Pakistan Petroleum Limited

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P.O. Box 3942, Karachi-75530, Pakistan.
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visual communication

Annual Report 2008

Striving for Excellence

Pakistan Petroleum Limited

PPL – Striving for Excellence

In this era of rising demand and phenomenally high oil prices energy security is a must for economic progression of the country. At PPL, we are relentlessly striving to achieve just the same through hard work, innovation, application of latest technologies and above all dynamism. We are driven by a will to shape the future for generations to come.

At PPL we persevere to reach high standards of efficiency and achieve operational, technical and financial excellence, at the same time maintaining highest degree of ethical standards and fulfilling our social and environmental responsibilities all the way.

We have the ability and potential to meet challenges and achieve the desired results and create value. With clear vision and dynamic leadership, we are committed to meet the challenges of securing long-term production growth through accessing new areas and putting in place credible plans for future expansion and growth.

We at PPL are dedicated to produce environmentally clean product, create long-term value for all stakeholders, share best industry practices and achieve strong growth by focusing on the future.

We work today for a better tomorrow.

Contents

Vision

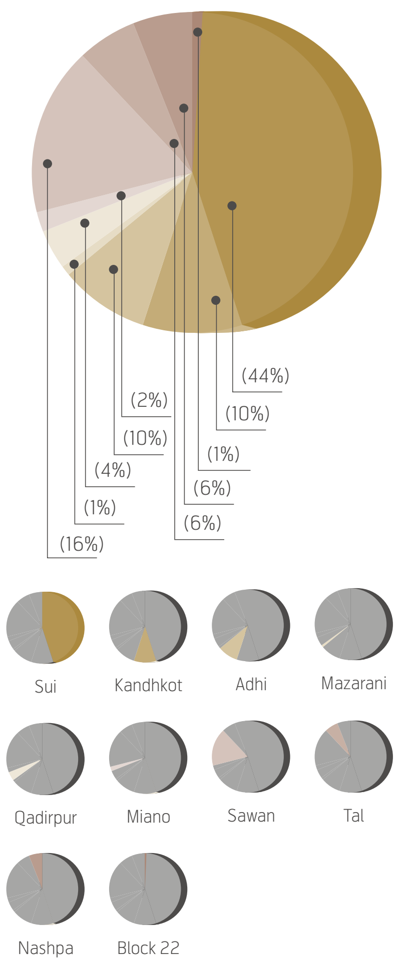
To maintain PPL's position as the premier producer of hydrocarbons in the country and at the same time make a strategic transition to become an international Company, exploiting oil and gas resources beyond the borders of Pakistan, resulting in value addition to shareholders' investment and to the nation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

Mission

To optimize hydrocarbon production and pursue an aggressive exploration program in the most efficient manner on the local as well as international horizons through a team of professionals utilizing the latest developments in the exploration and production technology and maintaining the highest standards of health, safety and environment protection.

Highlights of the Year

Fieldwise Net Sales Revenue 2007-08



- Sales Revenue of the Company increased by 19% to reach Rs 45.7 billion.
- Profit before Tax increased to Rs 30.4 billion representing 25% growth over last year.
- Profit after Tax of Rs 19.7 billion for the current year was all time high, up 18% from the previous year's profit.
- Highest ever cash dividend of 155% paid to the shareholders for the year 2007-08 together with declaration of 10% stock dividend.
- For the first time in the Company's history, two horizontal development wells were drilled and successfully completed as producers at Kandhkot field.
- Exploration well Mamikhel-1 at Tal Block was successfully completed as gas / condensate discovery.
- Appraisal well Mela-2 at Nashpa Block was successfully completed as producer and tied-in with EWT facilities.
- A contract for Front End Engineering Design to purify the Kandhkot gas of hydrogen sulphide was awarded to Clough Engineering and Integrated Solutions.
- EPCC Contracts were awarded for installation of Central Processing Facilities and construction of flow lines & gathering system for Manzalai-1 discovery at Tal Block.
- PPL was awarded Management Association of Pakistan's 25th Corporate Excellence Award in the Fuel and Energy sector in recognition of the best management and corporate practices.
- PPL was recognized as one of the top 25 listed companies for two consecutive years 2006 and 2007 by the Karachi Stock Exchange.
- For the third consecutive year, PPL was recognized as one of the top philanthropic contributors of the country by Pakistan Center for Philanthropy and ranked second for the year 2007.
- 'Best Corporate Report Award 2007' was received from the Joint Committee of ICAP and ICMAP for PPL's Annual Report for the year 2007 which was ranked 4th best in the Fuel and Energy sector.
- PPL also received "Annual Environmental Excellence Award" for 2008 organized by the National Forum for Environment & Health during the year.

Company Information

Board of Directors

Mr. M.A.K. Alizai - Chairman
Mr. Khalid Rahman - Chief Executive / Managing Director
Mr. S.R. Poonegar
Mr. Sajid Zahid
Mr. Shaukat Hayat Durrani
Mr. Pervaiz Kausar
Mr. Irshad Ahmed Kaleemi
Mrs. Roshan Khursheed Bharucha
Mr. Rashad Rudolf Kaldany (Alternate Mr. Nadeem Siddiqui)

Company Secretary

Mr. M. Yaqub, FCA

Auditors

M/s Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Registered Office

PIDC House, Dr. Ziauddin Ahmed Road, P.O. Box 3942,
Karachi-75530

Web Site

www.ppl.com.pk

Email Address

info@ppl.com.pk

Telephone & Fax

UAN: 111-568-568
Fax: 021-5680005 &
021-5682125

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank AL Habib Limited
Citibank N.A.
Deutsche Bank A.G.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland Limited (formerly ABN Amro Bank (Pakistan) Limited)
United Bank Limited

Shares Registrar

FAMCO Associates (Pvt.) Ltd.
(formerly Ferguson Associates (Pvt.) Ltd.)
4th Floor, State Life Building
No.2-A, I.I. Chundrigar Road,
Karachi-74000.

Telephone: 021-2422344
021-2467406
Fax: 021-2428310

Legal Advisors

Surridge & Beecheno

Objectives and Core Values

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

Business Conduct and Ethics

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

Salient Features of the Code for the Directors

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

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

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

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

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

Specific Guidelines for Employees

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

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

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

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

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

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

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

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

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

Profile of the Board of Directors

01	02	03	04	05

M.A.K. Alizai
Chairman

Mr. Alizai joined the PPL Board in April 1993 and is the Chairman of the Board since June 2003. He also chairs the Board Operations and Finance and the Human Resource Committees.

Mr. Alizai did his Masters in Economics from the Punjab University. He has over fifty five years of professional experience, out of which about twenty years were in Pakistan holding several senior positions in various spheres of the petroleum sector and the economy including Managing Director of Sui Northern Gas Pipelines Limited and the Chairman of West Pakistan Industrial Development Corporation. During this period, Mr. Alizai represented Pakistan on the Council of the International Gas Union for some 5 years from 1968 to 1972.

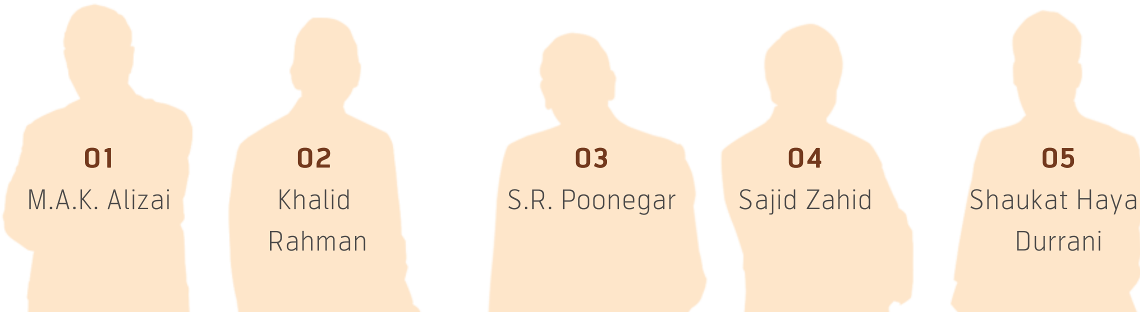
Mr. Alizai was a director of the Petroleum Institute of Pakistan (PIP) from 1967 to 1970 and its Chairman for 1971 and 1972. He was also a director of the Hydrocarbon Development Institute of Pakistan (HDIP) from 1970 to 1972.

Mr. Alizai joined the IFC in early 1973 and worked for the World Bank Group in various senior positions which included the Director of Eastern, Southern and Central African regions as well as Nigeria for over 12 years and the Director of Oil, Gas and Mining Department, with responsibility for IFC's investments in these sectors on a global basis for some five years. He also acted as Advisor to the Prime Minister on a special assignment for rejuvenating the petroleum sector and was instrumental in formulating the petroleum policies which legally went into effect on 1 October, 1993 and was adopted by the successor government in 1994. After his retirement from the World Bank Group at the end of 1996, he continued his affiliation with the IFC in the capacity of Senior Advisor which he relinquished in June 2003. Mr. Alizai also served on the parent Board of Premier Oil Plc, UK, for over 9 years from March 1997 until July 2006. Upon retiring from the Board, Premier have retained his services as Senior Advisor to the Chairman and the Board of Directors.

Mr. Alizai currently serves on the Board of TransAsia Refinery Limited.

Khalid Rahman
Chief Executive / Managing Director

Mr. Khalid Rahman took over as the Chief Executive and Managing Director of the Company effective 1 August, 2008. He is also a member of the Board Operations and Finance



Committee and Board Human Resource Committee.

Mr. Rahman joined PPL in 1992 and held various senior management positions in the Company. Prior to his appointment as MD and CEO, he held the position of Deputy Managing Director and oversaw the finance, human resources and corporate services functions. He was also a senior member of various high-level management committees.

A fellow member of the Institute of Chartered Accountants of England and Wales since 1982, Mr. Rahman brings rich and varied professional experience spanning 32 years in senior management positions in the oil and gas, banking and finance sectors, both locally and internationally.

Mr. Rahman is a regular speaker at various local and International Conferences / Seminars.

S.R. Poonegar
Director

Mr. Poonegar joined PPL Board in April 2002. He is also a Member of the Board Audit Committee.

Mr. Poonegar graduated in Development Economics from Syracuse University, USA. He is a retired civil servant and has held several high profile positions in the Government of Pakistan including Member Pakistan Public Service Commission, Secretary Ministry of Water and Power, Chief Secretary, Government of Balochistan and Director, Central Board of State Bank of Pakistan. In recognition of his contribution towards social development the Government of Netherlands awarded him Arasmus Medal.

Sajid Zahid
Director

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

Mr. Zahid is a Barister-at-Law from Lincoln's Inn, London. He is a practicing lawyer with over 34 years of experience in Corporate Laws, Banking and Finance on behalf of leading local and foreign organizations, which include leading companies in the oil and gas sector, has acted as Counsel in national and international arbitrations, contributed articles in leading international journals and presented papers at international conferences.

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

Shaukat Hayat Durrani
Director

Mr. Shaukat Hayat Durrani joined PPL Board in December 2004. He is also a Member of the Board Human Resource Committee.

Mr. Durrani is a Law graduate from the University of Punjab and joined District Management Group of civil service of Pakistan in 1977. He did post graduate diploma in Development Administration from the University of Birmingham, UK and Masters of Science in Defence & Strategic Studies from Quaid-e-Azam University, Islamabad during his Senior Level Management course at National Defence College, Islamabad. He also attended several training courses in Pakistan and abroad including Executive Leadership Development Training Program at JF Kennedy School of Government, Harvard University, USA and Finance for Non-Financial Directors at the Institute of Directors, London.

Presently, he is serving as Additional Secretary, Ministry of Petroleum & Natural Resources. He has an extensive experience of working in different capacities with the Provincial and the Federal Governments for the last 30 years and had held several key positions including Additional Secretary (Economy), Prime Minister's Secretariat; Joint Secretary in various wings of Ministry of Finance & Economic Affairs and Secretary National Finance Commission of Pakistan.

He is also a Director on the Boards of Pakistan State Oil Company Limited, Mari Gas Company Limited and Inter State Gas Systems (Pvt.) Limited.

Pervaiz Kausar
Director

Mr. Pervaiz Kausar joined PPL Board in November 2006. He is also a Member of the Board Audit Committee.

Mr. Pervaiz Kausar had his initial schooling at Cadet College Hasan Abdal and later took a degree in Civil Engineering from University of Engineering, Lahore. He joined Exxon Chemical (now Engro Chemical) in 1968 and had a long career with this company retiring in 2002. He held various positions in Marketing, Corporate and Manufacturing Divisions of the company and retired as Vice President Business Development. He was also elected to Engro Chemical Board and served as a Director till April 2003.

Profile of the Board of Directors

| 06 | 07 | 08 | 09 | 10 | 11

At present, he is Chairman, Intellectual Property Organization of Pakistan and a Member on the Board of Pakistan Council for Scientific and Industrial Research.

He was Chairman, Pakistan State Oil Company Limited from June 2003 to February 2008. He has also served as a Member of Privatization Commission of Pakistan.

He was Director on the Board of Oil & Gas Development Company Limited and chaired its Board Human Resource Committee.

He is a progressive farmer and is associated with various social welfare organizations.

Irshad Ahmed Kaleemi
Director

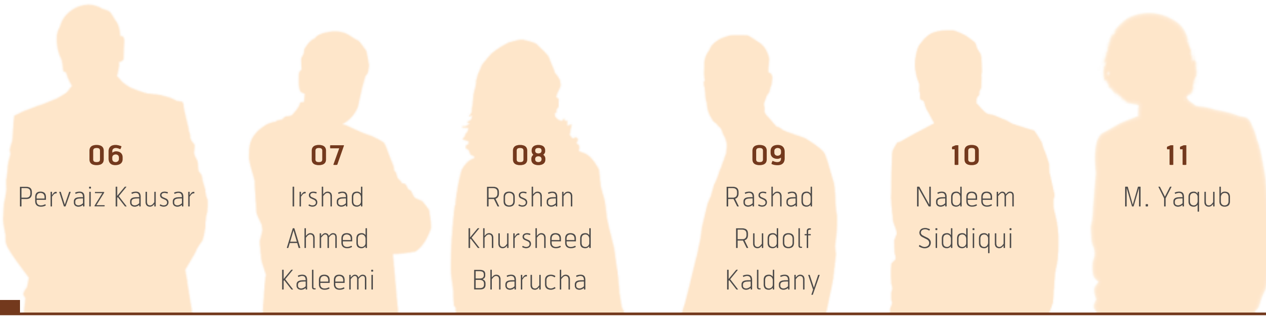
Mr. Irshad Ahmed Kaleemi joined PPL Board in February 2008. He is also a Member of the Board Operations & Finance Committee and Board Audit Committee.

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

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

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

He is also a Director on the Board of Oil & Gas Development Company Limited.



Roshan Khursheed Bharucha
Director

Mrs. Roshan Khursheed Bharucha joined PPL Board in October 2006. She is also a Member of the Board Human Resource Committee.

She holds a Master of Arts degree in English. She had been a Member of Senate from March 2003 to March 2006 and a provincial minister in the Balochistan Government from June, 2000 to December, 2002. She also had held the position of Chairperson, Senate Standing Committee on Health; Member, Senate Standing Committee on Education, Science and Technology; Member, Senate Standing Committee on Sports, Culture, Tourism and Youth Affairs and Member, Senate Functional Committee on Government Assurances.

Mrs. Roshan is a social worker and had extensively worked in the areas of rehabilitation of special children, eradication of child abuse and bonded labour practices, empowerment of women, strengthening women for self-employment and providing them legal protection against social discrimination, encouraging youth participation in sports and establishment of Information Technology culture in Balochistan. She had attended many International and National Conferences on various topics having social significance.

She had been awarded Human Rights Award by Pakistan Human Rights, Lahore Social Work Award by Tarraqi-e-Niswan, Balochistan, Girls Guide Award and commendation from Mayor of Dallas, USA in recognition of her social works.

Rashad Rudolf Kaldany
Director

Mr. Rashad Rudolf Kaldany joined PPL Board in September 2003. He is presently serving as Vice President for the Middle East & North Africa regions and the Global Infrastructure Cluster at International Finance Corporation (IFC).

Mr. Kaldany joined IFC in 1988 as an Investment Officer in the West Africa and Middle East Department and in 1990 was transferred to the Middle East and North Africa Department. From 1992 to 1994, he was Special Assistant to IFC's Executive Vice Presidents, Sir William Ryrie and Mr. Jannik Lindbaek. In 1994, he became Manager, Capital Markets Division of the Asia Department. In 1997, he was appointed Senior Manager, Office of the Vice President, Investment Operations.

Soon after that he was promoted to Director, South and Southeast Asia Department, based in New Delhi, India. Mr. Kaldany returned to headquarters in 2000 as the Director of Oil, Gas and Chemicals department, a joint department of IFC and the World Bank, which merged with the Mining Department in July 2002.

Mr. Kaldany received a Ph. D. from Columbia University and an MBA from Stanford University.

Nadeem Siddiqui
(Alternate to Mr. Rashad R. Kaldany)

Mr. Nadeem Siddiqui is presently serving as International Finance Corporation's (IFC's) Resident Representative for Pakistan.

Mr. Siddiqui joined IFC in 1996 and had held positions of Senior Investment Officer for Southern Europe and Central Asia Republics and Investment Officer for Central Asia and Pakistan. During 2001 to 2003 he also served as IFC appointed Director on the Board of NefteBank in Western Kazakhstan, which was set up to provide financing mainly to companies rendering services to International Oil Companies.

During 1984 to 1996 he worked with Oil and Gas Development Company Limited in various senior level positions with the responsibility for corporate planning.

Mr. Nadeem Siddiqui holds Master degrees in Business Administration from Daniels School of Business, University of Denver, USA and Mechanical Engineering from Moscow State University, Russia.

M. Yaqub
Company Secretary & Senior Manager Corporate Finance

Mr. M. Yaqub is a fellow member of the Institute of Chartered Accountants of Pakistan.

He joined PPL in 1982 and has extensive exposure in the areas of Corporate Finance, Oil and Gas Financial Management, Project and Risk Management, Joint Venture, Privatization, Secretarial and related functions.

He has held various important and responsible positions during his career progression in the Company and presently holds the position of Company Secretary and Senior Manager Corporate Finance.

Board Operations and Finance Committee

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

Board Operations and Finance Committee

Composition

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

Mr. M.A.K. Alizai-Chairman
Mr. Khalid Rahman-Member
Mr. Irshad Ahmed Kaleemi-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-ins and farm-outs 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 two times during the year with an average participation of 100% of its members.

Board Human Resource Committee

Board Human Resource Committee

Composition

The Board Human Resource Committee is composed of the following:

Mr. M.A.K. Alizai-Chairman
Mr. Khalid Rahman-Member
Mr. Shaukat Hayat Durrani-Member
Mrs. Roshan Khursheed Bharucha-Member

Terms of Reference

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

The Terms of Reference of the Board Human Resource Committee include review and 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 three times during the year with an average participation of 92% of its members.

Board Audit Committee

Board Audit Committee

Composition

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

Mr. Sajid Zahid-Chairman
Mr. S.R. Poonegar-Member
Mr. Pervaiz Kausar-Member
Mr. Irshad Ahmed Kaleemi-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 auditors 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 85% of its members.

Management Team

Executive Committee

This Committee comprises of the Chief Executive / Managing Director, Deputy Managing Director and the Functional Heads.

Chairman

- Mr. Khalid Rahman

Members

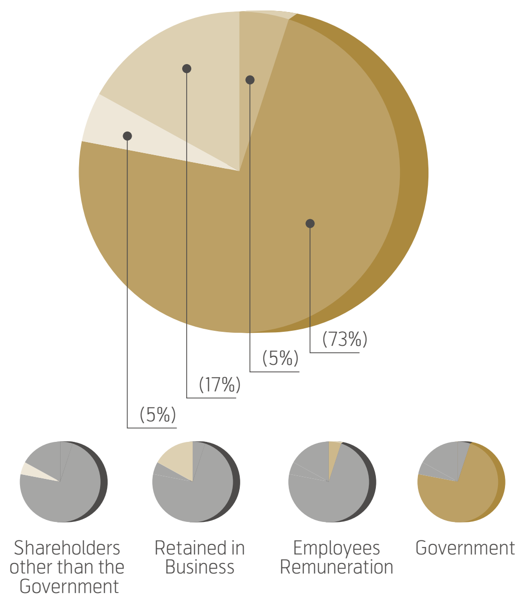
- Mr. Asim Murtaza Khan - Deputy Managing Director
- Mr. Anwar Moghal - General Manager Exploration
- Mr. Fasih-uz-Zaman - General Manager Projects & Technical Services
- Mr. S. Mohammad Khaledin - Acting General Manager Corporate Services and Senior Manager Internal Audit
- Mr. Kamran Wahab Khan - Acting Chief Financial Officer and Senior Manager Finance
- Mr. M. Yaqub - Company Secretary and Senior Manager Corporate Finance
- Mr. Masroor Ahmed - Senior Manager Human Resources

The Committee is vested with the responsibility of reviewing all the operational aspects of the organization, advising improvements to operational policies and procedures and monitoring the implementation of the same.

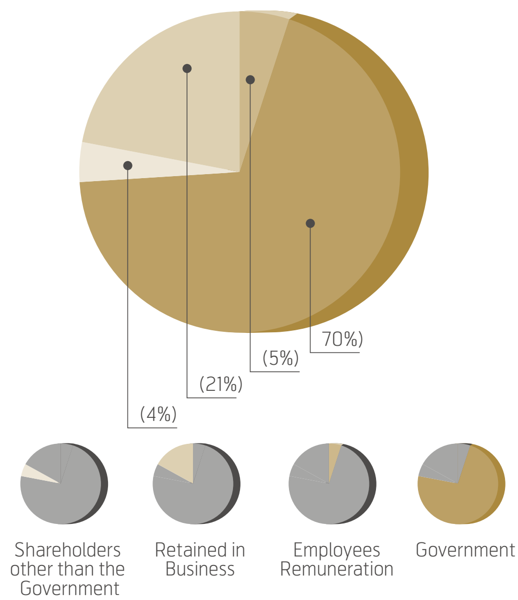
In line with the Company's commitment to achieve and enhance Operational Excellence in all spheres, the Executive Committee is a forum where Operational Excellence pursuits are devised, discussed and engineered into action.

Statement of Value Addition

Distribution of Value Added FY 2007-08



Distribution of Value Added FY 2006-07



	2007-08 Rs million	%	2006-07 Rs million	%
Gross Revenue (including Gas Development Surcharge (GDS), Excise Duty and Sales Tax)	57,885	105	51,080	106
Less: Operating and Exploration Expenses	(5,666)	(10)	(5,196)	(11)
	52,219	95	45,884	95
Add: Income from Investment	2,591	4	2,284	5
Other Income	501	1	181	*
Less: Other Expenses	(8)	*	(3)	*
Total Value Added	55,303	100	48,346	100

DISTRIBUTED AS FOLLOWS:

	2007-08 Rs million	%	2006-07 Rs million	%
Employees Remuneration	2,866	5	2,403	5
Government as:				
Company Taxation	10,739	19	7,589	16
Levies (including GDS, Excise Duty and Sales Tax)	12,168	22	12,697	26
Royalty	5,516	10	4,577	10
Workers' Funds	2,077	4	2,597	5
Dividend **	9,167	17	5,914	12
Bonus Shares **	591	1	538	1
	40,258	73	33,912	70
To Shareholders other than the Government as:				
Dividend **	2,526	5	1,630	4
Bonus Shares **	164	*	148	*
	2,690	5	1,778	4
Retained in Business:				
Depreciation	1,350	2	1,363	3
Amortization	812	2	303	*
Net Earnings	7,260	13	8,538	18
	9,422	17	10,204	21
Financial Charges	67	*	49	*
Total	55,303	100	48,346	100

* Negligible

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

Chairman's Message

M.A.K. Alizai
CHAIRMAN

The record sales and continuously improving earnings per share over the years is reflective of the sound business management policies pursued by the Company which are reliable, responsive and more rewarding to investors.

Today, as never before, our world is faced with the daunting challenge of discovering new hydrocarbon reserves and optimizing production from the existing ones. Soaring oil prices, which recently crossed US$ 140 a barrel have intensified and further fueled the competition among the Exploration & Production companies. Major E&P companies are expanding their businesses to harness hydrocarbons even in the most hostile environments. This has resulted in an exponential rise in the exploration and development costs. While the risk has remained the same or increased somewhat, the unprecedentedly high finding costs have multiplied the challenge.

To cope with these highly competitive market trends and sharply rising oil prices, PPL is endeavoring to revamp its strategic planning processes and adopt a multipronged business strategy of evaluating existing open areas in Pakistan, evaluating blocks applied by other companies, carving new exploration licenses in relatively less explored frontier areas of Pakistan, venturing into international exploration, albeit cautiously and on a selective basis and participating in the upcoming bid rounds internationally as well as in Pakistan. The acquisition of discovered reserves, use of latest technology for production optimiza -tion from existing discoveries and fields and diversification into other energy related business ventures are some of the other options available for the Company.

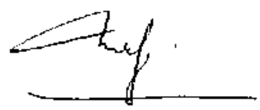
Operational excellence is being actively pursued through a variety of measures including Quality Management System certification of production facilities, optimization of production from existing reservoirs and fast track development of discoveries which will add to Company's growth momentum.

The record sales and continuously improving earnings per share over the years is reflective of the sound business management policies pursued by the Company which are reliable, responsive and more rewarding to investors. The Company's performance during the year has been impressive and the value addition was shared with the shareholders in the form of an all time high cash dividend of 155% and stock dividend of another 10%.

Looking forward, in view of the uncertain global outlook, the coming days would be rather more challenging. The uncompromising commitment to excellence and quality is the main driving force with which the Company expects to steer itself forward to meet the future challenges of reliable, sustainable and secured energy supplies. I am confident that under the leadership of Mr. Khalid Rahman who has taken over as the Company's new Managing Director effective 1 August, 2008, the Company would move forward at an accelerated pace reaching new heights of excellence.

I would also like to express my sincere appreciation of the long and dedicated service and significant contributions of Mr. S. Munsif Raza, the outgoing Managing Director, whose dedication and efforts assisted the Company kick start its dormant exploration programme and helped the organization to the forefront of modern management best practices.

Finally, my deepest appreciation goes to Company's employees whose unmatched professiona-lism, creativity, devotion, and collaborative spirit has made possible for the Company to come along this far and would be a crucial factor for successful endeavors in future.



(M.A.K. ALIZAI)
CHAIRMAN

Karachi

6 August, 2008

Managing Director's Outlook

KHALID RAHMAN
CHIEF EXECUTIVE/
MANAGING DIRECTOR

As a newly appointed Managing Director of the Company it gives me profound pleasure to share with you my views about the Company's operations, challenges, strategy and the future outlook.

PPL is playing a vital role in meeting the country's energy requirements since the early decades of 50s' and has successfully established itself as a reliable partner in providing clean and safe energy from indigenous sources. In the recent past the Company has also successfully gained a foothold in exploration beyond the national borders in an effort to strategically transit itself into an international E&P company. The current year's impressive performance with record profit after tax of Rs 19.7 billion translating into an all time high earnings per share of Rs 26.12 has further strengthened the Company's position.

However going forward, I see numerous challenges ahead which demand dedicated efforts of mammoth proportion in order to transform the Company into a top class E&P company. Due to soaring oil prices and unprecedented acceleration in the exploration activities worldwide the operating environment is expected to remain intensely competitive for the Company.

Extensive efforts are required to revamp the Company's core activity i.e. exploration, the pace of which had remained slow in the past due to security and tribo-political situation. This is all the more necessary in order to give a major boost to the Company's reserve replenishment ratio. Recent new discoveries need to be developed on fast track and put on stream quickly to offset the decline in production from the Company's mature fields. Appropriate measures also need to be taken to ensure production optimization from existing producing fields. This is a gigantic task and requires unfaltering resolve, clear and innovative thinking, preemptive approach, strategic alliances, effective action plans and timely resource mobilization.

With this objective in view, all possible growth options and business expansion opportunities are being revisited and steps are being taken to formulate a robust and competitive Corporate Strategy exploiting Company's key strength and core competencies.

Efforts are continuing to evaluate different avenues for acquisition of exploration areas locally and beyond the national border. All possible opportunities are being pursued aggressively to further strengthen the exploration portfolio through application for new exploration licences, participation in bidding rounds as well as farm-in / swap arrangements with other E&P companies. The efforts are expected to add more local and international areas to Company's exploration portfolio in addition to 22 exploration blocks held locally and one concession held in Yemen where Production Sharing Agreement has recently been signed with the Government of Yemen.

The focus remains to create value for stakeholders through aggressive exploration and development efforts, application of advanced technology, introduction of innovative methods, adherence to quality, highest professional standards, excellence in all spheres of activities and compliance with health, safety and environmental standards.

We remain committed to the good corporate governance, protection of the environment, safety of our employees and contribution to the society as a good corporate citizen.

In the end, I would like to put on record my sincere appreciation to the Company's employees whose commitment, dedication, perseverance and steadfastness through all these years have played an important role in the Company's success and will continue to be a vital factor in meeting the challenges ahead.

(KHALID RAHMAN)
CHIEF EXECUTIVE/
MANAGING DIRECTOR

Karachi
6 August, 2008

Global Compact

WE SUPPORT

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

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

PPL fully supports the Ten Principles of Global Compact which are:

Human Rights

Principle 1:

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

Principle 2:

Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3:

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

Principle 4:

Elimination of all forms of forced and compulsory labour;

The main goal of the charter is to disseminate the practice of ten basic principles encompassing protection of Human Rights, elimination of all forms of discrimination of employment and occupation, promotion of greater environmental responsibility, elimination of all forms of unethical practices and promotion of transparency in all spheres of activities.

Principle 5:

Effective abolition of child labour; and

Principle 6:

Elimination of discrimination in respect of employment and occupation.

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Principle 8:

Undertake initiatives to promote greater environmental responsibility; and

Principle 9:

Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10:

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

PPL respects the dignity and rights of its human resource and as a policy provides equal opportunities for employment and discourages all forms of employee discrimination. The Company believes in the freedom of opinion and expression of the stakeholders. An effective policy exists in the Company for handling staff grievances, if any.

The Company has zero tolerance to all forms of corrupt practices including bribery, extortion and other forms of corruption.

The Company works towards minimizing the adverse effects of operations on environment and believes in doing business in an environmental friendly and socially acceptable manner.

The ethical commitments and values are embedded in Company's Code of Business Conduct, the compliance of which is mandatory for all employees.

Directors' Report

The sales revenue of the Company increased to **Rs 45.7 billion**, an increase of 19% over the previous year. The profit after tax of **Rs 19.7 billion** earned by the Company for the year was **all time high**, up 18% from the previous year's profit.

Your directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended 30 June, 2008 together with the Auditors' Report thereon.

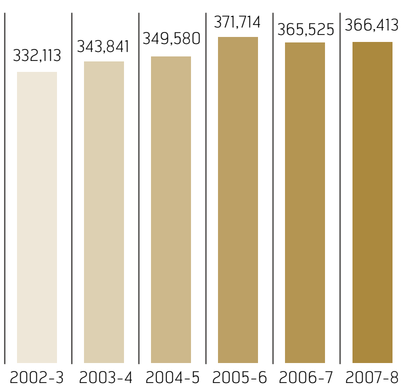
Profit and Appropriations

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

	2007-08 Rs million	2006-07 Rs million
Profit before Taxation	30,446.555	24,356.770
Taxation	10,739.157	7,588.996
Profit after Taxation	19,707.398	16,767.774
Unappropriated profit as at 1 July, 2007/2006	26,168.486	19,258.982
	45,875.884	36,026.756
Appropriations during the year:		
• Final dividend for the year 2006-07 on Ordinary shares @ 65% (2005-06: 55%)	4,457.849	3,772.023
• Transfer to Insurance Reserve	1,000.000	1,000.000
• Transfer to Assets Acquisition Reserve	2,000.000	2,000.000
• Issuance of Bonus shares	685.824	-
• Interim dividend for the year 2007-08 on Ordinary and Convertible Preference shares @ 50% (2006-07: 45%) and 30% (2006-07: 30%), respectively	3,772.071	3,086.247
• Second interim dividend for the year 2007-08 on Ordinary shares @ 105% (2006-07: nil)	7,921.258	-
Balance as at 30 June, 2008/2007	26,038.882	26,168.486
Subsequent Effects:		
The Board of Directors of the Company in their meeting held on 6 August, 2008 have proposed the following:		
• Transfer to Insurance Reserve	1,500.000	1,000.000
• Transfer to Assets Acquisition Reserve	3,000.000	2,000.000
• Final dividend on Ordinary shares @ nil (2006-07: Ordinary shares 65%)	-	4,457.849
• Issue of Bonus shares in proportion of 1 ordinary share for every 10 ordinary shares held i.e. 10% (2006-07: 10%)	754.406	685.824
	5,254.406	8,143.673

Directors' Report

Natural Gas Prodcution (Million cubic feet)
(PPL's share)



It is indeed a pleasure to share with you the results of yet another year of the Company's impressive performance providing a fresh impetus to its future ambitious plans. During the year the Company successfully exploited the profitable business opportunities and capitalized on successes of the past years.

Company's sales and profitability continued to register rising trends. The sales revenue of the Company increased to Rs 45.7 billion, an increase of 19% over the previous year. The profit after tax of Rs 19.7 billion earned by the Company for the year was all time high, up 18% from the previous year's profit. The increased profitability was mainly due to high international oil prices, increase in production from Kandhkot, Adhi, Qadirpur, Sawan and Tal fields which more than offset the decline in production of gas from Sui, Mazarani and Miano fields and commencement of production of gas and crude oil from Mela-1 and Mela-2 wells in Nashpa Block. The earnings per share of the Company stood at Rs 26.12 up from Rs 22.23 in 2006-07.

The field expenditure increased by 15% mainly due to extensive exploration activities carried out by the Company during the year which included acquisition of 2D seismic data in Umarkot, Rajar, Mithi, Kirthar and Block-22, acquisition of 3D seismic data in Latif, Gambat and Offshore Indus C, geological fieldwork at Tal, Bahawalpur East and Offshore Indus N, drilling of Dinan Shah well in South West Miano II Block, Kahi well in Tal Block and offshore well Anne X-1 in Indus E Block.

Other operating income rose to an impressive Rs 3.0 billion, an increase of 26% over the last year, mainly due to effective fund management policy followed by the Company in managing its liquidity.

Cash Flow Strategy

During the year an amount of Rs 21.6 billion was generated from operating activities of the Company which was spent mainly for meeting expenditures on capital projects, operational requirements, payment of dividends to the shareholders and investments (short and long-term). At the end of the year the Company had a liquid fund position comprising of cash / bank balances and short-term investments amounting to Rs 22.1 billion. The Company is comfortably placed to meet its existing short-term and long-term commitments and financing requirements of future exploration and development expansion plans.

Dividends and Bonus Issue

The Company has paid a second interim dividend of 105% (2006-07: nil) on ordinary shares in June, 2008 in addition to the 1st interim dividend of 50% (2006-07: 45%)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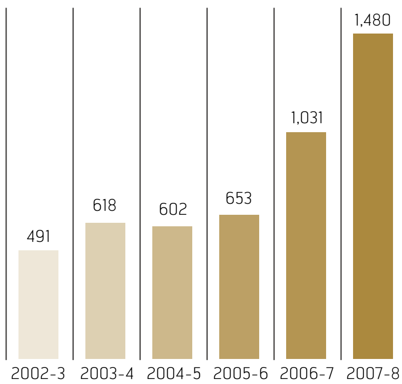
Directors' Report

Crude Oil / NGL/ Condensate Production
(Thousand barrels)
(PPL's share)



on ordinary shares and 30% (2006-07: 30%) on convertible preference shares paid to the shareholders in March 2008. This makes the total cash dividend payout to the ordinary shareholders during the year to 155% (2006-07: 110%) which is the highest ever annual dividend paid to the ordinary shareholders. In addition, the Directors have recommended issue of bonus shares to the ordinary shareholders in the proportion of 1 share for every 10 ordinary shares held i.e. 10% (2006-07 : 10%) by capitalization of free reserves of the Company.

Operations and Significant Events

PPL is the pioneer natural gas producer in the country and has been playing a crucial role in augmentation of indigenous hydrocarbon resources since 1955. Presently PPL contributes around 25% of the country's total natural gas production. PPL continues to strive to maximize its hydrocarbon reserves and optimize production in order to maintain its position as the premier exploration and production company in the country.

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

Discoveries and Extended Well Tests (EWTs)

Activities continued during the year to appraise the recent discoveries through EWTs to enable early production and facilitate fast track development.

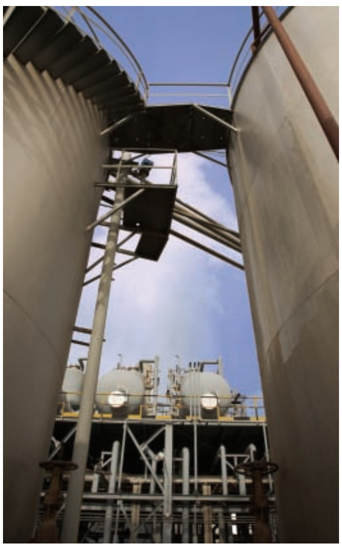
In Tal Block, so far three commercial discoveries namely Manzalai, Makori and Mamikhel have been made. Full field development of Manzalai discovery is in progress which is expected to be completed by April 2009. Evaluation of Makori discovery through EWT of the exploratory well, Makori-1 is in progress. The third discovery well in Tal Block, Mamikhel-1 is planned to be evaluated by conducting EWT and the production is expected to commence by July 2009.

Preparation is underway for EWT of exploratory well Adam X-1 at PPL operated Hala Block to determine the long-term production potential and size of the discovery. EWT of the exploratory well, Mela-1 in Nashpa Block is in progress while the appraisal well Mela-2 has been put on early production. Recent discoveries made in Latif and Gambat Blocks are also planned to be brought on stream and evaluated by carrying out EWT of the exploratory wells.

All efforts are directed towards early commencement of production from these discoveries which will further augment country's oil and gas supplies from indigenous resources.

Kandhkot Field Gas Compression Station

The EPCC work on Kandhkot Field



Gas Compression Station (KFGCS) project is progressing satisfactorily.

This facility is required to maintain contractual delivery pressure of the sales gas and maximize reservoir recovery. Project completion is expected by third quarter of 2009.

Qadirpur Capacity Enhancement Project

A capacity enhancement project is in progress at Qadirpur field to increase sales gas from 500 to 600 MMscfd considering existing reservoir potential and demand for additional gas from the field. In addition to the existing two Permeate Compressors, two new compressors are being procured to handle the additional gas which would become available after the completion of capacity enhancement project.

Performance during the year

Management is committed to maintain the quality and quantity of gas supply on long-term basis without compromising on safety. Major activities are also in hand to ensure sustainability of field operations.

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 non-operated joint ventures:

	2007-08	2006-07
Natural gas (Million cubic feet)	366,413	365,525
Crude oil / NGL/ Condensate (Thousand barrels)	1,480	1,031
LPG (Tonnes)	17,964	14,220

The production during the period under review, including share from joint ventures, averaged at 1,001 MMscfd of gas, 4,043 bpd of oil / NGL / condensate and 49 tonnes of LPG per day.

PPL Operated Producing Fields

Sui Gas Field (100% PPL)

The Sui Gas Field still remains an important source of gas supply meeting a substantial part of gas demand of the country. Gas supply from the field remained satisfactory during the year. The volume of gas sales during the year from the field was 202,771 million cubic feet as against 207,746 million cubic feet in 2006-2007.

With a view to boost the declining wellhead pressure and optimize future gas recovery of SUL reservoir, second stage High Pressure (HP) casing has been installed on all three SUL compressors.

Major works for revamping / upgradation of instrumentation and controls for boilers and banks have been completed to improve the reliability of operations of Sui Gas Purification Plant.

Kandhkot Gas Field (100% PPL)

Gas from the Kandhkot Field is supplied mainly to WAPDA's Guddu Thermal Power Station and SNGPL. A nominal quantity is also supplied to SSGCL for Kandhkot Town. The volume of gas sales from Kandhkot field during the year was 52,594 million cubic feet as against 48,370 million cubic feet in 2006-07.

Two wells Kdt-26 (M) and Kdt-27 (U) were completed during the year as horizontal wells providing gas from Sui Main Lime Stone reservoir and Sui Upper Lime Stone reservoir respectively.

In order to maintain contractual delivery pressure of the sales gas and maximize reserves recovery, PPL believes in carrying out operations in an environment friendly and socially responsible manner adhering to the highest standards of health and safety.

the EPCC work for Kandhkot Field Gas Compression Station (KFGCS) project, which started in early 2007, is progressing satisfactorily. Detailed engineering work has been completed. The Station is scheduled for commissioning by third quarter of 2009.

The Front End Engineering and Design (FEED) work has been initiated to purify the Kandhkot gas of hydrogen sulphide and CO_2. Contract for the FEED study has been awarded to Clough Engineering and is expected to be completed by end 2008.

A new 130 MMscfd Standby Dehydration Unit (SDHU) is planned to be installed to increase the reliability of the existing production facility.

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

The current year's sale from Adhi Field as compared to the previous year is as follows:

	2007-08	2006-07
Natural gas (Million cubic feet)	14,046	11,547
NGL /Crude oil (Thousand barrels)	1,835	1,753
LPG (Tonnes)	46,211	36,358

Deliverability of Adhi well 18 (T/K) was enhanced by almost threefold consequent to hydraulic fracture treatment carried out successfully in the previous year. As part of optimization of production capacity it is planned to carry out hydraulic fracture treatment of two more wells (Adhi-12 (T/K) and Adhi-14 (T/K)). A feasibility study is also in progress to further enhance the production capacity of the field.

As a long-term strategy, reservoir studies are in progress to evaluate the potential for further increase in production from the field.

For meeting National Environmental Quality Standards (NEQS) at Adhi LPG/NGL Plant, a Waste Water Evaporator (WWE) has been installed and commissioned in October 2007 to evaporate the water and remove any oil and contaminants.

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

The total volume of gas sold from Mazarani to SSGCL during the financial year was 3,907 million cubic feet as compared to 4,072 million cubic feet during 2006-07.

Mazarani facilities comprise of Gas Processing Plant and a 75 km gas transmission pipeline for injection of Mazarani gas into SSGCL's Indus Right Bank Pipeline. The current production is around 11 MMscfd gas and 60 barrels of condensate.

The required plant feed is provided from two wells. In order to maintain gas feed at optimum level, a standby well Mazarani-4(L) was drilled and completed in October 2007. Workover of Mazarani-3(L) was also carried out in March 2008 to rectify the annulus leakage problem.

Partner Operated Producing Fields

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

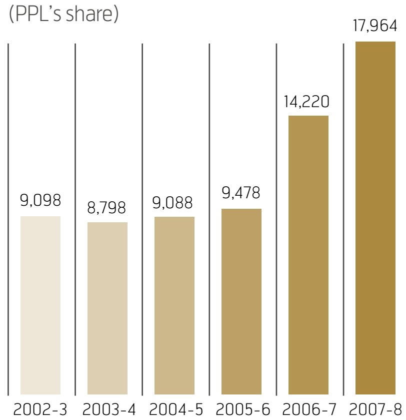
The total volume of gas sold from Block-22 for the year was 5,188 million cubic feet as compared to 5,399 million cubic feet in 2006-07.

Block-22 is currently producing around 15 MMscfd gas from four wells, namely Hasan X-1, Sadiq X-1, Khanpur X-1 and Hasan-2. However, production from the field has declined due to water incursion from Hasan-2 and Sadiq X-1.

In order to maintain production from Hasan-2 and enhance reservoir recovery, Hasan-3 and Khanpur-2 have been drilled and completed during the year. It is planned to drill another well (Sadiq-2) in first quarter of 2008-09.

Directors' Report

LPG Production
(Tonnes)
(PPL's share)



Based on FEED Study compression facilities to maintain contractual sales gas pressure are planned to be installed by 2009-10.

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

The total volume of gas sold from Sawan for the year was 136,418 million cubic feet as compared to 129,761 million cubic feet in 2006-07.

Sawan field is producing about 415 MMscfd with sales of around 370 MMscfd gas to northern and southern parts of the country with SNGPL taking around 250 MMscfd and SSGCL 120 MMscfd. Although plant throughput was gradually increased to 450 MMscfd with peak gas sales of 405 MMscfd attained in August 2007, however, due to lower deliverability of wells, the sale is presently averaging at around 370 MMscfd.

To meet the gas sales demand, Sawan-11 was tied-in and commenced production in April 2008. The well is currently producing 20 MMscfd gas. In order to increase reservoir utilization ratio, Sawan-13 was drilled during 2007-08.

As per field development plan, a Compression Facility is planned to be commissioned during 2009-10 for which EPCC Contract has been awarded to M/s ABB in October 2007.

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

The Miano field gas is being processed jointly with Kadanwari field gas at Kadanwari Plant. The field is currently supplying gas to SSGCL from five wells. During the year the total volume of gas sales from the field was 31,554 million cubic feet as compared to 44,041 million cubic feet in the previous year.

The well Miano-11 was drilled and completed in December 2007 and producing 20 MMscfd gas. Workover of Miano-7 well was carried out and completed during August 2007. Miano-2 side track was completed in April 2008. The well has been tested and the tie-in work is in progress.

As part of field development, Conceptual Selection and FEED study for Gas Compression Project commenced in 1st quarter of 2007-08, however in view of faster declining trend of Miano field it has been planned to install wellhead compression at individual wells in phases. Contract for procurement and supply of equipment has been awarded for installation at two wells in first phase. In second phase well head compression would be installed at other wells.

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

The total volume of gas sales during the financial year was 192,486 million cubic feet (including 15,765 million cubic feet of dehydrated/ raw gas) as compared to 182,260 million cubic feet (including 12,066 million cubic feet of dehydrated/ raw gas) in 2006-07.

Qadirpur is the second largest gas field in the country with recoverable reserves of about 4.2 Tcf gas. Existing membrane based Gas Processing Facilities have an installed capacity of 500 MMscfd sales gas. Considering additional reservoir potential and demand, a capacity enhancement project is in progress to increase sales gas from 500 to 600 MMscfd. Contract for supply and installation of two Permeate Compressors to handle the additional gas is planned to be commissioned by June 2009.

In order to maintain long-term sales gas supply at contractual delivery pressures, Gas Compression Facilities were planned to be installed by 2008-09. EPCC contract for the project was executed with M/s China Petroleum Engineering Construction Corporation (CPECC) in November 2006. However the award of contract is under litigation since December 2006. As an alternate plan a Feasibility study for installation of wellhead compression facilities has been initiated to mitigate the delay.

The Government has allocated 75 MMscfd of Qadirpur Plant Permeate Gas to SNGPL for sale to independent power generation project (Engro Power). Detailed engineering for the concept is in progress.

The exploration well Qadirpur Deep X-1 was drilled to a total depth of 4,694 metre in Chiltan Limestone (Jurassic). Based on encouraging results potential reservoir intervals were identified for testing. However, due to non-availability of high pressure and temperature testing equipment the well was temporarily suspended in March 2007. Testing is now envisaged in August 2008.

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:

	2007-08	2006-07
Natural Gas (Million cubic feet)	22,184	22,164
Condensate (Thousand barrels)	900	638
Crude oil (Thousand barrels)	3	30

Manzalai Discovery

After the successful completion of EWT of Manzalai-1 discovery, full field development is in progress. So far five wells (1 exploratory, 1 appraisal and 3 development) have been drilled and drilling of the fourth development well is in progress. Contracts for the EPCC work for Central Processing Facilities (CPF) and construction of flow lines & gathering system have been awarded. Work for installation of 300 MMscfd capacity Gas Processing Facility and well flow lines & gathering system is in progress and is expected to be completed by April 2009.

Makori Discovery

EWT for evaluation of Makori-1 discovery is in progress. The well is currently producing 29 MMscfd gas and 2,100 bpd condensate. Drilling of appraisal well Makori-2 is in progress. In order to get early production from Makori-2 and to acquire further dynamic data of Makori discovery, it is planned to put the well on production by July 2009. The well is expected to add about 40 MMscfd of gas, 2,250 bpd of condensate and 1,000 bpd of oil. The produced gas will be processed at Manzalai CPF.

Mamikhel Discovery

Exploratory well Mamikhel-1 was successfully side tracked and tested gas / condensate. In order to get early production from the well and to acquire dynamic data for this 3rd discovery in Tal Block, it is planned to put the well on

It is the firm belief of the Company that induction and retention of key human resource having core competencies is essential to support its aggressive exploration and development strategy and achieve corporate objectives.

production by connecting it with Manzalai CPF. Completion of the tie-in project is envisaged by July 2009. The well is expected to contribute about 21 MMscfd of gas and 1,500 bpd of condensate.

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

Sustained deliverability of the discovery well, Mela-1 is being evaluated through EWT for which independent gas processing facility including crude separation and storage facilities have been installed and a 14 km well flowline constructed. Consequent to encouraging test results, appraisal well, Mela-2 was completed as producer and tied-in with EWT facilities. Current production from Mela-1 and Mela-2 is about 7,500 bpd oil and 18.5 MMscfd gas.

Exploration Activities

The Company is pursuing available exploration opportunities aggressively and has been successful in substantially expanding its exploration portfolio during the last few years. Presently the Company holds working interest in 23 exploration licences (7 PPL operated blocks and 16 partner operated including 3 offshore blocks in Pakistan and 1 exploration block in Yemen).

Efforts are continuing to further expand the portfolio. The evaluation of open areas within the country including those areas where applications have been submitted by other companies is continuing to achieve this objective. The evaluation of open areas resulted in delineation of seven medium to high risk areas namely Kharan, Kharan West, Palantak, Zhob, Sirani, Sukhpur and Naushahro Feroze, for which Exploration Licence (EL) applications have been submitted. In addition, the Company is also negotiating farm-in opportunities with other E&P companies.

PPL Operated Blocks

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

Exploration well Adam X-1 drilled in Lower Goru Formation resulted in gas / condensate discovery from Lower Goru Upper and Basal Sands. Options are being finalized for carrying out Extended Well Test of the discovery. Government has granted one year extension in 3rd licence year with effect from 11 September, 2007 for evaluation of the remaining potential of the block.

Petrographic and geochemical analysis of ditch cutting samples of Adam X-1 have been completed, whereas, acquisition of 85 square km 3D and 45 line km 2D seismic data is in progress to delineate the lead identified in the western part of the block.

Block 2568-15 (Tajpur) (PPL share 100%)

No economically viable lead could be identified even after special processing of 3D seismic data. Therefore the Government has been requested to allow relinquishment of the block.

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

Efforts continued for drilling of exploration well Tangna Pusht-1 in Dadhar block and modalities are being finalized to firm up a drilling rig to spud the well in February 2009.

Possession of land for the access road / well site has been obtained and options for carrying out the construction of access road and well site are being explored. Contractors are also being pursued for miscellaneous drilling services.

The Government has been requested for one year adjustment in 3rd licence year from 1 July, 2008 due to security reasons.

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

Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage is in progress. Efforts are being made to conduct the planned 60 line km 2D seismic survey as soon as security arrangements are finalised and BGP crew become available.

The Government has been requested for 15 months adjustment in 2nd licence year from 1 April, 2008 due to security reasons.

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

Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage is in progress. Acquisition of 160 line km 2D seismic data in Khuzdar Block is planned back to back after Barkhan and Baska blocks seismic surveys. Contractor for microseep is being finalized and survey will commence as soon as security clearance is issued by the Government.

The Government has been requested for 15 months adjustment in 3rd licence year from 8 March, 2008 due to security reasons.

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

Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage is in progress. Efforts are being made to conduct the planned gravity / magnetic survey in the block. Contractor BGP has advised availability of its crew and mobilization on short notice subject to smooth seismic operations in Barkhan block.

The Government has been requested for 9 months adjustment in 2nd licence year from 22 March, 2008 due to security reasons.

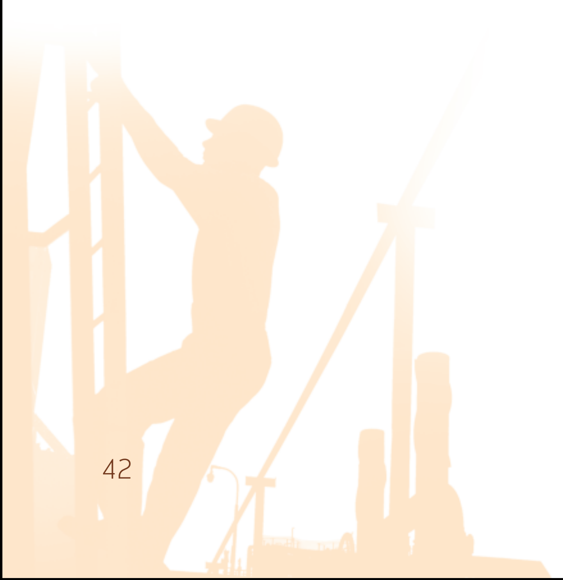
PPL's 30% working interest in the block has been transferred to OMV with effect from 3 July, 2008.

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

As a result of concerted efforts, security clearance for the planned 300 line km 2D seismic survey was received from the Government and advance party of the contractor has been mobilized to Barkhan area. Construction of seismic base camp has been successfully completed and Geodetic survey is in progress.

The Government has been requested for 18 months adjustment in 2nd licence year from 1 July, 2008.

PPL's 15% working interest in the block has been transferred to OMV with effect from 2 July, 2008.



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

Reprocessing of 320 line km vintage 2D seismic data has been completed and its interpretation is in progress. Microseep survey has been completed and lab analyses of samples collected during the survey are in progress. Contract for 430 line km 2D seismic survey was awarded to BGP and survey is expected to start shortly.

Partner Operated Blocks

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

Processing and interpretation of newly acquired 134 line km 2D seismic data along with 179 line km 2D reprocessed data has been completed. Government has granted one year extension in the licence till 5 March, 2009. Hamza-3 is planned to be drilled subject to positive results of ongoing simulation study and economic analysis for developing the field.

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

Subsequent to successful discovery, exploratory well Tajjal-1 has been temporarily suspended. Workover is planned during September/ October 2008 to complete the well as a producer. In order to evaluate sustained deliverability of the well and determine field's potential and boundaries, it is planned to carry out EWT of the discovery well by connecting it with Sawan processing plant via 17 km pipeline. An estimated 20 MMscfd gas production is expected to commence by December 2008.

Acquisition of 193 square km 3D seismic over Duljan East prospect has been completed and a 490 square km 3D seismic over Tajjal prospect is in progress. Special processing of 328 square km 3D seismic has been completed and Tajjal-2 and Tajjal-3 well locations were selected for drilling back to back in last quarter of 2008.

Six months extension in 2nd renewal period is valid up to 2 March, 2009 with a commitment to drill an exploration well either on Duljan East or Tajjal West prospects.

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

Exploration well Dinan Shah-1 was drilled to a total depth of 1,110 metre in Sui Main Limestone. The well was plugged and abandoned as a dry hole.

3D seismic acquisition of 405 square km over the remaining leads at Lower Goru level is expected to commence in November 2008.

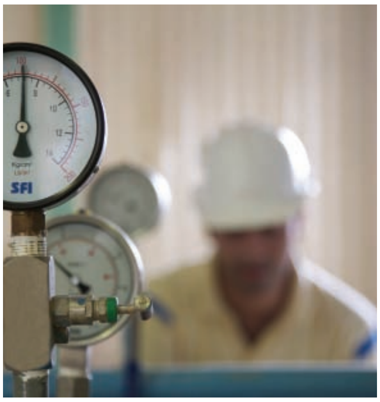
Block 2669-3 (Latif) (PPL share 33.3%) PPL / Eni / OMV Joint Venture (Operator – OMV)

Subsequent to successful discovery, first exploratory well Latif-1 has been temporarily suspended and a workover is planned to complete the well as producer. In order to evaluate sustained deliverability of the well and determine field's size and potential, it is planned to carry out EWT of the well by connecting Latif-1 with Miano / Kadanwari plant via a 23 km pipeline. Latif-1 is expected to produce 10 MMscfd of gas by October 2008.

Special processing of 347 square km 3D seismic has been completed. Appraisal well Latif-2 was drilled to a total depth of 3,488 metre in Lower Goru 'B' Interval. The well was successfully completed in Lower Goru 'C' interval. The appraisal well has produced hydrocarbons in commercial quantities and will be put on production through Miano/ Kadanwari plant by March 2009. The well is expected to add about 20 MMscfd of gas.

Exploration well Sawan East-1 was drilled to a total depth of 3,877 metre in Lower Goru 'A' sands. The well was plugged and abandoned as a dry hole.

PPL strives to achieve excellence in all areas of operation through introduction of latest technology, innovative techniques and new ideas.



Acquisition of 422 square km 3D seismic data over Adiani South has been completed and processing is in progress.

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

Exploration well Mamikhel-1 was successfully completed as gas/condensate discovery.

Interpretation of 168 line km newly acquired 2D seismic data and its integration with the existing data has been completed. Two leads have been identified which will be firmed up for drilling after reprocessing of 762 line km vintage 2D data.

Appraisal well Makori-2 was spud on 2 May, 2008 with a planned total depth of 3,250 metre in Shinawari Formation (Jurassic). Drilling is in progress.

Nine months extension in 2nd renewal period is being requested from Government to firm-up the two leads for drilling by committing 762 line km 2D seismic reprocessing / interpretation.

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

Appraisal well Mela-2 successfully completed in Lockhart Formation and production has since commenced.

Exploration well Nashpa-1 was spud on 29 June, 2008 with a planned total depth of 4,950 metre in Datta Formation (Jurassic). Drilling is in progress.

Interpretation of 215 square km 3D seismic data over Lowergai Prospect has been completed and location of exploration well selected. Acquisition of 100 line km 2D seismic data in the southern part of Nashpa block is in progress.

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

Processing and interpretation of newly acquired 162 line km 2D seismic data along with 105 line km 2D reprocessed data has been completed and location of first exploration well Rahman-1 was selected.

Block 2365-1 (Indus Offshore-E) (PPL share 20%) PPL / OGDCL / Premier / KUFPEC / Shell Joint Venture (Operator – Shell)

Offshore exploration well Anne-X1 was spud on 1 October 2007 and drilled to a total depth of 3,250 metre. The well was plugged and abandoned as a dry hole. The block was relinquished in March 2008.

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

Acquisition of 4,618 line km 2D seismic data has been completed and processing of newly acquired and reprocessing of 1,738 line km 2D existing data is in progress. Geological and geophysical studies are in progress.

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

Interpretation of newly acquired 2D and 3D seismic data along with 1,050 square km 3D reprocessed data has been completed in block M and N. Processing of newly acquired 402 square km 3D and 11 line km 2D and reprocessing of 1,575 line km 2D vintage data is in progress in block C.

Integrated geological and geophysical studies are in progress to firm up the two prospects for drilling.

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

Interpretation of 860 line km reprocessed 2D vintage data has been completed along with integrated geological and geophysical studies. Acquisition of about 200 line km 2D seismic data over Drug lead is expected to commence in September 2008.

Government has granted six month extension in 1st licence year from 29 March, 2008 to complete 2D seismic acquisition.

The Company has expanded its operations beyond the borders of Pakistan and is firmly poised to further extend its global outreach.

Future Prospects and Plans

The Company's Exploration Strategy is aimed at replenishing, and if possible, enhancing its existing petroleum reserves. The remaining hydrocarbon potential of high prospective areas in Pakistan is limited as most of the low to medium risk / cost areas are attaining maturity and are already held under concessions, while generally, medium to high risk / cost areas are available as open acreages. Given the prevailing high oil prices coupled with rising exploration cost, PPL is gradually venturing into relatively unexplored medium to high risk / cost frontier areas. PPL endeavors to maintain a manageable portfolio of both operated and non-operated exploration blocks and drill about 100 wells in the next 10 years in order to compete in the dynamic exploration environment of the country and achieve the Company's strategic objective of replenishment and possible enhancement of depleting hydrocarbon reserves.

Exploration activities in the Offshore Indus have picked up significantly during the last few years and at present nearly the entire basin is under concessions. Currently, PPL holds Working Interests in three offshore concessions Indus C, M and N blocks, operated by Eni, who has rich experience in offshore exploration. The results of recently conducted seismic / geological studies in these areas show some positive indications about the presence of hydrocarbons, which will be tested by drilling of exploratory wells by the Joint Venture.

International Exploration

Due to the paucity of prospective areas within the country and given the prevailing exorbitant oil prices, it has become imperative for the Company to look for hydrocarbon resources beyond the country's border for its energy security. Success in International Ventures is expected to bring tangible benefits not only to the Company but the country as a whole. As part of this strategy, PPL has continued its efforts in International Exploration. In this respect PPL team has evaluated a number of sedimentary basins of the world located in the Middle East, North and East Africa and CIS countries. Several countries have been visited to discuss available and viable farm-in opportunities with different companies as well as high government officials. PPL is also seeking the help of the Ministry of Petroleum and Natural Resources and the Ministry of Foreign Affairs to use the official channels to negotiate with their counterparts in the prospective countries to get some concessions on the government to government basis.

Bolan Mining Enterprises

Bolan Mining Enterprises (BME), a 50:50 Joint Venture between PPL and the Government of Balochistan, posted a record pre-tax profit of Rs 142.730 million during the financial year as compared to Rs 114.229 million earned in 2006-07. The sales of Barytes touched an all time high figure of 57,978 tonnes during the year mainly because of BME's ability to consistently meet baryte requirement for drilling activity in the country, coupled with sales promotional efforts made by BME which includes obtaining certificate of authority to use the official monogram of American Petroleum Institute (API) on BME Barytes.

After appropriation of Rs 31.175 million towards reserve for development and expansion, your Company's 50% share of profits was Rs 55.777 million.

The engineering study for putting up a beneficiation plant for Nokkundi Iron Ore, based on approved flow sheet and design parameters, was completed. Keeping in view the positive economic viability of the project, a Memorandum of Understanding (MoU) has been signed with a prospective customer to develop the prospects for supplying Nokkundi Iron Ore.

Risk Management

The Company operates in a challenging environment with a degree of uncertainty inherent in the E&P business and some other factors which may adversely affect its operations and profitability. Major risk factors include (i) significant decline in international crude oil and HSFO prices which forms basis for pricing of the oil and gas produced by the Company resulting in consequent reduction in profitability, (ii) underperformance of major oil and gas fields forcing material revision in production and reserve estimates, (iii) security conditions at locations particularly in the province of Balochistan disrupting Company's operations and restraining its exploration efforts, (iv) delay or default in settlement of Company bills by customers, (v) increased cost of compliance due to change in health, safety and environmental regulations, (vi) adverse economic and financial market conditions arising from economic and political instability and (vii) exposure to increased competition due to entry of new players in the oil and gas sector.

The Company has tailored its business strategies accordingly to effectively address these risks and has developed a well integrated mechanism which identifies potential risks, evaluates and prioritizes them and prompts timely and appropriate actions to keep risk level within tolerable limits. The 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 effectively minimizing the risk of lower production on account of reservoir underperformance or other factors.

Human Resources

Exploration and Production of oil and gas is a specialised business which requires highly skilled and professional workforce having qualifications, skills and competencies necessary to carry out the operations. PPL has accordingly tailored its human resource strategy to ensure recruitment, training and development of high caliber staff essential to sustain the prominent growth pattern of the Company experienced in the last three to four years.

The Policies and Procedures are applied in a fair and transparent manner to recognize and reward high standards of performance. Keeping in line with best corporate practices, top performers are acknowledged through a Performance Excellence programme which has been reinforced and expanded to recognize and reward individual efforts in the areas of extra ordinary performance, innovation, creativity, cost savings, waste elimination, productivity gains and complexity reduction. The scheme also sets out to establish role models within the organization that other employees can relate to and emulate.

Cognizant of current Human Resources trends, the Company strives to provide its staff with competitive remuneration packages and an enabling corporate environment with ample learning opportunities to pursue career progression and develop technically.

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

Training and Human Resources Development

Training & Development has an essential contribution in the effective management of human capital, development of knowledge, skills and aptitude of Company's human resource, keeping them motivated, proficient and abreast with industry trends, demands and technology.

In line with the emerging business requirements of the Company, the skills and competencies of staff are developed through effective training programs and the investment is returned in terms of efficiency, performance and business growth. Training needs are assessed regularly which results in the identification of learning and development opportunities for staff, which are reflected in the form of training and development events, organized either in-house, or by sending staff on training programs organized by external training providers both local and international.

During the year 2007–08, a total of 1,312 staff members attended 176 local and 39 foreign training programs. These learning opportunities comprised of a range of technical and soft skills courses, workshops, seminars and symposia. On-the-Job Training (OJT) opportunities for a two year period were offered to and availed by graduates from various disciplines & universities across Pakistan. As part of our OJT program over 80 fresh graduates and 13 Special Trainee Technicians from Sui / Dera Bugti are presently undergoing training at Head Office and field locations. Apart from this, summer and winter internships are regularly offered to students every year in various professional disciplines.

Under PPL's foreign scholarship scheme, one scholar has joined the Company after completing his Masters degree while six scholars are currently pursuing higher studies, three in Petroleum Engineering and three in Geosciences in reputed foreign universities.

Directors' Report

Industrial Relations

The working environment and overall industrial relations climate remained cordial at all locations of the Company including Sui Gas Field. Recreational and motivational activities in the form of Annual Sports, Long Service Award Ceremony, Musical function and Bara Khana were organized at Sui Gas Field and subsequently in Kandhkot and Adhi fields. At Mazarani field a Bara Khana was organized to celebrate fifth anniversary of its successful operations. These activities helped in improving harmony in the work environment and were very well received by the employees of the fields.

Negotiations of the Charter of Demands for the years 2007-2008 have been amicably concluded with CBA representatives and the Agreement has been signed.

Research and Development Application of New Technologies

Oil and gas exploration and production is a capital intensive and high risk business involving complex processes, specialized and technical know how for successful operations. Research and development of innovative processes is an integral part of Company's operations which helps to keep pace with the technological advancement and study and disseminate experience, expertise and know-how to help maintain the competitiveness as well as economic and environmental sustainability of the Company's activities.

At PPL, we are constantly on the look out for new methods and procedures to improve recovery techniques, reservoir evaluation, increase drilling/discovery success ratio, enhance recovery from mature reservoirs, reduce cost of production, bring efficiency in operations and minimize adverse environmental impacts of hydrocarbon production.

During the year, PPL has successfully applied several new technologies in it's exploration and production efforts and continue to evaluate emerging technologies for possible application.

The drilling of Adam X-1 well in Hala was successfully completed on a pre-planned deviated borehole trajectory, as the objective was to test two potential reservoirs at their optimum locations. Directional drilling has also been applied for completion of the Company's first two horizontal development wells in Kandhkot field. Also for the first time in the Company's history, hydraulic fracturing of a well (Adhi-18) was carried out, resulting in sustained enhanced deliverability. In addition to hydraulic fracturing and

directional drilling, coiled tubing drilling and other new technologies are also under consideration for future operations.

Geological mapping of PPL operated blocks is now routinely carried out using satellite imagery. Digital elevation models are also used to obtain 3D views of the terrain, which is helpful in geological interpretation and survey planning, particularly in the mountainous areas of Balochistan. Sub-meter resolution satellite imagery is being used for geological / geophysical survey planning in several areas, enabling better preparedness before field deployment. Multi-spectral satellite imagery is also being used for detection of hydrocarbon microseepage-induced Spectral Anomalies in Balochistan, which could indicate the possible presence of hydrocarbon traps.

On the geophysical side, beyond conventional 2D and 3D seismic, acoustic impedance inversion and Amplitude Variation with Offset (AVO) studies are planned to be undertaken in Sui, Kandhkot and Adhi. Other data analysis and visualization techniques that will be considered for use include spectral decomposition of 3D seismic and 3D visualization of G&G data for exploration and development planning in Hala. Low-frequency passive seismic spectroscopy is also being considered for possible application in several PPL-operated and non-operated areas.

Health, Safety & Environment

The Company recognizes safety as the key component of operational excellence, gives utmost importance to training of employees and contractors to enhance safety awareness and actively incorporate industry best practices in the overall operating setup.

In pursuance of operational excellence, Procedural Development / Compliance Phase of ISO 14001 and OHSAS 18001 standards is in progress at PPL fields. Safety Management Evaluation exercise was recently conducted through DuPont Safety Resource (DSR) to benchmark PPL's existing HSE Standards against DuPont's Core Safety Elements and industry best practices.

HSE Policies and Procedures promote 'No Blame Culture' at PPL and encourage incident and near miss reporting at all levels including employees, contractors and visitors.

Statutory compliance has always been an area of prime importance at PPL. Reporting to Provincial EPAs is done through Self Monitoring and Reporting Tool (SMART) for compliance with NEQS. Initial Environment Examination (IEE) / Environment Impact Assessment (EIA) Studies are conducted at all development projects including Exploration, Drilling and Field Development activities with consistency to meet local statutory requirements. In recognition of accomplishments and future commitments, PPL has recently been awarded the "Annual Environmental Excellence Award" for 2008 organized by National Forum for Environment & Health (NFEH) in June 2008.

HSE internal and external audits and inspections of fields, offices and drilling sites are conducted to benchmark existing HSE Compliance Status against Company Standards, Procedures and Policies and provide an opportunity to further excel its performance.

Corporate Excellence Award

PPL is proud to be the recipient of Management Association of Pakistan's (MAP) 25th Corporate Excellence Award in the Fuel and Energy sector this year. The award manifests PPL's commitment to quality, maintenance of highest professional standards and constant strive to achieve excellence in all spheres of its activity. The award instituted by MAP in 1982 aims to recognize and distinguish best managed companies in the corporate world and the winners are selected based on rigorous evaluation of their management practices.

Corpoate Social Responsibility initiatives are undertaken as a corporate philosophy, for upliftment of the local communities where the Company operates in particular and betterment of the society as a whole.

Karachi Stock Exchange Top 25 Companies

PPL has been rated by Karachi Stock Exchange as one of the top 25 companies for the last two consecutive years 2006 and 2007 based on Evaluation Criteria which, interalia, takes into account return on equity, level of corporate distribution, corporate social contributions, monetary donations, early holding of Annual General Meetings, early dispatch of dividends to the shareholders and compliance of the Code of Corporate Governance.

Corporate Social Responsibility

PPL sincerely believes that an honest and meaningful contribution in helping the underprivileged section of the society and improving the quality of life of the individual and community at large not only strengthens Company's image in the society but is also an essential element for long term sustainability of its operations.

PPL's CSR programme is as old as the Company itself. PPL stands committed to continue to play its role for meaningful and sustainable contribution towards social welfare, development of human capital, infrastructure and upliftment of socio-economic conditions of the people living around its operational and concession areas in particular and other parts of the country in general. The scope of Company's CSR activities extend far beyond the minimum social obligations required under Petroleum Concession Agreements and is aimed at building a strong bond of partnership with communities and the society at large. To achieve this goal PPL seeks unique and creative approaches to societal issues and community concerns that not only benefit the communities but also create an impact that is both visible and can be evaluated. The initiative is undertaken based on consultative process with community representatives, local governments, NGOs and other stakeholders to ensure proper channelizing of the funds and effectiveness of the program to local communities.

The Company's CSR program has a very wide scope encompassing initiatives in the areas of healthcare, education, environment protection and preservation, water and sanitation, child welfare, infrastructure development, culture & heritage, arts and crafts and other social welfare activities.

Following is a snapshot of the Company's CSR initiatives during the year:

Education

- Construction of F.G. Public High School at Sui is in progress.


AMBULANCE

- Awarded scholarships to the deserving students of District Dera Bugti for higher professional education at reputed universities.

- Initiated scholarship scheme to promote higher secondary education amongst the female youth of District Dera Bugti.

- Contribution to The HelpCare Society towards construction of their new school campus at Johar Town, Lahore and meeting deficit in operational expenditures.

- Constructed and established Computer Centre cum Library at Misali Public School for Girls, Khara, District Chakwal.

- Provided school furniture to government schools at District Gwadar.

- Provided school furniture to Government High School Nirali near Adhi field.

Healthcare

- Contribution to The Patients Welfare Society for treatment of poor patients at Aga Khan University Hospital, Karachi.

- Contribution to Sindh Institute of Urology and Transplantation (SIUT), Karachi.

- Contribution to Fatimid Foundation for the construction of Hematological Centre and Blood Bank at Hyderabad.

- Operated free mobile dispensaries at Sui and Mazarani.

- Held free surgical eye camps at Dera Bugti, Kamber, Kandkhot and Adhi.

- Contribution to Psychiatric Care & Rehabilitation Centre of Karwan-e-Hayat, Karachi.

- Adopted three Triple Merger Centers for Leprosy Control, Tuberculosis and Blindness at Turbat, District Kech and Panjgur.

- Continued support to Triple Merger Centre at Taluka Hospital, Kandhkot.

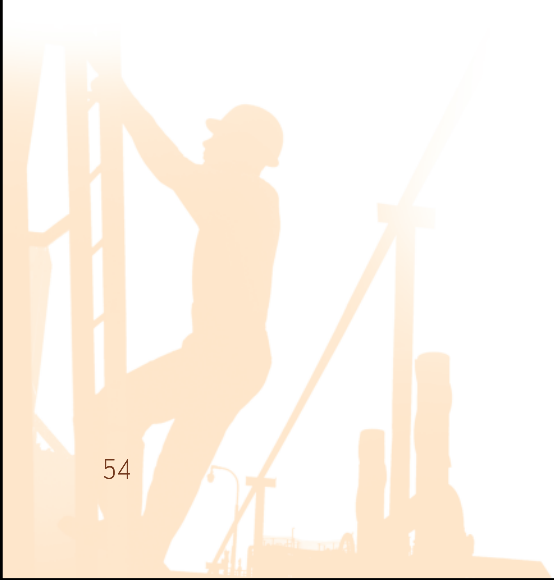
- Contribution towards purchase of medicine for patients at Bait-ul-Sukoon Cancer Hospital, Karachi.

- Constructed Dispensary at village Mistala near Adhi field.

Child Welfare

- Contribution towards construction of SOS children village at Jamshoro, Sindh and Quetta, Balochistan.

- Constructed Mother and Child Health Care Centre at Taluka Hospital, Hala.



Water and Sanitation

- Free water supply to meet the basic needs of the communities living around Sui gas field.
- Water supply scheme for Ghabi Dero.

Arts & Crafts

- Construction of Ladies Handicraft & Welfare Centre at Sui.

PPL has won Pakistan Centre for Philanthropy (PCP) awards for its philanthropic endeavors during the years 2004 and 2005. During the year yet another award was conferred by PCP for the third consecutive year 2006 ranking PPL as the second highest contributor for social welfare initiatives in terms of volume of donations.

Information Technology

The Information Technology provides requisite leverage to the Company to boost its performance. New IT assets are adopted to serve the business needs more efficiently and existing IT assets are guarded against obsolescence through upgrades.

A centralized 3-tier SAP System Landscape with Oracle database is being used at PPL for processing all business transactions by around 500 users distributed over the intranet. SAP System is supported by an in-house SAP Competence Centre comprising of a team of qualified and trained professionals for problem resolution and business process life cycle management.

The IT Infrastructure is being reinforced and consolidated to boost availability of IT systems and services and the pace of business process optimization is being accelerated using latest SAP Best Practices. In addition, G&E Data consolidation and processes optimization is also being started this year.

PPL corporate intranet has 1,100 Local Area Network (LAN) nodes distributed across all PPL offices, operated field locations and drilling sites. The intranet converges at central site via redundant WAN (Wide Area Network) links. It is a cost-effective blend of available link technologies ranging from the high speed fiber optic link to the latest variant of satellite communication, iDirect. The network performance is monitored and managed through advanced network management systems.

Thin Clients have been widely adopted to consolidate corporate data and application systems at the central/primary site, backed up by the disaster recovery site as part of Business Continuity Plan whereas PCs are centrally managed through group policies and IT Asset Life Cycle Management tools. The PCs are well-protected against known security threats. Relocation of alternate IT site to a certified data centre is planned for risk mitigation of environmental threats.

Another project has been initiated to plan and implement an enterprise E&P Data Management Solution for effective information life cycle management. Meanwhile, all Geo Science & Engineering application systems and support services will be consolidated and centralized under unified information management function. It will facilitate prompt access to authentic data and technical applications to authorized users.

Quality Management System

ISO 9001 is the most commonly used international standard that provides framework for an effective Quality Management System (QMS). Quality has always been an integral part of Company's operations and the Company plans to implement QMS in the production function which will pave the way for the ISO certification of PPL plants, production facilities and at the corporate level.

The gap analysis of 'Production Function' existing system with ISO 9001 Quality Management System has been completed. The work has commenced on development of relevant procedures and quality manuals. Technical procedures necessary for effective 'Asset Integrity Management' have also been prepared and issued for implementation on corporate level. The project has now entered into the implementation phase. Preparatory work about selection of audit / certification body has been completed and external audits of the production facilities, to acquire ISO 9001 QMS Certification are planned to commence from September 2008.

Implementation of the management system will facilitate enhancement of asset integrity management, besides improving the Company's operations and maintenance. The QMS procedures have built-in checks to monitor compliance of the Company specifications, institutional and industry standards for PPL operated assets with Total Quality Management (TQM) orientation.

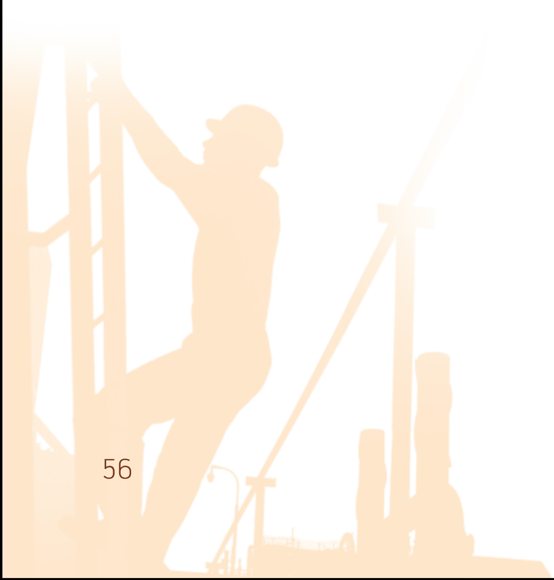
WTO Challenges

Despite having witnessed sufficient growth over the past few decades, Pakistan's available energy supplies still considerably lags behind its demand. The growth in production expansion has not been able to catch up with the growth as experienced by the economy at large, a disparity which is expected to become more pronounced given high economic growth forecast for the future. While new discoveries of oil and gas reserves are expected to help offset this pressure, Pakistan undoubtedly remains energy deficient, thus requiring investment from both local and foreign quarters to meet its domestic requirements.

The country's ever growing appetite for energy coupled with the fast paced industrialization process particularly in the wake of increased trade liberalization in the post WTO era has opened the corridors of the country's vastly untapped resources to foreign entrepreneurs. Exploration and Production sector remains one of the most vibrant sectors of the Pakistan's economy and attracts highest level of foreign direct investment. The Company is cognizant of the implication of such liberal trade environment and has tailored its business strategies accordingly. The Company is also alive to both the economic and technical synergies that would ensue from participation in ventures with the foreign entrepreneurs and has adopted a multi-pronged approach in ensuring alleviation of energy deficiencies.

Foreign Exchange Savings and Government Revenues

PPL is a significant contributor to the national economy. The Company's share of production of natural gas from its operated and non-operated fields and production of Oil, LPG and NGL from Adhi, Tal and Nashpa fields for the financial year 2007-08 in terms of energy was equivalent to



184,000 barrels of crude oil per day resulting in foreign exchange saving of around US$ 4.2 billion for the current year assuming an average crude oil price of US$ 63 per barrel prevalent during the year.

In addition, payments to the Government exchequer by your Company was around Rs 38 billion during the year (Rs 33 billion during 2006-07) on account of taxes, royalties, excise duty, sales tax, gas development surcharge and dividends.

Code of Corporate Governance

The Directors are pleased to state that:

(i) The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

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

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

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

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

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

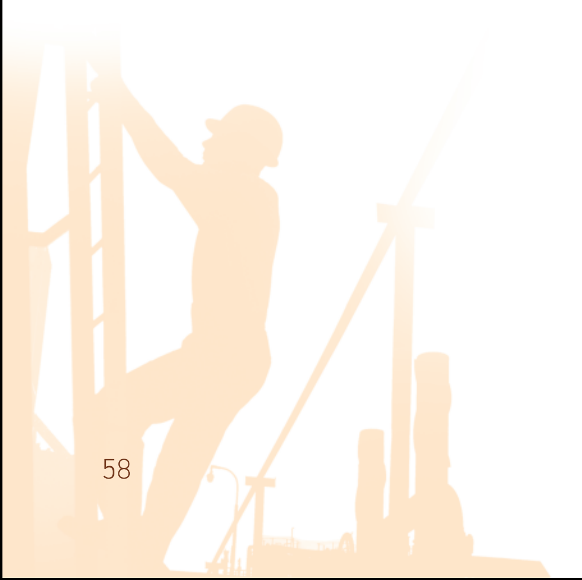
(vii) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

(viii) Key operating and financial data of last six years has been given on page 60 of the Annual Report.

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

(x) The value of investments in employee retirement funds based on the latest audited Accounts as of 30 June, 2007 are as follows:

	Rs million
Senior Provident Fund	843.321
Junior Provident Fund	627.587



	Rs million
Executive Staff Gratuity Fund	258.222
Non-Executive Staff Gratuity Fund	233.854
Executive Staff Pension Fund	1,498.522
Non-Executive Staff Pension Fund	581.967

(xi) During the year five meetings of the Board of Directors were held. Attendance by each Director is summarized as follows:

Name of Director	Total number of Board meetings *	Number of Board meetings attended
Mr. M.A.K. Alizai	5	5
Mr. S. Munsif Raza	5	5
Mr. S. R. Poonegar	5	4
Mr. Sajid Zahid	5	4
Mr. Shaukat Hayat Durrani	5	4
Mr. Pervaiz Kausar	5	5
Mr. Jalaluddin Qureshi **	1	1
Mrs. Roshan K. Bharucha	5	5
Mr. Rashad R. Kaldany (Alternate Mr. Nadeem Siddiqui)	5	4
Mr. Irshad Ahmed Kaleemi **	2	2

* Held during the period concerned Director was on the Board

** Appointed in February, 2008 against casual vacancy arising due to death of Mr. Jalaluddin Qureshi

Leave of absence was granted to Directors who could not attend some of the Board meetings.

(xii) A statement of the pattern of shareholding in the Company as at 30 June, 2008 of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, CEO, Company Secretary and their spouses and minor children during the year is shown on page 70 of the Annual Report.

Post Balance Sheet Events

There was no significant post balance sheet event which warrants mention in the Directors' Report.

Chief Executive

On expiry of term of Mr. S. Munsif Raza on 31 July, 2008, Mr. Khalid Rahman was appointed by the Board as Chief Executive of the Company effective 1 August, 2008 for a period of two years.

Directors

Since the last Annual General Meeting held on 30 October, 2007, Mr. Irshad Ahmed Kaleemi was appointed to the Board against the casual vacancy arising due to demise of Mr. Jalaluddin Qureshi and Mr. Khalid Rahman was co-opted as Director of the Company in place of Mr. S. Munsif Raza.

Auditors

The auditors Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for reappointment for the year 2008-09. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

On behalf of the Board

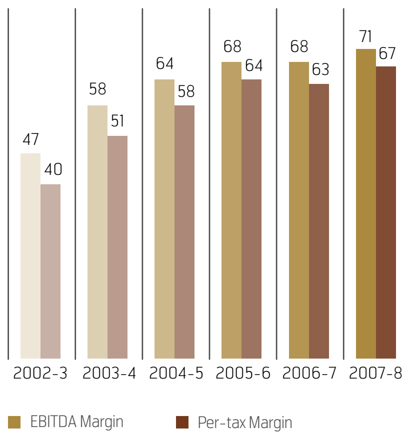
(M.A.K.ALIZAI)
CHAIRMAN

(KHALID RAHMAN)
CHIEF EXECUTIVE /
MANAGING DIRECTOR

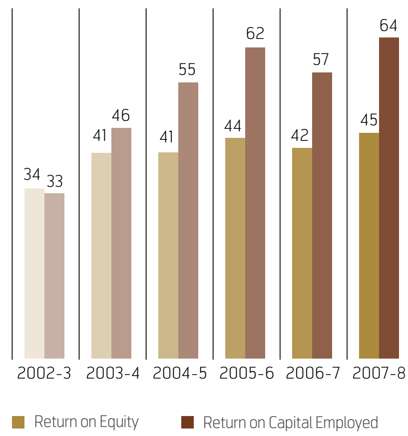
Karachi
6 August, 2008

Six Years' Summary

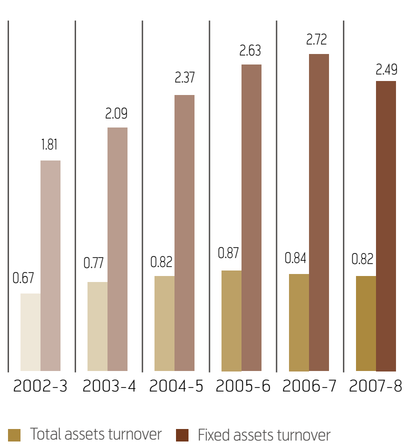
EBITDA Margin/ Pre-tax Margin (%)



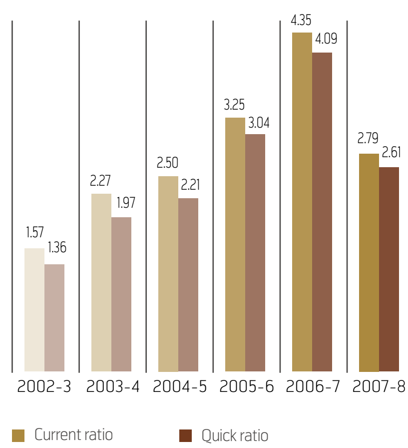
Return on Equity/ Capital Employed (%)



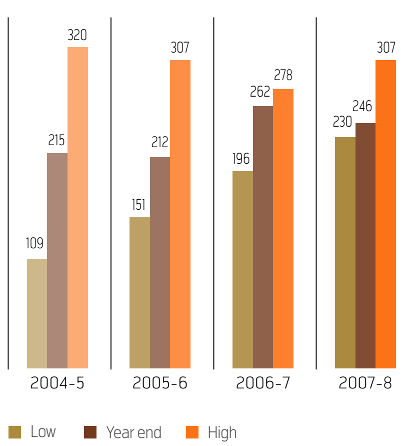
Total Assets / Fixed Assets Turnover



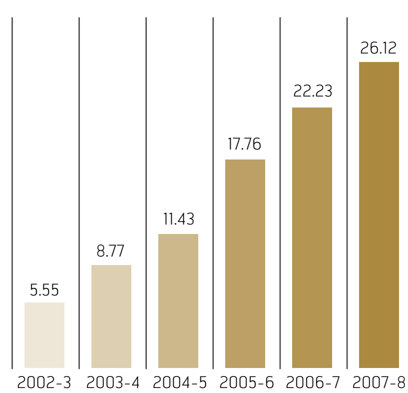
Current/ Quick Ratio



Share Prices Low / Year End / High



Earnings Per Share (Rs)



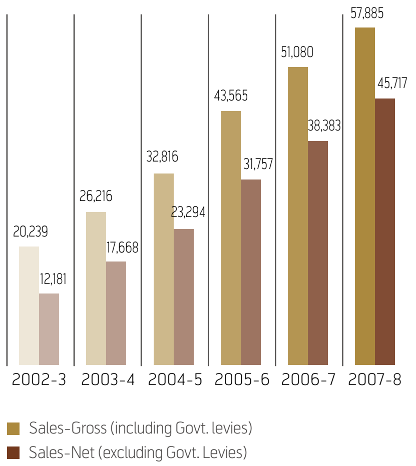
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Financial Performance						
Profitability						
Operating Margin (%)	41	53	59	62	64	65
EBITDA Margin (%)[1]	47	58	64	68	68	71
Pre tax Margin (%)	40	51	58	64	63	67
Net profit to sales (%)	34	37	37	42	44	43
Return on Equity (%)	34	41	41	44	42	45
Return on Capital Employed (%)	33	46	55	62	57	64
Operating Performance/ Liquidity						
Total assets turnover (times)	0.67	0.77	0.82	0.87	0.84	0.82
Fixed assets turnover (times)	1.81	2.09	2.37	2.63	2.72	2.49
Debtor turnover (times)	4.60	5.45	5.53	5.51	4.81	4.11
Debtor turnover (days)	79.37	67.01	66.01	66.23	75.81	88.99
Current ratio	1.57	2.27	2.50	3.25	4.35	2.79
Quick ratio	1.36	1.97	2.21	3.04	4.09	2.61
Inventory turnover[2]	-	-	-	-	-	-
Capital Market/ Capital Structure Analysis Ratios						
Market value per share as at June 30 (Rs)[3]	-	-	215.10	211.85	262.45	245.99
- Low during the year (Rs)	-	-	109.20	150.50	196.15	229.80
- High during the year (Rs)	-	-	320.40	306.70	277.75	306.95
Breakup value per share (Rs)[4]	16.14	21.28	28.16	40.02	53.15	57.87
Earnings per share (Rs)[4]	5.55	8.77	11.43	17.76	22.23	26.12
Price earning ratio[3]	-	-	17.11	10.84	10.73	9.42
Cash Dividend Yield (%)[3]	-	-	2.56	4.25	4.19	6.30
Dividend Cover Ratio	2.04	2.14	2.29	2.17	2.22	1.69
Debt Equity Ratio[5]	-	-	-	-	-	-
Weighted average cost of debt[5]	-	-	-	-	-	-
Interest Cover Ratio[5]	-	-	-	-	-	-

Notes:

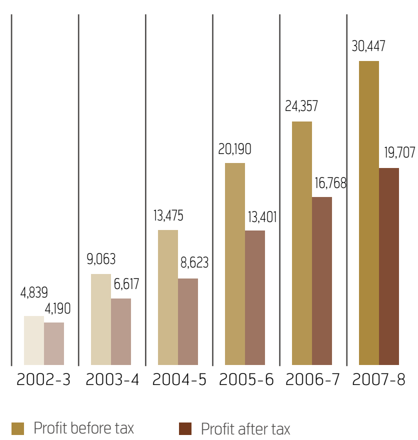
1. EBITDA stands for earnings before interest, taxes, depreciation and amortisation
2. Not applicable in view of the nature of Company's business.
3. Shares of the Company were listed on the Stock Exchanges in 2004-05.
4. The earnings per share / breakup value per share for prior years have been restated to take into account the issue of bonus shares during 2006-07.
5. Not applicable as the Company does not have debt besides lease financing for procurement of vehicles and computer equipments which forms a very small part of its capital structure.

Six Years' Summary

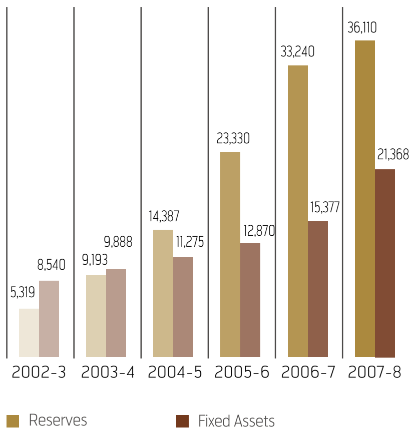
Gross Sales / Net Sales (Rs million)



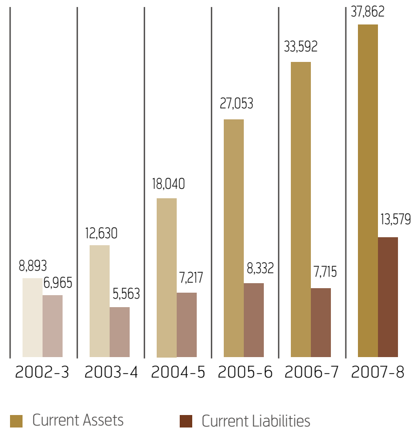
Profit Before / After Tax (Rs million)



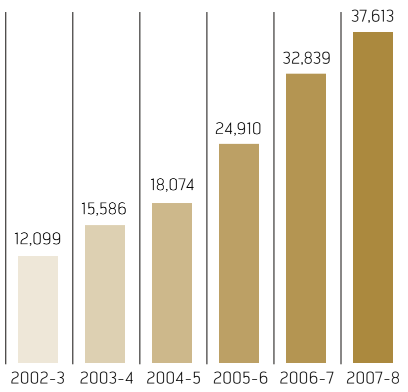
Reserves / Fixed Assets (Rs million)



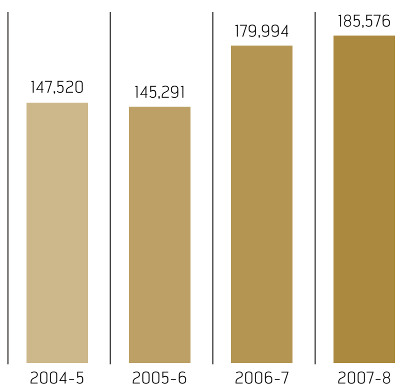
Current Assets / Current Liabilities (Rs million)



Payment to Government Exchequer (Rs million)



Market Capitalisation (Rs million)



	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
			Rs million			
Summary of Profit & Loss						
Sales - Gross (including Govt. levies)	20,239	26,216	32,816	43,565	51,080	57,885
Sales - Net (excluding Govt. levies)	12,181	17,668	23,294	31,757	38,383	45,717
Exploration expenditure	492	928	1,461	2,003	2,201	2,448
Operating Profit	4,937	9,451	13,669	19,841	24,541	29,506
Profit before Tax	4,839	9,063	13,475	20,190	24,357	30,447
Profit after Tax	4,190	6,617	8,623	13,401	16,768	19,707
EBITDA	5,726	10,267	14,873	21,713	26,072	32,675
Corporate Distribution						
Dividend - Interim	686	1,371	1,715	2,400	3,086	11,693
- Final[6]	1,371	1,715	2,057	3,772	4,458	-
Cash Dividend per share (Rs)	3.00	4.50	5.50	9.00	11.00	15.50
Cash Dividend Payout Ratio (%)	49.10	46.64	43.74	46.06	44.99	59.34
Bonus[6]	-	-	-	-	686	754
Bonus Issue (%)[6]	-	-	-	-	10	10
Summary of Balance Sheet						
Share Capital	6,858	6,858	6,858	6,858	6,858	7,544
Reserves	5,319	9,193	14,387	23,330	33,240	36,110
Long-term / Deferred Liabilities	2,680	3,726	3,329	2,545	2,556	3,790
Current Assets	8,893	12,630	18,040	27,053	33,592	37,862
Current Liabilities	6,965	5,563	7,217	8,332	7,715	13,579
Property, Plant & Equipment	6,261	9,794	11,199	12,763	15,227	21,187
Fixed Assets	8,540	9,888	11,275	12,870	15,377	21,368
Long-Term Investments	15	137	652	308	677	1,781
Stores and Spares	993	1,129	1,291	1,273	1,475	1,604
Trade Debts	2,645	3,843	4,583	6,942	9,002	13,228
Short-term investments	4,375	10,540	10,288	16,918	21,515	20,968
Cash and bank balances	92	126	377	750	788	1,095
Summary of Cashflows						
Cash flows from operating activities	5,002	6,870	10,081	13,119	13,637	21,560
Cash used in investing activities	(4,332)	(686)	(2,631)	(1,946)	(3,163)	(8,057)
Cash used in financing activities	(740)	(2,763)	(3,423)	(4,512)	(6,909)	(16,214)
Net change in cash and cash equivalents	(70)	3,421	4,027	6,661	3,565	(2,711)
Others						
Payments to Government Exchequer	12,099	15,586	18,074	24,910	32,839	37,613
Market Capitalisation	-	-	147,520	145,291	179,994	185,576

Note:

6. Includes declaration of dividend and issue of bonus shares subsequent to year end.

Horizontal Analysis

	2004-05	2005-06	2006-07	2007-08
Balance Sheet Items				
Property, plant and equipment	100	114	136	189
Intangible assets	100	141	199	239
Long-term investments	100	47	104	273
Long-term receivable	100	26	-	-
Long-term loans - staff	100	112	96	104
Deferred tax asset/ (liability)	100	61	72	(4)
Stores and spares	100	99	114	124
Trade debts	100	151	196	289
Loans and advances	100	131	73	100
Trade deposits and short-term prepayments	100	47	64	109
Accrued financial income	100	174	227	413
Current maturity of long-term receivable	100	100	33	-
Other receivables	100	22	39	16
Short-term investments	100	164	209	204
Cash and bank balances	100	199	209	290
Total Assets	100	129	158	192
Share capital	100	100	100	110
Reserves	100	162	231	251
Provision for decommissioning cost	100	85	92	148
Long-term liability for gas development surcharge	100	26	-	-
Liabilities against assets subject to finance leases	100	128	112	125
Deferred liabilities	100	118	135	157
Trade and other payables	100	127	187	317
Current maturity of long-term liability for gas development surcharge	100	100	33	-
Current maturity of liabilities against assets subject to finance leases	100	119	136	120
Taxation	100	102	8	49
Total Shareholders' Equity and Liablities	100	129	158	192
Profit & Loss Items				
Sales - net	100	136	165	196
Field expenditure	100	118	133	154
Royalties	100	140	171	206
Share of profit in Bolan Mining Enterprises	100	72	163	191
Other operating income	100	272	442	555
Finance cost	100	157	257	347
Other operating expenses	100	150	346	278
Profit before taxation	100	150	181	226
Taxation	100	140	156	221
Profit after taxation	100	155	194	229
Basic earnings per share	100	155	177	208

Vertical Analysis

	2005-06	2006-07	2007-08
Balance Sheet Items			
Property, plant and equipment	31.07	30.24	34.72
Intangible assets	0.26	0.30	0.30
Long-term investments	0.75	1.34	2.92
Long-term receivable	0.52	-	-
Long-term loans - staff	0.03	0.02	0.02
Deferred tax asset	1.49	1.41	-
Stores and spares	3.10	2.93	2.63
Trade debts	16.90	17.87	21.68
Loans and advances	0.15	0.07	0.08
Trade deposits and short-term prepayments	0.73	0.81	1.14
Accrued financial income	0.22	0.23	0.35
Current maturity of long-term receivable	1.72	0.46	-
Other receivables	0.03	0.04	0.01
Short-term investments	41.20	42.72	34.36
Cash and bank balances	1.83	1.56	1.79
Total Assets	100.00	100.00	100.00
Share capital	16.70	13.62	12.36
Reserves	56.81	65.99	59.18
Provision for decommissioning cost	3.92	3.46	4.61
Long-term liability for gas development surcharge	0.52	-	-
Liabilities against assets subject to finance leases	0.19	0.14	0.13
Deferred liabilities	1.57	1.47	1.41
Deferred tax liability	-	-	0.06
Trade and other payables	11.94	14.34	20.06
Current maturity of long-term liability for gas development surcharge	1.72	0.46	-
Current maturity of liabilities against assets subject to finance leases	0.11	0.10	0.07
Taxation	6.52	0.42	2.12
Total Shareholders' Equity and Liabilities	100.00	100.00	100.00
Profit & Loss Items			
Sales - net	100.00	100.00	100.00
Field expenditure	25.74	24.14	23.39
Royalties	11.79	11.92	12.07
Share of profit in Bolan Mining Enterprises	(0.07)	(0.12)	(0.12)
Other operating income	(4.68)	(6.30)	(6.64)
Finance cost	0.09	0.13	0.15
Other operating expenses	3.55	6.77	4.56
Taxation	21.38	19.77	23.49
Profit after taxation	42.20	43.69	43.10
	100.00	100.00	100.00

Movement of Estimated Reserves

	Natural Gas MMscf	OIL / NGL Thousand barrels	LPG Tonnes
Original proven recoverable reserves			
At 1 July, 2007	14,131,298	28,442	488,670
Change during the year			
• Addition of new reserves[1]	119,866	3,898	-
• Revision in estimates of previous reserves[2]	800	309	-
At 30 June, 2008	14,251,964	32,649	488,670
Production			
Accumulated on 1 July, 2007	10,172,643	7,869	149,574
Production during the year	366,413	1,404	17,964
Accumulated upto 30 June, 2008	10,539,056	9,273	167,538
Net reserves 30 June, 2008	3,712,908	23,376	321,132
Net reserves 30 June, 2007	3,958,655	20,573	339,096
Daily average production	1,001	3.84	49.08

1- Additional gas & oil reserves due to successful drilling of four exploratory wells namely Adam X-1 at Hala Block, Latif-1 at Latif Block, Mamikhel-1 at Tal Block and Tajjal-1 at Gambat Block.

2- Revision in field recoverable reserve estimates of the Mela discovery at Nashpa Block.

Pattern of Shareholding
as at June 30, 2008

From	To	No. of Shareholders	No. of Shares Held
1	100	1,662	88,925
101	500	1,911	672,068
501	1000	12,666	7,244,451
1001	5000	2,087	4,129,786
5001	10000	251	1,865,263
10001	15000	90	1,133,998
15001	20000	71	1,269,136
20001	25000	76	1,794,368
25001	30000	39	1,107,570
30001	35000	28	921,464
35001	40000	17	650,034
40001	45000	17	722,707
45001	50000	26	1,284,150
50001	55000	13	700,250
55001	60000	12	701,905
60001	65000	11	687,040
65001	70000	11	749,600
70001	75000	7	521,620
75001	80000	3	229,500
80001	85000	5	415,960
85001	90000	3	261,100
90001	95000	1	95,000
95001	100000	7	698,600
100001	105000	8	826,249
105001	110000	4	436,150
110001	115000	2	224,250
115001	120000	4	472,940
120001	125000	3	365,000
125001	130000	1	129,950
130001	135000	5	660,095
135001	140000	1	140,000
140001	145000	2	284,600
145001	150000	8	1,200,000
150001	155000	1	153,000
155001	160000	1	156,200
160001	165000	4	651,100
165001	170000	2	332,900
170001	175000	2	344,250
175001	180000	1	180,000
180001	185000	3	553,720
185001	190000	1	189,200
190001	195000	3	575,415
195001	200000	4	796,020
200001	205000	2	406,315
210001	215000	2	426,500
215001	220000	1	220,000
220001	225000	2	448,850
225001	230000	2	458,600
230001	235000	2	469,020
245001	250000	4	993,500
250001	255000	2	508,320
255001	260000	1	257,500
260001	265000	1	260,700
265001	270000	1	265,640
270001	275000	2	548,265
275001	280000	1	278,000
285001	290000	1	290,000
290001	295000	3	878,586
295001	300000	3	900,000
310001	315000	2	621,012
325001	330000	1	330,000

From	To	No. of Shareholders	No. of Shares Held
345001	350000	1	346,690
350001	355000	1	350,800
355001	360000	1	360,000
370001	375000	1	375,000
375001	380000	1	379,000
380001	385000	1	382,000
385001	390000	2	771,897
395001	400000	2	800,000
410001	415000	2	821,780
435001	440000	1	440,000
445001	450000	2	899,010
455001	460000	1	455,010
460001	465000	1	464,350
465001	470000	2	936,800
470001	475000	2	948,500
485001	490000	1	489,120
495001	500000	2	1,000,000
525001	530000	1	525,200
550001	555000	1	555,000
555001	560000	2	1,115,300
570001	575000	1	575,000
575001	580000	1	575,700
595001	600000	3	1,792,832
610001	615000	1	610,500
645001	650000	1	650,000
650001	655000	1	650,080
660001	665000	1	665,000
690001	695000	1	695,000
710001	715000	1	710,900
725001	730000	2	1,456,500
730001	735000	1	732,410
735001	740000	1	736,000
745001	750000	1	750,000
790001	795000	1	790,700
795001	800000	1	800,000
810001	815000	1	815,000
860001	865000	1	864,560
895001	900000	1	900,000
950001	955000	1	951,610
955001	960000	1	957,110
1065001	1070000	1	1,067,200
1150001	1155000	1	1,150,450
1245001	1250000	1	1,247,800
1265001	1270000	2	2,533,950
1275001	1280000	1	1,278,800
1295001	1300000	1	1,300,000
1340001	1345000	1	1,342,200
1600001	1605000	1	1,605,000
1910001	1915000	1	1,911,090
2700001	2705000	1	2,702,200
2895001	2900000	1	2,899,420
3420001	3425000	1	3,421,290
4670001	4675000	1	4,672,865
5075001	5080000	1	5,075,443
8255001	8260000	1	8,255,316
11140001	11145000	1	11,144,400
11195001	11200000	1	11,197,032
25890001	25895000	1	25,890,063
591440001	591445000	1	591,440,294
Total		19,178	754,405,514

Pattern of Shareholding

as at June 30, 2008

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Ordinary Shares			
Associated companies, undertakings and related parties	-	-	-
NIT and ICP	2	5,461,720	0.72
Directors, CEO and their spouse and minor children	3	15,491	*
Executives	21	9,919	*
Public Sector Companies and Corporations	8	13,309,052	1.76
Banks, Development Financial Institutions, Non-Banking Financial Institutions	42	8,850,670	1.17
Insurance Companies	20	1,680,885	0.22
Modarabas and Mutual Funds	76	23,824,750	3.16
Non-Resident Financial Institutions			
• International Finance Corporation	1	25,890,063	3.43
• Others	41	27,999,494	3.71
Shareholders holding 10% or more			
• Government of Pakistan	1	591,440,294	78.40
General Public			
• Local	18,424	33,662,226	4.47
• Foreign	248	131,950	0.02
Joint Stock Companies	222	6,158,838	0.82
Others			
• Employee Trust / Foundations etc.	66	15,965,718	2.12
• Nazir of High Court	2	33	*
• Administrator of Abandoned Properties	1	4,411	*
	19,178	754,405,514	100
Convertible Preference Shares			
Individuals	84	14,030	97
Joint Stock Companies	1	370	3
Nazir of High Court	1	40	*
	86	14,440	100

* Negligible

Additional Information

Information on shareholding required under reporting framework is as follows:

Shareholders' Category	No. of Shareholders	No. of Shares Held
Associated Companies, undertakings and related parties	-	-
NIT and ICP		
National Bank of Pakistan, Trustee Deptt.	1	5,075,443
National Investment Trust Limited	1	386,277
Directors, CEO and their spouses and minor children		
Mr. Khalid Rahman[1]	1	5,907
Mr. S. Munsif Raza[1]	1	4,084
Mrs. Azra Raza (spouse of Mr. S. Munsif Raza)	1	5,500
Executives	21	9,919
Public Sector Companies & Corporations	8	13,309,052
Banks, Development Finance Institutions, Non-Banking Finance Institutions	42	8,850,670
Insurance Companies	20	1,680,885
Modarbas and Mutual Funds	76	23,824,750
Shareholders holding 10% or more voting interest		
President of the Islamic Republic of Pakistan	1	591,440,294
Trade in shares of the Company by Directors, CEO, CFO, Company Secretary and their spouses and minor children		Nil

Note:

1- Mr. Khalid Rahman has been appointed as Chief Executive/ Managing Director of the Company in place of Mr. S. Munsif Raza effective 1 August, 2008.

Statement of Compliance

With the Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance (the Code) contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes eight non-executive directors and an executive director. All directors of the company are nominees of the Government of Pakistan except one director who is the nominee of the International Finance Corporation.

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

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

4. During the year one casual vacancy occurred in the Board in August 2007 on demise of one of the Government nominee Director which was filled in February 2008 immediately on receipt of nomination of his successor from the Government.

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

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

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

8. The meetings of the Board were presided over by the Chairman who is a non-executive director. The Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

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

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

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

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

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

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

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

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

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

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. 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.

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

(M.A.K. ALIZAI)
CHAIRMAN

(KHALID RAHMAN)
CHIEF EXECUTIVE /
MANAGING DIRECTOR

Karachi
6 August, 2008

Review Report to the Members

on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Petroleum Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, the Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Section 3 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, effective for the year ended June 30, 2008.

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Karachi
6 August, 2008

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2008 and the related profit and loss account, 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;

   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, 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, 2008 and of the profit, 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.

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Karachi
6 August, 2008

Balance Sheet

As at June 30, 2008

	Note	June 30, 2008 Rs '000	June 30, 2007 Rs '000
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	21,187,166	15,226,821
Intangible assets	5	180,854	150,327
		21,368,020	15,377,148
Long-term investments	6	1,781,469	677,384
Long-term loans - staff	7	11,752	10,853
Deferred tax asset	8	-	711,337
		23,161,241	16,776,722
CURRENT ASSETS			
Stores and spares	9	1,604,385	1,474,655
Trade debts	10	13,228,456	9,002,094
Loans and advances	11	46,506	34,001
Trade deposits and short-term prepayments	12	698,029	408,658
Accrued financial income	13	212,877	116,755
Current maturity of long-term receivable		-	231,289
Other receivables	14	8,858	21,669
Short-term investments	15	20,968,017	21,515,496
Cash and bank balances	16	1,094,892	787,786
		37,862,020	33,592,403
		61,023,261	50,369,125
SHARE CAPITAL AND RESERVES			
Share capital	17	7,544,200	6,858,376
Reserves	18	36,110,071	33,239,675
		43,654,271	40,098,051
NON-CURRENT LIABILITIES			
Provision for decommissioning cost	19	2,813,374	1,744,823
Liabilities against assets subject to finance leases	20	77,564	69,152
Deferred liabilities	21	859,779	742,059
Deferred tax liability	22	39,157	-
		3,789,874	2,556,034
CURRENT LIABILITIES			
Trade and other payables	23	12,241,943	7,220,468
Current maturity of long-term liability for gas development surcharge		-	231,289
Current maturity of liabilities against assets subject to finance leases	20	44,795	50,696
Taxation		1,292,378	212,587
		13,579,116	7,715,040
CONTINGENCIES AND COMMITMENTS	24		
		61,023,261	50,369,125

The annexed notes 1 to 41 form an integral part of these financial statements.

Director

Chief Executive

Profit and Loss Account

For the year ended June 30, 2008

	Note	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Sales - net	25	45,716,789	38,382,645
Field expenditure	26	(10,693,950)	(9,264,776)
Royalties		(5,516,435)	(4,576,591)
		(16,210,385)	(13,841,367)
		29,506,404	24,541,278
Share of profit in Bolan Mining Enterprises	6.1.2	55,777	47,632
Other operating income	28	3,036,365	2,417,390
Finance cost	29	(66,624)	(49,424)
Other operating expenses	30	(2,085,367)	(2,600,106)
Profit before taxation		30,446,555	24,356,770
Taxation	31	(10,739,157)	(7,588,996)
Profit after taxation		19,707,398	16,767,774
Basic earnings per share (Rs)	37	26.12	22.23

The annexed notes 1 to 41 form an integral part of these financial statements.

Director

Chief Executive

Cash Flow Statement

For the year ended June 30, 2008

	Note	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	30,487,299	23,806,485
Taxes paid		(8,908,873)	(10,155,174)
Finance cost paid		(17,071)	(15,984)
Long-term loans - staff (net)		(899)	1,838
Net cash generated from operating activities		21,560,456	13,637,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(7,077,377)	(4,028,304)
(Purchases) / redemption of long-term investments (net)		(1,196,561)	(116,119)
Purchases of short-term investments		(2,173,406)	(1,300,000)
Share of profit received from Bolan Mining Enterprises		25,000	25,000
Financial income received		2,324,086	2,244,179
Proceeds on sale of property, plant and equipment		40,808	11,830
Net cash used in investing activities		(8,057,450)	(3,163,414)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(62,627)	(50,395)
Dividends paid		(16,151,178)	(6,858,270)
Net cash used in financing activities		(16,213,805)	(6,908,665)
Net (decrease) / increase in cash and cash equivalents		(2,710,799)	3,565,086
Cash and cash equivalents at the beginning of the year		20,891,989	17,326,903
Cash and cash equivalents at the end of the year	35	18,181,190	20,891,989

The annexed notes 1 to 41 form an integral part of these financial statements.

Director

Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2008

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves					Total reserves	Total
	Ordinary	Convertible preference		General contingency reserve	Insurance reserve	Assets acquisition reserve	Unappropriated profit	Total		
	Rs '000									
Balance as at June 30, 2006	6,858,222	154	1,428	69,761	1,000,000	3,000,000	19,258,982	23,328,743	23,330,171	30,188,547
Appropriation of insurance reserve for the year ended June 30, 2006	-	-	-	-	1,000,000	-	(1,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2006	-	-	-	-	-	2,000,000	(2,000,000)	-	-	-
Final dividend on ordinary shares @ 55% for the year ended June 30, 2006	-	-	-	-	-	-	(3,772,023)	(3,772,023)	(3,772,023)	(3,772,023)
Conversion of preference shares into ordinary shares	6	(6)	-	-	-	-	-	-	-	-
Profit after taxation for the year ended June 30, 2007	-	-	-	-	-	-	16,767,774	16,767,774	16,767,774	16,767,774
Interim dividend for the year ended June 30, 2007										
- Ordinary shares - 45%	-	-	-	-	-	-	(3,086,203)	(3,086,203)	(3,086,203)	(3,086,203)
- Convertible preference shares - 30%	-	-	-	-	-	-	(44)	(44)	(44)	(44)
Balance as at June 30, 2007	6,858,228	148	1,428	69,761	2,000,000	5,000,000	26,168,486	33,238,247	33,239,675	40,098,051
Appropriation of insurance reserve for the year ended June 30, 2007	-	-	-	-	1,000,000	-	(1,000,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2007	-	-	-	-	-	2,000,000	(2,000,000)	-	-	-
Issuance of bonus shares (one share for every ten ordinary shares held)	685,824	-	-	-	-	-	(685,824)	(685,824)	(685,824)	-
Final dividend on ordinary shares @ 65% for the year ended June 30, 2007	-	-	-	-	-	-	(4,457,849)	(4,457,849)	(4,457,849)	(4,457,849)
Conversion of preference shares into ordinary shares	3	(3)	-	-	-	-	-	-	-	-
Profit after taxation for the year ended June 30, 2008	-	-	-	-	-	-	19,707,398	19,707,398	19,707,398	19,707,398
Interim dividend for the year ended June 30, 2008										
- Ordinary shares - 50%	-	-	-	-	-	-	(3,772,027)	(3,772,027)	(3,772,027)	(3,772,027)
- Convertible preference shares - 30%	-	-	-	-	-	-	(44)	(44)	(44)	(44)
Second interim dividend on ordinary shares @ 105% for the year ended June 30, 2008	-	-	-	-	-	-	(7,921,258)	(7,921,258)	(7,921,258)	(7,921,258)
Balance as at June 30, 2008	7,544,055	145	1,428	69,761	3,000,000	7,000,000	26,038,882	36,108,643	36,110,071	43,654,271

The annexed notes 1 to 41 form an integral part of these financial statements.

Director

Chief Executive

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Petroleum Limited (the Company) was incorporated in Pakistan in 1950 with the main objectives of conducting exploration, prospecting, development and production of oil and natural gas resources. The Company is listed on all the three Stock Exchanges of Pakistan with effect from September 16, 2004.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

2.1 Estimation of proven oil and natural gas reserves

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

2.2 Provision and amortization of decommissioning cost

Provision is recognized 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 recognized are based on current legal and constructive requirements, 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 take place many years in the future. The carrying amount of provision is regularly reviewed and adjusted to take account of such changes.

2.3 Provision for defined employee benefits

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

2.4 Provision for taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of 'financial assets at fair value through profit or loss' which are recorded at fair value.

3.3 Staff retirement benefits

a) Defined benefit plans

i) The Company operates funded pension and gratuity schemes separately for its executive and non-executive permanent staff. Provisions are made periodically on the basis of actuarial valuations for these pension and gratuity schemes. Actuarial gains and losses are amortised over the expected remaining average lives of the employees. Vested past service cost is recognised immediately, whereas non-vested past service cost is recognised over the period in which it becomes vested.

ii) The Company provides post retirement medical benefits to its executive and non-executive staff. The cost of these benefits is accrued over the expected remaining service life of the employees based on actuarial valuations. Actuarial gains and losses are amortised over the expected remaining average lives of the employees.

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

iv) Actuarial valuations are conducted annually and the last valuations were conducted as on June 30, 2008 based on the 'projected unit credit method'.

b) Defined contribution plan

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

3.4 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff is recognised on the basis of actuarial valuations. The latest valuations were conducted as on June 30, 2008.

3.5 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.

3.6 Decommissioning cost and its provision

Estimated cost to abandon and remove wells and production facilities is capitalised. The amount is based on present value of the estimated future expenditure.

The unwinding of discount is included within the finance cost.

3.7 Taxation

a) Current taxation

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

b) Deferred taxation

The Company recognises deferred taxation using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets on deductible temporary differences is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

3.8 Property, plant and equipment

a) Owned assets

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

ii) Capital spares held by the Company for replacement of major items of plant and machinery included in the Sui Field Gas Compressor Station (the Compressor Station) are stated at cost less accumulated depreciation and impairment losses, if any.

iii) Prospecting and development expenditure are accounted for under the "successful efforts" method whereby costs to acquire producing reserves, successful exploratory wells and development wells, including unsuccessful development wells, are capitalised. Unsuccessful exploratory wells are expensed when declared to be non-productive.

All exploration costs other than those related to exploratory drilling are charged against revenue for the year, as incurred.

b) Assets subject to finance leases

The Company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

3.9 Intangible assets

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 cost of the respective assets. Software which are not an integral part of the related hardware are classified as intangible assets.

3.10 Depreciation and amortisation

a) Property, plant and equipment

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

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

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

b) Intangible assets

Intangible assets are amortised using the straight line method over their useful lives at the rates stated in note 5.

3.11 Investments

a) Subsidiary

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

b) Joint venture

Investment in Bolan Mining Enterprises (BME), a joint venture on a 50:50 basis with the Government of Balochistan, is accounted for using the equity method.

c) Held-to-maturity

These are investments with fixed maturity and 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 subsequently stated at amortised cost using the effective interest rate method.

d) At fair value through profit or loss

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

3.12 Stores and spares

Stores and spares are valued at lower of moving average cost and net realisable value (NRV) except for stores in transit which are valued at cost. NRV is estimated based on management's experience and is also adjusted through systematic provision for obsolescence and slow moving items.

3.13 Trade debts

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

3.14 Cash and cash equivalents

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

3.15 Revenue recognition

Sales are recorded on actual delivery of gas and other petroleum products.

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

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

3.16 Joint ventures

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

3.17 Foreign currency transactions and translation

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

3.18 Financial instruments

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

3.19 Related party transactions

Related party transactions are stated at arm's length basis substantiated in the manner given in note 39 to the financial statements.

3.20 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.

3.21 Recent accounting developments

The following three standards have been adopted by SECP vide its S.R.O. 411(I)/2008 dated April 28, 2008 which have become effective for accounting periods beginning on or after the said date:

(i) IFRS-7 "Financial Instruments: Disclosures";
(ii) IFRS-8 "Operating Segments "; and
(iii) IAS-29 "Financial Reporting in Hyper-Inflationary Economies".

In addition, certain new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which are under consideration of the SECP for adoption.

The Company expects that the implementation of the aforesaid standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2008

4. PROPERTY, PLANT AND EQUIPMENT

4.1 A summary of property, plant and equipment is as follows:

	Cost as at July 01, 2007	Additions / (deletions) / (adjustments)	Cost as at June 30, 2008	Accumulated depreciation / amortisation as at July 01, 2007	Depreciation / amortisation charge for the year ended June 30, 2008	Accumulated depreciation / amortisation as at June 30, 2008	Net book value as at June 30, 2008	Net book value as at June 30, 2007	Rate of depreciation / amortisation (%)
	Rs'000								
Owned									
Freehold land	69,871	4,441	74,312	-	-	-	74,312	69,871	
Buildings and roads	517,755	49,642 (264) *1 (649)	566,484	161,261	26,061	187,322	379,162	356,494	5
Buildings and civil construction on freehold land for Sui Field Gas Compressor Station (SFGCS) comprising compression facilities for SML and SUL gas	470,561	897 (557) *1	470,901	437,836	6,369 (260)*1	443,945	26,956	32,725	5 & 10
Equipment and piping for SFGCS comprising compression facilities for SML and SUL gas	6,283,993	19,270 557*1 (259)	6,303,561	4,993,874	275,753 260 (259)	5,269,628	1,033,933	1,290,119	10
Plant and machinery	9,261,173	568,901 28,408*1 (75,043)	9,783,439	4,461,910	809,333 - (8,017)	5,263,226	4,520,213	4,799,263	10 & 100 *2
Furniture, fittings and equipment	576,280	33,101 15,652*1 (4,518)	620,515	274,563	60,465 11,327*1 (4,108)	342,247	278,268	301,717	10 & 30
Tanks and pipelines	1,936,850	481,271 (28,251)*1 (62,156)	2,327,714	1,033,972	117,409 - (47,638)	1,103,743	1,223,971	902,878	10
Rolling stock*4	131,811	36,765*3 (8,747)	159,829	115,750	27,768*3 (8,643)	134,875	24,954	16,061	20
Prospecting and development expenditure	3,040,516	3,922,699 (20,901)	6,942,314	507,897	669,858	1,177,755	5,764,559	2,532,619	*5
Decommissioning cost	1,692,388	1,018,998	2,711,386	553,163	94,790	647,953	2,063,433	1,139,225	*5
	23,981,198	6,180,602 (201,345)	29,960,455	12,540,226	2,099,393 (68,925)	14,570,694	15,389,761	11,440,972	
Assets subject to finance leases									
Furniture, fittings and equipment	53,671	8,963 (15,545)*1	47,089	15,976	12,371 (11,324)*1	17,023	30,066	37,695	10 & 30
Rolling stock*4	178,229	60,627 (44,672)*3	194,184	83,300	35,882 (40,429)*3	78,753	115,431	94,929	20
	231,900	69,590 (60,217)	241,273	99,276	48,253 (51,753)	95,776	145,497	132,624	
	24,213,098	6,250,192 (261,562)	30,201,728	12,639,502	2,147,646 (120,678)	14,666,470	15,535,258	11,573,596	
Capital work-in-progress							5,651,908	3,653,225	
					June 30, 2008 / 2007		21,187,166	15,226,821	
Owned	20,453,509	3,578,829 (51,140)	23,981,198	10,951,306	1,584,706 4,214	12,540,226	11,440,972		
Assets subject to finance leases	225,039	44,905 (38,044)	231,900	73,484	51,641 (25,849)	99,276	132,624		
	20,678,548	3,623,734 (89,184)	24,213,098	11,024,790	1,636,347 4,214 (25,849)	12,639,502	11,573,596		
Capital work-in-progress							3,653,225		
					June 30, 2007		15,226,821		

*1 Transferred to respective classes.

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

*3 Includes Rs 21.779 million (Cost) and Rs 21.694 million (Accumulated Depreciation) transferred from leased assets after maturity of lease term.

*4 Represents light and heavy vehicles.

*5 These are being amortized on unit of production basis.

4.2 Property, plant and equipment disposed off during the year:

Description	Method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds
			Rs '000			
Owned						
Equipment and piping for SFGCS						
Items having book value upto Rs 50,000	Auction / Tender	Various	259	259	-	37
Plant and machinery						
Security Surveillance System at Kandhkot	Tender	Mr. Zahoor Ahmed	966	764	202	4
Items having book value upto Rs 50,000	Auction / Tender	Various	7,258	7,252	6	993
			8,224	8,016	208	997
Furniture, fittings and equipment						
Minolta Paper Copier	Tender	Mr. Zahoor Ahmed	314	249	65	3
Dell Optiplex GX260 SMT PC 6g6z61s	Donation / Written off	M/s. Rotary Club	54	54	-	-
Items having book value upto Rs 50,000	Auction / Tender	Various	3,897	3,805	92	507
			4,265	4,108	157	510
Tanks and pipelines						
20" Water Pipeline	Tender	M/s. Shaikh Abdullah	47,638	47,638	-	17,970
Rolling stock						
Suzuki Cultus, AFM-457	Tender	Mr. Muhammad Nasir	509	416	93	165
Items having book value upto Rs 50,000	Auction / Tender	Various	8,238	8,227	11	13,091
			8,747	8,643	104	13,256
			69,133	68,664	469	32,770
Assets subject to finance leases						
Rolling stock						
Suzuki Mehran, AGA-984	Company policy	Mr. Ali Hasnain Zaidi (Ex-Principal-Sui Model School)	320	185	135	89
Honda Accord, AJQ-760	Company policy	Mr. M. Iftikar (Ex-General Manager Human Resources)	2,410	1,165	1,245	1,334
Honda Accord, AJQ-761	Company policy	Mr. M. Ahmed Manzer (Ex-General Manager Corporate Services)	2,410	1,165	1,245	1,334
Toyota Corola, AKA-611	Company policy	Mr. Shamim Akhtar (Ex-Resident Manager-Bolan Mining Enterprises)	893	432	461	576
Toyota Corola, AKA-612	Company policy	Mr. Athar Khan (Ex-Manager Business System)	893	313	580	622
Suzuki Cultus, AMA-306	Company policy	Mr. Mian M. Saeed (Ex-Deputy Chief Driller)	565	169	396	450
Items having book value upto Rs 50,000	Company policy	Various	15,404	15,306	98	3,633
			22,895	18,735	4,160	8,038
			92,028	87,399	4,629	40,808

4.3 Cost and accumulated depreciation include:

	Cost		Accumulated depreciation	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	Rs '000			
Share in joint ventures operated by the Company	1,962,380	1,794,507	757,554	605,751
Share in joint ventures operated by others (assets not in possession of the Company)	5,534,541	4,925,435	2,243,834	1,769,084
	7,496,921	6,719,942	3,001,388	2,374,835

4.4 Capital work-in-progress

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Plant, machinery, fittings and pipelines	3,679,284	1,218,485
Prospecting and development wells	1,878,149	2,311,678
Land, buildings and civil construction	9,510	31,570
Capital stores for drilling and development	84,965	91,492
	5,651,908	3,653,225

5. INTANGIBLE ASSETS

A summary of intangible assets is as follows:

	Cost as at July 01, 2007	Additions / (deletions)	Cost as at June 30, 2008	Accumulated amortisation as at July 1, 2007	Amortisation for the year / (on deletions)	Accumulated amortisation as at June 30, 2008	Net book value as at June 30, 2008	Rate of amorti-sation (%)
	Rs '000							
ERP system	104,428	85,952	190,380	65,390	20,886	86,276	104,104	20
Computer software	81,728	11,671	93,399	16,159	26,865	43,024	50,375	33
	186,156	97,623	283,779	81,549	47,751	129,300	154,479	
Capital work-in-progress							26,375	
						June 30, 2008	180,854	
Computer software and ERP system	150,541	38,713	186,156	52,063	29,488	81,549	104,607	
		(3,098)			(2)			
Capital work-in- progress							45,720	
						June 30, 2007	150,327	

During the year Company's rate of amortization on computer software has been changed from 20% to 33%. Change in the rate of amortization has been accounted for as a "Change in Accounting Estimates" in accordance with the IAS-8. Impact of such change on the profit for the year is not considered material.

6. LONG-TERM INVESTMENTS

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Investments in related parties		
BME- a Jonit Venture - note 6.1	15,000	15,000
Profit recievable from BME	195,538	164,760
	210,538	179,760
Fully paid shares in a subsidiary - note 6.2	1	1
Other investments		
Held-to-maturity		
- Term Finance Certificates - note 6.3	74,915	99,900
- Pakistan Investment Bonds - note 6.4	1,496,015	397,723
	1,570,930	497,623
	1,781,469	677,384

6.1 Bolan Mining Enterprises

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

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Tangible fixed assets	10,550	11,699
Current assets	261,136	220,886
	271,686	232,585
Current liabilities	17,353	14,140
Reserve for development and expansion	43,185	38,147
Leave preparatory to retirement	610	538
	61,148	52,825
Net assets	210,538	179,760

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

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Sales	125,911	94,655
Cost of goods sold	(56,080)	(40,656)
	69,831	53,999
Operating expenses	(17,742)	(12,895)
Operating profit	52,089	41,104
Other income	19,275	16,010
	71,364	57,114
Transfer to reserve for development and expansion	(15,587)	(9,482)
	55,777	47,632

6.2 Subsidiary company

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited, a wholly owned subsidiary of the Company, has not made any profits nor incurred any losses from the date of its incorporation to June 30, 2008. 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.

In view of the exemption granted by the SECP through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 the Company has not prepared the consolidated financial statements for the year ended June 30, 2008 in respect of its investment in the aforementioned wholly owned subsidiary.

		Number of certificates	Nominal value of each certificate	Final maturity date	Implicit mark-up	June 30, 2008 Rs '000	June 30, 2007 Rs '000
			Rs		%	Rs '000	
6.3	Term Finance Certificates (TFCs) of a listed company						
	Jahangir Siddiqui & Co. Ltd.	10,000	5,000	Dec 21, 2009	8.29	49,930	49,950
		10,000	5,000	Nov 21, 2011	13.86	49,970	49,990
						99,900	99,940
	Current maturity of TFCs					(24,985)	(40)
						74,915	99,900
6.4	Pakistan Investment Bonds (PIBs) *						
	Issued on July 20, 2002			July 20, 2007	6.60	-	50,092
	Issued on Dec 31, 2002			Dec 31, 2007	5.62	-	48,545
	Issued on May 19, 2006			May 19, 2009	9.28	199,680	199,318
	Issued on May 19, 2006			May 19, 2011	9.54	198,796	198,405
	Issued on August 22, 2007			Aug 22, 2012	10.28	96,692	-
	Issued on August 22, 2007			Aug 22, 2012	10.81	95,065	-
	Issued on August 22, 2007			Aug 22, 2012	10.86	94,906	-
	Issued on August 22, 2007			Aug 22, 2012	10.21	96,922	-
	Issued on August 22, 2007			Aug 22, 2012	10.90	94,740	-
	Issued on August 22, 2007			Aug 22, 2012	10.13	48,592	-
	Issued on August 22, 2007			Aug 22, 2012	10.95	94,582	-
	Issued on August 22, 2007			Aug 22, 2012	11.00	47,213	-
	Issued on May 19, 2006			May 19, 2016	10.90	46,610	-
	Issued on May 19, 2006			May 19, 2016	11.14	92,040	-
	Issued on August 22, 2007			Aug 22, 2017	11.43	89,763	-
	Issued on August 22, 2007			Aug 22, 2017	11.49	89,478	-
	Issued on August 22, 2007			Aug 22, 2017	11.54	89,219	-
	Issued on August 22, 2007			Aug 22, 2017	11.59	88,956	-
	Issued on August 22, 2007			Aug 22, 2017	11.64	88,699	-
	Issued on August 22, 2007			Aug 22, 2017	11.88	43,742	-
						1,695,695	496,360
	Current maturity of PIBs					(199,680)	(98,637)
						1,496,015	397,723

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

7. LONG-TERM LOANS - STAFF

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Unsecured and considered good:		
- Executive staff - note 7.2	7,628	7,251
- Other employees	10,553	8,020
	18,181	15,271
Recoverable within one year - note 11		
- Executive staff	(2,982)	(2,587)
- Other employees	(3,447)	(1,831)
	(6,429)	(4,418)
	11,752	10,853

7.1 These represent house purchase / building, household appliances, generator and car / motorcycle loans disbursed to employees under the terms of employment and are repayable to the Company in accordance with the Company's rules over a maximum period of ten years.

7.2 Reconciliation of the carrying amount of long-term loans to executives:

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Balance as on July 01, 2007 / 2006	7,251	7,915
Disbursements	3,551	1,568
Repayments / adjustments	(3,174)	(2,232)
Balance as on June 30	7,628	7,251

7.3 The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 7.628 million (2007: Rs 8.347 million).

8. DEFERRED TAX ASSET

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Debit / (credit) balances arising on account of:		
Exploration expenditure	-	2,338,001
Accelerated tax depreciation allowances	-	(1,470,282)
Amortisation of intangible assets	-	(170)
Prospecting and development expenditure	-	(948,612)
Provision for staff retirement and other benefits	-	259,721
Provision for obsolete / slow moving stores	-	23,944
Provision for WWF	-	514,288
Others	-	(5,553)
	-	711,337

During the current year, net credit balance of Rs 39.157 million is appearing as deferred tax liability which has separately been disclosed in note 22.

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
9. STORES AND SPARES		
Stores and spares	1,633,610	1,526,654
Stores and spares in transit	47,550	16,411
	1,681,160	1,543,065
Provision for obsolete / slow moving stores	(76,775)	(68,410)
	1,604,385	1,474,655
10. TRADE DEBTS		
Unsecured and considered good:		
Water and Power Development Authority (WAPDA)	3,028,555	1,440,089
Sui Northern Gas Pipelines Limited (SNGPL)	5,152,033	4,683,121
Sui Southern Gas Company Limited (SSGCL)	2,655,842	1,918,977
Attock Refinery Limited (ARL)	2,210,068	842,985
Others	181,958	116,922
	13,228,456	9,002,094

10.1 Trade debts include an amount of Rs 10,894.907 million (2007: Rs 8,065.780 million) receivable from state controlled entities.

		June 30, 2008 Rs '000	June 30, 2007 Rs '000
11.	LOANS AND ADVANCES		
	Unsecured and considered good:		
	Loans and advances to staff - note 11.1	5,525	13,676
	Advances to suppliers and others	34,552	15,907
	Current maturity of long term- staff loans - note 7	6,429	4,418
		46,506	34,001
11.1	Loans and advances to staff		
	- Executive staff	18	2,250
	- Other employees	5,507	11,426
		5,525	13,676
12.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Trade deposits	23,365	15,232
	Prepayments	101,572	106,661
	Recievable from Joint Venuture partners - note 23.2	573,092	286,765
		698,029	408,658
13.	ACCRUED FINANCIAL INCOME		
	Profit recievable on bank deposits	56,192	18,600
	Profit recievable on long-term investments	48,307	7,248
	Profit recievable on term deposits with banks	108,378	90,907
		212,877	116,755
14.	OTHER RECEIVABLES		
	Receivable from SSGCL for Sui field services	214	214
	Receivable from SNGPL for Sui field services	1,008	1,019
	Receivable from WPPF - note 23.3	-	4,640
	Other receivables	7,636	15,796
		8,858	21,669
15.	SHORT-TERM INVESTMENTS		
	Held-to-maturity term deposits with banks - note 15.1		
	Local currency	15,106,000	18,450,309
	Foreign currency	1,980,298	1,653,894
		17,086,298	20,104,203
	At fair value through profit or loss - note 15.2		
	NAFA Cash Fund	1,098,164	504,998
	United Money Market Fund	-	303,167
	Pakistan Income Fund	-	302,896
	JS Income Fund	1,056,330	201,555
	MCB Dynamic Cash Fund	223,206	-
	AMZ Plus Income Fund	202,955	-
	United Growth Income Fund	243,137	-
	Askari Income Fund	686,264	-
	Dawood Money Market Fund	121,585	-
	Atlas Income Fund	25,413	-
		3,657,054	1,312,616
	Current maturity of long-term investments - note 6.3 and 6.4	224,665	98,677
		20,968,017	21,515,496

15.1 The term deposits have a maximum maturity period of one month.

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

16. CASH AND BANK BALANCES

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
At banks		
-Saving accounts		
Local currency	1,005,012	702,981
Foreign currency	16,017	14,368
	1,021,029	717,349
-Current accounts (local currency)	68,936	60,172
Cash and cheques in hand	4,927	10,265
	1,094,892	787,786

17. SHARE CAPITAL

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Authorised		
1,000,000,000 (2007: 1,000,000,000) ordinary shares of Rs 10 each	10,000,000	10,000,000
26,510 (2007: 26,510) convertible preference shares of Rs 10 each	265	265
	10,000,265	10,000,265
Issued		
754,595,061 (2007: 686,012,430) ordinary shares of Rs 10 each - note 17.1	7,545,950	6,860,124
14,440 (2007: 14,760) convertible preference shares of Rs 10 each - note 17.2	145	148
	7,546,095	6,860,272
Subscribed and paid-up		
751,655,514 (2007: 683,072,883) ordinary shares of Rs 10 each for cash - note 17.1	7,516,555	6,830,728
2,750,000 (2007: 2,750,000) ordinary shares of Rs 10 each for consideration other than cash under an Agreement for Sale of assets dated March 27, 1952 with Burmah Oil Company Limited	27,500	27,500
	7,544,055	6,858,228
14,440 (2007: 14,760) convertible preference shares of Rs 10 each for cash - note 17.2	145	148
	7,544,200	6,858,376

17.1 Issued, subscribed and paid-up capital

During June 2002, a right issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders, irrespective of class. Out of the above, 189,547 (2007: 189,547) shares have remained unsubscribed as on June 30, 2008.

In July 2004, the Government of Pakistan (GoP) has disinvested its equity equivalent to 15% of the paid-up share capital (i.e. 102,875,500 ordinary shares) of the Company through an Initial Public Offering. Currently, the GoP holds 78.4% of the paid up ordinary share capital.

During the year the Company has issued 10% bonus shares (68,582,311 shares) to the ordinary shareholders (i.e. one ordinary share for every ten ordinary shares held).

17.2 Convertible preference shares

In accordance with article 3(iv) of the Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Company Secretary by the holders of such convertible preference shares to that effect. During the year, five (2007: eight) shareholders holding 320 (2007: 620) convertible preference shares exercised their option to convert those shares into ordinary shares.

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

18. RESERVES

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Capital reserve - note 18.1	1,428	1,428
Revenue reserves		
General and contingency reserve - note 18.2	69,761	69,761
Insurance reserve - note 18.3	3,000,000	2,000,000
Assets acquisition reserve - note 18.4	7,000,000	5,000,000
Unappropriated profit	26,038,882	26,168,486
	36,108,643	33,238,247
	36,110,071	33,239,675

18.1 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.

18.2 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.

18.3 Insurance reserve

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

The Board of directors at their meeting held on August 06, 2008 have approved to transfer Rs 1,500 million (2007: Rs 1,000 million) from unappropriated profit to the insurance reserve.

18.4 Assets acquisition reserve

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

The Board of directors at their meeting held on August 06, 2008 have approved to transfer Rs 3,000 million (2007: Rs 2,000 million) from unappropriated profit to the assets acquisition reserve.

19. PROVISION FOR DECOMMISSIONING COST

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Balance brought forward	1,744,823	1,608,707
Provision / adjustment during the year	1,018,998	102,676
Unwinding of discount - note 29	49,553	33,440
	2,813,374	1,744,823

This includes Rs 686.432 million (2007: Rs 501.816 million) representing the Company's share of the expected decommissioning cost of fields in which the Company is not an operator. 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 fields where the Company is not an operator is based on estimates provided by the respective operators of those fields. The provision has been discounted using a real discount rate of 2.60% per annum (2007: 2.84% per annum).

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Present value of minimum lease payments	122,359	119,848
Current maturity shown under current liabilities	(44,795)	(50,696)
	77,564	69,152

These represent finance leases entered into with leasing companies. The periodic lease payments include built in rates of mark-up ranging between 6.15% to 16.00% per annum (2007: 6.15% to 16.00% per annum). The Company has the option to purchase the assets upon expiry of the respective lease terms.

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

	Minimum lease payments		Financial charges		Present value of minimum lease payments	
	Rs '000					
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Year to June 30,						
2008	-	60,823	-	10,127	-	50,696
2009	56,064	40,793	11,269	8,128	44,795	32,665
2010	37,364	21,621	10,185	4,559	27,179	17,062
2011	29,726	15,825	6,557	2,457	23,169	13,368
2012	19,683	6,627	3,292	570	16,391	6,057
2013	11,706	-	881	-	10,825	-
Total	154,543	145,689	32,184	25,841	122,359	119,848

21. DEFERRED LIABILITIES

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Post retirement medical benefits-note 27.2	586,941	522,599
Leave preparatory to retirement -note 27.3	272,838	219,460
	859,779	742,059

22. DEFERRED TAX LIABILITY

Credit / (debit) balances arising on account of:		
Exploration expenditure	(2,416,449)	-
Accelerated tax depreciation allowances	1,559,502	-
Amortisation of intangible assets	(7,078)	-
Prospecting and development expenditure	1,969,023	-
Provision for staff retirement and other benefits	(300,923)	-
Provision for obsolete / slow moving stores	(26,871)	-
Provision for WWF	(748,874)	-
Others	10,827	-
	39,157	-

23. TRADE AND OTHER PAYABLES

Creditors	48,210	129,532
Accrued liabilities	2,117,071	1,031,187
Advances from customers	3,851	3,851
Retention money	73,387	30,674
Unpaid and unclaimed dividends	1,763,853	42,628
Gas development surcharge	1,521,532	745,345
Federal excise duy	106,597	108,919
Sales tax (net)	559,030	159,465
Royalties	3,543,120	3,104,854
Surplus due to the President - note 23.1	72,539	72,539
Current accounts with Joint Venture Partners - note 23.2 and 39.1	597,538	408,771
Workers' profits participation fund - note 23.3	8,390	-
Workers' welfare fund - note 24.1.4	1,802,202	1,348,589
Others	24,623	34,114
	12,241,943	7,220,468

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

23.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2007 and 2008 have been stated net of the respective current assets and current liabilities, as providing details for each respective joint venture separately would be very exhaustive especially in view of the materiality of that information in the overall context of these financial statements.

23.3 Workers' profits participation fund (WPPF)

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Balance as on July 01, 2007 / 2006	-	11,545
Allocation for the year - note 30	1,623,390	1,345,360
Interest on funds utilised in the Company's business - note 29	29	710
	1,623,419	1,357,615
Amount paid during the year		
- for current year	(1,615,029)	(1,350,710)
- for previous year	-	(11,545)
	(1,615,029)	(1,362,255)
	8,390	(4,640)
Receivable from WPPF classified under other receivables - note 14	-	4,640
Balance as on June 30	8,390	-

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 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	400,718	642,332
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	132,790	135,122

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

24.1.3 The Company is contesting an appeal against the order of the Large Taxpayers Unit, which requires the Company to pay sales tax on LPG sales made from Adhi during the period August 1999 to April 2004. However, in order to avail benefits under the amnesty scheme notified through S.R.O. 247(I)/2004 dated May 5, 2004, the Company has paid and charged to profit and loss account for the year ended June 30, 2004 sales tax and additional tax amounting to Rs 77.548 million and Rs 12.426 million respectively on sales of LPG made during the period August 1999 to April 2004. In case the adjudicating authority decides the case in favour of the Company, the amounts shall become refundable.

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

The Company had filed appeals before the Income Tax Appellate Tribunal (ITAT) for refund of WWF paid for the years ended June 30, 1998 to June 30, 2002 on the above grounds, which was decided against the Company. In view of the Order of the ITAT, the Company has filed reference applications before the Sindh High Court.

During the year Taxation Officer has issued amended assessment orders for tax years 2003 to 2007 incorporating the liability of WWF and has raised the demand of Rs 1,052.397 million. The Company filed appeal before the Commissioner Income Tax (Appeals) against the order of Taxation Officer and has also obtained stay against the demand of WWF from the Sindh High Court. Subsequent to the year end, CIT(A) vide Order dated July 17, 2008 has decided the appeals for the tax years 2003 to 2006 in favour of the Company on technical grounds. However, for the tax year 2007 CIT(A) has upheld the decision of the Taxation Officer. The Company is now in process of filing appeal before the ITAT against the order of the CIT(A) for tax year 2007.

The Company as a matter of prudence has been providing for WWF in the books of accounts. Accordingly, an amount of Rs 453.612 million (2007: Rs 1,251.986 million for the period from July 01, 2003 to June 30, 2007) has been provided. In case the matter is decided in favour of the Company, an amount of Rs 1,840.622 million will be credited in profit and loss account for that year.

24.1.5 The Company has revised the tax rates of certain producing fields in line with the provisions of Petroleum Concession Agreements (PCAs) and prevailing industry practices and filed its tax returns for the tax year 2006 and 2007 on the same basis. During the year, Company has also revised its tax returns for the tax years 2003 to 2005 resulting in tax refundable amounting to Rs 383.146 million.

Additional Commissioner Income Tax (ACIT) has issued Assessment Orders for tax years 2006 and 2007 raising demand for payment Rs 326.533 million and Rs 342.316 million for tax years 2006 and 2007 respectively. The Company has filed appeals before CIT(A) against the assessment orders and has also obtained stay against the demand raised by the ACIT. However, as a matter of prudence the Company has provided the differential tax liability for tax years 2006 and 2007 amounting to Rs 326.533 million and Rs 342.316 million respectively against the profit for the year. The Company has also provided tax liability for the year at the higher tax rates.

24.2 Commitments

24.2.1 Capital expenditure

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Own fields	5,179,375	5,877,285
Share in joint ventures	6,987,841	6,742,247
	12,167,216	12,619,532

24.2.2 Exploration expenditure

The Company's share of net exploration activities in respect of Block 2366-4 (Offshore Indus 'M') , Block 2366-5 (Offshore Indus 'N'), Block 2366-7 (Offshore Indus 'C'), Block 2469-8 (Umarkot), Block 2470-2 (Rajar), Block 2470-3 (Mithi), Block 3070-13 (Baska), Block 2568-13 (Hala), Block 2568-15 (Tajpur), Block 2569-2 (Thar), Block 2667-7 (Kirthar), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano II), Block 2669-3 (Latif), Block 2678-3 (Block-22 Hamza), Block 2766-1 (Khuzdar), Block 2866-2 (Kalat), Block 2867-3 (Dadhar), Block 2966-1 (Nushki), Block 2969-8 (Barkhan), Block 2971-5 (Bahawalpur East), Block 3370-3 (Tal), Block 3370-10 (Nashpa), Block-29 (Republic of Yemen), provision for new exploration areas and for international exploration phased for the year ending June 30, 2009 amounts to Rs 1,188 million (2008: 1,890 million).

25. SALES – net (including internal consumption)

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Sales	57,884,679	51,079,679
Federal excise duty	(1,299,966)	(1,302,619)
Sales tax	(6,944,615)	(6,701,686)
Gas development surcharge	(3,923,309)	(4,692,729)
	(12,167,890)	(12,697,034)
	45,716,789	38,382,645

Product wise break up of sales is as follows:

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Natural gas sales	48,924,909	46,814,696
Federal excise duty	(1,288,099)	(1,291,074)
Sales tax	(6,421,862)	(6,145,534)
Gas development surcharge	(3,923,309)	(4,692,729)
	(11,633,270)	(12,129,337)
	37,291,639	34,685,359
Gas supplied to Sui villages - note 26.4	107,625	99,469
Federal excise duty	(4,497)	(4,469)
Sales tax	(14,038)	(12,974)
	(18,535)	(17,443)
	89,090	82,026
Internal consumption of gas - note 25.1	139,830	131,647
Federal excise duty	(5,897)	(5,920)
Sales tax	(18,239)	(17,171)
	(24,136)	(23,091)
	115,694	108,556
Condensate sales	1,858,973	1,015,328
Sales tax	(86,871)	(132,285)
	1,772,102	883,043
NGL (condensate) sales	2,271,033	1,465,017
Sales tax	(115,113)	(191,089)
	2,155,920	1,273,928
Crude oil sales	3,783,237	1,082,143
Sales tax	(183,652)	(141,149)
	3,599,585	940,994
LPG sales	799,072	471,379
Federal excise duty	(1,473)	(1,156)
Sales tax	(104,840)	(61,484)
	(106,313)	(62,640)
	692,759	408,739
	45,716,789	38,382,645

25.1 Internal consumption of gas comprises of the following:

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Industrial and domestic use	100,420	105,984
Gas used for electricity generation at Sui	39,410	25,663
	139,830	131,647

26. FIELD EXPENDITURE

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Development and drilling	1,431,648	1,285,466
Exploration	2,448,117	2,201,017
Depreciation - note 4.1	1,349,718	1,363,009
Amortisation of intangible assets - note 5	47,751	29,488
Amortisation of decommissioning cost - note 4.1	94,790	137,694
Amortisation of prospecting and development expenditure - note 4.1	669,858	135,644
Salaries, wages and other benefits - note 26.1	2,522,532	2,096,103
Employees' medical and welfare - note 26.2	343,128	306,790
Travelling and conveyance	302,881	252,734
Communication	24,357	17,522
Stores and spares consumed	520,406	552,669
Fuel and power	194,033	180,836
Rent, rates and taxes	48,067	42,232
Insurance	110,124	130,111
Repairs and maintenance	234,448	302,452
Professional services	47,658	10,255
Audit and professional fee - note 26.3	2,956	2,950
Free supply of gas to Sui villages - note 26.4	107,625	99,469
Donations - note 26.5	66,489	16,465
Social welfare / community development	79,271	69,763
Other expenses	66,366	48,428
	10,712,223	9,281,097
Recoveries	(18,273)	(16,321)
	10,693,950	9,264,776

26.1 This includes expenditure in respect of provident fund, pension, gratuity and leave preparatory to retirement amounting to Rs 59.505 million, Rs 160.746 million, Rs 35.280 million and Rs 60.893 million respectively (2007: Rs 56.730 million, Rs 116.935 million, Rs 26.213 million and Rs 54.997 million respectively).

26.2 This includes expenditure relating to post retirement medical benefits amounting to Rs 83.607 million (2007: Rs 75.737 million).

26.3 Breakup of audit and professional fee is as under:

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Audit fee	1,300	1,200
Special certification and sundry advisory services	1,478	1,518
Out of pocket expenses	178	232
	2,956	2,950

26.4 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 25.

26.5 The directors including managing director and their spouses do not have any interest in the donee funds (2007: Rs 6.122 million).

27. STAFF RETIREMENT BENEFITS

27.1 Funded post retirement pension and gratuity schemes

As mentioned in note 3.3 to the financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

27.1.1 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 were as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2008					June 30, 2007
	Rs '000					
Present value of defined benefit obligations	2,065,129	273,058	685,216	287,366	3,310,769	2,931,313
Fair value of plan assets	(1,687,631)	(274,497)	(655,468)	(259,360)	(2,876,956)	(2,579,475)
Deficit / (surplus)	377,498	(1,439)	29,748	28,006	433,813	351,838
Unrecognised actuarial (loss) / gain	(377,498)	1,439	(29,748)	(28,006)	(433,813)	(359,970)
Asset recognised in the balance sheet	-	-	-	-	-	(8,132)

27.1.2 Movement in amounts receivable from defined benefit plans

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2008					June 30, 2007
	Rs '000					
Balance as on July 1, 2007 / 2006	-	-	(8,132)	-	(8,132)	-
Charge for the year - note 27.1.3	131,517	15,968	29,229	19,312	196,026	143,148
Payments during the year	(131,517)	(15,968)	(21,097)	(19,312)	(187,894)	(151,280)
Balance as on June 30	-	-	-	-	-	(8,132)

27.1.3 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, 2008					June 30, 2007
	Rs '000					
Current service cost	99,685	15,821	24,710	11,458	151,674	122,912
Interest cost	175,628	25,487	62,606	27,963	291,684	225,123
Expected return on plan assets	(150,435)	(25,340)	(58,087)	(22,505)	(256,367)	(207,634)
Amortisation of non-vested past service cost	-	-	-	-	-	549
Amortisation of actuarial loss	6,639	-	-	2,396	9,035	2,198
	131,517	15,968	29,229	19,312	196,026	143,148
Actual return on plan assets	(184,422)	(31,977)	(84,768)	(23,389)	(324,556)	(308,710)

27.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2008					June 30, 2007
	Rs '000					
Fair value of plan assets at beginning of the year	1,498,380	257,721	590,078	233,296	2,579,475	2,324,587
Expected return on plan assets	150,435	25,340	58,087	22,505	256,367	207,634
Contribution by employer	131,517	15,968	21,097	19,312	187,894	151,280
Benefits paid	(126,830)	(31,670)	(40,496)	(17,195)	(216,191)	(204,164)
Actuarial gain	34,129	7,138	26,702	1,442	69,411	100,138
Fair value of plan assets at end of the year	1,687,631	274,497	655,468	259,360	2,876,956	2,579,475

27.1.5 Changes in fair value of pension and gratuity obligations

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2008					June 30, 2007
	Rs '000					
Fair value of obligations at beginning of the year	1,746,009	259,266	637,531	288,507	2,931,313	2,519,994
Current service cost	99,685	15,821	24,710	11,458	151,674	122,912
Interest cost	175,628	25,487	62,606	27,963	291,684	225,123
Benefits paid	(126,830)	(31,670)	(40,496)	(17,195)	(216,191)	(204,164)
Actuarial loss / (gain)	170,637	4,154	865	(23,367)	152,289	267,448
Fair value of obligations at end of the year	2,065,129	273,058	685,216	287,366	3,310,769	2,931,313

27.1.6 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:

	Executive		Non-Executive		Executive		Non-Executive	
	Rs `000	%	Rs `000	%	Rs `000	%	Rs `000	%
	June 30, 2008				June 30, 2007			
Pension Fund								
Government securities	1,465,864	87	589,147	90	972,470	65	434,179	74
Shares	8,278	-	1,265	-	7,974	1	1,219	-
Term Finance Certificates	151,793	9	55,581	9	174,676	11	57,682	10
Cash and bank balances	61,696	4	9,475	1	343,260	23	96,998	16
Total	1,687,631	100	655,468	100	1,498,380	100	590,078	100
Gratuity Fund								
Government securities	238,796	87	204,579	79	115,468	45	141,517	61
Shares	1,265	1	1,845	1	1,218	-	1,777	1
Term Finance Certificates	28,100	10	35,813	14	30,410	12	36,726	15
Cash and bank balances	6,336	2	17,123	6	110,625	43	53,276	23
Total	274,497	100	259,360	100	257,721	100	233,296	100

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

	2008	2007	2006	2005	2004
	Rs `000				
Executive Pension Fund					
Present value of defined benefit obligations	2,065,129	1,746,009	1,514,528	1,215,377	1,021,120
Fair value of plan assets	(1,687,631)	(1,498,380)	(1,338,899)	(1,157,316)	(885,033)
Deficit	377,498	247,629	175,629	58,061	136,087
Experience adjustments on obligation	(170,637)	(132,422)	(171,124)	(92,556)	(35,872)
Experience adjustments on plan assets	34,129	58,224	54,458	166,591	54,382
Executive Gratuity Fund					
Present value of defined benefit obligations	273,058	259,266	248,535	240,679	138,818
Fair value of plan assets	(274,497)	(257,721)	(241,185)	(213,309)	(123,224)
Deficit / (surplus)	(1,439)	1,545	7,350	27,370	15,594
Gain / (loss) on experience adjustments on obligation	(4,154)	(2,292)	(10,982)	(7,083)	17,387
Gain on experience adjustments on plan assets	7,138	7,548	6,242	20,460	5,792
Non-Executive Pension Fund					
Present value of defined benefit obligations	685,216	637,531	527,622	451,927	354,689
Fair value of plan assets	(655,468)	(590,078)	(520,074)	(465,110)	(355,547)
Deficit / (surplus)	29,748	47,453	7,548	(13,183)	(858)
Gain / (loss) on experience adjustments on obligation	865	78,143	37,132	68,513	(87,044)
Gain / (loss) on experience adjustments on plan assets	26,702	30,006	24,501	72,738	(23,658)
Non-Executive Gratuity Fund					
Present value of defined benefit obligations	287,366	288,507	229,309	219,202	187,691
Fair value of plan assets	(259,360)	(233,296)	(224,429)	(216,421)	(181,408)
Deficit	28,006	55,211	4,880	2,781	6,283
Gain /(loss) on experience adjustments on obligation	23,367	(54,691)	22,160	(7,083)	1,499
Gain on experience adjustments on plan assets	1,442	4,360	3,651	20,460	7,730

27.2 Unfunded post retirement medical benefits

27.2.1 The Company provides free medical facilities to its executive and non-executive retired employees. The latest valuation of liability for post retirement medical benefit cost was carried out as at June 30, 2008, results of which are as follows:

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Present value of defined benefit obligation - note 27.2.4	682,821	591,509
Unrecognised actuarial loss	(95,880)	(68,910)
Liability recognised in the balance sheet - note 21	586,941	522,599

27.2.2 Movement in the liabilities recognised in the balance sheet is as follows:

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Balance as on July 1, 2007 / 2006	522,599	462,731
Charge for the year - note 27.2.3	83,607	75,737
Payments during the year	(19,265)	(15,869)
Balance as on June 30	586,941	522,599

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

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Current service cost	22,602	22,174
Interest cost	59,308	51,915
Amortisation of actuarial loss	1,697	1,648
	83,607	75,737

27.2.4 Changes in fair value of post retirement medical obligations

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Present value of medical obligation at beginning of the year	591,509	534,285
Current service cost	22,602	22,174
Interest cost	59,308	51,915
Benefits paid	(19,265)	(15,869)
Actuarial loss / (gain)	28,667	(996)
Present value of medical obligation at end of the year	682,821	591,509

27.2.5 One percent change in the medical cost trend rate would have following effect

	1% increase Rs '000	1% decrease Rs '000
Present value of medical obligation	22,193	(15,366)
Current service cost and interest cost	122,367	(86,492)

27.3 Leave preparatory to retirement

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

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Balance as on July 1, 2007 / 2006	219,460	182,700
Charge for the year	60,893	54,997
	280,353	237,697
Adjustments / payments	(7,515)	(18,237)
Balance as on June 30 - note 21	272,838	219,460

27.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:	Per annum June 30, 2008	Per annum June 30, 2007
- discount rate	12%	10%
- expected rate of return on investment	12%	10%
- expected rate of increase in salaries	12%	10%
- expected rate of increase in pension	7%	5%
- expected rate of escalation in medical cost	8%	6%

28. OTHER OPERATING INCOME

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Income on loans and bank deposits	174,578	121,887
Income on term deposits	2,163,984	2,111,729
Income on long-term held-to-maturity investments	81,646	37,791
Gain on re-measurement of investments at fair value through profit or loss	171,032	12,616
Rental income on assets	45,340	2,103
Profit on sale of property, plant and equipment	36,179	7,592
Profit on sale of stores and spares (net)	24,237	17,032
Exchange gain on foreign currency	246,063	2,772
Miscellaneous income from joint ventures	-	2,103
Share of profit on sale of LPG	63,199	90,996
Others	30,107	10,769
	3,036,365	2,417,390

29. FINANCE COST

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Interest on WPPF - note 23.3	29	710
Financial charges for liabilities against assets subject to finance leases	17,042	15,274
Unwinding of discount on decommissioning cost - note 19	49,553	33,440
	66,624	49,424

30. OTHER OPERATING EXPENSES

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Workers' profits participation fund - note 23.3	1,623,390	1,345,360
Workers' welfare fund		
- Current year	507,825	497,076
- Prior year	(54,213)	754,910
	453,612	1,251,986
Provision for obsolete / slow moving stores	8,365	2,760
	2,085,367	2,600,106

31. TAXATION

Provision for taxation for the year ended June 30, 2008 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas falling under the purview of the Fifth Schedule to the Income Tax Ordinance, 2001 and for the non-agreement areas on the basis of tax rate of 35% applicable for the tax year 2008.

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Current		
- for the year	9,366,685	8,015,087
- for prior years	621,978	(325,026)
	9,988,663	7,690,061
Deferred		
- for the year	767,945	(42,970)
- for prior years	(17,451)	(58,095)
	750,494	(101,065)
	10,739,157	7,588,996

31.1 Relationship between accounting profit and taxation

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Accounting profit for the year before taxation	30,446,555	24,356,770
Tax at applicable rate of 43.86% (2007: 42.10%)	13,353,950	10,255,325
Tax effect of amounts that are not deductible for tax purposes	(9,652)	228,406
Tax effect of depletion allowance and royalty allowed for tax purposes	(3,209,668)	(2,511,614)
Net effect of deferred tax relating to prior years recognised in current year	(17,451)	(58,095)
Tax charge relating to prior years	621,978	(325,026)
	10,739,157	7,588,996

32. 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, 2008
Producing fields		
Adhi	PPL	39.00
Mazarani	PPL	87.50
Qadirpur	OGDCL	7.00
Miano	OMV	15.16
Sawan	OMV	26.18
Hasan, Sadiq and Khanpur - D&P (Block-22)	PEL	35.53
Manzalai - D&P (Tal Block)	MOL	27.76
Makori - EWT Phase (Tal Block)	MOL	27.76
Mela - EWT Phase (Nashpa Block)	OGDCL	26.05
Exploration and development blocks		
Within Pakistan		
Block 2568-13 (Hala)	PPL	65.00
Block 2568-15 (Tajpur)	PPL	100.00
Block 2668-4 (Gambat)	OMV	30.00
Block 2668-5 (South West Miano II)	OMV	33.30
Block 2669-3 (Latif)	OMV	33.30
Block 2766-1 (Khuzdar)	PPL	65.00
Block 2768-3 (Block 22- Hamza)	PEL	45.00
Block 2866-2 (Kalat)	PPL	65.00
Block 2867-3 (Dadhar)	PPL	45.66
Block 2966-1 (Nushki)	PPL	65.00
Block 3370-3 (Tal)	MOL	30.00
Block 3370-10 (Nashpa)	OGDCL	30.00
Block 2667-7 (Kirthar)	POGC	30.00
Block 2969-8 (Barkhan)	PPL	50.00
Block 2971-5 (Bahawalpur East)	PPL	49.00
Block 2366-7 (Eastern Offshore Indus 'C')	Eni	40.00
Block 2366-4 (Eastern Offshore Indus 'M')	Eni	30.00
Block 2366-5 (Eastern Offshore Indus 'N')	Eni	30.00
Block 2569-2 (Thar)	Eni	25.00
Block 2470-2 (Rajar)	Eni	15.00
Block 2469-8 (Umarkot)	Eni	25.00
Block 2470-3 (Mithi)	Eni	15.00
Block 3070-13 (Baska)	ZhenHua	49.00
Outside Pakistan		
Block 29 (Republic of Yemen)	OMV	50.00

33. FINANCIAL INSTRUMENTS

The Company's exposure to profit / mark-up rate risk is as follows:

	Profit / mark-up bearing				Non profit / mark-up bearing			June 30, 2008 Total	June 30, 2007 Total
	Profit / mark-up rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total		
	Percentage	Rs '000							
Financial assets									
Long-term investments	5.62 to 11.88	224,665	1,570,930	1,795,595	-	-	-	1,795,595	596,300
Long-term loans - staff	1.00 to 10.00	5,029	10,681	15,710	1,400	1,071	2,471	18,181	15,271
Trade debts		-	-	-	13,228,456	-	13,228,456	13,228,456	9,002,094
Loans and advances		-	-	-	40,077	-	40,077	40,077	29,583
Trade deposits		-	-	-	698,029	-	698,029	698,029	301,997
Accrued financial income		-	-	-	212,877	-	212,877	212,877	116,755
Other receivables		-	-	-	8,858	-	8,858	8,858	21,669
Short-term investments	4.50 to 13.50	17,086,298	-	17,086,298	3,657,054	-	3,657,054	20,743,352	21,416,819
Cash and bank balances	1.50 to 9.50	1,021,029	-	1,021,029	73,863	-	73,863	1,094,892	787,786
2008		18,337,021	1,581,611	19,918,632	17,920,614	1,071	17,921,685	37,840,317	32,288,274
2007		20,924,647	508,476	21,433,123	10,855,151	-	10,855,151	32,288,274	
Financial liabilities									
Liabilities against assets subject to finance leases	6.15 to 16.00	44,795	77,564	122,359	-	-	-	122,359	119,848
Trade and other payables		-	-	-	4,633,072	-	4,633,072	4,633,072	1,676,906
2008		44,795	77,564	122,359	4,633,072	-	4,633,072	4,755,431	1,796,754
2007		50,696	69,152	119,848	1,676,906	-	1,676,906	1,796,754	
Off balance sheet items									
Letters of credit								4,967,895	5,561,810
Letters of guarantee								132,790	135,122
Indemnity bonds								400,718	642,332

33.1 Financial risk management objectives

The Company's activities expose it to a variety of financial risks, including the effect of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's Treasury Bill rate and credit and liquidity risks associated with various financial assets and liabilities respectively.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts, investments in TFCs and mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Company monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Company has maintained lines and limits with banks for effective monitoring of credit risk.

The Company's major portion of sales is to WAPDA, SNGPL and SSGCL. However, it does not consider itself to be exposed to any substantial credit risk as these companies are state controlled entities.

(b) 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 for shareholders and benefits for other stakeholders.

(c) Foreign currency risk

Financial assets include Rs 1,996.315 million (2007: Rs 1,668.262 million) and financial liabilities include Rs 4,967.895 million (2007: Rs 5,561.810 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.

(d) Liquidity risk

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.

(e) Fair value of 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 amortized cost.

34. CASH GENERATED FROM OPERATIONS

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Profit before taxation	30,446,555	24,356,770
Adjustment for non-cash charges and other items:		
Amortisation of decommissioning cost	94,790	137,694
Amortisation of prospecting and development expenditure	669,858	135,644
Amortisation of intangible assets	47,751	29,488
Amortisation of premium / (discount) on PIBs (net)	(2,734)	12,217
Share of profit in Bolan Mining Enterprises	(55,777)	(47,632)
Depreciation	1,349,718	1,363,009
Profit on sale of property, plant and equipment	(36,179)	(7,592)
Income on loans and bank deposits	(174,578)	(121,887)
Income on term deposits	(2,163,984)	(2,111,729)
Income on long-term held-to-maturity investments	(81,646)	(37,791)
Gain on re-measurement of investments at fair value through profit or loss	(171,032)	(12,616)
Finance cost	66,624	49,424
Increase in deferred liabilities	117,720	96,628
Working capital changes - note 34.1	380,213	(35,142)
	30,487,299	23,806,485

34.1 Working capital changes

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Increase / (decrease) in current assets		
Stores and spares	125,835	201,394
Trade debts	4,226,362	2,060,358
Loans and advances	12,505	(26,723)
Trade deposits and short-term prepayments	289,371	107,269
Other receivables	(12,811)	9,352
	4,641,262	2,351,650
Increase in trade and other payables	(5,021,475)	(2,316,508)
	(380,213)	35,142

35. CASH AND CASH EQUIVALENTS

	June 30, 2008 Rs '000	June 30, 2007 Rs '000
Cash and bank balances - note 16	1,094,892	787,786
Short-term highly liquid investments - note 15	17,086,298	20,104,203
	18,181,190	20,891,989

36. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	Year ended June 30, 2008	Year ended June 30, 2007	Year ended June 30, 2008	Year ended June 30, 2007
	Rs '000		Rs '000	
Managerial remuneration	7,333	12,185	541,436	455,778
Housing, conveyance and utilities	2,642	2,233	198,558	157,390
Retirement benefits	-	131	136,662	102,919
Bonus	406	338	6,174	6,417
Other benefits	1,057	817	117,128	72,795
	11,438	15,704	999,958	795,299
Number of persons	1	1	340	291

Certain executives including the Chief Executive of the Company are also provided with free use of Company's cars in accordance with their entitlements.

Aggregate amount charged in these financial statements in respect of fees paid to eleven directors was Rs 0.029 million (2007: Rs 0.018 million for eleven directors).

37. BASIC EARNINGS PER SHARE

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Profit after taxation	19,707,398	16,767,774
Dividend on convertible preference shares	(44)	(44)
Profit attributable to ordinary shareholders	19,707,354	16,767,730
Number of ordinary shares in issue	754,405,514	754,405,194
Basic earnings per share (Rs)	26.12	22.23

37.1 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 The outstanding convertible preference shares on June 30, 2008 and 2007 will not result in any material impact on the Company's basic earnings per share, accordingly, diluted earnings per share has not been disclosed.

37.3 During the year the Company has issued 10% bonus shares (i.e. one share for every ten ordinary shares held) which has resulted in restatement of basic earnings per share for the year ended June 30, 2007.

38. FINAL DIVIDEND

The Board of Directors in their meeting held on August 06, 2008 have recommended 10% bonus shares (75,440,569 shares) i.e. one share for every ten ordinary shares held (2007: 10% bonus shares (68,582,311 shares) i.e. one share for every ten ordinary shares held) and final cash dividend @ Nil (2007: 65% cash dividend amounting to Rs 4,457.849 million) on the existing paid up value of the ordinary share capital for approval of the shareholders in the Annual General Meeting to be held on September 18, 2008.

39. TRANSACTIONS WITH RELATED PARTIES

39.1 Transactions with related parties are as follows:

	Year ended June 30, 2008 Rs '000	Year ended June 30, 2007 Rs '000
Sale of gas / condensate to state controlled entities	49,018,821	46,891,817
Trade debt receivable from state controlled entities	See note 10	
Purchase of goods from BME	4,524	16,130
Reimbursement of employee cost upon secondment to BME	11,398	5,041
Receipt of profit from BME	25,000	25,000
Amount receivable from / (payable to) Joint Venture partners	See note 12 & 23.2	
Income from rental of assets to Joint Ventures	45,340	2,103
Income from sale of stores and spares to Joint Ventures	24,800	13,740
Transactions with retirement benefit funds	See note 27	
Remuneration to key management personnel	See note 36	

39.2 Gas sales are made to various state controlled utility organizations, 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.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 06, 2008 by the Board of Directors of the Company.

41. GENERAL

41.1 NUMBER OF EMPLOYEES

Number of permanent employees as at June 30, 2008 was 2,611 (June 30, 2007: 2,583).

41.2 CAPACITY AND PRODUCTION

Considering the nature of the Company's business, the information regarding capacity has no relevance.

41.3 LEVEL OF PRECISION

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

41.4 CORRESPONDING FIGURES

Corresponding figures, wherever necessary, have been bifurcated and rearranged.

Director

Chief Executive

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, 2008 together with the notes thereto, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statement is free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

  (i) the balance sheet has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account; and

  (ii) no expenditure was incurred and no investments were made during the year;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the note thereto conform with approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984, in the manner so required and respectively gives a true and fair view of the state of the Company's affairs as at 30 June, 2008; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

CHARTERED ACCOUNTANTS

Karachi
6 August, 2008

Balance Sheet

as at June 30, 2008

	June 30, 2008 Rupees	June 30, 2007 Rupees
SHARE CAPITAL		
Authorised, issued and fully paid-up		
100 (2007: 100) ordinary shares of Rs 10 each (note 3)	1,000	1,000
ASSET		
Current account with a bank	1,000	1,000

Notes:

1) The Pakistan Petroleum Provident Fund Trust Company (Private) Limited was incorporated in Pakistan as a private limited company on November 07, 1955. The Company is engaged in administrating the trusts formed for the benefit of the employees of Pakistan Petroleum Limited.

2) These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984. A profit and loss account has not been prepared as the Company had no revenue or cash transactions during the years ended 30 June, 2008 and 30 June, 2007. All administrative costs incurred are borne by the parent company - Pakistan Petroleum Limited.

3) Hundred percent equity of the Company is owned by its parent company- Pakistan Petroleum Limited.

Director

Chief Executive

List of Producing and Exploration Assets

Producing Fields / Discoveries	Percentage	Operator
Sui	100	PPL
Kandhkot	100	PPL
Adhi	39	PPL
Mazarani	87.5	PPL
Hala	65	PPL
Qadirpur	7	OGDCL
Miano	15.16	OMV
Sawan	26.18	OMV
Block-22 (Hasan, Sadiq and Khanpur)	35.53	PEL
Tal Block (Manzalai, Makori & Mamikhel)	27.76	MOL
Mela (Nashpa Block)	26.05	OGDCL
Latif	33.30	OMV
Gambat	26.18	OMV
Exploration Blocks		
Onshore		
Nushki	65	PPL
Dadhar	45.66	PPL
Hala	65	PPL
Khuzdar	65	PPL
Kalat	35	PPL
Barkhan	35	PPL
Bahawalpur East	49	PPL
Tal	30	MOL
Nashpa	30	OGDCL
South West Miano II	33.30	OMV
Latif	33.30	OMV
Gambat	30	OMV
Block-22 (Hamza)	45	PEL
Kirthar	30	POGC
Umarkot	25	ENI
Rajar	15	ENI
Mithi	15	ENI
Thar	25	ENI
Baska	49	ZHENHUA
Offshore		
Indus C	40	ENI
Indus M	30	ENI
Indus N	30	ENI
International		
Block-29 (Yemen)	50	OMV

List of Abbreviations

ABBREVIATION	DESCRIPTION
AGM	Annual General Meeting
API	American Petroleum Institute
BGP	BGP Inc.
BME	Bolan Mining Enterprises
BPD	Barrels per day
CBA	Collective Bargaining Agent
CEO	Chief Executive Officer
CIS	Commonwealth of Independent States
CPECC	China Petroleum Engineering and Construction Corporation
CPF	Central Processing Facilities
CSR	Corporate Social Responsibility
DHQ	District Head Quarter
DFI	Development Financial Institution
E&P	Exploration and Production
EL	Exploration Licence
EIA	Environment Impact Assessment
Eni	Eni Pakistan Limited
EPA	Environmental Protection Agency
EPCC	Engineering, Procurement, Construction and Commissioning
EPF	Early Production Facility
EWT	Extended Well Testing
FEED	Front End Engineering and Design
G & G	Geological & Geophysical
GHPL	Government Holdings (Pvt.) Limited
HDIP	Hydrocarbon Development Institute of Pakistan
HSE	Health, Safety and Environment
HSFO	High Sulpur Fuel Oil
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IEE	Initial Environment Examination
IFC	International Finance Corporation
ISO	International Organization for Standardization
IT	Information Technology
KM	Kilometer
KUFPEC	Kuwait Foreign Petroleum Exploration Company
LPG	Liquefied Petroleum Gas
M	Metre
MGCL	Mari Gas Company Limited
MMSCFD	Million Standard Cubic Feet Per Day
MND	Moravske Naftov Doly
MOL	MOL Pakistan Oil and Gas BV
NEQS	National Environment Quality Standards
NGL	Natural Gas Liquids
NGO	Non-Governmental Organizations
NBFI	Non-Banking Financial Institution
OGDCL	Oil and Gas Development Company Limited
OHSAS	Occupational Health and Safety Assessment System
OMV	OMV (Pakistan) Exploration GmbH
PCP	Pakistan Centre for Philanthropy
PEL	Petroleum Exploration (Pvt.) Limited
PEII	Pyramid Energy International Incorporated
PIP	Petroleum Institute of Pakistan
PKP	Premier Kufpec Pakistan
POGC	Polish Oil & Gas Company
POL	Pakistan Oilfields Limited
PPL	Pakistan Petroleum Limited
PSA	Production Sharing Agreement
QMS	Quality Management System
SAP	System Application Products in Data Processing
SMART	Self Monitoring and Reporting Tool
SNGPL	Sui Northern Gas Pipelines Limited
SSGCL	Sui Southern Gas Company Limited
SUL	Sui Upper Limestone
TCF	Trillion Cubic Feet
UNFCCC	United Nations Framework Convention on Climate Change
WAN	Wide Area network
WAPDA	Water and Power Development Authority
WWE	Waste Water Evaporator
WTO	World Trade Organization
ZHENHUA	China ZhenHua Oil Co. Ltd.

Notice of Annual General Meeting

NOTICE is hereby given that the fifty seventh Annual General Meeting of the Company will be held at Sheraton Hotel, Karachi on Thursday, 18 September, 2008, 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, 2008.

2. To appoint Auditors and fix their remuneration.

Special Business

3. To approve, as recommended by the Directors, issue of bonus shares in the proportion of 1 ordinary share for every 10 ordinary shares held by the Members.

4. To approve investment in Nokkundi Iron Ore Project of Bolan Mining Enterprises (BME) by way of equity participation.

5. To approve changes in the Company's Articles of Association.

A Statement under Section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the shareholders along with this Notice.

By Order of the Board

M. YAQUB
Company Secretary

Registered Office:
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi

27 August, 2008

NOTES:

1. The Share Transfer Books of the Company will be closed from 9 September, 2008 to 18 September, 2008 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers received in order at the office of our Shares Registrars M/s FAMCO Associates (Pvt) Ltd (formerly Ferguson Associates (Pvt) Ltd.), 4th Floor, State Life Building No. 2-A, I.I. Chundrigar Road, Karachi-74000 by the close of business on 8 September, 2008 will be in time for the purpose of issue of bonus shares to the transferees.

2. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him. Forms of Proxies, duly stamped and signed, and the power of attorney or other authority (if any) under which they are signed or a notarially certified copy of that power or authority must be deposited at the Shares Registrar's office, M/s FAMCO Associates (Pvt) Ltd (formerly Ferguson Associates (Pvt) Ltd), 4th Floor, State Life Building No. 2-A, I.I. Chundrigar Road, Karachi-74000 not later than 48 hours before the time of the meeting.

3. The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

    a) For attending the meeting:

    In case of individuals, the account holders or sub-account holders and/or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.

In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

(i) In case of individuals, the account holders or sub-account holders and/or persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations, shall submit the proxy forms as per the above requirements.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of 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.

4. Shareholders are requested to notify any change in their address immediately to our Shares Registrars M/s FAMCO Associates (Pvt) Ltd (formerly Ferguson Associates (Pvt) Ltd).

5. Copies of the minutes of the Annual General Meeting held on 30 October, 2007 will be available to the Members on request free of charge.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the fifty seventh Annual General Meeting of the Company to be held on 18 September, 2008.

1. Issue of Bonus Shares to Members

The Directors in their meeting held on 6 August, 2008 have recommended issue of bonus shares in proportion of 1 ordinary share for every 10 ordinary shares held (10%) by the Members.

The following Resolution is therefore proposed to be passed as Ordinary Resolution:

RESOLVED THAT:

(i) A sum of Rs 754,405,694 be capitalized out of the free reserves of the Company and applied towards issue of 75,440,569 ordinary shares of Rs 10 each as bonus shares in the proportion of one ordinary share for every ten ordinary shares held by the Members whose names appear on the Member Register at the close of the business on 8 September, 2008. These bonus shares shall rank pari passu in all respects with the existing shares.

(ii) Members entitled to fraction shares as a result of their holding either being less than ten ordinary shares or in excess of an exact multiple of ten ordinary shares shall be given the sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.

(iii) The Company Secretary be and is hereby authorized to give effect to this resolution and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, distribution of the said bonus shares or payment of the sale proceeds of the fractions.

The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

2. Investment in Nokkundi Iron Ore Project of Bolan Mining Enterprises by way of equity participation

Bolan Mining Enterprises (BME) is a 50:50 Joint Venture between PPL and the Government of Balochistan and an associated undertaking of the Company.

BME plans to set up a Beneficiation Plant for processing and upgrading the Nokkundi iron ores to the standard acceptable for utilization in the iron and steel industry. An Engineering Study for setting up a Beneficiation Plant with the capacity to process 0.5 million tones (mt) iron run of mine ore per year was carried out by a German Consultant M/s IMC Montan Consulting GmbH (formerly M/s DMT) which has established the economic viability of the project.

M/s Tuwairqi Steel Mills Limited (TSML) of Al Tuwairqi Group, Saudi Arabia, a prospective customer, has shown interest in lifting the entire product of Nokkundi ex-mines for using it as an indigenous mix for the Steel Plant being set up by them at Muhammad Bin Qasim, Karachi. A Memorandum of Understanding (MoU) has been signed with TSML which, interalia, provides for technical cooperation for development of iron ore prospects and equity participation in the project by TSML, if mutually desired.

The proposed level of investment by TSML for using indigenous mix of iron ore is however justified at 0.75 – 1.0 mt/year run of mine production. To accommodate the requirements of TSML, the processing capacity of the plant needs to be nearly doubled from 0.5 mt/year to 1.0 mt/year. Accordingly the Engineering Study of the Project is being revised to take into account the enhanced processing capacity requirements. The economics of doubling the capacity have been broadly assessed and found feasible.

The actual cost of the project will be determined on completion of revised Engineering Study however in-house estimate for setting up a 1.0 mt/year Plant has ascertained the cost at around Rs 1,200 million. Discussions are in progress with TSML for technical support and possible equity participation in the project. The equity for the project will be provided by PPL and Government of Balochistan in equal proportion after any equity placement by TSML.

The following resolution is proposed to be passed as Special Resolution:

"RESOLVED THAT an investment be made in Nokkundi Iron Ore Project of Bolan Mining Enterprises upto the extent of Rs 600 million being PPL's share of equity in the project. The time, manner and extent of the investment in the project be decided by the Board of Directors."

The information required under SRO 865(1)/2000 of the Securities and Exchange Commission of Pakistan for equity investment is provided below:

(i) Name of Associated Undertaking
Bolan Mining Enterprises

(ii) Nature, amount and extent of investment
Project financing by way of equity participation upto the extent of Rs 600 million.

(iii) Average market price of the shares
Not Applicable, as BME is a contractual joint venture between PPL and the Government of Balochistan, i.e. BME is not a Company being a separate legal entity.

(iv) Breakup value of shares
Not Applicable

(v) Price at which shares will be purchased
Not Applicable

(vi) Earnings per share of investee company in last 3 years
Not Applicable.

(vii) Sources of funds from where shares will be purchased / project will be financed
Company's internally generated funds

(viii) Period for which investment will be made
Long-term

(ix) Purpose of investment
The purpose of the investment is to help BME raise funds for its Nokkundi Iron Ore Project which envisages setting up a Beneficiation Plant with the processing capacity of about 1.0 million ton of run of mine ore annually.

(x) Benefits likely to accrue to the Company and the shareholders from the proposed investment
In view of the positive economic feasibility of the Nokkundi Iron Ore Project, the benefits are likely to arise to the shareholders in the form of enhanced profitability and increase in share value of the Company.

(xi) Interest of directors and their relatives in the investee company
The Directors of the Company are interested in the business to the extend of their shareholding in the Company.

3. Amendment in the Company's Articles of Association

Articles 32 and 88 of the Articles of Association of the Company are proposed to be amended so as to bring the same in conformity with the recent changes made in section 158 and 233 of the Companies Ordinance, 1984 by the Finance Act, 2008.

Pursuant to the change, every company is now allowed to hold Annual General Meeting (AGM) and present annual financial statements for consideration of the Members within a period of 'four months' after the close of financial year instead of 'three months' previously required by law.

For this purpose it is intended to propose the following resolutions to be passed as Special Resolutions:

(i) RESOLVED THAT the words "three months" appearing in the third line in Article 32 of the Articles of Association be and are hereby substituted by the words "four months".

(ii) RESOLVED THAT the words "three months" appearing in the second line in Article 88 of the Articles of Association be and are hereby substituted by the words "four months".

Form of Proxy

The Secretary
Pakistan Petroleum Limited
P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi.

I/We ____

of ______________________________ being a Member of PAKISTAN PETROLEUM LIMITED

and holder(s) of ______________ ordinary shares as per Share Register Folio No. ______________

For beneficial owners as per CDC List

CDC Participant I.D. No. ______________ Sub Account No. ______________

CNIC No. ______________ Passport No. ______________

hereby appoint ______________ of ______________ who is also a Member of the Company, Folio No ______________ or failing him/her ______________ of ______________, who is also a Member of the Company, Folio No. ______________ as my/our proxy to vote and act for me/our behalf at the fifty seventh Annual General Meeting of the Company to be held on 18 September, 2008 and at any adjournment thereof.

Signed this ______________ day of September, 2008

Please Affix
Rupees Five
Revenue
Stamp

Signature of Member
(Signature should agree with the specimen signature registered with the Company)

For beneficial owners as per CDC list

1. WITNESS	2. WITNESS
Signature: ______________	Signature: ______________
Name: ______________	Name: ______________
Address: ______________	Address: ______________
CNIC No: ______________	CNIC No: ______________
or Passport No: ______________	or Passport No: ______________

Note:
Proxies, in order to be effective, must be received at the Shares Registrar's office, M/s FAMCO Associates (Pvt.) Ltd., (formerly Ferguson Associates (Pvt.) Ltd.) 4th Floor, State Life Building No. 2-A, I.I. Chundrigar Road, Karachi- 74000 not later than 48 hours before the meeting.

The CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission.