund | 17,849 |
| 62 | Trustee - Pakistan Islamic Pension Fund - Equity Sub Fund | 25,089 |
| 63 | CDC-Trustee Meezan Capital Protected Fund-II | 27,200 |
| 64 | CDC - Trustee PICIC Stock Fund | 43,500 |
| 65 | CDC - Trustee HBL IPF Equity Sub Fund | 19,500 |
| 66 | CDC - Trustee HBL PF Equity Sub Fund | 10,000 |
| 67 | CDC - Trustee Askari Equity Fund | 46,500 |
| 68 | MCBFSL - Trustee NAMCO Balanced Fund - MT | 1,719 |
| 69 | MCBFSL - Trustee ABL AMC Capital Protected Fund | 13,000 |
| 70 | CDC - Trustee KSE Meezan Index Fund | 186,789 |
| | | 42,093,738 |

# Notice of Annual General Meeting

NOTICE is hereby given that the 61st Annual General Meeting of the Company will be held at the Pearl Continental Hotel, Karachi on Friday 28 September, 2012 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, 2012.

2. To approve, as recommended by the Directors, payment of final dividend of sixty five percent (65%) on the paid-up Ordinary Share Capital for the financial year ended 30 June, 2012. This is in addition to an interim dividend of fifty percent (50%) on the paid-up Ordinary Share Capital and thirty percent (30%) on the paid-up Convertible Preference Share Capital already paid to the shareholders during the year.

3. To appoint auditors for the year ending 30 June, 2013 and fix their remuneration.

## Special Business

4. To approve, as recommended by the Directors, issue of bonus shares in proportion of one (1) Ordinary share for every four (4) Ordinary shares held by the Members (i.e. 25%).

A Statement under Section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the shareholders along with this Notice.

By Order of the Board

M. MUBBASSHAR SIDDIQUI
Company Secretary

Registered Office:
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi

6 September, 2012

## Notes:

1. The Share Transfer Books of the Company will remain closed from 20 September, 2012 to 28 September, 2012 (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 19 September, 2012 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 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. 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 CNIC or the passport 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.

4. Shareholders are requested to notify any change in their address immediately to our Shares Registrars M/s FAMCO Associates (Pvt) Ltd.

5. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 779 (I) 2011 dated 18 August, 2011 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

   Accordingly, Members who have not yet submitted copy of their valid CNIC / NTN (in case of corporate entities) are requested to submit the same to the Company, with Members' folio no. mentioned thereon, for updating record.

6. Copies of the minutes of the Annual General Meeting held on 30 September, 2011 will be available to the Members on request free of charge.

## STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the 61st Annual General Meeting of the Company to be held on 28 September, 2012.

### 1. Issue of Bonus Shares to Members

The Directors in their meeting held on 11 August, 2012 have recommended issue of bonus shares in proportion of one (1) Ordinary share for every four (4) Ordinary shares held by the Members (i.e. 25%).

The following Resolution is proposed to be passed as Ordinary Resolution:

RESOLVED THAT:

(i) A sum of Rs 3,286,192,690 be capitalized out of the free reserves of the Company and applied towards issue of 328,619,269 ordinary shares of Rs 10 each as bonus shares in the proportion of one (1) ordinary share for every four (4) ordinary shares held by the Members whose names appear on the Member Register at the close of the business on 19 September, 2012.

(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, 2012.

(iii) Members entitled to fraction shares as a result of their holding either being less than four (4) Ordinary shares or in excess of an exact multiple of four (4) Ordinary shares shall be given the sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.

(iv) The Managing Director and Company Secretary be and are hereby jointly and/or severally authorized to give effect to this resolution and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, distribution of the said bonus shares or payment of the sale proceeds of the fractions.

The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

# Form of Proxy

The 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 61st Annual General Meeting of the Company to be held on 28 September, 2012 and at any adjournment thereof.

Signed this ________ day of September, 2012

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, Pakistan.
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Fax: 021-35680005, 021-35682125
Email: info@ppl.com.pk
Website: www.ppl.com.pk