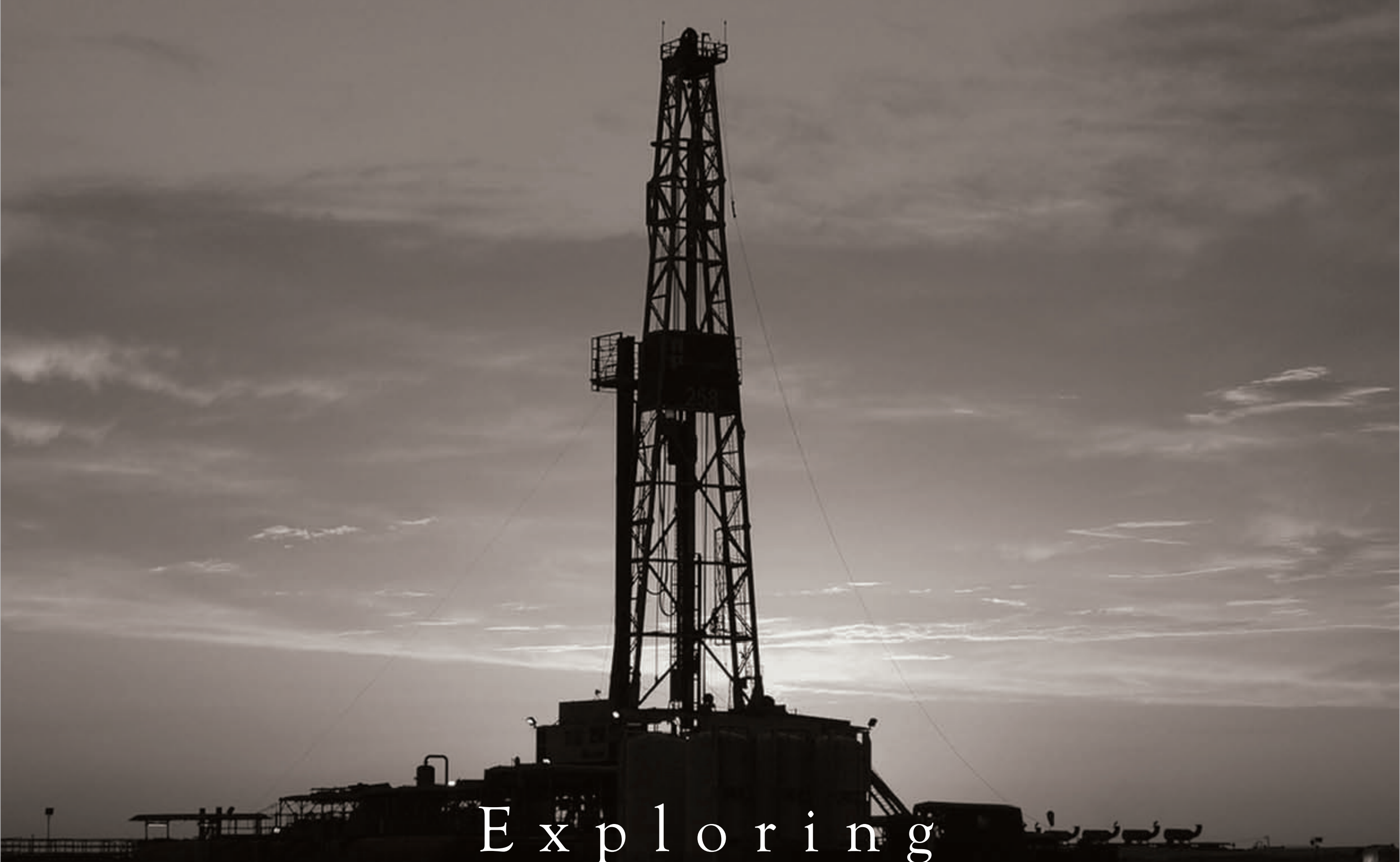
Annual Report 2011



Exploring SOLUTIONS

Pakistan Petroleum Limited

Exploring Solutions

Challenges are a norm in the Exploration and Production business. At Pakistan Petroleum Limited (PPL), stepping up to them is part of day-to-day operations, work culture and mindset. Our systems and staff are geared to keep pulse with shapeshifting requirements, devising effective, economical solutions to optimize value-creation for the company and its stakeholders.

This requires strategic, out-of-the-box thinking, progressive leadership, vision and teamwork on the one hand and an enabling environment on the other. We are proud to report ample capacity and scope on all counts.

But that is clearly not the finish-line. Every solution we apply must conform to strict corporate governance standards. This includes transparent reporting, best safety and conservation practices and payback to deserving communities.

The upside of our efforts: the signature excellence of the PPL brand.

Contents

Vision

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

Mission

To sustain long term growth by pursuing an aggressive hydrocarbons exploration and production optimization program in the most efficient manner through a team of professionals utilizing the latest developments in technology, while ensuring that quality is an integral part of all operations and maintaining the highest standards of health, safety, environment protection and addressing community development needs.

Strategic Solutions

PPL's business strategy is premised on enhancing its hydrocarbons reserves to address the increasing energy deficit and secure long-term growth. To this end, the company has launched an aggressive acquisition, exploration and development programme.

Simultaneously, efforts are being made to scope out business growth opportunities by forging linkages with local and international companies to spread risk, share technical resources and knowledge to maximize mutual benefits.


PPL

Core Values

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

Corporate Strategy: Sustaining Growth and Shareholders' Returns

- 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 hydrocarbon resources to meet the rising domestic demand. The Company will continue to focus on its core E&P business and expand into other value-adding related business segments.

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

- Company's dedicated teams will continue to evaluate various significant projects in the E&P sector with a view to expand 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 takes great pride in promoting social development of the communities where it operates and will continue to extend interventions from its operational areas to financial and in-kind support for the welfare and development organizations spread across the country.

- 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 for value chain integration can be undertaken as required.

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

- The Company is committed to improve base business returns, selectively grow with a focus on integrated value creation, and seek innovative solutions, while ensuring quality as an integral part of its operations. This will also play an important role to become preferred partners for multinational companies and other resource holders, now and in the future.

Company Information

Board of Directors

Mr. Hidayatullah Pirzada
Chairman (Non-Executive Director)

Mr. Asim Murtaza Khan
Chief Executive Officer / Managing Director

Mr. Sajid Zahid
(Non-Executive Director)

Mr. Saifullah Khan Paracha
(Non-Executive Director)

Mr. Zain Magsi
(Non-Executive Director)

Mr. Saquib H. Shirazi
(Non-Executive Director)

Mr. Saeed Akhtar
(Non-Executive Director)

Mr. Javed Akbar
(Non-Executive Director)

Mr. Sher Muhammad Khan
(Non-Executive Director)

Mr. Raashid Bashir Mazari
(Non-Executive Director)

Company Secretary

Mr. M. Mubbasshar Siddiqui

Auditors

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

Registered Office

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

Telephone & Fax

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

Web Site & Email

www.ppl.com.pk
info@ppl.com.pk

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al Habib Limited
Barclays Bank Plc.
Citibank N.A.
Deutsche Bank A.G
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Shares Registrar

FAMCO Associates (Pvt.) Ltd.
1st Floor, State Life Building No.1-A
I.I. Chundrigar Road
Karachi-74000
Tel: (021) 32420755 / 32427012 / 32426597
Fax: 021-32426752

Legal Advisors

Surridge & Beecheno

Operational Solutions

Efficient operations aligned with best practices are critical to fulfill contractual obligations and enhance recovery ratios. Annual turnarounds and development of processing facilities are regular features at all PPL-operated producing assets. Development drilling and workovers, using latest technology, are also in progress at most mature fields under the company's operatorship.

The commissioning of Kandhkot Field Gas Compressor Station or commencement of production from the Hala Early Production Facility under a Build, Operate and Transfer contract are a case in point.

Concurrently, staff capacity is built through regular local and international trainings, following an annual needs assessment exercise to stay abreast of emergent operational requirements.

Highlights of the Year 2010-11

Financials

- Sales revenue of the Company increased by 31% to reach Rs 78.3 billion.
- Profit before tax increased to Rs 48.4 billion representing 40% growth over last year.
- Profit after tax of Rs 31.4 billion for the current year was all time high up 35% from the previous year's profit.
- Earnings per share of the Company increased by 35% to Rs 26.31.

Discoveries & First Gas

- During the year two discoveries were made namely Makori East-1 and Tolanj X-1 in Tal Block. Both discoveries have been successfully tested and completed as gas / condensate and gas producer respectively.
- First gas from the exploratory wells Latif North-1 at Latif Block and Mamikhel-1 and Maramzai-1 wells at Tal Block commenced during the year.

Compression Projects

- An Interim Compression Project consisting of a battery of 14 compressors was installed and commissioned at Qadirpur Gas Field.
- Phase-II of Full Field Compression Program comprising of installation of 4 compressors was completed at Miano Gas Field.

PPL Head Office Building

- PPL acquired a piece of land in Karachi for construction of its Head Office Building. Activities for construction of PPL House are in progress at fast pace.

Farm-in & Farm-out

- During the year PPL acquired Farm-in interests in 3 exploration blocks whereas interest in 6 out of 13 newly acquired blocks were diluted through Farm-out arrangements.

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.

Salient Features of the Code for the 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.

Leadership Solutions

In today's exigent business environment, companies need far-sighted, progressive leadership at every level to remain adaptable, sharpen learning curves and motivate teams. The success of PPL's exploration-led growth strategy relies on drawing and grooming the best professionals in the industry, empowering them to think creatively and decisively to accomplish key performance objectives.

Our training and development programme is tasked to equip staff with decision making and management skills from the start to promote clear thinking and foresight, creating future leaders.

Profile of the Board of Directors

Hidayatullah Pirzada
Chairman

Mr. Hidayatullah Pirzada joined PPL Board as Chairman in July 2010. He also chairs the Board Operations and Finance and Human Resource Committees.

Mr. Pirzada is a graduate and seasoned politician. He is affiliated with the Pakistan People's Party (PPP) since 1975 and is a member of the PPP Federal Council, Balochistan. Mr. Pirzada has also served as a member on the boards of Evacuee Trust Property and Hope, a non-governmental organization, and the Chamber of Commerce, Balochistan.

Asim Murtaza Khan
Chief Executive Officer and Managing Director

Mr. Asim Murtaza Khan was appointed Managing Director (MD) and Chief Executive Officer (CEO) PPL in May 2011. He is also a member of the Board Operations and Finance and Human Resource Committees.

Before his appointment as MD & CEO, Mr. Khan served as Deputy Managing Director. He started his career at PPL in 1982 and worked at various key senior positions, including General Manager Production, General Manager Projects for Mazarani Field Development, Manager Sui Gas Field, Senior Manager Field Operations, Manager Materials and Purchasing, Chief Drilling and Production, Production Engineer In-charge Adhi Field, Senior Design Engineer for Adhi Field Development, Design Engineer for Kandhkot Field Development Project, Construction and Planning and Progress Engineer for Sui Development and Production Engineer.

Mr. Khan earned his Bachelor's in Mechanical Engineering from NED University of Engineering and Technology, followed by a Masters in Mechanical Engineering from the University of Manchester Institute of Science and Technology, UK. He has also attended several advanced technical and management training programs and is an alumnus of the Kellogg School of Management, Northwestern University, USA.

Sajid Zahid
Director

Mr. Sajid Zahid joined the PPL Board in March 2000. He is also 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 37 years of experience in Corporate and Commercial Laws, on behalf of leading local and foreign organizations, which

From left to right
(sitting) Saifullah K. Paracha, Hidayatullah Pirzada, Asim M. Khan & Sher Muhammad Khan
(standing) Zain Magsi, Javed Akbar, Saeed Akhtar, Raashid B. Mazari, Saquib H. Shirazi & Sajid Zahid

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

Saifullah Khan Paracha

Director

Mr. Saifullah Khan Paracha joined PPL Board in July 2010 and is a member of the Board Audit Committee.

Mr. Paracha graduated from Berkeley University, California, USA, with a major in Mechanical and Mining Engineering.

An experienced politician, Mr. Paracha has headed several ministries, including finance, planning and development, communications and law and parliamentary affairs in the Government of Balochistan. In addition, he was twice elected to the Senate in 1977 and 1994.

In addition, Mr. Paracha has served as President, Federation of Pakistan Chambers of Commerce and Industry; Member, Advisory Board, Ministry of Interior; Director, Industrial Development Bank of Pakistan and Member, Provincial Assembly of West Pakistan and Balochistan. He also represented Pakistan in the 37^{th} United Nations General Assembly Session in 1982. Currently, he is on the board of Habibullah Energy Limited.

On recommendation of the Pakistan Engineering Council, Mr. Paracha was presented a shield by the President of Pakistan in 1998 in recognition of his services as an engineer.

Zain Magsi

Director

Mr. Zain Magsi joined PPL Board in July 2010. He also serves as a Member of the Board Audit Committee.

Mr. Magsi graduated in 1997 from the University of Charleston, USA, and is an Information Technology (IT) professional with over eleven years of experience.

He has been associated with various reputable organizations, including Ericsson, Proxicom, Legg Mason, COMTek, Nine Yards Media, Sprint Communications and National Geographic.

Between 2007 and 2009, Mr. Magsi also served as Director Interactive Media and Public Relations in Captus Communications.

Saquib H. Shirazi

Director

Mr. Saquib H. Shirazi joined PPL Board in July 2010 and is a member of Board Human Resource Committee.

Mr. Shirazi earned his Bachelor's in Economics from Wharton School, University of Pennsylvania, and went on to complete his Masters in Business Administration from Harvard Business School, USA.

He has considerable experience in commercial and investment banking through his association with the Bank of Tokyo-Mitsubishi New York, Citibank N.A, London and ANZ Grindlays (now Standard Chartered) Bank.

Currently, he is the Chief Executive Officer of Atlas Honda Limited and a member of the Group Executive Committee and Director Strategic Planning of the Atlas Group.

Mr. Shirazi also serves as director on the boards of Shirazi Investments Company (Private) Limited, Shirazi Trading Company (Private) Limited, Atlas Power Limited, Shirazi Capital (Private) Limited, Cherat Cement Limited and Pakistan Cables Limited.

Saeed Akhtar

Director

Mr. Saeed Akhtar was elected to the PPL Board in September, 2010 and is a member of Board Audit and Human Resource Committees.

Mr. Akhtar is a fellow and life member of the Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Chartered Accountants of Pakistan. He brings 40 years of experience working in senior positions in the United Kingdom and Pakistan.

Mr. Akhtar's association with PPL dates back to July 1961 (almost five decades) when he was awarded a PPL scholarship for Chartered Accountancy in the U.K. Starting from October 1969 to January 2003, he worked in PPL in various positions, retiring as Deputy Managing Director (DMD). In this capacity, he oversaw Finance and Corporate Services. He also worked as Company Secretary to the Board of Directors for 25 years from 1972 to 1997 and was appointed executive director of PPL from 1997 to 1999.

Mr. Akhtar serves as a director of Karwan-e-Hayat and is a member of the Management Committee of SOS Children's Villages in Sindh.

Javed Akbar

Director

Mr. Javed Akbar joined PPL Board in September, 2010. He is also a member of the Board Operations and Finance Committee.

Mr. Akbar holds a Masters Degree in Chemical Engineering from the United Kingdom and has 36 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak.

Between 1973 and 2000, he managed the Exxon and Engro fertilizer plants and their expansion in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada besides serving as human resources manager in Exxon, Pakistan.

In 2000, Mr. Akbar was appointed Chief Executive Officer of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. He was also part of the buyout team in 1991 when Exxon divested its stake in Engro.

After his retirement, he established a consulting company in 2006, specializing in strategic analysis and forecasting of petroleum, petrochemical and energy industry trends.

Mr. Akbar serves on the Board of Directors of Engro Fertilizer, Engro Powergen, Engro Vopak Terminal, Dawood Hercules and Dawood Hercules Fertilizers and is on the panel of environmental experts of Sindh Environmental Protection Agency.

Sher Muhammad Khan

Director

Mr. Sher Muhammad Khan joined PPL Board in December 2010 and is a member of the Board Operations and Finance and Human Resource Committees.

Mr. Khan graduated in Chemical Engineering and worked for six years in a number of companies, including Rafhan Maize Products Corporation and Army Welfare Food Industry.

He joined Government in January 1985 as Assistant Director (Technical). Since then, he has served on various key positions. Currently, he is Director General Petroleum Concessions, Ministry of Petroleum and Natural Resources.

Mr. Khan also serves as a director on the board of Mari Gas Company Limited.

Raashid Bashir Mazari

Director

Mr. Raashid Bashir Mazari joined PPL Board in July 2011. He is also a Member of the Board Audit and Operations and Finance Committees.

Mr. Mazari is a graduate from National Management College, Lahore and had served as Commissioned Officer at the Pakistan Army from 1974 to 1983. He was inducted in Civil Service of Pakistan in 1983 and since then has held several senior level positions including Joint Secretary, Ministry of Interior; Director General and Plant Protection Advisor to the Government of Pakistan; Director Immigration and Passports South Zone; Director Food, Government of Balochistan; Additional Secretary to the Government of Balochistan; Deputy Commissioner and District Magistrate, Thatta and Hyderabad; Additional Secretary to Chief Minister, Sindh; Director Enquiries (Anti Corruption) and Deputy Secretary Finance, Government of Sindh; Member Chief Minister's Inspection Team; Vice Commissioner, Sindh Employees Social Security Institution; Additional Deputy Commissioner, Karachi and Assistant Commissioner / Sub Divisional Magistrate, Karachi.

He has represented Government of Pakistan at various forums / colloquiums internationally. Presently, he is holding the position of Joint Secretary (Admn) at Ministry of Petroleum and Natural Resources, Government of Pakistan. He is also a Director on the boards of Inter State Gas System (Pvt) Ltd, Oil and Gas Development Company Ltd and Government Holdings (Pvt) Limited.

Corporate Awards

During the year PPL secured five major corporate awards as detailed below:

1. Karachi Stock Exchange Top 25 Companies Award

   PPL maintained its position among Karachi Stock Exchange's Top 25 Companies for the year 2009 and featured on the list for the fourth consecutive year. The companies were selected by the KSE on the basis of a comprehensive parameter, which includes dividend payouts, return on equity, compliance with Listing Regulations, sound corporate governance practices and Corporate Social Responsibility.

2. Corporate Philanthropy Award

   In recognition of its social welfare activities, PPL was selected as the largest corporate giver in the category of total volume of donations for the year 2008 as well as 2009 at the Corporate Philanthropy Awards. The Company bagged the award for the fifth and sixth consecutive years in the same category.

   PPL contributed Rs 525 million and 388 million in the years 2009 and 2008 respectively towards various Corporate Social Responsibility (CSR) initiatives.

3. SAFA Award for Best Annual Report

   PPL's Annual Report 2009 achieved a distinction by being conferred the 'Overall Winner' across all the categories by South Asian Federation of Accountants (SAFA) under the Best Presented Accounts Awards for the year 2009. In addition, the Company was also adjudged 'Joint Winner' of the 'Best Presented Accounts and Corporate Governance Disclosures Award' in the manufacturing sector. The prestigious awards ceremony was held in Nepal.

4. Best Corporate Report Award for Annual Report 2009

   PPL's annual report 2009 was chosen as the best in all sectors at the 'Best Corporate Report Awards' conducted by a Joint Committee of the Institute of Chartered Accountants of Pakistan and the Institute of Cost & Management Accountants of Pakistan. The Company also stood first among five shortlisted organizations in the Fuel and Energy sector for the second year in a row.

   The award reaffirms PPL's adherence to best corporate governance practices and transparent accounting and financial reporting procedures in the interest of the Company and its stakeholders.

5. MAP Corporate Excellence Award

   During the year, another milestone was achieved by PPL by securing the prestigious Management Association of Pakistan's (MAP) 27th Corporate Excellence Award in the Fuel and Energy sector for the third consecutive year.

   MAP's Corporate Excellence Award seeks to recognize 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.

Unconventional Solutions

Given escalating energy demand and depleting natural gas reserves, E&P companies across the globe are shifting focus towards exploitation of unconventional reservoirs, comprising tight and shale gas.

PPL is a joint venture partner in Kirthar Block, the site of the country's first tight gas discovery. The company, together with a joint venture, is also undertaking a study to evaluate shale gas potential in Pakistan.

Additionally, a Research and Development project has been rolled out to assess potential of unconventional reservoirs in PPL joint venture areas.

Board Committees

Board Operations and Finance Committee

Composition

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

• Mr. Hidayatullah Pirzada	Chairman
• Mr. Asim Murtaza Khan	Member
• Mr. Sher Muhammad Khan	Member
• Mr. Javed Akbar	Member
• Mr. Raashid Bashir Mazari	Member

Terms of Reference

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

(i) Corporate strategy, operational plan and long-term projections.

(ii) Financial statements of the Company.

(iii) Budgets.

(iv) Progress review of all major projects and status of implementation of approved work program.

(v) Selection of new exploration areas, farm-ins and farm-outs and surrender of exploration blocks.

(vi) Strategies for development of existing and new petroleum discoveries.

(vii) Cash and fund management policies and procedures.

(viii) Major financial commitments of the Company.

The Board Operations and Finance Committee met six times during the year with an average participation of 90% of its members.

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. In addition thirteen Management Committees operate to oversee critical functions and operational aspects of the Company

From left to right | (sitting) Raashid B. Mazari, Hidayatullah Pirzada & Sher Muhammad Khan
(standing) Javed Akbar & Asim Murtaza Khan

Board Human Resource Committee

Composition

The Board Human Resource Committee is composed of the following:

- Mr. Hidayatullah Pirzada — Chairman
- Mr. Asim Murtaza Khan — Member
- Mr. Saquib H. Shirazi — Member
- Mr. Sher Muhammad Khan — Member
- Mr. Saeed Akhtar — Member

Terms of Reference

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

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

(i) Changes in organization, functions and relationships affecting management positions.

(ii) Establishment of Human Resource plans and procedures.

(iii) Determination of appropriate limits of authority and approval procedures for personnel matters.

(iv) Review of employee development system and procedures, early identification and development of key personnel and specific succession plans for senior management positions.

(v) Review and evaluation of compensation policies, practices and procedures.

The Board Human Resource Committee met five times during the year with an average participation of 92% of its members.

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

From left to right | Saeed Akhtar, Sher Muhammad Khan, Hidayatullah Pirzada, Saquib H. Shirazi & Asim M. Khan

Board Audit Committee

Composition

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

• Mr. Sajid Zahid	Chairman
• Mr. Zain Magsi	Member
• Mr. Saifullah Khan Paracha	Member
• Mr. Saeed Akhtar	Member
• Mr. Raashid Bashir Mazari	Member

Terms of Reference

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

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

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

(i) Review of the interim and annual financial statements of the Company prior to approval by the Board of Directors.

(ii) Discussions with the external auditors of major observations arising from interim and final audits; review of management letter issued by the external auditors and management's response thereto.

(iii) Review of scope and extent of internal audit ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.

(iv) Ascertain adequacy and effectiveness of the internal control system including financial and operational controls, accounting system and reporting structure.

(v) Determination of compliance with relevant statutory requirements and monitoring compliance with the best practices of corporate governance.

(vi) Institute special projects, value for money studies or other investigations on any matters specified by the Board of Directors.

The Board Audit Committee met four times during the year with an average participation of 84% of its members.

The 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

From left to right | Saeed Akhtar, Saifullah K. Paracha, Sajid Zahid & Raashid B. Mazari

Management Team

The Management Team is headed by the Chief Executive Officer / Managing Director and the Deputy Managing Director and the Functional Heads are its Members:

- Mr. Asim Murtaza Khan
  CEO / Managing Director
- Mr. Khalid Rahman
  Deputy Managing Director
- Mr. Fasih-uz-Zaman
  Senior General Manager
- Mr. Shaikh Mohammad Khaledin
  General Manager Internal Audit
- Mr. M. Yaqub
  General Manager Corporate Services
- Mr. Kamran Wahab Khan
  General Manager Finance / CFO
- Mr. Masroor Ahmad
  General Manager Human Resources
- Mr. Moin Raza Khan
  General Manager Exploration
- Mr. Suhail Qadeer
  General Manager Joint Ventures
- Mr. Abdul Salam
  General Manager Operations

The Management Team discusses management issues in broad spectrum and formulates policies on short term / long term basis. The Team is responsible for devising strategies, reviewing key operational aspects, making operational and investment decisions, bringing about improvements to policies and procedures, allocating resources, planning and monitoring the implementation of the decisions.

The Management Team meets fortnightly and as required.

The Management Team discusses management issues in broad spectrum and formulates policies on short term / long term basis

From left to right

(sitting) Fasih-uz-Zaman, Asim Murtaza Khan, Khalid Rahman & Kamran Wahab Khan
(standing) Shaikh M. Khaledin, Moin Raza Khan, Suhail Qadeer, Masroor Ahmad, M. Yaqub & Abdul Salam

Statement of Value Addition

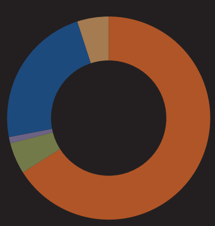
	2010-11 Rs million	%	2009-10 Rs million	%
Gross Revenue (including Gas Development Surcharge (GDS), Excise Duty and Sales Tax))	98,613	106	77,211	111
Less: Operating and Exploration Expenses	(10,608)	(11)	(10,103)	(14)
	88,005	95	67,108	97
Add: Income from Investment	4,318	5	2,412	3
Other Income	188	*	227	*
Less: Other Expenses	-	-	(12)	*
Total Value Added	92,511	100	69,735	100
DISTRIBUTED AS FOLLOWS:				
Employees Remuneration and Benefits	4,958	5	4,145	6
To Government as:				
Company Taxation	16,919	18	11,208	16
Levies (including GDS, Excise Duty and Sales Tax)	20,361	22	17,249	25
Royalty	9,233	10	7,076	10
Workers' Funds	3,591	4	2,556	4
Dividend **	10,131	11	6,253	9
Bonus Shares **	844	1	1,390	2
	61,079	66	45,732	66
To Shareholders other than the Government as:				
Dividend **	4,208	5	2,709	4
Bonus Shares **	351	-	602	1
	4,559	5	3,311	5
To Society as:				
Donations	69	*	68	*
Social Welfare/ Community Development	619	*	320	*
Free Gas Supply	156	*	135	*
	844	1	523	1
Retained in Business:				
Depreciation	2,637	3	1,649	2
Amortisation	2,318	3	1,853	2
Net Earnings	15,911	17	12,367	18
	20,866	23	15,869	22
Financial charges to providers of finance	205	*	155	*
	92,511	100	69,735	100

* Negligible

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

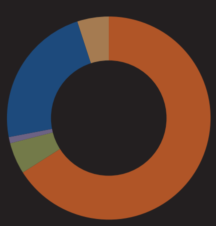
Value Added 2010-11

Government	66%
Shareholder other than the Government	5%
Society	1%
Retained in Business	23%
Employees Remuneration & Benefits	5%



Value Added 2009-10

Government	66%
Shareholder other than the Government	5%
Society	1%
Retained in Business	22%
Employees Remuneration & Benefits	6%



Hidayatullah Pirzada
Chairman

On account of the Company's exceptional performance, the Board recommended a payment of 20 percent cash dividend and 10 percent bonus shares among shareholders in addition to two interim dividends of 50 percent each already paid during the year

Chairman’s Message

Subsequent to changes in the composition of the Board in July 2010, two additional directors were elected during the Annual General Meeting on 29 September, 2010. The new Directors - Saeed Akhtar and Javed Akbar - represent the PPL Employees Empowerment Trust under the Benazir Employees Stock Option Scheme and minority shareholders, respectively.

During the year, Sher Muhammad Khan succeeded Muhammad Naeem Malik as Director General Petroleum Concessions and was nominated on the Board. Following the close of the financial year 2010 - 2011, Raashid Bashir Mazari replaced Irshad Ahmed Kaleemi as the Government of Pakistan's (GoP) nominee.

Another significant change on the GoP's directives was the succession of Asim Murtaza Khan, then serving the Company as Deputy Managing Director, as Managing Director/ Chief Executive Officer in place of Khalid Rahman.

On behalf of the Board, I extend my deep appreciation of the valuable contributions made by the outgoing directors and former managing director/ chief executive officer.

I am pleased to state that during the financial year 2010-11, the Company's sale revenue increased by 31% to reach a record high level of Rs 78.3 billion.

Profit after tax increased to Rs 31.4 billion by 35% over last year translating into all time high Earnings per Share of Rs 26.31.

On account of the Company's exceptional performance, the Board recommended a payment of 20 percent cash dividend and 10 percent bonus shares among shareholders in addition to two interim dividends of 50 percent each already paid during the year. This brings total distribution to 120 percent cash dividend and 10 percent bonus for the last financial year.

These results would not have been possible without the dedication and stake of the management and staff as well as support by government, for which I am extremely grateful. I would also like to place on record, my gratitude to our shareholders for their trust and confidence in the PPL brand.

(HIDAYATULLAH PIRZADA)
CHAIRMAN

Karachi
9 August, 2011

In response to depleting reserves of conventional gas, a Research and Development programme to assess unconventional gas potential has been initiated and a Memorandum of Understanding signed with another E&P company to evaluate shale gas potential in the country

Asim Murtaza Khan
Chief Executive Officer / Managing Director

Managing Director's Outlook

I am pleased to share that the Company made a record profit after tax of Rs 31.4 billion in the reporting period, showing a 35 percent increase over the previous year. This profitability is attributable to the positive oil-to-gas sales mix coupled with rising international oil prices and depreciation of the rupee against US dollar.

Ensuring a safe energy future for the country and maximum value-creation for stakeholders by optimizing production and reserves replacement defined the Company's business strategy. To this end, latest technology is being deployed in mature fields to increase production levels in tandem with a fast-track seismic programme to tap additional reserves.

At Sui Gas Field, production commenced from two development wells Sui-89 (M) and Sui-92 (U) -and a third well Sui-93 (M) was spud-in during the financial year 2010-11. Kandhkot Field Gas Compressor Station began commercial operations in December 2010 to maintain contractual delivery pressure and enhance recovery ratios. In addition, drilling of exploratory well Bhit Shah X-1 is also underway at PPL-operated Hala Block.

On the joint-ventures front, two discoveries - Makori East-1 and Tolanj X-1 - were made in Tal Block during the year. The exploratory wells have been tested and completed successfully as producers. Besides, eight appraisal and development wells were also drilled in partner-operated producing assets.

The Company acquired working interest in 3 non-operated blocks and farmed-out interest in 6 of 13 new exploration areas to spread risk and share knowledge and technical expertise and retain a manageable portfolio of assets.

In response to depleting reserves of conventional gas, a Research and Development programme to assess unconventional gas potential has been initiated and a Memorandum of Understanding signed with another E&P company to evaluate shale gas potential in the country.

Despite its focus on achieving key business growth objectives, the Company accords priority to best corporate governance practices, including Health, Safety and Environment and Corporate Social Responsibility (CSR). PPL has an extensive portfolio of CSR projects in community healthcare, education and capacity building for livelihood generation as well as infrastructure development and disaster management.

As such, PPL remained one of the largest corporate providers of welfare and socio-economic development services to improve living standards of underprivileged communities. Particularly noteworthy in this regard was the relief and rehabilitation programme for the 2010 flood victims and the start of construction of the Public Welfare Hospital at Sui.

All this would not have been possible without the support of the government, our joint venture partners and shareholders, directors, management and staff. To all of them I remain most indebted.

(ASIM MURTAZA KHAN)
MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Karachi
9 August, 2011

Global Compact

WE SUPPORT

Pakistan Petroleum Limited (PPL) takes pride in being the signatory of the United Nations Global Compact (UNGC), a voluntary charter endorsed by chief executives of leading businesses to provide a practical framework for promoting sustainable business models and markets. UNGC was developed in July 2000 as a major initiative to provide a human face to the global market and is aligned with the United Nations' efforts, including the Millennium Development Goals.

With over 8,000 signatories, the Global Compact today provides a leadership platform for participants to strengthen their commitment to sustainability and responsible corporate citizenship. The charter binds member companies to follow ten basic principles focusing on human rights, enabling working conditions for employees, environmental conservation and transparency.

PPL became a member of UNGC in April 2006. The company stands committed to UNGC principles as it believes in fulfilling its social, economic and environmental responsibilities to promote sustainable development. As such, the company places the highest priority on good governance, steering the management and employees to follow strict procedural controls, regular audits and disclosures to ensure transparency, work through clear management lines and respect labour laws to provide an equitable environment for all staff. The company promotes environmental conservation by adhering to best operational practices and maintaining strict health and safety standards.

PPL also plays a critical role as a responsible corporate citizen through planned development programmes in health, education, sustainable livelihoods, infrastructure development and post-disaster rehabilitation for marginalized communities, especially those living in and around its operational areas.

Human Rights

Principle 1

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

PPL's Commitment

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

Principle 2

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

PPL's Commitment

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

Principle 6

Businesses should 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, 2011 together with the Auditors' Report thereon.

PROFIT AND APPROPRIATIONS

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

	2010-11 Rs million	2009-10 Rs million
Profit Before Taxation	48,364.644	34,528.207
Taxation	16,918.929	11,207.689
Profit After Taxation	31,445.715	23,320.518
Unappropriated profit as at 1 July, 2010/2009	46,354.850	40,188.762
	77,800.565	63,509.280
Appropriations during the year		
• Final dividend for the year 2009-10 on Ordinary shares @ 50% (2008-09: 30%)	4,979.080	2,489.539
• Transfer to Insurance Reserve	5,500.000	5,500.000
• Transfer of cost relating to Sui well -38	-	(1,478.106)
• Transfer to Assets Acquisition Reserve	5,000.000	5,000.000
• Issuance of Bonus shares	1,991.632	1,659.692
• First Interim dividend for the year 2010-11 on Ordinary and Convertible Preference shares @ 50% (2009-10: 40%) and 30% (2009-10: 30%), respectively	5,974.937	3,983.305
• Second interim dividend for the year 2010-11 on Ordinary shares @ 50% (2009-10: nil)	5,974.896	-
Balance as at 30 June, 2011/2010	48,380.020	46,354.850

Subsequent Effects

The Board of Directors of the Company in their meeting held on 9 August, 2011 have proposed the following:

• Transfer to Insurance Reserve	5,000.000	5,500.000
• Transfer to Assets Acquisition Reserve	5,000.000	5,000.000
• Final dividend on Ordinary shares @ 20% (2009-10: Ordinary shares 50%)	2,389.958	4,979.080
• Issue of Bonus shares in proportion of one (1) ordinary share for every ten (10) ordinary shares held i.e. 10% (2009-10: 20%)	1,194.979	1,991.632
	13,584.937	17,470.712

FINANCIAL RESULTS

The sales revenue of Rs 78.3 billion for the year was higher by 31% compared to the previous year. The profit after tax of Rs 31.4 billion was earned for the year as compared to Rs 23.3 billion during the previous year. The increase in profitability during the current year as compared to the corresponding year is mainly attributable to enhanced oil, gas and LPG sales volumes, impact of higher international oil prices and depreciation of Pak Rupee against US Dollar. The earnings per share (EPS) of the Company for the year stood at Rs 26.31 against EPS of Rs 19.52 for 2009-10.

Field expenditure during the year increased by 17% as compared to the previous year mainly due to acquisition of partial / full 2D and 3D seismic data in Kalat, Barkhan, Kirthar, Sukhpur, Sirani, Jungshahi, Naushahro Firoz, Kotri North, Kotri and Zamzama South Blocks and increased depreciation and amortisation charges due to new capitalisations during the current year.

Other operating income also increased during the current year, as compared to the corresponding year, mainly due to increase in income from financial assets by Rs 1.9 billion, as a result of comparatively higher investments and interest rates.

LIQUIDITY MANAGEMENT AND CASH FLOW STRATEGY

During the year, an amount of Rs 30.1 billion was generated from operating activities of the Company which was spent mainly for meeting expenditures on capital projects, payment of dividends to shareholders and purchase of investments. At the end of the year, the Company had a liquid fund position comprising of cash and cash equivalents amounting to Rs 22.4 billion. At present the Company's funds to the tune of Rs 14 billion are tied-up in inter-corporate circular debt. The matter is being actively pursued with relevant authorities for early settlement of the issue.

To ensure sufficient availability of funds at all times while generating optimum returns through placement of surplus liquidity in various available investment avenues, cash inflows and outflows are projected on regular basis and rigorously monitored. Cash requirements for the year ending 30 June, 2012 for Company operations are forecasted to be adequately financed through internal cash generation without recourse to external financing.

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

Directors' Report

well-diversified. 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.

DIVIDENDS

The Directors have recommended a final cash dividend on Ordinary shares at 20% (2009-10: 50%) and issue of bonus shares in proportion of 1 Ordinary share for every 10 Ordinary shares held i.e. 10% (2009-10: 20%) by capitalization of free reserves of the Company. This is in addition to two interim dividends of 50% each (2009-10: 40%) on ordinary shares and 30% (2009-10: 30%) on convertible preference shares paid to the shareholders.

OPERATIONS AND SIGNIFICANT EVENTS

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

New Discoveries

In PPL partner operated areas, three exploratory wells were drilled out of which two discoveries namely Makori East-1 and Tolanj X-1 in Tal Block were made. Makori East-1 and Tolanj X-1 have been successfully tested and completed as gas / condensate and gas producer respectively. The third well i.e. Jherruck B-1 in Jherruck Block, is suspended after finding marginal reserves in tight sands.

In PPL operated Hala Block, 2nd exploratory well named Bhit Shah X-1 is being drilled on a prospect which has been identified on interpretation/mapping of 2D/3D seismic data.

First gas from exploratory wells at Latif and Tal Blocks

First gas from the exploratory well Latif North-1 commenced in November 2010 after connecting it with Kadanwari-Miano plant whereas first gas from Mamikhel-1 and Maramzai-1 wells at Tal Block commenced in July 2010 and January 2011 respectively.

Qadirpur Interim Compression Project

At Qadirpur field, an Interim Compression Project consisting of a battery of 14 Compressors has been installed and commissioned in end 2010. This has resulted in increase in raw gas production of the field from 450 to 580 MMscfd.

Miano Compression Project

At Miano gas field, Phase-II of full field compression program comprising of installation of 3 compressors of 20 MMscfd each and 1 compressor of 10 MMscfd was completed in October 2010.

PPL Head Office Building

In July, 2010 PPL acquired a plot in Karachi for construction of its Head Office Building. The Consultancy Contract for integrated services including Architectural & Engineering Design, Construction Supervision and Project Management Services was awarded in March 2011. Duration of the Project is 44 months with expected completion in December 2014.

Farm-in and Farm-out of Working Interests

During the year Farm-in efforts resulted in acquiring interest in three Blocks whereas Farm-out efforts have also met with success wherein PPL's interests in 6 blocks out of 13 newly acquired blocks have been diluted.

MARKET SHARE

PPL, being the pioneer natural gas producer in the country, has been playing a crucial role since 1955 in augmentation of indigenous hydrocarbon reserves. Presently PPL's share in the country's total natural gas production stands at around 24%. PPL continues to strive for enhancing its hydrocarbon reserves and optimizing production in order to maintain its position as the premier exploration and production company of 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. Maintaining production levels in mature fields and focus on exploring additional potential and adding reserves are part of the production strategy of the Company. In real terms this is being achieved by bringing timely compression facilities at fields. Key challenges are maximization of number of wells, plant availability for production and stretching the sales targets.

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:

	2010-11	2009-10
Natural gas (Million cubic feet)	360,733	356,682
Crude Oil (Thousand barrels)	1,665	950
NGL (Thousand barrels)	988	804
Condensate (Thousand barrels)	64	72
LPG (Tonnes)	27,125	23,047

The production during the period under review, including share from joint ventures, averaged at 988 MMscfd of gas, 4,562 bpd of oil, 2,882 bpd of NGL / condensate and 74 tonnes of LPG per day.

FIELDWISE REVIEW OF OPERATIONS - PERFORMANCE AND FUTRUE 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 and meeting a substantial part of gas demand of the country. Field is under depletion phase however, supply from field remained as per contractual obligation. The volume of gas sales during the year was 170,805 MMscf against 177,574 MMscf in 2009-10.

Drilling of well Sui - 92(U) was commenced in March 2010. The well was drilled successfully upto the planned depth of 2,128 meters in the Pab reservoir. Well was successfully completed as a single string producer from SUL formation in December, 2010. Well is currently flowing at an approximate rate of 3.5 MMscfd.

Drilling of well Sui - 89(M) commenced in January, 2011 and well was successfully completed in February, 2011 as a single string gas producer from SML formation. Civil & Mechanical works including installation of surface fittings & laying of feederline is in progress.

Sui - 93(M) was drilled as a horizontal well using Under Balanced Drilling technology in the Reservior for the first time in the country, to optimize production from Sui Field. Drilling of well commenced in March 2011 and was completed in July 2011. Targeted formation is SML with a total depth of 2,200 meters (MD) / 1,374 meters (TVD).

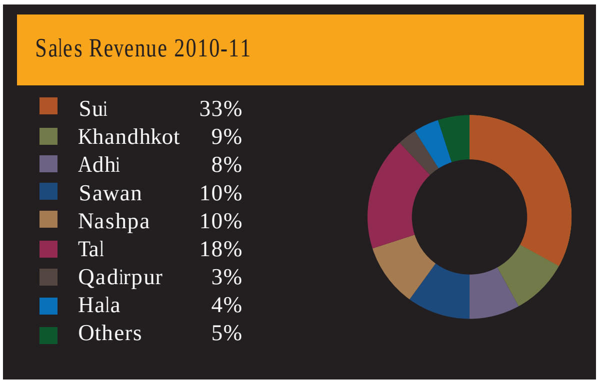
Compressor Station, Purification Plant and Dehydration Plant remained in operation satisfactorily throughout the period.

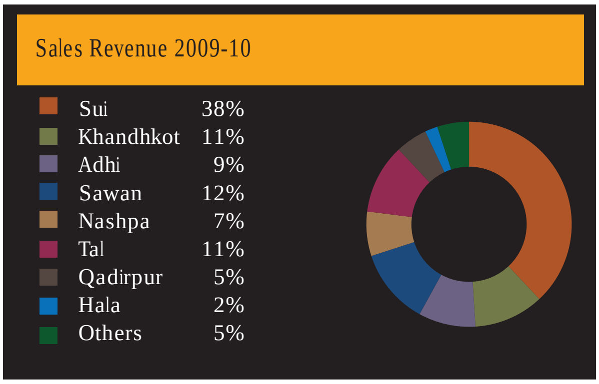
Kandhkot Gas Field (PPL share 100%)

Gas from Kandhkot Field is mainly supplied to WAPDA and SNGPL for use at Guddu Thermal Power Station. A nominal quantity of gas is also supplied to SSGCL for Kandhkot Town.

Sales from the field were maintained through out the year according to contractual obligations. The volume of gas sales during the year 2010-11 was 54,933 MMscf as against 59,583 MMscf in 2009-10, because of damage to gas gathering system caused by floods.

Field facilities have been expanded recently after the installation and commissioning of Gas Compressor Station. The Compression Station was





connected to dehydration plant and was commissioned in December 2010.

Kandhkot Gas Field was hit by flood in August, 2010 submerging one of the Gas Gathering Main (GGM) completely and two Gas Gathering Mains partly. Fifteen (15) wells out of twenty five (25) producing wells were shut-in and production from the field dropped to 70 MMscfd from the peak of 195 MMscfd. Eight (8) wells were re-commissioned by September, 2010 after carrying necessary repairs increasing production to 160 MMscfd. Two additional wells were re-commissioned successfully by mid October, 2010 adding 30 MMscfd of gas thereby increasing total available production to 190 MMscfd.

Five wells are still shut-in due to damaged feederlines, ROWs and GGM however, rehabilitation work is in progress for permanent repair / long term remedy of access roads, Gas Gathering System and restoration of production.

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:

	2010-11	2009-10
Natural gas (Million cubic feet)	13,507	15,243
NGL / Crude Oil (Thousand barrels)	1,875	1,735
LPG (Tonnes)	45,728	53,188

A total of eleven wells are in production at Adhi field. Two wells are producing crude oil from Sakesar Formation and the remaining are Tobra (T) / Khewra (K) formation wells producing NGL and gas. LPG is also extracted from the Plant feed and sold to customers. The current daily production rates are around 38 MMscf gas, 124 Tonnes LPG, 1,700 Bbl NGL and 4,000 Bbl crude oil.

Based on good results of hydraulic fracturing at Adhi-18(T/K), workover for Hydraulic Fracturing was undertaken on three more wells to enhance the oil production. The fracturing campaign which started during 2009-10 was successfully completed during 2010-11 with net gain of about 2,000 Bbl/d of oil.

In order to develop the field to its optimum potential, a Reservoir Compositional Study is being undertaken which will assist in determining the future production strategy and prospects for further production enhancement from the field. The study is in final stages and expected to be completed by August 2011.

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

Mazarani Gas Field comprises 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. A total of four wells have been drilled to-date in Mazarani field.

The field access route remained cut-off for about 75 days during the period August to November 2010 due to unprecedented floods in the surrounding areas. However, gas sales continued in the period. The total volume of gas sold from Mazarani to SSGCL during the financial year was 3,836 MMscf as compared to 4,039 MMscf during 2009-10.

Intelligent Pigging has been planned to examine the internal condition of 75 Km Sales Gas Transmission Line and to provide basis for maintenance of high pressure line.

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

As part of its business development strategy, PPL acquired Chachar Gas Field in March 2009. The field is in the East of Kandhkot Gas Field and is currently producing about 7 MMscfd gas with compression.

A total of three wells have been drilled in Chachar Field, out of which, two wells are in operation and one is shut-in due to high water production. The total volume of gas sold from Chachar Field was 2,202 MMscf as against 2,696 MMscf during 2009-10.

In order to maintain sales gas drilling of Chachar-4 was planned to commence in April 2011 but due to flood waters the site construction job could not start earlier, the well is now scheduled for spud-in in July 2011.

Hala Gas Field (PPL share 65%) PPL / MGCL Joint Venture (Operator PPL)

Hala Plant has been successfully operated by Weatherford M.E. Tool on Build, Operate and Maintain (BOM) basis. After one year successful operation, Hala Plant buy-out by PPL was accomplished in January 2011. Joint Venture has extended the Plant Operation & Maintenance services of Weatherford for the second year.

The current average production is about 12 MMscfd gas, 1,000 bpd of condensate and 43 metric tonne per day of LPG.

PARTNER OPERATED PRODUCING FIELDS

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

Block-22 is currently producing around 12 MMscfd from 6 wells. The production from the field has however declined over the last one year due to water incursion in some of the wells. The total volume of gas sold from Block-22 during the year was 4,315 MMscf as compared to 5,154 MMscf during 2009-10.

Compression project has been completed, however, in view of the higher flowing wellhead pressures it has been planned to test the compressors at required pressures through buy back option from SNGPL. Operator is liaising with the local contractor for commissioning of compressors.

To maintain sales drilling of Hassan-4 is rescheduled in end of 1st quarter 2011-12 due to floods and land acquisition issues.

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

A total of 15 wells have been drilled in Sawan Field and currently 14 are supplying 150 MMscfd gas to SNGPL and 85 MMscfd gas to SSGCL. The total volume of gas sold from Sawan Field during the year was 99,613 MMscf as compared to 104,754 MMscf during 2009-10.

Wellbore clean-up / acid stimulation jobs performed in Sawan-3, Sawan-8, Sawan-9, Sawan-11 & Sawan-13 which resulted incremental flow from the wells.

All Compressor trains are operating smoothly. It has been planned to replace HP bundles with LP at two compression units. Subsequently, series compression arrangement will be done in September / October 2011.

On the basis of economics, the Operator is planning to drill pilot wells to assess tight gas resources followed by Field Development Plan preparation and drilling of development wells in Phase-II.

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

Miano gas is being jointly processed with Kadanwari gas at Kadanwari Plant. The field is supplying gas to SSGCL from six Miano wells. The total volume of gas sold from Miano field during the year was 23,719 MMscf as compared to 25,276 MMscf during 2009-10.

Technological Solutions

Since obvious plays and large reservoirs are already discovered or nearing depletion, there has been exponential growth in technology, particularly for seismic acquisition, interpretation of satellite imagery, data processing and drilling, to replace shrinking reserves. According to estimates, adoption of latest technology may improve success ratios by as much as 50 percent in some areas.

PPL has steadily enhanced in-house resource and staff competencies and remains one of the trendsetters in utilizing technology such as hydraulic fracturing and horizontal and under balanced drilling for improved results. Continual efforts are underway to further increase technological resources to cater to the company's expanding E&P portfolio.

Directors' Report

Miano-12 was drilled in April 2009 however, being potential candidate for tight gas, its tie-in, earlier planned in February 2011 was deferred till finalization of tight gas policy. Tie-in activities are now planned to commence from mid July 2011 to test the well as a potential candidate for tight gas on approval from the Government.

Phase-II of full field compression program comprising of installation of 3 compressors of 20 MMscfd each and 1 compressor of 10 MMscfd was completed in October 2010.

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

Qadirpur Gas Field is the second largest gas field in Pakistan with recoverable gas reserves of 4.2 Tcf. A total of forty eight (48) wells have been drilled in Qadirpur Gas Field out of which 38 wells are producing.

Qadirpur Field is currently supplying an average of 400 MMscfd purified sales gas to SNGPL while 45 MMscfd of raw gas is being supplied to Liberty Power and about 60 MMscfd Permeate Gas to Engro Energy Ltd. The total volume of gas sales during the year was 177,591 MMscf as compared to 181,036 MMscf in 2009-10.

In view of declining reservoir pressures, an Interim Compression Project consisting of a battery of 14 Compressors has been installed and commissioned in end 2010 which resulted in increase in raw gas production from previous rate of 450 to 580 MMscfd from the field.

In addition to the Interim Compression arrangement, long term compression requirements is planned to be met by re-locating existing 3 redundant Compressors units from OGDCL's Pirkoh Field. The project is expected to be commissioned by last quarter of 2011-12.

In order to prevent flaring of permeate gas and providing standby arrangement in existing permeate compression facility to Engro Energy, two additional Permeate Compressors are being installed. Commissioning is underway and expected to be completed in first quarter of 2011-12.

Construction of Elevated Platform for drilling of 3 Extended Reach Wells (ERW) to drain the hydrocarbon potential of the flood plains lying in Development & Production Lease was completed in February 2011. Drilling of first ERW (QP-42) was successfully completed in June 2011. The well has been tied to the Plant and is producing 25 MMscfd gas.

Block 3370-3 (Tal) (PPL share 27.763%) PPL / OGDCL / GHPL / POL / MOL Joint Venture (Operator MOL)

Following is a comparison of current year's sale with the previous year from Tal Field:

	2010-11	2009-10
Natural gas (Million cubic feet)	109,317	64,194
Condensate (Thousand barrels)	2,694	1,322

So far six discoveries namely Manzalai, Makori, Mamikhel, Maramzai, Makori East and Tolanj have been made in the Tal Block. The status of discoveries are as follows:

Manzalai Field

As part of second phase of the development, 300 MMscfd capacity central processing facility (CPF) has been installed. So far eight wells (1 exploratory, 1 appraisal and 6 development) have been drilled, whereas drilling of 9th well is in progress. Current production from Manzalai field is about 248 MMscfd gas and 3,950 bpd condensate. Production will increase to 350 MMscfd in the next phase (expected in 2013) when more wells will be available.

During the year a total of 90,873 million cubic feet gas and 2.09 million bbl condensate was sold from Manzalai field.

Makori Discovery

Upon completion of EWT of the discovery well Makori-1, field development plan was submitted. So far three wells (1 exploratory, 1 appraisal and 1 development) have been drilled, however the appraisal well had to be

abandoned as dry hole. Full fledged development activities have initiated with expected completion by October 2012. Drilling of one development well is also planned during the year 2012.

During the year a total of 8,194 million cubic feet gas and 590,073 bbl condensate was sold from Makori.

Mamikhel Discovery

Evaluation of Mamikhel discovery by conducting an extended well test (EWT) of the discovery well, Mamikhel-1 is in progress. The well is currently producing about 25 MMscfd of gas and 1,400 bpd of condensate.

During the year a total of 7,581 million cubic feet gas was sold from Mamikhel.

Maramzai Discovery

Evaluation of Maramzai discovery by conducting an EWT of the discovery well, Maramzai-1 is in progress. The well is currently producing about 40 MMscfd of gas and 1,680 bpd of condensate.

During the year a total of 2,670 million cubic feet gas was sold from Maramzai.

Makori East Discovery

Exploratory well Makori East-1 has been successfully tested and completed as gas / condensate producer. In order to get early production from the well and to acquire dynamic data from the discovery for evaluation, it is being connected with the Makori EPF. First gas from the EWT is expected by end December 2011.

Tolanj Discovery

Exploratory well Tolanj-1 has been successfully tested and completed as gas producer. The plan is to put the discovery well Tolanj-1 on EWT for which different options are under evaluation.

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

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

Mela Discovery

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 5,140 bpd oil and 16.6 MMscfd gas. Second appraisal well Mela-3 has been completed as producer. Total of three wells have so far been drilled in the block. Full fledged field development activities are being initiated after the submission of DOC.

During the year a total of 4,723 million cubic feet gas and 1.64 million barrels of crude oil were sold from Mela EPF.

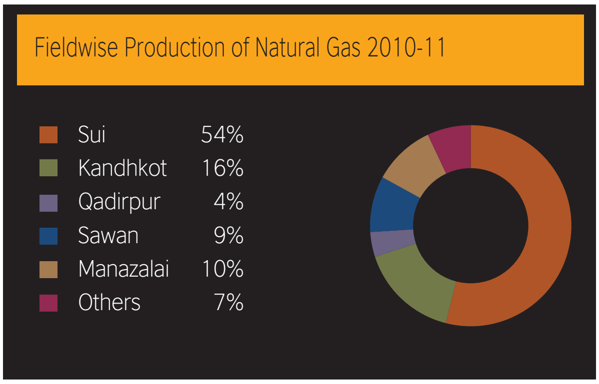
Nashpa Discovery

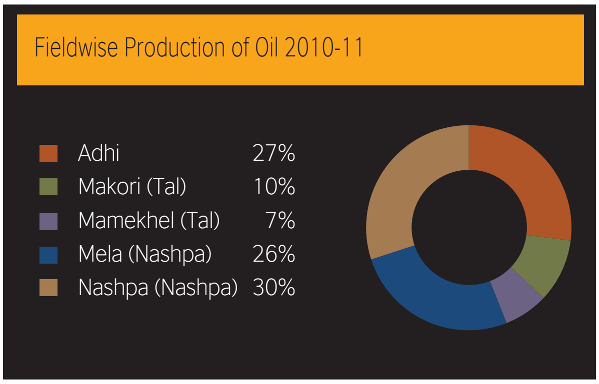
EWT of the discovery well Nashpa-1 is in progress, with current production of about 6,000 bpd oil and 22.5 MMscfd gas. Drilling of appraisal wells Nashpa-2 & 3 is in progress.

During the year a total of 6,428 million cubic feet gas and 1.91 million barrels of crude oil were sold from the field.

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

Declaration of Commerciality (DOC) has been submitted to the Government in June 2010. First gas from the exploratory well Latif North-1 commenced in November 2010 after connecting it with Kadanwari-Miano plant. Current production from Latif-1 & 2 and Latif North-1 isabout 67 MMscfd gas. So far, total of four wells have been drilled in the block, out of which one well had to





Directors' Report

be abandoned as the target reservoirs were found water wet. Field Development Plan (FDP) for Latif discovery is being finalized.

During the year a total of 14,609 million cubic feet gas was sold from Latif Field.

Block 2668-4 (Gambat) (PPL share 23.68%)
PPL / OMV/ ENI / GHPL JOint Venture
(Operator OMV)

Subsequent to submission of Declaration of Commerciality (DOC) to the Government, field development plan (FDP) has been submitted in February 2011. Production from the discovery well Tajjal-1 is continuing, with current production level of about 20 MMscfd gas.

The development well Tajjal-4 has been completed as producer and commencement of production from the same is expected by December 2011. Total of four wells have so far been drilled in the discovery area of the block, out of which two wells (Tajjal-2 & 3) were plugged and abandoned as dry holes.

During the year a total of 5,574 million cubic feet gas was sold from Tajjal Field.

EXPLORATION ACTIVITIES

In line with the Government's policies and initiatives to accelerate hydrocarbon exploration and meet country's growing energy needs, Company has successfully expanded it exploration portfolio to meet its growth and reserves replacement target. As a result the exploration prospects inventory has also expanded and would continue to multiply as the newly acquired seismic and G&G evaluation will progress in its new operated blocks. This caters to the company's exploration strategy which is aimed at replenishing and enhancing its existing hydrocarbon reserves, through exploration and production optimization in order to maintain its position as a premier E&P Company of the country.

PPL currently holds working interest in 34 exploration licences out of which 19 are operated. The exploration portfolio has a right mix of mainly low and medium risk blocks with some high risk blocks in frontier unexplored basins showing Company's commitment to also open new avenues for future oil and gas production. An unparalleled increase in PPL's exploration activities was evident in 2010-11 from extensive seismic acquisition of 3,505 line km of 2D in its 8 operated blocks and a major 3D seismic survey of 750 sq. km currently under completion while 2D surveys are continuing and three more 3D surveys are in pipeline.

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

EWT period of Adam X-1 was valid upto 30 April, 2011. Declaration of Commerciality document and application for grant of D&PL for Adam discovery has been submitted to the Government.

Second exploratory well Bhit Shah X-1 was spud on 25 April, 2011 with planned TD of 3,724m in Lower Goru Formation. Drilling of well is in progress.

An unparalleled increase in PPL's exploration activities was evident in 2010-11 from extensive seismic acquisition of 3,505 line km of 2D in its 8 operated blocks and a major 3D seismic survey of 750 sq. km currently under completion while 2D surveys are continuing and three more 3D surveys are in pipeline

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

2D Seismic data acquisition started in September, 2010 and successfully completed in February, 2011 with total coverage of 293 line km. The contract for processing / reprocessing of 800 line km (including 500 line km vintage data) was awarded to Thrust Belt Imaging (TBI) for completion by end of September, 2011.

The Government has granted 18 months extension for 2nd licence year with effect from 1 July, 2011.

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

In house seismic interpretation/mapping of newly processed 2D data has been completed. For further improvement in data quality Test reprocessing of seismic line was carried out through Spectrum UK. However, since no significant improvement was achieved therefore processing/reprocessing of the remaining lines was dropped.

Based on G&G evaluation Joint Venture partners have agreed that the prospectivity of the Block is discouraging and the option for dropping the Block is being considered.

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

Processing of 2D seismic data was completed by Contractor TBI, Canada. Structural Interpretation / mapping of 2D seismic data and Reserves Estimation completed and approved by partners. Economic evaluation of the approved reserves is in progress. Scouting for access road and proposed well location was carried out and found that road condition is satisfactory with minor repairs and the proposed well location is accessible. The drilling of a well is likely to be undertaken.

The Government has been requested for six months' extension in 3rd licence year with effect from 9 March, 2011.

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

Gravity and magnetic survey acquisition & processing covering 1,824 stations were completed during March-November, 2010.

200 line km seismic data acquisition completed during March-June, 2011. Test lines sent to contractors for test processing. Processing is expected to be completed by November, 2011.

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

As a result of in-house G&G evaluations along with integrated G&G study by Fugro Robertson, UK, JV partners agreed to drill exploration well Lal Suhanra prospect.

PPL acquired the entire requisite environmental NOC's after extensive efforts. Procurement of long lead items is in progress along with the preparation of well site construction.

Spud in of 1st exploratory well at Lal Suhanra prospect (Bahawalpur X-1) is expected by March, 2012.

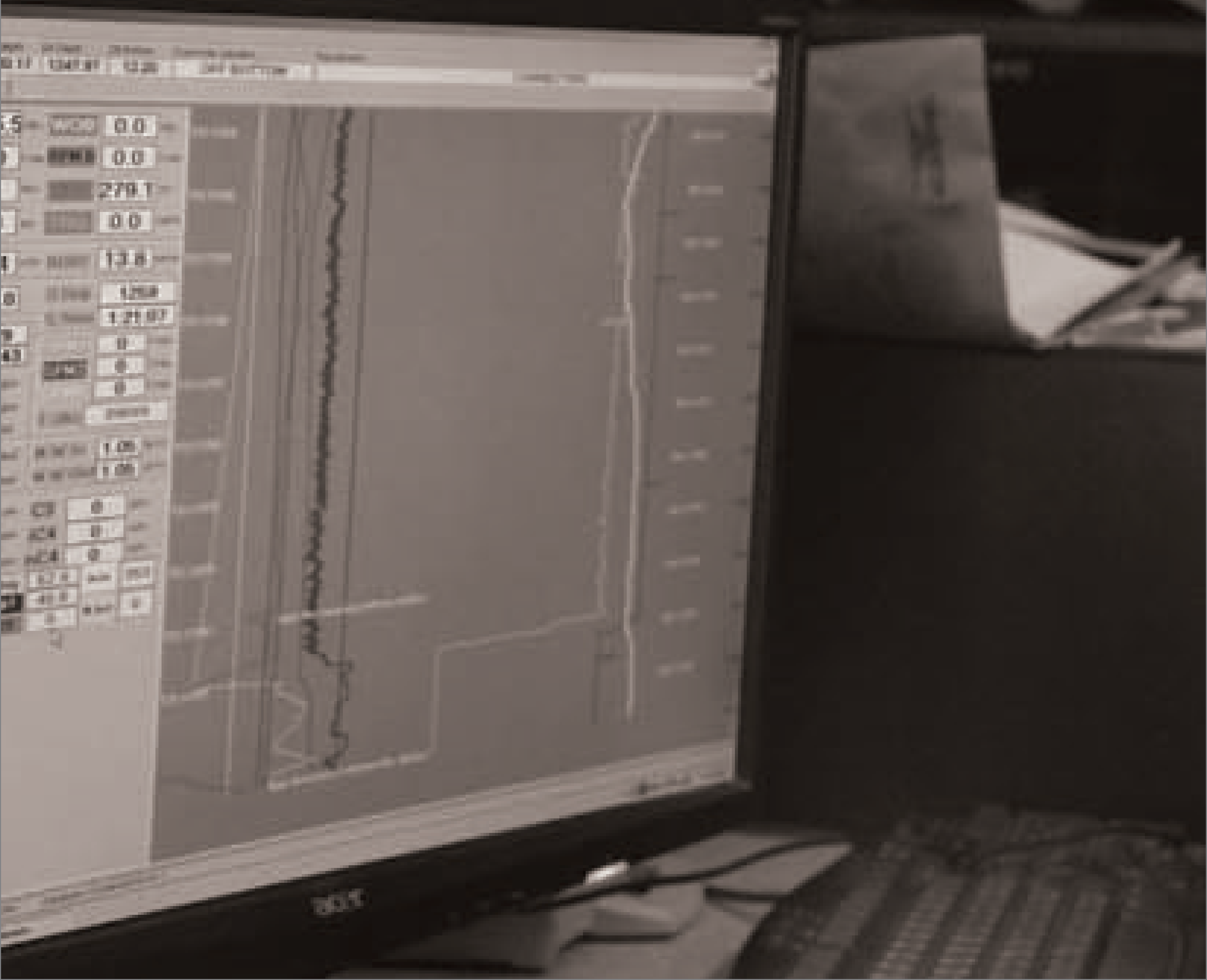
Block 2568-18 (Gambat South) (PPL share 75%)
PPL / GHPL Joint Venture

In-house interpretation / mapping of purchased vintage 2D seismic data have been completed and several potential leads have been identified.

BGP advance party was mobilized to the Gambat South Block in January, 2011 for 3D seismic survey and data acquisition is in progress. A total of 136 sq.km data has been acquired against the planned 750 sq.km.

Informed Solutions

Easy access to data, seamless communications flows and centralized project management are essentials to retain a competitive edge in the current business environment, especially for large, growing organizations such as PPL. The company was the first local E&P to adopt SAP, an enterprise resource planning system, for continual improvement in business processes and progress monitoring against key performance indicators. Besides, E&P data management project has been initiated to serve as a comprehensive knowledge archive to facilitate quick access to available information for technical staff.



Directors' Report

Block 2467-12 (Jungshahi) (PPL share 100%)

Geological Fieldwork in Jungshahi Block was carried out during April to September, 2010.

2D seismic data for 623 line km was acquired during May, 2010 to January, 2011. Processing of data is in progress at WesternGeco, Cairo office and is expected to be completed by July, 2011.

Regional source rock study for Jungshahi, Kotri & Kotri North Blocks has been initiated and expected to be completed by November, 2011.

Block 2763-3, 2764-4, 2763-4 (Kharan, Kharan East, Kharan West) (PPL share 100%)

Geological Fieldwork has been carried out and post fieldwork studies are in progress. 2D seismic acquisition is planned in first quarter of 2012.

Block 3371-15 (Dhok Sultan) (PPL share 75%) PPL / GHPL Joint Venture

Reprocessing for Time Migration of 509 line km seismic data has been completed. The new technology of Reverse Time Migration (RTM) in depth domain was tested (first time on any dataset from Pakistan) on a single line, the results found to be encouraging, more RTM work is being perused to resolve the structural complexities.

Block 2468-12 (Kotri) (PPL share 100%)

Recording of 2D seismic data was commenced in February 2011. A total of 592 line km of seismic data against the planned 610 line km have been recorded. Contract for processing / reprocessing of about 750 line km 2D seismic data was awarded to SAGeo, Islamabad. G&G data evaluation is in progress.

Block 2568-21 (Kotri North) (PPL share 100%)

Acquisition of 568 line km 2D seismic was completed in January, 2011 and its processing is in progress.

Geological Fieldwork was conducted during February to March, 2011.

Block 2468-10 (Sirani) (PPL share 75%) PPL / GHPL Joint Venture

2D seismic data acquisition of 589 line km was completed in October 2010 by BGP. Processing of newly acquired 2D seismic data has been completed by SAGeo, Islamabad. Interpretation and mapping is in progress. The bidding process has been initiated to start 3D seismic acquisition by November 2011. In-house G&G evaluation is continuing.

Block 3170-6 (Dera Ismail Khan) (PPL share 100%)

Mapping and Gas-in-Place (GIIP) estimates have been completed for Lower Goru Play. Following the economic evaluation plan, further exploration activities will be firmed accordingly.

In-house evaluation of G&G data is in progress.

Block 2668-9 (Naushahro Firoz) (PPL share 100%)

2D seismic data for 647 line km have been acquired. Processing of newly acquired data is in progress at SAGeo, Islamabad. In-house G&G evaluation is in progress.

Block 2667-11 (Zamzama South) (PPL share 100%)

Seismic data acquisition is in progress and so far 60 line km 2D Seismic data have been acquired out of planned 400 line km. In-house evaluation of G&G data is in progress.

Block 3270-7 (Zindan) (PPL share 35%) PPL / MGCL / GHPL / SAITA Joint Venture

Zindan Block, granted to Saita Pakistan Pte Ltd in February 2010. Subsequently, 95% working interest along with operatorship transferred to PPL through an Assignment Agreement executed on 13 April, 2010. The farm out agreement for 25 percent working interest with GHPL and 35 percent working interest with MGCL has been executed.

Geological Fieldwork and preliminary volumetric and economic evaluation of Isakhel West lead have been completed. While processing of vintage seismic data is in progress and new 2D seismic data acquisition is planned. Following the completion of IEE studies, public hearing was held and NOC have been obtained for seismic and drilling activities in the block.

PARTNER OPERATED BLOCKS

Block 2768-3 (Block-22) (Hamza Appraisal) (PPL share 45%) PPL/PEL/PYRAMID/GHPL Joint Venture (Operator PEL)

Hasan -4 development is expected to come on stream in third quarter of 2011. Drilling rig contract has been finalized and arrangement for the civil works is being made.

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

The 8th exploratory well Tolanj X-1 drilled to TD 5,500m and successfully completed as a gas / condensate discovery. The 9th exploratory well Makori East-1 drilled to TD 4,900m and successfully completed as an oil /gas discovery.

Interpretation of Mamikhel-Maramzai 3D seismic data is in progress. Trial processing Reverse Time Migration (RTM) is underway for parts of Makori & Makori East area to see if this would be beneficial in the understanding of complex structural trends.

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

Acquisition of 242 sq. km 3D seismic and 100 line km 2D seismic on the Rehman-1 discovery has been completed. Processing of newly acquired 2D (100 line km) seismic data is in progress while 3D data processing (242 sq. km) has been completed.

The appraisal well Hallel X-1 at Rehman-1 discovery structure is being drilled as a re-entry well at previously drilled Hallel-1 well. The drilling operation at Hallel X-1 well was commenced in March 2011 with a planned TD of 3,497m and plan to drill about 500m 6" horizontal hole in Upper Pab Sandstone reservoir and hydraulically fracture it in two sections.

Operator has submitted request to the Government for grant of 15 months extension in the third licence year to complete the exploration work program and carryout EWT activities.

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

Appraisal well Mela-3 drilled to a TD of 5,370m in the Lockhart formation. Testing resulted in no flow and the rig was released on 30 March, 2011. The well continues to be under rigless production testing.

Appraisal well Nashpa-2 spud-in in September 2010 with planned TD of 4,250m in Datta formation. After drilling up to 4,367m in the Datta formation drill string got stuck and efforts are in progress to release the stuck string.

Appraisal well Nashpa-3 spud-in on 30 March, 2011 with planned TD of 4,130m in Datta Formation. Well was drilled to 2,402 m and currently casing job is in progress.

Re-processing of 425 line km 2D seismic data is in progress. The crew was mobilized in June, 2011 for recording 350 sq. km 3D seismic over Mela-Bragai. The survey is in progress.

The Government has approved 18 months extension in the first year renewal till 16 October 2011.

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

Joint Venture agreed to apply for 2nd license renewal for two years from 1 July 2011 against commitment of an exploratory well over Mehrab Prospect and relinquishment of 149 sq.km area.

Prospectivity evaluation of Latif South area, 3D reservoir modeling & GIIP estimates of Latif discovery was completed. Evaluation of 3D merged seismic volume of Gambat-Latif area, sequence stratigraphy and facies classification of Latif discovery are in progress.

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

Development well Tajjal-4 was drilled to TD 3,835m and completed as gas producer.

Lundo Prospect has been firmed up for drilling of exploration well, while evaluation of remaining block prospectivity is in progress.

3D seismic inversion of merged volume (1,763 sq. km) of Gambat-Latif area has been completed and its interpretation / evaluation is in progress. Tajjal 3D reservoir static model is being updated by incorporating well data of Tajjal-4. Tajjal FDP has been submitted to Government.

The Government has granted the one year extension in the third renewal period till 2 March, 2012.

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

Final interpretation of Mega Merge 3D Seismic data has been completed. Revision of the "B" Sand mapping / prospectivity by incorporating Miano West 3D has been completed and location of exploratory well Misri Bhambro-1 has been finalized.

The Government has granted 2nd renewal of 2 years with effect from 16 October, 2010.

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)

In Block M, post well G&G studies have been completed. The block has been relinquished in December 2010.

In Block-C, (i) Interpretation of 1,575 line km 2D seismic vintage data, (ii) 2D PSDM processing & AVO study on selected lines using Pakcan-1 well and (iii) evaluation of

Surmai prospect based on newly acquired 222 line km 2D seismic data has been completed.

Further exploration activities in block M and C are linked with a possible synergy with Block G for which the process of reassignment of interests is underway.

The license for Block-N is valid until 24 August 2011. Operator is seeking for two year extension without any further commitment. PSDM processing and interpretation of 739 sq. km 3D PSDM seismic data of Dawan prospect completed, G&G studies are in progress.

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

Baska Joint Venture entered in the 2nd Licence year with effect from 1 January 2010 with the firm commitment of 100 sq.km 3D seismic and drilling of an exploration well.

Based on the Geological Fieldwork conducted in October 2010 in the northern part of the Block, Domanda anticline has been identified as a prospective candidate for further exploration, in addition to Savi Ragha and Drug NW structures.

The 3D Seismic data acquisition of 117 sq. km over Drug NW structure is underway.

Block 2568-20 (Sukhpur) (PPL share 30%)
PPL / Eni / Shell Joint Venture (Operator Eni)

Sukhpur Block was granted to Eni as Operator in February 2010.

Acquisition of 993 line km 2D seismic data completed. Processing / reprocessing of newly acquired & vintage data is in progress at WesternGeco, Cairo.

Block 2468-9 (Jherruck) (PPL share 30%)
PPL / NHEPL / KEC Joint Venture (Operator NHEPL)

Jherruck Block was granted to NHEPL as Operator in January 2008. PPL has become partner with Working Interest of 30% with effect from 15 October 2010.

The 1st Exploratory well was spud in December, 2010 and reached total depth of 2,800 meters. Well was suspended and rig was released in February, 2011 as well flowed non-commercial gas. Hydrocarbons were encountered in Lower Goru Formation (Upper Sand), but reservoir is tight with low porosity and permeability which resulted in low flow rates.

JV partners agreed to appraise Jherruck B-1 as a Tight Gas discovery and requested the Government to treat this appraisal under the purview of new Tight Gas Policy 2011.

Detailed appraisal program is being finalized by Operator while work on remaining prospectivity of the block is in progress.

Block 2568-19 (Digri) (PPL share 25%)
PPL / BP Joint Venture (Operator BP)

Digri Block was granted to BP as Operator in February 2010. PPL has become partner with Working Interest of 25% with effect from 7 March 2011.

Seismic interpretation of vintage data completed. 3D seismic of about 1,700 sq. km is being planned.

Farm-out of New Exploration Areas

Farm-out campaign launched subsequent to 2009 bidding round continued during the current year with objective to form strategic alliances with reputable E&P companies outside Pakistan resulting in value addition to the Company's portfolio of exploration assets through technology transfer and increase in exploration portfolio for increased chance of success.

The Company acquired 35 percent working interest in Ghauri Block against swap of interest in Zindan Block, while data review in various blocks by a number of reputed local E&P companies is currently underway.

International Exploration and Development

As part of its strategy to replace production and reserves and thus secure country's energy supplies, PPL has evaluated international exploration opportunities. PPL already has working interest in Block 29 of Yemen with OMV (Operator) and Yemen General Corporation for Oil & Gas (YGCOG). PPL has gathered a significant amount of G&G data and information on fiscal terms, petroleum rules and regulations of different countries of interest. This data, information base and the technical experience gained by evaluating several international opportunities has provided a base whereby evaluations leading to rational decision can be achieved promptly.

Yemen

Block-29 (PPL share 43.75%)
OMV / PPL / YGCOG Joint Venture
(Operator -OMV)

Preparation for gravity / magnetic survey and Geological Field Work (GFW) has been completed. Crew mobilization and GFW to be initiated as soon as security situation improves.

Feasibility study for reprocessing of purchased 900 line km 2D is in progress. Planning of 2D seismic acquisition will be initiated soon. G&G studies are in progress.

Directors' Report

PPL's Plan for the Exploitation of Unconventional Resources

PPL has embarked on an Unconventional Resource Exploitation program from R&D perspective. The PPL strategy map for these resources focuses on the exploitation of the Tight Gas Resources (TGR) and Shale Gas potential in the country.

PPL project plan comprises short, medium and long-term objectives with the short-term tasks & targets stretching over a period of three years which cover the reconnaissance, prospecting, exploratory drilling and early production phases. The aim is to plan and design multi-well Production Pilots as a mid-term objective and generate the much needed geological and technical data. This data would greatly facilitate the exploitation of Shale Gas and TGR in Pakistan by PPL and other local and international E&P companies. Work has been initiated on gathering pertinent borehole data with the objective of identifying potential targets.

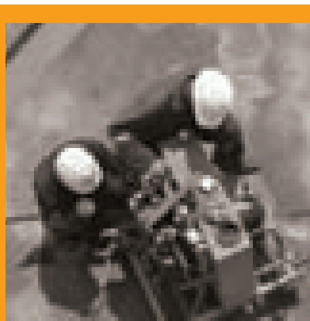
PPL is already carrying out a project to identify the areas of Shale Gas potential in collaboration with Eni Pakistan. Reconnaissance comprising the first pass regional screening to identify and select sub-basins has been completed and selected regions are now being evaluated.

FUTURE PROSPECTS AND PLANS

Given the large number of exploration licenses acquired lately, the company is optimally positioned to achieve its reserves replacement targets through organic growth. A matrix organization structure of the Exploration group has allowed the sharing of resources across G&G teams handling different blocks (Assets) while assuring consistency of risks and resources.

Having a large E&P database accumulated over the five decades, PPL is well-placed to continue its rigorous exploration campaign by pursuing the following:

- Keep a manageable portfolio of operated and partner-operated areas with a mix of low to medium and high risk areas
- Develop an inventory of prospects based on detailed evaluation leading to drilling of low risk exploration wells
- Continue with R&D and provide its input, where required, to all stake holders especially Government in finalizing a frame work policy on unconventional resource with a view to subsequently tapping unconventional plays i.e. tight and shale gas plays
- Explore deeper prospects in PPL operated producing assets
- Endeavor to acquire undeveloped and partly-developed reserves on favorable terms
- Focus on basin analysis and thorough prospectivity evaluation by utilizing state of the art technical and interpretive skills to understand and mitigate the risks associated with different plays in different areas



BOLAN MINING ENTERPRISES

Bolan Mining Enterprises (BME), a 50:50 Joint Venture between PPL and the Government of Balochistan (GoB) has its own grinding mill of 50,000 tonnes per year (tpy) capacity and over the years has met almost 80% of the total barytes requirement of the oil exploration companies operating in Pakistan. Bolan 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 pre-tax profit of Rs 138.864 million from Barytes Project, Khuzdar during the financial year as compared to Rs 148,820 million earned in 2009-10. The sales of Barytes was 41,316 tonnes during the year.

After appropriation of Rs 27.440 million towards reserve for development and expansion, your company's 50% share of the profits was Rs 55.712 million.

MAJOR BUSINESS RISKS AND CHALLENGES

The Company operates in a challenging environment with a degree of uncertainty inherent in the E&P business which may adversely affect its' operations and profitability. The Company has tailored its business strategies accordingly to effectively address the risks and has developed a well integrated mechanism which identifies potential risks, evaluates and prioritizes them and prompts timely and appropriate actions to keep risk level within tolerable limits.

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

MAJOR 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. While the price risk is largely beyond Company's control, however, prices of Company's major product i.e. natural gas are less prone to this risk since the gas prices are subject to sliding scale / zonal discounts which reduce the impact of variability of crude oil prices on the gas prices. In addition gas prices of certain fields including Adhi, Manzalai, Makori, Block-22, Nashpa etc. are capped at fixed crude oil / HSFO prices and are affected only in case the international crude oil price falls below the capped price.
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.
Security conditions at locations disrupting operations and exploration efforts	Field exploration and production activities carried out under strict security cover arranged in collaboration with law enforcement agencies and security personnel. The Company has well-defined Emergency Response Procedures in place at all field locations. A crisis management and business continuity plan has been developed by the Company to avoid business disruptions in all possible crisis scenarios.
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. Intervention of Government authorities are sought wherever considered necessary.
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.

Objective Solutions

Good corporate governance warrants objective thinking and decision making. Practically, this calls for calibrating business priorities with obligations of responsible entrepreneurship within and outside the company.

At PPL, strict adherence to best management and operational processes and systems coupled with independent monitoring and oversight by a dedicated audit department ensures transparency and timely course correction, if required. Currently, 13 fields and facilities are certified for ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Assessment Series and 12 fields and departments for ISO 9001 Quality Management System.

It is in recognition of its commitment to these practices that the company has received the Management Association of Pakistan's award in the fuel and energy sector and featured in the Karachi Stock Exchange 'Top 25 Companies' for three and four consecutive years, respectively.

Directors' Report

HUMAN RESOURCES

The Company believes that for enhanced production related activities to optimize production from its existing fields, additional resources particularly in Geosciences, Production, Reservoir, Drilling as well as support departments are required to effectively manage the Company's operations and to complement its aggressive Exploration and Production strategy. To this end our human resource strategy is geared for recruitment, capacity building and retention of top-calibre staff through an enabling corporate environment, competitive remuneration and timely acknowledgement of initiative and performance. In addition to the above, the Company plans to make efficient use of the manpower resources by in-sourcing relevant staff on need basis for project based assignments to optimize existing establishment and meet cyclic requirement of work programs.

It is imperative that PPL needs to stay a step ahead of its competitors so as to be able to attract, retain and motivate its staff by offering market based compensation and competitive employment terms. In this regard certain specific measures have been envisaged such as aligning compensation practices with benchmark companies to improve staff retention particularly in core technical areas, imparting focused training and development to ensure capacity building and fast tracking of competent personnel, and enhancing communication effectiveness through increased interaction with Company staff and greater employee engagement.

Our top performers are acknowledged through a Performance Excellence Award programme which aims not only at rewarding and instilling a sense of pride in high performers but also motivates other staff to emulate their high-performing peers.

It is our endeavour to make PPL an employer of choice by adhering to best corporate governance practices and values that are hinged on merit, equity, enablement, career progression and due recognition.

BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

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

In addition to above, a "Whistle Blowing" policy is in place that encourages transparency and reinforces the Company's resolve to carry out its operations in a fair manner. This policy provides PPL employees and vendors an avenue to raise concerns, in line with PPL's commitment to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication.

TRAINING AND HUMAN RESOURCES DEVELOPMENT

PPL strongly believes in investing in its human capital in order to equip them with up-to-date knowledge and skills to create and sustain a culture of high performance in a competitive business environment. Training continues to be an area of focus that supports and builds organizational capability for continual innovation and change. It continues to contribute to the development of our human resource, by focusing on technical as well as soft skill areas of competence development.

From open enrolment offerings to customized learning opportunities, our programs are aimed to transform today's executives into tomorrow's innovative leaders who will take key roles in shaping the future outlook of the Company.

Training needs are assessed regularly which result in the identification of learning and development opportunities for staff, which are then reflected in the form of training events, organized either in-house, or by sending staff on training programs organized by external training providers both locally and abroad.

During the year, a total of 2,091 staff members attended various training programs ranging from soft skills to technical, quality, health & safety related courses, workshops & seminars.

As part of our two year On-the-Job trainee program 85 fresh graduates from various universities all across Pakistan including 5 Special Trainee Engineers from Sui / Dera Bugti are also gaining professional exposure at Sui Gas Field. In addition, 15 diploma holders from Sui / Dera Bugti are also gaining professional exposure under Special Trainee Technician scheme at Sui Gas Field.

Apart from this summer and winter internships are regularly offered to students every year in various professional disciplines at Head Office and field locations for duration of 4 to 6 weeks.

PPL has successfully completed a pilot project with PetroSkills for Developing Technical Job Competency Models for selected job positions in Exploration, Drilling, Reservoir Engineering and Production Engineering. A total of 37 technical personnel participated in this project, and based on the outcomes it has been decided to continue with the pilot project for another year for assessing, monitoring and ensuring competency development of staff.

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.

Recreational and motivational activities in the form of Annual Sports and Long Service Awards ceremonies were organized at Sui, Kandhkot, Adhi Fields and Head Office. Moreover, social and recreational events for workers and management staff were also arranged at Sui Field and Head Office. The events were largely attended by the employees and their families and were very well received by all.

Negotiations on Charter of Demands (COD) for the year 2009 - 2010 concluded amicably in August, 2010 and an Agreement in this regard was signed by Management and CBA Union in September, 2010.

The tribo-political environment continued to be conducive facilitated by the District Administration and vigilance of law enforcing entities.

Employment of Special Persons

Company is complying with the mandatory requirements of employment under disabled persons' quota in accordance with section 10 of the Disabled Persons (Employment & Rehabilitation) Ordinance, 1981.

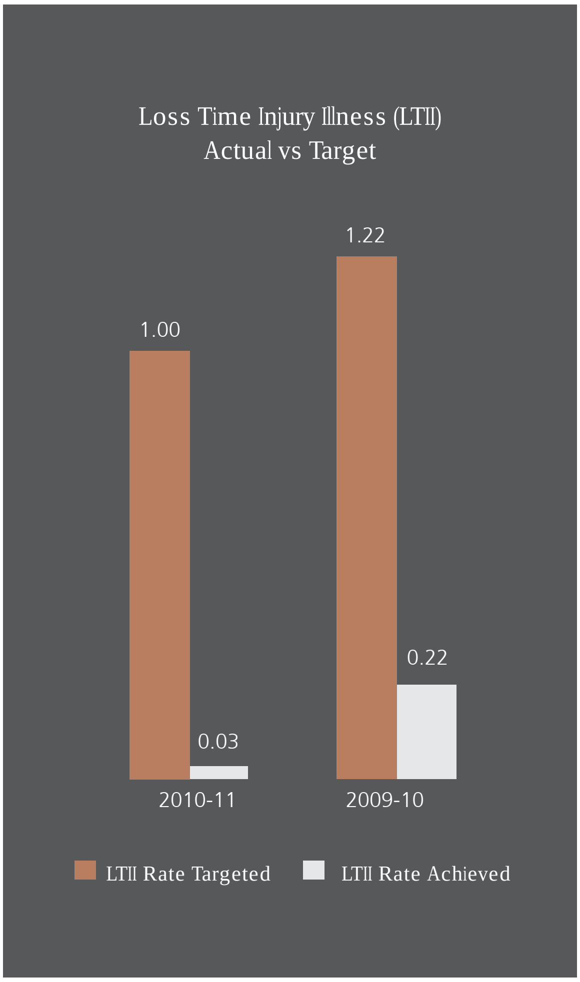
OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT

Health and Safety of employees, contractors and visitors along with protection of Environment associated with Company's activities remains the top priority at PPL. PPL's well-defined HSE Policy plays a key role in its decision making process to ensure compliance of statutory requirements and to achieve continual improvement in HSE Management System implementation. PPL is committed to align its activities in line with international standards and industry best practices to achieve 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 for root cause establishment and prevention of recurrence through close follow-ups. LTII target is set at the beginning of each year as a HSE Key Performance Indicator (KPI), on the basis of target achieved in preceding year and taking into consideration control measures adopted. LTII Rate of 0.03% had been achieved against the set limit of 1.00% for the year 2010. HSE Internal & External Audits of all PPL Departments / Fields are conducted at set frequency to evaluate compliance against Company policies, procedures together with international standards requirements.

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. Apart from routine measures, including proper disposal and minimization of waste, the Company follows the policy of growing more and more trees around its development projects and promotes “green practices”.

PPL Fields & Departments which acquired / sustained ISO 14001 and OHSAS 18001 certifications included Kandhkot, Adhi, Mazarani, Chachar, Sui Field Gas Compression Station, Sui Production, Sui Field Engineering, Stores and Hospital together with Drilling Operations, Design and Construction, HSE and Projects Departments respectively. In addition Sui Purification is also certified on OHSAS 18001 certification.



Directors' Report

Environmental Protection Measures

Compliance to statutory requirements holds prime importance at PPL. Initial Environmental Examination (IEE) & Environmental Impact Assessment (EIA) studies are conducted as prerequisite for all development projects including Exploration, Drilling and Field Development Activities in pursuance of Pakistan Environmental Protection Act, 1997.

Environmental monitoring of effluent & emissions is conducted at all operated Fields through external laboratory on monthly basis for compliance of National Environmental Quality Standards (NEQS). Electronic reports are submitted to provincial EPAs through Self Monitoring and Reporting Tool (SMART) Software registered with Federal Environmental Protection Agency.

Independent monitoring of operational activities in environmentally sensitive areas of exploration blocks in Sindh is undertaken through Consultant to review and report environmental compliance to concerned authorities e.g. Sind EPA and Forest Department respectively in line with requirements set forth in associated environmental studies and NOCs.

ENERGY CONSERVATION

As a key producer of safe energy from indigenous natural resources, PPL is eminently aware of the country's need for conservation to bridge the gap between energy supply and increasing demand. To this end, energy conservation in day-to-day operations at all Company offices and field locations continued.

The Company participated as Corporate Ambassador in Earth Hour 2011, a global energy conservation initiative led by World Wide Fund (WWF) for Nature - Pakistan. To mark the occasion and promote awareness among staff, all lights and other equipment were switched off at PPL offices and field locations for one hour on 26 March 2011.

BUSINESS CONTINUITY PLAN (BCP)

The Management has embarked on Business Continuity Plan (BCP) in accordance with the Good Practice Guidelines 2010 of the Business Continuity Institute and broadly following the procedures of British Standard (BS 25999). The Company has engaged a Consultant for implementing Business Continuity Management (BCM). Business Resumption plans for all departments and field locations have been developed. In addition, recovery alternatives and business recovery teams have been identified. The Awareness and Training program along with testing has also been completed for all field locations. An IT Disaster Recovery Site has been established and tested.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Philanthropy

PPL's CSR policy is driven by the imperative need to positively touch the lives of its stakeholders, with special emphasis on the indigent communities of the society where the Company conduct its business. During past six decades, PPL's philosophy remained to conduct business in an ethical and responsible manner, bringing development to the land where it operates. The Company takes on social initiatives which it considers that its contribution would improve the lives of its communities.

PPL's CSR initiatives over the years and in the year under review have focused on education, health care, infra-structure development, skill development and livelihood generation. In addition, PPL has always come forward in a big way to alleviate the sufferings of the humanity in times of any disaster through emergency relief and rehabilitation. PPL's CSR objective has always been the welfare of its communities through innovative, equitable and sustainable schemes. With the passage of time, PPL's CSR program has evolved in creating and strengthening institutions for long term development of the area.

As evident by the wide and diverse outreach of CSR program, PPL is an un-matched market leader in corporate philanthropy. CSR at PPL is concentrated in its operational areas, but it also extends financial and in-kind support to deserving causes across the country, as a responsible corporate citizen. The Company has dedicated a budget of minimum of 1.5 percent of annual pre-tax profit for CSR activities.

National Cause Donation-Emergency Relief

In 2010, Pakistan was hit by deadliest calamity of its history as approximately one-fifth of Pakistan's total land area submerged under water and more than 20 million people were affected. The damage to Pakistani economy was unprecedented.

The worst affected areas where the river Indus has inundated and engulfed thousands of villages occurred in District Kashmore and District Kambar-Shahdadkot where PPL production fields exist. To cope with the adversity, PPL rose to the occasion and distributed emergency relief goods in flood affected areas of Kandhkot, Karampur, Kambar and Shahdadkot. Considering the wide spread destruction, emergency relief were also sent to far-flung areas such as Barkhan, Sibi, Quetta, Nasirabad / Jaffarabad, Tando Mohammed Khan and Dera Bugti. During the campaign, more than 13,500 food packets were distributed to flood affectees. Besides, PPL also donated Rs 20 million to Prime Minister's Flood Relief account while PPL employee's contributed one day's salary to the fund.

PPL also provided medical relief to flood victims through medical camps arranged by a team of qualified doctors and paramedic staff. At Kandhkot, medical camps treated 6,193 patients held at various locations. Similarly, 1,950 patients were treated in medical camps held in and around Kambar town. Support in terms of emergency relief medicines were also provided to RHC Karampur, District Govt. Kambar-Shahdadkot and District Govt. Sanghar.

PPL is working on a rehabilitation plan of Kandhkot riverine area, destroyed by the flood with the help of credible NGOs which is expected to commence shortly.

Community Investment and Welfare Schemes / Welfare Spending for Under-privileged Classes

PPL as a corporate philosophy supports disadvantaged and deprived segments of the society and has a long history to work for betterment of its communities and uplift of under-privileged segments of the society. The Company's community development schemes are designed to address the needs of the communities in a sustainable manner. For this purpose, need assessments are carried-out in consultation with local community and district government representatives to firm up welfare schemes.

Currently, our host communities at Sui, Kandhkot, Adhi, Mazarani and Hala are benefitting from extensive list of welfare schemes initiated by PPL such as free gas supply to Sui town, free water supply to Sui town and Ghaibi Dero, operations of mobile dispensaries, scholarship schemes, free medical camps, eye and scabies camps, skill development programmes, traditional birth attendants' trainings, operating triple merger centers and various degrees of support extended to public welfare institutions in the area.

These investments are aimed at welfare of our communities in a planned, tangible and sustainable manner which ultimately leads to long-term development of the area.

Rural Development Programmes

PPL adopts an integrated rural development programme with the engagement of local stakeholders. The objective of such rural development programmes are two folds: first to build essential infrastructure and second to equip locals with necessary skills to help generate livelihood opportunities.

Besides building and upgrading educational and healthcare facilities, PPL also undertakes major infra-structure development projects in its operational areas including construction of roads, bridges, culverts, etc for improving quality of rural life.

PPL Welfare Trust

In order to ensure transparency, sustainability and cohesion, part of the Company's social welfare activities are also overseen by PPL Welfare Trust founded by the Company in 2001.

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

Relief & Rehabilitation

- Operated PPL Rehabilitation Centre at Bagh with the help of Pakistan Institute of Orthotic & Prosthetic Sciences, Peshawar

Education:

- Constructed and operated 3 PPL - TCF Primary Schools at Kandhkot
- Contributed to Balochistan Institute of Technical Education (BITE) for empowerment of Baloch youth
- Awarded scholarships to students of District Dera Bugti to pursue Higher Professional Education at HEC recognized institutions outside Balochistan
- Awarded scholarships to passed-out students of Technical Training Centre, Sui for diploma of associate engineering
- Granted scholarships to local students of Sui at Balochistan Public School, Sui
- Operated Sui Model School & Girls College, Sui
- Donated furniture and fixture to Govt. Inter Degree College Dera Bugti
- Provided furniture to 10 government schools nearby PPL Adhi Field
- Completed major refurbishment of school building of Govt. Girls High School, Barkhan
- Constructed sanitary facilities at Govt. Girls Primary School-Tirati and Govt. Boys High School-Naban Janjua
- Provided school furniture to Govt. Boys Primary School-Jalo Khan Chachar, Govt. Girls Primary School-Rasool Bux Chachar, govt. Boys Primary School-Hazoor Bux Chachar and Govt. Boys Primary School-Bahawal Khan Chachar
- Provided school furniture to Mai Maryam Govt. Girls High School, Tando Adam near PPL Hala Field

Directors' Report

- Extended support in-kind to Technical Training Centre, Sui
- Contributed to National Commission for Human Development (NCHD) for 2nd phase of adult literacy program at District Dera Bugti and District Sibi
- Sponsored wages of 4 teachers appointed to operate Govt. Boys Primary School-Ghaibi Dero and Govt. Boys Primary School-Ghazi Khan Chandio, near PPL Mazarani Gas Field
- Contributed toward construction of 4 laboratories at Chemical Engineering Department at University of Karachi

Healthcare:

- Operated free mobile medical dispensaries in 12 colonies of Sui town and in 28 villages in close proximity of PPL Mazarani Gas Field throughout the year
- Commenced operation of Mobile Medical Dispensary for 22 villages existing nearby well sites of PPL Kandhkot Gas Field at riverine area of river Indus
- Continued support to Marie Adelaide Leprosy Centre to operate and manage Triple Merger centres at Kandhkot, Kech and Panjgur for free treatment of Leprosy, TB and Blindness.
- Held 3-day free surgical camps at RHC-Sui, DHQ Hospital-Dera Bugti, Civil Hospital-Kandhkot, Taluka Hospital-Kambar, Taluka Hospital-Tando Adam, RHC-Daultala, RHC-Pirphullai and BHU Dhoong in the process providing treatment to 9,940 patients in OPD with 6,618 patients provided with spectacles and 681 surgeries carried out
- Organized 2 scabies camps at Ghaibi Dero and 2 camps held at Kandhkot for treatment of skin diseases
- Provided medicines to Rural Health Centre (RHC), Sui throughout the year
- Carried-out renovation of RHC, Sui and provided medicines to the centre
- Contributed to "Janum" for improvement of material health standards through intensive training courses in Emergency Obstetrics and Neonatal Care
- Supported Javed Memorial Trust for purchase of equipments to Javed Medical Complex, Panjgur
- Supported Nigahban Welfare Association for purchase and installation of Endoscopic Retrograde Cholangio Pencreatography at Surgical Unit IV of Civil Hospital, Karachi
- Contributed towards purchase of psychotropic medicines for Karwan-e-Hayat Psychiatric Care & Rehabilitation Centre, Karachi throughout the year
- Sponsored 10 dialysis patients at Zubaida Medical Centre, Karachi
- Sponsored 27 dialysis patients at Sindh Institute of Urology and Transplantation (SIUT)
- Contribution to Pink Ribbon Pakistan for early detection of cancer
- Contribution towards construction of Chest Ward at Jinnah Postgraduate Medical Centre (JPMC), Karachi

Public Welfare & Goodwill

- Constructed and furnished Bhao Dur Mohammed Trust Public Library at Kambar town
- Operated Computer Training Centre and Public Library at Sui town
- Repaired Public Club at Kalat town
- Donated 2 written-off Suzuki Bolan vans to Hunnar, Quetta after necessary refurbishment for empowerment of poor women of Balochistan
- Constructed sports pavilion and ground at village Naban Janjua, near PPL Adhi Field
- Contributed to Behbud Association for installation of lift at Behbud Complex, Karachi
- Provided free gas to general public of Sui town

Special Children & Child Protection

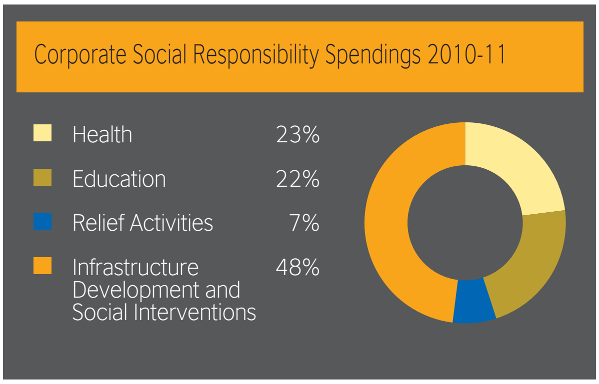
- Contribution towards construction of SOS Children Village of Jamshoro
- Donated hearing aids with accessories to Institute for Special Children, Quetta

Skill Development & Livelihood Generation

- Imparted Heavy Transport Vehicle driving training to locals of Sui, Kandhkot, Gujjar Khan and Kambar-Shahdadkot at NLC Driving Training School, Dina

Water Supply Scheme

- Provided clean water to general public of Sui town
- Contributed towards establishment of new water supply system at Sui town
- Provided potable water to village Ghaibi Dero near PPL Mazarani Gas Field throughout the year



BUSINESS PROCESS RE-ENGINEERING/ DEVELOPMENT ACTIVITIES

INFORMATION TECHNOLOGY

The in-house SAP Competence Centre plays a major role in setting up a continuous process improvement cycle that impacts both strategic as well as operational activities. As part of the Optimization Phase the focus has been on process integration, data consistency, business process management and reduced paper work. The milestones accomplished include integration of SAP Plant Maintenance with ISO based Quality Management System, Personnel Cost Planning, Reservation Workflow System, Change Request Management and SAP eAuthorization.

The backend server and storage provides the backbone of entire IT services. Conscious efforts and focus is to keep this vital component operational with highest level of availability through proactive management and upgrades. The network storage system is being upgraded to accommodate additional storage required due to operational reasons.

Considering the importance of Internet connectivity, redundant ISP connectivity through multi homing feature for load sharing of the two links has been implemented. PPL also procured its own public IP's with the objective to eliminate dependency on any ISP. To provide improved internet browsing experience at field locations, Cache servers have been planned which will also provide improved utilisation of WAN links.

Company wide utilisation of PPL's SharePoint portal has also increased in the recent past and now user departments are being encouraged to use the same as content management platform. Upgrade to SharePoint 2010 has been planned and workflow system implementation is underway which will further enhance the functionality towards ultimate objective of paperless environment.

The network performance is monitored and managed through advanced network management systems; better cost-performance options are being identified and evaluated to more efficiently deliver centralized IT Services to remote locations.

Various other initiatives are also planned to optimally utilize the IT assets through compression technologies and also towards automated data protection and back-end management of infrastructure, client computers, and devices. End point security through implementation of Microsoft's NAP (Network Access Protection) is in final stages, which will be a step towards ultimate objective of secure computing environment.

QUALITY MANAGEMENT SYSTEM

PPL is actively progressing with its plans to enhance assets integrity with institutionalization of quality in various business processes.

Continuation of implemented ISO 9001 Quality Management System is progressing smoothly with increasing ownership and addition of Joint Operations Department at Head Office. This has brought the total number of departments / production facilities certified as per ISO 9001 Quality Management System by SGS Pakistan to twelve.

Enhancement of implemented QMS has commenced by multiple initiatives. Further, QMS is being integrated to SAP QM and Audit Modules besides utilization of Portal for preparation and monitoring of annual plans. Upgradation of laboratory operations will be carried out by integrating technical features of ISO 17025 (Standard for Laboratories) to ISO 9001 QMS. Initially this will apply to Adhi Laboratory in fiscal year 2011-2012.

Implementation of 5S quality tool has also commenced at Sui Field Engineering as pilot project. This work will help to reduce waste of material and time, improve working practices and office management. Training sessions on Data Analysis has completed for six departments/production facilities and plan of further programs for Mazarani and Sui Production are in place. This will support environment for business process improvements extended with help of QMS. The aim is to enhance higher customer satisfaction, both internal and external and address matters like cost of quality.

Activities to ensure asset integrity are also sustained. Inspections of pressure vessels and Above Ground Storage Tanks are going according to plan with compliance of applicable QMS requirements. These are carried out with assistance of experienced independent bodies qualified to applicable international standards. Calibration, testing and inspection of measuring and lifting equipments are also streamlined with assistance of audits and relevant corporate level QMS procedure.

Directors' Report

Consumer Protection Measures

Maintaining the ISO certification is a proof of the sustainability of achievement accomplished for the quality services provided to our customers and the increased level of customer satisfactions as well as adopting and enhancing the best international practices and procedures.

NEW TECHNOLOGIES AND SOLUTIONS

Given a significantly expanded exploration program with stretched targets, the ongoing work program in Exploration is following multi-disciplinary innovative approaches for planning and execution of the tasks. Geological activities are being carried out alongside the seismic operations taking advantage of the logistics and operational synergies in the field.

New unconventional technologies and methods have been evaluated and are being employed to address the geological risks involved. For example Stress Field Detection (SFD) for delineating the presence of hydrocarbons, Reverse Time Migration (RTM), in-house seismic survey designing and reprocessing capability, use of digital geophones during seismic acquisition, Q-Land seismic for improved resolution and stratigraphic traps, cutting-edge logging such as borehole Sonic Scanner and DSI in shear mode for improved reservoir characterization and trap's definition. Integration of PSDM and RTM is being attempted for improved depth imaging of the deep and ambiguous hydrocarbon traps.

New seismic technology of multi-component seismic is under evaluation with reference to company's initiative to exploit the Tight Gas and Shale Gas. As new oil and gas prospects are being matured in PPL-operated blocks through an extensive in-house subsurface evaluation and quality assurance process, a busy exploratory drilling program has been prepared ahead of time to fast-track the drilling of prospective oil and gas traps at the earliest.

CORPORATE AWARDS

During the year PPL secured five major corporate awards as detailed below:

Karachi Stock Exchange Top 25 Companies Award

PPL maintained its position among Karachi Stock Exchange's Top 25 Companies for the year 2009 and featured on the list for the fourth consecutive year.

The companies were selected by the KSE on the basis of a comprehensive parameter, which includes dividend payouts, return on equity, compliance with Listing Regulations, sound corporate governance practices and Corporate Social Responsibility.

Corporate Philanthropy Award

In recognition of its social welfare activities, PPL was selected as the largest corporate giver in the category of total volume of donations for the year 2008 as well as 2009 at the Corporate Philanthropy Awards. The Company bagged the award for the fifth and sixth consecutive years in the same category.

PPL contributed Rs 525 million and Rs 388 million in the years 2009 and 2008 respectively towards various Corporate Social Responsibility (CSR) initiatives.

SAFA Award for Best Annual Report

PPL's Annual Report 2009 achieved a distinction by being conferred the 'Overall Winner' across all the categories by South Asian Federation of Accountants (SAFA) under the Best Presented Accounts Awards for the year 2009. In addition, the Company was also adjudged 'Joint Winner' of the 'Best Presented Accounts and Corporate Governance Disclosures Award' in the manufacturing sector. The prestigious awards ceremony was held in Nepal.

The Company made payment of Rs. 63 billion to the Government Exchequer during the year on account of taxes, royalties, excise duty, sales tax, GDS and dividends which is nearly double the amount paid during last year

Best Corporate Report Award for Annual Report 2009

PPL's annual report 2009 was chosen as the best in all sectors at the 'Best Corporate Report Awards' conducted by a Joint Committee of the Institute of Chartered Accountants of Pakistan and the Institute of Cost & Management Accountants of Pakistan. The Company also stood first among five shortlisted organizations in the Fuel and Energy sector for the second year in a row.

The award reaffirms PPL's adherence to best corporate governance practices and transparent accounting and financial reporting procedures in the interest of the Company and its stakeholders.

MAP Corporate Excellence Award

During the year, another milestone was achieved by PPL by securing the prestigious Management Association of Pakistan's (MAP) 27th Corporate Excellence Award in the Fuel and Energy sector for the third consecutive year.

MAP's Corporate Excellence Award seeks to recognize 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.

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, Tal, Nashpa and Hala fields for the financial year 2010-11 in terms of energy, was equivalent to around 186,000 barrels of crude oil per day resulting in foreign exchange savings of around US$ 5.3 billion for the current year assuming an average crude oil price of US$ 78 per barrel prevalent during the year.

In addition, payments to the Government Exchequer by the Company was around Rs 63 billion during the year (Rs 36 billion during 2009-10) 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 Chief Executive Officer. 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. 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. The function is also equipped with a dedicated Information Systems Audit Cell, which continuously monitors the IT operations of the company and provides independent and consultative information to the Board Audit Committee and the CEO, in apprising performance of IT strategy of the Company.

A strong control environment and established internal control framework exists in the company comprising clear structures, segregation of duties, authorization 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 is 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

The Board gives prime importance in conducting the business in accordance with the best international and

National Solutions

As one of the oldest and key national E&P companies in the country, contributing nearly 25 percent of total natural gas production, PPL has a major role to play in addressing the prevailing energy crisis and securing a safe energy future for the nation. That we own the responsibility seriously is evident by the company being the most active player in the last bidding round, clinching 14 blocks, and resuming operations in Balochistan despite volatile security situation, encouraging others to follow suit.

The company is equally committed to spurring welfare and sustainable development initiatives for disadvantaged communities through its Corporate Social Responsibility (CSR) programme and has won the Pakistan Centre for Philanthropy's award for largest corporate giver for six consecutive years.

Directors' Report

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

The Company recognizes and respects the rights of each and every stakeholder including shareholders, employees, financiers, creditors, business partners, local communities and others. 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 and other stakeholders and takes appropriateactions 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 behavior expected of them and binds them to demonstrate ethical, honest and responsible attitude. All Directors and employees are required to sign the Code of the 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 Chief Executive Officer, Chief Financial Officer and Executives of the Company were given written notices to immediately inform in writing any trading in the company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and form of share certificates to the Company Secretary. The Director(s) have reported the transactions carried out by them in Company shares during the year in compliance with the requirements of Code of Corporate Governance. The trading in shares of the Company carried out by Company's Directors / 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 there from has been adequately disclosed.

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

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

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

(viii) Key operating and financial data of last six years has been given on page 76 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, 2010 are as follows:

	Rs million
Senior Provident Fund	1,256.095
Junior Provident Fund	844.725
Executive Staff Gratuity Fund	374.710
Non-Executive Staff Gratuity Fund	320.821
Executive Staff Pension Fund	1,885.721
Non-Executive Staff Pension Fund	659.031

(xi) During the year twelve (12) meetings of the Board of Directors were held. Leave of absence was granted to Directors who could not attend some of the board meetings.

Attendance by each Director is summarized as follows:

Name of Director	Total number of Board meetings *	Number of Board meetings attended
Mr. Hidayatullah Pirzada	12	12
Mr. Asim Murtaza Khan ****	2	2
Mr. Khalid Rahman ****	10	10
Mr. Sajid Zahid	12	9
Mr. Irshad Ahmed Kaleemi	12	9
Mr. Saifullah Khan Paracha	12	12
Mr. Zain Magsi	12	4
Mr. Saquib H. Shirazi	12	8
Mr. Saeed Akhtar **	10	10
Mr. Javed Akbar **	10	9
Mr. Sher Muhammad Khan ***	5	5
Mr. Muhammad Naeem Malik ***	7	3

* Held during the period concerned Director was on the Board

** Elected on Board in the election of Director held in September, 2010

*** Appointed on Board in December, 2010 in place of Mr. Naeem Malik

**** Appointed as MD in May, 2011 in place of Mr. Khalid Rahman

(xii) A statement of the pattern of shareholding in the Company as at 30 June, 2011 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 155 of the Annual Report.

POST BALANCE SHEET EVENTS

Subsequent to the Balance sheet date, no significant change has occurred that warrants reporting to the shareholders.

CHIEF EXECUTIVE

Mr. Asim Murtaza Khan was appointed as the Chief Executive/ Managing Director of the Company in May 2011, in place of Mr. Khalid Rahman, till further advice from the Government for the appointment of a regular incumbent.

DIRECTORS

Since the last Annual General Meeting held on 29 September, 2010, two casual vacancies were arisen due to resignations of Mr. Muhammad Naeem Malik and Mr. Irshad Ahmed Kaleemi which were filled up through appointments of Mr. Sher Muhammad Khan and Mr. Raashid Bashir Mazari respectively.

AUDITORS

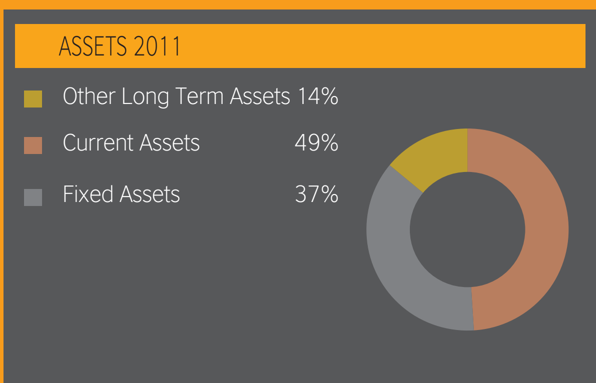
The auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for reappointment for the year 2011-12. The Audit Committee of the Board has recommended the reappointment of the retiring auditors.

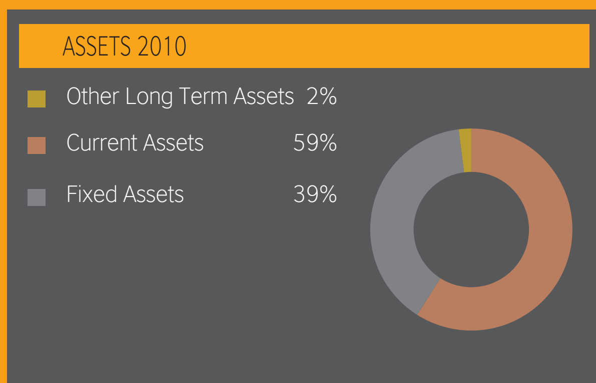
On behalf of the Board

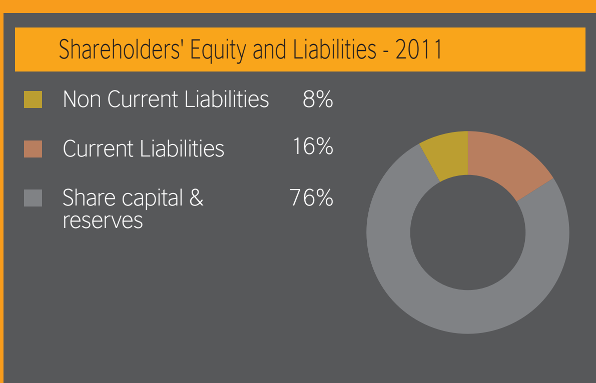
(HIDAYATULLAH PIRZADA)	(ASIM MURTAZA KHAN)
CHAIRMAN	CHIEF EXECUTIVE / MANAGING DIRECTOR

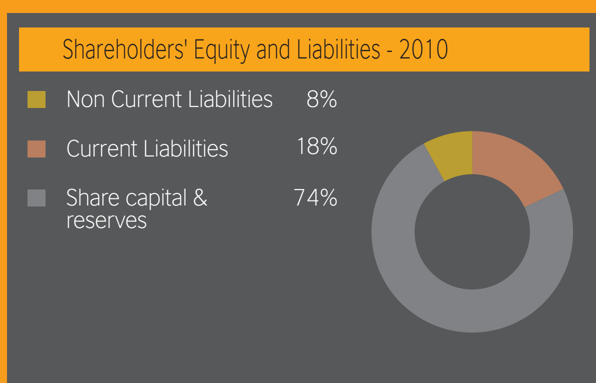
Karachi
9 August, 2011

Balance Sheet Composition

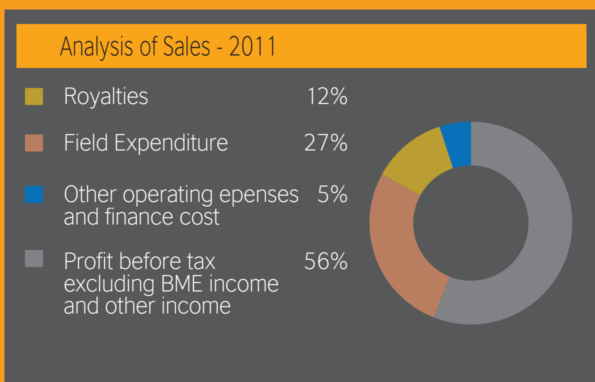


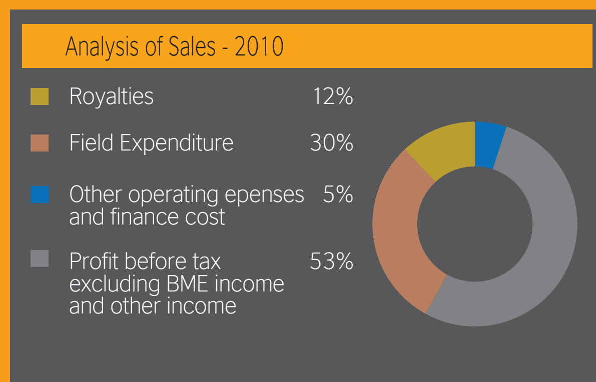


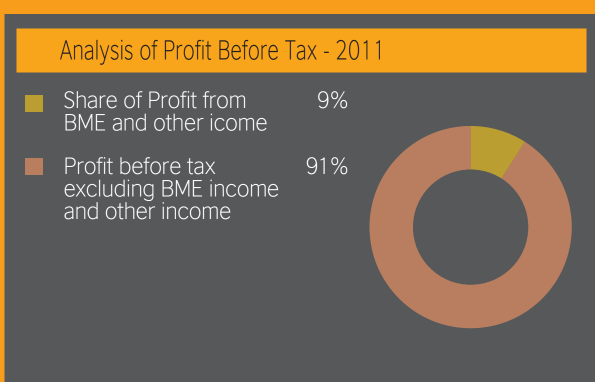


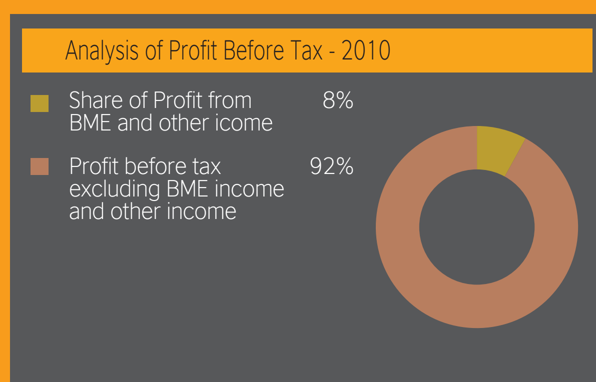


Analysis of Profit & Loss Account

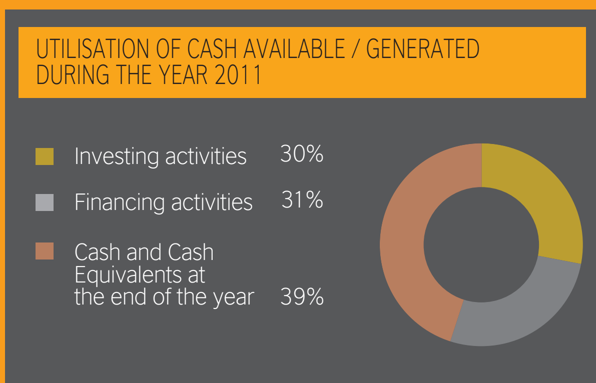


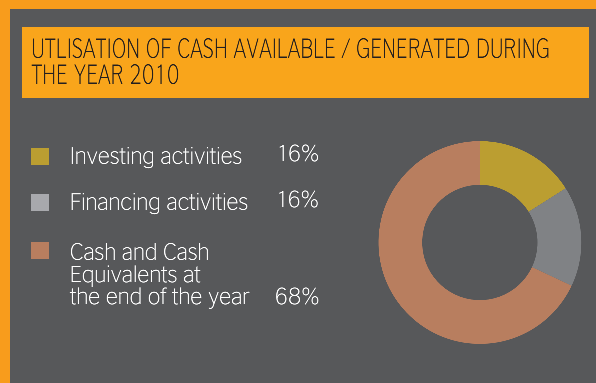






Analysis of Cash Flows





A total of Rs 27.7 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 30.1 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 57.8 billion. Out of this Rs 17.3 billion (30%) were spent on investing activities, Rs 18.1 billion (31%) were used in financing activities and the remaining Rs 22.4 billion (39%) was available as cash and cash equivalents at the end of the year

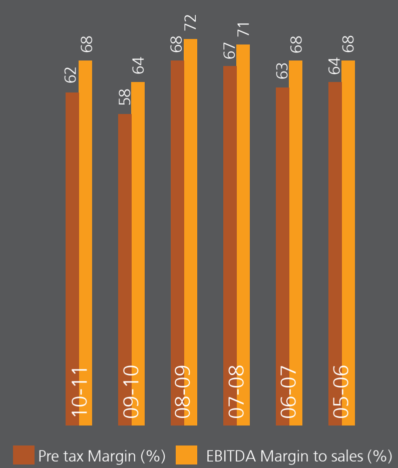
A total of Rs 14.3 billion was available as cash and cash equivalents at the beginning of the year. In addition Rs 26.5 billion were generated from operating activities making the total cash and cash equivalents available during the year to Rs 40.8 billion. Out of this Rs 6.5 billion (16%) were spent on investing activities, Rs 6.6 billion (16%) were used in financing activities and the remaining Rs 27.7 billion (68%) was available as cash and cash equivalents at the end of the year

A sum of Rs 30.1 billion was generated from operating activities during the year 2010-11 compared to a sum of Rs 26.5 billion generated during the previous year

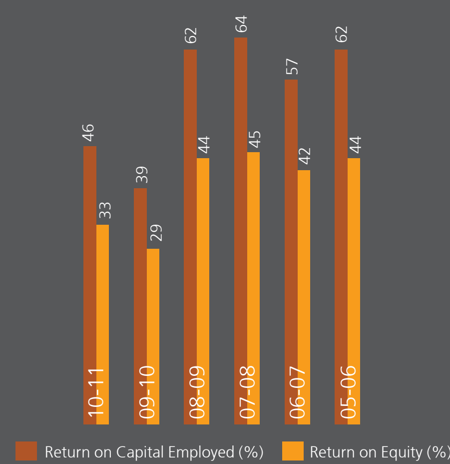
Six Years' Summary

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Financial Performance						
Profitability						
Operating Margin (%)	62	64	65	67	58	61
EBITDA Margin to sales (%)	68	68	71	72	64	68
Operating Leverage (%)	137	99	131	109	663	131
Pre tax Margin (%)	64	63	67	68	58	62
Net profit to sales (%)	42	44	43	45	39	40
Return on Equity (%)	44	42	45	44	29	33
Return on Capital Employed (%)	62	57	64	62	39	46
Operating Performance / Liquidity						
Total assets turnover (times)	0.87	0.84	0.82	0.86	0.63	0.68
Fixed assets turnover (times)	2.63	2.72	2.49	2.19	1.56	1.78
Debtor turnover (times)	5.51	4.81	4.11	3.00	2.05	2.49
Debtor turnover (days)	66.23	75.81	88.99	121.53	178.33	146.71
Current ratio	3.25	4.35	2.79	3.10	3.21	3.15
Quick ratio	3.04	4.09	2.61	2.91	3.07	2.81
Cash to Current Liabilities	2.12	2.89	1.62	1.00	1.49	1.15
Cash flow from Operation to Sales	0.41	0.36	0.47	0.22	0.44	0.39
Creditors turnover (times) [2]	-	-	-	-	-	-
Creditors turnover (days) [2]	-	-	-	-	-	-
Inventory turnover [2]	-	-	-	-	-	-
Operating cycle [2]	-	-	-	-	-	-
Capital Market/ Capital Structure Analysis Ratios						
Market value per share as at June 30 (Rs.)	211.85	262.45	245.99	189.54	184.12	207.07
- Low during the year (Rs)	150.50	196.15	229.80	98.50	162.40	168.70
- High during the year (Rs)	306.70	277.75	306.95	248.50	238.74	229.80
Breakup value per share (Rs)	44.02	58.47	57.87	75.99	80.24	79.02
Earnings per share (Rs) [3]	11.21	14.03	16.49	23.18	19.52	26.31
Price earning ratio	18.89	18.70	14.92	8.18	9.43	7.87
Cash Dividend Yield (%)	4.25	4.19	6.30	6.86	4.89	5.80
Cash Dividend Cover Ratio	2.17	2.22	1.69	2.57	2.60	2.19
Debt Equity Ratio [4]	-	-	-	-	-	-
Weighted average cost of debt [4]	-	-	-	-	-	-
Interest Cover Ratio [4]	-	-	-	-	-	-
Financial Leverage Ratio [4]	-	-	-	-	-	-
Summary of Profit & Loss			Rs million			
Sales - Gross (including Govt. levies)	43,565	51,080	57,885	77,798	77,211	98,613
Sales - Net (excluding Govt. levies)	31,757	38,383	45,717	61,580	59,962	78,252
Exploration expenditure	2,003	2,201	2,448	3,249	3,967	4,532
Operating Profit	19,841	24,541	29,506	40,956	34,612	47,655
Profit before Tax	20,190	24,357	30,447	41,908	34,528	48,365
Profit after Tax	13,401	16,768	19,707	27,703	23,321	31,446
EBITDA [1]	21,713	26,072	32,675	44,367	38,185	53,525

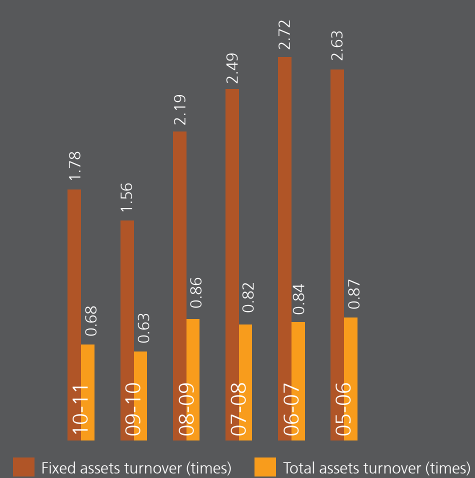
EBITDA Margin / Pre-tax Margin (%)



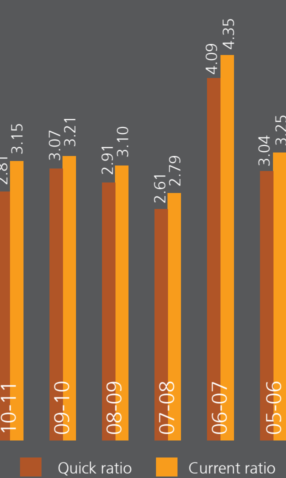
Return on Equity / Capital Employed (%)



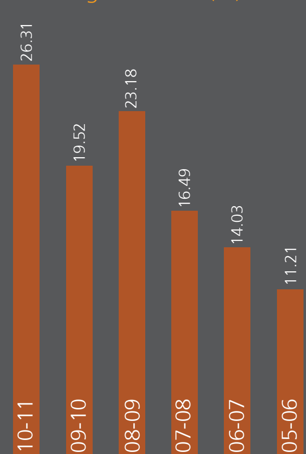
Total Assets / Fixed Assets Turnover



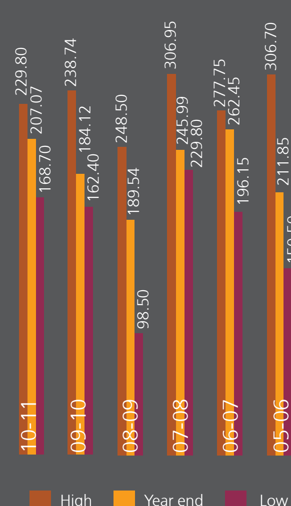
Current / Quick Ratio



Earnings Per Share (Rs)



Share prices Low / Year End/ High



Six Years' Summary

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Corporate Distribution						
Dividend - Interim (Rs million)	2,400	3,086	11,693	8,298	3,983	11,950
- Final [5] (Rs million)	3,772	4,458	-	2,490	4,979	2,390
Cash Dividend per share (Rs) [5]	9.00	11.00	15.50	13.00	9.00	12.00
Cash Dividend Payout Ratio (%) [5]	80.26	78.38	94.00	56.08	46.11	45.61
Bonus [5] (Rs million)	-	686	754	1,660	1,992	1,195
Bonus Issue (%) [5]	-	10	10	20	20	10

Summary of Balance Sheet

Rs million

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Share Capital	6,858	6,858	7,544	8,299	9,958	11,950
Reserves	23,330	33,240	36,110	54,760	69,948	82,473
Long-term / Deferred Liabilities	2,545	2,556	3,790	5,203	8,047	10,198
Current Assets	27,053	33,592	37,862	45,439	63,057	61,448
Current Liabilities	8,332	7,715	13,579	14,648	19,623	19,508
Property, Plant & Equipment	12,763	15,227	21,187	34,763	41,695	45,418
Fixed Assets	12,870	15,377	21,368	34,971	42,070	45,905
Long Term Investments	308	677	1,781	1,854	1,804	15,733
Stores and Spares	1,273	1,475	1,604	1,872	2,069	2,273
Trade Debts	6,942	9,002	13,228	27,780	30,811	32,096
Short term investments	16,577	21,417	20,743	13,242	27,296	20,851
Cash and bank balances	750	787	1,095	1,384	1,874	1,503

Summary of Cash Flows

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Cash & Cash equivalent at beg. of the year	10,666	17,327	20,892	18,181	14,352	27,686
Cash flows from operating activities	13,119	13,637	21,563	13,293	26,460	30,131
Cash used in investing activities	(1,946)	(3,163)	(8,060)	(8,768)	(6,513)	(17,314)
Cash used in financing activities	(4,512)	(6,909)	(16,214)	(8,354)	(6,613)	(18,149)
Net change in cash and cash equivalents	6,661	3,565	(2,711)	(3,829)	13,334	(5,332)
Cash and Cash equivalent at end of the year	17,327	20,892	18,181	14,352	27,686	22,354

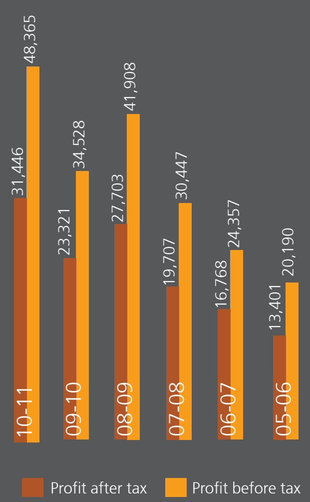
Others

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Payments to Government Exchequer (including cash dividend)	24,910	32,839	37,613	43,385	36,403	62,509
Market Capitalisation	145,291	179,994	185,576	157,289	183,350	247,444

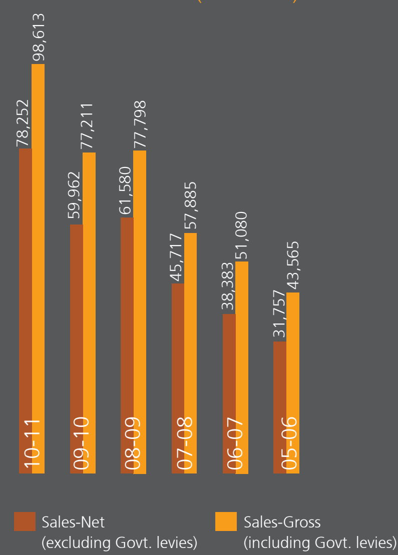
Notes:

1. EBITDA stands for Earnings before interest, taxes, depreciation and amortisation.
2. Not applicable in view of the nature of Company's business.
3. The earnings per share for prior years have been restated to take into account the issue of bonus shares in 2006-07, 2007-08, 2008-09 & 2009-10.
4. 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.
5. Includes declaration of final cash dividend and issue of bonus shares subsequent to year end.

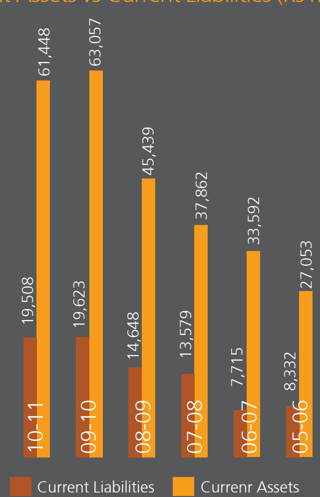
Profit Before & After Tax (Rs million)



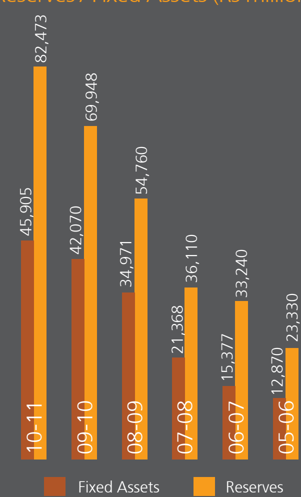
Gross Sales vs Net Sales (Rs million)



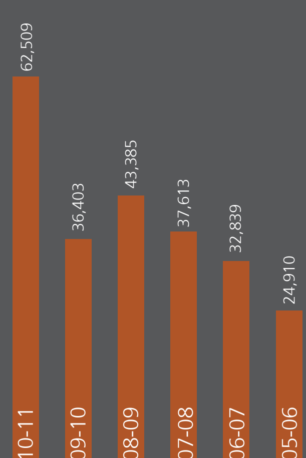
Current Assets vs Current Liabilities (Rs million)



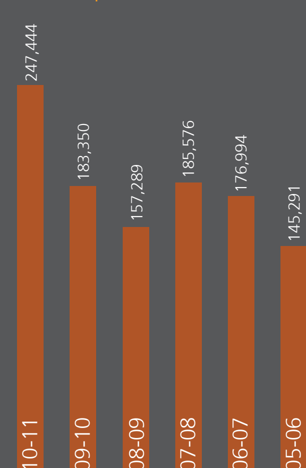
Reserves / Fixed Assets (Rs million)



Payment to Government Exchequer (Rs million)



Market Capitalisation (Rs million)



Horizontal Analysis

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Balance Sheet Items							
Property, plant and equipment	100	114	136	189	310	372	406
Intangible assets	100	141	199	239	274	496	644
Equity-accounted investment in joint venture	100	108	123	144	174	215	253
Long-term investments	100	30	98	311	316	295	3,111
Long-term loans - staff	100	112	96	104	88	82	166
Long-term deposit	-	-	-	-	100	102	105
Long-term receivable	100	26	-	-	3	1	1
Deferred tax asset	100	61	72	-	-	-	-
Stores and spares	100	99	114	124	145	160	176
Trade debts	100	151	196	289	606	672	700
Loans and advances	100	33	64	129	95	34	116
Trade deposits and short-term prepayments	100	87	65	71	128	70	54
Accrued financial income	100	174	227	413	598	358	974
Current maturity of long-term investments	-	100	29	66	7	66	15
Current maturity of long-term receivable	100	100	33	-	3	3	1
Other receivables	100	22	39	16	179	455	505
Short-term investments	100	159	206	199	127	262	200
Taxation	-	-	-	-	-	-	100
Cash and bank balances	100	288	303	421	532	721	578
Total Assets	100	129	158	192	261	338	390
Share capital	100	100	100	110	121	145	174
Reserves	100	162	231	251	381	486	573
Provision for decommissioning obligations	100	85	92	148	209	295	302
Long-term liability for gas development surcharge	100	26	-	-	-	-	-
Liabilities against assets subject to finance leases	100	128	112	125	162	142	164
Deferred liabilities	100	118	135	157	181	207	245
Deferred income	-	-	-	-	100	55	20
Deferred taxation	-	-	-	100	354	3,113	7,729
Trade and other payables	100	127	187	317	349	472	504
Current maturity of long-term liability for gas development surcharge	100	100	33	-	-	-	-
Current maturity of liabilities against assets subject to finance leases	100	119	136	120	123	3,254	144
Current maturity of deferred income	-	-	-	-	100	271	208
Taxation	100	102	8	49	43	8	-
Total Shareholders' Equity and Liabilities	100	129	158	192	261	338	390
Profit & Loss Account Items							
Sales - net	100	136	165	196	264	257	336
Field expenditure	100	118	133	154	189	263	307
Royalties	100	140	171	206	279	265	345
Share of profit in equity - accounted investment in joint venture	100	72	163	191	236	204	190
Other operating income	100	272	442	555	746	472	814
Other operating expenses	100	150	346	278	413	342	478
Finance costs	100	157	257	347	487	806	1,069
Profit before taxation	100	150	181	226	311	256	359
Taxation	100	140	156	221	293	231	349
Profit after taxation	100	155	194	229	321	270	365
Basic and diluted earnings per share (Rs)	100	155	194	229	321	270	365

Vertical Analysis

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Balance Sheet Items						
Property, plant and equipment	31.07	30.23	34.72	41.93	38.75	36.58
Intangible assets	0.26	0.30	0.30	0.25	0.35	0.39
Equity-accounted investment in joint venture	0.38	0.36	0.35	0.31	0.29	0.30
Long-term investments	0.37	0.99	2.57	1.93	1.39	12.67
Long-term loans - staff	0.03	0.02	0.02	0.01	0.01	0.02
Long-term deposit	-	-	-	0.74	0.59	0.52
Long-term receivable	0.52	-	-	0.03	0.01	0.01
Deferred tax assets	1.49	1.41	-	-	-	-
Stores and spares	3.10	2.93	2.63	2.26	1.92	1.83
Trade debts	16.90	17.87	21.68	33.50	28.64	25.86
Loans and advances	0.35	0.56	0.93	0.50	0.14	0.41
Trade deposits and short-term prepayments	0.53	0.32	0.29	0.39	0.16	0.11
Accrued financial income	0.22	0.23	0.35	0.37	0.17	0.40
Current maturity of long-term investments	0.83	0.20	0.37	0.03	0.21	0.04
Current maturity of long-term receivable	1.72	0.46	-	0.02	0.02	-
Other receivables	0.03	0.04	0.01	0.12	0.24	0.23
Short-term investments	40.37	42.52	33.99	15.94	25.37	16.80
Taxation	-	-	-	-	-	2.62
Cash and bank balances	1.83	1.56	1.79	1.67	1.74	1.21
	100.00	100.00	100.00	100.00	100.00	100.00
Share capital	16.70	13.62	12.37	10.01	9.25	9.63
Reserves	56.81	65.99	59.17	66.04	65.02	66.44
Provision for decommissioning obligations	3.92	3.46	4.61	4.79	5.21	4.62
Long-term liability for gas development surcharge	0.52	-	-	-	-	-
Liabilities against assets subject to finance leases	0.19	0.14	0.13	0.12	0.08	0.08
Deferred liabilities	1.57	1.47	1.41	1.19	1.06	1.08
Deferred Income	-	-	-	0.01	-	-
Deferred taxation	-	-	0.06	0.17	1.13	2.44
Trade and other payables	11.94	14.34	20.06	16.25	16.93	15.67
Current maturity of long-term liability for gas development surcharge	1.72	0.46	-	-	-	-
Current maturity of liabilities against assets subject to finance leases	0.11	0.10	0.07	0.06	1.13	0.04
Taxation	6.52	0.42	2.12	1.36	0.19	-
Total Shareholders' Equity and Liabilities	100.00	100.00	100.00	100.00	100.00	100.00
Profit & Loss Account Items						
Sales - net	100.00	100.00	100.00	100.00	100.00	100.00
Field expenditure	25.74	24.14	23.38	21.37	30.48	27.31
Royalties	11.79	11.92	12.07	12.12	11.80	11.80
Share of profit in equity - accounted investment in joint venture	(0.07)	(0.12)	(0.12)	(0.11)	(0.10)	(0.07)
Other operating income	(4.68)	(6.30)	(6.64)	(6.63)	(4.30)	(5.69)
Other operating expenses	3.55	6.77	4.56	5.04	4.28	4.59
Finance costs	0.09	0.13	0.15	0.15	0.26	0.26
Taxation	21.38	19.77	23.49	23.07	18.69	21.62
Profit after taxation	42.20	43.69	43.11	44.99	38.89	40.18
	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 1 July, 2010	14,309,878[6]	29,283[6]	540,121
Change during the year			
- Addition of new reserves	149,000[1]	21,655[2]	-
- Revision in estimates of previous reserves	12,752[3]	1,435[4]	11,563[5]
At 30 June, 2011	14,471,630	52,373	551,684
Production			
Accumulated on 1 July, 2010	11,257,286[6]	13,151[6]	210,544
Production during the year	360,733	2,703	27,125
Accumulated upto 30 June, 2011	11,618,019	15,854	237,669
Net reserves 30 June, 2011	2,853,611	36,519	314,015
Net reserves 30 June, 2010	3,052,592	16,130	329,576
Daily average production	988	7.41	74.32

Notes:

1 Additional Gas reserves due to Makori East and Tolanj discoveries at Tal Block and a commercial discovery at Sui HRL.

2 Additional Oil / NGL reserves due to Makori East discovery at Tal Block.

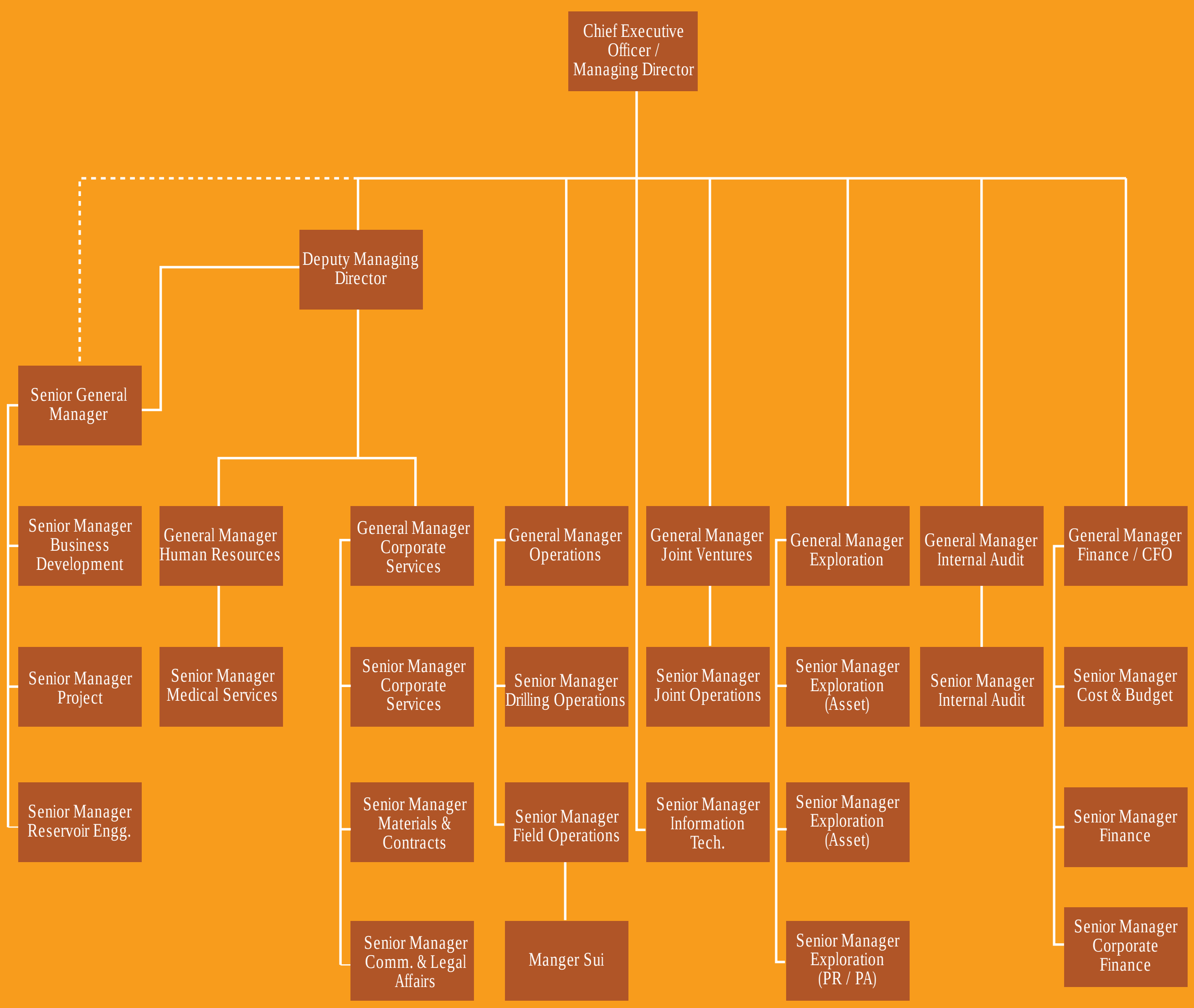
3 Revision in field recoverable gas reserves estimates of Mazarani field, Adam at Hala Block and Mela at Nashpa Block.

4 Revision in field recoverable Oil / NGL reserve estimates of Mazarani field, Miano field, Adam at Hala Block, Manzalai at Tal Block and Mela at Nashpa Block.

5 Revision in recoverable LPG reserve estimates of Hala field.

6 The previous years figures have been restated wherever necessary for comparison purpose.

Organogram



Chief Executive Officer / Managing Director
Deputy Managing Director
Senior General Manager
Senior Manager Business Development
Senior Manager Project
Senior Manager Reservoir Engg.
General Manager Human Resources
Senior Manager Medical Services
General Manager Corporate Services
Senior Manager Corporate Services
Senior Manager Materials & Contracts
Senior Manager Comm. & Legal Affairs
General Manager Operations
Senior Manager Drilling Operations
Senior Manager Field Operations
Manger Sui
General Manager Joint Ventures
Senior Manager Joint Operations
Senior Manager Information Tech.
General Manager Exploration
Senior Manager Exploration (Asset)
Senior Manager Exploration (Asset)
Senior Manager Exploration (PR / PA)
General Manager Internal Audit
Senior Manager Internal Audit
General Manager Finance / CFO
Senior Manager Cost & Budget
Senior Manager Finance
Senior Manager Corporate Finance

Sustainable Solutions

E&P operations are becoming increasingly risk and capital-intensive, making it imperative to factor in sustainability in business models as well as governance systems.

With over 60 years of successful operations as a major supplier of clean, safe energy, PPL has the infrastructure, resources and outreach to deliver on its present and future work commitments. The contention is proved clearly by the company's consistent financial performance and return on value.

Our governance systems have in-built capacity for long-term efficiency, delivery and impact. The company's CSR projects, for instance, involve awareness raising and skill building of local communities through quality education, healthcare, infrastructure development and vocational training for sustainable improvements in socio-economic well-being and progress without external interventions.


TAALEEM
FOUNDATION

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 nine non-executive directors and an executive director. Eight directors of the Company are nominees of the Government of Pakistan whereas one director is a nominee of PPL Employees Empowerment Trust (PPL-EET) created under Benazir Employees Stock Option Scheme (BESOS) and another non-executive director represents minority shareholders' interest.

2. The directors of the Company have confirmed that none of them is serving as a director in more than ten 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 present Board of Directors was elected by the shareholders of the Company in the meeting held on 29 September, 2010 for a term of three years expiring on 28 September, 2013.

5. One casual vacancy occurred in the Board in December 2010 which was filled up by the directors within thirty days thereof.

6. 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.

7. 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.

8. 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.

9. 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.

10. All transactions entered into by the Company with related parties during the year have been reviewed by the Board Audit Committee and approved by the Board. A complete party-wise record of related party transactions has been maintained by the Company.

11. The Board has been provided with detailed in-house briefings and information package to apprise them of their duties and responsibilities. During the year foreign training courses on Corporate Governance Practices were also arranged for the Chairman and a director. The Chairman also spared time to attend the 'Corporate Governance Leadership Skills Programme' conducted by the Pakistan Institute of Corporate Governance (PICG).

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

13. 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.

14. 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.

15. 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.

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

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

18. 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.

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

20. The statutory auditors of the Company have confirmed that they have been awarded a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), that neither the firm nor any of the partner of the firm or their spouses or 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 the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

21. 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.

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

(HIDAYATULLAH PIRZADA) CHAIRMAN	(ASIM MURTAZA KHAN) CHIEF EXECUTIVE / MANAGING DIRECTOR

Karachi:
9 August, 2011

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, 2011 prepared by the Board of Directors of Pakistan Petroleum Limited (the Company) to comply with the Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 of Corporate Governance for the year ended 30 June, 2011.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi
9 August, 2011

Auditors’ Report to the Members

We have audited the annexed balance sheet of Pakistan Petroleum Limited (the Company) as at 30 June, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 2.4 to the accompanying financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi
9 August, 2011

Balance Sheet

As at June 30, 2011

	Note	June 30, 2011	June 30, 2010
		Rs '000	
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	45,418,272	41,695,388
Intangible assets	5	487,195	374,850
		45,905,467	42,070,238
Equity-accounted investment in joint venture	6	370,024	314,312
Long-term investments	7	15,732,524	1,490,186
Long-term loans - staff	8	18,720	9,229
Long-term deposit	9	645,000	630,000
Long-term receivables	10	11,172	8,502
		62,682,907	44,522,467
CURRENT ASSETS			
Stores and spares	11	2,272,952	2,069,408
Trade debts	12	32,096,358	30,811,189
Loans and advances	13	505,889	150,096
Trade deposits and short-term prepayments	14	134,647	174,727
Accrued financial income	15	501,290	184,268
Current maturity of long-term investments	7	49,950	224,613
Current maturity of long-term receivables	10	4,251	19,615
Other receivables	16	280,490	252,967
Short-term investments	17	20,851,145	27,295,840
Taxation	18	3,248,006	-
Cash and bank balances	19	1,503,126	1,874,393
		61,448,104	63,057,116
		124,131,011	107,579,583
SHARE CAPITAL AND RESERVES			
Share capital	20	11,949,930	9,958,298
Reserves	21	82,473,103	69,947,933
		94,423,033	79,906,231
NON-CURRENT LIABILITIES			
Provision for decommissioning obligation	22	5,729,595	5,605,226
Liabilities against assets subject to finance leases	23	101,848	87,881
Deferred liabilities	24	1,340,573	1,135,029
Deferred income	10	1,172	3,194
Deferred taxation	25	3,026,317	1,218,934
		10,199,505	8,050,264
CURRENT LIABILITIES			
Trade and other payables	26	19,453,023	18,210,479
Current maturity of liabilities against assets subject to finance leases	23	53,428	1,210,728
Current maturity of deferred income	10	2,022	2,636
Taxation		-	199,245
		19,508,473	19,623,088
CONTINGENCIES AND COMMITMENTS	27	-	-
		124,131,011	107,579,583

The annexed notes 1 to 44 form an integral part of these financial statements.

Director

Chief Executive

Profit and Loss Account

For the year ended June 30, 2011

	Note	Year ended June 30, 2011	Year ended June 30, 2010
		Rs '000	
Sales - net	28	78,252,395	59,961,616
Field expenditures	29	(21,364,177)	(18,273,006)
Royalties		(9,232,890)	(7,076,111)
		(30,597,067)	(25,349,117)
		47,655,328	34,612,499
Share of profit in equity-accounted investment in joint venture	6.2	55,712	59,658
Other operating income	31	4,450,567	2,578,837
Other operating expenses	32	(3,591,519)	(2,567,955)
Finance costs	33	(205,444)	(154,832)
Profit before taxation		48,364,644	34,528,207
Taxation	34	(16,918,929)	(11,207,689)
Profit after taxation		31,445,715	23,320,518
			(Restated)
Basic and diluted earnings per share (Rs)	39	26.31	19.52

The annexed notes 1 to 44 form an integral part of these financial statements.

Director

Chief Executive

Statement of Comprehensive Income

For the year ended June 30, 2011

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Profit after taxation	31,445,715	23,320,518
Other comprehensive income-net of taxation	-	-
Total comprehensive income	31,445,715	23,320,518

The annexed notes 1 to 44 form an integral part of these financial statements.

Director

Chief Executive

Cash Flow Statement

For the year ended June 30, 2011

	Note	Year ended June 30, 2011	Year ended June 30, 2010
		Rs '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		97,328,289	74,179,219
Receipts of other operating income		122,625	114,082
Cash paid to suppliers / service providers and employees		(14,181,796)	(14,624,320)
Payment of indirect taxes and Government levies including royalty		(34,507,377)	(22,100,357)
Income tax paid		(18,558,798)	(11,054,806)
Finance costs paid		(59,708)	(55,732)
Long-term loans - staff (net)		(12,591)	1,797
Net cash generated from operating activities		30,130,644	26,459,883
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(8,737,403)	(7,862,534)
Purchases / adjustment of long-term investments (net)		(12,124,842)	(75,000)
Purchases of short-term investments (net)		-	(1,174,442)
Long-term deposit		(15,000)	(15,000)
Long-term receivables		10,058	18,443
Financial income received		3,541,977	2,457,642
Proceeds on sale of property, plant and equipment		11,034	138,215
Net cash used in investing activities		(17,314,176)	(6,512,676)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of liabilities against assets subject to finance leases		(1,219,838)	(139,962)
Dividends paid		(16,928,913)	(6,472,844)
Net cash used in financing activities		(18,148,751)	(6,612,806)
Net (decrease) / increase in cash and cash equivalents		(5,332,283)	13,334,401
Cash and cash equivalents at the beginning of the year		27,686,554	14,352,153
Cash and cash equivalents at the end of the year	37	22,354,271	27,686,554

The annexed notes 1 to 44 form an integral part of these financial statements.

Director

Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2011

	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	Unappro-priated profit	Total		
	Rs '000									
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
Appropriation of insurance reserve for the year ended June 30, 2009	-	-	-	-	5,500,000	-	(5,500,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2009	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-
Issuance of bonus shares @ 20% (two shares for every ten ordinary shares held)	1,659,692	-	-	-	-	-	(1,659,692)	(1,659,692)	(1,659,692)	-
Conversion of preference shares into ordinary shares	3	(3)	-	-	-	-	-	-	-	-
Final dividend on ordinary shares @ 30% for the year ended June 30, 2009	-	-	-	-	-	-	(2,489,539)	(2,489,539)	(2,489,539)	(2,489,539)
Transfer of cost relating to Well-38 (Sui)	-	-	-	-	(1,478,106)	-	1,478,106	-	-	-
Total comprehensive income for the year ended June 30, 2010	-	-	-	-	-	-	23,320,518	23,320,518	23,320,518	23,320,518
Interim dividend for the year ended June 30, 2010										
- Ordinary shares - 40%	-	-	-	-	-	-	(3,983,263)	(3,983,263)	(3,983,263)	(3,983,263)
- Convertible preference shares - 30%	-	-	-	-	-	-	(42)	(42)	(42)	(42)
Balance as at June 30, 2010	9,958,160	138	1,428	69,761	8,521,894	15,000,000	46,354,850	69,946,505	69,947,933	79,906,231
Appropriation of insurance reserve for the year ended June 30, 2010	-	-	-	-	5,500,000	-	(5,500,000)	-	-	-
Appropriation of assets acquisition reserve for the year ended June 30, 2010	-	-	-	-	-	5,000,000	(5,000,000)	-	-	-
Issuance of bonus shares @ 20% (two shares for every ten ordinary shares held)	1,991,632	-	-	-	-	-	(1,991,632)	(1,991,632)	(1,991,632)	-
Final dividend on ordinary shares @ 50% for the year ended June 30, 2010	-	-	-	-	-	-	(4,979,080)	(4,979,080)	(4,979,080)	(4,979,080)
Total comprehensive income for the year ended June 30, 2011	-	-	-	-	-	-	31,445,715	31,445,715	31,445,715	31,445,715
First interim dividend for the year ended June 30, 2011										
- Ordinary shares - 50%	-	-	-	-	-	-	(5,974,896)	(5,974,896)	(5,974,896)	(5,974,896)
- Convertible preference shares - 30%	-	-	-	-	-	-	(41)	(41)	(41)	(41)
Second interim dividend on ordinary shares @ 50% for the year ended June 30, 2011	-	-	-	-	-	-	(5,974,896)	(5,974,896)	(5,974,896)	(5,974,896)
Balance as at June 30, 2011	11,949,792	138	1,428	69,761	14,021,894	20,000,000	48,380,020	82,471,675	82,473,103	94,423,033

The annexed notes 1 to 44 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. The registered office of the Company is located at PIDC House, Dr. Ziauddin Ahmed Road, Karachi.

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 Implications of revised IFRS 2 - Share-based Payment on BESOS

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

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

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

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

Had the exemption not been granted, the impact, based on the independent actuarial valuations conducted as on June 30, 2011, for the years ended June 30, 2011 and 2010 would have been as follows:

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Staff costs of the Company for the year would have been higher by:	2,345,571	2,345,571
Profit after taxation would have been lower by:	2,345,571	2,345,571
Earnings per share would have been lower by (Rs)	1.96	1.96

	June 30, 2011	June 30, 2010
	Rs '000	
Retained earnings would have been lower by:	4,691,142	2,345,571
Reserves would have been higher by:	4,691,142	2,345,571

2.3 Accounting convention

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

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

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

The following standards and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company except as stated in note 2.2 to these financial statements:

Improvements / amendments to IFRSs (May 2010)

IFRS 3 - Business Combinations
IAS 27- Consolidated and Separate Financial Statements

Improvements / amendments to IFRSs (April 2009)

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating segments: Disclosure of information about operating segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash Flows
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 39 - Financial Instruments: Recognition and Measurement

Improvements / amendments to IFRSs (Others)

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions
IAS 32 - Financial Instruments: Presentation - Amendments

Interpretation issued by IASB

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

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

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

	Effective for periods beginning on or after
Improvements / amendments to IFRSs and interpretations (May 2010)	
IFRS 7 - Financial Instruments: Disclosures	January 01, 2011
IAS 34 - Interim Financial Reporting	January 01, 2011
IFRIC 13 - Customer Loyalty Programmes	January 01, 2011
Improvements / amendments to IFRSs and interpretations (Others)	
IFRS 7 - Financial Instruments: Disclosures (Amendment)	July 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2011 and July 01, 2012
IAS 12 - Income Taxes (Amendment)	January 01, 2012
IAS 19 - Employee Benefits (Amendment)	January 01, 2013
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January01, 2011
Standards issued by IASB but not yet notified by SECP	
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2013
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

The Company expects that the adoption of the above standards and interpretations will not have material effect on the Company's financial statements in the period of initial application, except for the implications of IAS 24 - Related Party Disclosures (Revised), IFRS 9 - Financial Instruments: Classification and Measurement, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of interests in Other Entities, which may affect certain disclosures.

2.6 Property, plant and equipment

a) Owned assets

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

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

Gains or losses on disposals of property, plant and equipment, if any, are included in profit and loss account.

Assets residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, at each financial year end.

ii. Capital spares held by the Company for replacement of major items of plant and machinery are stated at cost less accumulated depreciation and impairment losses, if any.

iii. Prospecting and development expenditure is 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, as incurred.

b) Assets subject to finance leases

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

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

2.7 Intangible assets

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

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

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

2.8 Depreciation and amortisation

a) Property, plant and equipment

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

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

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

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

b) Intangible assets

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

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

2.9 Business combinations and goodwill

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

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

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment, if any, and is tested annually or whenever there is an indication of impairment as referred in note 2.29. Impairment loss in respect of goodwill is recognised in the profit and loss account.

2.10 Investments

a) Subsidiary

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

b) Investment in Bolan Mining Enterprises (BME)

Investment in BME, a joint venture on a 50:50 basis with the Government of Balochistan, is accounted for using the equity method, whereby, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the joint venture. The profit and loss account reflects the Company's share of the results of the operations of the joint venture.

2.11 Stores and spares

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

2.12 Financial assets

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

a) Held-to-maturity

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

b) At fair value through profit or loss

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

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

c) Available-for-sale

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

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until (i) the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit and loss account, or (ii) determined to be impaired, at which time the cumulative loss is recognised in the profit and loss account and removed from the available-for-sale reserve.

d) Loans and receivables

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

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

2.13 Cash and cash equivalents

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

2.14 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 in the finance costs.

2.15 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 are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees.

   The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, following the introduction of or changes to a scheme, past service costs are recognised immediately.

ii. The Company provides post retirement medical benefits to its executive, except for executive staff inducted after December 31, 2010, and non-executive permanent staff. The cost of these benefits is accrued over the expected remaining working lives of the employees based on actuarial valuations. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average 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, 2011 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.

2.16 Compensated absences

The cost of compensated absences in respect of executive and non-executive staff is recognised on the basis of actuarial valuations. The latest actuarial valuations were conducted as on June 30, 2011.

2.17 Provisions

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

2.18 Taxation

a) Current taxation

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

b) Deferred taxation

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

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

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

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

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

2.19 Trade and other payables

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

2.20 Revenue recognition

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

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

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

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

2.21 Operating leases / Ijarah contracts

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

2.22 Joint venture operations

The Company has certain contractual arrangements with other participants to engage in joint activities, where all significant matters of operating and financial policies are determined by the participants, such that the operator itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that financial and operational policies of such joint venture are those of participants. The financial statements of the Company include its share of assets, revenues and expenses in such joint venture operations, which is pro rata to Company's interest in the joint venture operations.

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

2.23 Foreign currency transactions and translation

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

2.24 Financial instruments

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

2.25 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.

2.26 Fair value

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

2.27 Functional and presentation currency

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

2.28 Related party transactions

Related party transactions are carried out on commercial terms, as approved by the Board, substantiated in the manner given in note 41 to the financial statements.

2.29 Impairment

a) Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortised cost are recognised in profit and loss account.

b) Non-financial assets, goodwill and investments in subsidiaries and associates

The Company assesses at each reporting date whether there is an indication that an asset or a group of assets is impaired. If any indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets excluding goodwill and intangible assets having indefinite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

Impairment losses relating to goodwill and intangible assets with indefinite useful lives are not reversed in future periods.

2.30 Dividends and appropriation to reserves

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

2.31 Segment reporting

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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 these 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, which is a ratio of oil and gas production in a year to the estimated quantities of commercial reserves at the end of the year plus the production during the year.

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

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

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

During the year, the Company revised its estimates of outflows or resources to settle decommissioning liability, based on future projected costs adjusted to present value. This has been treated as a change in accounting estimate, applied prospectively, in accordance with IFRIC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities. Had there been no change in the estimates, provision for decommissioning obligation and property, plant and equipment would have been higher by Rs 38.230 million and Rs 14.120 million, respectively.

3.3 Provision for defined benefit plans and compensated absences

Defined benefit plans and compensated absences are provided for permanent employees of the Company. The plans are structured as separate legal entities managed by trustees, however, for post retirement medical benefits and compensated absences, liability is recognised in the Company's financial statements. These benefits are evaluated with reference to uncertain events and are based upon actuarial assumptions including inter alia, discount rates, expected rates of 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 provision for taxation is accounted for by the Company after taking into account the relevant laws and decisions taken by appellate authorities. Instances, where the Company's view differs from the view taken by the 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).

	June 30, 2011	June 30, 2010
	Rs '000	
4. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 4.1	39,838,249	26,909,324
Capital work-in-progress - note 4.5	5,580,023	14,786,064
	45,418,272	41,695,388

4.1 Operating assets

	Owned assets										Assets subject to finance leases				
	Freehold Land	Buildings, roads and civil constructions	Plant and machinery	Furniture, fittings and equipment	Tanks and pipelines	Computers and allied equipment	Rolling stock*	Prospecting and development expenditure	Decommi-ssioning cost	Sub total	Plant and machinery	Computers and allied equipment	Rolling stock*	Sub total	Total
	Rs '000														
Net carrying value basis															
NBV as on June 30 2010	91,804	451,921	10,163,438	169,429	1,700,848	98,765	52,847	8,808,431	4,083,252	25,620,735	1,150,414	28,091	110,084	1,288,589	26,909,324
Additions (at cost)	1,316,576	434,251	9,973,326	44,668	652,089	45,602	79,695	5,228,638	283,292	18,058,137	-	19,085	57,259	76,344	18,134,481
Adjustments / reclassifications	28,999	(10)	1,072,010	(623)	(42,969)	3,807	99	(13,265)	(304,659)	743,389	(1,059,592)	(3,807)	(100)	(1,063,499)	(320,110)
Disposals (at NBV)	-	-	(127)	(212)	-	-	-	-	-	(339)	-	(24)	(2,001)	(2,025)	(2,364)
Depreciation / amortisation charge	-	(36,131)	(2,082,374)	(41,313)	(241,196)	(66,414)	(26,533)	(1,754,160)	(491,878)	(4,739,999)	(90,822)	(11,477)	(40,784)	(143,083)	(4,883,082)
NBV as on June 30 2011	1,437,379	850,031	19,126,273	171,949	2,068,772	81,760	106,108	12,269,644	3,570,007	39,681,923	-	31,868	124,458	156,326	39,838,249
Gross carrying value basis															
Cost	1,437,379	1,580,695	33,992,691	489,195	3,615,488	394,065	317,138	17,177,544	5,311,400	64,315,595	-	46,506	222,732	269,238	64,584,833
Accumulated depreciation / amortisation	-	(730,664)	(14,866,418)	(317,246)	(1,546,716)	(312,305)	(211,030)	(4,907,900)	(1,741,393)	(24,633,672)	-	(14,638)	(98,274)	(112,912)	(24,746,584)
NBV as on June 30 2011	1,437,379	850,031	19,126,273	171,949	2,068,772	81,760	106,108	12,269,644	3,570,007	39,681,923	-	31,868	124,458	156,326	39,838,249
Net carrying value basis															
NBV as on June 30 2009	91,804	399,185	4,895,710	212,791	1,692,941	118,760	24,290	7,782,412	2,940,823	18,158,716	-	36,300	123,854	160,154	18,318,870
Additions (at cost)	-	60,827	6,460,640	22,434	339,258	28,725	37,598	2,569,202	1,780,237	11,298,921	1,210,962	8,951	35,152	1,255,065	12,553,986
Adjustments / reclassifications	-	25,519	(10,958)	(25,483)	(35,249)	5,948	4,345	(147,030)	(246,105)	(429,013)	-	(5,561)	(4,331)	(9,892)	(438,905)
Disposals (at NBV)	-	(4)	(381)	(750)	(76,832)	(93)	(1,569)	-	-	(79,629)	-	-	(7,681)	(7,681)	(87,310)
Depreciation / amortisation charge	-	(33,606)	(1,181,573)	(39,563)	(219,270)	(54,575)	(11,817)	(1,396,153)	(391,703)	(3,328,260)	(60,548)	(11,599)	(36,910)	(109,057)	(3,437,317)
NBV as on June 30, 2010	91,804	451,921	10,163,438	169,429	1,700,848	98,765	52,847	8,808,431	4,083,252	25,620,735	1,150,414	28,091	110,084	1,288,589	26,909,324
Gross carrying value basis															
Cost	91,804	1,146,456	22,793,767	446,731	3,016,552	335,804	234,358	11,962,171	5,332,767	45,360,410	1,210,962	41,418	189,816	1,442,196	46,802,606
Accumulated depreciation / amortisation	-	(694,535)	(12,630,329)	(277,302)	(1,315,704)	(237,039)	(181,511)	(3,153,740)	(1,249,515)	(19,739,675)	(60,548)	(13,327)	(79,732)	(153,607)	(19,893,282)
NBV as on June 30, 2010	91,804	451,921	10,163,438	169,429	1,700,848	98,765	52,847	8,808,431	4,083,252	25,620,735	1,150,414	28,091	110,084	1,288,589	26,909,324
Rate of depreciation / amortisation (%)		5 & 10	10 & 100**	10	10	30	20	***	***		10	30	20		

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

4.2 Summary of significant assets

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

Particulars	June 30, 2011		June 30, 2010	
	Cost	NBV	Cost	NBV
	Rs '000		Rs '000	
Head Office				
Land for Head Office Building	1,315,076	1,315,076	-	-
Sui Field				
SML / SUL Compression and High Pressure Casing	5,679,046	411,960	5,587,418	539,207
Purification Plant	658,390	65,839	658,390	131,678
20" Diameter Sui KPS Main Water Line	520,671	488,623	160,214	144,193
IDECO Drilling Rig H-725	131,879	-	131,879	-
Adhi Field				
LPG Plant -2	652,812	289,415	652,812	354,696
LPG Plant -1	85,333	-	85,333	-
Kandhkot Field				
TEG Dehydration Unit	474,884	427,396	474,884	474,884
130 MMcfd Dehydration Plant	109,484	-	109,484	-
Kandhkot Wellhead Gas Compression	8,640,986	8,219,792	-	-
Kandhkot Effluent Well	128,364	128,364	-	-
Hala Field				
Early Production Facilities (EPF) of Adam X-1	1,252,858	1,070,516	1,210,962	1,150,414
Mazarani Field				
Processing Facilities	319,545	62,634	319,545	94,589
Transmission Pipeline	220,065	18,271	249,063	72,176
Qadirpur Field				
Production Facilities	205,116	-	205,116	-
Capacity Enhancement Project	165,598	115,919	165,598	132,479
Plant and Machinery	164,201	64,312	164,201	80,732
Wellhead Compression Facility	227,662	218,176	-	-
Extension of Facilities in Flood Plain of River Indus	101,901	101,901	-	-
Sawan Field				
Front End Compression	2,481,943	2,213,644	2,476,601	2,455,963
Plant and Machinery	1,811,767	362,353	1,811,767	543,530
Gas Processing with Amine and Dehydration Unit	875,601	240,790	875,601	328,350
Debottlenecking of Plant	153,338	92,003	153,338	107,337
Flowline and Tie-in of Sawan-10	142,899	100,029	142,899	114,319
Tal Field				
CPF Manzalai	3,332,053	2,795,231	2,958,923	2,761,661
Surface Facilities for EWT, Manzalai-1	227,439	88,975	227,439	111,719
EPF of Mamikhel-1	142,241	132,759	-	-
EWT of Maramzai-1	199,961	199,961	-	-
Nashpa Field				
EWT of Nashpa X-1	120,412	120,412	-	-
Miano Field				
Plant and Machinery	411,601	41,160	411,601	82,320
Latif Field				
Tie-in of Latif-1	156,237	124,989	156,237	140,613
Tie-in of Latif North	155,078	155,078	-	-
Gambat Field				
Tie-in of Tajjal-1	136,111	108,889	136,111	122,500

4.3 Operating assets disposed off during the year

Asset description	Method of disposal	Sold to	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds
			Rs '000			
Owned						
Plant and machinery						
Flow recorder for well Sui-38 (M)	Written off	Written off	214	(87)	127	-
Items having book value upto Rs 50,000	Tender	Various	7,734	(7,734)	-	1,538
			7,948	(7,821)	127	1,538
Furniture, fittings and equipment						
Six Junior Executives workstations	Tender	M/s Himmat Khan & Brothers	108	(45)	63	9
Items having book value upto Rs 50,000	Tender	Various	1,492	(1,343)	149	222
			1,600	(1,388)	212	231
Rolling stock						
Items having book value upto Rs 50,000	Tender	Various	3,773	(3,773)	-	3,213
Computers and allied equipment						
Items having book value upto Rs 50,000	Tender	Various	1,180	(1,180)	-	122
Assets subject to finance leases						
Computers and allied equipment						
Dell Precision M2300 Note Book (NB165)	Company Policy	Mr. S.T.M. Zaidi	158	(134)	24	28
Rolling stock						
Suzuki Cultus VXR, AMC-175	Company Policy	Mr. Khalid Waseem	565	(442)	123	222
Suzuki Cultus VXL, AME-157	Company Policy	Mr. S.T.M. Zaidi	625	(552)	73	188
Honda Civic, Prosmatec AQM-769	Company Policy	Mr. Pervez A. Jamula	1,416	(803)	613	670
Toyota Corolla XLI, ATE-809	Insurance Claim	EFU General Insurance Ltd.	1,309	(262)	1,047	1,399
Items having book value upto Rs 50,000	Tender	Various	13,570	(13,425)	145	3,423
			17,485	(15,484)	2,001	5,902
		2011	32,144	(29,780)	2,364	11,034
		2010	262,937	(175,627)	87,310	138,214

4.4 Cost and accumulated depreciation include

	Cost		Accumulated depreciation	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rs '000			
Share in joint ventures operated by the Company	3,548,375	2,261,584	1,473,802	1,098,726
Share in joint ventures operated by others (assets not in possession of the Company)	13,154,491	11,681,874	4,669,931	3,491,005
	16,702,866	13,943,458	6,143,733	4,589,731

4.5 Capital work-in-progress

	June 30, 2011	June 30, 2010
	Rs '000	
Plant, machinery, fittings and pipelines	1,176,066	10,027,955
Prospecting and development wells	4,280,648	4,478,060
Land, buildings and civil constructions	69,458	184,017
Capital stores for drilling and development	53,851	96,032
	5,580,023	14,786,064

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

	Plant, machinery, fittings and pipelines	Prospecting and development wells	Land, buildings and civil constructions	Capital stores for drilling and development	Total
	Rs '000				
Balance as at July 1, 2009	13,402,927	2,886,572	69,894	85,190	16,444,583
Capital expenditure incurred / advances made during the year	4,671,639	4,013,661	219,570	10,842	8,915,712
Adjustments / reclassifications	51,339	-	(44,621)	-	6,718
Transferred to operating assets	(8,097,950)	(2,422,173)	(60,826)	-	(10,580,949)
Balance as at June 30, 2010	10,027,955	4,478,060	184,017	96,032	14,786,064
Capital expenditure incurred / advances made during the year	2,361,579	5,017,961	1,287,938	(42,181)	8,625,297
Adjustments / reclassifications	(343,930)	-	348,330	-	4,400
Transferred to operating assets	(10,869,538)	(5,215,373)	(1,750,827)	-	(17,835,738)
Balance as at June 30, 2011	1,176,066	4,280,648	69,458	53,851	5,580,023

5. INTANGIBLE ASSETS

	June 30, 2011	June 30, 2010
	Rs '000	
Computer softwares including ERP system - note 5.1	259,938	178,520
Intangible assets under development	227,257	196,330
	487,195	374,850

5.1 Computer Softwares including ERP system

	June 30, 2011			June 30, 2010		
	ERP system	Computer softwares	Total	ERP system	Computer softwares	Total
	Rs '000					
Net carrying value basis						
NBV as on July 01	119,631	58,889	178,520	123,593	54,166	177,759
Additions (at cost)	46,973	106,343	153,316	29,593	36,206	65,799
Amortisation charge - note 29	(37,644)	(34,254)	(71,898)	(33,555)	(31,483)	(65,038)
NBV as on June 30	128,960	130,978	259,938	119,631	58,889	178,520
Gross carrying value basis						
Cost	315,950	266,610	582,560	268,977	160,267	429,244
Accumulated amortisation	(186,990)	(135,632)	(322,622)	(149,346)	(101,378)	(250,724)
NBV as on June 30	128,960	130,978	259,938	119,631	58,889	178,520
Rate of amortisation (%)	20	33		20	33	

6. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURE

	June 30, 2011	June 30, 2010
	Rs '000	
BME - a joint venture	15,000	15,000
Profit receivable from BME	355,024	299,312
	370,024	314,312

6.1 The Company's interest in BME's assets and liabilities is as follows:

	June 30, 2011	June 30, 2010
	Rs '000	
Tangible fixed assets	87,315	42,419
Current assets	349,222	349,894
	436,537	392,313
Current liabilities	(27,128)	(41,636)
Reserve for development and expansion	(38,020)	(35,471)
Provision for leave preparatory to retirement	(1,365)	(894)
	(66,513)	(78,001)
Net assets	370,024	314,312

6.2 The Company's share in BME's profit and loss account is as follows:

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Sales	120,078	118,164
Cost of goods sold	(62,144)	(57,649)
	57,934	60,515
Operating expenses	(24,434)	(18,626)
Operating profit	33,500	41,889
Other income	35,932	32,521
	69,432	74,410
Transfer to reserve for development and expansion	(13,720)	(14,752)
	55,712	59,658

	June 30, 2011	June 30, 2010
	Rs '000	
7. LONG-TERM INVESTMENTS		
Investments in related parties		
Fully paid shares in a subsidiary - note 7.1	1	1
Other investments		
Held-to-maturity		
Term Finance Certificates - note 7.2	149,850	149,910
Pakistan Investment Bonds - note 7.3	1,381,803	1,564,888
GoP Ijara Sukuk - note 7.4	2,002,300	-
Local currency term deposits with banks - note 7.5	2,000,000	-
Foreign currency term deposits with banks - note 7.6	3,797,532	-
	9,331,485	1,714,798
Designated at fair value through profit or loss - note 7.7		
AMZ Plus Income Fund	34,713	-
Faysal Saving Growth Fund	701,903	-
UBL Liquidity Plus Fund	1,488,202	-
MCB Cash Management Optimizer Fund	1,087,455	-
Meezan Cash Fund	114,241	-
NAFA Government Securities Liquid Fund	1,073,669	-
ABL Cash Fund	867,049	-
Atlas Money Market Fund	208,283	-
HBL Money Market Fund	310,489	-
Askari Sovereign Cash Fund	153,733	-
IGI Money Market Fund	50,683	-
NIT Government Bond Fund	360,568	-
	6,450,988	-
Less: Current maturities		
Term Finance Certificates - note 7.2	(49,950)	(25,010)
Pakistan Investment Bonds - note 7.3	-	(199,603)
	(49,950)	(224,613)
	15,732,524	1,490,186

7.1 Subsidiary company

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited, a wholly owned subsidiary of the Company, has neither made any profits nor incurred any losses from the date of its incorporation to June 30, 2011. 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.

SECP through its letter CLD/RD/CO.237/PPL/2004 dated July 6, 2004 has exempted the Company from preparation of consolidated financial statements under section 237 of the Companies Ordinance,1984. Accordingly, the Company has not prepared the consolidated financial statements for the year ended June 30, 2011 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, 2011	June 30, 2010
						Rs '000	
7.2	**Term Finance Certificates (TFCs) of listed companies**						
	Jahangir Siddiqui & Co. Ltd.	10,000	5,000	May 21, 2012	KIBOR+ 2.5	49,910	49,930
	Bank Al-Falah Limited	20,000	5,000	December 01, 2017	KIBOR+ 2.5	99,940	99,980
						149,850	149,910
	Current maturity of TFCs					(49,950)	(25,010)
						99,900	124,900
7.3	**Pakistan Investment Bonds (PIBs) ***						
	Issued on:						
	May 19, 2006			May 19, 2011	9.54	-	199,603
	August 22, 2007			August 22, 2012	10.15	49,546	49,195
	August 22, 2007			August 22, 2012	10.23	99,008	98,240
	August 22, 2007			August 22, 2012	10.30	98,934	98,108
	August 22, 2007			August 22, 2012	10.81	98,421	97,187
	August 22, 2007			August 22, 2012	10.86	98,370	97,096
	May 19, 2006			May 19, 2016	10.90	47,573	47,217
	August 22, 2007			August 22, 2012	10.90	98,320	97,008
	August 22, 2007			August 22, 2012	10.95	98,268	96,916
	August 22, 2007			August 22, 2012	11.00	49,108	48,413
	May 19, 2006			May 19, 2016	11.14	94,289	93,455
	August 22, 2007			August 22, 2017	11.43	92,069	91,217
	August 22, 2007			August 22, 2017	11.49	91,845	90,971
	August 22, 2007			August 22, 2017	11.54	91,643	90,748
	August 22, 2007			August 22, 2017	11.59	91,442	90,528
	August 22, 2007			August 22, 2017	11.64	91,240	90,305
	August 22, 2007			August 22, 2017	11.88	45,138	44,623
	August 22, 2007			August 22, 2012	16.08	46,589	44,058
						1,381,803	1,564,888
	Current maturity of PIBs					-	(199,603)
						1,381,803	1,365,285

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

7.4 GoP Ijara Sukuk

During the year, the Company has invested amounts of Rs 2,002.300 million in the GoP Ijara Sukuk funds, issued on May 16, 2011, which will mature on May 16, 2014. The current yield to maturity of the investment is 13.4% per annum, however, it is subject to revision after every six months.

7.5 Local currency term deposits with banks

This represents the three years term deposits with bank with effective interest rate from 13.75% to 13.80% per annum (2010: Nil), with rate re-set option after eighteen months period.

7.6 Foreign currency term deposits with banks

This represents the term deposits with banks with effective interest rate from 2.2% to 4.0% (2010: 1.2% to 3.0%) per annum. These investments, except US$ 6.398 million (equivalent to Rs 549.268 million) invested in three years term deposit receipts, are due to mature within next twelve months, however, these have been classified as non-current assets, as the management intends and has an ability to reinvest the amounts for longer term.

7.7 Mutual funds

Fair value of these investments is determined using their respective redemption / repurchase price. During the year, these have been classified as non-current assets in accordance with the management intention and investment strategy, as stated in note 2.12 to these financial statements.

8. LONG-TERM LOANS - STAFF

	June 30, 2011	June 30, 2010
	Rs '000	
Unsecured and considered good		
- Executive staff - note 8.2	14,877	8,416
- Other employees	10,550	4,420
	25,427	12,836
Current maturity of long-term loans- note 13		
- Executive staff	(4,137)	(2,626)
- Other employees	(2,570)	(981)
	(6,707)	(3,607)
	18,720	9,229

8.1 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. The loans carry interest rate ranging from 1% to 10% (2010: 1% to 10%) per annum.

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

	June 30, 2011	June 30, 2010
	Rs '000	
Balance as on July 01	8,416	9,142
Disbursements	12,332	2,736
Repayments / adjustments	(5,871)	(3,462)
Balance as on June 30	14,877	8,416

The maximum aggregate amount of loan due from the executive staff at the end of any month during the year was Rs 14.877 million (2010: Rs 8.990 million).

9. 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 arranged a letter of credit from International Bank of Yemen on submission of counter guarantee of US$ 7.5 million through United Bank Limited against 100% cash margin of Rs 645 million (2010: Rs 630 million).

10. LONG-TERM RECEIVABLES

	June 30, 2011	June 30, 2010
	Rs '000	
Long-term receivable from:		
Government Holdings (Pvt) Ltd (GHPL) - note 10.1	8,502	28,117
National Highway Authority- note 10.2	6,921	-
	15,423	28,117
Current maturity of long-term receivables from GHPL	(4,251)	(19,615)
	11,172	8,502

10.1 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).

Under the arrangement for acquisition of 75% working interest in Chachar Gas Field, the Company had 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 was recoverable from GHPL. The income amounting to Rs 6.801 million, arising from aforesaid arrangement was classified as a deferred income. During the current year, amount of Rs 2.636 million (2010: Rs 0.971 million) has been transferred to profit and loss account and accordingly, the balance in the deferred income account is Rs 3.194 million (2010: Rs 5.830 million).

10.2 An amount was financed by the Nashpa joint venture partners to National Highway Authority for the construction of Khushalgarh Bridge on River Indus, district Kohat. As per the terms of the agreement, PPL has paid first installment of Rs 6.921 million being 15% of the total PPL share of Rs 46.140 million to be financed. The loan shall be recovered in seven years, starting after the successful completion of the work.

11. STORES AND SPARES

	June 30, 2011	June 30, 2010
	Rs '000	
Stores and spares	2,270,402	2,098,913
Stores and spares in transit	84,349	53,414
	2,354,751	2,152,327
Provision for obsolete / slow moving stores - note11.1	(81,799)	(82,919)
	2,272,952	2,069,408

11.1 Reconciliation of provision for obsolete / slow moving stores:

	June 30, 2011	June 30, 2010
Balance as on July 01	82,919	72,040
(Reversal) / charge for the year - note 31 & 32	(1,120)	10,879
Balance as on June 30	81,799	82,919

		June 30, 2011	June 30, 2010
		Rs '000	
12.	TRADE DEBTS		
	Unsecured and considered good		
	Related parties		
	Water and Power Development Authority (WAPDA)	7,589,839	7,235,291
	Sui Northern Gas Pipelines Limited (SNGPL)	8,894,829	13,657,728
	Sui Southern Gas Company Limited (SSGCL)	8,718,652	7,617,534
		25,203,320	28,510,553
	Non-related parties		
	Attock Refinery Limited (ARL)	5,131,273	1,522,549
	Byco Petroleum Pakistan Limited	1,181,220	511,089
	Others	580,545	266,998
		6,893,038	2,300,636
		32,096,358	30,811,189
12.1	The ageing of trade debts at June 30 is as follows:		
	Neither past due nor impaired	15,364,075	12,997,012
	Past due but not impaired		
	- within 90 days	7,631,112	10,576,445
	- 91 to 180 days	3,813,620	3,708,711
	- over 180 days	5,287,551	3,529,021
		16,732,283	17,814,177
		32,096,358	30,811,189

12.2 Trade debts include overdue amount of Rs 14,034 million (2010: Rs 17,302 million) receivable from the State controlled utility companies (i.e. WAPDA, SSGCL and SNGPL). Based on the measures being 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 created in these financial statements.

		June 30, 2011	June 30, 2010
		Rs '000	
13.	LOANS AND ADVANCES		
	Unsecured and considered good		
	Loans and advances to staff - note 13.1	2,770	12,605
	Advances to suppliers and others	120,478	38,187
	Advance payment of cash calls to joint ventures - note 26.2	375,934	95,697
	Current maturity of long-term loans - staff - note 8	6,707	3,607
		505,889	150,096
13.1	Loans and advances to staff:		
	- Executive staff	279	196
	- Other employees	2,491	12,409
		2,770	12,605
14.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
	Trade deposits	18,879	31,758
	Prepayments	115,768	142,969
		134,647	174,727

	June 30, 2011	June 30, 2010
	Rs '000	
15. ACCRUED FINANCIAL INCOME		
Profit receivable on:		
- bank deposits - saving accounts	13,496	30,415
- long-term investments	130,486	48,747
- short-term bank deposits	343,185	101,046
- long-term bank deposit	14,123	4,060
	501,290	184,268
16. OTHER RECEIVABLES		
Receivable from SNGPL for Sui field services	707	5,359
Receivable from SSGCL for Sui field services	76	1,434
Receivable from Workers' Profits Participation Fund (WPPF) - note 26.3	54,934	-
Current accounts with joint ventures - note 26.2	218,326	150,044
Other receivables	6,447	96,130
	280,490	252,967
17. SHORT-TERM INVESTMENTS		
Held-to-maturity		
Term deposits with banks		
Local currency - note 17.1	19,152,000	11,836,000
Foreign currency - note 7.6	-	3,349,695
	19,152,000	15,185,695
Investment in Treasury Bills - note 17.2	1,699,145	10,626,466
Designated at fair value through profit or loss - note 7.7		
AMZ Plus Income Fund	-	56,198
Crosby Phoenix Fund	-	19,581
UBL Liquidity Plus Fund	-	415,744
MCB Cash Management Optimizer Fund	-	570,550
Meezan Cash Fund	-	102,595
NAFA Government Securities Liquid Fund	-	216,828
NIT Government Bond Fund	-	102,183
	-	1,483,679
	20,851,145	27,295,840

17.1 The local currency short-term deposits have a maximum maturity period of five months, carrying profit ranging from 13.25% to 13.60% (2010: from 10.85% to 12.75%) per annum.

17.2 Treasury bills have a maximum maturity period of six months, carrying profit ranging from 13.37% to 13.39% (2010: from 11.64% to 12.45%) per annum.

18. TAXATION

The amount is net of the payment aggregating to Rs 5,000 million for the assessment year 2002-2003. Subsequent to the year end, the said amount has been refunded by the tax department.

	June 30, 2011	June 30, 2010
	Rs '000	
19. CASH AND BANK BALANCES		
At banks		
- Saving accounts		
Local currency - note 19.1	1,357,193	1,699,061
Foreign currency - note 19.2	62,927	20,689
	1,420,120	1,719,750
- Current accounts (local currency)	34,637	113,826
Cash and cheques in hand	48,369	40,817
	1,503,126	1,874,393

19.1 These carry profit at the rate ranging from 5% to 12% (2010: from 5% to 12%) per annum.

19.2 These carry profit at the rate ranging from 0.10% to 0.25% (2010: from 0.10% to 0.25%) per annum.

	June 30, 2011	June 30, 2010
	Rs '000	
20. SHARE CAPITAL		
Authorised		
1,500,000,000 (2010: 1,500,000,000) ordinary shares of Rs 10 each	15,000,000	15,000,000
26,510 (2010: 26,510) convertible preference shares of Rs 10 each	265	265
	15,000,265	15,000,265
Issued		
1,195,168,708 (2010: 996,005,505) ordinary shares of Rs 10 each - note 20.1	11,951,687	9,960,055
13,840 (2010: 13,850) convertible preference shares of Rs 10 each - note 20.2	138	138
	11,951,825	9,960,193
Subscribed and paid-up		
683,073,803 (2010: 683,073,793) ordinary shares of Rs 10 each for cash - note 20.1	6,830,738	6,830,738
509,155,358 (2010: 309,992,165) ordinary shares of Rs 10 each issued as bonus shares- note 20.3		
- Opening balance	3,099,922	1,440,230
- Issued during the year	1,991,632	1,659,692
- Closing balance	5,091,554	3,099,922
2,750,000 (2010: 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
	11,949,792	9,958,160
13,840 (2010: 13,850) convertible preference shares of Rs 10 each for cash - note 20.2	138	138
	11,949,930	9,958,298

20.1 Issued, subscribed and paid-up capital

During June 2002, a rights issue of 653,170,040 ordinary shares of Rs 10 each was made to the existing shareholders, irrespective of the class. Out of the above, 189,547 (2010: 189,547) shares remained unsubscribed.

In July 2004, the GoP disinvested its shareholding, 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 70.65% (2010: 69.77%) of the paid-up ordinary share capital.

20.2 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 one (2010: one) shareholder holding 10 (2010: 250) convertible preference shares exercised his option to convert those shares into ordinary shares.

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

20.3 During the year, the Company has issued 20% bonus shares i.e., 199,163,193 shares (2010: 165,969,285 shares) to the ordinary share holders (two ordinary shares for every ten ordinary shares held).

	June 30, 2011	June 30, 2010
	Rs '000	
21. RESERVES		
Capital reserve - note 21.1	1,428	1,428
Revenue reserves		
General and contingency reserve - note 21.2	69,761	69,761
Insurance reserve - note 21.3	14,021,894	8,521,894
Assets acquisition reserve - note 21.4	20,000,000	15,000,000
Unappropriated profit	48,380,020	46,354,850
	82,471,675	69,946,505
	82,473,103	69,947,933

21.1 Capital reserve

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

21.2 General and contingency reserve

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

21.3 Insurance reserve

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

However, since last year the Company has arranged terrorism cover from the international market upto the limit of liability of US$ 100 million (Rs 8,585 million) for single occurrence, as well as, annual aggregate. Due to the limited cover available, the Company will continue to build-up this reserve.

The Board of Directors at their meeting held on August 09, 2011 has approved to transfer Rs 5,000 million (2010: Rs 5,500 million) from unappropriated profit to the insurance reserve.

21.4 Assets acquisition reserve

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

The Board of Directors at their meeting held on August 09, 2011 has approved to transfer Rs 5,000million (2010: Rs 5,000 million) from unappropriated profit to the assets acquisition reserve.

	June 30, 2011	June 30, 2010
	Rs '000	
22. PROVISION FOR DECOMMISSIONING OBLIGATION		
Balance brought forward	5,605,226	3,974,307
(Adjustment) / provision during the year - note 4.1	(21,367)	1,534,132
Unwinding of discount - note 33	145,736	96,787
	5,729,595	5,605,226

22.1 The provision for decommissioning obligation includes Rs 1,544.312 million (2010: Rs 1,500.783 million), representing the Company's share of the expected decommissioning cost of partner operated fields. The provision for decommissioning cost in respect of the Company's operated fields has been estimated by its in-house technical staff, whereas, the provision for the partner operated fields is based on estimates provided by the respective operators. The provision has been discounted using a real discount rate of 2.60% per annum (2010: 2.60% per annum).

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	June 30, 2011	June 30, 2010
	Rs '000	
Present value of minimum lease payments	155,276	1,298,609
Current maturity shown under current liabilities	(53,428)	(1,210,728)
	101,848	87,881

23.1 The liabilities against assets subject to finance leases represent the leases entered into with leasing companies for rolling stock and computers and allied equipment. The periodic lease payments include rates of mark-up ranging from 6.13% to 21.83% (2010: 6.13% to 21.86%) per annum. The Company has the option to purchase the assets upon expiry of the respective lease terms. There are no financial restrictions in the lease agreements.

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, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	Rs '000					
Year ended June 30,						
2011	-	1,260,967	-	50,239	-	1,210,728
2012	70,307	47,525	16,879	12,771	53,428	34,754
2013	58,229	35,323	14,366	7,371	43,863	27,952
2014	38,545	20,964	7,927	3,529	30,618	17,435
2015	20,941	8,552	3,476	812	17,465	7,740
2016	10,707	-	805	-	9,902	-
Total	198,729	1,373,331	43,453	74,722	155,276	1,298,609

	June 30, 2011	June 30, 2010
	Rs '000	

24. DEFERRED LIABILITIES

Post retirement medical benefits - note 30.2.1	871,494	763,266
Leave preparatory to retirement - note 30.3	469,079	371,763
	1,340,573	1,135,029

25. DEFERRED TAXATION

Credit / (debit) balances arising on account of:		
Exploration expenditure	(4,491,298)	(3,174,704)
Amortisation of intangible assets	(254)	(551)
Provision for staff retirement and other benefits	(469,201)	(397,260)
Provision for obsolete / slow moving stores	(28,630)	(29,022)
Provision for Workers' Welfare Fund (WWF)	(1,921,295)	(1,437,278)
Provision for decommissioning obligation	(219,516)	(416,654)
Accelerated tax depreciation allowances	5,850,327	3,202,600
Prospecting and development expenditure	4,305,816	3,476,083
Others	368	(4,280)
	3,026,317	1,218,934

	June 30, 2011	June 30, 2010
	Rs '000	
26. TRADE AND OTHER PAYABLES		
Creditors	209,875	101,377
Accrued liabilities	2,009,831	1,473,501
Security deposits from LPG distributors	169,651	169,651
Retention money	455,730	435,763
Unpaid and unclaimed dividends	1,864,289	98,452
Gas development surcharge	2,590,407	5,639,880
Federal excise duty (net)	166,702	103,672
Sales tax (net) - notes 27.1.3 & 27.1.4	882,960	795,210
Royalties	4,804,008	4,307,661
Surplus due to the President - note 26.1	72,539	72,539
Current accounts with joint venture partners - note 26.2	1,716,062	1,615,772
WPPF - note 26.3	-	3,228
WWF - notes 27.1.5 & 32	4,446,633	3,362,964
Others	64,336	30,809
	19,453,023	18,210,479

26.1 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' initialed 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.

26.2 Joint venture current accounts (i.e. payable or receivable) as at June 30, 2011 and 2010 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, 2011	June 30, 2010
	Rs '000	
26.3 Workers' Profits Participation Fund		
Balance as on July 01	3,228	-
Allocation for the year - note 32	2,595,066	1,851,228
Interest on funds utilised in the Company's business - note 33	869	135
	2,599,163	1,851,363
Amount paid during the year		
- for current year	(2,650,869)	(1,848,135)
- for prior year	(3,228)	-
	(2,654,097)	(1,848,135)
	(54,934)	3,228
Receivable from WPPF classified under other receivables - note 16	54,934	-
Balance as on June 30	-	3,228

27. CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 Indemnity bonds and corporate guarantees

	June 30, 2011	June 30, 2010
	Rs '000	
Indemnity bonds (including share of joint venture areas) issued to custom authorities, redeemable after submission of usage certificate within five years.	87,915	146,985
Corporate guarantees (including share of joint venture areas) issued to custom authorities, redeemable on receipt of necessary certification from regulatory authority or clarification from custom authorities.	128,251	129,500

27.1.2 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.

27.1.3 Sales tax

The Company had filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the Large Taxpayers Unit (LTU), which required the Company to pay sales tax on LPG sales made from Adhi field during the period August, 1999 to April, 2004. However, in order to avail benefits under an 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, aggregating to Rs 89.974 million, on sales of LPG made during the period August, 1999 to April, 2004. The ATIR 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 had refunded amounts of Rs 32.357 million. The Company had also filed an appeal in the Sindh High Court (SHC). Pursuant to an amendment in the law, the case was transferred to the ATIR on the advice of SHC, which in its order dated February 23, 2010 declared the original show cause notice as “illegal and ab-initio void and not sustainable in the eyes of law”. As a result, the remaining amount of Rs 57.617 million is refundable. Tax Department has issued Refund Payment Order of Rs 31.120 million. The Company is pursuing the Department for the remaining refund of Rs 26.497 million.

27.1.4 The tax authorities have issued various letters / notices / orders for different tax periods either disallowing / intending to disallow the input sales tax claimed by the Company under the provisions of sections 8(1)(ca) and 8A of the Sales Tax Act, 1990 and Rule 12(5) of the Sales Tax Rules, 2006. Being aggrieved with the orders passed by the DCIR, the Company has filed appeals before the Commissioner Inland Revenue, Appeals, which are pending for hearing.

The Company has also filed a Constitutional Petition before the Hon'able Sindh High Court (SHC) challenging the above mentioned provisions, which is also pending for hearing.

27.1.5 Workers' Welfare Fund

The Workers' Welfare Fund Ordinance (WWFO), 1971 is applicable on all the industrial establishments except for those establishments which are owned by the Government of Pakistan (GoP). 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 has not made the payments to 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 appeals filed by the Company against the tax department, the ATIR had decided the issue against the Company. In view of the Order of the ATIR, the Company filed reference applications before the SHC. The SHC, vide its order dated December 19, 2008 had decided the reference applications in favour of the Company. To give effect to the SHC decision, ATIR vide order dated October 10, 2009 had directed the tax department to give effect to SHC order for the years 1998 to 2002. During the current year, the tax department has given effect to the SHC order and the Company has adjusted the refund amount of Rs 87.216 million against the income tax liability.

The Taxation Officer had issued amended assessment orders for tax years 2003 to 2007. The Company had filed appeals before the Commissioner Inland Revenue (Appeals) {CIR(A)} against the orders of Taxation Officer and also obtained stay against the demand of WWF from the SHC. The CIR(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, CIR(A) had decided the appeals against the Company. Accordingly, the Company and the tax authorities had filed appeals before the ATIR against the order of the CIR(A). ATIR had decided the case in favour of the Company vide its order dated October 28, 2009, against which the Tax department had filed an appeal before SHC. The SHC has also disposed off the appeal for the tax years 2003 to 2006 and decided the case in favour of the Company.

In respect of tax year 2007, CIR(A) had upheld the decision of the Taxation Officer. The Company had filed appeal before the ATIR against the order of the CIR(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 had decided the appeal in favour of the Company.

The taxation authorities have filed leave to appeals in respect of the years 1998 to 2002 and 2003 to 2007 before the Supreme Court of Pakistan (SCP) against the orders of the SHC.

The tax departments had also amended the assessment orders for the tax years 2008 and 2009, and had raised the WWF demands for Rs 1,293 million. The Company had filed appeals before the CIR (A) against the amended assessment orders. The Company had also filed appeals for the stay of demand with the SHC, which has been granted upto SHC level. CIR (A) vide its orders dated May 25, 2011 has decided the WWF issue for tax years 2008 and 2009 in favour of the Company.

During the current year, the tax department has also amended the assessment order for the tax year 2010 and raised the WWF demand of Rs 547 million against which the Company has filed an appeal before the CIR (A), which is pending for hearing.

The Company, as a matter of prudence, has been providing for WWF in the books of accounts. Accordingly, an amount of Rs 1,083.669 million (2010: Rs 704.657 million) has been provided during the year. In case the matter is decided in favour of the Company, an amount of Rs 4,485.054 million (2010: Rs 3,401.385 million) will be credited in profit and loss account for that year.

27.1.6 Income tax

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 2010 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 ammended the Assessment Orders for tax years 2003 to 2010, 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 had filed appeals before the CIR(A) against the aforesaid orders. The Company has obtained stay of demand for tax years 2003 to 2009 from the SHC against lumpsum payments of Rs 1,118 million. For tax years 2008 and 2009, CIR(A) vide its order dated May 25, 2011 has decided the rate issue in favour of the Company, however, CIR(A) has upheld the tax department's decision in respect of the other issues. The Company has filed appeal with the ATIR against the CIR(A) decision.

The Company based on the advice of its legal counsel, is confident that it has good grounds to defend the appeals on the issues of depletion allowance (royalty element), Sui decommissioning cost and tax rates. However, the Company, as a matter of prudence, continues to provide for Sui decommissioning cost and tax liability at the higher tax rates in the books of account. In addition, during the current year the Company has also provided for the depletion allowance (gathering and processing element) for tax years 2003 to 2010, amounting to Rs 648 million. However, no provision has been created in respect of tax liability for depletion allowance (royalty element) aggregating to Rs 1,355 million. In case the appeals are decided in favour of the Company, an amount of Rs 3,096 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 1,355 million will be charged in the profit and loss account for that year.

27.2 Commitments

27.2.1 Capital expenditure

	June 30, 2011	June 30, 2010
	Rs '000	
Owned assets	439,002	1,984,406
Share in joint ventures	6,540,567	6,199,149
Operating leases / Ijarah contracts	49,917	69,203
	7,029,486	8,252,758

Commitments for rentals under operating leases / Ijarah contracts in respect of vehicles are as follows:

Year ending June 30,	June 30, 2011	June 30, 2010
	Rs '000	
2011	-	19,286
2012	19,286	19,286
2013	13,785	13,785
2014	8,931	8,931
2015	7,915	7,915
	49,917	69,203

27.2.2 Exploration expenditure

The Company's share of net exploration activities in respect of Block 2966-1 (Nushki), Block 2766-1 (Khuzdar), Block 2568-13 (Hala), Block 2866-2 (Kalat), Block 2969-8 (Barkhan), Block 2971-5 (Bahawalpur East), Block 3270-7 (Zindan), Block 2467-12 (Jungshahi), Block 3170-6 (Dera Ismail Khan), Block 2468-12 (Kotri), Block 2568-21 (Kotri North), Block 3371-15 (Dhok Sultan), Block 2568-18 (Gambat South), Block 2763-3 (Kharan), Block 2764-4 (Kharan East), Block 2763-4 (Kharan West), Block 2468-10 (Sirani), Block 2667-11 (Zamzama South), Block 2668-9 (Naushahro Firoz), Block 3370-3 (Tal), Block 2668-4 (Gambat), Block 2668-5 (Southwest Miano-II), Block 3370-10 (Nashpa), Block 2669-3 (Latif), Block 2667-7 (Kirthar), Block 2366-5 (Offshore Indus 'N'), Block 2366-7 (Offshore Indus 'C'), Block 2468-9 (Jherruck), Block 3070-13 (Baska), Block 2568-20 (Sukhpur), Block 2568-19 (Digri), Block 3273-3 (Ghauri) and Block-29 (Republic of Yemen), provision for new exploration areas and for international exploration phased for the year ending June 30, 2012 amounts to Rs 3,538 million (2011: Rs 4,828 million).

28. SALES - net (including internal consumption)

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Sales	98,613,458	77,210,544
Federal excise duty	(2,295,318)	(1,223,810)
Sales tax	(11,525,220)	(9,273,749)
Gas development surcharge	(6,540,525)	(6,751,369)
	(20,361,063)	(17,248,928)
	78,252,395	59,961,616
Product wise break-up of sales is as follows:		
Natural gas sales	76,214,990	65,312,167
Federal excise duty	(2,275,027)	(1,212,868)
Sales tax	(11,171,018)	(9,044,198)
Gas development surcharge	(6,540,525)	(6,751,369)
	(19,986,570)	(17,008,435)
	56,228,420	48,303,732
Gas supplied to Sui villages - note 29.4	156,402	134,526
Federal excise duty	(8,233)	(4,364)
Sales tax	(22,725)	(18,555)
	(30,958)	(22,919)
	125,444	111,607
Internal consumption of gas - note 28.1	186,799	144,486
Federal excise duty	(9,833)	(4,695)
Sales tax	(27,142)	(19,929)
	(36,975)	(24,624)
	149,824	119,862
Condensate sales	8,056,910	3,303,855
Sales tax	108	(361)
	8,057,018	3,303,494
NGL (condensate) sales	1,628,600	1,852,697
Crude oil sales	10,274,474	5,080,192
LPG sales	2,095,283	1,382,621
Federal excise duty	(2,225)	(1,883)
Sales tax	(304,443)	(190,706)
	(306,668)	(192,589)
	1,788,615	1,190,032
	78,252,395	59,961,616

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
28.1 Internal consumption of gas comprises of the following		
Industrial and domestic use	132,889	100,332
Gas used for electricity generation at Sui	53,910	44,154
	186,799	144,486

28.2 The Company has not allowed any sales discount to the customers during the years ended June 30, 2011 and 2010.

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
29. FIELD EXPENDITURES		
Development and drilling	3,780,663	4,222,347
Exploration	4,531,785	3,966,500
Depreciation - note 4.1	2,637,044	1,649,461
Amortisation of intangible assets - note 5.1	71,898	65,038
Amortisation of decommissioning cost - note 4.1	491,878	391,703
Amortisation of prospecting and development expenditure - note 4.1	1,754,160	1,396,153
Salaries, wages, welfare and other benefits - note 29.1	4,611,821	3,868,609
Employees' medical benefits - note 29.2	291,406	239,721
Manpower development	54,342	37,058
Travelling and conveyance	458,738	411,047
Communication	29,956	29,906
Stores and spares consumed	974,356	879,829
Fuel and power	261,688	205,774
Rent, rates and taxes	64,484	62,797
Insurance	224,453	157,703
Repairs and maintenance	398,358	293,560
Professional services	80,240	31,631
Auditors' remuneration - note 29.3	3,761	3,801
Free supply of gas to Sui villages - note 29.4	156,402	134,526
Donations - note 29.5	68,814	68,327
Social welfare / community development	349,112	46,957
Other expenses	99,030	133,258
	21,394,389	18,295,706
Recoveries	(30,212)	(22,700)
	21,364,177	18,273,006

29.1 This includes expenditure in respect of provident fund, pension fund, gratuity fund and leave preparatory to retirement amounting to Rs 121.492 million, Rs 422.772 million, Rs 65.642 million and Rs 117.876 million, respectively (2010: Rs 89.585 million, Rs 328.658 million, Rs 153.391 million and Rs 90.374 million, respectively).

29.2 This includes expenditure relating to post retirement medical benefits amounting to Rs 138.245 million (2010: Rs 112.212 million).

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
29.3 Auditors' remuneration is as under		
Audit fee	2,000	1,800
Limited review, special certifications and various advisory services	1,528	1,828
Out of pocket expenses	233	173
	3,761	3,801

29.4 A corresponding amount relating to free supply of gas to Sui villages is included as part of sales in note 28.

29.5 Donations include the payments to following institutions in which the directors / ex-directors are interested:

Name of director(s) / ex-director(s)	Nature of interest in donee	Name and address of donee	Year ended June 30, 2011	Year ended June 30, 2010
			Rs '000	
Mr. Saeed Akhtar	Director	Karwan-e-Hayat, an Institute of Mental Health Care & Rehabilitation	100	-
Mr. Khalid Rahman	Member of Managing Committee	Overseas Investors Chamber of Commerce & industry	150	-
Mr. Khalid Rahman	Member council	ICAP, Clifton, Karachi	200	500
Mrs. Roshan Khursheed Bharucha	Chairperson	SOS Children's Village of Balochistan	-	2,000
			450	2,500

30. STAFF RETIREMENT BENEFITS

30.1 Funded post retirement pension and gratuity schemes

As mentioned in note 2.15 to these financial statements, the Company operates approved funded pension and gratuity schemes for all its executive and non-executive permanent employees.

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

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2011					June 30, 2010
	Rs '000					
Present value of defined benefit obligations - note 30.1.5	3,254,368	400,992	925,258	519,181	5,099,799	4,315,998
Fair value of plan assets- note 30.1.4	(2,355,168)	(397,937)	(750,482)	(360,001)	(3,863,588)	(3,237,876)
Deficit	899,200	3,055	174,776	159,180	1,236,211	1,078,122
Unrecognised actuarial loss	(899,200)	(2,197)	(174,776)	(159,180)	(1,235,353)	(1,076,406)
Unrecognised past service cost	-	(858)	-	-	(858)	(1,716)
Asset / liability recognised in the balance sheet	-	-	-	-	-	-

30.1.2 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, 2011					June 30, 2010
	Rs '000					
Balances as on July 01	-	-	-	-	-	-
Charge for the year - note 30.1.3	358,429	28,242	64,343	37,400	488,414	482,049
Payments during the year	(358,429)	(28,242)	(64,343)	(37,400)	(488,414)	(482,049)
Balances as on June 30	-	-	-	-	-	-

30.1.3 Amounts recognised in the profit and loss account

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

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	Year ended June 30, 2011					Year ended June 30, 2010
	Rs '000					
Current service cost	193,962	24,897	37,165	17,245	273,269	222,743
Interest cost	364,318	49,608	110,048	58,646	582,620	467,462
Expected return on plan assets	(257,803)	(47,121)	(83,335)	(40,525)	(428,784)	(355,216)
Recognition of actuarial loss	57,952	-	465	2,034	60,451	57,054
Amortisation of unrecognised past service cost	-	858	-	-	858	858
Recognition of past service cost	-	-	-	-	-	89,148
	358,429	28,242	64,343	37,400	488,414	482,049
Actual return on plan assets	(246,978)	(43,466)	(86,891)	(38,650)	(415,985)	(339,483)

30.1.4 Changes in fair value of plan assets

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2011					June 30, 2010
	Rs '000					
Fair value of plan assets at beginning of the year	1,884,135	375,035	658,693	320,013	3,237,876	3,132,376
Expected return on plan assets	257,803	47,121	83,335	40,525	428,784	355,216
Contributions by the Company	358,429	28,242	64,343	37,400	488,414	482,049
Benefits paid	(135,960)	(48,481)	(59,783)	(36,870)	(281,094)	(685,738)
Actuarial (loss) / gain	(9,239)	(3,980)	3,894	(1,067)	(10,392)	(46,027)
Fair value of plan assets at end of the year	2,355,168	397,937	750,482	360,001	3,863,588	3,237,876

30.1.5 Changes in present value of pension and gratuity obligations

	Executives		Non-Executives		Total	
	Pension	Gratuity	Pension	Gratuity		
	June 30, 2011					June 30, 2010
	Rs '000					
Present value of obligations at beginning of the year	2,801,785	396,220	737,566	380,427	4,315,998	4,173,197
Current service cost	193,962	24,897	37,165	17,245	273,269	222,743
Interest cost	364,318	49,608	110,048	58,646	582,620	467,462
Benefits paid	(135,960)	(48,481)	(59,783)	(36,870)	(281,094)	(685,738)
Actuarial loss / (gain)	30,263	(21,252)	100,262	99,733	209,006	46,612
Past service cost	-	-	-	-	-	91,722
Present value of obligations at end of the year	3,254,368	400,992	925,258	519,181	5,099,799	4,315,998

30.1.6 Break up of plan assets

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

	Rate of return	Executives		Non-Executives		Executives		Non-Executives	
		Rs '000	%	Rs '000	%	Rs '000	%	Rs '000	%
	%	June 30, 2011				June 30, 2010			
Pension Fund									
Government securities	6.22 - 14.47	1,875,693	80	600,449	80	1,717,437	91	589,408	89
Shares	-	118,682	5	36,442	5	9,432	-	1,441	-
TFCs	8.45 - 14.38	103,661	4	38,243	5	104,462	6	38,532	6
Cash and bank balances	5.00 - 11.00	257,132	11	75,348	10	52,804	3	29,312	5
		2,355,168	100	750,482	100	1,884,135	100	658,693	100
Gratuity Fund									
Government securities	6.22 - 14.47	331,195	83	312,029	87	337,642	90	288,269	90
Shares	-	20,460	5	17,877	5	1,441	-	2,102	1
TFCs	8.45 - 14.38	25,565	7	20,567	6	25,598	7	20,718	6
Cash and bank balances	5.00 - 11.00	20,717	5	9,528	2	10,354	3	8,924	3
		397,937	100	360,001	100	375,035	100	320,013	100

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

	2011	2010	2009	2008	2007
	Rs '000				
Executive Pension Fund					
Present value of defined benefit obligations	3,254,368	2,801,785	2,555,714	2,065,129	1,746,009
Fair value of plan assets	(2,355,168)	(1,884,135)	(1,825,403)	(1,687,631)	(1,498,380)
Deficit	899,200	917,650	730,311	377,498	247,629
Loss on experience adjustments on obligations	(30,263)	(223,938)	(328,034)	(170,637)	(132,422)
(Loss) / gain on experience adjustments on plan assets	(9,239)	(6,559)	(40,323)	34,129	58,224
Executive Gratuity Fund					
Present value of defined benefit obligations	400,992	396,220	298,069	273,058	259,266
Fair value of plan assets	(397,937)	(375,035)	(272,354)	(274,497)	(257,721)
Deficit / (surplus)	3,055	21,185	25,715	(1,439)	1,545
Gain / (loss) on experience adjustments on obligations	21,252	7,651	(20,880)	(4,154)	(2,292)
(Loss) / gain on experience adjustments on plan assets	(3,980)	(1,405)	(6,274)	7,138	7,548
Non-Executive Pension Fund					
Present value of defined benefit obligations	925,258	737,566	930,713	685,216	637,531
Fair value of plan assets	(750,482)	(658,693)	(748,917)	(655,468)	(590,078)
Deficit / (surplus)	174,776	78,873	181,796	29,748	47,453
(Loss) / gain on experience adjustments on obligations	(100,262)	122,897	(194,894)	(865)	(78,143)
Gain / (loss) on experience adjustments on plan assets	3,894	(28,040)	42,846	26,702	30,006
Non-Executive Gratuity Fund					
Present value of defined benefit obligations	519,181	380,427	388,701	287,366	288,507
Fair value of plan assets	(360,001)	(320,013)	(285,702)	(259,360)	(233,296)
Deficit	159,180	60,414	102,999	28,006	55,211
(Loss) / gain on experience adjustments on obligations	(99,733)	46,778	(86,521)	23,367	(54,691)
(Loss) / gain on experience adjustments on plan assets	(1,067)	(10,023)	11,528	1,442	4,360

30.1.8 The Company expects to contribute Rs 543.846 million to the defined benefit plan in 2011-12.

30.2 Unfunded post retirement medical benefits

30.2.1 The Company provides free medical facilities to its executive and non-executive retired employees, as mentioned in 2.15. The latest actuarial valuation of liability for post retirement medical benefits cost was carried out as at June 30, 2011, results of which are as follows:

	June 30, 2011	June 30, 2010
	Rs '000	
Present value of defined benefit obligations - note 30.2.4	895,902	843,535
Unrecognised actuarial loss	(24,408)	(80,269)
Liability recognised in the balance sheet - note 24	871,494	763,266

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

	June 30, 2011	June 30, 2010
	Rs '000	
Balance as on July 01	763,266	676,024
Charge for the year - note 30.2.3	138,245	112,212
Payments during the year	(30,017)	(24,970)
Balance as on June 30	871,494	763,266

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

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Current service cost	29,178	27,150
Interest cost	108,656	82,769
Recognition of actuarial loss	411	2,293
	138,245	112,212

30.2.4 Changes in present value of post retirement medical obligations:

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Opening balance	843,535	753,865
Current service cost	29,178	27,150
Interest cost	108,656	82,769
Benefits paid	(21,408)	(24,970)
Actuarial (gain) / loss	(64,059)	4,721
Closing balance	895,902	843,535

30.2.5 A one percent change in the medical cost trend rate would have following effect:

	1% increase	1% decrease
	Rs '000	
Present value of medical obligation	103,503	(138,510)
Current service cost and interest cost	19,516	(27,976)

30.3 Leave preparatory to retirement

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

	June 30, 2011	June 30, 2010
	Rs '000	
Balance as on July 01	371,763	314,661
Charge for the year	117,876	90,374
	489,639	405,035
Payments during the year	(20,560)	(33,272)
Balance as on June 30 - note 24	469,079	371,763

30.4 Principal actuarial assumptions

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

	Per annum	
	June 30, 2011	June 30, 2010
	%	
- discount rate	14.50	12.75
- expected rate of return on plan assets	14.50	12.75
- expected rate of increase in salaries	14.50	12.75
- expected rate of increase in pension	9.50	7.75
- expected rate of escalation in medical cost	10.50	8.75

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
31. OTHER OPERATING INCOME		
Income from financial assets		
Income on loans and bank deposits	284,421	272,910
Income on term deposits	1,763,381	1,396,815
Income on long-term held-to-maturity investments	316,447	189,195
Income from investment in treasury bills	1,511,664	490,928
Profit on musharika certificates	-	1,512
Gain on re-measurement / disposal of investments designated at fair value through profit or loss (net)	442,238	60,330
Income from assets other than financial assets		
Rental income on assets	1,029	1,430
Profit on sale of property, plant and equipment	8,670	50,904
Profit on sale of stores and spares (net)	10,258	-
Exchange gain on foreign currency	33,867	40,343
Share of profit on sale of LPG	76,949	39,645
Refund of sales tax paid under amnesty scheme	-	8,499
Reversal of provision for obsolete / slow moving stores - note 11.1	1,120	-
Others	523	26,326
	4,450,567	2,578,837

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
32. OTHER OPERATING EXPENSES		
WPPF - note 26.3	2,595,066	1,851,228
WWF - note 26		
- Current year	987,220	704,657
- Prior year	9,233	-
	996,453	704,657
Profit on sale of stores and spares (net)	-	1,191
Provision for obsolete / slow moving stores - note 11.1	-	10,879
	3,591,519	2,567,955
33. FINANCE COSTS		
Interest on WPPF - note 26.3	869	135
Financial charges for liabilities against assets subject to finance leases	58,839	57,910
Unwinding of discount on decommissioning obligation - note 22	145,736	96,787
	205,444	154,832

34. TAXATION

Provision for taxation for the years ended June 30, 2011 and 2010 has been calculated on the basis of tax rates of 55%, 52.5% and 40% for onshore agreement areas and for the non-agreement areas on the basis of tax rate of 35%, as mentioned in note 2.18.

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
Current		
- for the year	14,716,650	9,727,779
- for prior years (net)	394,897	399,539
	15,111,547	10,127,318
Deferred		
- for the year	1,807,382	1,497,025
- for prior years	-	(416,654)
	1,807,382	1,080,371
	16,918,929	11,207,689
34.1 Relationship between accounting profit and taxation		
Accounting profit for the year before taxation	48,364,644	34,528,207
Tax at applicable rate of 44.81% (2010: 45.22%)	21,672,197	15,613,655
Tax effect of amounts that are not deductible for tax purposes	83,339	96,653
Tax effect of depletion allowance and royalty allowed for tax purposes	(5,231,504)	(4,485,504)
Net effect of deferred tax relating to prior years recognised in current year	-	(416,654)
Tax charge relating to prior years	394,897	399,539
	16,918,929	11,207,689

35. 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, 2011
Producing fields		
Adhi	PPL	39.00%
Mazarani	PPL	87.50%
Hala	PPL	65.00%
Kandhkot East (Chachar)	PPL	75.00%
Qadirpur	OGDCL	7.00%
Miano	OMV	15.16%
Sawan	OMV	26.18%
Hasan, Sadiq & Khanpur - D&P (Block-22)	PEL	35.53%
Manzalai D&P (Tal Block)	MOL	27.76%
Makori D&P (Tal Block)	MOL	27.76%
Mamikhel EWT Phase (Tal Block)	MOL	27.76%
Maramzai EWT Phase (Tal Block)	MOL	27.76%
Mela EWT Phase (Nashpa Block)	OGDCL	26.05%
Nashpa EWT Phase (Nashpa Block)	OGDCL	26.05%
Tajjal EWT Phase (Gambat Block)	OMV	23.68%
Latif EWT Phase (Latif Block)	OMV	33.30%
Exploration and development blocks (within Pakistan)		
Block 2568 - 13 (Hala)	PPL	65.00%
Block 2971 - 5 (Bahawalpur East)	PPL	49.00%
Block 2966 - 1 (Nushki)	PPL	65.00%
Block 2766 - 1 (Khuzdar)	PPL	65.00%
Block 2866 - 2 (Kalat)	PPL	35.00%
Block 2969 - 8 (Barkhan)	PPL	35.00%
Block 2763 - 3 (Kharan)	PPL	100.00%
Block 2764 - 4 (Kharan-East)	PPL	100.00%
Block 2763 - 4 (Kharan-West)	PPL	100.00%
Block 3371 - 15 (Dhok Sultan)	PPL	75.00%
Block 2467 - 12 (Jungshahi)	PPL	100.00%
Block 2568 - 18 (Gambat South)	PPL	75.00%
Block 3170 - 6 (Dera Ismail Khan)	PPL	100.00%
Block 2468 - 12 (Kotri)	PPL	100.00%
Block 2568 - 21 (Kotri North)	PPL	100.00%
Block 2468 - 10 (Sirani)	PPL	75.00%
Block 2668 - 9 (Naushahro Firoz)	PPL	100.00%
Block 2667 - 11 (Zamzama South)	PPL	100.00%
Block 3270 - 7 (Zindan)	PPL	35.00%
Block 2768 - 3 (Block-22)	PEL	45.00%
Block 2668 - 4 (Gambat)	OMV	30.00%
Block 2669 - 3 (Latif)	OMV	33.30%
Block 3370 - 10 (Nashpa)	OGDCL	30.00%
Block 2667 - 7 (Kirthar)	POGC	30.00%
Block 3070 - 13 (Baska)	Zhen Hua	49.00%
Block 2366 - 7 (Eastern offshore Indus 'C')	ENI	40.00%
Block 2366 - 5 (Eastern offshore Indus 'N')	ENI	30.00%
Block 3370 - 3 (Tal)	MOL	30.00%
Block 2668 - 5 (South West Miano-II)	OMV	33.30%
Block 2568 - 20 (Sukhpur)	ENI	30.00%
Block 2468 - 9 (Jherruck)	NHEPL	30.00%
Block 2568 - 19 (Digri)	BP	25.00%
Outside Pakistan		
Block-29 (Yemen)	OMV	43.75%

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks, including the effect of market risks relating to interest rates, foreign currency and commodity price, credit risk and liquidity risk associated with various financial assets and liabilities. The carrying values of financial assets and liabilities approximate to their fair values except for held-to-maturity investments, which are stated at amortised cost. No changes were made in the objectives, policies or processes during the years ended June 30, 2011 and 2010.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

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, except as mentioned in notes 7.5 and 7.6, for local currency term deposits of Rs 2,000 million and foreign currency term deposits of US$ 6.398 million (equivalent to Rs 549.268 million), respectively.

Fair value hierarchy

Financial instruments carried at fair value are categorised as follows:

Level 1: quoted market prices

Level 2: Valuation techniques (market observable)

Level 3: Valuation techniques (non-market observable)

The Company held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	Rs '000			
Financial assets				
June 30, 2011				
Investments designated at fair value through profit or loss	6,450,988	6,450,988	-	-
June 30, 2010				
Investments designated at fair value through profit or loss	1,483,679	1,483,679	-	-

Foreign currency risk management

Financial assets include Rs 4,505.459 million (2010: Rs 4,000.384 million) and financial liabilities include Rs 1,533.942 million (2010: Rs 1,439.426 million), which were subject to foreign currency risk. The US Dollar deposits also serve as a synthetic hedge against the Company's exposure to foreign currency risk resulting from outstanding payments for imports.

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

	One Rupee Increase	One Rupee Decrease
	Rs '000	
Foreign currency financial assets	52,481	(52,481)
Foreign currency financial liabilities	21,252	(21,252)

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, keeping in view of the pricing mechamisn under various Gas Price Agreements signed with the GoP, the Company is of the view that the price risk in respect of gas sales which constitute major portion of Company’s total sales, is within acceptable limits. Therefore, the Company has not entered in any commodity derivative transactions.

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 and mutual funds and balances at banks. The credit risk on investments and liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. However, the Company monitors its investments in TFCs and mutual funds and placements with banks in order to control credit risk. The Company has maintained lines and limits with banks for effective monitoring of credit risk.

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

(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, 2011	June 30, 2010
	Rs '000	
Long term investments - note 7		
AAA	6,457,772	1,564,888
AA	8,588,085	149,910
A	701,903	-
Not rated	34,713	-
	15,782,473	1,714,798
Trade debts - note 12.1		
Customers with no defaults in the past one year	89,310	356,786
Customers with some defaults in past one year which have been fully recovered	26,778	739,697
Customers with defaults in past one year which have not yet been recovered	15,247,987	11,900,529
	15,364,075	12,997,012
Mutual funds - note 17		
AA	-	1,407,900
A	-	19,581
Not rated	-	56,198
	-	1,483,679
Cash at bank and short-term investments - notes 17 & 19		
AAA	1,869,012	12,506,310
AA	20,430,796	15,138,952
A	6,094	475
	22,305,902	27,645,737

c) Capital risk management

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

d) Liquidity risk management

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

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs '000					
Liability against assets subject to finance leases	-	12,587	40,841	101,849	-	155,277
Trade and other payables	131,470	5,160,976	772,344	-	-	6,064,790
Year ended 30 June 2011	131,470	5,173,563	813,185	101,849	-	6,220,067

	On Demand	Less than 3 months	3 to less than 12 months	1 to 5 years	More than 5 years	Total
	Rs '000					
Liability against assets subject to finance leases	-	115,475	1,095,253	87,881	-	1,298,609
Trade and other payables	115,017	2,713,854	895,994	-	-	3,724,865
Year ended 30 June 2010	115,017	2,829,329	1,991,247	87,881	-	5,023,474

37. CASH AND CASH EQUIVALENTS

	June 30, 2011	June 30, 2010
	Rs '000	
Cash and bank balances - note 19	1,503,126	1,874,393
Short-term highly liquid investments - note 17	20,851,145	25,812,161
	22,354,271	27,686,554

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executives		Director		Executives	
	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000					
Managerial remuneration	19,947	15,761	595	-	2,354,492	1,836,014
Housing, conveyance and utilities	-	-	-	-	28,614	13,081
Retirement benefits	4,610	4,490	-	-	489,833	471,769
Bonus	-	1,313	-	-	11,025	141,574
Medical and leave passage	120	103	-	-	140,944	107,165
Leave encashment	2,925	-	-	-	-	-
	27,602	21,667	595	-	3,024,908	2,569,603
Number, including those who worked for part of the year	2	1	1	-	1,063	903

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

38.2 Aggregate amount charged in these financial statements in respect of fees paid to ten directors was Rs 0.928 million (2010: Rs 0.171 million for eight directors).

38.3 The Chairman of the Company is provided with free use of Company's car.

39. EARNINGS PER SHARE

39.1 Basic earnings per share

	Year ended June 30, 2011	Year ended June 30, 2010
Profit after taxation (Rs '000)	31,445,715	23,320,518
Dividend on convertible preference shares (Rs '000)	(41)	(42)
Profit attributable to ordinary shareholders (Rs '000)	31,445,674	23,320,476
		(Restated)
Weighted average number of ordinary shares in issue	1,194,979,161	1,194,979,161
Basic earnings per share (Rs)	26.31	19.52

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.

39.2 Diluted earnings per share

	Year ended June 30, 2011	Year ended June 30, 2010
Profit after taxation (Rs '000)	31,445,715	23,320,518
Weighted average number of ordinary shares in issue	1,194,979,161	1,194,979,151
Adjustment for conversion of convertible preference shares	13,840	13,850
		(Restated)
Weighted average number of ordinary shares for diluted earnings per share	1,194,993,001	1,194,993,001
Diluted earnings per share (Rs)	26.31	19.52

39.3 During the year the Company has issued 20% bonus shares (i.e. two shares for every ten ordinary shares held), which has resulted in restatement of basic and diluted earnings per share for the year ended June 30, 2010.

40. FINAL DIVIDEND

The Board of Directors in their meeting held on August 09, 2011 have recommended 10% bonus shares (119,497,916 shares) i.e. one share for every ten ordinary shares held (2010: 20% bonus shares (199,163,193 shares) i.e. two shares for every ten ordinary shares held) and final cash dividend @ 20% amounting to Rs 2,389.958 million (2010: @ 50% amounting to Rs 4,979.080 million) on the existing paid-up value of the ordinary share capital for approval of the shareholders in the Annual General Meeting to be held on September 30, 2011.

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
41. TRANSACTIONS WITH RELATED PARTIES		
41.1 Transactions with related parties are as follows:		
Sales of gas to State controlled entities (including Government Levies):		
WAPDA	13,350,548	12,716,291
SSGCL	13,581,740	10,451,213
SNGPL	49,069,127	42,144,663
	76,001,415	65,312,167
Trade debts and other receivables from State controlled entities	See note 10, 12 & 16	
Transactions with Bolan Mining Enterprises:		
Purchase of goods	6,361	356
Reimbursement of employee cost on secondment	13,020	8,508
Transactions with Joint Ventures:		
Payments of cash calls to joint ventures	13,881,354	11,059,975
Expenditures incurred by the joint ventures	13,700,797	12,086,333
Amounts receivable from / (payable to) joint venture partners	See note 13, 16 & 26.2	
Income from rental of assets to joint ventures	1,029	1,430
Other related parties:		
Payment of dividend to GoP	13,314,880	4,496,840
Dividend paid to Trust under BESOS	1,064,326	519,947
Transactions with retirement benefit funds	See note 29.1 & 30	
Remuneration to key management personnel	See note 38	
Payment of rental to Pakistan Industrial Development Corporation	36,623	33,763
Payment to National Insurance Company Limited	252,909	294,269
Payment to Pakistan State Oil Company Limited	163,844	129,135

41.2 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. Transactions with other parties are carried at fair value.

42. INFORMATION ABOUT OPERATING SEGMENTS

For management purposes, the activities of the Company are organised into one operating segment i.e. exploration, development and production of oil and gas. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's only reportable segment.

The operating interests of the Company are confined to Pakistan in terms of production areas and customers. Accordingly, the figures reported in these financial statements relate to the Company's only reportable operating segment in Pakistan.

Following are the details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to exploration, development and production of oil and gas.

	Year ended June 30, 2011	Year ended June 30, 2010
	Rs '000	
WAPDA	13,350,548	12,716,291
SSGCL	13,581,740	10,451,213
SNGPL	49,069,127	42,144,663
ARL	17,992,563	9,266,664
	93,993,978	74,578,831

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 09, 2011 by the Board of Directors of the Company.

44. GENERAL

44.1 Number of employees

Number of permanent employees as at June 30, 2011 was 2,741 (2010: 2,735).

44.2 Capacity and production

Product	Unit	Installed Capacity (PPL's share)	Actual production for the year (PPL's share)
Natural gas	MMCF	Not relevant	360,733
Crude oil	BBL	Not relevant	1,664,126
NGL / Condensate	BBL	Not relevant	1,051,391
LPG	M. Ton	25,983	27,125

44.3 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
7	Long-term investments - BME (a joint venture)	6	Equity-accounted investment in joint venture	314,312
14	Trade deposits and short-term prepayments - Current accounts with joint ventures	16	Other receivables - Current accounts with joint ventures	150,044

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

Director

Chief Executive

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited
Auditors' Report to the Members

We have audited the annexed balance sheet of The Pakistan Petroleum Provident Fund Trust Company (Private) Limited as at 30 June, 2011 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 statements 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 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 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 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, 2011; and

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

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Shariq Ali Zaidi

Karachi
August 9, 2011

The Pakistan Petroleum Provident Fund Trust Company (Private) Limited
Balance Sheet as at June 30, 2011

	June 30, 2011 Rupees	June 30, 2010 Rupees
Share Capital		
Authorised, issued and fully paid-up		
100 (2010: 100) Ordinary share of Rs. 10 easch (note 3)	1,000	1,000
Asset		
Current account with the bank	1,000	1,000

Notes:

1. The Pakistan Petroleum Provident Fund Trust Company (Private) Limited was incorporated in Pakistan as a private limited company on November 7, 1955. The Compant is engaged in administrating the trusts formed for the benefits of the employees of Pakistan Petroleum Limited.

2. These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984. A profit and loss account has not been prepared as the Company had no revenue or cash transactions during the years ended June 30, 2011 and June 30, 2010 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

As on 30 June, 2011

Producing Fields / Discoveries

		PPL Working Interest (%)	Operator
1	Sui	100	PPL
2	Kandhkot	100	PPL
3	Adhi	39	PPL
4	Mazarani	87.5	PPL
5	Chachar	75	PPL
6	Qadirpur	7	OGDCL
7	Miano	15.16	OMV
8	Sawan	26.18	OMV
9	Block-22(Hasan, Sadiq and Khanpur)	35.53	PEL
10	Tal Block (Manzalai, Makori and Mamikhel)	27.76	MOL
11	Nashpa	26.05	OGDCL
12	Latif	33.3	OMV
13	Gambat	26.18	OMV
14	Hala	65	PPL

Exploration Blocks

Onshore

1	Nushki	65	PPL
2	Hala	65	PPL
3	Khuzdar	65	PPL
4	Kalat	35	PPL
5	Barkhan	35	PPL
6	Bahawalpur East	49	PPL
7	Gambat South	75	PPL
8	Jungshahi	100	PPL
9	Kharan	100	PPL
10	Kharan East	100	PPL
11	Kharan West	100	PPL
12	Dhok Sultan	75	PPL
13	Kotri North	100	PPL
14	Kotri	100	PPL
15	Sirani	75	PPL
16	Dera Ismail Khan	100	PPL
17	Zindan	35	PPL
18	Naushahro Firoz	100	PPL
19	Zamzama South	100	PPL
20	Tal	30	MOL
21	Gambat	30	OMV
22	Nashpa	30	OGDCL
23	South West Miano-II	33.3	OMV
24	Latif	33.3	OMV
25	Block-22 (Hamza)	45	PEL
26	Kirthar	30	POGC
27	Baska	49	ZHENHUA
28	Sukhpur	30	ENI
29	Jherruck	30	NHEPL
30	Digri	25	BP
31	Ghauri	35	MGCL

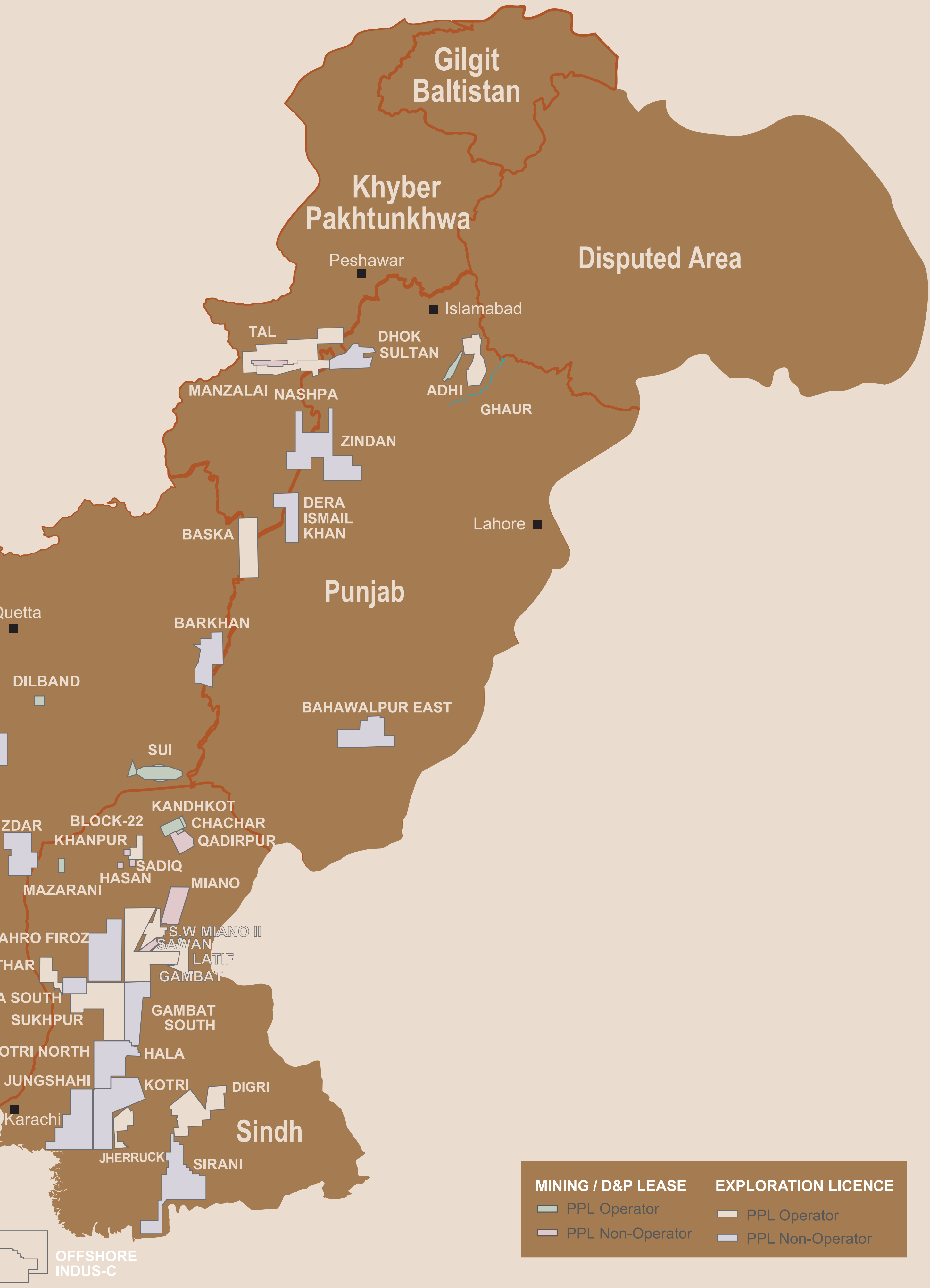
Offshore

32	Offshore Indus C	40	ENI
33	Offshore Indus N	30	ENI

International

34	Block29 (Yemen)	43.75	OMV

Map of PPL's Held Interests


Gilgit Baltistan
Khyber Pakhtunkhwa
Disputed Area
Peshawar
Islamabad
TAL
DHOK SULTAN
MANZALAI
NASHPA
ADHI
GHAUR
ZINDAN
DERA ISMAIL KHAN
BASKA
Lahore
Punjab
uetta
BARKHAN
DILBAND
BAHAWALPUR EAST
SUI
KANDHKOT
ZDAR
BLOCK-22
CHACHAR
KHANPUR
QADIRPUR
SADIQ
HASAN
MAZARANI
MIANO
AHRO FIROZ
S.W MIANO II
SAWAN
LATIF
THAR
GAMBAT
A SOUTH
GAMBAT SOUTH
SUKHPUR
OTRI NORTH
HALA
JUNGSHAHI
KOTRI
DIGRI
Karachi
Sindh
JHERRUCK
SIRANI
OFFSHORE INDUS-C
MINING / D&P LEASE
PPL Operator
PPL Non-Operator
EXPLORATION LICENCE
PPL Operator
PPL Non-Operator

List of Abbreviations

Abbreviation	Description
AROL	Asia Resource Oil Limited
AVO	Amplitude Variation with Offset
BBL	Billion Barrels
BGP	BGP Inc.
BME	Bolan Mining Enterprises
BP	British Petroleum
BPD	Barrels per day
CEO	Chief Executive Officer
CPF	Central Processing Facilities
CSR	Corporate Social Responsibility
DFI	Development Financial Institution
DOC	Declaration of Commerciality
D&PL	Development and Production Lease
EL	Exploration License
Eni	Eni Pakistan Limited
EPF	Early Production Facility
EPS	Earnings per Share
EWT	Extended Well Testing
E&P	Exploration and Production
GHPL	Government Holdings (Pvt.) Limited
GIIP	Gas Initial In Place
GoP	Government of Pakistan
G&G	Geological & Geophysical
HP	High Pressure
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
IEE	Initial Environmental Examination
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISO	International Organization for Standardization
IT	Information Technology
JV	Joint Venture
KM	Kilometer
KUFPEC	Kuwait Foreign Petroleum Exploration Company
LP	Low Pressure
LPG	Liquefied Petroleum Gas
LTII	Lost Time Injury Index
M	Meter
MD	Measured Depth
MGCL	Mari Gas Company Limited
MMSCFD	Million Standard Cubic Feet Per Day
MOL	MOL Pakistan Oil and Gas BV
NHEPL	New Horizon Exploration and Production Limited
NBFI	Non-Banking Financial Institution
NGL	Natural Gas Liquids
OGDCL	Oil and Gas Development Company Limited
OHSAS	Occupational Health and Safety Assessment System
OMV	OMV (Pakistan) Exploration GmbH
PCP	Pakistan Centre for Philanthropy
PEII	Pyramid Energy International Incorporated
PEL	Petroleum Exploration (Pvt.) Limited
PGNiG	PGNiG SA (Polish Oil and Gas Company)
PKP	Premier Kufpec Pakistan
POGC	Polish Oil & Gas Company
POL	Pakistan Oilfields Limited
PPL	Pakistan Petroleum Limited
PSDM	Pre-Stack Depth Migration
R&D	Research & Development
SAITA	Saita Pakistan Pte Ltd.
SAP	System Application Products in Data Processing
SML	Sui Main Limestone
SNGPL	Sui Northern Gas Pipelines Limited
SSGCL	Sui Southern Gas Company Limited
SUL	Sui Upper Limestone
TD	Target Depth
TGS	Tight Gas Sand
TCF	Trillion Cubic Feet
TVD	True Vertical Depth
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 Friday, 30 September, 2011 at Pearl Continental Hotel, Karachi. Shareholders as of 21 September, 2011 are encouraged to participate.

Shareholders' Enquiries

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

Ms FAMCO Associates (Pvt) Ltd
1st Floor State Life Building No. 1-A
I.I. Chundrigar Road
Karachi 74000

Telephone: (021) 32420755/ 32427012 / 32426597/ 32475606
Fax: 021-32426752

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 summarizes 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 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's 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, 2011

From		To	Number of Shareholders	Total Shares held
1	-	100	1,839	91,925
101	-	500	1,941	538,501
501	-	1000	11,840	10,158,107
1001	-	5000	2,243	4,988,000
5001	-	10000	370	2,720,626
10001	-	15000	120	1,537,679
15001	-	20000	61	1,081,342
20001	-	25000	61	1,381,398
25001	-	30000	31	833,859
30001	-	35000	17	566,092
35001	-	40000	30	1,136,744
40001	-	45000	15	640,411
45001	-	50000	27	1,284,002
50001	-	55000	14	739,736
55001	-	60000	16	933,755
60001	-	65000	9	571,773
65001	-	70000	11	745,255
70001	-	75000	7	501,507
75001	-	80000	5	389,015
80001	-	85000	3	244,037
85001	-	90000	5	436,960
90001	-	95000	5	460,433
95001	-	100000	4	397,876
100001	-	105000	8	824,324
105001	-	110000	2	215,729
110001	-	115000	1	113,904
115001	-	120000	7	829,712
120001	-	125000	6	733,623
130001	-	135000	1	135,000
135001	-	140000	1	139,805
140001	-	145000	4	571,560
145001	-	150000	4	590,985
150001	-	155000	2	308,020
160001	-	165000	5	812,963
165001	-	170000	6	1,004,941
170001	-	175000	1	170,524
180001	-	185000	2	365,576
190001	-	195000	2	385,260
195001	-	200000	2	398,720
205001	-	210000	1	210,000
210001	-	215000	4	853,611
215001	-	220000	2	436,476
225001	-	230000	2	454,432
230001	-	235000	1	231,843
235001	-	240000	5	1,196,485
240001	-	245000	1	245,000
245001	-	250000	2	500,000
250001	-	255000	2	502,337
255001	-	260000	1	255,093
260001	-	265000	2	525,983
270001	-	275000	1	274,933

From		To	Number of Shareholders	Total Shares held
280001	-	285000	3	848,169
285001	-	290000	1	285,120
290001	-	295000	2	580,876
295001	-	300000	1	296,064
300001	-	305000	3	904,915
315001	-	320000	2	636,841
320001	-	325000	1	325,000
335001	-	340000	1	336,201
340001	-	345000	2	684,000
350001	-	355000	1	350,772
370001	-	375000	1	373,000
395001	-	400000	5	1,989,732
405001	-	410000	1	407,940
415001	-	420000	1	420,000
420001	-	425000	1	420,340
425001	-	430000	1	429,620
430001	-	435000	2	868,560
435001	-	440000	1	436,500
445001	-	450000	2	896,961
450001	-	455000	1	452,403
455001	-	460000	1	457,353
460001	-	465000	1	464,198
495001	-	500000	3	1,497,633
510001	-	515000	2	1,023,036
545001	-	550000	1	550,000
550001	-	555000	1	550,004
555001	-	560000	1	556,799
570001	-	575000	1	572,061
610001	-	615000	1	612,022
635001	-	640000	1	635,788
650001	-	655000	1	651,672
675001	-	680000	1	679,000
710001	-	715000	1	713,098
775001	-	780000	1	779,160
790001	-	795000	1	792,828
795001	-	800000	1	800,000
820001	-	825000	1	821,890
835001	-	840000	1	838,467
865001	-	870000	1	869,078
905001	-	910000	1	905,420
910001	-	915000	1	912,740
935001	-	940000	1	940,000
940001	-	945000	1	943,179
950001	-	955000	1	952,845
955001	-	960000	1	959,820
1005001	-	1010000	1	1,006,490
1025001	-	1030000	1	1,027,853
1095001	-	1100000	1	1,098,879
1125001	-	1130000	1	1,125,191
1225001	-	1230000	1	1,228,172
1335001	-	1340000	1	1,337,356
1395001	-	1400000	1	1,400,000
1410001	-	1415000	1	1,411,674
1540001	-	1545000	1	1,541,206

Pattern of Shareholding

As at June 30, 2011

From		To	Number of Shareholders	Total Shares held
1550001	-	1555000	1	1,551,052
1915001	-	1920000	1	1,917,729
1985001	-	1990000	1	1,986,248
2120001	-	2125000	1	2,123,392
2375001	-	2380000	1	2,378,491
2410001	-	2415000	1	2,413,282
2415001	-	2420000	1	2,417,466
2540001	-	2545000	1	2,541,905
2615001	-	2620000	1	2,617,244
2755001	-	2760000	2	5,517,300
2895001	-	2900000	1	2,896,920
3030001	-	3035000	1	3,034,076
3100001	-	3105000	1	3,100,459
3815001	-	3820000	1	3,816,368
3960001	-	3965000	1	3,961,896
4145001	-	4150000	1	4,149,854
4485001	-	4490000	1	4,487,491
4720001	-	4725000	1	4,721,467
5300001	-	5305000	1	5,300,457
17650001	-	17655000	1	17,652,729
18820001	-	18825000	1	18,820,391
22155001	-	22160000	1	22,158,220
50125001	-	50130000	1	50,129,971
92700001	-	92705000	1	92,704,140
844315001	-	844320000	1	844,316,815
Total			18,848	1,194,979,161

Pattern of Shareholding

As at June 30, 2011

Categories of Shareholders	No. of Shareholders	No. of Shares Held	Percentage
Ordinary			
Associated companies, undertakings and related parties	-	-	-
NIT and ICP	2	3,153,927	0.26
Directors, CEO and their spouse and minor children	3	91,853	0.01
Executives	80	119,669	0.01
Public Sector Companies and Corporations	11	40,186,736	3.36
Bank, Development Financial Institutions, Non-Banking Financial Institutions	20	5,883,476	0.49
Insurance Companies	22	4,786,287	0.40
Modarabas and Mutual Funds	79	42,012,427	3.52
Non-Resident Financial Institutions	93	120,395,250	10.08
Shareholders holding 10% or more			
Government of Pakistan	1	844,316,815	70.66
PPL Employees Empowerment Trust	1	92,704,140	7.75
General Public			
Local	18,049	32,509,354	2.72
Foreign	226	195,319	0.02
Joint Stock Companies	161	4,277,289	0.36
Others			
Employee Trust / Foundations etc.	95	4,339,294	0.36
Nazir of High Court	4	339	*
Administrator of Abandoned Properties	1	6,986	*
	18,848	1,194,979,161	100.00
Convertible Preference Shares			
General Public	75	13,430	97.04
Joint Stock Companies	1	370	2.67
Nazir of High Court	1	40	0.29
	77	13,840	100.00

* Negligible

Pattern of Shareholding

As at June 30, 2011

Additional Information

Information on shareholding required under reporting framework of the Code of Corporate Governance 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	2,541,905
National Investment Trust Limited	1	612,022
Directors, CEO and their spouses and minor children		
Mr. Asim Murtaza Khan	1	50,908
Mr. Saeed Akhtar	1	40,444
Mr. Javed Akbar	1	501
Executives	80	119,669
Public Sector Companies & Corporations	11	40,186,736
Banks, Development Finance Institutions, Non-banking Finance Institutions	20	5,883,476
Insurance Companies	22	4,786,287
Modarbas and Mutual Funds	79	42,012,427
Shareholders holding 10% or more voting interest		
President of the Islamic Republic of Pakistan	1	844,316,815

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

Name	Date	Previous Holding	Purchase	Rate Rs/Shares	Bonus Issue	Holding as on 30 June, 2011
Mr. Javed Akbar	22 June, 2011	1	500	213.10	-	501

Notice of Annual General Meeting

For the year ended June 30, 2011

NOTICE is hereby given that the 60th Annual General Meeting of the Company will be held at Pearl Continental Hotel, Karachi on Friday, 30 September, 2011, 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, 2011.

2. To approve, as recommended by the Directors, payment of final dividend of twenty percent (20%) on the paid-up Ordinary Share Capital for the financial year ended 30 June, 2011. This is 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 during the year.

3. To appoint auditors for the year ending 30 June, 2012 and fix their remuneration.

Special Business

4. To approve, as recommended by the Directors, issue of bonus shares in proportion of one (1) Ordinary share for every ten (10) Ordinary shares held by the Members (i.e.10%).

5. To approve increase in the Authorised 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
Company Secretary

Registered Office:

P.I.D.C. House
Dr. Ziauddin Ahmed Road
Karachi

8 September, 2011

NOTES:

1. The Share Transfer Books of the Company will remain closed from 22 September, 2011 to 30 September, 2011 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers received in order at the office of our Share Registrars M/s FAMCO Associates (Pvt) Ltd, 1st Floor, State Life Building No 1-A, I.I. Chundrigar Road, Karachi- 74000 by the close of the business on 21 September, 2011 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 Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.

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

   b) For appointing proxies:

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

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

      (iii) Attested copies of CNICs or the passports of the individuals referred to at (i) above and the proxies shall be furnished with the proxy forms.

      (iv) The proxies shall produce their original CNIC or original passport at the time of the meeting.

      (v) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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

5. Copies of the minutes of the Annual General Meeting held on 29 September, 2010 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 60th Annual General Meeting of the Company to be held on 30 September, 2011.

1. Issue of Bonus Shares to Members

The Directors in their meeting held on 9 August, 2011 have recommended issue of bonus shares in proportion of one (1) Ordinary share for every ten (10) Ordinary shares held by the Members (i.e. 10%).

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

RESOLVED THAT:

(i) A sum of Rs 1,194,979,160 be capitalized out of the free reserves of the Company and applied towards issue of 119,497,916 ordinary shares of Rs 10 each as bonus shares in the proportion of one (1) ordinary share for every ten (10) ordinary shares held by the Members whose names appear on the Member Register at the close of the business on 21 September, 2011.

(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, 2011.

(iii) Members' entitlement to fractional shares as a result of their holding either being less than ten ordinary shares or in excess of an exact multiple of ten ordinary shares shall be consolidated into whole shares and sold on the Karachi Stock Exchange. The sale proceeds of the fractional shares when realized shall be paid to a local charitable institution approved under section 61(1) of the Income Tax Ordinance, 2001.

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

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

2. Increase in Authorised Share Capital of the Company and Consequential Changes in Memorandum and Articles of Association of the Company

The Directors in their meeting held on 9 August, 2011 have recommended increase in authorised ordinary share capital from existing capital of 1.5 billion shares of Rs 10 each to 2.5 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.15,000,000,000 /- divided into 1,500,000,000 Ordinary shares of Rs.10/- each to Rs. 25,000,000,000 divided into 2,500,000,000 Ordinary shares of Rs.10/- each by the creation of 1,000,000,000 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 25,000,265,100 divided into 2,500,000,000 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 25,000,265,100 divided into 2,500,000,000 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 Managing Director and/ or Company Secretary be and are hereby authorized 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.

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 60th Annual General Meeting of the Company to be held on 30 September, 2011 and at any adjournment thereof.

Signed this ____________ day of September, 2011

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: ____________

Notes:
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.


LPG
RECOVERY
SYSTEM

Pakistan Petroleum Limited

P.I.D.C. House, Dr. Ziauddin Ahmed Road
P.O. Box 3942, Karachi-75530, Pakistan
UAN: 111568568 Fax: 021-35680005, 021-35682125
Email: info@ppl.com.pk Website: www.ppl.com.pk