



**MARI GAS COMPANY LIMITED**  
**Interim Financial Statements**  
**(Un-Audited)**

for the 3rd Quarter Ended  
March 31, 2009



**Mari Gas Company Limited**

## **Vision & Mission Statement**

### **Our Vision**

Be the leader in the gas market in Pakistan by expanding and developing the gas value chain including exploration, production, transmission, extraction, processing, distribution and marketing of the gas and gas related processes, products and services in order to bridge the increasing demand for gas with a view to meeting the needs of the existing and potential customers.

Exploit any hydrocarbon-based sources, when the opportunities present themselves in order to move beyond the existing gas business with a view to providing superior value to customers and others through expansion and synthesis of products and services.

### **Mission**

Mari Gas Company Limited will be customer-focused and competitive with a view to continue contributing meaningfully to the national economy, while ensuring viability of the company and profitable dividends to the stakeholders.

## **Integrated Management System (IMS) Policy**

To realize our strategic vision and to achieve professional excellences in Petroleum sector, we are committed to meet requirements of Integrated Management Systems for Quality, Environment and Occupational Health & Safety, consistent with internationally recognized management system standards. We are devoted to maintain effectiveness and continual improvement of IMS by monitoring company objectives, customer satisfaction and complying with the legal and other applicable requirements. Our top management is committed to provide substantial resources for prevention of pollution and to attain best performance in occupational health and safety management.

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## BOARD OF DIRECTORS

1. **LT GEN HAMID RAB NAWAZ HI(M) (RETD)** Chairman  
Managing Director, Fauji Foundation
2. **LT GEN MUSHTAQ HUSSAIN HI(M) (RETD)** Chief Executive  
Managing Director, Mari Gas Company Limited
3. **MR QAISER JAVED**  
Director Finance, Fauji Foundation
4. **BRIG ARIF RASUL QURESHI (RETD)**  
Director Industries, Fauji Foundation
5. **BRIG RAHAT KHAN (RETD)**  
Director P&D, Fauji Foundation
6. **DR NADEEM INAYAT**  
Director Investment, Fauji Foundation
7. **MR MUHAMMAD RAZI ABBAS**  
Additional Finance Secretary,  
(Corporate Finance), Finance Division
8. **MR MOHAMMAD EJAZ CHAUDHRY**  
Additional Secretary,  
Ministry of Petroleum & Natural Resources
9. **MR MOHAMMAD NAEEM MALIK**  
Director General,  
Ministry of Petroleum & Natural Resources
10. **SYED ZAHID HUSSAIN**  
Managing Director, OGDCL
11. **MR AFTAB AHMAD**  
Executive Director Finance/JV, OGDCL
12. **MR MUHAMMAD RIAZ KHAN**  
GM Production/Process & Plants, OGDCL
13. **MR BASHARAT A. MIRZA**  
GM Projects, OGDCL
14. **MR ABDUS SATTAR**  
Member, Board of Directors, MGCL

## COMPANY SECRETARY

**MR ASSAD RABBANI**

## DIRECTORS' REVIEW

We are pleased to present to you financial statements for the 3rd quarter ended March 31, 2009.

## FINANCIAL RESULTS

Gross sales for the 3rd quarter amounted to Rs 6,833 million whereas gross sales for nine months to March 31, 2009 aggregated to Rs 20,113 million against cumulative sales for the corresponding period of Rs 16,140 million. The increase in gross sales is mainly due to increase in price of fuel gas by 38.24% and increase in Sales Tax rate from 15% to 16% w.e.f. July 01, 2008. The operating results in the financial statements for 3rd quarter show profit after tax of Rs 674 million as against Rs 1,236 million for the corresponding quarter of the previous income year. However, the cumulative profit after tax for the nine months to March 31, 2009 is Rs 1,977 million against Rs 1,469 million of the corresponding period of the previous income year. The profit after taxation increased mainly because of increase in average selling price from Rs. 124.5/MSCF to Rs 156.49/MSCF. This increase has been partially offset by increase in operating expenses and finance cost, decrease in other income and decrease in wellhead price from Rs 55.94/MMBTU to Rs 37.28/MMBTU w.e.f. July 01, 2008. Presently, the shareholders are entitled to guaranteed rate of return of 30% per annum. As per Wellhead Gas Price Agreement the return to shareholders is to be escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1% for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45% per annum. Accordingly, based on this arrangement under Gas Price Agreement, additional return at 2.20% has been provided in the financial statements of the Company. However, any adjustment/variance do not affect the minimum guaranteed rate of return to the shareholders.

## OPERATIONS

The company continued un-interrupted gas supply from July 01, 2008 to March 31, 2009 under review to all its customers namely, Engro Chemical Pakistan Limited, Fauji Fertilizer Company Limited, Pakistan Electric Power Company (WAPDA) and Sui Southern Gas Company Limited. The gas produced during this period was 128,525 MMSCF at a daily average of 469 MMSCF as against 128,755 MMSCF at daily average of 468 MMSCF for the corresponding period of last year as per the requirement/withdrawal of the customers.

Regular maintenance of gas gathering network and production facilities was carried out and production optimization plans were followed to avoid any water coning and loss in production through effective production & reservoir management system and as per the good oil/gas field practices.

## FUTURE CHALLENGES

### Mari Deep Production Facilities

The construction of wellhead facilities and laying of pipelines for commissioning of production facilities and installation of Dehydration Plant have been completed and MGCL is ready for supply of gas to Foundation Power Company Daharki Limited (FPCDL). FPCDL is expected to take first gas/line pack gas during May 2009.

### Drilling Activities

#### Goru-B Upfront Wells in Mari D & P Lease

The Mari Deep-13 in Goru-B formation was drilled to target depth of 2,910 meters by the Company's own rig. However, the Goru-B formation did not flow hydrocarbons. The well was completed in Habib Rahi formation as a gas producer. Mari Deep-15 was also spud-in on March 05, 2009 with Company's own rig and 17 ½" hole has been drilled upto 1,462 meters. The projected depth of well is 2,803 meters.

#### Drilling of Zarghun South-3 (ZS-3)

The ZS-3 is expected to be spud-in by May 2009 after completion of civil works. The civil jobs such as conductor grouting, construction of well cellar, rig foundation were delayed due to law & order situation in Balochistan.

### Exploration Activities

The Company's working interest share in onshore exploration licenses is as follows:

Sr #	Name of Block	MGCL's Working Interest	Name of Operator
i)	Ziarat Exploration License	60.00%	MGCL
ii)	Karak Exploration License	50.00%	MGCL
iii)	Hanna Exploration License	40.00%	MGCL
iv)	Harnai Exploration License	40.00%	MGCL
v)	Sujawal Exploration License	85.00%	MGCL
vi)	Sukkur Exploration License	50.00%	MGCL
vii)	Dadhar Exploration License	27.67%	PPL
viii)	Hala Exploration License	35.00%	PPL
ix)	Kohlu Exploration License	30.00%	OGDCL
x)	Kalchas Exploration License	20.00%	OGDCL
xi)	Kohat Exploration License	20.00%	OGDCL
xii)	Bannu West Exploration License	10.00%	TULLOW
xiii)	Oman 43B (Overseas Block)	25.00%	MOL

## Operated Blocks

### Ziarat Block

In order to produce Khost well #2 and obtain the dynamic data, MGCL is undertaking EWT (Extended Well Test) programme for six months. GOP has approved allocation of produced oil during EWT to the refinery M/s Bosicor Pakistan Limited. For conducting EWT, construction of surface production facilities is in progress. The oil production from the well is expected to start by early May 2009.

The seismic contractor has regretted to undertake 244 line km firm and 108 line km contingent 2D seismic data (exploration & appraisal seismic) planned over Khost discovery area, Central & Southern parts of Ziarat Block as their Head office has not allowed them to conduct any seismic survey in Balochistan.

Therefore, MGCL with the consent of Joint Venture Partner has decided to re-invite fresh bids for the said 2D seismic data acquisition in order to explore additional seismic vendors, especially overseas contractors for which the bidding process is in progress.

### Karak Block

2D Seismic data acquisition of 229 line km is in progress and cumulative coverage was 191 line km as of April 23, 2009. It is expected that the said seismic campaign would be completed by end April 2009, which will be followed by processing and interpretation for selection of well location requiring another six to seven months time. It is expected that the exploratory well would be spud in during 1st quarter 2010.

Hence, extension for another one year in 3rd license year w.e.f. April 14, 2009 has been applied to DGPC, to complete the processing/interpretation and drilling of the committed exploratory well.

### Hanna Block

Despite MGCL's concerted pursuance to acquire the planned 2D seismic data in the block, the contractor showed their unwillingness to mobilize their crew for acquisition of seismic data on account of security concerns. Therefore, Joint Venture partners decided to re-float the bids for the said 2D seismic acquisition in order to explore additional seismic vendors especially overseas contractors for which the bidding process is in progress.

### Harnai Block

Despite MGCL's concerted pursuance to acquire the planned 2D seismic data

in the block, the contractor showed their unwillingness to mobilize their crew for acquisition of seismic data on account of security concerns. Therefore, Joint Venture partners decided to re-float the bids for the said 2D seismic acquisition in order to explore additional seismic vendors especially overseas contractors for which the bidding process is in progress.

## **Sujawal Block**

Interpretation of 3D seismic data for selection of the location of the committed exploratory well is in progress. The exploratory well is scheduled to be spud-in by fourth quarter of 2009.

In addition, processing of 145 line km 2D seismic data is in final stages and is anticipated to be complete by end April/early May 2009.

## **Sukkur Block**

The Koonj Well X-1A has been completed as gas producer. GOP has given approval for conducting EWT for one year. The gas will be supplied to M/s SNGPL during EWT. Purchase orders pertaining to dehydration plant and line pipe have been placed and material is expected to reach at site by mid of June 2009. Draft Gas Sale & Purchase Agreement has been submitted to SNGPL for their review.

Sukkur Joint Venture has decided to defer the committed third exploratory well till the completion of post well analysis of Bodla Bahar Well # 1, as it was obligated to spud-in before April 20, 2009. In addition, results of regional geological study presently in progress are awaited in order to re-evaluate and carry out additional work imperative before finalization of the location of third exploratory well in the block. Accordingly, application for 18 month extension in the third license year has been submitted to DGPC w.e.f April 20, 2009 to complete the additional studies for finalizing location of the 3rd exploratory well.

## **Non-operated Blocks**

### **Dahdar Block**

First exploratory well Tangna Pusht X-1 was spud in on March 29, 2009 to test the hydrocarbon potentials of Dunghan Limestone. The well has been drilled to a depth of 828m into Ghazij Formation and set 18-5/8" casing as of April 23, 2009.

### **Hala Block**

As agreed in the technical workshop of JV partners, held on January 27, 2009, it is planned to acquire 125 sq. km 3D and 50 km 2D seismic data to firm up three additional structural leads revealed after interpretation of the newly acquired



3D/2D seismic. The contractor has confirmed their crew availability. Accordingly, Letter of Intent was issued on March 13, 2009.

The crew is expected to be mobilized to Hala Block by April 2009 after completion of the ongoing seismic survey in another PPL operated Block.

The contract for setting up the processing/production facilities and its operations on "Build, Operate and Maintain" (BOM) basis has been awarded. The first gas/oil production is expected during November 2009.

### **Kalchas Block**

Acquisition of 339 line km 2D seismic data was started on February 16, 2009. Out of 339 line km, 188 line km is located in Punjab Province and its acquisition is in progress. The cumulative coverage as of April 12, 2009 was 41 line km. Acquisition of the remaining 151 line km 2D seismic, located in Balochistan Province, will be carried out later subject to security clearance from the concerned agencies. It is anticipated that seismic data recording would be completed by September 2009.

### **Oman 43B Block**

A TCM/OCM/JCM is scheduled to be held in May 2009 to discuss future work programme/budget. Based on the interpretation of the said seismic data, it was concluded by both the working interest owners that the identified prospect carries high risk. Therefore, it was agreed to enter into 2nd phase by committing acquisition of 300 line km 2D or 200 sq km 3D seismic data to acquire, process and interpret the additional seismic over another identified lead for firming up prospect in Hawasina window area.

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

For and on behalf of the Board

Islamabad  
April 24, 2009

  
Lt Gen **Hamid Rab Nawaz Hilmi** (Retd)  
Chairman

## CONDENSED BALANCE SHEET AS AT MARCH 31, 2009

		(Un-Audited) <u>31.03.2009</u>	(Audited) <u>30.06.2008</u>
	Note	(Rupees in thousand)	
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
250,000,000 ordinary shares of Rs 10 each		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid up capital		367,500	367,500
General reserve		2,046	2,046
Undistributed percentage return reserve		483,148	483,148
Exploration and evaluation reserve		1,534,976	1,195,106
Profit and loss account	4	<u>5,707,358</u>	<u>4,151,230</u>
		<u>8,095,028</u>	<u>6,199,030</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	5	1,200,000	500,000
Provision for decommissioning cost		1,680,295	1,588,162
Deferred liabilities			
Employee benefits - unfunded		<u>59,349</u>	<u>55,634</u>
		<u>2,939,644</u>	<u>2,143,796</u>
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	6	<u>8,632,734</u>	<u>2,993,561</u>
Provision for taxation - net		<u>517,335</u>	<u>1,254,514</u>
		<u>9,150,069</u>	<u>4,248,075</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
		<u>20,184,741</u>	<u>12,590,901</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

	Note	(Un-Audited) <u>31.03.2009</u> (Rupees in thousand)	(Audited) <u>30.06.2008</u>
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible			
Property plant and equipment	8	4,937,450	3,458,188
Intangible			
Development and production assets		2,265,328	2,117,261
Exploration and evaluation assets		1,534,976	1,195,106
		3,800,304	3,312,367
Long term loans and advances		3,034	2,574
Long term deposits and prepayments		9,552	6,820
Deferred taxation		884,659	701,260
		<u>9,634,999</u>	<u>7,481,209</u>
<b>CURRENT ASSETS</b>			
Stores and spares		186,584	184,623
Trade debts		7,196,418	2,374,041
Loans and advances		1,689,797	310,427
Short term prepayments		25,052	9,141
Interest accrued		5,057	12,235
Other receivables		5,166	4,614
Cash and cash equivalents		1,441,668	2,214,611
		10,549,742	5,109,692
		<u>20,184,741</u>	<u>12,590,901</u>

**Lt Gen Mushtaq Hussain HI (M) (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR NINE MONTHS ENDED MARCH 31, 2009

	Note	Three months ended		Nine months ended	
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
(Rupees in thousand)					
Gross Sales to customers		6,832,150	5,511,274	20,108,700	16,133,876
Own consumption		1,396	1,838	4,358	6,215
		<u>6,833,546</u>	<u>5,513,112</u>	<u>20,113,058</u>	<u>16,140,091</u>
Gas development surcharge		4,552,465	2,841,841	13,330,465	8,259,211
General sales tax		938,831	719,102	2,773,922	2,104,272
Excise duty		160,999	162,814	481,224	481,778
Provisional adjustment as per the Agreement		(243,453)	(511,827)	(746,182)	829,343
		<u>5,408,842</u>	<u>3,211,930</u>	<u>15,839,429</u>	<u>11,674,604</u>
Sales - net		1,424,704	2,301,182	4,273,629	4,465,487
Royalty		178,088	287,648	534,204	558,186
		<u>1,246,616</u>	<u>2,013,534</u>	<u>3,739,425</u>	<u>3,907,301</u>
Operating expenses	9	486,011	327,036	1,230,194	911,787
Exploration and prospecting expenditure		57,746	199,193	437,117	523,940
		<u>543,757</u>	<u>526,229</u>	<u>1,667,311</u>	<u>1,435,727</u>
Operating profit		702,859	1,487,305	2,072,114	2,471,574
Finance costs	10	34,889	2,880	178,602	74,334
Other charges		37,210	96,980	124,984	203,800
		<u>72,099</u>	<u>99,860</u>	<u>303,586</u>	<u>278,134</u>
		<u>630,760</u>	<u>1,387,445</u>	<u>1,768,528</u>	<u>2,193,440</u>
Other income		59,720	93,181	225,164	277,785
Profit before taxation		690,480	1,480,626	1,993,692	2,471,225
Taxation	11	16,736	244,597	16,220	1,002,408
Profit after taxation		<u>673,744</u>	<u>1,236,029</u>	<u>1,977,472</u>	<u>1,468,817</u>
Profit for the period represents the following:					
Distributable profits		69,566	59,859	205,948	177,181
Exploration and evaluation reserve		41,779	-	339,870	-
Profit and loss account - undistributable balance		562,399	1,176,170	1,431,654	1,291,636
		<u>673,744</u>	<u>1,236,029</u>	<u>1,977,472</u>	<u>1,468,817</u>

### Earnings per share - basic and dilutive

Earnings per share on the basis of distributable profit (Rupees)	1.89	1.62	5.60	4.82
Earnings per share on the basis of profit and loss account (Rupees)	18.33	33.63	53.81	39.97

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Lt Gen Mushtaq Hussain HI (M) (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR NINE MONTHS ENDED MARCH 31, 2009**

	Note	31.03.2009	31.03.2008
		(Rupees in thousand)	
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	1,848,722	2,179,169
(Increase) / decrease in long term loan and advances		(460)	438
(Increase) / decrease in long term deposits and prepayments		(2,732)	1,016
Deferred income		-	(3,929)
Employee benefits paid - unfunded		(4,594)	(925)
Taxes paid		(936,797)	(845,185)
Net cash from operating activities		<u>904,139</u>	<u>1,330,584</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(1,719,710)	(1,827,860)
Development and production assets		(333,104)	(213,584)
Exploration and evaluation assets		(339,870)	-
Proceeds from sale of property, plant & equipment		1,137	6,871
Interest received		212,031	264,661
Net cash used in investing activities		<u>(2,179,516)</u>	<u>(1,769,912)</u>
<b>Cash flows from financing activities</b>			
Repayment of Long term financing		-	(112,100)
Long term finance received		700,000	500,000
Finance cost paid		(95,044)	(3,873)
Dividends paid		(102,522)	(103,242)
Net cash from financing activities		<u>502,434</u>	<u>280,785</u>
Decrease in cash and cash equivalents		<u>(772,943)</u>	<u>(158,543)</u>
Cash and cash equivalents at beginning of the period		<u>2,214,611</u>	<u>2,829,209</u>
Cash and cash equivalents at end of the period		<u><u>1,441,668</u></u>	<u><u>2,670,666</u></u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Lt Gen Mushtaq Hussain HI (M) (Retd)**  
Chief Executive

**Qaiser Javed**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR NINE MONTHS ENDED MARCH 31, 2009**

	Share capital	General reserve	Undistributed percentage return reserve	Exploration and evaluation reserve	Profit and loss account	Total
	(Rupees in thousand)					
<b>Balance as at June 30, 2007</b>	367,500	2,046	365,053	509,346	2,513,670	3,757,615
Profit for the period	-	-	-	-	1,468,817	1,468,817
Dividends	-	-	-	-	(82,247)	(82,247)
Exploration and evaluation reserve	-	-	-	416,689	(416,689)	-
<b>Balance as at March 31, 2008</b>	<u>367,500</u>	<u>2,046</u>	<u>365,053</u>	<u>926,035</u>	<u>3,483,551</u>	<u>5,144,185</u>
Profit for the period	-	-	-	-	1,091,595	1,091,595
Dividends	-	-	-	-	(36,750)	(36,750)
Undistributed percentage return reserve	-	-	118,095	-	(118,095)	-
Exploration and evaluation reserve	-	-	-	269,071	(269,071)	-
<b>Balance as at June 30, 2008</b>	<u>367,500</u>	<u>2,046</u>	<u>483,148</u>	<u>1,195,106</u>	<u>4,151,230</u>	<u>6,199,030</u>
Profit for the period	-	-	-	-	1,977,472	1,977,472
Dividends	-	-	-	-	(81,474)	(81,474)
Exploration and evaluation reserve	-	-	-	339,870	(339,870)	-
<b>Balance as at March 31, 2009</b>	<u>367,500</u>	<u>2,046</u>	<u>483,148</u>	<u>1,534,976</u>	<u>5,707,358</u>	<u>8,095,028</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

**Lt Gen Mushtaq Hussain HI (M) (Retd)**  
Chief Executive

**Gaiser Javed**  
Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED  
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR NINE MONTHS ENDED MARCH 31, 2009**

**1. LEGAL STATUS AND OPERATIONS**

Mari Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan on December 04, 1984 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The Company is principally engaged in drilling, exploration, production and sale of natural gas. The gas price mechanism is governed by Mari Gas Well Head Price Agreement ("the Agreement") dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

**2. BASIS OF PREPARATION**

These condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan. These condensed interim financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges.

These condensed interim financial statements do not include all of the information required for annual financial statements and therefore should be read in conjunction with the annual audited financial statements for the year ended June 30, 2008. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2008, whereas comparative profit and loss account, comparative statement of changes in equity and comparative cash flow statement are stated from unaudited condensed interim financial statements for the nine months ended March 31, 2008.

Accounting policies, related judgments, estimates and assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2008.

**3. GAS PRICE MECHANISM**

In terms of the Agreement, well head gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at

the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders' Funds (as defined in the Agreement) after meeting specified ratios and deductibles. The return to shareholders is to be escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders' Funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%.

Effective July 01, 2001, the Government has authorized the Company to incur expenditure not exceeding Rupee equivalent of US\$ 20,000,000 per annum or 30% of the Company's annual gross sales revenue as disclosed in the last audited financial statements, whichever is less, in connection with exploration and development in any Concession area other than Mari Field, provided that if such exploration and development results in additional gas or equivalent oil production, the revenues generated from such additional gas or equivalent oil production shall be credited to and treated as revenue under the Agreement referred to above.

## 4. PROFIT AND LOSS ACCOUNT

The amount of Rs 5,707.358 million (June 2008: Rs 4,151.230 million) represents the following:

### 4.1 Undistributable balance

The amount of Rs 5,574.910 million (June 2008: Rs 4,143.256 million), which is not distributable, has been provided through the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the following:

	Generated upto June 30, 2008 (Audited)	Generated during the period ended March 31, 2009 (Un-Audited)	Total
(Rupees in thousand)			
a) Rupee element of capital expenditure (net of depreciation /amortization) and repayment of borrowings	3,878,485	1,406,654	5,285,139
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	174,537	25,000	199,537
	<u>4,143,256</u>	<u>1,431,654</u>	<u>5,574,910</u>
Year ended June 30, 2008	<u>2,504,924</u>	<u>1,638,332</u>	<u>4,143,256</u>



(Un-Audited)	(Audited)
<u>31.03.2009</u>	<u>30.06.2008</u>
(Rupees in Thousand)	

Undistributed guaranteed return	<u>132,448</u>	<u>7,974</u>
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This represents guaranteed profit of Rs 132.448 million @ 32.20% on Shareholders' Funds for nine months to March 31, 2009. Guaranteed return of Rs 7.974 million to shareholders on account of increased gas production for the year ended June 30, 2008 have been paid in current period..

- 4.3** Gas Development Surcharge related to Pakistan Electric Power Company (WAPDA) will be paid to the Government as and when related amounts are received from Pakistan Electric Power Company (WAPDA). Accordingly, Rs 6,489 million (June 2008: 1,806 million) receivable from Pakistan Electric Power Company (WAPDA) on this account and the amount of Rs 5,767 million (June 2008: Rs 865 million) payable to the Government have not been taken into account for the purpose of calculation of current ratio and consequential adjustment under provisions of clause 2.1 (c) of the Mari Gas Well Head Price Agreement.

(Un-Audited)	(Audited)
<u>31.03.2009</u>	<u>30.06.2008</u>
(Rupees in Thousand)	

## 5. LONG TERM FINANCING - SECURED

Loan for Mari Deep Development (note 5.1)	<u>1,100,000</u>	500,000
Loan for Zargun Gas Development (note 5.2)	<u>100,000</u>	-
	<u><u>1,200,000</u></u>	<u><u>500,000</u></u>

- 5.1** The Company has arranged a Syndicated Term Finance Loan from a consortium of banks led by Bank Alfalah Limited for financing of drilling of three wells in Mari Deep, Goru B reservoirs. The Loan amount for Goru B project is Rs 1,638 million. An amount of Rs 1,100 million has been disbursed uptill March 2009. The mark-up is payable semi-annually in arrears on the outstanding facility amount at six months KIBOR +1.50% per annum. The effective mark-up rate for the period ended March 31, 2009 was 14.47%. The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement.

- 5.2** In order to finance Zarghun Gas Field, the Company has arranged another Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Out of loan amount, a sum of Rs 100 million was disbursed in February '2009. The markup is payable semi-annually in arrears on the outstanding facility amount at the average of the six months KIBOR + 1.35% per annum. The effective mark-up rate for the quarter ended on March 31, 2009 was 15.45%. The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement.

	(Un-Audited) 31.03.2009	(Audited) 30.06.2008
	(Rupees in Thousand)	
<b>6. ACCRUED AND OTHER LIABILITIES</b>		
Gas development surcharge	7,336,863	1,864,651
General sales tax	317,552	237,921
Excise duty	54,653	53,692
Royalty Payable	69,546	-
Mark-up on long term financing - secured	8,830	17,405
Workers' welfare fund	307,290	288,241
Workers' profits participation fund	105,934	215,095
Employee benefits - funded	77,916	59,431
Retention and earnest money deposits	18,846	8,615
Payable to Joint venture partners	171,385	62,848
Other accrued liabilities	143,173	143,868
Unclaimed dividend	4,451	4,030
Unpaid dividend	16,295	37,764
	<u>8,632,734</u>	<u>2,993,561</u>

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 Interest on delayed payments

Interest on delayed payments from Pakistan Electric Power Company (WAPDA) and interest on delayed payments of gas development surcharge to the Government of Pakistan as at March 31, 2009 amounts to Rs. 1,014.297 million (June 30, 2008 : Rs. 552.247 million) and Rs. 245.326 million (June 30, 2008 : Rs. 112.392 million) respectively, which will be taken into account when it is actually received/paid. However, it does not affect the current period or future years' profit after taxation which includes the return available to shareholders under the Agreement.

	(Un-Audited) 31.03.2009	(Audited) 30.06.2008
	(Rupees in Thousand)	

### 7.2 Other contingencies

Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials

	52,590	139,632
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(Un-Audited) (Audited)  
31.03.2009 30.06.2008  
 (Rupees in Thousand)

### 7.3 Commitments

(i) Capital expenditure		
Share in joint ventures	931,079	2,952,174
Others	696,214	1,384,940
	1,627,293	4,337,114
(ii) Operating lease rentals due:		
Less than one year	16,848	9,370
More than one year but less than five years	40,037	16,677
	56,885	26,047
	<u>1,684,178</u>	<u>4,363,161</u>
	Nine months ended	
	<u>31.03.2009</u>	<u>31.03.2008</u>
	(Rupees in Thousand)	

## 8. PROPERTY, PLANT AND EQUIPMENT

Opening book value	1,002,994	1,069,436
Additions during the period - 8.1	1,203,576	16,989
Written down value of disposals - 8.2	(513)	(52)
Depreciation for the period	(239,934)	(110,126)
	1,966,123	976,247
Add: Capital work in progress	2,971,327	2,320,701
	<u>4,937,450</u>	<u>3,296,948</u>

### 8.1 Additions

Land	5,791	1,568
Building	4,582	3,270
Roads & bridges	308	-
Plant, machinery and equipment	19,119	3,667
Drilling rig and allied equipment	1,125,731	-
Computers	9,731	6,876
Furniture & fixture	914	880
Motor vehicles	37,400	728
	<u>1,203,576</u>	<u>16,989</u>

### 8.2 Disposal

Plant, machinery and equipment	394	22
Furniture and fixture	-	9
Motor vehicles	119	21
	<u>513</u>	<u>52</u>

	Three months ended		Nine months ended	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008
	(Rupees in thousand)			
<b>9. OPERATING EXPENSES</b>				
Salaries, wages and benefits	175,924	133,756	542,388	312,350
Employee benefits	15,744	16,321	45,254	48,810
Rent, rates and taxes	996	846	8,113	4,197
Legal and professional services	794	2,564	3,333	8,597
Fuel, light, power and water	8,211	6,451	30,252	22,757
Maintenance and repairs - plant & equipment	8,389	1,626	31,479	12,275
Maintenance and repairs - others	4,909	6,396	11,971	25,845
Insurance	5,180	5,692	14,079	16,850
Depreciation	173,193	43,794	239,935	110,126
Amortization	61,710	42,245	185,036	156,206
Employees medical and welfare	19,693	12,881	58,911	39,733
Security and other services	46,543	40,174	158,993	128,969
Travelling	4,417	1,780	12,516	7,509
Communications	1,857	2,031	5,852	5,446
Office supplies	3,424	3,057	8,784	9,373
Technical software	230	698	306	2,464
Auditor's remuneration	(34)	5	235	118
Mobile dispensary and social welfare	8,283	14,656	21,432	23,408
Training	4,351	6,087	11,606	17,719
Habib Rahi reservoir study	-	4,703	725	10,081
Advertisement	450	1,351	876	6,692
Books and periodicals	97	60	332	303
Public relations and social activities	616	2,580	4,080	6,278
Directors' fee and expenses	940	1,172	2,448	1,798
Clearing and forwarding expenses	862	45	2,430	184
Subscription	8	189	144	472
Miscellaneous	283	463	763	1,185
	<u>547,070</u>	<u>351,623</u>	<u>1,402,273</u>	<u>979,745</u>
Less: Recoveries from Joint ventures (note 9.1)	<u>61,059</u>	<u>24,587</u>	<u>172,079</u>	<u>67,958</u>
	<u><u>486,011</u></u>	<u><u>327,036</u></u>	<u><u>1,230,194</u></u>	<u><u>911,787</u></u>

## 9.1 Break-up of recoveries from joint ventures

Time write cost	42,272	14,264	120,761	41,894
Overheads	13,978	10,323	42,709	23,525
Computer & equipment support cost	4,809	-	8,609	2,539
	<u>61,059</u>	<u>24,587</u>	<u>172,079</u>	<u>67,958</u>

	Three months ended		Nine months ended	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008

(Rupees in thousand)

## 10. FINANCE COSTS

Mark up on long term financing - secured	34,848	2,646	71,826	5,600
Unwinding of discount on provision for decommissioning cost	-	-	92,133	68,100
Interest on WPPF	-	-	14,504	94
Bank Charges	41	234	139	540
	34,889	2,880	178,602	74,334

## 11. TAXATION

Current tax	(68,838)	310,421	199,618	1,201,333
Deferred tax	85,574	(65,824)	(183,398)	(198,925)
	16,736	244,597	16,220	1,002,408

## 12. CASH GENERATED FROM OPERATIONS

Profit before taxation			1,993,692	2,471,225
Adjustment for :				
Depreciation on property plant and equipment			239,935	110,126
Amortization of development and production assets			185,036	156,206
Gain on disposal of property, plant and equipment			(624)	(6,820)
Employee benefits - unfunded			8,309	6,241
Interest income			(204,853)	(266,961)
Finance cost			178,602	74,334
Working capital changes (note 12.1)			(551,375)	(365,182)
			1,848,722	2,179,169

### 12.1 Working capital changes

(Increase)/decrease in current assets				
Stores and spares			(1,961)	(4,290)
Trade debts			(4,822,377)	(719,200)
Loans and advances			(1,379,370)	27,668
Short term prepayments			(15,911)	(16,993)
Other receivables			(552)	(80)
			(6,220,171)	(712,895)
Increase in accrued and other liabilities			5,668,796	347,713
			(551,375)	(365,182)

## 13. TRANSACTIONS WITH RELATED PARTIES

Fauji Foundation holds 40% shares of the Company, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of associated companies, directors, major shareholders, key management personnel and employee benefit funds and exclude relationship with the Government being a shareholder in the Company. Transactions with related parties are as follows:

	Nine months ended	
	31.03.2009	31.03.2008
	(Rupees in thousand)	
<b>Sale of gas to related parties is as follows:</b>		
Fauji Fertilizer Company Limited	8,073,294	6,991,118
Pakistan Electric Power Company (WAPDA)	8,708,240	6,338,790
Sui Southern Gas Company Limited	6,937	10,507
<b>Contribution to employee benefit funds</b>	38,987	44,739
<b>Remuneration including benefits and perquisites of Chief Executive</b>	6,279	4,864
<b>Remuneration including benefits and perquisites of Executives, No of Executives : 96 (June 2008: 70)</b>	336,335	178,565
	(Un-Audited)	(Audited)
	31.03.2009	30.06.2008
	(Rupees in thousand)	
<b>Receivable balances with related parties are as follows:</b>		
Fauji Fertilizers Company Limited	509,472	405,384
Pakistan Electric Power Company (WAPDA)	6,489,279	1,806,185
Sui Southern Gas Company Limited	1,679	908

Transactions with related parties are based on the normal commercial practices between independent businesses.

## 14. CORRESPONDING FIGURES

The comparative figures have been re-arranged and/ or reclassified, wherever necessary, for the purpose of comparison.

## 15. GENERAL

15.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

15.2 These financial statements were authorized for issue on April 24, 2009 by the Board of Directors of the Company.

**Lt Gen Mushtaq Hussain HI (M) (Retd)**  
Chief Executive

**Qaiser Javed**  
Director



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