



Pakistan Petroleum Limited



A n n u a l R e p o r t 2 0 1 4

At PPL, Exploration and Production is not a nomenclature defining only the nature of business but also the sum of our corporate legacy, values and culture.

Exploration





Production

As a pioneer in the natural gas industry and a key public limited company with one of the most widespread, aggressive business portfolios and operations within the country, the PPL brand is unanimously recognized for delivering on ambitious targets and shareholder value without compromising on the highest standards of good governance and best practices.

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Vision

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

Mission

To sustain long term growth by pursuing an aggressive hydrocarbons exploration and production optimization program in the most efficient manner through a team of professionals deploying latest technology, maintaining the highest standards of quality, health, safety & environment (QHSE) protection and addressing community development needs.



Core Values

- Promote Leadership, Empowerment and Accountability.
- Pursue Highest Standards of Integrity.
- Value people as the most important resource.
- Promote innovation and value creation.
- Ensure excellence in all spheres of performance.
- Advocate Teamwork aligned with business objectives.
- Conserve Environment by minimising carbon footprint.



Corporate Strategy

- Growth is the prime focus of PPL's strategy. With a premium share of total domestic production, PPL is better placed to strengthen its leading position as a provider of clean and safe oil and gas resources to meet the rising domestic demand. The Company will continue to focus on its core E&P business and expand into other value-adding related business segments.
- The Company's ambitious exploration program will increasingly focus on offshore exploration, exploitation of unconventional reservoirs, and reserves acquisition strategy will provide necessary thrust for the replenishment of reserves. Production optimisation from existing fields and production from new discoveries will be pursued to maintain the growth momentum.
- Coal bed methane (CBM) programme will be started in PPL held acreages.
- Company's dedicated teams will continue to evaluate various significant projects in the energy sector with a view to further expand and diversify the business portfolio and add value through available strategic partnerships at Government and Business levels.
- Safety and reliability factors will remain the key components of Company's operational excellence. Utmost importance will be given to training of employees and contractors for enhancing safety awareness and active incorporation of industry best practices in the overall operating setup.
- The Company shall continue to promote social development of the communities where it operates and shall extend interventions from its operational areas to financial and in-kind support for the welfare and development organisations spread across the country.
- The Company will care deeply about the environment and will continue to exercise due care in environmental protection.
- The Company will make efforts for optimum leveraging of the available financial resources and project management skills so that large projects in oil & gas business for growth and value chain integration can be undertaken as required.
- The Company places great emphasis on investing in people to build organisational capability, as timely availability of qualified and trained manpower is vital for undertaking complex and diverse operations of the Company.
- The Company is committed to improve base business returns, selectively grow with a focus on integrated value creation, and seek innovative solutions, while ensuring quality as an integral part of its operations. This will also play an important role to become preferred partners for multinational companies and other resource holders, now and in the future.

Calendar of Major Events

July 2013	Second exploration well Shahdad X-1, drilled in PPL Operated Gambat South Block, was declared as Gas/ Condensate discovery.
August 2013	Meeting of the PPL Board of Directors was held to approve the financial accounts for the year ended 30 June, 2013 and to recommend 55% final cash dividend and 20% bonus shares to the shareholders.
September 2013	62 nd Annual General Meeting of the shareholders of the Company was held to approve financial accounts for the year ended 30 June, 2013 and 55% final cash dividend and 20% bonus shares. Drilling of development well Adhi-19 in the Tobra and Khewra formations was completed.
October 2013	Meeting of the PPL Board of Directors was held to approve the quarterly accounts for the period ended 30 September, 2013. First gas delivery into the 47 kms pipeline of Latif-Sawan Development Project was inaugurated.
January 2014	Meeting of the PPL Board of Directors was held to approve the half yearly accounts for the period ended 31 December, 2013 and to approve 50% interim cash dividend to the shareholders. PPL signed a MoU for industry-academia collaboration with Norwegian University of Science and Technology and NED University of Engineering and Technology.
February 2014	PPL signed eight Exploration Licenses and Petroleum Concession Agreements with the Government of Pakistan for blocks won in the bidding round held in March 2013.
March 2014	PPL signed three Exploration Licenses and Petroleum Concession Agreements with the Government of Pakistan for blocks won in the bidding round held in March 2013. First exploration well Naushahro Firoz X-1, drilled in PPL operated Naushahro Firoz Block, was declared as Tight Gas discovery.
April 2014	Meeting of the PPL Board of Directors was held to approve the quarterly accounts for the period ended 31 March, 2014.
June 2014	The Government of Pakistan successfully sold its 5% shareholding in PPL through Privatisation Commission in Secondary Public Offering. First exploration well Ghauri X-1, drilled in partner operated Ghauri Block, was declared as oil producer from Sakesar Formation.

Company Information

Board of Directors *

Mr. Waqar A. Malik
Chairman (Independent, Non-Executive Director)

Mr. Arshad Mirza
(Chief Executive Officer / Managing Director)

Mr. Aftab Nabi
(Independent, Non-Executive Director)

Mr. Asif Baigmohamed
(Independent, Non-Executive Director)

Mr. Imtiaz Hussain Zaidi
(Independent, Non-Executive Director)

Mr. Muhammad Ashraf Iqbal Baluch
(Independent, Non-Executive Director)

Mr. Nadeem Mumtaz Qureshi
(Independent, Non-Executive Director)

Mr. Osman Khalid Waheed
(Independent, Non-Executive Director)

Mr. Saeedullah Shah
(Non-Executive Director)

Mr. Shahbaz Yasin Malik
(Independent, Non-Executive Director)

Company Secretary

Mr. Saqib Ahmed

Auditors

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

Registered Office

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

Registration Number

CUIN: 0000378

Contact Details

UAN: +92 (21) 111 568 568

Fax: +92 (021) 35680005 & 35682125

Email: info@ppl.com.pk

Web Site: www.ppl.com.pk

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Al-Falah Limited

Bank Al Habib Limited

Barclays Bank Plc.

Citibank N.A.

Deutsche Bank A.G.

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

National Bank of Pakistan

NIB Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

Shares Registrar

FAMCO Associates (Pvt.) Ltd.

8-F, Next to Hotel Faran, Nursery Block-6,

P.E.C.H.S. Shahra-e-Faisal, Karachi.

Tel: +92 (21) 34380101-05

Fax: +92 (21) 34380106

Legal Advisors

Surrige & Beecheno

* New Board of Directors were elected on 16 September 2014. The names of Directors, holding office during the year ended 30 June 2014, are given on page 26 of this report.



Code of Conduct

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

Salient Features of the Code for the Directors

1. Conflict of Interest

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

2. Corporate Opportunities

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

3. Confidentiality

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

4. Honesty, Integrity and Fair Dealing

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

5. Compliance with Laws, Rules and Regulations

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

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

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

7. Trading in Company Shares

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

8. Compliance Procedures

Directors should disclose any suspected violations of this Code promptly in the 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 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 organisation or to any individual who either holds public office or is a candidate for public office except where such a contribution is permitted by law.

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 (HSE) Policy

Every employee / trainee at work must take reasonable care for the health and safety of himself/herself and others including visitors who may be affected by his/

her acts or omissions at work; and cooperate in Company's efforts to protect the environment.

9. Smoking Policy

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

10. Seat Belt Policy

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

11. Other Employment, Outside Interests, Civic Activities

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

12. Unsolicited Gifts

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

13. Family Connections and Employment of Relatives

Any dealings between staff and outside organisations 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 organised gambling or betting on the Company's premises is forbidden.

17. Rumour Mongering & Gossiping

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

18. Harassment

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

19. Grievance Handling

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

20. Whistle Blowing

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

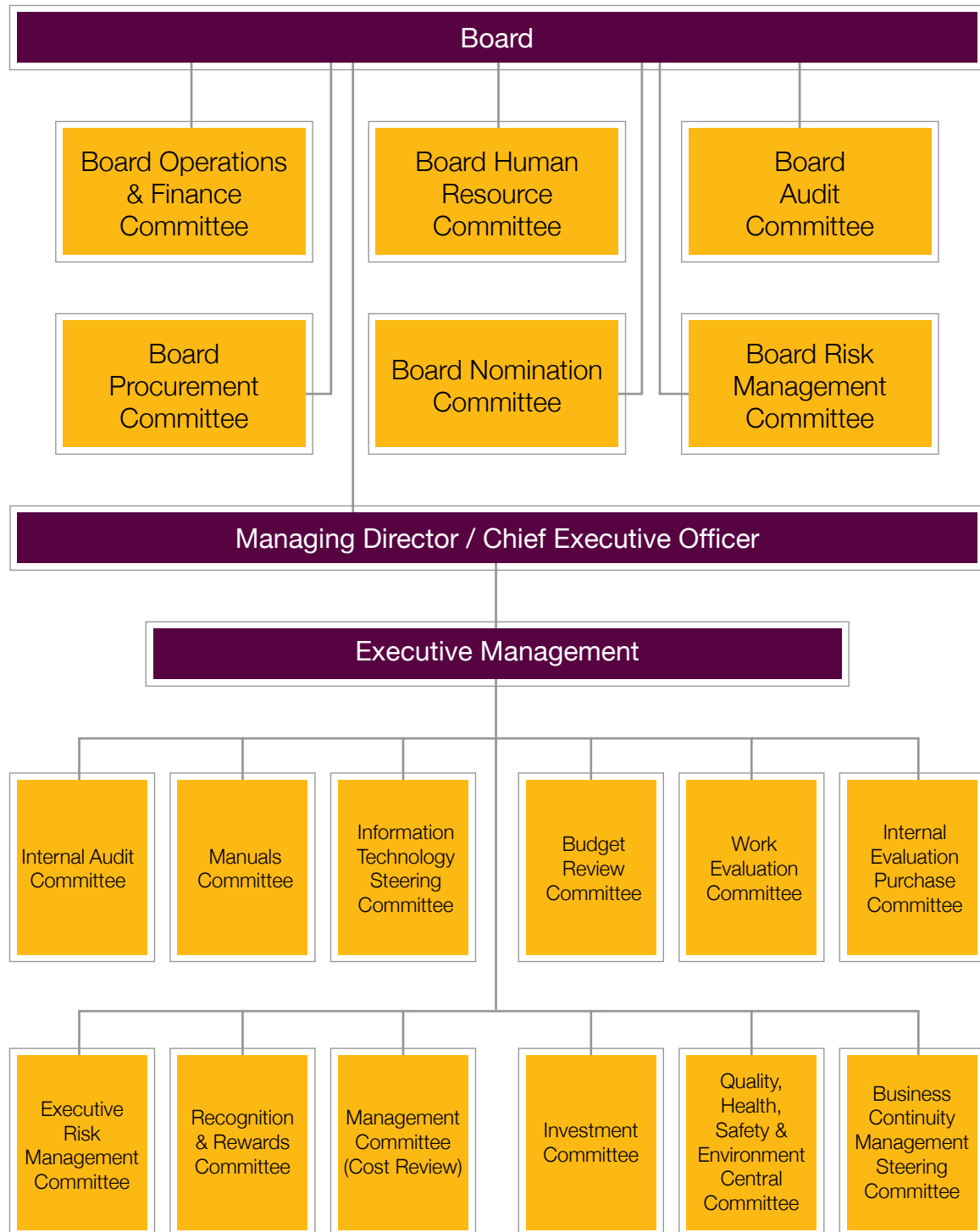
21. General Discipline

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

22. Reporting Violations / Disciplinary Actions

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

Governance Framework



Working in a shape-shifting, competitive and risk-prone business environment with higher and higher stakes coupled with ever-increasing energy demand, we are continually on the lookout to further enhance **efficiency** of our operations by accessing cutting-edge technology, streamlining management structure and procedures and capacity building of staff to meet emergent business needs.

Efficiency





Productivity

On the operational front, this entails adopting latest exploration and information technology for reservoir evaluation, seismic and drilling operations for increased **productivity** from mature fields and fast-track development of new blocks on the one hand and tapping frontier basins and offshore and unconventional reservoirs to offset depleting reserves of hydrocarbons on the other. PPL is the first oil and gas company in the country, for instance, to use under balanced drilling, reverse time migration processing and stress field detection survey.



Mr. Waqar A. Malik

Mr. Asif Baigomohamed

Mr. Arshad Mirza

Mr. Imtiaz Hussain Zaidi

Mr. Aftab Nabi

Profile of the Board of Directors

Mr. Waqar A. Malik

Chairman (Independent, Non-Executive Director)

Mr. Waqar Malik joined the Board of Pakistan Petroleum Limited on 16 September 2014, and is also the Chairman of the Board since then. He is a member of the Company's Board Operations and Finance Committee and Human Resource Committee.

Mr. Malik is a fellow of The Institute of Chartered Accountants in England and Wales and is also an Alumnus of the Harvard Business School and INSEAD.

Mr. Malik's corporate and business experience spans over 30 years across three continents. A specialist in Strategy, Corporate / Business leadership and Board Governance, his professional experience includes managing and leading businesses in the petrochemicals, consumer and the life sciences industry. Outside his career, he has actively contributed to the development of Pakistan both in Public and the Private sector.

He had an illustrious career spanning over 27 years with Fortune 500 companies. His career with the ICI Plc group based in the UK and then Akzo Nobel in the Netherlands provided opportunity to work in Europe and the Americas. In Pakistan he was the Country Head of ICI Plc's operations in Pakistan, the largest foreign investment in the chemical sector at the time. For over 10 years he served as the Chief Executive Officer of ICI Pakistan Limited and also the CEO and Chairman of Lotte Pakistan Limited (formerly Pakistan PTA

Limited). Mr. Malik moved on from ICI Pakistan Limited in December 2012, post divestment of majority shareholding of the foreign sponsor in ICI Pakistan Limited to a local group. He has vast experience in managing functional teams as well as leading large and complex manufacturing based operations and M&A activities in the emerging markets.

His other engagements have been / are as member of the Board of State Bank of Pakistan, Chairman Sui Southern Gas Company Limited, Member Board of OGDCL, Karachi Port Trust, IGI Insurance Limited, Engro Polymer & Chemicals Limited and Chairman Noesis (Pvt) Ltd.

Mr. Malik has also been the past President of Overseas Investors Chamber of Commerce and Industry, Management Association of Pakistan, Director Pakistan Business Council, Trustee Board of Lahore University of Management Sciences, The Duke of Edinburgh Trust and the Indus Valley School of Art.

Mr. Malik is active in philanthropic activities; he is a trustee of I-care Pakistan. He was awarded the Prince of Wales medal for his contribution as a Trustee of the Prince of Wales Pakistan Recovery Fund, (subsidiary of the British Asian trust).

Mr. Arshad Mirza

Managing Director and Chief Executive Officer

Mr. Arshad Mirza was appointed as Managing Director (MD) and Chief Executive Officer (CEO) by the Board with effect from 8 July, 2014 until the appointment of a regular incumbent, in



Mr. Muhammad Ashraf Iqbal Baluch

Mr. Saeedullah Shah

Mr. Nadeem Mumtaz Qureshi

Mr. Shahbaz Yasin Malik

Mr. Osman Khalid Waheed

accordance with the Government notification dated 7 July, 2014.

Mr. Arshad Mirza joined PPL Board in December, 2013 and was re-elected as Director on 16 September, 2014. He is a member of the Company's Board Operations and Finance, Human Resource, Risk Management and Procurement Committees.

Mr. Mirza joined civil service in the District Management Group in 1983, after completing a Masters in Public Administration from Quaid-e-Azam University, Islamabad. He later enrolled in National Defence University for higher training and obtained another masters degree in Defence and Strategic Studies. He also attended advance study courses at Harvard University, University of Manchester and University of Connecticut.

Having served as Assistant Commissioner, Chakwal and Murree, Additional Deputy Commissioner, Jhelum, Gujranwala and Rawalpindi and Deputy Commissioner Jhelum besides Director, Local Government, Administrator Municipal Corporation and Project Director, Barani Area Development, Rawalpindi, Mr. Mirza has vast experience in public administration and policy.

Additionally, he has also served in various capacities with the Government of Khyber-Pakhtunkhwa, including Secretary in the Works and Services and Health departments as well as Additional Secretary, Finance and Planning and Development departments. Mr. Mirza was

then transferred to the Federal Government as Joint Secretary, Ministry of Finance and Revenue (PMSP Wing) in May 2005, followed by postings in the Prime Minister's Secretariat, Earthquake Reconstruction and Rehabilitation Authority (ERRA) and Environment Division and also worked as Additional Secretary in the Finance and Water and Power divisions.

Mr. Mirza also served as Managing Director of Government Holdings Private Limited and Hydrocarbon Development Institute of Pakistan.

He joined the Ministry of Petroleum and Natural Resources on July 22, 2013 as Additional Secretary, the post he currently holds, along with that of Director, Sui Southern Gas Company Limited.

Mr. Aftab Nabi

Independent, Non-Executive Director

Mr. Aftab Nabi joined PPL Board on 16 September 2014. He is a member of the Company's Board Audit, Nomination, Risk Management and Procurement Committees.

Mr. Aftab Nabi is the CEO of Aftab Nabi & Associates a specialist law firm and also acts as consultant to Al Hoqani Securities and Investment Corporation. Previously he has held the position of CEO in GMS Limited.

Mr. Nabi had an illustrious 37 year career in the Police service, where he held various senior positions, including twice being appointed as Inspector General of Sindh Police. Subsequently,

he was also appointed Director General National Forensic Science Agency and Director General National Police Bureau. He was awarded the Presidents Police Medal for Gallantry and Quaid-e-Azam Police Medal for Gallantry.

During his career Mr. Nabi attended several course and seminars on the subjects of criminal justice system, policing, law & order and drug abuse. He was also sent on international attachments with Police departments of various European, Middle Eastern and Far Eastern countries.

Mr. Nabi is associated with many literary societies and has written various articles in newspapers which have been also published in book form.

Mr. Aftab Nabi completed his M. Phil in Criminology from the University of Cambridge, UK. He is also a graduate from University of Karachi, and National Defence College Islamabad.

Mr. Asif Baigmohamed

Independent, Non-Executive Director

Mr. Asif Baigmohamed joined PPL Board on 16 September 2014. He is Chairman of the Company's Board Operations and Finance Committee and Risk Management Committee. He is also a member of the Company's Procurement Committee.

Mr. Baigmohamed is the group CEO of Baigmohamed Group of Companies and CEO of ABM Investments, a private equity concern. The group has interests in various sectors including Oil and Gas, Security and Construction.

Mr. Baigmohamed was previously CEO of Coca-Cola Southern Pakistan. During his tenure the company received the top ten world positions in plant ratings and sales growth.

Mr. Baigmohamed graduated from Brown University with Honors in Economics and minor in Applied Mathematics. He was selected for Omicron Delta Epsilon, an American national honor society for achievement in economics.

Mr. Imtiaz Hussain Zaidi

Independent, Non-Executive Director

Mr. Imtiaz Hussain Zaidi joined PPL Board on 16 September 2014. He is member of the Company's Board Human Resource, Nomination and Procurement Committees.

During his 48 years work experience, Mr. Zaidi has been involved in Marketing and Human Resource management. He headed Human Resource functions of major energy companies in Pakistan including PPL, Pakistan Refinery Limited and LASMO Oil.

During his association with the above companies, Mr. Zaidi was responsible for setting up and introducing reforms in the Human Resource functions, based on international best practices.

More recently Mr. Zaidi served as Chief Executive Officer of Dadex Eternit and Samaa TV.

Mr. Zaidi is a Civil Engineer from University of Engineering and Technology Lahore. He has also attended Executive Development Programs at Kellogg School of Management at Evanston, Chicago and Southern Methodist University at Dallas, USA.

Mr. Muhammad Ashraf Iqbal Baluch

Independent, Non-Executive Director

Mr. Muhammad Ashraf Iqbal Baluch joined PPL Board on 16 September 2014. He is Chairman of the Company's Board Nomination Committee and member of Audit and Risk Management Committees.

Mr. Baluch is a political personality from Gwadar, Balochistan. He pivoted and materialised demands of nationalist groups to build Gwadar Port, Coastal Highway and Mirani Dam. He was also part of Chief Minister Balochistan's advisory committee.

Mr. Baluch is the owner of a Baluchi language television news channel which is transmitted locally as well as in some Gulf countries. He is regularly involved in many social activities in District Gwadar, with special focus on health and education.

In the past Mr. Baluch served as Senior Vice President of Gwadar Chamber of Commerce and Chairman of the Vision Gwadar.

Mr. Baluch is a commerce graduate from the University of Karachi.

Mr. Nadeem Mumtaz Qureshi

Independent, Non-Executive Director

Mr. Nadeem Mumtaz Qureshi joined PPL Board on 16 September 2014. He is Chairman of the Company's Board Audit and Procurement

Committees. He is also a member of the Company's Operations and Finance and Human Resource Committees.

In his career spanning more than 35 years, Mr. Qureshi has been involved in many entrepreneurial ventures. He started and managed several companies in the Gulf region, as Chairman and CEO. These companies were mainly involved in supply of oilfield equipments and chemicals.

Mr. Qureshi has deep understanding of the Oil & Gas industry, having been closely associated with major oil companies, such as Saudi Aramco.

Mr. Qureshi earned the SB and SM degrees in Civil Engineering from the Massachusetts Institute of Technology, and the MBA degree from the Harvard Business School. He also has an MA degree in Arabic from the University of Karachi.

Mr. Osman Khalid Waheed

Independent, Non-Executive Director

Mr. Osman Khalid Waheed joined PPL Board on 16 September 2014. He is a member of the Company's Board Human Resource, Audit, Risk Management and Nomination Committees.

Mr. Waheed is currently the President of Ferozsons Laboratories Limited, where he has been associated since 1993 in various senior positions. With his rich experience in the pharmaceutical business, he successfully established Pakistan's first Biotech Pharmaceutical Manufacturing company, BF Biosciences Limited and presently serves as its Chief Executive Officer.

Mr. Waheed previously held the position of President of the Rawalpindi Chamber of Commerce and also served on the Boards of Trade Development Authority of Pakistan, Punjab Industrial Estates Development and Management Company, and Pakistan Industrial Development Corporation. He currently serves on the Boards of Nestle Pakistan Limited, Murree Brewery Company Limited and DGS (Pvt.) Limited.

Mr. Waheed is an alumnus of Harvard University, USA and Aitchison College, Lahore.

Mr. Saeedullah Shah

Non-Executive Director

Mr. Saeedullah Shah joined PPL Board in August, 2013 and was re-elected as Director on

16 September, 2014. He is a member of the Company's Board Operations and Finance, Audit and Procurement Committees.

A petroleum geologist by profession with vast experience in the industry, Mr. Shah holds a master's degree in Petroleum Geology and has received training in a number of relevant disciplines from prestigious institutions in Canada, Norway and USA.

Mr. Shah has been associated with the Ministry of Petroleum and Natural Resources for the last 29 years in different capacities, including Director General (Gas), Director General (Oil) and Director General (Administration/ Special Projects), and is currently as Director General Petroleum Concessions.

He has represented Pakistan in various international conferences and been an active member of the country's delegation for energy related bilateral dialogue with Iran, India, Turkmenistan, Turkey, Ukraine and Algeria.

Mr. Shah has also served on the boards of Sui Southern Gas Company Limited, Sui Northern Gas Pipelines Limited, Inter State Gas Systems (Private) Limited and Hydrocarbon Development Institute of Pakistan.

Mr. Shahbaz Yasin Malik

Independent, Non-Executive Director

Mr. Shahbaz Yasin Malik joined PPL Board on 16 September 2014. He is Chairman of the Company's Board Human Resource Committee and a member of Operations and Finance Committee and Nomination Committee.

Mr. Malik is the Chief Executive Officer of Hilton Pharma (Pvt.) Ltd, one of the leading research based pharmaceutical companies in the country. In recognition of his services in the pharmaceutical sector, Mr. Malik has been awarded France Trade Performance Award by the Pakistan France Business Association.

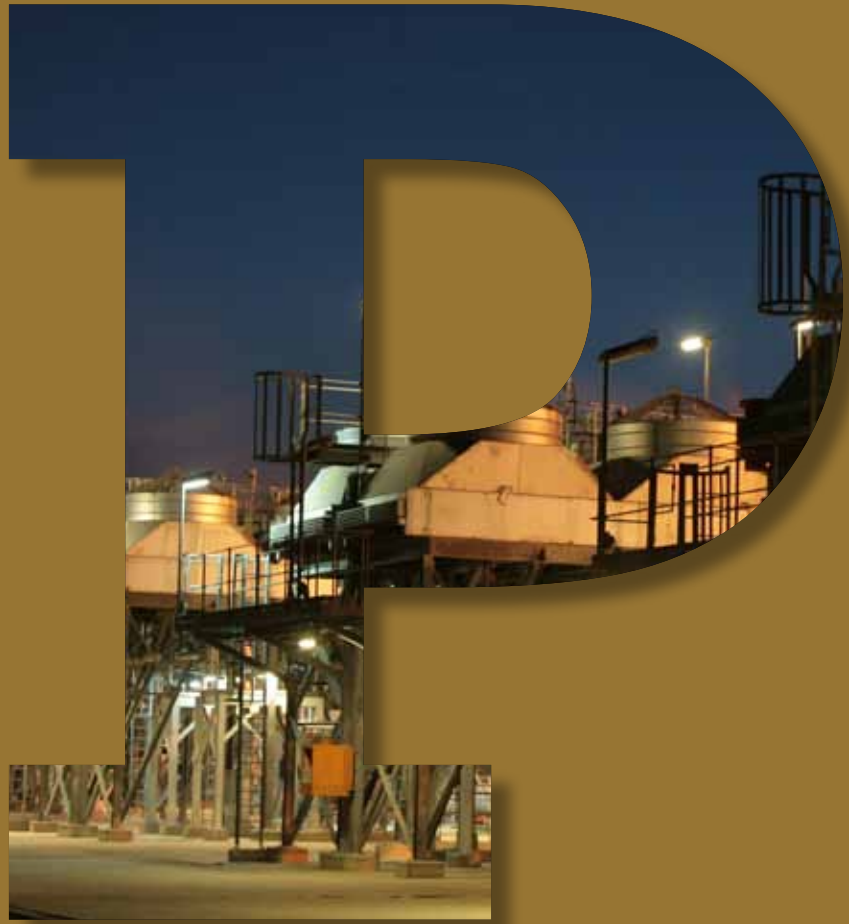
During his 26 year experience, Mr. Malik has attended many international conferences and seminars. Mr. Malik is actively involved in CSR activities covering fields of health, education and social welfare.

Mr. Malik is a business administration graduate from American College of Switzerland.

With a history dating back nearly seven decades plus reliable infrastructure, resources, outreach and experience to match, PPL's name is synonymous with corporate **excellence** both at home and abroad. That we have earned this reputation is affirmed by the confidence reposed in the company by our stakeholders, our long-standing business relationships with multinational oil and gas players, as well as the numerous prestigious awards and international certifications bagged over the years.

Excellence





Performance

This corporate strength is practically demonstrated by our **performance** in the steady growth of our business operations, growing role in forging and furthering strategic bilateral ties with the international community and our contribution to the national exchequer.

Board Committees

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

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

Board Operations and Finance Committee

Composition

With effect from 16 September 2014, the Board Operations and Finance Committee is composed of the following:

Mr. Asif Baigmohamed	Chairman
Mr. Arshad Mirza	Member
Mr. Nadeem Mumtaz Qureshi	Member
Mr. Saeedullah Shah	Member
Mr. Shahbaz Yasin Malik	Member
Mr. Waqar A. Malik	Member

Terms of Reference

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

- (i) Corporate Strategy, operational plan and long-term projections.
- (ii) Financial statements of the Company.
- (iii) Budgets.
- (iv) Progress review of all major projects and status of implementation of approved work program.
- (v) Selection of new exploration areas, farm-in(s) and farm-out(s) and surrender of exploration blocks.
- (vi) Strategies for development of existing and new petroleum discoveries.
- (vii) Cash and fund management policies and procedures.
- (viii) Major financial commitments of the Company.

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

Board Human Resource Committee

Composition

With effect from 16 September 2014, the Board Human Resource Committee is composed of the following:

Mr. Shahbaz Yasin Malik	Chairman
Mr. Arshad Mirza	Member
Mr. Imtiaz Hussain Zaidi	Member
Mr. Nadeem Mumtaz Qureshi	Member
Mr. Osman Khalid Waheed	Member
Mr. Waqar A. Malik	Member

Terms of Reference

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

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

- (i) Changes in 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 five times during the year with an average participation of 84% of its members.

Board Audit Committee

Composition

With effect from 16 September 2014, the Board Audit Committee is composed of the following non-executive Directors:

Mr. Nadeem Mumtaz Qureshi	Chairman
Mr. Aftab Nabi	Member
Mr. Muhammad Ashraf Iqbal Baluch	Member
Mr. Osman Khalid Waheed	Member
Mr. Saeedullah Shah	Member

Terms of Reference

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

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

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

- (i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors
- (ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto
- (iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company
- (iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure
- (v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance
- (vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.

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

Board Risk Management Committee

Composition

With effect from 16 September 2014, the Board Risk Management Committee is composed of the following:

Mr. Asif Baigmohamed	Chairman
Mr. Arshad Mirza	Member
Mr. Aftab Nabi	Member
Mr. Muhammad Ashraf Iqbal Baluch	Member
Mr. Osman Khalid Waheed	Member

Terms of Reference

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

The Terms of Reference of the Committee include the following:

- (i) Oversee and advise the Board on current risk exposures of the Company and future risk strategy.
- (ii) Keep under review the Company's overall risk assessment processes that inform the Board's decision making; set a standard for accurate and timely monitoring of large exposures and certain risk types of critical importance.
- (iii) Review Company's capability to identify and manage new risk types.
- (iv) Advise the Board on proposed strategic transactions including acquisitions or disposals focusing in particular on risk aspects and implications for risk appetite and tolerance of the Company.
- (v) Review effectiveness of the Company's internal controls and risk management systems.

The Board Risk Management Committee met once during the year with participation of 100% of its members.

Board Procurement Committee

Composition

With effect from 16 September 2014, the Board Procurement Committee is composed of the following:

Mr. Nadeem Mumtaz Qureshi	Chairman
Mr. Arshad Mirza	Member
Mr. Aftab Nabi	Member
Mr. Asif Baigmohamed	Member
Mr. Imtiaz Hussain Zaidi	Member
Mr. Saeedullah Shah	Member

Terms of Reference

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

The Terms of Reference of the Committee include the following:

- (i) Serves as an advisory forum to suggest measures to streamline and simplify procurement of goods and services.
- (ii) Review and decide on peculiar cases of procurement that are not explicitly covered by the provisions of the Public Procurement Regulatory Authority (PPRA) Rules.
- (iii) Identify, review and approve new and innovative procurement practices to strengthen, streamline and speedup the procurement process.
- (iv) Review the Company's policies/ procedures for procurement of goods/ services/ works and recommend changes for improvement.
- (v) Review and approve awards of high value Engineering Procurement and Construction (EPC) Contracts and Original Equipment Manufacturer (OEM) Procurement Contracts.

The Board Procurement Committee met three times during the year with an average participation of 92% of its members.

Board Nomination Committee

Composition

With effect from 16 September 2014, the Board Nomination Committee is composed of the following:

Mr. Muhammad Ashraf Iqbal Baluch	Chairman
Mr. Aftab Nabi	Member
Mr. Imtiaz Hussain Zaidi	Member
Mr. Osman Khalid Waheed	Member
Mr. Shahbaz Yasin Malik	Member

Terms of Reference

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

The Terms of Reference of the Committee include the following:

- (i) Evaluate balance of executive and non-executive directors including independent directors and those representing minority interests with requisite range of skills, competencies, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in context of the Company's operations.
- (ii) Consider candidates on merit with due regard for benefits of diversity on the Board taking care that appointees have enough time available to devote to their positions.
- (iii) Identify and nominate for approval of the Board, candidates to fill vacancies as and when they arise.
- (iv) Monitor and assess the performance of Senior Management on a periodic basis and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.

Attendance of Board and Committee Meetings ¹

Name	Board of Directors			Board Operations & Finance Committee			Board Human Resource Committee		
	Members	Meetings ²	Attendance	Members	Meetings ²	Attendance	Members	Meetings ²	Attendance
Mr. Asim M. Khan	✓	9	9	✓	4	4	✓	5	5
Mr. Arshad Mirza ³	✓	5	5						
Mr. Sajid Zahid	✓	9	5						
Mr. Zain Magsi	✓	9	0						
Mr. Saquib H. Shirazi	✓	9	5				✓	5	4
Mr. Javed Akbar	✓	9	9	✓	4	4			
Dr. Amer Sheikh ³	✓	4	4						
Mr. Saeedullah Shah ⁴	✓	9	9	✓	4	4	✓	5	5
Mr. Javed Masud	✓	9	7	✓	4	3	✓	5	4
Mr. Mohsin Aziz	✓	9	8	✓	4	0	✓	5	3

Attendance of Board and Committee Meetings ¹

Name	Board Procurement Committee		Board Risk Management Committee		Board Audit Committee	
	Members	Meetings ² Attendance	Members	Meetings ² Attendance	Members	Meetings ² Attendance
Mr. Asim M. Khan	✓	3 3	✓	1 1		
Mr. Arshad Mirza ³			✓	1 1	✓	2 1
Mr. Sajid Zahid					✓	1 1
Mr. Zain Magsi					✓	4 0
Mr. Saquib H. Shirazi						
Mr. Javed Akbar	✓	3 3	✓	1 1	✓	4 4
Dr. Amer Sheikh ³					✓	2 2
Mr. Saeedullah Shah ⁴	✓	3 2	✓	1 1		
Mr. Javed Masud	✓	3 3	✓	1 1	✓	4 3
Mr. Mohsin Aziz						

Notes:

1. The Directors of the Company, holding office during the year ended 30 June 2014, retired consequent to election of new Directors on 16 September 2014.
2. Held during the period concerned Director was on the Board. No meeting of Board / Committee was held outside Pakistan.
3. Appointed on Board in December, 2013 in place of Dr. Amer Sheikh.
4. Appointed on Board in July, 2013 in place of Mr. Qazi Mohammad Saleem Siddiqui.



Mr. Masroor Ahmad
General Manager Human Resources

Mr. Sultan Maqsood
General Manager Corporate Services

Mr. Anwar Hussain Mirza
General Manager Information Technology

Mr. Arshad Mirza
Managing Director / CEO

Mr. Asim Murtaza Khan
Executive Director

Mr. Moin Raza Khan
Deputy Managing Director / COO

Mr. Kamran Wahab Khan
General Manager Finance / CFO

Management Team

The Management Team is headed by the Chief Executive Officer / Managing Director. The Executive Director, the Deputy Managing Director and the Functional Heads are its Members. In addition, twelve Management Committees also operate to oversee critical functions and operational aspects of the Company.

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.



Mr. Hayat Ahmad
General Manager Exploration

Mr. Ghulam Farooq Maniar
General Manager Projects

Syed Kaleem Akhtar
General Manager Production

Dr. Fareed Iqbal Siddiqui
General Manager Sub Surface

Mr. Javed Siddiqui
General Manager Commercial
& Supply Chain

Dr. Nadeem Ahmed
General Manager
Exploration (North/ IAS)

Mr. Arshad Mirza - Managing Director / Chief Executive Officer

Mr. Asim Murtaza Khan - Executive Director

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

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

Mr. Masroor Ahmad - General Manager Human Resources

Mr. Sultan Maqsood - General Manager Corporate Services

Mr. Anwar Hussain Mirza – General Manager Information Technology

Mr. Hayat Ahmad - General Manager Exploration

Syed Kaleem Akhtar - General Manager Production

Mr. Javed Siddiqui - General Manager Commercial & Supply Chain

Dr. Nadeem Ahmed - General Manager Exploration (North/ IAS)

Mr. Ghulam Farooq Maniar - General Manager Projects

Dr. Fareed Iqbal Siddiqui - General Manager Sub Surface

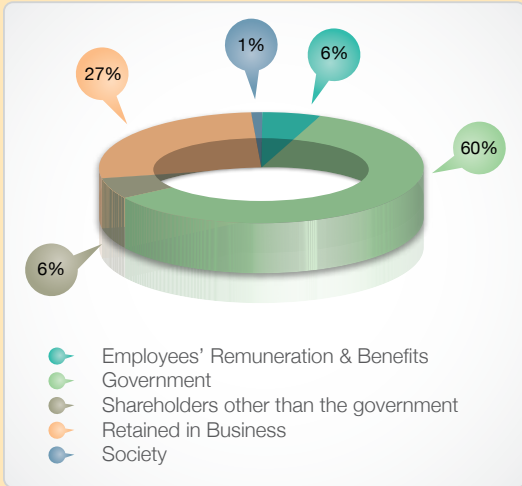
Statement of Value Addition

	2013-14		2012-13	
	Rs million	%	Rs million	%
Gross Revenue (including GDS, GIDC, Excise Duty and Sales Tax)	142,960	107	123,938	108
Less: Operating and Exploration Expenses	(15,780)	(12)	(15,593)	(14)
	127,180	95	108,345	94
Add: Income from Financial Assets	6,050	5	6,012	5
Other Income	331	*	881	1
Less: Other Expenses	(181)	*	(38)	*
Total Value Added	133,380	100	115,200	100
DISTRIBUTED AS FOLLOWS:				
Employees' Remuneration and Benefits	7,339	6	6,242	5
Government as:				
Company Taxation	23,129	17	20,677	18
Levies (including GDS, Excise Duty, GIDC and Sales Tax)	23,149	17	21,582	19
Royalties	14,301	10	12,292	10
Workers' Funds	3,922	3	3,295	3
Dividend **	16,989	13	12,260	11
Bonus Shares **	-	-	2,335	2
	81,490	60	72,441	63
To Shareholders other than the Government as:				
Dividend **	7,658	6	4,992	4
Bonus Shares **	-	-	951	1
	7,658	6	5,943	5
To Society				
Donations	102	*	64	*
Social Welfare/ Community Development	694	1	617	1
Free Gas Supply	430	*	389	*
	1,226	1	1,070	1
Retained in Business:				
Depreciation	3,479	3	3,279	3
Amortisation	4,992	4	4,419	4
Net Earnings	26,770	20	21,412	19
	35,241	27	29,110	26
Financial Charges to providers of finance:	426	*	394	*
	133,380	100	115,200	100

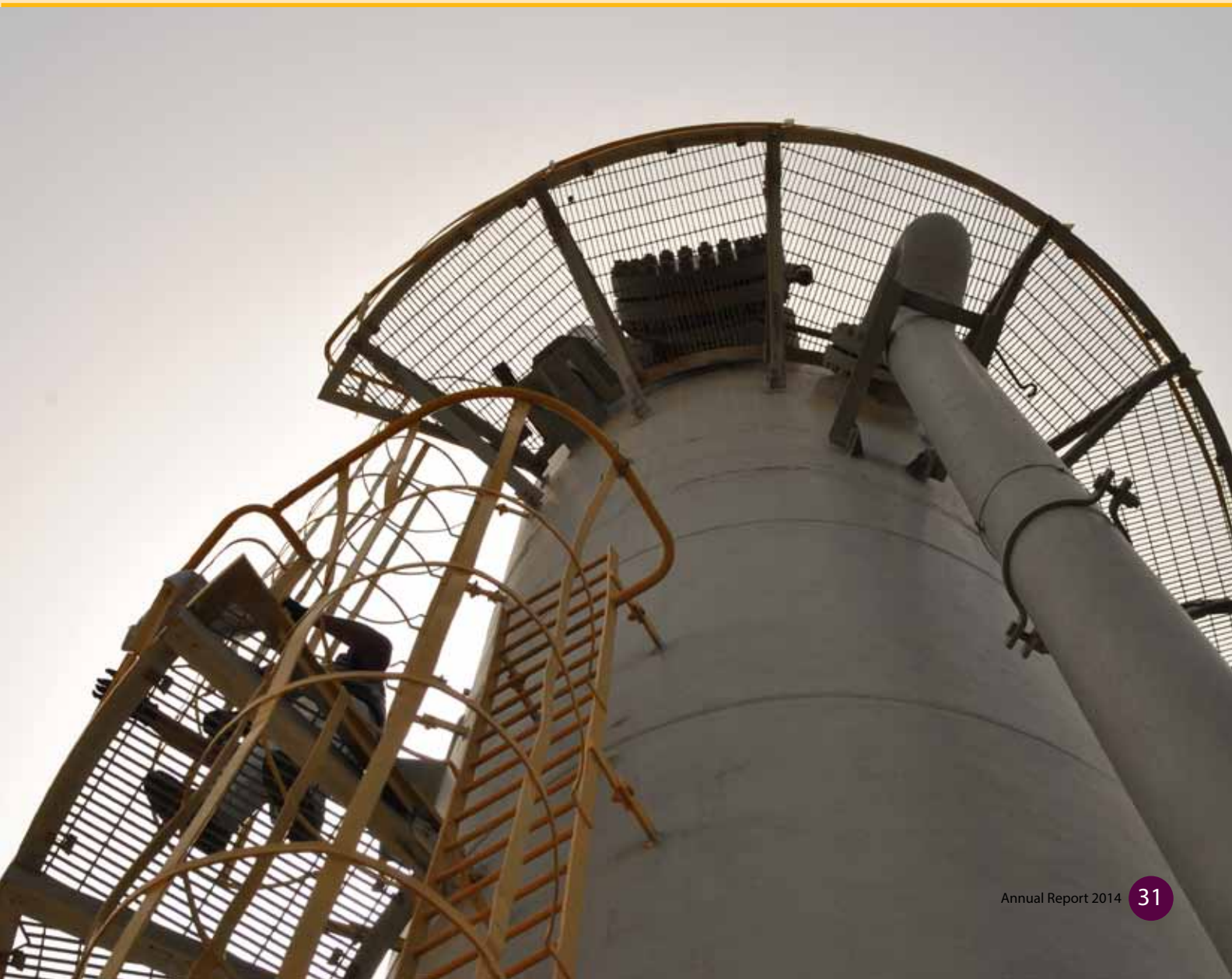
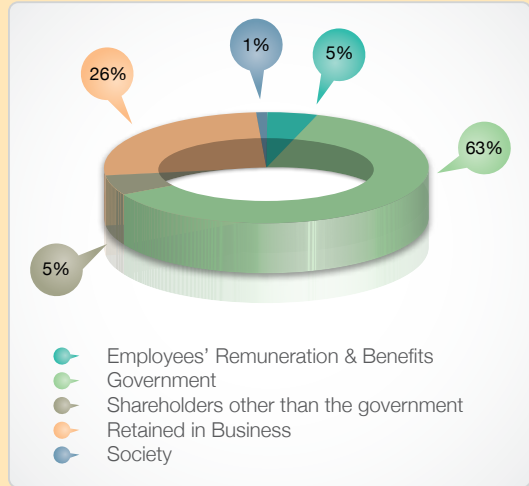
* Negligible

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

Value Added FY 2013-14



Value Added FY 2012-13





Global Compact

PPL takes pride in being the signatory of the United Nations Global Compact (UNGC), which was developed in year 2000 as an 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 12,000 corporate participants and other stakeholders, including business and civil society from over 145 countries, UNGC provides 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 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 ensure that they are not complicit in human rights abuses.

PPL's Commitment

PPL is highly committed to conducting 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 addressing issues, problems and grievances proactively to regulate the company's operations with dignity of labour, minimisation of animosity and fostering a relationship of trust between management and workers.

Principles 4 & 5

Businesses should support the elimination of all forms of forced and compulsory labour.

Businesses should support the 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 support 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 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 Environmental Quality Standards.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

PPL's Commitment

PPL ensures proactive acceptance of its responsibility and accountability for environmental imperatives with a focus on operational excellence. The company recognizes that operational excellence cannot be achieved without embedding HSE considerations in business decision making processes. Therefore, PPL remains committed to raising environmental awareness among staff, suppliers and dealers for encouraging eco-friendly practices.

Principle 9

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

PPL's Commitment

PPL believes in the use of emerging environment friendly technologies, especially for new projects, to reduce its carbon footprint.

Anti-Corruption

Principle 10

Businesses should work against all forms of corruption, 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.



Chairman's Review

The Extraordinary General meeting held in Karachi on 16 September 2014, elected the new Board of the Company. To the outgoing Board Members I express my deep appreciation for stewarding the Company to greater achievements and for maintaining the best governance practices. I am confident that the current Board with the collective experience and diverse skill set of the new Members shall drive the corporate agenda with vigor, in order to create shareholder value on sustainable basis.

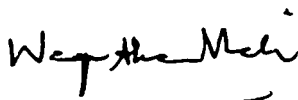
During the previous Board's tenure, the Company made significant progress in increasing the exploration acreage, initiating attention towards non conventional sources of hydrocarbons and for establishing the Company's initial footprint internationally. I acknowledge on behalf of the new Board, the valuable achievements of the Company's leadership during the term, in tough business conditions.

The global energy landscape is evolving and in the future energy mix, non conventional sources of hydrocarbons shall continue to attract increasing attention. Also, new technology continues to play increasing role in accelerating production from the conventional sources.

In Pakistan, the scenario will mirror the global trend. PPL is focused to maximise production, accelerate reserve replacement activities and progress the agenda on the non conventional sources of energy. For the year ended 30 June 2014, the Company made progress in this direction.

Looking ahead, the Company will focus on innovative ways to overcome the strategic challenges. A growth agenda that creates shareholder value on sustainable basis shall be pursued.

I thank the Management for their dedication in achieving the current results. I am grateful to the Shareholders whose support and confidence gives us the strength and courage to move the Company forward and to the Government for its guidance and facilitation.



(WAQAR A. MALIK)
CHAIRMAN

Karachi

16 September, 2014

Managing Director's Outlook

The Company's exploration and development activities continued during the year with vigour and dedication. The Company remained aligned with its aggressive exploration programme, in line with its strategy to accelerate hydrocarbon exploration in order to meet the country's growing energy needs.

I am pleased to report that the Company achieved impressive financial results during 2013-14, with profit after tax increasing to Rs 51.4 billion, up by 22.5 percent over last year, translating into an EPS of Rs 26.08. The increase in profits is largely due to combined effect of net increase in oil sales volumes and depreciation of Pakistani Rupee against US Dollar.

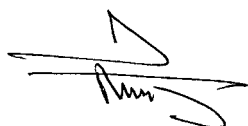
The Company has clearly come far over the past few years and in the process developed a strong capital and asset base that adequately supports its exploration and development initiatives. The Company's recent exploration efforts resulted in gas / condensate discovery from Sharf X-1 well in PPL operated Gambat South Block and a tight gas discovery from Naushahro Firoz X-1 well in PPL operated Naushahro Firoz Block. An oil discovery was also made from Ghauri X-1 well, in partner operated Ghauri Block.

Presently PPL's share in the country's total natural gas production stands at around 21%. 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. During the year, 11 new exploration blocks were granted to PPL in which fast track exploration activities are already underway.

With extensive increase in the size of its exploration and production portfolio, the operating environment in the Company has become increasingly demanding with added emphasis on safe operating procedures. The Company recognises safety as the key component of operational excellence and gives utmost importance to training of employees and contractors to enhance safety awareness by actively incorporating industry best practices in the overall operating setup.

It gives me immense pleasure to announce that keeping in view the financial results for the year, the Directors of your Company have recommended a final cash dividend on Ordinary shares @ 75% to the shareholders of the Company.

The Company's accomplishments and present standing could not have been possible without the commitment and efforts of our employees who deserve full compliments. Our achievements have prepared us well for the challenging environment we foresee in the energy industry and provide proof of our ability to deliver results to our shareholders. This would not have been possible without the support of the Government of Pakistan, the Board of Directors, management, and shareholders, whose continued support is acknowledged with deep gratitude.



(ARSHAD MIRZA)
MANAGING DIRECTOR/
CHIEF EXECUTIVE OFFICER

Karachi:
27 August, 2014



Directors' Report

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Your directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended 30 June, 2014 together with the Auditors' Report thereon.

PROFIT AND APPROPRIATIONS

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

	2013-14 Rs Million	2012-13 Rs Million
Profit before Taxation	74,546.759	62,627.743
Taxation	23,129.381	20,676.547
Profit after Taxation	51,417.378	41,951.196
Unappropriated profit as at 1 July, 2013/2012	90,078.175	68,306.347
	141,495.553	110,257.543
Appropriations during the year		
– Acquisition of 100% shareholding of PPL Europe E&P Limited during the year 2012-13	-	15,664.177
– Transfer to Insurance Reserve	(5,000.000)	(5,000.000)
– Transfer to Assets Acquisition Reserve	(5,000.000)	(5,000.000)
– Transfer to Dividend Equalisation Reserve	-	(5,000.000)
– Final dividend for the year 2012-13 on Ordinary shares @ 55% (2011-12: 65%)	(9,037.037)	(8,544.101)
– Interim dividend for the year 2013-14 on Ordinary and Convertible Preference shares @ 50% (2012-13: 50%) and 30% (2012-13: 30%), respectively	(9,858.620)	(8,215.524)
– Issuance of Bonus shares @ 20% (2011-12: 25%)	(3,286.193)	(3,286.193)
– Other Comprehensive Income (re-measurement gains & losses)	41.297	(797.727)
Balance as at 30 June, 2014/2013	109,355.000	90,078.175
Subsequent Effects		
The Board of Directors of the Company in their meeting held on 27 August, 2014 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 @ 75% (2012-13: Ordinary shares 55%)	14,787.878	9,037.037
– Issue of Bonus shares @ Nil (2012-13: 20%)	-	3,286.193
	24,787.878	22,323.230

Directors' Report

FINANCIAL RESULTS

The sales revenue of Rs 119.8 billion for the year was higher by 17% compared to Rs 102.3 billion of previous year, resulting in increased profitability of Rs 51.4 billion for the year as compared to Rs 41.9 billion during the previous year.

Sales revenue during the current year has increased due to the combined effect of net increase in oil sales volumes, decrease in gas sales volumes and depreciation of Pakistani Rupee against US Dollar. Increase in gas sales volumes from Adhi, Hala, Tal, Nashpa and Latif fields, oil sales volumes from Hala, Tal and Nashpa fields, and commencement of production from Kirthar, Sukhpur and Ghauri fields, were partially offset by decrease in gas sales volumes from Sui, Kandhkot, Sawan and Gambat fields, and decrease in oil sales from Adhi field. The Earnings per Share of the Company for the year stood at Rs 26.08 against EPS of Rs 21.28 for 2012-13.

Field expenditures during the year increased by 7% as compared to the previous year mainly due to 2D and 3D seismic data acquisition cost in Gambat South, Zamzama South, Kotri, Malir, Nashpa and Jati blocks and increase in depreciation and amortisation charges due to capitalisation of new wells during the current year.

Other operating income of Rs 6.4 billion was earned mainly due to mark-up on placements

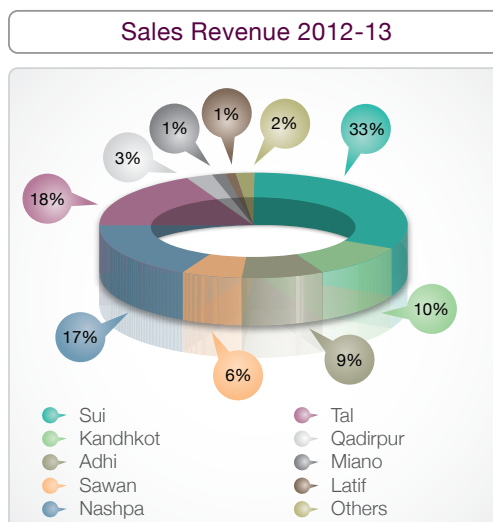
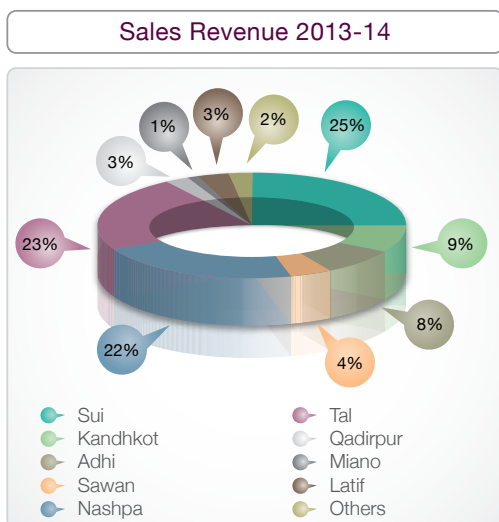
of term deposits with Banks, Treasury Bills and profits on investments in PIBs and Mutual Funds.

LIQUIDITY MANAGEMENT AND CASH FLOW STRATEGY

The Company's cash and cash equivalents were decreased by Rs 12.9 billion as compared to last year. The funds were utilised mainly for payment of GDS, investment in overseas subsidiary, payment of dividends to shareholders and taxes. At the end of the year, the Company had a liquid fund position comprising of cash and cash equivalents amounting to Rs. 21.63 billion.

Detailed financial projections are prepared and regularly updated to ensure availability of funds at all times while generating optimum returns through placement of surplus liquidity in various available investment avenues. The Company actively monitors its funds to ensure that the investment portfolio of the Company is secured and well diversified. The Company also has an Investment Committee, which extensively reviews the existing and new investments made by the Company.

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 future cash requirements.



DIVIDENDS

The Directors have recommended a final cash dividend on Ordinary shares at 75% (2012-13: 55%). This is in addition to an interim dividend of 50% (2012-13: 50%) on Ordinary Shares and 30% (2012-13: 30%) on convertible preference shares paid to the shareholders.

OPERATIONS AND SIGNIFICANT EVENTS

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

New Discoveries

- Exploratory well Shahdad X-1, successfully drilled in PPL operated Gambat South Block, was declared as Gas/ Condensate discovery.
- Exploratory well Naushahro Firoz X-1, successfully drilled in PPL operated Naushahro Firoz Block, was declared as Tight Gas discovery.
- Exploratory well Ghauri X-1 spud in partner operated Ghauri Block was declared as oil producer from Sakesar Formation.
- Subsequent to the year end, exploratory well Sharf X-1, successfully drilled in PPL operated Gambat South Block, was declared as Gas / Condensate discovery.

First Gas Delivery

First gas delivery into 47 kms pipeline of Latif-Sawan Development Project was inaugurated.

Installation / Relocation of Processing Plants

- Installation of 150 MMscfd Makori Gas Processing Facility was completed and first gas was achieved.
- Dismantling and packaging of Chachar Plant has been completed for its relocation to Gambat South Block. Chachar gas will be processed through Kandhkot gas field.

Development Well

Development well Adhi-19(T/K) was hydraulically fractured and injection of feed into the system

resulted in optimisation of production at the processing facilities.

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 21%. 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

PPL operates six producing fields namely Sui, Kandhkot, Adhi, Mazarani, Chachar and Hala and has working interest in 11 other partner operated producing fields. Through these assets, the Company strives to play its role in meeting energy requirements of a large number of domestic, industrial and other consumers. The Company is focused on enhancing production from Company operated and Partner operated fields by deploying the latest technology.

Daily gas production potential from PPL and partner operated fields stands at around 900 million cubic feet (MMcf) per day. The Company's major clients comprise Sui Southern Gas Company Limited (SSGCL), Sui Northern Gas Pipelines Limited (SNGPL), Central Power Generation Company Limited (GENCO-II) and Attock Refinery Limited (ARL).

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:

	2013-14	2012-13
Natural gas (Million cubic feet)	311,719	331,510
Crude Oil (Thousand barrels)	3,825	2,949
NGL (Thousand barrels)	811	686
Condensate (Thousand barrels)	50	51
LPG (Tonnes)	27,343	17,136

Directors' Report

The production during the period under review, including share from Joint Ventures, averaged at around 854 MMscfd of gas, 10,479 bpd of oil, 2,359 bpd of NGL / condensate and 75 tonnes of LPG per day.

FIELDWISE REVIEW OF OPERATIONS – PERFORMANCE AND FUTURE PROSPECTS

PPL OPERATED PRODUCING FIELDS

SUI GAS FIELD (100% PPL)

Sui Gas Field has been the prime source of supply of gas in the country, meeting country's substantial part of gas demand since its discovery more than 60 years ago. Despite that the field is now under depletion phase, gas supply remained as per contractual obligations. The volume of gas sales during the year was 137,291 MMscf against 157,339 MMscf last year.

During the current year about 15 MMscfd gas was added through various technical interventions at nine wells and debottlenecking of pipelines.

In addition to the above, work on manufacturing of internal bundles for revamping of SML Wellhead Gas Compressors continues to progress at the Original Equipment Manufacturer in Netherlands and first shipment is expected in first quarter of 2014-15. This project would enable lowering of suction pressures and greater recovery from the SML reservoir.

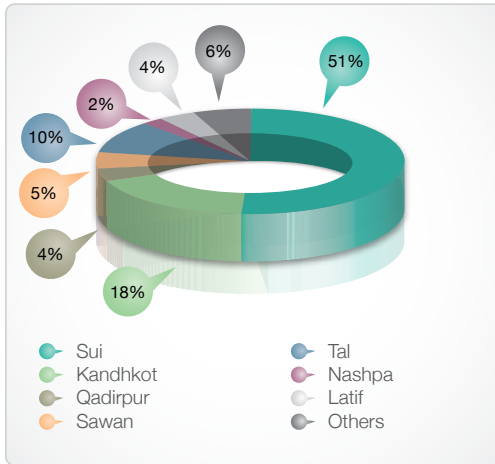
The Sui Mining Lease (Lease) is expiring in May 2015. Accordingly, application for extension / renewal has been filed by the Company with the Government of Pakistan (GoP). Negotiations are in hand with GoP for the extension / renewal of the Lease, and for finalising other associated terms of the Lease.

KANDHKOT GAS FIELD (100% PPL)

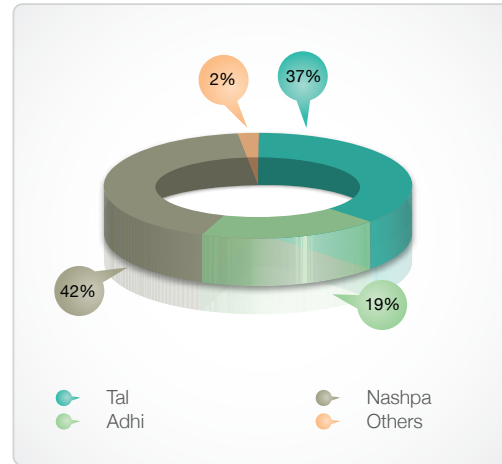
Gas from Kandhkot Field is supplied directly to GENCO-II and through SNGPL for consumption at Guddu Thermal Power Station (GTPS). A nominal quantity of gas is also supplied to SSGCL for Kandhkot Town. Gas sales from the field were maintained throughout the year according to customer's needs. The volume of gas sales during the year was 55,060 MMscf against 58,213 MMscf last year.



Fieldwise Production of Natural Gas 2013-14



Fieldwise Production of Oil/ NGL/ Condensate 2013-14



Kandhkot Field's supply capacity remained underutilised and below field production potential of 73,000 MMscf due to persistent lower offtakes by GENCO-II during the year. 150 MMscfd out of 200 MMscfd initial allocation to GTPS has expired in May 2013. The Management has requested the Ministry of Petroleum and Natural Resources to allocate about 25 MMscfd gas, which GTPS has not been able to utilise for many years, to another customer to enable the Field to produce at full potential.

Kandhkot wells 2, 25 and 31 were commissioned in record time by utilizing Company's own field resources. Kandhkot-31(H) was drilled as horizontal well and was completed as gas producer from HRL reservoir.

ADHI FIELD (PPL SHARE 39%) PPL / OGDCL / POL JOINT VENTURE

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

	2013-14	2012-13
Natural Gas (Million cubic feet)	12,888	11,338
NGL / Crude Oil (Thousand barrels)	2,258	2,334
LPG (Tonnes)	50,777	41,645

A total of twelve 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.

Processing Facilities are operating at optimum capacities after production of new hydraulically fractured development well Adhi-19(T/K) into the system in October 2013.

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

- EPC Contract for installation of 30 MMscfd LPG/NGL Plant (Plant-III) has been signed in December 2013 and the plant is expected to be completed by third quarter of 2014-15.
- Development well Adhi-19(T/K) was completed and produced into the system resulting in additional 14 MMscfd gas and about 800 bbl/day of oil.
- Development well Adhi-20 (T/K) was spud-in during November 2013 and the drilling was completed in June 2014.
- Well Adhi-21 (T/K) was spud-in during November 2013 and the drilling was completed in May 2014.
- Pre-qualification of Consultants for Concept Design /FEED Study in respect of Adhi Compression Project was completed and award of Contract is being finalised.

Directors' Report

- Acid Treatment job was carried out at well Adhi-15(S) to improve well deliverability.

Based on the interpretation of 448 Sq. Km newly acquired 3D seismic data, locations of development Wells Adhi-22(T/K), Adhi-23(T/K) and Adhi-24(T/K) were finalised, which are planned to be drilled next year.

MAZARANI GAS FIELD (PPL SHARE 87.5%) PPL / GHPL JOINT VENTURE

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

The total volume of gas sold from Mazarani to SSGCL during current year was 1,998 MMscf due to natural depletion of reservoir as compared to 2,384 MMscf during previous year.

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. Well testing and technical interventions were carried out during the year to lower the decline rate.

CHACHAR GAS FIELD (PPL SHARE 75%) PPL / GHPL JOINT VENTURE

A total of four wells have been drilled in Chachar Field, of which Chachar 1 and 2 are presently in production, while Chachar 3 and 4 have been abandoned due to water load-up. The total volume of gas sold from Chachar Field during 2013-14 was 1,099 MMscf as against 1,438 MMscf during 2012-13.

During the year, the production from Chachar field declined to 3.5 MMscfd and the plant reached its turndown limit. For future utilisation of the plant, it was agreed to utilise the plant in Gambat South Block.

The remaining gas of Chachar field will be recovered through adjacently located Kandhkot Field, where Chachar raw gas will be injected in Kandhkot facilities.

HALA GAS FIELD (PPL SHARE 65%) PPL / MPCL JOINT VENTURE

The Field is producing Gas, Condensate and LPG from single well Adam-X1 under EWT. Hala Plant was re-commissioned during the year with feed from Lower Basal. The total volume of gas sold from Hala Field during 2013-14 was 3,168 MMscf as against 473 MMscf during 2012-13.

In order to monitor the performance of Lower Basal reservoir and predict its potential, a survey was carried out during May 2014.

Second exploratory well Adam West X-1 was spud in May 2014 and drilling is in progress. Third exploratory well is planned to be drilled next year.

PARTNER OPERATED PRODUCING FIELDS

BLOCK- 2768-3 (BLOCK-22) (PPL SHARE 35.5263%) PEL / PPL / PEII / GHPL JOINT VENTURE (OPERATOR: PEL)

The production from the field has declined over the last few years due to water incursion. The total volume of gas sold from Block-22 during the current year was 2,256 MMscf as against 2,679 MMscf during the previous year.

Development well Hassan-4 was spud in April 2014 and was completed in SML formation. The well was tested at 5 MMscfd and laying of feeder line for Hasan-4 is in progress.

SAWAN GAS FIELD (PPL SHARE 26.184%) PPL / ENI / PPLE / GHPL / OMV JOINT VENTURE (OPERATOR: OMV)

Total of 16 wells have been drilled in Sawan Field and currently 14 are producing about 160 MMscfd gas, which is supplied to SNGPL and SSGCL. The total volume of gas sold from Sawan Field during the current year was 42,564 MMscf as against 57,399 MMscf during the previous year.

Well Sawan North Horizontal-1 was spud in December 2013 and completed in March 2014.

MIANO GAS FIELD (PPL SHARE 15.16%) PPL / ENI / OGDCL / OMV JOINT VENTURE (OPERATOR: OMV)

Miano gas is being jointly processed with Kadanwari gas at Kadanwari Plant. The field is supplying gas to SSGCL from six Miano wells. The total volume of gas sold from Miano Field during the current year was 19,989 MMscf as against 22,068 MMscf during the previous year.

M-16 Tight Gas Horizontal well was spud in March 2014 and was completed in May 2014 up to a depth of 4,498m.

Miano Front End Compressors have been relocated to wellhead and nodal compression.

QADIRPUR GAS FIELD (PPL SHARE 7%) PPL / PKP / KUFPEC / OGDCL JOINT VENTURE (OPERATOR: OGDCL)

Qadirpur Gas Field is the second largest Gas Field of the country in terms of reserves with recoverable gas reserves of 4.2 TCF. A total of 62 wells have been drilled in Qadirpur out of which 51 wells are producing. The total volume of gas sold from Qadirpur Gas Field during the current year was 167,588 MMscf as against 167,876 MMscf during the previous year.

Drilling of two wells in HRL (HRL-07 & 08), two wells in SUL(QP-50 & 51) and one well in SML (QP-52) was satisfactorily completed during the year.

With the commissioning of third turbo compressor train re-located from ex-Pirkoh Field, the project has been completed satisfactorily.

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:

		2013-14	2012-13
Natural Gas	(Million cubic feet)	101,123	97,060
Condensate	(Thousand barrels)	5,962	3,665
LPG	(Tonnes)	27,504	-

So far six discoveries viz., Manzalai, Makori,

Mamikhel, Maramzai, Makori East and Tolanj have been made in the Block. LPG production has been started from the field in March 2014. Activities carried out during the year are detailed as under:

Manzalai Discovery

So far ten wells (1 exploratory, 1 appraisal and 8 development) have been drilled, whereas drilling of Manzalai-11 is in progress.

Makori Discovery

So far three wells (1 exploratory, 1 appraisal and 1 development) have been drilled however the appraisal well was abandoned as dry hole.

Installation of 150 MMscfd Makori Gas Processing Facility has been successfully completed and first gas was achieved in February 2014.

Drilling of one development well is planned during the year 2014-15.

Mamikhel Discovery

Evaluation of Mamikhel discovery by conducting an EWT of the discovery wells, Mamikhel-1 and Mamikhel-2 is in progress.

Maramzai Discovery

Evaluation of Maramzai discovery by conducting an EWT of the discovery wells, Maramzai-1 and Maramzai-2 is in progress.

Makori East Discovery

So far three wells (1 exploratory, 1 appraisal and 1 development) have been drilled. Drilling of two development wells is planned during the year 2014-15.

Development well Makori East-3 drilled down to TD of 5,030m and was completed as gas/condensate producer, whereas, development well Manzalai-11 was drilled down to TD of 4,600m and its testing is in progress.

Tolanj Discovery

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

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BLOCK 3370-10 (NASHPA) (PPL SHARE 28.55%) PPL / GHPL / OGDCL JOINT VENTURE (OPERATOR: OGDCL)

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

Mela Discovery

Production from the discovery well Mela-1 and appraisal wells Mela-2 and 3 continued during the year.

During the year a total of 3,741 MMscf gas and 753 thousand barrels of crude oil were sold from the field as compared to 6,225 MMscf gas and 1,306 thousand barrels of crude oil sold last year.

Drilling of development well Mela-4 is in progress.

Nashpa Discovery

Production from the discovery well Nashpa-1 and appraisal wells Nashpa-2, 3 and 4 continued during the year. During the year a total of 23,114 MMscf gas and 6,576 thousand barrels of crude oil were sold from the field as compared to 15,637 MMscf gas and 4,658 thousand barrels of crude oil sold last year.

Installation of 100 MMscfd capacity CPF comprising of LPG Extraction Plant and Dehydration Unit at Nashpa Field (for processing both Nashpa and Mela field gas) is planned with a capacity of 339 MTD. Project completion is expected by February 2016.

Development well Nashpa-4 was drilled to a TD of 5,045m and completed as oil & gas producer.

Drilling of one development well is also planned during the year 2014-15.

BLOCK 2669-3 (LATIF) (PPL SHARE 33.30%) PPL / OMV / ENI JOINT VENTURE (OPERATOR: OMV)

Latif Development and Production lease was approved by the Government in June 2012. Under the approved Development plan, production from Latif field will be processed at Sawan Plant. Currently about 105 MMscfd gas from Latif field is being processed at Sawan Plant.

Following major activities have been completed during the period:

- Construction work of laying 50 Km Latif-Sawan pipeline was completed in August 2013 and first gas was injected.
- Well Latif-9 was drilled and completed in September 2013.
- Compressors at Latif-6 and Latif-9 were installed and commissioned, whereas installation of further 6 compression units is in progress.
- Economic evaluation on potential way forward for Latif Condensate handling is under progress.

During the year a total of 30,702 MMscf gas was sold from Latif Field against 13,529 MMscf in the previous year.

BLOCK 2668-4 (GAMBAT) (PPL SHARE 23.6842%) PPL / OMV/ ENI / GHPL JOINT VENTURE (OPERATOR: OMV)

A total of 3 development wells have been drilled, of which Tajjal-1 is currently producing whereas Tajjal-2 and Tajjal-4 were shut-in. Currently about 8 MMscfd gas from Tajjal field is being processed at Sawan Plant. During the year a total of 3,697 MMscf gas was sold from Tajjal against 10,417 MMscf in previous year.

Tajjal-1 Wellhead Compression project was successfully commissioned during the year.

BLOCK 2667-7 (KIRTHAR BLOCK), (PPL SHARE 30%) PPL / POGC JOINT VENTURE (OPERATOR: POGC)

Country's first Tight Gas production from Rehman-1 started in June 2013. During the year a total of 3,750 MMscf gas was sold from Kirthar Block.

BLOCK 2568-20 (SUKHPUR) (PPL SHARE 30%) PPL / ENI / KP BV JOINT VENTURE (OPERATOR: ENI)

So far one discovery, Lundali has been made in the block in April 2013. During the year a total of 2,062 MMscf gas was sold from Sukhpur Block. EWT production from Lundali-1 reached below economic limit, therefore, production was discontinued in August 2014.

**BLOCK 3273-3 (GHAURI)
(PPL SHARE 35%)
PPL / MPCL / MOL JOINT VENTURE
(OPERATOR: MPCL)**

EWT production is in progress from first exploratory well Ghauri X-1 and during the year a total of 1,979 bbl of crude oil were sold from Ghauri Block.

EXPLORATION ACTIVITIES

In line with the Company's strategy and initiatives to accelerate hydrocarbon exploration and meet country's growing energy needs, the 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 will continue to grow further. The strategy 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.

Currently PPL, together with its subsidiaries, holds working interest in 47 exploration licenses out of which 27 are operated including recently granted 10 operated and 1 partner operated blocks.

PPL's seismic and drilling operations in its operated areas, including blocks acquired during 2009 bidding round, increased significantly. So far, a cumulative of 4,777 LKm 2D & 3,485 Sq Km 3D seismic data has been acquired during last four years along with spud of 9 exploratory wells during 2013-14, which is a record for PPL.

In addition to completing the exploration work program in the pre 2014 exploration areas, the exploration activities in the new blocks have started on a fast track basis to achieve the maximum results within the committed time. A detailed exploration program is in place with timelines for different activities and key objectives to be achieved on yearly basis.

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

PPL OPERATED BLOCKS

BLOCK 2568-13 (HALA) (PPL SHARE 65%) PPL / MPCL JOINT VENTURE

Third exploratory well Adam West X-1 was spud in May 2014 with planned TD of 3,946m in Massive Sands of Lower Goru Formation. Well reached to final TD of 4,057m on 29 July, 2014. Currently preparations are underway to test the prospective intervals identified on the basis of wireline logs interpretation. The Government has granted one year extension in Phase-II of EL up to 10 December, 2014.

BLOCK 2969-8 (BARKHAN) (PPL SHARE 35%) PPL / PPLE / OMV JOINT VENTURE

First exploratory well Aro Khan X-1 was spud in August, 2013. During testing of Parh Limestone, immeasurable quantity of good quality gas was flowed. The well was abandoned for geological & operational reasons whereas its further evaluation is in progress.

It is also planned to drill second exploratory well at Mirwah Prospect for which preparations are underway. The Government of Balochistan has declined to issue NOC for land acquisition purportedly invoking their right over the Block under the 18th Amendment though the same is inapplicable since the Block was awarded under 2001 Petroleum Policy. Ministry of Petroleum and Natural Resources was requested to intervene.

Application for one year extension in 2nd license year of Phase-I w. e. f. 01 July, 2014 is under consideration of the Government.

BLOCK 2766-1 (KHUZDAR) (PPL SHARE 65%) PPL / ENI JOINT VENTURE

First exploratory well Karkh X-1 was spud in June, 2014 with planned TD of 3,010m in Triassic Aozai Formation. Currently, drilling below 1,228m is in progress.

The Government has granted one year

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extension in 2nd Licence year of Phase-II upto 10 December, 2014.

BLOCK 2866-2 (KALAT) (PPL SHARE 35%) PPL / ENI / OMV JOINT VENTURE

Preparations are in-hand to acquire about 100 LKm 2D seismic data, subject to JV approval, to firm-up a lead for drilling of exploration well.

The Government has granted one year extension in 3rd licence year up to 21 September, 2014.

BLOCK 2568-18 (GAMBAT SOUTH) (PPL SHARE 65%) PPL / GHPL / AROL JOINT VENTURE

Recording of 702 Sq. Km 3D seismic data was completed in March 2014. Processing of data has also been completed and its interpretation is in progress.

Third exploratory well Falah X-1 was spud in December 2013 and was drilled to a TD of 3,836m. Due to discouraging testing results, the well was plugged and abandoned as dry hole.

Subsequent to the year end, forth exploration well Sharf X-1 was successfully drilled and declared as Gas / Condensate discovery.

Fifth exploratory well Umran X-1 was spud in May 2014 and reached a total depth of 2,500m inside Lower Goru Upper Shale. Due to discouraging results, the well was plugged and abandoned as a dry hole.

Sixth exploratory well Kinza X-1 has been spud in July 2014 and the drilling is in progress.

The Government has granted eighteen months extension in 3rd license year of Phase-I up to 23 December, 2014.

Letter of Award was issued for relocation of Chachar Gas Processing Plant to Gambat South Block and work is in progress. Dismantling and shifting of equipment has been substantially completed and project is expected to be completed by end of first quarter of 2014-15, when first gas from the Gambat South block is expected.

Concurrently, tendering process is also in hand

for setting up of 50 MMscfd Gambat Production Facility.

BLOCK 2467-12 (JUNGSHAHI) (100% PPL)

Based on 2D seismic interpretation, one prospect was identified for drilling of exploratory well, however the prospect is falling in security sensitive area and upon Company's request, the DGPC has requested the Ministry of Defence (MoD) for the clearance of area. Matter is under consideration at MoD.

The application for twelve months extension in 3rd license year up to 23 September, 2014 is under consideration of the Government.

BLOCKS 2763-3, 2764-4, 2763-4 (KHARAN, KHARAN EAST, KHARAN WEST) (100% PPL)

Based on the interpretation of acquired 1,610 L.Km 2D seismic data and its integration with Stress Field Detection (SFD) and other geological data, additional 250 LKm 2D seismic data is being acquired in three Kharan blocks.

The Government has granted eighteen months extension in 4th licence year of Kharan and Kharan East Blocks up to 20 July, 2015 and up to 15 August, 2015 for Kharan West Block.

BLOCK 3371-15 (DHOK SULTAN) (PPL SHARE 75%) PPL / GHPL JOINT VENTURE

Based on the interpretation of acquired 160 LKm 2D seismic data and its integration with other G&G data, location of 1st exploratory well Dhok Sultan X-1 has been finalised.

The Government has granted one year extension in 3rd licence year w. e. f. 16 February, 2014.

BLOCK 2468-12 (KOTRI) (100% PPL)

Based on interpretation / mapping of reprocessed 2D seismic data, it is planned to acquire 426 Sq. Km 3D seismic data over the identified leads.

The Government has granted one year extension in 3rd license year up to 28 April, 2015.



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BLOCK 2568-21 (KOTRI NORTH) (PPL SHARE 90%) PPL / AROL JOINT VENTURE

Construction of access road and well site for 1st exploratory well Kotri North X-1 is in progress and well is expected to be spud by September, 2014.

Drilling of 2nd exploratory well Petaro X-1 has been delayed due to extraordinary difficulties faced in land acquisition. Efforts are ongoing to resolve the matter and spud the well at the earliest.

BLOCK 2468-10 (SIRANI) (PPL SHARE 75%) PPL / GHPL JOINT VENTURE

Based on interpretation of 3D seismic data, 1st exploratory well Malki X-1 was spud in December, 2013 and due to discouraging results, the well was plugged & abandoned as dry hole.

2D seismic acquisition, processing and interpretation of 286 LKm data in southern marshy area of the block have been completed. Application for entering into Phase-II of EL is under consideration of the Government.

BLOCK 2668-9 (NAUSHAHRO FIROZ) (PPL SHARE 90%) PPL / AROL JOINT VENTURE

First exploratory well Naushahro Firoz X-1 was spud in October, 2013 and reached TD of 3,773m in Chiltan Limestone in February, 2014. During testing, well flowed good quality gas at variable rates. The results indicate presence of tight gas, evaluation of which is planned through a tight gas study, 3D seismic and additional wells.

Second exploration well Gohar X-1 was spud in June, 2014 and reached TD of 1,630m. Due to discouraging result, the well was plugged & abandoned as dry hole.

Preparations are underway to acquire 3D seismic data to appraise the Naushahro Firoz X-1 tight gas discovery and identify additional prospects for drilling of exploratory wells.

The Government has granted one year extension in 3rd license year up to 3 June, 2015.

BLOCK 2667-11 (ZAMZAMA SOUTH) (100% PPL)

To evaluate the potential of stratigraphic trap in the block, 3D seismic data acquisition of 402 Sq. Km is in progress and recording of 111 Sq. Km has been completed.

Application for additional area of 156.6 sq km contiguous to the block boundary is under consideration of the Government.

BLOCK 3270-7 (ZINDAN) (PPL SHARE 35%) PPL / MPCL / GHPL / SAITA JOINT VENTURE

Interpretation of newly acquired 518 LKm was completed and location of 1st exploratory well Lakki X-1 has been finalised. Preparations are under way to spud the well by December 2014.

The Government has granted one year extension in 3rd license year up to 15 February, 2015.

PARTNER OPERATED BLOCKS

BLOCK 2768-3 (BLOCK-22) (HAMZA APPRAISAL) (PPL SHARE 45%) PPL / PEL / PYRAMID / GHPL JOINT VENTURE (OPERATOR: PEL)

PPL has surrendered its working interest in the Block w.e.f. 25 July, 2013 due to marginal prospectivity of Hamza discovery and legal formalities are being fulfilled.

BLOCK 3370-3 (TAL) (PPL SHARE 30%) PPL/MOL / OGDCL / POL / GHPL JOINT VENTURE (OPERATOR: MOL)

Exploration well Kot-1 was drilled to TD of 5,648m and due to discouraging results, the well has been suspended and will further be re-evaluated on the basis of ongoing 2D seismic data acquisition (Tolanj West).

Exploratory well Malgin-1 was spud in February, 2014 with planned TD of 5,725m in Kingriali Formation. Currently drilling below 5,385m is in progress.

**BLOCK 2667-7 (KIRTHAR BLOCK),
(PPL SHARE 30%) PPL / POGC JOINT
VENTURE (OPERATOR: POGC)**

Site construction for 2nd exploratory well, Rizq-1 is in progress and the well is expected to be drilled by October, 2014.

**BLOCK 3370-10 (NASHPA) (PPL
SHARE 30%) PPL / GHPL / OGDCL
JOINT VENTURE
(OPERATOR: OGDCL)**

3D seismic survey of 350 Sq Km over Mela-Bragai has been completed and it's processing along with depth processing of Mela / Chanda 3D seismic is in progress.

2D seismic survey of 395 LKm over Nashpa South, Central and Western areas is in progress.

**BLOCK 2669-3 (LATIF) (PPL SHARE
33.3%) PPL / ENI / OMV JOINT
VENTURE (OPERATOR: OMV)**

Evaluation of remaining block prospectivity is in progress.

**BLOCK 2668-4 (GAMBAT) (PPL
SHARE 30%) PPL/ OMV/ ENI/ GHPL
JOINT VENTURE
(OPERATOR: OMV)**

Contract for Regional prospectivity of Lower Tertiary Reservoir has been awarded and evaluation of remaining block prospectivity is in progress.

Application for nine months extension w.e.f. 3 April, 2014 is under consideration of the Government.

**BLOCK 2668-5 (SOUTH WEST
MIANO-II) (PPL SHARE 33.3%) PPL /
ENI / OMV JOINT VENTURE
(OPERATOR: OMV)**

Exploration well Jiskani-1 was drilled to TD of 3,756m and due to discouraging result, the well was plugged & abandoned as dry hole.

Workover of Misri Bhambro-1 tight gas is planned in September 2014 followed by fracturing job.

**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.

Applications for two years extension in Phase-II of Blocks N and C are under consideration of the Government.

**BLOCK 2265-1 (OFFSHORE INDUS G)
(PPL SHARE 25%) PPL / ENI / OGDCL
/ UEPL JOINT VENTURE
(OPERATOR: ENI)**

Reconstitution of Joint Venture comprising of Eni (Operator), PPL & OGDCL is in progress after the withdrawal of UEPL from the joint venture. PPL and Eni each have agreed to acquire additional 8.33% proportionate share of working interest and OGDCL's decision is awaited. During the process, window for spudding offshore well during early 2015 has been missed.

Application has been submitted to the Government for two months extension w.e.f. 1 July, 2014 of reconstitution of JV and decide on the way forward.

**BLOCK 3070-13 (BASKA)
(PPL SHARE 49%)
PPL / ZHENHUA JOINT VENTURE
(OPERATOR: ZHENHUA)**

Activities are on hold, pending operator's decision to farm-out its working interest along with operatorship.

**BLOCK 2568-20 (SUKHPUR) (PPL
SHARE 30%) PPL / ENI / KPBV JOINT
VENTURE (OPERATOR: ENI)**

Bidding process is in progress for planned 400 Sq Km 3D seismic survey. In-house G&G evaluation is also in progress.

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The application for 22 months extension in 3rd license year w.e.f. 19 April, 2014 is under consideration of the Government.

BLOCK 2468-9 (JHERRUCK) (PPL SHARE 30%) PPL / NHEPL / KEC JOINT VENTURE (OPERATOR: NHEPL)

Preparations are underway to acquire 200 Sq Km of 3D seismic data.

The Government has granted 11 months extension up to 30 December, 2014.

BLOCK 2568-19 (DIGRI) (PPL SHARE 25%) PPL / UEPL JOINT VENTURE (OPERATOR: UEPL)

Acquisition of 1,745 Sq. Km 3D seismic data was completed in August, 2013 and its processing is in progress.

The application for one year extension in 3rd licence year is under consideration of the Government.

BLOCK 3273-3 (GHAURI) (PPL SHARE 35%) PPL / MPCL JOINT VENTURE (OPERATOR: MPCL)

First exploratory well Ghauri X-1 was spud in November, 2013 and completed as oil producer from Sakesar Formation. Currently, EWT production is in progress.

Reprocessing of 320 LKm vintage seismic data is in progress.

BLOCK 2467-14 (JATI) (PPL SHARE 25%) PPL / KPBV JOINT VENTURE (OPERATOR: KPBV)

2D seismic data acquisition, processing and interpretation of 1,059 LKm were completed.

Location of 1st exploratory well has been finalised & the well is expected to be spud in January, 2015.

EXPLORATION ACTIVITIES IN NEW BLOCKS GRANTED IN 2014

Preparation to execute the work program started immediately after winning the areas for an early start. Status of activities in these blocks is as follows:

- 1st TCM/ OCM of all 10 operated blocks were held during March / April, 2014.
- Vintage seismic data, offset wells data and reports have been purchased for all blocks and its in-house G&G studies including seismic interpretation / mapping, preparation of different maps and wells failure analyses for all blocks is in progress.
- IEE studies for all 10 operated blocks and EIA studies for two blocks namely Malir & Shah Bandar have been completed and NOCs received. EIA study for Hab Block has also been completed and report has been submitted to EPA, Balochistan and its public hearing is being arranged.
- Bidding for 2D seismic survey has been completed for 5 Blocks namely Bela West, Hab, Margand, Malir and Khipro East.
- Security arrangements for seismic survey of Bela West, Hab and Margand are being finalised with HQFC Balochistan.
- 2D seismic is in progress in Malir Block and a total of 304 LKm data has already been acquired out of planned 480 LKm.
- 3D seismic survey is underway in Karsal block, whereas, crew mobilisation is underway for 2D seismic survey in Hisal block.
- Seismic crew mobilisation in Khipro East Block is pending due to non-issuance of security clearance by Ministry of Defence and the matter is being pursued with the Government.
- Contract for 2D seismic survey of 610 LKm in Nausherwani Block has been awarded.
- Technical bids evaluation for 2D/3D seismic surveys in Shah Bandar and Sadiqabad blocks have been completed and financial evaluation is in progress.
- 3D seismic designing studies have been completed for Sadiqabad, Shah Bandar and Karsal blocks.
- In-house reprocessing of vintage 2D seismic data has been completed for Sadiqabad, Hisal and Karsal blocks.

- Test reprocessing of vintage 2D seismic data of Khipro East is in progress.
- Bids have been invited for processing of 2D seismic data of Malir and Khipro East blocks.
- Geological Fieldwork (GFW) planned for 7 blocks is being started and phase-I of GFW for Hisal Block has been completed, whereas for Malir Block it is in progress.

Exploitation of Unconventional Resources

Shale Gas

In line with the Company's plan for the Reconnaissance and Prospecting stages for unconventional resources exploration, technical data is being collected.

The Management is holding discussions with companies having niche unconventional technology for possibility of partnering at commercially par terms.

Tight Gas

Exploration and appraisal at Naushahro Firoz Block will continue to evaluate the potential.

Coalbed Methane

The Company is evaluating the possibility of appraising the potential of Coalbed Methane (CBM) through R&D based pilot projects in partnership with the Government of Sindh.

INTERNATIONAL EXPLORATION AND DEVELOPMENT

Growth remains the prime focus of the Company's Corporate Strategy with the objective of replacing reserves and enhancing production through organic growth as well as through acquisitions. Concerted efforts were put in during the fiscal year to maintain and improve Company's position as one of the leading exploration and production companies in Pakistan. Momentum of the ambitious exploration program was augmented to fast-track replenishment of reserves and achieve growth targets.

As the conventional gas reserves are dwindling and becoming more and more difficult to find, greater emphasis worldwide is shifting towards M&A and international E&P opportunities in new basins to capitalise on unexplored potential. Companies are also focusing their efforts on exploitation of unconventional gas reserves.



Directors' Report

PPL's cross-functional teams have been actively engaged in evaluating international projects offered through Government-to-Government (G2G) partnership in Turkmenistan, Africa and Middle East.

Block 29 (Yemen) (PPL Share 43.75%) (Operator : OMV Yemen)

During the current year, the management of the Company has decided to transfer the entire working interest in Block-29 Yemen to its wholly owned subsidiary PPL Europe E&P Limited. Once necessary documentation is signed by all parties, the transfer of assignment will be effective from May 14, 2014.

THE GROUP AND ITS OPERATIONS

The Group consists of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies i.e. PPL Europe E&P Limited, PPL Asia E&P B.V., The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC) and PPL Asia DMCC (liquidated during the year, as detailed below).

The Group, except PPPFTC and PPL Asia DMCC, is principally engaged in conducting exploration, prospecting, development and production of oil and natural gas resources.

Financial statements of the Group reflected increase in consolidated profitability by 21%. Group sales revenue was recorded at Rs 121 billion while profit after tax was at Rs 51 billion as compared to Rs 103 billion and Rs 42 billion respectively in 2012-13.

Brief profiles and analysis of subsidiary companies are as follows:

PPL Asia E&P B.V.

PPL established a wholly owned subsidiary PPL Asia E&P B.V. based in Amsterdam, Kingdom of Netherlands in July 2013. PPL has assigned its 100% working interest in Block-8, Iraq to PPL Asia in September 2013 and accordingly PPL Asia is the contractor and operator of Block-8. A branch office of PPL Asia was setup in Baghdad during the year to embark on operational activities.

Vintage 2D seismic data of about 4,268 line Km was evaluated in-house and few leads have been identified which are being further evaluated for acquiring new 2D/3D seismic data to firm-up as a drillable prospect. During the year contractors have completed 3D Seismic Acquisition Design Study, Gravity and Magnetic Studies and Environmental Baseline and Impact Assessment studies.

The major work program in the remaining part of the five year exploration period includes acquisition of 2D & 3D seismic data, acquisition, processing, interpretation and depending on the results of the new data, firming-up of a prospect for drilling of an exploration well.

PPL Europe E&P Limited

The main objective of PPL Europe E&P Limited is exploration and production of oil and gas. The subsidiary holds partner-operated working interests in five Pakistan and Yemen based exploratory blocks (i.e. Harnai, Ziarat and Barkhan in Pakistan and Block-3 and Block-29 in Yemen) and one producing field in Pakistan (Sawan). During the year, PPL Europe E&P Limited has contributed around Rs 1,528 million to Group revenue.

An Asset Purchase Agreement (APA) was signed with Asia Resources Oil Limited (AROL) in May 2014, for acquisition of AROL's entire working interest in Gambat South, Naushahro Firoz and Kotri North Blocks. Execution of APA is subject to fulfillment of the Conditions Precedents set in the Agreement. Regulatory approvals are awaited from the Ministry of Petroleum and Natural Resources.

Block-29: Operator - OMV Yemen

High Resolution Aero Gravity and Magnetic survey is planned however survey is delayed due to adverse security conditions in Yemen.

Regional G&G study report is being finalised.

Block-3: Operator- Total EPY

High Resolution Aero Gravity survey is on hold due to security concern. 2D wide line feasibility study has been completed. Geochemical and petrographic reports on Tuba-1 well are being finalised.

Ziarat Block: Operator - MPCL

After the production of high water from appraisal well Khost-3, a third party study was carried out. Based on study results, it is planned to carry out addition perforations in the well.

Seismic acquisition on the remaining part of the block will be acquired after the improvement of security situation.

Harnai Block: Operator - MPCL

Bidding process is ongoing for acquisition of 150 LKm 2D seismic data. Other in-house G&G studies are in progress.

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

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

PPL Asia DMCC

Subsequent to decision of the respective Boards of the Holding Company and PPL Asia DMCC

to liquidate PPL Asia DMCC, the Company was liquidated during January 2014.

FUTURE PROSPECTS AND PLANS

The increase in demand together with hike in oil and gas prices during the recent past has built-up attention towards the exploration and production sector worldwide. The trend has also influenced the E&P activities in Pakistan, where the energy demand and supply gap is continuously widening. The Company's exploration strategy is aimed at replenishing and enhancing its existing reserves. To this end, regional studies and evaluation continue to identify prospective areas for direct participation in bidding and pursuing farm-in opportunities with other companies.

PPL Group's current exploration portfolio comprises 27 operated and 20 partner operated blocks, including 3 offshore blocks, one operated block in Iraq and two partner-operated blocks in Yemen. The blocks are located in all the different sedimentary basins of Pakistan.

Continuing its tradition of working with enterprising joint venture partners, PPL is seeking partnerships with interested companies for i) Joint Venture for Shale Gas exploitation in Pakistan, ii) JV with experienced companies to properly explore the hydrocarbon potential of Offshore Pakistan iii) Swap of working interest with PPL from existing



Directors' Report

exploration portfolio in return for similar mature opportunities locally and internationally iv) Form a consortium to participate in the domestic and international bid rounds or farm-in by PPL in the selected prospective regions and v) JV with potential investors for equity participation in E&P Services Sector.

BOLAN MINING ENTERPRISES

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

Over the years, BME has met 90 percent of the Baryte requirement of the oil exploration industry in Pakistan. In order to meet the increased demand of Barytes, BME has enhanced its production capacity from 50,000 to 150,000 tonnes per annum to meet the local as well as international demand efficiently. Bolan Barytes are produced strictly in accordance with the American Petroleum Institute (API) Specs and also been authorised to use API's official Monogram on Bolan Barytes. From the last year, BME has started exporting Barytes ore and powder to the Middle East and succeeded in selling record high 145,879 tonnes of lump and fine baryte against the budgeted target of 135,000 tonnes during the year 2013-14.

Bore-holes drilling for exploration in the Lead-Zinc Mining Lease at Khuzdar continues. Metallurgical testing of samples to IMN Gliwice, Poland is being carried out.

BME posted a pre-tax profit of Rs 599.96 million during the current financial year as compared to Rs 302.76 million earned in 2012-13. After appropriation of Rs 118.15 million towards reserve for development and expansion, your company's 50% share of the profit was Rs 235.52 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 taken concrete steps for identification of potential risks, their evaluation and prioritisation so that timely and appropriate actions can be taken to keep the risk level within tolerable limits. The Company is also committed for implementing Enterprise Risk Management best practices in line with the framework proposed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

In compliance with Public Sector Companies (Corporate Governance) Rules 2013, a separate Board Risk Management Committee has been setup to advise the Board on Company's overall risk appetite, tolerance and strategy and oversee current risk exposures of the Company and future risk strategy. The Committee shall also review risk assessment processes and Company's ability to identify and manage new risk types.

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



Major Risks & Challenges	Mitigating Factors
<p>Significant decline in international crude oil prices resulting in consequential reduction in profitability</p>	<p>Decline in prices of crude oil has an adverse impact on the Company's revenues since 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.</p>
<p>Under performance of major oil and gas fields forcing material revision in production and reserve estimates</p>	<p>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.</p>
<p>Security conditions at locations disrupting operations and exploration efforts</p>	<p>Field exploration and production activities carried out under strict security cover arranged in collaboration with law enforcement agencies and security personnel. The Company has well-defined Emergency Response Procedures in place at all field locations. Respective field locations and head office have customised business continuity plans to avoid business disruptions in possible crisis scenarios.</p>
<p>Delay or default in settlement of Company bills by customers</p>	<p>Rigorous follow-ups are maintained on defaulting customers to recover Company dues. All possible recovery measures are adopted to ensure that overdue bills are settled by the customers without delay. Intervention of Government authorities are sought wherever considered necessary.</p>
<p>Adverse conditions arising from economic and political instability</p>	<p>Economic and financial market conditions and social / political climate of the locations / 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.</p>
<p>Exposure to increased competition due to entry of new players in the oil and gas sector</p>	<p>The Company follows a multi-pronged strategy including capturing the opportunities for joint ventures, M&A opportunities, farm-ins/ farm-outs and swap arrangements with local and foreign E&P companies to reduce sole exposure to increased competition and to maintain a balanced exploration portfolio.</p>
<p>Mining leases are not renewed, resulting in consequential reduction in revenue and profitability</p>	<p>The Company vigorously follows up on renewal / extension applications filed with the GoP. Leases are expected to be renewed by GoP, which is also the majority shareholder of PPL.</p>

Directors' Report

HUMAN RESOURCES

In view of rapid growth in magnitude of business in the recent past, an independent review of organisation structure was carried out through Schlumberger Business Consulting with a focus to assess organisational readiness in supporting strategic vision for growth. Major changes are being gradually made in departmental structure including reallocation of human resources to streamline operations, clear responsibilities and accountabilities and timely delivery of enhanced commitments.

Due to persistent surge in oil prices and consequent increase in exploration and development activities, attrition in E&P sector is unbridled. To ensure progress on ambitious work program during this era of extreme shortage of Drilling, Reservoir, Production Engineering and G&G professionals, PPL has to compete with other multinational E&P companies to attract and retain high caliber professionals.

For long term viability of the Company, availability of aptly trained resources is ensured through effective succession planning for all critical positions.

Training and Human Resources Development

To support the Company's robust business programme and sustain its position as the premier E&P Company in Pakistan, it is imperative that human capital skill set is aligned with the operational resources and systems for increased value addition. Accordingly PPL offers extensive Training and Development opportunities for technical and management skill enhancement. This is done while keeping in view the emergent business priorities arising out of growth in the Company's business portfolio and new acquisitions and mergers.

Staff training needs are assessed annually and discussed with appropriate stakeholders so that relevant training opportunities are provided for individual and organisational growth.

A focus on capacity building continued to remain a priority and as part of capacity building initiatives for young professionals, the Company inducted 75 graduates and diploma holders under its On-job Training Program and On-job Special Training Scheme for underdeveloped areas of Balochistan.

Besides the above, the Company has initiated a one year Extended Internship Program (EIP) for meeting challenges of capacity building of young Pakistani professionals from a cross section of society with special consideration for marginalised communities and underdeveloped areas of Pakistan. Currently, 40 graduates and diploma holders are undergoing training at PPL's Head Office and field locations, and in order to foster strong industry academia linkages, induction of approximately 100 more internees is underway in the fresh batch in collaboration with NED University of Engineering and Technology. The joint efforts of PPL and NED are expected to provide value addition to selected candidates with potential for enhanced employability on completion of training.

Apart from this, approximately 150 students from various institutions across the country are regularly offered summer and winter internships every year, in various professional disciplines, for duration of 4 to 6 weeks.

Under PPL's foreign scholarship scheme, three scholars are currently pursuing Masters Degrees in Petroleum Engineering in reputed foreign universities, whereas three more foreign scholarships will be awarded, one for Masters Degrees in Petroleum Engineering and two for Masters in Geosciences before the end of this year.

Industrial Relations

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

Long Service Awards ceremonies and other recreational activities in the form of Annual Sports and social gatherings were organised at Head office, Sui Gas Field, Kandhkot, and Adhi Fields. Moreover, a musical evening was also held at Head Office which was largely attended by the employees & their families.

Negotiations on Charter of Demands have been resumed with the newly elected CBA representatives. Further, meetings will be held shortly to progress the agreement.

The case of entertaining buyback claims and

disbursement of dividend to the employees by Employees Empowerment Trust (EET) is still on hold on the directives of Privatisation Commission.

Employment of Special Persons

The 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.

QUALITY AND HEALTH, SAFETY & ENVIRONMENT

Quality and HSE policies have been consolidated into single high level policy playing a key role in the decision making process to ensure compliance with statutory requirements and improving implementation of Quality, Health, Safety and Environment (QHSE) Management System.

PPL affirms that QHSE are key factors across all Company operations. The Company is committed to ensuring compliance with the QHSE Management System for health and safety of staff, contractors and visitors and for Company assets.

The Company sets realistic objectives and key performance indicators and conducts regular reviews for continual improvement and embedding green practices across the board in all business activities.

The Company also complies with statutory QHSE legislation, occupational health standards and process safety management for proactive identification of workplace hazards and report incidents in a timely manner to assess and manage risks and maintain transparent communication with external stakeholders.

Lost Time Injury & Illness Rate

Incident KPIs are adopted at PPL in line with Guidelines published by International Association of Oil & Gas Producers (OGP). Key KPIs include Lost Time Injury Frequency (LTIF) and Total Recordable Injury Rate (TRIR). Analysis of LTIF for Company employees depicts a declining trend in occurrence of lost time incidents which is reflective of QHSE Management System effectiveness.

Statutory Compliance

Initial Environment Examination (IEE) and Environment Impact Assessment (EIA) Studies are consistently undertaken at all development projects including seismic, drilling and other projects' activities initiated by the Company in pursuance of Pakistan Environmental Protection Act, 1997. IEE / EIA Studies facilitate proactive identification of environmental sensitivities at development sites and advising mitigating measures for protecting natural environment from potential impacts.

IEE and EIA Studies of newly acquired blocks i.e. Hisal, Karsal, Sadiqabad, Nausherwani, Shah Bandar, Malir, Hab, Bela West and Khipro East have been completed and IEE NOCs have been acquired from concerned Environmental Protection Agencies prior to commencement of seismic and drilling activities.

Also, environmental clearance of Block-8 Iraq has been acquired from Government Authorities of Iraq after a successful Environmental Impact Study completed through an international environmental consultant.

Independent Environmental Monitoring during seismic and drilling operations is carried out through reputed consultant for ensuring compliance to methodologies underscored in environmental studies, legal requirements, as well as, Company's HSE Standards.

All PPL operated fields are registered with the



For a business hinged on sustainable use of finite natural resources, we remain vigilant on curtailing the footprint of our operations to conserve the **environment** in our day-to-day operations through measures such as water-based mud for drilling, use of asbestos-free material and zero flare emissions at all our plants, facilities and installations. Besides being compliant with National Environmental Quality Standards, 13 Company-operated facilities are certified for ISO 14001 Environmental Management System.

Environment





Protection

With 14 facilities certified for ISO 18001 Occupational Health and Safety Advisory Services (OHSAS), PPL adheres to stringent Health, Safety and Environment standards at all operational areas for **protection** and safety of employees, contractors as well as plant and machinery. Staff buy-in is achieved through a regular rollout of trainings and mock incidents to embed the importance of HSE practices and update skills.

Directors' Report

Federal Environmental Protection Agency under Self Monitoring and Reporting Program for monthly testing through external laboratory and reporting of emission parameters against National Environmental Quality Standards (NEQS).

Environmental Protection Measures

Environmental management activities are given high priority in overall management of the business. Environmental Aspect Impact Analysis is carried out and reviewed periodically for all operational activities at Fields for proactively identifying, evaluating potential environmental aspects and taking appropriate precautionary control measures to mitigate their impacts on natural environment.

Company has well defined procedure on Waste Management and is effectively implemented across the board. The procedure includes waste segregation at source, minimisation strategy, preference to waste recycling and reuse, safe handling and disposal of hazardous waste in environmental friendly manner.

Produced water is either injected back into the deep reservoir or contained in evaporation ponds lined with pit liner for avoiding land discharge. Alternatively, Wastewater evaporator and forced evaporation systems are also utilised for evaporating effluent water in order to eliminate soil & ground water contamination. Further, pilot project was initiated for wastewater treatment at Field through unconventional method i.e. constructed wetland technology. So far the outcome is promising which is being closely monitored for possible implementation on large scale.

In addition to above, following green practices are also adopted supporting Company's commitment towards environmental sustainability to go beyond mere legal compliance:

- Use of Light Emitting Diode (LED) technology is promoted for all new projects and expansion activities throughout the Company in line with sustainability principles.
- Noise monitoring & abatement exercise is carried out for ensuring safe working in high noise areas and noise control through enclosures and sound barriers as appropriate.
- Adequate control arrangements e.g. bunds

and spill control kits etc. are in place to handle incidental spills along with availability of designated trained contingency teams.

- World Environment Day was celebrated all over PPL Fields / Departments encouraging the conservation efforts and green practices that needs to be adhered in the business activities.
- PPL supports conservation efforts of NGOs through Corporate memberships and participations in various events e.g. Karachi Water Partnership, WWF Pakistan etc.
- Energy and water conservation campaigns are regularly undertaken through handouts, stickers & leaflets distribution. Awareness sessions and HSE walk also support in fostering HSE culture at Fields.
- Water based mud is preferred in Drilling Operations, which is known for compatibility with natural soil in comparison to oil based mud, which requires special treatment for disposal.
- Use of biodegradable explosives in exploration activities.

ISO 14001 and OHSAS 18001 Certifications

PPL operated Fields and selected Departments are certified for ISO 9001, ISO 14001 and OHSAS 18001 international standards. Keeping in view usefulness of these certifications in achieving Company's overall objectives, certification pool is being expanded through gradual inclusion of remaining Departments. Recently, Exploration Department acquired ISO 14001 and OHSAS 18001 certifications, whereas, Production Engineering successfully achieved ISO 9001 certifications.

Occupational Health Surveillance Program

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

HSE Award

Acknowledging PPL's commitment and efforts towards maintaining QHSE standards across

the board, PPL clinched Employer's Federation Pakistan (EFP) prestigious Occupational Safety, Health and Environment (OHS&E) award in the overall category on the occasion of World Day for Safety and Health at Work in April 2014.

HSE Trainings

Significance of QHSE Trainings and refresher programs is realised at PPL for a very long time. QHSE Staff in coordination with Training & Development Department arranges QHSE trainings to promote skills and competence of Staff in handling QHSE matters efficiently at respective workplaces.

Various training sessions were held at Head Office and Fields by involving internal as well as external trainers on various QHSE topics. Also, scenario based emergency drills were conducted regularly followed by acting upon lessons learnt for improvements in employees readiness to deal with potential adverse events.

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 satisfaction as well as adopting and enhancing the best international practices and procedures.

ENERGY CONSERVATION

PPL observed Earth Hour (EH) on the night of 29 March 2014 to reiterate its support for energy conservation. EH was strictly observed by switching off all non-essential lights and electronic devices at the head and regional offices as well as field locations during the designated hour. EH was observed to highlight the need for conserving dwindling energy resources in particular and other environmental challenges such as climate change and rapid biodiversity loss.

BUSINESS CONTINUITY PLAN (BCP)

Business Continuity Management System (BCMS) exercises were conducted for different departments to check the preparedness level to continue the Company business in any major disaster like situation. Full scale exercises were conducted, in which departments were asked to continue their work from alternate work site for several days. IT infrastructure and related

facilities, which have been upgraded at Alternate Work Site were checked through periodic testing. Capacity of Alternate work site was increased. Training sessions also continued during the year.

ORGANISATIONAL PROJECT MANAGEMENT

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

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. The spirit of the Company's contribution for social welfare is not to deliver goods and services but to sincerely contribute for tangible sustainable development of the area in a planned manner. Therefore, CSR is not a short-term practice but envisaged as a slow moving long term process in which development initiatives are gradually unfolded for the betterment of the society.

The Company's CSR activities are driven by management desire to positively touch lives of our communities. PPL's priority for undertaking and supporting CSR initiatives is at its production and exploration areas which are heavily concentrated in Sindh and Balochistan. It is due to this reason that most of our CSR initiatives have been carried out in Balochistan and Sindh. To ensure transparency in development schemes, PPL regularly undertakes monitoring to ensure quality and progress of the schemes.

At PPL, CSR is an ongoing company function where the Directors carefully examine each CSR initiative, its merits, expected impact; encouraging innovation and strengthening local institutions

Directors' Report

for long term sustainable development of these areas.

National-cause – Emergency Relief

In September 2013, the nation once again confronted with a devastating natural calamity in the form of an earthquake when a series of over 7.7 magnitude earthquakes struck the Awaran District of Balochistan that destroyed 90% of housing, water resources, educational, health and communication infrastructure in the area that killed more than 376 people and injured around 1,000 persons. The earthquake overall affected more than 200,000 people.

In that hour of need, PPL like past practice immediately dispatched 20 trucks of relief goods containing 10,000 food bags containing edible items and tents for the affectees which were distributed through Pak Army in the affected areas. Apart from in-kind assistance, PPL also donated Rs 10 million to Prime Minister's Earthquake Relief Funds for the earthquake affectees of Awaran.

The PPL had initiated a long-term rehabilitation project for improvement of physical infrastructure at 3 flood affected (2010 flood) union councils in

the surrounding areas of Kandhkot and Chachar Gas Fields of District Kashmore. The project was initiated in collaboration with the Pakistan Poverty Alleviation Fund (PPAF), Islamabad and implemented at site by Sindh Rural Support Organisation (SRSO). During the year, 16 schemes were completed including brick paved link roads, culverts, water resource development through installation of hand-pumps, etc while 35 schemes were in progress.

Community Investment and Welfare Schemes for Underprivileged Classes

Being an exploration and production Company, PPL usually finds itself operating in far-flung remote areas, where lack of financial and technical resources and weak governance coupled with undesirable political intervention, result in under-development of these areas. In such situations, local stakeholders associate high expectations with PPL to address their suffering and draw schemes for welfare of the local communities.

For communities living in the surroundings of Company's producing fields of Sui, Kandhkot, Mazarani and Adhi areas, an array of welfare initiatives such as regular scholarship schemes for local students, free gas and free water supply



to local population of Sui town, free healthcare through mobile medical dispensaries, free medical, eye and skin camps, water supply, miscellaneous educational and healthcare facilities and skills development continued by the Company.

During the year, PPL also completed construction, equipment and furnishing of a 50 bed hospital at a cost of approximately Rs 400 million and initiated its limited operations (OPD and Labor Room). The hospital is operated through Board of Governors appointed by the Government of Balochistan. The hospital operations are expected to expand after appointment of specialists by the Government of Balochistan. Besides construction, basic equipment and furnishing, PPL has agreed to bear cost of 10 specialists and also provide medicines worth Rs 10 million annually to the hospital. Efforts are underway by the Health Department, Government of Balochistan to transfer / appoint the specialists at the earliest. The hospital provides health care facilities to the local population and is expected to reduce patients load on Sui Field Hospital of PPL at Sui.

Sufficient support also extended to other noble causes for welfare for under-privileged segments of the society at large. These tangible and sustainable social investments were aimed at welfare of the society.

Rural Development Programmes

PPL sees rural development as a process, which aims to enhance livelihood opportunities and other facilities for inhabitants of the rural areas at their door step thus contributing to reduce rural urban migration. As a public friendly and socially responsive corporate, PPL heavily invested in providing necessary infrastructure for development of these areas and undertook initiatives for skills development of the youth of the area. PPL undertakes schemes to improve physical infra-structures, entrepreneurship, vocational and skill development programs for livelihood generation to help improve quality of our rural communities.

PPL Welfare Trust

To undertake welfare schemes in Company's production areas and beyond, PPL established PPL Welfare Trust to draw up schemes and projects for the development of PPL production areas and its communities.

PPL Trust undertook social welfare initiatives during the year under review that focused on education, health care, infra-structure development, water resource development, skill development and livelihood generation.

During the year, the following CSR activities were undertaken by the Company.

Education:

- Operated Sui Model School & Girls College at Sui. The school has more than 2,900 local male and female students.
- 60 Annual Scholarships for higher professional education in the field of Business Administration, Engineering, Medicine and IT.
- 20 Annual scholarships to local students of District Kashmore, Kamber, District Kamber-Shahdadkot, District Sanghar and Tehsil Gujjar Khan to pursue Higher Professional Education at HEC recognised public sector institutions across the country.
- 8 Annual scholarships for students of Balochistan to study at LUMS and IBA, Karachi.
- 30 Annual scholarships from Class9-12 for students of Balochistan to study at reputed english medium schools across the Country.
- 12 Annual Scholarships for local student of Sui to Study at Balochistan Public School, Sui.
- Completed construction and commenced regular operation of PPL-TCF Campus through The Citizen Foundation (TCF) at Tando Mohammad Khan.
- Provided financial assistance for establishment of a Digital Geophysics Laboratory at the Department of Earth Sciences (DES), Bahria University, Karachi.
- Contributed towards research and development activities at PPL Chair at Bahria University, Karachi.
- Constructed multi-purpose hall at Govt. Girls Junior Model High School, Bahawalpur.
- Established Computer Laboratory at Govt. Girls Degree College, Khuzdar.
- Constructed building for Govt. Girls Primary

PPL believes in enabling underprivileged and marginalised communities to access quality **education** as the only surefire route to sustainable livelihood generation and poverty alleviation. Accordingly, educational initiatives are given top priority in PPL's Corporate Social Responsibility programme, particularly in the Company's operational areas. Major initiatives include some 150 merit-based annual scholarships for secondary, higher secondary and tertiary-level study in prestigious academic institutions across the country.

Education





Philanthropy

We take great pride in being the largest corporate giver in volume of donations among all public-listed companies in the country, as evident by the conferral of Pakistan Centre of Philanthropy's Corporate Philanthropy Award for nine consecutive years. With a minimum 1.5 percent of annual pre-tax profits benchmarked by the Board for community development and welfare efforts, actual spending on **philanthropy** mostly exceeds the benchmark, with participatory projects in education, health, infrastructure development, livelihood generation and disaster rehabilitation.

Directors' Report

School, Sunjer Khan Junejo, District Sanghar.

- Constructed academic blocks around Adhi Field at Government Girls Elementary School, Adhi, Government Boys Primary School, Mastala, Government Girls Primary School, Mastala and provided furniture to 8 government schools.
- Constructed Government Girls Primary School, Garnani Ishani, District Barkhan.
- Provided furniture under PCA obligation to 2 Government schools in Tehsil Jand, District Attock.
- Financial assistance to PI Teach-Pakistan for translation of text books into Balochi and Sindhi languages.

Healthcare:

- Commenced operation of 50 bed PPL Public Welfare Hospital at Sui.
- Treated non-entitled local patients at PPL Sui Field Hospital at Sui.
- Provided free health care through mobile dispensary at Sui town, villages surrounding Mazarani Gas Field and PPL Kandhkot Gas Field.
- Held free surgical camps at Dera Bugti, Kandhkot, Kambar, District Sanghar and Adhi during the year.
- Continued financial assistance to Marie Adelaide Leprosy Centre for free treatment of Leprosy, TB and Blindness at Kandhkot, Kech and Panjgur.
- Provided ambulance to Government Dispensary, Budhapur, District Jamshoro under social welfare obligation of Kotri North block.
- Provided emergency, gynae, peds & surgical equipment and instruments to Tehsil headquarters Hospital, Karor Lalessan, District Layyah under social welfare obligation of Dera Ismail Khan Block.
- Sponsored construction of Thalassemia Diagnostic, Prevention and Research Centre at Badin under social welfare obligation of Sirani block.
- Contributed towards purchase of

psychotropic medicines for Karwan-e-Hayat Psychiatric Care & Rehabilitation Centre, Karachi throughout the year.

- Contributed towards purchase of equipment for TB Ward constructed by PPL at Jinnah Post-Graduate Medical Centre, Karachi.
- Contribution towards treatment of 50 cancer patients from Balochistan at Cyberknife Centre at Jinnah Post-Graduate Medical Centre, Karachi.
- Contributed towards Drug Demand Reduction Activities by Model Addiction Treatment & Rehabilitation Centre, Lyari, Karachi.
- Provided financial assistance for purchase of Portable Phacoemulsification machines to Al-Shifa Trust Eye Hospitals at Sukkhar and Rawalpindi.
- Contributed for construction of ward at Koochi Goth Hospital, Karachi..
- Financial assistance to Murshid Hospital and Healthcare Centre (MHHCC), Hub, Karachi for purchase of equipment in order to facilitate diagnosis and treatment of patients residing in Hub and other areas of District Lasbela and Awaran, Balochistan.

Skill Development & Livelihood Generation

- Constructed Women Vocational Training Centre at Sui town.
- Extended in-kind support to Technical Training Centre, Sui.
- Contributed towards operating Women Vocational Training Centre near Adhi, District Rawalpindi.
- Contributed towards operating Women Welfare Centre at Sui.
- Contributed in kind for HUNNAR, Women Vocational Training Centre.
- Awarded 35 scholarships to pursue Diploma of Associate Engineering (DAE) in registered and reputable institutes across the country.

Public Welfare

- Provided free gas to general public of Sui town.

- Operated Computer Training Centre cum Public Library at Sui.
- Constructed Public Library cum Computer Centre at Tando Allahyar town, District Tando Allahyar under social welfare obligation of Tajpur block.
- Provided sports items for students of Balochistan Public School, Sui.
- Donation for purchase of 100 FM hearing aid systems to Institute for Special Children, Quetta.

Relief & Rehabilitation:

- Donation to Government's Earthquake Relief Fund for Awaran.
- Donated relief goods to earth quake affectees of District Awaran.

In recognition of Company's contribution for CSR, PPL was once again declared the largest corporate giver by volume of spending on CSR during 2012 by Pakistan Centre for Philanthropy, Islamabad. PCP is non-for-profit organisation working to promote and record CSR and corporate giving in Pakistan and has established a "Corporate Philanthropy Award" for top companies in terms of volume and percentage of profit. The Company bagged the award for the ninth consecutive year in the same category.

As a responsible corporate organisation with a stake in the country's development spanning over 60 years, though the PPL Board had set a minimum bench mark of 1.5% of pre-tax profit for Corporate Social Responsibility (CSR) projects, however, the actual spending on CSR exceeded 1.6% of the Company's annual profit before tax.

PPL has a wide and diverse outreach of social development activities to win hearts of the communities particularly at its producing and exploratory area as a leader in Corporate Social Responsibility in Pakistan.

INFORMATION TECHNOLOGY BUSINESS PROCESS RE-ENGINEERING / DEVELOPMENT ACTIVITIES

Perceptive of the ever-increasing role of Information Technology as key enabler for strategic and operational activities of the

Company, the Information Technology function proactively endeavours to boost organisational performance, sustainability, innovation and competitive advantage through secure, reliable and friendly IT systems and services by means of latest technology solutions.

Accordingly, the first phase of project for achieving conformance to international Information Security Management System ISO/IEC: 27001:2013 is in progress. Information Technology function has also adopted global best practices and mature methodologies for using centralised Project Management System for all IT Projects, and IT-PMO is also extending support to corporate PMO.

The in-house SAP Competence Centre continues the process improvement cycle to establish a platform for strategic and operational decision making with strong emphasis on performance management, information integrity, and process automation with integrated controls. Recent and current process areas of focus include Production and Sales, Plant Operations and Maintenance, Procurement, Strategic Planning, Asset Life-cycle Management and Organisational Performance Management. The envisioning and pilot implementation of Enterprise Content Management is another major initiative to facilitate efficient management of digital information and elimination of paper-based record keeping for improved Business Continuity Management.

The Technology Management Centre is gradually implementing Knowledge Management program with alignment of technical application architecture, business processes and the stakeholders for multi-user collaboration throughout the lifecycle of the field. Thus, consolidation of E&P data, and integration of silos is in progress for convenient access to wealth of digital information assets. The centre is also identifying and upgrading tools and system for centralisation and optimum integration. It aims simultaneous access by multi-disciplinary teams, besides augmenting Business Continuity Management.

Alignment of IT Infrastructure and Systems with business needs is an on-going program based on implementation of industry standards and best practices for IT Operations Management, Information Security and Governance. Thus, messaging and collaborative services are accessible 24x7 from anywhere and

Directors' Report

Head Office has complete wireless connectivity facilitating mobility with managed BYOD support for common IT Services.

Having achieved Multi-site Private Cloud delivering resilient IT Services to the users, selected IT Services are now being offered using 'Software as a Service' model – the aim is device and channel agnostic accessibility for almost all IT Services. Further, enhanced office communication with integrated Enterprise Social Network aims at a more effective and efficient collaboration between employees as well as within the industry. Other in-progress initiatives include strengthening of networks through load balancing resilient fibre links, multi-ISP Internet with increased bandwidth, Data Centralisation, high-performance Storage for mission-critical E&P applications. A new and improved Data Centre will soon be operational.

Significant efficiency in remote and on-site support delivery has been achieved through establishment of ITIL compliant Service Desk. Centralised configuration and deployment of IT assets and standardised user-profiles have provided a boost to productivity and service delivery. Further, IT Asset Management and integration with the Service Desk has facilitated enforcement of policies and procedures, particularly strict IP compliance.

CORPORATE AWARDS

During the year, PPL secured three 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 2012. 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 seventh 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 2012 at the Corporate Philanthropy Awards. The Company bagged the award for the ninth consecutive year in the same category.

PPL contributed Rs 1,100 million in the year 2011-12 towards various Corporate Social Responsibility (CSR) initiatives.

HSE Award

PPL clinched Employer's Federation Pakistan (EFP) prestigious Occupational Safety, Health and Environment (OHS&E) award in the overall category in recognition of its commitment and efforts towards maintaining QHSE standards across the board.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

PPL is a significant contributor to the national economy. The Company's share of production of natural gas, Oil, LPG and NGL from operated and partner-operated fields, for the financial year 2013-14 in terms of energy, was equivalent to over 167,000 barrels of crude oil per day resulting in foreign exchange savings of around US\$ 6.6 billion for the current year assuming an average crude oil price of US\$ 108.32 per barrel prevalent during the year.

In addition, payments to the Government Exchequer by the Company were around Rs 79 billion during the year (Rs 52 billion during 2012-13) on account of taxes, royalties, excise duty, sales tax, GDS, GIDC and dividends.

INTERNAL AUDIT AND CONTROL

The Board has set up an independent Internal Audit function, which is in compliance with the requirements of Code of Corporate Governance 2012 and Public Sector Companies (Corporate Governance) Rules, 2013, issued by SECP. It is headed by a qualified Chartered Accountant who is a full time employee of the Company reporting to the Chairman, Board Audit Committee and administratively to the Managing Director/Chief Executive Officer. Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company including all its subsidiaries. Internal Audit Charter describes the Purpose, Authority, Responsibility and Reporting Relationship of the Internal Audit

Department. The scope of Internal Audit within the Company is clearly defined, which broadly involves review and evaluation of organisation's 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, deterrence and investigation of fraud, safeguarding of Company's assets and reviewing compliance with laws, rules and regulations. The Internal Audit also undertakes special projects including value for money studies as and when directed by the Board Audit Committee.

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

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

The Internal Audit function is an integral part of the Company's Governance structure which provides the Management with adequate assurance that accounting and internal control systems are operating efficiently. Internal Audit also plays a central role in highlighting weaknesses in the existing system and processes and identifying opportunities for implementation of cost effective controls needed to strengthen the overall control system.

A strong control environment and established internal control framework exists in the Company comprising of clear structures, segregation of duties, authorisation 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.

Business Ethics and Anti-corruption Measures

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

Whistle Blowing Policy

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

CORPORATE GOVERNANCE

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

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

Recognition of Stakeholders' Rights

The Company recognises and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others.

Directors' Report

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 contractual obligations towards its business partners, local communities where it operates and other stakeholders and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

Board's Composition

The status of each Director on Company's Board whether non-executive, executive or independent has been disclosed in this report in accordance with the Code of Corporate Governance, 2012 (CCG) and Public Sector Companies (Corporate Governance) Rules, 2013 (PSR) issued by the Securities and Exchange Commission of Pakistan. Five directors on Company's board are independent in terms of clauses of CCG and PSR.

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

Fiduciary Responsibilities and Directors' Trainings

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

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

Code of Conduct for Directors and Employees

The Code of Conduct for Directors and

employees strengthens the standard for professional business-like behaviour 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 compliance.

Reporting of Share Transactions and Closed Period

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

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

Secondary Public Offering of PPL Shares

During the year, the Government of Pakistan (GoP) has successfully sold its 5% shareholding (around 3.55% of the total paid-up capital) in PPL through Privatisation Commission in Secondary Public Offering (SPO). Prior to the SPO, GoP had offloaded 15% of PPL's paid-up capital through Initial Public Offering (IPO) in 2004.

Consequent to the SPO, the GoP's shareholding in PPL, excluding the shares held by PPL Employees Empowerment Trust, has reduced from 71.06% to 67.51% of the total paid-up capital.

Board and CEO's Performance Evaluation

The Board strives to continuously improve its and Committee's effectiveness and undertake annual reviews to assess Company's performance. The Board also reviews developments in corporate

governance to ensure that the Company always remains aligned with best practices.

A Board performance evaluation exercise was undertaken during the year, by an independent evaluator. The evaluation was undertaken using a quantitative approach, based on a well recognised international methodology.

The Board also reviews the performance of the CEO against pre-determined operational, tactical and strategic goals.

Compliance Statement

The Directors are pleased to state that:

- i. The Board has complied with the relevant principles of corporate governance.
- ii. 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.
- iii. Proper books of account of the Company have been maintained.
- iv. 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.
- v. 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.
- vi. The system of internal control is sound in design and has been effectively implemented, regularly reviewed and monitored.
- vii. There are no significant doubts upon the Company's ability to continue as a going concern.
- viii. Reasons for significant deviations from last year's operating results have been explained in the relevant sections of the Directors Report.
- ix. Key operating and financial data of last six years has been given on page 80 of the Annual Report.

- x. Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts.
- xi. 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.
- xii. The appointment of the Chairman and other Members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interest of the Company as well as in line with the best practices.
- xiii. Key performance indicators of the Company relating to its social objectives and outcomes have been disclosed in relevant sections of the Report.
- xiv. The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2013 are as follows:

	Rs Million
Senior Provident Fund	1,719.919
Junior Provident Fund	956.032
Executive Staff Gratuity Fund	331.700
Non-Executive Staff Gratuity Fund	458.215
Executive Staff Pension Fund	3,318.299
Non-Executive Staff Pension Fund	928.438

- xv. Details of number of Board and Committees' meetings held during the year and attendance by each Director has been disclosed on page 26 of the Annual Report. Leave of absence was granted to Directors who could not attend some of the Board and Committee meetings.
- xvi. A statement of the pattern of shareholding in the Company as at 30 June, 2014 of certain classes of shareholders whose disclosure is required under the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules along with the statement of purchase and sale of shares by Directors, executives and their minor children during the year is shown on page 212 of the Annual Report.

Directors' Report

POST BALANCE SHEET EVENTS

TERM OF THE BOARD AND ELECTION OF DIRECTORS

The term of the present Board expired on 28 September, 2013 and fresh election of Directors for constitution of the Board for a new three years term was scheduled in the Annual General Meeting held in September, 2013. However, the elections were postponed due to non-receipt of nominations from the majority shareholder. In accordance with the provisions of the Companies Ordinance 1984, the incumbent Directors continued to perform their functions during the year.

Subsequent to the Balance sheet date, Government of Pakistan, the majority shareholder of the Company submitted its nominations for reconstitution of the Board of Directors. Extraordinary General Meeting of the shareholders is scheduled on 16 September, 2014 for holding Board of Directors election.

CHIEF EXECUTIVE

The term of Mr. Asim Murtaza Khan as Chief Executive of the Company expired on 30 June, 2014 and the Government of Pakistan has assigned additional charge of CEO / MD of the Company to Mr. Arshad Mirza, Additional Secretary, Ministry of Petroleum and Natural Resources till the appointment of a regular incumbent.

DIRECTORS

Since the last Annual General Meeting held on 30 September, 2013, one casual vacancy arose on the Board due to resignation of Dr. Amer Sheikh which was filled up through appointment of Mr. Arshad Mirza in December, 2013.

DISCOVERY

Subsequent to the year end, forth exploration well Sharf X-1, drilled in PPL operated Gambat South Block, was successfully declared as Gas / Condensate discovery.

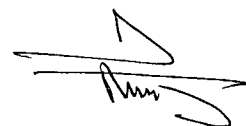
AUDITORS

The auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and are eligible for reappointment for the year 2014-15. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

On behalf of the Board



(JAVED AKBAR)
DIRECTOR



(ARSHAD MIRZA)
CHIEF EXECUTIVE/
MANAGING DIRECTOR

Karachi: 27 August, 2014



Risks and Opportunities Report

The Company's business activities are subject to significant risk factors that could materially affect Company's operations, earnings, cash flows and other financial performance. PPL's management strives to manage risks in an organized manner in order to conduct business in a well controlled environment.

A summary, highlighting major risks (both threats and opportunities), is presented below:

Threats

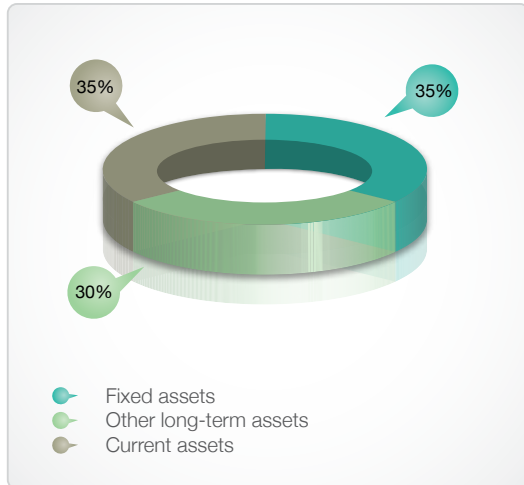
- The Company's revenues are directly linked with international crude oil prices. Decline in the prices of crude oil will cause a decline in the Company's revenues and consequential reduction in profitability.
- Since the prices of gas and oil are US Dollar denominated, appreciation of the Pakistani Rupee against the US Dollar can adversely affect the Company's revenues and profitability.
- The Company is part of the oil and gas sector, which is one of the most heavily regulated sectors world-wide. Adverse changes in or interpretation of applicable laws and regulations can adversely affect the Company's revenues, profitability and its ability to carry on business.
- Numerous uncertainties exist in estimating quantities of proved hydrocarbon reserves. Actual future production of oil and gas may not be in line with current forecasts affecting both profitability and Company's ability to meet its commitments for supply of oil and gas.
- A significant portion of Company's capital and operating cost is incurred in foreign currency for which foreign currency allocation is provided by GoP against Rupee cover. Non availability of requisite foreign currency allocation on a timely basis may result in delayed operations and significantly affect Company's reputation with international vendors / service providers.
- Security situation of the countries where the Company operates or holds working interest can decelerate the Company's operations and exploration efforts.
- Delay or default in settlement of Company's bills by customers may cause liquidity issues.

Opportunities

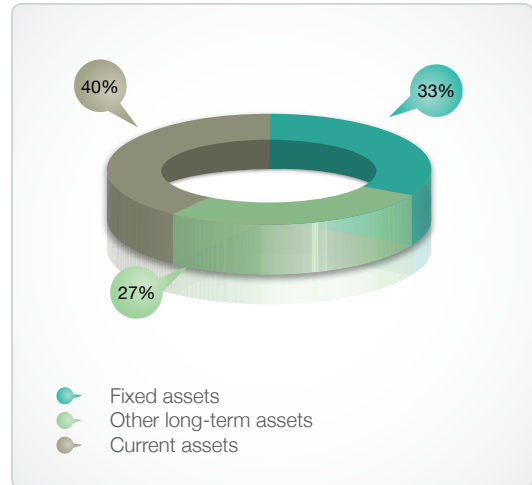
- Rising demand for energy provides growth opportunities for the Company.
- Investing in exploratory blocks where international E&P companies are reluctant to participate.
- PPL together with its subsidiaries has a robust portfolio of diverse exploration assets with significant prospects which may lead to oil and gas discoveries through exploratory efforts.
- Joint Venture opportunities in unconventional hydrocarbons & offshore acreages.
- Regulatory improvements and government's commitment to addressing energy crisis presents a win-win situation

Balance Sheet Composition

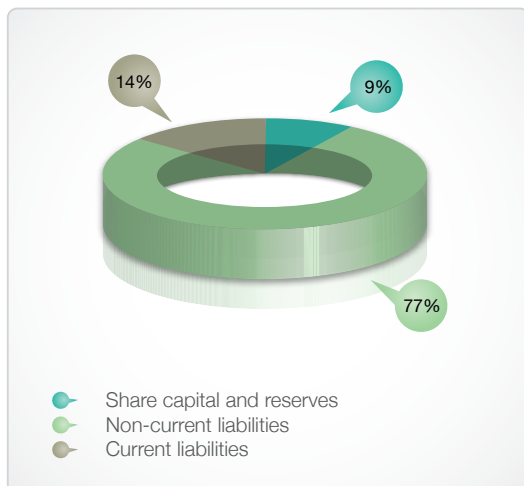
Assets - 2013-14



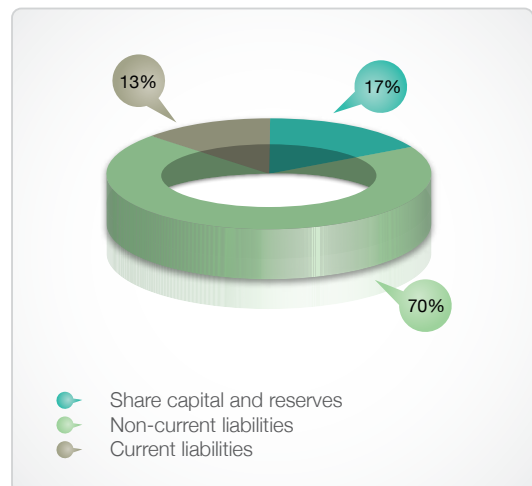
Assets - 2012-13



Shareholders' Equity and Liabilities-2013-14

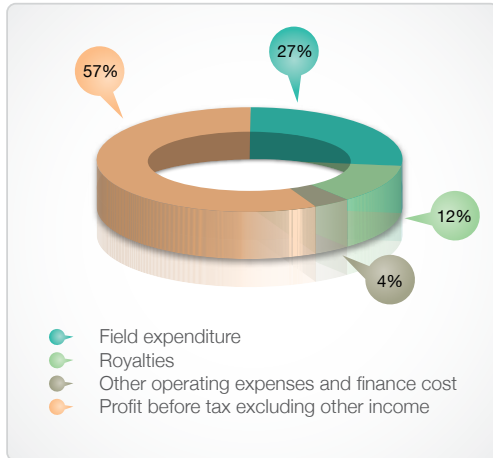


Shareholders' Equity and Liabilities-2012-13

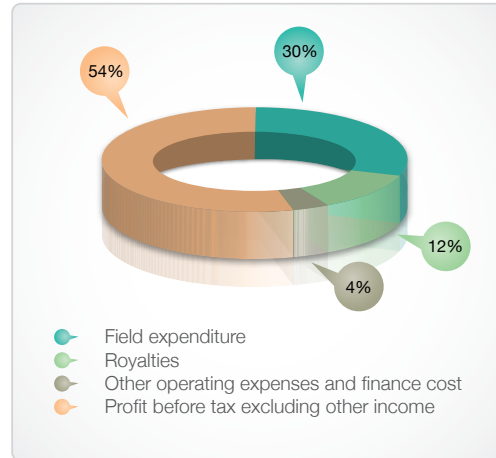


Analysis of Profit and Loss Account

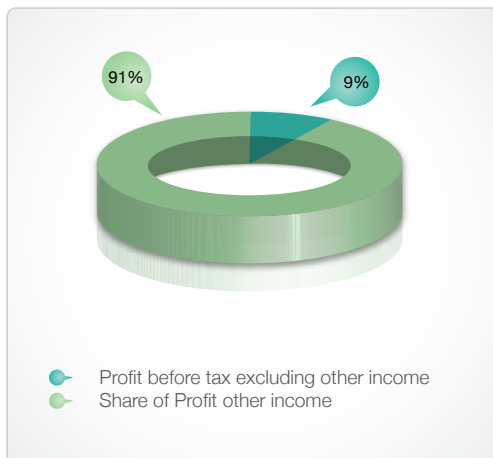
Analysis of Sales - 2013-14



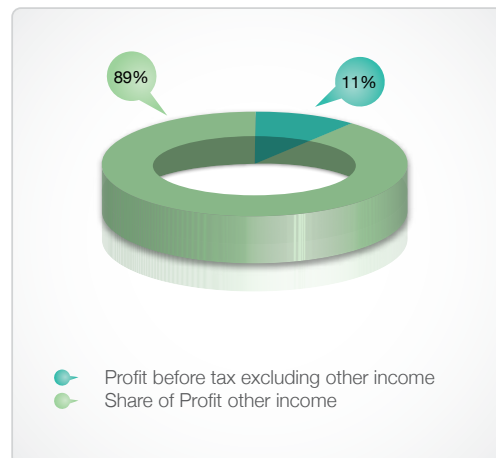
Analysis of Sales - 2012-13



Analysis of Profit Before Tax - 2013-14

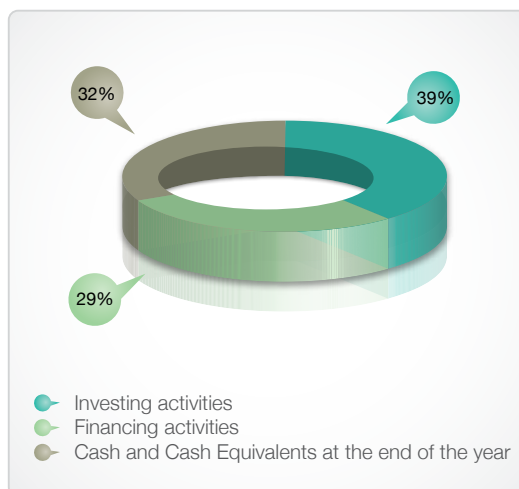


Analysis of Profit Before Tax - 2012-13



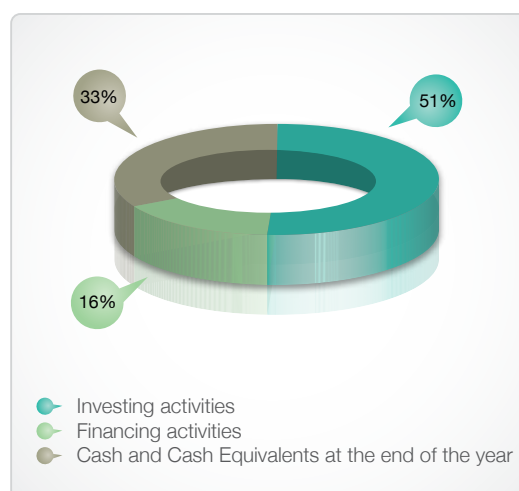
Analysis of Cash Flows

Utilisation of cash available/ generated during the year 2013-14



A total of Rs 34.5 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 31.8 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 66.3 billion. Out of this Rs 25.7 billion (39%) were spent on investing activities, Rs 19 billion (29%) were used in financing activities and the remaining Rs 21.6 billion (32%) was available as cash and cash equivalents at the end of the year.

Utilisation of cash available/ generated during the year 2012-13



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

Six Years' Summary

2008-09 2009-10 2010-11 2011-12 2012-13 2013-14

Financial Performance

Profitability

Operating Margin (%)	67	58	61	60	58	61
EBITDA Margin to sales (%) ¹	72	64	68	74	69	70
Operating Leverage	109	663	131	145	(41)	111
Pre tax Margin (%)	68	58	62	67	61	62
Net profit to sales (%)	45	39	40	43	41	43
Return on Equity (%)	44	29	34	33	28	28
Return on Capital Employed (%)	62	39	47	44	36	35

Operating Performance/ Liquidity

Total assets turnover (times)	0.86	0.63	0.68	0.65	0.53	0.53
Fixed assets turnover (times)	2.19	1.56	1.77	1.87	1.61	1.56
Debtor turnover (times)	3.79	2.64	3.14	2.91	2.74	3.17
Debtor turnover (days)	96.20	138.94	116.42	125.47	133.26	115.15
Current ratio	3.10	3.21	2.94	4.05	2.29	3.81
Quick ratio	2.97	3.11	2.85	3.95	2.22	3.64
Cash to Current Liabilities	1.00	1.49	1.08	1.63	0.94	0.99
Cash flow from Operation to Sales	0.22	0.44	0.39	0.33	0.66	0.27
Creditors turnover (times) ²	-	-	-	-	-	-
Creditors turnover (days) ²	-	-	-	-	-	-
Inventory turnover ²	-	-	-	-	-	-
Operating Cycle ²	-	-	-	-	-	-

Capital Market/ Capital Structure Analysis Ratios

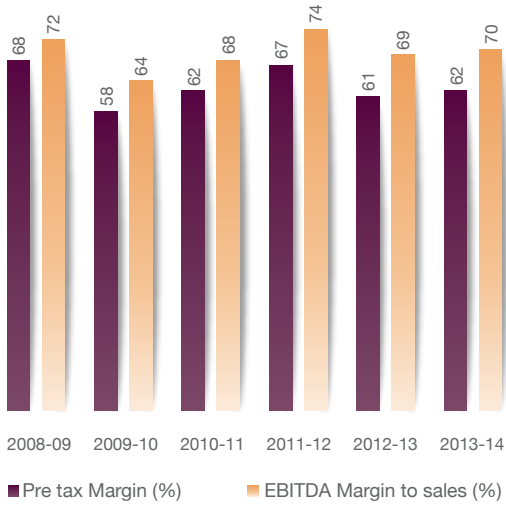
Market value per share as at June 30 (Rs.)	189.54	184.12	207.07	188.29	211.58	224.34
- Low during the year (Rs)	98.50	162.40	168.70	160.00	170.10	188.00
- High during the year (Rs)	248.50	238.74	229.80	217.49	229.75	261.80
Breakup value per share - Restated (Rs)	31.98	40.53	47.29	63.38	75.75	92.26
Basic & Diluted EPS (Rs) ^{3&6}	33.38	23.42	26.31	31.13	25.53	26.08
Basic & Diluted EPS - Restated (Rs) ^{3&6}	14.05	11.83	15.95	20.76	21.28	26.08
Price earning ratio ⁷	5.68	7.86	7.87	6.05	8.29	8.60
Cash Dividend Yield (%)	6.86	4.89	5.80	6.11	4.96	5.57
Cash Dividend Cover Ratio	2.57	2.60	2.19	2.71	2.43	2.09
Debt Equity Ratio ⁴	-	-	-	-	-	-
Weighted average cost of debt ⁴	-	-	-	-	-	-
Interest Cover Ratio ⁴	-	-	-	-	-	-
Financial Leverage Ratio ⁴	-	-	-	-	-	-

Summary of Profit & Loss

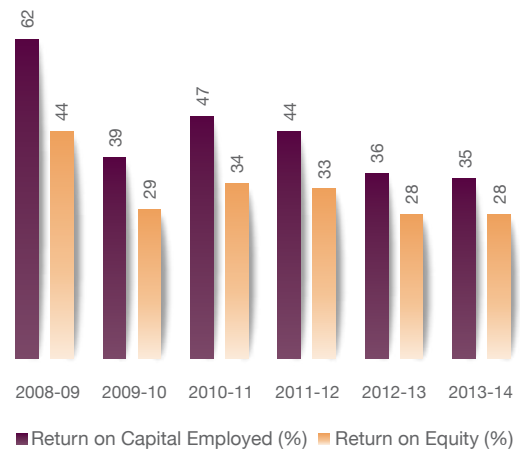
Rs million

Sales - Gross (including Govt. levies)	77,798	77,211	98,613	119,646	123,938	142,960
Sales - Net (excluding Govt. levies)	61,580	59,962	78,252	96,222	102,357	119,811
Field expenditure	13,161	18,273	21,364	26,982	30,603	32,817
Operating Profit	40,956	34,612	47,655	57,769	59,461	72,694
Profit before Tax	41,908	34,528	48,365	64,555	62,628	74,547
Profit after Tax	27,703	23,321	31,446	40,926	41,951	51,417
EBITDA ¹	44,367	38,185	53,525	71,632	70,720	83,443

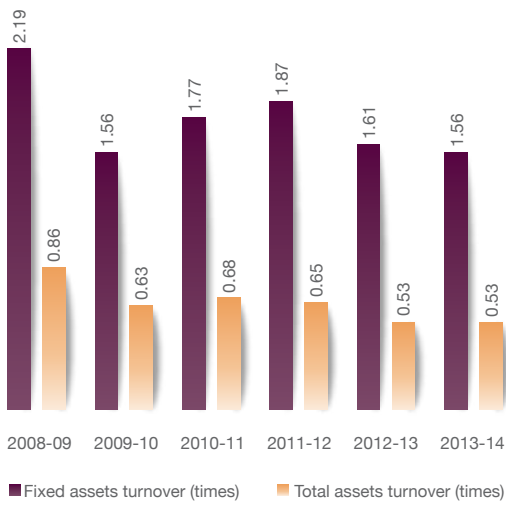
EBITDA Margin/Pre-tax Margin (%)



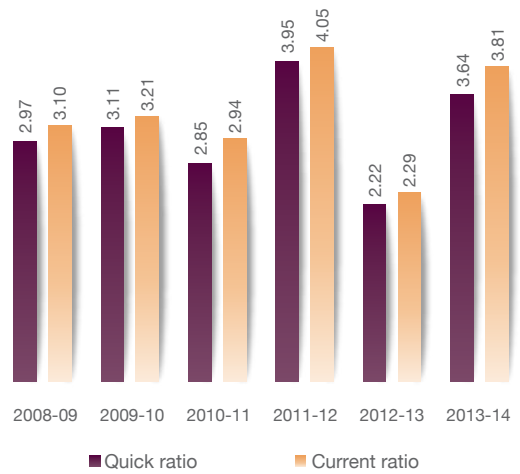
Return on Equity/ Capital Employed (%)



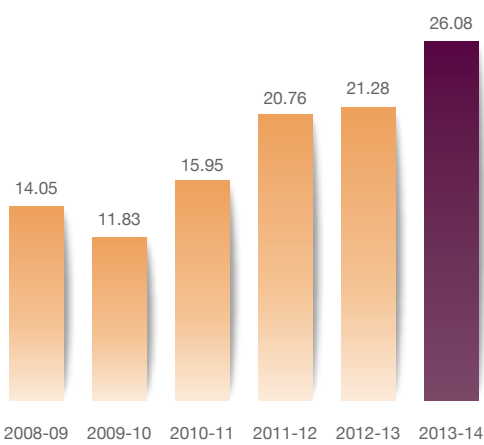
Total Assets / Fixed Assets Turnover



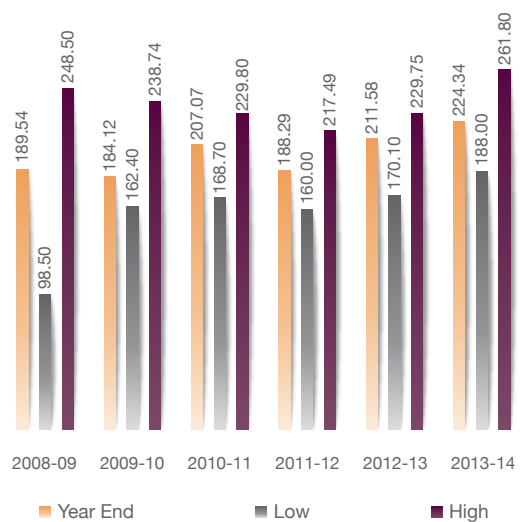
Current/ Quick Ratio



Earnings Per Share - Restated (Rs)



Share Prices Low / Year End/ High (Rs)



Six Years' Summary

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Corporate Distribution						
Dividend - Interim	8,298	3,983	11,950	6,572	8,215	9,859
- Final	2,490	4,979	2,390	8,544	9,037	14,788
Cash Dividend per share (Rs) ⁵	13.00	9.00	12.00	11.50	10.50	12.50
Cash Dividend Payout Ratio (%) ⁵	38.95	38.43	45.61	36.94	41.13	47.93
Bonus ⁵	1,660	1,992	1,195	3,286	3,286	-
Bonus Issue (%) ⁵	20	20	10	25	20	-

Summary of Balance Sheet	Rs million					
Share Capital	8,299	9,958	11,950	13,145	16,431	19,717
Reserves	54,760	69,948	81,299	111,816	132,923	162,200
Long-term / Deferred Liabilities	5,203	8,047	9,783	22,433	26,875	32,685
Current Assets	45,439	63,057	60,942	92,240	84,159	82,749
Current Liabilities	14,648	19,623	20,745	22,760	36,672	21,741
Property, Plant & Equipment	34,763	41,695	45,924	56,327	70,079	82,636
Fixed Assets	34,971	42,070	46,412	56,761	70,481	82,914
Long Term Investments	1,854	1,804	15,748	20,361	55,707	68,552
Stores and Spares	1,872	2,069	1,767	2,454	2,835	3,543
Trade Debts	27,780	30,811	32,096	50,159	40,337	49,862
Short term investments	13,242	27,296	20,851	35,265	28,339	19,350
Cash and bank balances	1,384	1,874	1,503	1,675	6,184	2,276

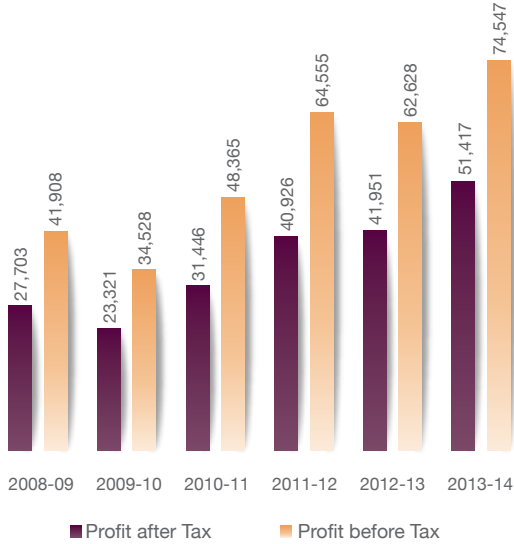
Summary of Cashflows	Rs million					
Cash and Cash equivalents at the beginning of the year	18,181	14,352	27,686	22,354	36,940	34,518
Cash generated from operating activities	13,293	26,460	30,131	31,354	67,142	31,833
Net cash used in investing activities	(8,768)	(6,513)	(17,314)	(7,726)	(52,698)	(25,702)
Net cash used in financing activities	(8,354)	(6,613)	(18,149)	(9,042)	(16,866)	(19,023)
Net change in cash and cash equivalents	(3,829)	13,334	(5,332)	14,586	(2,422)	(12,892)
Cash and Cash equivalents at the end of the year	14,352	27,686	22,354	36,940	34,518	21,626

Others	Rs million					
Payments to Government Exchequer (including dividend)	43,385	36,403	62,509	49,615	52,355	79,297
Market Capitalisation	157,289	183,350	247,444	247,503	347,646	442,335

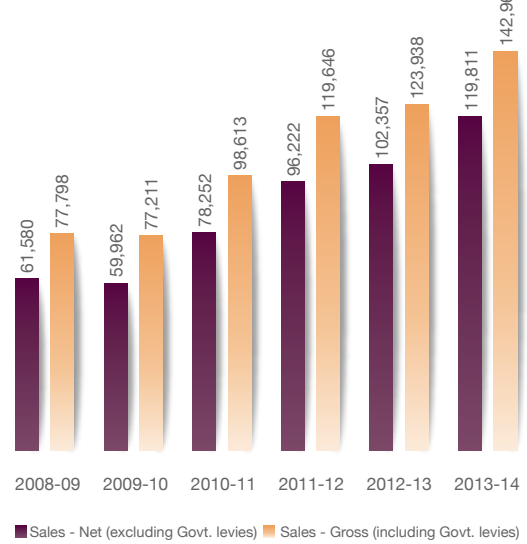
Notes:

- 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, 2010-11, 2011-12 & 2012-13.
- 4 Not applicable as the Company does not have debt besides lease financing for procurement of vehicles and computer equipment which forms a very small part of its capital structure.
- 5 Includes declaration of final cash dividend and issue of bonus shares subsequent to year end.
- 6 Convertible Preference Shares are of insignificant value in Company's total share capital therefore it has negligible dilution effect on EPS.
- 7 Price earning ratio and cash dividend payout ratio have been calculated on basic EPS.

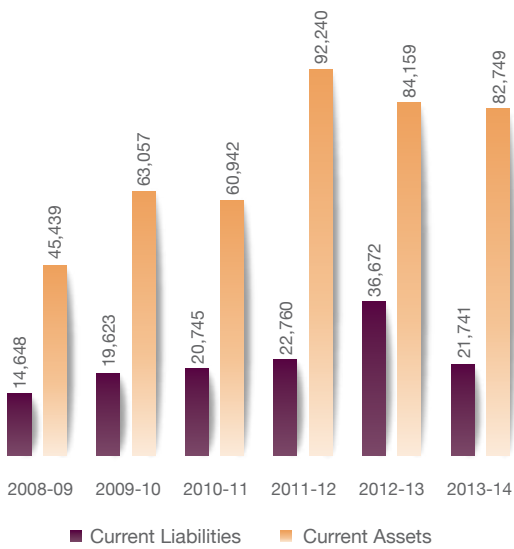
Profit Before & After Tax (Rs million)



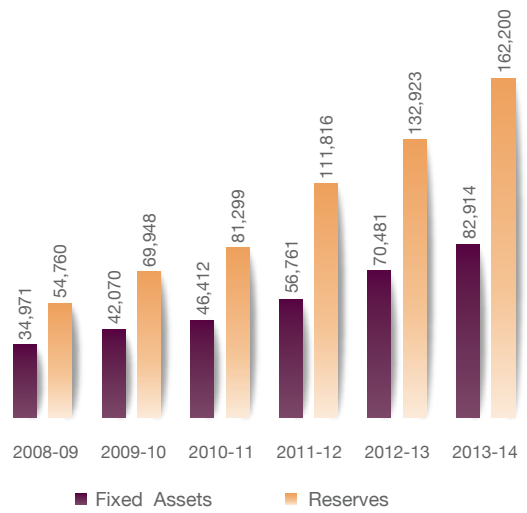
Gross Sales vs Net Sales (Rs million)



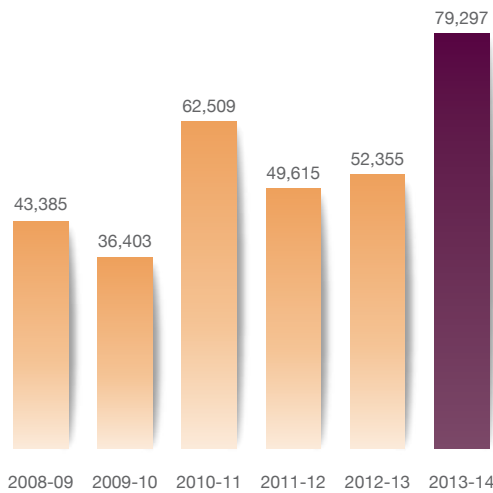
Current Assets vs Current Liabilities (Rs million)



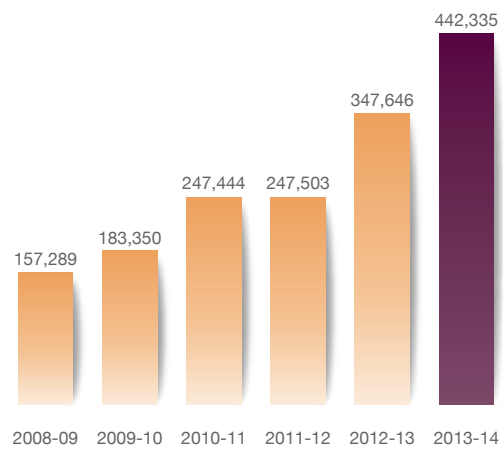
Reserves vs Fixed Assets (Rs million)



Payment to Government Exchequer (Rs million)



Market Capitalisation (Rs million)



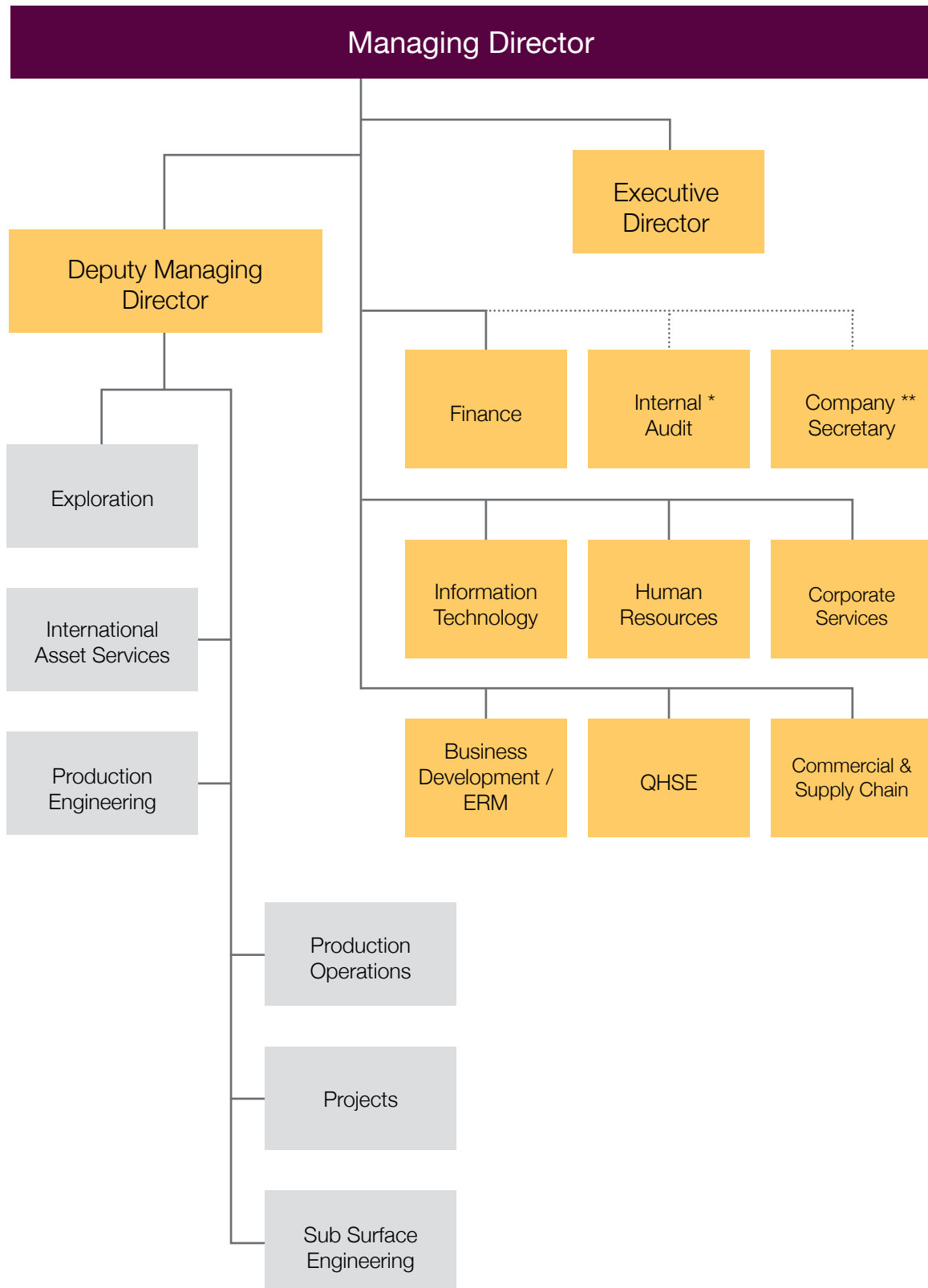
Movement of Estimated Reserves

	Natural Gas MMscf	OIL / NGL Thousand barrels	LPG Tonnes
Original proven recoverable reserves			
At 1 July, 2013	14,809,000	61,922	685,530
Change during the year			
- Addition of new reserves	55,642 ¹	469 ³	-
- Revision in estimates of previous reserves	12,000 ²	5,171 ⁴	25,334 ⁵
At 30 June 2014	<u>14,876,642</u>	<u>67,562</u>	<u>710,864</u>
Production			
Accumulated on 1 July 2013	12,314,515	22,689	275,673
Production during the year	311,719	4,686	27,343
Accumulated upto 30 June 2014	<u>12,626,234</u>	<u>27,375</u>	<u>303,016</u>
Net reserves 30 June 2014	<u>2,250,408</u>	<u>40,187</u>	<u>407,848</u>
Net reserves 30 June 2013	2,494,485	39,233	409,857
Daily average production	<u>854</u>	<u>12.84</u>	<u>74.92</u>

Notes:

- 1 Additional Gas reserves due to Wafiq (Gambat South), Shahdad (Gambat South), Lundali (Sukhpur) and Ghauri discoveries.
- 2 Revision in field recoverable gas reserves estimates of Mazarani and Mela / Nashpa at Nashpa block.
- 3 Additional Oil/ NGL reserves due to Wafiq (Gambat South), Shahdad (Gambat South), Lundali (Sukhpur) and Ghauri discoveries.
- 4 Revision in Oil/NGL reserves estimates of Mela and Nashpa at Nashpa Block.
- 5 Revision in recoverable LPG reserves estimates of Mela and Nashpa at Nashpa Block.

Organogram



* HIA reports to Board Audit Committee with administrative reporting to MD.

** Company Secretary reports to the Chairman of the Board with administrative reporting to MD.

Statement of Compliance with the Code of Corporate Governance

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

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

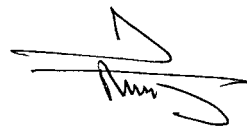
1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Non-Executive Directors	i. Mr. Sajid Zahid ii. Mr. Saeedullah Shah iii. Mr. Arshad Mirza*
Executive Director	i. Mr. Asim Murtaza Khan*
Independent Directors	i. Mr. Zain Magsi ii. Mr. Saquib H. Shirazi iii. Mr. Javed Akbar iv. Mr. Mohsin Aziz v. Mr. Javed Masud

* Mr. Arshad Mirza subsequently became the Chief Executive in the month of July 2014. Mr. Asim Murtaza Khan continues to be an Executive Director.

- 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 five 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 NBFIs. None of the directors is a member of any of the Stock Exchanges.
 4. Three casual vacancies occurred on the Board during the year. Two of these vacancies were filled up by the Directors within maximum limit of ninety days. One casual vacancy exists at the yearend due to non-receipt of nomination from the majority shareholder.
 5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
 6. The Board has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
 7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment of non-executive directors, determination of their remuneration for attending Board / Committee meetings and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. No new appointment of CEO has been made during the year. However, subsequent to the yearend, new CEO has been appointed.
 8. The meetings of the Board were presided over by the Chairman elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings,

- along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, training programs were arranged for two Company Directors.
 10. No new appointments of the Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit were made during the year. However, subsequent to the year end, new Company Secretary and Head of Internal Audit have been appointed.
 11. The Directors' Report is 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 are duly endorsed by CEO and CFO before approval of the Board.
 13. The Directors, CEO and executives did not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 14. The Company complied with all the corporate and financial reporting requirements of the CCG.
 15. The Board Audit Committee comprises of four (4) members, all of whom are non-executive directors and the Chairman of the Committee is an independent director.
 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 are in place and advised to the Committee members for compliance.
 17. The Board Human Resource Committee comprises of five (5) members, of whom four (4) are non-executive Directors and the Chairman of the Committee is an independent director.
 18. An effective internal audit function exists 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.



(ARSHAD MIRZA)
CHIEF EXECUTIVE / MANAGING DIRECTOR

27 August, 2014

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

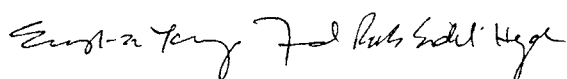
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Petroleum Limited (the Company) for the year ended 30 June, 2014 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange Limited, where the Company is listed.

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

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

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



Chartered Accountants

Karachi

27 August, 2014

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company: Pakistan Petroleum Limited

Name of Line Ministry: Petroleum and Natural Resources

For the year ended: 30 June 2014

This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

The Company has complied with the provisions of the Rules, during the year ended 30 June 2014 as follows:

1. The independent directors meet the criteria of independence, as defined under the Rules.
2. The Board had the requisite percentage of independent directors during the year. At present, the Board includes:

Category	Names	Date of Appointment
Non-Executive Directors	i. Mr. Sajid Zahid ii. Mr. Saeedullah Shah iii. Mr. Arshad Mirza*	29 September 2010 15 August 2013 19 December 2013
Executive Director	i. Mr. Asim Murtaza Khan*	12 May 2011
Independent Directors	i. Mr. Zain Magsi ii. Mr. Saquib H. Shirazi iii. Mr. Javed Akbar iv. Mr. Mohsin Aziz v. Mr. Javed Masud	29 September 2010 29 September 2010 29 September 2010 12 March 2013 25 February 2013

* Mr. Arshad Mirza subsequently became the Chief Executive in the month of July 2014. Mr. Asim Murtaza Khan continues to be an Executive Director.

3. Three casual vacancies occurred on the Board during the year. Two of these vacancies were filled up by the Directors within maximum limit of ninety days. One casual vacancy exists at the year end due to non-receipt of nomination from the majority shareholder.
4. The Directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.
5. The election of the Board of Directors was due during the year in the month of September 2013 but was not held due to non-receipt of nomination from the majority shareholder. Since no election of the Board of Directors was held during the year, the condition of fit and proper criteria was not applicable.
6. The Chairman of the Board is working separately from the Chief Executive of the Company.
7. Currently, the Company does not have a nominated Chairman, however for each Board / Committee meeting, a Chairman is elected from amongst the independent directors.
8. Since no new appointment of the Chief Executive was made during the year, the condition of fit and proper criteria was not applicable. However, subsequent to the year end, new Chief Executive has been appointed.

9. (a) 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, including posting the same on the Company’s website, www.ppl.com.pk

(b) The Board has set in place adequate systems and controls for the identification and redressing of grievances arising from unethical practices.
10. The Board has established a system of sound internal control to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.
11. The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.
12. The Board has developed and implemented a policy on anti-corruption in the Company’s Code of Conduct to minimize actual or perceived corruption in the Company.
13. (a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.

(b) The Board Human Resource Committee is formed to investigate deviations from the Company’s Code of Conduct.
14. The Board has ensured compliance with the law as well as the Company’s internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the Public Procurement Regulatory Authority Rules.
15. The Board has developed a vision and mission statement, corporate strategy and significant policies of the company are in place. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
16. During the year, the Company did not deliver any services or sell any goods as public service obligation, hence no submissions of requests for compensation were made to the Government.
17. (a) The Board met more than four times during the year.

(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

(c) The minutes of the meetings were appropriately recorded and circulated.
18. The Board has carried out performance evaluation of Board members, including the Chairman and the Chief Executive, on the basis of a process based on specified criteria. Performance Evaluation of Senior Management was undertaken by the Company as part of its annual appraisal program.
19. The Board has reviewed and approved related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.
20. The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year, as well as the financial year end and has placed annual financial statements on the Company’s website. Monthly accounts are also circulated amongst the Board members.
21. All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.
22. (a) All requisite committees, as specified in the Rules, were in place during the year.

(b) The committees were provided with written term of reference defining their duties, authority and composition.

(c) The minutes of the meetings of the committees were circulated to all the board members.

(d) The committees were chaired by the following non-executive directors:

Committee	Number of Members	Name of Chair
Audit Committee	Four (4)	Mr. Javed Akbar
Risk Management Committee	Five (5)	Mr. Javed Masud
Human Resources Committee	Five (5)	Mr. Mohsin Aziz
Procurement Committee	Four (4)	Mr. Javed Akbar
Nomination Committee	Four (4)	Mr. Saquib H. Shirazi

Subsequent to the year end, the composition of Committees has changed because of the change of MD/CEO.

23. No new appointments of the Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit were made during the year. However, subsequent to the year end, new Company Secretary and Head of Internal Audit have been appointed. The remuneration and terms and conditions of employment have been approved by the Board.

24. The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Companies Ordinance, 1984.

25. The directors' report has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.

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

27. Non-executive Directors of the Company are paid a Directors fee to attend the Board/Committee meetings, in accordance with the Articles of Association of the Company.

28. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.

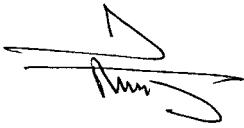
29. Board Audit Committee, with defined and written terms of reference, has the following members:

Name of the member	Category	Professional Background
Mr. Javed Akbar – Chairman	Independent Director	Chemical Engineer having 39 years of experience in fertilizer and chemical business.
Mr. Arshad Mirza	Non- Executive Director	Civil Servant
Mr. Javed Masud	Independent Director	Former Civil Servant and Ex-Chief Executive of Pakistan Credit Rating Agency.
Mr. Zain Magsi	Independent Director	IT Professional having 14 years of industry experience.

Subsequent to the year end, there has been a change in the composition of the Audit Committee due to change of MD/CEO.

The Chief Executive and Chairman of the Board are not members of the Audit Committee.

30. The Board has set up an effective internal audit function which has an audit charter duly approved by the audit committee, and which worked in accordance with the applicable standards.
31. The Company has appointed its external auditors in line with the requirements envisaged under the Rules.
32. The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.
33. The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.
34. The Company has complied with all the corporate and financial reporting requirements of the Rules.



(ARSHAD MIRZA)
CHIEF EXECUTIVE / MANAGING DIRECTOR



(JAVED AKBAR)
INDEPENDENT DIRECTOR

27 August, 2014

Review Report to the Members on Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the year ended 30 June, 2014 prepared by the Board of Directors of Pakistan Petroleum Limited (the Company) to comply with the provisions of the Rules.

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 aspects with the Public Sector Companies (Corporate Governance) Rules 2013, as applicable to the Company for the year ended 30 June, 2014.



Chartered Accountants

Karachi

27 August, 2014

Report of the Board Audit Committee

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

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

The Audit Committee has concluded its review of the conduct and operations of the Company during 2013-14, and reports that:

- The Unconsolidated Financial Statements, Consolidated Financial Statements, Directors Report and other information contained in the Annual Report have been reviewed by Managing Director/ Chief Executive and the CFO. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of effective internal controls and systems of the Company.
- Appropriate accounting policies have been consistently applied and applicable International Accounting Standards have been followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended 30 June, 2014, which presents fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- The preparation of Financial Statements is in conformity with the International Financial Reporting Standards and requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances.
- Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.
- Understanding and compliance with Company codes and policies has been affirmed by the Management and employees of the Company individually. Employees have confirmed and signed their understanding of the Company's code of ethics.
- All direct or indirect trading and holdings of Company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

- The details of all related party transactions has been placed before the Audit Committee and upon recommendations of the Audit Committee, the same has been placed before the Board for review and approval.

INTERNAL AUDIT

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy. The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.
- The Audit Committee has ensured the achievement of financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.
- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has also reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.
- The Head of Internal Audit has direct access to the Chairman of the Board Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.
- During the year four Board Audit Committee meetings were held to ensure that the Internal Audit Function effectively performed its assigned tasks.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations. The internal audit reports have been provided for the review of External Auditors.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, have completed their Audit of the "Company's Financial Statements", the "Consolidated Financial Statements", the "Statement of Compliance with the Code of Corporate Governance" and the "Statement of Compliance with Public Sector Companies (Corporate Governance) Rules 2013" for the financial year ended 30 June, 2014 and shall retire on the conclusion of the 63rd Annual General Meeting.
- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of the Auditors' Report on financial statements under the listing regulations and shall therefore accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.
- The External Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meetings of the Company during the year and have indicated their willingness to continue as Auditors.
- The Audit Committee has recommended the reappointment of M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants as External Auditors of the Company for the year ending 30 June 2015.



(JAVED AKBAR)

CHAIRMAN - BOARD AUDIT COMMITTEE

Karachi

25 August 2014

Exploration is increasingly tough business. But thanks to sound business practices that ensure across-the-board transparency and accountability and resultant **earnings** and value-addition, PPL remains a bull-chip Company featuring on Karachi Stock Exchange's "Top 25 Companies" list without break for the last seven years. During financial year 2013-14, Earnings per Share stood at 26.08 percent.

Earnings





Profits

Good governance makes for sound business. Our pursuit of excellence without compromising on business ethics and values has stood us in good stead with a high spike in business growth, record sales and **profits**. During financial 2013-14, a total cash dividend of 125 percent was recommended by the Board.



Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984.
- b. in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for 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, 2014 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.



Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi

27 August, 2014

Unconsolidated Balance Sheet

As at June 30, 2014

	Note	June 30, 2014	June 30, 2013
Rs '000			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	82,636,347	70,078,912
Intangible assets	5	277,973	402,152
		82,914,320	70,481,064
Long-term investments	6	68,552,287	55,706,855
Long-term loans and advance	7	986,532	1,519,155
Long-term deposits	8	765,176	742,676
Long-term receivables	9	376,050	292,598
		153,594,365	128,742,348
CURRENT ASSETS			
Stores and spares	10	3,543,482	2,835,182
Trade debts	11	49,862,487	40,337,320
Loans and advances	12	1,685,417	1,003,037
Trade deposits and short-term prepayments	13	398,482	283,213
Interest accrued	14	1,352,521	1,495,560
Current maturity of long-term investments	6	500,179	2,000,740
Current maturity of long-term receivables	9	54,800	29,082
Other receivables	15	3,725,398	1,651,601
Short-term investments	16	19,350,000	28,338,853
Cash and bank balances	17	2,275,912	6,184,285
		82,748,678	84,158,873
		236,343,043	212,901,221
SHARE CAPITAL AND RESERVES			
Share capital	18	19,717,295	16,431,102
Reserves	19	162,200,063	132,923,238
		181,917,358	149,354,340
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation	20	15,385,920	15,989,704
Liabilities against assets subject to finance leases	21	175,770	164,616
Deferred liabilities	22	2,053,738	1,812,967
Deferred taxation	23	15,069,076	8,907,869
		32,684,504	26,875,156
CURRENT LIABILITIES			
Trade and other payables	24	17,915,719	33,397,782
Current maturity of liabilities against assets subject to finance leases	21	102,114	108,622
Taxation		3,723,348	3,165,321
		21,741,181	36,671,725
CONTINGENCIES AND COMMITMENTS			
	25	-	-
		236,343,043	212,901,221

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



Director



Chief Executive

Unconsolidated Profit and Loss Account

For the year ended June 30, 2014

	Note	Year ended June 30, 2014	Year ended June 30, 2013
Rs '000			
Sales - net	26	119,811,358	102,356,656
Field expenditures	27	(32,816,692)	(30,602,879)
Royalties		(14,300,950)	(12,292,375)
		(47,117,642)	(42,895,254)
		72,693,716	59,461,402
Other income	29	6,381,320	6,893,448
Other operating expenses	30	(4,102,762)	(3,332,675)
Finance costs	31	(425,515)	(394,432)
Profit before taxation		74,546,759	62,627,743
Taxation	32	(23,129,381)	(20,676,547)
Profit after taxation		51,417,378	41,951,196
			(Restated)
Basic and diluted earnings per share (Rs)	37	26.08	21.28

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


Director


Chief Executive

Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2014

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Profit after taxation	51,417,378	41,951,196
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit and loss account in subsequent years		
Remeasurement gains / (losses) on defined benefit plans - net	62,571	(1,227,272)
Deferred taxation	(21,274)	429,545
Net other comprehensive income not to be reclassified to profit and loss account in subsequent years	41,297	(797,727)
Total comprehensive income	51,458,675	41,153,469

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



Director



Chief Executive

Unconsolidated Cash Flow Statement

For the year ended June 30, 2014

	Note	Year ended June 30, 2014	Year ended June 30, 2013
Rs '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		133,435,118	133,754,246
Receipts of other income		287,575	273,634
Cash paid to suppliers / service providers and employees		(29,806,976)	(21,979,739)
Payment of indirect taxes and Government levies including royalty		(54,683,440)	(27,286,144)
Income tax paid		(16,431,421)	(17,580,313)
Finance costs paid		(38,692)	(34,625)
Long-term loans and advance (net)		(929,060)	(5,026)
Net cash generated from operating activities		31,833,104	67,142,033
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure (net)		(21,779,088)	(19,966,533)
Purchase of long-term investments		(8,363,376)	(23,875,327)
Disposal / redemption of long-term investments		5,387,297	4,371,573
Advance against issue of shares		-	(1,498,144)
Investment in PPL Asia DMCC		5,350	(5,350)
Investment in PPL Asia E&P B.V.		(6,408,146)	-
Investment in PPL Europe E&P Limited		-	(15,664,177)
Long-term deposits		(22,500)	(45,000)
Long-term receivables		(109,170)	(246,796)
Dividend income received from jointly controlled entity - BME		25,000	15,000
Financial income received		5,528,084	4,193,046
Proceeds on sale of property, plant and equipment		34,861	23,212
Net cash used in investing activities		(25,701,688)	(52,698,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(127,635)	(106,284)
Dividends paid		(18,895,657)	(16,759,625)
Net cash used in financing activities		(19,023,292)	(16,865,909)
Net decrease in cash and cash equivalents		(12,891,876)	(2,422,372)
Cash and cash equivalents at the beginning of the year	35	34,517,788	36,940,160
Cash and cash equivalents at the end of the year	35	21,625,912	34,517,788

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



Director



Chief Executive

Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2014

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves						Total reserves	Total
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Dividend equalisation reserve	Unappropriated profit	Total		
	Rs '000										
Balance as at June 30, 2012	13,144,771	138	1,428	69,761	19,021,894	24,416,157	-	68,306,347	111,814,159	111,815,587	124,960,496
Appropriation of insurance reserve for the year ended June 30, 2012	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2012	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Appropriation of dividend equalisation reserve for the year ended June 30, 2013	-	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-
Issuance of bonus shares @ 25% (one share for every four ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	(3,286,193)	(3,286,193)	-
Acquisition of 100% shareholding of PPL Europe E&P Limited	-	-	-	-	-	(15,664,177)	-	15,664,177	-	-	-
Final dividend on ordinary shares @ 65% for the year ended June 30, 2012	-	-	-	-	-	-	-	(8,544,101)	(8,544,101)	(8,544,101)	(8,544,101)
Profit after taxation	-	-	-	-	-	-	-	41,951,196	41,951,196	41,951,196	41,951,196
Other comprehensive income for the year ended June 30, 2013, net of tax	-	-	-	-	-	-	-	(797,727)	(797,727)	(797,727)	(797,727)
Total comprehensive income for the year ended June 30, 2013	-	-	-	-	-	-	-	41,153,469	41,153,469	41,153,469	41,153,469
Interim dividend for the year ended June 30, 2013											
- Ordinary shares - 50%	-	-	-	-	-	-	-	(8,215,482)	(8,215,482)	(8,215,482)	(8,215,482)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(42)	(42)	(42)	(42)
Balance as at June 30, 2013	16,430,964	138	1,428	69,761	24,021,894	13,751,980	5,000,000	90,078,175	132,921,810	132,923,238	149,354,340
Appropriation of insurance reserve for the year ended June 30, 2013	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2013	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-
Issuance of bonus shares @ 20% (one share for every five ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	(3,286,193)	(3,286,193)	-
Final dividend on ordinary shares @ 55% for the year ended June 30, 2013	-	-	-	-	-	-	-	(9,037,037)	(9,037,037)	(9,037,037)	(9,037,037)
Profit after taxation	-	-	-	-	-	-	-	51,417,378	51,417,378	51,417,378	51,417,378
Other comprehensive income for the year ended June 30, 2014, net of tax	-	-	-	-	-	-	-	41,297	41,297	41,297	41,297
Total comprehensive income for the year ended June 30, 2014	-	-	-	-	-	-	-	51,458,675	51,458,675	51,458,675	51,458,675
Interim dividend for the year ended June 30, 2014											
- Ordinary shares - 50%	-	-	-	-	-	-	-	(9,858,578)	(9,858,578)	(9,858,578)	(9,858,578)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(42)	(42)	(42)	(42)
Balance as at June 30, 2014	19,717,157	138	1,428	69,761	29,021,894	18,751,980	5,000,000	109,355,000	162,198,635	162,200,063	181,917,358

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



Director



Chief Executive

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Petroleum Limited (the Company) was incorporated in Pakistan in 1950 with the main objectives of conducting exploration, prospecting, development and production of oil and natural gas resources. The Company is listed on all the three Stock Exchanges of Pakistan with effect from September 16, 2004. The registered office of the Company is located at PIDC House, Dr. Ziauddin Ahmed Road, Karachi.
- 1.2 These unconsolidated financial statements are the separate financial statements of the Company, in which investments in the below mentioned subsidiaries and jointly controlled entity have been accounted for at cost less accumulated impairment losses, if any. As of balance sheet date, the Company has the following subsidiaries and a jointly controlled entity:

Wholly-owned subsidiaries:

- a) PPL Europe E&P Limited
- b) PPL Asia E&P B.V.
- c) The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Jointly Controlled Entity:

Bolan Mining Enterprises – 50% shareholding

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Had the exemption not been granted, the impact, based on the independent actuarial valuations conducted as on June 30, 2014 and June 30, 2013 would have been as follows:

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Staff costs of the Company for the year would have been higher by:	5,083,435	3,170,611
Profit after taxation would have been lower by:	5,083,435	3,170,611
Earnings per share would have been lower by (Rs):	2.58	1.61
	Rs '000	
Retained earnings would have been lower by:	18,459,747	13,376,312
Reserves would have been higher by:	18,459,747	13,376,312

2.3 Accounting convention

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

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

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

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the unconsolidated financial statements of the Company except for IAS 19 – Employee Benefits (Revised) which was early adopted by the Company during the year ended June 30, 2013:

IFRS 7 - Financial Instruments: Disclosures (Amendment)
IAS 1 - Presentation of Financial Statements (Amendment)
IAS 19 - Employee Benefits (Revised)
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine
Annual improvements to IFRS (the 2009-2011 cycle)
IFAS 3 - Profit and Loss Sharing on Deposits

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

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

Description	Effective for periods beginning on or after
<u>Revision / improvements / amendments to IFRSs and interpretations</u>	
IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortisation	January 01, 2016
IAS 16 & 41 - Agriculture Bearer Plants	January 01, 2016
IAS 19 - Employee Benefits (Amendment)	July 01, 2014
IAS 27 - Separate Financial Statements (Revised)	January 01, 2015
IAS 28 - Investments in Associates and Joint Ventures (Revised)	January 01, 2015
IAS 32 - Financial Instruments: Presentation (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Description	Effective for periods beginning on or after
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014
IFRIC 21 - Levies	January 01, 2014
Annual improvements to IFRS (the 2010-2012 cycle)	July 01, 2014
Annual improvements to IFRS (the 2011-2013 cycle)	July 01, 2014
<u>Standards issued by IASB but not yet notified by SECP</u>	
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

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

2.6 Significant accounting judgments, estimates and assumptions

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

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

a) Property, plant and equipment

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

b) Prospecting and development expenditure

i. Exploration expenditure

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

ii. Development and production expenditure

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

c) Estimation of proven oil and natural gas reserves

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

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

d) Provision and amortisation of decommissioning cost

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

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

During the current year, the Company revised its estimates of outflows or resources to settle decommissioning liability, based on future projected costs adjusted to present value. This has been treated as a change in accounting estimate, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities. Had there been no change in the estimates, provision for decommissioning obligation and property, plant and equipment would have been higher by Rs 365.472 million and Rs 373.150 million, respectively and amortisation of decommissioning cost for the year would have been lower by Rs 9.687 million and profit after tax would have been higher by Rs 6.681 million.

e) Provision for defined benefit plans and compensated absences

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

f) Provision for taxation

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

g) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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

h) Provision for trade debts, advances and other receivables

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

i) Stores and spares

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

a) Owned assets

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

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

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

Assets' residual values, useful lives and methods of depreciation / amortisation 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 accumulated impairment losses, if any.
- iii. Prospecting and development expenditure is accounted for under the "successful efforts" method, whereby, costs of acquisition of rights to explore, cost to acquire producing reserves, successful exploratory wells and development wells, including unsuccessful development wells, are capitalised.

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

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

b) Assets subject to finance leases

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

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

3.2 Intangible assets

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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

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

3.3 Depreciation and amortisation

a) Property, plant and equipment

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

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

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

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

b) Intangible assets

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

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

3.4 Business combinations and goodwill

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

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

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

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

3.5 Investments

a) Subsidiary

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

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

b) Investment in Bolan Mining Enterprises (BME)

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

3.6 Stores and spares

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

3.7 Financial assets

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

a) Held-to-maturity

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

b) At fair value through profit or loss

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

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

c) Available-for-sale

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

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account and removed from the available-for-sale reserve. The Company does not have available-for-sale investments as of balance sheet date.

d) Loans and receivables

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

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

3.8 Cash and cash equivalents

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

3.9 Decommissioning obligation and its provision

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

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

The unwinding of discount is included in the finance costs.

3.10 Staff retirement benefits

a) Defined benefit plans

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

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

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

ii. The Company provides post retirement medical benefits to its executive staff, except for those inducted after December 31, 2010, and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining working lives of the employees based on actuarial valuations. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

- 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 latest valuations were conducted as on June 30, 2014 based on the 'Projected Unit Credit Actuarial Cost Method'.

b) Defined contribution plan

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

3.11 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff is recognised on the basis of actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2014.

3.12 Provisions

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

3.13 Taxation

a) Current taxation

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

b) Deferred taxation

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

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

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

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

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

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

Tax benefits acquired as a part of business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit and loss account.

3.14 Trade and other payables

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

3.15 Revenue recognition

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

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

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

3.16 Finance income and expense

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

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

3.17 Operating leases / Ijara contracts

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

3.18 Joint venture operations

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

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

3.19 Foreign currency transactions and translation

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

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

3.20 Financial instruments

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

3.21 Off-setting of financial assets and financial liabilities

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

3.22 Fair value

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

3.23 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupee, which is the Company's functional currency.

3.24 Related party transactions

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

3.25 Impairment

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.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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

Goodwill is tested for impairment annually at year end and when the circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognised.

Intangible assets with indefinite useful lives are tested for impairment annually at year end either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

For assets excluding goodwill, 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 are not reversed in future periods.

3.26 Dividends and appropriations to reserves

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

3.27 Segment reporting

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

4. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 4.1
Capital work-in-progress - note 4.5

58,696,396	51,116,458
23,939,951	18,962,454
82,636,347	70,078,912

4.1 Operating assets

	Owned assets											Assets subject to finance leases			Total	
	Freehold land	Leasehold land	Buildings, roads and civil construction on freehold land	Buildings, roads and civil construction on leasehold land	Plant and machinery	Furniture, fittings and equipment	Tanks and pipelines	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommissioning cost	Sub total	Computers and allied equipment	Rolling stock*		Sub total
	Rs'000															
Net carrying value basis																
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,126,660	215,413	3,062,101	147,406	135,417	19,145,666	10,381,530	50,829,859	91,091	195,508	286,599	51,116,458
Additions (at cost)	-	-	117,364	-	9,906,585	72,655	1,327,235	28,179	112,231	5,136,457	887,786	17,588,492	45,928	96,110	142,038	17,730,530
Adjustments / reclassifications	-	(511)	-	-	-	-	-	935	15	-	(1,878,392)	(1,877,953)	(935)	(15)	(950)	(1,878,903)
Disposals (at NBV)	-	-	(910)	-	(2,053)	(656)	(2)	(35)	-	-	-	(3,656)	(120)	(12,713)	(12,833)	(16,489)
Depreciation / amortisation charge	-	-	(79,934)	(133)	(2,670,707)	(33,276)	(469,411)	(66,456)	(49,399)	(3,639,836)	(1,136,092)	(8,147,244)	(44,108)	(63,849)	(107,956)	(8,255,200)
NBV as on June 30, 2014	110,777	1,327,797	1,210,825	2,143	22,360,485	254,136	3,919,923	108,029	198,264	20,642,287	8,254,832	58,389,498	91,866	215,042	306,898	58,696,396
Gross carrying value basis																
Cost	110,777	1,327,797	2,151,154	2,664	45,157,334	657,189	6,480,040	561,980	510,389	34,016,261	14,072,126	105,047,711	171,431	352,555	523,986	105,571,697
Accumulated depreciation / amortisation	-	-	(940,329)	(521)	(22,796,849)	(403,053)	(2,560,117)	(453,951)	(312,125)	(13,373,974)	(5,817,294)	(46,658,213)	(79,575)	(137,513)	(217,088)	(46,875,301)
NBV as on June 30, 2014	110,777	1,327,797	1,210,825	2,143	22,360,485	254,136	3,919,923	108,029	198,264	20,642,287	8,254,832	58,389,498	91,866	215,042	306,898	58,696,396
Net carrying value basis																
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Additions (at cost)	-	11,732	309,043	-	720,712	58,598	982,499	33,785	65,096	6,869,025	1,316,667	10,367,157	45,122	115,144	160,266	10,527,423
Adjustments / reclassifications	-	-	-	-	-	(80)	-	(1,736)	77	(16,963)	(21,732)	(40,434)	1,816	(77)	1,739	(38,695)
Disposals (at NBV)	-	-	(2)	-	(82)	(284)	-	(4)	(284)	-	-	(656)	-	(7,262)	(7,262)	(7,918)
Depreciation / amortisation charge	-	-	(70,983)	(133)	(2,628,781)	(32,288)	(360,293)	(72,992)	(30,996)	(2,776,883)	(1,435,591)	(7,408,940)	(32,320)	(50,295)	(82,615)	(7,491,555)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,126,660	215,413	3,062,101	147,406	135,417	19,145,666	10,381,530	50,829,859	91,091	195,508	286,599	51,116,458
Gross carrying value basis																
Cost	110,777	1,328,308	2,035,180	2,664	35,257,370	591,766	5,162,673	558,703	409,219	28,879,804	15,062,732	89,399,196	150,760	309,013	459,773	89,858,969
Accumulated depreciation / amortisation	-	-	(860,875)	(388)	(20,130,710)	(376,353)	(2,100,572)	(411,297)	(273,802)	(9,734,138)	(4,681,202)	(38,569,337)	(59,669)	(113,505)	(173,174)	(38,742,511)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,126,660	215,413	3,062,101	147,406	135,417	19,145,666	10,381,530	50,829,859	91,091	195,508	286,599	51,116,458
Rate of depreciation / amortisation (%)			5 & 10	5	10 & 100**	10	10	30	20	***	***		30	20		

* Represents light and heavy vehicles.

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

*** Amortised on unit of production basis.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

4.2 Summary of significant assets

The following assets have significant operational value to the Company:

Particulars	June 30, 2014		June 30, 2013	
	Cost	NBV	Cost	NBV
	Rs '000		Rs '000	
Head Office				
Land for Head Office Building	1,315,076	1,315,076	1,315,076	1,315,076
Corporate Data Management Project	270,488	63,585	271,902	151,550
Sui Field				
SML / SUL Compression and High Pressure Casing	5,664,138	101,339	5,664,138	157,043
HRL Compressor	1,113,108	1,049,052	-	-
Purification Plant	655,119	-	657,117	-
20" Diameter Sui KPS Main Water Line	862,343	539,284	872,200	623,937
IDECO Drilling Rig H-725	131,879	-	131,879	-
Adhi Field				
LPG Plant -2	652,812	93,632	652,812	158,857
LPG Plant -1	85,374	-	85,374	-
Kandhkot Field				
TEG Dehydration Unit	474,884	284,931	474,884	332,419
130 MMcf/d Dehydration Plant	110,456	-	110,456	-
Gas Compression Station	8,634,309	5,647,420	8,634,309	6,502,652
Effluent Well	128,725	90,021	129,050	103,252
Gas Gathering System	243,199	218,879	243,199	243,199
Hala Field				
Early Production Facilities (EPF) of Adam X-1	1,252,858	694,658	1,252,858	819,944
Mazarani Field				
Processing Facilities	319,545	-	319,545	-
Transmission Pipeline	230,093	-	230,093	-
Qadirpur Field				
Production Facilities	205,116	-	205,116	-
Capacity Enhancement Project	165,598	66,239	165,598	82,799
Wellhead Compression Facility	271,021	184,542	271,021	211,644
Extension of Facilities in Flood Plain of River Indus	114,378	97,821	114,378	103,540
Relocation of Pirkoh Compressors	260,490	221,068	260,490	247,117
Permeate Compressor	197,407	144,765	197,407	164,506
Other Plant and Machinery	164,201	15,052	164,201	31,472
Sawan Field				
Front End Compression	2,480,735	1,468,095	2,480,735	1,716,169
Gas Processing with Amine and Dehydration Unit	971,071	-	971,071	72,717
Debottlenecking of Plant	153,338	46,001	153,338	61,335
Flowline and Tie-in of Sawan-10	142,899	57,160	142,899	71,449
Other Plant and Machinery	1,811,767	-	1,811,767	-
Tal Field				
Makori Central Processing Facility	5,604,262	5,464,155	-	-
CPF Manzalai	3,137,627	1,682,825	3,130,814	1,989,095
Surface Facilities for EWT, Manzalai-1	227,439	20,743	227,439	43,487
EPF of Mamikhel-1	133,844	83,368	133,844	96,752
EWT of Maramzai-1	200,498	139,526	203,689	163,086
EPF Augmentation of Processing Facility - Makori	251,827	220,349	251,827	245,531
Wellhead Surface Fittings & Flowline - Makori East-1	220,618	193,292	218,099	212,646
Nashpa Field				
EWT of Nashpa X-1	120,412	84,289	120,412	96,330
Miano Field				
Wellhead Compression	136,014	93,404	136,595	107,645
Other Plant and Machinery	411,601	-	411,601	-
Latif Field				
Reception / Tie-in Facility	1,248,072	1,185,668	-	-
Tie-in of Latif-1	156,237	78,118	156,237	93,742
Tie-in of Latif North	253,805	202,283	155,078	124,062
Gambat Field				
Tie-in of Tajjal-1	137,734	69,209	137,734	82,982
Wellhead Surface Fittings and Flowline for Tajjal-4	164,058	142,112	109,734	98,760

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

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 constructions						
Consultancy Room & Dispensary Building	Written-Off	Written-Off	1,391	481	910	-
Plant and machinery						
Waste Water Evaporator	Tender	M/s M. Ramzan & Co.	3,939	1,900	2,039	200
Items having book value upto Rs. 50,000	Tender	Various	2,683	2,669	14	2,065
			6,622	4,569	2,053	2,265
Furniture, fittings and equipment						
Fire Proof Data Storage Safe, WW	Tender	M/s PKF Traders	569	484	85	5
Items having book value upto Rs. 50,000	Tender	Various	6,663	6,092	571	787
			7,232	6,576	656	792
Tank and pipelines						
Items having book value upto Rs. 50,000	Tender	Various	9,868	9,866	2	5,630
Rolling stock						
Items having book value upto Rs. 50,000	Tender	Various	11,932	11,932	-	7,667
Computer and allied equipment						
Items having book value upto Rs. 50,000	Tender	Various	49,444	49,409	35	467
Assets subject to finance leases						
Computer and allied equipment						
Dell TM Latitude Notebook E6420	Company policy	Mr. Shahzad Ahmad	115	57	58	63
Dell TM Latitude Notebook E6420	Company policy	Mr. S.M. Tanwiruddin	115	57	58	50
Items having book value upto Rs. 50,000	Tender	Various	488	484	4	11
			718	598	120	124
Rolling stock						
Toyota Corolla XLI, ARP-501	Company policy	Dr. Saeed A. Shaikh	1,310	1,244	66	262
Honda Civic VTI, ARM-892	Company policy	Mr. Asim Murtaza Khan	1,913	1,818	95	383
Suzuki Cultus VXR, AUG-933	Company policy	Mr. Zakir Raza Jafri	839	503	336	49
Toyota Corolla Altis A/T, UB-805	Company policy	Mr. Ishaq Saqi	1,878	595	1,283	1,452
Suzuki Cultus VXR, AYD-446	Company policy	Mr. Zubair Hamid	993	199	794	74
Honda Civic Vtec, AXZ-350	Company policy	Mr. Najeeb Ahmed	2,006	368	1,638	1,482
Toyota Corolla Altis, AXZ-771	Company policy	Mr. Shahzad Ahmad	2,008	402	1,606	1,531
Suzuki Cultus, AUB-435	Company policy	Mr. Ibadur Rehman	838	559	279	402
Toyota Corolla Altis, ARR-873	Company policy	Mr. Sadiqain Haider	1,890	1,827	63	378
Toyota Corolla XLI, ARY-526	Company policy	Mr. Zafar Iqbal Waheed	1,309	1,222	87	254
Honda Civic, AUJ-237	Company policy	Mr. Qamaruzzaman	1,860	1,147	713	870
Honda Civic BAS-251	Company policy	Dr. Saeed A. Shaikh	2,235	223	2,012	1,918
Honda Civic, ARY-568	Company policy	Ms. Danish Zuberi	1,808	1,748	60	362
Honda Civic I-Vtec-PT, AYL-347	Insurance claim	EFU General Insurance Ltd.	2,160	576	1,584	1,900
Honda Civic AYR-121	Company policy	Mr. Muhammad Ibrahim	2,163	540	1,623	1,454
Items having book value upto Rs. 50,000	Company policy	Various	26,488	26,014	474	5,145
			51,698	38,985	12,713	17,916
		2014	138,905	122,416	16,489	34,861
		2013	87,517	79,599	7,918	23,212

4.4 Cost and accumulated depreciation of joint venture assets include:

	Cost		Accumulated depreciation	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	Rs '000			
Share in Company's operated joint ventures	4,108,173	3,794,892	2,412,922	2,124,012
Share in partner operated joint ventures (assets not in possession of the Company)	23,563,632	14,698,609	8,655,098	7,235,493
	27,671,805	18,493,501	11,068,020	9,359,505

June 30, 2014 June 30, 2013
Rs '000

4.5 Capital work-in-progress

Plant, machinery, fittings and pipelines	4,541,896	8,329,028
Prospecting and development expenditure	9,451,764	4,032,963
Lands, buildings and civil constructions	137,845	100,123
Capital stores for drilling and development	9,808,446	6,500,340
	23,939,951	18,962,454

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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

	Plant, machinery, fittings and pipelines	Prospecting and development expenditure (note 4.6.1)	Lands, buildings and civil constructions	Capital stores for drilling and development	Total
Rs '000					
Balance as on July 1, 2012	2,194,892	4,852,857	110,517	1,041,463	8,199,729
Capital expenditure incurred / advances made during the year (net)	8,411,951	8,136,821	50,273	3,354,224	19,953,269
Adjustments / reclassifications	(256,859)	(2,104,653)	260,108	2,104,653	3,249
Transferred to operating assets	(2,020,956)	(6,852,062)	(320,775)	-	(9,193,793)
Balance as on June 30, 2013	8,329,028	4,032,963	100,123	6,500,340	18,962,454
Capital expenditure incurred / advances made during the year (net)	7,832,543	10,555,378	123,253	3,308,106	21,819,280
Adjustments / reclassifications	(30,752)	(120)	31,322	-	450
Transferred to operating assets	(11,588,923)	(5,136,457)	(116,853)	-	(16,842,233)
Balance as on June 30, 2014	4,541,896	9,451,764	137,845	9,808,446	23,939,951

4.6.1 Break-up of prospecting and development expenditure

	Exploration expenditure	Development expenditure	Total
Rs '000			
Balance as on July 1, 2012	2,996,101	1,856,756	4,852,857
Capital expenditure incurred / advances made during the year (net)	2,138,513	5,998,308	8,136,821
Adjustments / reclassifications	(465,876)	(1,638,777)	(2,104,653)
Transferred to operating assets	(2,807,201)	(4,044,861)	(6,852,062)
Balance as on June 30, 2013	1,861,537	2,171,426	4,032,963
Capital expenditure incurred / advances made during the year (net)	5,314,967	5,240,411	10,555,378
Adjustments / reclassifications	(120)	-	(120)
Transferred to operating assets	(1,303,985)	(3,832,472)	(5,136,457)
Balance as on June 30, 2014	5,872,399	3,579,365	9,451,764

4.7 Property, plant and equipment includes major spare parts and standby equipment having cost of Rs 241.375 million (2013: Rs 241.375 million) and net book value of Rs 39.108 million (2013: Rs 63.246 million).

June 30, 2014 June 30, 2013
Rs '000

5. INTANGIBLE ASSETS

Computer software including ERP system - note 5.1
Intangible assets under development

Computer software including ERP system - note 5.1	265,721	391,606
Intangible assets under development	12,252	10,546
	<u>277,973</u>	<u>402,152</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

5.1 Computer Software including ERP system

	June 30, 2014			June 30, 2013		
	ERP system	Computer software	Total	ERP system	Computer software	Total
	Rs '000					
Net carrying value basis						
NBV as on July 01	49,494	342,112	391,606	86,655	337,256	423,911
Additions (at cost)	-	89,926	89,926	5,230	168,614	173,844
Adjustment / reclassification	-	-	-	(63)	-	(63)
Amortisation charge - note 27	(26,023)	(189,788)	(215,811)	(42,328)	(163,758)	(206,086)
NBV as on June 30	23,471	242,250	265,721	49,494	342,112	391,606
Gross carrying value basis						
Cost	319,263	826,605	1,145,868	319,263	736,679	1,055,942
Accumulated amortisation	(295,792)	(584,355)	(880,147)	(269,769)	(394,567)	(664,336)
NBV as on June 30	23,471	242,250	265,721	49,494	342,112	391,606
Rate of amortisation (%)	20	33.33		20	33.33	

6. LONG-TERM INVESTMENTS

	June 30, 2014	June 30, 2013
	Rs '000	
Investments in related parties:		
- Wholly owned subsidiaries		
The Pakistan Petroleum Provident Fund Trust Company (Private) Limited - note 6.1	1	1
PPL Europe E&P Limited - note 6.2	15,664,177	15,664,177
PPL Asia E&P B.V. - note 6.3	7,870,946	-
	23,535,124	15,664,178
-Investment in jointly controlled entity		
Bolan Mining Enterprises	15,000	15,000
Other investments		
Held-to-maturity		
Term Finance Certificates - note 6.4	99,820	99,860
Pakistan Investment Bonds - note 6.5	22,749,408	22,949,043
GoP Ijara Sukuk - note 6.6	500,139	2,501,006
Local currency term deposits with bank - note 6.7	2,000,000	2,000,000
Foreign currency term deposits with banks - note 6.8	9,113,904	5,873,010
	34,463,271	33,422,919
Designated at fair value through profit or loss - note 6.9		
UBL Liquidity Plus Fund	619,003	1,693,577
MCB Cash Management Optimizer Fund	1,510,195	928,046
Meezan Cash Fund	-	644,574
NAFA Government Securities Liquid Fund	1,278,995	573,810
ABL Cash Fund	1,694,736	1,376,193
Atlas Money Market Fund	640,436	358,056
HBL Money Market Fund	1,260,432	934,833
Askari Sovereign Cash Fund	533,652	415,191
IGI Money Market Fund	234,864	235,642
NIT Government Bond Fund	-	294,384
NAFA Money Market Fund	1,057,624	893,015
First Habib Cash Fund	433,036	103,246
Alfalah GHP Cash Fund	226,158	51,608
Pakistan Cash Management Fund	319,416	51,673
PICIC Cash Fund	254,812	51,650
Primus Daily Reserve Fund	503,390	-
Faysal Money Market Fund	472,322	-
	11,039,071	8,605,498
Less: Current maturity of long-term investments		
Term Finance Certificates - note 6.4	(40)	(40)
GoP Ijara Sukuk - note 6.6	(500,139)	(2,000,700)
	(500,179)	(2,000,740)
	68,552,287	55,706,855

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC), a wholly owned subsidiary of the Company, has neither made any profits nor incurred any losses from the date of its incorporation to June 30, 2014. The latest audited financial statements of the subsidiary are annexed. The paid-up capital of the Subsidiary is Rs 1,000 divided into 100 ordinary shares of Rs 10 each.

Securities and Exchange Commission of Pakistan (SECP) through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 has exempted the Company from consolidation of financial statements in respect of its investment in PPPFTC under section 237 of the Companies Ordinance, 1984. Accordingly, the Company has not consolidated the PPPFTC in its consolidated financial statements for the year ended June 30, 2014.

6.2 PPL Europe E&P Limited

The Company acquired on March 21, 2013, 100% shareholding of MND Exploration and Production Limited (MND), a company incorporated in England and Wales. Subsequent to the acquisition, the name of MND was changed to PPL Europe E&P Limited. The registered office of PPL Europe E&P Limited is situated at 6th Floor, One London Wall, London, United Kingdom. The Company holds 38,793,216 ordinary shares of £1 each, representing 100 per cent of the share capital as of balance sheet date.

The Subsidiary's main objective is exploration and production of oil and gas and currently it has working interest in one producing field and three exploration blocks in Pakistan, as well as two exploration blocks in Yemen.

6.3 PPL Asia E&P B.V.

On July 22, 2013, the Company has established a subsidiary, PPL Asia E&P B.V., a company incorporated in Amsterdam, Kingdom of Netherlands. The registered office of PPL Asia E&P B.V. is situated at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company holds 755,000 ordinary shares of US\$ 100 each, representing 100 per cent of the share capital as of balance sheet date.

The Subsidiary's main objective is exploration and production of oil and natural gas resources. During the current year, assignment of the Company's entire interest in Block 8, Iraq, under the Exploration, Development and Production Service Contract (EDPSC) with the Midland Oil Company, Iraq to PPL Asia E&P B.V. was completed, which is effective from September 26, 2013. Registration of Iraq Branch of PPL Asia E&P B.V. to conduct petroleum operations was completed on March 06, 2014.

Number of certificates	Nominal value of each certificate (Rs)	Final maturity date	Implicit mark-up %	June 30, 2014	June 30, 2013
				Rs '000	

6.4 Term Finance Certificates (TFCs) of listed companies

Bank Alfalah Limited	20,000	5,000	December 01, 2017	KIBOR+2.5	99,820	99,860
Current maturity of TFCs					(40)	(40)
					<u>99,780</u>	<u>99,820</u>

6.5 Pakistan Investment Bonds (PIBs)

May 19, 2006			May 19, 2016	10.90	48,917	48,426
May 19, 2006			May 19, 2016	11.14	97,443	96,285
August 22, 2007			August 22, 2017	11.43	95,274	94,085
August 22, 2007			August 22, 2017	11.49	95,138	93,916
August 22, 2007			August 22, 2017	11.54	95,014	93,762
August 22, 2007			August 22, 2017	11.59	94,892	93,610
August 22, 2007			August 22, 2017	11.64	94,767	93,456
August 22, 2007			August 22, 2017	11.88	47,087	46,361
July 19, 2012			July 19, 2017	10.05	22,080,876	22,289,142
					<u>22,749,408</u>	<u>22,949,043</u>

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

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

6.6 GoP Ijara Sukuk

	Principal Amount	Final Maturity date	Mark-up (%)	June 30, 2014	June 30, 2013
	Rs '000			Rs '000	
Issued on:					
May 16, 2011	2,000,000	May 16, 2014	9.46	-	2,000,700
April 30, 2012	500,000	April 30, 2015	9.98	500,139	500,306
				500,139	2,501,006
Current maturity of GoP Ijara Sukuk				(500,139)	(2,000,700)
				-	500,306

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

6.7 Local currency term deposits with banks

This represents 88 days term deposits with bank with interest rate of 10.30% (2013: 9.32%) per annum. These have been classified as non-current assets, as the management intends and has an ability to hold the amounts for longer term.

6.8 Foreign currency term deposits with banks

This represents the term deposits with banks with effective interest rate ranging from 2.81% to 4.15% (2013: 1.25% to 4.0%) per annum. These investments maturities are in the range of 71 to 185 days, however, these have been classified as non-current assets, as the management intends and has an ability to hold the amounts for longer term.

6.9 Designated at fair value through profit or loss

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

June 30, 2014 June 30, 2013
Rs '000

7. LONG-TERM LOANS AND ADVANCE

Unsecured and considered good

Long-term loans - staff - note 7.1

- Executive staff - note 7.2
- Other employees

31,834	22,405
7,224	12,085
39,058	34,490

Current maturity of long-term loans - note 12

- Executive staff
- Other employees

(9,004)	(6,659)
(3,358)	(6,820)
(12,362)	(13,479)

Long-term loan to a related party

- PPL Europe E&P Limited - note 7.3

959,836	-
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Long-term advance

- Advance against issuance of shares - note 7.4

-	1,498,144
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986,532	1,519,155
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7.1 These mainly represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are recoverable by the Company in accordance with the Company's rules over a maximum period of ten years. The loans carry interest rate ranging from 1% to 10% (2013: 1% to 10%) per annum.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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

	June 30, 2014	June 30, 2013
	Rs '000	
Balance as on July 01	22,405	20,870
Disbursements	22,665	7,861
Repayments / adjustments	(13,236)	(6,326)
Balance as on June 30	31,834	22,405

The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 31.834 million (2013: Rs 22.405 million).

7.3 During the current year, the Company has entered into a Group Cash Facility Arrangement (agreement) with PPL Europe E&P Limited (Subsidiary) and PPL Europe E&P Limited, Pakistan Branch (Branch), wherein, with effect from October 01, 2013, the Company agrees to make payments of pending and future cash calls to Barkhan JV Operator on behalf of Subsidiary and Branch for fulfillment of the share of block commitment. The maximum amount of facility is US\$ 20 million. The borrowing amount shall be paid in full within three years from the effective date of this agreement or before termination of agreement, whichever occurs earlier. The said loan carries interest at the rate of 3 months LIBOR + 3% per annum.

7.4 Advance against issuance of shares

On assignment of the Company's entire interest in Block-8, Iraq along with signature bonus to PPL Asia E&P B.V. as stated in note 6.3 to these unconsolidated financial statements, the amount of signature bonus of Rs 1,463 million (equivalent to US\$ 15 million) was transferred to long-term investments as a result of shares issued by PPL Asia E&P B.V. to the Company.

June 30, 2014	June 30, 2013
Rs '000	

8. LONG-TERM DEPOSITS

Cash margin:

- For guarantee to International Bank of Yemen - note 8.1	757,500	735,000
- Others - note 25.1.3	7,676	7,676
	765,176	742,676

8.1 The Company, as per the Production Sharing Agreement (PSA) signed with the Republic of Yemen for carrying out exploration in Block - 29, was required to submit an irrevocable letter of credit, issued by a local bank of Yemen, to the Ministry of Oil and Gas, Yemen, for its share of Minimum Expenditure Obligation amounting to US\$ 7.5 million for the first exploration period of 4 years. Extension has been granted for twelve months for the first exploration period effective March 17, 2014 and it is expected that further extension will be granted, until the exploration work program commitments are fulfilled.

Accordingly, the Company arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US\$ 7.5 million through United Bank Limited against 100% cash margin of Rs 757.5 million (2013: Rs 735 million).

During the current year, the management of the Company has decided to transfer the entire working interest in Block - 29 Yemen to its wholly owned subsidiary PPL Europe E&P Limited. The Ministry of Oil and Minerals Yemen vide letter dated May 14, 2014 has given its consent to this assignment. The assignment will be formalised once necessary documentation is signed by all parties and will be effective from May 14, 2014.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

9. LONG-TERM RECEIVABLES

Unsecured and considered good

Long-term receivables from:

- Government Holdings (Pvt) Ltd (GHPL) - note 9.1
- National Highway Authority - note 9.2

269,292	182,560
161,558	139,120
430,850	321,680
(54,800)	(29,082)
<u>376,050</u>	<u>292,598</u>

Current maturity of long-term receivables from GHPL

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

9.2 Nashpa and Tal joint venture partners have financed National Highway Authority for the construction of Khushalgarh Bridge on River Indus, district Kohat. As per the terms of the agreement, the Company has paid Rs 41.531 million (out of Rs 46.145 million to be financed by the Company in Nashpa field) and Rs 120.027 million (out of Rs 133.377 million to be financed by the Company in Tal field). The loan is interest free, which shall be recovered in seven years, starting after the successful completion of work.

June 30, 2014 June 30, 2013
Rs '000

10. STORES AND SPARES

Stores and spares

Stores and spares in transit

3,108,239	2,551,399
554,723	390,189
3,662,962	2,941,588
(119,480)	(106,406)
<u>3,543,482</u>	<u>2,835,182</u>

Provision for obsolete / slow moving stores - note 10.1

10.1 Reconciliation of provision for obsolete / slow moving stores:

Balance as on July 01

Charge for the year - note 30

Balance as on June 30

106,406	100,263
13,074	6,143
<u>119,480</u>	<u>106,406</u>

11. TRADE DEBTS

Unsecured and considered good

Related parties

Central Power Generation Company Limited (GENCO-II)

Sui Northern Gas Pipelines Limited (SNGPL)

Sui Southern Gas Company Limited (SSGCL)

6,435,882	5,306,529
11,846,129	12,395,026
20,692,404	17,282,345
<u>38,974,415</u>	<u>34,983,900</u>

Non-related parties

Attock Refinery Limited (ARL)

National Refinery Limited (NRL)

Pak-Arab Refinery Limited (PARCO)

Others

7,172,493	3,347,914
1,343,390	1,798,997
1,765,080	57,786
607,109	148,723
<u>10,888,072</u>	<u>5,353,420</u>
<u>49,862,487</u>	<u>40,337,320</u>

Unsecured and considered doubtful

Non-related party

Byco Petroleum Pakistan Limited (Byco)

Less: Provision for doubtful debts - note 11.3

1,156,220	1,156,220
(1,156,220)	(1,156,220)
-	-
<u>49,862,487</u>	<u>40,337,320</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

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

Neither past due nor impaired	21,668,307	16,367,811
Past due but not impaired:		
Related parties		
- within 90 days	10,157,677	9,100,732
- 91 to 180 days	5,867,604	4,094,196
- over 180 days	10,401,911	10,068,833
	26,427,192	23,263,761
Non-related parties		
- within 90 days	1,593,497	672,372
- 91 to 180 days	39,090	11,842
- over 180 days	134,401	21,534
	1,766,988	705,748
	49,862,487	40,337,320

11.2 Trade debts include overdue amount of Rs 26,427 million (2013: Rs 23,263 million) receivable from the State controlled utility companies (i.e. GENCO-II, SSGCL and SNGPL) and Rs 2,923 million (June 30, 2013: Rs 1,862 million) overdue receivable from refineries (i.e. ARL, Byco, PARCO, NRL and Pakistan Refinery Limited) and various LPG customers.

Based on the measures being undertaken by the GoP, the Company considers the overdue amounts to be fully recoverable and therefore, no further provision for doubtful debts has been made in these unconsolidated financial statements, except for provision against receivable from Byco, as mentioned in note 11.3 to these unconsolidated financial statements.

June 30, 2014 June 30, 2013
Rs '000

11.3 Provision for doubtful debts:

Balance as on July 1	1,156,220	1,181,220
Reversal during the year - note 29	-	(25,000)
Balance as on June 30	1,156,220	1,156,220

The Company has filed a legal suit in the Sindh High Court (SHC) against Byco for recovery of overdues.

June 30, 2014 June 30, 2013
Rs '000

12. LOANS AND ADVANCES

Unsecured and considered good

Loans and advances to staff - note 12.1	3,713	5,327
Advances to suppliers and others	156,821	158,612
Advance payment of cash calls to joint ventures - note 24.1	1,512,521	825,619
Current maturity of long-term loans - staff - note 7	12,362	13,479
	1,685,417	1,003,037

12.1 Loans and advances to staff:

- Executive staff	1,847	1,156
- Other employees	1,866	4,171
	3,713	5,327

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	162,188	57,466
Prepayments	236,294	225,747
	<u>398,482</u>	<u>283,213</u>
14. INTEREST ACCRUED		
Profit receivable on:		
- long-term investments	1,176,673	1,283,182
- long-term loan to PPL Europe E&P Limited	12,362	-
- long-term bank deposits	10,727	9,217
- short-term bank deposits	151,899	197,288
- bank deposits - saving accounts	860	5,873
	<u>1,352,521</u>	<u>1,495,560</u>
15. OTHER RECEIVABLES		
Receivable from:		
SNGPL for Sui field services	16,404	7,685
SSGCL for Sui field services	9,690	8,014
PPL Asia DMCC	-	1,896
PPL Asia E&P B.V.	11,566	-
PPL Europe E&P Limited	4,823	-
PPL Asia E&P B.V., Iraq branch	153,733	-
Workers' Profits Participation Fund (WPPF) - note 15.1	71,968	69,434
Staff retirement benefit plans - note 28.1.1	252,803	-
Current accounts with joint ventures - note 24.1	1,538,458	474,886
Sales tax (net)	1,294,549	1,076,086
Federal excise duty (net)	359,896	-
Other receivables	11,508	13,600
	<u>3,725,398</u>	<u>1,651,601</u>
15.1 Workers' Profits Participation Fund		
Balance as on July 01	69,434	189,155
Allocation for the year - note 30	(3,922,206)	(3,295,426)
Interest on funds utilised in the Company's business - note 31	(105)	(333)
	<u>(3,852,877)</u>	<u>(3,106,604)</u>
Amount paid during the year	3,924,845	3,176,038
Balance as on June 30	<u>71,968</u>	<u>69,434</u>
16. SHORT-TERM INVESTMENTS		
Investment in related party:		
- Wholly owned subsidiary		
PPL Asia DMCC - note 16.1	-	5,350
Held-to-maturity		
Local currency term deposits with banks - note 16.2	19,350,000	23,740,000
Investment in Treasury Bills	-	4,593,503
	<u>19,350,000</u>	<u>28,333,503</u>
	<u>19,350,000</u>	<u>28,338,853</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

16.1 PPL Asia DMCC

During the current year, the Company had initiated the process to dissolve PPL Asia DMCC and in this respect, the entire amount of share capital of the Subsidiary had been repatriated. Accordingly, PPL Asia DMCC was liquidated on January 27, 2014.

16.2 The local currency short-term deposits have a maximum maturity period of 97 days, carrying profit ranging from 9.95% to 10.48% (2013: from 9.36% to 9.80%) per annum.

17. CASH AND BANK BALANCES

At banks

- Saving accounts

Local currency - note 17.1

Foreign currency - note 17.2

- Current accounts (local currency)

Cash and cheques in hand

June 30, 2014 June 30, 2013
Rs '000

	June 30, 2014	June 30, 2013
- Saving accounts		
Local currency - note 17.1	2,089,898	5,728,202
Foreign currency - note 17.2	21,721	339,426
	<u>2,111,619</u>	<u>6,067,628</u>
- Current accounts (local currency)	106,563	77,465
Cash and cheques in hand	57,730	39,192
	<u>2,275,912</u>	<u>6,184,285</u>

17.1 These carry profit at the rate ranging from 6% to 9.25% (2013: from 6% to 8.55%) per annum.

17.2 These carry profit at the rate ranging from 0.10% to 0.25% (2013: from 0.10% to 0.25%) per annum.

18. SHARE CAPITAL

Authorised

2,500,000,000 (2013: 2,500,000,000) ordinary shares of Rs 10 each

26,510 (2013: 26,510) convertible preference shares of Rs 10 each

Issued

1,971,905,162 (2013: 1,643,285,893) ordinary shares of Rs 10 each (including 328,619,269 shares issued as bonus shares during the year) - note 18.1

13,840 (2013: 13,840) convertible preference shares of Rs 10 each - note 18.2

Subscribed and paid-up

683,073,803 (2013: 683,073,803) ordinary shares of Rs 10 each for cash - note 18.1

1,285,891,812 (2013: 957,272,543) ordinary shares of Rs 10 each issued as bonus shares- note 18.3

-Opening balance

-Issued during the year

-Closing balance

2,750,000 (2013: 2,750,000) ordinary shares of Rs10/- each for consideration other than cash under an Agreement for Sale of Assets dated March 27, 1952 with Burmah Oil Company Limited

13,840 (2013: 13,840) convertible preference shares of Rs 10 each for cash - note 18.2

June 30, 2014 June 30, 2013
Rs '000

	June 30, 2014	June 30, 2013
2,500,000,000 (2013: 2,500,000,000) ordinary shares of Rs 10 each	25,000,000	25,000,000
26,510 (2013: 26,510) convertible preference shares of Rs 10 each	265	265
	<u>25,000,265</u>	<u>25,000,265</u>
1,971,905,162 (2013: 1,643,285,893) ordinary shares of Rs 10 each (including 328,619,269 shares issued as bonus shares during the year) - note 18.1	19,719,052	16,432,859
13,840 (2013: 13,840) convertible preference shares of Rs 10 each - note 18.2	138	138
	<u>19,719,190</u>	<u>16,432,997</u>
683,073,803 (2013: 683,073,803) ordinary shares of Rs 10 each for cash - note 18.1	6,830,738	6,830,738
1,285,891,812 (2013: 957,272,543) ordinary shares of Rs 10 each issued as bonus shares- note 18.3		
-Opening balance	9,572,726	6,286,533
-Issued during the year	3,286,193	3,286,193
-Closing balance	12,858,919	9,572,726
2,750,000 (2013: 2,750,000) ordinary shares of Rs10/- each for consideration other than cash under an Agreement for Sale of Assets dated March 27, 1952 with Burmah Oil Company Limited	27,500	27,500
	<u>19,717,157</u>	<u>16,430,964</u>
13,840 (2013: 13,840) convertible preference shares of Rs 10 each for cash - note 18.2	138	138
	<u>19,717,295</u>	<u>16,431,102</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

18.1 Issued, subscribed and paid-up capital

During June 2002, a rights issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders, irrespective of the class. Out of the above, 189,547 (2013: 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.

The GoP holds 71.06% (2013: 71.06%) of the paid-up ordinary share capital as of June 30, 2014. Subsequent to the year end, the GoP has completed the disinvestment of its 70,055,000 shares through a Secondary Public Offering. Consequently, the shareholding of GoP has reduced to 67.51% of the paid-up ordinary share capital.

18.2 Convertible preference shares

In accordance with article 3(iv) of the Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Company Secretary by the holders of such convertible preference shares to that effect. During the current and last year, no shareholder exercised his option to convert those shares into ordinary shares.

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

- 18.3 During the current year, the Company has issued 20% (2013: 25%) bonus shares i.e., 328,619,269 shares (2013: 328,619,269 shares) to the ordinary shareholders (one ordinary share for every five ordinary shares held).

June 30, 2014 June 30, 2013
Rs '000

19. RESERVES

Capital reserve - note 19.1	1,428	1,428
Revenue reserves		
General and contingency reserve - note 19.2	69,761	69,761
Insurance reserve - note 19.3	29,021,894	24,021,894
Assets acquisition reserve - note 19.4	18,751,980	13,751,980
Dividend equalisation reserve	5,000,000	5,000,000
Unappropriated profit	109,355,000	90,078,175
	<u>162,198,635</u>	<u>132,921,810</u>
	<u>162,200,063</u>	<u>132,923,238</u>

19.1 Capital reserve

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

19.2 General and contingency reserve

The balance in general and contingency reserve account is constant since December 31, 1981. The reserve was built through appropriation from the available profit after taxation on a yearly basis to cater for unforeseen requirements. As at December 31, 1981, the balance available in the profit and loss account after appropriation of dividend for the year was transferred to the general and contingency reserve upon

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

the coming into effect of the Sui Gas Well-head Price Agreement, 1982 (1982 GPA), which required inclusion of this reserve as a part of the shareholders' funds for qualifying for return under the 1982 GPA (now dismantled). Since then, this balance has remained constant.

19.3 Insurance reserve

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

The Company has arranged terrorism cover from the international market upto the limit of liability of US\$ 100 million (Rs 9,855 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 27, 2014 has approved to transfer Rs 5,000 million (2013: Rs 5,000 million) from unappropriated profit to the insurance reserve.

19.4 Assets acquisition reserve

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

The Board of Directors at their meeting held on August 27, 2014 has approved to transfer Rs 5,000 million (2013: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

June 30, 2014 June 30, 2013
Rs '000

20. PROVISION FOR DECOMMISSIONING OBLIGATION

Balance brought forward	15,989,704	14,334,962
(Reversal) / provision during the year - note 4.1	(990,606)	1,294,935
Unwinding of discount - note 31	386,822	359,807
	<u>15,385,920</u>	<u>15,989,704</u>

- 20.1 The provision for decommissioning obligation includes Rs 2,480.485 million (2013: Rs 2,149.135 million), representing the Company's share of the expected decommissioning cost of partner operated fields. The provision for decommissioning cost in respect of the Company's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partner operated fields is based on estimates provided by the respective operators. The provision has been discounted using a real discount rate of 3.37% per annum (2013: 2.43% per annum).

June 30, 2014 June 30, 2013
Rs '000

21. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Present value of minimum lease payments - note 21.1	277,884	273,238
Current maturity shown under current liabilities	(102,114)	(108,622)
	<u>175,770</u>	<u>164,616</u>

- 21.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies for rolling stock, computers and allied equipment. The periodic lease payments include rates of mark-up ranging from 12.64% to 21.83% (2013: 12.94% 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.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

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, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013

Rs '000

Year ended June 30,

2014	-	133,677	-	25,055	-	108,622
2015	127,710	87,324	25,596	20,842	102,114	66,482
2016	94,511	53,915	21,740	11,906	72,771	42,009
2017	61,697	39,838	12,774	6,903	48,923	32,935
2018	42,472	25,350	6,147	2,160	36,325	23,190
2019	19,403	-	1,652	-	17,751	-
Total	345,793	340,104	67,909	66,866	277,884	273,238

June 30, 2014 June 30, 2013
Rs '000

22. DEFERRED LIABILITIES

Post retirement medical benefits - note 28.2.1
Leave preparatory to retirement - note 28.3

1,378,429	1,155,168
675,309	657,799
<u>2,053,738</u>	<u>1,812,967</u>

23. DEFERRED TAXATION

Credit / (debit) balances arising on account of:

Exploration expenditure	(3,478,000)	(3,699,703)
Amortisation of intangible assets	(4,422)	(4,013)
Provision for staff retirement and other benefits	(698,271)	(1,616,298)
Provision for obsolete / slow moving stores	(40,623)	(37,242)
Provision for doubtful debts	(462,488)	(462,488)
Provision for decommissioning obligation	71,206	178,645
Accelerated tax depreciation allowances	6,346,687	5,200,870
Exploratory wells cost	4,295,870	1,646,234
Prospecting and development expenditure	9,029,247	7,697,189
Others	9,870	4,675
	<u>15,069,076</u>	<u>8,907,869</u>

24. TRADE AND OTHER PAYABLES

Creditors
Accrued liabilities
Security deposits from LPG distributors
Retention money
Unpaid and unclaimed dividends
Gas development surcharge (GDS)
Gas infrastructure development cess
Federal excise duty (net)
Royalties
Current accounts with joint venture partners - note 24.1
Liabilities for staff retirement benefit plans - note 28.1.1
Others

288,512	163,589
3,100,302	2,665,857
625,069	169,651
43,100	56,814
192,517	161,232
3,805,195	15,510,383
1,479,926	2,117,340
-	99,805
5,996,004	6,284,059
2,234,383	3,526,422
85,395	2,590,810
65,316	51,820
<u>17,915,719</u>	<u>33,397,782</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

24.1 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2014 and 2013 have been stated net of the respective current assets and current liabilities, as providing details for each respective joint venture separately would be very exhaustive especially in view of the materiality of that information in the overall context to these unconsolidated financial statements.

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

June 30, 2014 June 30, 2013
Rs '000

25.1.1 Indemnity bonds and corporate guarantees

Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years.

14,984 24,174

Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities.

40,890 40,890

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

25.1.3 Sales tax

The 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 amounting to Rs 11.830 million, under the provisions of sections 8(1)(ca) and 8A of the Sales Tax Act, 1990 and Rule 12(5) of the Sales Tax Rules, 2006. Being aggrieved with the impugned orders, the Company has filed appeals before the Commissioner Inland Revenue Appeals {CIR(A)}. During the year ended June 30, 2013, the Company had received all the three orders under appeal before the CIR-(A). In two of the three orders, the CIR-(A) had set-aside the orders passed by the Assessing Officer with directions to cross match and verify the documents in respect of each supplier submitted by the Company and pass a fresh and speaking order after providing opportunity of being heard. Since the said orders were set-aside by the CIR-(A), therefore no further action is required on this account. In one of the orders, the CIR-(A) has confirmed the action of the Assessing Officer on the ground that the Company has failed to prove that the input tax claimed was deposited in the Government treasury. Being aggrieved with the decision of the CIR-(A) the Company has filed an appeal before the ATIR, which is 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. During the year ended June 30, 2013, the aforesaid order of the SHC has been renewed by another order dated June 25, 2013. The original petition filed before the SHC, however, is pending for hearing.

25.1.4 Income tax

The Tax authorities whilst amending the Assessment Orders for the tax years 2003 to 2013 have made additions in respect of the following issues:

- i) Rate Issue [disputed by the Tax authorities in tax years 2003 to 2013];
- ii) Depletion Allowance [disputed by the Tax authorities in tax years 2003 to 2013];
- iii) Decommissioning Cost of Sui Area [disputed by the Tax authorities in tax years 2004 to 2012]; and

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

iv) Tax credits under sections 65A, 65B and 65E in respect of Agreement Areas [disputed by the Tax authorities in tax years 2011 to 2013].

The Tax authorities have raised demand of Rs 10,125 million in respect of the above issues, out of which the Company has paid Rs 8,323 million. The demand raised by the Tax authorities through the above assessment orders were subsequently confirmed by the CIR-(A) and ATIR, except for tax year 2013 which is currently pending before CIR-(A). Being aggrieved with the decision of the ATIR, the Company has filed a Reference Application before the SHC in respect of tax years 2003 to 2007 during the year ended June 30, 2014. The Company is in the process of filing a Reference Application before the Hon'able SHC in respect of tax years 2008 to 2012.

The outstanding demands for the tax years 2003 to 2009 have been stayed by the Hon'able SHC whereas the demands raised for the tax years 2010 to 2013 have been fully paid.

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, Sui decommissioning cost and tax credits under sections 65A, 65B and 65E in respect of Agreement Areas in the books of account. In case the appeals are decided in favour of the Company, an amount of Rs 10,125 million (2013: Rs 7,225 million) will be credited in the profit and loss account for that year.

25.1.5 Other contingencies

The Company is defending various suits filed against it in various courts in Pakistan for sums, aggregating to Rs 958 million (2013: Rs 871 million), related to its business operations. The legal counsel is confident that these suits are expected to be decided in favour of the Company and, accordingly, no provision has been made for any liability against these law suits in these unconsolidated financial statements.

25.2 Commitments

25.2.1 Capital expenditure

	June 30, 2014	June 30, 2013
	Rs '000	
Owned assets	2,946,940	3,671,970
Share in joint ventures	28,905,145	20,522,010
Operating leases / Ijara contracts	6,699	15,179
	<u>31,858,784</u>	<u>24,209,159</u>

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

	June 30, 2014	June 30, 2013
	Rs '000	
Year ending June 30,		
2014	-	7,985
2015	6,699	7,194
	<u>6,699</u>	<u>15,179</u>

25.2.2 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 3270-7 (Zindan), Block 2467-12 (Jungshahi), Block 2468-12 (Kotri), Block 2568-21 (Kotri North), Block 3371-15 (Dhok Sultan), Block 2568-18 (Gambat South), Block 2763-3 (Kharan), Block 2764-4 (Kharan East), Block 2763-4 (Kharan West), Block 2468-10 (Sirani), Block 2667-11 (Zamzama South), Block 2668-9 (Naushahro Firoz), Block 3272-18 (Karsal), Block 3372-23 (Hisal), Block 2870-5 (Sadiqabad), Block 2469-16 (Shah Bandar), Block 2864-4 (Nausherwani), Block 2566-6 (Bela West), Block 2566-4 (Hab), Block 2569-5 (Khipro East), Block 2467-13 (Malir), Block 2866-4 (Margand), Block 3370-3 (Tal), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano-II), Block 3370-10 (Nashpa), Block 2669-3 (Latif), Block 2667-7 (Kirthar), Block 2468-9 (Jherruck), Block 3070-13 (Baska), Block 2366-7 (Offshore Indus-C), Block 2366-5 (Offshore Indus-N), Block 2568-20 (Sukhpur), Block 2568-19 (Digri), Block 3273-3 (Ghauri), Block 2467-14 (Jati) and Block 2265-1 (Indus-G) amounts to Rs 11,264 million (2014: Rs 6,101 million) for the year ending June 30, 2015.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
26. SALES - net (including internal consumption)		
Sales	142,960,285	123,938,180
Federal excise duty	(1,916,150)	(2,127,355)
Sales tax	(13,574,156)	(12,444,102)
Gas infrastructure development cess	(1,228,004)	(1,694,339)
Gas development surcharge	(6,430,617)	(5,315,728)
	<u>(23,148,927)</u>	<u>(21,581,524)</u>
	<u>119,811,358</u>	<u>102,356,656</u>
Product wise break-up of sales is as follows:		
Natural gas sales	89,490,742	87,349,129
Federal excise duty	(1,889,451)	(2,101,685)
Sales tax	(13,116,790)	(12,135,499)
Gas infrastructure development cess	(1,228,004)	(1,694,339)
Gas development surcharge	(6,430,617)	(5,315,728)
	<u>(22,664,862)</u>	<u>(21,247,251)</u>
	66,825,880	66,101,878
Gas supplied to Sui villages - note 27.5	429,902	388,580
Federal excise duty	(15,841)	(15,025)
Sales tax	(62,464)	(53,742)
	<u>(78,305)</u>	<u>(68,767)</u>
	351,597	319,813
Internal consumption of gas - note 26.1	249,576	239,076
Federal excise duty	(9,197)	(9,244)
Sales tax	(36,263)	(33,061)
	<u>(45,460)</u>	<u>(42,305)</u>
	204,116	196,771
Condensate sales	10,618,980	8,188,552
NGL (condensate) sales	2,370,142	1,682,384
Crude oil sales	37,333,296	24,486,299
LPG sales	2,467,647	1,604,160
Federal excise duty	(1,661)	(1,401)
Sales tax	(358,639)	(221,800)
	<u>(360,300)</u>	<u>(223,201)</u>
	2,107,347	1,380,959
	<u>119,811,358</u>	<u>102,356,656</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

26.1 Internal consumption of gas comprises of the following:

Industrial and domestic use	180,569	169,028
Gas used for electricity generation at Sui	69,007	70,048
	<u>249,576</u>	<u>239,076</u>

26.2 The Company has not allowed any sales discount to the customers during the years ended June 30, 2014 and 2013.

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

27. FIELD EXPENDITURES

Development and drilling - note 27.1	4,879,187	5,252,330
Exploration	7,264,209	6,797,597
Depreciation - note 4.1	3,479,272	3,279,081
Amortisation of intangible assets - note 5.1	215,811	206,086
Amortisation of decommissioning cost - note 4.1	1,136,092	1,435,591
Amortisation of prospecting and development expenditure - note 4.1	3,639,836	2,776,883
Salaries, wages, welfare and other benefits - note 27.2	6,944,181	5,841,755
Employees' medical benefits - note 27.3	361,898	374,843
Manpower development	33,328	25,799
Travelling and conveyance	586,692	586,092
Communication	41,489	29,662
Stores and spares consumed	1,813,021	1,341,838
Fuel and power	344,635	317,088
Rent, rates and taxes	101,254	170,685
Insurance	646,249	651,290
Repairs and maintenance	410,162	458,074
Professional services	127,988	215,182
Auditors' remuneration - note 27.4	5,392	5,741
Free supply of gas to Sui villages - note 27.5	429,902	388,580
Donations - note 27.6	102,499	63,770
Social welfare / community development	148,054	250,861
Other expenses	152,680	179,997
	<u>32,863,831</u>	<u>30,648,825</u>
Recoveries	(47,139)	(45,946)
	<u>32,816,692</u>	<u>30,602,879</u>

27.1 These are net of insurance claim of Rs 868 million received during the current year in respect of sabotage activity caused at Sui gas field during the year ended June 30, 2011.

27.2 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 168.061 million, Rs 593.841 million, Rs 93.020 million and Rs 39.975 million, respectively (2013: Rs 159.754 million, Rs 458.558 million, Rs 72.583 million and Rs 140.259 million, respectively).

27.3 This includes expenditure relating to post retirement medical benefits amounting to Rs 164.030 million (2013: Rs 179.435 million).

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

27.4 Auditors' remuneration is as under:

Audit fee – unconsolidated	2,250	2,500
– consolidated	750	-
Limited review, special certifications and advisory services	1,977	3,005
Out of pocket expenses	415	236
	<u>5,392</u>	<u>5,741</u>

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

27.6 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, 2014	Year ended June 30, 2013
			Rs '000	
Mr. Asim Murtaza Khan	Director	Petroleum Institute of Pakistan	100	535
Mr. Asim Murtaza Khan	Director	Pakistan Institute of Corporate Governance	250	-
Mr. Saeed Akhtar (Ex-Director)	Director	Karwan-e-Hayat, an Institute of Mental Health Care & Rehabilitation	200	150
			<u>550</u>	<u>685</u>

28. STAFF RETIREMENT BENEFITS

28.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.10 to these unconsolidated financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

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

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity	June 30, 2013	
	June 30, 2014				June 30, 2013	
	Rs '000					
Present value of defined benefit obligations - note 28.1.5	6,372,337	571,818	1,435,987	699,272	9,079,414	8,106,318
Fair value of plan assets - note 28.1.4	(6,288,692)	(570,068)	(1,598,365)	(789,697)	(9,246,822)	(5,515,508)
Liability / (asset) recognised in the balance sheet	83,645	1,750	(162,378)	(90,425)	(167,408)	2,590,810

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

28.1.2 Movement in amounts payable to / (receivable from) defined benefit plans

Movement in amounts payable to / (receivable from) staff retirement benefit plans during the year are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Balances as on July 01	1,829,238	161,202	413,739	186,631	2,590,810	1,491,856
Charge for the year - note 28.1.3	494,975	49,300	98,866	43,720	686,861	531,141
Payments during the year	(2,324,213)	(210,502)	(512,605)	(230,351)	(3,277,671)	(732,112)
Amount recognised in Other Comprehensive Income (OCI) for the year	83,645	1,750	(162,378)	(90,425)	(167,408)	1,299,925
Balances as on June 30	83,645	1,750	(162,378)	(90,425)	(167,408)	2,590,810

28.1.3 Amounts recognised in the profit and loss account

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	Year ended June 30, 2014					Year ended June 30, 2013
	Rs '000					
Current service cost	304,249	32,492	53,891	23,364	413,996	344,144
Interest cost	598,260	58,019	154,574	74,607	885,460	804,440
Interest income on plan assets	(407,534)	(41,211)	(109,599)	(54,251)	(612,595)	(617,443)
Charge for the year recognised in profit and loss account	494,975	49,300	98,866	43,720	686,861	531,141
Actual return on plan assets	552,091	51,125	131,906	70,872	805,994	621,132

28.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Fair value of plan assets at beginning of the year	3,579,152	381,149	1,028,055	527,152	5,515,508	4,494,432
Interest income on plan assets	407,534	41,211	109,599	54,251	612,595	617,443
Contributions by the Company	2,324,213	210,502	512,605	230,351	3,277,671	732,112
Benefits paid	(166,764)	(72,708)	(74,201)	(38,678)	(352,351)	(349,538)
Amount recognised in OCI for the year	144,557	9,914	22,307	16,621	193,399	21,059
Fair value of plan assets at end of the year	6,288,692	570,068	1,598,365	789,697	9,246,822	5,515,508

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

28.1.5 Changes in present value of pension and gratuity obligations

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Present value of obligations at beginning of the year	5,408,390	542,351	1,441,794	713,783	8,106,318	5,986,288
Current service cost	304,249	32,492	53,891	23,364	413,996	344,144
Interest cost	598,260	58,019	154,574	74,607	885,460	804,440
Benefits paid	(166,764)	(72,708)	(74,201)	(38,678)	(352,351)	(349,538)
Amount recognised in OCI for the year	228,202	11,664	(140,071)	(73,804)	25,991	1,320,984
Present value of obligations at end of the year	6,372,337	571,818	1,435,987	699,272	9,079,414	8,106,318

28.1.6 Break-up of plan assets

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

Rate of return	Executives		Non-Executives		Executives		Non-Executives	
	Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
%	June 30, 2014 (Unaudited)				June 30, 2013 (Audited)			

Pension Fund

Government securities	6.76 - 14.47	2,138,707	34	494,258	30	1,012,620	28	317,676	31
Shares	-	185,172	3	56,581	4	157,619	5	48,191	5
TFCs	13.52 - 13.54	69,630	1	24,900	2	68,710	2	24,571	2
Cash and bank balances	7.00 - 9.15	3,895,183	62	1,022,626	64	2,340,398	65	636,636	62
Total		6,288,692	100	1,598,365	100	3,579,347	100	1,027,074	100

Gratuity Fund

Government securities	6.76 - 14.47	231,802	40	267,699	34	123,429	32	170,838	32
Shares	-	31,890	6	27,989	4	27,189	7	23,909	5
TFCs	13.51 - 13.53	3,081	1	12,889	2	2,933	1	12,718	2
Cash and bank balances	7.00 - 9.15	303,295	53	481,120	60	227,627	60	319,722	61
Total		570,068	100	789,697	100	381,178	100	527,187	100

28.1.7 Sensitivity analysis:

	June 30, 2014				June 30, 2013			
	Executives		Non-Executives		Executives		Non-Executives	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Pension:								
Salary rate sensitivity	398,292	(383,651)	76,840	(69,945)	388,613	(338,425)	87,180	(77,637)
Pension rate sensitivity	447,742	(375,876)	162,649	(135,806)	378,107	(317,697)	102,811	(85,453)
Gratuity:								
Salary rate sensitivity	4,730	(4,483)	34,116	(31,084)	29,931	(26,885)	37,004	(32,935)

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

28.1.8 Maturity profile of the defined benefit obligation:

	June 30, 2014			
	Executives		Non-Executives	
	Pension	Gratuity	Pension	Gratuity
Weighted average duration (years)	14.08	5.94	12.17	6.60
The retirement will at most continue (year)	2050	2050	2052	2052

28.1.9 The Company expects to contribute Rs 464.827 million to the pension and gratuity funds in 2014-15.

28.2 Unfunded post retirement medical benefits

28.2.1 The Company provides free medical facilities to its executive and non-executive retired employees, as mentioned in note 3.10 to these unconsolidated financial statements. The latest actuarial valuation for post retirement medical benefits was carried out as at June 30, 2014, results of which are as follows:

	June 30, 2014	June 30, 2013
	Rs '000	
Present value of defined benefit obligations - notes 22 and 28.2.4	1,378,429	1,155,168
Balance as on July 01	1,155,168	1,087,776
Charge for the year - notes 27.3 & 28.2.3	164,030	179,435
Payments during the year	(45,606)	(39,390)
Amount charged to the OCI	104,837	(72,653)
Balance as on June 30	1,378,429	1,155,168

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

28.2.3 Amounts recognised in the profit and loss account

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

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Current service cost	37,232	32,888
Interest cost	126,798	146,547
	164,030	179,435

28.2.4 Changes in present value of post retirement medical obligations:

	June 30, 2014	June 30, 2013
	Rs '000	
Opening balance	1,155,168	1,087,776
Current service cost	37,232	32,888
Interest cost	126,798	146,547
Benefits paid	(45,606)	(39,390)
Amount charged to the OCI	104,837	(72,653)
Balance as on June 30	1,378,429	1,155,168

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

1% increase	1% decrease
Rs '000	

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

Present value of medical obligation	256,225	(200,507)
Current service cost and interest cost	46,673	(35,966)

28.2.6 The Company expects to contribute Rs 230.753 million to the unfunded post retirement medical benefits in 2014-15.

28.2.7 The weighted average duration of the defined benefit obligation works out to 18.19 years in respect of executive and 18.44 years in respect of non-executive retired employees.

28.3 Leave preparatory to retirement benefits

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

	June 30, 2014	June 30, 2013
	Rs '000	
Balance as on July 01	657,799	559,835
Charge for the year - note 27.2	39,975	140,259
	697,774	700,094
Payments during the year	(22,465)	(42,295)
Balance as on June 30 - note 22	675,309	657,799

28.3.1 The Company expects to contribute Rs 115.175 million to the leave preparatory to retirement benefits in 2014-15.

28.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

	Per annum	
	June 30, 2014	June 30, 2013
	%	
- discount rate	13.00	11.00
- expected rate of increase in salaries	13.00	11.00
- expected rate of increase in pension	8.00	6.00
- expected rate of escalation in medical cost	9.00	7.00

28.5 Description of the risks to the Company

The defined benefit plans expose the Company to the following risks:

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks - The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service/age distribution and the benefit. Especially in the case of pension and post retirement medical benefit, there is an additional longevity risk after cessation of service that the mortality will improve and the benefit is payable for longer period of time.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

Medical escalation risk - The risk that the cost of post retirement medical benefits will increase.

	June 30, 2014 (Unaudited)	June 30, 2013 (Audited)
	Rs '000	
28.6 Provident fund		
Size of the fund	3,961,456	3,378,244
Cost of investments made	2,754,864	2,510,450
Percentage of investments made	69.5%	74.3%
Fair value of investments	3,116,613	2,675,951

28.6.1 Break-up of Investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	June 30, 2014 (Unaudited)		June 30, 2013 (Audited)	
	Investments (Rs '000)	% of investment as size of the fund	Investments (Rs '000)	% of investment as size of the fund
Pakistan Investment Bonds	865,369	21.8	912,464	27.0
Treasury Bill	501,170	12.7	80,938	2.4
Short Term Deposit Account	1,014,000	25.6	1,124,480	33.3
NIT Units	357,152	9.0	249,577	7.4
Shares	375,290	9.5	304,908	9.0
TFCs	3,632	0.1	3,584	0.1
	<u>3,116,613</u>		<u>2,675,951</u>	

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014

Year ended
June 30, 2013

Rs '000

29. OTHER INCOME

Income from financial assets

Income on loans and bank deposits	414,016	553,377
Income on term deposits	1,294,300	2,685,041
Income on long-term held-to-maturity investments	2,952,765	722,135
Income from investment in treasury bills	523,464	1,182,478
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	865,828	869,299
	6,050,373	6,012,330

Income from assets other than financial assets

Rental income on assets	84,701	123,737
Profit on sale of property, plant and equipment (net)	18,372	15,294
Profit on sale of stores and spares (net)	12,655	6,621
Exchange gain on foreign currency (net)	-	552,190
Share of profit on sale of LPG	121,487	83,126
Reversal of provision for doubtful debts - Byco - note 11.3	-	25,000
Dividend income from BME	25,000	15,000
Others	68,732	60,150
	330,947	881,118
	6,381,320	6,893,448

30. OTHER OPERATING EXPENSES

WPPF - note 15.1	3,922,206	3,295,426
Provision for obsolete / slow moving stores - note 10.1	13,074	6,143
Exchange loss on foreign currency (net)	167,482	-
Receivable from SNGPL written off	-	31,106
	4,102,762	3,332,675

31. FINANCE COSTS

Interest on WPPF - note 15.1	105	333
Financial charges for liabilities against assets subject to finance leases	38,588	34,292
Unwinding of discount on decommissioning obligation - note 20	386,822	359,807
	425,515	394,432

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

32. TAXATION

Provision for taxation for the years ended June 30, 2014 and 2013 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas and for the non-agreement area on the basis of tax rate of 34%, as mentioned in note 3.13 to these unconsolidated financial statements.

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Current		
- for the year	17,347,828	17,221,920
- for prior years (net)	(358,380)	436,532
	<u>16,989,448</u>	<u>17,658,452</u>
Deferred		
- for the year	6,139,933	3,018,095
	<u>23,129,381</u>	<u>20,676,547</u>

32.1 Relationship between accounting profit and taxation:

Accounting profit for the year before taxation	<u>74,546,759</u>	<u>62,627,743</u>
Tax at applicable rate of 44.16% (2013: 43.78%)	32,920,776	27,421,399
Net tax effect of amounts not taxable for tax purposes	(870,960)	(177,524)
Tax effect of depletion allowance and royalty allowed for tax purposes	(8,562,055)	(7,003,860)
Tax charge relating to prior years	(358,380)	436,532
	<u>23,129,381</u>	<u>20,676,547</u>
Effective tax rate %	<u>31.03</u>	<u>33.01</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

33. INTERESTS IN JOINT VENTURES

The joint venture areas in which the Company has working interest are as follows:

Name of joint venture	Operator	Percentage of the Company's working interest as at June 30, 2014
Producing fields		
Adhi	PPL	39.00%
Mazarani	PPL	87.50%
Hala EWT Phase	PPL	65.00%
Qadirpur	OGDCL	7.00%
Miano	OMV	15.16%
Sawan	OMV	26.18%
Kandhkot East (Chachar)	PPL	75.00%
Hasan, Sadiq & Khanpur - D&P (B-22)	PEL	35.53%
Manzalai D&P (Tal Block)	MOL	27.76%
Makori D&P (Tal Block)	MOL	27.76%
Makori East EWT Phase (Tal Block)	MOL	27.76%
Mamikhel EWT Phase (Tal Block)	MOL	27.76%
Maramzai EWT Phase (Tal Block)	MOL	27.76%
Mela D&P (Nashpa Block)	OGDCL	28.55%
Nashpa D&P (Nashpa Block)	OGDCL	28.55%
Tajjal EWT Phase (Gambat Block)	OMV	23.68%
Latif D&P (Latif Block)	OMV	33.30%
Exploration & Development Blocks		
Block 2568-13 (Hala)	PPL	65.00%
Block 2766-1 (Khuzdar)	PPL	65.00%
Block 2866-2 (Kalat)	PPL	35.00%
Block 2969-8 (Barkhan)	PPL	35.00%
Block 2763-3 (Kharan)	PPL	100.00%
Block 2764-4 (Kharan-East)	PPL	100.00%
Block 2763-4 (Kharan-West)	PPL	100.00%
Block 3371-15 (Dhok Sultan)	PPL	75.00%
Block 2467-12 (Jungshahi)	PPL	100.00%
Block 2568-18 (Gambat South)	PPL	65.00%
Block 2468-12 (Kotri)	PPL	100.00%
Block 2568-21 (Kotri North)	PPL	90.00%
Block 2468-10 (Sirani)	PPL	75.00%
Block 2668-9 (Naushahro Firoz)	PPL	90.00%
Block 2667-11 (Zamzama South)	PPL	100.00%
Block 3270-7 (Zindan)	PPL	35.00%
Block 3272-18 (Karsal)	PPL	100.00%
Block 3372-23 (Hisal)	PPL	100.00%
Block 2870-5 (Sadiqabad)	PPL	100.00%
Block 2469-16 (Shah Bandar)	PPL	100.00%
Block 2864-4 (Nausherwani)	PPL	100.00%
Block 2566-6 (Bela West)	PPL	100.00%
Block 2566-4 (Hab)	PPL	100.00%
Block 2569-5 (Khipro East)	PPL	100.00%
Block 2467-13 (Malir)	PPL	100.00%
Block 2866-4 (Margand)	PPL	50.00%
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 (Indus-C)	ENI	40.00%
Block 2366-5 (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)	UEPL	25.00%
Block 3273-3 (Ghauri)	MPCL	35.00%
Block 2467-14 (Jati)	KUFPEC	25.00%
Block 2265-1 (Indus-G)	ENI	25.00%
Block 2867-5 (Kuhan)	OMV	50.00%

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments, which are stated at amortised cost. No changes were made in the objectives, policies or processes during the years ended June 30, 2014 and 2013.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

i) Interest rate risk management

The interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's long-term investment in GoP Ijara Sukuk certificates with floating interest rates. The Company manages its interest rate risk by having significant investment in fixed interest bearing financial assets, like PIBs, term deposit receipts with banks and treasury bills. As of balance sheet date, the sensitivity on the Company's profit before tax to a reasonable possible change of 1% in interest rates is Rs 5 million (2013: Rs 25 million), with all other variables held constant.

Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	Rs '000			
Financial assets				
June 30, 2014				
Investments designated at fair value through profit or loss	11,039,071	11,039,071	-	-
June 30, 2013				
Investments designated at fair value through profit or loss	8,605,498	8,605,498	-	-

ii) Foreign currency risk management

Financial assets include Rs 9,893.125 million (2013: Rs 6,949.332 million) and financial liabilities include Rs 4,046.755 million (2013: Rs 6,325.762 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	100,387	(100,387)
Foreign currency financial liabilities	47,270	(47,270)

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

iii) Commodity price risk management

The Company is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products, which can affect the profitability of the Company. However, keeping in view the pricing mechanism under various Gas Price Agreements signed with the GoP, the Company is of the view that the price risk, in respect of gas sales which constitute major portion of Company's total sales, is within acceptable limits. Therefore, the Company has not entered in any commodity derivative transactions.

A one rupee change in the commodity prices would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Natural Gas	49,914	(49,914)
Crude Oil / Condensate / NGL	4,692	(4,692)
LPG	236	(236)

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, 2014	June 30, 2013
	Rs '000	
Long term investments - note 6		
AAA	25,607,767	26,490,722
AA	18,647,031	15,537,695
A	1,247,544	-
	<u>45,502,342</u>	<u>42,028,417</u>
Trade debts - note 11.1		
Customers with no defaults in the past one year	-	-
Customers with some defaults in past one year which have been fully recovered	-	104,438
Customers with defaults in past one year which have not yet been recovered	21,668,307	16,263,373
	<u>21,668,307</u>	<u>16,367,811</u>
Short-term investments and cash at banks - notes 16 & 17		
AAA	1,536,978	16,577,660
AA	18,652,929	17,895,988
A	1,378,275	4,948
	<u>21,568,182</u>	<u>34,478,596</u>

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

c) Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns to shareholders and benefits to other stakeholders.

d) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs '000					
Liability against assets						
subject to finance leases	-	33,801	68,313	175,770	-	277,884
Trade and other payables	454,230	4,599,207	1,303,273	-	-	6,356,710
Year ended June 30, 2014	454,230	4,633,008	1,371,586	175,770	-	6,634,594
Liability against assets						
subject to finance leases	-	30,922	77,700	164,616	-	273,238
Trade and other payables	235,864	5,633,687	696,552	-	-	6,566,103
Year ended June 30, 2013	235,864	5,664,609	774,252	164,616	-	6,839,341

June 30, 2014 June 30, 2013
Rs '000

35. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 17	2,275,912	6,184,285
Short-term highly liquid investments - note 16	19,350,000	28,333,503
	21,625,912	34,517,788

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Director		Executives	
	Year ended June 30, 2014	Year ended June 30, 2013	Year ended June 30, 2014	Year ended June 30, 2013	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000					
Managerial remuneration	38,040	32,433	-	1,804	3,534,166	3,257,132
Housing, conveyance and utilities	-	-	-	-	31,932	122,798
Retirement benefits	8,162	7,154	-	-	699,094	664,767
Bonus	-	-	-	-	241,589	55,622
Medical and leave passage	165	159	-	-	217,700	217,463
Leave encashment	-	1,566	-	-	48,967	92,933
	46,367	41,312	-	1,804	4,773,448	4,410,715
Number, including those who worked for part of the year	1	1	-	1	1,081	1,162

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

- 36.1 Certain executives including the Chief Executive of the Company are also provided with free use of Company's cars and club subscriptions in accordance with their entitlements.
- 36.2 Aggregate amount charged in these unconsolidated financial statements in respect of fees paid to eight non-executive directors was Rs 7.831 million (2013: Rs 11.771 million for nine directors).

	Year ended June 30, 2014	Year ended June 30, 2013
37. EARNINGS PER SHARE		
37.1 Basic earnings per share		
Profit after taxation (Rs '000)	51,417,378	41,951,196
Dividend on convertible preference shares (Rs '000)	(42)	(42)
Profit attributable to ordinary shareholders (Rs '000)	<u>51,417,336</u>	<u>41,951,154</u>
		(Restated)
Weighted average number of ordinary shares in issue	<u>1,971,715,615</u>	<u>1,971,715,615</u>
Basic earnings per share (Rs)	<u>26.08</u>	<u>21.28</u>

Profit after taxation has been adjusted for dividend to a maximum rate of thirty percent per annum of the value of the total number of convertible preference shares held.

37.2 Diluted earnings per share

	Year ended June 30, 2014	Year ended June 30, 2013
Profit after taxation (Rs '000)	51,417,378	41,951,196
Weighted average number of ordinary shares in issue	1,971,715,615	1,971,715,615
Adjustment for conversion of convertible preference shares	13,840	13,840
		(Restated)
Weighted average number of ordinary shares for diluted earnings per share	<u>1,971,729,455</u>	<u>1,971,729,455</u>
Diluted earnings per share (Rs)	<u>26.08</u>	<u>21.28</u>

- 37.3 During the current year, the Company has issued 20% bonus shares (i.e. one ordinary share for every five ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2013.

38. FINAL DIVIDEND

The Board of Directors in their meeting held on August 27, 2014 have recommended final cash dividend @ 75% amounting to Rs. 14,787.878 million (2013: @ 55% amounting to Rs 9,037.030 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 October 24, 2014.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

39. TRANSACTIONS WITH RELATED PARTIES

39.1 Transactions with related parties are as follows:

Sales of gas to State controlled entities
(including Government Levies):

GENCO-II	15,768,353	13,636,828
SNGPL	55,933,864	59,524,221
SSGCL	17,788,525	14,188,080
	<u>89,490,742</u>	<u>87,349,129</u>

Trade debts and other receivables from State controlled entities as at June 30

See notes 9,11 & 15

Transaction with subsidiary:

Receivable from subsidiaries as at June 30
Payment received from PPL Asia DMCC
Payment of employees cost on secondment

See note 7 & 15

	5,350	-
	<u>24,077</u>	<u>12,466</u>

Transactions with Bolan Mining Enterprises:

Dividend income
Purchase of goods
Reimbursement of employee cost on secondment

	25,000	15,000
	42,124	60,966
	<u>17,197</u>	<u>13,368</u>

Transactions with Joint Ventures:

Payments of cash calls to joint ventures
Expenditures incurred by the joint ventures

	31,220,578	24,150,090
	<u>29,232,641</u>	<u>26,041,464</u>

Amounts receivable from / (payable to) joint venture partners as at June 30

See notes 12, 15 & 24.1

Income from rental of assets to joint ventures

	84,701	1,158
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Other related parties:

Dividend to GoP
Dividend to Trust under BESOS
Transactions with retirement benefit funds
Remuneration to key management personnel

	15,762,550	14,244,675
	<u>1,630,902</u>	<u>1,473,852</u>
	See notes 27.2 & 28	
	See note 36	

Payment of rental to Pakistan Industrial Development Corporation

	59,852	52,133
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Payment to National Insurance Company Limited

	1,135,631	1,149,267
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Payment to Pakistan State Oil Company Limited

	442,546	399,570
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39.2 Gas sales are made to various State controlled entities, 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.

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended June 30, 2014

40. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Company are organised into one operating segment i.e. exploration, development and production of oil and gas. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these unconsolidated financial statements are related to the Company's only reportable segment.

The operating interests of the Company are confined to Pakistan in terms of production areas and customers. Accordingly, the production and revenue figures reported in these unconsolidated financial statements relate to the Company's only reportable operating segment in Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to exploration, development and production of oil and gas.

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
GENCO-II	15,768,353	13,636,828
SSGCL	17,788,525	14,188,080
SNGPL	55,933,864	59,524,221
ARL	40,516,046	31,248,917
	<u>130,006,788</u>	<u>118,598,046</u>

41. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on August 27, 2014 by the Board of Directors of the Company.

42. GENERAL

42.1 Number of employees

Number of permanent employees as at June 30, 2014 was 2,674 (2013: 2,699) and average number of employees during the year was 2,698 (2013: 2,662).

42.2 Capacity and production

Product	Unit	Actual production for the year (PPL's share)
Natural gas	MMCF	311,719
Crude oil	BBL	3,824,743
NGL / Condensate	BBL	861,074
LPG	M. Ton	27,343

Due to the nature of operations of the Company, installed capacity of above products is not relevant.

42.3 Figures have been rounded off to the nearest thousand, unless otherwise stated.



Director



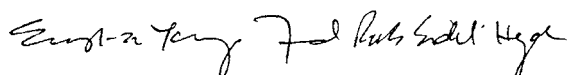
Chief Executive

Auditors' Report on Consolidated Financial Statements to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies (together referred to as Group) as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies namely PPL Europe E&P Limited and PPL Asia E&P B.V.. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended.



Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi

27 August, 2014

Consolidated Balance Sheet

As at June 30, 2014

	Note	June 30, 2014	June 30, 2013
Rs '000			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	97,143,946	84,672,828
Intangible assets	6	3,500,805	3,626,619
		<u>100,644,751</u>	<u>88,299,447</u>
Equity-accounted investment in joint venture	7	735,188	524,903
Long-term investments	8	45,002,164	40,027,678
Long-term loans - staff	9	26,696	21,011
Long-term deposits	10	765,176	742,676
Long-term receivables	11	376,050	292,598
		<u>147,550,025</u>	<u>129,908,313</u>
CURRENT ASSETS			
Stores and spares	12	3,543,482	2,835,182
Trade debts	13	50,225,864	40,631,950
Loans and advances	14	1,750,468	1,132,757
Trade deposits and short-term prepayments	15	408,458	288,197
Interest accrued	16	1,341,326	1,495,560
Current maturity of long-term investments	8	500,179	2,000,740
Current maturity of long-term receivables	11	54,800	29,082
Other receivables	17	3,858,983	1,950,581
Short-term investments	18	27,243,478	28,333,503
Cash and bank balances	19	3,728,313	9,064,275
		<u>92,655,351</u>	<u>87,761,827</u>
		<u>240,205,376</u>	<u>217,670,140</u>
SHARE CAPITAL AND RESERVES			
Share capital	20	19,717,295	16,431,102
Reserves	21	161,848,566	133,540,743
		<u>181,565,861</u>	<u>149,971,845</u>
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation	22	15,679,518	16,146,357
Liabilities against assets subject to finance leases	23	175,770	164,616
Deferred liabilities	24	2,053,738	1,812,967
Deferred taxation	25	17,892,796	12,333,150
		<u>35,801,822</u>	<u>30,457,090</u>
CURRENT LIABILITIES			
Trade and other payables	26	18,836,998	33,630,168
Current maturity of liabilities against assets subject to finance leases	23	102,114	108,622
Taxation		3,898,581	3,502,415
		<u>22,837,693</u>	<u>37,241,205</u>
CONTINGENCIES AND COMMITMENTS			
	27	-	-
		<u>240,205,376</u>	<u>217,670,140</u>

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



Director



Chief Executive

Consolidated Profit and Loss Account

For the year ended June 30, 2014

	Note	Year ended June 30, 2014	Year ended June 30, 2013
Rs '000			
Sales - net	28	121,339,413	102,797,172
Field expenditures	29	(35,616,537)	(30,995,010)
Royalties		(14,464,527)	(12,339,915)
		(50,081,064)	(43,334,925)
		71,258,349	59,462,247
Share of profit in equity-accounted investment in joint venture	7	235,517	126,756
Other income	31	6,369,848	6,878,672
Other operating expenses	32	(4,072,035)	(3,337,346)
Finance costs	33	(430,773)	(395,073)
Profit before taxation		73,360,906	62,735,256
Taxation	34	(22,503,389)	(20,620,008)
Profit after taxation		50,857,517	42,115,248
			(Restated)
Basic and diluted earnings per share (Rs)	39	25.79	21.36

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



Director



Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2014

	Note	Year ended June 30, 2014	Year ended June 30, 2013
		Rs '000	
Profit after taxation		50,857,517	42,115,248
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit and loss account in subsequent years			
Remeasurement gains / (losses) on defined benefit plans - net		62,571	(1,227,272)
Deferred taxation		(21,274)	429,545
Share of other comprehensive income in equity accounted investment in joint venture	7	(232)	-
Net other comprehensive income not to be reclassified to profit and loss account in subsequent years		41,065	(797,727)
Other comprehensive income potentially reclassifiable to profit and loss account in subsequent years			
Foreign exchange difference on translation of subsidiaries		(408,909)	55,306
Other comprehensive income, net of tax		(367,844)	(742,421)
Total comprehensive income		50,489,673	41,372,827

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



Director



Chief Executive

Consolidated Cash Flow Statement

For the year ended June 30, 2014

Note	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	134,900,851	133,896,344
Receipts of other income	287,575	273,634
Cash paid to suppliers / service providers and employees	(29,693,852)	(22,645,091)
Payment of indirect taxes and Government levies including royalty	(54,860,592)	(27,333,718)
Income tax paid	(16,599,809)	(17,653,966)
Finance costs paid	(38,692)	(34,625)
Long-term loans - staff (net)	30,776	(5,026)
Net cash generated from operating activities	34,026,257	66,497,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure (net)	(23,500,220)	(21,633,251)
Purchase of long-term investments	(8,363,376)	(23,875,327)
Acquisition of PPL Europe E&P Limited (net)	-	(13,029,409)
Disposal / redemption of long-term investments	5,387,297	5,412,126
Long-term deposits	(22,500)	(45,000)
Long-term receivables	(109,170)	(246,796)
Share of profit received from equity-accounted investment in joint venture	25,000	15,000
Financial income received	5,546,305	4,194,688
Proceeds on sale of property, plant and equipment	34,861	23,212
Net cash used in investing activities	(21,001,803)	(49,184,757)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of liabilities against assets subject to finance leases	(127,635)	(106,284)
Dividends paid	(18,895,657)	(16,759,625)
Net cash used in financing activities	(19,023,292)	(16,865,909)
Net (decrease) / increase in cash and cash equivalents	(5,998,838)	446,886
Cash and cash equivalents at the beginning of the year	37,397,778	36,940,160
Net foreign exchange differences	(427,149)	10,732
Cash and cash equivalents at the end of the year	37 30,971,791	37,397,778

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



Director



Chief Executive

Consolidated Statement of Changes in Equity

For the year ended June 30, 2014

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves						Total reserves	Total	
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Dividend equalisation reserve	Unappropriated profit	Translation reserve			Total
Rs '000												
Balance as at June 30, 2012	13,144,771	138	1,428	69,761	19,021,894	24,416,157	-	68,704,494	-	112,212,306	112,213,734	125,358,643
Appropriation of insurance reserve for the year ended June 30, 2012	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2012	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-	-
Appropriation of dividend equalisation reserve for the year ended June 30, 2013	-	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-	-
Issuance of bonus shares @ 25% (one share for every four ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	-	(3,286,193)	(3,286,193)	-
Acquisition of 100% shareholding of PPL Europe E&P Limited	-	-	-	-	-	(15,664,177)	-	15,664,177	-	-	-	-
Final dividend on ordinary shares @ 65% for the year ended June 30, 2012	-	-	-	-	-	-	-	(8,544,101)	-	(8,544,101)	(8,544,101)	(8,544,101)
Profit after taxation	-	-	-	-	-	-	-	42,115,248	-	42,115,248	42,115,248	42,115,248
Other comprehensive income for the year ended June 30, 2013, net of tax	-	-	-	-	-	-	-	(797,727)	55,306	(742,421)	(742,421)	(742,421)
Total comprehensive income for the year ended June 30, 2013	-	-	-	-	-	-	-	41,317,521	55,306	41,372,827	41,372,827	41,372,827
Interim dividend for the year ended June 30, 2013	-	-	-	-	-	-	-	-	-	-	-	-
- Ordinary shares - 50%	-	-	-	-	-	-	-	(8,215,482)	-	(8,215,482)	(8,215,482)	(8,215,482)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(42)	-	(42)	(42)	(42)
Balance as at June 30, 2013	16,430,964	138	1,428	69,761	24,021,894	13,751,980	5,000,000	90,640,374	55,306	133,539,315	133,540,743	149,971,845
Appropriation of insurance reserve for the year ended June 30, 2013	-	-	-	-	5,000,000	-	-	(5,000,000)	-	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2013	-	-	-	-	-	5,000,000	-	(5,000,000)	-	-	-	-
Issuance of bonus shares @ 20% (one share for every five ordinary shares held)	3,286,193	-	-	-	-	-	-	(3,286,193)	-	(3,286,193)	(3,286,193)	-
Final dividend on ordinary shares @ 55% for the year ended June 30, 2013	-	-	-	-	-	-	-	(9,037,037)	-	(9,037,037)	(9,037,037)	(9,037,037)
Profit after taxation	-	-	-	-	-	-	-	50,857,517	-	50,857,517	50,857,517	50,857,517
Other comprehensive income for the year ended June 30, 2014, net of tax	-	-	-	-	-	-	-	41,065	(408,909)	(367,844)	(367,844)	(367,844)
Total comprehensive income for the year ended June 30, 2014	-	-	-	-	-	-	-	50,898,582	(408,909)	50,489,673	50,489,673	50,489,673
Interim dividend for the year ended June 30, 2014	-	-	-	-	-	-	-	-	-	-	-	-
- Ordinary shares - 50%	-	-	-	-	-	-	-	(9,858,578)	-	(9,858,578)	(9,858,578)	(9,858,578)
- Convertible preference shares - 30%	-	-	-	-	-	-	-	(42)	-	(42)	(42)	(42)
Balance as at June 30, 2014	19,717,157	138	1,428	69,761	29,021,894	18,751,980	5,000,000	109,357,106	(353,603)	161,847,138	161,848,566	181,565,861

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



Director



Chief Executive

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

1. THE GROUP AND ITS OPERATIONS

The Group consists of Pakistan Petroleum Limited (the Holding Company) and its subsidiary companies i.e. PPL Europe E&P Limited, PPL Asia E&P B.V., The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC) and PPL Asia DMCC.

The Group, except PPPFTC and PPL Asia DMCC, is principally engaged in conducting exploration, prospecting, development and production of oil and natural gas resources. Brief profiles of the Holding Company and its subsidiary companies are as follows:

Pakistan Petroleum Limited

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

PPL Europe E&P Limited

The Holding Company acquired on March 21, 2013, 100% shareholding of MND Exploration and Production Limited, a company incorporated in England and Wales. Subsequent to acquisition, the name of the subsidiary was changed to PPL Europe E&P Limited. The Subsidiary’s main objective is exploration and production of oil and gas and currently it has working interest in one producing field and three exploration blocks in Pakistan, as well as two exploration blocks in Yemen. The registered office of PPL Europe E&P Limited is situated at 6th Floor, One London Wall, London, United Kingdom.

PPL Asia E&P B.V.

During the current year, the Holding Company has established a wholly-owned subsidiary, PPL Asia E&P B.V. on July 22, 2013, a company incorporated in Amsterdam, Kingdom of Netherlands. The registered office of PPL Asia E&P B.V. is situated at Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands.

The Subsidiary’s main objective is exploration and production of oil and natural gas resources. During the current year, assignment of the Holding Company’s entire interest in Block 8, Iraq, under the Exploration, Development and Production Service Contract (EDPSC) with the Midland Oil Company, Iraq to PPL Asia E&P B.V. was completed, which is effective from September 26, 2013. Registration of Iraq Branch of PPL Asia E&P B.V. to conduct petroleum operations was completed on March 06, 2014.

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (PPPFTC) was incorporated in Pakistan as a private limited company on November 07, 1955. The Subsidiary is engaged in administrating the trusts formed for the benefits of the employees of the Holding Company.

PPL Asia DMCC

The Holding Company had established a wholly owned Subsidiary PPL Asia DMCC, registered on February 04, 2013 with the Registrar of Companies of Dubai Multi Commodities Centre Authority (DMCCA). The registered office of PPL Asia DMCC was situated at Unit No 30-01-701, Floor No.1, Building No 3, Plot Number 550-554 J&G, DMCCA, Dubai, United Arab Emirates.

The Subsidiary was registered in Dubai under the certificate number DMCCA-3851 for the purposes of conducting oil and gas exploration and production activities. However, the license number DMCCA-32853, issued on the February 28, 2013, provided by the DMCCA did not authorise it to perform such activities. Therefore, it had been decided by the respective Boards of the Holding Company and PPL Asia DMCC to liquidate PPL Asia DMCC. Accordingly, PPL Asia DMCC was liquidated on January 27, 2014.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, except PPPFTC as mentioned in note 8.1 to these consolidated financial statements, here-in-after referred to as “the Group”.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the profit and loss account from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies. However, the accounting policies of subsidiaries have been changed to conform with accounting policies of the Group, wherever needed.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Where the ownership of a subsidiary is less than 100% and, therefore, a non-controlling interest (NCI) exists, the NCI is allocated its share of the total comprehensive income of the period, even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any NCI, cumulative translation differences recognised in equity, and recognises fair value of consideration received, any investment retained, surplus or deficit in profit and loss account, and reclassifies the Holding Company share of components previously recognised in other comprehensive income to profit and loss account or retained earnings, as appropriate.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

The presentation and functional currency of the Holding Company, as well as, PPPFTC are Pakistani Rupee and the functional currency of other subsidiary companies is US Dollar. For the purpose of consolidation, the financial statements of the subsidiary companies are translated to functional currency of the Holding Company.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

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

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

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

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

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

Had the exemption not been granted, the impact, based on the independent actuarial valuations conducted as on June 30, 2014 and June 30, 2013 would have been as follows:

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Staff costs of the Group for the year would have been higher by:	5,083,435	3,170,611
Profit after taxation would have been lower by:	5,083,435	3,170,611
Earnings per share would have been lower by (Rs):	2.58	1.61
	June 30, 2014	June 30, 2013
	Rs '000	
Retained earnings would have been lower by:	18,459,747	13,376,312
Reserves would have been higher by:	18,459,747	13,376,312

3.3 Accounting convention

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

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

3.4 Standards that became effective but not relevant to the Group or do not have material effect

The following standards, interpretations and improvements became effective for the current financial year but are either not relevant or do not have any material effect on the consolidated financial statements of the Group except for IAS 19 – Employee Benefits (Revised) which was early adopted by the Group during the year ended June 30, 2013:

- IFRS 7 - Financial Instruments: Disclosures (Amendment)
- IAS 1 - Presentation of Financial Statements (Amendment)
- IAS 19 - Employee Benefits (Revised)
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine
- Annual improvements to IFRS (the 2009-2011 cycle)
- IFAS 3 – Profit and Loss Sharing on Deposits

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

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

Description	Effective for periods beginning on or after
<u>Revision / improvements / amendments to IFRSs and interpretations</u>	
IFRS 7 - Financial Instruments: Disclosures (Amendment)	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortisation	January 01, 2016
IAS 16 & 41 - Agriculture Bearer Plants	January 01, 2016
IAS 19 - Employee Benefits (Amendment)	July 01, 2014
IAS 27 - Separate Financial Statements (Revised)	January 01, 2015
IAS 28 - Investments in Associates and Joint Ventures (Revised)	January 01, 2015
IAS 32 - Financial Instruments: Presentation (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014
IFRIC 21 - Levies	January 01, 2014
Annual improvements to IFRS (the 2010-2012 cycle)	July 01, 2014
Annual improvements to IFRS (the 2011-2013 cycle)	July 01, 2014
<u>Standards issued by IASB but not yet notified by SECP</u>	
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2017

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

3.6 Significant accounting judgments, estimates and assumptions

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

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

a) Property, plant and equipment

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

b) Prospecting and development expenditure

i) Exploration expenditure

The Group's accounting policy for exploration expenditure results in cost of exploratory wells being capitalised

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

ii) Development and production expenditure

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

c) Estimation of proven oil and natural gas reserves

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

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

d) Provision and amortisation of decommissioning cost

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

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

During the current year, the Group revised its estimates of outflows or resources to settle decommissioning liability, based on future projected costs adjusted to present value. This has been treated as a change in accounting estimate, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities. Had there been no change in the estimates, provision for decommissioning obligation and property, plant and equipment would have been higher by Rs 419.092 million and Rs 411.88 million, respectively and amortisation of decommissioning cost for the year would have been higher by Rs 5.762 million and profit after tax would have been lower by Rs 1.043 million.

e) Provision for defined benefit plans and compensated absences

Defined benefit plans and compensated absences are provided for permanent employees of the Holding Company. The plans are structured as separate legal entities managed by trustees, however, for post retirement medical benefits and compensated absences, liability is recognised in the consolidated financial statements. These benefits are evaluated with reference to uncertain events and are based upon actuarial assumptions including inter alia, discount rates, expected rates of salary increases, medical cost rates and mortality rates. The actuarial valuations

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are conducted by independent actuaries on annual basis using Projected Unit Credit Actuarial Cost Method. Pension and gratuity costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years. Calculations are sensitive to changes in the underlying assumptions.

f) Provision for taxation

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

g) Contingencies

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

h) Provision for trade debts, advances and other receivables

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

i) Stores and spares

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

a) Owned assets

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

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

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

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

- ii. Capital spares held for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any.
- iii. Prospecting and development expenditure is accounted for under the "successful efforts" method, whereby, costs of acquisition of rights to explore, cost to acquire producing reserves, successful exploratory wells and development wells, including unsuccessful development wells, are capitalised.

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

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

b) Assets subject to finance leases

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

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

4.2 Intangible assets

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

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

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

4.3 Depreciation and amortisation

a) Property, plant and equipment

i) Depreciation on property, plant and equipment, except freehold land, leasehold land, capital work-in-progress, prospecting and development expenditure and decommissioning cost, is charged on a straight line basis at the rates specified in note 5.1 to these consolidated financial statements and depreciation on capital stores in operating assets is charged over the useful lives of the related items of plant and machinery to which these stores relate.

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

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

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

b) Intangible assets

Amortisation on intangible assets is charged over their useful economic life on straight line basis at the rates stated in note 6.3 to these consolidated financial statements.

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

4.4 Business combinations and goodwill

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

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

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

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any, and is tested annually or whenever, there is an indication of impairment as referred in note 4.25 to these consolidated financial statements. Impairment loss in respect of goodwill is recognised in the profit and loss account.

4.5 Investments

a) Subsidiary

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

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

b) Investment in Bolan Mining Enterprises (BME)

Investment in BME, a joint venture on a 50:50 basis with the Government of Balochistan, is accounted for using the equity method, whereby, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the joint venture. The profit and loss account reflects the Group's share of the results of the operations of the joint venture. Any change in other comprehensive income of joint venture is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any change, when applicable, in the statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of interest in the joint venture.

4.6 Stores and spares

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

4.7 Financial assets

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

a) Held-to-maturity

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

b) At fair value through profit or loss

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

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

c) Available-for-sale

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

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

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income in the available-for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account and removed from the available-for-sale reserve. The Group does not have available-for-sale investments as of balance sheet date.

d) Loans and receivables

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

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

4.8 Cash and cash equivalents

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

4.9 Decommissioning obligation and its provision

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

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

The unwinding of discount is included in the finance costs.

4.10 Staff retirement benefits

a) Defined benefit plans

i) The Holding Company operates approved funded pension and gratuity schemes, separately, for its executive and non-executive permanent staff. Provisions are made periodically, on the basis of actuarial valuations, for these pension and gratuity schemes. Actuarial gains and losses for the defined benefit plan are recognised in full in the

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period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Holding Company has recognised related restructuring or terminations.

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

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

- ii) The Holding Company provides post retirement medical benefits to its executive staff, except for those inducted after December 31, 2010, and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining working lives of the employees based on actuarial valuations. Actuarial gains and losses for the defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.
- iii) The Holding Company accrues entitlement to leave preparatory to retirement of its executive staff on the basis of actuarial valuation. Actuarial gains and losses are recognised immediately.
- iv) Actuarial valuations are conducted annually and the latest valuations were conducted as on June 30, 2014 based on the 'Projected Unit Credit Actuarial Cost Method'.

b) Defined contribution plan

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

4.11 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff of the Holding Company is recognised on the basis of actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2014.

4.12 Provisions

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

4.13 Taxation

a) Current taxation

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

b) Deferred taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits, to the extent it is

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probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

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

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

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

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

4.14 Trade and other payables

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

4.15 Revenue recognition

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

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

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

4.16 Finance income and expense

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

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

4.17 Operating leases / Ijara contracts

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

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For the year ended June 30, 2014

4.18 Joint venture operations

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

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

4.19 Foreign currency transactions and translation

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

On consolidation, the assets and liabilities of foreign operations are translated into Pakistani Rupees at the rate of exchange prevailing at the balance sheet date and their income and expenses are translated at exchange rates approximating those prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

4.20 Financial instruments

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

4.21 Off-setting of financial assets and financial liabilities

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

4.22 Fair value

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

4.23 Functional and presentation currency

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

4.24 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated in the manner given in note 41 to these consolidated financial statements.

4.25 Impairment

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

a) Financial assets

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

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

Goodwill is tested for impairment annually at year end and when the circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (CGU) or group of CGUs to which the goodwill relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognised.

Intangible assets with indefinite useful lives are tested for impairment annually at year end either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

Impairment losses relating to goodwill are not reversed in future periods.

4.26 Dividends and appropriation to reserves

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

4.27 Segment reporting

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1	61,507,149	54,639,005
Capital work-in-progress - note 5.5	35,636,797	30,033,823
	<u>97,143,946</u>	<u>84,672,828</u>

5.1 Operating assets

	Owned assets											Assets subject to finance leases			Total	
	Freehold land	Leasehold land	Buildings, roads and civil construction on freehold land	Buildings, roads and civil construction on leasehold land	Plant and machinery	Furniture, fittings and equipment	Tanks and pipelines	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommissioning cost	Sub total	Computers and allied equipment	Rolling stock*		Sub total
	Rs '000															
Net carrying value basis																
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,572,828	215,413	3,062,101	147,406	135,417	22,189,301	10,414,274	54,352,406	91,091	195,508	286,599	54,639,005
Additions (at cost)	-	-	117,364	-	9,961,680	72,655	1,327,235	28,904	112,231	5,289,421	1,019,473	17,928,963	45,928	96,110	142,038	18,071,001
Adjustments / reclassifications	-	(511)	-	-	(3,232)	-	-	2,855	1,327	-	(1,878,392)	(1,877,953)	(935)	(15)	(950)	(1,878,903)
Disposals (at NBV)	-	-	(910)	-	(2,053)	(656)	(2)	(35)	-	-	-	(3,656)	(120)	(12,713)	(12,833)	(16,489)
Depreciation / amortisation charge	-	-	(79,934)	(133)	(2,828,576)	(33,276)	(469,411)	(69,418)	(49,825)	(4,517,896)	(1,151,040)	(9,199,509)	(44,108)	(63,848)	(107,956)	(9,307,465)
NBV as on June 30, 2014	110,777	1,327,797	1,210,825	2,143	22,700,647	254,136	3,919,923	109,712	199,150	22,960,826	8,404,315	61,200,251	91,856	215,042	306,898	61,507,149
Gross carrying value basis																
Cost	110,777	1,327,797	2,151,154	2,664	45,684,848	657,189	6,480,040	564,625	511,701	37,471,804	14,240,360	109,202,959	171,431	352,555	523,986	109,726,945
Accumulated depreciation / amortisation	-	-	(940,329)	(521)	(22,984,201)	(403,053)	(2,560,117)	(454,913)	(312,551)	(14,510,978)	(5,836,045)	(48,002,708)	(79,575)	(137,513)	(217,088)	(48,219,796)
NBV as on June 30, 2014	110,777	1,327,797	1,210,825	2,143	22,700,647	254,136	3,919,923	109,712	199,150	22,960,826	8,404,315	61,200,251	91,856	215,042	306,898	61,507,149
Net carrying value basis																
NBV as on June 30, 2012	110,777	1,316,576	936,247	2,409	17,034,811	189,467	2,439,895	188,353	101,524	15,070,487	10,522,186	47,912,732	76,473	137,998	214,471	48,127,203
Additions (at cost)	-	11,732	309,043	-	1,196,363	58,598	982,499	33,785	65,096	10,171,605	1,353,214	14,181,935	45,122	115,144	160,266	14,342,201
Adjustments / reclassifications	-	-	-	-	-	(80)	-	(1,736)	77	(16,963)	(21,732)	(40,434)	1,816	(77)	1,739	(38,695)
Disposals (at NBV)	-	-	(2)	-	(82)	(284)	-	(4)	(284)	-	-	(656)	-	(7,262)	(7,262)	(7,918)
Depreciation / amortisation charge	-	-	(70,983)	(133)	(2,658,264)	(32,288)	(360,293)	(72,992)	(30,996)	(3,035,828)	(1,439,394)	(7,701,171)	(32,320)	(50,295)	(82,615)	(7,783,786)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,572,828	215,413	3,062,101	147,406	135,417	22,189,301	10,414,274	54,352,406	91,091	195,508	286,599	54,639,005
Gross carrying value basis																
Cost	110,777	1,328,308	2,035,180	2,664	35,733,021	591,766	5,162,673	558,703	409,219	32,182,384	15,099,279	93,213,974	150,760	309,013	459,773	93,673,747
Accumulated depreciation / amortisation	-	-	(860,875)	(388)	(20,160,193)	(376,353)	(2,100,572)	(411,297)	(273,802)	(9,993,083)	(4,685,005)	(38,861,568)	(59,669)	(113,505)	(173,174)	(39,034,742)
NBV as on June 30, 2013	110,777	1,328,308	1,174,305	2,276	15,572,828	215,413	3,062,101	147,406	135,417	22,189,301	10,414,274	54,352,406	91,091	195,508	286,599	54,639,005
Rate of depreciation / amortisation (%)																
	5 & 10		5	10 & 100**	10	10	30	20	***	***	30	20				

* Represents light and heavy vehicles.

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

*** Amortised on unit of production basis.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

5.2 Summary of significant assets

The following assets have significant operational value to the Group:

Particulars	June 30, 2014		June 30, 2013	
	Cost	NEV	Cost	NEV
	Rs '000		Rs '000	
Head Office				
Land for Head Office Building	1,315,076	1,315,076	1,315,076	1,315,076
Corporate Data Management Project	270,488	63,585	271,902	151,550
Sui Field				
SML / SUL Compression and High Pressure Casing	5,664,138	101,339	5,664,138	157,043
HRL Compressor	1,113,108	1,049,052	-	-
Purification Plant	655,119	-	657,117	-
20" Diameter Sui KPS Main Water Line	862,343	539,284	872,200	623,937
IDECO Drilling Rig H-725	131,879	-	131,879	-
Adhi Field				
LPG Plant -2	652,812	93,632	652,812	158,857
LPG Plant -1	85,374	-	85,374	-
Kandhkot Field				
TEG Dehydration Unit	474,884	284,931	474,884	332,419
130 MMcf Dehydration Plant	110,456	-	110,456	-
Gas Compression Station	8,634,309	5,647,420	8,634,309	6,502,652
Effluent Well	128,725	90,021	129,050	103,252
Gas Gathering System	243,199	218,879	243,199	243,199
Hala Field				
Early Production Facilities (EPF) of Adam X-1	1,252,858	694,658	1,252,858	819,944
Mazarani Field				
Processing Facilities	319,545	-	319,545	-
Transmission Pipeline	230,093	-	230,093	-
Qadirpur Field				
Production Facilities	205,116	-	205,116	-
Capacity Enhancement Project	165,598	66,239	165,598	82,799
Wellhead Compression Facility	271,021	184,542	271,021	211,644
Extension of Facilities in Flood Plain of River Indus	114,378	97,821	114,378	103,540
Relocation of Pirkoh Compressors	260,490	221,068	260,490	247,117
Permeate Compressor	197,407	144,765	197,407	164,506
Other Plant and Machinery	164,201	15,052	164,201	31,472
Sawan Field				
Front End Compression	2,480,735	1,468,095	2,480,735	1,716,169
Gas Processing with Amine and Dehydration Unit	971,071	-	971,071	72,717
Debottlenecking of Plant	153,338	46,001	153,338	61,335
Flowline and Tie-in of Sawan-10	142,899	57,160	142,899	71,449
Other Plant and Machinery	3,714,855	1,544,125	3,662,992	1,701,994
Tal Field				
Makori Central Processing Facility	5,604,262	5,464,155	-	-
CPF Manzalai	3,137,627	1,682,825	3,130,814	1,989,095
Surface Facilities for EWT, Manzalai-1	227,439	20,743	227,439	43,487
EPF of Mamikhel-1	133,844	83,368	133,844	96,752
EWT of Maramzai-1	200,498	139,526	203,689	163,086
EPF Augmentation of Processing Facility - Makori	251,827	220,349	251,827	245,531
Wellhead Surface Fittings & Flowline - Makori East-1	220,618	193,292	218,099	212,646
Nashpa Field				
EWT of Nashpa X-1	120,412	84,289	120,412	96,330
Miano Field				
Wellhead Compression	136,014	93,404	136,595	107,645
Other Plant and Machinery	411,601	-	411,601	-
Latif Field				
Reception / Tie-in Facility	1,248,072	1,185,668	-	-
Tie-in of Latif-1	156,237	78,118	156,237	93,742
Tie-in of Latif North	253,805	202,283	155,078	124,062
Gambat Field				
Tie-in of Tajjal-1	137,734	69,209	137,734	82,982
Wellhead Surface Fittings and Flowline for Tajjal-4	164,058	142,112	109,734	98,760

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

5.3 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 constructions						
Consultancy Room & Dispensary Building	Written-Off	Written-Off	1,391	481	910	-
Plant and machinery						
Waste Water Evaporator	Tender	M/s M. Ramzan & Co.	3,939	1,900	2,039	200
Items having book value upto Rs 50,000	Tender	Various	2,683	2,669	14	2,065
			6,622	4,569	2,053	2,265
Furniture, fittings and equipment						
Fire Proof Data Storage Safe, WW	Tender	M/s PKF Traders	569	484	85	5
Items having book value upto Rs 50,000	Tender	Various	6,663	6,092	571	787
			7,232	6,576	656	792
Tanks and pipelines						
Items having book value upto Rs 50,000	Tender	Various	9,868	9,866	2	5,630
Rolling stock						
Items having book value upto Rs 50,000	Tender	Various	11,932	11,932	-	7,667
Computer and allied equipment						
Items having book value upto Rs 50,000	Tender	Various	49,444	49,409	35	467
Assets subject to finance leases						
Computer and allied equipment						
Dell TM Latitude Notebook E6420	Company policy	Mr. Shahzad Ahmad	115	57	58	63
Dell TM Latitude Notebook E6420	Company policy	Mr. S.M. Tanwiruddin	115	57	58	50
Items having book value upto Rs. 50,000	Tender	Various	488	484	4	11
			718	598	120	124
Rolling stock						
Toyota Corolla XLi, ARP-501	Company policy	Dr. Saeed A. Shaikh	1,310	1,244	66	262
Honda Civic VTi, ARM-892	Company policy	Mr. Asim Murtaza Khan	1,913	1,818	95	383
Suzuki Cultus VXR, AUG-933	Company policy	Mr. Zakir Raza Jafri	839	503	336	49
Toyota Corolla Altis A/T, UB-805	Company policy	Mr. Ishaq Saqi	1,878	595	1,283	1,452
Suzuki Cultus VXR, AYD-446	Company policy	Mr. Zubair Hamid	993	199	794	74
Honda Civic Vtec, AXZ-350	Company policy	Mr. Najeeb Ahmed	2,006	368	1,638	1,482
Toyota Corolla Altis, AXZ-771	Company policy	Mr. Shahzad Ahmad	2,008	402	1,606	1,531
Suzuki Cultus, AUB-435	Company policy	Mr. Ibadur Rehman	838	559	279	402
Toyota Corolla Altis, ARR-873	Company policy	Mr. Sadiqain Haider	1,890	1,827	63	378
Toyota Corolla XLi, ARY-526	Company policy	Mr. Zafar Iqbal Waheed	1,309	1,222	87	254
Honda Civic, AUJ-237	Company policy	Mr. Qamaruzzaman	1,860	1,147	713	870
Honda Civic, BAS-251	Company policy	Dr. Saeed A. Shaikh	2,235	223	2,012	1,918
Honda Civic, ARY-568	Company policy	Ms. Danish Zuberi	1,808	1,748	60	362
Honda Civic, I-Vtec-PT, AYL-347	Insurance claim	EFU General Insurance Ltd.	2,160	576	1,584	1,900
Honda Civic, AYR-121	Company policy	Mr. Muhammad Ibrahim	2,163	540	1,623	1,454
Items having book value upto Rs. 50,000	Company policy	Various	26,488	26,014	474	5,145
			51,698	38,985	12,713	17,916
		2014	138,905	122,416	16,489	34,861
		2013	87,517	79,599	7,918	23,212

5.4 Cost and accumulated depreciation of joint venture assets includes:

	Cost		Accumulated depreciation	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	Rs '000			
Share in Group's operated joint ventures	4,108,173	3,794,892	2,412,922	2,124,012
Share in partners' operated joint ventures (asset not in possession of the Group)	27,546,661	16,549,834	9,979,454	7,384,724
	31,654,834	20,344,726	12,392,376	9,508,736

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

5.5 Capital work-in-progress

Plant, machinery, fittings and pipelines	4,546,134	8,333,268
Prospecting and development expenditure	20,824,596	14,732,632
Lands, buildings and civil constructions	137,845	100,123
Capital stores for drilling and development	10,128,222	6,867,800
	<u>35,636,797</u>	<u>30,033,823</u>

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

	Plant, machinery, fittings and pipelines	Prospecting and development expenditure (note 5.6.1)	Lands, buildings and civil constructions	Capital stores for drilling and development	Total
	Rs '000				
Balance as on July 1, 2012	2,194,892	4,852,857	110,517	1,041,463	8,199,729
Capital expenditure incurred / advances made during the year (net)	8,416,191	18,836,490	50,273	3,721,684	31,024,638
Adjustments / reclassifications	(256,859)	(2,104,653)	260,108	2,104,653	3,249
Transferred to operating assets	(2,020,956)	(6,852,062)	(320,775)	-	(9,193,793)
Balance as on June 30, 2013	8,333,268	14,732,632	100,123	6,867,800	30,033,823
Capital expenditure incurred / advances made during the year (net)	7,832,543	11,511,108	123,253	3,260,422	22,727,326
Adjustments / reclassifications	(30,754)	(282,687)	31,322	-	(282,119)
Transferred to operating assets	(11,588,923)	(5,136,457)	(116,853)	-	(16,842,233)
Balance as on June 30, 2014	4,546,134	20,824,596	137,845	10,128,222	35,636,797

5.6.1 Break-up of prospecting and development expenditure

	Exploration expenditure	Development expenditure	Total
	Rs '000		
Balance as on July 1, 2012	2,996,101	1,856,756	4,852,857
Capital expenditure incurred / advances made during the year (net)	12,838,182	5,998,308	18,836,490
Adjustments / reclassifications	(465,876)	(1,638,777)	(2,104,653)
Transferred to operating assets	(2,807,201)	(4,044,861)	(6,852,062)
Balance as on June 30, 2013	12,561,206	2,171,426	14,732,632
Capital expenditure incurred / advances made during the year (net)	6,270,697	5,240,411	11,511,108
Adjustments / reclassifications	(282,687)	-	(282,687)
Transferred to operating assets	(1,303,985)	(3,832,472)	(5,136,457)
Balance as on June 30, 2014	17,245,231	3,579,365	20,824,596

5.7 Property, plant and equipment includes major spare parts and standby equipment having cost of Rs 241.375 million (2013: Rs 241.375 million) and net book value of Rs 39.108 million (2013: Rs 63.246 million).

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
6. INTANGIBLE ASSETS		
Goodwill - notes 6.1 & 6.2	3,222,832	3,224,467
Computer software including ERP system - note 6.3	265,721	391,606
Intangible assets under development	12,252	10,546
	<u>3,500,805</u>	<u>3,626,619</u>

- 6.1 Goodwill acquired through business combination has been allocated to the CGU i.e. PPL Europe E&P Limited. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from 5 year plan approved by senior management plus an estimated projection upto the expected field life for each asset and applying the expected value approach.

The Group has performed its annual impairment test at the year end. As a result of such assessment made by the management, no impairment was identified in the CGU to which the goodwill is allocated.

- 6.2 The initial accounting in respect of acquisition of PPL Europe E&P Limited on March 21, 2013 under IFRS 3 - Business Combinations (IFRS 3) involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets and liabilities, including goodwill.

In this respect, the management has completed a detailed exercise for the identification and valuation of assets and liabilities required to be separately recognised under the initial accounting for the acquisition under IFRS 3. Accordingly, no adjustments were identified within a period of twelve months from the acquisition date to the provisional values of acquiree's identifiable assets and liabilities, including goodwill that requires to be incorporated in these consolidated financial statements.

- 6.3 Computer Software including ERP system

	June 30, 2014			June 30, 2013		
	ERP system	Computer software	Total	ERP system	Computer software	Total
	Rs '000					
Net carrying value basis						
NBV as on July 01	49,494	342,112	391,606	86,655	337,256	423,911
Additions (at cost)	-	89,926	89,926	5,230	168,614	173,844
Adjustment / reclassification	-	-	-	(63)	-	(63)
Amortisation charge - note 29	(26,023)	(189,788)	(215,811)	(42,328)	(163,758)	(206,086)
NBV as on June 30	<u>23,471</u>	<u>242,250</u>	<u>265,721</u>	<u>49,494</u>	<u>342,112</u>	<u>391,606</u>
Gross carrying value basis						
Cost	319,263	826,605	1,145,868	319,263	736,679	1,055,942
Accumulated amortisation	(295,792)	(584,355)	(880,147)	(269,769)	(394,567)	(664,336)
NBV as on June 30	<u>23,471</u>	<u>242,250</u>	<u>265,721</u>	<u>49,494</u>	<u>342,112</u>	<u>391,606</u>
Rate of amortisation (%)	<u>20</u>	<u>33.33</u>		<u>20</u>	<u>33.33</u>	

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
7. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE		
BME - a joint venture	15,000	15,000
Profit receivable from BME	720,188	509,903
	<u>735,188</u>	<u>524,903</u>
7.1 The Group's interest in BME's assets and liabilities is as follows:		
Tangible fixed assets	94,909	94,210
Intangible assets	360	742
	<u>95,269</u>	<u>94,952</u>
Current assets	772,542	517,494
	<u>867,811</u>	<u>612,446</u>
Assets of a discontinued operation	264	258
Current liabilities	(160,492)	(31,784)
Reserve for development and expansion	29,003	(55,057)
Provision for leave preparatory to retirement	(1,398)	(960)
	<u>(132,887)</u>	<u>(87,801)</u>
Net assets	<u>735,188</u>	<u>524,903</u>

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
7.2 The Group's share in BME's total comprehensive income is as follows:		
Sales	520,379	244,334
Cost of goods sold	(153,963)	(96,040)
	<u>366,416</u>	<u>148,294</u>
Operating expenses	(114,467)	(34,829)
Operating profit	251,949	113,465
Other income	48,029	37,724
	<u>299,978</u>	<u>151,189</u>
Transfer to reserve for development and expansion	(59,076)	(22,262)
	<u>240,902</u>	<u>128,927</u>
Loss from discontinued operation	(783)	(688)
Prior year adjustment	(4,602)	(1,483)
Share in profit and loss account	235,517	126,756
	<u>235,517</u>	<u>126,756</u>
Share in other comprehensive income	(232)	-
Total comprehensive income	<u>235,285</u>	<u>126,756</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
8. LONG-TERM INVESTMENTS		
Investment in related party – wholly owned subsidiary:		
Fully paid shares in PPPFTC - note 8.1	1	1
Other investments		
Held-to-maturity		
Term Finance Certificates - note 8.2	99,820	99,860
Pakistan Investment Bonds - note 8.3	22,749,408	22,949,043
GoP Ijara Sukuk - note 8.4	500,139	2,501,006
Local currency term deposits with bank - note 8.5	2,000,000	2,000,000
Foreign currency term deposits with banks - note 8.6	9,113,904	5,873,010
	<u>34,463,271</u>	<u>33,422,919</u>
Designated at fair value through profit or loss - note 8.7		
UBL Liquidity Plus Fund	619,003	1,693,577
MCB Cash Management Optimizer Fund	1,510,195	928,046
Meezan Cash Fund	-	644,574
NAFA Government Securities Liquid Fund	1,278,995	573,810
ABL Cash Fund	1,694,736	1,376,193
Atlas Money Market Fund	640,436	358,056
HBL Money Market Fund	1,260,432	934,833
Askari Sovereign Cash Fund	533,652	415,191
IGI Money Market Fund	234,864	235,642
NIT Government Bond Fund	-	294,384
NAFA Money Market Fund	1,057,624	893,015
First Habib Cash Fund	433,036	103,246
Alfalah GHP Cash Fund	226,158	51,608
Pakistan Cash Management Fund	319,416	51,673
PICIC Cash Fund	254,812	51,650
Primus Daily Reserve Fund	503,390	-
Faysal Money Market Fund	472,322	-
	<u>11,039,071</u>	<u>8,605,498</u>
Less: Current maturity of long-term investments		
Term Finance Certificates - note 8.2	(40)	(40)
GoP Ijara Sukuk - note 8.4	(500,139)	(2,000,700)
	<u>(500,179)</u>	<u>(2,000,740)</u>
	<u>45,002,164</u>	<u>40,027,678</u>

8.1 Subsidiary company

The PPPFTC, a wholly owned subsidiary of the Holding Company, has neither made any profits nor incurred any losses from the date of its incorporation to June 30, 2014. The latest audited financial statements of the subsidiary are annexed. The paid-up capital of the subsidiary is Rs 1,000 divided into 100 ordinary shares of Rs 10 each.

Securities and Exchange Commission of Pakistan (SECP) through its letter CLD/RD/CO.237/PPL/2004 dated July 06, 2004 has exempted the Holding Company from consolidation of financial statements in respect of its investment in PPPFTC under section 237 of the Companies Ordinance, 1984. Accordingly, the Holding Company has not consolidated the PPPFTC in its consolidated financial statements for the year ended June 30, 2014.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

Number of certificates	Nominal value of each certificate (Rs)	Final maturity date	Implicit mark-up %	June 30, 2014	June 30, 2013
				Rs '000	

8.2 Term Finance Certificates (TFCs) of listed companies

Bank Alfalah Limited	20,000	5,000	December 01, 2017	KIBOR+2.5	99,820	99,860
Current maturity of TFCs					(40)	(40)
					<u>99,780</u>	<u>99,820</u>

8.3 Pakistan Investment Bonds (PIBs)

Issued on:

May 19, 2006		May 19, 2016	10.90	48,917	48,426
May 19, 2006		May 19, 2016	11.14	97,443	96,285
August 22, 2007		August 22, 2017	11.43	95,274	94,085
August 22, 2007		August 22, 2017	11.49	95,138	93,916
August 22, 2007		August 22, 2017	11.54	95,014	93,762
August 22, 2007		August 22, 2017	11.59	94,892	93,610
August 22, 2007		August 22, 2017	11.64	94,767	93,456
August 22, 2007		August 22, 2017	11.88	47,087	46,361
July 19, 2012		July 19, 2017	10.05	22,080,876	22,289,142
				<u>22,749,408</u>	<u>22,949,043</u>

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

8.4 GoP Ijara Sukuk

Principal Amount	Final Maturity date	Mark-up (%)	June 30, 2014	June 30, 2013	
			Rs '000		
Issued on:					
May 16, 2011	2,000,000	May 16, 2014	9.46	-	2,000,700
April 30, 2012	500,000	April 30, 2015	9.98	500,139	500,306
				<u>500,139</u>	<u>2,501,006</u>
Current maturity of GoP Ijara Sukuk				(500,139)	(2,000,700)
				<u>-</u>	<u>500,306</u>

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

8.5 Local currency term deposits with bank

This represents 88 days term deposits with bank with interest rate of 10.30% (2013: 9.32%) per annum. These have been classified as non-current assets, as the management intends and has an ability to hold the amounts for longer term.

8.6 Foreign currency term deposits with banks

This represents the term deposits with banks with effective interest rate ranging from 2.81% to 4.15% (2013: 1.25% to 4.0%) per annum. These investments maturities are in the range of 71 to 185 days, however, these have been classified as non-current assets, as the management intends and has an ability to hold the amounts for longer term.

8.7 Designated at fair value through profit or loss

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

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
9. LONG-TERM LOANS - STAFF		
Unsecured and considered good		
- Executive staff - note 9.2	31,834	22,405
- Other employees	7,224	12,085
	39,058	34,490
Current maturity of long-term loans - note 14		
- Executive staff	(9,004)	(6,659)
- Other employees	(3,358)	(6,820)
	(12,362)	(13,479)
	26,696	21,011

9.1 These mainly represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are recoverable by the Holding Company in accordance with the Holding Company's rules over a maximum period of ten years. The loans carry interest rate ranging from 1% to 10% (2013: 1% to 10%) per annum.

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

	June 30, 2014	June 30, 2013
	Rs '000	
Balance as on July 01	22,405	20,870
Disbursements	22,665	7,861
Repayments / adjustments	(13,236)	(6,326)
Balance as on June 30	31,834	22,405

The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 31.834 million (2013: Rs 22.405 million).

	June 30, 2014	June 30, 2013
	Rs '000	
10. LONG-TERM DEPOSITS		
Cash margin:		
- For guarantee to International Bank of Yemen - note 10.1	757,500	735,000
- Others - note 27.1.3	7,676	7,676
	765,176	742,676

10.1 The Holding Company, as per the Production Sharing Agreement (PSA) signed with the Republic of Yemen for carrying out exploration in Block - 29, was required to submit an irrevocable letter of credit, issued by a local bank of Yemen, to the Ministry of Oil and Gas, Yemen, for its share of Minimum Expenditure Obligation amounting to US\$ 7.5 million for the first exploration period of 4 years. Extension has been granted for 12 months for the first exploration period effective March 17, 2014 and it is expected that further extension will be granted, until the exploration work program commitments are fulfilled.

Accordingly, the Holding Company arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US\$ 7.5 million through United Bank Limited against 100% cash margin of Rs 757.5 million (2013: Rs 735 million).

During the current year, the management of the Holding Company has decided to transfer the entire working interest in Block - 29 Yemen to its wholly owned subsidiary PPL Europe E&P Limited. The Ministry of Oil and Minerals Yemen vide letter dated May 14, 2014 has given its consent to this assignment. The assignment will be formalised once necessary documentation is signed by all parties and will be effective from May 14, 2014.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

11. LONG-TERM RECEIVABLES

Unsecured and considered good		
- Government Holdings (Pvt) Ltd (GHPL) - note 11.1	269,292	182,560
- National Highway Authority - note 11.2	161,558	139,120
	430,850	321,680
Current maturity of long-term receivables from GHPL	(54,800)	(29,082)
	376,050	292,598

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

11.2 Nashpa and Tal joint venture partners have financed National Highway Authority for the construction of Khushalgarh Bridge on River Indus, district Kohat. As per the terms of the agreement, the Holding Company has paid Rs 41.531 million (out of Rs 46.145 million to be financed by the Holding Company in Nashpa field) and Rs 120.027 million (out of Rs 133.377 million to be financed by the Holding Company in Tal field). The loan is interest free, which shall be recovered in seven years, starting after the successful completion of work.

June 30, 2014 June 30, 2013
Rs '000

12. STORES AND SPARES

Stores and spares	3,108,239	2,551,399
Stores and spares in transit	554,723	390,189
	3,662,962	2,941,588
Provision for obsolete / slow moving stores - note 12.1	(119,480)	(106,406)
	3,543,482	2,835,182

12.1 Reconciliation of provision for obsolete / slow moving stores:

Balance as on July 01	106,406	100,263
Charge for the year - note 32	13,074	6,143
Balance as on June 30	119,480	106,406

13. TRADE DEBTS

Unsecured and considered good

Related parties

Central Power Generation Company Limited (GENCO-II)	6,435,882	5,306,529
Sui Northern Gas Pipelines Limited (SNGPL)	12,127,303	12,654,403
Sui Southern Gas Company Limited (SSGCL)	20,774,049	17,306,975
	39,337,234	35,267,907

Non-related parties

Attock Refinery Limited (ARL)	7,172,493	3,347,914
National Refinery Limited (NRL)	1,343,948	1,809,620
Pak-Arab Refinery Limited (PARCO)	1,765,080	57,786
Others	607,109	148,723
	10,888,630	5,364,043
	50,225,864	40,631,950

Unsecured and considered doubtful

Non-related party

Byco Petroleum Pakistan Limited (Byco)	1,156,220	1,156,220
Less: Provision for doubtful debts - note 13.3	(1,156,220)	(1,156,220)
	-	-
	50,225,864	40,631,950

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
13.1 The ageing of trade debts as at June 30 is as follows:		
Neither past due nor impaired	21,903,695	16,662,441
Past due but not impaired:		
Related parties		
- within 90 days	10,285,108	9,100,732
- 91 to 180 days	5,867,604	4,094,196
- over 180 days	10,401,911	10,068,833
	26,554,623	23,263,761
Non-related parties		
- within 90 days	1,594,055	672,372
- 91 to 180 days	39,090	11,842
- over 180 days	134,401	21,534
	1,767,546	705,748
	50,225,864	40,631,950

13.2 Trade debts include overdue amount of Rs 26,555 million (2013: Rs 23,263 million) receivable from the State controlled utility companies (i.e. GENCO-II, SSGCL and SNGPL) and Rs 2,924 million (2013: Rs 1,862 million) overdue receivable from refineries (i.e. ARL, Byco, PARCO, NRL and Pakistan Refinery Limited) and various LPG customers.

Based on the measures being undertaken by the GoP, the Holding Company considers the overdue amounts to be fully recoverable and therefore, no further provision for doubtful debts has been made in these consolidated financial statements, except for provision against receivable from Byco, as mentioned in note 13.3 to these consolidated financial statements.

	June 30, 2014	June 30, 2013
	Rs '000	
13.3 Provision for doubtful debts:		
Balance as on July 1	1,156,220	1,181,220
Reversal during the year - note 31	-	(25,000)
Balance as on June 30	1,156,220	1,156,220

The Holding Company has filed a legal suit in the Sindh High Court (SHC) against Byco for recovery of overdues.

	June 30, 2014	June 30, 2013
	Rs '000	
14. LOANS AND ADVANCES		
Unsecured and considered good		
Loans and advances to staff - note 14.1	3,713	5,327
Advances to suppliers and others	156,821	158,612
Advance payment of cash calls to joint ventures - note 26.1	1,577,572	955,339
Current maturity of long-term loans - staff - note 9	12,362	13,479
	1,750,468	1,132,757

14.1 Loans and advances to staff:

- Executive staff	1,847	1,156
- Other employees	1,866	4,171
	3,713	5,327

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
15. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	162,188	57,466
Prepayments	246,270	230,731
	<u>408,458</u>	<u>288,197</u>
16. INTEREST ACCRUED		
Profit receivable on:		
- long-term investments	1,176,673	1,283,182
- long-term bank deposits	10,727	9,217
- short-term bank deposits	153,066	197,288
- bank deposits - saving accounts	860	5,873
	<u>1,341,326</u>	<u>1,495,560</u>
17. OTHER RECEIVABLES		
Receivable from:		
- SNGPL for Sui field services	16,404	7,685
- SSGCL for Sui field services	9,690	8,014
- Workers' Profits Participation Fund (WPPF) - note 17.1	71,968	69,434
- Staff retirement benefit plans - note 30.1.1	252,803	-
Current accounts with joint ventures - note 26.1	1,538,458	474,886
Sales tax (net)	1,294,549	1,076,086
Federal excise duty (net)	359,896	-
Indemnification asset	300,577	300,730
Other receivables	14,638	13,746
	<u>3,858,983</u>	<u>1,950,581</u>
17.1 Workers' Profits Participation Fund		
Balance as on July 01	69,434	189,155
Allocation for the year - note 32	(3,922,206)	(3,295,426)
Interest on funds utilised in the Holding Company's business - note 33	(105)	(333)
	<u>(3,852,877)</u>	<u>(3,106,604)</u>
Amount paid during the year	3,924,845	3,176,038
Balance as on June 30	<u>71,968</u>	<u>69,434</u>
18. SHORT-TERM INVESTMENTS		
Held-to-maturity		
Local currency term deposits with banks - note 18.1	19,350,000	23,740,000
Foreign currency term deposits with banks - note 18.2	7,893,478	-
Investment in Treasury Bills	-	4,593,503
	<u>27,243,478</u>	<u>28,333,503</u>

18.1 The local currency short-term deposits have a maximum maturity period of 97 days, carrying profit ranging from 9.95% to 10.48% (2013: from 9.36% to 9.80%) per annum.

18.2 The fixed rate foreign currency short-term deposits have a maximum maturity period of five months, carrying profit ranging from 0.30% to 0.37% per annum. The variable rate foreign currency term deposits have a maximum maturity period of 12 months, carrying profit ranging from LIBOR plus 0.15% to LIBOR plus 0.67% per annum.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	June 30, 2014	June 30, 2013
	Rs '000	
19. CASH AND BANK BALANCES		
At banks		
- Saving accounts		
Local currency - note 19.1	2,089,898	5,728,202
Foreign currency - note 19.2	576,364	2,152,463
	2,666,262	7,880,665
- Current accounts		
Local currency	113,097	93,222
Foreign currency	367,394	6,738
	480,491	99,960
Cash and cheques in hand	57,755	39,229
Restricted cash - collateral for bank guarantees - note 27.1.5	523,805	1,044,421
	3,728,313	9,064,275

19.1 These carry profit at the rate ranging from 6% to 9.25% (2013: from 6% to 8.55%) per annum.

19.2 These carry profit at the rate ranging from 0.10% to 0.25% (2013: from 0.05% to 0.25%) per annum and at the rate LIBOR plus 0.1% (2013: from 0.05% to 0.25%) per annum.

	June 30, 2014	June 30, 2013
	Rs '000	
20. SHARE CAPITAL		
Authorised		
2,500,000,000 (2013: 2,500,000,000) ordinary shares of Rs 10 each	25,000,000	25,000,000
26,510 (2013: 26,510) convertible preference shares of Rs 10 each	265	265
	25,000,265	25,000,265
Issued		
1,971,905,162 (2013: 1,643,285,893) ordinary shares of Rs 10 each (including 328,619,269 shares issued as bonus shares during the year) - note 20.1	19,719,052	16,432,859
13,840 (2013: 13,840) convertible preference shares of Rs 10 each - note 20.2	138	138
	19,719,190	16,432,997
Subscribed and paid-up		
683,073,803 (2013: 683,073,803) ordinary shares of Rs 10 each for cash - note 20.1	6,830,738	6,830,738
1,285,891,812 (2013: 957,272,543) ordinary shares of Rs 10 each issued as bonus shares- note 20.3		
- Opening balance	9,572,726	6,286,533
- Issued during the year	3,286,193	3,286,193
- Closing balance	12,858,919	9,572,726
2,750,000 (2013: 2,750,000) ordinary shares of Rs10/- each for consideration other than cash under an Agreement for Sale of Assets dated March 27, 1952 with Burmah Oil Company Limited	27,500	27,500
	19,717,157	16,430,964
13,840 (2013: 13,840) convertible preference shares of Rs 10 each for cash - note 20.2	138	138
	19,717,295	16,431,102

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

20.1 Issued, subscribed and paid-up capital

During June 2002, a rights issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders of Holding Company, irrespective of the class. Out of the above, 189,547 (2013: 189,547) shares remained unsubscribed.

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

The GoP holds 71.06% (2013: 71.06%) of the paid-up ordinary share capital as of June 30, 2014. Subsequent to the year end, the GoP has completed the disinvestment of its 70,055,000 shares through a Secondary Public Offering. Consequently, the shareholding of GoP has reduced to 67.51% of the paid-up ordinary share capital.

20.2 Convertible preference shares

In accordance with article 3(iv) of the Holding Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Holding Company's Secretary by the holders of such convertible preference shares to that effect. During the current and last year, no shareholder exercised his option to convert those shares into ordinary shares.

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

20.3 During the current year, the Holding Company has issued 20% (2013: 25%) bonus shares i.e., 328,619,269 shares (2013: 328,619,269 shares) to the ordinary shareholders (one ordinary shares for every five ordinary shares held).

June 30, 2014 June 30, 2013
Rs '000

21. RESERVES

Capital reserve - note 21.1	1,428	1,428
Revenue reserves		
General and contingency reserve - note 21.2	69,761	69,761
Insurance reserve - note 21.3	29,021,894	24,021,894
Assets acquisition reserve - note 21.4	18,751,980	13,751,980
Dividend equalisation reserve	5,000,000	5,000,000
Unappropriated profit	109,357,106	90,640,374
Translation reserve	(353,603)	55,306
	161,847,138	133,539,315
	161,848,566	133,540,743

21.1 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.

21.2 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.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

21.3 Insurance reserve

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

The Holding Company has arranged terrorism cover from the international market upto the limit of liability of US\$ 100 million (Rs 9,855 million) for single occurrence, as well as, annual aggregate. Due to the limited cover available, the Holding Company will continue to build-up this reserve.

The Board of Directors of the Holding Company at their meeting held on August 27, 2014 has approved to transfer Rs 5,000 million (2013: Rs 5,000 million) from unappropriated profit to the insurance reserve.

21.4 Assets acquisition reserve

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

The Board of Directors of the Holding Company at their meeting held on August 27, 2014 has approved to transfer Rs 5,000 million (2013: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

June 30, 2014	June 30, 2013
Rs '000	

22. PROVISION FOR DECOMMISSIONING OBLIGATION

Balance brought forward	16,146,357	14,334,962
(Reversal) / provision during the year - note 5.1	(858,919)	1,450,947
Unwinding of discount - note 33	392,080	360,448
	<u>15,679,518</u>	<u>16,146,357</u>

- 22.1 The provision for decommissioning obligation includes Rs 2,700.355 million (2013: Rs 2,303.984 million), representing the Group's share of the expected decommissioning cost of partners' operated fields. The provision for decommissioning cost in respect of the Group's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partners' operated fields is based on estimates provided by the respective operators. The Holding Company has discounted the provision using a real discount rate of 3.37 % per annum (2013: 2.43% per annum).

June 30, 2014	June 30, 2013
Rs '000	

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Present value of minimum lease payments	277,884	273,238
Current maturity shown under current liabilities	(102,114)	(108,622)
	<u>175,770</u>	<u>164,616</u>

- 23.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies for rolling stock, computers and allied equipment. The periodic lease payments include rates of mark-up ranging from 12.64% to 21.83% (2013: 12.94% to 21.83%) per annum. The Holding Company has the option to purchase the assets upon expiry of the respective lease terms. There are no financial restrictions in the lease agreements.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

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, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	Rs '000					
Year ended June 30,						
2014	-	133,677	-	25,055	-	108,622
2015	127,710	87,324	25,596	20,842	102,114	66,482
2016	94,511	53,915	21,740	11,906	72,771	42,009
2017	61,697	39,838	12,774	6,903	48,923	32,935
2018	42,472	25,350	6,147	2,160	36,325	23,190
2019	19,403	-	1,652	-	17,751	-
Total	345,793	340,104	67,909	66,866	277,884	273,238

June 30, 2014 June 30, 2013
Rs '000

24. DEFERRED LIABILITIES

Post retirement medical benefits - note 30.2.1
Leave preparatory to retirement - note 30.3

	1,378,429	1,155,168
	675,309	657,799
	2,053,738	1,812,967

25. DEFERRED TAXATION

Credit / (debit) balances arising on account of:

Exploration expenditure
Amortisation of intangible assets
Provision for staff retirement and other benefits
Provision for obsolete / slow moving stores
Provision for doubtful debts
Provision for decommissioning obligation
Accelerated tax depreciation allowances
Exploratory wells cost
Prospecting and development expenditure
Tax losses and credits
Others

	(3,478,000)	(3,699,703)
	(4,422)	(4,013)
	(698,271)	(1,616,298)
	(40,623)	(37,242)
	(462,488)	(462,488)
	71,206	246,919
	6,066,714	4,931,385
	4,444,242	1,646,234
	12,216,403	11,323,682
	(231,835)	-
	9,870	4,674
	17,892,796	12,333,150

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For the year ended June 30, 2014

June 30, 2014 June 30, 2013
Rs '000

26. TRADE AND OTHER PAYABLES

Creditors	288,512	163,589
Accrued liabilities	3,237,535	2,798,049
Security deposits from LPG distributors	625,069	169,651
Retention money	43,100	56,814
Unpaid and unclaimed dividends	192,517	161,232
Gas development surcharge (GDS)	3,805,195	15,510,383
Gas infrastructure development cess	1,479,926	2,117,340
Federal excise duty (net)	-	99,805
Sales tax (net)	18,522	18,387
Royalties	6,007,351	6,296,273
Current accounts with joint venture partners - note 26.1	2,437,837	3,559,601
Liabilities for staff retirement benefit plans - note 30.1.1	85,395	2,590,810
Workers' Welfare Fund	-	36,414
Contractual obligations for Iraq EDPSC - note 26.2	517,819	-
Others	98,220	51,820
	<u>18,836,998</u>	<u>33,630,168</u>

26.1 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2014 and 2013 have been stated net of the respective current assets and current liabilities, as providing details for each respective joint venture separately would be very exhaustive especially in view of the materiality of that information in the overall context to these consolidated financial statements.

26.2 This represents Infrastructure Fund amounting to Rs 362.389 million and Training, Technology & Scholarship Fund amounting to Rs 155.430 million under the terms of EDPSC.

June 30, 2014 June 30, 2013
Rs '000

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Indemnity bonds and corporate guarantees

Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years.	14,984	24,174
Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities.	40,890	40,890

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

27.1.3 Sales tax

The tax authorities have issued various letters / notices / orders for different tax periods either disallowing / intending to disallow the input sales tax claimed by the Holding Company amounting to Rs 11.830 million, under the provisions of sections 8(1)(ca) and 8A of the Sales Tax Act, 1990 and Rule 12(5) of the Sales Tax Rules, 2006. Being aggrieved with the impugned orders, the Holding Company has filed appeals before the Commissioner Inland Revenue Appeals (CIR(A)). During the year ended June 30, 2013, the Holding Company had received all the three orders under appeal before the CIR-(A). In two of the three orders, the CIR-(A) had set-aside the orders

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passed by the Assessing Officer with directions to cross match and verify the documents in respect of each supplier submitted by the Holding Company and pass a fresh and speaking order after providing opportunity of being heard. Since the said orders were set-aside by the CIR-(A), therefore no further action is required on this account. In one of the orders, the CIR-(A) has confirmed the action of the Assessing Officer on the ground that the Holding Company has failed to prove that the input tax claimed was deposited in the Government treasury. Being aggrieved with the decision of the CIR-(A) the Holding Company has filed an appeal before the ATIR, which is pending for hearing.

The Holding Company has also filed a Constitutional Petition alongwith the stay application before the SHC challenging the above mentioned provisions. The SHC in response to the stay application filed by the Holding Company vide order dated October 27, 2011 had granted stay subject to the provision of bank guarantee amounting to Rs 7.676 million (note 10), which was duly provided. During the year ended June 30, 2013, the aforesaid order of the SHC has been renewed by another order dated June 25, 2013. The original petition filed before the SHC, however, is pending for hearing.

27.1.4 Income tax

The Tax authorities whilst amending the Assessment Orders of the Holding Company for the tax years 2003 to 2013 have made additions in respect of the following issues:

- i) Rate Issue [disputed by the Tax authorities in tax years 2003 to 2013];
- ii) Depletion Allowance [disputed by the Tax authorities in tax years 2003 to 2013];
- iii) Decommissioning Cost of Sui Area [disputed by the Tax authorities in tax years 2004 to 2012]; and
- iv) Tax credits under sections 65A, 65B and 65E in respect of Agreement Areas [disputed by the Tax authorities in tax years 2011 to 2013].

The Tax authorities have raised demand of Rs 10,125 million in respect of the above issues, out of which the Holding Company has paid Rs 8,323 million. The demand raised by the Tax authorities through the above assessment orders were subsequently confirmed by the CIR-(A) and ATIR, except for tax year 2013 which is currently pending before CIR-(A). Being aggrieved with the decision of the ATIR, the Holding Company has filed a Reference Application before the Hon'able Sindh High Court (SHC) in respect of tax years 2003 to 2007 during the year ended June 30, 2014. The Holding Company is in the process of filing a Reference Application before the Hon'able SHC in respect of tax years 2008 to 2012.

The outstanding demands for the tax years 2003 to 2009 have been stayed by the Hon'able SHC whereas the demands raised for the tax years 2010 to 2013 have been fully paid.

The Holding Company based on the advice of its legal counsel, is confident that it has sound grounds to defend the appeals on the tax rate issue. The Holding Company, as a matter of prudence, continues to provide for tax liability at the higher tax rates, depletion allowance, Sui decommissioning cost and tax credits under sections 65A, 65B and 65E in respect of Agreement Areas in the books of account. In case the appeals are decided in favour of the Holding Company, an amount of Rs 10,125 million (2013: Rs 7,225 million) will be credited in the profit and loss account for that year.

27.1.5 Other contingencies

- a) The Holding Company is defending various suits filed against it in various courts in Pakistan for sums, aggregating to Rs 958 million (2013: Rs 871 million), related to its business operations. The legal counsel is confident that these suits are expected to be decided in favour of the Holding Company and, accordingly, no provision has been made for any liability against these law suits in these consolidated financial statements.
- b) In respect of PPL Europe E&P Limited, the Tax Authorities have raised demands for tax years 2003-2009 amounting to Rs 588 million relating to tax rate, depletion and decommissioning cost issues. Under amnesty scheme, the Subsidiary has paid Rs 588 million under protest and filed appeals with Islamabad High Court which are pending for hearing. The estimated tax demands for tax years 2010 to 2014 amount to Rs 330 million. Although, PPL Europe E&P Limited based on the advice of its legal counsel, is confident that it has sound grounds to defend the appeals on the tax rate issue, however in line with the Group's policy, provision in respect of above mentioned issues amounting to Rs 918 million (2013: Rs 925 million) has been accounted for in these consolidated financial statements.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

- c) During 2009, the Tax Authorities raised a demand of Rs 775 million on account of non-deduction of tax on the gross consideration paid by the Subsidiary to MND E&P a.s. for obtaining the working interest of South West Miano Block (Sawan). The Subsidiary has won its appeal against this ruling at ATIR level. However, the Tax Authorities have filed an appeal in the Islamabad High Court. MND E&P a.s. is liable to compensate the Holding Company against any unfavourable order in respect of the tax demand.
- d) PPL Europe E&P Limited has minimum expenditure commitments of US\$10.6 million (Rs 1,044.630 million) under the terms of its exploration licenses of Ziarat, Barkhan and Harnai blocks. As required under terms of its exploration licenses, bank guarantees of Rs 524 million have been provided which represents 50% of the minimum commitment amount (note 19).

27.2 Commitments

- 27.2.1 PPL Asia E&P B.V. has a commitment to spend upto US\$ 100 million (Rs 9,855 million) over the first five years of exploration period under Exploration, Development and Production Service Contract (EDPSC) for Block 8 in Iraq signed with Midland Oil Company, Iraq. As at balance sheet date, the Subsidiary has incurred US\$ 22.898 million (Rs 2,257 million) and the outstanding commitments are US\$ 77.102 million (Rs 7,598 million).

27.2.2 Capital expenditure

	June 30, 2014	June 30, 2013
	Rs '000	
Owned assets	2,946,940	3,671,970
Share in joint ventures	33,684,965	21,016,010
Operating leases / ljarah contracts	6,699	15,179
	36,638,604	24,703,159

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

	June 30, 2014	June 30, 2013
	Rs '000	
Year ending June 30,		
2014	-	7,985
2015	6,699	7,194
	6,699	15,179

27.2.3 Exploration expenditure

The Group's share of net exploration activities in respect of Block 2766-1 (Khuzdar), Block 2568-13 (Hala), Block 2866-2 (Kalat), Block 2969-8 (Barkhan), Block 3270-7 (Zindan), Block 2467-12 (Jungshahi), Block 2468-12 (Kotri), Block 2568-21 (Kotri North), Block 3371-15 (Dhok Sultan), Block 2568-18 (Gambat South), Block 2763-3 (Kharan), Block 2764-4 (Kharan East), Block 2763-4 (Kharan West), Block 2468-10 (Sirani), Block 2667-11 (Zamzama South), Block 2668-9 (Naushahro Firoz), Block 3272-18 (Karsal), Block 3372-23 (Hisal), Block 2870-5 (Sadiqabad), Block 2469-16 (Shah Bandar), Block 2864-4 (Nausherwani), Block 2566-6 (Bela West), Block 2566-4 (Hab), Block 2569-5 (Khipro East), Block 2467-13 (Malir), Block 2866-4 (Margand), Block 3370-3 (Tal), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano-II), Block 3370-10 (Nashpa), Block 2669-3 (Latif), Block 2667-7 (Kirthar), Block 2468-9 (Jherruck), Block 3070-13 (Baska), Block 2366-7 (Offshore Indus-C), Block 2366-5 (Offshore Indus-N), Block 2568-20 (Sukhpur), Block 2568-19 (Digri), Block 3273-3 (Ghauri), Block 2467-14 (Jati), Block 2265-1 (Indus-G), Block 2967-2 (Ziarat), Block 3067-3 (Harnai), Block-29 (Republic of Yemen) and Block-3 (Republic of Yemen) amounts to Rs 13,822 million (2014: Rs 6,624 million) for the year ending June 30, 2015.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014

Year ended
June 30, 2013

Rs '000

28. SALES - net (including internal consumption)

Sales	144,753,782	124,451,361
Federal excise duty	(1,916,150)	(2,127,355)
Sales tax	(13,839,598)	(12,516,767)
Gas infrastructure development cess	(1,228,004)	(1,694,339)
Gas development surcharge	(6,430,617)	(5,315,728)
	(23,414,369)	(21,654,189)
	<u>121,339,413</u>	<u>102,797,172</u>
Product wise break-up of sales is as follows:		
Natural gas sales	91,284,239	87,862,310
Federal excise duty	(1,889,451)	(2,101,685)
Sales tax	(13,382,232)	(12,208,164)
Gas infrastructure development cess	(1,228,004)	(1,694,339)
Gas development surcharge	(6,430,617)	(5,315,728)
	(22,930,304)	(21,319,916)
	<u>68,353,935</u>	<u>66,542,394</u>
Gas supplied to Sui villages - note 29.5	429,902	388,580
Federal excise duty	(15,841)	(15,025)
Sales tax	(62,464)	(53,742)
	(78,305)	(68,767)
	<u>351,597</u>	<u>319,813</u>
Internal consumption of gas - note 28.1	249,576	239,076
Federal excise duty	(9,197)	(9,244)
Sales tax	(36,263)	(33,061)
	(45,460)	(42,305)
	<u>204,116</u>	<u>196,771</u>
Condensate sales	10,618,980	8,188,552
NGL (condensate) sales	2,370,142	1,682,384
Crude oil sales	37,333,296	24,486,299
LPG sales	2,467,647	1,604,160
Federal excise duty	(1,661)	(1,401)
Sales tax	(358,639)	(221,800)
	(360,300)	(223,201)
	<u>2,107,347</u>	<u>1,380,959</u>
	<u>121,339,413</u>	<u>102,797,172</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

28.1 Internal consumption of gas comprises of the following:

Industrial and domestic use	180,569	169,028
Gas used for electricity generation at Sui	69,007	70,048
	<u>249,576</u>	<u>239,076</u>

28.2 The Group has not allowed any sales discount to the customers during the years ended June 30, 2014 and 2013.

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

29. FIELD EXPENDITURES

Development and drilling - note 29.1	4,944,026	5,278,905
Exploration	8,788,164	6,827,990
Depreciation - note 5.1	3,638,529	3,308,564
Amortisation of intangible assets - note 6.3	215,811	206,086
Amortisation of decommissioning cost - note 5.1	1,151,040	1,439,394
Amortisation of prospecting and development expenditure - note 5.1	4,517,896	3,035,828
Salaries, wages, welfare and other benefits - note 29.2	6,985,604	5,861,437
Employees' medical benefits - note 29.3	361,898	374,843
Manpower development	33,328	25,799
Travelling and conveyance	590,993	586,989
Communication	42,284	30,189
Stores and spares consumed	1,813,021	1,341,838
Fuel and power	345,229	318,044
Rent, rates and taxes	110,878	173,705
Insurance	647,769	651,883
Repairs and maintenance	412,675	458,179
Professional services	170,537	221,557
Auditors' remuneration - note 29.4	14,241	9,986
Free supply of gas to Sui villages - notes 29.5	429,902	388,580
Donations - note 29.6	102,499	63,770
Social welfare / community development	148,054	250,861
Other expenses	199,298	186,529
	<u>35,663,676</u>	<u>31,040,956</u>
Recoveries	(47,139)	(45,946)
	<u>35,616,537</u>	<u>30,995,010</u>

29.1 These are net of insurance claim of Rs 868 million received by the Holding Company during the current year in respect of sabotage activity caused at Sui gas field during the year ended June 30, 2011.

29.2 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 168.061 million, Rs 593.841 million, Rs 94.153 million and Rs 39.975 million, respectively (2013: Rs 159.754 million, Rs 458.558 million, Rs 73.318 million and Rs 140.259 million, respectively).

29.3 This includes expenditure relating to post retirement medical benefits amounting to Rs 164.030 million (2013: Rs 179.435 million).

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

Year ended June 30, 2014 Year ended June 30, 2013
Rs '000

29.4 Auditors' remuneration is as under:

	Year ended June 30, 2014	Year ended June 30, 2013
Audit fee		
- Holding Company	3,000	2,500
- Subsidiary Companies	7,985	4,097
	10,985	6,597
Limited review, special certifications and advisory services	2,821	3,005
Out of pocket expenses	435	384
	14,241	9,986

29.5 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 28 to these consolidated financial statements.

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

Name of director(s) / ex-director(s)	Nature of interest in donee	Name and address of donee	Year ended June 30, 2014	Year ended June 30, 2013
			Rs '000	
Mr. Asim Murtaza Khan	Director	Petroleum Institute of Pakistan	100	535
Mr. Asim Murtaza Khan	Director	Pakistan Institute of Corporate Governance	250	-
Mr. Saeed Akhtar (Ex-Director)	Director	Karwan-e-Hayat, an Institute of Mental Health Care & Rehabilitation	200	150
			550	685

30. STAFF RETIREMENT BENEFITS

30.1 Funded post retirement pension and gratuity schemes

As mentioned in note 4.10 to these consolidated financial statements, the Holding Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

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

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity	June 30, 2013	
	June 30, 2014				June 30, 2013	
	Rs '000					
Present value of defined benefit obligations - note 30.1.5	6,372,337	571,818	1,435,987	699,272	9,079,414	8,106,318
Fair value of plan assets - note 30.1.4	(6,288,692)	(570,068)	(1,598,365)	(789,697)	(9,246,822)	(5,515,508)
Liability / (asset) recognised in the balance sheet	83,645	1,750	(162,378)	(90,425)	(167,408)	2,590,810

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

30.1.2 Movement in amounts payable to / (receivable from) defined benefit plans

Movement in amounts payable to / (receivable from) staff retirement benefit plans during the year are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Balances as on July 01	1,829,238	161,202	413,739	186,631	2,590,810	1,491,856
Charge for the year - note 30.1.3	494,975	49,300	98,866	43,720	686,861	531,141
Payments during the year	(2,324,213)	(210,502)	(512,605)	(230,351)	(3,277,671)	(732,112)
Amount recognised in Other Comprehensive Income (OCI) for the year	83,645	1,750	(162,378)	(90,425)	(167,408)	1,299,925
Balances as on June 30	83,645	1,750	(162,378)	(90,425)	(167,408)	2,590,810

30.1.3 Amounts recognised in the profit and loss account

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Current service cost	304,249	32,492	53,891	23,364	413,996	344,144
Interest cost	598,260	58,019	154,574	74,607	885,460	804,440
Interest income on plan assets	(407,534)	(41,211)	(109,599)	(54,251)	(612,595)	(617,443)
Charge for the year recognised in profit and loss account	494,975	49,300	98,866	43,720	686,861	531,141
Actual return on plan assets	552,091	51,125	131,906	70,872	805,994	621,132

30.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Fair value of plan assets at beginning of the year	3,579,152	381,149	1,028,055	527,152	5,515,508	4,494,432
Interest income on plan assets	407,534	41,211	109,599	54,251	612,595	617,443
Contributions by the Holding Company	2,324,213	210,502	512,605	230,351	3,277,671	732,112
Benefits paid	(166,764)	(72,708)	(74,201)	(38,678)	(352,351)	(349,538)
Amount recognised in OCI for the year	144,557	9,914	22,307	16,621	193,399	21,059
Fair value of plan assets at end of the year	6,288,692	570,068	1,598,365	789,697	9,246,822	5,515,508

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

30.1.5 Changes in present value of pension and gratuity obligations

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2014					June 30, 2013
	Rs '000					
Present value of obligations at beginning of the year	5,408,390	542,351	1,441,794	713,783	8,106,318	5,986,288
Current service cost	304,249	32,492	53,891	23,364	413,996	344,144
Interest cost	598,260	58,019	154,574	74,607	885,460	804,440
Benefits paid	(166,764)	(72,708)	(74,201)	(38,678)	(352,351)	(349,538)
Amount recognised in OCI for the year	228,202	11,664	(140,071)	(73,804)	25,991	1,320,984
Present value of obligations at end of the year	6,372,337	571,818	1,435,987	699,272	9,079,414	8,106,318

30.1.6 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, 2014 (Unaudited)				June 30, 2013 (Audited)				
Pension Fund									
Government securities	6.76 - 14.47	2,138,707	34	494,258	30	1,012,620	28	317,676	31
Shares	-	185,172	3	56,581	4	157,619	5	48,191	5
TFCs	13.52 - 13.54	69,630	1	24,900	2	68,710	2	24,571	2
Cash and bank balances	7.00 - 9.15	3,895,183	62	1,022,626	64	2,340,398	65	636,636	62
Total		6,288,692	100	1,598,365	100	3,579,347	100	1,027,074	100
Gratuity Fund									
Government securities	6.76 - 14.47	231,802	40	267,699	34	123,429	32	170,838	32
Shares	-	31,890	6	27,989	4	27,189	7	23,909	5
TFCs	13.51 - 13.53	3,081	1	12,889	2	2,933	1	12,718	2
Cash and bank balances	7.00 - 9.15	303,295	53	481,120	60	227,627	60	319,722	61
Total		570,068	100	789,697	100	381,178	100	527,187	100

30.1.7 Sensitivity analysis:

	June 30, 2014				June 30, 2013			
	Executives		Non-Executives		Executives		Non-Executives	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Pension:								
Salary rate sensitivity	398,292	(383,651)	76,840	(69,945)	388,613	(338,425)	87,180	(77,637)
Pension rate sensitivity	447,742	(375,876)	162,649	(135,806)	378,107	(317,697)	102,811	(85,453)
Gratuity:								
Salary rate sensitivity	4,730	(4,483)	34,116	(31,084)	29,931	(26,885)	37,004	(32,935)

Notes to and Forming Part of the Consolidated Financial Statements

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30.1.8 Maturity profile of the defined benefit obligation:

	June 30, 2014			
	Executives		Non-Executives	
	Pension	Gratuity	Pension	Gratuity
Weighted average duration (years)	14.08	5.94	12.17	6.60
The retirement will at most continue (year)	2050	2050	2052	2052

30.1.9 The Holding Company expects to contribute Rs 464.827 million to the pension and gratuity funds in 2014-15.

30.2 Unfunded post retirement medical benefits

30.2.1 The Holding Company provides free medical facilities to its executive and non-executive retired employees, as mentioned in note 4.10 to these consolidated financial statements. The latest actuarial valuation for post retirement medical benefits was carried out as at June 30, 2014, results of which are as follows:

	June 30, 2014	June 30, 2013
	Rs '000	
Present value of defined benefit obligations - notes 24 and 30.2.4	1,378,429	1,155,168

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

Balance as on July 01	1,155,168	1,087,776
Charge for the year – notes 29.3 and 30.2.3	164,030	179,435
Payments during the year	(45,606)	(39,390)
Amount charged to the OCI	104,837	(72,653)
Balance as on June 30	1,378,429	1,155,168

30.2.3 Amounts recognised in the profit and loss account

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

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Current service cost	37,232	32,888
Interest cost	126,798	146,547
	164,030	179,435

	June 30, 2014	June 30, 2013
	Rs '000	

30.2.4 Changes in present value of post retirement medical obligations:

Opening balance	1,155,168	1,087,776
Current service cost	37,232	32,888
Interest cost	126,798	146,547
Benefits paid	(45,606)	(39,390)
Amount charged to the OCI	104,837	(72,653)
Balance as on June 30	1,378,429	1,155,168

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

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

	June 30, 2014	
	1% increase	1% decrease
	Rs '000	
Present value of medical obligation	256,225	(200,507)
Current service cost and interest cost	46,673	(35,966)

30.2.6 The Holding Company expects to contribute Rs 230.753 million to the unfunded post retirement medical benefits in 2014-15.

30.2.7 The weighted average duration of the defined benefit obligation works out to 18.19 years in respect of executive and 18.44 years in respect of non-executive retired employees.

30.3 Leave preparatory to retirement benefits

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

	June 30, 2014	June 30, 2013
	Rs '000	
Balance as on July 01	657,799	559,835
Charge for the year - note 29.2	39,975	140,259
	697,774	700,094
Payments during the year	(22,465)	(42,295)
Balance as on June 30 - note 24	675,309	657,799

30.3.1 The Holding Company expects to contribute Rs 115.175 million to the leave preparatory to retirement benefits in 2014-15.

30.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

	Per annum	
	June 30, 2014	June 30, 2013
	%	
- discount rate	13.00	11.00
- expected rate of increase in salaries	13.00	11.00
- expected rate of increase in pension	8.00	6.00
- expected rate of escalation in medical cost	9.00	7.00

30.5 Description of risks

The defined benefit plans expose the Company to the following risks:

Withdrawal risks - The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Mortality risks - The risk that the actual mortality experience is different. Similar to the withdrawal risk, the effect depends on the beneficiaries' service/age distribution and the benefit. Especially in the case of pension and post retirement medical benefit, there is an additional longevity risk after cessation of service that the mortality will improve and the benefit is payable for longer period of time.

Investment risks - The risk of the investment underperformance and being not sufficient to meet the liabilities.

Final salary risks - The risk that the final salary at the time of cessation of service is greater than what was assumed.

Medical escalation risk - The risk that the cost of post retirement medical benefits will increase.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

June 30, 2014 (Unaudited) June 30, 2013 (Audited)
Rs '000

30.6 Provident fund

Size of the fund	3,961,456	3,370,693
Cost of investments made	2,754,864	2,510,450
Percentage of investments made	69.50%	74.50%
Fair value of investments	3,116,613	2,675,951

30.6.1 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund of the Holding Company are as follows:

	June 30, 2014 (Unaudited)		June 30, 2013 (Audited)	
	Investments (Rs '000)	% of investment as size of the fund	Investments (Rs '000)	% of investment as size of the fund
Pakistan Investment Bonds	865,369	21.8%	912,464	27.0%
Treasury Bill	501,170	12.7%	80,938	2.4%
Short Term Deposit Account	1,014,000	25.6%	1,124,480	33.3%
NIT Units	357,152	9.0%	249,577	7.4%
Shares	375,290	9.5%	304,908	9.0%
TFCs	3,632	0.1%	3,584	0.1%
	<u>3,116,613</u>		<u>2,675,951</u>	

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Year ended June 30, 2014 Year ended June 30, 2013
Rs '000

31. OTHER INCOME

Income from financial assets

Income on loans and bank deposits	421,095	553,601
Income on term deposits	1,294,300	2,685,041
Income on long-term held-to-maturity investments	2,952,765	722,135
Income from investment in treasury bills	523,464	1,182,478
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	865,828	869,299
	<u>6,057,452</u>	<u>6,012,554</u>

Income from assets other than financial assets

Rental income on assets	84,701	123,737
Profit on sale of property, plant and equipment (net)	18,372	15,294
Profit on sale of stores and spares (net)	12,655	6,621
Exchange gain on foreign currency (net)	-	552,190
Share of profit on sale of LPG	121,487	83,126
Reversal of provision for doubtful debts - Byco - note 13.3	-	25,000
Others	75,181	60,150
	<u>312,396</u>	<u>866,118</u>
	<u>6,369,848</u>	<u>6,878,672</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
32. OTHER OPERATING EXPENSES		
WPPF - note 17.1	3,922,206	3,295,426
WWF	-	4,671
Provision for obsolete / slow moving stores - note 12.1	13,074	6,143
Exchange loss on foreign currency (net)	136,755	-
Receivable from SNGPL written off	-	31,106
	<u>4,072,035</u>	<u>3,337,346</u>
33. FINANCE COSTS		
Interest on WPPF - note 17.1	105	333
Financial charges for liabilities against assets subject to finance leases	38,588	34,292
Unwinding of discount on decommissioning obligation - note 22	392,080	360,448
	<u>430,773</u>	<u>395,073</u>

34. TAXATION

Provision for taxation for the years ended June 30, 2014 and 2013 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 34%, as mentioned in note 4.13 to these consolidated financial statements.

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
Current		
- for the year	17,347,828	17,281,143
- for prior years (net)	(358,380)	436,532
	<u>16,989,448</u>	<u>17,717,675</u>
Deferred	<u>5,513,941</u>	<u>2,902,333</u>
	<u>22,503,389</u>	<u>20,620,008</u>
34.1 Relationship between accounting profit and taxation:		
Accounting profit for the year before taxation	<u>73,360,906</u>	<u>62,735,256</u>
Tax at applicable rate of 43.99% (2013: 43.78%)	32,268,558	27,465,495
Net tax effect of amounts not taxable for tax purposes	(844,734)	(278,159)
Tax effect of depletion allowance and royalty allowed for tax purposes	(8,562,055)	(7,003,860)
Tax charge relating to prior years	(358,380)	436,532
	<u>22,503,389</u>	<u>20,620,008</u>
Effective tax rate %	<u>30.67</u>	<u>32.87</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

35. INTERESTS IN JOINT VENTURES

The joint venture areas in which the Group has working interest are as follows:

Name of joint venture	Operator	Percentage of the Group's working interest as at June 30, 2014
Producing fields		
Adhi	PPL	39.00%
Mazarani	PPL	87.50%
Hala EWT Phase	PPL	65.00%
Kandhkot East (Chachar)	PPL	75.00%
Qadirpur	OGDCL	7.00%
Hasan, Sadiq & Khanpur - D&P (B-22)	PEL	35.53%
Mela D&P (Nashpa Block)	OGDCL	28.55%
Nashpa D&P (Nashpa Block)	OGDCL	28.55%
Miano	OMV	15.16%
Sawan	OMV	34.07%
Tajjal EWT Phase (Gambat Block)	OMV	23.68%
Latif D&P (Latif Block)	OMV	33.30%
Manzalai D&P (Tal Block)	MOL	27.76%
Makori D&P (Tal Block)	MOL	27.76%
Makori East EWT Phase (Tal Block)	MOL	27.76%
Mamikhel EWT Phase (Tal Block)	MOL	27.76%
Maramzai EWT Phase (Tal Block)	MOL	27.76%
Exploration and development blocks (within Pakistan)		
Block 2568-13 (Hala)	PPL	65.00%
Block 2766-1 (Khuzdar)	PPL	65.00%
Block 2866-2 (Kalat)	PPL	35.00%
Block 2969-8 (Barkhan)	PPL	85.00%
Block 2763-3 (Kharan)	PPL	100.00%
Block 2764-4 (Kharan-East)	PPL	100.00%
Block 2763-4 (Kharan-West)	PPL	100.00%
Block 3371-15 (Dhok Sultan)	PPL	75.00%
Block 2467-12 (Jungshahi)	PPL	100.00%
Block 2568-18 (Gambat South)	PPL	65.00%
Block 2468-12 (Kotri)	PPL	100.00%
Block 2568-21 (Kotri North)	PPL	90.00%
Block 2468-10 (Sirani)	PPL	75.00%
Block 2668-9 (Naushahro Firoz)	PPL	90.00%
Block 2667-11 (Zamzama South)	PPL	100.00%
Block 3270-7 (Zindan)	PPL	35.00%
Block 2768-3 (Block-22)	PEL	45.00%
Block 2668-4 (Gambat)	OMV	30.00%
Block 2669-3 (Latif)	OMV	33.30%
Block 2668-5 (South West Miano-II)	OMV	33.30%
Block 3370-10 (Nashpa)	OGDCL	30.00%
Block 2667-7 (Kirthar)	POGC	30.00%
Block 3070-13 (Baska)	ZHEN HUA	49.00%
Block 2366-7 (Indus-C)	ENI	40.00%
Block 2366-5 (Indus-N)	ENI	30.00%
Block 2568-20 (Sukhpur)	ENI	30.00%
Block 2265-1 (Indus-G)	ENI	25.00%
Block 3370-3 (Tal)	MOL	30.00%
Block 2468-9 (Jherruck)	NHEPL	30.00%
Block 2568-19 (Digri)	UEPL	25.00%
Block 3273-3 (Ghauri)	MPCL	35.00%
Block 2467-14 (Jati)	KUFPEC	25.00%
Block 2967-2 (Ziarat)	MPCL	40.00%
Block 3067-3 (Harnai)	MPCL	40.00%
Block 3272-18 (Karsal)	PPL	100.00%
Block 3372-23 (Hisal)	PPL	100.00%
Block 2870-5 (Sadiqabad)	PPL	100.00%
Block 2469-16 (Shah Bandar)	PPL	100.00%
Block 2864-4 (Nausherwani)	PPL	100.00%
Block 2566-6 (Bela West)	PPL	100.00%
Block 2566-4 (Hab)	PPL	100.00%
Block 2569-5 (Khipro East)	PPL	100.00%
Block 2467-13 (Malir)	PPL	100.00%
Block 2866-4 (Margand)	PPL	50.00%
Block 2867-5 (Kuhan)	OMV	50.00%

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

Name of joint venture	Operator	Percentage of the Group's working interest as at June 30, 2014
Exploration blocks (Outside Pakistan)		
Block-29 (Yemen)	OMV	43.75%
Block -8 (Iraq)	PPL Asia E&P B.V.	100.00%
Block-3 (Yemen)	TOTAL	20.00%

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments, which are stated at amortised cost. No changes were made in the objectives, policies or processes during the years ended June 30, 2014 and 2013.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Group's income or the value of its holdings of financial instruments.

i) Interest rate risk management

The interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to the long-term investment in GoP Ijara Sukuk certificates, investment in term deposits and bank balances with floating interest rates. The Group manages its interest rate risk by having significant investment in fixed interest bearing financial assets, like PIBs, term deposit receipts with banks and treasury bills. As of balance sheet date, the sensitivity on the Group's profit before tax to a reasonable possible change of 1% in interest rates is Rs 6 million (2013: Rs 25 million), with all other variables held constant.

Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (non-market observable)

The Group held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	Rs '000			
Financial assets				
June 30, 2014				
Investments designated at fair value through profit or loss	11,039,071	11,039,071	-	-
June 30, 2013				
Investments designated at fair value through profit or loss	8,605,498	8,605,498	-	-

ii) Foreign currency risk management

Financial assets include Rs 9,893.125 million (2013: Rs 9,938.633 million) and financial liabilities include Rs 4,046.755 million (2013: Rs 6,373.066 million), which were subject to foreign currency risk. The US Dollar deposits also serve as a synthetic hedge against the Group's exposure to foreign currency risk resulting from outstanding payments for imports.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

A one rupee change in the exchange rate of foreign currencies would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Foreign currency financial assets	100,387	(100,387)
Foreign currency financial liabilities	47,270	(47,270)

iii) Commodity price risk management

The Group is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products, which can affect the profitability of the Group. However, keeping in view the pricing mechanism under various Gas Price Agreements signed with the GoP, the Group is of the view that the price risk, in respect of gas sales which constitute major portion of Group's total sales, is within acceptable limits. Therefore, the Group has not entered in any commodity derivative transactions.

A one rupee change in the commodity prices would have the following effect:

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Natural Gas	50,518	(50,518)
Crude Oil / Condensate / NGL	4,692	(4,692)
LPG	236	(236)

b) Credit risk management

- i) Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Group's credit risk is primarily attributable to its receivables including trade debts, investments in TFCs, mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Group monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Group has maintained lines and limits with banks for effective monitoring of credit risk.

The Group's major portion of sales is to GENCO-II, SNGPL and SSGCL. However, it does not consider itself to be exposed to any substantial credit risk as these companies are State controlled entities.

ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	June 30, 2014	June 30, 2013
	Rs '000	
Long term investments - note 8		
AAA	25,607,767	26,490,722
AA	18,647,031	15,537,695
A	1,247,544	-
	<u>45,502,342</u>	<u>42,028,417</u>
Trade debts - note 13.1		
Customers with no defaults in the past one year	-	294,630
Customers with some defaults in past one year which have been fully recovered	-	104,438
Customers with defaults in past one year which have not yet been recovered	21,903,695	16,263,373
	<u>21,903,695</u>	<u>16,662,441</u>
Short-term investments and cash at banks - notes 18 & 19		
AAA	5,439,593	16,583,030
AA	20,024,645	20,770,571
A	5,449,798	4,948
	<u>30,914,036</u>	<u>37,358,549</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

c) Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to remain as a going concern and continue to provide returns to shareholders and benefits to other stakeholders.

d) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Group follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs '000					
Liability against assets subject to finance leases	-	33,801	68,313	175,770	-	277,884
Trade and other payables	690,588	5,254,259	1,303,273	-	-	7,248,120
Year ended June 30, 2014	<u>690,588</u>	<u>5,288,060</u>	<u>1,371,586</u>	<u>175,770</u>	<u>-</u>	<u>7,526,004</u>
Liability against assets subject to finance leases	-	30,922	77,700	164,616	-	273,238
Trade and other payables	489,679	5,633,687	696,552	-	-	6,819,918
Year ended June 30, 2013	<u>489,679</u>	<u>5,664,609</u>	<u>774,252</u>	<u>164,616</u>	<u>-</u>	<u>7,093,156</u>

June 30, 2014 June 30, 2013
Rs '000

37. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 19	3,728,313	9,064,275
Short-term highly liquid investments - note 18	27,243,478	28,333,503
	<u>30,971,791</u>	<u>37,397,778</u>

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Non-Executive Director		Executives	
	Year ended June 30, 2014	Year ended June 30, 2013	Year ended June 30, 2014	Year ended June 30, 2013	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000					
Managerial remuneration	38,040	32,433	-	1,804	3,564,651	3,261,755
Housing, conveyance and utilities	-	-	-	-	31,932	122,798
Retirement benefits	8,162	7,154	-	-	700,227	664,767
Bonus	-	-	-	-	246,327	55,622
Medical and leave passage	165	159	-	-	219,554	217,463
Leave encashment	-	1,566	-	-	50,821	92,933
	<u>46,367</u>	<u>41,312</u>	<u>-</u>	<u>1,804</u>	<u>4,813,512</u>	<u>4,415,338</u>
Number, including those who worked for part of the year	1	1	-	1	1,088	1,165

38.1 Certain executives including the Chief Executive of the Holding Company are also provided with free use of Holding Company's cars and club subscriptions in accordance with their entitlements.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

38.2 Aggregate amount charged in these consolidated financial statements in respect of fees paid to eight non-executive directors of the Holding Company was Rs 7.831 million (2013: Rs 11.771 million for nine directors).

Year ended June 30, 2014	Year ended June 30, 2013
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39. EARNINGS PER SHARE

39.1 Basic earnings per share

Profit after taxation (Rs '000)	50,857,517	42,115,248
Dividend on convertible preference shares (Rs '000)	(42)	(42)
Profit attributable to ordinary shareholders (Rs '000)	<u>50,857,475</u>	<u>42,115,206</u>
Weighted average number of ordinary shares in issue	1,971,715,615	(Restated) 1,971,715,615
Basic earnings per share (Rs)	<u>25.79</u>	<u>21.36</u>

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.

Year ended June 30, 2014	Year ended June 30, 2013
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39.2 Diluted earnings per share

Profit after taxation (Rs '000)	50,857,517	42,115,248
Weighted average number of ordinary shares in issue	1,971,715,615	1,971,715,615
Adjustment for conversion of convertible preference shares	13,840	13,840
Weighted average number of ordinary shares for diluted earnings per share	<u>1,971,729,455</u>	(Restated) <u>1,971,729,455</u>
Diluted earnings per share (Rs)	<u>25.79</u>	<u>21.36</u>

39.3 During the current year, the Holding Company has issued 20% bonus shares (i.e. one ordinary share for every five ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2013.

40. FINAL DIVIDEND

The Board of Directors of the Holding Company in their meeting held on August 27, 2014 has recommended final cash dividend @ 75% amounting to Rs 14,787.878 million (2013: @ 55% amounting to Rs 9,037.030 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 October 24, 2014.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

Year ended
June 30, 2014 Year ended
June 30, 2013
Rs '000

41. TRANSACTIONS WITH RELATED PARTIES

41.1 Transactions with related parties are as follows:

Sales of gas to State controlled entities
(including Government Levies):

GENCO-II	15,768,353	13,636,828
SNGPL	57,296,044	59,596,081
SSGCL	18,219,842	14,556,736
	<u>91,284,239</u>	<u>87,789,645</u>

Trade debts and other receivables from State controlled entities as at June 30

See notes 11,13 and 17

Transactions with Bolan Mining Enterprises:

Share of profit received	25,000	15,000
Purchase of goods	42,124	60,966
Reimbursement of employee cost on secondment	17,197	13,368

Transactions with Joint Ventures:

Payments of cash calls to joint ventures	31,627,516	24,267,538
Expenditures incurred by the joint ventures	31,023,259	26,527,470

Amounts receivable from / (payable to) joint venture partners as at June 30

See notes 14, 17 and 26.1

Income from rental of assets to joint ventures

84,701	1,158
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Other related parties:

Dividend to GoP	15,762,550	14,244,675
Dividend to Trust under BESOS	1,630,902	1,473,852
Transactions with retirement benefit funds	See notes 29.2 and 30	
Remuneration to key management personnel	See note 38	

Payment of rental to Pakistan Industrial Development Corporation

59,852	52,133
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Payment to National Insurance Company Limited

1,135,631	1,149,267
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Payment to Pakistan State Oil Company Limited

442,546	399,570
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41.2 Gas sales are made to various State controlled entities, 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.

42. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Group are organised into one operating segment i.e. exploration, development and production of oil and gas. The Group operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these consolidated financial statements are related to the Group's only reportable segment.

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended June 30, 2014

The operating interests of the Group are confined to Pakistan in terms of production areas and customers. Accordingly, the production and revenue figures reported in these consolidated financial statements relate to the Group's only reportable operating segment in Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Group's overall revenue related to exploration, development and production of oil and gas.

	Year ended June 30, 2014	Year ended June 30, 2013
	Rs '000	
GENCO-II	15,768,353	13,636,828
SSGCL	18,219,842	14,556,736
SNGPL	57,296,044	59,596,081
ARL	40,516,046	31,248,917
	<u>131,800,285</u>	<u>119,038,562</u>

43. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on August 27, 2014 by the Board of Directors of the Holding Company.

44. GENERAL

44.1 Number of employees

Number of permanent employees as at June 30, 2014 was 2,685 (2013: 2,712) and average number of employees during the year was 2,709 (2013: 2,675).

44.2 Capacity and production

Product	Unit	Actual production for the year (Group's share)
Natural gas	MMCF	316,567
Crude oil	BBL	3,824,743
NGL / Condensate	BBL	861,074
LPG	M. Ton	27,343

Due to the nature of operations of the Group, installed capacity of above products is not relevant.

44.3 Figures have been rounded off to the nearest thousand, unless otherwise stated.



Director



Chief Executive

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

Auditors' Report to the Members

We have audited the annexed balance sheet of The Pakistan Petroleum Provident Fund Trust Company (Private) Limited (the Company) as at 30 June, 2014 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 statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on the statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - (i) the balance sheet together with the notes thereon, has been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account;
 - (ii) no expenditure was incurred during the year; and
 - (iii) the business conducted was in accordance with the objects of the Company and neither any investments made nor any expenditure was incurred 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, 2014; 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

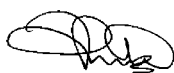
27 August, 2014

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited Balance Sheet as at June 30, 2014

	June 30, 2014	June 30, 2013
	Rupees	
Share Capital		
Authorised, issued and fully paid-up 100 (2013: 100) Ordinary share of Rs. 10 each (note 4)	1,000	1,000
Asset		
Current account with a bank	1,000	1,000

Notes:

1. The Pakistan Petroleum Provident Fund Trust Company (Private) Limited was incorporated in Pakistan as a private limited company on November 7, 1955. The Company is engaged in administrating the trusts formed for the benefits of the employees of Pakistan Petroleum Limited.
2. These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984. A Profit And Loss account, Cash Flow statement and statement of Changes in Equity have not been prepared as the Company had no transactions during the years ended June 30, 2014 and June 30, 2013. All administrative costs incurred are borne by the parent company – Pakistan Petroleum Limited.
3. During the previous year, a penalty of Rs one million was imposed by Securities and Exchange Commission of Pakistan (SECP) on the Company for alleged contravention of provisions of Section 15 (A) (1) of the Securities and Exchange Ordinance, 1969 (SE Ordinance). The Company has filed an Appeal with SECP in this respect. In view of the legal opinion received from its legal counsel, the Company is confident that the matter will be decided in favour of the Company. Accordingly, no provision in respect of the alleged penalty amount has been made in the books of the Company as at June 30, 2013 and 2014, respectively.
4. Hundred percent equity of the Company is owned by its parent company - Pakistan Petroleum Limited.

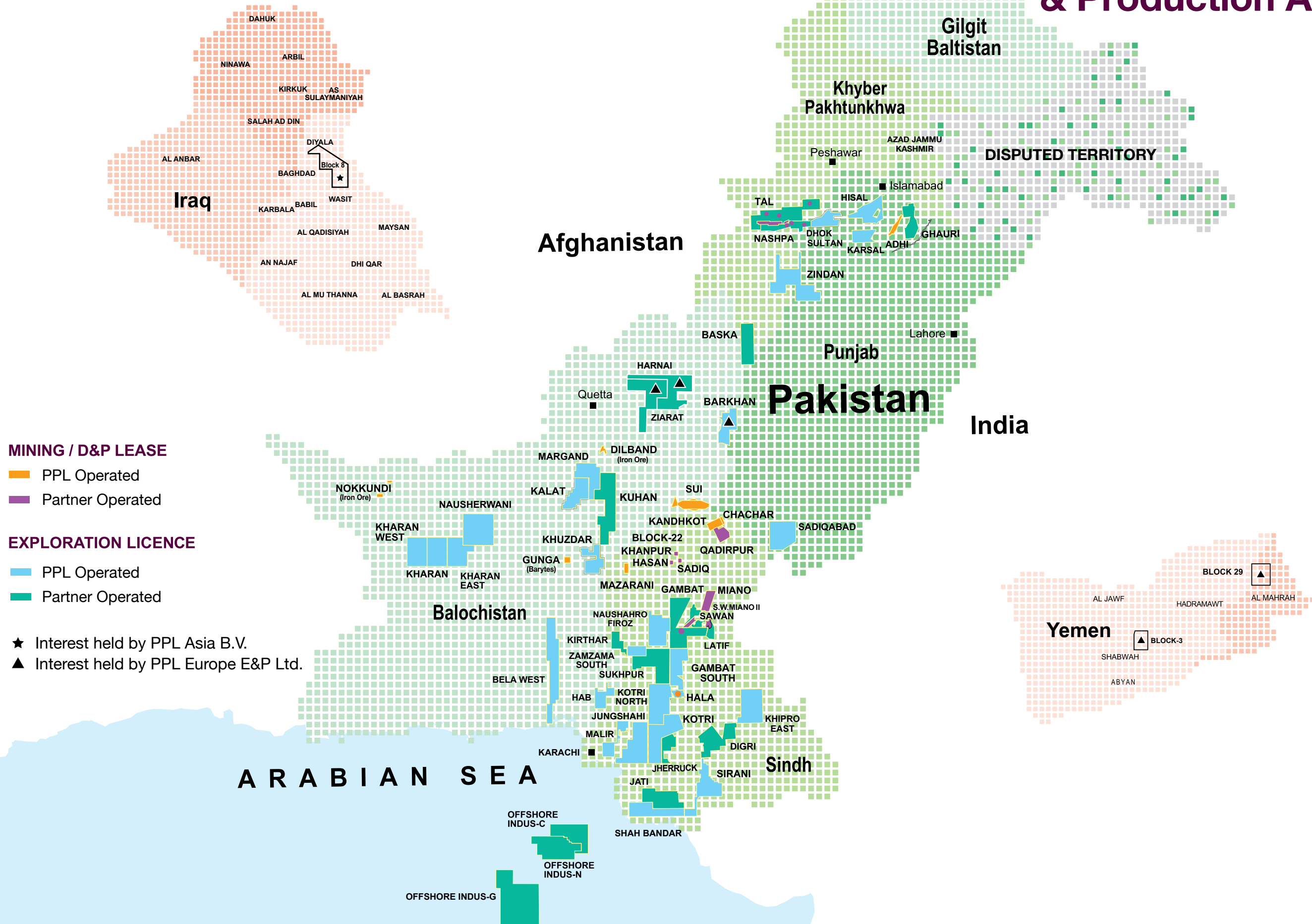


Director



Chief Executive

Map of Exploration & Production Assets



List of Producing and Exploration Assets

As on 30 June, 2014

Producing Fields / Discoveries

S. No.		PPL Working Interest (%)	Operator
1	Sui	100.00	PPL
2	Kandhkot	100.00	PPL
3	Adhi	39.00	PPL
4	Mazarani	87.50	PPL
5	Chachar	75.00	PPL
6	Hala (Adam)	65.00	PPL
7	Qadirpur	7.00	OGDCL
8	Miano	15.16	OMV
9	Sawan ¹	34.07	OMV
10	Block-22 (Hasan, Sadiq and Khanpur)	35.53	PEL
11	Tal Block (Manzalai, Makori, Makori East, Mamikhel, Maramzai and Tolani)	27.76	MOL
12	Nashpa (Mela and Nashpa)	28.55	OGDCL
13	Latif	33.30	OMV
14	Gambat (Tajjal)	23.68	OMV
15	Kirthar (Rehman and Hallel)	30.00	POGC
16	Sukhpur (Lundali)	30.00	Eni
17	Ghuri	35.00	MPCL

Exploration Blocks

S. No.	Onshore		
1.	Hala	65	PPL
2.	Khuzdar	65	PPL
3.	Kalat	35	PPL
4.	Barkhan ²	85	PPL
5.	Gambat South	65	PPL
6.	Jungshahi	100	PPL
7.	Kharan	100	PPL
8.	Kharan East	100	PPL
9.	Kharan West	100	PPL
10.	Dhok Sultan	75	PPL
11.	Kotri North	90	PPL
12.	Kotri	100	PPL
13.	Sirani	75	PPL
14.	Zindan	35	PPL

List of Producing and Exploration Assets

As on 30 June, 2014

15.	Naushahro Firoz	90	PPL
16.	Zamzama South	100	PPL
17.	Bela West	100	PPL
18.	Margand	50	PPL
19.	Hab	100	PPL
20.	Nausherwani	100	PPL
21.	Hisal	100	PPL
22.	Karsal	100	PPL
23.	Sadiqabad	100	PPL
24.	Malir	100	PPL
25.	Shah Bandar	100	PPL
26.	Khipro East	100	PPL
27.	Tal	30	MOL
28.	Gambat	30	OMV
29.	Nashpa	30	OGDCL
30.	South West Miano-II	33.30	OMV
31.	Latif	33.30	OMV
32.	Kirthar	30	POGC
33.	Baska	49	ZHENHUA
34.	Sukhpur	30	ENI
35.	Jherruck	30	NHEPL
36.	Digri	25	UEP
37.	Ghuri	35	MPCL
38.	Jati	25	KPBV
39.	Kuhan	50	OMV
	Offshore		
40.	Offshore Indus C	40.00	ENI
41.	Offshore Indus N	30.00	ENI
42.	Offshore Indus G	25.00	ENI
	PPL Asia E&P B.V. (PPLA)		
43.	Block- 8 (Iraq)	100	PPLA
	PPL Europe Exploration & Production Limited (PPLE)		
44.	Ziarat	40	MPCL
45.	Harnai	40	MPCL
46.	Block-3 (Yemen)	20	Total
47.	Block-29 (Yemen)	43.75	OMV

Notes:

1. The working interest includes 7.89% interest held by PPPE.
2. The working interest includes 50% interest held by PPPE.

List of Abbreviations

ABBREVIATION	DESCRIPTION	ABBREVIATION	DESCRIPTION
AROL	Asia Resources Oil Limited	KPI	Key Performance Indicator
BBL	Barrels	KUFPEC	Kuwait Foreign Petroleum Exploration Company
BME	Bolan Mining Enterprises	LPG	Liquefied Petroleum Gas
BPD	Barrels per day	M	Meter
BYOD	Bring Your Own Device	M&A	Mergers and Acquisitions
CCG	Code of Corporate Governance	MPCL	Mari Petroleum Company Limited
CEO	Chief Executive Officer	MMSCF	Million Standard Cubic Feet
CPF	Central Processing Facility	MMSCFD	Million Standard Cubic Feet Per Day
DGPC	Director General Petroleum Concessions	MOL	MOL Pakistan Oil and Gas BV
DOC	Declaration of Commerciality	MTD	Metric Tonnes per Day
D&PL	Development and Production Lease	NHEPL	New Horizon Exploration and Production Limited
EDPSC	Exploration, Development and Production Service Contract	NBFI	Non-Banking Financial Institution
EIA	Environmental Impact Assessment	NGL	Natural Gas Liquids
EL	Exploration License	NOC	No Objection Certificate
Eni	Eni Pakistan Limited	OGDCL	Oil and Gas Development Company Limited
EPA	Environmental Protection Agency	OHSAS	Occupational Health and Safety Assessment System
EPF	Early Production Facility	OMV	OMV (Pakistan) Exploration GmbH
EPS	Earnings per Share	PEII	Pyramid Energy International Incorporated
EPC	Engineering, Procurement, Construction and Commissioning	PEL	Petroleum Exploration (Pvt.) Limited
EWT	Extended Well Testing	PKP	Premier Kufpec Pakistan
E&P	Exploration and Production	PMO	Project Management Office
FEED	Front End Engineering Design	POGC	Polish Oil & Gas Company
GDS	Gas Development Surcharge	POL	Pakistan Oilfields Limited
GENCO-II	Central Power Generation Company Limited	PPLA	PPL Asia E&P B.V.
GIDC	Gas Infrastructure Development Cess	PPLE	PPL Europe E&P Limited
GHPL	Government Holdings (Pvt.) Limited	PYRAMID	Pyramid Energy International Inc.
G&G	Geological & Geophysical	R&D	Research & Development
HRL	Habib Rahi Limestone	SAITA	Saita Pakistan Pte Ltd.
HSE	Health, Safety and Environment	SAP	System Application Products in Data Processing
HSFO	High Sulfur Fuel Oil	SML	Sui Main Limestone
IAS	International Accounting Standards	SNGPL	Sui Northern Gas Pipelines Limited
IEE	Initial Environmental Examination	SSGCL	Sui Southern Gas Company Limited
IFRIC	International Financial Reporting Interpretations Committee	SUL	Sui Upper Limestone
IFRS	International Financial Reporting Standards	TCF	Trillion Cubic Feet
IS Audit	Information System Audit	TCF	The Citizen Foundation
ISO	International Organization for Standardization	TCM/ OCM	Technical Committee Meeting / Operation Committee Meeting
IT	Information Technology	TD	Target Depth
ITIL	Information Technology Infrastructure Library	T/K	Tobra/ Khewra
JV	Joint Venture	UEPL	United Energy Pakistan Limited
KEC	Kuwait Energy Company	ZHENHUA	China ZhenHua Oil Co. Ltd.
KM	Kilometer		

Pattern of Shareholding

As at June 30, 2014

Size of Holding Rs. 10 Shares	Number of Shareholders	Total Shares held
1	100	89,336
101	500	916,307
501	1,000	1,533,837
1,001	5,000	22,920,625
5,001	10,000	5,623,724
10,001	15,000	4,056,637
15,001	20,000	3,311,992
20,001	25,000	2,662,417
25,001	30,000	2,351,654
30,001	35,000	2,498,426
35,001	40,000	1,791,363
40,001	45,000	1,954,164
45,001	50,000	2,119,535
50,001	55,000	1,160,056
55,001	60,000	1,211,404
60,001	65,000	1,125,802
65,001	70,000	1,484,323
70,001	75,000	1,103,074
75,001	80,000	776,061
80,001	85,000	909,726
85,001	90,000	1,220,969
90,001	95,000	644,789
95,001	100,000	2,383,236
100,001	105,000	617,930
105,001	110,000	645,930
110,001	115,000	558,176
115,001	120,000	945,862
120,001	125,000	490,837
125,001	130,000	636,317
130,001	135,000	657,157
135,001	140,000	1,097,753
140,001	145,000	286,973
145,001	150,000	1,039,264
150,001	155,000	454,268
155,001	160,000	158,384
165,001	170,000	332,450
170,001	175,000	866,964
175,001	180,000	711,171
180,001	185,000	729,372
185,001	190,000	187,940
190,001	195,000	577,225
195,001	200,000	400,000
200,001	205,000	404,085
205,001	210,000	623,667
210,001	215,000	639,169
215,001	220,000	651,568
220,001	225,000	221,887
230,001	235,000	463,968
235,001	240,000	714,623
245,001	250,000	495,966
250,001	255,000	1,008,263
260,001	265,000	524,100
265,001	270,000	536,916
270,001	275,000	275,000
275,001	280,000	831,297
285,001	290,000	288,000
290,001	295,000	583,070
295,001	300,000	597,000
300,001	305,000	604,255
305,001	310,000	307,470

Pattern of Shareholding

As at June 30, 2014

Size of Holding Rs. 10 Shares		Number of Shareholders	Total Shares held
310,001	315,000	3	939,164
315,001	320,000	1	317,000
320,001	325,000	4	1,300,000
325,001	330,000	1	329,914
330,001	335,000	2	665,727
340,001	345,000	2	685,162
345,001	350,000	3	1,044,928
350,001	355,000	3	1,056,897
380,001	385,000	1	382,860
390,001	395,000	1	390,307
395,001	400,000	1	396,000
400,001	405,000	1	402,500
405,001	410,000	1	406,020
410,001	415,000	2	824,281
430,001	435,000	1	434,984
445,001	450,000	4	1,796,500
460,001	465,000	1	465,000
470,001	475,000	1	474,578
485,001	490,000	2	975,644
490,001	495,000	1	490,500
495,001	500,000	1	496,650
540,001	545,000	2	1,085,250
545,001	550,000	1	550,000
550,001	555,000	1	552,300
560,001	565,000	1	561,924
565,001	570,000	1	567,620
575,001	580,000	1	579,178
600,001	605,000	1	605,000
605,001	610,000	1	606,057
630,001	635,000	1	634,016
635,001	640,000	1	636,000
650,001	655,000	2	1,307,935
655,001	660,000	1	655,142
660,001	665,000	2	1,326,173
670,001	675,000	1	673,000
675,001	680,000	3	2,035,210
705,001	710,000	1	705,140
795,001	800,000	3	2,400,000
800,001	805,000	1	800,827
805,001	810,000	1	805,100
845,001	850,000	1	850,000
850,001	855,000	1	852,000
870,001	875,000	1	875,000
875,001	880,000	1	879,380
880,001	885,000	1	880,150
885,001	890,000	2	1,777,742
890,001	895,000	1	892,954
925,001	930,000	1	925,472
935,001	940,000	1	936,533
940,001	945,000	1	941,601
990,001	995,000	1	994,600
995,001	1,000,000	2	1,996,647
1,005,001	1,010,000	1	1,009,800
1,010,001	1,015,000	1	1,012,700
1,015,001	1,020,000	1	1,015,860
1,045,001	1,050,000	1	1,046,574
1,070,001	1,075,000	1	1,072,500
1,075,001	1,080,000	1	1,077,219
1,090,001	1,095,000	1	1,090,240

Pattern of Shareholding

As at June 30, 2014

Size of Holding Rs. 10 Shares		Number of Shareholders	Total Shares held
1,120,001	1,125,000	1	1,123,400
1,195,001	1,200,000	2	2,399,948
1,200,001	1,205,000	1	1,204,840
1,215,001	1,220,000	1	1,219,215
1,275,001	1,280,000	1	1,278,428
1,295,001	1,300,000	1	1,298,277
1,405,001	1,410,000	2	2,815,453
1,415,001	1,420,000	1	1,417,042
1,555,001	1,560,000	1	1,556,244
1,560,001	1,565,000	1	1,561,718
1,690,001	1,695,000	1	1,694,400
1,770,001	1,775,000	1	1,774,840
1,835,001	1,840,000	1	1,837,180
1,855,001	1,860,000	1	1,857,995
1,945,001	1,950,000	2	3,899,997
1,995,001	2,000,000	1	1,998,236
2,125,001	2,130,000	1	2,130,000
2,230,001	2,235,000	1	2,234,738
2,260,001	2,265,000	1	2,262,446
2,290,001	2,295,000	1	2,294,665
2,300,001	2,305,000	1	2,301,349
2,330,001	2,335,000	1	2,332,479
2,335,001	2,340,000	1	2,339,380
2,505,001	2,510,000	1	2,505,918
2,645,001	2,650,000	1	2,648,985
2,850,001	2,855,000	1	2,851,200
2,915,001	2,920,000	1	2,918,274
2,935,001	2,940,000	1	2,939,433
2,955,001	2,960,000	1	2,958,140
2,990,001	2,995,000	1	2,994,882
3,080,001	3,085,000	1	3,080,582
3,160,001	3,165,000	1	3,164,251
3,175,001	3,180,000	1	3,179,800
3,195,001	3,200,000	1	3,200,000
3,275,001	3,280,000	1	3,276,996
3,620,001	3,625,000	1	3,624,600
4,255,001	4,260,000	1	4,258,650
4,550,001	4,555,000	1	4,553,919
4,560,001	4,565,000	1	4,564,302
4,575,001	4,580,000	1	4,578,598
4,840,001	4,845,000	1	4,840,824
4,960,001	4,965,000	1	4,960,981
5,210,001	5,215,000	1	5,214,112
6,825,001	6,830,000	1	6,827,091
7,010,001	7,015,000	1	7,013,606
7,835,001	7,840,000	1	7,838,556
9,560,001	9,565,000	1	9,562,740
10,415,001	10,420,000	1	10,417,142
25,425,001	25,430,000	1	25,429,721
37,280,001	37,285,000	1	37,283,601
67,610,001	67,615,000	1	67,610,602
70,050,001	70,055,000	1	70,055,000
144,965,001	144,970,000	1	144,969,072
1,157,290,001	1,331,060,573	1	1,331,060,573
		22,276	1,971,715,615

Pattern of Shareholding

As at June 30, 2014

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Ordinary shares			
Directors, CEO and their spouse and minor children	4	84,823	*
Associated companies, undertakings and related parties			
PPL Employees Empowerment Trust	1	144,969,072	7.35
PPL Employees Retirement Benefit Funds	6	1,097,551	0.06
NIT and ICP	1	2,918,274	0.15
Banks, Development Financial Institutions, Non-Banking Financial Institutions	25	21,175,489	1.07
Insurance Companies	21	8,428,417	0.43
Modarabas and Mutual Funds	81	19,229,065	0.98
Shareholders holding 10% or more			
Government of Pakistan	1	1,331,060,573	67.51
Privatization Commission of Pakistan **	1	70,055,000	3.55
General Public			
Resident	21,446	80,873,714	4.10
Non-resident	218	296,369	0.02
Others			
Non-Resident Financial Institutions	113	205,286,925	10.41
Public Sector Companies and Corporations	11	64,891,190	3.29
Joint Stock Companies	190	9,805,599	0.50
Employee Trust / Foundations etc.	152	11,542,605	0.58
Nazir of High Court	5	949	*
	22,276	1,971,715,615	100.00
Convertible Preference Shares			
Directors, CEO and their spouse and minor children	1	500	3.61
Individuals	86	12,930	93.43
Joint Stock Companies	1	370	2.67
Nazir of High Court	1	40	0.29
	89	13,840	100.00

* Negligible

** During the year, the Government of Pakistan (GoP) sold 5% of its shareholding in PPL through a Secondary Public Offering (SPO) arranged by Privatization Commission of Pakistan (PCP). The relevant shares were transferred to the PCP on instruction of GoP during the year and subsequently, the shares were transferred to the individual accounts of successful shareholders by PCP.

Pattern of Shareholding

As at June 30, 2014

ADDITIONAL INFORMATION

Information on shareholding required under reporting framework of the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules is as follows:

Shareholders' Category	No. of Shareholders	No. of Shares Held
Associated Companies, undertakings and related parties		
PPL Employees Empowerment Trust	1	144,969,072
Trustees PPL Senior Provident Fund	1	1,015,860
Trustees PPL Junior Provident Fund	1	13,200
Trustees PPL Executive Staff Pension Fund	1	41,883
Trustees PPL Non-Executive Staff Pension Fund	1	13,386
Trustees PPL Executive Staff Gratuity Fund	1	7,255
Trustees PPL Non-Executive Staff Gratuity Fund	1	5,967
Mutual Funds (namewise details are given on page 219)	66	18,774,237
Directors and their spouses and minor children		
Mr. Asim Murtaza Khan (including 500 CPS)	2	84,496
Mr. Javed Akbar	2	825
Mr. Javed Masud	1	2
Executives	148	298,243
Public Sector Companies & Corporations	11	64,891,190
Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas & Pension Funds	85	32,352,142
Shareholders holding five percent or more voting rights		
President of the Islamic Republic of Pakistan	1	1,331,060,573
PPL Employees Empowerment Trust	1	144,969,072

Trade in shares of the Company by Directors, executives* and their spouses and minor children

S. No	Name	Category	Date of Transaction	Nature of Transaction	Price Per Share (Rs)	No. of Shares
1	Mrs. Nadia S. Hanif w/o Mr. Saqib Hanif	Executive's Spouse	9-Jul-13	Purchase	232.50	5,000
2	Syed Sadiqain Haider Naqvi	Executive	21-Feb-14	Purchase	216.74	24,000
3	Syed Sadiqain Haider Naqvi	Executive	3-Jun-14	Purchase	218.60	5,300
4	Syed Sadiqain Haider Naqvi	Executive	5-Jun-14	Purchase	219.10	10,000

* In accordance with the clause (xvi) of the Code of Corporate Governance, the Board has set a threshold for categorisation of a certain group of senior management employees as "Executives", which is reviewed annually.

Pattern of Shareholding

As at June 30, 2014

NAMEWISE DETAILS OF MUTUAL FUNDS

S.No.	Name	No. Shares Held
1	PRUDENTIAL STOCK FUND LTD.	50
2	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1,077,219
3	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	123,630
4	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	85,057
5	CDC - TRUSTEE ATLAS STOCK MARKET FUND	325,000
6	CDC - TRUSTEE MEEZAN BALANCED FUND	348,944
7	CDC - TRUSTEE ALFALAH GHP VALUE FUND	103,684
8	CDC - TRUSTEE AKD INDEX TRACKER FUND	98,650
9	CDC - TRUSTEE PICIC ENERGY FUND	313,950
10	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND	148,090
11	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	18,479
12	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	936,533
13	CDC - TRUSTEE MEEZAN ISLAMIC FUND	4,258,650
14	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	544,500
15	PAK QATAR INDIVIDUAL FAMILY PARTICIPANT INVEST FUND	1,800
16	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	250,500
17	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1,123,400
18	CDC - TRUSTEE NAFA STOCK FUND	253,773
19	CDC - TRUSTEE NAFA MULTI ASSET FUND	93,483
20	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	47,400
21	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	344,457
22	CDC - TRUSTEE APF-EQUITY SUB FUND	52,500
23	CDC - TRUSTEE ALFALAH GHP ISLAMIC FUND	129,620
24	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	110,420
25	CDC - TRUSTEE APIF - EQUITY SUB FUND	66,000
26	CDC - TRUSTEE HBL MULTI - ASSET FUND	131,500
27	CDC - TRUSTEE KASB ASSET ALLOCATION FUND	60,880
28	CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	50,000
29	CDC - TRUSTEE ABL INCOME FUND	29,000
30	CDC - TRUSTEE NIT STATE ENTERPRISE FUND	2,332,479
31	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	2,234,738
32	CDC - TRUSTEE ABL STOCK FUND	260,600
33	M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	11,600
34	CDC - TRUSTEE FIRST HABIB STOCK FUND	34,251
35	CDC - TRUSTEE LAKSON EQUITY FUND	217,500
36	CDC - TRUSTEE CROSBY DRAGON FUND	43,528
37	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	235,060
38	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	23,900
39	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	27,800
40	CDC - TRUSTEE PICIC INCOME FUND - MT	40,700
41	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	230,148
42	TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	73,223
43	TRUSTEE - PAKISTAN ISLAMIC PENSION FUND - EQUITY SUB FUND	56,203
44	CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	660
45	CDC - TRUSTEE PICIC STOCK FUND	1,700
46	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	15,100
47	CDC - TRUSTEE HBL PF EQUITY SUB FUND	9,700
48	CDC - TRUSTEE ASKARI EQUITY FUND	15,900
49	CDC - TRUSTEE IGI INCOME FUND - MT	11,000
50	CDC - TRUSTEE KSE MEEZAN INDEX FUND	474,578
51	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	25,000
52	CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	14,000
53	CDC - TRUSTEE ATLAS INCOME FUND - MT	74,400
54	CDC - TRUSTEE KASB INCOME OPPORTUNITY FUND - MT	29,500
55	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	664,980
56	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	12,120
57	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	10,480
58	CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	10,000
59	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	65,800
60	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	9,100
61	CDC - TRUSTEE NIT INCOME FUND - MT	14,300
62	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	172,000
63	CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	35,000
64	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	32,200
65	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	75,910
66	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	51,910
		18,774,237

Notice of Annual General Meeting

NOTICE is hereby given that the 63rd Annual General Meeting of the Company will be held at Pearl Continental Hotel, Karachi on Friday, 24 October, 2014, 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, 2014.
2. To approve, as recommended by the Directors, payment of final dividend of seventy five percent (75%) on the paid-up Ordinary Share Capital for the financial year ended 30 June, 2014. This is in addition to an interim dividend of fifty percent (50%) on paid-up Ordinary Share Capital and thirty percent (30%) on the paid-up Convertible Preference Share Capital already paid to shareholders during the year.
3. To appoint auditors for the year ending 30 June, 2015 and fix their remuneration.

By Order of the Board

SAQIB AHMED
Company Secretary

Registered Office:
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi

2 October, 2014

NOTES:

1. Closure of Share Transfer Books:

- a. The Share Transfer Books of the Company will remain closed from 17 October, 2014 to 24 October, 2014 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers received in order at the office of our Shares Registrar M/s FAMCO Associates (Pvt.) Ltd, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, by the close of the business on 16 October, 2014 will be in time for the purpose of payment of final dividend to the transferees.
- b. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him. Forms of Proxies, duly stamped and signed, and the power of attorney or other authority (if any) under which they are signed or a notarially certified copy of that power or authority must be deposited at the Shares Registrar office, M/s FAMCO Associates (Pvt) Ltd., 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, not later than 48 hours before the time of the meeting.

2. Guidelines for CDC Account Holders:

The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

a) For attending the meeting:

In case of individuals, the account holders or sub-account holders and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.

In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

(i) In case of individuals, the account holders or sub-account holders and / or persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations, shall submit the proxy forms as per the above requirements.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNICs or the passports of the individuals referred to at (i) above and the proxies shall be furnished with the proxy forms.

(iv) The proxies shall produce their original CNIC or original passport at the time of the meeting.

(v) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

3. New Tax Implications on dividends:

Through the Finance Act, 2014, enhanced rate of withholding tax has been prescribed in the Income Tax Ordinance, 2001, (Ordinance) for certain provisions including withholding of tax from dividend under section 150 of the Ordinance. For this purpose, the terms 'filer' and 'non-filer' have been defined. A 'filer' is a taxpayer, whose name appears in the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR), from time to time whereas 'non-filer' is a person other than a 'filer'. FBR has uploaded an ATL on its web-site, which can be accessed at <http://fbr.gov.pk>.

At the time of distributing dividend, the Company, being a withholding agent, would check each shareholder's status on the ATL and, if the shareholder's name does not appear on the ATL, the increased rate of withholding tax at 15 per cent would be applied, in accordance with the law. In the instance of a 'filer' as defined above, withholding tax rate of ten percent (10%) will remain applicable.

Notice of Annual General Meeting

In view of the above, all shareholders are advised to immediately check their status on ATL and may, if required, take necessary action for inclusion of their name in the ATL. The Company, as per law, shall apply fifteen per cent (15%) rate of withholding tax if the shareholder's name, with relevant details, does not appear on the ATL available on the FBR website on the first day of book closure.

4. Intimation of change of address:

Shareholders are requested to notify any change in their address immediately to our Shares Registrar M/s FAMCO Associates (Pvt.) Ltd.

5. Submission of copies of CNICs:

In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(I) 2012 dated 5 July, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

Accordingly, Members who have not yet submitted copy of their valid CNIC/ NTN (in case of corporate entities) are requested to submit the same to the Company, with Members' folio no. mentioned thereon for updating record.

6. Minutes of previous AGM:

Copies of the minutes of the Annual General Meeting held on 30 September, 2013 will be available to the Members on request, free of charge.



Affix
Correct
Postage

The Company Secretary
Pakistan Petroleum Limited
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi-75530
Pakistan

