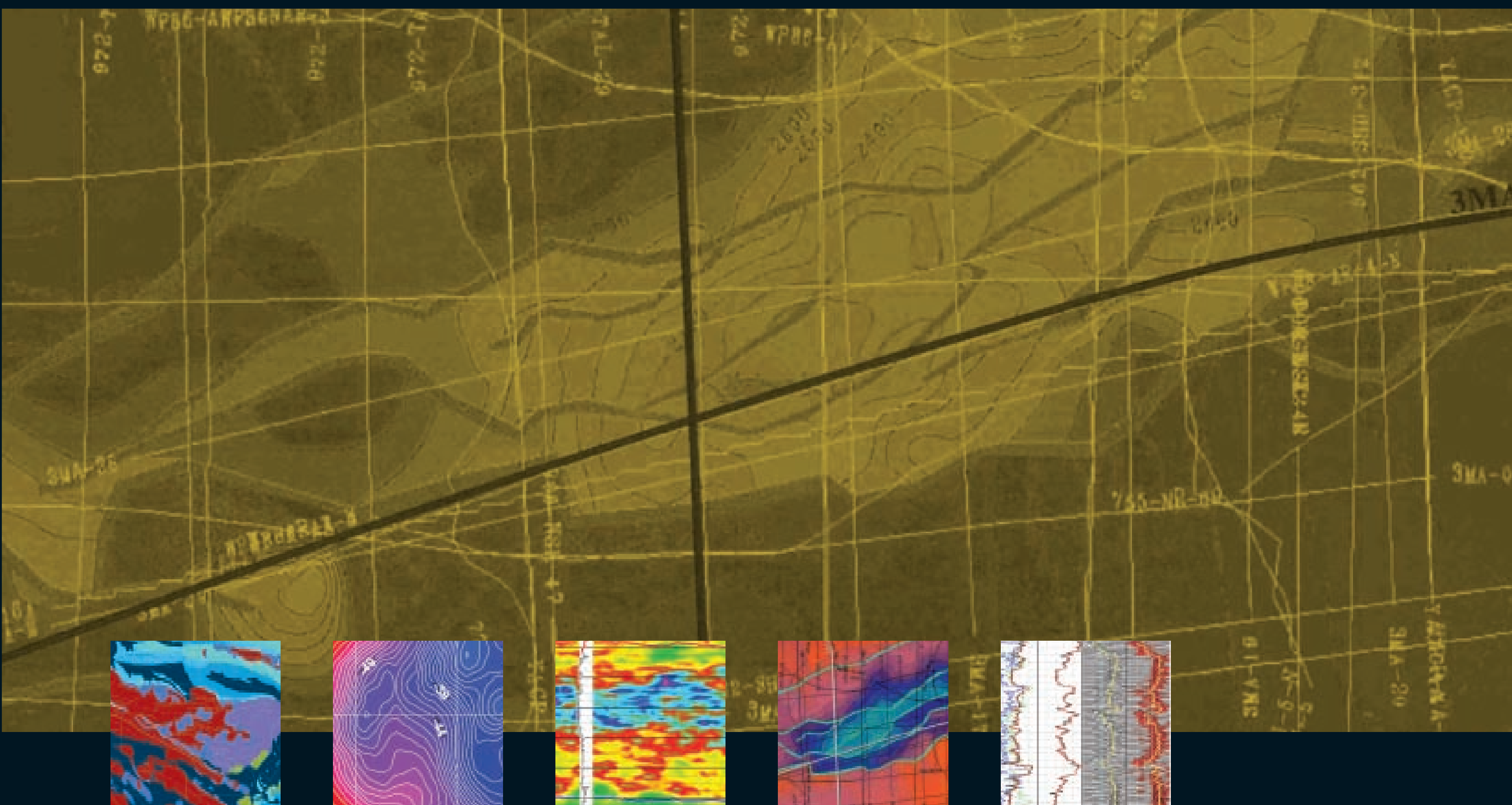
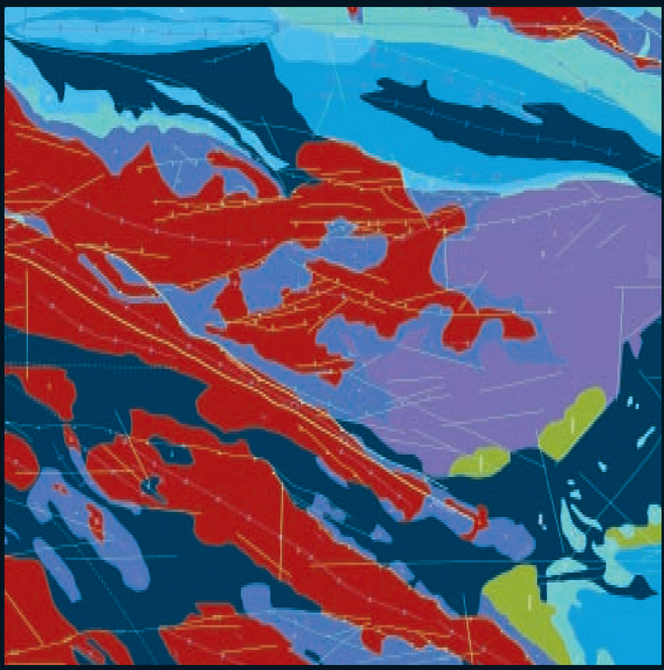
annual report ’09



between the lines

Pakistan Petroleum Limited



between the lines

For those who believe in pseudoscience, the ancient art of palmistry is premised on the understanding that accurate interpretation of lines etched on palms can, not only ascertain predisposition and personality but also predict fate and fortune. Encoded between the lines are queues to what lies in store.

Hydrocarbon business is clearly not based on any such fanciful assumptions. Yet lines play a crucial role. Exploring for oil and gas reserves that lie miles beneath the earth's surface, geoscientists mostly tread uncharted terrain, the only clue being seismic lines that provide key leads regarding the properties of subterranean structures hosting hydrocarbons. Detailed study and analysis of this seismic data through deployment of latest technology informs the exploration cycle and helps tap reserves.

To boost our exploration efforts aimed at maximising hydrocarbon reserves and in turn securing a sustainable energy future for the country, we at Pakistan Petroleum Limited (PPL) have a well-defined and effective command and control structure, comprising clear **control**, **supply** and **organisational lines** to ensure efficiency, transparency and accountability in all spheres of our operations.

Thanks to this corporate ethos, PPL delivers on the **bottom line** by posting record-high profits and on our commitment to add value for all stakeholders.

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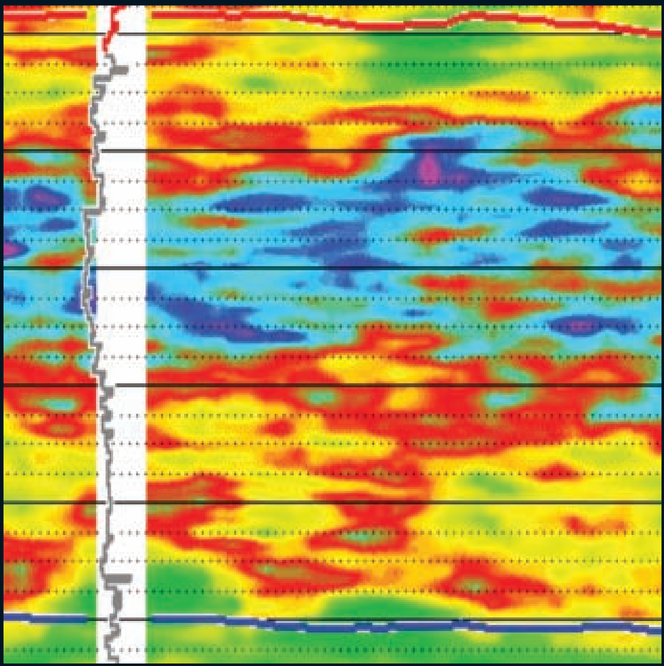
-39
-44



control lines

An effective framework of checks and balances and strict adherence to across-the-board transparency are at the core of good corporate governance. In line with this key principle, PPL has evolved a reliable governance structure together with procedural controls and risk-management policies.

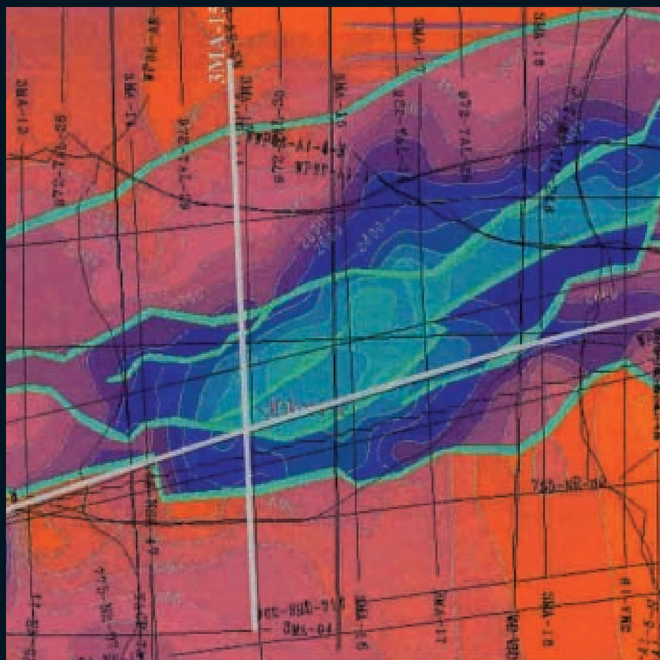
At the apex of this structure is the Board and its functional committees, the composition, roles and responsibilities of which are defined in their respective terms of references.

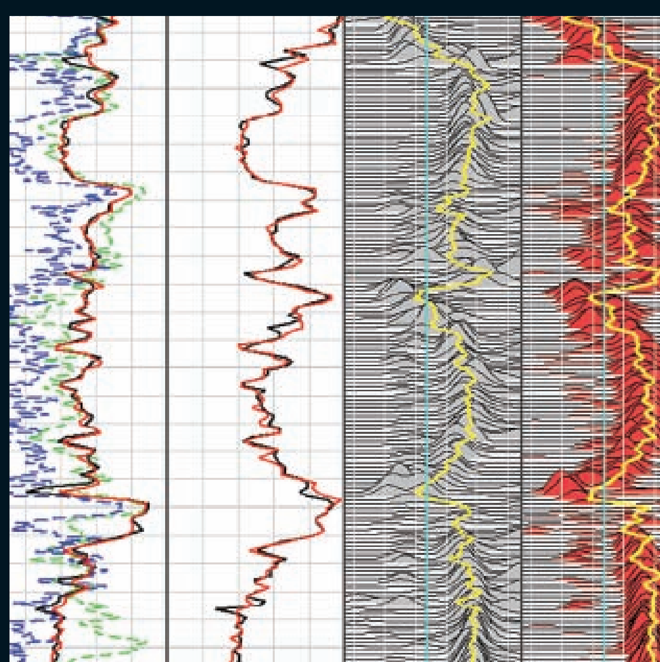
To further strengthen the system, a dedicated and fully empowered Internal Audit function is in place to provide assurance, monitor compliance and address gaps, if required.

supply lines

In today's highly competitive and shapeshifting business environment, expeditious procurement of material and machinery to meet evolving business and operational needs is crucial.

To this end, PPL has developed a supply chain system managed by qualified professionals that caters to emergent requirements through an in-house roster of pre-qualified manufacturers and suppliers in the shortest possible lead time.





organisational lines

To circumvent micromanagement and unnecessary snags on the one hand and nurture an enabling working environment on the other, PPL has instituted a line management system with unambiguous reporting lines to functional heads, who in turn report to the Managing Director.

All core and support departments and functions are required to align their activities with Key Performance Objectives of the organisation to maintain coherence and work synergistically towards common targets.

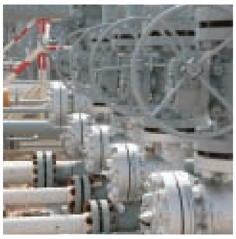
bottom line

Our pursuit of operational excellence without compromising on the highest standards of business ethics, workforce safety and environmental and corporate social responsibility is clearly evident in consistent company growth, record-high profits and return on investment during the last few years.

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 sustain long term growth by pursuing an aggressive hydrocarbons exploration and production optimisation program in the most efficient manner locally as well as in the international arena through a team of professionals utilising the latest developments in technology while ensuring that quality is an integral part of all operations and maintaining the highest standards of health, safety and environment protection.

contents

core values

- Recognise that Leadership, Empowerment and Accountability are essential for corporate success.

- Pursue the Highest Standards of Ethical Behaviour and Integrity.

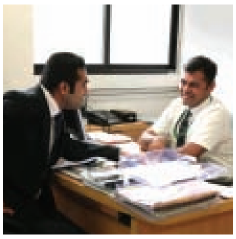
- Consider our people as the most important resource.

- Value creativity and innovation.

- Committed to excellence in all spheres of performance.

- Work as a Team and advocate Teamwork.

- Respect the Environment and remain committed to its protection.



strategic objectives

- Growth is the prime focus of PPL's strategy. With a premium share of total domestic production, PPL is better placed to strengthen its leading position as a provider of clean and safe energy to meet the rising domestic demand. The Company will continue to integrate, create value and strategically transit towards expansion of its operations beyond the national borders.

- The Company's ambitious exploration program and reserves acquisition strategy will provide the necessary thrust for the replenishment of the depleting reserves and a plan for production optimisation from the existing fields and new discoveries will be followed to maintain the growth momentum.

- The Company's dedicated teams will continue to evaluate various significant projects in the energy sector with a view to further expand and diversify the business portfolio.

- Safety and reliability factors will remain the key components of Company's operational excellence. Utmost importance will be given to training of employees and contractors for enhancing safety awareness and active incorporation of industry best practices in the overall operating setup. The Company is committed to increase investment in research and innovation and also recognises the importance of CO_2 management to its business and the opportunities it represents.

- The Company takes great pride in promoting development of the communities where it operates. The Company cares deeply about the environment and will continue to take concrete steps to protect it.

- The Company will leverage the available financial resources and project management skills so that large projects in oil & gas business and value chain integration can be undertaken as required.

- The Company places great emphasis on investing in people to build organisational capability, as timely availability of qualified and trained manpower is vital for undertaking complex and diverse operations of the Company.

- The Company's commitment to improve base business returns, selectively grow with a focus on integrated value creation and seek innovative solutions, while ensuring quality as an integral part of its operations, will provide necessary support to become preferred partner for multinational companies and other resource holders, now and in the future.

company information

Board of Directors

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

Acting Company Secretary

Mr. M. Mubbasshar Siddiqui

Auditors

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

Registered Office

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

Website

www.ppl.com.pk

E-mail Address

info@ppl.com.pk

Telephone & Fax

UAN: 111-568-568
Fax: 021-35680005 & 021-35682125

Bankers

- Allied Bank Limited
- Arif Habib Bank Limited
- Askari Bank Limited
- Barclays Bank Plc.
- Bank Alfalah Limited
- Bank AL Habib Limited
- The Bank of Punjab
- 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
- United Bank Limited

Shares Registrar

M/s FAMCO Associates (Pvt.) Ltd.
(formerly Ferguson Associates (Pvt) Ltd.)
1st Floor, State Life Building No.1-A
I.I. Chundrigar Road
Karachi-74000
Tel: 021-32427012, 32426597, 32425467
Fax: 021-32428310

Legal Advisors

M/s Surridge & Beecheno

highlights of the year

- Net Sales Revenue of the Company increased by 35% to reach Rs 61.6 billion.
- Profit before Tax increased to Rs 41.9 billion representing 38% growth over last year.
- Profit after Tax of Rs 27.7 billion for the current year was all time high up 41% from the previous year's profit.
- Earnings per Share of the Company increased by 41% to Rs 33.38.
- During the year two discoveries namely Maramzai in Tal Block and Rehman in Kirthar Block have been made which flowed gas / condensate and gas respectively during initial testing.
- EWT of Latif-1 and Latif-2 wells in Latif Block commenced during the year with average daily gas production of about 5 MMscf and 21 MMscf respectively.
- EWT of discovery well Tajjal-1 in Gambat Block commenced in January 2009 with average daily production of 28 MMscf.
- In line with the Company's strategy to add mature producing assets to its portfolio through acquisition, 75% working interest of Tullow Pakistan (Developments) Limited in Chachar Gas Field was acquired by PPL along with the operatorship.
- Qadirpur Capacity Enhancement Project was completed during the year, increasing the average daily gas sales capacity from the field to 600 MMscf.
- Nine production facilities and departments of the Company were ISO 9001 certified.
- First international HSE certifications of ISO 14001 (EMS) and OHSAS 18001 (OH&S) were secured for Sui Production and Mazarani field.
- For the fourth consecutive year, PPL received an award from Pakistan Center for Philanthropy for its Corporate Social Responsibility program and was ranked top contributor of the country for the year 2007.
- PPL's Annual Report 2008 was recognised as the best corporate report in Fuel and Energy sector and the Best Corporate Report Award 2008 was received from the Joint Committee of ICAP and ICMAP.
- For the second consecutive year, PPL was awarded Management Association of Pakistan's (MAP's) 26th Corporate Excellence Award in the Fuel and Energy sector in recognition of its best management and corporate practices.
- For the second time, PPL won the Large Taxpayers Unit Excellence Award.

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 recognise 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 authorised by the Chairman of the Board or legally mandated.

- Directors shall endeavour 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

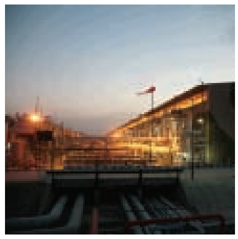
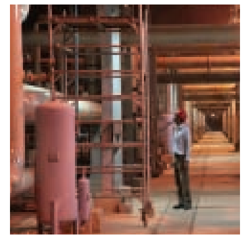
- Employees must not engage in activities or transactions which may give rise, or which may be seen to have given rise, to conflict between their personal interests and the interest of the Company.

- Employees are expected to safeguard confidential information and must not, without authority, disclose such information about the 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 organisation or to any individual who either holds public office or is a candidate for public office except where such a contribution is permitted by law.

- 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.

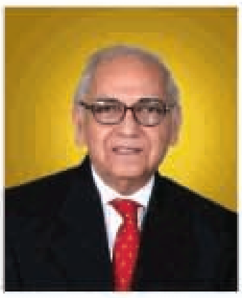
- It is the policy of the Company to promote a productive work environment and not to tolerate verbal or physical conduct by any employee that harasses, disrupts, or interferes with another's work performance or that creates an intimidating, humiliating, offensive or hostile environment.

The Codes provide guidance to help Directors / Employees recognise and deal with specific situations that may arise and foster a culture of honesty, accountability and high standards of personal and professional integrity.

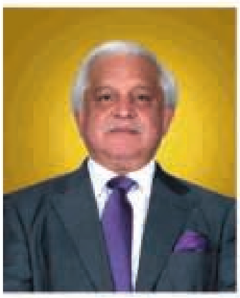
profile of the board of directors

M.A.K. Alizai
Chairman

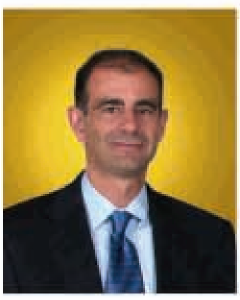
Khalid Rahman
CEO / Managing Director



S.R. Poonegar
Director



Sajid Zahid
Director



Rashad Rudolf Kaldany
Director

M.A.K. Alizai
Chairman

Mr. Alizai was appointed as the Chairman of the Board of Pakistan Petroleum Limited in 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 six years of professional experience, out of which, during the first twenty years, he served in Pakistan in several senior positions in various spheres of the country's Petroleum Sector and its Industrial Development including the 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 International Finance Corporation (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.

In 1993, at the request of the Government of Pakistan, the IFC seconded his services for several months for appointment as Advisor to the Prime Minister on Petroleum. In this capacity, Mr. Alizai was instrumental in rejuvenating the country's Upstream Petroleum Sector which had all but come to a virtual dead end in the wake of several International Oil Companies withdrawing their Upstream Operations from Pakistan due to insufficiently transparent and attractive pricing and terms for Gas Exploration and a most disappointing international response to the bidding round in the summer of 1993. With broad support from all key stakeholders, Mr. Alizai put in place the first formal and all embracing Petroleum Policy for the country which addressed the underlying issues and placed Oil & Gas Exploration on an internationally competitive and transparent basis. This policy, duly approved by the Federal Cabinet, legally went into effect on 01 October, 1993 and was substantially adopted by the successor government as the Petroleum Policy of 1994.

Mr. Alizai retired from the World Bank Group at the end of 1996; nevertheless, the IFC retained his services in the capacity of Senior Advisor which he finally 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 retained his services as Senior Advisor to the Chairman and the Board of Directors for another 2 years until July 2008.

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

Khalid Rahman
Chief Executive Officer and Managing Director

Mr. Khalid Rahman is the Chief Executive Officer (CEO) and Managing Director (MD) of the Company since 01 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 has since held various senior management positions in the Company. Prior to his appointment as CEO and MD, he was Deputy Managing Director and oversaw the finance, human resources and corporate services functions. Earlier, he was also the Chief Financial Officer (CFO) and Company Secretary.

A fellow member of the Institute of Chartered Accountants in England and Wales since 1982, Mr. Rahman brings rich and varied professional experience spanning 33 years in senior management positions in the accounting profession as well as oil and gas and banking industries in Pakistan and abroad, particularly Europe and the Far East. He worked abroad in United Kingdom and Hong Kong for 17 years with regional responsibilities before returning to serve Pakistan in 1992.

Mr. Rahman is an active member on the Board / Management Committees of other reputed organisations and professional bodies, including:

- Director, Board of Pakistan Institute of Corporate Governance (PICG)
- Member, Board of Directors, Petroleum Institute of Pakistan (PIP)
- Member, Board of Governors, National Management Foundation, Lahore University of Management Sciences (LUMS)
- Member, Council of the Institute of Chartered Accountants of Pakistan (ICAP)
- Member, Executive Committee, Pakistan Petroleum Exploration and Production Companies Association (PPEPCA)
- Member, Managing Committee, Overseas Investors Chamber of Commerce & Industry (OICCI)
- Member, Quality Assurance Board, ICAP

He has attended various courses , seminars and programmes including Executive Development Programme conducted by Kellog, North Western University, USA and International Power Project by IHRDC at Malaysia.

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 the Board Audit Committee.

Mr. Zahid is a Barrister-at-Law from Lincoln's Inn, London. He is a practicing lawyer with over 35 years of experience in Corporate and Commercial Laws, on behalf of leading local and foreign organisations, 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 and a Director of Habib Bank Limited. He has also been a member of the Banking Laws Review Commission of Pakistan.

Rashad Rudolf Kaldany
Director

Mr. Rashad Rudolf Kaldany joined PPL Board in September 2003. He is a Ph.D. from Columbia University and an MBA from Stanford University.

Mr. Kaldany's association with IFC dates back to 1988 when he joined IFC as an Investment Officer in 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

profile of the board of directors

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 is presently serving as Vice President, Asia, Middle East & North Africa regions and the Global Infrastructure Cluster at IFC.

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.

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.

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

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

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.

Presently she is the Chairperson of SOS Children's Village, Quetta, an international non-governmental social development organisation affiliated with the SOS Kinderdorf International of Austria.

She is also the Chairperson of Hunnar, a social welfare organisation set up to impart vocational training to females and alleviate poverty by using practicable and sustainable initiatives for economic empowerment and social development of female youth.

Irshad Ahmed Kaleemi
Director

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

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 organisations.

He has been a Primary Consulting Officer nominated by Common Wealth for Pakistan, a focal point 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.

Presently, he is serving as Joint Secretary (Development) and as Chief Finance and Accounts Officer in the Ministry of Petroleum & Natural Resources, Government of Pakistan.

Khushhal Khan
Director

Mr. Khushhal Khan joined PPL Board in December 2008.

He is a graduate in Mechanical Engineering and holds a diploma in Management of Petroleum Operations from Petrad, Stavangar, Norway.

Mr. Khushhal Khan joined the Ministry of Petroleum and Natural Resources in 1976 and has extensive exposure working in different capacities in the Ministry including as Director (Technical), Director (Production), Director (Gas) and Director (Production and Database). He has also worked in the capacity of Director General Gas from July to October 2008.

He has also attended various courses, seminars and workshops on Natural Gas Engineering, Mineral Project Management in developing countries, Natural Gas Development and Gas Pricing at foreign universities. Presently, Mr. Khushhal Khan holds the position of Director General Petroleum Concessions in the Ministry of Petroleum & Natural Resources, Government of Pakistan.

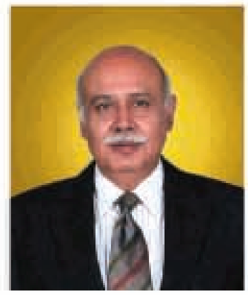
Nadeem Siddiqui
(Alternate to Mr. Rashad R. Kaldany)

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.

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.

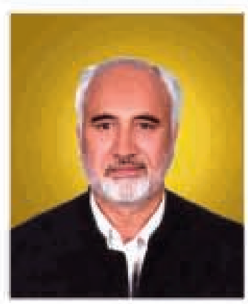
Mr. Nadeem Siddiqui is presently stationed at Islamabad and is serving as IFC's Chief of Mission for Pakistan and Afghanistan.



Pervaiz Kausar
Director

Roshan Khursheed Bharucha
Director

Irshad Ahmed Kaleemi
Director



Khushhal Khan
Director

Nadeem Siddiqui
(Alternate Director)

board committees

The Board has established three Committees namely 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

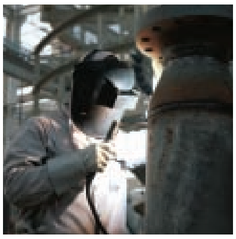
Terms of Reference

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

- Corporate strategy, operational plan and long-term projections.
- Financial statements of the Company.
- Budgets of the Company.
- Progress review of all major projects and status of implementation of approved work program.
- Selection of new exploration areas, farm-ins and farm-outs and surrender of exploration blocks.
- Strategies for development of existing and new petroleum discoveries.
- Cash and fund management policies and procedures.
- Major financial commitments of the Company.

The Board Operations and Finance Committee met four times during the year with an average participation of 100% of its members.

The Board Human Resource Committee makes recommendations to the Board for maintaining, among other things, sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of the business.

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
Mrs. Roshan Khursheed Bharucha - Member

Terms of Reference

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

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

- Changes in organisation, functions and relationships affecting management positions.
- Establishment of Human Resource plans and procedures.
- Determination of appropriate limits of authority and approval procedures for personnel matters.
- Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions.
- Review and evaluation of compensation policies, practices and procedures.

The Board Human Resource Committee met four times during the year with an average participation of 93% of its members.

The Board Audit Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place.

board audit committee

Composition

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

Mr. Sajid Zahid - Chairman
Mr. S.R. Poonegar - Member
Mr. Pervaiz Kausar - Member
Mr. Irshad Ahmed Kaleemi - Member

Terms of Reference

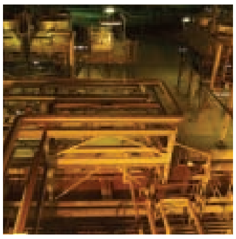
The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department and compliance status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

- Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.
- 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.
- Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.
- Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.
- Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.

The Board Audit Committee met five times during the year with an average participation of 80% of its members.



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

executive committee

The Executive Committee comprises of the CEO / MD, Deputy Managing Director and the Functional Heads:

Chairman

- Mr. Khalid Rahman
  - CEO / Managing Director

Members

- Mr. Asim Murtaza Khan
  - Deputy Managing Director

- Mr. Anwar Moghal
  - Advisor to the CEO / MD

- Mr. Fasih-uz-Zaman
  - Senior General Manager

- Mr. Kamran Wahab Khan
  - General Manager Finance / CFO

- Mr. Rizwan Hafeez Qidwai
  - General Manager Corporate Services

- Mr. Munawar Ahmed
  - General Manager Production

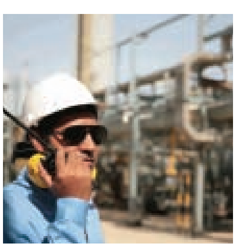
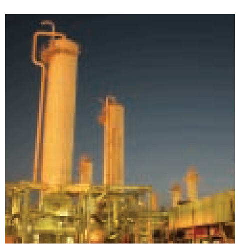
- Mr. Moin Raza Khan
  - General Manager Exploration

- Mr. M. Yaqub
  - General Manager Business Development

- Mr. Masroor Ahmed
  - General 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

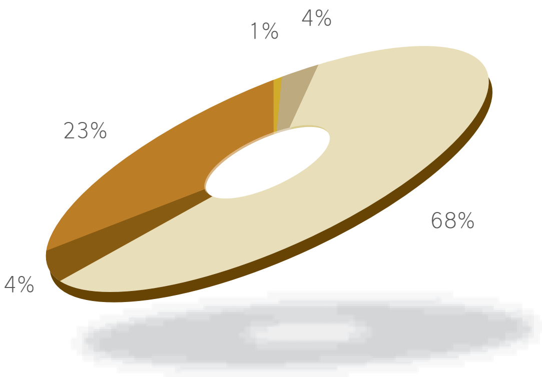
	2008-09 Rs million	%	2007-08 Rs million	%
Gross Revenue (including Gas Development Surcharge (GDS), Excise Duty and Sales Tax)	77,798	104	57,885	104
Less: Operating and Exploration Expenses	(6,912)	(9)	(5,278)	(9)
	70,886	95	52,607	95
Add: Income from Investment	3,113	4	2,591	4
Other Income	1,037	1	501	1
Less: Other Expenses	-	-	(8)	*
Total Value Added	75,036	100	55,691	100

Distributed as follows:

	2008-09 Rs million	%	2007-08 Rs million	%
Employees Remuneration	3,359	4	2,866	5
Government as:				
Company Taxation	14,206	19	10,739	19
Levies (including GDS, Excise Duty and Sales Tax)	16,218	22	12,168	22
Royalty	7,463	10	5,516	10
Workers' Funds	3,103	4	2,077	4
Dividend **	8,458	11	9,167	16
Bonus Shares **	1,301	2	591	1
	50,749	68	40,258	72
Shareholders other than the Government as:				
Dividend **	2,330	3	2,526	5
Bonus Shares **	358	1	164	*
	2,688	4	2,690	5
Society:				
Donations	93	*	66	*
Social Welfare / Community Development	284	*	214	*
Free Gas Supply	148	*	108	*
	525	1	388	1
Retained in Business:				
Depreciation	1,262	2	1,350	2
Amortisation	1,103	1	812	2
Net Earnings	15,256	20	7,260	13
	17,621	23	9,422	17
Financial charges to providers of finance	94	*	67	*
	75,036	100	55,691	100

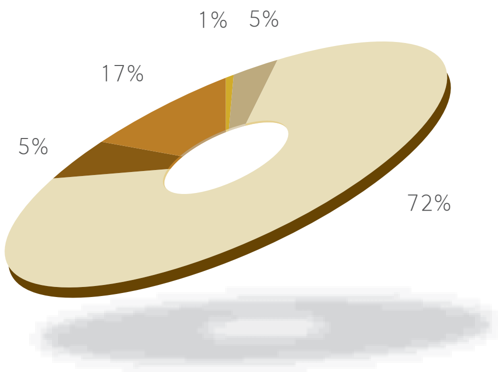
* Negligible

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



Value Added FY 2008-09

Employees Remuneration	Government
Shareholders other than the Government	Retained in Business
Society	



Value Added FY 2007-08

Employees Remuneration	Government
Shareholders other than the Government	Retained in Business
Society	

chairman's message

The overall E&P scenario remained highly volatile throughout the year and witnessed significant rallies in crude oil prices in the international market pushing it to a record high of more than $145 per barrel in July 2008. Subsequently due to slump in the oil demand on the back of global recession, the prices tumbled to a low of around $33 per barrel. After seeing much volatility, the year closed with international crude oil price at around $ 70 per barrel. The variability in international crude oil prices has a direct impact on the Company's sales revenues, earnings and cash flows from operations as the base oil and gas prices are linked to a basket of Middle East crude oils according to the pricing formulae specific to each field.

Despite a turbulent and tough year, PPL achieved exceptionally good results for 2008-09 which have been possible largely due to high average international crude oil prices and depreciation of Pak rupee against US dollar favourably affecting Company's sales revenues, sound management policies, unrelenting quest for continual improvement and quality in all spheres of activities leading to operational efficiencies and technical excellence, fast track development of new discoveries resulting in commencement of test production from two fields Latif and Gambat this year and aggressive business development strategies pursued by the Company.

PPL has so far paid two interim dividends during the year each at 50% of value of the ordinary shares following a judicious policy of maintaining adequate returns to the shareholders and retaining funds in the business to finance Company's future exploration and development plans. I am pleased to advise that in addition to the interim dividends paid by the Company, the Board has recommended a final dividend of Rs 3 per share i.e. 30% on ordinary share capital and issue of bonus shares in proportion of 2 ordinary shares for every 10 ordinary

The Board continually strived to put into place a right mix of strategies, policies and procedures for the Company covering all important areas of Company's operations with the ultimate objective to create value for shareholders and promote market confidence.

shares held (i.e. 20%). This makes the total corporate distribution for the year ended 30 June, 2009 to 130% cash dividend and 20% bonus issue.

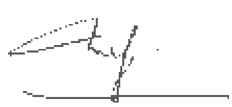
Rising energy demand coupled with a rising cost of finding and developing hydrocarbon resources are putting an immense pressure on E&P companies to revisit their business strategies and align themselves to new business realities. PPL has formulated robust Corporate and Functional strategies and is fully geared to cope with the future challenges posed by the dynamic E&P environment. The focus of the Company will remain on exploiting exploration and business growth opportunities aggressively through resource development, capacity building and seeking innovative methods to design and implement business models targeting both conventional and uncharted markets.

During the year the Board remained fully committed, involved and engaged in the effective governance and oversight of Company's operations. The Board continually strived to put into place a right mix of strategies, policies and procedures for the Company covering all important areas of Company's operations with the ultimate objective to create value for shareholders and promote market confidence. Some important decisions of strategic significance to the Company were taken by the Board to strengthen the strategic processes which included putting into place a comprehensive Corporate Strategy and core functional strategies which are expected to serve as guidelines for the Management in taking strategic steps in the right direction. The initial results of a clearer and crisp strategic thinking are encouraging and their impact would fully unfold in the years to come.

It has always been a priority at PPL to recruit and retain a strong, versatile and experienced team of professionals - an absolute essential to achieve ambitious growth targets the Company has set for itself. Although we are part of an industry where skills shortages and adverse demographics have been a major challenge in recent years, the Company's visible success and growth coupled with market driven competitive compensation policies have been a key advantage in attracting top of the line professionals. The Company is therefore blessed with experienced and dedicated professionals who are contributing their share in success of the Company.

Since taking over as Managing Director & Chief Executive Officer by Mr. Khalid Rahman effective 1 August, 2008, a new tone of seeking continuing improvements, transparency and a disciplined thinking has been set throughout the organisation and I am confident that this culture of change will continue and will lead to new levels of corporate growth and excellence.

I am sincerely thankful to the shareholders and employees whose continued support and confidence in the Company have given us the strength and courage to move the Company forward amid challenging environment and sometimes difficult operating circumstances.



(M.A.K. ALIZAI)
CHAIRMAN

Karachi
24 August, 2009

managing director's outlook

I am glad to report that a record profit after tax was earned by the Company during the year touching an all time high of Rs 27.7 billion up 41% from last year. Besides high average crude oil prices in the international market and depreciation of Pak rupee against US dollar which contributed to the Company's current year's profits, the commitment, perseverance, dedication and team work of the Company's Management and staff played a critical role making it possible to achieve current year's targets amid challenging operating environment.

The continually rising oil and gas demand coupled with liberal petroleum policies of the Government has made oil and gas sector the most vibrant sector of the economy attracting new players for bridging the supply and demand gap. The challenge faced by E&P companies is however huge as with the passage of time sizable oil and gas discoveries are not only becoming very difficult to find but also such an opportunity becomes possible only at exorbitantly high finding costs warranting massive investment in financial and human capital, equipments and technologies.

PPL has been active on the country's exploration scene since last 57 years and continues to be a leading contributor to the country's oil and gas production. Being the pioneer oil and gas company in Pakistan, it is committed to ensure production from both new and discovered resources in an economically and environmentally sound manner. Efforts are therefore continuing with full vigour to exploit indigenous hydrocarbon resources and PPL is taking the lead to pursue exploration efforts even in the most challenging operating areas. PPL's initiatives are expected to result in opening up such areas which were, uptill now, categorised as high risk for undertaking exploration activities by other E&P companies and oil and gas service contractors.

PPL has framed an all-out comprehensive Corporate Strategy to effectively cope with the operating challenges. A multi-pronged approach has been adopted with focus on local and international strategic alliances through variety of means including farm-ins / farm-outs, joint bidding agreements, swap and other arrangements to evolve a winning joint strategy.

In order to retain the premier position of a leading hydrocarbon exploration and production company, PPL has framed an all-out comprehensive Corporate Strategy to effectively cope with the operating challenges. A multi-pronged approach has been adopted with focus on local and international strategic alliances through variety of means including farm-ins / farm-outs, joint bidding agreements, swap and other arrangements to evolve a winning joint strategy. The strategic processes have been reinforced and a clear corporate vision and strategy has been developed which is integrated with different business functions.

A number of steps have been taken to ensure functional strategies complement and support the core strategic objectives. Development of Key Performance Objectives in quantifiable and measurable terms is one of the significant initiatives to set benchmark performance of each major function and monitor progress towards achievement of the Company's strategic goals. As part of organisational restructuring, a new Business Development Cell has been recently created and is now fully operational.

Simultaneously PPL is striving to firmly position itself in the international arena through strategic alliances with reputed and experienced international oil and gas players in order to gradually transit and become an international company. The entry in international exploration scene is not easy going as it is marked with intense competition from international E&P companies including oil giants and conglomerates competing for limited resources. As a result of rigorous and concerted international efforts, PPL today stands prequalified to participate in exploration activities in Iraq, Iran and Algeria. In addition a number of opportunities have been evaluated in different countries of North / West Africa, Middle East, Indonesia and Central Asian States. The efforts headed in this direction would result in addition of more international areas to the Company's portfolio.

While aiming to maximise shareholders' return, the Company strictly adheres to the ethical and social values and makes continuous efforts to implement best practices. As a principle, there is no compromise on the integrity and we aim to maintain the highest professional standards. Adherence to health, safety and environmental standards is ensured by third party certifications of the facilities, regular audits and inspections to provide a safe working environment for the employees and the surrounding community.

I am fully confident that the Company has the right set of expertise, skills, competencies, systems and technology necessary to achieve its strategic objectives. With unparalleled resolve, highest level of commitment, constant pursuit for quality and continual improvement in processes, nothing stands in our way towards achieving the strategic objectives and securing the ultimate success.

(KHALID RAHMAN)
CEO / MANAGING DIRECTOR

Karachi
24 August, 2009

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 stands committed to the Ten Principles of Global Compact. The Company gives the highest priority to good corporate governance, environmental conservation, maintaining strict health and safety standards while contributing to society as a good corporate citizen.

Human Rights

Principle 1

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

PPL's Commitment

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

Principle 2

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

PPL's Commitment

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

Labour Standards

Principle 3

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

PPL's Commitment

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

Principles 4 & 5

Businesses should uphold elimination of all forms of forced and compulsory labour; and effective abolition of child labour.

PPL stands committed to the Ten Principles of Global Compact. The Company gives highest priority to good corporate governance, environmental conservation, maintaining strict health and safety standards while contributing to society as a good corporate citizen.

PPL's Commitment

PPL supports abolition of child labour and elimination of all forms of forced and compulsory labour in its areas of operations or by any of its business partners and contractors.

Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

PPL's Commitment

PPL is committed to provide equal opportunities for employment as well as growth opportunities without any discrimination on the basis of race, sex, religion, language, social origin, birth or other status.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

PPL's Commitment

PPL is committed to environmental conservation by complying with National Environment Quality Standards.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

PPL's Commitment

PPL is committed to raise environmental awareness within the Company, suppliers and dealers through encouragement of eco-friendly practices. The Company works towards minimising the adverse affects of operations on environment and believes in doing business in an environmental friendly and socially acceptable manner.

Principle 9

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

PPL's Commitment

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

Anti-Corruption

Principle 10

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

PPL's Commitment

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

The ethical commitments and values are embedded in the Company's Code of Business Conduct, the compliance of which is mandatory for all employees. The Company has zero tolerance to all forms of corrupt practices including bribery, extortion and other forms of corruption.

directors' report

Your directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended 30 June, 2009 together with the Auditors' Report thereon.

Profit and Appropriations

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

	2008-09 Rs million	2007-08 Rs million
Profit before Taxation	41,908.420	30,446.555
Taxation	14,205.629	10,739.157
Profit after Taxation	27,702.791	19,707.398
Unappropriated profit as at 01 July, 2008 / 2007	26,038.882	26,168.486
	53,741.673	45,875.884
Appropriations during the year:		
• Final dividend for the year 2007-08 on Ordinary shares @ nil (2006-07: 65%)	-	4,457.849
• Transfer to Insurance Reserve	1,500.000	1,000.000
• Transfer to Assets Acquisition Reserve	3,000.000	2,000.000
• Issuance of Bonus shares	754.406	685.824
• Interim dividend for the year 2008-09 on Ordinary and Convertible Preference shares @ 50% (2007-08: 50%) and 30% (2007-08: 30%) respectively	4,149.274	3,772.071
• Second interim dividend for the year 2008-09 on Ordinary shares @ 50% (2007-08: 105%)	4,149.231	7,921.258
Balance as at 30 June, 2009 / 2008	40,188.762	26,038.882
Subsequent Effects:		
The Board of Directors of the Company in their meeting held on 24 August, 2009 have proposed the following:		
• Transfer to Insurance Reserve	5,500.000	1,500.000
• Transfer to Assets Acquisition Reserve	5,000.000	3,000.000
• Final dividend on Ordinary shares @ 30% (2007-08: nil)	2,489.539	-
• Issue of Bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held i.e. 20% (2007-08:10%)	1,659.693	754.406
	14,649.232	5,254.406

We are pleased to share with you results of yet another year of the Company's exceptional performance setting all time new records of enhanced profitability and growth.

Financial Results

The sales revenue of the Company increased to Rs 61.6 billion, an increase of 35% over the previous year. The profit after tax of Rs 27.7 billion earned for the year was all time high, up 41% from the previous year's profit. The increased profitability was mainly due to increase in average gas price consequent to high international oil prices, depreciation of Pak rupee against US dollar, commencement of production of gas from Latif and Gambat discoveries and gas sales during the year from newly acquired Chachar Gas Field. The earnings per share of the Company stood at Rs 33.38 up 41% from Rs 23.75 in 2007-08.

The field expenditure increased by 23% mainly due to extensive exploration activities carried out by the Company during the year which included acquisition of 2D seismic data in Hala, Bahawalpur East and Nashpa Blocks, acquisition of 3D seismic data in Hala, Gambat, South West Miano II and Offshore Indus N Blocks, drilling cost of wells turned out to be dry holes in Gambat, Latif, Dadhar and Tal Blocks.

Other operating income rose to an impressive Rs 4.1 billion, an increase of 34% over the last year, mainly due to effective fund management policy followed by the Company in managing its liquidity.

Liquidity Management and Cash Flow Strategy

During the year an amount of Rs 13.3 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 shareholders and investments. 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 14.6 billion. The Government is actively taking measures to resolve the issue of inter-corporate circular debt and significant amount is expected to be received soon by the Company from settlement of its overdue sales bills. Accordingly, it is expected that the Company would be able to meet its existing short-term and long-term commitments and financing requirements of future exploration and development expansion plans from internally generated funds.

To ensure sufficient availability of funds at all times while generating optimum returns through placement of surplus liquidity in various available investment avenues, the Company has developed and implemented a formal cash flow monitoring mechanism whereby cash inflows and outflows are projected on regular basis and rigorously monitored. Cash requirements for the year ending 30 June, 2010 for Company operations are forecasted to be adequately financed through internal cash generation. Adequate provisions for dividend payments, disbursements for operational needs, statutory payments and committed capital projects are made while determining the cash position. The Company has also developed long-term financial plans to ensure financial sustainability.

The Company follows a conservative investment strategy for placement of its surplus funds to ensure that the investment portfolio of the Company is secured and well-diversified. Surplus funds are placed in Term Finance Certificates, Government Bonds, Musharika Certificates, Mutual Funds and short-term bank deposits.

A rigorous vigilance system is in place whereby the Company's existing investment portfolio and new proposals for funds placement are extensively reviewed by the Investment Committee comprising of senior management staff. Based on financial evaluation and the risk profile, banks enlisted on the Company's approved panel have been classified into different tiers and the Company's placement in banks against the maximum allowable exposure limits in each tier is monitored on a regular basis.

Final Dividend and Bonus Issue

The Directors have recommended a final cash dividend on Ordinary shares @ 30% (2007-08: Nil) and issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held (i.e. 20%) by capitalisation of the free reserves of the Company. This is in addition to the first interim dividend of 50% (2007-08: 50%) on ordinary shares and 30% (2007-08: 30%) on convertible preference shares paid to the shareholders in December 2008 / January 2009 and second interim dividend of 50% (2007-08: 105%) on ordinary shares paid in March / April 2009.

Operations and Significant Events

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

New Discoveries

During the year two discoveries namely Maramzai in Tal Block and Rehman in Kirthar Block have been made which flowed gas / condensate and gas respectively during initial testing. Further drilling to check the potential of deeper reservoirs in Maramzai well is in progress while Rehman well has been suspended for possible future hydraulic fracturing of the reservoir to increase the gas flow.

Extended Well Testings (EWTs) / Early Production Facilities (EPFs)

Subsequent to the successful completion of the Manzalai-1 EWT at Tal Block, full field development of the Manzalai field is underway. For this purpose 6 additional wells have been drilled and installation of 300 MMscfd capacity Central Processing Facility (CPF) and wells' flow lines & gathering system is in progress with first gas expected by September 2009. Evaluation of Makori discovery through EWT is also in progress.

Installation of EPF for Adam X-1 at Hala Block on Build, Operate and Maintain (BOM) basis is in progress. The first gas from the processing facilities is expected by November 2009.

EWT of Latif-1 and Latif-2 wells in Latif Block have commenced with average daily gas production of about 5 MMscf and 21 MMscf respectively. EWT of the discovery well Tajjal-1 in Gambat Block has also commenced in January 2009 with average daily production of 28 MMscf.

Acquisition of Chachar Gas Field

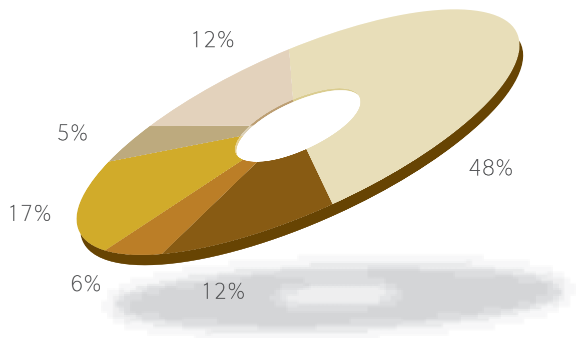
A business acquisition deal was successfully completed during the year with PPL acquiring the entire 75% working interest of Tullow Pakistan (Developments) Limited in Chachar Gas Field along with the operatorship. The field is an extension of northeastern dome of Kandhkot Field and the benefits are expected to flow to the Company through synergy of operations.

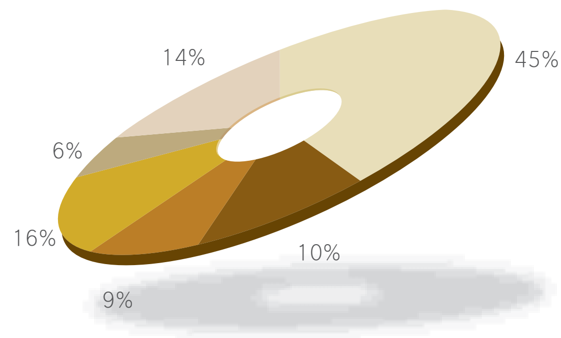
Kandhkot Field Gas Compression Station (KFGCS)

The EPCC work on KFGCS project is progressing satisfactorily. This facility is required to maintain contractual delivery pressure of the sales gas and maximise reservoir recovery. Project completion is expected by fourth quarter of 2009.

Kandhkot Field Standby Dehydration Unit (SDHU)

Detailed engineering work has been completed and construction activities have started for





Sales Revenue 2008-09

Sui	Sawan
Kandhkot	Nashpa
Adhi	Others

Sales Revenue 2007-08

Sui	Sawan
Kandhkot	Nashpa
Adhi	Others

installation of an additional SDHU of 130 MMscfd capacity at Kandhkot field. The Unit will operate in parallel to the existing DHUs and will increase reliability of existing production facility. The project is scheduled to be completed by third quarter of 2009.

Qadirpur Capacity Enhancement Project

A Plant Capacity Enhancement Project was completed at Qadirpur during the year which has increased sales gas to 600 MMscfd.

ISO 9001 Certifications

In pursuit of strengthening the quality and implementing Quality Management System (QMS) in all spheres of its activities for continual improvement in organisational policies, procedures and processes, nine PPL production facilities and departments have so far been certified for ISO 9001:2000 by external agencies. Efforts are continuing to secure certifications for the remaining fields / departments.

HSE Certifications

In the first quarter of 2009, first international HSE certifications of ISO 14001 (EMS) and OHSAS 18001 (OH & S) were secured for Mazarani facility and Sui Production. The certifications were recommended by external certification agency based on their certification audits evaluating compliance against requirements of internationally recognised standards. Certification of the rest of the fields is targeted by end 2009.

Market Share

PPL, being the pioneer natural gas producer in the country, has been playing a crucial role since 1955 in augmentation of indigenous hydrocarbon resources. Presently PPL's share in the country's total natural gas production stands at around 25%. PPL continues to strive for maximising its hydrocarbon reserves and optimising production in order to maintain its position as the premier exploration and production company in the country.

Production during the Year

Management is committed to maintain the quality and quantity of gas supply on long-term basis without compromising on health, safety and environmental standards. All efforts are being made to boost the production profile by bringing new discoveries on stream on fast track through EWT and commissioning of EPF. Monitoring of field production data and updation / validation of reservoir model, being a continuous process, is routinely being undertaken to identify opportunities for production optimisation. Potential and performance of the fields / discoveries is aimed to be maximised through strategic management of reservoir and production.

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:

	2008-09	2007-08
Natural gas (Million cubic feet)	356,195	366,413
Crude Oil (Thousand barrels)	953	867
NGL (Thousand barrels)	478	538
Condensate (Thousand barrels)	76	75
LPG (Tonnes)	19,959	17,964

The production during the period under review, including share from joint ventures, averaged at around 976 MMscfd of gas, 2,610 bpd of oil, 1,518 bpd of NGL / condensate and 55 tonnes of LPG per day.

Fieldwise Review of Operations - Performance and Future Prospects

PPL Operated Producing Fields

Sui Gas Field (PPL share 100%)

Since its discovery in 1952 the Sui Gas Field remains an important source of gas supply meeting a substantial part of gas demand of the country. The volume of gas sales during the year from the field was 189,887 million cubic feet as against 202,771 million cubic feet in 2007-08.

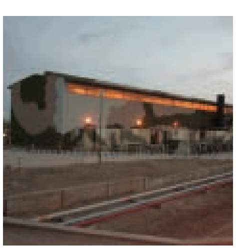
Drilling of development well Sui-88(M) along with the post completion production testing has been completed. Drilling of wells Sui-92(P) and Sui-89(M) are planned after work-over of well Kandhkot-8(M) which is expected to be completed by October 2009.

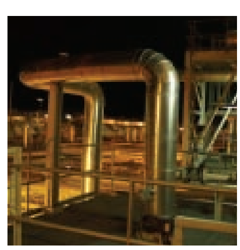
The seismic reservoir characterisation study for Sui field was initiated in December 2008 to get more accurate and detailed description of reservoirs. The study was completed in June 2009. The results of the study will be used to optimise the location of future wells in the Sui field.

To enhance the reliability of Purification Plant's operation, major upgrading and revamping activities were carried out during the year. So far, five out of six boilers have been commissioned after revamping of instrumentation and the remaining boiler is nearing completion. In addition, Online Moisture Analyzer has been installed and successfully commissioned. Control system of one steam turbine generator has been relocated to the central control room for power generation allowing centralised and more efficient operation.

Kandhkot Gas Field (PPL share 100%)

Gas from the Kandhkot Field is supplied mainly to WAPDA and SNGPL for use at Guddu Thermal Power Station. A nominal quantity is also supplied to SSGCL for Kandhkot Town. The volume of gas sales from Kandhkot field during the year was 58,010 million cubic feet as against 52,594 million cubic feet in 2007-08.





directors' report

Management is committed to maintain the quality and quantity of gas supply on long-term basis without compromising on health, safety and environmental standards.

In order to maintain contractual delivery pressure of the sales gas and maximise reserves recovery, the EPCC work for KFGCS project was started in 2007. At present installation of Turbo Compressors, Gas Engine Driven Generators and all other main and auxiliary machinery is in progress. Project completion is expected in fourth quarter of 2009.

To improve reliability of the existing production facility an additional SDHU of 130 MMscfd capacity is being installed for operation in parallel with existing DHUs. Detailed engineering work has been completed and purchase orders for all major equipment / material have been placed while construction work at the site is in progress. Project completion is scheduled for third quarter of 2009.

The Front End Engineering and Design (FEED) study for a facility to purify Kandhkot gas by removing hydrogen sulphide has also been completed by Clough Engineering.

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

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

	2008-09	2007-08
Natural gas (Million cubic feet)	14,386	14,046
NGL / Crude Oil (Thousand barrels)	1,656	1,835
LPG (Tonnes)	51,206	46,211

A total of eleven wells are in production at Adhi. Two wells are producing crude oil from Sakesar formation and the remaining are Tobra / Khewra wells producing oil, NGL and gas. LPG is also extracted from the plant feed and sold to customers. The current daily production rates are around 42 MMscf of gas, 145 tonnes of LPG, 3,000 Bbl of NGL and 1,800 Bbl of crude oil meeting the projected annual sales target.

Based on encouraging results of hydraulic fracturing at Adhi-18(T/K) which increased the productivity more than two-fold in 2007, three additional wells are planned to be hydraulically fractured back-to-back starting in September 2009 to increase oil recovery and provide additional gas to Plant.

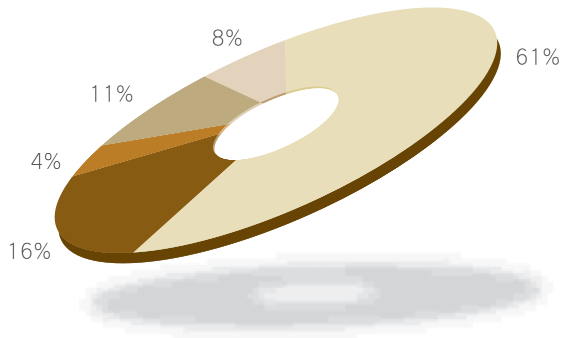
As part of continuous improvement to optimise production, Associated Gas Compressor was put in operation in January 2009 to compress low pressure flash gas which has resulted in an increase in sales of about 1.5 MMscfd. In order to improve the operations and safety of Plant, a Distributed Control System (DCS) and Fire and Gas System upgrade project was completed at Plant-I in July 2008.

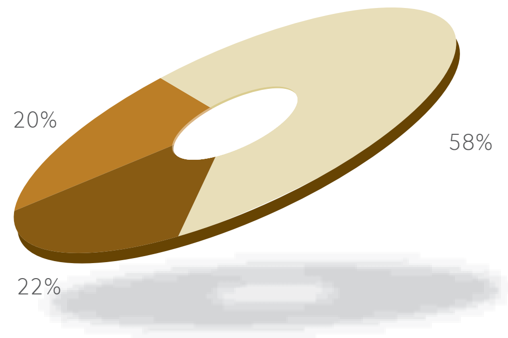
Continuing with field development studies additional 2D seismic data acquisition was completed in December 2008 and data has been processed for interpretation. The data has been included in the scope of Compositional Reservoir Study of Adhi Field which is being awarded to an international consultant. The study is expected to be completed in 2009-10 and would enable JV Partners to decide on further development of the field.

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


FUEL GAS
RUBBER No.1
GAS
No. 2





Fieldwise Production of Natural Gas 2008-09

- Sui
- Sawan
- Kandhkot
- Others
- Qadirpur

Fieldwise Production of Crude Oil 2008-09

- Adhi
- Makori (Tal)
- Mela (Nashpa)

4,010 million cubic feet as compared to 3,907 million cubic feet during 2007-08.

Mazarani Gas Field comprises of Gas Processing Plant and an 8" dia. 75 km long gas transmission pipeline for injection of Mazarani gas into SSGCL's Indus Right Bank Transmission System. Current production is around 11 MMscfd of gas and 60 barrels of condensate per day.

A total of four wells have been drilled to-date in Mazarani field. Out of these four wells, Maz-1 was plugged and abandoned while Maz-2(L), Maz-3(L) and Maz-4(L) have been completed in Laki formation and are in production. The field is expected to continue current production levels to keep water production at manageable levels. Evaluation of deeper prospect in Mazarani D&PL is also in progress.

Chachar Gas Field (PPL share 75%)
PPL / GHPL Joint Venture
(Operator PPL)

Ministry of Petroleum & Natural Resources approved the acquisition of entire 75% working interest of Tullow Pakistan (Developments) Limited (a subsidiary of Ireland based Tullow Oil Plc) in Chachar Development and Production Lease (Chachar). Subsequently, an Assignment Deed for transfer of the working interest and operatorship to PPL was executed in March 2009. The remaining 25 percent working interest in Chachar is held by Government Holdings (Private) Limited (GHPL).

Chachar Gas Field is an extension of northeastern dome of Kandhkot Field, wholly owned and operated by PPL. The field was commissioned in August 2007 and the Government of Pakistan had allowed Tullow to sell purified gas to the Guddu Thermal Power Station. The total volume of gas sold from Chachar Field, since acquisition, was 1,035 million cubic feet.

Current production facilities at Chachar comprise of a purification plant with design capacity of 30 MMscfd. Three wells were drilled in the field by the previous owner. The current production from the field is around 8 MMscfd.

Partner Operated Producing Fields

Block- 2768-3 (Block-22)
(PPL share 35.526%)
PPL / PEL / PEII / GHPL Joint Venture
(Operator PEL)

The total volume of gas sold from Block-22 for the year was 5,414 million cubic feet as

compared to 5,188 million cubic feet in 2007-08.

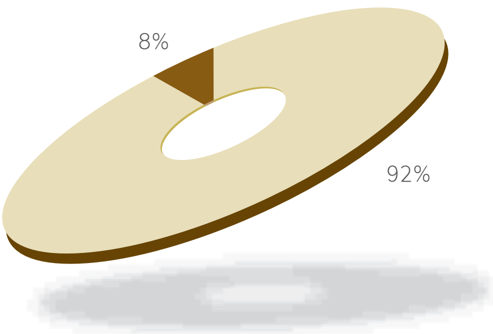
Block-22 is currently producing around 15 MMscfd from 6 wells, namely Hasan X-1, Sadiq X-1, Khanpur X-1, Hasan-3, Sadiq-2 and Khanpur X-2. Sadiq-2 was drilled and tied-in to production facility in December 2008. Drilling of Hamza-3 is planned in first quarter 2009-10 to further appraise the Hamza structure.

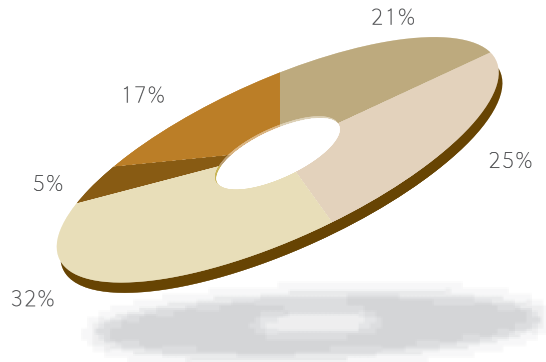
To maintain field production, compression project is in installation stage and is expected to be commissioned shortly.

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

A total of 13 wells have been drilled in Sawan field and are currently supplying 220 MMscfd gas to SNGPL and 95 MMscfd gas to SSGCL. The total volume of gas sold from Sawan for the year was 123,485 million cubic feet as compared to 136,418 million cubic feet in 2007-08.

During the year, Sawan-2 side track job was carried out in October 2008. Another well





Fieldwise Production of NGL 2008-09

Adhi   Manzalai (Tal)

Fieldwise Production of Condensate 2008-09

Sui   Qadirpur
Kandhkot   Miano
Mazarani

Sawan-14 was drilled in December 2008. The well was tied in with processing facility during March 2009 and is currently producing around 20 MMscfd gas. In view of decline in production from Sawan-10, the well was hydraulically fractured in February 2009. Wellhead compression is also being undertaken to be installed on this well. Sawan-15 was spud-in in May 2009 and drilling is in progress. Tie-in of the well is planned in first quarter of 2009-10.

As per field development plan, a Compression Facility is planned to be commissioned during 2009-10 to maintain gas supplies to the buyers. The project is at advanced stage of completion with expected commissioning by February 2010.

Miano Gas Field (PPL share 15.158%)
PPL / Eni / OGDCL / OMV Joint Venture
(Operator OMV)

Miano field gas is being jointly processed with Kadanwari field gas at Kadanwari Plant. The field is supplying gas to SSGCL from eight wells. During the year the total volume of gas sales from the field was 26,056 million cubic feet as compared to 31,554 million cubic feet in the previous year.

Drilling of Miano-13 was completed in February 2009 and the well has been tied with Plant. In view of decline in production, side track job of Khipro-1 was completed in April 2009. To tap additional reserves in Miano West, Miano-12 well was drilled and completed in May 2009.




Phase-I of field compression comprising of installation of two wellhead compressors at Miano-8 and Miano-10 wells was completed in December 2008 and presently phase-II of the project is in progress.

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

The total volume of gas sales during the year was 199,128 million cubic feet (including 23,635 million cubic feet of dehydrated / raw gas) as compared to 192,486 million cubic feet (including 15,765 million cubic feet of dehydrated / raw gas) in 2007-08.

Qadirpur Gas Field is the second largest gas field of Pakistan with recoverable gas reserves of 4.2 Tcf. A plant capacity enhancement project was completed during the year which has increased sales gas to 600 MMscfd. A total of 44 wells have been drilled in Qadirpur Gas Field up to June 2009 out of which 40 wells are producing.

Qadirpur Field is currently supplying an average of 500 MMscfd Purified Sales Gas to SNGPL while 50 MMscfd of raw gas is being supplied to Liberty Power. In addition, supply of 75 MMscfd Permeate Gas for Engro Power is planned with effect from February 2010. Plant equipment and infrastructure for permeate gas supply scheme is under procurement.

In order to maintain the gas off-takes from the field at a plateau rate of 690 MMscfd, a drilling campaign was launched in 2007-08 for drilling of 15 additional development wells on fast track basis. An exploratory well Qadirpur Deep-1 was also drilled to explore the prospects of the deeper horizon. The well was initially completed in Sembar formation, however, the production results were not encouraging therefore the well was re-completed in SML as a development well.

In view of delays in execution of Front End Compression Project due to litigation on award of contract to China Petroleum Engineering Construction Corporation (CPECC) and to meet the immediate compression requirement in view of declining reservoir pressures, an Interim Compression Project consisting of a battery of 14 compressors is being installed near the Processing Facilities for which supply contract has been placed. The project is planned to be commissioned by third quarter of 2009-10. Meanwhile, the High Court has conveyed its decision in favour of Qadirpur Joint Venture regarding the Front End Compression Project which was under litigation for last two years. Accordingly, negotiation is in process with CPECC for revival of the EPCC contract to meet long-term compression requirement.

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 total sales with the previous year from Tal Field:

	2008-09	2007-08
Natural gas (Million cubic feet)	21,814	22,184
Condensate (Thousand barrels)	816	900
Crude oil (Thousand barrels)	-	3

EWTs of the three discoveries made in Tal Block along with follow-up development work are continuing.

Manzalai Discovery

Subsequent to the successful completion of the Manzalai-1 EWT, full field development of the Manzalai Field is underway. For this purpose 6 additional wells have been drilled and installation of 300 MMscfd capacity CPF and wells' flow lines & gathering system is in progress with first gas expected by September 2009.

Makori Discovery

Evaluation of Makori well and reservoir performance through EWT is in progress which

At present the Company holds working interest in 23 exploration licences (7 operated and 16 partner-operated blocks, including 3 offshore areas in Pakistan and 1 block in Yemen).

will facilitate planning for future development of the Makori discovery. The well is currently producing 20 MMscfd of gas and 1,500 bpd of condensate.

Mamikhel Discovery

The third discovery in Tal Block will also be evaluated through EWT of exploratory well Mamikhel-1. The well is being connected with the Manzalai CPF to acquire dynamic data from the well. Completion of the tie-in project is envisaged by end September 2009.

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

Production from the discovery well Mela-1 and appraisal well Mela-2 through EPF continued during the year. Current production from Mela-1 and Mela-2 is about 6,120 bpd of oil and 19 MMscfd of gas.

During the year a total of 5,791 million cubic feet gas and 2.1 million barrels of crude oil were sold from the field as compared to sales of 3,774 million cubic feet gas and 1.7 million barrels crude oil in 2007-08.

Drilling of an appraisal well Mela-3 is in progress.

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

Discovery made in the Latif Block has been put on production by conducting EWT of the Latif-1 well. The discovery well is currently producing around 5 MMscfd of gas. During the year a total of 727 million cubic feet gas was sold from the field.

The appraisal well Latif-2 has also been put on EWT and it is being processed at Miano-Kadanwari Plant along with Latif-1. The well is producing about 20 MMscfd of gas.

Block 2668-4 (Gambat) (PPL share 23.684%)
PPL / OMV/ Eni / GHPL Joint Venture
(Operator OMV)

Discovery made in Gambat Block has been put on production by conducting EWT of the discovery well Tajjal-1. Current production level is at around 25 MMscfd of gas.

During the year a total of 3,693 million cubic feet gas was sold from the field.

Exploration Activities

PPL has formulated a robust and competitive Exploration Strategy exploiting the Company's key strengths and core competencies after taking into account all possible growth options and business expansion opportunities. The Strategy envisages an aggressive and proactive approach for acquisition of potential exploration opportunities and will continue to be revisited given the dynamic local and global E&P scenario.

At present the Company holds working interest in 23 exploration licences (7 operated and 16 partner-operated blocks, including 3 offshore areas in Pakistan and 1 block in Yemen). 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. Efforts are expected to add more

local and international areas to the Company's exploration portfolio.

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

PPL Operated Blocks

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

Installation of EWT processing facilities at Adam X-1 well site on BOM basis are in progress. The first gas from the processing facilities is expected by November 2009.

Based on the interpretation / mapping of acquired 86 sq. km 3D and 46 line km 2D seismic data, the lead located west of Adam discovery was firmed up, however, most of the lead area falls outside the boundary of Hala Block. Nevertheless, the results of mapping were encouraging as three additional potential leads were identified in the block. To firm up the potential leads for drilling consideration, additional 128 sq. km 3D and 51 line km 2D seismic data were acquired and its processing is in progress. The three leads are promising and expected to be firmed up after processing / interpretation of seismic data and its integration with other geological / reservoir data.

The Government has granted one year extension in 3rd licence year with effect from 10 March, 2009 for evaluation of the remaining potential of the block.

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

As a result of concerted efforts, exploration well Tangna Pusht X-1 was spud on 29 March, 2009. The well was drilled to a total depth of 2,070m in Parh Formation. As no encouraging results were observed during drilling and from wireline logs interpretation, the well was plugged and abandoned as a dry hole. In-house post evaluation of Tangna Pusht well and remaining potential of the block is in progress.

The Government has been requested for 6 months' extension in 3rd licence year from 01 July, 2009 for post well study and evaluation for remaining potential of the block.

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

Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage and structural modelling study have been completed. Preparations are underway to conduct the planned 60 line km 2D seismic survey after Baska Block seismic survey.

The Government has been requested for 18 months' adjustment in 2nd licence year from 01 April, 2009 due to security reasons.

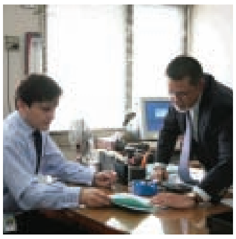
Block 2766-1 (Khuzdar) (PPL share 65%) PPL / Eni Joint Venture

Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage and structural modelling study have been completed. Efforts are being made to conduct the planned 160 line km 2D seismic survey after survey in Nushki Block.

Contract for microseep survey was awarded to IPC / GMT, USA. Preparations are being finalised to start the survey. Work on the regional source and Basin Modeling study is in progress.

The Government has been requested for 18 months' extension in 3rd licence year from 08 March, 2009.






Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage and structural modeling study have been completed at Nushki, Khuzdar and Kalat Blocks.

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

Remote sensing study to detect Spectral Anomalies induced by hydrocarbon micro seepage and structural modeling study have been completed. Efforts are being made to conduct gravity and magnetic surveys, which are on hold due to security situation in Balochistan. BGP has advised that their gravity & magnetic survey crew can be mobilized to Kalat Block after start of smooth seismic operations in PPL operated Balochistan Blocks. Work on the regional source and Basin Modeling study is in progress.

The Government has granted one year extension in 2nd licence year from 22 March, 2009.

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

Seismic operations for acquisition of 300 line km 2D seismic data commenced in June 2008 and were subsequently suspended due to security reasons and seismic crew demobilized in September 2008. Efforts are being made to restart the survey after completion of surveys in Baska, Nushki and Khuzdar blocks.

The Government has been requested for 24 months' extension in 2nd licence year from 01 July, 2009.

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

Reprocessing and interpretation of 320 line km vintage 2D seismic data have been completed. Lab analyses of microseep samples show encouraging hydrocarbon anomalies in the western and northern parts of the Block.

Seismic acquisition and processing of newly acquired 508 line km 2D seismic data has been completed and its in-house interpretation / mapping is in progress. An integrated Geological and Geophysical study is planned to firm-up a prospect for drilling.

Partner Operated Blocks

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

Simulation study by Schlumberger for the appraisal of Hamza discovery has been completed. Joint Venture partners approved drilling of Hamza-3 based on its overall positive impact on the economics of Hamza discovery. Accordingly, location of Hamza-3 was stacked which is 8 m up-dip of Hamza X-1.

The Government has granted 6 months' extension in Hamza Appraisal Licence with effect from 06 March, 2009 to appraise Hamza discovery and drill Hamza-3 well.

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

Appraisal well Tajjal-2 proved to be water wet and was suspended for an up-dip sidetrack option in the west direction subject to the results of Tajjal-1 EWT whereas appraisal well Tajjal-3 and exploration well Tajjal West-1 were plugged and abandoned as dry holes. EWT of Tajjal-1 has started in January 2009 with average daily gas production of 28 MMscf.

Interpretation of newly acquired 490 sq. km 3D seismic data over Tajjal East is in progress whereas interpretation of 193 sq. km 3D seismic over Duljan East and fast track inversion of 300 sq. km 3D seismic over Tajjal discovery has been completed. In-house evaluation of Duljan East Prospect including risk analysis and economic evaluation has been completed.

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

The 3D seismic acquisition of 405 sq. km data over the remaining leads at Goru level has been

completed and its processing is in progress. The Government has granted 6 months' extension in 1st renewal period till January 2010 to decide way forward.

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

EWT of Latif-1 started in December 2008 with average daily production of 5 MMscf gas. The Government has granted further 6 months' extension to carry out the approved appraisal program of Latif-1 and to conduct EWT of Latif-2 well. The EWT of Latif-2 commenced in July 2009 and the well is producing around 21 MMscfd gas. Latif-4 was drilled to a total depth of 3,500 m, however the well was plugged and abandoned as a dry hole.

Processing, interpretation and inversion of newly acquired 422 sq. km 3D seismic data over Adiani South have been completed.

The Joint Venture has applied to the Government for entering into 1st renewal of the exploration license from 01 July, 2009 by committing an exploration well over Latif North Prospect.

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

Sixth exploration well Maramzai-1 was spud-in in May 2009 with a planned target depth of 3,675 m in Kingriali Formation (Triassic). The well flowed gas / condensate during Drill Stem Tests (DSTs) in Lockhart formation. Further drilling is in progress.

Seventh exploration well Makori West-1 was spud-in in July 2009 with a planned target depth of 3,625 m in Shinawari formation (Jurassic). Appraisal well Makori-2 did not encounter primary target and was therefore suspended for possible use as a water disposal well.

Field Development Study of Makori discovery including third party reserves certification has been initiated for submission of Makori Declaration of Commerciality before 30 September, 2009.

Further, reprocessing and interpretation of vintage 2D and 3D seismic data is in progress to delineate additional drillable prospects and select optimal locations of future appraisal / development wells.

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

Exploratory well Nashpa-1 was drilled to the target depth of 4,375 m. Based on encouraging results of drilling and logging data, four zones for DST are being finalised. Drilling of appraisal well Mela-3 below 3,868 m is in progress. The work-over of Mela-1 was also completed successfully for rehabilitating original production of the well.

Acquisition, processing and interpretation of 2D seismic survey of 138 line km data in the southern part of the block has been completed. OGDCL's seismic crew has been mobilised for acquisition of 300 line km 2D seismic data for the appraisal of Mela discovery and to delineate additional prospects in the central Nashpa area. Combined 3D seismic survey over Mela, Bragai, and Chanda structures is planned after the completion of 2D seismic in Mela and central Nashpa.

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

First exploration well Rehman-1 was successfully drilled down to the target depth of 2,800m in Mughal Kot formation. The well flowed gas during DSTs carried out in lower and upper parts of Pab formation. Presently the well is suspended for carrying out hydraulic fracturing.

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)

Drilling of first exploration well Thar-1 was completed and the well was plugged and abandoned as dry hole.

Reprocessing of 680 line km and Amplitude Variation with Offset (AVO) study over 4,430 line km 2D seismic data was completed at Eni HQ Milan. Sedimentological and Geochemical source rock study for Cretaceous / Infra-Cambrian plays has been completed whereas other G&G 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)

Based on integrated geological and geophysical studies location of exploration well Shark-1 has been finalized in Indus-M. The well is planned to be spud-in by January 2010.

Based on interpretation of 2D / 3D seismic data location of exploration well Kuna-1 has been finalised in Indus-C. Integrated geological and geophysical studies, processing of newly acquired 222 line km 2D seismic over PakCan-1 anomaly, and interpretation of 1,575 line km 2D vintage data are in progress.

Processing of 37 line km 2D and 739 sq. km 3D seismic over Dawan Prospect and G&G studies are in progress in Indus-N.

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

The geological fieldwork to map and confirm southern closure / limit of Drug structure was undertaken. Seismic acquisition of 124 line km out of planned 224 line km was completed, after which survey was suspended temporarily due to heavy rains. In-house G&G studies are in progress.

Future Prospects and Plans

The Company's Exploration Strategy is aimed at replenishing and enhancing its existing hydrocarbon reserves. Regional studies and evaluation continue in order to identify prospective areas for direct participation in bidding and for pursuing farm-in opportunities with other companies.

PPL, taking advantage of supportive and encouraging Government policies, has achieved outstanding success in understanding the national hydrocarbon resources by embarking upon many new ventures to augment its reserves base. With its wealth of a large exploration and production database accumulated over the last 50 years, PPL is poised to continue to play an effective role in augmentation of indigenous hydrocarbon reserves by pursuing the following strategy:

- Enhance exploration portfolio by acquiring prospective areas
- Explore deeper prospectivity in PPL's operated producing assets
- Keep an optimally manageable portfolio of operated and partner operated areas
- Make endeavours to acquire undeveloped and partly developed reserves with or without upside exploration potential
- Focus on basin analysis and thorough prospectivity evaluation as well as risk and reward analysis.

International Exploration

In order to improve the Company's Reserve Replacement ratio, it is inevitable to venture outside Pakistan particularly in the underexplored basins / areas of the world where somewhat reasonable commercial terms are still available. Maintaining its position as the premier explorer and producer of hydrocarbons in Pakistan and making strategic transition to become an international Company, PPL is gradually moving out to international areas with the following strategy:

- Approach PPL's joint venture partners in Pakistan, operating internationally, for possible farm-in opportunities
- Participate in bidding rounds in identified regions for acquisition of working interest
- Seek Government of Pakistan's (GoP's) support to secure international E&P opportunities
- Consider swaps in international exploration areas
- Identify and short list options to manage the required foreign exchange for international ventures
- Persuade GoP for one window E&P Business Development cell for fast track investment decision
- Constitute a separate International Exploration Cell and strengthen the cell with qualified and top of the line professionals.

As part of its strategy to expand hydrocarbon exploration activities outside Pakistan, PPL continued efforts for international exploration. A number of opportunities have been evaluated in different countries of North / West Africa, the Middle East, Indonesia and the Central Asian States. PPL has also approached Ministry of Petroleum & Natural Resources and Ministry of Foreign Affairs to use their resources to get prospective areas / concessions in different countries on government to government basis.

Salient features of some of the activities carried out during the year 2008-09 are summarized below:

Yemen
(Block-29)

PPL holds a 50% working interest in Block-29, Yemen and remaining 50% interest is held by the operator OMV. The Production Sharing Agreement has been ratified by the Parliament of Yemen and presidential decree has been issued. Presently Geological and Geophysical studies are in progress in the Block.

Iran

PPL has been prequalified to participate in the oil & gas E&P activities in Iran and currently technical evaluations of two blocks (1 onshore and 1 offshore) are underway.

Iraq

PPL has been prequalified to participate in the 2nd field development bidding round in Iraq. Efforts to form consortium for participation in the bid round with various pre-qualified international oil companies have been initiated.

Senegal

Technical and commercial evaluation of one onshore block has been completed. Negotiation with Blackstairs Energy of Ireland is underway to discuss terms of participation.

Algeria

PPL has been prequalified for participation in bid rounds and approached Eni for possibility of farm-in in Karzaz Block which was jointly evaluated by PPL / MOL / OGDCL consortium during the last bidding round.

Indonesia

In-house technical and commercial evaluation of Eni operated West Timor block was completed. In view of high technical risk due to absence of data, the project was closed.

Armenia

Detailed technical and scoping commercial evaluation of three exploration blocks was completed. As a result of high technical risk and negative Expected Monetary Value, the opportunity is not being further pursued.

Vietnam

Two offshore blocks were evaluated. PPL did not participate in the block due to short time available for decision as the exploration well was to be spud one week after data room visit.

Africa, Middle East & CAS

Various local and overseas E&P opportunities are being discussed / pursued between PPL / OGDCL under a cooperation arrangement.

Bolan Mining Enterprises

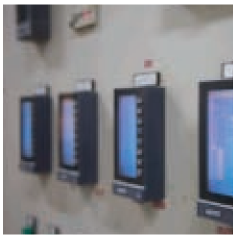
Bolan Mining Enterprises (BME), a 50:50 Joint Venture between PPL and the Government of Balochistan has its own grinding mill of about 50,000 tonnes per year (tpy) capacity and over the years has met almost 80% of the total barytes requirement of oil exploration companies operating in Pakistan. Barytes are produced strictly in accordance with the American Petroleum Institute (API) specifications. BME has also been authorized by API to use their official Monogram on BME Barytes.

BME posted a record pre-tax profit of Rs. 173.272 million from Barytes Project, Khuzdar during the financial year as compared to Rs. 142.728 million earned in 2007-08. The sales of Barytes was 54,460 tonnes during the year.

After appropriation of Rs 35.040 million towards reserve for development and expansion, your company's 50% share of the profits was Rs 69.116 million.

Keeping in view the enhanced requirements of the prospective buyers for Nokkundi Iron Ore, the engineering study for putting up a beneficiation plant having processing capacity of 0.5 million tonnes per year (mt/y) run of mine ore has been updated for a plant having processing capacity of 1.0 mt/y run of mine ore. Mine Planning and Designing Study for optimum production and beneficiation of iron ore from Nokkundi deposits is planned to be initiated shortly. Selection process of international consultant and award of contract for Mine Planning and Designing Study is in the final phase. Iron Ore production is expected to start by mid 2011.

Business Risks and Challenges

The Company operates in a challenging environment with a degree of uncertainty inherent in the E&P business which may adversely affect its operations and profitability. One of the important tasks for the Board is to ensure that PPL has appropriate systems in place for the identification and management of business risks. The Board met on regular basis to formally review the risks involved in oil and gas exploration and production business and specific uncertainties for the Company continued to be regularly monitored. Additionally, the Audit Committee in accordance with its terms of reference kept a check on adequacy of the Company's internal control systems to ensure that its financial and operational affairs comply with applicable laws and regulations and professional best practices.

The Company has tailored its business strategies to effectively address the risks and has developed a well-integrated mechanism which identifies potential risks, evaluates and prioritises them and prompts timely and appropriate actions to keep risk level within tolerable limits.

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

Risks & Challenges	Mitigating Factors
Significant decline in international crude oil prices resulting in consequential reduction in profitability	Decline in prices of crude oil have an adverse impact on the Company's revenue as the base prices for gas and crude oil sales are linked to a basket of Middle East crude oils according to specified formulae. However, gas sales which constitute more than 80% of Company's revenues are less prone to this risk since the gas prices are subject to sliding scale / zonal discounts which reduce the impact of variability of crude oil prices on the gas prices. In addition gas prices of certain fields including Adhi, Manzalai, Makori, Block-22, Nashpa etc. are capped at fixed crude oil / HSFO prices and are affected only in case the international crude oil price falls below the capped price.
Under performance of major oil and gas fields forcing material revision in production and reserve estimates	The Company's investment in the development of any oil and gas discovery is preceded by extensive technical studies and evaluation of the underlying reservoir. The reserves estimates for each of PPL's fields are certified and audited by reputable international petroleum consultants and updated as required.

The Company has tailored its business strategies to effectively address the risks and has developed a well-integrated mechanism which identifies potential risks.

Risks & Challenges	Mitigating Factors
Security conditions at locations disrupting operations and exploration efforts	The Company has well-defined Emergency Response Procedures in place at all field locations. A crisis management and business continuity plan has been developed by the Company to avoid business disruptions in all possible crisis scenarios. To avoid any untoward incident, close contact is maintained by the Company with all the stakeholders who are informed and taken on board well in advance prior to any major exploration or development activity is undertaken by the Company.
Increased cost of compliance due to change in health, safety and environmental regulations	The Company is committed to adhere to international best HSE practices and voluntarily pursuing international HSE certifications in respect of all its fields / facilities. The Company firmly believes that benefits that will arise from securing these certifications will outweigh the increased cost of compliance.
Delay or default in settlement of Company bills by customers	Rigorous follow-ups are maintained on defaulting customers to recover Company dues. All possible recovery measures are adopted to ensure that overdue bills are settled by the customers without delay.
Adverse conditions arising from economic and political instability	Economic and financial market conditions and political climate of the countries where the Company operates are regularly monitored. Based on thorough review an appropriate strategy based on a consultative process is developed as deemed appropriate in the given circumstances to reduce the impact of risks arising out of any unfavourable situation.
Exposure to increased competition due to entry of new players in the oil and gas sector	The Company follows a multi-pronged strategy including capturing the opportunities for joint biddings, farm-ins/ farm-outs and swap arrangements with other E&P companies to reduce its exposure to increased competition and to maintain a balanced exploration portfolio.

Human Resources

The Company has embarked upon a major Change Management Program to improve communication channels through increased interaction with the Company staff and greater employee engagement.

The prime focus of the Company has been to optimise hydrocarbon production through a motivated team of professionals. Being cognizant of the challenges affecting its operating environment, the Company has in place effective strategies to improve retention of staff, especially in core technical functions and to ensure that it continuously maintains its commitment to recruit, train and develop high calibre staff that will help sustain the prominent growth trajectory experienced over the last three to four years.

Succession Planning in PPL is considered a key strategic exercise. Every year a thorough review of business requirements is undertaken in each function in a structured way with primary focus to identify key positions, determine skills and performance standards for these positions and identify potential candidates for development. This helps to ensure that suitably qualified personnel with appropriate skills and competencies are available to fill the vacancies becoming available due to business reasons and / or attrition of staff at short notice thereby ensuring continuity in leadership.

The Company has embarked upon a major Change Management Program to improve communication channels through increased interaction with the Company staff and greater employee engagement. The first initiative in this respect was the introduction of Town Hall meetings with employees at all its locations. We are pleased to report that a healthy staff – Management interaction has become an essential part of our culture as it evolves to accommodate elements of corporate longevity. HR believes that an open communication forum will act as a catalyst towards motivating staff as they are enabled to air their views and receive feedback from Management.

To augment the above Change Management Program, the Company has successfully completed the exercise of aligning the overall vision / mission of the Company with Key Performance Objectives of each function. This initiative will help the Company to fuse the individual energies into an organisational thrust for achieving its vision of becoming the premier producer of hydrocarbons in the country.

Another initiative under the Change Management Program is an Employee Satisfaction Survey / Climate Survey which will be conducted by a renowned independent consultant. We expect that this exercise will help the management in understanding and addressing the needs of employees and motivate them for higher productivity.

Training and Human Resources Development

In order to equip our staff with up-to-date knowledge and skills for creating and sustaining a culture of high performance, training is a strategic priority at PPL. We promote a learning culture that supports and builds organizational capability for continual innovation and change. T&D continues to develop our human resource, by focusing on technical as well as soft skill areas of competence development. By investing in effective and business linked training programs we ensure that we develop a pool of professionals that would help the organisation in achieving its long term objectives.

Training needs of staff are assessed regularly, resulting in the identification of learning and development opportunities for staff, which are then converted into training and development events, organised either in-house, or by sending staff on training programs organized by external training providers both local and international.

During the year 2008–09, a total of 1,725 staff members attended 215 local and 33 foreign training programs which comprised of a range of technical and soft skills courses, workshops, seminars and symposia. As part of our two-year on-the-job training program, over 80 fresh graduates from various local & foreign universities and 13 Special Trainee Technicians from Sui / Dera Bugti are undergoing training at head office and field locations. Apart from this, project based summer and winter internships were offered to students in various professional disciplines at head office and field locations for duration of 4 to 6 weeks.

Under our foreign scholarship scheme, four scholars have joined the Company after completing their Masters degree while four scholars are currently pursuing higher studies in Petroleum Engineering at reputed foreign universities.

Industrial Relations

Harmonious working environment and cordial industrial relations atmosphere prevailed at all locations of the Company including Sui Gas Field. The discipline of workers at Sui Gas Field remained satisfactory despite the changed political scenario.

Long Service Awards distribution ceremonies along with Bara Khana were held at Sui, Adhi and Kandhkot Fields. Musical evenings for workers and management staff were organised at Sui Gas Field. The events were largely attended by the employees and their families.

The CBA election was held in April 2009 and negotiations on Charter of Demands for the years 2009–2010 will shortly be undertaken with new elected body of CBA representatives. The tribo-political environment continued to be conducive for smooth operations at Sui Gas Field due to presence and vigilance of law enforcing agencies in Sui / Dera Bugti.

Health, Safety & Environment

At PPL, health and safety of employees, contractors and visitors remains a top priority. PPL's well defined HSE Policy plays a key role in ensuring compliance with statutory requirements and achieving continuous improvement in HSE Management System implementation. PPL's HSE Policy also entails assessment and control of risks that may affect the employees, nearby settlements and surrounding environment of the project area.

PPL is committed to align its activities in line with international standards and industry best practices to achieve the ultimate HSE goal of incident-free environment in a sustainable manner. HSE Policies and Procedures encourage incident and near miss reporting at all levels to ensure that incidents are investigated and reported to determine the root cause and appropriate preventive steps are taken to avoid recurrence of the same.

In one of the landmark achievements of the Company, first international HSE certifications of ISO 14001 (EMS) and OHSAS 18001 (OH & S) were secured for its Mazarani facility and Sui Production in first quarter of 2009. The certifications were recommended by external certification agency based on their certification audits to evaluate compliance against requirements of internationally recognised standards. Certification of the rest of the fields is targeted by end 2009.

During the year Safety Management Evaluation (SME) exercise was conducted through world renowned consultant DuPont Safety Resource to evaluate the current safety systems and culture at PPL against DuPont's Core Safety Elements and to recommend road map for safety excellence. A comprehensive SME Report identifying areas of strength and improvement and recommendations to move PPL closer to zero injuries goal in a cost effective and sustainable way has been finalised. An Action Planning Workshop was held during the year to finalise the action planning process with involvement of all stakeholders and to achieve the future vision of safety excellence.

Statutory Compliance has always been an area of prime importance at PPL. The Company regularly monitors effluent and gaseous emissions at all of its installations through external laboratory. PPL fields are registered under Self Monitoring and Reporting Tool Program launched by Federal Environmental Protection Act (EPA) for National Environment Quality Standards compliance. Formal Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA) studies are consistently undertaken at all development projects including drilling & seismic activities initiated by the Company in pursuance of Pakistan Environmental Protection Act, 1997. IEE / EIA studies are conducted through reputed consultants prior to commencement of projects and submitted to respective provincial EPAs followed by regular monitoring of the implementation of IEE's Environmental Management Plan.

HSE audits and inspections of Fields, Drilling & Exploratory Sites and Offices are conducted as per annual plan, followed by issuance of audit report containing observations along with set of recommendations to eliminate gaps through action plan. Apart from various other measures, including proper disposal and minimisation of waste, the Company follows the policy of growing more and more trees around its development projects to promote "green practices".

PPL is committed to align its activities in line with international standards and industry best practices to achieve the ultimate HSE goal of incident-free environment in a sustainable manner.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Corporate Social Responsibility

As a responsible corporate organisation, PPL has been playing an active role through its dynamic Corporate Social Responsibility (CSR) Program in contributing its share in education, healthcare, civil welfare, water resources, infrastructure development and other such social projects which have far reaching impacts and are expected to bring benefits to stakeholders in general and the society at large. For this purpose the Company annually allocates a substantial percentage of its profits to undertake a wide array of social development activities.

Besides committing its own resources for social welfare programs, PPL is also supportive to the philanthropic initiatives of other non-profit organisations who share the same vision and values for a better society. These development activities are thoughtfully envisaged as part of a long-term process and are gradually unfolded to ensure proper channelising of the funds and effectiveness of the program to the local communities and the society as a whole.

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

Education

- Committed to sponsor students from PPL operational areas through LUMS National Outreach Programme.
- Contributed to Balochistan Public School, Sui for construction of students' hostel.
- Awarded scholarships to the deserving students of District Dera Bugti for pursuing higher professional education at reputed HEC recognised universities and institutions.
- Awarded scholarships to girl students of District Dera Bugti to study in high standard girls colleges of major cities.
- Constructed auditorium at Government Girls High School, Dhong, Tehsil Gujar Khan, District Rawalpindi.
- Constructed academic block at Government Boys High School, Chhaab, Tehsil Jand, District Attock.
- Provided school furniture to Government Girls Higher Secondary School, Kalas and Government Girls High School, Dhong, Tehsil Gujar Khan.
- Contributed to LUMS for its School of Science and Engineering project.
- Contributed to The HelpCare Society, Lahore towards meeting the annual operational expenditures of students.
- Contributed to PCP for establishment of endowment fund for its continuous and independent operations.
- Contributed to Friends of Literacy and Mass Education for renovation of Qamrul Islam Girls High School at Punjab Colony, Karachi.
- Continued support of PPL adopted schools at village Ghazi Khan Chandio and village Ghaibi Dero in District Kamber-Shahdadkot.




Corporate 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.

Healthcare

- Operated free mobile dispensaries at Sui town and Union Council Ghaibi Dero.
- Held two free surgical eye camps each at Kandhkot, Kamber and Gujar Khan and one such camp at Dera Bugti.
- Held medical camps for treatment of scabies at village Ghaibi Dero and village Dodo Khan Chandio situated at District Kamber-Shahdadkot.

- Continued support to Marie Adelaide Leprosy Centre's Triple Merger Centers for Leprosy, Tuberculosis and Blindness control at Kandhkot, Kech and Panjgur.

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

- Continued complete financial support to PPL Rehab Centre at Bagh, Azad Jammu & Kashmir.

- Provided 20 nos. hearing aids with accessories to Institute of Special Children, Quetta.

- Provided furniture to PPL constructed dispensary at village Mastala and Rural Health Centre, Daultala in Tehsil Gujar Khan.

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

- Contributed to The Indus Hospital, Karachi for Multi-Drug Resistant TB Program.

- Contributed to Sindh Institute of Urology and Transplantation, Karachi.

- Contributed to Dowites 83 for purchase of automated Blood Culture System for Microbiology section of the Central Laboratory of Civil Hospital, Karachi.

- Contributed to Nigahban Welfare Association for purchase of Video Laparoscope for the Surgical Ward IV at Civil Hospital, Karachi.

- Contributed to Pink Ribbon Pakistan for prevention of breast cancer.

- Provided X-Ray machine to Trust for Health and Medical Sciences, Landhi, Karachi.

Child Welfare

- Fully sponsored 1st phase of SOS Children Village of Balochistan, Quetta which included construction of four youth hostels and a common facility building at the cited village.

- Contributed towards construction of SOS Children's Village of Jamshoro.

Water and Sanitation

- Water supply scheme to village Ghaibi Dero, District Kamber-Shahdadkot.

Emergency Relief

- After the devastating earthquake of 29 October, 2008 that struck the scenic Ziarat valley and Pishin belt of Balochistan, PPL was amongst the first to respond to the crisis and dispatched relief goods such as precise medicines, edibles items, utility items like blankets and GI sheets for the affectees of district Ziarat.

- In June 2009, PPL contributed a sum of Rs 10 million to "Prime Minister's Special Fund for Victims of Terrorism" for relief and respite of Internally Displaced People (IDP) of Malakand division. In addition PPL's employees also contributed their one day's salary to the Prime Minister's Fund to support Government's relief efforts for IDP.

Others

- Contributed to Hunnar at Quetta for improving lives of under-privileged females of Balochistan through renovation of building and provision of necessary equipments.

- Constructed PPL Workshop and lavatories at Technical Training Centre, Daultala.

In recognition of its philanthropic endeavours, PPL had won PCP awards for the years 2004, 2005 and 2006. Upholding the tradition of a leading contributor in the area of corporate philanthropy, PPL won yet another PCP award in 2007 for the fourth consecutive year. PPL was ranked first amongst a list of leading companies of Pakistan in terms of volume of social welfare contributions.




Disaster Recovery and Business Continuity Plan (BCP)

Businesses today are exposed to disasters more than ever before making it vital for every organisation to have an effective BCP in place to ensure continuity of its operations in the event of disaster or business interruption.

Conscious of its significance, PPL developed preliminary BCPs for its head office and field locations in 2008 with a view to minimise business process disruption. The effort has been expanded to a complete Business Continuity Management program through a dedicated Business Continuity Team from key operation areas. Development of the BCPs is based on the key objectives of developing an efficient strategy for dealing with disasters, avoiding adhoc decisions during crisis situations and minimising impact of a major adverse event by restoring normal business activities within the shortest possible time.

An alternate Head office site has been constructed for use by critical personnel in case the Head Office becomes unavailable due to a disaster so that critical operations may not suffer.

Business Process Re-engineering / Development Activities

Information Technology (IT)

Since IT is a key enabler for the business processes of the Company, the focus remains on rationalisation and optimisation of processes by reorganising and aligning with international standards and industry best practices. IT is fast adopting new and innovative solutions and the various functions can best benefit by promptly utilising the most relevant solution to its competitive advantage.

Various initiatives are directed towards automated data protection, better management of back-end infrastructure, client computers and devices, reinforce security risk management, enhance IT services performance and availability and boost team productivity. The network performance is monitored and managed through advanced network management systems. Better cost-performance options are being identified and evaluated to deliver centralised IT Services to remote locations more efficiently.

The existing Local Area Network has been extended to new plant sites at Kandhkot and Adhi fields, Sui Model School and Shopping Centre at Sui Gas Field. Similarly, City Clinic in Karachi and newly acquired Chachar Gas Field are new Wide Area Network nodes, whereas West Wharf establishment and new Islamabad Office have been seamlessly integrated with Head Office. This corporate intranet converges at Head Office with sufficient resilience built through cost-effective blend of available link technologies ranging from the high-speed fiber optic link to the latest variant of satellite communication, C-band iDirect. All the links can be promptly redirected to Disaster Recovery Site.

Thin Clients were adopted by PPL way back in 2004 as first step towards IT Infrastructure transformation at the front-end. In a step forward unified storage and blades servers are being adopted to further mitigate security risks and improve operational performance at the back-end. Servers and desktop virtualisation is the next logical milestone in our data centre transformation roadmap for more service-orientation, agility and protection of information assets. Accordingly, server hardware upgrade to x64 technology and software upgrade to latest operating and application systems has been performed under our regular obsolescence management program to achieve the transformation. Further, a progressive shift of Thin Client Users to new x64 Windows Server 2008 Terminal Services Server Farm from x32 Windows Server 2003 Terminal Services is in progress. This transformation is synchronised with users' orientation to Microsoft Office 2007 suite for an escorted transition to the new user interface.

The resilience of Enterprise Messaging System and Content Management System is being enhanced, with the latter being gradually extended to field locations to position electronic messaging as the most preferred mode of communication and collaboration.

A major Business Process Re-Engineering initiative named REVOLUTION is undertaken by the IT Department. The Project is spearheaded by in-house SAP Competence Centre to maximise return on investment in SAP System by aligning PPL's current business processes with SAP Best Practices and monitoring identified Key Performance Indicators. The ultimate aim is to set Continuous Performance Improvement Cycle with better process integration, data consistency and less paper work. The Assessment phase of the project has been accomplished by joint efforts of SAP Consulting Services and the Process Owners. Business Process Blueprints documents have been completed with a roadmap for the Optimisation phase of this project.

A web based Problem Reporting and Tracking System is a click away for all intranet users to requisition IT Help Desk services; a combination of on-site and off-site services for software and hardware maintenance and support. This setup is now a good base for us to adopt Information Technology Intrastructure Library (ITIL) Service Desk.

Quality Management System (QMS)

The Company is striving to institutionalise and strengthen quality factor in all its operations. To this end the Company is actively pursuing ISO 9001 certifications of all its production facilities and departments, the most commonly used international standards that provide a framework for managing and continually improving organisational policies, procedures and processes.

So far nine production facilities and departments falling under the Production Function have been certified. These include Sui Production, Sui Engineering, Sui Field Gas Compressor Station, Purification Plant, Kandkhot, Adhi, Mazarani, Monitoring & Inspection department and Design & Construction department. Implementation of QMS in the Drilling Operations Department is in progress. The newly acquired Chachar Gas Field has been planned to go through Gap Analysis with QMS standards. This will be followed by actions to bridge the identified gaps in the processes and implementation of QMS to achieve certification by June 2010.

Continual improvement in the system is geared by regular audits both internal and external. Internal Audits are carried out by lead auditors / engineers from different areas of expertise while third parties are engaged for external audits and surveillance monitoring of the system on regular intervals.

Implementation of the QMS will facilitate achievement of organisational goals in an effective and efficient manner through a number of strategies including process optimization and disciplined management focus. QMS certification will also inspire the confidence of the clients who feel more secure in dealing with a certified company.

Research and Development Application of New Technologies

Oil and gas exploration and production is a capital intensive and high risk business involving complex processes, specialised methods and technical competency for successful operations. Adopting 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 minimise adverse environmental impacts of hydrocarbon production.

PPL used the hydraulic fracturing technique for the first time at Adhi field which proved to be very successful for increasing the well production / recovery rates by up to three times. Three more wells Adhi-12(T/K), Adhi-14(T/K) and Adhi-9(T/K) have now been selected as good candidates for fracturing during 2009-10. This will ensure maximization of hydrocarbon recovery from the reservoirs.

Corporate Awards

During the year PPL clinched all the major corporate awards including MAP Corporate Excellence Award, Best Corporate Report Award and Large Taxpayers Unit Excellence Award backed by its excellent performance in all spheres of operations.

MAP's Corporate Excellence Award

This year PPL for the second time bagged the MAP's Corporate Excellence Award in the Fuel and Energy sector. Earlier PPL had also won the MAP's 25th Corporate Excellence Award. MAP's award, instituted in 1982, seeks to recognise and honour companies demonstrating outstanding performance and transparent financial and corporate governance regimes and is a clear recognition of PPL's commitment to quality, maintenance of the highest professional standards and constant strive for achieving excellence in all spheres of its activities.

Best Corporate Report Award

During the year PPL received the Best Corporate Report Award for its Annual Report 2008 which was ranked first among the five shortlisted organisations in the Fuel and Energy sector. This is the third time PPL has won the Best Corporate Report Award which is organized by the Joint Committee of the ICAP and the Institute of Cost and Management Accountants of Pakistan to nurture good corporate governance practices in Pakistan and inculcate a culture of high quality and transparent financial reporting in line with international standards. The Award affirms PPL's belief in adhering to the best corporate governance practices and maintain sound and transparent accounting and financial reporting procedures in the interest of the Company and its stakeholders.

Large Taxpayers Unit Excellence Award

During the year PPL won Large Taxpayers Unit Excellence Award for the second time. The Company first received this award in 2006. The award is announced by the Federal Board of Revenue in recognition of contribution of the largest corporate taxpayers to the national exchequer.

Contribution to National Exchequer and the Economy

PPL is a significant contributor to the national economy. The Company's share of production of natural gas from its operated and non-operated fields, and production of Oil, LPG and NGL from Adhi, Makori and Mela fields for the financial year 2008-09 in terms of energy, was equivalent to 179,000 barrels of crude oil per day resulting in foreign exchange savings of around US$ 4.4 billion for the current year assuming an average crude oil price of US$ 68 per barrel prevalent during the year.

In addition, payments to the Government exchequer by your Company was around Rs 43 billion during the year (Rs 38 billion during 2007-08) on account of taxes, royalties, excise duty, sales tax, GDS and dividends.

Internal Audit and Control

The Board has set up an independent audit function headed by a qualified and a full-time employee of the Company reporting to the Chairman, Audit Committee and administratively to the CEO. The scope of internal auditing within the Company is clearly defined which broadly involves review and evaluation of its internal control system in accordance with business risk assessments.

The Board is therefore committed to inculcate healthy corporate culture, ethical business practices, reliable and transparent financial reporting, open communication channels with the stakeholders and conducting business strictly in compliance with the laws and regulations.

This includes independent assessment and evaluation of the effectiveness and efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets of the Company and compliance with laws and regulations. The internal audit also undertakes special studies, value for money studies and such other special projects as and when required by the Board Audit Committee.

The function is adequately staffed and possesses requisite competencies and resources necessary to discharge its responsibilities in an effective and efficient manner. The internal audit personnel have unrestricted access to all Company records and information to effectively perform their duties.

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

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

Corporate Governance

Being conscious of the fact that in today's business environment strong corporate governance lies at the heart of business integrity and upholding investors' confidence, PPL Board attaches utmost importance in adhering to the international and local principles of good corporate governance. The Board believes that it is only through strict compliance with the good practices of corporate governance and existence of a check and balance system that the Company's business can be effectively managed and controlled and long-term sustainability and future success of the Company can be ensured.

The Board is therefore committed to inculcate healthy corporate culture, ethical business practices, reliable and transparent financial reporting, open communication channels with the stakeholders and conducting business strictly in compliance with the laws and regulations. As a result, good corporate governance principles have been deeply ingrained in the Company's decision making and operating set-up as well as monitoring processes. The Company stands fully compliant with all the principles of the Corporate Governance stipulated in the Listing Regulations of the Stock Exchanges.

Rights of each and every stakeholder, be it Company's shareholders, employees, financiers, creditors, business partners, local communities and others are recognised and respected. The Company encourages active participation of shareholders in all general meetings of the Company and values their views towards better governance and operational management. The Company is also cognizant of its legal and constructive obligations towards its business partners, local communities where it operates

directors' report

and other stakeholders and takes appropriate actions to timely respond to their expectations after taking into account a pragmatic view of their interests associated with the Company.

A code of conduct exists for Directors, executives and other employees of the Company which sets the standard for good business-like behaviour expected of them and binds them to demonstrate ethical, honest and responsible attitude. All Directors and employees are required to sign the Code of Ethics annually in acknowledgement of their understanding and acceptance of the same.

Before each meeting of the Board of Directors a closed period is declared by the Company during which Directors, CEO, executives of the Company and their spouses are not allowed to trade in shares of the Company in any manner, whether directly or indirectly. All Directors including the CEO, CFO and Executives of the Company were given written notices to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and form of share certificates to the Company Secretary. The non-executive Directors have confirmed that no trading in Company shares was done by them or their spouses during the year. The trading in shares by CEO is appropriately disclosed in pattern of shareholding. The trading in shares of the Company carried out by Company's executives during the year, other than during the closed period, was placed before the Board for information.

The Directors of the Company are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations.

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

The Directors are pleased to state that:

(i) The financial statements, prepared by the Management of the Company, present 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.

The Directors of the Company are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations.

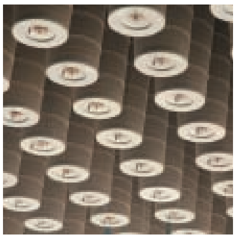
(vii) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

(viii) Key operating and financial data of last six years has been given on page 80 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, 2008 are as follows:

	Rs million
Senior Provident Fund	976.033
Junior Provident Fund	697.678
Executive Staff Gratuity Fund	273.873
Non-Executive Staff Gratuity Fund	259.530
Executive Staff Pension Fund	1,687.406
Non-Executive Staff Pension Fund	655.929

(xi) During the year seven meetings of the Board of Directors were held. Leave of absence was granted to Directors who could not attend some of the Board meetings. The attendance of one non-resident director in some of the meetings was facilitated through video-conferencing.

Attendance by each Director is summarised as follows:

Name of Director	Total number of Board meetings *	Number of Board meetings attended
Mr. M.A.K. Alizai	7	7
Mr. Khalid Rahman **	7	7
Mr. S. R. Poonegar	7	7
Mr. Sajid Zahid	7	6
Mr. Rashad R. Kaldany (Alternate Mr. Nadeem Siddiqui)	7	3
Mr. Pervaiz Kausar	7	4
Mrs. Roshan Khursheed Bharucha	7	7
Mr. Irshad Ahmed Kaleemi	7	5
Mr. Khushhal Khan ***	4	3
Mr. Shaukat Hayat Durrani ***	3	1

* Held during the period, concerned Director was on the Board

** Appointed as CEO and MD in August 2008 in place of Mr. S. Munsif Raza

*** Mr. Khushhal Khan was appointed in December 2008 in place of Mr. Shaukat Hayat Durrani

(xii) A statement of the pattern of shareholding in the Company as at 30 June, 2009 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 154 of the Annual Report.

Post Balance Sheet Events

In July 2009 a fire incident occurred at Sui well 38 (M). The Company took immediate relief measures on emergency basis, however, the incident was of such magnitude that despite all efforts the fire could not be controlled. As per standard operating procedure well blow out contingency plan has been initiated and the specialists have been engaged for well control operations. Work has already commenced on emergency basis to complete the preparatory arrangements for well control which include massive on-site water storage.

After completion of preparatory work, well capping will be undertaken to control and stop gas wastage followed by plug and abandon operations. The loss in production due to abandonment will be compensated through production from currently producing wells.

Chief Executive Officer

As reported earlier, effective from 01 August, 2008, Mr. Khalid Rahman was appointed by the Board as CEO of the Company for a period of two years in place of Mr. S. Munsif Raza who relinquished the charge of the CEO.

Directors

The three years term of the present Board of Directors had expired on 25 April, 2008, however, the Directors are continuing to perform their functions until their successors are appointed pending nomination of the candidates for the new Board by the majority shareholder. The Company is in contact with the Government and fresh elections of the Directors will be held as soon as the list of nominees of the majority shareholder is intimated to the Company.

Since the last Annual General Meeting held on 18 September, 2008, Mr. Khushhal Khan was appointed to the Board in place of Mr. Shaukat Hayat Durrani.

Auditors

The auditors Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for re-appointment for the year 2009-10. The Audit Committee of the Board has recommended the reappointment of the retiring auditors along with the change in the engagement partner who has completed five years of audit service to the Company on 30 June, 2009.

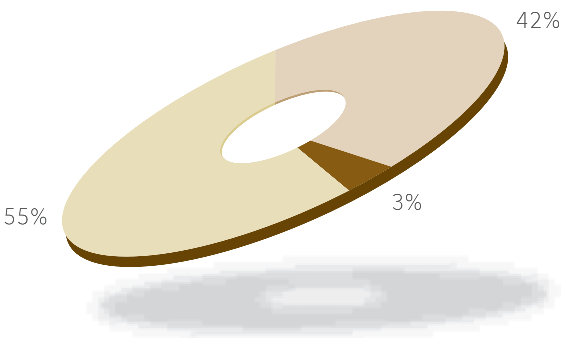
On behalf of the Board

(M.A.K. ALIZAI)
CHAIRMAN

(KHALID RAHMAN)
CEO / MANAGING DIRECTOR

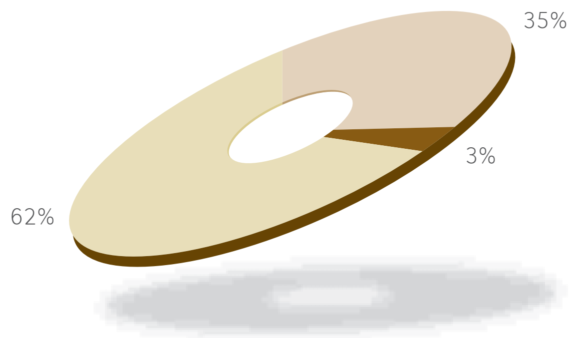
Karachi
24 August, 2009

balance sheet composition



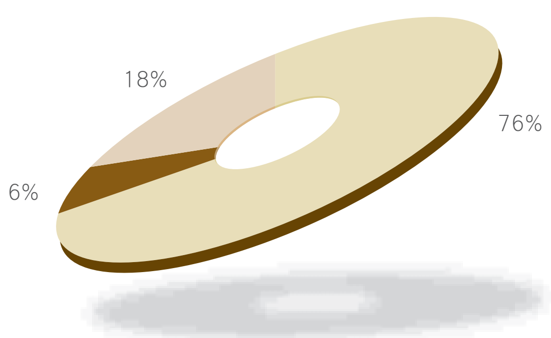
Total Assets 2008-09

- Fixed assets
- Other long-term assets
- Current assets



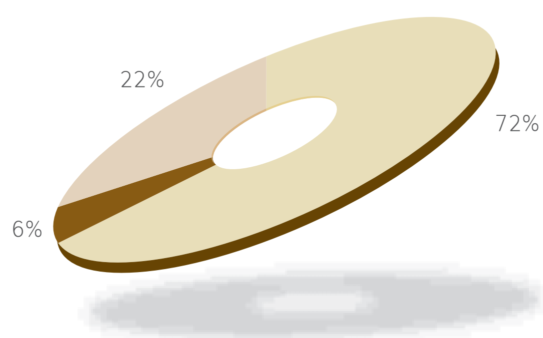
Total Assets 2007-08

- Fixed assets
- Other long-term assets
- Current assets



Shareholders' Equity and Liabilities 2008-09

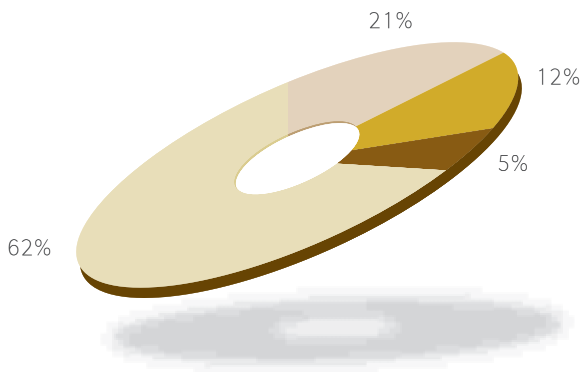
- Share Capital and reserves
- Non-current liabilities
- Current liabilities



Shareholders' Equity and Liabilities 2007-08

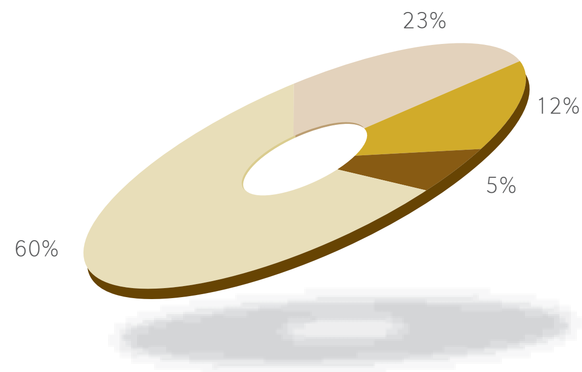
- Share Capital and reserves
- Non-current liabilities
- Current liabilities

analysis of profit & loss account



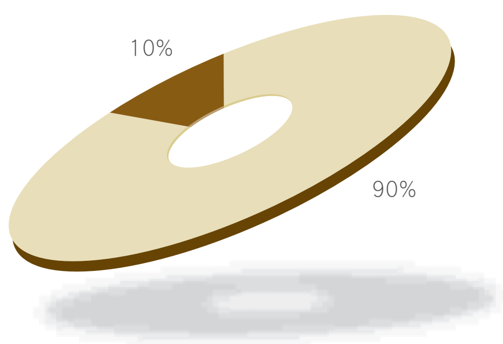
Analysis of Sales 2008-09

- Field expenditure
- Royalties
- Other operating expenses and finance cost
- Profit before tax, BME and other income



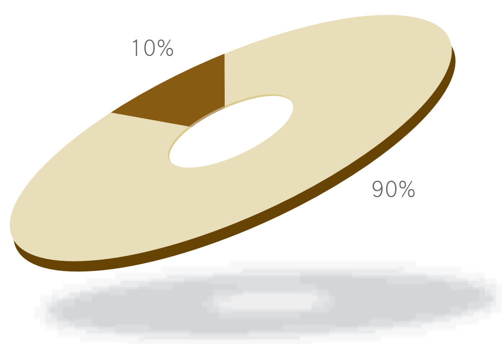
Analysis of Sales 2007-08

- Field expenditure
- Royalties
- Other operating expenses and finance cost
- Profit before tax, BME and other income



Analysis of Profit Before Tax 2008-09

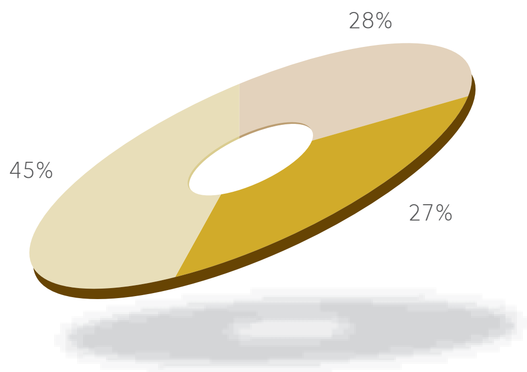
- Profit before tax, BME and other income
- Share of Profit from BME and other income

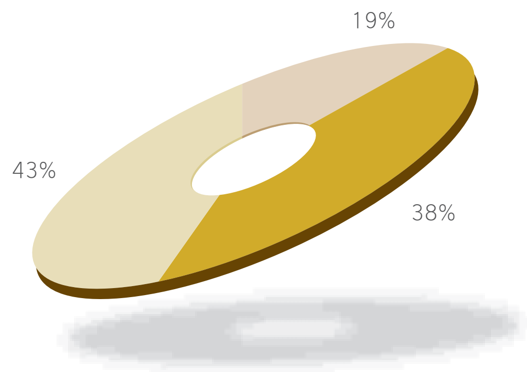


Analysis of Profit Before Tax 2007-08

- Profit before tax, BME and other income
- Share of Profit from BME and other income

analysis of cash flows





Utilisation of cash available / generated during the year 2008-09

- Investing activities
- Financing activities
- Cash and Cash Equivalents at end of the year

Utilisation of cash available / generated during the year 2007-08

- Investing activities
- Financing activities
- Cash and Cash Equivalents at end of the year

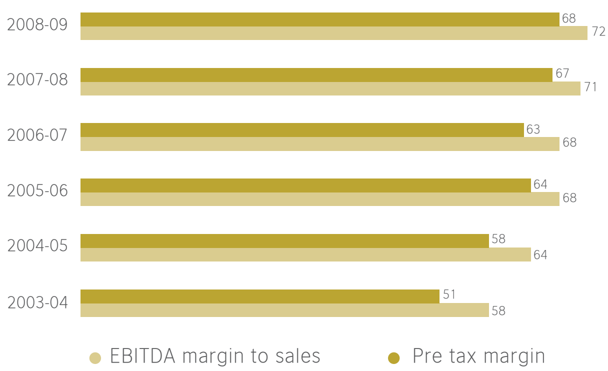
A total of Rs 18.2 billion was available as cash and cash equivalents at beginning of the year. In addition Rs 13.3 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 31.5 billion. Out of this Rs 8.8 billion (28%) were spent on investing activities, Rs 8.4 billion (27%) were used in financing activities and the remaining Rs 14.3 billion (45%) was available as cash and cash equivalents at end of the year.

A total of Rs 20.9 billion was available as cash and cash equivalents at beginning of the year. In addition Rs 21.6 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 42.5 billion. Out of this Rs 8.1 billion (19%) were spent on investing activities, Rs 16.2 billion (38%) were used in financing activities and the remaining Rs 18.2 billion (43%) was available as cash and cash equivalents at end of the year.

six years' summary

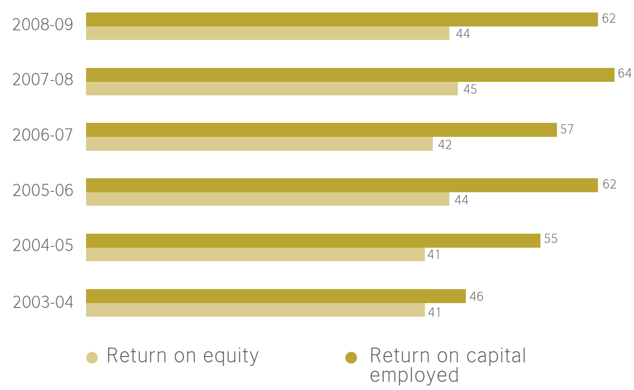
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Financial Performance						
Profitability						
Operating margin (%)	53	59	62	64	65	67
EBITDA[1] margin to sales (%)	58	64	68	68	71	72
Pre tax margin (%)	51	58	64	63	67	68
Net profit to sales (%)	37	37	42	44	43	45
Return on equity (%)	41	41	44	42	45	44
Return on capital employed (%)	46	55	62	57	64	62
Operating Performance / Liquidity						
Total assets turnover (times)	0.77	0.82	0.87	0.84	0.82	0.86
Fixed assets turnover (times)	2.09	2.37	2.63	2.72	2.49	2.19
Debtors turnover (times)	5.45	5.53	5.51	4.81	4.11	3.00
Debtors turnover (days)	67.01	66.01	66.23	75.81	88.99	121.53
Current ratio	2.27	2.50	3.25	4.35	2.79	3.10
Quick ratio	1.97	2.21	3.04	4.09	2.61	2.91
Creditors turnover (times) [2]	-	-	-	-	-	-
Creditors turnover (days) [2]	-	-	-	-	-	-
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	189.54
- Low during the year (Rs)	-	109.20	150.50	196.15	229.80	98.50
- High during the year (Rs)	-	320.40	306.70	277.75	306.95	248.50
Breakup value per share (Rs)	23.40	30.98	44.02	58.47	57.87	75.99
Earnings per share (Rs) [4]	7.97	10.39	16.15	20.21	23.75	33.38
Price earning ratio [3]	-	20.70	13.12	12.99	10.36	5.68
Cash dividend yield (%) [3]	-	2.56	4.25	4.19	6.30	6.86
Dividend cover ratio	2.14	2.29	2.17	2.22	1.69	2.57
Debt equity ratio [5]	-	-	-	-	-	-
Weighted average cost of debt [5]	-	-	-	-	-	-
Interest cover ratio [5]	-	-	-	-	-	-
Summary of Profit & Loss			Rs million			
Sales - gross (including Govt. levies)	26,216	32,816	43,565	51,080	57,885	77,798
Sales - net (excluding Govt. levies)	17,668	23,294	31,757	38,383	45,717	61,580
Exploration expenditure	928	1,461	2,003	2,201	2,448	3,249
Operating profit	9,451	13,669	19,841	24,541	29,506	40,956
Profit before tax	9,063	13,475	20,190	24,357	30,447	41,908
Profit after tax	6,617	8,623	13,401	16,768	19,707	27,703
EBITDA [1]	10,267	14,873	21,713	26,072	32,675	44,367

EBITDA margin to sales / Pre-tax margin (%)



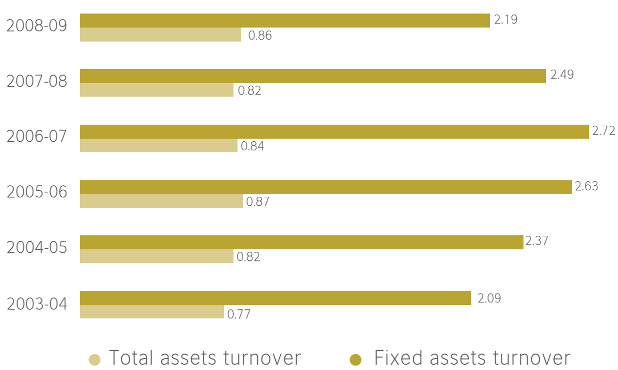
EBITDA and Pre-tax margins were maintained during the year.

Return on equity / Capital employed (%)



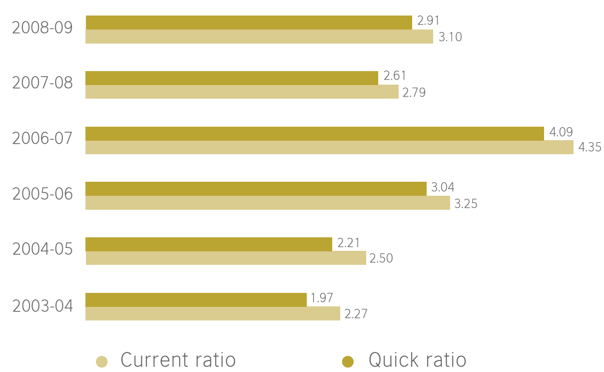
Return on equity and capital employed remained almost at the same level during the year as compared to 2007-08.

Total assets / Fixed assets turnover (times)



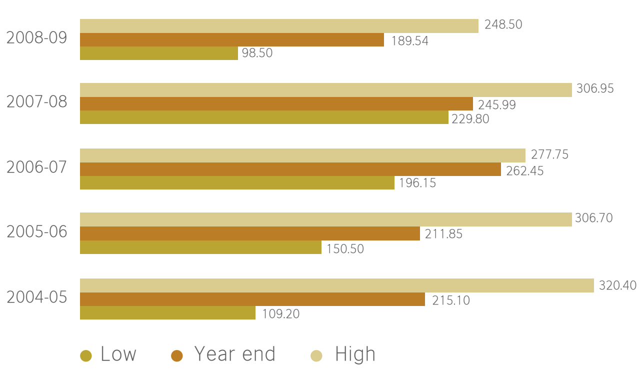
Total assets turnover was maintained, however, fixed assets turnover showed a decrease of around 12% due to capitalisation of wells worth Rs 3 billion and increase in capital work-in-progress for CPF at Tal Development and for installation of compression projects at Kandhkot and Sawan fields.

Current / Quick ratio



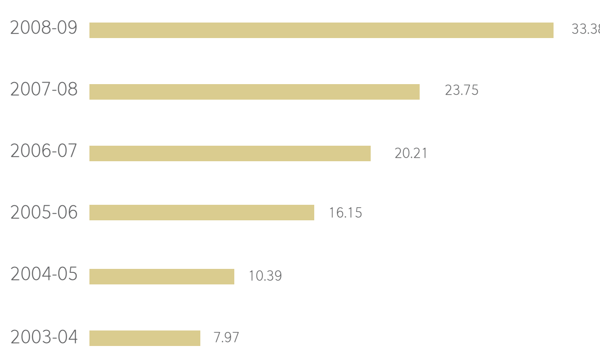
During the year current and quick ratios improved over 2007-08.

Share prices low / Year end / High (Rs)



The Company's share prices were reduced due to overall decline in the stock market index.

Earnings per share (Rs)



Earnings per share during 2008-09 was all-time high due to record profits.

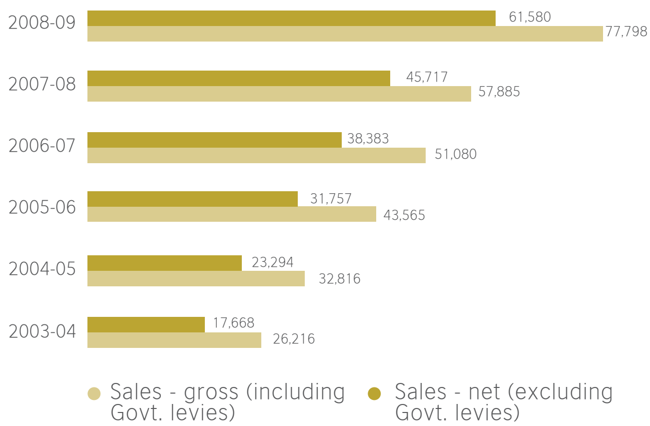
six years' summary

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Corporate Distribution						
Dividend						
- Interim (Rs million)	1,371	1,715	2,400	3,086	11,693	8,298
- Final (Rs million) [6]	1,715	2,057	3,772	4,458	-	2,490
Cash dividend per share (Rs) [6]	4.50	5.50	9.00	11.00	15.50	13.00
Cash dividend payout ratio (%)	56.43	52.93	55.73	54.43	65.26	38.95
Bonus (Rs million)	-	-	-	686	754	1,660
Bonus Issue (%) [6]	-	-	-	10	10	20
Summary of Balance Sheet			Rs million			
Share capital	6,858	6,858	6,858	6,858	7,544	8,299
Reserves	9,193	14,387	23,330	33,240	36,110	54,760
Long-term / deferred liabilities	3,726	3,329	2,545	2,556	3,790	5,203
Current assets	12,630	18,040	27,053	33,592	37,862	45,439
Current liabilities	5,563	7,217	8,332	7,715	13,579	14,648
Property, plant & equipment	9,794	11,199	12,763	15,227	21,187	34,763
Fixed assets	9,888	11,275	12,870	15,377	21,368	34,971
Long term investments	137	652	308	677	1,781	1,854
Stores and spares	1,129	1,291	1,273	1,475	1,604	1,872
Trade debts	3,843	4,583	6,942	9,002	13,228	27,780
Short term investments	4,082	10,406	16,577	21,417	20,743	13,217
Cash and bank balances	2,556	260	750	788	1,095	1,384
Summary of Cash Flows						
Cash & cash equivalents at beg. of the year	3,217	6,638	10,666	17,327	20,892	18,181
Cash flows from operating activities	6,870	10,082	13,119	13,637	21,563	13,293
Cash used in investing activities	(686)	(2,631)	(1,946)	(3,163)	(8,060)	(8,768)
Cash used in financing activities	(2,763)	(3,423)	(4,512)	(6,909)	(16,214)	(8,354)
Net change in cash & cash equivalents	3,421	4,028	6,661	3,565	(2,711)	(3,829)
Cash & cash equivalents at end of the year	6,638	10,666	17,327	20,892	18,181	14,352
Others						
Payments to Government exchequer	15,586	18,074	24,910	32,839	37,613	43,385
Market capitalisation [3]	-	147,520	145,291	179,994	185,576	157,289

Notes:

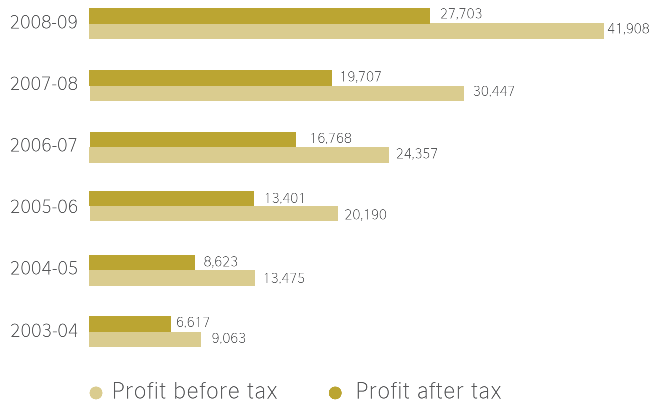
1 EBITDA stands for earnings before interest, taxes, depreciation and amortisation.
2. Not applicable in view of the nature of Company's business.
3. Shares of the Company were listed on the Stock Exchanges in 2004-05.
4. The earnings per share for prior years have been restated to take into account the issue of bonus shares in 2006-07 and 2007-08.
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.
6. Includes declaration of final cash dividend and issue of bonus shares subsequent to year end.

Gross sales / Net sales (Rs million)



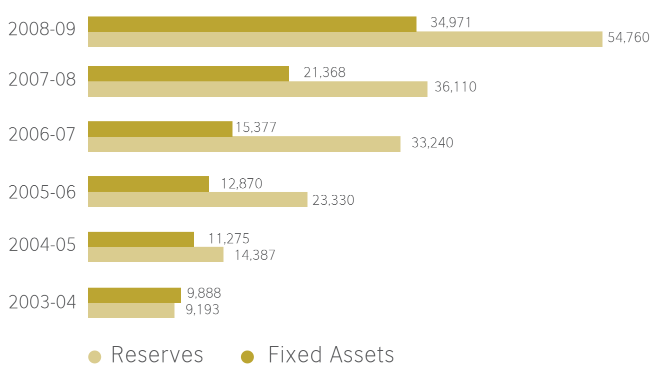
Gross and net sales increased by 34% and 35% respectively mainly due to increase in gas sales revenue from Sui, Kandhkot and Sawan fields.

Profit before & After tax (Rs million)



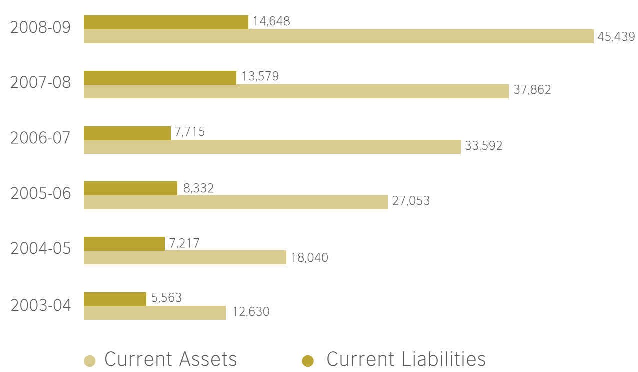
Profit before and after tax improved significantly by 38% and 41% respectively.

Reserves / Fixed assets (Rs million)



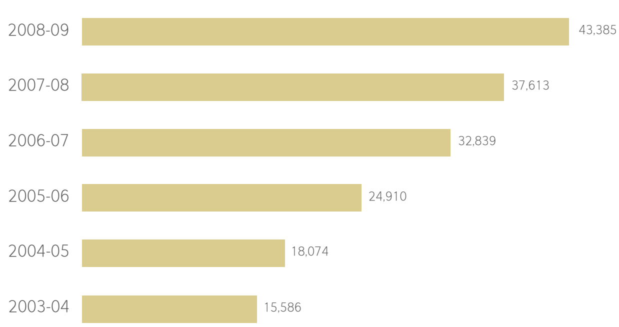
Reserves of the company increased by 52% in 2008-09 due to enhanced profitability.

Current assets / Current liabilities (Rs million)



Ratio between current assets and current liabilities showed significant improvement during the year.

Payment to Government exchequer (Rs million)



Payments to Government exchequer increased by 15% over 2007-08.

Market capitalisation (Rs million)

Market capitalisation reduced by 15% due to overall economic slump.

horizontal analysis

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Balance Sheet Items							
Property, plant and equipment	100	115	131	149	178	248	407
Intangible assets	-	100	81	114	161	194	222
Long-term investments and deposit	100	125	597	282	620	1,632	2,262
Long-term receivable	100	68	37	10	-	-	1
Long-term loans - staff	100	125	115	129	111	120	101
Deferred taxation	100	149	128	78	91	-	-
Stores and spares	100	114	130	128	149	162	189
Trade debts	100	145	173	262	340	500	1,050
Loans and advances	100	175	427	142	274	553	405
Trade deposits and short-term prepayments	100	657	561	486	364	401	719
Accrued financial income	100	103	1,039	1,807	2,356	4,296	6,216
Current maturity of long-term investments	-	-	-	100	29	66	7
Current maturity of long-term receivable	100	106	149	149	49	-	4
Other receivables	100	58	81	18	32	13	145
Short-term investments	100	175	447	712	919	891	567
Cash and bank balances	100	120	12	35	37	51	65
Total Assets	100	124	155	201	246	298	405
Share capital	100	100	100	100	100	110	121
Reserves	100	173	270	439	625	679	1,030
Provision for decommissioning obligation	-	100	114	96	104	168	238
Long-term liability for GDS	100	68	37	10	-	-	-
Liabilities against assets subject to finance leases	100	183	172	221	192	216	278
Deferred liabilities and income	100	110	126	148	170	197	229
Deferred taxation	-	-	-	-	-	100	354
Trade and other payables	100	117	101	128	188	319	352
Current maturity of long-term liability for GDS	100	106	149	149	49	-	-
Current maturity of liabilities against assets subject to finance leases	100	262	354	421	483	426	437
Taxation	100	2,020	9,563	9,788	777	4,724	4,118
Total Shareholders' Equity and Liabilities	100	124	155	201	246	298	405
Profit & Loss Items							
Sales - net	100	145	191	261	315	375	506
Field expenditure	100	105	117	137	156	180	221
Royalties	100	151	206	289	353	425	575
Share of profit in BME	100	90	95	69	155	182	225
Other operating income	100	56	180	489	796	1,000	1,344
Finance cost	100	24	25	39	65	87	123
Other operating expenses	100	159	211	317	731	587	873
Profit before taxation	100	187	278	417	503	629	866
Taxation	100	377	748	1,046	1,169	1,655	2,189
Profit after taxation	100	158	206	320	400	470	661
Basic and diluted earnings per share (Rs)	100	158	206	320	400	470	661

vertical analysis

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Balance Sheet Items						
Property, plant and equipment	38.65	35.23	31.07	30.24	34.72	41.93
Intangible assets	0.37	0.24	0.26	0.30	0.30	0.25
Long-term investments and deposit	0.54	2.05	0.75	1.34	2.92	2.98
Long-term receivable	5.96	2.58	0.52	-	-	0.03
Long-term loans - staff	0.05	0.04	0.03	0.02	0.02	0.01
Deferred taxation	4.59	3.13	1.49	1.41	-	-
Stores and spares	4.45	4.06	3.10	2.93	2.63	2.26
Trade debts	15.16	14.41	16.90	17.87	21.68	33.50
Loans and advances	0.71	1.38	0.35	0.56	0.93	0.50
Trade deposits and short-term prepayments	1.15	0.78	0.53	0.32	0.29	0.39
Accrued financial income	0.02	0.16	0.22	0.23	0.35	0.37
Current maturity of long-term investments	-	-	0.83	0.20	0.37	0.03
Current maturity of long-term receivable	1.99	2.22	1.72	0.46	-	0.02
Other receivables	0.16	0.17	0.03	0.04	0.01	0.12
Short-term investments	16.11	32.73	40.37	42.52	33.99	15.94
Cash and bank balances	10.09	0.82	1.83	1.56	1.79	1.67
Total Assets	100.00	100.00	100.00	100.00	100.00	100.00
Share capital	27.06	21.59	16.70	13.62	12.37	10.01
Reserves	36.28	45.25	56.81	65.99	59.17	66.04
Provision for decommissioning obligation	6.59	5.97	3.92	3.46	4.61	4.79
Long-term liability for GDS	5.96	2.58	0.52	-	-	-
Liabilities against assets subject to finance leases	0.26	0.19	0.19	0.14	0.13	0.12
Deferred liabilities and income	1.90	1.72	1.57	1.47	1.41	1.20
Deferred taxation	-	-	-	-	0.06	0.17
Trade and other payables	17.67	12.13	11.94	14.34	20.06	16.25
Current maturity of long-term liability for GDS	1.99	2.22	1.72	0.46	-	-
Current maturity of liabilities against assets subject to finance leases	0.11	0.12	0.11	0.10	0.07	0.06
Taxation	2.18	8.23	6.52	0.42	2.12	1.36
Total Shareholders' Equity and Liabilities	100.00	100.00	100.00	100.00	100.00	100.00
Profit & Loss Items						
Sales - net	100.00	100.00	100.00	100.00	100.00	100.00
Field expenditure	35.44	29.85	25.74	24.14	23.38	21.37
Royalties	11.06	11.48	11.79	11.92	12.07	12.12
Share of profit in BME	(0.16)	(0.13)	(0.07)	(0.12)	(0.12)	(0.11)
Other operating income	(0.96)	(2.35)	(4.68)	(6.30)	(6.64)	(6.63)
Finance cost	0.10	0.08	0.09	0.13	0.15	0.15
Other operating expenses	3.21	3.22	3.55	6.77	4.56	5.04
Taxation	13.85	20.83	21.38	19.77	23.49	23.07
Profit after taxation	37.46	37.02	42.20	43.69	43.11	44.99
	100.00	100.00	100.00	100.00	100.00	100.00

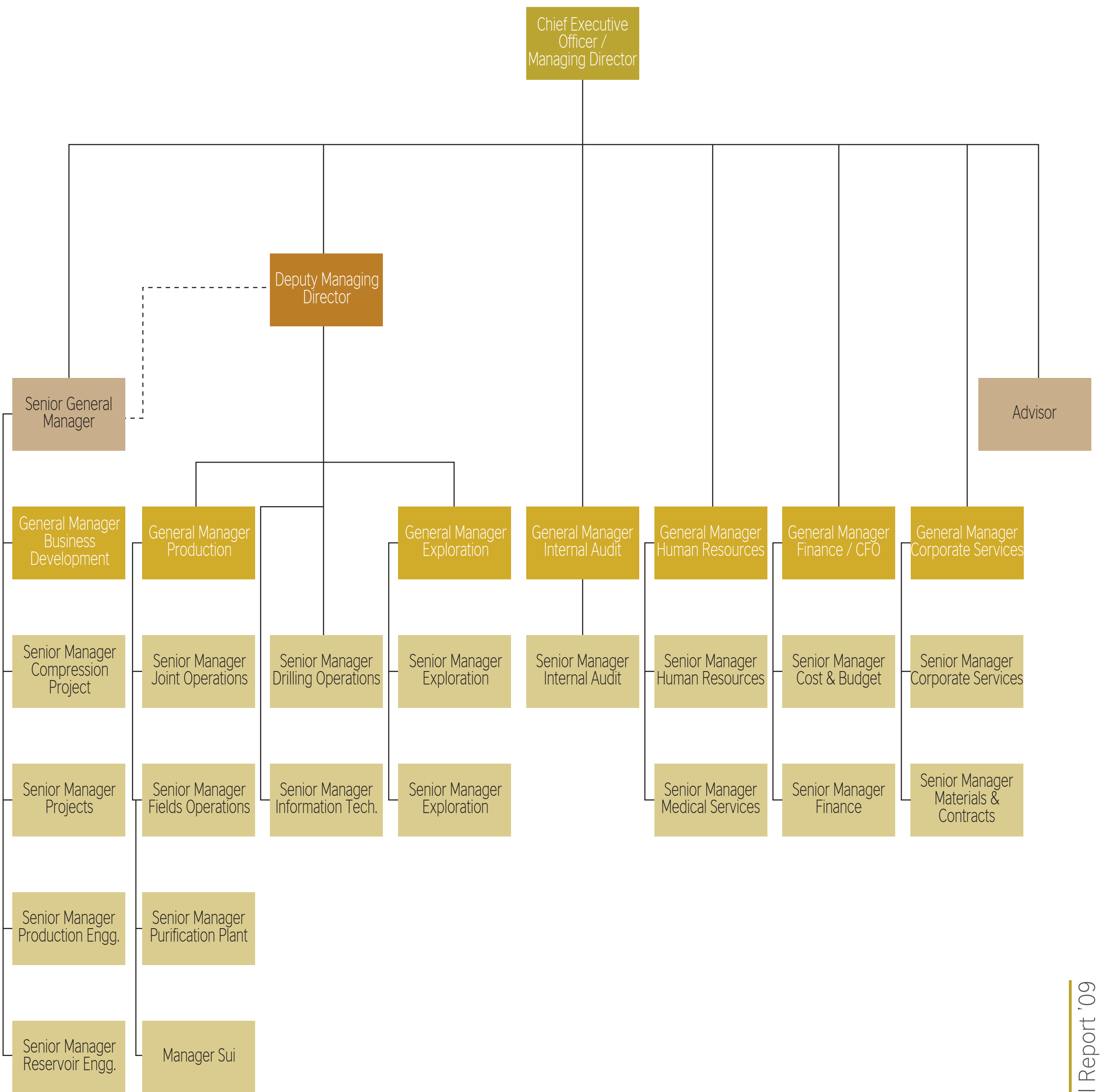
movement of estimated reserves

	Natural Gas MMscf	Oil / NGL Thousand barrels	LPG Tonnes
Original Proven Recoverable Reserves			
At 01 July, 2008	14,251,964	32,649	488,670
Change during the year			
- Acquisition of new reserve[1]	22,500	-	-
- Revision in estimates of previous reserves[2]	(51,250)	1,079	-
At 30 June, 2009	14,223,214	33,728	488,670
Production			
Accumulated as on 01 July, 2008	10,539,056	9,273	167,538
Production during the year	356,195	1,431	19,959
Accumulated upto 30 June, 2009	10,895,251	10,704	187,497
Net Reserves 30 June, 2009	3,327,963	23,024	301,173
Net Reserves 30 June, 2008	3,712,908	23,376	321,132
Daily Average Production	976	3.92	54.68

1 Additional gas reserves due to acquisition of 75% working interest in Chachar Gas Field.

2 Revision in field recoverable reserve estimates of the Mela discovery at Nashpa Block, Latif discovery at Latif Block and Tajjal discovery at Gambat Block.

organogram



Chief Executive Officer / Managing Director
Deputy Managing Director
Senior General Manager
Advisor
General Manager Business Development
General Manager Production
General Manager Exploration
General Manager Internal Audit
General Manager Human Resources
General Manager Finance / CFO
General Manager Corporate Services
Senior Manager Compression Project
Senior Manager Joint Operations
Senior Manager Drilling Operations
Senior Manager Exploration
Senior Manager Internal Audit
Senior Manager Human Resources
Senior Manager Cost & Budget
Senior Manager Corporate Services
Senior Manager Projects
Senior Manager Fields Operations
Senior Manager Information Tech.
Senior Manager Exploration
Senior Manager Medical Services
Senior Manager Finance
Senior Manager Materials & Contracts
Senior Manager Production Engg.
Senior Manager Purification Plant
Senior Manager Reservoir Engg.
Manager Sui

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) setout 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 (the Board). 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 in any of the stock exchanges.

4. The three years term of the Board had expired on 25 April, 2008, however, the directors are continuing to perform their functions until their successors are appointed through fresh election on receipt of nomination from the majority shareholder. Further, two casual vacancies occurred in the Board during the year which were filled up by the directors within thirty days thereof.

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 approved all the transactions entered into by the Company with related parties during the year. A complete party-wise record of related party transactions has been maintained by the Company.

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

11. The appointment of CFO and Acting Company Secretary including their

remuneration and terms and conditions of employment have been determined by CEO with the approval of the Board. No new appointment of Head of Internal Audit was made during the year. However, any changes to the remuneration, terms and conditions of employment of Head of Internal Audit have been determined by the CEO with the approval of the Board.

12. 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.

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board. The half yearly and annual accounts were also initialled by the external auditors before presentation to the Board.

14. 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.

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

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

17. 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 by the Board and advised to the Committee for compliance.

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

19. The statutory auditors of the Company have confirmed that they have been awarded a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that neither they nor any of the partners of the firm, their spouses and minor children at any time since last Annual General Meeting held, purchased, sold or took any position in the shares of the Company or any of its associated companies or undertakings 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 the Institute of Chartered Accountants of Pakistan.

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

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

(M.A.K. ALIZAI)
CHAIRMAN

(KHALID RAHMAN)
CEO / MANAGING DIRECTOR

Karachi:
24 August, 2009

review report to the members

on statement of compliance with the best practices of the code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June, 2009 prepared by the Board of directors of Pakistan Petroleum Limited (the Company) to comply with the Listing Regulations of respective Stock Exchanges, 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.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 June, 2009.

Chartered Accountants

Karachi
24 August, 2009

auditors' report to the members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2009 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, 2009 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.

Chartered Accountants

Audit Engagement Partner:
Muhammad Basheer Juma

Karachi
24 August, 2009

balance sheet

as at june 30, 2009

	Note	June 30, 2009 Rs '000	June 30, 2008 Rs '000
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	34,763,453	21,187,166
Intangible assets	6	207,264	180,854
		34,970,717	21,368,020
Long-term investments	7	1,854,333	1,781,469
Long-term deposit	8	615,000	-
Long-term receivable	9	27,531	-
Long-term loans - staff	10	9,897	11,752
		37,477,478	23,161,241
CURRENT ASSETS			
Stores and spares	11	1,871,644	1,604,385
Trade debts	12	27,779,864	13,228,456
Loans and advances	13	414,760	566,363
Trade deposits and short-term prepayments	14	319,967	178,172
Accrued financial income	15	308,003	212,877
Current maturity of long-term investments	7	24,980	224,665
Current maturity of long-term receivable	9	19,029	-
Other receivables	16	99,347	8,858
Short-term investments	17	13,216,706	20,743,352
Cash and bank balances	18	1,384,353	1,094,892
		45,438,653	37,862,020
		82,916,131	61,023,261
SHARE CAPITAL AND RESERVES			
Share capital	19	8,298,606	7,544,200
Reserves	20	54,759,951	36,110,071
		63,058,557	43,654,271
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation	21	3,974,307	2,813,374
Liabilities against assets subject to finance leases	22	100,105	77,564
Deferred liabilities	23	990,685	859,779
Deferred income	9	5,830	-
Deferred taxation	24	138,563	39,157
		5,209,490	3,789,874
CURRENT LIABILITIES			
Trade and other payables	25	13,474,434	12,241,943
Current maturity of liabilities against assets subject to finance leases	22	45,946	44,795
Current maturity of deferred income	9	971	-
Taxation		1,126,733	1,292,378
		14,648,084	13,579,116
CONTINGENCIES AND COMMITMENTS	26	-	-
		82,916,131	61,023,261

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

Director

Chief Executive

profit and loss account
for the year ended june 30, 2009

	Note	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Sales - net	27	61,580,072	45,716,789
Field expenditure	28	(13,161,294)	(10,693,950)
Royalties		(7,463,192)	(5,516,435)
		(20,624,486)	(16,210,385)
		40,955,586	29,506,404
Share of profit in Bolan Mining Enterprises	7.1.2	69,116	55,777
Other operating income	30	4,080,616	3,036,365
Finance cost	31	(93,628)	(66,624)
Other operating expenses	32	(3,103,270)	(2,085,367)
Profit before taxation		41,908,420	30,446,555
Taxation	33	(14,205,629)	(10,739,157)
Profit after taxation		27,702,791	19,707,398
Basic and diluted earnings per share (Rs)	38	33.38	23.75

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

Director

Chief Executive

cash flow statement

for the year ended june 30, 2009

	Note	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		63,246,960	53,658,317
Receipts of other income		926,632	408,947
Cash paid to suppliers / services providers and employees		(11,696,781)	(5,889,602)
Payment of indirect taxes and Government levies including royalty		(24,893,580)	(17,687,629)
Income tax paid		(14,271,868)	(8,908,873)
Finance cost paid		(19,944)	(17,071)
Long-term loans - staff (net)		1,855	(899)
Net cash generated from operating activities		13,293,274	21,563,190
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(14,805,293)	(7,077,377)
Redemption / (purchases) of long-term investments (net)		(430,751)	(1,196,561)
Redemption / (purchases) of short-term investments (net)		3,430,304	(2,173,406)
Long-term receivable		(10,203)	-
Share of profit received from Bolan Mining Enterprises		25,000	25,000
Financial income received		2,982,609	2,321,352
Proceeds on sale of property, plant and equipment		39,615	40,808
Net cash used in investing activities		(8,768,719)	(8,060,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(55,087)	(62,627)
Dividends paid		(8,298,505)	(16,151,178)
Net cash used in financing activities		(8,353,592)	(16,213,805)
Net decrease in cash and cash equivalents		(3,829,037)	(2,710,799)
Cash and cash equivalents at beginning of the year		18,181,190	20,891,989
Cash and cash equivalents at end of the year	36	14,352,153	18,181,190

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

Director

Chief Executive

statement of changes in equity

for the year ended june 30, 2009

	Subscribed and paid-up share capital		Capital reserve	Revenue reserves					Total reserves	Total
	Ordinary	Convertible preference		General and contingency reserve	Insurance reserve	Assets acquisition reserve	Unappropriated profit	Total		
	Rs '000									
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
First 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
Appropriation of insurance reserve for the year ended June 30, 2008	-	-	-	-	1,500,000	-	(1,500,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2008	-	-	-	-	-	3,000,000	(3,000,000)	-	-	-
Issuance of bonus shares (one share for every ten ordinary shares held)	754,406	-	-	-	-	-	(754,406)	(754,406)	(754,406)	-
Conversion of preference shares into ordinary shares	4	(4)	-	-	-	-	-	-	-	-
Profit after taxation for the year ended June 30, 2009	-	-	-	-	-	-	27,702,791	27,702,791	27,702,791	27,702,791
First interim dividend for the year ended June 30, 2009										
- Ordinary shares - 50%	-	-	-	-	-	-	(4,149,231)	(4,149,231)	(4,149,231)	(4,149,231)
- Convertible preference shares - 30%	-	-	-	-	-	-	(43)	(43)	(43)	(43)
Second interim dividend on ordinary shares @ 50% for the year ended June 30, 2009	-	-	-	-	-	-	(4,149,231)	(4,149,231)	(4,149,231)	(4,149,231)
Balance as at June 30, 2009	8,298,465	141	1,428	69,761	4,500,000	10,000,000	40,188,762	54,758,523	54,759,951	63,058,557

The annexed notes 1 to 42 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 POLICIES

2.1 Statement of compliance

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

2.2 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.

2.3 Staff retirement benefits

a) Defined benefit plans

i) The Company operates approved funded pension and gratuity schemes separately for its executive and non-executive permanent staff. Provisions are made periodically on the basis of actuarial valuations for these pension and gratuity schemes. Actuarial gains and losses in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are amortised over the expected remaining working 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 in excess of corridor limit (10% of the higher of fair value of plan assets and present value of obligation) are amortised over the expected remaining working lives of the employees.

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

iv) Actuarial valuations are conducted annually and the last valuations were conducted as on June 30, 2009 based on the 'projected unit credit method'.

b) Defined contribution plan

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

2.4 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, 2009.

2.5 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 the current best estimate.

2.6 Decommissioning obligation and its provision

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

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

The unwinding of discount is included within the finance cost.

2.7 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.

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

All exploration costs other than those related to exploratory drilling are charged to profit and loss account 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 liabilities. These amounts are determined on the basis of discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.9 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.

2.10 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 5.1 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 6.1.

2.11 Business combination

The Company uses purchase method of accounting for acquisition of assets or class of assets whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities based on the fair value at the date of acquisition.

Goodwill is initially measured at cost being in excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

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

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 and saving accounts with banks is proportionately accrued upto the balance sheet date.

2.17 Joint venture operations

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.

2.18 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 Pak rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange differences are recognised in the profit and loss account.

2.19 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 expired.

2.20 Financial assets

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

a) Held-to-maturity

These are investments with fixed maturity 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.

b) 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.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current and non-current assets in accordance with criteria set out by IFRS.

2.21 Fair value

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

2.22 Off-setting of financial assets and financial liabilities

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

2.23 Functional and presentation currency

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

2.24 Related party transactions

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

2.25 Recent accounting developments

During the year, following new / revised standards, amendments and interpretations to accounting standards became effective:

	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowing costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IAS 32 - Financial Instruments (Amended)	January 01, 2009
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 2 - Share-based Payment (Amended)	January 01, 2009
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 15 - Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17 - Distributions of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18 - Transfers of Assets from Customers	July 01, 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application except for certain changes and / or enhancements in the presentation and disclosure of financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

3.1 Estimation of proven oil and natural gas reserves

Oil and gas reserves are an important element in testing for impairment of prospecting and development assets of the Company. Changes in oil and gas reserves will also affect the rate of amortisation which is charged on unit of production method. 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 amortisation charge, however, it is expected that in the normal course of business the probability of occurrence of such an event is remote.

3.2 Provision and amortisation of decommissioning cost

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

The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognised are based on current legal and constructive 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 the fact that the actual expenditure will take place in the distant future. The carrying amount of provision is regularly reviewed and adjusted to take account of such changes.

3.3 Provision for defined employee benefits

Defined benefit 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 recognised 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 costs primarily represent the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years, net of the expected return on plan assets. Calculations are sensitive to changes in the underlying assumptions.

3.4 Provision for taxation

The 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.

3.5 Contingencies

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

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

- IFRS 7 - Financial Instruments: Disclosures
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes; and
- IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures included in the relevant notes to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Operating assets - note 5.1	18,318,870	15,535,258
Capital work-in-progress - note 5.6	16,444,583	5,651,908
	34,763,453	21,187,166

5.1 Operating assets

	Owned assets										Assets subject to finance leases			
	Freehold land	Buildings, roads and civil constructions	Plant and machinery	Tanks and pipelines	Furniture, fittings and equipment	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommiss-ioning cost	Sub total	Computers and allied equipment	Rolling stock*	Sub total	Total
	Rs '000													
Net carrying value basis														
Opening net book value (NBV) as on July 01, 2008	74,312	406,118	5,554,146	1,223,971	180,045	98,223	24,954	5,764,559	2,063,433	15,389,761	30,066	115,431	145,497	15,535,258
Additions (at cost)	17,492	47,453	296,561	644,501	30,574	76,490	7,799	2,930,330	1,087,249	5,138,449	23,174	49,217	72,391	5,210,840
Adjustments / reclassifications	-	(22,060)	(20,557)	(18,186)	27,512	2,563	653	(76,062)	-	(106,137)	(8,202)	(653)	(8,855)	(114,992)
Disposals (at NBV) - note 5.3	-	(145)	(166)	-	(347)	-	(775)	-	-	(1,433)	-	(2,138)	(2,138)	(3,571)
Depreciation / amortisation charge	-	(32,181)	(934,274)	(157,345)	(24,993)	(58,516)	(8,341)	(836,415)	(209,859)	(2,261,924)	(8,738)	(38,003)	(46,741)	(2,308,665)
Closing NBV as on June 30, 2009	91,804	399,185	4,895,710	1,692,941	212,791	118,760	24,290	7,782,412	2,940,823	18,158,716	36,300	123,854	160,154	18,318,870
Gross carrying value basis														
Cost	91,804	1,060,169	16,354,733	2,906,217	456,576	311,120	180,954	9,539,999	3,798,637	34,700,209	48,913	201,343	250,256	34,950,465
Accumulated depreciation / amortisation	-	(660,984)	(11,459,023)	(1,213,276)	(243,785)	(192,360)	(156,664)	(1,757,587)	(857,814)	(16,541,493)	(12,613)	(77,489)	(90,102)	(16,631,595)
NBV as on June 30, 2009	91,804	399,185	4,895,710	1,692,941	212,791	118,760	24,290	7,782,412	2,940,823	18,158,716	36,300	123,854	160,154	18,318,870
Net carrying value basis														
Opening NBV as on July 01, 2007	69,871	389,219	6,089,382	902,878	189,309	112,408	16,061	2,532,619	1,139,225	11,440,972	37,695	94,929	132,624	11,573,596
Additions (at cost)	4,441	50,539	588,171	481,271	24,480	8,621	14,986	3,922,699	1,018,998	6,114,206	8,963	60,627	69,590	6,183,796
Adjustments / reclassifications	-	(1,210)	(38,112)	(42,769)	176	3,896	85	(20,901)	-	(98,835)	(4,221)	(83)	(4,304)	(103,139)
Disposals (at NBV)	-	-	(208)	-	(157)	-	(104)	-	-	(469)	-	(4,160)	(4,160)	(4,629)
Depreciation / amortisation charge	-	(32,430)	(1,085,087)	(117,409)	(33,763)	(26,702)	(6,074)	(669,858)	(94,790)	(2,066,113)	(12,371)	(35,882)	(48,253)	(2,114,366)
Closing NBV as on June 30, 2008	74,312	406,118	5,554,146	1,223,971	180,045	98,223	24,954	5,764,559	2,063,433	15,389,761	30,066	115,431	145,497	15,535,258
Gross carrying value basis														
Cost	74,312	1,037,385	16,087,000	2,327,714	384,410	236,105	159,829	6,942,314	2,711,386	29,960,455	47,089	194,184	241,273	30,201,728
Accumulated depreciation / amortisation	-	(631,267)	(10,532,854)	(1,103,743)	(204,365)	(137,882)	(134,875)	(1,177,755)	(647,953)	(14,570,694)	(17,023)	(78,753)	(95,776)	(14,666,470)
NBV as on June 30, 2008	74,312	406,118	5,554,146	1,223,971	180,045	98,223	24,954	5,764,559	2,063,433	15,389,761	30,066	115,431	145,497	15,535,258
Rate of depreciation / amortisation (%)		5 & 10	10 & 100**	10	10	30	20	***	***		30	20		

* Represents light and heavy vehicles.
** For below ground installations in fields other than Sui Gas Field.
*** These are being amortised on unit of production basis.

5.2 Summary of significant assets

The following assets have a significant operational value to the Company:

Significant immovable assets	Cost Rs '000	NBV Rs '000
Sui Gas Field		
SML / SUL Compression and High Pressure Casing	5,587,418	666,594
Sui Purification Plant	658,762	197,629
Kandhkot Gas Field		
IDECO Drilling Rig H-725	131,879	-
Mazarani Gas Field		
Processing Facilities	319,545	126,543
Transmission Pipeline / Feeder Line	249,063	97,083
Qadirpur Gas Field		
Production Facilities	205,116	-
Capacity Enhancement Project	165,598	149,038
Plant and Machinery	164,201	97,152
Sawan Gas Field		
Plant and Machinery	1,811,767	724,707
Gas Processing with Amine and Dehydration Unit	875,601	415,910
Debottlenecking of Plant	153,338	122,670
Tal Field		
Surface Facilities for EWT, Manzalai-1	227,439	134,463
Gas Transmission Line, Gurguri-Kohat	156,268	92,458

5.3 Operating assets disposed off during the year:

Description	Method of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale proceeds
			Rs '000			
Owned						
Buildings, roads and civil constructions						
Extension of Dining / Kitchen at Ansari House, Sui	Written off	Not applicable	262	117	145	-
JE Hostel No. 2 at Sui	Written off	Not applicable	2,180	2,180	-	-
Items having book value upto Rs. 50,000	Written off	Not applicable	165	165	-	-
			2,607	2,462	145	-
Plant and machinery						
Items having book value upto Rs 50,000	Tender	Various	8,271	8,105	166	1,407
Tanks and pipelines						
Items having book value upto Rs. 50,000	Tender	Various	47,813	47,813	-	17,268
Furniture, fittings and equipment						
Gestetner Photo Copier	Tender	Mr. Khalid Mehmood	519	377	142	21
Minolta Paper Copier	Tender	Mr. Khalid Mehmood	314	261	53	7
Items having book value upto Rs. 50,000	Tender	Various	2,017	1,865	152	272
			2,850	2,503	347	300
Rolling stock						
Toyota Corolla, AGS-523	Auction / Tender	Mr. Shehryar	849	608	241	812
Mehran VX, AJW-368	Auction / Tender	Mr. M. Nadeem	320	192	128	300
Mehran VX, AJW-369	Auction / Tender	Miss Ayesha Siddiqui	320	192	128	315
Toyota Hilux, CK-7429	Auction / Tender	Mr. Gul Zameen Khan	851	766	85	428
Toyota Hilux, CK-7428	Auction / Tender	Mr. Gul Zameen Khan	851	766	85	428
Items having book value upto Rs 50,000	Auction / Tender	Various	21,264	21,156	108	16,131
			24,455	23,680	775	18,414
Computers and allied equipment						
Items having book value upto Rs. 50,000	Various	Various	258	258	-	1
			86,254	84,821	1,433	37,390
Assets subject to finance leases						
Rolling stock						
Suzuki Cultus VXL, ARM-159	Insurance claim	EFU Ltd.	786	13	773	775
Honda Civic VTI, AGW-324	Company policy	Mr. S. Ghulam Ahmed (Ex-Senior Manager Field Operations)	1,108	720	388	222
Suzuki Cultus VXR, AMC-062	Company policy	Mr. Naseem Ahmed (Ex-Deputy Chief Engineer)	565	188	377	396
Toyota Corolla XLI, AKA-608	Company policy	Mr. Zafar Siddiqui (Ex-Manager Design & Construction)	893	595	298	422
Suzuki Cultus VXL, AKK-560	Company policy	Mr. M. Ahmed Khan (Ex-Drilling In-charge)	615	401	214	293
Suzuki Mehran VX, AHF-424	Company policy	Mr. Tariq Zuberi (Ex-Senior Public Relations Officer)	310	222	88	117
			4,277	2,139	2,138	2,225
			90,531	86,960	3,571	39,615

5.4 Business combination

The Company acquired the entire 75% working interest of M/s Tullow Pakistan (Developments) Ltd. in Chachar Gas Field for cash consideration of US$ 7.25 million (Rs 583.843 million) on February 28, 2009. The fair value of the identifiable assets of 75% interest of the Company in Chachar Gas Field included in Property, plant and equipment is as follows:

	Acquiree's carrying value Rs '000	Fair value on acquisition Rs '000
Buildings and roads	10,920	10,920
Plant and machinery	569,696	50,735
Furniture and fittings	1,435	1,435
Rolling stock	3,201	3,201
Computers	482	482
Prospecting and development expenditure	526,592	517,070
	1,112,326	583,843

5.5 Cost and accumulated depreciation include:

	Cost		Accumulated depreciation	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	Rs '000			
Share in joint ventures operated by the Company	2,048,290	1,962,380	927,080	757,554
Share in joint ventures operated by others (assets not in possession of the Company)	6,111,667	5,534,541	2,773,039	2,243,834
	8,159,957	7,496,921	3,700,119	3,001,388

5.6 Capital work-in-progress

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Plant, machinery, fittings and pipelines	13,402,927	3,679,284
Prospecting and development wells	2,886,572	1,878,149
Land, buildings and civil constructions	69,894	9,510
Capital stores for drilling and development	85,190	84,965
	16,444,583	5,651,908

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
6. INTANGIBLE ASSETS		
Computer software including ERP system - note 6.1	177,759	154,479
Intangible assets under development	29,505	26,375
	207,264	180,854

6.1 Computer software including ERP system

	June 30, 2009			June 30, 2008		
	ERP system	Computer software	Total	ERP system	Computer software	Total
	Rs '000					
Net carrying value basis						
Opening NBV July 01, 2008 / 2007	104,104	50,375	154,479	39,038	65,569	104,607
Additions (at cost)	49,006	30,662	79,668	85,952	11,671	97,623
Amortisation charge - note 28	(29,517)	(26,871)	(56,388)	(20,886)	(26,865)	(47,751)
Closing NBV June 30,	123,593	54,166	177,759	104,104	50,375	154,479
Gross carrying value basis						
Cost	239,385	124,061	363,446	190,380	93,399	283,779
Accumulated amortisation	(115,792)	(69,895)	(185,687)	(86,276)	(43,024)	(129,300)
NBV as on June 30,	123,593	54,166	177,759	104,104	50,375	154,479
Rate of amortisation (%)	20	33		20	33	

7. LONG-TERM INVESTMENTS

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Investments in related parties		
BME - a Joint Venture - note 7.1	15,000	15,000
Profit receivable from BME	239,654	195,538
	254,654	210,538
Fully paid shares in a subsidiary -note 7.2	1	1
Other investments		
Held-to-maturity		
- Term Finance Certificates - note 7.3	49,930	74,915
- Pakistan Investment Bonds - note 7.4	1,549,748	1,496,015
	1,599,678	1,570,930
	1,854,333	1,781,469

7.1 Bolan Mining Enterprises

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

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Tangible fixed assets	11,584	10,550
Current assets	308,433	261,136
	320,017	271,686
Current liabilities	17,429	17,353
Reserve for development and expansion	47,157	43,185
Provision for leave preparatory to retirement	777	610
	65,363	61,148
Net assets	254,654	210,538

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

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Sales	130,392	125,911
Cost of goods sold	(60,064)	(56,080)
	70,328	69,831
Operating expenses	(17,809)	(17,742)
Operating profit	52,519	52,089
Other income	34,117	19,275
	86,636	71,364
Transfer to reserve for development and expansion	(17,520)	(15,587)
	69,116	55,777

7.2 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, 2009. 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, 2009 in respect of its investment in the aforementioned wholly owned subsidiary.

	Number of certificates	Nominal value of each certificate Rs	Final maturity date	Implicit mark- up %	June 30, 2009 Rs '000	June 30, 2008 Rs '000
7.3 Term Finance Certificates (TFCs) of a listed company						
Jahangir Siddiqui & Co. Ltd.	10,000	5,000	December 21, 2009	8.29	24,960	49,930
	10,000	5,000	November 21, 2011	KIBOR+2.5	49,950	49,970
					74,910	99,900
Current maturity of TFCs					(24,980)	(24,985)
					49,930	74,915
7.4 Pakistan Investment Bonds (PIBs) *						
Issued on:						
May 19, 2006			May 19, 2009	9.28	-	199,680
May 19, 2006			May 19, 2011	9.54	199,191	198,796
August 22, 2007			August 22, 2012	10.15	48,877	48,592
August 22, 2007			August 22, 2012	10.23	97,544	96,922
August 22, 2007			August 22, 2012	10.30	97,361	96,692
August 22, 2007			August 22, 2012	10.81	96,076	95,065
August 22, 2007			August 22, 2012	10.86	95,951	94,906
May 19, 2006			May 19, 2016	10.90	46,896	46,610
August 22, 2007			August 22, 2012	10.90	95,827	94,740
August 22, 2007			August 22, 2012	10.95	95,701	94,582
August 22, 2007			August 22, 2012	11.00	47,788	47,213
May 19, 2006			May 19, 2016	11.14	92,707	92,040
August 22, 2007			August 22, 2017	11.43	90,455	89,763
August 22, 2007			August 22, 2017	11.49	90,189	89,478
August 22, 2007			August 22, 2017	11.54	89,949	89,219
August 22, 2007			August 22, 2017	11.59	89,711	88,956
August 22, 2007			August 22, 2017	11.64	89,471	88,699
August 22, 2007			August 22, 2017	11.88	44,165	43,742
August 22, 2007			August 22, 2012	16.08	41,889	-
					1,549,748	1,695,695
Current maturity of PIBs					-	(199,680)
					1,549,748	1,496,015

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

8. LONG-TERM DEPOSIT

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

Accordingly, the Company has arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US$ 7.5 million through United Bank Limited against 100% cash margin and lien on deposit of Rs 615 million (note 35.1).

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
9. LONG-TERM RECEIVABLE		
Long-term receivable from Government Holdings Private Limited (GHPL)	46,560	-
Less: Current maturity of long-term receivable	(19,029)	-
	27,531	-

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

9.2 Under the arrangement for acquisition of 75% working interest in Chachar Gas Field, the Company has paid an amount of Rs 10.203 million to M/s Tullow against the share of carrying cost amounting to Rs 17.004 million which is recoverable from GHPL. The income amounting to Rs 6.801 million, arising from the aforesaid arrangement has been classified as deferred income which will be recognized to profit and loss account upon receipts from GHPL.

10. LONG-TERM LOANS - STAFF

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Unsecured and considered good		
- Executive staff - note 10.2	9,142	7,628
- Other employees	5,491	10,553
	14,633	18,181
Recoverable within one year - note 13		
- Executive staff	(2,816)	(2,982)
- Other employees	(1,920)	(3,447)
	(4,736)	(6,429)
	9,897	11,752

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

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

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Balance as on July 01, 2008 / 2007	7,628	7,251
Disbursements	3,590	3,551
Repayments / adjustments	(2,076)	(3,174)
Balance as on June 30	9,142	7,628

10.3 The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 9.891 million (2008: Rs 7.628 million).

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
11. STORES AND SPARES		
Stores and spares	1,885,905	1,633,610
Stores and spares in transit	57,779	47,550
	1,943,684	1,681,160
Provision for obsolete / slow moving stores	(72,040)	(76,775)
	1,871,644	1,604,385
12. TRADE DEBTS		
Unsecured and considered good		
Water and Power Development Authority (WAPDA)	3,488,054	3,028,555
Sui Northern Gas Pipelines Limited (SNGPL)	13,595,536	5,152,033
Sui Southern Gas Company Limited (SSGCL)	8,756,616	2,655,842
Attock Refinery Limited (ARL)	1,804,364	2,210,068
Others	135,294	181,958
	27,779,864	13,228,456
12.1 The ageing of trade debts at June 30 is as follows:		
Neither past due nor impaired	12,130,219	9,595,416
Past due but not impaired		
- within 90 days	11,923,474	3,633,040
- 91 to 180 days	3,139,278	-
- over 180 days	586,893	-
	15,649,645	3,633,040
	27,779,864	13,228,456

12.2 Trade debts include overdue amount of Rs 14,744 million (June 30, 2008: Rs 3,147 million) receivable from the State controlled utility companies (i.e. WAPDA, SSGCL and SNGPL). Based on the measures undertaken by the Government to resolve the Inter Corporate Circular Debt issue, the Company considers this amount to be fully recoverable and therefore, no provision for doubtful debts has been made.

13. LOANS AND ADVANCES

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Unsecured and considered good		
Loans and advances to staff - note 13.1	6,797	5,525
Advances to suppliers and others	36,849	34,552
Advance payment of cash calls to Joint Ventures - note 25.2	366,378	519,857
Current maturity of long-term loans - staff - note 10	4,736	6,429
	414,760	566,363

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
13.1 Loans and advances to staff		
- Executive staff	17	18
- Other employees	6,780	5,507
	6,797	5,525
14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	31,691	23,365
Prepayments	154,779	101,572
Current accounts with Joint Ventures - note 25.2	133,497	53,235
	319,967	178,172
15. ACCRUED FINANCIAL INCOME		
Profit receivable on		
- bank deposits	57,080	56,192
- long-term investments	47,694	48,307
- term deposits with banks	191,786	108,378
- long-term deposit	11,443	-
	308,003	212,877
16. OTHER RECEIVABLES		
Receivable from SSGCL for Sui field services	390	214
Receivable from SNGPL for Sui field services	1,265	1,008
Receivable from Workers' Profit Participation Fund - note 25.3	77,836	-
Other receivables	19,856	7,636
	99,347	8,858

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
17. SHORT-TERM INVESTMENTS		
Held-to-maturity		
Term deposits with banks - note 17.1		
Local currency	10,231,000	15,106,000
Foreign currency	2,736,800	1,980,298
	12,967,800	17,086,298
Investment in Musharika Certificates - note 17.2		
Standard Chartered Modarba	50,000	-
At fair value through profit or loss - note 17.3		
NAFA Cash Fund	-	1,098,164
JS Income Fund	-	1,056,330
MCB Dynamic Cash Fund	-	223,206
AMZ Plus Income Fund	100,903	202,955
United Growth Income Fund	-	243,137
Askari Income Fund	-	686,264
Dawood Money Market Fund	98,003	121,585
Atlas Income Fund	-	25,413
	198,906	3,657,054
	13,216,706	20,743,352

17.1 The term deposits have a maximum maturity period of six months.

17.2 The Musharika Certificates have a maximum maturity period of three months.

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

18. CASH AND BANK BALANCES

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
At banks		
- Saving accounts		
Local currency	1,139,572	1,005,012
Foreign currency	135,476	16,017
	1,275,048	1,021,029
- Current accounts (local currency)	98,532	68,936
Cash and cheques in hand	10,773	4,927
	1,384,353	1,094,892

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
19. SHARE CAPITAL		
Authorised		
1,000,000,000 (2008: 1,000,000,000) ordinary shares of Rs 10 each	10,000,000	10,000,000
26,510 (2008: 26,510) convertible preference shares of Rs 10 each	265	265
	10,000,265	10,000,265
Issued		
830,035,970 (2008: 754,595,061) ordinary shares of Rs 10 each - note 19.1	8,300,360	7,545,950
14,100 (2008: 14,440) convertible preference shares of Rs 10 each - note 19.2	141	145
	8,300,501	7,546,095
Subscribed and paid-up		
683,073,543 (2008: 683,073,203) ordinary shares of Rs 10 each for cash - note 19.1	6,830,735	6,830,731
144,022,880 (2008: 68,582,311) ordinary shares of Rs 10 each issued as bonus shares - note 19.3	1,440,230	685,824
2,750,000 (2008: 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
	8,298,465	7,544,055
14,100 (2008: 14,440) convertible preference shares of Rs 10 each for cash - note 19.2	141	145
	8,298,606	7,544,200

19.1 Issued, subscribed and paid-up capital

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

In July 2004, the Government of Pakistan (GoP) 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.

19.2 Convertible preference shares

In accordance with article 3(iv) of the Company's Articles of Association, shareholders holding convertible preference shares have the right to convert all or any of their convertible preference shares into ordinary shares on the basis of one ordinary share for each convertible preference share converted, such conversion to take place upon the expiry of six months following service of written notice upon the Company Secretary by the holders of such convertible preference shares to that effect. During the year eight (2008: five) shareholders holding 340 (2008: 320) 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.

19.3 During the year the Company issued 10% bonus shares (75,440,569 shares) to the ordinary share holders (i.e. one ordinary share for every ten ordinary shares held).

20. RESERVES

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Capital reserve - note 20.1	1,428	1,428
Revenue reserves		
General and contingency reserve - note 20.2	69,761	69,761
Insurance reserve - note 20.3	4,500,000	3,000,000
Assets acquisition reserve - note 20.4	10,000,000	7,000,000
Unappropriated profit	40,188,762	26,038,882
	54,758,523	36,108,643
	54,759,951	36,110,071

20.1 Capital reserve

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

20.2 General and contingency reserve

The balance in general and contingency reserve account is constant since December 31, 1981. The reserve was built through appropriation from the available profit after taxation on a yearly basis to cater for unforeseen requirements. As at December 31, 1981 the balance available in the profit and loss account after appropriation of dividend for the year was transferred to the general and contingency reserve upon the coming into effect of the Sui Gas Well-head Price Agreement, 1982 (1982 GPA) which required inclusion of this reserve as a part of the shareholders' funds for qualifying for return under the 1982 GPA (now dismantled). Since then, this balance has remained constant.

20.3 Insurance reserve

Due to difficulty in obtaining insurance policy for terrorism, sabotage and civil commotion at reasonable premiums and deductibles, the Company has 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 24, 2009 has approved to transfer Rs 5,500 million (2008: Rs 1,500 million) from unappropriated profit to the insurance reserve.

20.4 Assets acquisition reserve

In view of the declining hydrocarbon reserves profile of the Company, it is intended to acquire major 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 24, 2009 has approved to transfer Rs 5,000 million (2008: Rs 3,000 million) from unappropriated profit to the assets acquisition reserve.

21. PROVISION FOR DECOMMISSIONING OBLIGATION

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Balance brought forward	2,813,374	1,744,823
Provision / adjustment during the year	1,087,249	1,018,998
Unwinding of discount - note 31	73,684	49,553
	3,974,307	2,813,374

The provision for decommissioning obligation includes Rs 1,064.518 million (2008: Rs 686.432 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 (2008: 2.60% per annum).

	June 30, 2009 Rs '000	June 30, 2008 Rs '000

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Present value of minimum lease payments	146,051	122,359
Current maturity shown under current liabilities	(45,946)	(44,795)
	100,105	77,564

These represent finance leases entered into with leasing companies. The periodic lease payments include built in rates of mark-up ranging from 7.50% to 21.83% per annum (2008: 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	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	Rs '000					
Year to June 30,						
2009	-	56,064	-	11,269	-	44,795
2010	61,670	37,364	15,725	10,185	45,945	27,179
2011	54,211	29,726	14,808	6,557	39,403	23,169
2012	37,074	19,683	8,621	3,292	28,453	16,391
2013	25,604	11,706	4,330	881	21,274	10,825
2014	12,473	-	1,497	-	10,976	-
Total	191,032	154,543	44,981	32,184	146,051	122,359

23. DEFERRED LIABILITIES

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Post retirement medical benefits - note 29.2	676,024	586,941
Leave preparatory to retirement - note 29.3	314,661	272,838
	990,685	859,779

24. DEFERRED TAXATION

Credit / (debit) balances arising on account of:		
Exploration expenditure	(2,798,785)	(2,416,449)
Amortisation of intangible assets	(857)	(7,078)
Provision for staff retirement and other benefits	(346,740)	(300,923)
Provision for obsolete / slow moving stores	(25,214)	(26,871)
Provision for Workers' Welfare Fund	(1,118,655)	(748,874)
Accelerated tax depreciation allowances	1,582,277	1,559,502
Prospecting and development expenditure	2,841,601	1,969,023
Others	4,936	10,827
	138,563	39,157

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
25. TRADE AND OTHER PAYABLES		
Creditors	748,452	48,210
Accrued liabilities	1,809,783	2,117,071
Advances from customers	39,904	3,851
Retention money	323,948	73,387
Unpaid and unclaimed dividends	86,916	1,763,853
Gas development surcharge	1,205,572	1,521,532
Federal excise duty	103,768	106,597
Sales tax (net)	822,024	559,030
Royalties	4,720,213	3,543,120
Surplus due to the President - note 25.1	72,539	72,539
Current accounts with Joint Venture Partners - note 25.2 and 40.1	857,780	597,538
Workers' profits participation fund - note 25.3	-	8,390
Workers' welfare fund - note 26.1.4	2,658,307	1,802,202
Others	25,228	24,623
	13,474,434	12,241,943

25.1 According to Article 3.4 of the 1982 GPA (now dismantled), the surplus or deficit arising as a result of gas price calculation was required to be settled in cash between the Company and the President (i.e. GoP) within forty five days of the receipt of the auditors' 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.

25.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2009 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.

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
25.3 Workers' profits participation fund (WPPF)		
Balance as on July 01, 2008 / 2007	8,390	-
Allocation for the year - note 32	2,247,164	1,623,390
Interest on funds utilised in the Company's business - note 31	708	29
	2,256,262	1,623,419
Amount paid during the year		
- for current year	(2,325,708)	(1,615,029)
- for prior year	(8,390)	-
	(2,334,098)	(1,615,029)
	(77,836)	8,390
Receivable from WPPF classified under other receivables - note 16	77,836	-
Balance as on June 30	-	8,390

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Indemnity bonds and corporate guarantees

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Indemnity bonds (including share of joint venture areas) issued to customs authorities, redeemable after submission of usage certificate within five years	282,387	400,718
Corporate guarantees (including share of joint venture areas) issued to customs authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from customs authorities	129,569	132,790

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

26.1.3 The Company had filed appeal before the Income Tax Appellate Tribunal (ITAT) against the order of the Large Taxpayers Unit (LTU), which required 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 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. The ITAT subsequently decided the appeal in favour of the Company and directed the LTU to refund the aforesaid amount subject to verification that the customers of LPG had fully paid the amount of sales tax. Accordingly, the LTU has partially verified the payment of sales tax and has refunded an amount of Rs 23.858 million during the current year which has been included in other operating income. The remaining amount shall become payable to the Company on verification by the LTU.

26.1.4 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 rectification application for refund of WWF paid for the years ended June 30, 1998 to June 30, 2002 on the above grounds, which were rejected by the income tax department. On the appeal filed by the Company, the ITAT decided the issue against the Company. In view of the Order of the ITAT, the Company filed reference applications before the Sindh High Court (SHC). The SHC, vide its order dated December 19, 2008 has decided the reference applications in favour of the Company. The tax authorities have now filed petition for leave to appeal before the Supreme Court of Pakistan (SCP) against the orders of the SHC.

The Taxation Officer had issued amended assessment orders for tax years 2003 to 2007 incorporating the liability of WWF and raising demand for payment of WWF amounting to Rs 1,052.397 million. The Company had filed appeals before the Commissioner Income Tax (Appeals) {CIT(A)} against the order of Taxation Officer and obtained stay against the demand of WWF from the SHC. The CIT(A) vide Order dated July 17, 2008 had decided the appeals for the tax years 2003 to 2006 in favour of the Company on technical grounds. However, on the merits of the case CIT(A) had decided the appeals against the Company. The Company and the tax authorities have filed appeals before the ITAT against the order of the CIT(A) which are still pending for hearing.

In respect of tax year 2007, CIT(A) had upheld the decision of the Taxation Officer. The Company had filed appeal before the ITAT against the order of the CIT(A) which was decided against the Company. Accordingly, the Company had filed reference application before the SHC. The SHC vide its order dated February 03, 2009 has decided the appeal in favour of the Company. The tax authorities have now filed petition for leave to appeal before the Supreme Court of Pakistan (SCP) against the order of the SHC.

The Company as a matter of prudence has been providing for WWF in the books of accounts. Accordingly, an amount of Rs 856.106 million (2008: Rs 453.612 million) has been provided. In case the matter is decided in favour of the Company, an amount of Rs 2,696.728 million will be credited in profit and loss account for that year.

26.1.5 The Company had revised the tax rates of certain producing fields in line with the provisions of PCAs and prevailing industry practices and filed its tax returns for the tax years 2006 to 2008 on the same basis. The Company had also revised its tax returns for the tax years 2003 to 2005 resulting in tax refundable amounting to Rs 383.146 million.

The tax authorities have issued assessment orders for tax years 2003 to 2007 thereby disputing the calculation of depletion allowance, allowability of provision for decommissioning cost and calculation of tax liability at lower tax rates of 50% for certain fields. The Company has filed appeals before the CIT(A) against the aforesaid issues which are pending for adjudication. The Company has obtained stay of demand from the SHC on lumpsum payment of Rs 500 million.

The Company, based on the advice of its legal council, is confident that it has good grounds to defend the appeals. The Company, as a matter of prudence, continues to provide tax liability at the higher tax rates in the books of accounts. However, no provision has been created in respect of tax liability for amortisation of decommissioning cost and depletion allowance aggregating to Rs 578.062 million. In case the appeals are decided in favour of the Company, an amount of Rs 1,863.512 million will be credited in the profit and loss account for that year. However, if the appeals are decided against the Company an amount of Rs 578.062 million will be charged in the profit and loss account for that year.

26.2 Commitments

26.2.1 Capital expenditure

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Own fields	419,687	5,179,375
Share in joint ventures	8,372,258	6,987,841
	8,791,945	12,167,216

26.2.2 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 2568-13 (Hala), Block 2569-2 (Thar), Block 2667-7 (Kirthar), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano II), Block 2669-3 (Latif), 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 3070-13 (Baska), 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, 2010 amounts to Rs 1,799 million (2009: Rs 1,188 million).

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
27. SALES - net (including internal consumption)		
Sales	77,798,368	57,884,679
Federal excise duty	(1,262,372)	(1,299,966)
Sales tax	(9,830,994)	(6,944,615)
Gas development surcharge	(5,124,930)	(3,923,309)
	(16,218,296)	(12,167,890)
	61,580,072	45,716,789
Product wise break-up of sales is as follows:		
Natural gas sales	69,805,448	48,924,909
Federal excise duty	(1,252,053)	(1,288,099)
Sales tax	(9,669,284)	(6,421,862)
Gas development surcharge	(5,124,930)	(3,923,309)
	(16,046,267)	(11,633,270)
	53,759,181	37,291,639
Gas supplied to Sui villages - note 28.4	148,090	107,625
Federal excise duty	(4,105)	(4,497)
Sales tax	(20,426)	(14,038)
	(24,531)	(18,535)
	123,559	89,090
Internal consumption of gas - note 27.1	166,381	139,830
Federal excise duty	(4,580)	(5,897)
Sales tax	(22,949)	(18,239)
	(27,529)	(24,136)
	138,852	115,694
Condensate sales	1,377,424	1,858,973
Sales tax	-	(86,871)
	1,377,424	1,772,102
NGL (condensate) sales	1,697,774	2,271,033
Sales tax	-	(115,113)
	1,697,774	2,155,920
Crude oil sales	3,745,321	3,783,237
Sales tax	-	(183,652)
	3,745,321	3,599,585
LPG sales	857,930	799,072
Federal excise duty	(1,634)	(1,473)
Sales tax	(118,335)	(104,840)
	(119,969)	(106,313)
	737,961	692,759
	61,580,072	45,716,789

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
27.1 Internal consumption of gas comprises of the following:		
Industrial and domestic use	113,951	100,420
Gas used for electricity generation at Sui	52,430	39,410
	166,381	139,830

27.2 The Company has not allowed any sales discount to the customers during the years ended June 30, 2009 and 2008.

28. FIELD EXPENDITURE

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Development and drilling	2,024,175	1,431,648
Exploration	3,249,394	2,448,117
Depreciation - note 5.1	1,262,391	1,349,718
Amortisation of decommissioning cost - note 5.1	209,859	94,790
Amortisation of prospecting and development expenditure - note 5.1	836,415	669,858
Amortisation of intangible assets - note 6.1	56,388	47,751
Salaries, wages and other benefits - note 28.1	2,955,592	2,522,532
Employees' medical and welfare - note 28.2	403,787	343,128
Travelling and conveyance	345,420	302,881
Communication	23,414	24,357
Stores and spares consumed	748,188	520,406
Fuel and power	222,168	194,033
Rent, rates and taxes	57,125	48,067
Insurance	142,690	110,124
Repairs and maintenance	234,074	234,448
Professional services	40,943	47,658
Auditors' remuneration - note 28.3	3,308	2,956
Free supply of gas to Sui villages - note 28.4	148,090	107,625
Donations - note 28.5	92,539	66,489
Social welfare / community development	56,215	79,271
Other expenses	73,642	66,366
	13,185,817	10,712,223
Recoveries	(24,523)	(18,273)
	13,161,294	10,693,950

28.1 This includes expenditure in respect of provident fund, pension, gratuity and leave preparatory to retirement amounting to Rs 80.024 million, Rs 202.635 million, Rs 30.118 million and Rs 54.855 million respectively (2008: Rs 59.505 million, Rs 160.746 million, Rs 35.280 million and Rs 60.893 million respectively).

28.2 This includes expenditure relating to post retirement medical benefits amounting to Rs 110.318 million (2008: Rs 83.607 million).

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
28.3 Breakup of auditors' remuneration is as under:		
Audit fee	1,500	1,300
Limited review, special certifications and various advisory services	1,596	1,478
Out of pocket expenses	212	178
	3,308	2,956

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

28.5 Donations include the payments to following institutions in which Directors are interested:

Name of Director(s)	Nature of interest in Donee	Name and address of Donee	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Mrs. Roshan Khursheed Bharucha	Chairperson	SOS Children's Village of Balochistan.	12,803	7,197
Mrs. Roshan Khursheed Bharucha	Chairperson	Hunnar, Small Industries Estate, Sirki Road, Quetta.	5,000	-
Mr. Khalid Rahman	Member, Board of Governors	Lahore University of Management Sciences (LUMS) Sector U, DHA, Lahore Cantt.	8,700	-
			26,503	7,197

29. STAFF RETIREMENT BENEFITS

29.1 Funded post retirement pension and gratuity schemes

As mentioned in note 2.3 to the financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

29.1.1 Fair value of plan assets and the present value of obligations

The fair values of plan assets and the present value of defined benefit obligations of the pension and gratuity schemes at the valuation dates are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2009					June 30, 2008
	Rs '000					
Present value of defined benefit obligations - note 29.1.5	2,555,714	298,069	930,713	388,701	4,173,197	3,310,769
Fair value of plan assets- note 29.1.4	(1,825,403)	(272,354)	(748,917)	(285,702)	(3,132,376)	(2,876,956)
Deficit	730,311	25,715	181,796	102,999	1,040,821	433,813
Unrecognised actuarial loss	(730,311)	(25,715)	(181,796)	(102,999)	(1,040,821)	(433,813)
Asset / liability recognised in the balance sheet	-	-	-	-	-	-

29.1.2 Movement in amounts receivable from defined benefit plans

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2009					June 30, 2008
	Rs '000					
Balances as on July 01, 2008 / 2007	-	-	-	-	-	(8,132)
Charge for the year - note 29.1.3	175,537	15,803	27,098	14,315	232,753	196,026
Payments during the year	(175,537)	(15,803)	(27,098)	(14,315)	(232,753)	(187,894)
Balances as on June 30	-	-	-	-	-	-

29.1.3 Amounts recognised in the profit and loss account

Amounts charged to the profit and loss account during the year in respect of pension and gratuity schemes are as follows:

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2009					June 30, 2008
	Rs '000					
Current service cost	118,137	15,966	23,731	11,037	168,871	151,674
Interest cost	247,922	31,351	80,380	33,240	392,893	291,684
Expected return on plan assets	(206,066)	(31,514)	(77,013)	(29,962)	(344,555)	(256,367)
Amortisation of actuarial loss	15,544	-	-	-	15,544	9,035
	175,537	15,803	27,098	14,315	232,753	196,026
Actual return on plan assets	(165,968)	(25,864)	(119,397)	(41,320)	(352,549)	(324,556)

29.1.4 Changes in fair value of plan assets

	Executives Pension	Executives Gratuity	Non-Executives Pension	Non-Executives Gratuity	Total	Total
	June 30, 2009					June 30, 2008
	Rs '000					
Fair value of plan assets at beginning of the year	1,687,631	274,497	655,468	259,360	2,876,956	2,579,475
Expected return on plan assets	206,066	31,514	77,013	29,962	344,555	256,367
Contribution by employer	175,537	15,803	27,098	14,315	232,753	187,894
Benefits paid	(203,508)	(43,186)	(53,508)	(29,463)	(329,665)	(216,191)
Actuarial gain / (loss)	(40,323)	(6,274)	42,846	11,528	7,777	69,411
Fair value of plan assets at end of the year	1,825,403	272,354	748,917	285,702	3,132,376	2,876,956

29.1.5 Changes in present value of pension and gratuity obligations

	Executives Pension	Executives Gratuity	Non-Executives Pension	Non-Executives Gratuity	Total	Total
	June 30, 2009					June 30, 2008
	Rs '000					
Present value of obligations at beginning of the year	2,065,129	273,058	685,216	287,366	3,310,769	2,931,313
Current service cost	118,137	15,966	23,731	11,037	168,871	151,674
Interest cost	247,922	31,351	80,380	33,240	392,893	291,684
Benefits paid	(203,508)	(43,186)	(53,508)	(29,463)	(329,665)	(216,191)
Actuarial loss	328,034	20,880	194,894	86,521	630,329	152,289
Present value of obligations at end of the year	2,555,714	298,069	930,713	388,701	4,173,197	3,310,769

29.1.6 Break up of plan assets

The major categories of plan assets as a percentage of total plan assets of pension and gratuity schemes are as follows:

	Rate of return %	Executives Rs '000	Executives %	Non-Executives Rs '000	Non-Executives %	Executives Rs '000	Executives %	Non-Executives Rs '000	Non-Executives %
		June 30, 2009				June 30, 2008			
Pension Fund									
Government securities	5.65-16.00	828,535	46	328,298	44	1,465,864	87	589,147	90
Shares		5,235	-	800	-	8,278	-	1,265	-
Term Finance Certificates	8.45-14.60	114,240	6	44,973	6	151,793	9	55,581	9
Cash and bank balances	7.00-13.55	877,393	48	374,846	50	61,696	4	9,475	1
Total		1,825,403	100	748,917	100	1,687,631	100	655,468	100
Gratuity Fund									
Government securities	5.65-16.00	202,763	75	208,620	73	238,796	87	204,579	79
Shares		800	-	1,166	-	1,265	1	1,845	1
Term Finance Certificates	8.45-14.60	26,614	10	27,203	10	28,100	10	35,813	14
Cash and bank balances	7.00-13.55	42,177	15	48,713	17	6,336	2	17,123	6
Total		272,354	100	285,702	100	274,497	100	259,360	100

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

	2009	2008	2007	2006	2005
	Rs '000				
Executive Pension Fund					
Present value of defined benefit obligations	2,555,714	2,065,129	1,746,009	1,514,528	1,215,377
Fair value of plan assets	(1,825,403)	(1,687,631)	(1,498,380)	(1,338,899)	(1,157,316)
Deficit	730,311	377,498	247,629	175,629	58,061
Loss on experience adjustments on obligations	(328,034)	(170,637)	(132,422)	(171,124)	(92,556)
Gain / (loss) on experience adjustments on plan assets	(40,323)	34,129	58,224	54,458	166,591
Executive Gratuity Fund					
Present value of defined benefit obligations	298,069	273,058	259,266	248,535	240,679
Fair value of plan assets	(272,354)	(274,497)	(257,721)	(241,185)	(213,309)
Deficit / (surplus)	25,715	(1,439)	1,545	7,350	27,370
Loss on experience adjustments on obligations	(20,880)	(4,154)	(2,292)	(10,982)	(7,083)
Gain / (loss) on experience adjustments on plan assets	(6,274)	7,138	7,548	6,242	20,460
Non-Executive Pension Fund					
Present value of defined benefit obligations	930,713	685,216	637,531	527,622	451,927
Fair value of plan assets	(748,917)	(655,468)	(590,078)	(520,074)	(465,110)
Deficit / (surplus)	181,796	29,748	47,453	7,548	(13,183)
Loss on experience adjustments on obligations	(194,894)	(865)	(78,143)	(37,132)	(68,513)
Gain on experience adjustments on plan assets	42,846	26,702	30,006	24,501	72,738
Non-Executive Gratuity Fund					
Present value of defined benefit obligations	388,701	287,366	288,507	229,309	219,202
Fair value of plan assets	(285,702)	(259,360)	(233,296)	(224,429)	(216,421)
Deficit	102,999	28,006	55,211	4,880	2,781
Gain / (loss) on experience adjustments on obligations	(86,521)	23,367	(54,691)	22,160	(7,083)
Gain on experience adjustments on plan assets	11,528	1,442	4,360	3,651	20,460

29.2 Unfunded post retirement medical benefits

29.2.1 The Company provides free medical facilities to its executive and non-executive retired employees. The latest actuarial valuation of liability for post retirement medical benefits cost was carried out as at June 30, 2009, results of which are as follows:

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Present value of defined benefit obligations - note 29.2.4	753,865	682,821
Unrecognised actuarial loss	(77,841)	(95,880)
Liability recognised in the balance sheet - note 23	676,024	586,941

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

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Balance as on July 01, 2008 / 2007	586,941	522,599
Charge for the year - note 29.2.3	110,318	83,607
Payments during the year	(21,235)	(19,265)
Balance as on June 30	676,024	586,941

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

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Current service cost	25,735	22,602
Interest cost	82,038	59,308
Amortisation of actuarial loss	2,545	1,697
	110,318	83,607

29.2.4 Changes in present value of post retirement medical obligations:

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Present value of medical obligations at beginning of the year	682,821	591,509
Current service cost	25,735	22,602
Interest cost	82,038	59,308
Benefits paid	(21,235)	(19,265)
Actuarial loss / (gain)	(15,494)	28,667
Present value of medical obligations at end of the year	753,865	682,821

29.2.5. A 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	133,015	(90,912)
Current service cost and interest cost	22,367	(15,466)

29.3 Leave preparatory to retirement

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

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Balance as on July 01, 2008 / 2007	272,838	219,460
Charge for the year	54,855	60,893
	327,693	280,353
Payments during the year	(13,032)	(7,515)
Balance as on June 30 - note 23	314,661	272,838

29.4 Principal actuarial assumptions

The significant assumptions used in the actuarial valuations are as follows:

	Per annum	
	June 30, 2009	June 30, 2008
Discount rate	11%	12%
Expected rate of return on plan assets	11%	12%
Expected rate of increase in salaries	11%	12%
Expected rate of increase in pension	6%	7%
Expected rate of escalation in medical cost	7%	8%

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
30. OTHER OPERATING INCOME		
Income on loans and bank deposits	210,958	174,578
Income on term deposits	2,681,110	2,163,984
Income on long-term held-to-maturity investments	194,494	81,646
Profit on Musharika Certificates	4,488	-
Gain on re-measurement / disposal of investments at fair value through profit or loss (net)	22,156	171,032
Rental income on assets	1,881	45,340
Profit on sale of property, plant and equipment	36,044	36,179
Profit on sale of stores and spares (net)	38,707	24,237
Exchange gain on foreign currency	547,694	246,063
Income from joint venture partners under farm-out agreement	123,916	-
Share of profit on sale of LPG	186,987	63,199
Refund of sales tax paid under amnesty scheme	23,858	-
Reversal of provision for obsolete / slow moving stores	4,735	-
Others	3,588	30,107
	4,080,616	3,036,365
31. FINANCE COST		
Interest on WPPF - note 25.3	708	29
Financial charges for liabilities against assets subject to finance leases	19,236	17,042
Unwinding of discount on decommissioning obligation - note 21	73,684	49,553
	93,628	66,624

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
32. OTHER OPERATING EXPENSES		
Workers' profits participation fund - note 25.3	2,247,164	1,623,390
Workers' welfare fund		
- Current year	855,292	507,825
- Prior year	814	(54,213)
	856,106	453,612
Provision for obsolete / slow moving stores	-	8,365
	3,103,270	2,085,367

33. TAXATION

Provision for taxation for the years ended June 30, 2009 and 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%.

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Current		
- for the year	14,082,203	9,366,685
- for prior years	24,020	621,978
	14,106,223	9,988,663
Deferred		
- for the year	89,341	767,945
- for prior years	10,065	(17,451)
	99,406	750,494
	14,205,629	10,739,157
33.1 Relationship between accounting profit and taxation		
Accounting profit for the year before taxation	41,908,420	30,446,555
Tax at applicable rate of 43.12% (2008: 43.86%)	18,070,856	13,353,950
Tax effect of amounts that are not deductible for tax purposes	245,940	(9,652)
Tax effect of depletion allowance and royalty allowed for tax purposes	(4,145,252)	(3,209,668)
Net effect of deferred tax relating to prior years recognised in current year	10,065	(17,451)
Tax charge relating to prior years	24,020	621,978
	14,205,629	10,739,157

34. INTERESTS IN JOINT VENTURES

The joint venture areas in which the Company has working interest are as follows:

Name of joint venture	Operator	Percentage of the Company's working interest as at June 30, 2009
Producing fields		
Adhi	PPL	39.00
Mazarani	PPL	87.50
Qadirpur	OGDCL	7.00
Miano	OMV	15.16
Sawan	OMV	26.18
Kandhkot East (Chachar Field)	PPL	75.00
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
Tajjal - EWT Phase (Gambat Block)	OMV	23.68
Latif - EWT Phase	OMV	33.30
Exploration and development blocks		
Within Pakistan		
Block 2568-13 (Hala)	PPL	65.00
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	35.00
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	35.00
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

35. FINANCIAL INSTRUMENTS

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

	Profit / mark-up bearing				Non profit / mark-up bearing			June 30, 2009	June 30, 2008
	Profit / mark-up rate	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total	Total
	%	Rs '000							
Financial assets									
Held-to-maturity									
Long-term investments	8.29 to 16.08	24,980	1,599,678	1,624,658	-	-	-	1,624,658	1,795,595
Term deposits with banks	9.80 to 19.95	12,967,800	-	12,967,800	-	-	-	12,967,800	17,086,298
Investment in Musharika Certificates	12.00	50,000	-	50,000	-	-	-	50,000	-
At fair value through profit or loss									
Short-term investments	-	198,906	-	198,906	-	-	-	198,906	3,657,054
Loans and receivables									
Long-term deposit	KIBOR-4.5	-	615,000	615,000	-	-	-	615,000	-
Long-term receivable	-	-	-	-	19,029	27,531	46,560	46,560	-
Long-term loans - staff	1.00 to 10.00	3,793	9,872	13,665	943	25	968	14,633	18,181
Trade debts	-	-	-	-	27,779,864	-	27,779,864	27,779,864	13,228,456
Loans and advances	-	-	-	-	6,797	-	6,797	6,797	559,934
Trade deposits	-	-	-	-	165,188	-	165,188	165,188	76,600
Accrued financial income	-	-	-	-	308,003	-	308,003	308,003	212,877
Other receivables	-	-	-	-	99,347	-	99,347	99,347	8,858
Cash and bank balances	5.00 to 14.00	1,275,048	-	1,275,048	109,305	-	109,305	1,384,353	1,094,892
2009		14,520,527	2,224,550	16,745,077	28,488,476	27,556	28,516,032	45,261,109	37,738,745
2008		18,337,021	1,581,611	19,918,632	17,819,042	1,071	17,820,113	37,738,745	
Financial liabilities									
Loans and payables									
Liabilities against assets subject to finance leases	7.50 to 21.83	45,946	100,105	146,051	-	-	-	146,051	122,359
Trade and other payables	-	-	-	-	3,852,106	-	3,852,106	3,852,106	4,633,072
2009		45,946	100,105	146,051	3,852,106	-	3,852,106	3,998,157	4,755,431
2008		44,795	77,564	122,359	4,633,072	-	4,633,072	4,755,431	
Off balance sheet items									
Letters of credit								2,435,392	4,967,895
Letters of guarantee								744,569	132,790
Indemnity bonds								282,387	400,718

The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments which are stated at amortised cost.

35.2 Financial risk management objectives and policies

The Company's activities expose it to variety of financial risks, including the effect of changes in commodity prices, 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.

(a) Commodity price risk management

The Company is exposed to commodity price risk on sale of petroleum products, as the selling prices are determined in relation to the international prices of petroleum products which can adversely affect the profitability of the Company. However, the Company has limited exposure to the price risk, as the prices of Company's major product i.e. natural gas are determined under various Gas Price Agreements (GPAs) signed with the GoP. In case of fall in international oil prices minimum sales prices have been provided in the GPAs whereas, in case of increase in the international oil prices above certain limits, the Company is allowed notional increment in gas prices under the relevant GPAs. In light of the above arrangement, the Company is of the view that the price risk is within acceptable limits therefore, the Company has not entered into any commodity derivative transactions.

(b) Credit risk management

(i) Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company's credit risk is primarily attributable to its trade debts, investments in TFCs, Musharika Certificates, 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, Musharika Certificates, 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.

(ii) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates:

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Long term investments		
AAA	1,549,748	1,695,695
AA	74,910	99,900
	1,624,658	1,795,595
Musharika Certificates		
AA	50,000	-
Trade debts		
Customers with no defaults in past one year	42,506	6,940,317
Customers with some defaults in past one year which have been fully recovered	25,257	66,684
Customers with defaults in past one year which have not yet been recovered	12,062,456	2,588,415
	12,130,219	9,595,416
Investments at fair value through profit or loss		
AA	-	1,056,330
A	198,906	2,600,724
	198,906	3,657,054
Cash at bank and short-term deposits		
AAA	1,276,764	115,938
AA	13,064,162	18,059,231
A	454	1,094
	14,341,380	18,176,263

(c) Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders.

(d) Foreign currency risk management

Financial assets include Rs 2,872.276 million (2008: Rs 1,996.315 million) and financial liabilities include Rs 2,245.238 million (2008: Rs 4,967.895 million) which were subject to foreign currency risk. The US dollar deposits also serve as a synthetic hedge against the Company's exposure to foreign currency risk resulting from outstanding payments for imports.

A one rupee change in the exchange rate of foreign currencies would have the following effect:

	One Rupee Increase Rs '000	One Rupee Decrease Rs '000
Foreign currency financial assets	35,413	(35,413)
Foreign currency financial liabilities	30,558	(30,558)

(e) Interest rate risk management

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant long term interest bearing financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market interest rates.

(f) Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

36. CASH AND CASH EQUIVALENTS

	June 30, 2009 Rs '000	June 30, 2008 Rs '000
Cash and bank balances - note 18	1,384,353	1,094,892
Short-term highly liquid investments - note 17	12,967,800	17,086,298
	14,352,153	18,181,190

37. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	Year ended June 30, 2009	Year ended June 30, 2008	Year ended June 30, 2009	Year ended June 30, 2008
	Rs '000			
Managerial remuneration	14,058	7,249	1,401,163	541,436
Housing, conveyance and utilities	223	2,642	9,299	198,558
Retirement benefits	2,947	-	245,139	136,662
Bonus	68	406	93,534	6,174
Medical and leave passage	331	1,141	269,892	117,128
	17,627	11,438	2,019,027	999,958
Number of persons	2	1	794	340

37.1 The present Chief Executive took charge on August 01, 2008.

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

37.3 Aggregate amount charged in these financial statements in respect of fees paid to eleven directors was Rs 0.036 million (2008: Rs 0.029 million for eleven directors).

38. EARNINGS PER SHARE

38.1 Basic earnings per share

	Year ended June 30, 2009	Year ended June 30, 2008
Profit after taxation (Rs '000)	27,702,791	19,707,398
Dividend on convertible preference shares (Rs '000)	(43)	(44)
Profit attributable to ordinary shareholders (Rs '000)	27,702,748	19,707,354
Weighted average number of ordinary shares in issue	829,846,423	829,846,083
Basic earnings per share (Rs)	33.38	23.75

Profit after taxation has been adjusted for dividend to a maximum rate of thirty percent per annum of the value of the total number of convertible preference shares held.

	Year ended June 30, 2009	Year ended June 30, 2008
38.2 Diluted earnings per share		
Profit after taxation (Rs '000)	27,702,791	19,707,398
Weighted average number of ordinary shares in issue	829,846,423	829,846,083
Adjustment for conversion of convertible preference shares	14,100	14,440
Weighted average number of ordinary shares for diluted earnings per share	829,860,523	829,860,523
Diluted earnings per share (Rs)	33.38	23.75

38.3 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, 2008.

39. FINAL DIVIDEND

The Board of Directors in their meeting held on August 24, 2009 has recommended 20% bonus shares (165,969,285 shares) i.e. two shares for every ten ordinary shares held (2008: 10% bonus shares (75,440,569 shares) i.e. one share for every ten ordinary shares held) and final cash dividend @ 30% amounting to Rs 2,489.539 million (2008: nil) 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 29, 2009.

40. TRANSACTIONS WITH RELATED PARTIES

40.1 Transactions with related parties are as follows:

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Sale of gas / condensate to State controlled entities:		
WAPDA	11,539,416	8,158,533
SSGCL	12,784,407	8,689,868
SNGPL	45,481,624	32,076,509
PRL	55,361	93,911
	69,860,808	49,018,821
Trade debts receivable from state controlled entities	See note 12	
Transactions with Bolan Mining Enterprises:		
Purchase of goods	2,137	4,524
Reimbursement of employee cost on secondment	7,169	11,398
Receipt of profit	25,000	25,000

	Year ended June 30, 2009 Rs '000	Year ended June 30, 2008 Rs '000
Transactions with Joint Ventures:		
Income from Joint Venture Partners under farm-out agreements	123,916	-
Payments of cash calls to Joint Ventures	12,432,462	8,222,238
Expenditures incurred by the Joint Ventures	12,843,589	8,144,348
Amount receivable from / (payable to) Joint Venture Partners	See note 13, 14 & 25.2	
Income from rental of assets to Joint Ventures	1,881	45,340
Income from sale of stores and spares to Joint Ventures	-	24,800
Other related parties:		
Payment of dividend to GoP	6,505,844	12,662,201
Transactions with retirement benefit funds	See note 28.1 & 29	
Remuneration to key management personnel	See note 37	

40.2 Gas sales are made to various state controlled utility organisations, at prices notified by the GoP. Transactions with Bolan Mining Enterprises for purchase of goods are conducted at prices determined by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 24, 2009 by the Board of Directors of the Company.

42. GENERAL

42.1 Number of employees

Number of permanent employees as at June 30, 2009 was 2,667 (June 30, 2008: 2,611).

42.2 Capacity and production

Product	Unit	Installed Capacity (PPL's share)	Actual production for the year (PPL's share)
Natural gas	MMCF	Not relevant	356,195
Crude oil	BBL	Not relevant	952,845
NGL / Condensate	BBL	Not relevant	553,755
LPG	M. Ton	19,110	19,959*

* Higher actual production of LPG is due to ambient conditions and optimum plant performance.

42.3 Segment reporting

42.3.1 Business segments

The Company has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisational and management structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Company's single business segment.

42.3.2 Geographical segments

The operating interests of the Company are confined only to Pakistan in terms of production areas and customers. Accordingly, the relevant figures appearing in these financial statements relate to the Company's single geographical segment, being operations in Pakistan.

42.4 Corresponding figures

Corresponding figures have been reclassified for the purpose of better presentation and comparison. Changes made during the year are as follows:

Note	Reclassification from the caption component	Note	Reclassification to the caption component	Amount Rs '000
5	Operating assets - Furniture, fittings and equipment	5	Operating assets - Computer and allied equipment	98,223
14, 35	Trade deposits and short term prepayments - Receivable from Joint Venture partners	13, 35	Loans and advances - Receivable from Joint Venture partners	519,857
17	Short-term investments - Current maturity of long-term investments	-	Current maturity of long-term investments	224,665
19	Share Capital - Subscribed and paid-up ordinary shares issued for cash	19	Share Capital - Subscribed and paid-up ordinary shares issued as bonus shares	685,824

Director

Chief Executive

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

auditors' report to the members

We have audited the annexed balance sheet of The Pakistan Petroleum Provident Fund Trust Company (Private) Limited as at 30 June, 2009 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 notes 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, 2009; and

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

Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

Audit Engagement Partner:
Muhammad Basheer Juma

Karachi
August 24, 2009

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited

balance sheet
as at june 30, 2009

	June 30, 2009 Rupees	June 30, 2008 Rupees
SHARE CAPITAL		
Authorised, issued and fully paid-up		
100 (2008: 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 June 30, 2009 and June 30, 2008. 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.

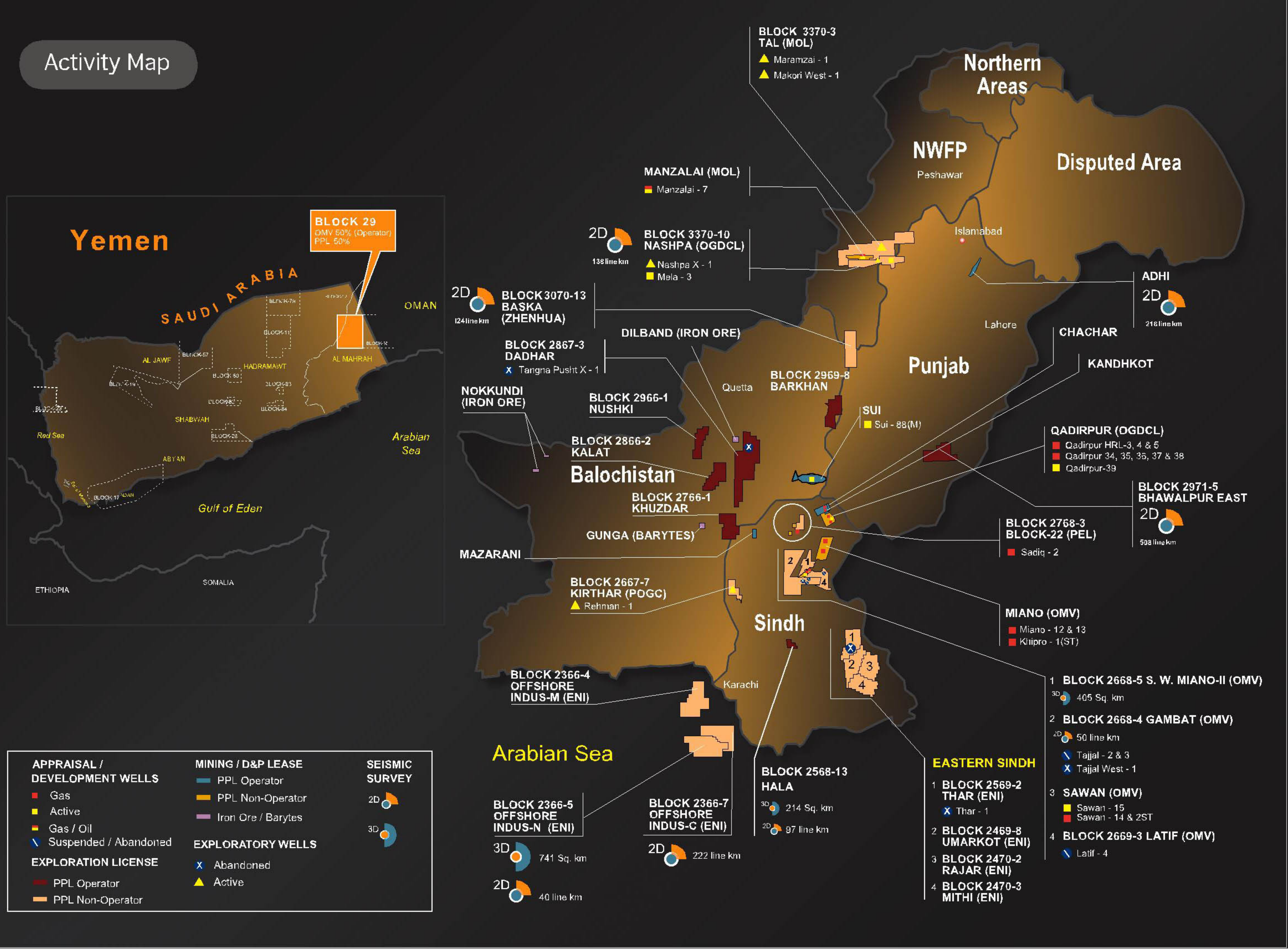
Director

Chief Executive

list of producing and exploration assets

	PPL's Working Interest (%)	Operator
Producing Fields / Discoveries		
Sui	100	PPL
Kandhkot	100	PPL
Adhi	39	PPL
Mazarani	87.5	PPL
Hala	65	PPL
Chachar (Kandhkot East)	75	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
Nashpa Block (Mela)	26.05	OGDCL
Latif	33.30	OMV
Gambat	23.68	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

Activity Map



list of abbreviations

ABBREVIATION	DESCRIPTION
BBL	Barrels
BGP	BGP Inc.
BME	Bolan Mining Enterprises
BPD	Barrels per day
CAS	Central Asian States
CBA	Collective Bargaining Agent
CEO	Chief Executive Officer
CPF	Central Processing Facility
CSR	Corporate Social Responsibility
DFI	Development Financial Institution
D&PL	Development and Production Lease
DST	Drill Stem Test
E&P	Exploration and Production
EMS	Environmental Management Systems
Eni	Eni Pakistan Limited
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
GMT	Geo-Microbial Technologies, Inc.
GoP	Government of Pakistan
GPA	Gas Price Agreement
HEC	Higher Education Commission
HSE	Health, Safety and Environment
HSFO	High Sulfur Fuel Oil
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost & Management Accountants of Pakistan
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPC	Integrated Petroleum Consultants (Pvt.) Ltd.
ISO	International Organisation for Standardisation
IT	Information Technology
KM	Kilometer
KUFPEC	Kuwait Foreign Petroleum Exploration Company
LPG	Liquefied Petroleum Gas
M	Meter
MGCL	Mari Gas Company Limited
MMSCFD	Million Standard Cubic Feet Per Day
MND	Moravske Naftov Doly
MOL	MOL Pakistan Oil and Gas BV
NBFI	Non-Banking Financial Institution
NGL	Natural Gas Liquids
OGDCL	Oil and Gas Development Company Limited
OHSAS	Occupational Health and Safety Assessment System
OH&S	Occupational Health and Safety
OMV	OMV (Pakistan) Exploration GmbH
PCP	Pakistan Centre for Philanthropy
PEII	Pyramid Energy International Incorporated
PEL	Petroleum Exploration (Pvt.) Limited
PKP	Premier Kufpec Pakistan
POGC	Polish Oil & Gas Company
POL	Pakistan Oilfields Limited
PPL	Pakistan Petroleum Limited
PRL	Pakistan Refinery Limited
SAP	System, Applications and Products in Data Processing
SME	Safety Management Evaluation
SML	Sui Main Limestone
SNGPL	Sui Northern Gas Pipelines Limited
SSGCL	Sui Southern Gas Company Limited
SUL	Sui Upper Limestone
T&D	Training and Development
TCF	Trillion Cubic Feet
WAPDA	Water and Power Development Authority
ZhenHua	China ZhenHua Oil Co. Ltd.

shareholders and investors information

Annual General Meeting

The annual shareholders' meeting will be held at 10:00 am on Tuesday, 29 September, 2009 at Sheraton Hotel, Karachi. Shareholders as of 21 September, 2009 are encouraged to participate and vote.

Shareholders' Enquiries

Enquiries about the shareholding, dividends or share certificates should be directed to the Company's shares registrar's office at the following address:

M/s FAMCO Associates (Pvt) Ltd
(formerly Ferguson Associates (Pvt) Ltd)
1st Floor State Life Building No. 1-A
I.I. Chundrigar Road
Karachi-74000.

Tel : 021-32427012, 021-32426597, 021-32425467
Fax: 021-32428310

Quarterly Reports

The Company publishes interim reports at the end of first, second and third quarters of the financial year. The interim reports for the preceding year can be accessed at PPL's website www.ppl.com.pk or printed copies can be obtained by writing to the Company Secretary.

Annual Report

The Annual Report of the Company summarises the Company's performance during the year and provides an outlook for the future.

The Annual report may be downloaded from the Company's website:
www.ppl.com.pk or

printed copies can be obtained by writing to:
The Company Secretary
Pakistan Petroleum Limited
P.I.D.C. House, Dr. Ziauddin Ahmed Road
P.O. Box 3942, Karachi- 75530
Pakistan.

Stock Exchange Listing

Pakistan Petroleum Limited shares are traded on all the three Stock Exchanges of the country i.e. Karachi, Lahore and Islamabad. The symbol code for dealing in shares of Pakistan Petroleum Limited at KSE, LSE and ISE is 'PPL'.

pattern of shareholding
as at june 30,2009

From		To	Number of Shareholders	Total Shares held
1	-	100	1,921	87,823
101	-	500	1,966	567,073
501	-	1000	12,516	7,690,165
1001	-	5000	2,337	4,466,704
5001	-	10000	278	1,966,227
10001	-	15000	90	1,100,818
15001	-	20000	67	1,179,637
20001	-	25000	58	1,356,810
25001	-	30000	25	696,558
30001	-	35000	21	683,844
35001	-	40000	23	861,617
40001	-	45000	21	898,879
45001	-	50000	15	720,479
50001	-	55000	8	427,910
55001	-	60000	8	464,770
60001	-	65000	9	560,223
65001	-	70000	9	601,551
70001	-	75000	5	361,093
75001	-	80000	7	549,540
80001	-	85000	6	494,679
85001	-	90000	1	89,800
90001	-	95000	4	366,625
95001	-	100000	4	396,500
100001	-	105000	1	103,150
105001	-	110000	3	323,000
110001	-	115000	4	451,048
115001	-	120000	5	590,655
120001	-	125000	4	491,065
125001	-	130000	1	125,840
130001	-	135000	1	132,000
135001	-	140000	2	273,100
140001	-	145000	2	285,202
145001	-	150000	2	294,250
150001	-	155000	1	154,474
155001	-	160000	2	313,000
160001	-	165000	1	165,000
165001	-	170000	2	334,491
170001	-	175000	2	346,820
175001	-	180000	1	176,660
180001	-	185000	4	734,820
185001	-	190000	1	187,450
190001	-	195000	1	195,000
195001	-	200000	3	593,251
200001	-	205000	2	408,450
205001	-	210000	1	209,000
210001	-	215000	2	425,800
215001	-	220000	4	870,927
225001	-	230000	1	225,500
230001	-	235000	1	231,000
235001	-	240000	1	236,500
240001	-	245000	1	242,000
245001	-	250000	1	250,000
250001	-	255000	1	253,970
255001	-	260000	2	514,995
260001	-	265000	1	261,060
270001	-	275000	3	821,700

From		To	Number of Shareholders	Total Shares held
280001	-	285000	1	281,050
290001	-	295000	1	292,204
295001	-	300000	1	297,650
300001	-	305000	1	300,593
310001	-	315000	1	314,740
315001	-	320000	1	318,500
325001	-	330000	1	330,000
335001	-	340000	1	335,880
345001	-	350000	1	347,610
355001	-	360000	1	356,000
365001	-	370000	1	367,000
370001	-	375000	1	372,050
375001	-	380000	1	375,250
390001	-	395000	1	393,285
395001	-	400000	2	796,000
415001	-	420000	1	416,240
420001	-	425000	1	424,904
425001	-	430000	1	429,972
430001	-	435000	1	433,325
445001	-	450000	1	450,000
450001	-	455000	1	455,000
470001	-	475000	1	470,320
495001	-	500000	2	997,900
500001	-	505000	1	500,511
545001	-	550000	2	1,098,143
555001	-	560000	2	1,114,971
565001	-	570000	1	567,500
595001	-	600000	2	1,200,000
650001	-	655000	1	654,986
655001	-	660000	1	659,730
675001	-	680000	1	679,262
710001	-	715000	1	715,000
765001	-	770000	1	765,088
790001	-	795000	1	790,111
800001	-	805000	1	805,000
830001	-	835000	1	834,894
1000001	-	1005000	1	1,004,980
1020001	-	1025000	1	1,021,090
1150001	-	1155000	1	1,150,941
1155001	-	1160000	1	1,157,089
1285001	-	1290000	1	1,285,220
1300001	-	1305000	1	1,301,440
1370001	-	1375000	1	1,372,580
1700001	-	1705000	1	1,701,062
2045001	-	2050000	1	2,050,000
2700001	-	2705000	1	2,702,420
3325001	-	3330000	1	3,329,189
3510001	-	3515000	1	3,514,905
4345001	-	4350000	1	4,347,007
5040001	-	5045000	1	5,044,258
10500001	-	10505000	1	10,501,367
12255001	-	12260000	1	12,258,840
12590001	-	12595000	1	12,590,236
14370001	-	14375000	1	14,371,300
40805001	-	40810000	1	40,806,993
650580001	-	650585000	1	650,584,334
TOTAL			19,524	829,846,423

pattern of shareholding
as at june 30,2009

Categories of Shareholders	Number of Shareholders	No. of Shares Held	Percentage
Ordinary Shares			
Associated companies, undertakings and related parties	-	-	-
NIT and ICP	3	8,101,100	0.98
Directors, CEO and their spouse and minor children	1	11,997	*
Executives	84	92,685	*
Public Sector Companies and Corporations	9	15,376,623	1.85
Bank, Development Financial Institutions, Non-Banking Financial Institutions	36	8,248,872	0.99
Insurance Companies	21	3,515,405	0.42
Modarabas and Mutual Funds	60	30,624,952	3.69
Non-Resident Financial Institutions			
International Finance Corporation	1	10,501,367	1.27
Others	38	55,763,845	6.72
Shareholders holding 10% or more			
Government of Pakistan	1	650,584,334	78.40
General Public			
Local	18,760	38,821,377	4.69
Foreign	246	461,285	0.06
Joint Stock Companies	200	3,797,705	0.46
Others			
Employee Trust / Foundations etc.	61	3,939,988	0.47
Nazir of High Court	2	36	*
Administrator of Abandoned Properties	1	4,852	*
	19,524	829,846,423	100
Convertible Preference Shares			
Individuals	77	13,690	97.10
Joint Stock Companies	1	370	2.62
Nazir of High Court	1	40	0.28
	79	14,100	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	4,347,007
National Investment Trust Limited	2	3,754,093
Directors, CEO and their spouses and minor children		
Mr. Khalid Rahman	1	11,997
Executives	84	92,685
Public Sector Companies and Corporations	9	15,376,623
Banks, Development Finance Institutions, Non-banking Finance Institutions	36	8,248,872
Insurance Companies	21	3,515,405
Modarbas and Mutual Funds	60	30,624,952
Shareholders holding 10% or more voting interest		
President of the Islamic Republic of Pakistan	1	650,584,334

Details of trades in the Company shares by Directors, CEO, CFO, Company Secretary and their spouses and minor children:

Name	Date	Previous Holding	Purchase	Rate Rs / Share	Bonus issue	Holding as on 30 June, 2009
Mr. Khalid Rahman, CEO & MD	07 August, 2008	5,907	5,000	204.24	1,090	11,997

notice of annual general meeting

NOTICE is hereby given that the fifty eighth Annual General Meeting of the Company will be held at Sheraton Hotel, Karachi on Tuesday, 29 September, 2009, 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, 2009.

2. To approve, as recommended by the Directors, payment of final dividend of thirty percent (30%) on the paid-up Ordinary Share Capital for the financial year ended 30 June, 2009 in addition to two interim dividends of fifty percent (50%) each on the paid-up Ordinary Share Capital and thirty percent (30%) on the paid-up Convertible Preference Share Capital already paid to the shareholders.

3. To appoint auditors for the year ending 30 June, 2010 and fix their remuneration.

Special Business

4. To approve, as recommended by the Directors, issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held by the Members (i.e. 20%).

5. To approve increase in the Authorised Ordinary Share Capital of the Company and consequential changes in the Memorandum and Articles of Association of the Company.

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

By Order of the Board

M. MUBBASSHAR SIDDIQUI
Actg. Company Secretary

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

7 September, 2009

NOTES:

1. The Share Transfer Books of the Company will be closed from 21 September, 2009 to 29 September, 2009 (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), 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi-74000 by the close of the business on 19 September, 2009 will be in time for the purpose of payment of final dividend and issue of bonus shares to the transferees.

2. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him. Forms of Proxies, duly stamped and signed, and the power of attorney or other authority (if any) under which they are signed or a notarially certified copy of that power or authority must be deposited at the Shares Registrar's office, M/s FAMCO Associates (Pvt) Ltd, 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi-74000 not later than 48 hours before the time of the meeting.

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

   a) For attending the meeting:

      In case of individuals, the account holders or sub-account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerised 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.

5. Copies of the minutes of the Annual General Meeting held on 18 September, 2008 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 eighth Annual General Meeting of the Company to be held on 29 September, 2009.

1. Issue of Bonus Shares to Members

The Directors in their meeting held on 24 August, 2009 have recommended issue of bonus shares in proportion of 2 Ordinary shares for every 10 Ordinary shares held by the Members (i.e. 20%).

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

RESOLVED THAT:

(i) A sum of Rs 1,659,692,850 be capitalised out of the free reserves of the Company and applied towards issue of 165,969,285 Ordinary shares of Rs 10 each as bonus shares in the proportion of two (2) Ordinary shares for every ten (10) Ordinary shares held by the Members whose names appear on the Member Register at the close of the business on 19 September, 2009.

(ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final dividend declared for the year ended 30 June, 2009.

(iii) Members entitled to fraction shares as a result of their holding either being less than five (5) ordinary shares or in excess of an exact multiple of five (5) ordinary shares shall be given the sale proceeds of their fractional entitlement for which purpose the fractions shall be consolidated into whole shares and sold on the Karachi Stock Exchange.

(iv) The Company Secretary be and is hereby authorised 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. Increase in Authorised Ordinary Share Capital of the Company and consequential changes in Memorandum and Articles of Association of the Company

The Directors in their meeting held on 24 August, 2009 have recommended increase in Authorised Ordinary Share Capital from existing capital of 1 billion shares of Rs 10 each to 1.5 billion shares of Rs 10 each to provide the Company with adequate leverage to consider future issue of shares.

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

RESOLVED THAT:

(i) the Authorised Share Capital of the Company be and is hereby increased from Rs 10,000,000,000 divided into 1,000,000,000 Ordinary shares of Rs10/- each to Rs 15,000,000,000 divided into 1,500,000,000 Ordinary shares of Rs10/- each by creation of 500,000,000 additional Ordinary shares at nominal value of Rs 10/- each to rank pari passu in every respect with the existing Ordinary shares of the Company.

(ii) the Memorandum and Articles of Association of the Company be and are hereby altered for increase in Authorised Share Capital by substituting first para of clause 5 of the Memorandum and first para of Article 3 of the Articles of Association with the following:

"5. the Share Capital of the Company is Rs 15,000,265,100 divided into 1,500,000,000 Ordinary Shares of Rs 10 each and 26,510 Convertible Preference Shares of Rs 10 each, subject to the right of the holders of Convertible Preference Shares contained in Article 3(iv) of the Company's Articles of Association.

3. The Share Capital of the Company is Rs 15,000,265,100 divided into 1,500,000,000 Ordinary Shares of Rs 10 each and 26,510 Convertible Preference Shares of Rs 10 each, subject to the right of the holders of Convertible Preference Shares contained in Article 3(iv) hereof."

(iii) the CEO and / or Company Secretary be and are hereby authorised and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required in connection with the above resolution.

STATEMENT UNDER SRO 865(1)/2000 DATED 6 DECEMBER, 2000 ISSUED BY THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

In the last Annual General Meeting held on 18 September, 2008, shareholders had approved investment in Nokkundi Iron Ore Project of Bolan Mining Enterprises (BME) upto the extent of Rs 600 million being PPL's share of equity in the project. However, to date no investment could be made in the aforesaid project for reasons cited below:

(i) Reasons for not having made investment so far

In view of higher demand of iron ore by prospective customers, the Engineering Study was recomissioned for doubling the capacity of the plant by BME. The Engineering Study was completed by the consultant in May 2009 and it is now envisaged that part of this investment (Rs 360 million) will be made during the fiscal year 2009-10.

(ii) Major changes in financial position of investee company since date of the last resolution

There is no major change in financial position of BME since date of last resolution.

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 eighth Annual General Meeting of the Company to be held on 29 September, 2009 and at any adjournment thereof.

Signed this __________ day of September, 2009

Please affix Rupees five revenue stamp

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

For beneficial owners as per CDC list

1. WITNESS	2. WITNESS
Signature: __________	Signature: __________
Name: __________	Name: __________
Address: __________	Address: __________
CNIC No: □□□□□■□□□□□□□■□	CNIC No: □□□□□■□□□□□□□■□
or Passport No: __________	or Passport No: __________

Note:
Proxies, in order to be effective, must be received at the Shares Registrar's office, M/s FAMCO Associates (Pvt.) Ltd., 1st Floor, State Life Building No. 1-A, I.I. Chundrigar Road, Karachi- 74000 not later than 48 hours before the meeting.

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

Pakistan Petroleum Limited

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