

**M G C L**

**Mari Gas Company Limited**

Annual Report 1996

**contents**

	Page
Board of Directors	1
Company Information	2
Notice of Meeting	3
Financial Highlights	4
Chairman's Review	5
Report of the Directors	7
Auditors' Report	9
Balance Sheet	10
Profit and Loss Account	12
Cash Flow Statement	13
Notes to the Accounts	14
Pattern of Shareholding	29
Ten Years at a Glance	32

**Board of Directors**

Chairman

Lt. Gen M. Arif Bangash (Retd)

Managing Director

Fauji Foundation

Chief Executive

Lt. Gen Ghulam Muhammad Malik (Retd)

Managing Director

Mari Gas Company Limited

Director

Iltifat Rasul Khan

Director Finance

Fauji Foundation

Director

Brig. Mushtaq Ali Khan (Retd)

Director P&D

Fauji Foundation

Director

Brig. Riaz Ahmed Qureshi (Retd)

Director Industries

Fauji Foundation

Director

Brig. Sayyed Ifzal Hussain (Retd)

Director Sugar

Fauji Foundation

Director  
Munir Ahmed  
Director General Gas  
Government of Pakistan

Director  
Shahid Ahmad  
Director General (PC)  
Government of Pakistan

Director  
Abdus Sattar  
Financial Advisor P&NR  
Government of Pakistan

Director  
Shahid Akbar  
Chairman  
OGDC

Director  
Muhammad Jehangir Bashir  
Joint Secretary (Der)  
Government of Pakistan

Director  
Khalid Rahim  
GM Production  
OGDC

Director  
Abdul Rahman  
General Manager  
Mari Gas Company Limited

Director  
Abdul Waheed  
Businessman

Company Secretary  
Khurram Khan  
Mari Gas Company Limited

#### **Company Information**

#### **Legal Advisors**

Orr Digham & Company  
Khan & Piracha

#### **Auditors**

A. E Ferguson & Company  
Chartered Accountants

**Bankers**

Habib Bank Limited  
United Bank Limited  
Bank of America  
Citibank, N. A.  
Allied Bank of Pakistan Limited  
Muslim Commercial Bank Limited

**Registered Office**

21 Mauve Area,  
3rd Road,  
Sector G-10/4,  
Islamabad.

**Notice of Annual General Meeting**

Notice is hereby given that the twelfth Annual General Meeting of the Shareholders of Marl Gas Company Limited will be held on Sunday, December 29, 1996 at 10:00 a.m. at 21 Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

**A) Ordinary Business**

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1996, together with the Auditors' and Directors' Reports thereon.
2. To appoint Auditors for the year 1996-97 and to fix their remuneration.

**B) Special Business**

3. To approve the remuneration payable to the full time working director.

A statement under Section 160 of the Companies Ordinance, 1984 containing the Resolution referred to in item (3) of the Notice which will be considered for adoption at the Meeting is annexed to this Notice of Meeting being sent to the Members.

By order of the Board  
KHURRAM KHAN  
Company Secretary

Islamabad December 05, 1996

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from December 19, 1996 to December 29, 1996 (both days inclusive).
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy. The instrument of proxy duly executed in accordance with the Articles of Association of the Company must be deposited at the Registered Office of the Company at Islamabad, at least 48 hours before the time of holding the Meeting.
3. Shareholders are requested to promptly notify the Company of any change in their address.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the special business to be transacted at the Twelfth

Annual General Meeting of Marl Gas Company Limited to be held on December 29, 1996.

Approval of the Shareholders will be sought for the remuneration payable to the full time working Director. For this purpose it is intended to propose that the following resolution be passed as an Ordinary Resolution. The full time working Director Mr. Abdul Rahman is interested in tiffs business to the extent of Iris remuneration.

"RESOLVED THAT the Company hereby authorizes the holding of offices of profit and payment as remuneration to full time working Director Mr. Abdul Rahman, not exceeding in the aggregate Rupees Nine Hundred Thirty Three Thousand per annum, exclusive of perquisites to which he is entitled in accordance with the terms and conditions of service with the Company and as approved by the Board of Directors for the year ended June 30, 1996 and for the remainder of his term remuneration per annum not exceeding the said amount.

#### Financial Highlights

		Twelve months Ended June 1996	Six Months Ended Jun-30 1995
Revenue	RS. Million	3,909.77	1,936.40
Government Levies	RS. Million	3,544.23	1,727.77
Profit before tax	RS. Million	87.92	67.34
Profit after tax	RS. Million	7,509	57.43
Dividend per share	RS.	225	0.75
Tangible Fixed Assets (Gross)	RS. Million	1,416.78	1,353.70
Number of shares issued & subscribed	Million	21.00	21.00

#### Chairman's Review

On behalf of the Board of Directors of Marl Gas Company Limited, I have great pleasure in welcoming you to the Twelfth Annual General Meeting of the Company and presenting to you the Annual Report and audited accounts of the Company for the year ended June 30, 1996.

#### Operations

The Company continued uninterrupted gas supply throughout the year under review to all its customers namely, Fauji Fertilizer Company Ltd, Engro Chemical Pakistan Ltd, Pak Saudi Fertilizers Company Ltd, and Water and Power Development Authority (WAPDA). The cumulative gas produced during the year ended June 30, 1996 was 133,167.650 million standard cubic feet (MMSCF) as against 138,838.084 (MMSCF) during the corresponding period of 1994-95. The daily average gas production for the year was 364.039 MMSCF as compared to 380.602 MMSCF last year.

The gas allocation to fertilizer companies for producing fertilizer and to WAPDA for power generation remained the same during the year at 336 MSCFD and 66 MSCFD respectively.

Regular maintenance of field infrastructure and equipment was carried out and reservoir monitoring was conducted through out the year for preventing any breakdowns and controlling water coning problems in wells.

#### **Future Growth and Challenges**

The Company is successfully following its plan to drill a deep well ( 12,200 feet).to explore for hydrocarbons in the deeper horizons. All the related arrangements have been completed and the drilling will Inshallah commence by the end of December 1996.

Studies on reservoir and compression have been completed. The findings and conclusions of these studies are being evaluated for installation of compression facility at the appropriate moment.

#### **Welfare Activities**

The Company continues to maintain its regular welfare activities for the local community in the vicinity of Marl Gas Field.

#### **Human Resources**

Relations between the Management and the workers continued to be cordial and are expected to remain so in the future.

#### **Acknowledgment**

On behalf of the Board of Directors, I would like to express our appreciation for the efforts and dedication of all officers and staff of the Company which enabled the Management to run the Company efficiently during the year. I also wish to express my appreciation for continued assistance and cooperation received from the local administration at Daharki, various departments of the Federal Government particularly the Ministry of Petroleum and Natural Resources and the Ministry of Finance in respect of matters relating to Company's operation and cooperation extended by Fauji Foundation and Oil and Gas Development Corporation.

For and on behalf of the Board

Lt. Gen M. Arif Bangash (Retd)  
Chairman

#### **Report of the Directors**

Your Directors take pleasure in presenting their report together with the audited accounts of the Company and the Auditor's Report thereon for the year ended June 30, 1996.

The Chairman's review highlighting the significant activities of the Company during twelve months period, is an integral part of the Directors Report and the Board of Directors fully endorse its contents.

The profit and appropriations for the year are as follows:

	RS. '000
PROFIT	
- Profit for the year under review after taxation	75,094
- Unappropriated profit brought forward	273,945
	-----
	299,039
APPROPRIATION	
-Interim Dividend @ 7.5% per share declared in October 1995	15,750
- Second Interim Dividend @ 15% per share declared in June 1996	31,500
	-----
-Total Dividend for the year	47,250
-Transferred to Undistributed Percentage Return Reserve	4,954

-----  
52,204

-Unappropriated profit carried forward

-----  
246,835  
=====

The Directors have decided to retain RS. 4,954 thousands, representing the balance of percentage return relating to Therefore, the aforesaid amount is being transferred to Undistributed Percentage Return Reserve.

#### **DIRECTORS**

During the period under review Lt. Gen. Imtiaz Waraich (Retd) and Lt. Gen. Hamid Niaz (Retd), representing the interest of Fauji Foundation, resigned from the Company's Board of Directors. These vacancies were filled by Lt. Gen. M. Arif Bangash (Retd) and Lt. Gen. Ghulam Muhammad Malik (Retd) respectively as nominees of Fauji Foundation. I wish to record the Board's appreciation for valuable contributions and services rendered by Lt. Gen. Imtiaz Waraich (Retd) and Lt. Gen. Hamid Niaz (Retd) during their tenure as Chairman and Chief Executive of the Company and extend warm welcome to Lt. Gen. M. Arif Bangash (Retd) and Lt. Gen. Ghulam Muhammad Malik (Retd).

#### **AUDITORS**

The present auditors, Messrs A. F. Ferguson and Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment as auditors of the Company.

#### **PATTERN OF SHAREHOLDING**

A statement showing the pattern of Shareholding in the Company as at June 30, 1996 is attached.

For and on behalf of the Board

Lt. Gen M. Arif Bangash (Retd)  
Chairman

#### **Auditors' Report to the Member**

We have audited the annexed balance sheet of Mari Gas Company Limited as at June 30, 1996 and the related profit and loss account and cash flow statement together with the notes forming part thereof, for the year ended June 30, 1996 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 and, after due verification thereof, 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 the requirements of Marl Gas Well Head Price Agreement dated December 22, 1985 where its requirements are not consistent with the requirements of the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

(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 and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 and the Agreement referred to in (b)(i) above in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flows for the year then ended; and

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

A. F. Ferguson & Co.  
Chartered Accountants

Karachi November 28, 1996

**Balance Sheet as at June 30, 1996**

	Note	1996	1995
		(Rupees in thousand)	
<b>SHARE CAPITAL, RESERVES AND SURPLUS</b>			
Authorised capital			
50,000,000 ordinary shares of Rs.10 each		500,000	500,000
		=====	=====
Issued, Subscribed and Paid-up capital	3	210,000	210,000
General reserve		2,046	2,046
Undistributed percentage return reserve	4	24,924	19,970
Profit and loss account	5	246,835	223,945
		-----	-----
		483,805	455,961
<b>ADVANCE AGAINST SUBSCRIPTION OF SHARE CAPITAL</b>		285	-
<b>REDEEMABLE CAPITAL AND ACCRUED MARK-UP</b>	6	334,806	381,959
<b>LONG TERM LOANS AND DEFERRED LIABILITIES</b>			
Loans - Secured	7	379,989	208,566
Employees' retirement benefits		828	590
Deferred credits	8	3,343	-
		-----	-----
		384,160	209,156
<b>CURRENT LIABILITIES</b>			
Current maturity of - redeemable capital			
and accrued mark-up	6	47,153	40,240
- long term loans	7	84,442	37,921
Accrued and other liabilities	9	510,947	831,202
Taxation		-	3,958

		642,542	913,321
	10		
<b>CONTINGENCIES AND COMMITMENTS</b>		1,845,598	1,960,397
		=====	=====
	Note		
		1996	1995
		(Rupees in thousand)	
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	11	595,291	665,355
Capital work-in-progress	12	103,477	80,044
		698,768	745,399
<b>LEASING AND EXPLORATION COSTS</b>			
Cost		5,606	5,606
less: Amortisation		2,279	2,022
		-----	-----
		3,327	3,584
<b>LONG TERM LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS</b>	13	2,578	1,740
<b>CURRENT ASSETS</b>			
Stores and spares	14	54,797	50,625
Trade debts- unsecured, considered good	15	246,386	490,992
Loans, advances and prepayments	16	8,011	8,960
Other receivables	17	75,020	40,545
Taxation		19,120	-
Bank and cash balances	18 73	7,5 91	618,552
		-----	-----
		1,140,925	1,209,674
		-----	-----
		1,845,598	1,960,397
		=====	=====

The annexed notes form an integral part of these accounts.

Lt. Gen. Ghulam Muhammad Malik (Retd)  
Chief Executive

Abdus Sattar  
Director

**Profit and Loss Account for the year ended June 30, 1996**

Twelve months ended June 30, 1996	Six months ended June 30, 1995
---	---



	Note	(Rupees in thousand)	
Sales - net	19	438,508	255,538
Less: Royalty		53,608	31,852
		-----	-----
		384,900	223,686
Other expenses	20	259,004	118,471
		-----	-----
OPERATING PROFIT		125,896	105,215
Other income	21	79,473	27,671
		-----	-----
		205,369	132,886
Financial charges	22	110,912	60,399
Other charges	23	6,535	5,140
		-----	-----
		117,447	65,539
		-----	-----
PROFIT BEFORE TAXATION		87,922	67,347
Taxation	24	12,828	9,914
		-----	-----
PROFIT AFTER TAXATION		75,094	57,433
Unappropriated profit brought forward		223,945	191,567
		-----	-----
Profit available for appropriation		299,039	249,000
APPROPRIATIONS/TRANSFERS:			
Dividends - 1st Interim @ 7.5% (1995: 7.5%)		15,750	15,750
- 2nd Interim @ 15% (1995: Nil)		31,500	-
Transferred to undistributed percentage return reserve - note 4.1		4,954	9,305
		-----	-----
		52,204	25,055
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		<b>246,835</b>	<b>223,945</b>
		=====	=====

The annexed notes form an integral part of these accounts.

**Cash Flow Statement for the year ended June 30, 1996**

	Note	Twelve months ended June 30, 1996	Six months ended June 30, 1995
		(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	25	108,679	375,865
Financial charges paid		(88,568)	(57,299)
Taxes paid		(35,906)	( 17,216)

Long-term loans, advances, deposits and prepayments (net)	(838)	(93)
	-----	-----
Net cash (outflow)/inflow from operating activities	(16,633)	301,257
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(67,258)	(9,603)
Sale proceeds of fixed assets	2,226	397
Interest received	69,733	20,970
	-----	-----
Net cash inflow from investing activities	4,701	11,764
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long-term loans received	259,020	-
Advance against subscription of share capital	285	-
Redeemable capital and accrued mark-up repayments	(40,240)	(27,685)
Long-term loans repayments	(41,076)	(31,746)
Dividends paid	(47,018)	(25,351)
	-----	-----
Net cash inflow/(outflow) from financing activities	130,971	(84,782)
Net increase in cash and cash equivalents	119,039	228,239
Cash and cash equivalents at beginning of the year/period	618,552	390,313
	-----	-----
Cash and cash equivalents at the end of the year/period	18 737,591	618,552
	=====	=====

The annexed notes form an integral part of these accounts.

## Notes to the Accounts for the year ended June 30, 1996

### 1. LEGAL STATUS AND OPERATIONS

The Company is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are listed at all stock exchanges of Pakistan. The Company is principally engaged in drilling, production and sale of natural gas. The gas price mechanism is governed by Marl Gas Well Head Price Agreement dated December 22, 1985 between The President of Islamic Republic of Pakistan and the Company.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Mark-up on redeemable capital

Mark-up on long term finance is allocated to periods during the deferred payment term so as to produce a constant periodic rate of financial cost.

#### 2.3 Employees' retirement benefits

The Company operates defined benefit funded pension and gratuity schemes for its management employees. The scheme provides life pension to employees and thereafter to their spouse. Contributions are made annually to these funds on the basis of actuarial recommendations are the rate of 10.07% of basic salary for pension and at the rate of 8.33% of basic salary for gratuity. Based on the latest actuarial valuation as at December 31, 1994 of the schemes, carried out once in every three years, the fair value of the fund's assets and the liabilities were Rs.8.076 million

and Rs. 13.834 million respectively for pension scheme and Rs.0.221 million and Rs.1.286 million representing for the gratuity scheme. The future contribution rates of these schemes include allowances for deficit and surplus.

Entry Age Normal method, using following significant assumptions, is used for valuation of the above mentioned funded schemes:

- Expected rate of increase in salaries at 12% per annum.
- Expected rate of interest on investment at 12% per annum.

In addition, the Company operates an unfounded pension scheme for its non-management employees. Provisions are made in the accounts to cover obligations under the scheme are shown under deferred liabilities.

The Company also operates a defined contribution provident fund for its permanent employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

#### **2.4 Taxation**

Provisions for taxation is based on taxable income. at the current rate of taxation.

Deferred tax is not accounted for as per the terms of 'Mari Gas Well Head Price Agreement'. Had the Company provided for deferred taxation under liability method, there would have been a liability of Rs.102 million as at June 30, 1996 (1995:Rs.130 million).

#### **2.5 Tangible fixed assets**

Operating assets except freehold land are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost.

Depreciation and amortisation on fixed assets other than lease and well investment cost is charged to income using straight line method whereas lease and well investment costs are amortised in proportion to the ratio that the offtakes for the year bear to balance of developed reserves of Marl Gas Field as estimated at the beginning of that year as applied to written down values in accordance with 'Mari Gas Well Head Price Agreement'.

The full calendar quarter's depreciation is charged on additions during a calendar quarter, while no depreciation is charged for the calendar quarter during which the asset is disposed

Gains and losses on disposals are taken into account in current income. Maintenance and normal repairs are charged to income as and when incurred.

#### **2.6 Leasing and exploration costs**

These are stated at cost to the Company calculated in terms of the Assets Transfer Agreement dated December 22, 1985 less amortisation thereon. In accordance with 'Marl Gas Well Head Price Agreement' leasing and exploration costs are amortised in proportion to the ratio that the offtakes for the year bear to balance of developed reserves of Marl Gas Field as estimated at the beginning of that year as applied to written down values.

#### **2.7 Stores and spares**

These are valued at moving average cost except material in transit which are valued at cost.

#### **2.8 Foreign Currency translation**

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date except:

- i) foreign currency loans where exchange rate is guaranteed; and
- ii) bank balances out of adhoc disbursement of such loans, such liabilities and assets have been translated at guaranteed rates.

Exchange gains and losses are taken into income except on foreign currency loans obtained for Marl Gas Field which are capitalised till the date of substantial completion of a project.

**2.9 Revenue recognition**

Sales are recorded on actual delivery of gas or under minimum billing provisions as and when the same becomes applicable under respective agreement with each customer.

	1996	1995
	(Rupees in thousands)	
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
9,100,007 (1995: 9,100,007) Ordinary shares of Rs. 10 each for cash	91,000	91,000
11,899,993 (1995: 11,899,993) Ordinary shares of Rs.10 each for consideration other than cash	119,000	119,000
	-----	-----
	210,000	210,000
	=====	=====

During the year, the Company has offered right shares at par value to the existing shareholders in the ratio of 3:4 to be subscribed by July 31, 1996.

	1996	1995
	(Rupees in thousands)	
<b>4. UNDISTRIBUTED PERCENTAGE RETURN RESERVE</b>		
4.1 Opening Balance	19,970	10,665
Transferred from profit and loss account	4,954	9,305
	-----	-----
	24,924	19,970
	=====	=====

4.2 The amount held in this reserve represents the balance of the percentage return reserve on shareholders' funds as defined in the Marl Gas Well Head Price Agreement.

**5. PROFIT AND LOSS ACCOUNT**

The amount of Rs. 246.835 million, which is not distributable, has been provided through the operation of Article II of Mari Gas Well Head Price Agreement to meet the obligations and to the extent indicated for the following:

Generated upto June 30, 1995	Generated during the year ended June 30, 1996	Total

a) Repayment of borrowings	118,235	22,890	141,125
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	15,476	-	15,476
	-----	-----	-----
	223,945	22,890	246,835
	=====	=====	=====

1996                      1995  
(Rupees in thousands)

**6. REDEEMABLE CAPITAL AND ACCRUED**

**MARK-UP - SECURED**

Long term finance and accrued mark-up during grace period	381,959	422,199
Less: Current maturity shown under current liabilities	47,153	40,240
	-----	-----
	334,806	381,959
	=====	=====

The Company has obtained on mark-up basis a long term finance of Rs.437.913 million from National Development Finance Corporation (NDFC) for Phase V project. The amount of Rs. 437.913 million represents Purchase Price with a corresponding 'Marked-up Price' of Rs.1,157.230 million. A rebate of Rs. 305.991 million shall be available to the Company if all installments are paid on due dates. The marked-up price is payable in 16 equal half yearly installments commencing from February 01, 1994.

The above finance is secured by:

- i) Equitable mortgage on Company's immovable properties ratably and pari passu with IFC, referred to in note 7.
- ii) Hypothecation on all present and fixture plant and machinery and current assets.
- iii) Floating charge on all the business, undertaking and goodwill and all other properties and assets both present and future.

The charge created under (ii) and (iii) above rank pari passu with charge created for long term loan from IFC, referred to in note 7.

1996                      1995  
(Rupees in thousands)

**7. LONG TERM LOANS - SECURED**

From a Financial Institution - International Finance Corporation (IFC) US Dollar Loan - \$ 15.75 million (1995:\$9.75 million)	464,431	246,487
Less: Current maturity shown under current liabilities	84,442	37,921
	-----	-----
	379,989	208,566
	=====	=====

The Company on February 27, 1992 signed an Investment. Agreement with International Finance Corporation (IFC) in respect of Phase V project for US\$19.5 million out of which US\$ 12 million,

disbursed in 1992, is repayable in 16 equal half yearly installments commencing from April 15, 1994 and the balance of US \$ 7.5 million, disbursed during the year for drilling to a deeper prospect in the Mari field, is repayable in 11 equal half yearly installments commencing from October 15, 1996. The interest is payable quarterly at the rate of 9.4375 percent per annum. A commitment fee of 1 percent per annum is payable quarterly on the undrawn amount of loan.

The above Loan is secured by:

- i) Equitable mortgage on Company's all immovable properties except Mari Gas Mining Leases, ratably and pari passu with NDFC, referred to in note 6.
- ii) Floating charge by way of Hypothecation on all the Company's other assets (present and future, including future gas production) ranking pari passu with NDFC, referred to in note 6.

The Company has exercised the option given under Foreign Exchange Circular No.76 of 1984 to transfer the exchange risk to the Government on payment of a fee at the rate of 6.51% per annum..

#### 8. DEFERRED CREDITS

This represents the unadjusted balance of payments received from a customer under Minimum Billing provision of the Gas Purchase and Sale Agreement. Such unadjusted balances are available to the customer for set off against supplies of gas in excess of the contracted minimum quantities during subsequent periods as stipulated in the said Agreement.

	1996	1995
	(Rupees in thousands)	
<b>9. ACCRUED AND OTHER LIABILITIES</b>		
Interest accrued on secured loan	9,131	4,717
Mark-up accrued on redeemable capital	26,260	29,026
Exchange risk and other charges	77,159	56,463
Excise duty	49,311	53,270
Other accrued liabilities	24,849	23,883
Duty and sales tax	-	2,180
Deposits for material supplied on loan	159	159
Workers' profit participation fund - note 17.1	-	3,103
Workers' welfare fund	6,644	4,832
Development surcharge	256,179	595,319
Retention and earnest money	3,039	2,986
Unclaimed/unpaid dividend	6,775	6,543
Gas price surplus due to the President under the provisions of Marl Gas Well Head Price Agreement	51,441	48,721
	-----	-----
	510,947	831,202
	=====	=====

#### 10. CONTINGENCIES AND COMMITMENTS

The Price Determining Authority(PDA), Ministry of Petroleum & Natural Resources through letter No. DGO(AC)-5(50)/94-I.A dated March 30, 1995 had advised that till further instructions:

- (i) The Company should not take any credit for interest income receivable from WAPDA under Gas Purchase and Sale Agreement (Agreement) between the Company and WAPDA on account of delayed payment of Company's gas sales bills for supplies of gas; and
- (ii) the Company should also not make any provision in the accounts for the interest payable to

Government in terms of Natural Gas (Development Surcharge) Ordinance, 1967 and the Natural Gas (Development Surcharge) Rules, 1967, on account of late deposit of gas development surcharge which has resulted from delayed payment by WAPDA as mentioned above.

PDA through letter No. DGO (AC)-5(50)/95, dated October 1, 1996 has now advised that the above referred interest income from WAPDA should be taken into account after it is actually received and that interest payable to Government be paid after such receipt.

Accordingly, the Company has not recognized the interest income amounting to Rs. 115.248 million inclusive of Rs.34.015 million for the year ended June 30, 1996 and also has not made any provision in the accounts for interest expense amounting to Rs.20.604 million inclusive of Rs.4.842 million for the year ended June 30, 1996 payable to the Government on account of late payment of development surcharge. However such non-recognition does not affect the current year or future years profit after taxation which includes the return available to shareholders. under the Marl Gas Well Head Price Agreement.

#### 10.1 Other Contingent liabilities

(i) Bank guarantees of Rs.1.825 million (1995:Rs.1.825 million) given to The President of Pakistan for mining leases.

(ii) Indemnity bonds of Rs.6.928 million ( 1995: Rs. 1.449 million) have been given to Collector of Customs against duty concessions on imports of equipments and materials for Phase V project.

#### 10.2 Commitments

Commitments in respect of capital expenditure contracted for as at June 30, 1996 amounted to Rs.56.516 million (1995:Rs.27.669 million).

#### 11. OPERATING ASSETS

Following is a summary of operating assets:

	Cost at July 01, 1995	Addition/ (disposals)	Cost at June 30, 1996	Accumulated depreciatio at July 1, 1995	Depreciation charge for the year (disposals)	Accumulated depreciation at June 30, 1996	Net book value at June 30, 1996	Annual rate of depreciation
Freehold land	40,248	-	40,248	-	-	-	40,248	
Leasehold land	5,910	-	5,910	120	81	201	5,709	1-3
Buildings freehold	91,645	8,230	99,875	18,150	4,859	23,009	76,866	5
Buildings leasehold	3,129	-	3,129	356	156	512	2,617	5
Roads and Bridges	20,344	6,349	26,693	10,608	2,166	12,774	13,919	10
Drilling tools and Equipments	21,432	-	21,432	5,520	4,243	9,763	11,669	20
Equipment and General Plant	97,814	20,661 (635)	117,840	49,510	10,246 ' (245)	59,511	58,239	10
Gathering Lines	387,641	-	387,641	187,231	34,358	221,589	166,052	10
Furniture and Fixtures	8,816	1,912	10,728	4,426	931	5,357	5,371	10
Vehicles - Heavy	35,264	3,988	39,252	22,844	8,112	30,956	8,296	30

- Light	25,399 (3,513)	526	22,412	17,215	3,557 (1,896)	18,876	3,536	20
Drilling Expenditure	450,442	2,159	452,601	261,431	39,263	300,694	151,907	10
Lease and well investment	85,541	-	85,541	30,859	3,910	34,796	50,772	Refer note 2.50
1996	1,273,625	43,825 (4,148)	1,313,302	608,270	111,882	718,011 (2,141)	595,291	
1995	1,270,909	3,194 (478)	1,273,625	547,252	61,392	608,270 (374)	665,355	

11.1 Details of assets disposed during the year.

Description	(Rupees in thousands)				
	Accumulated Cost depreciation	Net book value	Sale proceeds	Mode of disposal	Sold to
Equipments	527	187	340	104	As per company policy Lt. Gen. Harold Niaz (Rtd.) (Ex-Chief Executive)
	48	30	18	7	do - Mr. Moiz Ahmed (Executive) Karachi
	60	28	32	17	do - Mr. S. M Salahuddin (Ex-Executive) Islamabad
	635	245	390	128	
Vehicles	2,490	1,245	1,245	1,071	do - Lt. Gen. Hamid Niaz (Rtd.) (Ex-Chief Executive)
	676	304	372	630	Insurance Claim Adamjee Insurance Company Karachi
	347	347	-	397	Tender Mr. Gul Rose Khan, F-8/4, Islamabad
	3,513	1,896	1,617	2,098	
	4,148	2,141	2,007	2,226	
1995	478	374	104	397	



1996                      1995  
(Rupees in thousands)

**12. CAPITAL WORK-IN-PROGRESS**

Phase-V Project

Land	12,180	11,919
Building	-	542
Plant, machinery and others (including Rs.0.643 million in transit; 1995:Rs.1.293 million)	48,813	49,870
Drilling expenditure including borrowing costs of Rs.9.031 million (1995: Nil)	10,327	-
	-----	-----
	71,320	62,331
	-----	-----

Support of Production

Land	759	759
Building, roads and bridges	23,092	11,747
Plant, machinery and others	8,306	5,207
	-----	-----
	32,157	17,713
	-----	-----
	103,477	80,044
	=====	=====

**13. LONG TERM WORK-IN-PROGRESS AND PAYMENTS**

Loans and advances - considered good

- Executives	1,629	1,383
- Other employees	1,662	1,226
	-----	-----
	3,291	2,609

Less: Recoverable within one year - note 16

- Executives	749	883
- Other employees	615	454
	-----	-----
	1,364	1,337

Deposits

Prepayments	325	307
	326	161
	-----	-----
	2,578	1,740
	=====	=====

1996                      1995  
(Rupees in thousands)

**13.1 The above loans and advances comprise:**

- Outstanding for periods exceeding three years	36	46
---	----	----

- Others	1,891	1,226
	-----	-----
	1,927	1,272
	=====	=====

13.2 The loans and advances given to executives and employees represent transport loans and other advances repayable in 36 to 60 equal monthly instalments.

1996                      1995  
(Rupees in thousands)

**14. STORES AND SPARES**

Stores	29,306	28,794
Spares	25,491	218,131
	-----	-----
	54,797	50,625
	=====	=====

**15. TRADE DEBTS - Unsecured, considered good**

The amount due from an associated undertaking as at June 30, 1996 was Rs.62.457 million ( 1995: Rs. 51.012 million). The maximum amount outstanding at the end of any month during the year was Rs. 65.610 million (1995:Rs.51.012 million).

1996                      1995  
(Rupees in thousands)

**16. LOANS, ADVANCES AND PREPAYMENTS**

Loans and advances - note 13

- Executives	749	883
- Other employees	615	454
	-----	-----
	1,364	1,337

Short term prepayments	5,509	6,842
Advances to suppliers and others	1,138	781
	-----	-----
	8,011	8,960
	=====	=====

The maximum amount due from executives at the end of any month during the year was Rs. 1.629 million (1995: Rs. 0.903 million).

1996                      1995  
(Rupees in thousands)

**17. OTHER RECEIVABLE**

Profit/Interest on bank deposits	11,806	6,495
Octroi refundable	2,308	2,334
Exchange difference receivable from State Bank of Pakistan	40,204	24,340
Disinvestment expenses receivable from Government of Pakistan	-	4,810
Receivable from custom authorities	645	645
Royalty receivable	17,207	1,095

Workers' profits participation fund - note 17.1	777	-
Others	2,073	826
	-----	-----
	75,020	40,545
	=====	=====
<b>17.1 Workers' profits participation fund</b>		
Balance at the beginning of the year	(3,103 )	(479)
Interest on funds utilised in the Company's business	(110)	(26)
Allocation for the year/period	(4,723)	(3,624)
Amount paid to the Trustees of the Fund	8,713	1,026
	-----	-----
	777	(3,103)
	=====	=====
		(note 9)

**18. BANK AND CASH BALANCES**

Balance with banks		
Deposit accounts		
- local currency	403,433	525,727
- foreign currency	318,398	83,122
Current accounts		
- local currency	13,678	5,177
-foreign currency	1,945	4,247
Cash in hand	18	231
Balances in transit	119	48
	-----	-----
	737,591	618,552
	=====	=====

Twelve  
months  
ended  
June 30,  
1996

Six months  
ended  
June 30,  
1995

(Rupees in thousands)

**19. SALES (Including Internal Consumption)**

Gas sale to customers	3,960,454	1,982,279
Less: Excise Duty	646,771	349,792
Development surcharge	2,824,062	1,330,848
	-----	-----
	3,470,833	1,680,640
	-----	-----
	489,621	301,639
Internal consumption of gas	757	418

Less: Excise Duty	429	221
	-----	-----
	328	197
	-----	-----
	489,949	301,836
Less: Adjustment representing surplus payable to The President under the provisions of the Mari Gas Well Head Price Agreement	51,441	46,298
	-----	-----
	438,508	255,538
	=====	=====

**20. OTHER EXPENSES**

Salaries, wages and benefits	51,330	22,447
Contribution to - provident fund	1,459	8731
- gratuity fund	768	348
- pension fund	1,106	594
Provision for unfunded pension scheme	238	75
Rent, rates and taxes	2,457	877
Legal and professional services	578	102
Fuel, light, power and water	6,400	2,474
Maintenance and repairs	8,797	1,523
Insurance	3,645	1,754
Depreciation and amortisation	112,139	61,530
Security and other services	15,338	7,106
Travelling	4,559	1,705
Communications	4,147	2,106
Office supplies	3,605	1,191
Auditors' remuneration- note 20.1	406	297
Stores and spares consumed	6,523	2,338
Donations - note 20.2	285	200
Mobile dispensary	1,664	886
Reservoir Study	4,344	851
Seismic Survey	18,088	7,305
Compression Study	5,947	-
Miscellaneous	5,181	1,881
	-----	-----
	259,004	118,471
	=====	=====

Twelve months ended June 30, 1996  
Six months ended June 30, 1995  
(Rupees in thousands)

**20.1 Auditors' Remuneration**

Audit fee	100	100
Tax and advisory services, audit of funds and special reports	271	184
Out of pocket expenses	23	

Excise duty	12	10
	-----	-----
	406	297
	=====	=====

20.2 Donations do not include any amount paid to any person or organisation in which a director or his spouse had any interest.

	Twelve	Six months
	months	ended
	ended	ended
	June 30,	June 30,
	1996	1995
	(Rupees in thousands)	

**21. OTHER INCOME**

Profit/Interest on bank deposits	75,044	23,304
Profit on disposal of fixed assets	219	293
Liquidated damages from a customer	3,170	2,948
Miscellaneous	1,040	1,126
	-----	-----
	79,473	27,671
	=====	=====

**22. FINANCIAL CHARGES**

Interest on - long term loans	22,925	12,479
- workers' profits participation fund	110	26
Mark-up on redeemable capital	65,302	35,355
Exchange risk and commitment fee	21,353	11,799
Other charges	1,222	740
	-----	-----
	110,912	60,399
	=====	=====

**23. OTHER CHARGES**

Workers' profits participation fund	4,723	3,624
Workers' welfare fund	1,812	1,516
	-----	-----
	6,535	5,140
	=====	=====

	Twelve	Six months
	months	ended
	ended	ended
	June 30,	June 30,
	1996	1995
	(Rupees in thousands)	

**24. TAXATION**

'- Current year/period	31,962	9,914
- Prior year	(19,134)	-
	-----	-----
	12,828	9,914

=====

**25. CASH GENERATED FROM OPERATIONS**

Profit before taxation	87,922	67,347
Adjustment for non cash charges and other items:		
Depreciation and amortisation	112,13 9	61,530
Profit on disposal of fixed assets	(219)	(293)
Employees' retirement benefits	238	75
Deferred credits	3,343	(2,228)
Interest income	(75,044)	(23,304)
Financial charges	110,912	60,399
Working capital changes - note 25.1	( 130,612)	212,339
	-----	-----
	108,679	375,865

=====

**25.1 Working capital changes**

Decrease/(increase) in current assets		
Stores and spares	(4,172)	(1,163)
Trade debts	244,606	(76,535 )
Loans, advances and prepayments	949	771
Other receivable. (net)	(29,164)	(8,298)
	-----	-----
	212,219	(85,225)

=====

(Decrease)/increase in current liabilities

Accrued and other liabilities (net)	(342,831)	297,564
	-----	-----
	(130,612)	212,339

=====

**26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged in these accounts for the remuneration of Chief Executive, Director and Executives of the Company were as follows:

	1996			1995		
	Directors		Executives	Directors		Executives
	Chief Executive	Other		Chief Executive	Other	
Managerial remuneration	647	514	9,884	209	8	5,017
Company's contribution to provident fund	37	-	926	21	-	453
Housing and Utilities	599	291	4,536	214	5	2,364
Leave passage & others	105	128	3,727	49	2	1,672
	-----	-----	-----	-----	-----	-----
	1,388	933	19,073	493	15	9,506
	-----	-----	-----	-----	-----	-----

Number of persons,  
including those who  
worked part of the year

	1	1	50	1	1	50
	=====	=====	=====	=====	=====	=====

The above were provided with medical facilities and are eligible for retirement benefits for which Company makes contributions based on actuarial calculations to pension and gratuity funds. The chief executive, director and certain executives were provided with free use of car and household items and at Field site, Daharki, executive were also provided housing facilities as per Company policy.

In addition, aggregate amount charged in the accounts for fee to twelve directors was Rs. 23 thousand ( 1995: eight directors - Rs. 9 thousand).

**27. CAPACITY AND ACTUAL PRODUCTION**

Considering the nature of the Company's business, information regarding capacity has no relevance. The actual production for the year ended June 30, 1996 was 133 BSCF (Six months ended June 30, 1995:72 BSCF).

**28. TRANSACTIONS WITH ASSOCIATED UNDERTAKING**

Sale to an associated undertaking for the year ended June 30, 1996 amounted to Rs. 1,252.808 million (Six months ended June 30, 1995: Rs. 506.048 million).

**29. COMPARATIVE FIGURES**

The Company in 1995 changed its accounting year to end on June 30, instead of December 31, and as such the comparative figures are based on six months operation ended June 30, 1995 and have been re-arranged and re-classified wherever necessary for the purposes of comparison.

**Pattern of Shareholding as at June 30, 1996**

No. of shareholders	Shareholding				Total Shares Held
202	1	To	100		19,606
2,466	101	To	500		769,300
250	501	To	1,000		226,500
300	1,001	To	5,000		770,100
41	5,001	To	10,000		335,500
20	10,001	AND	ABOVE		18,878,994
-----					-----
3,279					21,000,000
=====					=====

**Categories of Shareholders as at June 30, 1996**

Categories of Shareholders	Number	Shares held	Percentage
Individuals	3,260	2,231,306	10.63
Investment Companies	4	159,900	0.76
Insurance Companies	3	48,600	0.23
Joint Stock Companies	1	800	0.00
Financial Institutions	4	1,723,300	8.21
Modaraba Companies	4	36,100	0.17
Committee of Administration-Fauji Foundation	1	8,399,994	40.00

Government of Pakistan	1	4,200,000	20.00
Oil & Gas Development Corporation	1	4,200,000	20.00
	-----	-----	-----
	3,279	21,000,000	100.00
	=====	=====	=====

**Ten Years at a glance**

(Rupees in Million)

	1995-96	Jun-95 (Six months)*	1994	1993	1992
<b>FINANCIAL</b>					
Revenue	3,909.77	1,936.40	3,489.26	2,634.36	1,447.70
Govt. Levies Tax, Workers' funds, royalty, excise duty and surcharge on gas	3,544.23	1,727.77	3,077.48	2,403.93	1,260.71
Net profit after taxation	75.09	57.43	120.43	49.16	50.59
Dividend	47.25	15.75	47.25	47.25	47.25
Issued, & paid up capital	210.00	210.00	210.00	210.00	210.00
<b>NATURAL GAS</b>					
Mining leases (SQ.MILES)	363.98	363.98	363.98	363.98	363.98
Ultimate recovery of proved reserves (BSCF)	6,300	6,300	6,300	6,300	6,300
Cumulative Production(BSCF)	1,627	1,494	1,422	1,282	1,152
No. of Producing Wells	59	59	59	59	47
Production(BSCF) - Daily Average (BSCF)	133 0.36	72 0.40	140 0.38	130 0.36	104 0.28

cont.

**Ten Years at a glance**

	1991	1990	1989	1988	1987
<b>FINANCIAL</b>					
Revenue	1,258.53	1,127.47	1,041.75	1,054.12	1,038.64



Govt. Levies Tax, Workers' funds, royalty, excise duty and surcharge on gas	1,069.94	967.68	854.62	879.38	864.08
Net profit after taxation	53.21	66.72	72.78	56.03	47.81
Dividend	47.25	47.25	47.25	47.25	47.25
Issued, & paid up capital	210.00	210.00	210.00	210.00	210.00
<b>NATURAL GAS</b>					
Mining leases (SQ.MILES)	363.98	363.98	339.32	339.32	339.32
Ultimate recovery of proved reserves (BSCF)	6,300	6,300	6,300	3,355	3,355
Cumulative Production(BSCF)	1,048	949	845	741	637
No. of Producing Wells	47	47	47	47	47
Production(BSCF) - Daily Average (BSCF)	99	104	104	104	103
	0.27	0.28	0.28	0.28	0.28

Since Accounting year has been changed from calendar year to fiscal year in 1995, the figures reflect for six months from January 01 to June 30, 1995