

Annual Report

2020

Energy with Energy



M P C L

MARI PETROLEUM
COMPANY LIMITED



COVER STORY

The title page of the Annual Report depicts our Zarghun South Gas Field situated near Quetta city in Balochistan. The Field was commissioned by MPCL on August 26, 2014. It was the first-ever tight gas project in the history of the Company and the Country.

The Field had remained stranded for more than a decade due to security situation and unfavorable economics. After taking over the Operatorship of the Field, MPCL used in-house project management and engineering services, instead of hiring EPCC contractor to improve the project economics. The Company also braved several attacks by miscreants on its installations and operationalised the Field in the best national interest. The commissioning of the Field was significant because the gas produced from it was (and still is) marked for dedicated supply to Quetta City.

Zarghun South Gas Field is a practical demonstration of our operational commitments. It depicts that at Mari whatever we do is driven as much by national interest as by commercial concerns. We are committed towards ensuring energy security of the Country and socio-economic development of far-flung and unexplored areas through our well-planned and sustained operations.

The same commitments are powering our operations at Bannu West, Block-28 and the likes.



Annual Report
2020





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COMPANY INFORMATION



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Email: info@mpcl.com.pk
Web: www.mpcl.com.pk

FIELD OFFICE DAHARIKI

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KARACHI OFFICE

D-87, Block 4, Kehkashan, Clifton
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QUETTA LIAISON OFFICE

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Defence Officers Housing Scheme,
Airport Road, Quetta
Tel: +92 81 2821052,
2864085, 2839790
Fax: +92 81 2834465

EXTERNAL AUDITORS

A.F. Ferguson & Co.
Chartered Accountants
3rd Floor, PIA Building,
49 Blue Area, Fazi-ul-Haq Road,
Islamabad – 44000, Pakistan.
Tel: +92 51 2273457-60
Email: asim.masood@pwc.pwc.com
Web: www.pwc.com.pk

SHARES REGISTRAR

Corplink (Pvt) Limited
Wings Arcade, 1-K Commercial
Model Town, Lahore
Tel: +92-42-35839182, 042-35916714
Email: corporate@corplink.com.pk

LEGAL ADVISOR

Ali Shah Associates
Advocates High Court
1-Ali Plaza, 4th Floor
1-E, Jinnah Avenue
Blue Area, Islamabad
Tel: +92 51 2825632

BANKERS

Allied Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan
JS Bank Limited
Standard Chartered Bank
United Bank Limited

REGISTRATION, NTN AND GST NUMBERS

Registration Number:
00012471
National Tax Number:
1414673-8

General Sales Tax Number:
07-01-2710-039-73

Symbol on Pakistan Stock Exchange:
Mari



To Receive, Consider and Adopt the Audited
Accounts of the Company for the Year
Ended June 30, 2019 Together with the
Directors' and Auditors' Reports thereon



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 36th Annual General Meeting of the Shareholders of Mari Petroleum Company Limited will be held on Tuesday, September 29, 2020 at 10:00 a.m., at the Registered Office of the Company situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad to transact the following business:

- To appoint Auditors for the year 2020-21 and fix their remuneration.
- Any other business with the permission of the Chair

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2020 together with the Directors' and Auditors' reports thereon.

2. To approve, as recommended by the Board of Directors, the payment of final dividend @ Rs.2/- per share (20%) for the financial year ended June 30, 2020. This is in addition to interim dividend @ Rs.4.10 per share (41%) already paid.

Islamabad:
September 07, 2020

By order of the Board

Assad Rabbani
Company Secretary

NOTES:

Coronavirus Contingency Planning for AGM

In the wake of prevailing situation due to the pandemic, SECP has instructed listed companies to modify their usual planning for General Meetings for the safety and wellbeing of the shareholders and public at large. Accordingly, the Company intends to convene this AGM with minimal physical interaction with shareholders while ensuring compliance with quorum requirements and requests the Members to consolidate their attendance and voting at the AGM through proxies.

The Company, furthermore, has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceeding via video-link (Microsoft Teams application). Accordingly, Members are required to provide their email address, Names, Folio Numbers and Number of Shares held in their names with subject "Registration for 36th AGM of MPCL" at corporate.affairs@mpcl.com.pk. Video Link to join the AGM through MS Teams will be shared with only those Members whose emails, containing all the required particulars, are received at the given email address not less than 48 hours before the time of the AGM. The Shareholders can also provide their comments and questions for the agenda items of the AGM on WhatsApp Number +3215555425 and Email at corporate.affairs@mpcl.com.pk.



Notice of Annual General Meeting

1. Book Closure

The share transfer books of the Company will remain closed from September 22, 2020 to September 29, 2020 (both days inclusive). Traders, in order, involved at the Company's Shares Registrar, Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore, at the close of business on September 21, 2020 will be treated as in time for the purpose of determining the entitlement for the payment of Final Dividend and to attend the Annual General Meeting (AGM).

2. Attending AGM in person or through Proxy

A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the Meeting. The instrument of Proxy must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

In case of corporate entity, the Board of Directors' resolution, power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting. The individual members or representatives of corporate members of the Company in CDC must bring original National Identity Cards or Passport and CDC Account and Participant ID Numbers to prove identity and verification at the time of meeting.

3. Payment of Cash Dividend through Electronic Mode

The provisions of Section 242 of the Companies Act, 2017 require that the dividend payable in cash shall only be paid through electronic mode directly into the bank accounts designated by the

entitled shareholders. Therefore, for making compliance to the provisions of the law, all those physical shareholders who have not yet submitted their International Bank Account Number (IBAN) details to the Company are requested to provide the same on the Dividend Mandate Form available on Company's website at <http://impcd.com.pk>. The shareholders of the Company in CDC are requested to provide the same to their Participants in CDC who maintain their accounts in CDC and ensure that their IBAN bank account details have been updated. In case of unavailability of IBAN, the Company would be constrained to withhold dividend in accordance with the Companies (Distribution of Dividends) Regulations, 2017.

4. Deduction of income Tax from Dividend and Exemption from deduction

The current prescribed rates for the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001 from payment of dividend by the companies are as under:

For filers of income tax returns	15%
For non-filers of income tax return	30%

The income tax is deducted from the payment of dividend according to the Active Tax Payers List (ATL) provided on the website of FBR. All those shareholders who are filers of income tax returns are therefore advised to ensure that their names have been entered into ATL to enable the Company to withhold income tax from payment of cash dividend @ 15% instead of 30%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/ Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions in case of joint accounts held by the shareholders.

In this regard all shareholders who hold shares jointly are requested to provide the shareholding proportions of Principal shareholder and joint-holders. In respect of shares held by them to our Shares Registrar in writing as follows:

SHAH PETROLEUM COMPANY LIMITED						
FORM OF JOINT SHAREHOLDING INFORMATION						
Principal Shareholder's Name	Joint Holding	Principal Shareholder's Information		Joint Holder's Information		Remarks
		Shareholding Proportion (%)	Signature of Principal Shareholder	Shareholding Proportion (%)	Signature of Joint Holder	

The joint accounts information must reach our Shares Registrar within 10 days of this notice. In case of non-receipt of the information, it will be assumed that the shares are equally held by Principal shareholder and the Joint Holder(s).

The corporate shareholders of the Company in CDC are advised to ensure that their National Tax Numbers (NTNs) have been updated with their respective participants, whereas corporate physical shareholders must



send a copy of their NTN Certificate with their Folio Numbers mentioned thereon to the Company or its Shares Registrar.

As per FBR Circulars C.No.129/MHT/2004 dated 30 June 2010 and C.No.1 (43) DG (MHT)/2008-Vol-II-6417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Shares Registrar before commencement of book closure otherwise tax will be deducted on dividend as per applicable rates.

5. Consent for Video Conference Facility

Pursuant to Section 132 (2) of the Companies Act, 2017, Members may avail video conference facility for this Annual General Meeting provided the Company receives consent from the members holding aggregate 10% or more shareholding at least 7 days prior to the date of meeting. The requisite forms for availing the facility are available in the Proxy Form attached with this Annual Report 2020.

6. Transmission of Annual Audited Accounts and Notice of Annual General Meeting

The Company shall place the financial statements and reports on the Company's website: <http://impcd.com.pk> at least twenty one (21) days prior to the date of the Annual General Meeting.

Further, in accordance with SRO 4703/2016 dated 31 May 2016, the Securities & Exchange Commission of Pakistan (SECP) has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses. Therefore, in accordance with the SECP permission and the shareholders' approval at the Annual General Meeting dated September 27, 2016, the annual audited accounts of the Company for the year ended June 30, 2020 are being dispatched to the shareholders through CD. In accordance with Section 235 (1) of the Companies Act, 2017, the shareholders may request for a hard copy of annual audited accounts, which shall be provided within seven days of receipt of such request. Further, in terms of SRO No 7873/2014 dated September 8, 2014, the shareholders can also opt to obtain annual balance

sheet and profit and loss account, auditors' report and directors' report etc. along with the Notice of the Annual General Meeting through email. For this purpose, we hereby give you the opportunity to send us your written request along with your valid email ID to provide you the same via email.

For the convenience of shareholders, a Standard Request Form for the provision of a hard copy of the annual audited accounts has also been made available on the Company's website: <http://impcd.com.pk>.

7. Change of address and Zakat Declaration Status

Members are requested to immediately notify the change of any in their mailing address and zakat declaration status to the Company's Shares Registrar.

8. Contact Details

For any query/information, the shareholders may contact Corporate Affairs Department, Phone: 051-111-410-410, Email: info@impcd.com.pk or to the Company's Shares Registrar, Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore. Phone: 04235916714, 04235916719, Email: corporate@corplink.com.pk; corplink734@gmail.com

COMPANY PROFILE

MARKET SHARE

Product	Total Output	MPCL's Output	MPCL's Share
Gas (MMSCF)	1,317,003	255,387	19.4%
Oil & Condensate (BBLs)	28,089,493	589,707	2.1%

Source: Pakistan Petroleum Information Service by LMRK on behalf of DGPC. Based on the data for FY 2019-20.

Mari Petroleum is an integrated exploration and production company, currently managing and operating Pakistan's largest gas reservoir (in terms of remaining reserves) at Mari Gas Field, Duhark, Sindh.

With 19% market share, Mari Petroleum is the third largest gas producer in the Country with cumulative daily production of 100,000 barrels of oil equivalent.

The Company's exploration and production assets are spread across all the four provinces of Pakistan. The Company enjoys the highest exploration success rate of 70%, much higher than industry average of 33% (national) and 25% (international). At the same time, it is the most cost efficient E&P Company in the Country with lowest operating cost of around 10% of gross sales.

The Company plays a pivotal role in ensuring food security of Pakistan as more than 90% urea production in the Country is based on MPCL supplied gas. The Company also supplies gas for power generation and domestic consumers.

To its credit, Mari Petroleum has the unique record of maintaining uninterrupted gas supply to its customers from Mari Field for the last fifty two years without availing even the permitted outages.

Mari Petroleum is an ISO certified Company for Quality, Environment, Information Security, Occupational Health & Safety, and has achieved

Advanced Level in ISO Certification for Social Responsibility.

Mari Petroleum is a blue-chip company at the stock exchange. The Company regularly wins awards and accolades from various independent bodies not only for its financial and operational performance and reporting but also for its management, HR, HSE, and CSR practices.

PRINCIPAL BUSINESS ACTIVITIES

Mari Petroleum is primarily an exploration and production company in the upstream segment of the petroleum industry. Its principal business activities include oil and gas exploration, drilling, field development, production and distribution of hydrocarbons (including natural gas, crude oil, condensate and LPG) as well as provision of E&P related services on commercial basis.

MAJOR BRANDS, PRODUCTS AND SERVICES

MPCL is a major producer of natural gas. It also produces crude oil, condensate and LPG. All the products of the Company are generic and are supplied to midstream and downstream customers without any specific brand name. The Company also provides 2D/3D seismic data acquisition, seismic data processing, and drilling services,

MAJOR CUSTOMERS/MARKETS

The gas produced by the Company is supplied to fertiliser

manufacturers, power generation and gas distribution companies, while crude oil and condensate are supplied to the refineries for further processing. The Company only caters to local customers with no activity in the export market.

OWNERSHIP, OPERATING STRUCTURE AND RELATIONSHIP WITH GROUP COMPANIES

Mari Petroleum is a Public Limited Company operating in the Private Sector. The Management of the Company is vested in Fauji Foundation. The Company is listed on Pakistan Stock Exchange with a market capitalization of around Rs. 165 billion (on June 30, 2020). Major Shareholders of the Company include Fauji Foundation (40%), Government of Pakistan (18.39%), OGDCL (20%), and General Public (21.61%).

All Fauji Foundation group companies as well as OGDCL are the associated companies of MPCL.



Seismic Data Acquisition in Barvi West Block, KPK

OUR HISTORY

UNLOCKING OPPORTUNITIES RIGHT FROM THE START

Mari Gas Field was originally owned by Pakistan Starvac Petroleum Project, a joint venture formed in 1954 between Government of Pakistan and Esso Eastern Incorporated, having 49% and 51% ownership interests, respectively. The first gas discovery was made by the Joint Venture in 1957 when the first Well in lower Karhar 'Zone-B' Limestone Formation was drilled. Production from the field started in 1967. In 1983, Esso Eastern sold its entire share to the Fauji Foundation. Consequently, it was decided to set up a wholly owned Public Limited Company for the purpose of acquiring the assets and liabilities of the Project.

In 1984, Mari Gas Company Limited (MGCL) was incorporated with

Fauji Foundation, Government of Pakistan and OGDC as its shareholders having 40%, 40%, and 20% shareholding, respectively. The Company took over the assets, liabilities and operational control of the Mari Gas Field and commenced business in its own name in 1985 under the Mari Gas Wethead Price Agreement (Mari GPA).

In 1994, the Government divested 50% of its share and the Company became listed on all the stock exchanges of Pakistan.

The Company operated only as a gas production company and was engaged in developing the already discovered Hubli Rabi Reservoir in the Mari Gas Field for supply of gas

to fertiliser plants. The Company pursued appraisal activities within its Mari G&P Lease area by drilling step-out wells to determine the extent of the Hubli Rabi Reservoir.

In 2001, the Company achieved a new milestone when it was granted a license for exploration of oil and gas in addition to the production activities. Since then, MPCL has emerged as a successful E&P Company with a proven track record in the field of exploration and production.

The Company has grown from the sale of natural gas from an inherited field, to the exploration, production, and sale of gas, oil and other petroleum products



Mari Gas discovery by Esso Eastern with original gas in place estimated at 2.18 TCF, later upgraded to 16.75 TCF



Fauji Foundation, OGDC, & Govt acquired Esso's entire operations, including Mari Gas Field



Listing on all Stock Exchanges of Pakistan

1957



Production of natural gas commenced

1983



MGCL business reorganised and incorporated as Mari Gas Company Limited

1994



Entry into oil and gas exploration

2001

from a number of fields in all provinces of Pakistan. The name of the Company was changed from "Mari Gas Company Limited" to "Mari Petroleum Company Limited" (MPCL) in November 2012 to reflect its diversified business operations and expanded activities.

The Company had been outsourcing seismic and drilling business like other E&P companies. However, in 2012 the Company decided to set-up a services division comprising of a 3D seismic data acquisition unit, a 2D/3D seismic data processing centre and a fleet of three on-shore drilling rigs, thus becoming a fully integrated E&P company in the Country.

In 2014, an extension of five years in Mari lease period was approved by the Government, extending the development and production rights in the lease area till 2019. The extension has enabled MPCL to enhance the recovery and produce more natural

gas, which is critically needed in the Country.

Since its inception, the Company had been operating on a cost plus fixed return formula under Mari GPA 1985. Pursuant to consistent efforts by MPCL Management, a major milestone was achieved in November 2014 when Economic Consultation Committee of the Cabinet approved dismantling of the Mari GPA and its replacement with an international crude oil price linked market oriented formula. Dismantling of the Mari GPA has allowed the Company to operate on commercial terms and become competitive to realize its full potential.

In October 2015, the Company opted for conversion of Mari G&P lease to 2012 Petroleum Policy to avail the price incentives offered by the Government on production enhancement initiatives.

2012



MPCL renamed as Mari Petroleum Company Limited

2014



Start of incremental production from Mari Field Conversion of Mari Field to 2012 Petroleum Policy

2016

2018



Extension of Mari G&P Lease

2019



Golden Jubilee of Un-interrupted gas supply from Mari Field



In February 2016, MPCL became the first Pakistani E&P Company to implement its incremental gas production project (at Mari Field) and avail gas price incentive on incremental field production offered in 2012 Petroleum Policy.

Mari Field marked its Golden Jubilee on December 22, 2017. These were 50 years of meticulous operations and true professionalism as evidenced by uninterrupted supply of hydrocarbons to the Company's downstream customers.

With effect from November 2019, an extension of five years in Mari lease period has been approved by the Government, extending the Company's development and production rights in the lease area till 2024. The extension will help the Company to focus on enhancing recovery from the field by implementing exploration plans and ramp-up existing production.

KEY FINANCIALS

		2019-20	2018-19
Revenues	Rupees in million	134,191.10	121,656.87
Contribution to the Government Exchequer	Rupees in million	78,287.21	77,045.51
Net sales	Rupees in million	72,014.90	59,448.01
Profit for the year	Rupees in million	30,312.87	24,327.09
Earnings per share - basic and diluted	Rupees	227.23	182.36
Distributable earnings per share	Rupees	5.87	5.70
Dividend	Percentage	61.00*	60.00
Development and production assets - at cost	Rupees in million	22,195.95	21,101.36
Exploration and evaluation assets - at cost	Rupees in million	5,915.53	6,553.55
Property, plant and equipment - at cost	Rupees in million	35,809.64	27,648.46

* This includes final dividend of 20% for the year ended June 30, 2020, proposed by the Board of Directors for approval of the members in the Annual General Meeting to be held on September 29, 2020.

REVENUES
(Rupees in million)



PROFIT
(Rupees in million)



EARNINGS PER SHARE
(Rupees)



DIVIDEND PER SHARE
(Rupees)



SHARE PRICE
- YEAR END
(Rupees)



Sugaul Gas & Condensate Field, Sugaul Block, Sindh

APPLICATION OF REVENUES EARNED
2019-20



20.16% Gas infrastructure development cost
18.40% Gas development surcharge
13.52% Operating expenses
12.80% General sales tax
10.10% Royalty
8.40% Exploration and prospecting expenditure
7.40% Other charges
1.80% Fiscal duty
1.02% Finance cost

ASSETS
2019-20



63.57% Trade debts
11.92% Short term investments
7.87% Property, plant and equipment
5.97% Cash and bank balances
4.17% Development and production assets
2.10% Loans and advances
1.06% Exploration and evaluation assets
0.67% Stores and spares
0.51% Deferred income tax asset
0.08% Long term loans, advances, deposits and prepayments
0.08% Short term prepayments, interest accrued & other receivables

EQUITIES AND LIABILITIES
2019-20



40.71% Trade and other payables
27.33% Provision for income tax
1.02% Share Capital
0.47% Other reserves
0.17% Deferred liabilities
0.17% Provision for income tax
0.17% Share Capital
0.02% Undistributed percentage return reserve
0.02% Unclaimed & unpaid dividend

HUMAN RESOURCE
2019-20



The above manpower includes 56 female employees

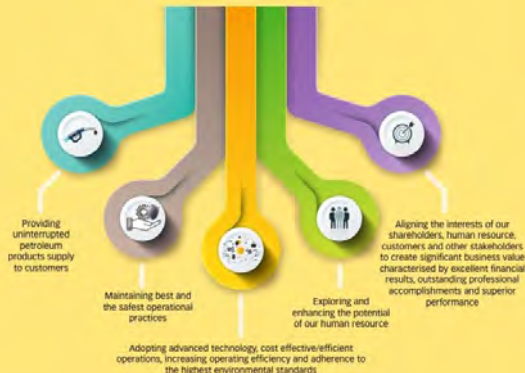
OUR VISION

MPL envisions becoming an international integrated exploration and production company by enhancing its professional capacity through highly knowledgeable and talented workforce that builds its petroleum reserves by consistently discovering more than what it produces within Pakistan and abroad; and improving financial capacity and profitability through efficient operations, while taking environmental safeguards and catering to social welfare needs of the communities inhabiting the area of operations.

OUR MISSION

To enhance exploration and production by exploiting breakthroughs in knowledge and technological innovations, adopting competitive industrial practices to adequately replenish the produced reserves and optimising production for maximizing revenues and return to the shareholders whilst maintaining the highest standards of HSE and CSR.

OUR COMMITMENTS



QUALITY POLICY

In order to ensure that our products and services are of the highest quality, we engage skilled and qualified personnel, employ state of the art technology and adhere to the best industry practices. We have implemented a quality management system to ensure that all our operations and activities are in line with the requirements of ISO 9001:2008 (Quality Management System).

IMS POLICY

To realise our strategic vision and to achieve professional excellence in petroleum sector, we are committed to meet requirements of Integrated Management Systems for Quality, Environment, Occupational Health & Safety and Information Security consistent with internationally recognized management system standards. We are devoted to maintaining effectiveness and continual improvement of IMS by monitoring Company objectives, customer satisfaction and complying with the legal and other applicable requirements. Our top management is committed to provide all resources required to ensure compliance with its IMS Policy and to attain best international performance criterion.

SIGNIFICANT CHANGES

From prior year

There have been no changes in Principal Business Activities, Geographical Locations, Vision, Mission, Ownership and Operating Structure.



CODE OF CONDUCT

MPCL Code of Conduct sets out the Company's objectives and its responsibilities to various stakeholders and the ethical standards required from its directors and employees to meet such objectives and responsibilities.

FINANCIAL DISCLOSURE

All transactions should be accurately reflected according to accounting principles in the books of accounts. Falsification of its books, any of the recorded bank accounts and transactions are strictly prohibited.

CONFLICT OF INTEREST

The directors and employees of the Company must recognise that in the course of performing their duties, they may be out into a position where there is a conflict in the performance

of such duty and a personal interest they may have. It is the overriding intention of the Company that all business transactions conducted by it are on arm's length basis.

COMPLIANCE WITH LAWS, DIRECTIVES & RULES

Compliance with all applicable laws, regulations, directives and rules including those issued by the Board of Directors and the management.

CONFIDENTIALITY

Confidentiality of the Company's internal confidential information must be maintained and upheld, which includes proprietary, technical, business, financial, joint venture, customer and employee information that is not available publicly.

CONDUCT OF PERSONNEL IN DEALINGS WITH GOVERNMENT OFFICIALS

The Company shall deal with the Government officials fairly and honestly and within the ambit of the applicable laws, in order to uphold the corporate image of the Company.

TIME MANAGEMENT

The directors and the employees of the Company shall ensure that they adopt efficient and productive time management schedules.

BUSINESS INTEGRITY

The directors and employees will strive to promote honesty, integrity and fairness in all aspects of its business and its dealings with vendors, contractors, customers, joint venture partners and Government officials.



Corporate Culture and Core Values



GIFTS, ENTERTAINMENT & BRIBERY

The directors and employees shall not give or accept gifts, entertainment or any other personal benefit or privilege that could influence business dealings.

INSIDER TRADING

Every director and employee who has knowledge of confidential material information is prohibited from trading in securities of the Company to which the information relates.

HEALTH, SAFETY & ENVIRONMENT

The Company, its directors and employees will endeavour to exercise a systematic approach to health, safety and environmental management in order to achieve continuous performance improvement.

INVOLVEMENT IN POLITICS

The Company shall not make payments or other contributions to political parties and organisations. Employees must ensure that if they elect to take part in any form of political activity in their spare time, such activity does not and will not have any adverse effects on the Company and such activities must be within the legally permissible limits.

EQUAL EMPLOYMENT OPPORTUNITY

It is the policy of the Company to provide employment opportunities without regard to race, religion, colour, age or disability subject to suitability for the job.

COMPLIANCE

All Company directors and employees must understand and adhere to the Company's business practices and Code of Conduct. They must commit to individual conduct in accordance with the Company's business practices and Code of Conduct and observe both the spirit and the letter of the Code in their dealings on the Company's behalf.

ACCOUNTABILITY

Failure to adhere to the Company's business practices or Code of Conduct may result in disciplinary action, which could include dismissal.



PROFILE BOARD OF DIRECTORS



Mr Waqar Ahmed Malik
Managing Director, Fauji Foundation
Chairman MPCL Board

Mr. Waqar Ahmed Malik joined MPCL Board on April 2020, and was elected as its Chairman. Mr. Waqar Ahmed Malik's professional career spans over 30 years across three continents. A specialist in strategy, corporate/business leadership and board governance, he has led businesses in pharmaceuticals, consumer and life sciences industries, mostly in the Fortune 500 companies.

His career with the ICI Plc in the UK and then AZO Nobe in the Netherlands provided him with the opportunity to work in Europe and the Americas. In Pakistan, he was the Country Head of ICI PCC's operations, the largest foreign investment in the chemical sector at the time. He served as the CEO of ICI Pakistan Limited and also the CEO and Chairman of LUCE Pakistan Ltd.

He was a member of the Boards of the State Bank of Pakistan, OGDCL, Karachi Port Trust, ISI Insurance, ENAO Corporation, Engr. Rehman Chemicals, and TPL Direct Insurance and was Chairman of the Boards of SSCPL and Nobe PVT Ltd.

Besides his professional commitments, he remained President of OGDCL, Maximum Association of Pakistan, Director Pakistan Business Council and Trustee of UMRP, Duke of Edinburgh Trust, The Indus Valley School of Art and Islam Pakistan. He was awarded The Prince of Wales medal for his contributions as a trustee of The Prince of Wales Pakistan Recovery Fund for 2014 flood victims.

Currently, he is the Director of Pakistan Marine Phosphates SA and the Chairman of the Boards of Main Petroleum Company Limited, Fauji Fertilizer Company Limited, PFC Energy Limited, Fauji Infraco (Pvt) Limited, Fauji Cement Company Limited, Adani Cement Limited, Adani Bank Limited, Fauji Alkhal Port Marine Terminals Limited, Fauji Port Terminal Limited, Fauji Oil Terminal and Distribution Company Limited, Fauji Infratech Foods Limited, Foundation Wind Energy Limited, Foundation Wind Energy I Limited, Foundation Power Company (Daharki) Limited, Fauji Kalakawa Power Company Limited, Fauji Fertilizer Bin Qasim Limited, FFB, Power Company Limited, Foundation Solar Energy (Pvt) Limited and Daharki Power Holdings Limited.



Mr Faheem Haider
Managing Director/CEO
Main Petroleum Company Limited

Mr. Faheem Haider assumed the charge of Managing Director/CEO of the MPCL on August 12, 2020. Currently, he is the only executive director on the Board of MPCL.

Mr. Faheem holds a Master's degree in Petroleum Engineering & Production Management (with distinction) from Imperial College London, a post graduate diploma from College of Petroleum Studies, Oxford UK and a BSc in Honours degree in Petroleum Engineering from University of Engineering & Technology, Lahore, Pakistan.

During his professional career spanning over 27 years, he has held various technical and leadership positions with Union Refinery Petroleum Pakistan, Omya Pakistan Exploration GmbH, Hefco KCS Ltd in UK, BG Group in UK & Oman and Refinery Energy Group formerly Enbridge in Egypt, France and United Kingdom.

He has a sound understanding of E&P projects life cycle from technical, operational and commercial perspective. Apart from handling core E&P operations in different parts of the world, he has hands-on experience of plant/terminal management, business development, strategy and growth delivery, operational efficiency, organizational development and transformation and stakeholder management.

Before joining MPCL, he was working with Refinery Energy as Head of Strategy and Business Development for North Africa & Asia Pacific, based in London where he significantly contributed towards the growth of Refinery's business in Egypt, Indonesia and Australia.



Dr Nadeem Inayat
Senior Director Strategy and M&A
Fauji Foundation

Dr. Nadeem Inayat joined MPCL Board on September 18, 2020. He is a non-executive director and President of Investment Committee.

He is also on the Boards of Fauji Fertilizer Co. Ltd, Fauji Fertilizer Bin Qasim Ltd, Fauji Cement Company Ltd, Fauji Alkhal Port Marine Terminals (Pvt) Ltd, Fauji Oil Terminal & Distribution Company Ltd, Adani Cement Ltd, Daharki Power Holdings Ltd, Pakistan Marine Phosphates Ltd, Foundation Wind Energy I Ltd, Foundation Wind Energy II (Pvt) Ltd, Fauji Fresh in Fresh Ltd, Fauji Foods Ltd, Fauji Meat Ltd, FFB, Power Company Ltd, Asian Rang Ltd, Fauji Infratech Foods Ltd, Foundation University and Nobe Pakistan Ltd.

Dr. Nadeem is also on the boards of different justice sector universities and has conducted various academic courses in Economics, International Trade and Finance at reputable institutions of higher education in Pakistan. He is also a member of Pakistan Institute of Development Economics.

He holds a doctorate in Economics and has over 20 years of diversified experience in corporate governance, policy formulation and development, project appraisal, impact analysis, monitoring & evaluation, restructuring and collaboration with donor agencies.



Mr Rehman Lalji
Director Finance
Fauji Foundation

Mr. Rehman Lalji joined MPCL Board on December 01, 2016. He is a non-executive director and a Member of the Audit, Technical and Investment Committees.

Mr. Rehman Lalji is a qualified Chartered Accountant (FCA) with over 22 years of proven track record in developing business strategies, delivering results, developing organisational capability of infrastructure and acquisitions.

He brings in vast international experience of financial management at a senior level during his career with Schlumberger while working in multiple countries of Middle East, Asia, Russia and North America.

He has diverse experience of policy compliance, management reporting, external and internal transformation and analytical business support to ensure proper maximisation.

He is also on the Boards of Fauji Fertilizer Co. Ltd, Fauji Fertilizer Bin Qasim Ltd, Fauji Cement Company Ltd, Fauji Kalakawa Power Company Ltd, Fauji Oil Terminal and Distribution Company Ltd, Foundation Power Company (Daharki) Ltd, Fauji Alkhal Port Marine Terminals Ltd, Adani Bank Ltd, Adani Cement Ltd, Fauji Meat Ltd, FFB, Power Company Ltd, Daharki Power Holdings Limited, FFB, Foods Limited, Fauji Infratech Foods Limited and Fauji Electric Power Company.



Mr Qamar Harris Manzoor
Managing Director/CEO
Fauji Cement Company Limited

Mr. Qamar Harris Manzoor joined MPCL Board on June 12, 2020 as a non-executive director representing Fauji Foundation. He is the President of the Board's Technical Committee and Member of HR&A and Investment Committees.

He has done Masters in Chemical Engineering from the US and holds over 33 years of experience in plant operations and project management.

Mr. Qamar Harris Manzoor started his career with Quid-e-Azam Industries at Soda Ash Plant Operations. He also worked at PCC's polyester plant and later on PTA Plant as Director. Manufacturing and managed various aspects of the plant's R&D, Commissioning, Operations Management, Process Engineering, Project Engineering, HSE and other improvements.

He has also been a technical advisor of Luma for its growth strategies in Pakistan and contributed in setting up of Kalya Group Plant at Luma's PTA Plant. He has held senior positions in operation at Exxon Chemical Pakistan Ltd at their Fertilizer Plant.

Mr. Qamar Harris Manzoor's past work experience includes Chief Executive Officer of El Palo Technology Pakistan Ltd, Chief Operating Officer of Hashbullah Chemical Power Company, Board Trade Representative, Ministry of Commerce, Director (Administration), Islamabad Capital Territory Administration, Coastal Trade and Commerce, Consulate of Pakistan in Chicago, USA and Additional Secretary (Exchange Establishment) as well as industries and production divisions.

On June 10, 2020, he took over as MD and CEO of Fauji Cement and Adani Cement as well as MD of Foundation Solar Energy Limited.

Presently, he is also on the Boards of Fauji Fertilizer Bin Qasim Limited, Fauji Fertilizer Company Limited, Fauji Fertilizer Company Limited, Fauji Kalakawa Power Company Limited, Fauji Infratech Foods Limited, Foundation Power Company (Daharki) Limited and Foundation Wind Energy (Pvt) Limited and Foundation Wind Energy (Pvt) Limited.



Mr Qamar Harris Manzoor
Managing Director/CEO
Fauji Cement Company Limited

Mr. Qamar Harris Manzoor joined MPCL Board on June 12, 2020 as a non-executive director representing Fauji Foundation. He is the President of the Board's Technical Committee and Member of HR&A and Investment Committees.

He has done Masters in Chemical Engineering from the US and holds over 33 years of experience in plant operations and project management.

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Mian Asad Hayat Din
Secretary Petroleum
Ministry of Energy (Petroleum Division)

Mian Asad Hayat Din joined MPCL Board on June 12, 2020 as a non-executive director representing Government of Pakistan.

He is a senior CSP Officer of District Management Group and is presently serving as Secretary for Ministry of Energy (Petroleum Division).

He earned a PhD from Fletcher School of Law and Diplomacy, USA in 1997 and an MBA in International Relations with first position from Quid-e-Azam University, Islamabad in 1992. He obtained two Master's degrees, one in Law and Diplomacy from Fletcher School of Law and Diplomacy, USA in 1996 and another in International Relations from Quid-e-Azam University, Islamabad in 1997 with a gold medal. He did his doctorate in Political Science and Society, Russian Studies, with distinction from the University of Massachusetts, USA in 1985. Besides, he has attended several national and international training courses in Public Law, Jurisprudence and public administration.

During his illustrious career, Mian Asad has served in various positions at federal as well as provincial levels, including Deputy Secretary, Board Trade Representative, Ministry of Commerce, Director (Administration), Islamabad Capital Territory Administration, Coastal Trade and Commerce, Consulate of Pakistan in Chicago, USA and Additional Secretary (Exchange Establishment) as well as industries and production divisions.

Mian Asad is also on the Boards of Pak Arap Intensity Limited, Oil and Gas Development Company Limited and Government Holdings (Private) Limited.

Profile of Board of Directors



Mr Sajid Mehmood Qazi
Joint Secretary (A/C)
Ministry of Energy (Petroleum Division)

Mr Sajid Mehmood Qazi joined MPCL Board on March 26, 2018 representing Government of Pakistan. He is a non-executive Director and Member of the Technical and Investment Committees.

He joined civil services of Pakistan in 1995. He was exposed to the working of Ministries of Economic Affairs, Commerce & Trade and Narcotics Control and has since then served at crucial positions in Supreme Court of Pakistan and National Accountability Bureau. Mr Qazi Contributed in formulating and implementing the national accountability strategy during his stint at the premier accountability body from 1999 to 2003. He has also performed the duties of a diplomat at Pakistan's Consulate in Manchester, UK, as Counselor Community Affairs. Before joining the Ministry of Petroleum, he was working as Director General in the Overseas Pakistanis Foundation.

Mr Qazi has strong interest in Economics, Public Administration and Law. He earned LL.M from Warwick University and UK as Cheltenham Scholar. He is an avid reader of contemporary history and also follows his passion of hiking and landscape photography in his leisure time.

He is also on the Board of Pakistan State Oil, Sui Southern Gas Pipelines Limited and Pakistan Petroleum Limited.



Mr Shahid Yousaf
Director General (Gas)
Ministry of Energy (Petroleum Division)

Mr Shahid Yousaf joined MPCL Board on September 10, 2015 representing Government of Pakistan. He is a non-executive Director and member of the Audit and Technical Committees.

He possesses around 27 years of professional experience and has remained involved in new refineries and all infrastructure projects and has overseen the execution of more than one thousand gas expansion projects in the Country. At present, he is looking after policy related work pertaining to the natural gas in the country.

Mr Shahid Yousaf holds a Master's Degree in Geology with specialisation in Petroleum infrastructure. In addition, he has attended numerous local and foreign courses and workshops pertaining to petroleum projects and management, gas pipelines and LNG projects.



Mr Shahid Salim Khan
Managing Director/CEO
Oil & Gas Development Company Limited

Mr. Shahid Salim Khan joined MPCL Board on January 30, 2020 as a non-executive director of OGDC. He is a non-executive Director and a member of the Board's Technical and HRAR Committees.

He holds a Master's degree in petroleum engineering from University of Southern California, USA. He has more than 36 years of diversified experience in various disciplines of E&P sector including petroleum engineering, drilling, production operations, HSE, community relations and community development.

He has worked in different capacities with Kulkari Foreign Petroleum Exploration Company, Merit Petroleum Company Limited, Oil Pakistan Limited (an oilfield company), LASMO Oil Pakistan (London & Scotland Oil Company), Oil & Gas Development Company Ltd.

Moreover, he has also contributed to various oil & gas industry forums like Pakistan Petroleum Exploration and Production Company Association as Senior Vice Chairman, Society of Petroleum Engineers (SPE) in various capacities including Chairman Pakistan Chapter (2016-18) and 2020-22 and as Director. He has also been the Chairman of Annual Technical Conference that is jointly organised by SPE and Pakistan Association of Petroleum Geoscientists annually.

Mr. Shahid Salim Khan assumed the charge of MD/CEO OGDC on January 27, 2020. He is also serving on the Board of Pakistan State Oil Company Limited.



Dr Naseem Ahmad
Executive Director (Production)
Oil & Gas Development Company Limited

Dr. Naseem Ahmad joined MPCL Board on August 08, 2019 as a non-executive director representing OGDC. He is a non-executive Director and a member of the Technical Committee and Investment Committee.

Dr. Naseem Ahmad joined OGDC in 1988 and is currently serving as Executive Director, Producing OGDC. He is a non-executive Director and a member of the Board's Technical Committee and Investment Committee. He holds a Master's degree in petroleum engineering from Imperial College, London, and M.Sc. in Petroleum Engineering from the University of Texas at Austin and a B.Sc. in Petroleum Engineering from University of Engineering & Technology Lahore. He is a veteran Petroleum Engineer who has a rich experience in domestic oil/gas exploration and production operations, management, well testing, well completions and surface facilities. He is also an author/co-author of field publications.

He has attended a number of courses on Management, Production and Project Development. Dr. Naseem was Pakistan Petroleum Limited competitive scholarship (1992) and also held office of Councilor Petroleum Engineering Student Association (1992-93). He is also a member of Pakistan Engineering Council and Society of Petroleum Engineers.



Mr Ahmed Hayat Lakh
GM (Legal Services)/Company Secretary
Oil & Gas Development Company Limited

Mr Ahmed Hayat Lakh joined MPCL Board on June 26, 2014 representing OGDC. He is a non-executive Director and member of the Audit and HRAR Committees.

He holds a Master's Degree in Law from University of Wolverhampton and Bachelor's Degree in Law (Honours) from University of London, United Kingdom. He previously served in Pakistan Office, Limited as Head of Corporate and Legal Services Department. He also worked in the National Accountability Bureau as Advisor to the Chairman and as Consultant in the Office of the Prosecutor General.



Ms Ayla Majid
Managing Director - Financial Advisory Services
Khaliq Majid Rehman & Co - Chartered Accountants

Ms Ayla Majid joined MPCL Board on June 24, 2019 representing shareholding interest of General at Public Ministry Shareholders. She is an independent, non-executive Director, President of the Audit Committee and a Member of Human Resource and Remuneration Committee.

She is a renowned name in the finance industry with over 20 years of varied, solid and policy experience. Ms. Ayla holds the Financial Advisory Services at Khaliq Majid Rehman Chartered Accountants.

Ms Ayla is a member of the Global Future Council on Energy of the World Economic Forum for the years 2019-20. She is a Young Global Leader (YGL) of the World Economic Forum honoured in 2013 and is currently serving as Advisory Group Member of the YGLs.

She is the first Pakistan elected on the Global Council of Association of Chartered Certified Accountants (serving since 2016).

With significant governance experience Ms. Ayla was appointed by the Ministry of Finance, Government of Pakistan to lead the first Code of Governance for Public Sector entities in 2013. Currently Ms. Ayla serves on the boards of Government Holdings (Pvt) Limited, Central Power Procurement Authority, Intellectual Property Rights Organisation and The Healthcare Society (a non-profit running "Teach A Child Schools" for under privileged children).

Previously she served on the boards of N4 Bank, Equate Investment Trust, Islamabad Electric Supply Company and the Islamabad Stock Exchange. Presently she is also on Board of Sciences Pakistan Engineering Company Limited and Acon Laboratory Pakistan Limited.

Academically Ms. Ayla holds MBA from Lahore University of Management Sciences, LLB from University of London and ACCA. She has attended the "Enhancing Board Effectiveness - Directors Training" from Lahore University of Management Sciences, "National Security Workshop" at the National Defence University Pakistan, "Global Policy and Leadership" at Harvard Kennedy School, "Transformed Leadership Institute" at the University of Oxford and most recently "International Workshop on Leadership and Security" at the National Defence University Pakistan.

Profile of Board of Directors



Mr Adnan Afridi
Managing Director/CEO
National Investment Trust Limited



Mr Muhammad Asif
GM Finance/Chief Financial Officer
Mari Petroleum Company Limited



Mr Assad Rabbani
GM Corporate Affairs/Company Secretary
Mari Petroleum Company Limited

Mr. Adnan Afridi joined MPCL Board on March 21, 2015, representing the emerging interest of General Public Minority Shareholders. He is an Independent, non executive director and President of HR&R Committee and Member of Audit and Investment Committees.

Mr. Afridi assumed the position of Managing Director/CEO, on February 21, 2019. He has 34 years' international experience in change management, business transformation, innovation and profitability enhancement in blue chip companies, public sector and start-up situations. He has led a distinguished career in financial services and capital markets including working as Managing Director of the Karachi Stock Exchange, CEO, Overseas Chamber of Commerce and Industry, Chairman of National Clearing Corporation of Pakistan and Member of Board of Directors of Central Depository Company. Mr. Afridi has also served on the Board of SBI Bank Limited and Gul Ahmed Textile Mills Limited.

Mr. Adnan Afridi has a degree in Economics (A.B. Magna Cum Laude, 1990) from Harvard University and a degree in Corporate Law (J.D. Magna Cum Laude in 1993) from Harvard Law School.

Currently, he is on the Boards of Bank Al Habib Limited, Habib Sugar Mills Limited, Intermexco Industries Limited, Dynex Pakistan Limited, Lufte Chemical Pakistan Limited, Ruff Transport Company (Pvt) Ltd. He also serves as the Chairman Board of Governors of The Kidney Centre Institute and is a Member of the SEDP Policy Board.

Mr. Muhammad Asif is a Fellow Member of the Institute of Chartered Accountants of Pakistan with over 25 years of professional experience with reputable organizations in Pakistan and abroad.

He is also a Certified Internal Auditor from the Institute of Internal Auditors, USA and a diploma Associate of the Institute of Bankers in Pakistan.

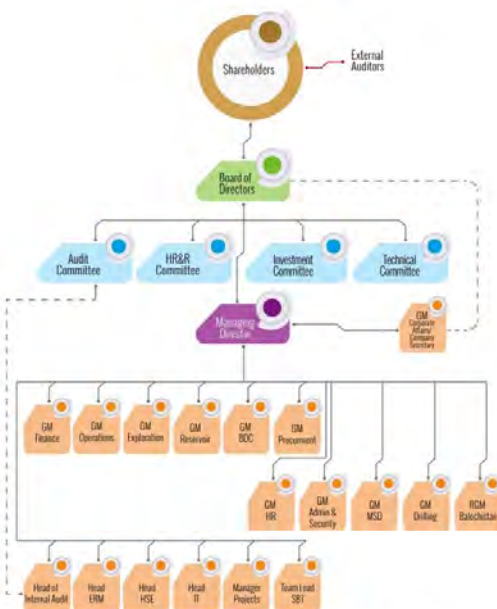
He has attended numerous courses and trainings on Financial Management, Audit & Risk Management and Leadership & Business Strategy from renowned institutes in Pakistan and abroad, including Harvard Business School.

Mr. Assad Rabbani is a Fellow Member of the Institute of Chartered Accountants of Pakistan with over 22 years of professional experience with reputable national and international organizations.

He joined MPCL in 2003, and was appointed Company Secretary in 2005. Previously he worked in Hydro Power and Fertilizer Sector.

He has attended numerous courses and trainings in Pakistan and abroad on Corporate Governance, Leadership and Strategy, Upstream Economics & Risk Analysis and Infrastructure Regulations & Reform.

ORGANOGRAM



— Administrative Relationship
 - - - Functional Relationship
 - - - External Reporting



Dear Stakeholders,

CHAIRMAN'S REVIEW

It is a privilege for me to present my first review report as the Chairman of MPCL Board of Directors.

As you will read through the subsequent sections of this Annual Report, financial year 2019-20 was the best ever in the history of the Company so far in terms of revenues and profitability. Other performance parameters also followed a positive trajectory. These achievements are commendable when considered against the backdrop of economic slowdown due to COVID-19 and plummeting oil prices.

In particular, I want to highlight that there were no disruptions to the Company's operations during COVID-19 due to proactive management strategies. There was a significant increase in seismic data acquisition in different blocks, despite

multiple challenges. The seismic projects particularly in Bannu West and Block-23 have laid the foundation for meaningful hydrocarbon exploration in these blocks, which could change the fortune of these underexplored areas and the Country.

Despite the Country's economic woes and rampant inflation, the Company maintained its distinction of being the most cost effective E&P Company in the Country as well as having the lowest cost of production. Notably, MPCL helped the Country save Rs. 288 billion in foreign exchange through indigenous production of oil & gas thereby reducing the quantity of petroleum products and LNG imported in the Country during the year.

In recognition of its outstanding performance in range of operating fields, the Company received a number of awards from various industry bodies. The Management deserves all the praise for their dedication and efforts for exceeding the stakeholders' expectations on all fronts.

I was elected as the Chairman of the Board of this wonderful organisation in April 2020. We have a highly diverse and competent Board which holds to the Company's vision, mission, and core values with the ultimate goal of serving the interests of all stakeholders of the Company. The Board leads and guides the Management through strategic planning with a focus on the future challenges and opportunities. Without indulging in management of day to day affairs, the Board guides and support the Management in its endeavours in core operations, diversification projects and optimal allocation of resources.

We believe in steadily improving the governance framework of the Company. For this purpose, a formal and effective mechanism is in place for critical evaluation of the

Board, its Committees and individual Directors. The evaluations for the year 2019-20 revealed that the Board Members were satisfied with the structure and performance of the Board and its Committees and their own contributions. There were some valuable suggestions pertaining to continuous learning and development of the Directors, and holding of Board and Committee meetings at field locations. The Management has been advised to devise strategies for early implementation of these suggestions.

Both our Audit Committee and HR&R Committee are chaired by independent directors, indicating our commitment to the highest levels of governance and transparency.

On August 12, 2020, we welcomed Mr. Faheem Haider as the new Managing Director & CEO of the Company. Faheem is a Petroleum Engineer with a professional career spanning over 27 years. He has hands-on experience of JV management, business development, strategy and growth delivery, operational efficiency, cost optimisation, and stakeholders' management, apart from handling core E&P operations in different parts of the world. His passion to serve his Country and his energy to lead one of the largest E&P Companies of Pakistan played a key part in his selection for this role. His skill-set will come handy as he will lead the Company's push towards becoming an integrated energy company, having presence in multiple sectors within Pakistan and abroad.

The Board has set several targets for the new MD including development of short term and long term strategies for management of core as well as diversification activities, which will form the basis of the Company's strategic business plan. The MD has also been advised to work on succession planning for different

tiers of Management and develop an objective, metrics-based system for appraisal of overall organisational performance as well as that of individual employees.

Taking this opportunity, I will like to thank Lt Gen Ishaq Nadeem Ahmad (Retd), the former MD, for his outstanding leadership and for all his efforts and contributions during his tenure, which resulted in greater financial performance and a multitude of achievements for the Company.

There were other changes on the Board as several new directors joined against casual vacancies occurring during the year, while one of our worthy Board Members, Maj Gen Javed Iqbal Nasar (Retd) passed away on August 15, 2020. On behalf of the Board, I express our heartfelt condolences to the bereaved family of Maj Gen Javed Iqbal Nasar (Retd), and pray that Allah (SWA) grant the departed soul a higher place in Paradise.

I am grateful to all the outgoing directors for their efforts and contributions to the Board's activities during their respective tenures and wish them well on their future endeavours. I welcome the newly joined directors and hope that the Board will greatly benefit from their rich and diversified experience, leading to outstanding governance of the Company.

In the end, I want to thank you all for your continued support and placing your confidence in the Board to lead the Company to greater heights of corporate performance in the coming years.

Waqar Ahmed Malik
Chairman
MPCL Board of Directors

MANAGING DIRECTOR'S OUTLOOK



Faheem Haider
Managing Director / CEO

Dear Readers,

I am pleased to present my first report as the Managing Director and CEO of Maru Petroleum Company Limited. Since I assumed the charge just a couple of weeks ago, therefore I will be focusing in this review on the performance of the Company under my able predecessor during the recently concluded financial year and our future plans.

Financial year 2019-20 was a difficult year for everyone. The dramatic spread of COVID-19 disrupted the normal flow-of-life and economic activities worldwide. Just like the governments, businesses around the globe were left scrambling to come up with strategies to protect their employees, clients and partners from COVID-19, while trying to

minimise the impact of the pandemic on their operations and bottom lines.

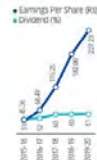
E&P industry was particularly hit. First due to low oil price and then economic activities around the globe almost came to a halt due to lockdowns, drying out the demand for oil. Oversupply and lack of demand dragged oil prices further down so much so that oil futures started to trade in red.

In this backdrop, it was quite remarkable that Maru Petroleum closed financial year 2019-20 on a very high note of corporate performance with a number of record landmarks. The Company earned a Net Profit of Rs. 30.3 billion, which is the highest ever in the history of the Company so far and 25% higher than Rs. 24.3 billion earned in the last year. Although the Company was helped by falling rupee-dollar parity (which resulted in better

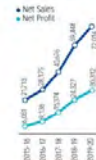
ENERGY PRODUCED
(MMBOE)



EARNINGS PER SHARE/DIVIDEND



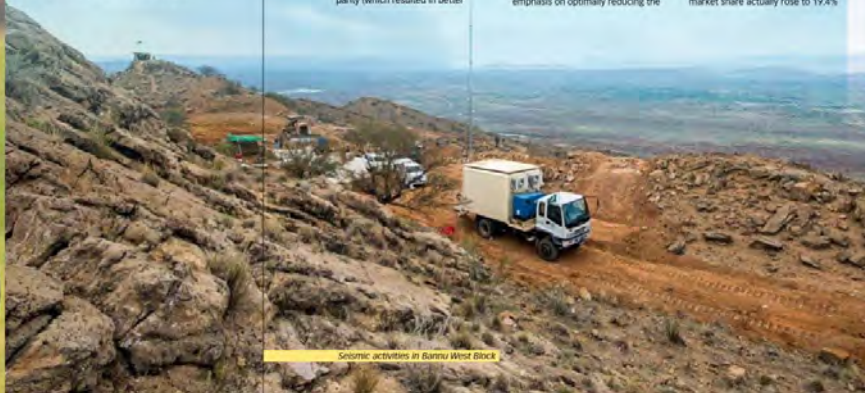
NET SALES/NET PROFIT
(Rupees in millions)



prices for the Company's products in terms of local currency), it shall not overshadow MPCIL Management's significant efforts, proactive strategies and ingenuity to deal with low overall gas demand from its customers. In addition, the Company laid a focused emphasis on optimally reducing the

costs during the trying times for the E&P industry, which also boosted the bottom-line.

Despite slight decline in the Company's oil and gas production during the year, the Company's gas market share actually rose to 19.4%



Seismic activities in Barro West Block

Managing Director's Outlook



In 2019-20 from 18.1% in the last year and oil and condensate share increased to 2.1% from 1.9%. This confirms that the declining trend in the Country's indigenous oil and gas production observed in previous years continued during FY 2019-20, but MPCL did better than the rest to enhance its market share.

Considering the length of exploration and production life cycle, the Company's production outlook will hopefully change in the coming years as the Company has undertaken major seismic projects in different blocks.

Notably, Mari Service Unit (MSU) Alpha Crew successfully completed 2D/3D seismic data acquisition project in Bannu West Block in March

2020, despite enormous security and terrain related challenges. The project comprised a total of 99 line km of 2D and 836 KM² 3D data, acquired over a period of two years. Based on the fast-track processing and interpretation of the seismic data, the location of the 1st exploratory well has been stacked on ground and well site preparation are in progress. Spud-in of the well is expected by end of February 2021. Just like the seismic survey, it will be the first-ever oil & gas well to be drilled in the erstwhile FATA area. It is well recognised in the E&P industry that only MPCL could pull off this risky task.

Another important area, Block 28, in the Mari area of Balochistan had remained dormant for decades

under the previous operator due to security concerns. MPCL created a history by successfully undertaking a massive 2D seismic data acquisition campaign soon after taking over the operatorship and deployed two crews simultaneously for fast-track acquisition of 1,633 line km data. Around 58% of the acquisition has been completed so far. MSU Beta Crew is expected to complete its acquisition by end of September 2020 and MSU Charlie Crew by February 2021. Spud-in of the first exploratory well is expected by May 2021 if the data interpretation led to selection of a drilling target.

The importance of Bannu West and Block-28 for sustainability of the Company's core business cannot



be overemphasized. Opening of these high-risk and high-reward blocks for exploration activities will also help the Country to increase the indigenous oil and gas resources and could change the fortunes of these remote and under-developed areas.

Apart from these upcoming projects, our on-going drilling campaign in Mari Field Lease area resulted in a gas discovery at Hilal-1 exploratory well during the year. The well tested at the production potential of 11 MMSCFD. Subsequently, another gas discovery was made at the exploratory well Iqbal-1, which tested 3 MMSCFD of gas. Iqbal-1 was 6th consecutive discovery in Mari D&P Lease area based on interpretation of carpet 3D seismic survey conducted there in 2015.

In addition, the Company completed the development well ZS-4 as gas producer in Zarghun South Gas Field. It has led to an increase in field production from 12 MMSCFD to 26 MMSCFD. This gas is treated as tight gas entitled to a high price under the Tight Gas Price Incentives. More importantly, this gas is supplied to Quetta by the SSGCL and increase in production will be greatly welcomed by the residents of the provincial capital especially in the winters.

Our joint venture partner OGDCL also made a gas discovery at the exploratory well Togh-1 in Kohat Block (MPCL share 33.33%), during the year. First gas production from the well commenced in June 2020 and the field is now producing at an average

rate of 11 MMSCFD of gas, which is supplied to the SGNPL network. Subsequently, OGDCL made another discovery in the block at exploratory well Togh Bala-1, which flowed 9 MMSCFD of gas and 125 BPD of condensate. Third exploratory well Sheen Dund-1 is scheduled for drilling in September/October 2020. These discoveries will completely change the outlook of Kohat Block.

As previously reported, the Company conceived and successfully implemented HRL Phase-X Development Project to extend the production and plateau of our principal HRL Reservoir at Mari Field till 2023. Selective work is still in progress for further extension of the plateau beyond 2023.

Drilling activities at ZS-4 in Zarghun South Gas Field



Brining at Block-28, Balochistan where seismic activities are in progress



Managing Director's Outlook



During the extended period, the Company will work on broader options for covering the decline in revenue beyond the extended plateau from other projects, for example those in Bannu West and Block-28, and business diversification measures.

Another major development pertaining to Mari Field is that after long-drawn efforts and persistent follow-up by the Management, the Government has accepted the Company's case to recognise previous discoveries including Shahbaz, Shaheen, Bhitlail and Mari SML as independent fields entitled to 2012 Petroleum Policy Price.

The Company continued with its efforts to increase its exploration portfolio with the acquisition of some high risk and high reward blocks within the Country and prospective blocks abroad. Further, PCAs over Taung and Wail West Blocks, which were previously won by the Company, were signed during the year.

E&P business is a very risk-prone undertaking that exposes Company personnel, local population and the environment to damaging effects. As a responsible E&P Company, MPCL, experts painstaking efforts to protect all the stakeholders against the consequential damages. It regards

HSE uppermost in management responsibility. The Company achieved a Total Recordable Case Frequency (TRCF) of 0.29 against a stringent set target of 0.30. This compares very favourably with the figure of 0.9 achieved by E&P industry globally during the year.

MPCL has long established a soft profile of caring for the people through thoughtful corporate social responsibility programmes and projects. During the year, the Company completed several CSR projects over-and-above the mandatory requirements. These projects include: Noor-e-Sehar Special Education School at Dahanai, launch of irm Pakistan Regional Group, rehabilitation of Ayub Park Hockey Stadium at Rawalpindi, financial support to Government College of Technology in Quetta, rehabilitation of 4 water filtration plants in different sectors of Islamabad, regular free medical camps at different field locations, provision of 2 ventilators to RAF Hospital Islamabad during COVID-19 emergency, provision of an ambulance to Pakistan Sports Board for athletes, and tree plantation and beautification drive at Faisal Mosque in Islamabad.

Going a step further, the Company introduced a Community Service Programme by the management level

employees for service to the people and for a softer image of the Company. A total of 3,130 hours of community service against a target of 2,100 hours were completed by the employees during the year.

It is always very encouraging that MPCL's achievements in various fields are well recognised by various bodies at home and abroad through generous awards. Notable amongst an array of awards and achievements won by the Company during the year was its inclusion in Morgan Stanley Capital International Global Small Cap Index w.e.f. May 29, 2020.

For the next year, my priorities with regards to Mari Field are to maximise gas production, optimise surface facilities, and complete gas export line to connect Mari Field with national gas grid to have more flexibility for gas export. We will undertake development of Guru-B reservoir with 4 to 5 development wells, and complete debottlenecking and compression study to further extend HRs plateau beyond 2023. Further exploration activities in the Mari area will be carried out with a priority with an aim to discover more hydrocarbon resources, which could be immediately brought on stream by utilising existing infrastructure.

On the exploration side, our priorities are exploration drilling in Bannu West

Block, and completion of ongoing seismic campaign in Block-28, followed by exploration drilling there. Exploration process optimisation and risk-based portfolio ranking will be implemented to ensure high value prospects are prioritised. Our future exploration strategy will be a combination of infrastructure-led exploration followed by growth areas. I have also set up a task force to evaluate all the available historical data with an aim to evaluate the potential of the offshore Indus and Makran basins and develop a robust exploration programme for the next 2-3 years.

Business development activities will focus on strategic M&A opportunities to address the reserves replacement and diversification needs.

Various other initiatives are also launched to streamline our investment decisions and lowering our operating cost to further improve our bottom-line.

I earnestly recognise the contributions of all my predecessors, especially the outgoing Managing Director, Lt Gen Ishaq Nadeem Ahmad (Retd), who through their foresightedness and untiring efforts



strengthened the foundations of this wonderful Company, and created extraordinary value for all stakeholders including the Government of Pakistan, Fauji Foundation, OGDC and the General Public.

I am grateful to the shareholders, the joint venture partners, the customers and the Petroleum Division for their confidence and support to the Company.

In my early days, I am extremely impressed with the MPCL Team and the exciting opportunities which lie ahead to further enhance MPCL performance and business growth. I will be counting on the performance and support of each employee of

the Company and hope they will keep performing with similar zeal, dedication and a sense of purpose to strive for more success in the coming years.

Faheem Haider
Managing Director/CEO



CALENDAR OF MAJOR EVENTS

Commencement of 2D Seismic data acquisition campaign in Block 28, Balochistan by MSU Beta Crew



JULY 2019



NOVEMBER 2019

Taung & Wali West Block signing ceremony with the Government



JANUARY 2020

Highest ever Gas Production of 812 MMSCF on January 19, 2020



JANUARY 2020

Inauguration of Hockey Stadium in Ayub Park, Rawalpindi



MARCH 2020

MPCL completes seismic data acquisition project in Bannu West Block



MARCH 2020

Launch of Institute of Risk Management Pakistan Regional Group



MARCH 2020

Successful drilling of development well Zarghun South-4 in Balochistan



JULY 2020

Successful discovery of gas at Hila-1 in Mari Field

RISKS AND OPPORTUNITIES REPORT

Risk management has always been a cornerstone for ensuring business success at MPCL. However, recognising the need to manage risks at an 'enterprise level' is a testament to the management's desire to adopt international best practices in all aspects of the business operations, and effectively identify and mitigate risks that can threaten MPCL's targeted business model, future performance, sustainability and capital availability.

BOARD'S EFFORTS FOR DETERMINING THE COMPANY'S LEVEL OF RISK TOLERANCE
The Company's Board is responsible for providing strategic oversight and is also responsible for ensuring that a sound risk management and internal control system is in place. Listed Companies (Code of Corporate

Governance) Regulations 2019 also reiterate this requirement and assign the overall responsibility for governance of the company's risk to the board.

The Board's Investment Committee facilitates the Board in discharging this responsibility.

The Committee ensures that an appropriate control environment is established and maintained, covering the Company's operations, strategy, finances, reporting and compliance activities. This is further driven by identifying risks and aligning risk appetite and tolerance levels to strategic and departmental targets, bringing to view the essence of the applicability and benefits of formalised ERM process within the organisation. The Board is further

assisted in their endeavour by the Audit Committee, which (through the Internal Audit Department) provides assurance of the effectiveness of ERM in the organisation.

The Committee further provides the necessary link between ERM, strategy and performance and further strengthens the integration of risk management within business functions.

ENTERPRISE RISK MANAGEMENT PROGRAMME

In September 2018, MPCL launched ERM across the Company to develop and provide an approach for the implementation of ERM practices based on the international standard ISO 31000:2018. It is further built upon the 'Three Lines of Defence' structure, ensuring assurance at all levels of risk management.

A dedicated ERM Department was established at MPCL to facilitate the Board's Investment Committee to have an efficient and effective oversight on company's risk practices. The Department also has the important role of facilitating the business decision-making process for the management. This involves equipping the management with a 360° view of the risks and opportunities attached with the decision at hand so that they are able to make risk-informed decisions, resulting in outputs with limited potential for surprises.

ERM POLICY

The Company approached adoption of better risk management by establishing a 'baseline of expected ERM practices' for managing risks. These strategies evolved MPCL's

existing risk management practices to a higher level of maturity. An ERM Policy outlines minimum expected standards and practices that the Company should have in place to manage enterprise risks within defined risk appetite. The Policy also recommends the risk appetite and tolerances for the Company, and the scope of risks covered.

The ERM Framework was also developed which outlines the processes, practices and structure that MPCL expects staff to follow to meet the standards defined in the Policy.

MPCL's ERM Programme is designed to create a common understanding of risks throughout the Company by consolidating various risk management methods being used

for different types of risks, and developing a more consistent approach, including philosophy, terminology and methodology.

ERM DEPARTMENT

The use of risk management expertise across the organisation was promoted by the ERM Department and was further facilitated within each department by identifying and engaging Risk Champions (local persons from each department) to support risk and control owners and to promote risk initiatives. ERM Department advises and partners with business functions' management and Risk Champions to provide leadership, guidance and support to ensure the effective implementation of the ERM Framework across the organisation.



Risks and Opportunities Report

With promotion of common and consistent risk language, clear communication of roles and responsibilities, and targeted training, the Company has been able to become more risk aware and risk competent. With shared knowledge, siloed department-level risk management has been steered into coordinated efforts for an enterprise-level management of risks. The management has been able to evidence the benefits of risk management, which allows both informed decision-making and proactive leadership opportunities.

Periodic risk identification and assessment exercises are carried out at both departmental and enterprise level to identify principal risks faced by the company, including those that would threaten its business model, future operational and financial performance and its sustainability in the long run. Along with assessment and evaluation of identified risks,

mitigation plans are also devised and agreed to bring the risk exposure to acceptable level.

Through the governance structure, MPCL has been better able to proactively deal with all the major risks faced by the Company. It has allowed the Company to timely take important measures to deal with the risks in the form of new controls and mitigation plans developed and implemented in a manner where all internal stakeholders are in sync, resulting in significant improvement in the control environment.

ASSESSMENT OF THE PRINCIPAL RISKS FACING THE COMPANY

The Board, through the ERM Department, carries out periodic assessment of the principal risks faced by the Company, including those that would threaten its business model, future operational and financial performance, solvency and/or liquidity issues. The Board

also reviews the risk mitigation strategies proposed/adopted by the Management, provides guidance and accords approval where required. Executive Risk Profile of the Company consisting of various strategic, compliance, operational and financial risks are presented to the Board on a periodic basis. The Board is also presented with a regular status update of the Risk Appetite and Tolerance Statement.

KEY RISKS FACED BY MPCL

Risk reporting at MPCL is supported at all levels of the organisation through the Enterprise and Departmental Level Risk Reports and supporting governance arrangements. Risk profiles are updated and reported quarterly to the Board, or as necessary. The Executive Risk Profile includes material enterprise risks for the Company. It is an assessment of the likelihood that the risk or opportunity will materialise and the impact/magnitude it will have on the

Company's operations, strategy or financials.

A brief account of key risks faced by the Company is presented below, along with action plans to mitigate or control these risks:

A. Strategic Risks

Internal

- High dependency on single Marri Field: Reservoir failure/security issues in Marri Field could affect the long term sustainability of the business.
- Impending production decline from Marri Field due to natural depletion could result in loss of conventional, as well as incremental price revenue.
- Inability to achieve reasonable Reserve Replacement Ratio.
- Delay in commercialisation of discoveries impacting achievement of organisational objectives.

External

- Fast emerging new technologies and trends that may gradually replace the use of fossil fuels.

Likelihood & Magnitude:

Strategic risks are both internal and external in nature with the potential of threatening our future business model and growth targets in the short, medium and long term. The magnitude and likelihood of each such risk is closely monitored and reviewed periodically by the management and is reported to the Board. Appropriate mitigation plans are devised to keep the likelihood and magnitude within the agreed tolerance levels.

Mitigation Strategies:

- Aggressive Exploration Strategy to enhance reserve

replacement ratio and attaining sustainable future growth in production and revenues.

- In the absence of fresh bidding round for new exploration blocks, the Company is actively pursuing domestic farm-in opportunities to enhance exploration acreage.

- In view of the limited indigenous hydrocarbon potential, the Company is also evaluating the strategy of farm-in opportunities in overseas exploration and producing assets to augment its reserves base and achieve sustainable future growth.

- Efforts are underway to extend current plateau period of HRL Reservoir beyond 2023.

- Enhancing Incremental production from HRL Reservoir for maximum exploitation of incremental gas pricing.

- Apart from efforts in core business, the Company is also actively seeking diversification opportunities outside of the E&P sector. Plans include setting up of power plant, investments in oil pipeline project and renewable energy projects etc.

- MPCL strives to hire the best human capital available in the industry and is continuously working towards the development of their technical skill sets through extensive training and participation in international conferences. It further encourages and facilitates them to utilise state-of-the-art technology. This allows development of intellectual capital within the Company and ensures that the human capital remains abreast with and adopts state-of-the-art techniques and concepts in all aspects of the business.

B. Operational risks

Internal

- Probability of major accidents due to natural causes, human error or negligence which can result in injuries, deaths, disruption of operations and associated losses.

External

- Challenges of difficult terrain, extreme weather conditions, lack of basic infrastructure in remote and frontier regions, precarious security situation and high security cost at places where the Company operates or holds working interests.
- Breach of digital security compromising the Company's cyber security and/or technology resilience with loss or misuse of data or sensitive information, business/production disruption.

Likelihood & Magnitude:

Operational risks are inherent to the E&P sector and can never be fully avoided. Due to the nature of such risks, the magnitude and likelihood varies and the management actively works on new and improved control and mitigations to maintain the likelihood and magnitude within the agreed tolerance levels. This is indicated by the TRCF during the year, which is much lower than the industry average.

Mitigation Strategies:

- The Company follows best industry practices vis-à-vis use of technology, due diligence in decision making and strict compliance with HSE standards and practices.
- MPCL also collaborates with national security apparatus to ensure safety of personnel and assets in the security sensitive areas.



Risks and Opportunities Report

- Information Security Management System 27001:2013 certification and its strict compliance. These measures were stepped-up during the COVID-19 related work-from-home structure to ensure security and integrity of all systems.

C. Regulatory & Compliance Risks

External

- Delay in requisite approvals from the Government in allocation of gas/condensates from new discoveries depriving the Company of sizeable revenues.
- Delay in fresh bidding round for new exploration licenses/blocks hampering the Company's plans to expand its exploration portfolio for aggressive exploration to increase its reserves base, improve reserves replenishment ratio and increase production revenues.
- Current economic situation/strict foreign exchange regulations inhibiting Company's financial performance and plans for diversification outside Pakistan.
- Long-term strategies and business performance may be impacted due to unfavourable/unanticipated changes in government regulations.

Likelihood & Magnitude:

Regulatory and Compliance related risks are extraneous in nature and have the ability to significantly impact the Company's business model. Likelihood and magnitude of each risk is closely monitored due to its potential high impact on the Company. These are regularly reported to the Board for effective planning.

Mitigation Strategies:

- The Company keeps a close watch on changes in regulations

and promptly adjusts its business strategy and operations to take advantage of the offered incentives.

- Continuous follow-up with State Bank of Pakistan for approval of foreign investments.

D. Financial Risks

External

- Reduction in crude oil price may have an adverse effect on profitability and budgeted cash flows of the Company.
- Delay in settlement of Company's dues by its customers due to circular debt issue (power sector) can negatively impact the Company's liquidity situation.

Likelihood & Magnitude:

The Company has a strong liquidity position with adequate equity capital for both medium and long term in the form of sufficient retained earnings after distribution of dividend to shareholders. This acts as a cushion to absorb any potential adverse impact in cash flows.

Mitigation Strategies:

- Active follow-ups at appropriate levels are kept to ensure timely payments of government related dues and company's receivables.

KEY OPPORTUNITIES FOR MPCL

MPCL is currently pursuing opportunities to create value in the short, medium and long term through identification of potential areas of investment associated with its strategic objectives, policies and targeted growth.

- The Regulator has announced a fresh bidding round with a sizeable inventory of blocks. This presents the Company with the opportunity to further improve

its prospect inventory for future growth.

- After the 2012 Petroleum Policy, the Regulator is working on a new policy to facilitate new investments in the frontier basins and to better align with the changing business environment and offers opportunity to the Company to improve its profitability considering its work programme targeting frontier areas.
- In-house seismic acquisition and drilling capacity in the form of Mari Services Department allows the Company an opportunity to explore security sensitive but high potential areas in the wider national interest.
- A strong equity and cash position for both medium and long term allows MPCL to enjoy a greater degree of operational freedom and flexibility in the pursuit of its diversification plan. The Company, having zero debt, can readily raise sufficient debt capital when needed at the most competitive terms.
- Incremental pricing incentive for HRI gas presents the company with an opportunity wherein profits can be maximised if the production volumes are enhanced, with no damage to the reservoir.

CREATING VALUE FROM OPPORTUNITIES:

The Company has processes in place to actively seek and evaluate potential investment and diversification opportunities. The Company's strategic business plans are accordingly reviewed under guidance of the Board to ensure that identified opportunities come to fruition and adequately contribute towards value creation and achievement of the Company's vision.



Rig Mari-5 at Muz-T Well, Ghakri Block, Punjab

STRATEGIC BUSINESS PLAN AND RESOURCE ALLOCATION

The Company spends a considerable amount of time and efforts on formulating its Annual Business Plan (the Plan), which serves as a road map for the future activities of the Company. The Plan aims to:

- Provide a framework and blueprint for setting strategic direction of the Company and to achieve objectives and targets in an organised manner.
- Serve as basis for more detailed planning (i.e. setting high level Corporate Objectives and Targets (COTs)).
- Align corporate resources and energies towards agreed objectives and targets, with minimum friction and obstruction.
- Explain the business objectives to all tiers of management to involve and motivate them.
- Stimulate desired change and build on past successes.

MONITORING OF PERFORMANCE

The Plan is reviewed and monitored on a quarterly basis to ensure it is relevant to the changing business environment, to keep it strategically active and capable of channeling the corporate resources towards achievement of the set corporate objectives and targets. The monitoring helps to assess if the actual performance is on-course to meet the benchmarks set in the Plan. Lagging areas are identified and appropriate management intervention is recommended. The Plan is operationalised through successive annual COTs.

The Planning Process

Overall planning approach is systematic, rational and is based on the guiding principle that "planning process is as important as the plan itself and hence must be carefully followed". All possible efforts are made to keep the process open, iterative and flexible so that it remains substantially evolving over time. The planning approach is participative, consultative and

result oriented. Based on the overall direction and broader objectives set by the Managing Director, the strategies and corporate objectives are evolved at the departmental levels to ensure ownership and commitment of those responsible for implementing the plan.

Overall Strategic / Corporate Objectives

To ensure balanced growth of the Company, the Plan focuses on the following strategic areas while setting the COTs:

- Core Business/E&P:** The focus in this area is on core E&P activities such as 2D/3D seismic data acquisition and processing, drilling of exploratory, appraisal and development wells, production of hydrocarbons, reserves enhancement and expansion of exploration acreage.
- Diversification:** The focus in this area is on diversification of the Company's business by entering into near core and non-core sectors such as renewables, oil

pipelines, petrochemicals and power generation.

- Financial:** The targets in this area include enhancing net profit by increasing sales, increasing return to the shareholders, fiscal tightening measures, early recovery of receivables, and achieving financial sustainability for all segments of Mari Services Division.
- Internal Processes:** The focus in this area is on streamlining internal processes, use of modern technology and innovative techniques to increase efficiency in all areas of the Company's operations.
- Stakeholders:** The emphasis in this area is on meeting the expectations of the Company's stakeholders including shareholders, customers, JV partners, employees and the local communities in the areas where the Company operates.

Short, Medium and Long Term Objectives

The recent oil price slump due to COVID-19 is one of the major risks associated with the sustainability of MPCL's profits in the short term. The management is continuously reviewing and adjusting its strategic focus to optimise the Company's revenue streams, with primary focus on the core business. Diversification shall remain an important area of the business strategy in the coming years. The management has outlined the following strategic parameters for the business strategy:

- Short-Term (1-3 Years):** E&P companies around the globe have responded to changing economic environment by strengthening their core business. MPCL is also

EFFECT OF SEASONALITY ON BUSINESS IN TERMS OF PRODUCTION AND SALES

Oil and gas worldwide generally follow a seasonal trend as demand increases in winter mainly due to heating requirements. The same is mostly true in case of Pakistan where demand for natural gas peaks in winter. However, Pakistan is an energy deficient Country and domestic and commercial demand for natural gas in winters is replaced by demand for power generation in summer. Therefore, demand-supply gap remains present throughout the year. Seasonality has limited impact on MPCL as most of the Company's customers are fertiliser manufacturers and only 15-20% of the gas is supplied to power and domestic sectors where demand is more seasonal in nature. The Company faces pressure issues in winter due to low temperatures. On the other hand, withdrawals by customers are impacted in summers as their plants' operational capacities are lower due to higher temperatures. The Company's production and sales are also impacted due to planned and unplanned turnarounds/shutdowns by the customers. The Company mitigates these factors by employing different strategies such as maintaining a close liaison with all its customers for minimising the shutdowns/turnarounds, adjusting the output and using swing customers for unutilised gas.

focused on enhancing production from its existing discoveries to offset revenue shortfall due to recent slump in crude price. Moreover, MPCL intends to drill shallow wells (close to infrastructure) and initiate seismic and drilling of deep wells in growth areas to tap on large prospective resources, pivotal for business sustainability. This will help to realise early revenues and shorten the lifecycle to commercialise the assets. MPCL also aims to work for realising its Vision-2030 to become a truly integrated energy company by closing its first diversification deals in energy and associated infrastructure projects.

- Medium-Term (3-6 Years):** While MPCL will aggressively

continue its efforts in the core business and hopefully reap the benefits of seismic and deep wells projects initiated during the "Short Term", it plans to enter the frontier regions and generate lead/prospect inventory for drilling medium to high risk - high reward wells. Achievement of 100% reserve replacement ratio is the cornerstone of medium-term strategy, which the Company hopes to achieve on favourable outcomes from its international and local exploits. The Company is constantly looking for potential business prospects to hedge itself against the pricing risks faced by the E&P sector. Diversification shall remain the focus of its strategy in the medium term with development of mining assets in



Control Room of Sujawal Gas & Condensate Field, Sindh

the Country. Diversification and investment in renewables will ensure a stable revenue stream, while allowing the Company to avoid crude oil price related risks.

III. Long-Term (7-10 Years): In the long-term, the Company intends to optimise its assets portfolio to realise its vision. The Company will realign its local and international portfolios on the basis of the potential of each country. The Company will keep pursuing high ranked local and international prospects matured during "Short and Medium Terms". It will realise revenues from its mining assets and energy sector projects on its way to becoming an integrated energy company.

MANAGEMENT STRATEGIES TO MEET THE OBJECTIVES

A. Production Enhancement

The Company ensured uninterrupted gas supplies from Mari and other fields through:

1. Extensive coordination with the customers to plan their annual

turnarounds/shutdowns to ensure optimal gas production.

2. Successful implementation of HPL Phase-X Development Project to enhance HPL plateau period.

3. Drilling of development wells (e.g. 25-4) to enhance field production.

B. Revenue Enhancement

1. Identification and tapping of new exploration prospects within Mari Field to generate additional revenues using available infrastructure.

2. Better funds management to enhance financial income.

C. Exploration Strategy

1. Aggressive exploration and drilling campaigns in operated blocks.
2. Expansion of exploration acreage through farm-in in highly prospective blocks and participation in future block bidding rounds, within the Country and abroad.

3. Continued operations in security sensitive but highly prospective blocks.

Cost Cutting/Budgetary Controls

1. Utilisation of in-house expertise and resources, wherever possible.
2. Fiscal tightening measures without affecting the productivity.
3. Negotiated savings in procurement of goods and services.

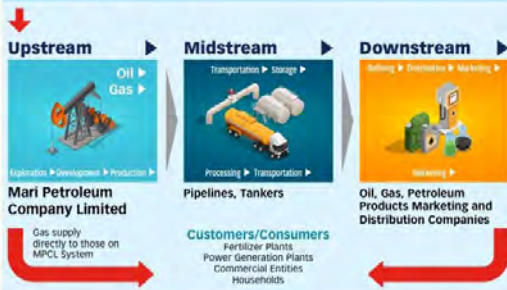
Operational Strategy

1. Effective collaboration with law enforcement agencies to ensure safety of personnel and assets in security sensitive areas.
2. Adherence to highest HSE standards and practices by the employees at all levels and locations.
3. Engagement of locals through provision of job and business opportunities and high impact social welfare projects.
4. Adoption of latest technology and improvement of internal processes.

MPCL'S POSITION IN PETROLEUM VALUE CHAIN

E&P Allied Services

- Seismic Data Acquisition and Processing
- Drilling Rigs & Services
- Other Wellsite Services



KEY PERFORMANCE INDICATORS

MPCL's business planning system is based on key performance indicators. The Company has implemented specialised management control systems for reviewing its past performance vis-à-vis a set of "look-behind" KPIs. The formulation of following year's business plan draws input from the preceding year's performance on the KPIs listed below:

1. Finding and Development Cost per BOE of new reserves added
2. Reserves Replacement Ratio (%)
3. Exploration success rate
4. Drilling cost per meter
5. Production cost per BOE produced

6. Production growth (%)
7. EBITDA per BOE production
8. EBITDA per employee
9. Petro-technical professionals per MMBOE production
10. Reserve growth rate (%)
11. Reserve to production rate

SIGNIFICANT CHANGES IN OBJECTIVES AND STRATEGIES FROM THE PREVIOUS YEAR
The Company's main areas of focus are the same as those in the previous year, but the actual measurable targets are revised on a yearly basis, taking into consideration the different internal and external factors.

The Company has decided to put on hold proposed 280 MW Mari Power Plant because of unfavourable market dynamics.

RELATIONSHIP BETWEEN THE COMPANY'S RESULTS AND MANAGEMENT'S OBJECTIVES

Actual financial and operational results during the FY 2019-20 were directly linked with the Management's objectives for the year. The actions defined in Business Plan 2019-20 guided the Company on its way to post exceptional financial and operational results with revenues, profitability, return to the shareholders, and contribution to the government exchequer all reaching historic levels. The Company's performance in the areas of HSE

Strategic Business Plan and Resource Allocation

and CSR was also exceptional. In the core areas, performance was mixed as the targets pertaining to drilling of wells and hydrocarbon resource addition could not be achieved due to a number of legitimate reasons.

MAJOR PLANS AND DECISIONS

A. Corporate Restructuring

The performance of the Company in all spheres of its operations has been exceptional since dismantling of Mari GPA in 2014. With a robust balance sheet and strong operational cash flows, there are no plans for financial or organisational restructuring.

The Federal Government had some time ago initiated the process for divestment of its residual shareholding in MPCL. However, considering the current stock market situation and the procedural requirements involved, the proposed transaction will take some time to complete. Hence, the ownership structure of the

Company is expected to remain unchanged in near future.

B. Business Expansion - Core Operations:

The Company has been substantially enhancing its exploration and development budget since dismantling of Mari GPA. The budget for FY 2020-21 has been increased to US\$ 336.4 million (firm and contingent) from US\$ 334 million kept for 2019-20.

- The Company is targeting production of an additional 38 MMCFD of gas through enhancement of production from the Mari Field.
- The Company has acquired the seismic data in Sukkur, Ghauri, Kalchas and Bannu West Blocks. Currently, seismic data acquisition is in progress in Block-28. The Company plans to drill 5 wells in different blocks in the coming year.
- The Company is continuously evaluating acquisition of

additional exploration acreage in both local as well as international blocks and intends to acquire 2 local and 2 international blocks in the FY 2020-21. The Company will also actively participate in the upcoming block bidding round.

- The Federal Government has recently announced several amendments in Pakistan Petroleum (Exploration and Production) Policy 2012 to allow the foreign national oil companies, to whom Petroleum Exploration rights can be granted on strategic partnership basis without competitive bidding, to farm out working interest to associated companies of Pakistani public sector E&P companies or reputable private sector companies with government shareholding. As a result of this amendment, MPCL is now entitled for such partnerships with foreign national oil companies. This has opened new avenues for MPCL to collaborate with foreign national oil companies within

Pakistan as well as overseas. The collaboration will enable MPCL to mitigate risks, share experiences and acquire new expertise.

- In addition, the Company is also evaluating farm-in opportunities in other countries and will pursue them subject to their economic feasibility and approval by MPCL Board of Directors. A consortium of national companies comprising MPCL, PPL, OGDCL and GHPL has submitted a bid in ADNOC Bid Round 2019 for acquisition of offshore Block-05. Each consortium member will have 25% working interest in the Block. ADNOC has shortlisted the consortium and currently negotiations between ADNOC and the consortium are underway. Similarly, MPCL has executed a Farm-in Agreement with PPL Asia for acquisition of 32% working interest in Block-8 in Iraq. The acquisition is under regulatory approval.

- Seismic data acquisition capacity of Mari Seismic Unit has been enhanced and the Unit is currently operating with three full-fledged crews.

C. Discontinuation of Operations

The Company has no plans to discontinue any of its major operations.

COMPANY'S MOST SIGNIFICANT RESOURCES

The Company's most significant resources include the following:

Human Capital: The Company has an appropriate mix of highly talented young as well as experienced professionals providing simultaneously the right amount of energy and business acumen for optimal performance and growth of the Company. In view of the Company's growing operations, its workforce has gradually expanded in recent years. Further details on the Company's human resource can be found in the HR section of the report.

Hydrocarbon Reserves: The Company has substantial recoverable hydrocarbon reserves to meet its long term supply commitments. As on June 30, 2020, the Company had recoverable reserves of 567.8 MMBOE. Concerted efforts are being made to enhance the reserves replenishment ratio to at least 100% in the coming years, to ensure long term viability of the Company's operations.

Financial Resources: The Company had Rs. 93.15 billion in shareholders' funds at its disposal with no long term debt as of June 30, 2020, allowing it greater flexibility for pursuing growth and diversification opportunities. E&P Allied Capabilities: In-house seismic data acquisition, processing and drilling capabilities at par with international standards provide the Company with greater flexibility and surety of required services especially in security sensitive areas. These capabilities have been pivotal in carrying out seismic data acquisition projects in challenging areas of Bannu



Aerial View of Mari Deep-1, Karak Block, KPK/Punjab



Production Facilities at Zarbun Gas Field, Balochistan



West, Block 28 and Zarghun South. Third seismic crew i.e. MSU Charlie was raised during the year and deployed in Block 28, along with MSU Beta Crew.

Reputational Resources: The Company's corporate image and market reputation, reliability, relationship with customers, suppliers and JV partners etc. are also quite valuable for its corporate success. The Company also has the unique reputation and track-record of operating in security sensitive areas.

RESOURCE ALLOCATION

Resource management is an important management activity and is crucial to expedite corporate plans and strategies. The key tool for achieving resource allocation is the budgeting process. At MPCL, strategic planning and budgeting are interlinked and integrated for optimum allocation of resources. The allocation of resources for various activities is driven by the priority set in the Strategic Business Plan of the Company.

Apart from financial capital, other resources, particularly human resource are also allocated in line with corporate objectives and targets for short, medium and long terms. Accordingly, most of the growth in the Company's human capital has been in Exploration, Operations, Business Development and Maril Services Departments in consonance with expansion of these core operations. There is proportionate increase in human capital in finance, procurement and administration departments to provide expedient support to the core functions.

ORGANISATIONAL OVERVIEW

SIGNIFICANT FACTORS AFFECTING THE EXTERNAL ENVIRONMENT AND ORGANISATIONAL RESPONSE

MPCL operations are highly exposed to the uncertainty arising from changes in external environment comprising of the following:

A. Political Environment: The Company is playing a pivotal role in ensuring food security of the Country and making significant contributions to the national economy in different areas. The Company operates in the best national interest without any political affiliation. However, its operations are not immune to the political environment. Any change in the Government policies pertaining to E&P, fertiliser and

power sector have an impact on the Company's operations.

MPCL Response: The Company remains on the lookout for new challenges or opportunities arising from change in national political regimes leading to introduction of new policies. By maintaining professional liaison and working closely with all stakeholders that create political impact for the Company, efforts are made to make optimal use of opportunities and manage risks. During the year, several positive changes occurred in

the Regulatory Regime. The Government introduced changes to the Petroleum Policy to allow Pakistani public sector E&P companies or reputable private sector companies with government shareholding to farm-in in strategic blocks awarded on G2D basis. The Government also created a new "Zone-197" for promoting E&P activities in the frontier regions through incentive pricing. Price applicable to new Zone is equal to Shallow Offshore Blocks. This change will be beneficial for



Daily Briefing at Ghauri Oil Field, Punjab

Organisational Overview and Forward Looking Statements

the Company in its exploratory efforts in frontier regions of Balochistan and KPK.

Economic Environment: Oil and gas are extremely volatile commodities. Any change in economic environment has the potential to impact the Company's financial performance and stability. Oil price volatility was on full display during FY 2019-20, first on account of market share war between OPEC (led by Saudi Arabia) and Russia, and later dwindling demand for oil due to economic slowdown caused by COVID-19.

MPCL Response: The Company is fully cognizant of the volatility of oil and gas sector and regularly evaluates potential measures and approaches to mitigate negative developments in the economic environment while taking advantage of available opportunities. In this regard, the Company has already undertaken reorientation of its growth strategy by focusing on production enhancement. The Company is also pursuing diversification opportunities as well as exploring internationalization options to limit its exposure to economic factors. The Company is also pursuing aggressive exploration in different parts of the Country to augment its core operations for greater financial stability.

Social Environment: The Company is directly affected by the social environment with regards to the local inhabitants of the areas where Company undertakes its E&P activities.

MPCL Response: The Company takes all measures to exhibit respect towards local norms and customs and brings local community on board before

commencement of operations to ensure conducive social environment and minimum resistance from the local communities. The Company outlines its CSR targets for different blocks depending on the specific needs of the people of the area, thus not only fulfilling its CSR obligations in a fruitful manner but also putting effective controls on factors related to social environment. The Company also engages local populace by providing them employment and business opportunities. Further details can be found in the section on CSR.

Technological Environment: E&P is a technology driven industry. New technologies can enhance chances of success, reservoir recovery, and can help unlock the potential of unconventional resources. Efficient use of technology can help reduce the costs and bring in more efficiency in operations.

MPCL Response: The Company has a dedicated team of IT professionals responsible for maintaining and providing state-of-the-art software technologies for optimization of operations. Likewise, the most modern equipment is used for conducting seismic activities, drilling operations and production and processing of hydrocarbons. To this end, each year the Company sets specific targets to improve the way it operates including but not limited to internal processes, technologies and manpower, and invests heavily to remain abreast with the rapidly changing modern world. Further details can be found in the section on MPCL IT Strategy.

Environmental Factors: Finding and producing oil and gas have

several ecological effects which include air and water pollution, damage to the land and even loss of life due to oil spills, gas leakages, accidents and fires etc. These environmental impacts need to be meticulously identified, managed and mitigated.

MPCL Response: Environmental stability is amongst the top millennium development goals set by the UN and the World Bank. This priority cascades into the business plan of our Company as we pride ourselves as a socially aware and environmentally responsible company given the nature of our business. HSE Department at MPCL proactively addresses all environmental matters by undertaking requisite studies, coordinating with government agencies over policies and approvals, and maintaining liaison with JV partners for environment related matters. Further details can be found in the section on HSE.

Legal Environment: The Company maintains numerous agreements of diverse nature having government, JV partners and other companies (buyers, contractors, service providers etc.) as parties to these agreements. These agreements expose the Company to legal risks that can result in significant losses and severely damage the financial integrity and credit rating of the Company.

MPCL Response: The Company limits its legal exposure by carefully deliberating upon terms and conditions of such agreements from legal, technical and commercial aspects using expertise of officers from each area before execution.



KEY CHALLENGES AND UNCERTAINTIES

The key challenges being faced by the Company are:

- Low oil-takes by the customers, especially those in the power sector.
- Enhancement of Reserves Replacement Ratio (RRR)
- Enhancement of oil and gas production from other fields to reduce dependence on Mann Field.
- Depletion of IRL Reservoir, which is the mainstay of the Company's production and revenues.
- Security and terrain related challenges in the frontier regions of KPK and Balochistan.
- Marketing of low spec gas and heavy oil.

The uncertainty in E&P operations emanates from multiple sources. Key sources of uncertainty for MPCL are as follow:

Geological: Inherent uncertainties in E&P business pertaining to structure, reservoir seal, and hydrocarbon charge etc.

Economic: Probability of finding and producing from economically viable reservoirs, exploration and development costs, availability and cost of required technology, oil price volatility.

Engineering: Availability of requisite infrastructure, production rate, quality/specification of oil and gas, operational costs, reservoir characteristics and behavior etc.

Operational: Security situation in areas of operations, natural disasters, pandemics, extreme weather conditions, human errors and negligence.

Political: Geopolitics and unpredictable oil price swings, international agreements to cut on the use of fossil fuels, changes in government policies concerning energy, petroleum and fertilizer sectors, regulatory issues, and local politics.

ANALYSIS OF THE COMPANY'S CURRENT PERFORMANCE VIS-A-VIS TARGETS

The Financial year 2019-20 was the best year in the history of the Company in terms of revenues and profitability. Other performance

parameters also followed a positive trajectory.

A. Core Activities

Seismic Activities: The Company increased its seismic data acquisition activities in several blocks. Mega seismic campaigns were carried out by MSU crews, in highly challenging and security sensitive areas. The total 2D seismic data acquired by the Company during the FY 2019-20 was 816.55 line km, compared with 102.28 line km acquired in the previous year. The total 3D seismic data acquired by the Company during the FY 2019-20 was 805.24 sq. km, compared with 485.79 sq. km acquired in the previous year. Based on processing, interpretation and integration of acquired seismic and G&C data, a number of high potential exploration wells are planned to be drilled during the FY 2020-21.

Drilling Campaign: The Company drilled two wells in its operated blocks during the FY 2019-20, whereas drilling of another well was in progress, which was completed subsequent to the close of the financial year. Two wells were drilled in non-operated blocks by the Company's joint venture partners.

Organisational Overview and Forward Looking Statements

New Hydrocarbon Discoveries and Reserves Addition:

The Company made one gas discovery at Hilal-1 exploratory well in Mari Field during the financial year while another discovery at Iqbal-1 exploratory well in Mari Field was made subsequent to the close of financial year. In non-operated blocks, MPCL's joint venture partner OGDCL made a gas discovery at exploratory well Togh-1 in Kohat Block during the financial year, while another discovery of gas and condensates was made at Togh Bala-1 exploratory well subsequent to the close of financial year.

Discoveries at Hilal-1 and Togh-1 resulted in expected reserves addition of 27.7 BCF of gas equivalent against a target of 112 BCF. Evaluation of other discoveries is in progress.

Production of Hydrocarbons: The Company produced a total of 33.41

MMBOE, which was slightly lower than 33.64 MMBOE produced in the last year. Low offtakes by the customers especially those in the power sector was the main reason for lower production. The Company was able to maintain incremental production from HRL Reservoir as planned and the total incremental production of gas was 29 BCF as compared to 33 BCF produced in the last year.

Expansion of Exploration Acreage:

PCAs over Taung and Wai West Blocks, which were won by the Company in Block Bidding Round 2018, were signed during the year after completion of the regulatory procedures. The Company acquired 32% working interest in Block-8 Iraq from PPL Asia (subject to regulatory approvals) and submitted a bid application for offshore Block-05 in Abu Dhabi, which is under approval.

B. Diversification:

The Company is constantly looking for business diversification opportunities in near-core and non-core sectors to add value to the core operations and at the same time hedge itself against oil price risks faced by the E&P industry. The Company is conducting due diligence and feasibility studies of several hydropower and R&D based power plants for acquisition of equity stakes in these projects, subject to their economic feasibility and requisite approvals. Details of these projects will be shared with the shareholders in due course of time once these projects pass through the initial stage of evaluation.

C. Financials:

Gross Sales reached the highest ever level of Rs 124.85 billion from Rs 117.54 billion of the last year. Similarly, Net Sales reached

unprecedented level of Rs 72.01 billion from Rs 59.43 billion of the last year. The impact of increase in Net Sales was reflected in Net Profit which jumped by 25% to reach Rs 30.31 billion compared with Rs 24.33 billion of the last year. Earnings Per Share also increased to Rs 227.23 from Rs 182.36. After payment of final dividend, total dividend to the shareholders will amount to 61% (Rs 6.1 per share) for the year. The Company maintained its distinction of being the most cost effective E&P Company in the Country with operating expenses around 10% of the gross sales. The Company reduced overall administrative costs by 26% against the target of 10%. Similarly the Company was able to ensure that at least 90% of the cash calls from JV partners were collected.

Mari Service Division earned Rs 1.7 billion in profits, mainly on account of seismic and drilling projects undertaken during the year.

D. Internal Processes:

The Company continuously improved its internal business processes and successfully implemented:

- Commissioning of 19 HRL development wells drilled under Phase-X Development Project, hydraulic simulation of HRL Gas Gathering Network and its augmentation through additional loop lines to minimize pressure losses in system to maintain custody transfer pressure for extended production plateau.
- Commissioning of SCADA System at Tipu Development Project for automated control and monitoring of remote wellhead operations.
- Streamlining of the grading system of non-management contractual staff and rationalization/streamlining of

the pay structure of outsource staff.

- Implementation of SAP Budget Planning & Consolidation module and SAP Incident and HSE Management System module.

F. Stakeholders:

HSE: The Total Recordable Case Frequency (TRCF) was 0.29 during FY 2019-20 against the target of 0.30.

CSR: The Company spent Rs 591 million on different CSR Projects in Mari Field and other Blocks during the year, as compared to Rs 540 million spent in the previous year.

The Company introduced a Community Service Programme by the management level employees for service to the people and for a softer image of the Company. A total of **3,130 hours** of community service against a target of **3,100 hours** was completed by the employees during the year.

ANALYSIS OF PRIOR PERIOD FORWARD-LOOKING DISCLOSURES

In the previous year, it was informed that the going forward, the Company will continue aggressive exploratory efforts in existing blocks, maintain uninterrupted supply of hydrocarbons to its downstream customers, while at the same time explore farm-in and selected farm-out options, acquisition of international blocks, and selected diversification projects. Actual performance of the Company and status of projects as explained in the section titled "Analysis of the Company's Current Performance vis-à-vis the targets" indicate that the Company's performance was on target in all areas.

STATUS OF THE PROJECTS IN PROGRESS AND WERE DISCLOSED IN THE FORWARD-LOOKING STATEMENT IN THE PREVIOUS YEAR

- 20/20 seismic data acquisition project in Bannu West Block was completed in March 2020. Location of the 1st exploratory well in the Block has been staked on ground. Civil works on access road and well-site preparation are in progress.
- Mega 2D seismic data acquisition campaign in Block-28 is in progress and the project is 58% complete.
- PCAs/ELs were signed over Wai West and Taung blocks during the year.
- The Company signed a Farm-in Agreement with PPL Asia to acquire 32% working interest in Block-08 in Iraq (subject to regulatory approval). Another application was submitted to ADNOC to acquire 25% working interest in Block-05 in Abu Dhabi.
- No block bidding was held by the Government in FY 2019-20.
- Seismic data acquisition capacity of MSU was enhanced with the addition of a third (Charlie) Crew.
- The proposal to purchase another 2500HP land drilling rig was dropped. An alternate proposal of purchasing 2 used rigs is under consideration.
- The Company has decided to put on hold proposed 280 MW Mari Power Plant because of unfavourable market dynamics.
- White oil pipeline and the refinery projects for which the Company had submitted EoIs are also on hold till revamping of the Company's diversification strategy.

FORWARD LOOKING STATEMENT

The Company is steadily expanding its operations and building its human, financial, technical, intellectual and social capitals to fuel and sustain its growth in the coming years.

Mari Field has been the mainstay of the Company's production and revenues since inception and is expected to remain so in the coming years. Therefore, a significant portion of the Company's efforts and resources will be focused on Mari Field.

The Company has already pre-empted the HPL production plateau till 2023 and is undertaking studies to come up with viable plan to further extend the plateau beyond that period. The Company will undertake development of Gou-B and Tpu reservoirs to enhance overall Field production. The Company has undertaken capital projects to process off-spec gas from HPL, Gou-B and Tpu and convert it to slug gas for injecting in the national gas grid. The Company is also laying a gas pipeline to connect Mari Field Central Mainland with SNGPC valve assembly to have flexibility to produce and sell more gas.

Simultaneously, the Company will carry out further exploration activities in the Mari area on priority

with an aim to discover more hydrocarbon resources, which could be immediately brought on stream by utilising existing infrastructure.

Infrastructure-led investments have a very high rate of return. It is therefore hoped that the exploration and development projects in Mari Field will yield significant value to the Company for paring down to its stakeholders.

The Company has completed its groundbreaking seismic campaign in Boring West Block and is currently preparing to drill first exploratory well in the area. The Company is also vigorously pursuing seismic campaign in Block-28 in Blockistan for its fast-track completion. Put together, these two blocks are strategic and have the potential to significantly enhance the Company's reserves dual with expected production commencement in 2025-25.

The Company has signed PCAUs/ES over Wai West and Taring Blocks, which it won in the block bidding round held in 2018. Wai West and Boring West are contiguous and will provide excellent synergy in terms of geological, operational and commercial aspects. Similarly, Taring Block is in close vicinity of gas infrastructure network, which in case of success would facilitate early gas production.

The Company is continuously evaluating farm-in opportunities in overseas exploration as well as producing assets with upside potential. MPCL has executed a farm-in agreement with PPL Asia for

the acquisition of working interest in Block-08 in Iraq and has submitted an application for an offshore block in Abu Dhabi. These blocks are in the most prospective areas of the world and hydrocarbon discoveries there will augment the Company's reserved growth strategy. These projects will also serve as stepping stone for the Company's internationalization efforts.

Seismic data acquisition capacity of MSU has been enhanced with the addition of third seismic crew. Viable proposal to purchase 2 more used land drilling rigs is under consideration. Enhanced capacity of Mari Services Division coupled with track-record of successfully undertaking seismic and drilling projects in security sensitive areas of the Country will help the Company to win projects of other E&P companies.

The Company is continuously scanning for opportunities in non-core and non-core sectors and a number of projects are at different stages of evaluation. These projects are crucial to realisation of the Company's vision of becoming an integrated energy company with presence in multiple sectors across different jurisdictions.

Going forward, the Company will continue aggressive exploratory efforts in existing blocks, maintain uninterrupted supply of hydrocarbons to its customers, while at the same time explore farm-in and selected farm-out options, acceleration of international blocks, and selected diversification projects.

SOURCE OF INFORMATION AND ASSUMPTIONS USED FOR PROJECTIONS/FORECASTS IN FORWARD LOOKING STATEMENTS

The information and assumptions used for projections and forecasts are sourced from PPIS reports, PPEPCA publications, Economic Survey of Pakistan and a number of international oil & gas industry specific sources such as IEA publications and website. The data from external sources is combined with in-house exploration, production and financial data. After extensive examination and deliberations by the area-experts, the Company's business plan is developed to set the objectives and targets for the coming year, providing a foundation for developing these forward-looking statements.

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

MPCL is uniquely positioned in Pakistan's E&P Sector. It is the custodian of Pakistan's largest gas reservoir (in terms of remaining reserves) at Mari Gas Field, Dahirki, Sindh. It is the third largest gas producer in the Country with a gas market share of over 19% and cumulative hydrocarbons production of around 100,000 BOE per day.

The Company has the largest dedicated customer base comprising mainly of fertiliser manufacturers where natural gas is primarily used as feed-stock. The chemical composition of the gas produced from Mari Field is ideal for urea manufacturing and does not require any processing. No wonder then that around 90% urea production in the Country is based on MPCL supplied gas. The Company's role in ensuring food security of Pakistan is undeniable.

Further, the gas produced by MPCL from Mari is the cheapest source for urea manufacturing compared



with imported RLNG, which is priced under a ring-fenced full cost recovery mechanism. Gas pricing for indigenous production for fertiliser sector is subsidized which effectively eliminates any competition with RLNG. Being predominantly a gas company, the composition of the gas produced by it, and the cost at which the gas is produced, gives MPCL an advantage over other gas producers/sources. The Company does not face any imminent competition from any other E&P Company.

The situation is not likely to change in the foreseeable future as indigenous gas production is on the decline and there is a widening imbalance between gas demand and supply. A few problem areas for the Company could be its inability to sell off-spec gas and pipeline capacity issues if the Government pushes for preferential use of RLNG.

HOW THE ORGANISATION IS CURRENTLY EQUIPPED IN RESPONDING TO THE CRITICAL CHALLENGES AND UNCERTAINTIES THAT ARE LIKELY TO ARISE

MPCL has the expertise and is well equipped to respond and deal with the critical challenges and uncertainties that are likely to arise in the near future. The expertise and strengths of MPCL are enumerated below:

- A reservoir of highly qualified and experienced professionals who are strategically focused and dedicated to achieve excellence in each and every sphere of the Company operations.
- Operatorship of Mari Field which contains the Country's largest gas reservoir (in terms of current reserves).
- Ability to produce gas at incentive price offered in 2012 Petroleum Policy.

Organisational Overview and Forward Looking Statements



90% of its gas is supplied to the fertiliser sector which has not been affected by the pandemic. The proactive strategies by the Management ensured that there was no disruption to the Company's ongoing and planned seismic, drilling and production operations during COVID-19.

HIRING OF MCKINSEY BY MPCL TO MEET THE CHALLENGES AND UNCERTAINTIES IN THE FUTURE

The Company has hired the services of McKinsey & Company, the world renowned and preeminent energy sector consultants, to review and revamp MPCL Business Strategy for both core and diversification areas. The Consultants will deliver an in-depth strategic roadmap that will assess internal and external market dynamics and evaluate strategic opportunities based on but not limited to the following four areas i.e.

- a) **Strengthening the E&P Core:**
Local expansion of onshore and offshore blocks.
- b) **International Growth:**
Acquisition of international blocks focusing on short-cycle, low-cost assets.
- c) **Gas Value Chain Expansion:**
Possibility of setting-up LNG terminals, gas power plants and expanding into fertiliser business.
- d) **Explore Adjacent Industries:**
Possibility of setting-up renewable projects and petrochemical ventures.

This would be an end-to-end solution with the Consultants designing the implementation plan and providing implementation support with specific timelines and deliverables of the strategy roadmap.

- Ability and track record of operating in security sensitive areas where other services and E&P companies are reluctant to venture.
- In-house seismic data acquisition, processing and drilling capabilities at par with international standards.
- Highest exploration success rate (70%) compared with local (33%) and international (25%).
- Lowest operating cost in the entire industry in proportion to gross revenues.
- Cash flow generation ability.
- Sufficient financial reserves.

The outbreak of COVID-19 has affected every industry and sector worldwide. The petroleum industry, which was already reeling from oversupply of crude oil as a result of competition among different oil producers for larger market share, was particularly hit. COVID-19 dried up the demand for oil and the prices fell down to as low as US\$20/bbl.

Pakistan's E&P sector was also affected by the pandemic and falling crude oil prices. Fortunately, MPCL was not impacted as much as the other players in the industry primarily because MPCL is a gas dominant Company. It is favourably placed in the industry as more than

The following measures have been undertaken by MPCL to mitigate the challenges and uncertainties that are likely to arise in the future

- Incremental production from HRL reservoir of Maat Field is the mainstay of MPCL's strategy to mitigate the impact of low oil price on its revenues. Thus the Company has taken measures to sustain incremental production.
- The Company is considering various options for utilisation of low BTU gas including installation of gas processing trains to process off-spec gas and inject into the gas network.
- The Company is pursuing aggressive and prudent exploration for attaining sustainable future growth to arrest reserve depletion trend as per reserve-led growth strategy through multi-pronged exploration approach.
- The Company is also consistently reviewing the data of different international blocks for possible farm-in opportunities to expand and diversify its exploration portfolio.
- The Company has also adopted different strategies for cost-cutting and efficiency improvement to reduce the operating costs.
- The Company is evaluating diversification options that can add value to the Company while allowing the Company to avoid price related risks e.g. Energy (Solar, Hydro, Wind and RLNG) along with petrochemical, mining and infrastructure sectors.

MPCL BUSINESS MODEL



COMPOSITION OF LOCAL VS IMPORTED MATERIAL AND SENSITIVITY ANALYSIS DUE TO FOREIGN CURRENCY FLUCTUATIONS

A substantial portion of about 52% of our annual procurement spend comprises of foreign materials and services in USD. Due to the substantial rise in the value of USD in terms of Pak Rupees, volatility and uncertainty in our economic environment has greatly increased. The consequential exchange rate fluctuation is a major barrier faced by us in our global sourcing initiatives for procuring quality materials without major cost escalations. Deteriorating exchange rate may result in zero or even negative savings in terms of local currency. Deteriorating exchange rate also adversely affects the local sourcing initiatives as our key suppliers in the Country import a significant portion of raw materials, which proportionately impacts prices quoted by them.



BUSINESS RATIONALE OF MAJOR CAPITAL EXPENDITURES/PROJECTS DURING THE YEAR AND FOR THOSE PLANNED FOR NEXT YEAR

All major capital expenditure/projects during the year were in line with the Company's strategic objective of reserves replacement, production enhancement, expansion of exploration acreage and capacity enhancement of MSU. Major capital expenditures and projects planned for the next year are to enhance Plateau of HSL Reservoir by undertaking further debottlenecking of pipelines and surface facilities, development of Goru-8 and Tipu Reservoirs of Mari Field by drilling of additional wells and setting-up of processing facilities, laying of export pipeline from Mari Field to SNGPL valve assembly, and exploration drilling in Mari Field. Major capital expenditures planned outside Mari Field include exploratory wells in Bannu West and Karak Blocks and completion of current seismic data acquisition campaign in Block-28.

SUCCESS STORIES

MPCL'S COVID-19 RESPONSE STRATEGY



COMPLETION OF SEISMIC
DATA ACQUISITION PROJECT
IN BANNU WEST BLOCK

MPCL'S COVID-19 RESPONSE STRATEGY

The pandemic COVID-19 has been a defining global health crisis in recent history and has forced the entire world to rethink and redefine 'normal' practices in every facet of human life.

As the impact of coronavirus touches every corner of the globe, MPCL made timely moves to safeguard its people and businesses against these unprecedented circumstances. The Management engaged in untiring efforts to protect the health of its employees against the spread of the disease, while at the same time ensuring operational continuity and efficiency.

All offices and fields of MPCL proactively responded to the possible concerns

arising due to the pandemic, and adopted comprehensive and strict prevention and control measures, under the guidance of the senior management and qualified medical staff. The origin of the pandemic in Pakistan was Sindh province, where MPCL's largest producing field is located at Daharki, supplying natural gas to 90% of fertilizer manufacturers in Pakistan. The company recognized its most significant role in keeping energy supplies flowing during and immediately after the lockdowns. Due to this very critical nature of its business, MPCL's Daharki Field was required to be most alert and defensive against COVID-19.

PRE-EMPTIVE MEASURES

Having a keen eye on the international developments related to COVID-19, a proactive approach towards managing the pandemic was adopted as early as January 2020 across MPCL. A Committee consisting of senior officials from all key departments was formulated to visit sites/field locations, and to suggest implementation of effective preventive measures. In the event of spread of the virus in Pakistan. Some of the pre-emptive steps taken by the Management were:

- International and local guidelines for prevention of spread of COVID-19 were widely and frequently disseminated, with strong focus on frequent company and community awareness campaigns.
- Physical presence of employees were reduced to a bare minimum, while ensuring all oil and gas facilities remain functional.
- MPCL equipped itself with the most reliable and efficient equipment and services to facilitate Work From Home for all employees.
- All types of movements were discouraged (and prevented where required) in order to limit employees' movement and potential exposure to the virus.
- Doctors, along with paramedical staff were equipped with state of

the art clinical accessories/temperature testing devices.

- To deal with suspected cases of COVID-19, quarantine/isolation centers were established at all locations.

- All other necessary SOPs and immunity boosting measures were put in place.

- Protections were put in place for MPCL's business against possible legal repercussions due to this global pandemic.

PREVENTIVE MEASURES

With the rapid spread and local transmission of COVID-19 across Pakistan during March-June 2020, MPCL's response was escalated towards even more extensive precautionary and preventive measures. These measures targeted different aspects of MPCL business and key measures

amongst them are summarized below:

Business Continuity Aspect

- Detailed review of COVID-19's potential impact on our supply chains/procurements and identification and implementation of corrective actions where required.
- Detailed review of COVID-19's potential impact on MPCL's operations, work plan and other projects and identification and implementation of necessary changes where required.
- Extensive exercise on identification of areas where costs could be optimized to minimize impact of the pandemic on company's profits.
- Review of contracts & agreement to pre-empt force majeure and protect company's interest.



MPCL'S MULTIPRONG CORONAVIRUS RESPONSE STRATEGY

Policies, Protocols & Infrastructure	Implementation, Monitoring & Culture Building	Work Programme Optimization & Cost Rationalization	Customers & Stakeholder Engagement	Other Measures
Standard Operating Procedures, Prevention & Management Protocols, Alerts & Advisories etc.	Central Coordination & Response Team	Review & Optimization of Capital Projects	Active engagement to ensure zero disruption in customer affairs	Review of contracts & agreements to pre-empt force majeure and protect company's interest
Quarantine & Isolation Centers across Company	Strengthened Monitoring & Reporting Infrastructure	Operational Cost Rationalization Measures	Sharing of Best practices & learnings with stakeholders	Active follow-up with vendors & suppliers to avoid disruptions
Active Liaison with Authorities & Service Providers	Process Automation, Digitization & Equipment Modernization	Work from Home, Job Rotation & Movement Freeze	Coordination and Community Engagement through Corporate Social Responsibility Activities	Introduction of employee support programs

Internal Measures

External Measures

Success Stories



- Identification of potential upsurdes for MPCL arising from this situation and re-allocation of resources to capitalize on identified opportunities.

Operational Continuity of Man Field:

Some of the measure to keep the fields producing safely even under extreme emergency scenario included:

- All staff were asked to work from homes, while only most essential staff required to keep operations running were allowed to come to work, adhering to the strictest safety measures.

- Based on identified critical jobs and classifications of field assignments, "Nucleus Staff" structure was developed to ensure business continuity. This consisted of two layers of human resource from staff deployed at fields, with a back-up third layer blended from professionals working at Head Office and other producing fields.

- Movement in and out of the all locations was strictly restricted, except in extreme circumstances.

- In order to support the community through this lockdown phase, all groceries/basic necessities items were made available to the field residents.

- To deal with all suspect cases in Sindh based fields, Seismic Crews and Rig Staff, an Isolation Centre consisting of 38 beds with basic amenities/requisite clinical facilities was also established in a very short span of time.

Stakeholder Management Aspect:

- Identification and initiation of new social welfare activities in the wake of the pandemic as part of our CSR programme.
- Facilitating contractors in their COVID-19 related awareness but sharing and enforcement of best practices and COVID-19 related protocols.

- Engagement of customers to, sensitize them about the situation, share with them the measures that MPCL is taking in this regard, and ensure that there isn't any avoidable disruption at their end that can potentially affect our operations.

With the implementation of these strict measures, the spread of COVID-19 at all locations of MPCL has been successfully avoided till now and it is hoped that these measures by the Management will contribute towards flattening the curve in Pakistan.

GOING FORWARD

MPCL is distinctly aware of the fact that the pandemic is far from over and may last for several more months. In these circumstances, we have realized that without bringing changes



in our lives and lifestyles, both personal and professional, it is not possible to remain safe and have a sustainable business. The fight against this menace is not the responsibility of a single department or organization or household – the onus is on all of us, working collectively as a community to help safeguard our own health and that of our staff, our families and those around

us, all while keeping our focus on retaining uninterrupted operations for our customers.

Since January 2020, MPCL's leadership teams are meeting daily to address and respond to the ever-changing conditions in the locations where we operate, and remains committed to responding to the Government's measures to limit the spread of virus in Pakistan.



Quarantine facility at Mani Field, Daharki

COMPLETION OF SEISMIC DATA ACQUISITION PROJECT IN BANNU WEST BLOCK

Amidst all the gloom caused by the dramatic spread of highly infectious COVID-19, MPCL brought the good news of successful completion of seismic data acquisition project in Bannu West Block on March 17, 2020, to lift the mood and morale of the nation.

Bannu West Block, straddling Bannu, Laki Marwat, Kurram Agency, Hangu, and North Waziristan districts of KPK, was lying dormant since 2005 due to precarious security situation. Acting in the national interest and relying on its capabilities to operate in security sensitive areas, MPCL acquired

additional working interest and operatorship of the block in 2017 from Tullow Pakistan Development Limited and opened-up this strategic block by undertaking on-ground aggressive exploration activities.

Despite the exceptionally harsh terrain of Bannu West Block Area, and more importantly high level security challenges including sabotage attacks, kidnappings and killings, MSU Alpha Crew managed to successfully complete the Project. This was the first-ever 3D seismic project conducted in the turbulent Tribal Areas.

The survey comprised a total of 99 line kms 2D and 836 square kms 3D data acquired over a period of two years. Based on the fast-track processing and interpretation of the seismic data, the location of the 1st exploratory well was staked on ground on July 1, 2020 and civil works on access road and site preparation are in progress. Spud-in of the well is expected by end of February 2021. This will be the first-ever oil & gas well to be drilled in the tribal districts of Khyber Pakhtunkhwa. It is well appreciated in the E&P industry that only MPCL could pull off this risky task.



Besides the expected discovery of oil and gas, which will augment the Company's reserves-base and production, the Project is expected to yield positive socio-economic benefits to the locals in the form of local business and job opportunities. Additionally, a sum of Rs. 570 million has already been injected in the local economy on account of local employment and CSR projects, including:

- More than 3,100 personnel from the area were hired for liaison, coordination, permitting, and as drivers, chowkidars, and labourers during the whole project.
- 95% of 1,200 security guards/khasadars employed for the Project were from KPK.
- 30 graduates from FATA were provided paid internships.
- More than 2,200 kms long tracks were developed in the area, which will be used by the locals.
- Daily consumable items were mostly procured from the local markets, which generated business for local shopkeepers.
- Vehicles/tractors were hired on handsome rentals from locals.
- Playgrounds were developed in coordination with the Army and the FC.
- Generous monetary support was provided to the families of Shuhadas and to the injured, along with free medical treatment anywhere in Pakistan.

SUSTAINABILITY AND CSR INITIATIVES

HEALTH,
SAFETY AND
ENVIRONMENT

HUMAN
RESOURCE

VALUE
ADDITION TO
SHAREHOLDERS

CORPORATE SOCIAL
RESPONSIBILITY



HEALTH SAFETY AND ENVIRONMENT



MPCL's management continued its exemplary commitment and dedication to follow HSE policies and practices to ensure **"no harm to people and environment"** in all field operations at all locations.

As a result of concerted efforts with total commitment, MPCL achieved a TRCF of 0.29 against a very stringent target of 0.30 set for the year under review. This compares very favourably with global E&P industry average figure of 0.99 for the year. This is a remarkable achievement by all locations while working in extreme weather conditions, especially the seismic and drilling crews who are operating in severely harsh terrain under extreme weather conditions as well as in security sensitive areas.

The Company had included the HSEQ Management in the core management systems with the focus on total commitment to the highest standards. It underwent successful external audits without any major non-compliance in Re-certification Audits for IMS/EMS International Standards ISO 9001 (Quality Management System), 14001 (Environmental Management System),

ISO 45001 (Occupational Health & Safety Standard; with smooth transition from ISO 18000 & 27001 (Information Security Management System).

It is understandable that this achievement would not have been possible without the determined efforts of our highly dedicated Management, non management employees and contractual staff, at production facilities, rigs, and seismic surveys.

ACHIEVEMENTS

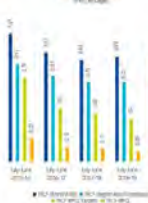
MPCL has been re-certified in May 2020 by External IMS Auditors for maintaining excellent HSEQ & Information Security Management System standards. We were also able to have a smooth transition of OHSAS 18001:2008 to ISO 45001:2018 (Occupational Health & Safety Standard) introduced by International Standard Organisation, without any major non-compliance.

We are now maintaining the following ISO Standards:

- ISO 9001: 2015 (Quality Management System)



TRCF COMPARISON (Percentages)



- ISO 14001: 2015 (Environmental Management System)
- ISO 45001:2018 (Occupational Health & Safety Management System)
- ISO 27001: 2013 (Information Security Management System)

For organisations that are serious about improving employee safety, reducing workplace risks and creating better and safer working



conditions complying with these standards is the only way forward. We made a transition to ISO 45001 in May 2020 during the testing times with COVID-19 becoming rampant in Pakistan like in the rest of the world.

HSE WORKSHOPS AND TRAINING

We believe that through effective team work HSE requirements can be effectively implemented to reduce HSE incidents and can bring Risks to As Low As Reasonably Practicable. The initiative of HSE Workshops promoted Teamwork and HSE culture. Audio visual aids were employed for interactive awareness sessions and team building exercises at all levels of employees, which gave good results in effective HSE Management.

The workshop consisting of interesting interactive activities related to HSE were designed for:

- Understanding HSE requirements for E & P life cycle.
- Understanding HSE roles & responsibilities.
- Clarity on Incident Reporting requirements.



About **0.8 million training man-hours** were clocked for **619 HSEQ training sessions and 242 HSEQ Crisis & Emergency Drills** were organised for employees at all locations during the year. HSEQ training sessions covering Permit to work system, Fire Fighting, HSE Risk Identification, Assessment & Controls, Incident Investigation & Reporting, Behaviour-Based Safety, Safe food handling, General HSE awareness, HSE Laws & Regulations, IEEE/ISA awareness, Housekeeping, IMS & ISMS awareness, Defensive driving, Stress Management, Chemical handling, Job Safety Analysis, Waste Management, Crisis and Emergency Management and Process Safety Management, were organised.

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

A number of Risk Assessment techniques and conformance to ISO standards 9001, 14001 & 45001 enabled MPCL to establish priorities for eliminating hazards and reducing risks related to occupational issues and safety management.

- Air Emission and other Environmental Regulatory Monitoring
- Annual Medical Checkups of all Employees
- Job Safety Analysis
- Development of Objectives & Targets
- Establishment of Clinics at all Sites
- Fire Management at All Sites
- HAZOP & Operational Studies
- Health Risk Assessments for Operational sites
- Heat Stress Management Centers at all Locations
- HSE Audits & Inspections
- HSE Plans for Operational Activities
- Incident Investigation & Reporting
- Medical Screening of Catering Crew
- No Smoking Campaigns
- Noise & Ambient Air Monitoring
- COVID-19, Malaria & Dengue Prevention Campaigns at all Locations
- Project Risk Assessment & Task Risk Assessment
- Road Safety Management

ENVIRONMENTAL MANAGEMENT & COMPLIANCE

MPCL is ISO 14001:2015 (Environmental Management System) Certified Company and is one of the best environment friendly Oil & Gas Company in Pakistan by complying with maximum environmental standards. IMS Audit against the EMS Standard resulted in zero non-compliance and observations. Emission control measures using environment friendly equipment and Use of solar systems wherever

Health Safety and Environment



possible, have been practised for long.

Presently, MPCL network comprises of 14 sites, which include settled and unsettled fields, rigs and three MSU crews in four provinces of the Country. Some of them are in remote areas with barren lands. Management of all the locations requires a lot of efforts in improving environmental sustainability and contribution to climate change through plantation and avoiding loss of vegetation during operational activities. Currently, despite huge pressure on land

resources, large areas of land are in a degraded state and plantation can be an effective way to bring degraded land back into productive use. During this year, **more than 1000 trees have been planted** and maintained at different locations.

Besides, MPCL runs an effective campaign for discontinuation of plastic use at all locations.

WE ENSURE:

- The protection, restoration and rehabilitation of natural environment through



Environmental Management Plans and ISO 14001 EMS requirements

- Rationalisation of the use of natural resources during E&P activities
- Compliance of all regulatory requirements related to environmental aspects of our activities
- Community development initiatives as part of our Corporate Social Responsibility

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

Employees are the heart and soul of our organisation. The unique set of skills, experiences and values brought-in by each employee is crucial for the success of the Company. We take pride in creating a work environment where management and development of talent are taken very seriously. All efforts are made to attract, develop and retain top-of-the-line professionals from the market.

MANPOWER

As at June 30, 2020

Management	560
Non-Management	635
Trainees	24
Total	1,219
Average Employees	1,220
Male Employees	1,163
Female Employees	56

FOREIGN DEGREE PROGRAMME

MPCL has launched a pragmatic education and learning initiative to encourage the employees to hone their knowledge and practical skills. A Foreign Degree Programme was launched in 2014 to extend opportunities to our employees to enhance their competencies. Furthermore, it aims at broadening the breadth of outlook to improve their vision and keep them updated with latest trends in respective fields and breakthrough technologies. The employees are eligible to opt for two years degree programme if they can obtain admission in one of the Top 50 Universities in the world. For the one year degree programmes, the employees must secure admission in relevant discipline in the top 500 Universities of the world.

Fifteen employees have so far been sponsored for foreign degree

programmes in the fields of Law, Geoscience, Engineering, Finance and Accounting and Oil and Gas Management since 2014.

MANAGEMENT DEVELOPMENT PROGRAMME

Management Development Programme was introduced in 2018-19 as one of the promotion criteria for employees stepping into managerial roles to enable them to handle more challenging tasks and higher responsibilities ahead. As the cultural environment is changing apace, managers must have adequate knowledge, understanding and the ability to cope with it effectively. Twenty four MPCL employees availed this opportunity during the year. The programme included 11 modules namely Effective Supervisory Skills, Finance for Non Finance Professionals, Building High Performance Teams,



MPCL Management Staff's Visit to Army Museum, Rawalpindi

Human Resource Management & Development



In-house Session on Change Management by Mr. Umar Jaleel (Motivational Speaker)



A day in-house training on Prospect Analysis/ Basin Analysis by Dr. Victor Abreu (Consultant in Petroleum Geology)

Managing and Leading Change, Emotional Intelligence, Creating Performance Management Culture, Work-Life Integration, Developing Leadership Skills, Communication and Presentation Skills, Decision Making and Problem Solving and Time Management and Goal Setting.

CMS ONLINE TOOL

International Human Resources Development Corporation (IHRDC) is a worldwide leader in training and competency development for the oil and gas industry for over 40 years. MPCL has acquired two of IHRDC's products/services i.e. Competency Management System (CMS) and e-Learning Module. CMS enables the Company to build a database of job roles and required competencies and skill levels. The HR Department can automate and personalize learning plans for each learner with the CMS. The software allows the following functions:

- Evaluation of employees' performance
- Showcasing of skills and certifications
- Identifying gaps in competencies of the employees and suggesting learning plans to cover those gaps
- Making training more prolific

MPCL introduced this system for all technical and non-technical Management staff at all locations, resulting in improved Training Needs Analysis (TNA) process by assisting in identification of the performance gaps.

E-LEARNING PROGRAMME

The E-Learning programme is intended to provide opportunity to the employees to improve their subject knowledge and their skills to perform their jobs efficiently. The Company launched the E-learning Programme for its technical and

non-technical employees with collaboration of IHRDC. A total of 293 employees benefitted from e-learning programme (204 non-technical and 89 technical) during the year.

REVISION IN EXISTING POLICIES & PROCEDURES

Human Resource Management needs to focus on accelerating operational improvement and save time from traditional administrative and compliance activities. A number of revisions were made in the existing policies like recruitment and education besides others to bring continual improvements in the initiatives of the Company. Workshops were conducted at Head Office Islamabad and field locations to create awareness of the revised policies and procedures.

LEARNING AND DEVELOPMENT:

Learning and development is an ongoing process and continues throughout a professional's career. MPCL conducts a comprehensive training needs analysis and arranges training (foreign, local and in-house), international seminars and visits to polish the skills of the workforce and cover their weaknesses and minimize gaps in job competencies.

Professional and career development increases the job satisfaction, morale and motivation of employees. Efficiency in processes resulted in financial gains and reduction in employees' turnovers.

TEAM BUILDING

A Team Building event was planned at Ayub National Park to foster interdepartmental coordination among management employees. It was preceded by a visit to the Army Museum Rawalpindi. The theme of this year's team building was "Reliving Childhood" and the activities that it encompassed were

Summary of trainings, seminars, conferences, symposiums, in-house etc. during the year:

Description	Technical	Non-Technical Stream	Total
Number of employees that attended Foreign Courses/Conferences	55	39	94
Number of employees that attended Local Courses/Conferences	79	48	127
Number of employees that attended In-House trainings/book reviews/talks	-	-	7,974

A glimpse of some In-House Trainings conducted during FY 2019-20:

Human Resource Management & Development



archery, shooting, boating, zip line, visit to zoo, visit to Army Vintage Park and other team building activities. A group of 70 employees from all tiers of management actively participated in this event. This team building event was one of its kind and its memories are still cherished.

COMMUNITY SERVICE PROGRAMME

MPCL started a pilot project titled 'Community Service Programme' to

engage its employees in community development during the year. To translate our plan into action, a minimum of 12-15 hours of community service per annum was incorporated in personal objectives and targets of each employee at Head Office Islamabad, Daharki and Karachi Offices. MOUs were signed with 12 selected organisations including AFPM, TCR, Master Aiyub's Park School, Pakistan Sweet Homes, SOS Village, STEP, MPCL Leadership School, Fauji Foundation University, CDRs and HVE Pakistan for community service.

Having completed 3,110 man hours of community service we played a significant role in promoting positive culture and teamwork in the Company. It helped people look beyond themselves and understand the role they can play in their community and country.

CELEBRATION OF NATIONAL DAYS
MPCL is always very keen and enthusiastic to celebrate National Days

In order to pay tribute to our National Heroes and show love towards the motherland.

23rd March 2020: Despite COVID-19 pandemic, Pakistan Day was celebrated with national zeal and patriotism by illuminating the MPCL Head Office buildings, displaying Minar-e-Pakistan monuments, backdrops and standees etc. which depicted our national heroes and history.

14th August 2019: Independence Day was celebrated on 14th August 2019. With eagerness and fervour we paid homage to those who sacrificed their lives for Pakistan.

MARIL INTERNSHIP CEREMONY 2019
A total of 140 interns attended the Maril Internship Programme during 2019. The students were selected from the top HEC recognized Universities of Pakistan in order to provide them with a platform wherein they could apply their professional knowledge to practical situations. In recognition of overall



"Interning at MPCL was one of my most memorable experiences. The Company provided me with an excellent working environment where I was able to learn new things and utilise them to the best of my knowledge. People here are knowledgeable, have a growth mindset and are always willing to lend a helping hand. I highly recommend MPCL as a workplace." *Aatir Ahmed Wazi, Bahria University, Islamabad*

performance, the Best Intern Award of the year 2019 was presented to Mr. Aatir Ahmed Wazi, a graduate from Bahria University, Islamabad with a degree in Computer Sciences. He had majored in Digital Image Processing and Android Development.

COVID-19 AND EMPLOYEE ENGAGEMENT ACTIVITIES

During the testing time of COVID-19, there was a need to bolster our spirits to cope with the challenges. The HR Department developed COVID-19 Awareness Video Message and launched a Company-wide Employee Engagement Programme, focusing on lessening the stresses by proactively engaging the employees and the families and bringing them together. Some of the activities included:

- Blindfolded Pictures Drawing
- Cooking/Baking Competition
- Match the Childhood Memory
- Indoor Scavenger Hunt
- Quiz Competition

BOOK REVIEWS

Reading is the most effective investment of time that one can make on oneself. It makes one more knowledgeable and creative thinking person. According to Joseph Addison, "Reading is to the mind what exercise is to the body". In order to encourage the habit of reading and reaping its benefits, a culture of book reviews was introduced. It required the employees to present book reviews on various topics relevant to Oil and Gas, History and Leadership etc. to the entire Company and fields on weekly basis. 22 books reviews were presented and about 7,821 man-hours were dedicated to this vital aspect of development.

A few book reviews that were presented are given in the following.

- Energy and Civilization: A History by Vaclav Smil
- Decision Analysis For Petroleum Exploration by Paul D. Newendorp
- Primal Leadership by Daniel Goleman
- Unlimited Power by Tony Robbins
- Pakistan: A Study in Nationalism by K K Aziz
- Leaders Eat Last by Simon Sinek
- The Five Dysfunctions of a Team: A Leadership Fable by Patrick Lencioni
- The Rise to Power of Mohammed Bin Salman' by Ben Hubbard

EMPLOYEE EXPERIENCE SHARING PLATFORM

The Company launched the Employee Experience Sharing Platform during the year. Experienced individuals were invited to share their experiences from the past to educate and groom their colleagues and to reflect on the Company's standing with a focus on how the Company contributed in their development. So far, 4 employees have shared their experiences. This exercise not only allowed us to benefit from the wisdom and knowledge of the seniors but also enabled us to connect with each other on socio-professional platforms.

SUCCESSION AND CAREER PLANNING

Not only are career and succession planning crucial for the development of employees but also for the Company. Formulating a career development plan can help employees do their jobs more efficiently. Succession planning helps ensure a company always has the right leaders in place in case a change arises. By failing to create a succession plan the Company may not be able to adapt immediately to the changed environment. Towards

this end, HR has crafted a workable succession plan which can fill in the gaps but a constant effort is required from HODs to groom the successors in their respective departments.

FOLLOWING THE FOOTSTEPS OF DR. ALLAMA MUHAMMAD IQBAL

MPCL firmly believes that employees should play their role in building the nation by remembering the sacrifices of our national heroes. To this end, the Company launched an initiative to pay tribute to the national heroes of Pakistan by studying about their lives, educational and professional development and contributions towards Pakistan. Ten employees visited the following places to explore about the **Legendary Poet of the East, Dr. Allama Muhammad Iqbal**, who played a great role in the independence of Pakistan. The Group visited the following national sites:

1. Javed Manzil, Lahore
2. Allama Iqbal's Tomb, Lahore
3. House in Andron-e-Shahi Gate, Koocha Jalloobian, Lahore
4. Government College and Iqbal Hostel, Lahore
5. Birthplace (also known as Iqbal Manzil), Sialkot

The Group also met Sir Murtib Iqbal (grandson of Dr. Allama Iqbal) and Mrs. Justice Nasira Javed (Daughter-in-Law of Dr. Allama Iqbal). Upon successful completion of this informative tour, the Group presented their learning to the Company employees for larger benefit.

VALUE ADDED TO THE SHAREHOLDERS' NET WORTH



One of the Company's greatest achievement over the years has been to maintain a balance among the varying and often competing expectations of its different stakeholders. The Company has consistently delivered long term value to its shareholders without compromising on sustainability practices.

SUPPLY CHAIN MANAGEMENT

The core objective of every oil and gas company is to achieve optimum exploration and production. Procurement is proven to be of prime significance to meet this core objective as it is crucial to manage and oversee supply-chain activities in the most effective manner to reduce the cost as well as to enhance and guarantee efficient operations without jeopardizing quality and safety.

Volatile and unpredictable oil and gas prices have led to a fast-paced and rapidly changing business environment for E&P companies. This highlights a growing need for speed, quality, flexibility and cost efficiency - a quest for operational excellence.

An effective value-chain helps in mitigating the risk, managing the warehouse inventory strategy, monitoring the logistics and transportation, and ensuring the best procurement strategy based on optimum competitiveness, transparency, accountability and efficiency.

MPCL endeavours to build long-term collaborative partnership with our suppliers who share our values and who are willing and capable of helping us achieve our business aspirations. We expect our suppliers to share our commitment to sustainability and to be able to demonstrate how they fulfil this commitment, consistent with our policies. We engage our suppliers by using a variety of different sourcing strategies and recognize the need of a fine balance between having a consistent approach across our supply chain and retaining flexibility that supports creative solutions.

	Sponsor Shareholders	General Public
Total Holding (Shares)	104.5 million	28.9 million
Total Investment (Rs)	294.0 million	134.0 million
Current Worth of Holding (Rs)*	150.9 billion	41.7 billion
Total Value Addition		
Actual Investment	428.0 million	
Current Worth	192.6 billion	

In addition, the shareholders are paid guaranteed dividends (FY 2019-20 / Rs. 790 million approx).

*Based on closing share price of its 1,444.38 on August 21, 2020.

CONTRIBUTION TO NATIONAL ECONOMY

- Ensuring Country's food security. Around 90% urea production based on MPCL supplied gas.
- Providing gas to WAPDA for power generation.
- Providing gas to distribution companies for domestic consumers.
- Highest contributor to Government exchequer on account of various taxes and levies (as a percentage of Gross Sales).
- MPCL produced hydrocarbons helped save foreign exchange equivalent to Rs. 1.2 Trillion during the last five years.

FOREIGN EXCHANGE SAVING (Billion in Billion)



CONTRIBUTION TO GOVERNMENT EXCHEQUER (Billion in INR)



CORPORATE SOCIAL RESPONSIBILITY

OUR CSR PHILOSOPHY

Corporate Social Responsibility (CSR) of MPCL follows the policy guidelines of the Regulatory Authority of Ministry of Petroleum. However, our CSR initiatives go far beyond the regulatory obligations. Our CSR programme serves all segments of the society in all possible ways, offering benevolent and philanthropic support to the maximum people. It aims at building sustainable and competitive advantage for the local community by aiming at environmental footprint, health and safety, provision of clean drinking water, education for all including children with the disabilities, fight against communicable diseases, local sports and basic communication infrastructure.

CSR is a continuing commitment to social and economic development while improving the quality of life of the workforce, local community and the society at large.

MPCL has made a paradigm shift in its approach towards serving the communities. It is now more focused on sustainable service delivery in addition to the essential brick-and-mortar projects.

In addition to the communities in our areas of operation, MPCL ensures well-being and safety of all the stakeholders in its value-chain through continuous engagement with relevant departments/stakeholders to uphold the best practices in social responsibility as laid down in the ISO 26000 Guidelines.

POLICY ON ENVIRONMENT AND SOCIAL RESPONSIBILITY

We conduct our business on a socially responsible manner minimizing environmental footprints of our field operations by adhering to the highest HSE standards and practices. We are committed to making positive

"Our CSR philosophy aims at delivering programmes that favour the execution of macro level systems for attainment of relevant SDGs in collaboration with implementing Partners. Our CSR Initiatives thus ensure individual, organisational and societal development through sustainable initiatives, ensuring social and economic change at all levels with best global practices."

and sustainable contribution to the society through quality products and services, creation of employment opportunities, contribution to provincial and national exchequers and meaningful CSR interventions in priority areas of health, education, water supply and communication infrastructure.



Corporate Social Responsibility

Based on our CSR Philosophy, 5 thematic areas have been identified that require our concentrated efforts namely Education, Health, Water, Climate and Affordable Energy. The Company follows UN Sustainable Development Goals parameters as guiding principles, the ground situation covering government policies, strategies, and development statistics would determine our magnitude of CSR interventions in the selected areas.

MAJOR CSR CATEGORIES

CSR Programme at MPCL is divided into 3 major categories:

- 1. Statutory Obligations:** As per Petroleum Concession Agreements, MPCL is under obligation to deposit USD 30,000 annually in each of its operated blocks for social uplift of the local communities. This adds up to a substantial and positive impact on the area if the local administration spends it diligently.



Sustainable Development Goal 3

– Good Health and Well Being

With the aim to ensure healthy lives and promote well-being for all of all ages.



Sustainable Development Goal 4

– Quality Education

To ensure inclusive and equitable quality education for lifelong learning opportunities for all.



Sustainable Development Goal 6

– Clean Water and Sanitation

To ensure availability and sustainable management of water and sanitation for all.



Sustainable Development Goal 7

– Affordable and Clean Energy

To ensure access to affordable, reliable, sustainable and modern energy for all.



Sustainable Development Goal 13

– Climate Action

To take urgent actions to combat climate change impacts.



2. Over and Above CSR

Obligations: These are additional voluntary spendings in and around our areas of operations. MPCL has an

extensive CSR programme at Mari Field at Daharki, where we own and operate competitive health and education facilities for local communities.

3. A stipulated Production Bonus:

Production Bonus is paid on commencement of commercial production from every new field and is deposited in the account of the local administration for social welfare projects.

CSR INTERVENTIONS

MPCL discharged its mandatory Social Welfare Obligations for 2020 by depositing funds equivalent to USD 300,428 into Joint Accounts maintained with respective District Administration Offices in our active blocks.

The Company also spent Rs. 900 million (approx) on CSR initiatives, which is in addition to the obligatory spending during the year. Of special note is setting up of Noor-e-Sehar Special Education School at Daharki. This is a state-of-the-art facility that

will cater to all types of disabilities and is designed for preparing and mainstreaming the disabled children for self-sustaining their lives.

Mari Hockey Stadium, Ayub Park Rawalpindi

The Stadium located in Ayub Park has been gifted to Army Heritage Foundation as a gesture for promoting hockey in Pakistan. It was completed within a short span of three months and comprises laying of synthetic turf, construction of pavilion and allied facilities, and installation of flood lights. Special measures were taken to ensure the conformity with international quality standards under our strict supervision. The synthetic turf was imported from the Netherlands and was laid under the supervision of Dutch experts. Environment conservation was given paramount importance while designing the ground and its allied facilities.

It is hoped that this initiative will go a long way in promoting the national game especially its revival to level of our past glory in hockey. The Stadium was inaugurated by the COAS, General Qamar Javed Bajwa, on 17th January 2020.

Rehabilitation of Water Filtration Plants in Islamabad

Realising the crucial need of safe drinking water to some neglected areas of Islamabad, MPCL rehabilitated water filtration plants in G-7, G-9 and G-10 sectors of Islamabad. These plants were in very bad shape owing to lack of maintenance. Comprehensive civil and mechanical works were carried out to revive the dysfunctional plants. Murals were painted on the walls to sensitise people about the importance of water.

The plants were inaugurated jointly by the Senior Management of MPCL and Officials of Municipal Corporation of Islamabad on 22nd April 2020. It was widely attended by locals, media personnel, Company executives and public representatives.

Promoting Education through collaboration with Master Ayub in Islamabad

Serving humanity is the foremost responsibility of every human being. MPCL tried to make an effort by joining hands with a man who is big at heart and has devoted his life to changing the society through extending opportunities of education. Master Ayub has been



running classes in park lawns for scores of children outside schools for about 30 years for free.

Prime Minister's Clean & Green Pakistan Initiative

Prime Minister Imran Khan launched the "Clean and Green Pakistan" drive by planting a tree at a local college in Islamabad. He urged people to play their part in saving the environment and by participating in the cleanliness drive throughout the Country. MPCL joined the drive and carried out tree plantation at all our field locations and Faisal Mosque in Islamabad.

Free Medical Camps at MPCL Fields

Free medical camps are a significant feature of CSR activities executed by the Company. These camps are organised for the communities in and around MPCL areas of operations on weekly/monthly basis, catering to the basic healthcare requirements of the local communities.

During the year, medical camps were organised at Sujawal, Zarghwa, Ghauri and Halini fields. During the camps, Medical, ENT, Skin, Surgical, Eye and Gynaec specialists conducted checkups and distributed medicines.

NOOR-E-SHARH SPECIAL EDUCATION SCHOOL

- A SUCCESS STORY

Mari Special Education School was a small facility established in 2008 to provide basic care to the disabled wards of MPCL employees based at Mari Field Daharki. However, there was a need for establishing a school which could provide progressive learning programmes and rehabilitation facilities not just to the wards of Mari employees, but also to the special children of local populace.

Lt Gen Ishfaq Nadeem Ahmad (Retd), former Managing Director/CEO MPCL, expressed his deep-seated commitment towards achieving excellence in the field of education in general and special education in particular, by deciding to

construct a special education school at Mari Field Daharki. The idea was to create a state-of-the-art facility in interior Sindh, which would serve as a model for such facilities all across Pakistan.

The school was established in 2020 and named as "Noor-e-Sehar Special Education School". The school has been designed in line with Global Accessibility Standards, providing contemporary rehabilitation labs, cutting-edge assistive devices and internationally recognized curriculum that would prove to be a catalyst in the cognitive development and social transformation of the children with diverse disabilities.

With a Vision of "Leaving No One Behind", it is our earnest desire and effort to provide an environment, which will be the best in Pakistan to harness the abilities of disabled children and to provide them with opportunities for becoming useful and esteemed members of our society.

Special Talent Exchange Programme (STEP), an Islamabad based expert NGO, was contacted for the purpose of implementing projects for persons with disabilities. M/s PEPAC were hired as consultants for architectural and structural design of the facility. Supervision of all construction related activities was carried out by the Projects Department, Daharki under guidance of Mari Field Management. Extensive coordination was carried out with all stakeholders during execution of the project. Some increase in the scope of work and cost was also affected due to design modifications/improvements incorporated during project execution. These improvements have no doubt added a great value with respect to usefulness and operation of this state of the art facility.

a) Provision of Raised floor at multipurpose hall: Portable raised flooring was placed in order to improve view of the audience, while keeping

maximum utilisation of space for multipurpose activities.

b) Provision of Badminton Flooring, Projector and Screen at Multipurpose Hall: Addition of such facilities improved the functionality of multipurpose hall making it one of its kind in the province.

c) Provision of Acoustic Panelling and Blinds in Multipurpose Hall: For better utilisation of the hall, acoustics were also provided, making it compatible with hosting any kind of event in the auditorium.

d) Infrastructure Layout & See-through fence: Mergers of nearby facilities such as Mari Education and Medical Complex with newly constructed Noor-e-Sehar Special Education School with the addition of see-through fence improved overall aesthetics of the area. Further,



Corporate Social Responsibility



its interconnectivity will also help the students to utilise the Multipurpose Hall.

- e) **Monument Design:** After a detailed scrutiny and deliberation of ideas, a conceptual and theme-based design was approved, stressing on Allama Muhammad Iqbal's "Shahen" and his Vision for the Youth.

- f) **Providing of Aquarium and Play Area at Patio of the Academic Block:** An Aquarium and a Play Area have been provided in the patio of our main building as a departure from adding decorative fountains etc.

- g) **Provision of UPVC Railing instead of SS Railing & Protection of MS Grill on Windows:** Considering the safety aspects, different improvements were made such as soft railing on attractive places and cushioning of hard

hitting objects to prevent any accidental injuries.

The School became operational in January 2020. In a short time, the enrolment in the School has crossed 130 students.

EFFORTS OF MPCL IN THE WAKE OF PANDEMIC COVID-19 CORONA VIRUS

- Installation of ventilators at PAF Hospital, Islamabad.
- Meals arrangements for 100 needy persons through Saylani Welfare Trust, Islamabad from March 26, 2020 on a daily basis till 28th April, 2020.
- 100 dry ration packs (containing cooking oil, rice, pulses, salt and tea) were distributed among the needy persons after taking necessary precautionary and preventive measures for distribution.

- Items including toothpastes, toothbrushes, soap, dry milk and flour were provided to the Quarantine Centers in Islamabad in coordination with Islamabad Magistrate.

- Procurement of COVID-19 Testing and Extraction Kits

Financial Support for Miscellaneous Causes

- Donation for Cardiac Treatment Facilities of PF Healthcare System
- Donation of Single Cabin Toyota Hilux Ambulance to PSB as part of CSR Activity
- Financial Assistance for Safe City Project, Mainwali
- Fundraising Gala Dinner for Autistic Children at Serena Hotel, Islamabad
- Donation to Rawalpindi Chamber of Commerce and Industries
- Donation to Al Murtaba Education Trust
- Sponsorship of Al-Barq Golf Championship, Mangla Cantonment



- Sponsorship for Team AUJ – An All Girls Motorsport Team from NUST, Islamabad
- Financial assistance to DIL (Development in Literacy)
- Donation to Pakistan Sweet Home, Islamabad

MPCL WINS THREE AWARDS AT 12TH ANNUAL CSR SUMMIT 2020

MPCL's CSR friendly policy and practices were duly recognised at the 12th National Forum for Environment & Health CSR Awards 2020, held at Serena Hotel, Islamabad, on 22nd January 2020. The Company won the following awards at the ceremony:

- Inclusive Education (Noor-e-Sehar Special Education School, Daharki)
- Employee Engagement/Volunteering (MPCL Community Service Programme)
- Sports & Recreational Activities (MPCL Hockey Stadium at Ayub Park, Rawalpindi)

ADVANCED LEVEL IN ISO 26000 [SOCIAL RESPONSIBILITY GUIDELINES]

As previously communicated, MPCL was placed at "Advanced" Level of performance against global guidelines of ISO 26000:2010 (Social Responsibility Guidelines), in 2017. MPCL is the only Oil & Gas Company in Pakistan to be formally assessed for ISO 26000, and the only Company to have achieved the Advanced Level rating. The Company achieved the highest rating of "Rise Model" in Accountability, Ethical Behaviour, Respect for Stakeholders Interests, Respect for the Rule of Law, Respect for International Norms of Behaviour and Respect for Human Rights.



MPCL Wins Three Awards at 12th Annual CSR Summit

INFORMATION TECHNOLOGY

Maril Petroleum has been a leader among our E&P industry in adopting technological innovations for sustainability and operational excellence. The Company focuses strongly on heightened collaboration between its technical and other functional areas which helps steer the selection and implementation of its information systems, which provide greater integration amongst cross-functional teams to induce effective planning, coordination and decision making during various E&P related activities.

Our Exploration and Reservoir departments use industry leading G&G interpretation and reservoir modelling software suites developed by renowned companies like Schlumberger and Halliburton. Integrated workflows provide geophysicists and geologists with critical collaborative capabilities that develop better geological

insights. These systems help improve discovery success rates giving it a distinction in the E&P sector.

Maril Seismic Data Processing Center (MSPC) is playing a vital role by providing high quality and state of the art 2D and 3D data processing facility that helps the Company take technically more cognizant decisions. Its scalable infrastructure enables it to employ latest geophysical technology across the full spectrum of seismic imaging and reservoir characterisation. Expansion in MPCL exploration activity demanded an increase in MSPC's computation capabilities. The system has been upgraded from 96 to 512 time cores. Advanced processing modules coupled with increase in computational power will enable MSPC to provide depth and time processing services with improved quality and in reduced time. From this upgrade, MSPC will be able to handle multiple 2D and 3D time and depth projects simultaneously.

Accurate and quality data availability is the life-blood of Exploration and Production (E&P) companies. Effective E&P data management plays a crucial role in meeting the objectives of handling large data volume for analysis, correct selection of drilling targets, and efficient management of oil and gas producing reservoirs. Implementation of state of the art integrated E&P data management system has led MPCL to the adoption of the industry's best practices regarding standardized data management related workflows.

To meet high-performance systems and infrastructure requirements of G&G software applications, Virtual Desktop Infrastructure (VDI) system was indigenously designed and implemented by in-house IT team

to run high resource demanding software systems. This not only helped to save capital investment on costly high-end workstations hardware but also boosted centralized processing capability for the high performance demanding technical software applications and made MPCL a pioneer in implementing VDI infrastructure in local E&P industry. During COVID-19 outbreak, the system enabled Exploration and Reservoir Department users to securely connect and run their jobs while working from homes without any loss in productivity and efficiency.

The Company has pursued digital transformation in its IT strategy to achieve greater process efficiency and adopt paperless office operations. In this regard, more SAP modules including Budget Planning and Consolidation, Master Data Governance and Health and Safety Management systems were introduced. During COVID-19 breakout, the Company took working from home as an opportunity and many manual processes were automated such as SAP system integration with banks for online payment transfers instead of payments through cheques, online minute sheets, and many other paper-based approvals have been introduced to online workflows. The Company has also initiated a project for Enterprise Data Management and Analytics for helping management to take data driven decisions.

Policy for Safety of Records

MPCL adopts industry leading software systems to ensure secure and fast transmission of financial data for recording and reporting of financial transactions. It has implemented Microsoft Share Point System that extends technological



edge for safe and fast data storage and retrieval. The system is an effective business productivity platform equipped with well-integrated set of technologies to bring information management, access, collaboration, people-driven processes and business critical document management to a single control environment.

The Company securely maintains soft copies of supporting financial documents and records in its SAP system, which is only accessible to authorized users. Regular backups of SAP System are routinely secured.

Disaster Recovery Plan (DRP)

MPCL's DRP provides a structured approach to respond to unexpected incidents that threaten the Company's IT infrastructure encompassing hardware, software, networks, processes and people.

Priorities and recovery time objectives for critical systems are developed in the light of business impact analysis. DRP is periodically tested and improved to help enhance the efficacy of recovery procedures, processes and ensure improvement of the Company's infrastructure readiness and minimize system down-time in disaster situations. A state-of-the-art remote Disaster Recovery Site has been established at one of MPCL Fields.

IT Governance Policy

MPCL's IT Governance Policy provides necessary guidelines to ensure effective input and decision-making pertaining to IT policies, standards, guidelines, processes and procedures. As per the Policy, the Company's IT related initiatives and functions are overseen by a Steering Committee headed by the Managing Director with all Heads of

Departments as its members. The Committee meets on quarterly basis to evaluate and ensure that the IT strategy is aligned with the Company's business objectives, and effective controls are in place to safeguard its information assets. The Committee also ensures that the requirements of Information Security Management System (ISMS-27001:2013) are adequately met and it identifies and oversees implementation of continual improvements in the ISMS systems.

MAJOR SOCIAL EVENTS



AWARDS AND RECOGNITIONS

During the year, the Company won a number of awards from various independent bodies not only for its financial and operational performance and reporting but also for its management, HSE, and CSR practices. Major awards won by the Company included:



"CEO of the Year Award" at 7th Employer of the Year Awards Ceremony (October 2019)



Winner of the CM Punjab Gold Cup Hockey Tournament (February 2020)



1st Prize for the "Best Management Practices" in Oil & Gas Sector, at 35th Corporate Excellence Awards Ceremony (March 2020)



"Fastest Growing Company of the Year Award" at 32nd RCCI International Achievement Awards Ceremony (July 2019)



"Prime Minister's Award for Corporate Excellence" at 32nd RCCI International Achievement Awards Ceremony (July 2019)



MPCL Annual Report 2018 awarded "1st Position" in Fuel & Energy category, at the Best Corporate and Sustainability Report Awards (August 2019)



Winner of the Oil & Gas T20 Championship (February 2020)



Three CSR Awards at 12th Annual CSR Summit (January 2020)

CORPORATE GOVERNANCE



ROLE OF THE CHAIRMAN AND THE MD/CEO

The Chairman of the Board and the Managing Director/CEO of the Company have well defined, separate but complimentary roles in line with the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2019.

CHAIRMAN MPCL BOARD

The Chairman is responsible for providing effective leadership to the Board particularly during Board and shareholders meetings. He sets the agenda of the Board meetings and ensures that reasonable time is available for discussion of the same. He ensures a conducive environment for overall effectiveness of the Board, and facilitates and encourages the contribution of executive, non-executive, and independent directors in carrying out the Board's business in line with applicable laws, rules and regulations. At the start of the term of newly appointed directors, the Chairman

informs them about their roles, responsibilities, duties and powers to help them effectively manage the affairs of the Company.

MANAGING DIRECTOR/CEO

The Managing Director is responsible for providing effective leadership to the management and employees. He oversees the day-to-day operations and management of the Company's business and affairs by ensuring that the executive team implements the policies and strategies approved by the Board. He keeps the Board updated on significant and sensitive issues that might affect the Company. He ensures that operational plans and control systems are in place, and he regularly monitors actual performance against plans and takes remedial actions, where necessary.

OPERATIONS OF THE BOARD

The Board is responsible for setting strategic objectives, overseeing the effective management and control of the Company, and identifying significant business risks and ensuring that policies and mechanisms are in

place to adequately manage those risks.

The Board has delegated certain responsibilities to its Committees for review of relevant matters and making recommendations to the Board. All Committees operate in accordance with their TORs approved by the Board. The permanent Committees of the Board are the Audit Committee, Human Resource & Remuneration Committee, Technical Committee, and Investment Committee. Any agenda or matter that requires Board's approval is first presented to relevant Committee of the Board which, after thorough deliberations, presents its recommendations to the Board for final decision.

The Board has delegated the day to day management of the affairs of the Company to the management through the MD/CEO subject to the agreed authority limits as detailed in Clause 100 of MPCL Articles of Association and Managing Director's General Power of Attorney.

However, in line with the provisions of Section 183 of the Companies Act 2017, Clause 10 of the Listed Companies (Code of Corporate Governance) 2019, and Clause 73 of MPCL Articles of Association, the Board has reserved following matters to itself to maintain control over certain matters of strategic, sensitive or extraordinary nature or which exceed the thresholds set in the authority delegated to the management.

Matters Reserved for the Board

- a) Appointment and removal of:
 - i) Members of the Board and its Committees including the Chairman
 - ii) CFO, Head Internal Audit and Company Secretary
 - iii) Senior Management Staff in MPCL Grade 26 and above, and
 - iv) External Auditors*
- b) Directors' remuneration
- c) Annual review of the performance of the Board, Committees and individual Directors
- d) Approval of quarterly and annual financial statements, dividends and bonus shares*, and significant change in accounting policies or practices
- e) Major transactions which exceed MD's authority or which are outside the ordinary course of business
- f) Delegation of authority to the Management

*[*subject to approval by the shareholders]*

CHAIRMAN'S SIGNIFICANT COMMITMENTS

Mr. Waqar Ahmed Malik, Chairman MPCL Board of Directors is the Managing Director of Fauji Foundation. In addition, he is the Director of Pakistan Maroc Phosphore SA and the Chairman of the Boards of all Fauji Foundation Associated and Subsidiary Companies. A list of these companies is included in the Chairman's Profile in this Annual Report as well as on MPCL Website. Mr. Waqar Ahmed Malik was elected Chairman of the Board in April 2020 and since then there has been no change in his significant commitments.

ATTENDANCE AT BOARD MEETINGS

Five Board meetings were held during the financial year 2019-20. The attendance of directors in the meetings was as under:

Name	Meetings Attended
1 Mr. Waqar Ahmed Malik	2 ¹
2 Lt Gen Syed Tariq Nadeem Gilani (Retd)	3
3 Lt Gen Ishfaq Nadeem Ahmad (Retd)	5
4 Dr Nadeem Inayat	5
5 Maj. Gen Javiad Iqbal Nasar	4
6 Mr. Rehan Laiq	5
7 Syed Iqtidar Saeed	3
8 Mr. Qamar Haris Manzoor	1 ²
9 Mian Asad Hayaud Din	5
10 Mr. Sajid Mehmood Qazi	5
11 Mr. Shahid Yousaf	5
12 Mr. Zahid Mir	1
13 Mr. Shahid Salim Khan	2 ³
14 Dr. Naseem Ahmed	4 ⁴
15 Mr. Ahmed Hayat Lak	5
16 Mr. Adnan Afridi	5
17 Ms. Ayla Majid	5

1. Joined the Board in April 2020 in place of Lt. Gen Syed Tariq Nadeem Gilani

2. Joined the Board in June 2020 in place of Syed Iqtidar Saeed

3. Joined the Board in January 2020 against a previous Casual Vacancy

4. Joined the Board in August 2019 in place of Mr Zahid Mir

OTHER DIRECTORSHIPS OF THE EXECUTIVE DIRECTOR

MD MPCL is the only executive director on the Company's Board. He does not hold non-executive directorship in any other company.

EXTERNAL SEARCH CONSULTANCY AND ITS CONNECTION WITH THE COMPANY

No external search consultancy was used for the selection and appointment of the Chairman or any of the Non-Executive Directors on MPCL Board. The services of M/s Ward Howell were used by the Fauji Foundation for head hunting for the position of MD/CEO MPCL. M/s Ward Howell has no connection whatsoever with MPCL.

POLICY FOR RETENTION OF FEE BY AN EXECUTIVE DIRECTOR

As per Directors' Remuneration Policy, executive directors are not paid any fee for attending the board, committee or general meetings.

On the other hand, any person who is an executive director on the board of another public or private company may join MPCL Board as a non-executive

Corporate Governance

director with the approval of the Board. Such a person is entitled to retain the fee and/or other emoluments received from MPCL against his/her services as a non-executive director.

BOARD’S POLICY ON DIVERSITY

MPCL has a diverse and balanced Board which not only represents the shareholders proportionately but also provides a mix of professional expertise in leadership, finance, economics, engineering, legal, corporate law, oil & gas exploration and production disciplines and business management skills and experiences covering adequately all areas of MPCL’s business undertakings.

The Board follows the diversity parameters set in the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Currently the Board comprises of one executive and twelve non-executive directors (one position is currently vacant), including two independent directors. Two of the directors represent shareholding interest of minority shareholders.

In compliance with regulatory requirements, a female director was elected on the Board in the elections held on June 14, 2019. The Company has obtained a relaxation from SECP regarding number of independent directors till reconstitution of the Board in 2022. Hence, the issue of independent directors will be duly addressed at that time.

DIRECTORS’ ORIENTATION AND TRAININGS

Eight (08) directors on MPCL Board were certified under SECP approved Directors’ Training Programme, as on June 30, 2020. The certification training of remaining directors is scheduled in the current financial year.

Directors are also sent on foreign trainings to acquaint them with the latest developments and trends in the areas of governance, management and leadership. Two Board Members were nominated for foreign training in the FY 2019-20. However, only one director was able to attend the training amid COVID-19.

From time to time, orientation sessions are carried out to apprise the Board Members about the latest changes in corporate regulatory and governance regime in the Country.

In the light of directors’ suggestions in the annual evaluation of the Board, Committees and Individual Directors for FY 2019-20, the Board has advised the Management to invite local and foreign experts to speak to the Board on a range of topics to enhance the knowledge and skill-set of the directors.

SECURITY CLEARANCE OF FOREIGN DIRECTORS

MPCL has never had a foreign director on its Board. In case a foreign director is elected on MPCL Board in future, security clearance will be required from the Ministry of Interior through the SECP. A detailed SOP is in place for security clearance and provision of security to the foreigners coming into Pakistan to work with the Company. Security Section of MPCL Administration Department undertakes coordination with Ministry of Interior for all security related matters. Supporting documentation is provided by the Corporate Affairs Department.

CONFLICT OF INTEREST

The Directors and employees of the Company must recognize that in the course of performing their duties there may be a situation where there is a conflict in the performance of such a duty and a personal associated interest they may have. Directors and

employees are required to be aware of the conflict of interest provisions contained in the Companies Act 2017, Listed Companies (Code of Corporate Governance) Regulations, 2019, MPCL Articles of Association, and MPCL Code of Conduct. They are also required to disclose their interests beforehand and are not allowed to be involved in the decision making regarding any transaction or matter in which they have vested interest. It is overriding intention of the Company that all business transactions conducted by it are on an arm’s length-basis.

MD/CEO PERFORMANCE REVIEW

MD/CEO’s report on the Company’s operations, major achievements, and progress of outstanding issues is presented to the Board of Directors as a regular agenda item in each meeting (at least once in each quarter) for review, discussion and decisions, all of which are duly recorded in the minutes. During the year 2019-20, five such reports were presented to the Board. The Board was extremely satisfied with the performance of Lt Gen Ishfaq Nadeem Ahmed (Retd), ex-Managing Director, who resigned w.e.f July 31, 2020. The Board has advised the new Managing Director to devise an objective, metrics-based performance appraisal system to evaluate the performance of the Company, the CEO and employees and link the reward system with the performance.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors oversees the operations and affairs of the Company in an efficient and effective manner. For the sake of smooth functioning, the Board has constituted four Committees to ensure speedy management decisions relating to their respective domains.

Audit Committee:

Role

The primary role of the Audit Committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with applicable laws, rules and regulations.

Terms of Reference

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

Terms of reference of the Audit Committee are as follow:

- a. Determination of appropriate measures to safeguard the company’s assets;
- b. Review of annual and interim financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - going-concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards;
 - compliance with these regulations and other statutory and regulatory requirements;
 - All related party transactions.
- e. Review of management letter issued by external auditors and management’s response thereto;

- f. Ensuring coordination between the internal and external auditors of the Company;
- g. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- h. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management’s response thereto;
- i. Ascertaining that the internal control system including financial and operational controls, accounting system for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and reporting structure are adequate and effective;
- j. Review of the Company’s statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- l. Determination of compliance with relevant statutory requirements;
- m. Monitoring compliance with the best practices

- of corporate governance and identification of significant violations thereof; and
- n. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o. Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
- p. Consideration of any other issue or matter as may be assigned by the Board of Directors.
- q. Approval of resolutions for transfer of shares and issuance of duplicate share certificates of the Company, as per provisions of the Companies Act, 2017 (resolutions to be signed by any two members);

Attendance in the Audit Committee Meetings

Six meetings of the Audit Committee were held during the financial year 2019-20. The attendance of the directors in the meetings was as under:

Director	Meetings Attended
Ms. Ayla Majid	6
Mr. Rehan Laiq	6
Mr. Shahid Yousaf	6
Mr. Ahmed Hayat Lak	6
Mr. Adnan Afridi	6

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HR and Remuneration Committee:

Role

The primary role of the Committee is to review major HR related matters of the Company and present its recommendation to the Board for consideration and approval.

Terms of Reference

Terms of reference of the HR&R Committee are as follows:

- a. Recommend to the board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;
- b. Undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
- c. Recommending the human resource management policies to the board;
- d. Recommending to the Board of Directors the selection, evaluation, compensation (including retirement benefits), and succession planning of the CEO.
- e. Recommending to the Board of Directors the selection, evaluation, development, compensation (including retirement benefits) of the Chief operating officer, Chief financial officer, Company Secretary and Head of Internal Audit;

- f. Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO;
- g. Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company;
- h. Review managements proposals for the promotion of senior staff in accordance with Article 100-c of the Articles of Association and make recommendations for consideration of the Board of Directors;
- i. Review management's proposals for changes in personnel compensation policy and salary structure of employees and make recommendations for consideration of the Board. President of the Audit Committee, if not already a member, will be the co-opted member of the Human Resource Committee for this function;
- j. Review management's proposals for changes in the Company's organogram and make recommendation for consideration of the Board;
- k. Evaluate the candidates and make recommendation for the appointment of senior staff in Group 26 and above. For this particular function, the Managing Director will be co-opted member of the Committee. The Committee may also co-opt any other director of this purpose; and
- l. Take up any matter assigned by the Board and make its recommendations to the Board thereon.

Attendance in the HR&R

Committee Meetings

Three meetings of the HR&R Committee were held during the financial year 2019-20. The attendance of the directors in the meetings was as under:

Director	Meetings Attended
Mr. Adnan Afridi	3
Maj. Gen Javiad Iqbal Nasar (Retd)	3
Mr. Ahmed Hayat Lak	3
MS. Ayla Majid	3

Technical Committee:

Role

The primary role of the Committee is to review the technical and operational matters of the Company and present its recommendations to the Board for consideration and approval.

The Technical Committee is responsible to evaluate technical aspects of all projects/matters pertaining to the Company's core businesses i.e. Exploration & Production and allied services and make their recommendations for consideration of the Board. The projects/matters may, inter alia, include the following:

Terms of Reference

The Technical Committee is responsible for evaluating technical aspects of all projects/matters pertaining to the Company's core businesses i.e. exploration & production and allied services and make recommendations for consideration of the Board.

The projects/matters may, inter alia, include the following:

- a. Annual Exploration, Appraisal and Development work programme and its Budget.
- b. Farm-in and Farm-out opportunities including

acquisition of working interest in a new block, acquisition of additional working interest in an existing block, partial or complete divestment of working interest in an existing block.

- c. Relinquishment/surrender of working interest in an existing block.
- d. Acquisition or disposal of plant, machinery and equipment pertaining to the Company's core operations and allied services, which exceed MD's authorized limit.
- e. Capital expenditures pertaining to the Company's core operations and allied services not provided for in the approved annual budget and where these exceed MD's authorized limit.
- f. Company's diversification projects.
- g. Committee's annual self-evaluation as per Listed Companies (Code of Corporate Governance) Regulations 2019.
- h. Any other matter that may be referred by the Board to the Committee.

Attendance in the Technical

Committee Meetings

Six meetings of the Technical Committee were held during the financial year 2019-20. The attendance of the directors in the meetings was as under:

Director	Meetings Attended
Syed Iqtidar Saeed	4
Mr. Rehan Laiq	6
Mr. Sajid Mehmood Qazi	5
Mr. Shahid Yousaf	6
Mr. Zahid Mir	1
Mr. Shahid Saleem Khan	3
Dr. Naseem Ahmad	2

Investment Committee:

Role

The Diversification & ERM Committee of the Board has been renamed as the Investment Committee. The major role of the Committee is to review diversification projects as well as enterprise risk management matters. The Committee members evaluate and discuss the feasibilities of new projects to ensure growth and diversification of the Company's business. The Committee also assists the Board in fulfilling Board's responsibilities with regard to the risk management and amongst other things is responsible for ensuring the adequacy, robustness and effectiveness of risk management policies and processes.

Terms of Reference

The Committee has the following specific responsibilities:

A. Diversification:

- a. The Committee will review and recommend investment strategy relating to diversification projects, which shall be approved by the Board. The Committee shall ensure that such investments are made in accordance with the approved strategy.
- b. Review external growth opportunities, potential diversification projects, acquisitions, or divestment of existing projects/ventures, as proposed by the Management. The Committee shall evaluate performance of investments made in diversification projects over the period.
- c. Review Management's proposals for strategic alliances with other entities/companies to achieve growth or diversification objectives of the Company.

B. Enterprise Risk Management:

The responsibilities of Committee with regard to Enterprise Risk Management, inter alia, include the following:

- a. Ensure that the Company implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of risks.
- b. Delineate Company's overall risk appetite and tolerance level in relation to risks.
- c. Ensure that Company's overall risk exposure is maintained at prudent levels and consistent with the Company's strategy.
- d. Evaluate annually the adequacy of the risk management function, including the background and experience of key senior risk officers, staffing adequacy, and the independence and authority of the risk management function.
- e. Review periodic reports related to management's assessment of the Company's risk management performance, and any other tools or reports used by management to assess and discuss the categories of risk faced by the Company, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures, and management's views on the acceptable and appropriate levels of those risk exposures.
- f. Review the Company's ERM Strategy and ERM Policy to ensure their suitability, including adherence to relevant legislation and regulations.
- g. Ensure that the risk management function has adequate resources and has a well-defined Annual Risk Management Plan.
- h. Review key projects of strategic nature from risk perspective.

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- i. Review Audit or other findings relating to management of the Company's risks and that follow-up actions are undertaken by the Management.
- j. Evaluate special cases where a risk (or risks) fall outside published guidelines and thresholds and make recommendations on appropriate action to the Board.

Attendance in the Investment Committee Meetings

Four meetings of the Investment Committee were held during the financial year 2019-20. The attendance of the directors in the meetings was as under:

Director	Meetings Attended
Dr. Nadeem Inayat	4
Mr. Rehan Laiq	4
Syed Iqtidar Saeed	4
Mr. Sajid Mehmood Qazi	4
Dr. Naseem Ahmad	3
Mr. Zahid Mir	1

Reports of the Audit Committee

In accordance with its TORs, the Audit Committee reviewed the Company's Annual and Interim Financial Statements, including non-financial information, prior to publication. Audit Committee periodically reviewed the adequacy and appropriateness of internal control, matters relating to accounting policies, financial risks and compliance with accounting standards, statutory and legal requirements and regulations. The Audit Committee discussed with external auditors the issues arising from interim and annual audits along with the Management Letter issued by External Auditors and management responses thereof. Important findings, risks identified and follow-up actions were examined thoroughly in order to allow appropriate measures to be taken.

Composition

Director	Designation
Ms. Ayla Majid ^{1 & 2}	President
Mr. Rehan Laiq ²	Member
Mr. Shahid Yousaf	Member
Mr. Ahmed Hayat Lak	Member
Mr. Adnan Afridi	Member

1. Ms. Ayla Majid is an independent, non-executive director.
2. Ms. Ayla Majid and Mr. Rehan Laiq both qualify as financially literate.

Audit Committee Views on Financial Statements

The financial statements of the Company for FY 2019-20 were presented to the Audit Committee in its meeting held on August 11, 2020. The Audit Committee reported to the Board that the statements are fair, balanced and understandable. The statements provide the shareholders and other readers with detailed qualitative and quantitative information which they can use to assess the Company's current position and performance, business model and strategies as well as the Company's future prospects.

Audit Committee on Appointment of External Auditors

Every year, the Audit Committee makes its recommendations to the Board regarding the appointment of external auditors and their fee. The recommendations are based on performance of the Auditor, satisfactory rating under QCR programme of ICAP, and their eligibility to be re-appointed (including length of their term with the Company).

The Audit Committee in its meeting held on August 11, 2020, recommended M/s A.F Ferguson & Co., for re-appointment as external auditors of the Company for FY 2020-21, based on their performance, market reputation, professional excellence and competitive fee.

Presence of President Audit Committee in AGM

The President Audit Committee remains present in each AGM to answer the questions pertaining to the Committee's activities during the year and other important matters which fall within the scope of the Committee's mandate.

Internal Control Framework and Role of Internal Audit

In Compliance with the requirements of Listed Companies (Code of Corporate Governance) Regulations 2019, the Board of Directors has set up Internal Audit function, which is headed by Head Internal Audit who reports to the Audit Committee of the Board.

Internal Audit Function is an independent assurance and consulting activity and is designed to add value and improve MPCL's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Objectives of 'Internal Control Framework' are:

- a. Effectiveness and efficiency of operations;
- b. Reliability of internal/external reporting;
- c. Compliance with laws, rules and regulations; and
- d. Safeguarding of the Company's assets.

To achieve Internal Control Framework objectives, following Internal Control components are assessed and evaluated by the Internal Audit Department:

- a. **Control Environment:** It sets the audit control tone of the Company and influences the control



consciousness of personnel. It is the foundation of all other components of Internal Control providing discipline and structure.

- b. **Risk Assessment:** Management of Company is responsible for ensuring adequate risk identification and analysis of relevant risks to achieve Internal Control Framework objectives.
- c. **Control Activities:** These are the policies and procedures that help ensure that Management directives are carried out effectively.
- d. **Information and Communication:** Pertinent information must be identified, captured and communicated in a structured form and time-frame that enables people to carry out their responsibilities.
- e. **Monitoring:** Internal Control Systems need to be monitored by Internal Audit Department. This process assesses the quality of

Internal Control Framework in place.

In addition, Internal Audit also undertakes special tasks as and when directed by the Audit Committee of the Board. Internal Audit plays a central role in highlighting weaknesses in the existing system and processes and identifying implementation of effective controls needed to strengthen the overall control system.

Access of Head of Internal Audit (HIA) to Audit Committee

Head of the Internal Audit has direct, unrestricted access to the President and other Members of the Audit Committee to discuss any matter related to internal audit function. The Audit Committee met the HIA and staff of Internal Audit Department, without the presence of CFO, in its meeting held on April 09, 2020. The Committee also reviewed the status of activities under Audit Plan 2019-20, reviewed and recommended the

Revised Internal Audit Charter and the Revised Internal Audit Methodology for approval of the Board.

STAKEHOLDERS' ENGAGEMENT

Major stakeholders of the Company include Shareholders, Customers, Suppliers, Joint Venture Partners, Regulators, Banks and other Lenders, Media, Employees, and Communities in MPCL Concession areas. Relationships with different stakeholders are extremely important for the Company as these relationships can impact MPCL's operations, revenues, corporate image and profile. MPCL maintains cordial relationships with all of its stakeholders.

Engagement with Shareholders

- Relationships with the shareholders are managed in line with the provisions of the Shareholders and

Corporate Governance



Participation Agreement, applicable corporate laws/rules/regulations/notifications, notably the Companies Act 2017, Listed Companies (Code of Corporate Governance) Regulations 2019, Listing Regulations of PSX, and the Memorandum and Articles of Association of the Company.

- Annual and Quarterly Accounts of the Company are placed on the Company's Website while Annual Audited Accounts are also provided to the Shareholders in physical form, if demanded.
- Besides their right to appoint directors to oversee affairs of the Company, the Shareholders are invited to all the shareholders meetings (AGMs, EOGMs) and are encouraged to present their viewpoint on important matters.
- There is an Investor Relations Section on the Company's website which contains important Investor specific

information as well as an Online Complaint Form for investors.

- The Board has approved an Investor Relations & Grievance Policy which contains the mechanism for handling shareholders complaints and queries.
- Minority investors can also lodge their complaints and submit their queries directly to the Shares Department using conventional mail, fax, email or phone.
- Material Information pertaining to the Company's operations is circulated to PSX, SECP and the Shareholders as and when need arises.

Engagement with other Stakeholders

Customers: Our customers are mostly corporate entities in dedicated sectors of fertiliser, power and gas distribution with long term allocations. Our interaction with these customers is B2B in nature. The Company maintains constant

contact with all of its customers through periodic meetings, official correspondences, and personal visits.

Suppliers: MPCL segments its suppliers, and then employs an appropriate interaction model for each segment to maintain a collaborative working relationship with them. The Company treats its suppliers as strategic business partners for sustainable (reliable, ethical, cost effective) sourcing.

Media: A dedicated team of professionals maintains liaison with print and electronic media for sustained positive coverage of the Company's activities and achievements through new items, interviews, articles in special supplements, and advertisements.

Corporate Briefing Session

A Corporate Briefing Session was planned in the last quarter of the FY 2019-20 but it was postponed amid COVID-19.

Briefing to the Shareholders

During the Annual General Meeting every year, a detailed presentation is made by the Chairman on the Company's performance during the year and its future plans. The presentation is followed by Q&A session wherein the views of the minority shareholders are solicited, their concerns are addressed and suggestions are noted for suitable action.

Reaching out to Shareholders for Delivery of Unclaimed Dividends/ Shares

Pursuant to Section 244 of Companies Act 2017, the Company is vigorously reaching out to its shareholders to deliver unclaimed shares/dividends that have been lying pending with the Company since inception. In addition to a number of attempts to contact concerned shareholders in person, five written reminders have been given since 2016. As a result, the Company has delivered about 32,619 unclaimed shares, and dividends amounting Rs. 32.8 million in the last four years.

Understanding of Major Shareholders' Views

Major shareholders of the Company are Fauji Foundation, OGDCL and Government of Pakistan who collectively hold 80% shares in the Company. Out of 13 non-executive directors on MPCL Board, 11 directors are nominees of/represent the major shareholders. Hence, these non-executive directors are well aware of the views of the major shareholders about the Company and adequately share those views with other directors and management of the Company during Board meetings.

Engagement with Regulators

- Relationship with SECP and PSX are managed as per applicable corporate laws/rules/regulations/notifications, notably the Companies Act 2017, Listed

Companies (Code of Corporate Governance) Regulations 2019, Listing Regulations of PSX, and the Memorandum and Articles of Association of the Company.

- Annual and Quarterly Accounts of the Company are filed with the Registrar of the Companies and SECP and are also circulated to PSX.
- Material Information pertaining to the Company's operations is circulated to the PSX and SECP as and when need arises.
- The Company also participates in trainings and awareness seminars arranged by PSX and SECP from time to time.

BUSINESS ETHICS

MPCL conducts its business in a socially responsible and ethical manner and in compliance with applicable laws. The Company has prepared a Code of Ethics and Business Practices which, inter alia, covers the matters such as conflict of interest, business integrity, gifts, entertainment and bribery, insider trading and accountability etc. Members of the Board and employees, while joining and during their tenure with the Company, are required to read, acknowledge, and abide by the Code.

The Board has approved a Whistleblower Policy to encourage employees, who have concerns about suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Company, to come forward and express such concerns without fear of punishment or unfair treatment.

An independent Internal Audit Department periodically reviews the conduct of business of each department and points out the areas for improvement, if any.

CONFLICT OF INTEREST

The matter of Conflict of Interest relating to Board members is dealt with in accordance with the provisions of the Companies Act 2017 and the Articles of Association of the Company. Any person intending to become a Director of the Company has to submit a declaration that he/she is aware of the powers and duties of a Director as envisaged in the Companies Act 2017 and has read the Articles of Association of the Company.

Further, MPCL has a Code of Ethics which, among others, covers this area. It is overriding intention of the Company that all business transactions conducted by it are on arm's length basis. Adequate internal controls have been implemented to ensure that transactions with related parties are appropriately identified in the information system and disclosed in the financial statements.

Related Party Transactions are reviewed and approved by the Board. Interested directors are required to disclose their interest and they are not allowed to participate in the voting on any transaction in which they are interested.

Similarly, MPCL executives are required to disclose buying and selling of the Company shares.

SHARE PRICE SENSITIVITY ANALYSIS

Investor Relations Section on the Company's website contains important information such as Share Price (along with market capitalization and graphical representation of share price movement over the period), Financial Highlights and Indicators, Pattern of Shareholders, EPS, P/E Ratio and Breakup Value etc.

All the material information which might affect the share price of the

Corporate Governance

Company is communicated to the PSX and SECP in a timely manner.

LAST ANNUAL GENERAL MEETING (AGM)

35th AGM of the Company was held on October 22, 2019, at 10:00 a.m., at the Registered Office of the Company situated at 21-Mauve Area, 3rd Road, Sector G-10/4, Islamabad.

Agenda, Decisions and Implementation

Agenda Item-1: To receive, consider and adopt audited accounts of the Company for the year ended June 30, 2019 together with the directors' and auditors' reports thereon.

Decision and Implementation:
A detailed presentation on the Company's operations during the FY 2018-19 and future plans of the Company was made by the Chairman. After Q&A session, the audited accounts, directors' and auditors' reports were duly approved and adopted by the members. Thereafter, audited accounts, directors' and auditors' reports were filed with the Registrar of Companies and circulated to SECP and PSX.

Agenda Item-2: To approve payment of final dividend @ Rs.2 (20%) per share for the year ended June 30, 2019. This is in addition to interim dividend @ Rs. 4 per share (40%) already paid.

Decision and Implementation:
Payment of dividend as recommended by the Board was approved by the Shareholders. It was also approved that the dividend on 5% bonus shares which were sub judice before Sindh High Court be withheld by the Company till the final decision of the Court in the matter. Accordingly, dividend was electrically transferred in the designated bank accounts of eligible Shareholders on October 28, 2019. Tax was deducted

at the applicable rates and deposited in the Government Treasury.

Agenda Item-3: Appointment of auditors for the year ending June 30, 2020 and to fix their remuneration.

Decision and Implementation:
M/s AF Ferguson & Co, Chartered Accountants, were appointed as auditors to hold office until the conclusion of the next Annual General Meeting of the Company for the year ending June 30, 2020 at the fee agreed by the Board of Directors.

Agenda Item-4 of the - To approve the issue of bonus shares in the ratio of one share for every ten shares held (i.e. 10%).

Decision and Implementation:
Issuance of bonus shares as recommended by the Board was approved by the Shareholders. It was also approved that the fractional entitlement of the Members shall be consolidated into whole shares and sold in the Stock Exchange. The sale proceeds thereof shall be donated as deemed appropriate by the Board. It was also approved that the bonus shares to be issued against 5% bonus shares which were sub judice before Sindh High Court be withheld by the Company till the final decision of the Court in the matter.

Accordingly, shares certificates were dispatched/ credited into CDC accounts of the Shareholders on October 28, 2019.

FACILITATION TO MINORITY SHAREHOLDERS TO ATTEND AGMS

Both the companies and the shareholders have to play a role to make AGMs effective and meaningful. MPCL follows the legal requirements in letter and spirit to encourage participation of minority shareholders in AGMs. Going beyond the legal requirements, the Company even

delivers Annual Reports through Company's dispatch rider to those shareholders who do not receive them through courier. Personal phone calls are also made to a few shareholders to inform them about the AGM and invite them to attend in person or through proxy. Dedicated parking and security arrangements are made for the Shareholders on the day of AGM.

ANTI-CORRUPTION MEASURES

MPCL conducts its business in a socially responsible and ethical manner and in compliance with applicable laws. The Company has prepared a Code of Ethics and Business Practices which, inter alia, covers the matters such as conflict of interest, business integrity, gifts, entertainment and bribery, insider trading and accountability etc. Members of the Board and employees, while joining and during their tenure with the Company, are required to read, acknowledge, and abide by the Code.

The Board has approved a Whistleblower Policy to encourage employees and other parties dealing with the Company, who have concerns about suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Company, to come forward and express such concerns without fear of punishment or unfair treatment.

COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Company has ensured full compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Statement of Compliance prepared by the Board of Directors has been reviewed and verified by the external auditors of the Company. The Statement for the year 2019-20

(included in the Annual Report) details the manner in which the Company has applied the requirements of the Regulations. The Statement also confirms that all material principles enshrined in the Regulations have been complied with.

GOOD GOVERNANCE PRACTICE BEYOND THE REQUIREMENTS OF THE REGULATIONS

Going beyond the requirements of the Regulations, the Company has adopted/ implemented following good governance practices in the Company.

- Although not mandatory under the Regulations, the Board has constituted an Investment committee. The role of Investment Committee is to evaluate and discuss the feasibilities of new projects to ensure growth and diversification of the Company's business. The Committee also assists the Board in fulfilling Board's responsibilities with regard to the risk management and amongst other things, responsible for ensuring the adequacy, robustness and effectiveness of risk management policies and processes.
- All employment in MPCL Grade 26 and above is approved by the Board on recommendations of HR&R Committee. This practice ensures transparency in hiring, promotion and separation of senior management.
- To ensure a system of fair play and justice for management employees, the Company has established a Grievance Redressal Committee which listens to individual work related complaints on behalf of the Managing Director. An aggrieved management employee may approach the said Committee after exhausting all his/her



options within the department. The above mechanism is in addition to the regular mechanism that is overseen by HR Department.

AWARENESS SESSION ON INSIDER TRADING

Insider trading is a serious offence under the Securities Act 2015 and carries hefty financial penalties and

jail time. In order to create awareness about insider trading and related matters, the Company arranges in-house sessions at Head Office, Islamabad. Management employees from all tiers participate in the sessions wherein they are apprised about the main concepts pertaining to insider trading, laws governing insider trading, responsibilities of the companies with regard to handling

Corporate Governance

material insider information and maintenance of inside information register, penalties for non-compliance, real life case studies, and inside information register of MPCL etc.

WHISTLE BLOWING POLICY

The Board has approved a Whistleblower Policy to encourage employees, who have concerns about suspected serious misconduct or any breach or suspected breach of law or regulation that may adversely impact the Company, to come forward and express such concerns without fear of punishment or unfair treatment. The Policy applies to all regular/contractual Management and Non-Management employees of the Company, vendors, contractors, customers and consultants etc. The Policy also includes other personnel associated in any other manner with the Company. Pursuant to the Policy, the Management has formed a 'Whistleblowing Committee', headed by General Manager Corporate Affairs for handling and managing all whistleblowing concerns and complaints. Disciplinary action (which may include dismissal) against the wrongdoer is taken depending on the results of the investigation conducted by the Committee.

During the year, no complaint was lodged under the Whistleblowing Policy.

INVESTORS' GRIEVANCES POLICY

The Board has approved an Investor Relations & Grievance Policy which contains the mechanism for handling shareholders complaints and queries. As envisaged in the Policy, the Company has a designated email ID as well as an online Complaint Form at its website for the Shareholders to lodge a complaint or query with the Management. Shareholders can also lodge a complaint or query using telephone, fax or conventional mail.

The Policy ensures that grievances notified by the shareholders are handled and resolved efficiently at appropriate level within shortest possible time span (within 5 working days). The Company maintains record of all such grievances along with actions taken for resolution and prepares summary of unresolved/unsettled issues on monthly basis.

ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD, BOARD'S COMMITTEES AND INDIVIDUAL DIRECTORS ALONG WITH DESCRIPTION OF CRITERIA USED

Clause 10(3)(v) of Listed Companies (Code of Corporate Governance) Regulations 2019 requires that a formal and effective mechanism is in place for annual evaluation of the Board's own performance, Members of the Board and of Board's Committees.

Mechanism for Board's Self Evaluation was approved by MPCL Board in its Meeting held on September 30, 2014. The approved Board Performance Evaluation Template contains 36 Performance Factors covering areas such as Composition of the Board and its Committees, Functions and Performance of the Board and its Committees, Governance Structure and Practices, and Company Performance Monitoring System.

Mechanism for Board's Committees' Evaluation was approved by MPCL Board in its Meeting held on April 16, 2018. Committees' Self Evaluation Template consists of 15 Performance Factors pertaining to the Composition of the Committee, Mandate and Functioning of the Committee, Role of Committee's Chairman, General Atmosphere and Contribution of Committee Members.

Mechanism for Individual Directors Evaluation was approved by MPCL Board in its Meeting held on May 31, 2018. Individual Director's Self Evaluation Template consists of 24 Performance Factors which provide Directors with an opportunity to reflect upon their own competencies, their role, behavior, contributions and performance as Member of the Board.

In addition to the Identified Factors, Directors can also provide their subjective comments in the Comments Section of the Templates.

For FY 2019-20, Board and Individual Director's Templates were forwarded to all Board Members, while Committees' Evaluation Templates were forwarded to Members of the respective Committees. The Directors were requested to rate each Factor on a scale of 1 to 5. The scores were consolidated through a specially designed programme and Mean Values, Standard Deviations and Bar Charts for each factor were calculated.

As per the methodology, if the mean value against any performance factor is less than 3, it needs improvement. If the mean value is above 3, the performance factor is acceptable. Further, the standard deviation indicates the degree of dispersion in the opinion of Board Members against any specific factor. If the value of standard deviation is less than 1, then there is unanimity in board opinion. If the value is more than 1, the opinion of Board is dispersed against that performance factor.

Results of Evaluation for FY 2019-20

Board Evaluation for the year 2019-20 revealed that the average

mean value against all performance factors was above 3, which showed that in the opinion of the Directors, the composition and performance of the Board and overall governance of the affairs of the Company was satisfactory. The average value of standard deviation was less than 1 against all Performance Factors (except three) showing unanimity in the opinions of the Directors against these factors. The factors with Standard Deviation greater than 1 were as follows:

- The Board frequently arranges appropriate training programmes for its directors.
- The board regularly reviews management incentive plans to consider whether the incentive process is appropriate.
- The board ensures that adequate systems and controls are in place for identification and redress of grievances arising from unethical practices.

Committees' Evaluation for FY 2019-20 revealed that the average mean value against all performance factors was above 3, which showed that in the opinion of the Members, composition of their respective committees, mandate and functioning of the committees, role of committee's chairman, general atmosphere and contribution of respective committee members was satisfactory. The average value of standard deviation was less than 1 against all Performance Factors showing unanimity in the opinions of the Members against these factors.

The Individual Directors' Evaluation revealed that the average mean value against all performance factors was above 3, which showed that all directors were satisfied with their own competencies, role, behavior, contributions and performance as Member of the Board. The average value of standard deviation was less than 1 against all Performance Factors (except one) showing that there was no dispersion in the opinions.

The factor with Standard Deviation greater than 1 was as follows:

- I am satisfied with the adequacy of training opportunities provided during the year and have taken advantage of such training to increase my effectiveness as a director.

COMPANY'S OWNERSHIP STRUCTURE AND RELATIONSHIP WITH ASSOCIATED COMPANIES



Corporate Governance



The management provided explanation pertaining to the factors requiring the Board's attention as identified above, and replied to the Directors' specific comments. The Chairman advised the management to strengthen the Whistleblower Framework, prepare a training calendar for directors' training, and make arrangements for meetings of the Board and the Committees at field locations. The directions were noted by the management for compliance.

RELATED PARTIES

All transactions with related parties arising in the normal course of business are carried out on an unbiased, arm's length basis at normal commercial terms and conditions.

Any transactions with related parties, where majority of directors of MPCL are interested, are referred to the shareholders in a general meeting for ratification / approval.

Pursuant to the requirements of Code of Corporate Governance and applicable laws, a comprehensive list of all related party transactions was placed before the Audit Committee for review at the end of each quarter. After review by the Committee, the transactions were considered and approved by the Board keeping in view the recommendations made by the Committee.

Names of all related parties with whom the Company had entered into transactions during the year, along with the nature of their relationship and percentage holdings have been appropriately disclosed in **Note 41.1** of the Financial Statements.

In compliance with the requirements of Fourth schedule of the Companies Act 2017, detailed disclosure regarding related party transactions has been presented in **Note 40** of the Financial Statements.

BOARD'S PERFORMANCE EVALUATION BY EXTERNAL CONSULTANT

Evaluation of the Board, Committees and Individual Directors is a significant end-of-the-year activity. After weighing the pros and cons of different evaluation methods, the Company has adopted Self Evaluation Methodology for the Board. However, the Company may engage the services of an external consultant in future for improving the evaluation mechanism and/or conducting the evaluation for more objective results.

INVESTORS' RELATIONS SECTION AND COMPLETE ACCESSIBILITY OF ANNUAL REPORT ON MPCL WEBSITE

In order to promote investor relations and facilitate access

to the Company for grievance/ other query registration, an 'Investors' Relations' section is also maintained on MPCL website. Further, annual report is also completely accessible on the website².

1. <https://mpcl.com.pk/investor-relations/>
2. <https://mpcl.com.pk/investor-relations/financial-reports/>

MANAGING DIRECTOR'S/ CEO INTERVIEW

CEO's presentation regarding MPCL's performance, business overview, strategy and outlook is placed at the following link: <https://mpcl.com.pk/investor-relations/mds-video-interview/>

Board Meetings held outside Pakistan

No Board meeting was held outside Pakistan during the year.

Date of Authorisation of Financial Statements

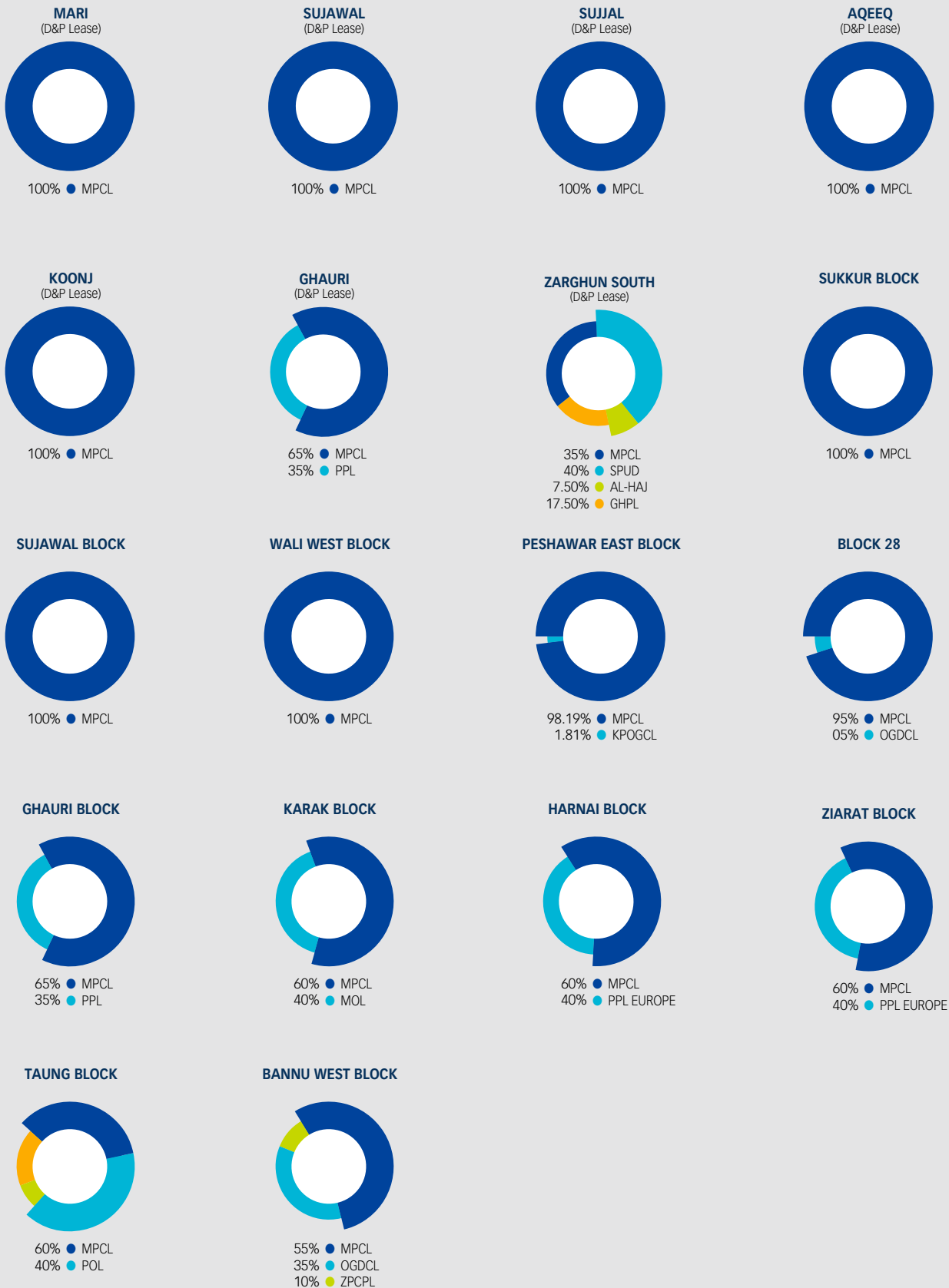
In order to timely communicate financial results to the stakeholders, annual financial statements of the Company were approved by the Board in its 185th meeting held on August 20, 2020. Necessary disclosures to PSX and SECP were made on the same day after conclusion of the Board meeting.

Reports of the Shariah Advisory Board

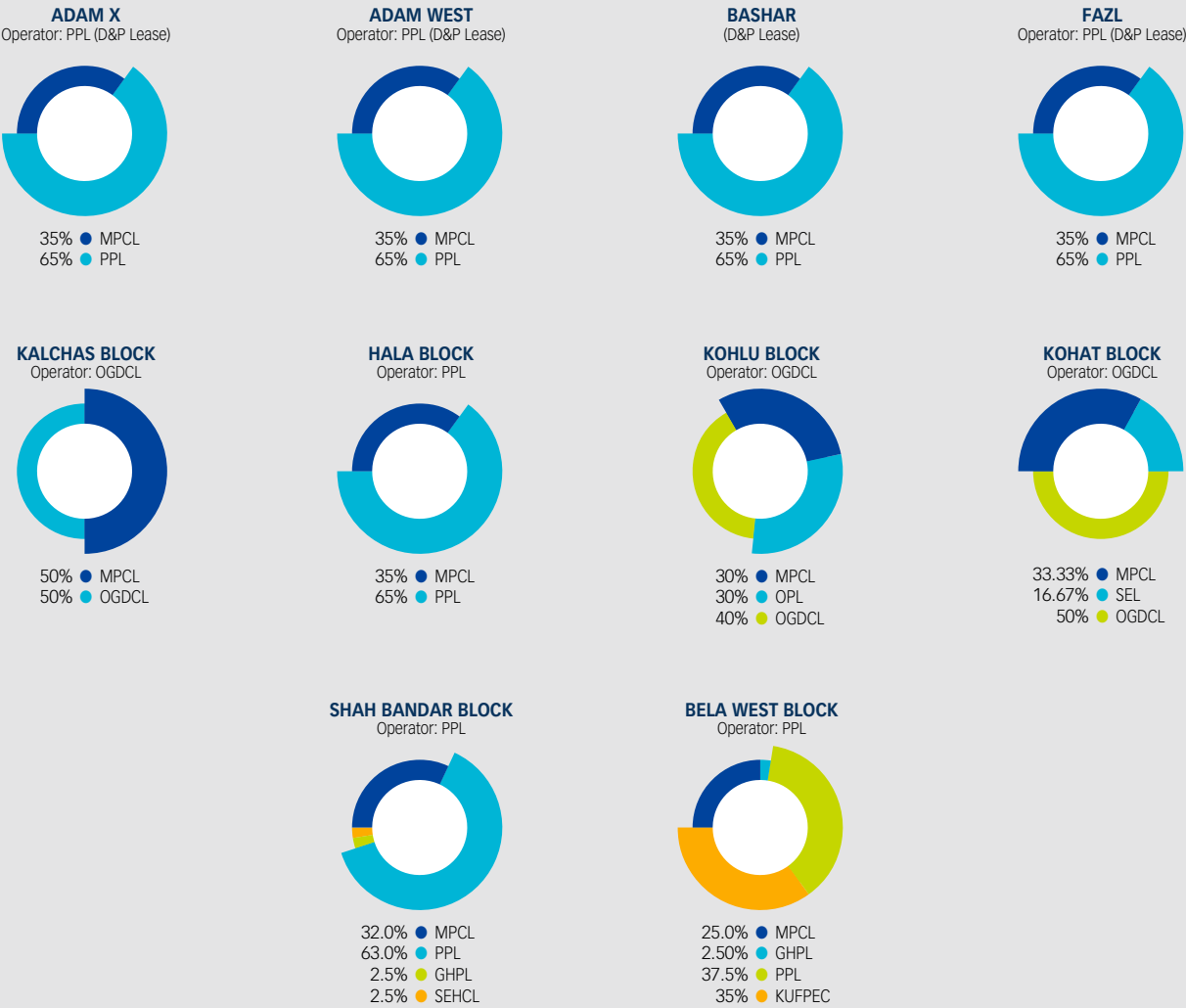
The Company is not required to have a Shariah Advisory Board. However, the Company is included in PSX KMI All Share Index and KMI 30 Index which track the performance of shariah compliant companies listed on Pakistan Stock Exchange.



MPCL'S
OPERATED BLOCKS
AND DEVELOPMENT & PRODUCTION (D&P) LEASES



MPCL'S
NON-OPERATED BLOCKS
AND D&P LEASES



FINANCIAL CAPITAL

ADEQUACY OF CAPITAL STRUCTURE

The capital of the Company is entirely structured on equity finance. Total equity on June 30, 2020 was Rs 93.15 billion, an increase of 46% over Rs 63.61 billion at the end of the last year owing to higher profitability.

The financial projections indicate adequacy of the capital structure for the foreseeable future. The Company plans to meet all of its financing requirements during the next year through available reserves and internal cash generation, however, borrowing from banks will only be used as a fall-back option.

FINANCING ARRANGEMENTS

Reliance on external financing is secondary to internally generated cash which represents the Company's primary source of financing. In view of robust balance sheet and strong operational cash flows, the management envisages no problem in securing debt financing in future, if needed.

REPAYMENT OF DEBTS AND RECOVERY OF LOSSES, IF ANY

There is no external financing of the Company. The Company commands strong debt raising capacity besides the ability to generate sufficient cash from operating activities for operational and investment cash requirements. Liquid assets including cash and bank balances, short term investments and trade debts, in addition to projected revenue / cash forecasts indicate availability of sufficient repayment capacity, besides providing leverage to adequately manage recovery of losses, if any. Further, surplus funds are available

for investments to generate incremental liquidity / revenues for the Company.

As the entire capital structure is equity financed, hence no default in payments of any debts is applicable.

LIQUIDITY AND CASH FLOW MANAGEMENT STRATEGY

Analysis of Liquidity Situation and Cash Flows

Internal cash generation, ensured primarily through revenues from sale of hydrocarbons and income from deposits adequately meet liquidity requirements of the Company. This has resulted in increase in cash and cash equivalents, which stood at Rs 50,334 million at the year end as against Rs 27,336 million in the previous year. During the year, an amount of Rs 31,613 million was generated from operating activities of the Company which was used mainly to undertake exploration and development activities, capital expenditures and payment of dividends.

Strategy to Overcome Liquidity Problems

The Management believes that the Company's operations can generate sufficient cash to meet the liquidity requirements of the Company and thus, does not foresee any liquidity problems in the year ahead. In the quest to evade any liquidity problem, the Company continuously monitors both its cash inflows and outflows and takes commercial decisions to manage its liquidity. This process of regular monitoring enables the Company to get the visibility of future liquidity requirements and accordingly, bridge the gaps by arranging financing facilities, if required.

MANAGEMENT'S RESPONSIBILITY TOWARDS THE FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY TOWARDS THE FINANCIAL STATEMENTS

It is the management's responsibility to adopt sound accounting policies, establish and maintain a system of internal controls and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Act, 2017.

STATEMENT OF UNRESERVED COMPLIANCE OF IFRS ISSUED BY IASB AS APPLICABLE IN PAKISTAN

Financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Note 2.6 of the financial statements specifies the standards, amendments and interpretations which are yet to be effective in Pakistan and have not been

early adopted by the Company. The Company believes that the impact of these standards, amendments and interpretations does not have any material impact on the financial statements.

MANAGEMENT'S ASSESSMENT OF SUFFICIENCY OF TAX PROVISION

Management has assessed that tax provision made in the Company's financial statements is sufficient. Income tax liability as per financial statements for the last three tax years is adequate considering latest tax assessments for the said years.



SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE FINANCIAL STATEMENTS

Significant transactions and events that have affected the Company's financial position and performance during the year includes:

- Increase in selling prices resulting in an increase in the Government levies, profit & cash and cash equivalents.
- Increase of 2.38 times in exploration and prospecting expenditure in 2019-20 vis-à-vis 2018-19 primarily on account of seismic acquisition and other exploration related activities.

- Fixed assets representing property, plant & equipment and exploration, development & production assets have increased from Rs 35.49 billion in 2018-19 to Rs 39.89 billion at the close of 2019-20 primarily reflecting the enhancement of asset base of the Company.
- Dividend declared during the year, aggregated to Rs 789.500 million.
- Bonus shares issued during the year, amounting to Rs 121.275 million.



SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

The Company has three strategic divisions based on the main types of activities, which are considered its reportable segments. The following summary describes the operations of each reportable segment:

Reportable Segments

Exploration and Production
Mari Seismic Unit
Mari Drilling Unit

Operations

includes all upstream business activities
includes 2D/3D seismic data acquisition
includes onshore drilling services

Profit before taxation and other charges of the reportable segments is as follows:

	Exploration and Production	Mari Seismic Unit	Mari Drilling Unit
	(Rupees in million)		
2019-20	42,724.641	1,178.126	546.940
2018-19	37,108.590	104.677	703.535

PERFORMANCE INDICATORS

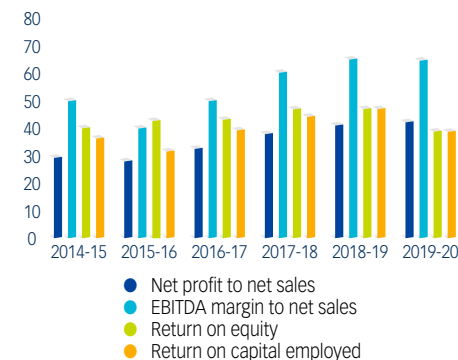
		2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
PROFITABILITY RATIOS							
Net profit to net sales	%	42.09	40.92	37.80	32.43	27.87	29.16
Operating profit to net sales	%	51.78	56.76	49.58	41.58	31.29	40.37
EBITDA margin to net sales	%	64.46	64.84	60.10	49.77	39.83	49.75
Operating leverage	Times	0.91	1.51	1.69	2.27	(1.20)	1.94
Return on equity	%	38.68	46.87	46.78	42.99	42.52	39.91
Return on capital employed	%	38.68	46.87	44.06	39.15	31.47	36.19
LIQUIDITY RATIOS							
Current ratio	Times	1.34	1.25	1.19	1.16	0.93	1.06
Quick / acid test ratio	Times	1.33	1.24	1.18	1.14	0.87	1.02
Cash to current liabilities	Times	0.28	0.19	0.16	0.12	0.02	0.12
Cash flow from operations to net sales	Times	0.44	0.34	0.50	0.25	0.58	0.34
ACTIVITY / TURNOVER RATIOS							
Debtor turnover - on the basis of							
Company's share of revenue	Times	4.09	5.01	6.15	5.32	4.20	4.61
Total assets turnover	Times	0.29	0.33	0.34	0.37	0.35	0.31
Fixed assets turnover	Times	1.91	1.88	1.51	1.12	0.96	1.01
No. of days in receivables - on the basis of							
Company's share of revenue	Days	89	73	59	69	87	79
INVESTMENT / MARKET RATIOS							
Earnings per share (EPS) - basic and diluted	Rupees	227.23	182.36	115.25	68.49	45.36	42.36
Distributable earnings per share	Rupees	5.87	5.70	5.32	4.88	4.58	3.98
Price earnings - on the basis of							
earnings per share	Times	5.44	5.53	13.07	23.01	20.02	11.06
Price earnings - on the basis of							
distributable earnings per share	Times	210.68	177.20	283.03	322.70	198.16	117.64
Price to book ratio	Times	1.77	1.92	4.13	6.80	5.90	4.49
Dividend yield	%	0.49	0.59	0.40	0.33	0.56	1.11
Dividend payout - on the basis of							
distributable earnings per share	%	103.92	105.34	112.75	106.50	111.28	131.07
Dividend cover - on the basis of							
earnings per share	Times	37.25	30.39	19.21	13.17	8.89	8.11
Dividend cover - on the basis of							
distributable earnings per share	Times	0.96	0.95	0.89	0.94	0.90	0.76
Dividend per share	Rupees	6.10 *	6.00	6.00	5.20	5.10	5.22
Stock dividend per share	%	10	10	-	-	-	20
Market value per share							
Year end	Rupees	1,236.65	1,009.33	1,506.18	1,575.64	908.22	468.60
highest during the year	Rupees	1,454.50	1,589.95	1,809.41	1,750.00	982.48	764.32
lowest during the year	Rupees	829.95	936.70	1,398.38	905.10	363.18	351.14
Breakup value per share	Rupees	698.26	524.48	364.55	231.63	153.89	104.27
CAPITAL STRUCTURE RATIOS							
Debt to equity	%	00 : 100	00 : 100	00 : 100	14.04 : 85.96	5.57 : 94.43	44.69 : 55.31
Financial leverage	Times	-	-	-	0.20	0.07	0.95
Interest cover	Times	-	-	764.79	57.42	144.08	6.39
Weighted average cost of debt	%	-	-	6.09	6.00	6.99	10.38

Note: Breakup value with revaluation reserves does not apply as MPCL has no revaluation reserves.

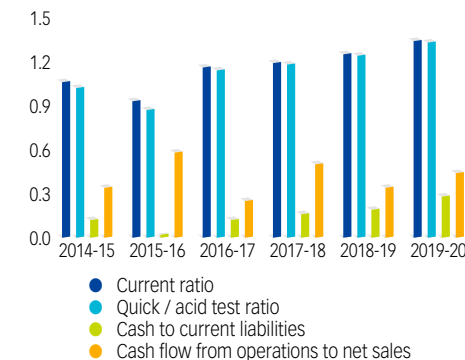
* This includes final dividend of 20% for the year ended June 30, 2020 proposed by the Board of Directors for approval of the members in Annual General Meeting to be held on September 29, 2020.

PROFITABILITY AND LIQUIDITY RATIOS

PROFITABILITY RATIOS (Percentage)

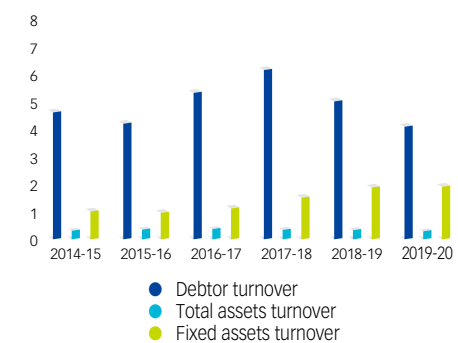


LIQUIDITY RATIOS (Times)

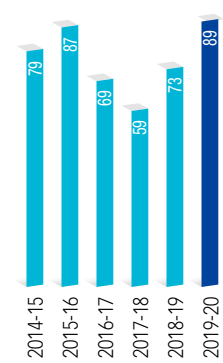


ACTIVITY / TURNOVER RATIOS

DEBTOR, TOTAL ASSETS & FIXED ASSETS TURNOVER (Times)

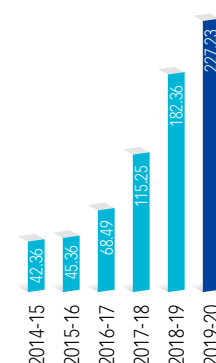


NUMBER OF DAYS IN RECEIVABLES - - on the basis of Company's Share of Revenue (Days)

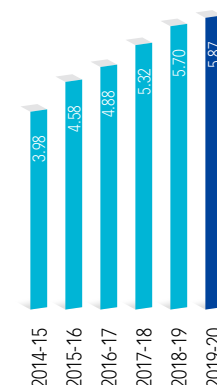


INVESTMENT / MARKET RATIOS

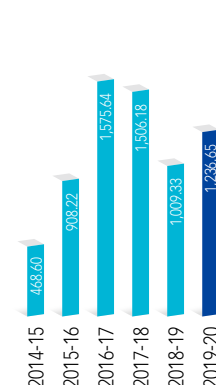
EARNINGS PER SHARE (EPS) - BASIC & DILUTED (Rupees)



DISTRIBUTABLE EARNINGS PER SHARE (Rupees)



MARKET VALUE PER SHARE AT YEAR END (Rupees)



QUARTERLY
ANALYSIS

	First Quarter ended September 30, 2019	Second Quarter ended December 31, 2019	Third Quarter ended March 31, 2020	Fourth Quarter ended June 30, 2020	Total for the year ended June 30, 2020
(Rupees in million)					
Profit or Loss items					
Net sales	17,848.85	16,702.24	18,977.69	18,486.12	72,014.90
Profit	7,462.96	7,285.13	8,476.69	7,088.09	30,312.87
Earnings per ordinary share - Rupees	55.94	54.61	63.54	53.14	227.23
Distributable earnings per ordinary share - Rupees	1.51	1.39	1.53	1.44	5.87

Analysis:

Net sales decreased in Q2 due to lower requirement / withdrawal of gas from the customers, which has improved in Q3 as production to Pak Arab Fertilizers Limited commenced. However, the pattern of lower withdrawal of gas from customers continued in Q4, which has been partially offset by higher average selling prices prevailed in second half of the year.

Net profit for Q3 is higher as compared to other quarters because of higher net sales in Q3. Net profit for Q4 is reduced as compared to Q3 due to higher exploration and prospecting expenditure in Q4.



NET SALES



24.79% ● First Quarter
23.19% ● Second Quarter
26.35% ● Third Quarter
25.67% ● Fourth Quarter

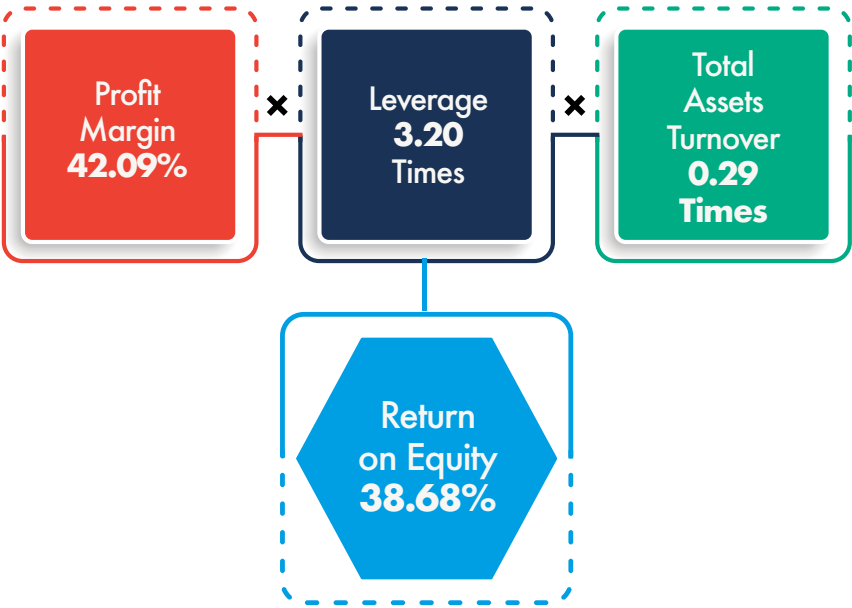
PROFIT



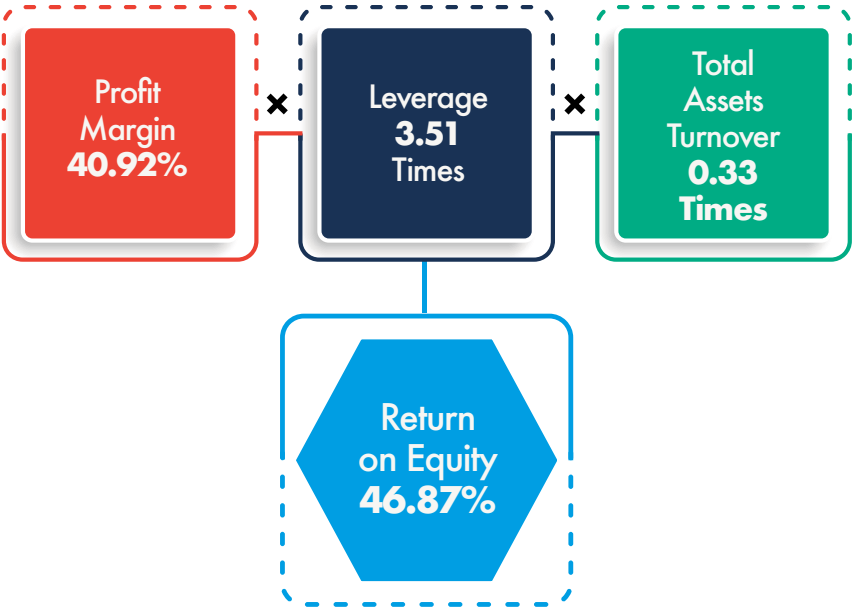
24.63% ● First Quarter
24.03% ● Second Quarter
27.96% ● Third Quarter
23.38% ● Fourth Quarter

RETURN ON EQUITY
DUPONT ANALYSIS

2019-20



2018-19



Analysis

Profit margins for 2019-20 slightly improved to 42.09% as compared to 40.92% for the previous year, whereas, asset efficiency slightly decreased. Equity multiplier decreased due to increase in unappropriated profits during the year. Resultantly, the Return on Equity of the Company was 38.68% compared to 46.87% reported in the previous year.

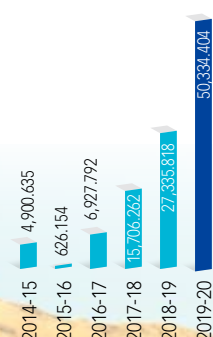
SUMMARY OF THE STATEMENT OF CASH FLOWS

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
	(Rupees in million)					
Cash flows from operating activities	31,613.046	20,436.053	20,225.239	7,120.289	12,638.329	6,609.010
Cash flows from investing activities	(7,818.319)	(8,051.536)	(5,543.564)	(4,081.586)	(5,287.579)	(5,393.894)
Cash flows from financing activities	(796.141)	(754.961)	(5,903.205)	3,262.935	(11,625.231)	(1,621.744)
Increase/(Decrease) in cash and cash equivalents	22,998.586	11,629.556	8,778.470	6,301.638	(4,274.481)	(406.628)
Cash and cash equivalents at beginning of year	27,335.818	15,706.262	6,927.792	626.154	4,900.635	5,307.263
Cash and cash equivalents at end of year	50,334.404	27,335.818	15,706.262	6,927.792	626.154	4,900.635

CASH FLOW ANALYSIS
(Rupees in million)



CASH & CASH EQUIVALENTS AT YEAR END
(Rupees in million)



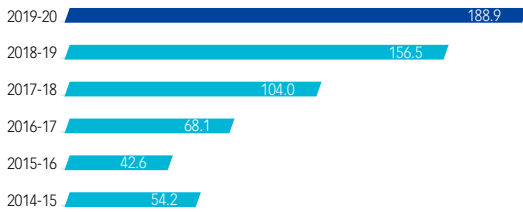
Drilling Operations at Miraj-1 Well, Ghauri Block, Punjab

HORIZONTAL ANALYSIS
STATEMENT OF FINANCIAL POSITION

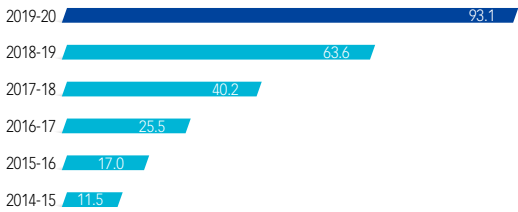
(Rupees in thousand)

	2020	20 vs 19 %age	2019	19 vs 18 %age	2018	18 vs 17 %age	2017	17 vs 16 %age	2016	16 vs 15 %age	2015	15 vs 14 %age
EQUITY AND LIABILITIES												
Share capital and reserves												
Share capital	1,334,025	10.00	1,212,750	10.00	1,102,500	-	1,102,500	-	1,102,500	-	1,102,500	20.00
Undistributed percentage return reserve	477,899	(20.67)	602,415	(1.74)	613,109	23.50	496,436	16.30	426,867	7.98	395,331	(4.51)
Other reserves	14,190,001	7.58	13,190,001	8.20	12,190,001	8.94	11,190,001	4.68	10,690,001	7.30	9,962,850	73.57
Profit and loss account	77,147,181	58.73	48,601,563	84.89	26,286,128	106.19	12,748,733	168.59	4,746,555	13,256.66	35,537	(99.64)
	93,149,106	46.45	63,606,729	58.26	40,191,738	57.38	25,537,670	50.52	16,965,923	47.58	11,496,218	(31.66)
Non current liabilities												
Long term financing	-	-	-	-	-	-	4,172,727	317.27	1,000,000	(89.24)	9,290,001	2,693.94
Deferred liabilities	10,342,139	2.83	10,057,962	26.48	7,952,336	6.26	7,483,812	13.79	6,576,575	20.25	5,468,973	16.00
	10,342,139	2.83	10,057,962	26.48	7,952,336	(31.78)	11,656,539	53.85	7,576,575	(48.66)	14,758,974	192.42
Current liabilities												
Trade and other payables	170,144,182	21.21	140,372,206	49.49	93,903,238	70.22	55,165,162	59.22	34,647,573	(4.38)	36,235,805	0.45
Unclaimed dividend	44,026	35.20	32,563	68.10	19,371	12.14	17,274	70.36	10,140	(1.87)	10,333	9.81
Unpaid dividend	-	(100.00)	7,544	(34.48)	11,514	31.84	8,733	(24.11)	11,508	(97.19)	410,241	338.53
Current maturity of long term financing	-	-	-	-	-	(100.00)	955,037	529.25	151,774	(90.70)	1,632,505	18.37
Interest accrued on long term financing	-	-	-	-	-	(100.00)	254,552	29.77	196,154	(82.32)	1,109,742	2,858.21
Provision for income tax	8,397,850	40.31	5,985,202	186.72	2,087,503	100.00	-	-	-	-	-	-
	178,586,058	21.99	146,397,515	52.46	96,021,626	70.25	56,400,758	61.07	35,017,149	(11.12)	39,398,626	4.80
	282,077,303	28.18	220,062,206	52.65	144,165,700	54.03	93,594,967	57.14	59,559,647	(9.28)	65,653,818	10.41
ASSETS												
Non current assets												
Property, plant and equipment	22,207,552	37.29	16,176,231	21.93	13,266,282	4.55	12,688,670	15.11	11,023,452	12.78	9,774,533	12.71
Development and production assets	11,766,348	(7.76)	12,755,574	7.31	11,886,872	60.42	7,409,878	146.83	3,002,063	37.22	2,187,715	(39.59)
Exploration and evaluation assets	5,915,531	(9.74)	6,553,548	143.67	2,689,549	(54.96)	5,972,108	(40.78)	10,084,055	7.28	9,399,602	105.04
Long term loans and advances	33,165	(16.58)	39,755	12.27	35,411	9.86	32,233	19.08	27,069	32.11	20,489	168.78
Long term deposits and prepayments	353,999	53.25	230,999	267.31	62,890	141.87	26,002	72.15	15,104	41.97	10,639	(41.97)
Deferred income tax asset	1,888,594	190.04	651,147	(64.21)	1,819,166	(15.87)	2,162,308	(19.34)	2,680,622	12.03	2,392,765	23.95
	42,165,189	15.82	36,407,254	22.34	29,760,170	5.19	28,291,199	5.44	26,832,365	12.81	23,785,743	26.29
CURRENT ASSETS												
Stores and spares	2,999,993	27.69	2,349,391	250.11	671,051	(33.89)	1,015,000	(53.17)	2,167,328	26.16	1,717,945	105.73
Trade debts	179,301,640	20.39	148,939,878	56.29	95,294,994	75.09	54,426,085	102.42	26,887,469	(16.90)	32,355,308	3.82
Loans and advances	7,055,770	48.47	4,752,460	87.67	2,532,344	54.41	1,640,065	14.09	1,437,456	(18.11)	1,755,283	2.66
Short term prepayments	134,910	45.19	92,919	39.28	66,714	1.55	65,697	(18.08)	80,193	(34.45)	122,341	119.03
Other receivables	48,928	(37.86)	78,739	154.14	30,982	(22.11)	39,779	86.47	21,333	550.00	3,282	(99.64)
Short term investments	33,634,126	62.48	20,700,000	145.34	8,437,354	134.07	3,604,596	100.00	-	-	-	-
Interest accrued	36,469	(65.51)	105,747	2.48	103,183	119.39	47,031	1,087.35	3,961	106.09	1,922	(67.00)
Income tax paid in advance	-	-	-	-	-	(100.00)	1,142,319	(24.02)	1,503,388	48.65	1,011,359	(59.13)
Cash and bank balances	16,700,278	151.67	6,635,818	(8.71)	7,268,908	118.73	3,323,196	430.73	626,154	(87.22)	4,900,635	(7.66)
	239,912,114	30.63	183,654,952	60.53	114,405,530	75.19	65,303,768	99.54	32,727,282	(21.83)	41,868,075	3.05
	282,077,303	28.18	220,062,206	52.65	144,165,700	54.03	93,594,967	57.14	59,559,647	(9.28)	65,653,818	10.41

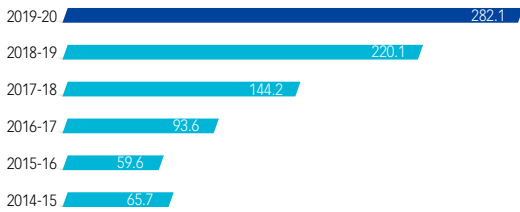
TOTAL LIABILITIES
(Rupees in billion)



TOTAL SHARE CAPITAL AND RESERVES
(Rupees in billion)



TOTAL ASSETS
(Rupees in billion)



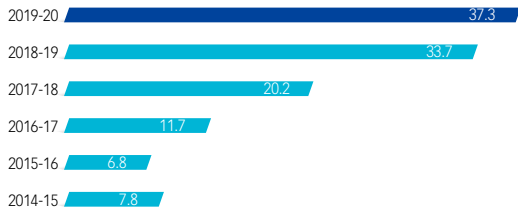
HORIZONTAL ANALYSIS
STATEMENT OF PROFIT OR LOSS

(Rupees in thousand)															
	2020	20 vs 19 %age	2019	19 vs 18 %age		2018	18 vs 17 %age	2017	17 vs 16 %age	2016	16 vs 15 %age	2015	15 vs 14 %age		
Gross sales to customers	126,847,608	7.92	117,542,103	17.49		100,042,839	3.38	96,775,974	2.18	94,709,537	8.31	87,445,033	25.03		
Gas development surcharge	18,916,120	103.83	9,280,308	(15.86)		11,029,741	(43.67)	19,580,832	(24.28)	25,859,852	43.52	18,017,729	(9.73)		
General sales tax	12,766,944	5.53	12,098,286	3.69		11,668,172	(15.11)	13,745,689	1.75	13,509,334	9.20	12,370,744	24.29		
Excise duty	1,876,423	(0.63)	1,888,366	(0.95)		1,906,530	6.25	1,794,397	5.91	1,694,205	3.94	1,630,044	5.31		
Gas infrastructure development cess	21,273,225	(38.92)	34,827,136	0.19		34,762,028	3.83	33,479,569	4.84	31,933,382	(11.42)	36,050,495	51.90		
Surplus / (deficit) under the Gas Price Agreement	-	-	-	-		-	-	-	-	-	-	-	(100.00)		
	54,832,712	(5.61)	58,094,096	(2.14)		59,366,471	(13.46)	68,600,487	(6.02)	72,996,773	7.24	68,069,012	23.63		
Sales - net	72,014,896	21.14	59,448,007	46.15		40,676,368	44.37	28,175,487	29.76	21,712,764	12.06	19,376,021	30.23		
Royalty	8,805,560	16.25	7,574,515	46.20		5,180,869	44.57	3,583,522	30.31	2,750,095	9.17	2,519,026	31.06		
	63,209,336	21.85	51,873,492	46.14		35,495,499	44.34	24,591,965	29.69	18,962,669	12.49	16,856,995	30.11		
Operating expenses	13,302,159	13.57	11,712,974	17.30		9,985,411	34.03	7,450,011	29.26	5,763,609	7.21	5,376,244	22.88		
Exploration and prospecting expenditure	10,257,639	138.11	4,308,006	29.96		3,314,839	(14.58)	3,880,797	(39.95)	6,462,126	102.30	3,194,383	2.51		
Other charges	2,698,227	10.77	2,435,811	68.25		1,447,747	99.33	726,290	44.70	501,943	0.65	498,725	54.61		
	26,258,025	42.27	18,456,791	25.15		14,747,997	22.32	12,057,098	(5.27)	12,727,678	40.34	9,069,352	16.06		
	36,951,311	10.58	33,416,701	61.06		20,747,502	65.52	12,534,867	101.04	6,234,991	(19.94)	7,787,643	51.46		
Other income/(expenses)	340,001	4.27	326,087	(156.04)		(581,846)	(29.07)	(820,328)	(246.54)	559,789	1,495.66	35,082	(107.36)		
Operating profit	37,291,312	10.52	33,742,788	67.33		20,165,656	72.14	11,714,539	72.40	6,794,780	(13.14)	7,822,725	67.69		
Finance income	4,973,709	186.95	1,733,298	126.39		765,616	228.58	233,006	(31.62)	340,730	(34.13)	517,239	(12.87)		
Finance cost	985,576	28.37	767,752	20.01		639,728	(19.84)	798,086	39.03	574,058	(67.90)	1,788,092	102.94		
Profit before taxation	41,279,445	18.93	34,708,334	71.05		20,291,544	82.00	11,149,459	69.92	6,561,452	0.15	6,551,872	49.67		
Provision for taxation	10,966,572	5.64	10,381,246	111.12		4,917,204	144.24	2,013,265	294.76	509,997	(43.43)	901,559	107.57		
Profit for the year	30,312,873	24.61	24,327,088	58.23		15,374,340	68.28	9,136,194	50.98	6,051,455	7.10	5,650,313	43.29		

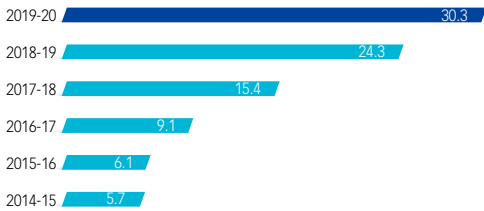
GROSS SALES
(Rupees in billion)



OPERATING PROFIT
(Rupees in billion)



NET PROFIT
(Rupees in billion)



VERTICAL ANALYSIS
STATEMENT OF FINANCIAL POSITION

(Rupees in thousand)												
	2020	% age	2019	% age	2018	% age	2017	% age	2016	% age	2015	% age
EQUITY AND LIABILITIES												
Share capital and reserves												
Share capital	1,334,025	0.47	1,212,750	0.55	1,102,500	0.76	1,102,500	1.18	1,102,500	1.85	1,102,500	1.68
Undistributed percentage return reserve	477,899	0.17	602,415	0.27	613,109	0.43	496,436	0.53	426,867	0.72	395,331	0.60
Other reserves	14,190,001	5.03	13,190,001	5.99	12,190,001	8.46	11,190,001	11.96	10,690,001	17.95	9,962,850	15.17
Profit and loss account	77,147,181	27.35	48,601,563	22.09	26,286,128	18.23	12,748,733	13.62	4,746,555	7.97	35,537	0.06
	93,149,106	33.02	63,606,729	28.90	40,191,738	27.88	25,537,670	27.29	16,965,923	28.49	11,496,218	17.51
Non Current Liabilities												
Long term financing	-	-	-	-	-	-	4,172,727	4.45	1,000,000	1.68	9,290,001	14.15
Deferred liabilities	10,342,139	3.67	10,057,962	4.57	7,952,336	5.51	7,483,812	8.00	6,576,575	11.04	5,468,973	8.33
	10,342,139	3.67	10,057,962	4.57	7,952,336	5.51	11,656,539	12.45	7,576,575	12.72	14,758,974	22.48
Current Liabilities												
Trade and other payables	170,144,182	60.32	140,372,206	63.79	93,903,238	65.14	55,165,162	58.94	34,647,573	58.17	36,235,805	55.19
Unclaimed dividend	44,026	0.02	32,563	0.01	19,371	0.01	17,274	0.02	10,140	0.02	10,333	0.02
Unpaid dividend	-	-	7,544	0.01	11,514	0.01	8,733	0.01	11,508	0.02	410,241	0.62
Current maturity of long term financing	-	-	-	-	-	-	955,037	1.02	151,774	0.25	1,632,505	2.49
Interest accrued on long term financing	-	-	-	-	-	-	254,552	0.27	196,154	0.33	1,109,742	1.69
Provision for income tax	8,397,850	2.98	5,985,202	2.72	2,087,503	1.45	-	-	-	-	-	-
	178,586,058	63.31	146,397,515	66.53	96,021,626	66.61	56,400,758	60.26	35,017,149	58.79	39,398,626	60.01
	282,077,303	100.00	220,062,206	100.00	144,165,700	100.00	93,594,967	100.00	59,559,647	100.00	65,653,818	100.00
ASSETS												
Non current assets												
Property, plant and equipment	22,207,552	7.87	16,176,231	7.35	13,266,282	9.20	12,688,670	13.56	11,023,452	18.51	9,774,533	14.89
Development and production assets	11,766,348	4.17	12,755,574	5.80	11,886,872	8.25	7,409,878	7.92	3,002,063	5.04	2,187,715	3.33
Exploration and evaluation assets	5,915,531	2.10	6,553,548	2.97	2,689,549	1.87	5,972,108	6.38	10,084,055	16.92	9,399,602	14.32
Long term loans and advances	33,165	0.01	39,755	0.02	35,411	0.02	32,233	0.03	27,069	0.05	20,489	0.03
Long term deposits and prepayments	353,999	0.13	230,999	0.10	62,890	0.04	26,002	0.03	15,104	0.03	10,639	0.02
Deferred income tax asset	1,888,594	0.67	651,147	0.30	1,819,166	1.26	2,162,308	2.31	2,680,622	4.50	2,392,765	3.64
	42,165,189	14.95	36,407,254	16.54	29,760,170	20.64	28,291,199	30.23	26,832,365	45.05	23,785,743	36.23
Current assets												
Stores and spares	2,999,993	1.06	2,349,391	1.07	671,051	0.47	1,015,000	1.08	2,167,328	3.64	1,717,945	2.62
Trade debts	179,301,640	63.56	148,939,878	67.67	95,294,994	66.10	54,426,085	58.15	26,887,469	45.14	32,355,308	49.28
Loans and advances	7,055,770	2.50	4,752,460	2.16	2,532,344	1.76	1,640,065	1.75	1,437,456	2.42	1,755,283	2.68
Short term prepayments	134,910	0.05	92,919	0.04	66,714	0.05	65,697	0.07	80,193	0.13	122,341	0.19
Other receivables	48,928	0.02	78,739	0.04	30,982	0.02	39,779	0.04	21,333	0.04	3,282	0.00
Short term investments	33,634,126	11.92	20,700,000	9.41	8,437,354	5.85	3,604,596	3.85	-	-	-	-
Interest accrued	36,469	0.01	105,747	0.05	103,183	0.07	47,031	0.05	3,961	0.01	1,922	0.00
Income tax paid in advance	-	-	-	-	-	-	1,142,319	1.22	1,503,388	2.52	1,011,359	1.54
Cash and bank balances	16,700,278	5.92	6,635,818	3.02	7,268,908	5.04	3,323,196	3.56	626,154	1.05	4,900,635	7.46
	239,912,114	85.05	183,654,952	83.46	114,405,530	79.36	65,303,768	69.77	32,727,282	54.95	41,868,075	63.77
	282,077,303	100.00	220,062,206	100.00	144,165,700	100.00	93,594,967	100.00	59,559,647	100.00	65,653,818	100.00

COMPOSITION OF ASSETS
(Percentage)



COMPOSITION OF EQUITY & LIABILITIES
(Percentage)



VERTICAL ANALYSIS
STATEMENT OF PROFIT OR LOSS

(Rupees in thousand)																		
	2020		% age	2019		% age	2018		% age	2017		% age	2016		% age	2015		% age
Gross sales to customers	126,847,608		100.00	117,542,103		100.00	100,042,839		100.00	96,775,974		100.00	94,709,537		100.00	87,445,033		100.00
Gas development surcharge	18,916,120	14.91		9,280,308	7.90		11,029,741	11.03		19,580,832	20.23		25,859,852	27.30		18,017,729	20.60	
General sales tax	12,766,944	10.06		12,098,286	10.29		11,668,172	11.66		13,745,689	14.20		13,509,334	14.26		12,370,744	14.15	
Excise duty	1,876,423	1.48		1,888,366	1.61		1,906,530	1.91		1,794,397	1.85		1,694,205	1.79		1,630,044	1.86	
Gas infrastructure development cess	21,273,225	16.77		34,827,136	29.63		34,762,028	34.74		33,479,569	34.59		31,933,382	33.72		36,050,495	41.23	
	54,832,712	43.23		58,094,096	49.43		59,366,471	59.34		68,600,487	70.89		72,996,773	77.07		68,069,012	77.84	
Sales - net	72,014,896	56.77		59,448,007	50.57		40,676,368	40.66		28,175,487	29.11		21,712,764	22.93		19,376,021	22.16	
Royalty	8,805,560	6.94		7,574,515	6.44		5,180,869	5.18		3,583,522	3.70		2,750,095	2.90		2,519,026	2.88	
	63,209,336	49.83		51,873,492	44.13		35,495,499	35.48		24,591,965	25.41		18,962,669	20.02		16,856,995	19.28	
Operating expenses	13,302,159	10.49		11,712,974	9.96		9,985,411	9.98		7,450,011	7.70		5,763,609	6.09		5,376,244	6.15	
Exploration and prospecting expenditure	10,257,639	8.09		4,308,006	3.67		3,314,839	3.31		3,880,797	4.01		6,462,126	6.82		3,194,383	3.65	
Other charges	2,698,227	2.13		2,435,811	2.07		1,447,747	1.45		726,290	0.75		501,943	0.53		498,725	0.57	
	26,258,025	20.70		18,456,791	15.70		14,747,997	14.74		12,057,098	12.46		12,727,678	13.44		9,069,352	10.37	
	36,951,311	29.13		33,416,701	28.43		20,747,502	20.74		12,534,867	12.95		6,234,991	6.58		7,787,643	8.91	
Other income / (expenses)	340,001	0.27		326,087	0.28		(581,846)	(0.58)		(820,328)	(0.85)		559,789	0.59		35,082	0.04	
Operating profit	37,291,312	29.40		33,742,788	28.71		20,165,656	20.16		11,714,539	12.10		6,794,780	7.17		7,822,725	8.95	
Finance income	4,973,709	3.92		1,733,298	1.47		765,616	0.77		233,006	0.24		340,730	0.36		517,239	0.59	
Finance cost	985,576	0.78		767,752	0.65		639,728	0.64		798,086	0.82		574,058	0.61		1,788,092	2.04	
Profit before taxation	41,279,445	32.54		34,708,334	29.53		20,291,544	20.28		11,149,459	11.52		6,561,452	6.93		6,551,872	7.49	
Provision for taxation	10,966,572	8.65		10,381,246	8.83		4,917,204	4.92		2,013,265	2.08		509,997	0.54		901,559	1.03	
Profit for the year	30,312,873	23.90		24,327,088	20.70		15,374,340	15.37		9,136,194	9.44		6,051,455	6.39		5,650,313	6.46	

COMPOSITION OF PROFIT AND LOSS ACCOUNT
(Percentage)



Profit Expenditure net of other income & finance income

SIX YEARS' ANALYSIS OF FINANCIAL POSITION, PERFORMANCE & CASH FLOWS

HORIZONTAL ANALYSIS

Statement of Financial Position Share Capital and Reserves

Profit and loss account increased significantly in 2019-20 by 59% vis-à-vis 2018-19, primarily on account of profit retention for financing exploration and development activities. Resultantly, shareholders' equity rose to Rs 93.15 billion at the close of 2019-20 registering an increase of 46% in comparison to 2018-19.

Non Current Liabilities

Deferred liabilities registered an annual average increase of 18% since 2014-15 predominantly due to increase in provision for decommissioning cost over the years.

Current Liabilities

Current liabilities increased by 22% in 2019-20 in comparison to 2018-19, principally due to increase in trade and other payables. As a result of non-receipt of GIDC from the customers due to the matter being subjudice in the apex courts as at year end, there is a consistent increase in the balance of trade and other payables, as GIDC is paid to GoP on a receipt basis. Accordingly, trade and other payables stood at Rs 170.14 billion at the close of 2019-20.

Non Current Assets

Non-current assets of the Company primarily include 'property, plant & equipment', 'development and production assets' and 'exploration and evaluation assets', and have increased from Rs 23.79 billion in 2014-15 to Rs 42.17 billion at the close of 2019-20 primarily reflecting the enhancement of asset base of the Company.

Current Assets

Current assets mainly comprise of 'trade debts', 'short term

investments' and 'cash & bank balances'. Trade debts increased from Rs 32.36 billion in 2014-15 to Rs 179.30 billion at the close of 2019-20 mainly on account of non-receipt of GIDC from the customers as explained above.

In 2019-20, the Company's 'short term investments' and 'cash and bank balances' have accumulated to Rs 50.33 billion registering an increase of more than 10 times compared to 2014-15, due to retention of cash in business for financing further exploration and development activities.

Statement of Profit or Loss

Net sales increased from Rs 19.38 billion in 2014-15 to Rs 72.01 billion in 2019-20 primarily due to enhancement of production and better selling prices prevailed over the years. Further, finance income has increased by 9.6 times in comparison to 2014-15 due to higher average bank/investment balances and better profit rates.

Net profit for the year increased by 24.61% as compared to last year. Increase in net sales and finance income were the major reasons for increase in profitability. This was partially offset with increase in the Government levies, operating expenses and exploration and prospecting expenditure.

VERTICAL ANALYSIS

Statement of Financial Position Share Capital and Reserves

Profit and loss account as a percentage of equity has increased from six years' average of 50% to 83% at the close of 2019-20 owing to profit retention in the business for the exploration and development activities.

Non Current Liabilities

Non current liabilities as a percentage of total liabilities witnessed a

substantial decrease from 27% in 2014-15 to 5% in 2019-20 on account of repayment of long term financing.

Current Liabilities

Trade and other payables as a percentage of current liabilities remained in line with the six years' average of 96% primarily on account of GIDC matter remained unsettled by the apex courts of Pakistan till year end.

Non Current Assets

'Property, plant and equipment', 'development and production assets' and 'exploration and evaluation assets' cumulatively are 95% as a percentage of non-current assets in 2019-20 and remained broadly in line with the six years' average of 93% as the Company continued to invest in oil and gas assets besides incurring regular capital expenditure.

Current Assets

Trade debts as a percentage of current assets decreased in 2019-20 due to reduction in GIDC rates. 'Short term investments' and 'cash and bank balances' cumulatively constitute 21% of current assets at the close of 2019-20 and increased significantly in comparison to six years' average of 12%, depicting improvement in the liquidity position.

Statement of Profit or Loss

Net profit as a percentage of net sales witnessed a steady improvement from 29% in 2014-15 to 42% in 2019-20 mainly on account of better contribution of operating profit as a percentage of net sales over the years.

CASH FLOWS

Cash flows from operating activities have remained positive for the last six years. Cash and cash equivalents

were Rs 50.33 billion at the close of 2019-20 as against Rs 27.34 billion in 2018-19, indicating a significant increase of 84%.

PERFORMANCE INDICATORS

Methods and Assumptions Used in Compiling the Indicators

Performance indicator is a measurable value that demonstrates how a Company is performing with respect to its profitability, operational efficiency, liquidity and solvency. It is a tool for management and all stakeholders to evaluate the Company's performance over a period of time, which also enables the stakeholders to compare its performance indicators with the peers to take decisions.

As these indicators are based on the historical information, hence the trend analysis should not be used as a sole tool in making future strategic decisions but should be read in conjunction with other information.

The performance indicators presented by the Company are selected considering the dynamics of the Company, its operations and financial structure amongst other things.

Analysis of Performance Indicators

Profitability Ratios

Net profit to net sales have a continuous upward trend since 2015-16 primarily on account of efficient cost controls and effective treasury management. There is an increase of 2.38 times in exploration and prospecting expenditure in 2019-20 vis-à-vis 2018-19 primarily on account of seismic acquisition and other exploration related activities, which has resulted in decline in operating profit to net sales, EBITDA margin to net sales, return on equity and return on capital employed in 2019-20 vis-à-vis 2018-19.

Liquidity Ratios

Due to increase in cash and cash equivalents, the liquidity ratios have improved reflecting retention of cash in business for future exploration and development activities.

Activity / Turnover Ratios

Number of days in receivables increased during the year due to circular debt issue, which has also resulted in reduction in debtor turnover. The management is continuously in liaison with concerned customers and the

Government authorities for timely settlement of circular debt issue, which will eventually improve the debtor turnover.

Investment / Market Ratios

Earnings per share grew to Rs 227.23 in 2019-20 recording an increase of 25% over last year due to increase in profitability. Breakup value of the Company also improved to Rs 698.26 per share, around 33% higher as compared to the last year, due to higher profit retention.

Capital Structure Ratios

The Company is entirely equity financed and there is no external financing.

EXPLANATION OF NEGATIVE CHANGES IN PERFORMANCE OVER THE PERIOD

All negative changes in performance over the past six years; including the horizontal and vertical analysis of the statement of financial position, statement of profit or loss, statement of cash flows and ratios have been explained in this section.



TEN YEARS AT A GLANCE



	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
(Rupees in million)										
FINANCIAL										
Revenue	134,191.10	121,656.87	101,407.10	97,456.75	98,651.93	91,408.00	71,944.12	65,128.56	48,228.33	32,177.82
Government levies:										
Income tax, other charges, royalty, excise duty, general sales tax, gas development surcharge and gas infrastructure development cess	78,287.21	77,045.51	70,409.10	74,298.34	77,328.34	73,242.31	58,599.39	55,511.89	41,617.72	26,647.09
Sales - net	72,014.90	59,448.01	40,676.37	28,175.49	21,712.76	19,376.02	14,877.97	11,777.77	7,555.92	7,128.27
Operating profit	37,291.31	33,742.79	20,165.66	11,714.54	6,794.78	7,822.73	4,665.07	3,198.70	1,725.80	2,778.43
Profit before taxation	41,279.45	34,708.33	20,291.54	11,149.46	6,561.45	6,551.87	4,377.64	3,488.49	1,402.50	2,708.90
Profit for the year	30,312.87	24,327.09	15,374.34	9,136.19	6,051.46	5,650.31	3,943.30	2,421.08	1,115.17	1,725.30
Issued, subscribed and paid up capital	1,334.03	1,212.75	1,102.50	1,102.50	1,102.50	1,102.50	918.75	918.75	918.75	735.00
Reserves	91,815.08	62,393.98	39,089.24	24,435.17	15,863.42	10,393.72	15,903.48	12,637.98	10,557.40	9,935.42
Property, plant and equipment - at cost	35,809.64	27,648.46	22,345.12	20,315.85	17,217.73	14,857.61	12,798.64	9,426.47	7,560.05	7,417.33
Net current assets/(liabilities)	61,326.06	37,257.44	18,383.90	8,903.01	(2,289.87)	2,469.45	3,035.24	5,197.97	4,284.04	3,265.80
Long term liabilities including deferred liabilities	10,342.14	10,057.96	7,952.34	11,656.54	7,576.58	14,758.97	5,047.10	5,361.39	5,362.28	4,966.34
NATURAL GAS										
Development and production leases (sq. kilometres) - Operated & non-operated fields / blocks	1,209.1	1,209.1	1,162.2	1,140.5	1,111.7	1,093.5	1,093.5	1,093.5	1,093.5	1,093.5
Estimated ultimate recovery of proved reserves (BSCF)										
- Operated fields/blocks	10,972.7	10,986.34	10,655.8	10,653.2	8,440.9	8,427.9	8,402.9	8,398.4	8,398.4	8,321.7
Cumulative production (BSCF) *	6,109.1	5,859.5	5,602.4	5,345.2	5,101.4	4,869.4	4,644.6	4,427.3	4,216.1	4,009.7
Number of producing wells	163	159	135	127	124	119	118	114	107	99
Production (BSCF) *	249.55	257.14	257.16	243.84	232.0	224.7	217.3	211.2	206.5	187.8
Daily average (BSCF) *	0.682	0.704	0.705	0.668	0.634	0.616	0.595	0.579	0.564	0.515
OIL										
Production (barrels) *	383,548	405,055	543,820	554,081	472,413	414,433	175,312	192,259	124,279	130,093
LPG										
Production (metric ton) *	21.90	19.83	-	20	25	362	263	477	2,062	5,031

* MPCL's share

FREE CASH FLOW



	(Rupees in thousand)	
Description	June 30, 2020	June 30, 2019
Cash provided by operating activities	31,613,046	20,436,053
Less: Capital expenditures		
Property, plant & equipment	8,439,549	3,119,481
Development and production assets	963,139	2,413,957
Exploration and evaluation assets	3,191,295	4,325,361
	12,593,983	9,858,799
Free Cash Flow	19,019,063	10,577,254

2020
(Rupees in thousand)

● Free cash flow
● Capital expenditures

2019
(Rupees in thousand)

● Free cash flow
● Capital expenditures

STATEMENT OF VALUE ADDED

	Year 2019-20 (Rs. in million) % age		Year 2018-19 (Rs. in million) % age	
Gross sales to customers	126,847.61	109.08	117,542.10	108.62
Operating and exploration expenses	(16,136.26)	(13.88)	(9,306.12)	(8.60)
	110,711.35	95.20	108,235.98	100.02
Other income and other expenses	5,577.67	4.80	(22.70)	(0.02)
Total value added	116,289.02	100.00	108,213.28	100.00
DISTRIBUTED AS FOLLOWS:				
Employees as remuneration and benefits	7,111.75	6.12	6,451.59	5.96
Government as levies:				
- Direct	12,960.09	11.15	9,682.02	8.95
- Indirect	65,293.52	56.15	67,363.49	62.25
	78,253.60	67.29	77,045.51	71.20
Shareholder as dividends	783.06	0.67	759.84	0.70
Social welfare	591.79	0.51	540.48	0.50
Retained within the business	29,548.82	25.41	23,415.87	21.64
	116,289.02	100.00	108,213.28	100.00

DISTRIBUTION
2019-20



67.29% ● Government as levies
25.41% ● Retained within the business
6.12% ● Employees as remuneration and benefits
0.67% ● Shareholder as dividends
0.51% ● Social welfare

STATEMENT OF CHARITY ACCOUNT

(Rupees in thousand)

Description	2019-20
Health care	319,212
Education	35,387
Social Welfare	237,190
	591,789

ECONOMIC VALUE ADDED

Rs 19,661 million

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2020

No. of Shareholders	Shareholding	Total shares held
901	1	100
563	101	500
310	501	1,000
630	1,001	5,000
106	5,001	10,000
54	10,001	15,000
32	15,001	20,000
13	20,001	25,000
10	25,001	30,000
9	30,001	35,000
13	35,001	40,000
9	40,001	45,000
11	45,001	50,000
5	50,001	55,000
3	55,001	60,000
6	60,001	65,000
1	65,001	70,000
3	70,001	75,000
4	80,001	85,000
3	85,001	90,000
1	90,001	95,000
3	95,001	100,000
3	115,001	120,000
1	120,001	125,000
1	125,001	130,000
1	130,001	135,000
1	140,001	145,000
1	145,001	150,000
2	150,001	155,000
1	160,001	165,000
1	165,001	170,000
2	170,001	175,000
1	185,001	190,000
1	190,001	195,000
1	210,001	215,000
1	230,001	235,000
1	240,001	245,000
1	250,001	255,000
2	275,001	280,000
1	280,001	285,000
1	315,001	320,000
1	340,001	345,000
1	350,001	355,000
1	355,001	360,000
1	440,001	445,000
1	460,001	465,000
1	495,001	500,000
1	720,001	725,000
1	735,001	740,000
1	1,350,001	1,356,000
1	1,530,001	1,533,945
1	2,000,001	2,005,000
1	2,135,001	2,140,000
1	2,665,001	2,670,000
1	3,365,001	3,370,000
1	24,525,001	24,530,000
1	26,455,001	26,460,000
1	52,915,001	52,920,000
2,731		133,402,500

Pattern of Shareholding as at June 30, 2020

Categories of Shareholders

Categories of Shareholders	Numbers	Shares held	Pending Shares ***	Total Shares	%age
Associated companies, undertakings and related parties					
Oil & Gas Development Company Limited	1	26,458,162	222,338	26,680,500	20.00
Committee of Administration Fauji Foundation	1	52,916,325	444,675	53,361,000	40.00
Mutual Funds					
CDC - Trustee HBL Energy Fund	1	82,709	-	82,709	0.06
CDC - Trustee ABL Stock Fund	1	279,191	-	279,191	0.21
CDC - Trustee AKD Index Tracker Fund	1	6,658	52	6,710	0.01
CDC - Trustee Al Ameen Islamic Dedicated Equity Fund	1	38,594	-	38,594	0.03
CDC - Trustee Al Meezan Mutual Fund	1	319,187	1,694	320,881	0.24
CDC - Trustee Al-Ameen Islamic Asset Allocation Fund	1	74,946	-	74,946	0.06
CDC - Trustee Al-Ameen Islamic Energy Fund	1	34,500	-	34,500	0.03
CDC - Trustee Al-Ameen Shariah Stock Fund	1	495,340	-	495,340	0.37
CDC - Trustee Alfalah GHP Alpha Fund	1	40,572	-	40,572	0.03
CDC - Trustee Alfalah GHP Islamic Dedicated Equity Fund	1	15,334	-	15,334	0.01
CDC - Trustee Alfalah GHP Islamic Stock Fund	1	88,844	-	88,844	0.07
CDC - Trustee Alfalah GHP Stock Fund	1	61,019	-	61,019	0.05
CDC - Trustee Alfalah GHP Value Fund	1	26,715	65	26,780	0.02
CDC - Trustee Alhamra Islamic Stock Fund	1	116,584	-	116,584	0.09
CDC - Trustee Allied Finergy Fund	1	31,454	-	31,454	0.02
CDC - Trustee APF - Equity Sub Fund	1	21,267	-	21,267	0.02
CDC - Trustee APIF - Equity Sub Fund	1	25,535	-	25,535	0.02
CDC - Trustee Askari Asset Allocation Fund	1	1,000	-	1,000	0.00
CDC - Trustee Atlas Islamic Dedicated Stock Fund	1	17,368	-	17,368	0.01
CDC - Trustee Atlas Islamic Stock Fund	1	85,790	121	85,911	0.06
CDC - Trustee Atlas Stock Market Fund	1	353,669	182	353,851	0.27
CDC - Trustee Faysal Asset Allocation Fund	1	1,400	-	1,400	0.00
CDC - Trustee Faysal Islamic Dedicated Equity Fund	1	43,700	-	43,700	0.03
CDC - Trustee Faysal Stock Fund	1	2,980	-	2,980	0.00
CDC - Trustee First Capital Mutual Fund	1	3,412	93	3,505	0.00
CDC - Trustee First Habib Asset Allocation Fund	1	2,000	-	2,000	0.00
CDC - Trustee First Habib Stock Fund	1	5,530	-	5,530	0.00
CDC - Trustee HBL - Stock Fund	1	99,489	-	99,489	0.07
CDC - Trustee HBL Equity Fund	1	9,764	-	9,764	0.01
CDC - Trustee HBL IPF Equity Sub Fund	1	7,746	169	7,915	0.01
CDC - Trustee HBL Islamic Asset Allocation Fund	1	6,995	-	6,995	0.01
CDC - Trustee HBL Islamic Equity Fund	1	17,327	-	17,327	0.01
CDC - Trustee HBL Multi - Asset Fund	1	6,575	-	6,575	0.00
CDC - Trustee HBL PF Equity Sub Fund	1	9,320	-	9,320	0.01
CDC - Trustee JS Islamic Dedicated Equity Fund (JSIDEF)	1	200	-	200	0.00
CDC - Trustee JS Islamic Fund	1	15,395	-	15,395	0.01
CDC - Trustee JS Islamic Pension Savings Fund - Equity Account	1	3,255	-	3,255	0.00
CDC - Trustee JS Large Cap. Fund	1	10,920	-	10,920	0.01
CDC - Trustee JS Pension Savings Fund - Equity Account	1	5,239	-	5,239	0.00
CDC - Trustee KSE Meezan Index Fund	1	64,225	398	64,623	0.05
CDC - Trustee Lakson Equity Fund	1	117,000	1,222	118,222	0.09
CDC - Trustee Lakson Islamic Tactical Fund	1	7,206	-	7,206	0.01
CDC - Trustee Lakson Tactical Fund	1	14,706	-	14,706	0.01
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	12,000	-	12,000	0.01
CDC - Trustee MCB Pakistan Stock Market Fund	1	253,020	-	253,020	0.19
CDC - Trustee Meezan Asset Allocation Fund	1	91,552	-	91,552	0.07

Categories of Shareholders	Numbers	Shares held	Pending Shares ***	Total Shares	%age
CDC - Trustee Meezan Balanced Fund	1	149,384	363	149,747	0.11
CDC - Trustee Meezan Energy Fund	1	64,243	-	64,243	0.05
CDC - Trustee Meezan Islamic Fund	1	2,000,278	10,889	2,011,167	1.51
CDC - Trustee Meezan Tahaffuz Pension Fund - Equity Fund	1	276,011	1,573	277,584	0.21
CDC - Trustee NAFA Islamic Principal Protected Fund - II	1	3,132	-	3,132	0.00
CDC - Trustee NBP Balanced Fund	1	37,043	-	37,043	0.03
CDC - Trustee NBP Islamic Active Allocation Equity Fund	1	54,517	-	54,517	0.04
CDC - Trustee NBP Islamic Energy Fund	1	89,474	-	89,474	0.07
CDC - Trustee NBP Islamic Sarmaya Izafa Fund	1	213,064	-	213,064	0.16
CDC - Trustee NBP Islamic Stock Fund	1	340,334	-	340,334	0.26
CDC - Trustee NBP Sarmaya Izafa Fund	1	35,690	-	35,690	0.03
CDC - Trustee NBP Stock Fund	1	721,905	-	721,905	0.54
CDC - Trustee Pakistan Capital Market Fund	1	2,066	-	2,066	0.00
CDC - Trustee PICIC Growth Fund	1	83,473	-	83,473	0.06
CDC - Trustee PICIC Investment Fund	1	64,806	-	64,806	0.05
CDC - Trustee UBL Asset Allocation Fund	1	34,351	-	34,351	0.03
CDC - Trustee UBL Dedicated Equity Fund	1	2,097	-	2,097	0.00
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	1	71,533	-	71,533	0.05
CDC - Trustee UBL Stock Advantage Fund	1	356,349	-	356,349	0.27
CDC - Trustee Meezan Dedicated Equity Fund	1	48,108	-	48,108	0.04
CDC - Trustee Al-Ameen Islamic Ret. Sav. Fund - Equity Sub Fund	1	99,873	-	99,873	0.07
CDC - Trustee Alhamra Islamic Asset Allocation Fund	1	29,128	-	29,128	0.02
CDC - Trustee First Habib Islamic Stock Fund	1	4,460	-	4,460	0.00
CDC - Trustee HBL Islamic Stock Fund	1	39,259	-	39,259	0.03
MC FSL - Trustee JS Growth Fund	1	44,974	-	44,974	0.03
MCBFSL - Trustee ABL Islamic Stock Fund	1	167,636	-	167,636	0.13
MCBFSL - Trustee HBL Islamic Dedicated Equity Fund	1	583	-	583	0.00
MCBFSL - Trustee JS Value Fund	1	16,060	-	16,060	0.01
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	926	-	926	0.00
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	1	2,437	-	2,437	0.00
MCBFSL - Trustee ABL Islamic Dedicated Stock Fund	1	34,265	-	34,265	0.03
CDC - Trustee PIML Islamic Equity Fund	1	-	42	42	0.00
CDC - Trustee PIML Strategic Multi Asset Fund	1	-	30	30	0.00
CDC - Trustee First Crosby Dragon Fund	1	-	24	24	0.00
CDC - Trustee JS KSE-30 Index Fund	1	-	9	9	0.00
Public Sector Companies and Corporations					
Oil & Gas Development Company Limited	*	-	-	-	-
NIT & ICP					
Investment Corporation of Pakistan	1	4,031	-	4,031	0.00
IDBL (ICP Unit)	1	3,142	-	3,142	0.00
CDC - Trustee National Investment (Unit) Trust	1	2,669,403	46,268	2,715,671	2.04
CDC - Trustee NIT Asset Allocation Fund	1	5,000	-	5,000	0.00
CDC - Trustee NIT Islamic Equity Fund	1	150,100	-	150,100	0.11
CDC - Trustee NIT - Equity Market Opportunity Fund	1	444,312	5,913	450,225	0.34
CDC - Trustee Unit Trust of Pakistan	1	24,747	-	24,747	0.02
CDC - Trustee NITIPF Equity Sub-Fund	1	5,588	-	5,588	0.00
CDC - Trustee NITPF Equity Sub-Fund	1	1,826	-	1,826	0.00
Banks, Development Financial Institutions and Non-Banking Financial Institutions					
National Development Finance Corp.	1	5,398	-	5,398	0.00

Pattern of Shareholding as at June 30, 2020

Categories of Shareholders

Categories of Shareholders	Numbers	Shares held	Pending Shares ***	Total Shares	%age
Bank Alfalah Limited	1	191,700	-	191,700	0.14
Meezan Bank Limited	1	189,004	-	189,004	0.14
National Bank of Pakistan	1	1,355,142	-	1,355,142	1.02
First Credit & Investment Bank Limited	1	1,447	-	1,447	0.00
Insurance & Takaful Companies					
Adamjee Life Assurance Co. Limited - DGF	1	10,000	-	10,000	0.01
Adamjee Life Assurance Company Limited	1	37,168	-	37,168	0.03
Adamjee Life Assurance Company Limited - NUIL Fund	1	19,700	-	19,700	0.01
Adamjee Life Assurance Company Limited - IMF	1	174,129	-	174,129	0.13
Alfalah Insurance Company Limited	1	14,383	-	14,383	0.01
Century Insurance Company Limited	1	3,423	-	3,423	0.00
EFU Life Assurance Limited	1	10,420	-	10,420	0.01
IGI Life Insurance Limited	1	1,826	-	1,826	0.00
Jubilee General Insurance Company Limited	1	56,918	-	56,918	0.04
Jubilee General Window Takaful Fund - PTF	1	4,000	-	4,000	0.00
Jubilee General Window Takaful Operations	1	1,500	-	1,500	0.00
Jubilee Life Insurance Company Limited	1	3,369,876	-	3,369,876	2.53
State Life Insurance Corp. of Pakistan	1	1,533,945	-	1,533,945	1.15
Dawood Family Takaful Limited	1	47,604	-	47,604	0.04
Modarabas					
B.R.R. Guardian Modaraba	1	11,390	-	11,390	0.01
Pension Funds					
Trustee National Bank of Pakistan Employees Pesnion Fund	1	463,766	-	463,766	0.35
Pfizer Pakistan DC Pension Fund	1	2,196	-	2,196	0.00
Unilever Pakistan DC Pension Fund (Sub Fund A)	1	4,269	-	4,269	0.00
Unilever Pakistan DC Pension Fund (Sub Fund B)	1	2,323	-	2,323	0.00
Unilever Pension Plan	1	313	-	313	0.00
Wyeth Pakistan DC Pension Fund	1	334	-	334	0.00
CDC - Trustee ABL Islamic Pension Fund - Equity Sub Fund	1	4,631	-	4,631	0.00
CDC - Trustee ABL Pension Fund - Equity Sub Fund	1	5,947	-	5,947	0.00
CDC - Trustee Nafa Islamic Pension Fund Equity Account	1	84,618	-	84,618	0.06
CDC - Trustee Nafa Pension Fund Equity Sub-Fund Account	1	50,971	-	50,971	0.04
Engro Corp Limited - MPT Employees Def Contr Pension Fund	1	1,273	-	1,273	0.00
Ici Pakistan Management Staff Pension Fund	1	10,938	-	10,938	0.01
Indus Motor Company Limited Employees Pension Fund	1	2,500	-	2,500	0.00
Pakistan Refinery Limited Workmen Pension Fund	1	420	-	420	0.00
Pakistan Refinery Limited Management Staff Pension Fund	1	3,760	-	3,760	0.00
Pfizer Pakistan Pension Fund	1	1,730	-	1,730	0.00
Sanofi-Aventis Pak. Senior Executive Pension Fund	1	2,172	-	2,172	0.00
Trustee Pak Tobacco Co Limited Staff Def Contri Pension Fund	1	3,872	-	3,872	0.00
Trustee Pak Tobacco Co Limited Staff Pension Fund	1	49,354	-	49,354	0.04
Trustee Pakistan Petroleum Executive Staff Pension Fund	1	71,872	-	71,872	0.05
Trustee Pakistan Petroleum Non Executive Staff Pension Fund	1	13,500	-	13,500	0.01
Trustee ANPL Management Staff Pension Fund	1	3,043	-	3,043	0.00
Trustee Millat Tractors Limited Employees Pension Fund	1	2,940	-	2,940	0.00
Trustee of Crescent Steel & Allied Products Limited - Pension Fund	1	556	-	556	0.00
Trustee Shell Pakistan DC Pension Fund	1	5,937	-	5,937	0.00
Trustee Shell Pakistan Management Staff Pension Fund	1	6,023	-	6,023	0.00
Trustee Shell Pakistan Staff Pension Fund	1	123	-	123	0.00
Wyeth Pakistan Limited Pension Fund	1	240	-	240	0.00

Categories of Shareholders	Numbers	Shares held	Pending Shares ***	Total Shares	%age
Trustee The Kot Addu Power Co. Limited Employees Pension Fund	1	8,420	-	8,420	0.01
Pakistan Petroleum Executive Staff Pension Fund (DC Shariah)	1	13,064	-	13,064	0.01
Trustee Pak. Petroleum Exec. Staff Pen. Fund DC Conventional	1	2,410	-	2,410	0.00
Trustee Pakistan Petroleum Non-Executive Staff Pension Fund	1	9,490	-	9,490	0.01
Trustees Nestle Pakistan Limited Managerial Staff Pension Fund	1	35,623	-	35,623	0.03
CDC - Trustee AGIPF Equity Sub-Fund	1	1,779	-	1,779	0.00
CDC - Trustee AGPF Equity Sub-Fund	1	1,781	-	1,781	0.00
CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	1	12,020	-	12,020	0.01
CDC - Trustee Alhamra Islamic Pension Fund - Equity Sub Fund	1	24,150	-	24,150	0.02
Shareholders Holdings 5% or More Voting Interest	**				
Local Individuals	2,369	5,084,757	-	5,084,757	3.81
Foreign Individuals	1	16,546	-	16,546	0.01
Others					
Government of Pakistan	1	24,526,716	-	24,526,716	18.39
Federal Board of Revenue	1	54,797	-	54,797	0.04
Joint Stock Companies	70	1,079,809	-	1,079,809	0.81
Executives	4	20,331	-	20,331	0.02
Foreign Companies	26	543,080	-	543,080	0.41
Others	110	2,595,686	-	2,595,686	1.95
	2,731	132,666,380	736,120	133,402,500	100
* Public Sector Companies and Corporations (Separately included above)					
Oil & Gas Development Company Limited	-	26,458,162	222,338	26,680,500	20.00
** Shareholders holdings 5% or more voting interest (Separately included above)					
Fauji Foundation	-	52,916,325	444,675	53,361,000	40.00
Oil & Gas Development Company Limited	-	26,458,162	222,338	26,680,500	20.00
Government of Pakistan	-	24,526,716	-	24,526,716	18.39
Shares held by Sponsor Shareholders					
Fauji Foundation	-	52,916,325	444,675	53,361,000	40.00
Oil & Gas Development Company Limited	-	26,458,162	222,338	26,680,500	20.00
Government of Pakistan	-	24,526,716	-	24,526,716	18.39
Shares held by Directors and Executives					
Directors	-	512	-	512	0.00
Executives	-	20,331	-	20,331	0.02

During the financial year the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

Name	Dates	Purchase	Sale	Rate Rs. Per Share
Ms Ayla Majid	25.11.19 To 14.02.20	500	-	1,276.61
Mr. Afzal Hussain Shaikh	27.04.20 To 14.05.20	600	-	1,115.38
Mr. Afzal Hussain Shaikh	27.04.20 To 14.05.20	-	600	1,131.02

*** Bonus shares are withheld and have not been issued due to pending resolution of issue relating to deduction of withholding tax on issuance of bonus shares.

DIRECTORS' REPORT

We are pleased to present directors' report together with the audited financial statements of the Company and the auditors' report thereon for the year ended June 30, 2020.



185th Board of Directors Meeting held virtually on August 20, 2020

FINANCIAL RESULTS

Following table summarises Company's financial performance and profit appropriation for the financial year ended June 30, 2020:

	Rupees in thousand
Profit	
Profit for the year	30,312,873
Other comprehensive income	19,004
Un-appropriated profit brought forward	48,601,563
	78,933,440
Appropriations	
Final cash dividend @ Rs 2.00 per share for the year ended June 30, 2019	(3,197)
First interim cash dividend @ Rs 4.10 per share for the year ended June 30, 2020	(523,180)
Transfer to Undistributed Percentage Return Reserve	(259,882)
Transfer to Self Insurance Reserve	(1,000,000)
	(1,786,259)
	77,147,181

FINANCIAL PERFORMANCE

Gross sales for the financial year ended June 30, 2020 increased to **Rs 126,848** million from Rs 117,542 million in the last year. The increase is mainly attributable to increase in sale prices.

The Company registered highest ever net profit of Rs 30,313 million, which increased from Rs 24,327 million representing year on year increase of 25%. Major contributors of increase in net profit were increase in net sales and finance income. This was partially offset with increase in royalty, operating expenses and exploration and prospecting expenditure.

Earnings per share (EPS) for the year stood at Rs 227.23 per share as compared to last year's Rs 182.36 per

share. EPS for the year on the basis of distributable profits also increased to Rs 5.87 per share from Rs 5.70 per share for the last year.

The rate of return to the shareholders for the year ended June 30, 2020 was 43.14% per annum, calculated on the basis of production (2019: 44.29%).

CASH FLOW STRATEGY

Cash and cash equivalents at the close of the year were Rs 50,334 million as against Rs 27,336 million in the previous year. During the year, an amount of Rs 31,613 million was generated from operating activities of the Company, which was mainly used to undertake exploration and development activities, capital expenditures and payment of dividends.

DIVIDENDS AND BONUS SHARES

The Company has paid an interim cash dividend @ Rs 4.10 per ordinary share (41%) for the year ended June 30, 2020 during the third quarter.

Further, final cash dividend @ Rs 2.00 per share (20%) for the year ended June 30, 2019 and bonus shares @ 10% were also declared during the year.

FOREIGN EXCHANGE SAVINGS

MPCL is a major contributor to the national economy. The Company's share of production of natural gas, condensate, crude oil and LPG from its Mari Field and other Joint Ventures for the financial year 2019-20 in terms of energy equivalent was 33.41 mboe. This has resulted in **foreign exchange saving of around Rs 288 billion** for the year assuming an average crude oil price of US\$ 54.18 per barrel and average foreign exchange rate of US\$ = Rs 159.30 during the year.

CONTRIBUTION TO THE GOVERNMENT EXCHEQUER

The Company's contribution to the Government Exchequer also increased in the form of taxes and levies and provides much needed fiscal breathing space to the Government. During the financial year ended June 30, 2020, the Company contributed a significant amount of Rs 78,287 million in the Government exchequer, as compared to Rs 77,046 million contributed last year.

Directors' Report

OPERATIONS

The Company continued un-interrupted gas supply to all its customers during the year ended June 30, 2020.

A cumulative 238,674 MMSCF of gas (daily average: 652 MMSCF) and 12,428 barrels of condensate (daily average: 34 barrels) were produced from Mari Field during the year as against 245,603 MMSCF of gas (daily average: 673 MMSCF) and 17,774 barrels of condensate (daily average: 49 barrels) for the corresponding year as per the requirement / withdrawal of the customers.

In addition, 10,876 MMSCF of gas (daily average: 30 MMSCF), 78,000 barrels of condensate (daily average: 213 barrels), 293,120 barrels of crude oil (daily average: 801 barrels) and 21.90 metric ton of LPG (daily average: 0.06 metric ton) were produced and sold from joint ventures during the year, whereas 11,534 MMSCF of gas (daily average: 32 MMSCF), 92,839 barrels of condensate (daily average: 254 barrels), 294,442 barrels of crude oil (daily average: 807 barrels) and 19.83 metric ton of LPG (daily average: 0.05 metric ton) were produced and sold from joint ventures in the comparative year.

The Company's customers include Engro Fertilizer Limited, Fauji Fertilizer Company Limited, Fatima Fertilizer Company Limited, Pak Arab Fertilizers Limited (PFL), Foundation Power Company Daharki Limited (FPCDL), Central Power Generation Company Limited (CPGCL), Sui Northern Gas Pipelines Limited (SNGPL), Sui Southern Gas Company Limited, Attock Refinery Limited, National Refinery Limited, Pakistan Refinery Limited, Pak Arab Refinery Limited, EGAS (Private) Limited, Petrosin CNG (Private) Limited and Foundation Gas.

WORKING INTERESTS IN ONSHORE BLOCKS / FIELDS

The Company's working interests in onshore blocks/fields in Pakistan are as follows:

S.No.	Name of Block / Field	MPCL's Working Interest	Name of Operator
1	Mari Field	100%	MPCL
2	Zarghun South Field	35%	MPCL
3	Sujawal Block	100%	MPCL
4	Karak Block	60%	MPCL
5	Ghauri Block	65%	MPCL
6	Sukkur Block	100%	MPCL
7	Ziarat Block	60%	MPCL
8	Harnai Block	60%	MPCL
9	Peshawar East Block	98.16%	MPCL
10	Bannu West Block	55%	MPCL
11	Block 28	95%	MPCL
12	Taung Block	60%	MPCL
13	Wali West Block	100%	MPCL
14	Hala Block	35%	PPL
15	Shah Bandar Block	32%	PPL
16	Bela West Block	25%	PPL
17	Kohlu Block	30%	OGDCL
18	Kalchas Block	50%	OGDCL
19	Kohat Block	33.33%	OGDCL

STATUS OF PLANNED WELLS 2019-20 (OPERATED AND NON OPERATED)

OPERATED FIELDS AND BLOCKS

Well	Type	Block/Field	Status
Hilal-1 (Shahbaz North)	Exploratory	Mari Field	Fifth consecutive gas discovery in Mari D&P Lease.
Zarghun South -4	Development	Zarghun South Field	Well has been completed as gas producer in Dunghan tight gas reservoir. First on-spec gas supplied to SSGCL on March 31, 2020 after installation and commencement of necessary surface facilities.

Well	Type	Block/Field	Status
Miraj-1	Exploratory	Ghauri	Miraj-1 ST-3 well TD of 4,934 meters MD into Khewra Formation was achieved on June 4, 2020. Based on testing results, well has been Plugged & Abandoned.
Surghar X-1	Exploratory	Karak	Expected spud-in by December 2020. It was delayed due to difficult, rough and rugged terrain for civil works related to wellsite and access road preparations.
Bannu West-I	Exploratory	Bannu West	Well staked on July 1, 2020 and expected to spud-in by end of February 2021. It was delayed due to late completion of Zipper-I 3D seismic data acquisition on account of security reasons and procurement of revised Long Lead Items (LLIs).
Prospect 3/7, Lower Goru (Contingent)	Exploratory	Mari Field	De-risking is in progress.

NON-OPERATED BLOCKS

Well	Type	Block/Field	Status
Bela West X-1 ST-2	Exploratory	Bela West	Temporarily suspended.
Togh-1	Exploratory	Kohat	Drilled and hydrocarbons discovered
Togh Bala-1	Exploratory	Kohat	Well tested 9 MMSCFD gas and 125 Barrels per day condensate from Lockhart formation.
8th Exploratory Well (Contingent)	Exploratory	Hala	After detailed deliberation, Hala JV decided not to drill the well based on its marginal economics and associated high risks.

EXPLORATION, OPERATIONAL AND DEVELOPMENT ACTIVITIES

OPERATED FIELDS AND BLOCKS

MARI FIELD

Hilal-1 Well

This exploratory well was spud-in on April 21, 2020 to test the hydrocarbon potential of Sui Main and Sui Upper Limestone (SML/SUL). The well reached TD of 1,202 meters on May 4, 2020.

Two Drill Stem Tests (DST) were conducted against SUL/SML. DST-1 against "SML" tested gas at a rate of 6.88 MMSCFD with 132 BPD of water at WHFP of 804 Psi at 40/64" choke size. DST-2 against "SUL", flowed 11 MMSCFD gas at 48/64" choke size with WHFP of 887 psi respectively. Hilal-1 well is completed in SUL reservoir.

The project of laying and fabrication of 6" approx. 4 Km pipeline for hook-up of Hilal -1 with existing

network was started on May 18, 2020 along with installation of well head, production facilities and mechanical construction on self-managed basis. Despite all odds including restricted movement owing to COVID-19, this project has been completed.

Iqbal-1 Well

This exploratory well was spud-in on July 11, 2020 in Mari D&P Lease area to test the hydrocarbon potential of Sui Main and Sui Upper Limestone (SML/SUL) down to the depth of $\pm 1,300$ meters. The well reached its TD of 1,250 meters on July 26, 2020. Based on wireline logs data, promising zones against SUL and Ghazij formations were selected for testing, which tested at the rate of 3.127 MMSCFD gas and 79 barrels per day water through 40/64" choke size at WHFP of 396 Psi.

The discovery of Iqbal-1 well is the sixth consecutive discovery in Mari D&P Lease area as a result of aggressive exploration strategy adopted by MPCL.

Development Wells

MPCL has planned the drilling of four development wells namely; MD-18, MD-19, MD-21 and deepening of Parwaaz-1 in Mari D&P Lease Area, in order to prudently and efficiently drain the reservoir and to enhance production from Mari Lower Goru B Sand reservoir. MD-21 well is expected to spud-in in Q4 2020 followed by other two wells.

Conclusion of Acid Stimulation Campaign of HRL Wells

Third acid stimulation campaign at remaining 8 wells of HRL has been performed. As a result, overall acid stimulation campaign has been completed for 19 newly drilled HRL wells. Overall 52% increase in production (i.e. 108 MMSCFD post

acid gas rate in comparison to 71 MMSCFD pre-acid gas rate) has been recorded after complete acid stimulation campaign.

Acid Stimulation at Shaheen-2 Well

Acid stimulation job was carried out at appraisal well Shaheen-2. The average post acid flowing parameters were recorded as 13.585 MMSCFD of Gas and 4.6 BPD of condensate with 941 psi of WHFP @ 48/64" fixed choke. Overall 50% increase in gas production has been recorded after acid stimulation job.

Other Activities in Mari Field

The Company faced a continuous challenge of lower gas offtake by CPGCL due to low power demand and low off-take by the fertiliser plants owing to frequent emergency shutdowns, which have made it difficult for the Company to consistently achieve the targets of incentive price. Despite all the aforementioned odds, the Company has strived to maximize production and revenues. This was achieved on account of better production management and proactive coordination with the downstream customers by diverting unused volume from one customer to the others depending on the individual customer's appetite. With this smart work, Mari Field has managed to produce about 34,391 MMSCF of incremental gas volumes during the FY 2019-20.

Production from Goru-B formation at Mari Field was also hampered due to low power demand nationwide and lesser economic activities. FPCDL was able to pick only 50% of the allocated gas from Goru-B reservoir from July 2019 to June 2020.

Gas Supply to Pak Arab Fertilizers Limited (PFL)

Gas supply to Pak Arab Fertilizers Limited from SML/SUL reservoir at Mari Field has somehow reduced the impact caused due to lower gas off-takes from CPGCL and FPCDL. First gas was supplied to PFL on January 16, 2020 after setting up all the necessary surface facilities and operation modalities and MPCL has managed to supply gas with daily average volume of more than 45 MMSCFD.

The Company is planning for enhancing gas supply volumes from SML/SUL by drilling additional wells and also supporting the prospective customers in technical aspects enabling them to quickly establish their infrastructure. For that matter, the Company has offered its customers the most needed equipment including gas compressor and dehydration plant on commercial terms by making such equipment available from other locations through operational adjustments. Compression support shall enable the customers to take about 8-10 MMSCFD additional gas from Mari field on an immediate basis.

Need for the Optimal Utilization of Swing Volumes of Natural Resources

Operating under the incremental production strategy, it has become extremely vital for the Company to look into and explore every option in order to be able to maximize production. The project of laying 20" diameter gas pipeline was considered with aforesaid objectives with the aim of establishing connectivity of Mari Field with national pipeline grid of SNGPL.

Central manifold of Mari Field Daharki shall be connected with SNGPL's valve assembly (QV-2) through construction of 20" dia pipeline of 24 km length and with gas carrying capacity of 150 MMSCFD with variable composition.

Construction of 20" pipeline is being carried out on EPCC basis and contract has already been awarded. Mari Field completed the complex land acquisition process well in time and secured the strip for construction from various governmental and private entities. Contractor has been mobilized at site and office based engineering works is in progress. The estimated time for completion of project is 8 months, i.e. by December 2020.

Installation of Processing Facility for Low BTU Gas at Tipu and Goru-B

The low calorific value gas was discovered at Goru B sand stone, $\pm 2,700$ meters in 1996 by the drilling and testing of Mari Deep-1 well. Since discovery, MPCL looked into multiple options for its extraction and utilization even in the IPPs but nothing tangible was materialized. With the rigorous follow up, MPCL was able to get 109 MMSCFD allocated to two IPPs; 65 MMSCFD to FPCDL and 44 MMSCFD to Star Power. FPCDL moved ahead with construction and commissioning of the plant in 2009. Star Power could not take the project further and as a result, its allocation was cancelled. Afterwards, the ECC in its one of the meetings allocated 44 MMSCFD gas to CPGCL through SNGPL which continued for about four years. The management considered other options for sale of gas volumes from Goru-B gas reservoir. Fertiliser plants

Directors' Report

in the region are currently operating at maximum capacity and are therefore unable to utilise additional volumes. In line with the MPCL's production targets and to capitalize on the swing volumes available during low off takes by existing customers, gas processing units are being considered to be installed at Mari Field to supply pipeline quality gas to SNGPL or other potential customers.

In view of the above, evaluation of proposals for processing of two units; each unit of 50 MMSCFD gas using Hybrid Gas Processing Train at Goru-B reservoir is in progress on fast track basis for onward supply of gas through national grid.

A new discovery at Tipu Exploratory Well in Mari D&P Lease was made in October 2017. In order to produce the new find at its full potential of 40 MMSCFD, another well was drilled and completed. The gas was allocated to PFL by the ECC. PFL kept the allocation but surrendered ultimately owing to low BTU (465 BTU/SCF). In order to monetize the low BTU gas from Tipu discovery, 2-Stage Membrane System coupled with gas conditioning & dehydration facility is being considered to process and treat raw gas volume of 40 MMSCFD. The saleable volume of 21 MMSCFD shall be realized in compliance with OGRA specifications. The engineering stage of the project is nearing completion which shall be followed up with equipment fabrication at supplier's end. The equipment shall be delivered in first quarter of 2021 with delivery at site expected around April 2021, which will be followed up with installation and commissioning activities. Equipment

shall be ready to process gas by end of Q2 2021.

Additionally, the above facilities shall include provision of processing 40 MMSCFD swing gas volume from HRL reservoir. Compression facility will be installed to boost the pressure of HRL gas from low pressure header up to 1200 psi where the gas shall be processed to meet pipeline quality specifications. This shall allow flexibility to pump swing volumes to national grid.

Location for the set-up of facilities has been earmarked and civil works are underway at site for area preparation. MPCL has engaged the services of a local reputed engineering consultant for the integration of packages and provision of construction drawings. MPCL in parallel has initiated orders for the procurement of associated utility packages (Instrument Air, Fire Water, Condensate Pumps and Slop Pumps etc) for Tipu and Goru-B facilities.

Debottlenecking Project at Mari Field Daharki to Improve Hydraulics

Project of Debottlenecking of Pipelines in Mari Field is being undertaken in order to extend the field production plateau of 650 MMSCFD beyond the suggested curtailment time of year 2021 and to extend the lives of the fertiliser manufacturing plants. This project shall enhance the production and gas carrying capacity of installed pipeline system of Mari Field and would enable the customers to draw gas continuously at present day rate with no further

extension required in their installed compression systems.

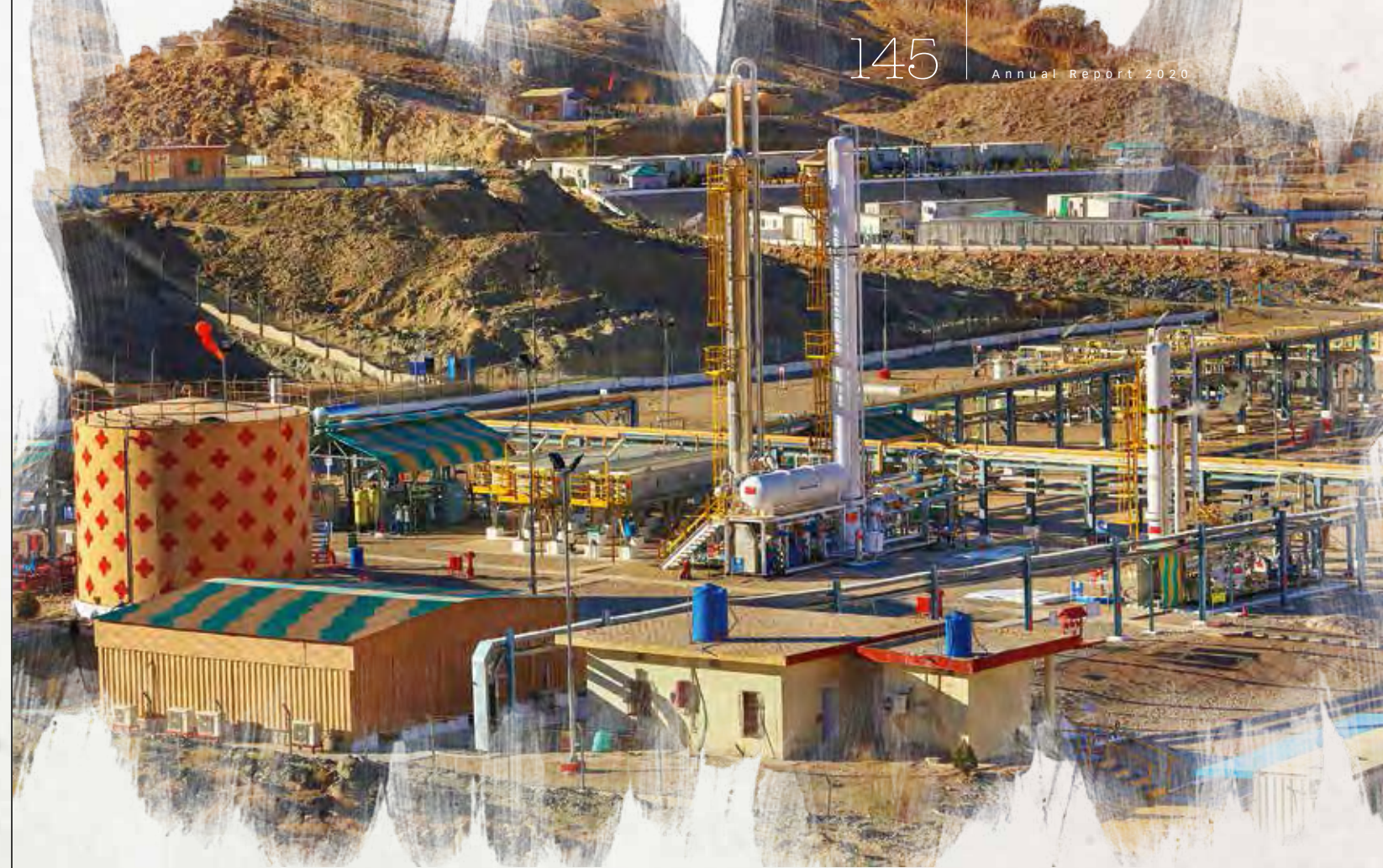
Major debottlenecking of gathering pipeline network of HRL gas is being executed and all the smaller diameter pipeline have been laid. The project involves construction of around 55 Km loop lines in 16 segments of different diameters. Construction is in progress with 21 Km already completed and tie-in jobs and upgradation of junctions and gas gathering headers is being planned. Pipeline laying activity is temporarily hampered due to late deliveries of the additional line pipe from China owing to COVID-19 situation. Project was initially scheduled to be completed by August/September 2020, however owing to the delays in delivery of equipment, project timeline has now been pushed to December 2020/January 2021.

Digitization works in Mari Field

In order to maintain reliable controls on high pressure wells of Tipu and digitized measurement on wellheads of Bhittai and SML wells for gas supplies to potential customers, the project of SCADA/ Telemetry is already in advanced stage of completion.

Factory Acceptance Test (FAT) for the hardware has been successfully conducted and all material is delivered to site, 90% of hookup activities have been completed and commissioning of the same is in progress.

Digitized control of SML/SUL wellheads and parts of central manifolds is also being planned in light of enhanced supply to Pak Arab Fertilizers Limited and



hook up of additional customer (20" pipeline – SNGPL) in future. Project is in conceptual engineering phase and shall cover the real time data and control requirements of operations. It is targeted to be completed by August-September 2020.

ZARGHUN SOUTH FIELD Production Testing and Gas Supply from Development Well ZS-04

Development Well ZS-4 was spud-in on January 2, 2020 and drilled as a slant / horizontal well down to total depth of 2,022 meters MD / 1,599 meters TVD into Dunghan tight gas reservoir with MPCL's own Mari Rig-1.

The well tested (post acid) flow of 15.89 MMSCFD @ 48/64"choke size and accordingly, completed as a gas producer in Dunghan tight reservoir. The well has been brought on production within a shortest possible time and currently, it is adding 14 MMSCFD gas supply to Quetta city.

The project of laying and fabrication of 8" (approx.) 1.5 Km pipeline for hook-up of ZS-04 with existing facility of Zarghun triggered on March 18, 2020 along with installation of well head production facilities after taking all the necessary procurement and engaging a reputed mechanical contractor. Despite all odds including restricted movement owing to COVID-19 and hostile weather conditions during the project period, integration of ZS-04 well with processing plant was completed in 10 days and first on-spec tight gas from the well injected in national transmission network of SSGCL on March 31, 2020. The current average volume from ZS-04 has reached to 14 MMSCFD thus enhancing the production substantially from field to 25 MMSCFD.

Rigless Activity at Zarghun South Field

MPCL own slickline unit was utilised and performed flowing survey at ZS-3 followed by static BHP survey

at ZS-2 during the annual turn around in October 2019.

SUJAWAL BLOCK G&G Activities

G&G study is in progress to evaluate remaining hydrocarbon potential of the block. Reprocessing of about 250 Line km 2D seismic data over the western part of the block is being planned to evaluate its prospectivity.

Operations and Compression Activities at Sujawal Block

By adopting futuristic approach and following depletion trend of Sujjal-1, compression has been envisioned for Sujjal-1 before the natural flow from the well ceased due to high back pressure of customer's pipeline transmission network. Two wellhead compressors of capacity 8 MMSCFD each procured, installed and successfully commissioned resulting in increase in production from 12 MMSCFD to an average volume of 15 MMSCFD. This increase in production from Sujjal-1 well has also resulted in generation of



higher streams of revenues for the company.

Furthermore, according to the formation lithology and on the basis of available production data of well, specialized recipe was designed and formation was treated to arrest the production decline from Sujawal X-1 well. The finalized recipe was prepared, spotted against the perforation interval and injected into the formation using Coiled tubing. After clean-up, the well was put on production and is under observation.

KARAK BLOCK Surghar X-1

Civil works for access track and site preparation for drilling of Surghar X-1 is in progress to spud-in the well during December 2020.

Compression Activities at Kalabagh

Based on the natural depletion of Kalabagh-1A and subsequent designing by engineering consultant, rental compression unit has been delivered at site and hooked up with the system. The production of the well has increased from 2.9 MMSCFD to 3.5 MMSCFD after installation of compression package.

GHAURI BLOCK Unconventional Production at Well Ghauri-X-1

Production behaviour since January 2019 through downhole jet pump after work over is maintained at average rate of 250 BOPD while cumulative production has reached a level nearing one million Barrels. Rental surface pumping unit from M/s Weatherford is being operated since October 2014. However,

maximum unit availability is ensured through proactive maintenance approach. In order to improve current operational opex and to maintain reliability of asset, purchase order has been placed to M/s Weatherford for the procurement of surface pumping unit which shall be installed during 2020-21.

EWT at Well Dharian-1

First oil produced in May 2019 and currently producing 470 Barrels of gross liquid with 77% Basic Sediment and Water (BS&W). Well is operating under EWT and application for further extension in EWT period has already been submitted. As a proactive approach, all the prerequisites for installation along with arrangement of rental pumping unit have already been aligned in order to put the well on artificial lift system through jet pump, if required. MPCL's slickline unit was

utilised and pressure build up survey was conducted at Dharian-1.

Third Exploratory Well Miraj-1

Third Exploratory well was spud-in on May 4, 2019 to test the hydrocarbon potential of Sakessar and Khewra formations as primary targets. The well achieved its TD down to 4,934 meters MD on June 4, 2020 into Khewra Formation.

Two DSTs were conducted against Khewra, Kussak, Tobra and Jutana formations based on wireline logs data. DST-1 flowed water, while DST-2 tested non-commercial quantity of oil and gas. Well has been plugged and abandoned.

SUKKUR BLOCK G&G Activities

Processing of newly acquired 359 sq. km 3D seismic data upto Pre Stack

Time Migration (PSTM) level is completed by MSPC. Initial process results have been received from M/s Petro Trace, Russia. Based on our feedback, further improvement in data quality is in progress, which is expected to complete by end of September 2020.

Subsequent to interpretation of processed 3D seismic data and firming up of prospect, exploratory well is expected to spud-in by February 2021 to test the hydrocarbon potential of Lower Goru sands.

ZIARAT BLOCK G&G Activities

3D seismic survey designing study has been completed for acquisition of committed 3D seismic data over exploration and appraisal areas of the block. Re-bidding process was

carried out for selection of seismic contractor and it is being reviewed for award of contract.

HARNAI BLOCK

Preparations are in progress to award contract for conducting geological field work in the block.

BANNU WEST BLOCK G&G Activities

Based on interpretation of Zipper-I 3D seismic data, a robust prospect has been firming up for drilling of first exploratory well in the block. The well has been staked on July 1, 2020 and expected to be spud-in by February 2021. Civil works have commenced for access road and site preparation. It is the first ever well in tribal districts of Khyber Pakhtunkhwa (KPK).

Further, seismic processing of Zipper-II and its merging with Zipper-I is





expected to complete by early September 2020 followed by interpretation/ mapping of 850 Sq. km 3D seismic data. Spud-in of second exploratory well (Contingent) is expected during fourth quarter of 2020-21, subject to firming up of prospect.

BLOCK 28

G&G Activities

Since the transfer of operatorship, MPCL has tagged the block as a project of national importance and worked vigorously to explore the hydrocarbon potential of the area. Accordingly, MPCL launched mega seismic campaign by deploying its own two seismic crews in high security sensitive and challenging area, which is first of its kind move in the Country's exploration history. The objective of deploying two crews simultaneously was to advance the overall project timelines and advance the spud-in of exploratory well(s) for chasing substantial hydrocarbon resources, subject to firming up of prospect.

The workload distribution and work accomplished by both crews as of August 20, 2020 is given below:

Seismic Crew	Total Planned (Line km)	Recording Completed (Line km)	% Completion (Line km)
Beta Crew	780	667	86%
Charlie Crew	853	234	27%
Total Volume	1,633	901	55%

Expected completion of acquisition project by Beta Crew is September 2020, while Charlie Crew is February 2021.

Dual seismic processing is continued at MSPC and GRI China and accordingly, its concurrent in-house interpretation is in progress on fast track basis. Based on seismic processing results, interpretation and integration with G&G data, spud-in of first exploratory well is expected by May 2021, subject to firming up of prospect.

TAUNG BLOCK

The Petroleum Concession Agreement (PCA) was signed on January 31, 2020 and currently preparations are being made to commence 350 sq. km 3D seismic data acquisition by August/ September 2020 over the identified leads to firm up prospects for drilling of exploratory well.

WALI WEST BLOCK

The PCA was signed on October 17, 2019 and currently, evaluation of G&G data is in progress.

NON-OPERATED BLOCKS

HALA BLOCK

G&G Activities

G&G studies are in progress to evaluate remaining hydrocarbon potential of the block.

SHAH BANDAR BLOCK

G&G Activities

Planning is in progress to acquire 130 sq.km 3D seismic data in the block to mature the prospect for drilling of exploratory well. First gas production from Benari X-1 discovery is expected by December 2020.

BELA WEST BLOCK

Post well analysis of Bela West X-1 is in progress to chalk out its way forward including sidetrack option.

KOHLU BLOCK

G&G Activities

Kohlu JV Partners are planning to kick off seismic campaign of about 630 Line km 2D seismic data during December 2020, subject to availability of seismic crew and provision of security.

KALCHAS BLOCK

G&G Activities

Based on interpretation of newly acquired 511 Line km 2D seismic data, two prospects have been firmed up for drilling of two wells. Spud-in of first committed exploratory well is expected during January/February 2021, while spud-in of second committed exploratory well is expected during April/May 2021, subject to completion of in-house due-diligence.

KOHAT BLOCK

G&G Activities

As a part of JV's short term strategy, gas production at Togh-1 has commenced and currently, well is producing at an average of 10-11 MMSCFD gas, which is supplied to SNGPL network. Plant having capacity of 40 MMSCFD is installed at the field. Kohat JV has planned to optimally utilise the plant capacity for generation of early revenues and to offset low oil price impact on revenues. Therefore, two additional exploratory wells have been finalized for drilling.

Togh Bala-1 Well

Togh Bala-1 Well was spud-in on June 27, 2020 and drilled down to 2,172 meters into Lockhart Limestone. Based on open hole testing, the

well flowed 9 MMSCFD gas and 125 barrels per day condensate with WHFP of 1690 Psi @ 32/64" choke size against primary target Lockhart formation. Well shall be drilled further down to planned total depth of $\pm 2,585$ meters up to top Chichali formation. Drilling/ completion of well is expected by October 2020.

Sheen Dund-1

Spud-in of Sheen Dund-1 is expected by September/October 2020.

In case of discoveries, both wells could be brought on early production considering the close proximity and capacity in the plant.



Directors' Report

EXPLORATION PORTFOLIOS EXPANSION LOCAL & INTERNATIONAL

In order to achieve long term sustainability, growth and to meet its reserves replacement targets, MPCL is evaluating both local as well as international opportunities to expand its business portfolios. Outlook of acreages being pursued is given as below:

LOCAL BLOCKS EVALUATION

Evaluation of Blocks: Data review of Kirthar South (POL) has been completed and way forward is being finalized in light of techno-commercial evaluation.

Block Bidding Round: Due-diligence of prospective new blocks for upcoming bidding round has been completed.

INTERNATIONAL BLOCKS EVALUATION

Company is evaluating various opportunities for growing its portfolio internationally and focusing on strategic assets which can fit with its growth strategy.

DIVERSIFICATION EFFORTS

The market dynamics of the oil & gas business are rapidly changing. MPCL cognisant of the fast-evolving situation and the importance of balancing expansion of core E&P portfolio along with diversifying into near-core and non-core businesses to manage the potential long-term business risks. The Company is

constantly looking into different opportunities which offer sustainable growth as well as additional revenues.

A key step in this regard is engagement with McKinsey, a world renowned energy sector consultant. They have unparalleled experience of not just oil and gas but adjacent energy industries as well. Having a proven track record of impact in Pakistan, McKinsey and Company will finalize an in-depth strategic roadmap that will assess internal and external market dynamics of MPCL and evaluate strategic opportunities accordingly.

MARI SERVICES DIVISION (MSD)

MARI SEISMIC SERVICES UNIT (MSU)

MSU has completed 3D seismic acquisition in Bannu West block while two crews are employed on 2D data acquisition in Block 28 where acquisition is still underway. Both these blocks are challenging in terms of security as well as geological conditions.

Alpha Crew

MSU Alpha Crew has successfully completed various seismic projects including three 3D and two 2D projects. Completion of these projects in unprecedented record time coupled with acquisition of top-quality data, giving MSU a boost to capture the local E&P market.

Beta Crew

MSU Beta Crew was raised in 2019 and awarded Zarghun South-2D

project, which was successfully completed. Beta Crew is currently deployed at Block 28.

Charlie Crew

To expand MSU's seismic data acquisition capacity, MSU Charlie crew was raised with small capital investment and is currently deployed in Block 28 to expedite the acquisition process.

MSU continues to explore new opportunities for seismic activities in open market besides forming joint venture with a service company of international repute.

MARI DRILLING SERVICES UNIT (MDU)

Currently MDU operates three drilling rigs including Rig Mari 1 (1500HP), Rig Mari 2 Sky Top Brewster (300 HP) and Rig Mari 3 (2500 HP). MDU has successfully completed drilling of three wells during the year.

Rig Mari 1 has completed drilling and testing of two wells namely Zarghun South 4 and Hilal-1. Rig Mari-1 is doing a remarkable job, by consistently maintaining 3,450 Lost Time Injury (LTI) free days as of June 30, 2020 regardless of frequent moves and challenging operating environment.

Rig Mari 3 has completed drilling of Miraj-1 exploratory well in Ghauri block. Rig Mari 3 has LTI 260 free days as of June 30, 2020.

The Board of Directors has approved purchase of two 2,000 HP rigs which would be added into MDU fleet in financial year 2020-21.



Directors' Report

MARI SEISMIC PROCESSING CENTER (MSPC)

MSPC has carried out following processing projects in financial year 2019-20:

- 3D seismic processing of Bannu West block.
- 3D seismic processing of Sukkur block.
- 2D seismic processing of Block 28.

MUD LOGGING UNIT AND PERFORMANCE DRILLING UNIT

MSD is in process of raising units for services of mud logging as well as performance drilling. It is expected that both new services would be added in MSD portfolio during second quarter / third quarter of financial year 2020-21.

INTERNAL CONTROL SYSTEM

The Board of Directors is responsible for ensuring an adequate and effective internal control system in the company. The management of the company assumes responsibility of designing, establishing and maintaining effective internal controls including controls over financial reporting. The objective of such controls is to ensure reliability and completeness of accounting records and timely preparation of reliable financial and management information. The internal control system also ensures compliance with all applicable laws and regulations, promises optimum utilization of resources and protects the Company's assets and stakeholder's interests.

The Company has a properly laid down organisational structure and system of documenting processes, in the form of Management System Procedures, to ensure orderly and efficient conduct of its business operations. All policies are approved by the Board of Directors and are reviewed periodically. The state-of-the-art ERP solution (SAP) has inbuilt controls including authorization controls. This further enhances control environment and provides seamless exchange of information with access controls. In addition, the Company has a Whistle Blower's Policy to address fraud and other wrongdoings at workplace, if any.

In Compliance of requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board of Directors of the Company has set up Internal Audit function, which is headed by Head Internal Audit who functionally reports to Audit Committee of the Board of Directors.

Based on the work performed by the internal and external auditors and the reviews performed by the management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal controls including controls

over financial reporting are sound in design and were effectively implemented and monitored during financial year 2019-20.

ENTERPRISE RISK MANAGEMENT

Effective management of risks is recognised as a key priority for MPCL, as it contributes to business performance, achievement of organisational objectives, resilience and adherence to corporate governance standards. The Company's risk management

strategy is to create a positive risk culture throughout the organisation and to integrate risk management into activities at all levels of organisation from strategic planning to business unit processes. The Company adopts an enterprise-wide risk management methodology to ensure a proactive, adequate and holistic approach to risk management.

MPCL aims to manage risk in a manner which maximises value and minimises potential negatives while focusing on:

- Developing a link between risk, strategy and business performance;
- Building a stronger control environment;
- Complying with all laws and regulations in the jurisdictions in which MPCL operates;
- Developing and maintaining a culture of risk awareness, facilitating financial and operational performance and efficiency.

The Company's Board of Directors is responsible for the governance of risk at MPCL, for determining the Company's level of risk appetite and tolerance, and establishing risk management policies and framework. This is executed through the risk management and governance architecture, which includes Investment Committee. The Investment Committee is responsible for the oversight of risk and is, amongst other things, responsible for ensuring the adequacy, robustness and effectiveness of risk management policies and processes.

A dedicated ERM department at MPCL ensures smooth and streamlined adoption of ERM practices across the organisation, and to provide risk-related advice, guidance and support to the departments. ERM department is supported through identification and engagement of Risk Champions within each department, who support risk and control owners, and promote risk initiatives within their teams.

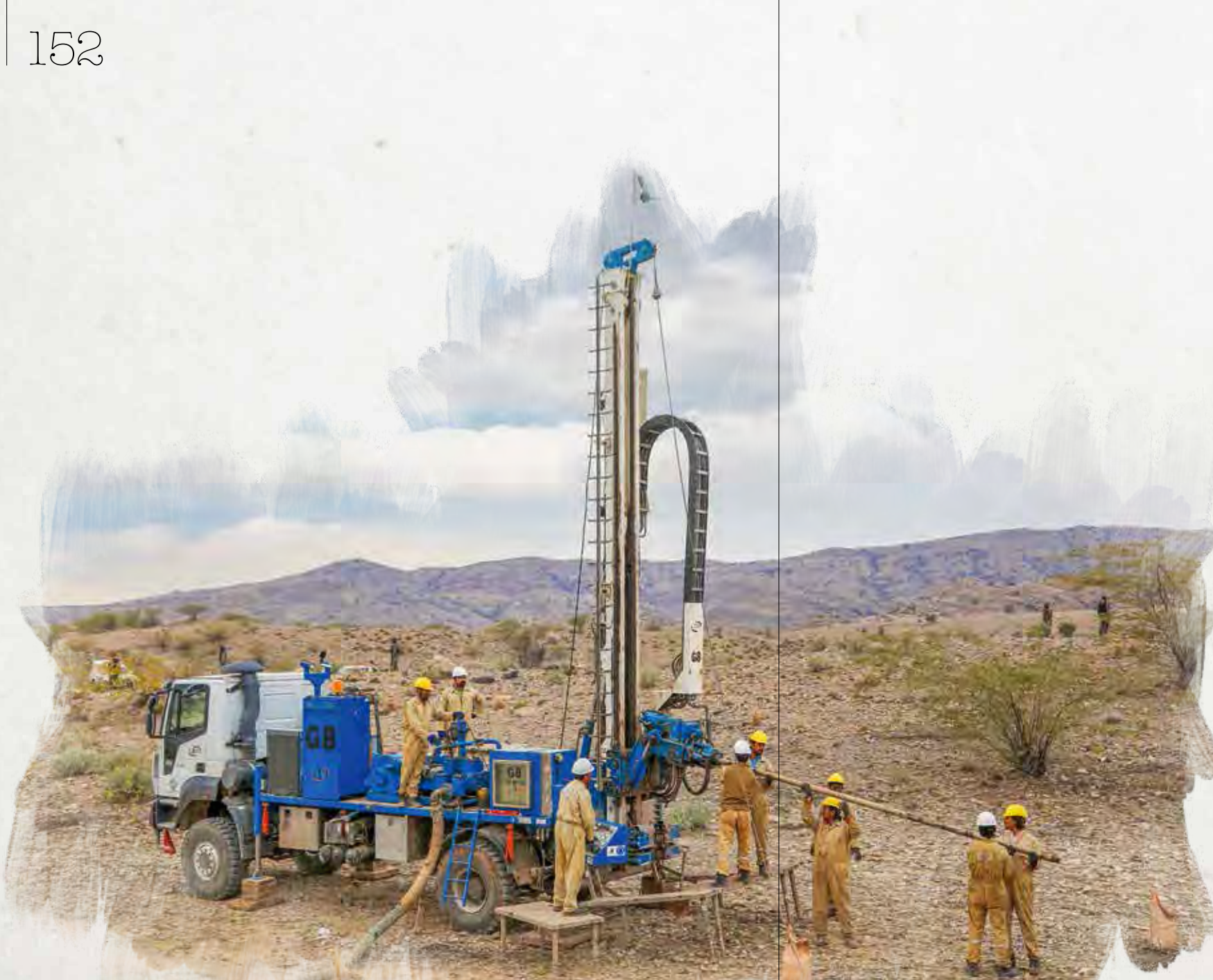
COMPANY'S RISK FRAMEWORK

The setting up of the overall ERM Framework and risk management approach is based on ISO 31000:2018, that supports the integrated oversight of an enterprise risk profile and a view on related control and assurance gaps. It provides guidance for identifying top strategic, financial, operational and compliance risks faced by the organisation while trying to achieve its business and strategic goals.

The main goal of the ERM process is to understand which risks are critical to the strategic success of MPCL. This is achieved by defining appropriate ERM organisational arrangements, a relevant risk classification framework, a clear risk accountability and governance structure and risk escalation criteria to ensure that risks are addressed at the right level of management.

MPCL's enterprise risk management programme ensures that the following core principles are adhered to:

- Clear assignment of responsibilities and accountabilities;
- Standardised enterprise-wide risk management framework and processes;



Directors' Report

- Identification and management of uncertain future events that may influence achievement of business plans and strategic objectives;
- Integration of risk management activities within the Company's decision-making processes.

PRINCIPAL RISKS AND UNCERTAINTIES

MPCL's principal risks and uncertainties emanate from depletion in existing reserves, security concerns limiting access to new exploration areas and fluctuating oil prices in recent times.

MPCL has successfully addressed the issue of depletion in reserves by extending the plateau period. However, lack of significant gas discoveries during the past decade has resulted in a sharp decline in the remaining reserves of natural gas in Pakistan, the mainstay for indigenous energy production. One of the major contributing reasons for this is the lack of access to new exploration areas because of prospective basins lying in security sensitive regions. This limits movement of staff and carrying out exploration activities, resulting in delays in acquisition of seismic data as well as drilling plans. Like all E&P companies in Pakistan, MPCL is also facing challenges when accessing additional acreage for potential new discoveries to arrest reserve depletion. However, collaboration with security agencies assists in controlling the risk by a great degree. MPCL exploration plans also account for security related disruptions and realistic targets are set accordingly.

Due to its strategic position in the national economy, the oil and gas remains a highly regulated sector

and making it vulnerable to changes in government regulations and policies. As far as petroleum related policies and regulations are concerned, MPCL didn't face any significant changes in the year 2019-20.

COVID-19

This year, the world has witnessed an unprecedented challenge in the name of the pandemic disease, COVID-19. In addition to affecting the health and lives of millions across the globe, the pandemic has also slowed down economies across the globe, impacting businesses, and Pakistan has not been an exception.

Understanding the sensitivity of the situation from the beginning, MPCL was one of the first organisations in the local business landscape that recognised the challenges and undertook a comprehensive exercise to identify and implement both preparedness and response measures against the pandemic. This was done in order to safeguard the health and safety of the entire MPCL workforce and to ensure operational disruptions are minimum, if any. Continuity of production from Mari field attracts National importance and therefore procedures for staff-quarantine and concept of "Nucleus team" was quickly implemented at field along with creating safe boundaries by adopting proven procedures for entry/exit and outside interaction.

The management recognises that the Company has peculiar challenges given the different activities the Company is involved in, in different locations across the country. Key measures that have been taken in this regard include:

- Development of a comprehensive Management System Procedure

on COVID-19 preparedness and response plan. The procedure identifies different scenarios, necessary measures and protocols pertaining to each scenario, monitoring and reporting mechanisms and detailed guidelines on specific requirements.

- Central Coordination and Response Team (CCRT) was formed to lead the Company's effort in dealing with the COVID-19 pandemic. CCRT reviews and monitors the status of COVID-19 preparedness and response measures on a daily basis and identifies areas where further actions are required.
- Special arrangements were implemented in the fields including identification and quarantine of essential core (nucleus) staff and their backups, setup of quarantine and isolation facilities and revisions to the field staff rota policy to protect the staff from exposure to the maximum extent possible.
- Work-from-Home (WFH) facility for all Head Office staff with necessary IT arrangements in place to ensure smooth operations.
- Regular awareness sessions on COVID-19 preparedness and response plans and extensive monitoring of its implementation in fields and other operational areas.
- Detailed review of COVID-19's potential impact on our supply chains/procurements and identification and implementation of corrective actions where required.
- Detailed review of COVID-19's potential impact on MPCL's operations, work plan and other projects and identification and implementation of necessary changes where required.

The Company also engaged with its customers to share measures taken

by MPCL to sensitize them about the situation. This was to ensure that there isn't any avoidable disruption at their end that can potentially affect the Company. Furthermore, the Company also took measures to protect and support the local communities in the form of awareness campaigns along with distribution of rations/necessary supplies to the vulnerable individuals and families.

Crude Oil Price Crash

Another key risk for MPCL is driven by the recent crash in global oil prices. The impact on MPCL's revenues and profits during the coming financial year depends on how the current COVID-19 crisis unfolds - how long it takes to contain the virus and the severity of an ensuing economic downturn caused by it. As the oil demand gradually picks up and major developments regarding crude oil prices take place, MPCL is continuously monitoring the international oil prices and analysing its potential impacts. This evaluation includes possible management actions to counteract the rapidly changing environment, including reviewing the company's business plan.

INDUSTRIAL RELATIONS

It is paramount for companies to have good industrial relations. The main objective behind that is to protect workers' interests and to improve their economic conditions. MPCL understands the importance of maintaining good industrial relations as it leads to instant improvement, such as the

productivity of the employee, their motivation and morale. Employees at MPCL work with great zeal with the understanding in mind that the interest of the employer and

employees is one and the same. MPCL upholds an amiable working environment at all locations of the Company and puts in a great deal of effort to ensure harmony at all tiers.



Directors' Report



HUMAN RESOURCE DEVELOPMENT

The success of any company unquestionably lies in the quality of their human resource. In the well thought out words of Mr. Brownie Wise: "If you want to build business, build the people." The Human Resource Department at MPCL plays a pivotal role in ensuring that the interest, image and success of the Company remain protected in every possible way by complying with laws, executing administrative processes and creating policies in the most effective and cost-efficient manner. At MPCL, we ensure that the HR goals are aligned with the overall goals of the organisation. All efforts are geared up to ensure that the best HR practices are being implemented at MPCL, with a purpose to enhance efficiency, maximizing employee retention and multiplying happiness and engagement.

INFORMATION TECHNOLOGY

The Company has strong emphasis on collaboration between its technical and other functional area. This remains a prime focus in the implementation of automated systems and digital transformation initiatives. The approach provides greater integration amongst cross-functional teams to induce effective planning, coordination and decision making during various E&P related activities.

Our exploration and reservoir departments use industry leading Geological & Geophysical (G&G) interpretation and reservoir modeling software suites developed by renowned companies like Schlumberger and Halliburton. Integrated workflows provide geophysicists and geologists with critical collaborative capabilities that yield better geological insights. These systems help improve discoveries success rates and makes the Company well distinguished in the E&P sector.

To meet high-performance systems and infrastructure requirements of G&G software/applications, Virtual Desktop Infrastructure (VDI) System was indigenously designed and implemented by in-house IT team to run high resource demanding software systems. This not only helped to save capital investment on costly high-end workstations hardware but also boosted centralized processing capability for the high performance demanding technical software application and made MPCL pioneer in implementing VDI infrastructure

in local E&P Industry. During COVID-19 outbreak, the system enabled exploration and reservoir departmental users to securely connect and run their jobs while working from home. Thus, helping them to meet the deadlines without any productivity and efficiency loss.

Mari Seismic Processing Center (MSPC) is playing a vital role by providing high quality and state of the art 2D and 3D data processing services, that help the Company take technically more cognisant decisions. Its scalable infrastructure enables it to employ latest geophysical technology across the full spectrum of seismic imaging and reservoir characterisation. In order to fast track processing of seismic data being acquired from multiple blocks, the system has recently been upgraded from 256 to 1,024 processing cores. This high computational power will enable MSPC to handle multiple 2D and 3D time and depth projects simultaneously and provide high quality processed data to exploration department for G&G related interpretation.

Accurate and quality data availability is the lifeblood of E&P companies. Implementation of state of the art integrated E&P data management system has led MPCL to the introduction and adoption of industry's best practices regarding standardized data management related workflows. The system is helping exploration, operation and reservoir professionals for effective planning, coordination and timely decision-making during E&P related lifecycle.



In pursuance of gaining more process efficiency and paperless office operations, digital transformation is part of Company's IT Strategy. In this regard, more SAP modules including Budget Planning and Consolidation (BPC), Master Data Governance (MDG) and Health

and Safety Management Systems are being implemented. During COVID-19 outbreak, the Company took work from home as an opportunity and converted many manual processes into automated processes such as SAP System integration with banks for online payments transfers

instead of cheque issuance, online appraisal system, and many more paper based approvals have been transformed to online workflows. The Company has also initiated a project for Enterprise Data Management and Analytics for helping management to take data driven decisions.

Directors' Report



Participants of the Session on Defensive Driving

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Demonstrating visible, caring and felt leadership is the key enabler towards achieving our HSE objective of **"no harm to people and environment"**. Implementing a robust HSE management system is a vital and one of MPCL's core values towards continuous improvement of our HSE performance.

Implementation and management of HSE is never an easy task, unless 100% commitment prevails among management and employees at all levels.

In order to achieve excellence in HSEQ performance, HSEQ Management System was included in the core management systems of MPCL. In 2007, we streamlined our business processes by fulfilling the requirements of ISO standards and achieved international certifications.

Devoted and committed leadership, management commitment and participation at every individual level to ensure true implementation of HSE system across the organisation continued during the financial year 2019-20. The Company recorded combined (employees and contractual workforce) Total Recordable Case Frequency (TRCF) of 0.29 against the target of 0.30. In comparison to worlds' average TRCF (as per IOGP) of 0.99, MPCL has excelled by showing nearly 70% enhanced safety performance. This achievement of our HSEQ performance would have been impossible without the stupendous efforts of our highly dedicated staff, who contributed at all levels.

ACHIEVEMENTS

MPCL has been re-certified in May 2020 by external IMS auditors for maintaining excellent HSEQ & Information Security Management System standards. We were also able to have a smooth transition of OHSAS 18001:2008 to ISO 45001:2018 (Occupational Health & Safety Standard), **without any major non-compliance.**

Transition to ISO 45001 in these testing times, when COVID-19 is jeopardizing operational activities, is true reflection of dedication and commitment at all tiers. MPCL is now maintaining the following ISO Standards:

- ISO 9001: 2015 (Quality Management System)
- ISO 14001: 2015 (Environmental Management System)
- ISO 45001:2018 (Occupational Health & Safety Management System)
- ISO 27001: 2013 (Information Security Management System)

HSE WORKSHOPS AND TRAININGS

We believe that through effective team work, HSE requirements can be easily implemented through which we can reduce HSE incidents and can bring risks to ALARP (**As Low As Reasonably Practicable**). Initiative of HSE workshops to promote team work and HSE culture has been very successful. Audio visual aids interactive awareness sessions and team building exercises conducted at all levels of employees gave good results in terms of HSE management.

The workshops consisted of interesting interactive activities related to HSE including presentations as well as outdoor activities to develop skills like communication, cooperation, goal setting, leadership, planning and problem solving to achieve HSE and other departmental objectives. In addition, following objectives are also achieved:

- Understanding HSE requirements for E&P life cycle.

- Understanding HSE roles & responsibilities.
- Clarity on Incident Reporting System.

Further, in this fiscal year, **0.8 million training man-hours** were clocked for **619 HSEQ trainings** and **242 HSEQ Crisis & Emergency Drills** were organised for employees. HSEQ trainings imparted covered Permit To Work system, Fire-Fighting, HSE Risk Identification, Assessment & Controls, Incident Investigation & Reporting, Behavior-Based Safety, Safe Food Handling, General HSE, HSE Laws & Regulations, IEE/EIA, housekeeping, IMS & ISMS, Defensive Driving, Stress Management, Chemical Handling, Job Safety Analysis, Waste Management, Crisis & Emergency Handling & Process Safety.

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

A number of risk assessment techniques and conformance to ISO standards 9001, 14001 and 18001 enabled MPCL to establish priorities for eliminating hazards and reduce risks related to occupational hazards and safety management. Our safety performance is reflective of all the following initiatives:

- Air Emission & Other Environmental Regulatory Monitoring
- Annual Medical Checkups & Medical Screening of Catering Staff
- Job Safety Analysis
- Development of Objectives & Targets
- Establishment of Clinics
- Fire Management Systems
- HAZOP & Operational Studies

- Health Risk Assessments
- Heat Stress Management
- HSE Audits & Inspections
- HSE Plans for Operational Activities
- Incident Investigation & Reporting
- No Smoking, Pandemic COVID-19, Malaria & Dengue Prevention Campaigns
- Project & Task Risk Assessments
- Road safety Management

ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

On environmental front MPCL ensures:

- Protection, restoration and rehabilitation of natural environment through Environmental Management Plans (EMPs) and ISO 14001 EMS requirements.
- Rationalize the use of natural resources during execution of E&P activities.
- Compliance of all regulatory requirements related to environmental aspects of our activities.
- Community development initiatives as part of our Corporate Social Responsibility.

MPCL is ISO 14001:2015 (Environmental Management System) certified and is one of the best environment friendly E&P companies in Pakistan by complying with maximum environmental standards. Emission control measures, utilizing environment friendly equipment and introduction of **solar power systems** where ever possible, are the basic and important measures that have been practiced since long.

At present MPCL network includes unsettled fields, rigs and three MSU crews in four provinces of the country and some of them are in remote areas with barren lands. MPCL management of all locations has put a lot of efforts in improving environmental sustainability and contribution to climate change **through plantation** and avoiding loss of vegetation at its best. Currently, despite huge pressures on land resources, large areas of land are in a degraded condition. Plantation can be an effective way to bring barren land back into productive use. During this year, **more than 1,000 trees have been planted and maintained across different locations.**

Further, MPCL HSE drives campaigns for the discontinuation of utilizing plastics and it has been strictly followed and monitored at all locations. Total cut down of plastic based materials has remained a major step towards environmental protection.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the current financial year, MPCL's CSR strategy remained focused on provision of quality service delivery to its communities and sustainability of education, health and water related projects in and around its areas of operations.

CSR AT JOINT VENTURE BLOCKS

In close collaboration with relevant district administrations, MPCL CSR team has been able to convene Social Welfare Committee (SWC) meetings

at various locations and identify new projects in line with the new guidelines. These projects have been approved by the respective SWCs and are currently under implementation phase. Several delays are expected due to the current situation of COVID-19. However, management is fully committed for the implementation of projects.

CSR AT MARI FIELD DAHARKI

Recurring Projects

- Three mobile dispensaries
- Maternity home (Dad Leghari)
- General dispensary
- TB clinic
- Mari Education & Medical Complex (MEMC)

- Supply of drinking water through water bowzers
- MPCL - IBA Sukkur scholarship programme
- Health Management Information System (HMIS)

Construction of Noor-e-Sehar Special Education School

- Construction is completed and a total of 131 children with special needs have been enrolled in the school, along with 21 teaching and technical staff.
- Regular classes commenced in January 2020 and all facilities provided at the school are fully operational.
- Speech therapist, physiotherapists, braille experts



and sign language interpreter are hired along with other teaching faculty.

- Regular teacher's trainings are being conducted via online platforms.

ADDITIONAL PROJECTS - OVER & ABOVE CSR OBLIGATIONS

MPCL has spent on the following projects, "Over & Above" its CSR obligations:

- Construction of Hockey Stadium, Ayub National Park Rawalpindi
- Contribution of Single Cabin Toyota Hilux Ambulance to PSB as part of CSR Activity
- Financial assistance for Safe City Project, Mianwali

- Fundraising Gala Dinner for Autistic Child - Serena Hotel Islamabad

- Contribution to Rawalpindi Chamber of Commerce and Industries

- Contribution for cardiac treatment facilities - FF Healthcare System

- Contribution to Al Mujtaba Education Trust

- Tree plantation at MPCL's Fields and Faisal Mosque, Islamabad

- Sponsorship of Al-Barq Golf Championship Mangla Cantt

- Sponsorship for Team AUJ – an all-Girls Motorsport Team from NUST, Islamabad

- Financial assistance to DIL (Development in Literacy)

- Rehabilitation of three water filtration plants in Islamabad, in collaboration with Metropolitan Corporation Islamabad

- Construction of a new water filtration plant in Islamabad

- Financial assistance to Pakistan Sweet Home, Islamabad

FREE MEDICAL CAMPS

Medical camps are organised for the communities, in and around MPCL areas of operations on weekly/monthly basis, fulfilling the basic healthcare requirements of the deprived communities, residing in the vicinity of our fields.

Directors' Report



During the year, camps were organised at Sujawal, Zarghun, Ghauri and Halini, where the specialist doctors including Medical, ENT, Skin, Surgical, Eye and Gynae specialists attended the medical camps.

CONTRIBUTION IN PANDEMIC COVID-19

MPCL is contributing extensively in the wake of Pandemic COVID-19:

- Installation of ventilators at PAF Hospital, Islamabad.
- Meal arrangements for 100 needy persons through Saylani Welfare Trust, Islamabad on a daily basis from March 26, 2020 to April 28, 2020.
- 100 dry ration packs (containing cooking oil, rice, pulses, salt and tea) are distributed among the needy persons after taking necessary precautionary/preventive measures for distribution.
- Items (tooth pastes, tooth brushes, soap, dry milk and flour) provided to Quarantine place in Islamabad in coordination with Islamabad Magistrate.



CORPORATE GOVERNANCE

BOARD STRUCTURE

MPCL has an effective Board, having appropriate mix of core competencies, diversity, requisite skills, knowledge and experience. Current Board structure is as follows:

S.No	Director *	Category
Representing Fauji Foundation		
1.	Mr. Waqar Ahmed Malik	Non-executive director
2.	Mr. Faheem Haider	Executive director
3.	Mr. Rehan Laiq	Non-executive director
4.	Dr. Nadeem Inayat	Non-executive director
5.	Mr. Qamar Haris Manzoor	Non-executive director
6.	Vacant	-
Representing Government of Pakistan		
7.	Mian Asad Hayaud Din	Non-executive director
8.	Mr. Sajid Mehmood Qazi	Non-executive director
9.	Mr. Shahid Yousaf	Non-executive director
Representing OGDCL		
10.	Mr. Shahid Salim Khan	Non-executive director
11.	Dr. Naseem Ahmad	Non-executive director
12.	Mr. Ahmed Hayat Lak	Non-executive director
Representing General Public		
13.	Mr. Adnan Afridi	Independent non-executive director
14.	Ms. Ayla Majid	Independent non-executive director

* Presently, MPCL Board comprises of 12 male and 1 female directors.

Positions of Chairman of the Board and CEO are Held by Two Different Individuals

Mr. Waqar Ahmed Malik is the Chairman of the Board, while Mr. Faheem Haider is the Managing Director/CEO of the Company.

The names of the persons who, at any time during the financial year, were directors of the Company:

- Lt Gen Ishfaq Nadeem Ahmad (Retd.)
- Lt Gen Syed Tariq Nadeem Gilani (Retd.)
- Maj Gen Javaid Iqbal Nasar (Retd) (Late)
- Syed Iqtidar Saeed
- Mr. Zahid Mir

COMMITTEES OF THE BOARD OF DIRECTORS

MPCL Board of Directors oversees the operations and affairs of the Company in an efficient and effective manner, and in line with applicable laws, rules and regulations. The Board has constituted four committees to assist the Board in its operations. These committees consider important matters relating to their



Directors' Report

respective domains and present their recommendations to the Board for final decision.

Audit Committee:

Audit Committee of the Board currently comprises of the following directors:

Director	Designation
Ms. Ayla Majid	President (independent non-executive director)
Mr. Adnan Afridi	Member
Mr. Rehan Laiq	Member
Mr. Shahid Yousaf	Member
Mr. Ahmed Hayat Lak	Member

Technical Committee:

Technical Committee of the Board currently comprises of the following directors:

Director	Designation
Mr. Qamar Haris Mansoor	President
Mr. Rehan Laiq	Member
Mr. Sajid Mehmood Qazi	Member
Mr. Shahid Yousaf	Member
Mr. Shahid Salim Khan	Member

HR and Remuneration Committee

HR and Remuneration Committee of the Board currently comprises of the following directors:

Director	Designation
Mr. Adnan Afridi	President (independent non-executive director)
Mr. Qamar Haris Manzoor	Member
Mr. Shahid Salim Khan	Member
Ms. Ayla Majid	Member
Mr. Ahmed Hayat Lak	Member

Investment Committee

Investment Committee of the Board currently comprises of the following directors:

Director	Designation
Dr. Nadeem Inayat	President
Mr. Qamar Haris Manzoor	Member
Mr. Rehan Laiq	Member
Mr. Sajid Mehmood Qazi	Member
Dr. Naseem Ahmad	Member
Mr. Adnan Afridi	Member

ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD, BOARD'S COMMITTEES AND INDIVIDUAL DIRECTORS

In compliance with the requirements of clause 10(3)(v) of the Listed Companies (Code of Corporate Governance) Regulations 2019, a formal and effective mechanism is in place for annual evaluation of the Board's own performance, members of the Board and the Board's Committees.

Criteria for Evaluation of Performance

The approved Board Performance Evaluation Template contains 36 Performance Factors covering areas such as Composition of the Board and its Committees, Functions and Performance of the Board and its Committees, Governance Structure and Practices, and Company Performance Monitoring System.

Mechanism for Board's Committees' Evaluation was approved by MPCL Board in its Meeting held on April 16, 2018. Committees' Self Evaluation Template consists of 15 Performance Factors pertaining to the Composition of the Committee, Mandate and Functioning of the Committee, Role of Committee's Chairman, General Atmosphere and Contribution of Committee Members.

Mechanism for Individual Directors Evaluation was approved by MPCL Board in its Meeting held on May 31, 2018. Individual Director's Self Evaluation Template consists of 24 Performance Factors which provide Directors with an opportunity to reflect upon their own

competencies, their role, behavior, contributions and performance as Member of the Board.

In addition to the Identified Factors, Directors can also provide their subjective comments in the Comments Section of the Templates.

Board Evaluation Template and Individual Director's Template are forwarded to all Board Members, while Committees Evaluation Template is forwarded to Members of the respective Committees. The Directors are requested to rate each Factor on a scale of 1 to 5. The scores are consolidated through a specially designed programme and Mean Values, Standard Deviations and Bar Charts for each factor are calculated.

As per the methodology, if the mean value against any performance factor is less than 3, it needs improvement.

If the mean value is above 3, the performance Factor is acceptable. Further, the standard deviation indicates the degree of dispersion in the opinion of Board Members against any specific factor. If the value of standard deviation is less than 1, then there is unanimity in the Board opinion. If the value is more than 1, the opinion of Board is dispersed against that performance factor.

The results of the evaluation are submitted to the HR&R Committee for review before presentation to the Board.

DIRECTORS' REMUNERATION POLICY

In compliance with Clause 16 of the Listed Companies (Code of Corporate Governance) Regulations 2019, a Directors' Remuneration Policy is in place. The Policy was approved by the Board in 171st Board Meeting held on April 16, 2019.

Executive Director: The Managing Director is the only executive director on the Board. He is entitled to salary and other benefits, including bonuses and post-retirement benefits as per his employment contract approved by the Board. When on Company's business, he is also entitled to receive travelling and daily allowances as per approved relevant Policy. No fee is paid to the Managing Director to attend Board, Board Committees and general meetings.

Non-Executive Director: Non-executive directors are entitled to receive a fixed fee for attending Board and Board Committee meeting. The fee is determined by the Board and revised from time to time. When on Company's business, all directors are also entitled to receive travelling and daily allowances as per approved relevant Policy.



Central Manifold-II, Mari Deep Processing Facility, Daharki, Sindh



No fee is paid to the Directors for attending General Meetings of the Company. No extra payment is made on account of being an Independent Director, Chairman of the Board or President of a Committee. Further, non-executive directors are not entitled to receive any bonuses and pension. There is no stock option scheme in place for any category of directors.

PATTERN OF SHAREHOLDING

A statement showing the pattern of shareholding as at June 30, 2020 is part of the Annual Report.

CODE OF CORPORATE GOVERNANCE (CCG)

The Securities and Exchange Commission of Pakistan (SECP) has issued Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) to establish a framework of good corporate governance whereby every listed company is managed in compliance with the best practices.

The Company makes every effort to achieve full compliance with the Regulations. The Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 prepared by the Board of Directors of the Company is reviewed by the External Auditors of the Company.

DIRECTORS' COMPLIANCE STATEMENT

The Directors of the Company hereby confirm the following:

- 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.
- Proper books of account of the Company have been maintained.
- There are no significant doubts regarding the Company's ability to continue as going concern.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- Directors are responsible and have adequately ensured that the system of internal controls including financial controls is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- Key operating and financial data of last ten years is part of the Annual Report.
- Value of investments including bank deposits and accrued income of various funds as at June 30, 2019, based on their respective audited accounts, is as under:

Contributory provident fund	Rs 1,059.87 million
Management staff gratuity fund	Rs 2,301.85 million
Non-management staff gratuity fund	Rs 1,010.42 million

- Information regarding outstanding taxes and levies, as required by Listing Regulations, is disclosed in the notes to the financial statements.

EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 20, 2020 has proposed final cash dividend for the year ended June 30, 2020 @ Rs 2.0 per share, for approval of the members in the Annual General Meeting.

EXTERNAL AUDITORS

The present auditors, M/s A.F. Ferguson & Co, Chartered Accountants, will retire and being eligible, have offered themselves for re-appointment as external auditors of the Company.

The Audit Committee considered the appointment of auditors and

recommended M/s A.F Ferguson & Co as external auditors of the Company for the financial year 2020-21. The recommendation of the Audit Committee was endorsed by the Board of Directors.

ACKNOWLEDGEMENT

The Board of Directors would like to express its appreciation for the efforts and dedication of all employees of the Company, which enabled the Management to run the Company efficiently during the year resulting in uninterrupted production and supply of hydrocarbons to its customers. The Board also wishes to express its appreciation for continued assistance and cooperation received from the local administration at Daharki as well as at all the other locations, Provincial Governments, various departments of Federal Government especially the Ministry of Energy, Ministry of Finance, Oil and Gas Regulatory Authority, Directorates of Petroleum Concessions, Oil and Gas, Fauji Foundation, Oil & Gas Development Company Limited and law enforcement agencies.

For and on behalf of the Board

Faheem Haider
Managing Director/CEO

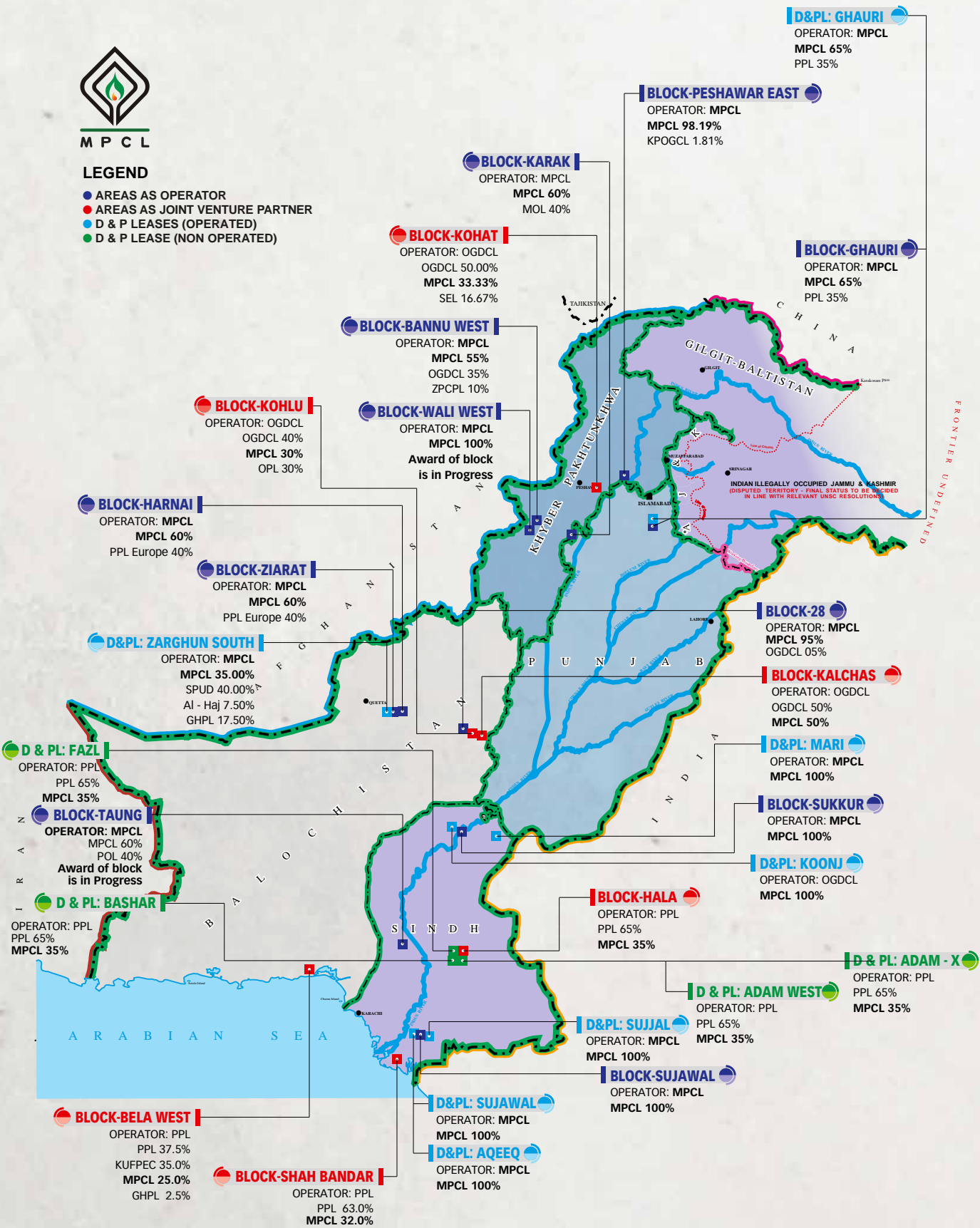
Ayla Majid
Director

Islamabad
August 20, 2020



GEOGRAPHICAL PRESENCE

MPCL CONCESSIONS AND WORKING INTEREST



Statement of Compliance

with the Listed Companies (Code of Corporate Governance) Regulations, 2019

Mari Petroleum Company limited
Year ended June 30, 2020

The Company has complied with the requirements of the Regulations in the following manner:

- The total number of directors is 14* as per the following:
 - Male: 13
 - Female: 01* A casual vacancy occurred subsequent to close of the financial year due to demise of a director.
- The composition of the Board is as follows:
 - As at June 30, 2020:

Category	Names
Independent Director	Mr Adnan Afridi
	Ms Ayla Majid
Executive Director	Lt Gen Ishfaq Nadeem Ahmad, HI(M), (Retd) *
Non-Executive Directors	Mr. Waqar Ahmed Malik
	Dr. Nadeem Inayat
	Maj Gen Javaid Iqbal Nasar (Retd)**
	Mr. Rehan Laiq
	Mr. Qamar Haris Manzoor
	Mian Asad Hayaud Din
	Mr. Sajid Mehmood Qazi
	Mr. Shahid Yousaf
Female director	Mr. Shahid Salim Khan
	Dr. Naseem Ahmad
	Mr. Ahmed Hayat Lak
	Ms. Ayla Majid

* Resigned on July 31, 2020
**Passed away on August 15, 2020

Statement of Compliance with the Code of Corporate Governance

b) Subsequent to the year end, certain changes have occurred on the Board of Directors of the Company. Current composition of the Board is as follows:

Category	Names
Independent directors*	Mr. Adnan Afridi
	Ms. Ayla Majid
Executive director	Mr. Faheem Haider**
Non-executive directors	Mr. Waqar Ahmed Malik
	Dr. Nadeem Inayat
	Mr. Rehan Laiq
	Mr. Qamar Haris Manzoor
	Mian Asad Hayaud Din
	Mr. Sajid Mehmood Qazi
	Mr. Shahid Yousaf
	Mr. Shahid Salim Khan
	Dr. Naseem Ahmad
	Mr. Ahmed Hayat Lak
	(Casual vacancy)
Female director	Ms. Ayla Majid

*Please refer to point 18 of the Statement regarding the number of independent directors as required by regulation 6 of the Regulations.

**Appointed as Managing Director/ Chief Executive Officer of MPCL w.e.f August 12, 2020

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including MPCL;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and the Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;
8. The Board has a formal policy and transparent procedures for determining the remuneration of directors in accordance with the Act and the Regulations;

9. The following Directors are certified under SECP approved Directors’ Training Program:

S#	Directors
1.	Mr. Waqar Ahmed Malik
2.	Dr. Nadeem Inayat
3.	Mr. Rehan Laiq
4.	Mr. Sajid Mehmood Qazi
5.	Mr. Shahid Yousaf
6.	Mr. Ahmed Hayat Lak
7.	Mr. Adnan Afridi
8.	Ms. Ayla Majid

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations; .
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed following committees comprising of members given below.-

a) Audit Committee

Director	Designation
Ms. Ayla Majid	President (independent director)
Mr. Rehan Laiq	Member
Mr. Shahid Yousaf	Member
Mr. Ahmed Hayat Lak	Member
Mr. Adnan Afridi	Member

b) HR and Remuneration Committee

Director	Designation
Mr. Adnan Afridi	President (independent director)
Mr. Qamar Haris Manzoor	Member
Mr. Shahid Salim Khan	Member
Mr. Ahmed Hayat Lak	Member
Ms. Ayla Majid	Member

c) Investment Committee

Director	Designation
Dr. Nadeem Inayat	President
Mr. Rehan Laiq	Member
Mr. Qamar Haris Manzoor	Member
Mr. Sajid Mehmood Qazi	Member
Dr. Naseem Ahmad	Member
Mr. Adnan Afridi	Member

d) Technical Committee

Director	Designation
Mr. Qamar Haris Manzoor	President
Mr. Rehan Laiq	Member
Mr. Sajid Mehmood Qazi	Member
Mr. Shahid Salim Khan	Member
Mr. Shahid Yousaf	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:

Committee	Frequency of meeting
a) Audit Committee:	Quarterly
b) HR and Remuneration Committee:	Yearly
c) Investment Committee:	Required basis
d) Technical Committee:	Required basis

15. The Board has set up an effective internal audit function staffed with members who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;


17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of Regulations 3, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with. Further, the Company has obtained relaxation from SECP in 2019 regarding minimum number of independent directors (Regulation 6 of the Listed Companies [CCG] Regulations, 2017 replaced by Regulation 6 of the Listed Companies [CCG] Regulations 2019) till divestment by the Government of Pakistan/reconstitution of the Board of Directors on expiry of its tenure starting from June 24, 2019; and

19. Explanations pertaining to the regulations other than 3, 6, 7, 8, 27, 32, 33 and 36 are below:

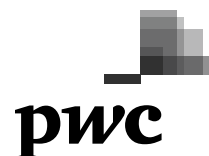
S.No	Requirement	Explanation	Reg. No.
i.	Constitution of Risk Management Committee	The functions of risk management committee are currently performed by Investment Committee and are included in the ToRs of Investment Committee.	30
ii.	Constitution of Nomination Committee	Currently as per Articles of Association and Participation & Shareholders' agreement, most of the directors on MPCL Board are nominated by the sponsor shareholders. The Company will consider establishing a Nomination Committee once composition of the Board changes.	29

For and on behalf of the Board


Waqar Ahmed Malik
Chairman

Islamabad
August 20, 2020


Faheem Haider
Chief Executive Officer



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REVIEW REPORT

**TO THE MEMBERS OF MARI PETROLEUM COMPANY LIMITED
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED
COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Mari Petroleum Company Limited, (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

A.F. Ferguson & Co.
Chartered Accountants
Islamabad

Date: September 1, 2020

Engagement partner: Asim Masood Iqbal

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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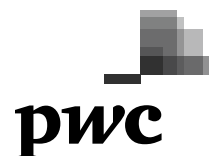
■ KARACHI ■ LAHORE ■ ISLAMABAD



Financial Statements

for the year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT**To the members of Mari Petroleum Company Limited****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of Mari Petroleum Company Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Following are the key audit matters:

S.No. Key Audit Matters**How the matter was addressed in our audit****(i) Impairment assessment of development and production assets, exploration and evaluation assets and property, plant and equipment**

(Refer note 3.5, 3.6, 3.7, 11, 12 and 13 to the financial statements)

As at June 30, 2020, the carrying value of development and production assets, exploration and evaluation assets and property, plant and equipment amounted to Rs 11,766 million, Rs 5,916 million and Rs 22,208 million respectively.

The Company assesses at the end of each reporting period whether there is any indication that a Cash Generating Unit (CGU) may be impaired.

Where impairment indicator is triggered for any CGU, an impairment test is performed by the Company based on estimates of the recoverable value of that CGU.

The assessment of recoverable value of these assets requires the exercise of significant management's estimates and judgements on certain assumptions such as (i) estimates of oil and gas reserves; (ii) future oil and gas prices; (iii) operating costs and inflation rate; (iv) foreign exchange rates and (v) discount rates. Further the prices of crude oil in International markets declined significantly during the last quarter of the year.

We considered this matter as key audit matter due to significant value of these assets at reporting date, significant decline in crude oil prices during last quarter and due to significance of judgements / estimates used by management in determining the recoverable value of these assets.

Our audit procedures in relation to management's impairment assessment, amongst others, included:

- Assessed the methodology used by management to assess the recoverable value of each CGU;
- Assessed the assumptions of cash flow projections in assessment of recoverable value, challenging the reasonableness of key assumptions i.e. oil and gas reserves, oil and gas prices, operating costs, foreign exchange rates, inflation rates and discount rates based on our knowledge of the business and industry by comparing the assumptions to historical results, and published market and industry data;
- Assessed the impairment indicators as per IFRS 6 "Exploration for and Evaluation of Mineral Resources" for material balances included in exploration and evaluation assets;
- Performed sensitivity analysis in consideration of the potential impact of reasonably possible downside changes in assumptions relating to oil and gas prices and discount rate; and
- Assessed the appropriateness of disclosures made in the financial statements.



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S.No. Key Audit Matters**(ii) Recognition of Revenue**

(Refer note 3.10 and 23 to the financial statements)

The Company is engaged in the production and sale of oil and gas resources.

The Company recognised gross revenue during the year from the sales of natural gas and crude oil (including condensate) amounting to Rs 124,318 million and Rs 2,431 million respectively.

Revenue is recognised when the Company satisfies a performance obligation by transferring of promised product to a customer. The Company principally satisfies its performance obligation at a point in time and recognises as revenue the amount of transaction price that is allocated to the performance obligation. 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 Government of Pakistan (GoP). The Company recognises interest on delayed payments from customers on probability of receipt basis.

We considered this as key audit matter due to the significance of the amounts requiring significant time and resource to audit due to magnitude, inherent risk of material misstatement and revenue being a key economic indicator of the Company.

How the matter was addressed in our audit

Our audit procedures in relation to the matter, amongst others, included:

- Assessed the design, implementation and operating effectiveness of the relevant key internal controls over revenue recognition from the sale of products;
- Performed test of details on sample basis for sales transactions by inspecting respective invoices, delivery challans and acknowledgement of customers;
- Checked on sample basis, notifications of OGRA for gas prices. Performed, on a sample basis, recalculation of crude oil and gas prices in accordance with applicable petroleum policies / agreements / decision of Economic Coordination Committee of the Cabinet;
- Where pricing is provisional / sales agreement not finalised, (a) reviewed correspondence with the customers and relevant government authorities during the year and held discussions with the Company; (b) inspected term sheets etc. and (c) checked price recorded is in line with applicable petroleum policy / agreed with the customers;
- Assessed sales transactions on either side of the statement of financial position date to assess whether they are recorded in relevant accounting period;



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S.No. Key Audit Matters**How the matter was addressed in our audit**

- Performed analytical procedures to analyse variation in the price and quantity sold during the year;
- Tested journal entries related to revenue recognized during the year based on identified risk criteria; and
- Assessed the appropriateness of disclosures made in the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.



A.F.FERGUSON & Co.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



A.F.FERGUSON & Co.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

Other Matter

Prior Year Financial Statements Audited by Predecessor Auditor

The financial statements of the Company for the year ended June 30, 2019 were audited by another auditor, Deloitte Yousuf Adil Chartered Accountants, who expressed an unmodified opinion on those statements on July 30, 2019.

The engagement partner on the audit resulting in this independent auditor's report is Asim Masood Iqbal.

Chartered Accountants
 Islamabad
 Date: September 1, 2020

Statement of Financial Position

As at June 30, 2020

	Note	2020 (Rupees in thousand)	2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	1,334,025	1,212,750
Undistributed percentage return reserve	5	477,899	602,415
Other reserves	6	14,190,001	13,190,001
Profit and loss account	7	77,147,181	48,601,563
		93,149,106	63,606,729
NON CURRENT LIABILITIES			
Deferred liabilities	8	10,342,139	10,057,962
CURRENT LIABILITIES			
Trade and other payables	9	170,144,182	140,372,206
Unclaimed dividend		44,026	32,563
Unpaid dividend		-	7,544
Provision for income tax		8,397,850	5,985,202
		178,586,058	146,397,515
CONTINGENCIES AND COMMITMENTS			
	10		
		282,077,303	220,062,206

The annexed notes 1 to 45 form an integral part of these financial statements.



Muhammad Asif
General Manager Finance/CFO



Faheem Haider
Managing Director / CEO

	Note	2020 (Rupees in thousand)	2019
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	11	22,207,552	16,176,231
Development and production assets	12	11,766,348	12,755,574
Exploration and evaluation assets	13	5,915,531	6,553,548
Long term loans and advances	14	33,165	39,755
Long term deposits and prepayments	15	353,999	230,999
Deferred income tax asset	16	1,888,594	651,147
		42,165,189	36,407,254
CURRENT ASSETS			
Stores and spares	17	2,999,993	2,349,391
Trade debts	18	179,301,640	148,939,878
Loans and advances	19	7,055,770	4,752,460
Short term prepayments	20	134,910	92,919
Other receivables		48,928	78,739
Short term investments	21	33,634,126	20,700,000
Interest accrued		36,469	105,747
Cash and bank balances	22	16,700,278	6,635,818
		239,912,114	183,654,952
		282,077,303	220,062,206



Ayla Majid
Director

Statement of Profit or Loss

for the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
Gross sales to customers	23	126,847,608	117,542,103
Gas development surcharge		18,916,120	9,280,308
General sales tax		12,766,944	12,098,286
Excise duty		1,876,423	1,888,366
Gas infrastructure development cess		21,273,225	34,827,136
		54,832,712	58,094,096
Sales - net		72,014,896	59,448,007
Royalty		8,805,560	7,574,515
		63,209,336	51,873,492
Operating expenses	24	13,302,159	11,712,974
Exploration and prospecting expenditure	25	10,257,639	4,308,006
Other charges	26	2,698,227	2,435,811
		26,258,025	18,456,791
		36,951,311	33,416,701
Other income / (expenses)	27	340,001	326,087
Operating profit		37,291,312	33,742,788
Finance income	28	4,973,709	1,733,298
Finance cost	29	985,576	767,752
Profit before taxation		41,279,445	34,708,334
Provision for taxation	30	10,966,572	10,381,246
Profit for the year		30,312,873	24,327,088
Earnings per share - basic and diluted			(Restated)
Earnings per ordinary share (Rupees)	31	227.23	182.36
Distributable earnings per ordinary share (Rupees)	31	5.87	5.70

The annexed notes 1 to 45 form an integral part of these financial statements.


Muhammad Asif
General Manager Finance/CFO

Faheem Haider
Managing Director / CEO

Ayla Majid
Director

Statement of Comprehensive Income

for the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
Profit for the year		30,312,873	24,327,088
Other comprehensive income / (loss):			
Items that will not be reclassified to statement of profit or loss:			
Remeasurement gains / (losses) of defined benefit plans	33	45,693	(319,639)
Tax effect related to remeasurement of defined benefit plans			
- Current tax (charge) / credit		(33,604)	173,326
- Deferred tax (charge) / credit		6,915	(5,059)
		19,004	(151,372)
Total comprehensive income for the year		30,331,877	24,175,716

The annexed notes 1 to 45 form an integral part of these financial statements.


Muhammad Asif
General Manager Finance/CFO

Faheem Haider
Managing Director / CEO

Ayla Majid
Director

Statement of Changes in Equity

for the year ended June 30, 2020

	Issued, subscribed and paid up capital	Undistributed percentage return reserve	Other Reserves Capital redemption reserve fund	Self insurance reserve	Profit and loss account	Total
(Rupees in thousand)						
Balance as at July 1, 2018	1,102,500	613,109	10,590,001	1,600,000	26,286,128	40,191,738
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	24,327,088	24,327,088
Other comprehensive loss	-	-	-	-	(151,372)	(151,372)
	-	-	-	-	24,175,716	24,175,716
Final cash dividend for the year ended June 30, 2018 @ Rs 2.50 per share *	-	(171,990)	-	-	(103,635)	(275,625)
First interim cash dividend for the year ended June 30, 2019 @ Rs 4.00 per share *	-	-	-	-	(485,100)	(485,100)
Issuance of bonus shares *	110,250	(110,250)	-	-	-	-
Transfer from profit and loss account to undistributed percentage return reserve	-	271,546	-	-	(271,546)	-
Transfer from profit and loss account to self insurance reserve	-	-	-	1,000,000	(1,000,000)	-
Balance as at June 30, 2019	1,212,750	602,415	10,590,001	2,600,000	48,601,563	63,606,729
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	30,312,873	30,312,873
Other comprehensive income	-	-	-	-	19,004	19,004
	-	-	-	-	30,331,877	30,331,877
Transfer from profit and loss account to undistributed percentage return reserve	-	259,882	-	-	(259,882)	-
Final cash dividend for the year ended June 30, 2019 @ Rs 2.00 per share * - note 5.2	-	(239,353)	-	-	(3,197)	(242,550)
First interim cash dividend for the year ended June 30, 2020 @ Rs 4.10 per share *	-	(23,770)	-	-	(523,180)	(546,950)
Issuance of bonus shares *	121,275	(121,275)	-	-	-	-
Transfer from profit and loss account to self insurance reserve	-	-	-	1,000,000	(1,000,000)	-
Balance as at June 30, 2020	1,334,025	477,899	10,590,001	3,600,000	77,147,181	93,149,106

* Distribution to owners - recorded directly in equity

The annexed notes 1 to 45 form an integral part of these financial statements.



Muhammad Asif
General Manager Finance/CFO



Faheem Haider
Managing Director / CEO



Ayla Majid
Director

Statement of Cash Flows

for the year ended June 30, 2020

Note	2020	2019
	(Rupees in thousand)	
Cash flows from operating activities		
Cash receipts from customers	96,586,916	64,734,687
Cash paid to the Government for Government levies	(36,716,810)	(25,346,338)
Cash paid to suppliers, employees and others	(18,424,174)	(13,764,354)
Income tax paid	(9,832,886)	(5,187,942)
Cash provided by operating activities	31,613,046	20,436,053
Cash flows from investing activities		
Property, plant and equipment	(8,439,549)	(3,119,481)
Development and production assets	(963,139)	(2,413,957)
Exploration and evaluation assets	(3,191,295)	(4,325,361)
Proceeds from disposal of property, plant and equipment	17,417	171
Dividend received	36,573	-
Interest received	4,721,674	1,807,092
Cash used in investing activities	(7,818,319)	(8,051,536)
Cash flows from financing activities		
Redemption of preference shares	(4,382)	(3,390)
Finance cost paid	(6,178)	(68)
Dividends paid	(785,581)	(751,503)
Cash used in financing activities	(796,141)	(754,961)
Increase in cash and cash equivalents	22,998,586	11,629,556
Cash and cash equivalents at beginning of year	27,335,818	15,706,262
Cash and cash equivalents at end of year	32 50,334,404	27,335,818

The annexed notes 1 to 45 form an integral part of these financial statements.



Muhammad Asif
General Manager Finance/CFO



Faheem Haider
Managing Director / CEO



Ayla Majid
Director

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

1. LEGAL STATUS AND OPERATIONS

1.1 Mari Petroleum Company Limited ("the Company") is a public limited company incorporated in Pakistan on December 4, 1984 under the repealed Companies Ordinance, 1984 (replaced by the Companies Act, 2017). The shares of the Company are listed on the Pakistan Stock Exchange Limited. The Company is principally engaged in exploration, production and sale of hydrocarbons. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

1.2 Geographical location of blocks/fields is as under:

Block/Fields	Location
Mari Field, Sujawal block, Sukkur block, Taung Block, Hala block, Shah Bandar block	Sindh
Zarghun South Field, Kalchas block, Ziarat block, Harnai block, Block 28, Bela West block	Balochistan
Bannu West block, Kohat block	Khyber Pakhtunkhwa (KPK)
Ghauri block	Punjab
Karak block, Wali West Block, Peshawar East block	KPK and Punjab
Kohlu block	Balochistan and Punjab

1.3 Revision in Mari Wellhead Gas Price formula

The previous gas price mechanism for Mari field was governed by Mari Gas Well Head Price Agreement ("the Agreement") dated December 22, 1985 between the President of Islamic Republic of Pakistan and the Company. Effective July 1, 2014, the Agreement has been replaced with revised Mari Wellhead Gas Price Agreement (2015) ("Revised Agreement") dated July 29, 2015 in line with the Economic Coordination Committee (ECC) decision explained below:

Effective July 1, 2014, the cost plus wellhead gas pricing formula was replaced with a crude oil price linked formula which provides a discounted wellhead gas price. Mari field wellhead gas price for the period has been determined in line with the revised formula as approved by the ECC. The revised formula provides dividend distribution to be continued for ten years upto June 30, 2024 in line with the previous cost plus formula. Accordingly, the shareholders are entitled to a minimum return of 30%, net of all taxes, on shareholders' funds which is to be escalated in the event of increase in the Company's gas or equivalent oil production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on shareholder's funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on an annual basis, subject to a maximum of 45%. Any residual profits for ten years upto June 30, 2024 are to be reinvested for exploration and development activities in Mari as well as outside Mari field.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the respective accounting policy note.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees (Rupees), which is the functional currency of the Company. All figures are rounded off to the nearest thousands of Rupees.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of these financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

a) Estimation of oil and gas reserves

Oil and gas commercial reserves i.e. proved and probable developed reserves, are an important element in calculation of amortization charge and for impairment testing of development and production assets of the Company. Estimates of these reserves are inherently imprecise, require the application of judgement and are subject to future revision. Reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All 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, including contract terms or development plans. Changes to the Company's estimates of reserves affect the amount of impairment and amortization recorded in the financial statements.

b) Provision for decommissioning cost

Provision is recognized for the future decommissioning and restoration of oil and gas wells, production facilities and pipelines at the end of their economic lives. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to changes. Estimates of the amounts of provision are based on current legal and constructive requirements, technology and price levels. Provision is based on best current estimates, however, because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of provision is reviewed annually and adjusted to take account of significant changes.

c) Property, plant and equipment

The Company reviews the appropriateness of useful lives, method of depreciation and residual values of property, plant and equipment at each reporting date. Any change in the estimates may affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

d) Exploration and evaluation expenditure

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the statement of profit or loss in the period when such judgement is made.

e) Development and production expenditure

Development and production activities commence after project sanctioning by the appropriate approving authority. Judgement is applied by the management in determining whether a project is economically viable before obtaining project sanction approval. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced development activity, a judgement is made that a development and production asset is impaired, the appropriate amount is written off to the statement of profit or loss in the period when such judgement is made.

f) Employee benefits

Certain actuarial assumptions have been adopted as disclosed in note 33 to the financial statements for determination of present value of defined benefit obligations and fair value of plan assets.

g) Income taxes

In making the estimates of income taxes currently payable by the Company, the management takes into account the income tax law applicable to the Company and the decisions of appellate authorities on certain issues in the past. This involves judgement on the future tax treatment of certain transactions. Deferred tax is recognized based on the expectation of the tax treatment of these transactions.

h) Provision against financial assets

The Company reviews the recoverability of its financial assets to assess the expected credit losses and provision there against at each reporting date.

i) Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis, which may affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

2.5 Change in accounting policies

2.5.1 This note explains the impact of the adoption of S.R.O. 985 (I)/2019 and IFRS 16 "Leases" on the Company's financial statements as follows:

- IFRS 16 'Leases' (effective from accounting period beginning on or after January 1, 2019)

International Financial Reporting Standards (IFRS) 16 "Leases" has replaced IAS 17 "Leases", the former lease accounting standard, and has become effective from annual accounting periods beginning on or after January 1, 2019. Under the new standard, almost all leases which meet the criteria described in the standard will be recognized on the statement of financial position with only exceptions of short term and low value leases. Under IFRS 16, an asset (the right to use the leased item) is recognized along with

corresponding financial liability to pay rentals at the present value of future lease payments over the lease term, discounted with the specific incremental borrowing rate.

The Company's lease portfolio includes lease contracts which are extendable through mutual agreement between counter parties or cancellable by both parties immediately or on a short notice. Accordingly, the Company has concluded that where the lease term of contracts are short-term in nature i.e. with a lease term of twelve months or less at the commencement date, right of use assets is not recognized and payments made in respect of these leases are expensed in the statement of profit or loss.

The Company has adopted IFRS 16 from July 1, 2019 using the modified retrospective approach and the Company has assessed that the adoption of IFRS 16 does not have any material financial impact on these financial statements.

- IFRS 9 'Financial Instruments'

Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 985 (I)/2019 dated September 2, 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of Expected Credit Loss (ECL) model shall not be applicable till June 30, 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments: Recognition and Measurement' in respect of above referred financial assets during the exemption period.

Consequently, the Company has not recorded impact of ECL on the financial assets due from the GoP in these financial statements. For other financial assets, the management believes that the impact of ECL is not material as outstanding balances are receivable from counter parties who have high credit ratings with no history of default.

2.5.2 Certain annual improvements have also been made to a number of IFRSs. Such improvements did not have any material effect on the financial statements of the Company.

2.6 Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.

	Effective from annual accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Amendments updating a reference to the Conceptual Framework	January 01, 2022
Amendments to IFRS 4 'Insurance Contracts' - Amendments regarding the expiry date of the deferral approach	January 01, 2023
Amendments to IFRS 7 'Financial Instruments' - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

	Effective from annual accounting period beginning on or after
Amendments to IFRS 9 'Financial Instruments' - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Amendments regarding the definition of material	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Amendments regarding the classification of liabilities and deferment of effective date of the January 2020 amendments	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendment regarding the definition of material	January 01, 2020
Amendments to IAS 16 'Property, Plant and Equipment' - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined. Earlier application is permitted
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
Amendments to IAS 41 'Agriculture' - Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements)	January 01, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020

The above standards, amendments to approved accounting standards and interpretations are not likely to have any material impact on Company's financial statements.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been notified locally by the SECP as at June 30, 2020:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

The following interpretation / IFRS issued by the IASB have been waived off by SECP:

- IFRIC 12 – Service concession arrangements
- IFRS 2 – Share based payment in respect of Benazir Employees' Stock Option Scheme. Also refer note 2.7 to the financial statements.

2.7 Application of IFRS 2 - Share Based Payment

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) and non-State Owned Enterprises (non-SOEs) where GoP holds significant investments. 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 shall transfer 12% of its investment to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would 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 Privatization Commission of Pakistan for the 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 above Scheme needs to be accounted for by the covered entities, including the Company, under the provisions of the amended International Financial Reporting Standard to share based payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities and Exchange Commission of Pakistan on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 has granted exemption to such entities from the application of IFRS 2 to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

Had the exemption not been granted, the staff costs of the Company for the year would have been higher by Rs 134.23 million, profit for the year would have been lower by Rs 67.02 million, earnings per share would have been lower by Rs 0.50 per share and reserves would have been higher by Rs 726.18 million.

The Company understands that the Scheme is currently under review by the GoP, the impact of which cannot be determined as of June 30, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented in these financial statements except for the changes as disclosed in note 2.5 to these financial statements.

3.1 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in profit or loss except to the extent that it relates to items recognized outside of profit or loss (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside of profit or loss.

Current

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

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

Deferred

The Company accounts for deferred tax using the 'liability method' in respect of all temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent, it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and unused tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax has been calculated at the estimated effective tax rate of 32% after taking into account the availability of depletion allowance and royalty. The tax rate is reviewed annually and significant adjustments are incorporated, where required.

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

3.2 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and significant adjustments are made to reflect the current best estimate.

3.3 Decommissioning cost

The activities of the Company normally give rise to obligations for site restoration, which may include abandonment and removal of wells, facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration.

Liabilities for decommissioning cost are recognized when the Company has an obligation for site restoration and a reliable estimate of that liability can be made. The amount recognized is the estimated cost of decommissioning based on current requirements, technology and price levels and is discounted to its present value over the useful economic life of the reserves. The associated decommissioning cost asset is capitalized to the cost of property, plant and equipment, development and production assets and exploration and evaluation assets, as the case may be. The recognized amount of decommissioning cost asset is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property, plant and equipment.

While the provision is based on the best estimates, there is uncertainty regarding both the amount and timing of incurring these costs. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment, development and production assets and exploration and evaluation assets, as the case may be. The unwinding of discount on decommissioning provision is recognized as finance cost in the statement of profit or loss.

The decommissioning cost has been discounted at a real discount rate of 1.30% (2019: 1.20%) per annum.

3.4 Employee benefits

The Company operates:

- i) Defined benefit funded and unfunded plans for its management and non-management employees.

The Company makes contributions and records liability on the basis of actuarial valuations, carried out annually by independent actuaries using the "Projected Unit Credit Method" and the latest valuation was carried out as at June 30, 2020. The results of the valuation are summarized in note 33 to these financial statements.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the present value of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Past service cost and curtailments are recognized in statement of profit or loss, in the period in which change takes place.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the year in which they arise.

- ii) Defined contribution provident fund for its employees for which Rs 93.67 million (2019: Rs 83.03 million) are charged to income for the year. The contributions to the fund are made by the Company at the rate of 10% per annum of the basic salary.
- iii) The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.5 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs and decommissioning cost as referred in note 3.3 to these financial statements. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to working condition for their intended use.

Depreciation on property, plant and equipment is charged to income using the straight line method at rates specified in note 11 to these financial statements so as to write off the cost of property, plant and equipment over their estimated useful lives.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is derecognized.

Subsequent costs are included in the assets' carrying amounts when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals are credited or charged to income in the year of disposal.

Capital work in progress is stated at cost less impairment loss, if any, and transferred to respective item of property, plant and equipment when available for intended use.

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of the impairment loss is recognized as income in the statement of profit or loss.

3.6 Exploration and evaluation assets

The Company applies the "successful efforts" method of accounting for Exploration and Evaluation (E&E) expenditures. Under this method of accounting, all property acquisitions and exploratory/evaluation drilling

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For the year ended June 30, 2020

expenditures are initially capitalized as intangible E&E assets in cost centers by well, field or exploration area, as appropriate, till such time that technical feasibility and commercial viability of extracting gas and oil are demonstrated.

Major costs capitalized include material, chemical, fuel, well services, rig costs, cost of recognizing provisions for future site restoration and decommissioning and any other cost directly attributable to a particular well. All other exploration costs including cost of technical studies, seismic acquisition and processing, geological and geophysical activities are charged currently against income as exploration and prospecting expenditure. Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the statement of profit or loss as and when incurred.

Tangible assets used in E&E activities, other than stores held, including the Company's vehicles, drilling rigs and other property, plant and equipment used by the Company's exploration function are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible E&E asset. Such intangible costs include directly attributable overheads, together with the cost of other materials consumed during the exploration and evaluation phases.

Intangible E&E assets relating to each exploration license/field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets. Otherwise, the capitalized costs are written off as dry hole costs.

Intangible E&E assets are not amortized.

Intangible E&E assets are assessed for impairment when facts and circumstances indicate that carrying amounts may exceed the recoverable amounts of these assets. Such indicators include, the point at which a determination is made as to whether or not commercial reserves exist, the period for which the Company has right to explore has either expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event, that may give rise to indication that such assets are impaired.

Where an impairment loss subsequently reverses, the carrying amount of the intangible E & E assets is increased due to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined had no impairment loss being recognized for the intangible E & E assets in prior years. A reversal of the impairment loss is recognized as income in the statement of profit or loss.

3.7 Development and production assets

Development and production assets represent the cost of developing the discovered commercial reserves, together with the capitalized E&E expenditures transferred from intangible E&E assets as outlined in note 3.6 above. The cost of development and production assets also includes the cost of acquisitions of such assets, directly attributable overheads and the cost of recognizing provisions for future site restoration and decommissioning. Development and production assets are amortized on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of commercial reserves at the end of the year plus the production during the year.

Changes in the estimates of commercial reserves are dealt with prospectively. Acquisition cost of leases, where commercial reserves have been discovered, are capitalized and amortized on unit of production basis.

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amounts of the development and production assets may exceed their recoverable amount. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production concession and the net selling price of the hydrocarbons produced.

The carrying amounts are compared against expected recoverable amounts of the oil and gas assets, generally by reference to the present value of the future net cash flows expected to be derived from such assets. The cash generating unit applied for impairment test purpose is generally field by field basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter-dependent.

Where an impairment loss subsequently reverses, the carrying amount is increased due to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined had no impairment loss being recognized in prior years. A reversal of the impairment loss is recognized as income in the statement of profit or loss.

3.8 Stores and spares

These are valued at the lower of cost and net realizable value less allowance for obsolete and slow moving items. Material in transit is valued at cost. Cost is determined on the moving average basis and comprises cost of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

When stores and spares meet the definition of property, plant and equipment, they are classified as stores and spares held for capital expenditure, classified under property, plant and equipment.

3.9 Foreign currencies

Pakistan Rupees is the functional as well as reporting currency of the Company. Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the statement of financial position date. All exchange differences are taken to the statement of profit or loss.

3.10 Revenue and finance/other income

Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring of promised good or service to a customer. In case of goods, the Company principally satisfies its performance obligations at a point in time. The transfer of control of hydrocarbons usually coincides with the delivery of the same to customers.

When, or as, a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled. Effect of adjustment, if any, arising from revision in sale price is reflected as and when the prices are finalized with the customers and/or approved by the Government. Amounts billed or received prior to being earned, are deferred and recognized as deferred income.

The Company recognizes revenue on take or pay arrangements with the customers only to the extent that it is highly probable that a significant reversal in the amount recognized will not occur when the uncertainty,

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For the year ended June 30, 2020

if any, associated with the revenue is subsequently resolved. The Company considers such uncertainty as resolved when such revenue is received by the Company and customer cannot adjust the unused paid volumes in the future.

Finance income is recognized as the interest accrues (using the effective interest rate, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

The Company recognizes interest on delayed payments from counter parties on probability of receipt basis.

3.11 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective interest method.

Preference shares, which are mandatorily redeemable by the Company are classified as liabilities. The profit on these preference shares is recognized in the statement of profit or loss as finance cost.

3.12 Borrowing cost

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The Company suspends capitalization of borrowing costs during extended period when active development of a qualifying asset is suspended. All other borrowing costs are charged to statement of profit or loss.

3.13 Joint operations

Investments in joint arrangements are classified as either joint operations or joint ventures depending on contractual rights and obligations of the parties to the arrangement. The Company has assessed the nature of its arrangements and determined them to be joint operations.

The Company has recognized its share of assets, liabilities, revenues and expenses jointly held or incurred under the joint operations on the basis of latest available audited financial statements of the joint operations and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the statement of financial position date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

3.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not classified at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The Company derecognizes financial assets when the contractual rights to the cash flows expire.

The Company classifies its financial assets as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the classification of financial asset at initial recognition.

(i) Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in statement of profit or loss when the assets are derecognized or impaired and when interest is recognized using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income

Financial assets are classified as measured at fair value through other comprehensive income when they are held in a business model the objective of which is both to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest. Such assets are carried on the statement of financial position at fair value with gains or losses recognized in the other comprehensive income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost or fair value through other comprehensive income. Such assets are carried on the statement of financial position at fair value with gains or losses recognized in the statement of profit or loss.

b) Financial liabilities

The measurement of financial liabilities depends on their classification, as follows:

(i) Financial liabilities measured at fair value through profit or loss

Financial liabilities that meet the definition of held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the statement of financial position at fair value with gains or losses recognized in the statement of profit or loss.

(ii) Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

c) Fair value measurement

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants.

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For the year ended June 30, 2020

d) Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

e) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each statement of financial position date. Expected credit losses are measured based on the maximum contractual period over which the Company is exposed to credit risk. Since this is typically less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the Company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the Company expects to receive discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the statement of profit or loss.

A financial asset or group of financial assets classified as measured at amortized cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the Company has no reasonable expectation of recovering amounts due.

3.15 Trade and other payables

Liabilities for trade and other payables are carried at their amortized cost which approximates the fair value of the consideration to be paid in the future for goods and services received.

3.16 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at their amortized cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realizability of these receivables, appropriate amount of provision is made.

3.17 Cash and cash equivalents

Cash and cash equivalents, for the purposes of statement of cash flows, comprise cash in hand and at bank and include short term highly liquid investments that are readily convertible to the known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are classified as financial assets measured at amortized cost.

3.18 Dividend distribution

Dividend is recognized as a liability in the financial statements in the period in which it is declared.

3.19 Research and development costs

Research and development costs are charged to income as and when incurred.

3.20 Leases

Right of use asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs

incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Where the Company determines that the lease term of identified lease contracts are short term in nature i.e. with a lease term of twelve months or less at the commencement date, right of use assets is not recognized and payments made in respect of these leases are expensed in the statement of profit or loss.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments in the measurement of the lease liability comprise the following:

- a. fixed payments, including in-substance fixed payments;
- b. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c. amounts expected to be payable under a residual value guarantee; and
- d. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.21 Operating segments

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer / Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are exploration and production, Mari Seismic Unit and Mari Drilling Unit.

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	Note	2020 (Rupees in thousand)	2019
4. SHARE CAPITAL			
Authorized capital			
250,000,000 (2019: 250,000,000)			
ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid up capital			
24,850,007 (2019: 24,850,007) ordinary shares of			
Rs 10 each issued for cash		248,500	248,500
11,899,993 (2019: 11,899,993) ordinary shares of			
Rs 10 each issued for consideration other than cash	4.1	119,000	119,000
96,652,500 (2019: 84,525,000) ordinary shares of			
Rs 10 each issued as bonus shares	4.2	966,525	845,250
		1,334,025	1,212,750

4.1 This represents shares allotted to the Government of Pakistan and Fauji Foundation in consideration for transfer of assets and liabilities of Pak Stanvec Petroleum Project.

4.2 The Board of Directors in its meeting held on July 30, 2019 proposed issuance of bonus shares in ratio of one share for every ten shares held (i.e. 10%) amounting to Rs 121.275 million. These bonus shares were subsequently issued after approval of the shareholders in the Annual General Meeting held on October 22, 2019.

736,120 bonus shares have not been issued as at June 30, 2020 due to pending resolution of issue relating to deduction of withholding tax on issuance of bonus shares (2019: 669,200 bonus shares).

4.3 Major shareholding of the Company is as follows:

	2020 (Percentage)	2019
Fauji Foundation	40.00 *	40.00*
Oil and Gas Development Company Limited (OGDCL)	20.00 *	20.00*
Government of Pakistan	18.39	18.39

* Pattern of shareholding includes 444,675 and 222,337 bonus shares (2019: 404,250 and 202,125 bonus shares) of Fauji Foundation and OGDCL respectively, which have not been issued as at year end due to pending resolution of issue as referred to in note 4.2.

4.4 Rights and Privileges in the Participation and Shareholders Agreement (PSA)

A Participation and Shareholders Agreement (PSA) was signed among sponsor shareholders i.e. Fauji Foundation, Government of Pakistan (GoP) and Oil and Gas Development Company Limited (OGDCL) on June 3, 1985 which contained the rights and privileges of the parties. PSA was later amended through a Supplemental PSA dated July 25, 1992.

Right of First Refusal

If any of the sponsor shareholders desires to sell or transfer its shares in the Company in whole or in part, the remaining sponsor shareholders shall have the first option to purchase such shares subject to the conditions and in the manner prescribed in the PSA.

Board Selection

The membership of the Board of Directors of the Company shall reflect as closely as possible the proportion in which shares of the Company are held by the sponsor shareholders and others.

Management Right

The management of the affairs and the business of the Company shall vest in and be conducted by Fauji Foundation through a Managing Director exclusively nominated by Fauji Foundation.

	Note	2020 (Rupees in thousand)	2019
5. UNDISTRIBUTED PERCENTAGE RETURN RESERVE			
Balance at beginning of the year		602,415	613,109
Transferred from profit and loss account	5.1	259,882	271,546
Bonus shares issued	4.2	(121,275)	(110,250)
Final dividend:			
for the year ended June 30, 2019	5.2	(239,353)	-
for the year ended June 30, 2018		-	(171,990)
First interim cash dividend for the year ended June 30, 2020	5.3	(23,770)	-
Balance at end of the year		477,899	602,415

5.1 This represents the amount of distributable profits for the year related to undistributed percentage return reserve.

5.2 The Board of Directors in its meeting held on July 30, 2019 proposed a final cash dividend for the year ended June 30, 2019 @ Rs 2.0 per share amounting to Rs 242.550 million, which was subsequently approved by the shareholders in Annual General Meeting held on October 22, 2019. Out of this, Rs 239.353 million has been appropriated out of undistributed percentage return reserve while balance amount of Rs 3.197 million represents balance amount of undistributed guaranteed return for the year ended June 30, 2019.

5.3 The Board of Directors in its meeting held on January 24, 2020 declared a first interim cash dividend for the year ended June 30, 2020 @ Rs 4.10 per share amounting to Rs 546.950 million. Out of this, Rs 23.770 million has been appropriated out of undistributed percentage return reserve while amount of Rs 523.180 million represents amount of undistributed guaranteed return for the year ended June 30, 2020.

5.4 The amount held in this reserve represents the balance of the percentage return reserve on Shareholders' Funds as referred to in the Revised Agreement.

	Note	2020 (Rupees in thousand)	2019
6. OTHER RESERVES			
Capital redemption reserve fund	6.1	10,590,001	10,590,001
Self insurance reserve	6.2	3,600,000	2,600,000
		14,190,001	13,190,001

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

6.1 This reserve was created for redemption of redeemable preference shares in the form of cash to the preference shareholders.

6.2 The Company has set aside a specific capital reserve for self insurance of assets which have not been insured, for uninsured risks and for deductibles against insurance claims.

	Note	2020 (Rupees in thousand)	2019
7. PROFIT AND LOSS ACCOUNT			
Undistributed return	7.1	-	3,197
Unappropriated balance		77,147,181	48,598,366
		77,147,181	48,601,563

7.1 This represents the amount of undistributed return out of guaranteed return to shareholders in line with the formula explained in note 1.3.

	Note	2020 (Rupees in thousand)	2019
8. DEFERRED LIABILITIES			
Provision for decommissioning cost	8.1	9,235,085	9,111,825
Provision for employee benefits - unfunded	8.2	780,309	660,160
Provision for compensated leave absences		326,745	285,977
		10,342,139	10,057,962

8.1 Provision for decommissioning cost

Balance at beginning of the year		9,111,825	7,127,202
Provision made during the year		227,613	1,056,909
Revision due to change in estimates		(1,083,874)	165,711
Unwinding of discount		979,521	762,003
Balance at end of the year		9,235,085	9,111,825

The above provision is analysed as follows:

Wells		8,079,757	7,955,679
Production facilities including gathering lines		1,155,328	1,156,146
		9,235,085	9,111,825

It is expected that cash outflows resulting from decommissioning will occur between 2021 to 2050.

	Note	2020 (Rupees in thousand)	2019
8.2 Provision for employee benefits - unfunded			
Post retirement leave benefits for management employees	33.2	576,915	511,409
Post retirement medical benefits for management employees	33.2	79,698	75,047
Pension plan for non-management employees	33.2	123,696	73,704
		780,309	660,160

	Note	2020 (Rupees in thousand)	2019
9. TRADE AND OTHER PAYABLES			
Creditors		929,048	2,647,125
Accrued liabilities		7,702,356	3,359,436
Joint operating partners		548,036	2,392,598
Retention and earnest money deposits		169,183	61,193
Gratuity funds		-	1,007,598
Provident fund		25,642	19,367
Gas development surcharge		18,193,384	11,633,546
General sales tax		10,409,514	8,716,160
Excise duty		149,959	160,201
Gas Infrastructure Development Cess (GIDC)	9.1	129,313,649	108,040,424
Royalty		1,674,797	1,248,526
Redeemable preference shares	9.2	111,273	115,655
Profit accrued on redeemable preference shares		10,024	10,112
Deferred income	9.3	177,938	324,455
Workers' Welfare Fund		729,379	463,730
Workers' Profit Participation Fund	19.1	-	172,080
		170,144,182	140,372,206

9.1 This represents payable to the Government of Pakistan (GoP) in respect of Gas Infrastructure Development Cess (GIDC) amounts not paid by the customers to the Company, as explained in note 18.3.

9.2 5,335,946 preference shares have not been issued as at June 30, 2020 due to pending resolution of issue relating to deduction of withholding tax on issuance of bonus shares (2019: 5,335,946 preference shares). Further, 5,791,331 preference shares have not been claimed/redeemed by certain minority shareholders as at June 30, 2020 (2019: 6,229,557 preference shares).

9.3 This includes an amount received from an associated company, Foundation Power Company Daharki Limited, amounting to Rs 102.63 million (2019: Nil) to be adjusted against future gas off-takes as per the agreement.

	Note	2020 (Rupees in thousand)	2019
10. CONTINGENCIES AND COMMITMENTS			
Commitments for capital expenditure			
Share in joint operations		19,355,540	10,269,551
Commitments other than share in joint operations		5,900,179	2,804,430
		25,255,719	13,073,981

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For the year ended June 30, 2020

11. PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Roads and bridges	Drilling rig, tools and equipment	Equipment and general plant	Computers and allied equipment	Cableway lines	Furniture and fixtures	Vehicles heavy	Vehicles light	Decommissioning Cost-Mari field and Joint Operations' production facilities including gathering lines (note 3.3)	Stores and spares held for capital expenditure	Capital work in progress (note 11.1)	Total
(Rupees in thousand)																
As at July 1, 2018																
Cost	700,467	102,224	1,212,408	784,957	199,779	3,625,358	7,818,910	461,754	2,748,135	132,736	758,786	467,898	334,864	1,861,718	1,135,128	22,345,122
Accumulated depreciation	-	17,438	537,246	195,396	148,632	1,887,766	2,720,965	323,313	1,965,902	72,972	678,634	386,111	144,465	-	-	9,078,840
Net book value	700,467	84,786	675,162	589,561	51,147	1,737,592	5,097,945	138,441	782,233	59,764	80,152	81,787	190,399	1,861,718	1,135,128	13,266,282
Year ended June 30, 2019																
Opening net book value	700,467	84,786	675,162	589,561	51,147	1,737,592	5,097,945	138,441	782,233	59,764	80,152	81,787	190,399	1,861,718	1,135,128	13,266,282
Additions / transfers from capital work in progress	-	-	41,156	73,005	-	132,818	1,033,988	51,402	582,627	7,998	452,077	439,427	-	855,440	-	3,669,938
Additions to capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revision due to change in estimates of provision for decommissioning cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	37,300	(29,821)	610	(42,808)	756,677	790	31,170	(311)	(13,160)	692	-	-	(515)	740,624
Accumulated depreciation	-	-	(13,828)	2	(793)	27,906	(755,587)	(1,271)	(81,181)	(70)	(6,537)	27,354	-	-	-	(754,005)
Net book value	-	-	23,472	(29,819)	(183)	(114,902)	1,090	(481)	(11)	(381)	(19,697)	28,046	-	-	(515)	(13,381)
Transferred from development and production assets - cost																
Transferred from exploration and evaluation assets - cost	-	-	4,299	-	-	-	468,041	721	538,575	-	5,427	18,141	-	19,257	-	1,054,461
Transfers																
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	47,496	-	47,496
Depreciation charge	-	(1,487)	(57,596)	(37,859)	(9,791)	(233,718)	(859,680)	(73,094)	(213,522)	(9,987)	(40,317)	(74,163)	(28,172)	(837,237)	(3,153,932)	(3,991,169)
Net book value	700,467	83,299	686,493	594,888	41,173	1,621,790	5,741,384	116,989	1,689,902	57,394	477,642	493,238	503,505	1,946,674	1,421,393	16,176,231
As at July 1, 2019																
Cost	700,467	102,224	1,295,163	828,141	200,389	3,715,348	10,077,616	514,667	3,900,507	140,423	1,203,130	924,158	676,142	1,946,674	1,421,393	27,648,462
Accumulated depreciation	-	18,925	608,670	233,253	159,216	2,093,578	4,336,232	397,678	2,210,605	83,029	725,488	432,920	172,637	-	-	11,472,231
Net book value	700,467	83,299	686,493	594,888	41,173	1,621,790	5,741,384	116,989	1,689,902	57,394	477,642	493,238	503,505	1,946,674	1,421,393	16,176,231
Year ended June 30, 2020																
Opening net book value	700,467	83,299	686,493	594,888	41,173	1,621,790	5,741,384	116,989	1,689,902	57,394	477,642	493,238	503,505	1,946,674	1,421,393	16,176,231
Additions / transfers from capital work in progress	-	-	416,353	4,086	9,846	69,446	3,876,107	107,787	350,439	90,179	153,843	32,082	-	3,673,171	-	8,783,339
Additions to capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revision due to change in estimates of provision for decommissioning cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(130,333)	(118)	-	-	-	(22,815)	-	-	-	(153,266)
Accumulated depreciation	-	-	-	-	-	-	53,478	103	-	-	-	22,815	-	-	-	76,396
Transfers																
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,710,282)	(5,110,168)	(7,820,450)
Depreciation charge	-	(1,487)	(59,392)	(38,645)	(9,870)	(223,580)	(1,100,895)	(119,173)	(273,726)	(13,059)	(173,283)	(129,086)	(64,057)	-	-	(2,206,253)
Net book value	700,467	81,812	1,043,454	560,329	41,149	1,467,656	8,439,741	105,588	1,766,615	134,514	458,202	396,234	314,343	2,909,563	3,787,885	22,207,552
As at June 30, 2020																
Cost	700,467	102,224	1,711,516	832,227	210,235	3,784,814	13,823,390	622,336	4,250,946	230,602	1,356,973	935,425	551,037	2,909,563	3,787,885	35,809,640
Accumulated depreciation	-	20,412	668,062	271,898	149,086	2,317,158	5,383,649	516,748	2,484,331	96,088	898,771	539,191	236,694	-	-	13,602,088
Net book value	700,467	81,812	1,043,454	560,329	41,149	1,467,656	8,439,741	105,588	1,766,615	134,514	458,202	396,234	314,343	2,909,563	3,787,885	22,207,552
Annual rates of depreciation (%)																
	-	1-3	5	5	10	5-33.33	10	25	10	10	30	20				

Property, plant and equipment includes Rs Nil (2019: Rs 3.37 million), which represents the net book value of line heaters rented to an associated company, Foundation Power Company Daharki Limited. It also includes assets amounting to Rs 436.67 million (2019: Rs 362.23 million), being Company's share in joint operations operated by others (assets not in the possession of the Company).

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
11.1 Capital work in progress		
Land, buildings, roads and bridges	346,183	409,995
Plant, machinery and others	3,441,702	1,011,398
	3,787,885	1,421,393
11.2 The depreciation charge has been allocated as follows:		
Operating expenses	1,220,242	1,003,374
Other income / (expenses):		
Mari Seismic Unit - Net	211,890	196,869
Mari Drilling Unit - Net	95,231	90,445
Mari Seismic Processing Centre - Net	2,353	3,783
Exploration and prospecting expenditure	543,879	200,793
Development and production assets	9,018	16,247
Exploration and evaluation assets	123,640	127,875
	2,206,253	1,639,386

11.3 Detail of property and equipment as at June 30, 2020 relating to Mari Seismic Unit is as follows:

Description	Cost	Accumulated Depreciation	Net Book value
(Rupees in thousand)			
Buildings on freehold land	20,170	6,724	13,446
Equipment and general plant	6,471,083	1,740,221	4,730,862
Computers and allied equipment	32,182	14,342	17,840
Furniture and fixtures	2,633	402	2,231
Vehicles	1,122,455	522,084	600,371
Capital work in progress	62,646	-	62,646
	7,711,169	2,283,773	5,427,396

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

11.4 Detail of property, plant and equipment disposed off during the year is as follows:

Description	Cost	Net Book value	Sale proceeds	Gain / (loss)	Particulars of purchaser	Mode of disposal
(Rupees in thousand)						
Computers and allied equipment	118	15	20	5	Mr. Afzaal Latif Malik, Ex employee of the Company	Company policy
Vehicles - light	7,546	-	4,937	4,937	M/s Augmentech Business	Through auction
Vehicles - light	1,348	-	1,078	1,078	Mr. Awais Naseem Malik	Through auction
Vehicles - light	93	-	61	61	Mr. Haseeb Tariq	Through auction
Vehicles - light	3,302	-	2,264	2,264	Mr. Malik Imran Nawazish	Through auction
Vehicles - light	93	-	45	45	Mr. Muhammad Kashif	Through auction
Vehicles - light	2,748	-	2,445	2,445	Mr. Muhammad Zahoor	Through auction
Vehicles - light	93	-	64	64	Mr. Naveed Hussain Talib Goraya	Through auction
Vehicles - light	1,281	-	1,152	1,152	Mr. Rizwan Mazhar	Through auction
Vehicles - light	711	-	565	565	Mr. Safeer Ahmed	Through auction
Vehicles - light	1,788	-	1,306	1,306	Mr. Syed Javed Iqbal	Through auction
Vehicles - light	2,262	-	1,796	1,796	Mr. Tariq Mehmood	Through auction
Vehicles - light	1,550	-	1,684	1,684	Mr. Zia Ur Rehman	Through auction
Equipment and general plant	130,333	76,855	-	(76,855)	Not applicable	Stolen
	153,266	76,870	17,417	(59,453)		

11.5 Gain/(loss) on disposal has been allocated as follows:

	2020 (Rupees in thousand)	2019
Other income / (expenses)	(8,379)	(13,210)
Exploration and prospecting expenditure	(51,074)	-
	(59,453)	(13,210)

11.6 Detail of significant immovable fixed assets as at June 30, 2020 is as follows:

Description	Location	Approximate Area of Land
Wells, production / processing facilities, housing colony/residential area, field office, liaison office, warehouse and guest house	Sindh	2,617.98 acres
Land and Head Office building	Islamabad	3.29 acres
Wells, production / processing facilities, residential area, field office and warehouse	Balochistan	80.97 acres
Wells, production / processing facilities and guest house	KPK	37 acres
Wells, production / processing facilities and field office / residential area	Punjab	38.5 acres
Wells, production / processing facilities and field office / residential area	Punjab/KPK	66.18 acres

12. DEVELOPMENT AND PRODUCTION ASSETS

	Well Cost	Decommissioning cost	Total
(Rupees in thousand)			
As at July 1, 2018			
Cost	17,314,219	1,342,868	18,657,087
Accumulated amortization	(5,891,115)	(879,100)	(6,770,215)
Net book value	11,423,104	463,768	11,886,872
Year ended June 30, 2019			
Opening net book value	11,423,104	463,768	11,886,872
Additions	2,430,204	769,483	3,199,687
Tangible assets transferred to property, plant and equipment	(1,035,204)	-	(1,035,204)
Transferred from exploration and evaluation assets	598,611	77,854	676,465
Stores and spares held for capital expenditure transferred to property, plant and equipment	(19,257)	-	(19,257)
Left over inventory transferred to stores and spares	(41,231)	-	(41,231)
Revision due to change in estimates of provision for decommissioning cost	(201,262)	(134,924)	(336,186)
Amortization for the year	(1,397,853)	(177,719)	(1,575,572)
Net book value	11,757,112	998,462	12,755,574
As at July 1, 2019			
Cost	19,046,080	2,055,281	21,101,361
Accumulated amortization	(7,288,968)	(1,056,819)	(8,345,787)
Net book value	11,757,112	998,462	12,755,574
Year ended June 30, 2020			
Opening net book value	11,757,112	998,462	12,755,574
Additions	972,157	137,720	1,109,877
Transferred from exploration and evaluation assets	859,415	6,853	866,268
Revision due to change in estimates of provision for decommissioning cost	(611,761)	(269,797)	(881,558)
Amortization for the year	(1,770,656)	(313,157)	(2,083,813)
Net book value	11,206,267	560,081	11,766,348
As at June 30, 2020			
Cost	20,265,891	1,930,057	22,195,948
Accumulated amortization	(9,059,624)	(1,369,976)	(10,429,600)
Net book value	11,206,267	560,081	11,766,348

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
13. EXPLORATION AND EVALUATION ASSETS			
Balance at beginning of the year		6,553,548	2,689,549
Additions	13.1	3,404,828	4,740,662
Stores and spares held for capital expenditure transferred to property, plant and equipment		-	(47,496)
Transferred to development and production assets		(866,268)	(676,465)
Revision due to change in estimates of provision for decommissioning cost		(77,211)	160,619
Cost of dry and abandoned wells written off		(3,099,366)	(313,321)
Balance at end of the year		5,915,531	6,553,548

13.1 It includes additions amounting to Rs 89.893 million (2019: Rs 287.426 million) on account of provision for decommissioning cost.

	Note	2020 (Rupees in thousand)	2019
14. LONG TERM LOANS AND ADVANCES			
Considered good - secured			
Executives		6,464	7,410
Other employees		47,134	55,374
	14.1	53,598	62,784
Less: amount due within twelve months shown under current loans and advances	19		
Executives		4,591	5,665
Other employees		15,842	17,364
		20,433	23,029
		33,165	39,755

14.1 Reconciliation of carrying amount of loans and advances to executives and other employees is as follows:

	Balance as at July 1, 2019	Disbursements during the year	Repayments / transfers during the year	Balance as at June 30, 2020
(Rupees in thousand)				
Executives	7,410	10,057	11,003	6,464
Other employees	55,374	17,822	26,062	47,134
Total	62,784	27,879	37,065	53,598
Year ended June 30, 2019	57,468	44,758	39,442	62,784

Loans and advances to employees are for general purpose and for house rent advance as per Company's Human Resource policy, which are recoverable in 12 to 60 equal monthly instalments and are secured by amounts due to the employees against their respective provident fund balances. These loans and advances are interest free. These do not include any amount receivable from the Chief Executive and Directors.

	2020 (Rupees in thousand)	2019
15. LONG TERM DEPOSITS AND PREPAYMENTS		
Deposits	353,979	230,979
Prepayments	20	20
	353,999	230,999
16. DEFERRED INCOME TAX ASSET		
Balance at beginning of the year	651,147	1,819,166
Credit / (charge) for the year:		
Statement of profit or loss	1,230,532	(1,162,960)
Statement of comprehensive income	6,915	(5,059)
	1,237,447	(1,168,019)
Balance at end of the year	1,888,594	651,147
16.1 The balance of deferred tax is in respect of following temporary differences:		
Exploration expenditure charged to statement of profit or loss but to be claimed in future years against tax liabilities	5,436,161	4,148,756
Accounting and tax depreciation / amortization	(3,804,462)	(3,876,534)
Provision for employee benefits - unfunded	354,257	302,764
Others	(97,362)	76,161
	1,888,594	651,147
17. STORES AND SPARES		
Stores	1,733,395	1,683,527
Spares	1,266,598	665,864
	2,999,993	2,349,391

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

	2020 (Rupees in thousand)	2019
18. TRADE DEBTS		
Due from associated companies - considered good		
Fauji Fertilizer Company Limited	66,470,946	54,024,034
Foundation Power Company Daharki Limited	7,915,604	5,962,244
Foundation Gas	1,739	-
	74,388,289	59,986,278
Due from others - considered good		
Fatima Fertilizer Company Limited	45,608,623	41,066,247
Engro Fertilizer Limited	24,342,202	16,828,625
Pak Arab Fertilizers Limited	2,347,853	246
Sui Southern Gas Company Limited	5,437,579	4,625,461
Sui Northern Gas Pipelines Limited	2,157,316	1,872,400
Central Power Generation Company Limited	24,519,169	23,807,948
Byco Petroleum Pakistan Limited	-	49,192
National Refinery Limited	24,537	88,191
Attock Refinery Limited	304,338	429,657
Pakistan Refinery Limited	89,933	101,687
EGAS (Private) Limited	55,467	34,784
Pak Arab Refinery Limited	6,461	26,288
Petrosin CNG (Private) Limited	19,873	22,874
	179,301,640	148,939,878

18.1 Trade debts due from associated companies are net of provision for doubtful debts amounting to Rs Nil (2019: Rs 238.00 million). The provision is reversed as management considers that it is no longer required.

18.2 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs 74,388.29 million (2019: Rs 60,224.28 million).

18.3 Trade debts include Rs 129,313.649 million as of June 30, 2020 (2019: Rs 108,040.424 million) receivable from customers on account of GIDC.

Under the laws and regulations governing GIDC, the Company is responsible to invoice GIDC to the customers and deposit the collected GIDC amounts to the GoP on receipt from customers. The Company has paid the entire amount of GIDC collected from customers to GoP upto June 30, 2020. As of year end, the GIDC matter was subjudice in the apex courts of Pakistan. Subsequent to the year end, GIDC matter is decided by the Supreme Court of Pakistan on August 13, 2020 and the Court has ordered gas consumers to pay outstanding amount of GIDC upto July 31, 2020 in twenty four equal monthly installments, starting from August 2020.

18.4 Trade debts include amount of Rs 17,101.359 million (2019: Rs 11,492.450 million) receivable from customers on account of Gas Development Surcharge (GDS), which are also payable to the GoP and included in 'Trade and other payables' in note 9.

	Note	2020 (Rupees in thousand)	2019
19. LOANS AND ADVANCES			
Considered good			
Current portion of long term loans and advances	14		
Executives		4,591	5,665
Other employees		15,842	17,364
		20,433	23,029
Advances to employees against expenses		251,044	141,978
Advances to suppliers and others		4,512,167	2,191,203
Receivables from joint operating partners		1,840,974	2,396,250
Workers' Profit Participation Fund	19.1	431,152	-
		7,055,770	4,752,460
19.1 Workers' Profit Participation Fund			
Payable / (receivable) at beginning of the year		172,080	49,381
Allocation for the year		1,968,848	1,972,081
Interest on delayed payments @ 45.00% (2019: 45.00%) per annum		4,031	3,714
		1,972,879	1,975,795
		2,144,959	2,025,176
Amount paid to the Fund		(2,576,111)	(1,853,096)
(Receivable) / payable at end of the year		(431,152)	172,080
20. SHORT TERM PREPAYMENTS			
Prepaid insurance		96,934	73,543
Others		37,976	19,376
		134,910	92,919
21. SHORT TERM INVESTMENTS			
At amortised cost			
- Local currency term deposits with banks	21.1	33,134,126	20,700,000
At fair value through profit or loss		500,000	-
		33,634,126	20,700,000

21.1 These have a maximum maturity period of 3 months, carrying profit ranging from 6.40% to 8.25% (2019: 12.05% to 13.10%) per annum.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

Note	2020 (Rupees in thousand)	2019
22. CASH AND BANK BALANCES		
Cash in hand	4,176	1,952
Balances with banks on:		
Deposit accounts	22.1 16,639,260	6,555,803
Current accounts	56,842	78,063
	16,696,102	6,633,866
	16,700,278	6,635,818

22.1 These include foreign currency accounts amounting to US\$ 18.68 million (2019: US\$ 11.50 million) having mark-up of 1.95% (2019: 0.50%) per annum. The mark-up for local currency accounts ranges from 3.25% to 7.50% (2019: 6.90% to 10.25%) per annum.

This also includes separate profit bearing account for unclaimed dividend in accordance with section 244 of the Companies Act, 2017 as per following detail:

	2020 (Rupees in thousand)
a) Closing bank balance includes:	
Unclaimed dividend	44,026
Deferred interest income	10,806
	54,832
b) Movement during the year in this profit bearing account is as follows:	
Opening balance	28,011
Transferred from current account	23,253
Interest income earned	3,568
Closing balance	54,832

22.2 The unavailed credit facilities available to the Company include financing, letter of credits/ letter of guarantee, credit card and leasing amounting to Rs 3,990.39 million (2019: Rs 2,175.98 million).

Note	2020 (Rupees in thousand)	2019
23. GROSS SALES TO CUSTOMERS		
Gas	23.1 124,317,530	114,665,541
Crude Oil	23.2 1,905,832	2,030,240
Less: Transportation charges	60,945	59,085
	1,844,887	1,971,155
Condensate	23.3 616,592	853,713
Less: Transportation charges	30,359	23,878
	586,233	829,835
Liquefied Petroleum Gas (LPG)	23.4 2,015	1,723
Own consumption	96,943	73,849
	126,847,608	117,542,103
23.1 Block/ field wise breakup of gas sales:		
Mari field	113,780,848	105,010,447
Sujawal block	5,862,044	5,671,868
Zarghun field	1,963,408	1,419,814
Hala block	1,684,051	1,424,855
Sukkur block	40,060	31,907
Karak block	987,119	1,106,650
	124,317,530	114,665,541
23.2 Block wise breakup of crude oil sales:		
Karak block	1,424,637	1,826,695
Ghuri block	478,423	191,707
Ziarat block	2,772	11,838
	1,905,832	2,030,240
23.3 Block/ field wise breakup of condensate sales:		
Mari Field	108,621	185,718
Sujawal block	322,665	411,662
Hala block	71,731	92,122
Zarghun field	5,101	6,525
Karak block	108,474	157,686
	616,592	853,713

23.4 This represents sale of LPG from Hala block.

23.5 Sale of gas includes sale from Mari Field (Incremental), Zarghun field and Aqeeq well of Sujawal block recorded on the basis of provisional prices. There may be adjustment in sales upon issuance of price notification by the Oil and Gas Regulatory Authority (OGRA).

23.6 Gross sales include revenue recognised based on take-or-pay arrangements with customers amounting to Rs 808,795 thousand (2019: Rs Nil).

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
24. OPERATING EXPENSES			
Salaries, wages and benefits	24.2	6,387,764	5,748,558
Rent, rates and taxes	24.3	370,001	230,261
Legal and professional services		150,564	54,590
Fuel, light, power and water		320,362	235,571
Maintenance and repairs		742,527	627,160
Insurance		109,091	68,492
Depreciation of property, plant and equipment		1,220,242	1,003,374
Amortization of development and production assets and decommissioning cost		2,083,813	1,575,572
Employees medical and welfare		443,983	425,827
Field and other services		1,690,910	1,709,974
Travelling		160,993	167,182
Communications		26,836	31,666
Printing and stationery		22,511	17,915
Office supplies		24,214	23,110
Licences and equipment maintenance		274,682	154,141
Auditor's remuneration and tax services	24.4	14,534	3,130
Mobile dispensary and social welfare		582,641	445,037
Training		324,066	224,492
Advertisement		22,748	19,408
Books and periodicals		1,156	1,123
Public relations and social activities		11,277	14,505
Directors' fee and expenses		25,576	19,288
Subscriptions		29,194	20,239
Reservoir study and production logging		78,053	24,536
Data purchase		85,193	-
Reversal of provision for doubtful debts	18.1	(238,000)	-
Miscellaneous		36,935	72,520
		15,001,866	12,917,671
Less: Recoveries from joint operating partners	24.5	1,699,707	1,204,697
		13,302,159	11,712,974

24.1 Operating expenses include operating expenses (excluding depreciation and amortization) relating to joint operations as follows:

	2020 (Rupees in thousand)	2019
Sukkur block	84,158	80,353
Hala block	199,020	210,155
Kohat block	4,267	748
Karak block	424,864	403,750
Ziarat block	171,592	70,012
Sujawal block	396,510	311,680
Zarghun field	201,787	170,340
Ghauri block	356,924	203,159
	1,839,122	1,450,197

24.2 These include operating lease rentals amounting to Rs 67.83 million (2019: Rs 72.65 million) in respect of company leased vehicles provided to eligible employees.

24.3 It includes expense amounting to Rs 258.29 million (2019: Rs 162.80 million) relating to short-term leases i.e. a lease that, at the commencement date, has a lease term of twelve months or less.

	2020 (Rupees in thousand)	2019
24.4 Auditor's remuneration and tax services		
Annual audit fee	3,000	1,610
Review of half yearly accounts, verification of special reports and other certifications	1,285	1,234
Tax services	9,774	-
Out of pocket expenses	475	286
	14,534	3,130

24.5 Recoveries from joint operating partners

Time write cost	1,231,241	855,087
Overheads	432,810	328,055
Computer and equipment support cost	35,656	21,555
	1,699,707	1,204,697

For the year ended June 30, 2020

* Company has relinquished these blocks and GOP's approval is pending in this respect.

25.1 Exploration and prospecting expenditure represents cost, other than drilling expenditure, directly charged to statement of profit or loss as referred in note 3.6 to these financial statements.

27.2 Break-up of Mari Drilling Unit income / (loss) - net is as follows:

Income:		
Rig rental income	811,665	519,178
Less: Expenses		
Operating expenses	641,529	484,487
Depreciation of property and equipment	95,231	90,445
Loss on disposal of property and equipment	-	13,368

	736,760	588,300
	74,905	(69,122)

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	2020 (Rupees in thousand)	2019
27.3 Break-up of Mari Seismic Processing Centre loss - net is as follows:		
Income:		
Mari Seismic Processing Centre income	82,858	55,677
Less: Expenses		
Operating expenses	91,497	200,667
Depreciation of property and equipment	2,353	3,783
	93,850	204,450
	(10,992)	(148,773)
28. FINANCE INCOME		
Interest income on bank deposits	1,612,093	594,025
Interest income on short term investments	2,815,452	1,173,281
Dividend income	36,573	-
Interest income on delayed payments	91,967	-
Exchange gain / (loss)	417,624	(34,008)
	4,973,709	1,733,298
29. FINANCE COST		
Unwinding of discount on provision for decommissioning cost	979,521	762,003
Interest on Workers' Profit Participation Fund	4,031	3,714
Bank charges	2,024	2,035
	985,576	767,752
30. PROVISION FOR TAXATION		
Current - charge for the year	12,197,105	9,218,286
Deferred - (credit) / charge for the year	(1,230,532)	1,162,960
	10,966,573	10,381,246
	2020 (Percentage)	2019
30.1 Reconciliation of effective tax rate		
Applicable tax rate	49.93	51.67
Tax effect of depletion allowance, royalty payments and amounts taxed at lower rates	(23.31)	(20.15)
Others	(0.05)	(1.61)
Effective tax rate	26.57	29.91

	2020	2019 Restated
31. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees in thousand)	30,312,873	24,327,088
Distributable earnings (Rupees in thousand)	783,062	759,843
Number of ordinary shares outstanding (in thousand)	133,403	133,403
Earnings per ordinary share (in Rupees)	227.23	182.36
Distributable earnings per ordinary share (in Rupees)	5.87	5.70

There is no dilutive effect on the basic earnings per ordinary share of the Company.

Total number of shares outstanding and earnings per share for the year ended June 30, 2019 have been restated taking into account the effect of bonus shares @ 10% issued during the year ended June 30, 2020 as explained in note 4.2.

31.1 Distributable earnings reflect return to shareholders for the year ended June 30, 2020 @ 43.14% (2019: 44.29%) per annum on shareholders' funds as explained in note 1.3.

32. CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents comprise of the following:

	2020 (Rupees in thousand)	2019
Cash and bank balances	16,700,278	6,635,818
Short term investments	33,634,126	20,700,000
	50,334,404	27,335,818

33. EMPLOYEE BENEFITS

The results of the actuarial valuation carried out as at June 30, 2020 and June 30, 2019 are as follows:

33.1 Funded benefits

	2020		2019	
	Management Gratuity	Non- Management Gratuity	Management Gratuity	Non- Management Gratuity
	(Rupees in thousand)			
Reconciliation of payable to defined benefit plan				
Present value of defined benefit obligations	2,960,596	1,088,659	2,336,934	992,460
Fair value of plan assets	(2,960,596)	(1,088,659)	(1,536,696)	(785,100)
Liability recognized in statement of financial position	-	-	800,238	207,360
Movement in payable to defined benefit plan				
Balance as at beginning of year	800,238	207,360	277,958	121,331
Expense for the year	749,310	14,106	800,238	207,360
	1,549,548	221,466	1,078,196	328,691
Contribution to fund during the year	(1,549,548)	(221,466)	(277,958)	(121,331)
Balance as at end of year	-	-	800,238	207,360

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For the year ended June 30, 2020

	2020		2019	
	Management Gratuity	Non- Management Gratuity	Management Gratuity	Non- Management Gratuity
(Rupees in thousand)				
Movement in the present value of defined benefit obligation				
Present value of defined benefit obligation at beginning of the year	2,336,934	992,460	1,613,836	818,258
Current service cost	260,409	44,528	169,473	36,314
Past service cost	381,468	-	430,352	-
Interest cost on defined benefit obligation	322,844	136,535	144,206	73,459
Actual benefits paid during the year	(215,048)	(44,273)	(219,037)	(44,271)
Benefits payable to outgoing members	(46,760)	(8,924)	-	(34,206)
Re-measurements: Actuarial (gain) / loss on obligation	(79,251)	(31,667)	198,104	142,906
Present value of defined benefit obligation at end of the year	2,960,596	1,088,659	2,336,934	992,460
Movement in fair value of plan assets				
Balance as at beginning of year	1,536,696	785,100	1,335,878	696,927
Contributions during the year	1,549,548	221,466	277,958	121,331
Interest income on plan assets	207,719	107,347	119,190	62,464
Benefits payable by the Fund	(46,760)	(8,924)	-	(34,206)
Remeasurement (loss) / gain on plan assets	(71,559)	27,943	22,707	(17,145)
Benefits paid during the year	(215,048)	(44,273)	(219,037)	(44,271)
Balance as at end of year	2,960,596	1,088,659	1,536,696	785,100
Plan assets comprise of:				
Deposit with banks	2,960,596	1,088,659	1,536,696	785,100
Expense for the year:				
<u>Recognized in statement of profit or loss</u>				
Current service cost	260,409	44,528	169,473	36,314
Past service cost	381,468	-	430,352	-
Interest cost	322,844	136,535	144,206	73,459
Interest income on plan assets	(207,719)	(107,347)	(119,190)	(62,464)
	757,002	73,716	624,841	47,309
<u>Recognized in statement of comprehensive income</u>				
Remeasurement loss / (gain) on obligations				
- effect of experience adjustment	(79,251)	(31,667)	198,104	142,906
Remeasurement loss / (gain) on plan assets	71,559	(27,943)	(22,707)	17,145
	(7,692)	(59,610)	175,397	160,051
Total expense for the year	749,310	14,106	800,238	207,360
Actual return on plan assets	136,160	135,290	141,897	45,319

	Management Gratuity	Non- Management Gratuity	Post Retirement Medical
(Rupees in thousand)			
Projected benefit payments are as follows:			
For the year 2021	289,444	185,005	6,727
For the year 2022	185,587	118,043	7,157
For the year 2023	225,097	125,881	7,386
For the year 2024	463,974	149,658	7,581
For the year 2025	447,458	175,212	7,738
For the years 2026-30	2,027,980	768,011	39,779

33.2 Un-funded benefits

	2020			2019		
	Management		Non- Management	Management		Non- Management
	Post Retirement Leaves	Post Retirement Medical	Pension	Post Retirement Leaves	Post Retirement Medical	Pension
(Rupees in thousand)						
Reconciliation of payable to defined benefit plan						
Present value of defined benefit obligations	576,915	79,698	123,696	511,409	75,047	73,704
Movement in payable to defined benefit plan						
Balance at beginning of the year	511,409	75,047	73,704	427,678	74,893	74,519
Expense / (credit) for the year	108,616	7,151	49,992	125,749	2,886	(815)
	620,025	82,198	123,696	553,427	77,779	73,704
Payments during the year	(43,110)	(2,500)	-	(42,018)	(2,732)	-
Balance at end of the year	576,915	79,698	123,696	511,409	75,047	73,704
Expense for the year:						
<u>Recognized in statement of profit or loss</u>						
Current service cost	58,738	2,244	11,969	44,137	1,924	2,600
Interest cost	71,597	10,240	11,081	38,491	6,548	6,808
Immediate recognition of actuarial (gain) / loss	(21,719)	-	-	43,121	-	-
	108,616	12,484	23,050	125,749	8,472	9,408
<u>Recognized in statement of comprehensive income</u>						
Remeasurement (gain) / loss on obligations:						
Effect of experience adjustment	-	(5,333)	(9,532)	-	(5,586)	4,395
Effect of changes in financial assumptions	-	-	36,474	-	-	(14,618)
	-	(5,333)	26,942	-	(5,586)	(10,223)
Total expense for the year	108,616	7,151	49,992	125,749	2,886	(815)

33.3 The principal actuarial assumptions used in the actuarial valuation of the defined benefit plans are as follows:

	2020 (Rupees in thousand)	2019
- Discount rate	8.50%	14.00%
- Expected rate of salary increase	18.00%	14.00%
- Expected rate of pension increase	3.75%	9.25%
- Increase in cost of medical benefits	8.50%	14.00%

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33.4 Sensitivity analysis and weighted average duration of the obligation in years:

	Weighted average duration of the obligation (in years) as at June 30, 2020	Effect on payable to defined benefit plan of			
		Discount rate		Salary/Medical rate	
		0.5% point increase	0.5% point decrease	0.5% point increase	0.5% point decrease
		(Rupees in thousand)		(Rupees in thousand)	
Management Gratuity	8.75	(124,986)	134,511	126,765	(118,989)
Non-Management Gratuity	5.20	(28,296)	29,759	27,051	(25,973)
Management Post Retirement Medical	7.86	(3,131)	3,369	17	(17)

33.5 The employee benefit expenses (funded and unfunded) including provident fund expense for the year amounting to Rs 93.67 million (2019: Rs 83.03 million) are recognized in statement of profit or loss as per following details:

Description	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Salaries, wages and benefits - Operating expenses	875,794	750,590
Employees medical and welfare - Operating expenses	56,093	44,301
Mobile dispensary and social welfare - Operating expenses	21,838	16,595
Mari Drilling Unit - Other income	66,631	54,871
Mari Seismic Unit - Other income	40,072	22,741
Mari Seismic Processing Centre - Other income	8,110	9,707
	1,068,538	898,805

34. OPERATING SEGMENTS

34.1 Basis of segmentation

As explained in note 3.21, the Company has three strategic divisions based on the main types of activities, which are considered its reportable segments. The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Exploration and Production	includes all upstream business activities
Mari Seismic Unit	includes 2D/3D seismic data acquisition
Mari Drilling Unit	includes onshore drilling services

The Chief Executive Officer and the Board of Directors review the internal management reports of each division quarterly.

34.2 Information about reportable segments

Information related to each reportable segment is set below. Segment profit / (loss) before tax and other charges is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment. Accordingly, information about segment assets and liabilities is not presented.

Exploration and Production	Mari Seismic Unit	Mari Drilling Unit	Total
(Rupees in thousand)			

Year ended June 30, 2020				
Net revenue from external customers	72,014,896	1,270,762	811,665	74,097,323
Inter-segment revenue	-	5,068,824	1,136,218	6,205,042
	72,014,896	6,339,586	1,947,883	80,302,365
Royalty	8,805,560	-	-	8,805,560
Operating expenses	9,998,104	4,441,007	1,173,054	15,612,165
Depreciation and amortization	3,304,055	755,769	227,889	4,287,713
Exploration and prospecting expenditure	8,131,922	-	-	8,131,922
Cost of dry and abandoned wells written off	3,099,366	-	-	3,099,366
Other income / (expenses)	60,619	(76,855)	-	(16,236)
Finance income	4,973,709	112,206	-	5,085,915
Finance cost	985,576	35	-	985,611
Profit before taxation and other charges	42,724,641	1,178,126	546,940	44,449,707

Year ended June 30, 2019				
Net revenue from external customers	59,448,007	1,268,513	519,178	61,235,698
Inter-segment revenue	-	1,381,252	1,605,831	2,987,083
	59,448,007	2,649,765	2,125,009	64,222,781
Royalty	7,574,515	-	-	7,574,515
Operating expenses	9,134,028	2,189,748	1,173,539	12,497,315
Depreciation and amortization	2,578,946	397,662	234,567	3,211,175
Exploration and prospecting expenditure	4,051,126	-	-	4,051,126
Cost of dry and abandoned wells written off	313,321	-	-	313,321
Other income / (expenses)	346,973	-	(13,368)	333,605
Finance income	1,733,298	42,350	-	1,775,648
Finance cost	767,752	28	-	767,780
Profit before taxation and other charges	37,108,590	104,677	703,535	37,916,802

34.3 Reconciliation of segments' revenue & profit before taxation and other charges

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
i) Net revenue from reportable segments	80,302,365	64,222,781
Elimination of inter-segment revenue - Mari Seismic Unit	(5,068,824)	(1,381,252)
Elimination of inter-segment revenue - Mari Drilling Unit	(1,136,218)	(1,605,831)
Net revenue of the Company	74,097,323	61,235,698
ii) Net revenue of the Company comprises:		
- Exploration and production - net sales	72,014,896	59,448,007
- Mari Seismic Unit - other income / (expenses)	1,270,762	1,268,513
- Mari Drilling Unit - other income / (expenses)	811,665	519,178
	74,097,323	61,235,698

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		2020 (Rupees in thousand)	2019 (Rupees in thousand)
iii)	Profit before taxation and other charges from reportable segments	44,409,707	37,916,802
	Elimination of inter-segment in 'Exploration and prospecting expenditure' - Exploration and Production	973,649	56,441
	Elimination of inter-segment profit - Mari Seismic Unit	(973,649)	(56,441)
	Elimination of inter-segment profit - Mari Drilling Unit	(472,035)	(772,657)
	Profit before taxation and other charges of the Company	43,977,672	37,144,145

Other information

Revenue from external customers is disclosed in note 23 and note 27.

Revenue from major customers constitutes 96% of the total revenue during the year ended June 30, 2020 (2019: 85%).

		2020 (Rupees in thousand)	2019 (Rupees in thousand)
35. FINANCIAL INSTRUMENTS			
35.1 Financial assets and liabilities			
Financial assets			
Maturity up to one year			
Trade debts	at amortized cost	22,047,954	18,934,996
Loans and advances	at amortized cost	1,861,407	2,419,279
Interest accrued	at amortized cost	36,469	105,747
Short term investments	at amortized cost	33,134,126	20,700,000
Short term investments	at fair value through profit or loss	500,000	-
Cash and bank balances	at amortized cost	16,700,278	6,635,818
Maturity after one year			
Long term loans and advances	at amortized cost	33,165	39,755
Long term deposits	at amortized cost	353,979	230,979
		74,667,378	49,066,574
Financial liabilities			
Maturity up to one year			
Trade and other payables	at amortized cost	9,469,920	8,586,119

35.2 Credit quality of financial assets

The credit quality of Company's financial assets have been assessed below by reference to external credit ratings of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA), VIS Credit Rating Company Limited (VIS) and Moody's. The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any defaults in meeting obligations.

	Rating	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Trade debts			
Counterparties with external credit rating	A1+	6,240,937	3,783,508
	A1	7,560,387	6,490,074
	A2	1,814,117	136,564
Counterparties without external credit rating		6,432,513	8,524,850
		22,047,954	18,934,996
Loans and advances			
Counterparties without external credit rating			
Joint operating partners and employees with no default in the past		1,861,407	2,419,279
Interest accrued			
Counterparties with external credit rating	A1+	33,905	100,302
	A1	2,564	5,445
		36,469	105,747
Short term investments			
Counterparties with external credit rating	A1+	30,634,126	18,700,000
	A1	3,000,000	2,000,000
		33,634,126	20,700,000
Bank balances			
Counterparties with external credit rating	A1+	16,418,612	6,606,549
	A1	277,490	27,317
		16,696,102	6,633,866
Long term loans and advances			
Counterparties without external credit rating			
Receivable from employees with no default in the past		33,165	39,755
Long term deposits			
Counterparties without external credit rating			
Deposits with counter parties with no default in the past		353,979	230,979

35.3 Financial risk management

35.3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) Credit risk

Credit risk is the risk of financial loss to the Company on a financial asset if counterparty fails to meet its contractual obligations and principally arises from trade debts and cash and cash equivalents. To manage credit risk, the Company maintains procedures covering the function for credit approvals, granting and

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renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes, the financial viability of all counterparties is regularly monitored and assessed.

Financial assets are considered to be credit-impaired when there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. This includes observable data concerning significant financial difficulty of the counterparty; a breach of contract; it becoming probable that the counterparty will enter bankruptcy or other financial re-organization because of financial difficulties. Where the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof for example where all legal avenues for collection of amounts due have been exhausted, the financial asset (or relevant portion) is written off.

The Company conducts transactions with the following major types of counterparties:

Customers

Trade debts are essentially due from fertilizer companies, power generation companies, gas distribution companies and refineries and the Company does not expect these companies to fail to meet their obligations.

An impairment analysis is performed at each reporting date in accordance with impairment requirements of IFRS 9 read with S.R.O. 985 (I)/2019 dated September 2, 2019 issued by SECP, which has exempted financial assets due from the GoP from application of IFRS 9. The Company evaluates the concentration of risk with respect to trade debts as insignificant, as the oil and gas industry in Pakistan is highly regulated, supported by the GOP and there is no history of default by any of the customers in the past. The Company considers current and forward looking information on macro economic factors affecting the ability of the customers to settle the receivables and applies the IFRS 9 simplified approach, read with S.R.O. 985 (I)/2019 dated September 2, 2019 issued by SECP, to measure the expected credit losses which uses a lifetime expected loss allowance for trade debts.

As of June 30, 2020, financial assets included in trade debts of Rs 8,219.975 million (2019: Rs 9,189.086 million) were past due but not impaired and their ageing analysis is as follows:

	2020				2019			
	(Rupees in thousand)							
	Past due but not impaired		Doubtful debts provided for		Past due but not impaired		Doubtful debts provided for	
Due from associated companies								
Past due 0-30 days	-		-		829		-	
Past due 30-60 days	-		-		817		-	
Past due 60-90 days	877		-		812		-	
Over 90 days	384,908		-		378,663		238,000	
	385,785		-		381,121		238,000	
Due from others								
Past due 0-30 days	1,559,477		-		2,510,305		-	
Past due 30-60 days	2,066,669		-		1,972,311		-	
Past due 60-90 days	869,760		-		1,156,698		-	
Over 90 days	3,338,284		-		3,406,651		-	
	8,219,975		-		9,427,086		238,000	

Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with approved counterparties that have a credit rating of at least A. Investments of surplus funds are made in a safe and secure manner while ensuring optimum return and liquidity. Given these high credit ratings, strict regulations by the State Bank of Pakistan and no history of default, management does not expect any counterparty to fail to meet its obligations and accordingly, credit risk is considered very low.

Others

Advances to employees are secured by an amount due to the employee against provident fund, hence, the risk of loss is considered minimal by the management. The relationship with the joint operating partners is governed under Petroleum Concession Agreements (PCAs) signed by the Government of Pakistan, the Company and its respective joint operating partners with the prior approval of the Ministry of Petroleum and Natural Resources, the Government of Pakistan. Various avenues are available for the recovery of dues from joint operating partners including engaging the regulator, right to forfeit working interest, assignment of invoices etc. Based on above and considering there is no history of default by any counter party, management considers the risk of default as very low. In respect of deposits, the management does not expect any counterparty to fail to meet its obligations and accordingly, credit risk is considered very low.

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liability when due under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains sufficient cash and bank balances and the Company's financial assets are in excess of financial liabilities by Rs 65,197 million (2019: Rs 40,480 million).

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the maturity date. The amounts disclosed in the table are undiscounted cash flows:

	Less than 1 year	Between 1 to 5 years	Over 5 years
	(Rupees in thousand)		
As at June 30, 2020			
Trade and other payables	9,469,920	-	-
As at June 30, 2019			
Trade and other payables	8,586,119	-	-

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on financial instruments.

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i) Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of currency risk management is to manage and control currency risk exposures within acceptable parameters, while optimizing the return on financial instruments.

Exposure to foreign currency risk

The Company's exposure to currency risk is as follows:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)	2020 (US\$ in thousand)	2019 (US\$ in thousand)
Cash and bank balances	3,153,636	1,891,704	18,688	11,500
Trade debts	18,240	8,574	108	52
Loans and advances	1,840,974	2,396,250	10,909	14,567
Trade and other payables	(1,298,716)	(3,108,355)	(7,696)	(18,896)
Net financial assets	3,714,134	1,188,173	22,009	7,223

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2020 (Rupees)	2019 (Rupees)	2020 (Rupees)	2019 (Rupees)
US\$ 1	159.30	137.67	168.75	164.50

Foreign currency sensitivity analysis

A 10 percent variation of the Pak Rupee against the US\$ at June 30, would have affected profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Change in foreign exchange rates	Effect on profit after tax	Effect on equity
		(Rupees in thousand)	
2020			
US\$	+10%	185,967	185,967
	-10%	(185,967)	(185,967)
2019			
US\$	+10%	57,424	57,424
	-10%	(57,424)	(57,424)

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Financial assets		
Bank balances	16,639,260	6,555,803
Short term investments	33,134,126	20,700,000
	49,773,386	27,255,803

The effective interest rates for the financial assets are mentioned in respective notes to the financial statements.

Interest rate sensitivity analysis

At June 30, 2020 if interest rates had been 50 basis points higher/ lower and all other variables were held constant, the Company's profit after tax for the year ended June 30, 2020 would increase/ decrease by Rs 1,246 million (2019: increase/ decrease by Rs 659 million).

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company does not have any material financial assets and liabilities whose fair value or future cash flows will fluctuate because of changes in market prices.

35.3.2 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.

In order to achieve the above objectives, the Company may issue new shares through right issue or raise financing from financial institutions.

35.4 Fair value of financial instruments

The carrying values of financial assets and liabilities approximate their fair values.

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36. INFORMATION ABOUT JOINT OPERATIONS

The Company's working interests in the following operated and non operated fields / blocks in Pakistan are disclosed in note 25. Share in joint operations operated by others includes Company's proportionate share of assets that are not held in the name and possession of the Company.

	Non current assets	Current assets	Non current liabilities	Current liabilities
(Rupees in thousand)				
As at June 30, 2020				
Share in joint operations operated by the Company				
Zarghun Field	1,322,673	2,111,681	377,649	500,893
Ziarat Block	1,260,243	292,770	423,954	135,653
Karak Block	3,336,079	819,821	429,427	309,950
Hanna Block	-	5,573	-	49,377
Harnai Block	-	75,432	-	4,230
Sujawal Block	3,629,681	265,824	794,117	304,937
Sukkur Block	276,995	49,131	313,621	78,013
Ghauri Block	2,239,500	785,483	247,093	970,651
Peshawar East Block	-	820	-	169
Bannu West Block	369,271	1,767,860	-	103,194
Khetwaro Block	-	20,073	-	-
Taung Block	-	35,370	-	61,088
Wali West Block	-	-	-	23,794
Share in joint operations operated by others				
Hala Block	1,736,551	4,815	636,036	94,962
Kohat Block	567,896	6,953	120,939	45,692
Kohlu Block	-	277	-	6,543
Kalchas Block	-	-	-	145,564
Zindan Block	-	3,533	66,354	68
Shah Bandar Block	865,676	17,899	6,998	76,774
Bela West Block	1,961,478	92,594	-	57,385
	17,566,043	6,355,909	3,416,188	2,968,937

	Non current assets	Current assets	Non current liabilities	Current liabilities
(Rupees in thousand)				
As at June 30, 2019				
Share in joint operations operated by the Company				
Zarghun Field	1,379,534	841,445	297,509	80,166
Ziarat Block	1,321,405	693,966	425,747	127,745
Karak Block	3,588,573	694,372	471,677	64,045
Hanna Block	39,672	5,573	-	-
Harnai Block	-	51,133	-	6,685
Sujawal Block	3,458,895	105,576	782,345	31,144
Sukkur Block	345,365	186,969	313,815	316,436
Ghauri Block	3,011,745	767,298	270,245	849,898
Peshawar East Block	-	61	-	165
Bannu West Block	147,616	719,450	-	39,323
Khetwaro Block	-	16,884	-	139
Share in joint operations operated by others				
Hala Block	2,550,516	5,722	628,697	211,382
Kohat Block	229,756	7,768	55,121	257,587
Kohlu Block	-	304	-	1,937
Kalchas Block	-	-	-	-
Zindan Block	-	3,346	-	200
Shah Bandar Block	832,891	-	6,853	30,697
Bela West Block	1,126,228	-	-	-
	18,032,196	4,099,867	3,252,009	2,017,549

37. DISCLOSURE REQUIREMENTS FOR SHARIAH COMPLIANT COMPANIES AND THE COMPANIES LISTED ON ISLAMIC INDEX

Description	Explanation	Rupees in thousand
i) Bank balances as at June 30, 2020	Placed under interest arrangement	12,414,273
	Placed under Shariah permissible arrangement	4,281,829
		16,696,102
Short term investments as at June 30, 2020	Placed under interest arrangement	30,634,126
	Placed under Shariah permissible arrangement	3,000,000
		33,634,126
ii) Interest income on bank deposits for the year ended June 30, 2020	Placed under interest arrangement	1,490,287
	Placed under Shariah permissible arrangement	254,690
		1,744,977
Interest/dividend income on short term investments for the year ended June 30, 2020	Placed under interest arrangement	1,968,455
	Placed under Shariah permissible arrangement	846,997
		2,815,452
iii) Exchange gain earned - net		396,946

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

Description	Explanation
iv) Relationship with Shariah compliant banks	1. Askari Bank Limited (Islamic & Conventional both)
	2. Bank Alfalah Limited (Islamic & Conventional both)
	3. Meezan Bank Limited
	4. Al Baraka Bank (Pakistan) Limited
	5. Bank Islami Pakistan Limited
	6. Dubai Islamic Bank

Disclosures other than above are not applicable on the Company.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements as remuneration and allowances including all benefits to key management personnel (chief executive and directors) and executives of the Company is as follows:

	2020		2019	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	6,792	756,882	5,907	665,447
Company's contribution to provident fund	679	66,864	591	58,728
Company's contribution to gratuity fund	2,970	641,208	2,527	544,587
Housing and utilities	6,786	774,380	7,147	672,949
Other allowances and benefits	8,883	1,449,645	7,712	1,185,638
Bonuses	10,908	1,259,593	10,385	1,283,628
	37,018	4,948,572	34,269	4,410,977
Number of persons including those who worked part of the year	1	294	1	256

The above were also provided with medical facilities and post retirement leave benefits. The chief executive and certain executives were provided with free use of Company maintained cars, residential telephones and use of club facilities. Executives based at plant site, Daharki, are also provided with schooling and subsidized club facilities.

In addition 13 (2019: 13) directors were paid aggregate fee and reimbursable expenses of perquisite nature of Rs 25,576 thousand (2019: Rs 19,288 thousand).

	2020	2019
39. NUMBER OF EMPLOYEES		
Total number of employees as at the year end	1,219	1,228
Average number of employees during the year	1,220	1,212

40. TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED COMPANIES

Related parties

The related parties of the Company comprise of entities having significant influence over the Company, employees' retirement funds and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The Company considers its Chief Executive and Directors to be key management personnel.

Nature of relationship	Nature of transaction / balance	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Entities with significant influence over the Company			
Fauji Foundation*	Dividend paid	313,168	301,754
	Corporate Social Responsibility	60,000	17,000
	Dividend payable	12,157	9,526
OGDCL*	Dividend paid	156,584	150,878
	Dividend payable	6,079	4,763
	Payable to joint operating partner	197,799	251,668
	Receivable from joint operating partner	270,474	441,245
Employees' retirement funds			
Gratuity funds (Management and Non-Management)	Contribution	1,771,014	399,289
Provident fund	Contribution	90,136	76,052

Transactions with key management personnel are disclosed in note 38 to the financial statements.

* These entities are also associated entities by virtue of common directorship.

ASSOCIATED COMPANIES

	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Askari Bank Limited		
Bank balances	11,662,140	4,631,566
Short term investments	-	3,500,000
Interest accrued	6,331	39,913

Amounts receivable from / payable to related parties and associated companies other than above have been disclosed in relevant notes to these financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2020

41. DETAIL OF RELATED PARTIES AND ASSOCIATED COMPANIES

Names of related parties and associated companies with whom Company entered into transactions during the year are as follows:

41.1 Related Parties

Name of Related Party	Basis of relationship	Percentage of Shareholding
Fauji Foundation*	Entity with significant influence over the Company	40%
OGDCL*	Entity with significant influence over the Company	20%
Gratuity funds (Management and Non-Management)	Post employment benefit plan	-
Provident fund	Post employment benefit plan	-
Chief Executive and Directors	Key management personnel	-

* These entities are also associated entities by virtue of common directorship.

41.2 Associated Companies

Name of Associated Company	Basis of relationship	Percentage of Shareholding
Fauji Fertilizer Company Limited	Fauji Group Company, Common directorship	-
Askari Bank Limited	Fauji Group Company, Common directorship	-
Foundation Power Company		
Daharki Limited	Fauji Group Company, Common directorship	-
Foundation Gas	Fauji Foundation Project, Common directorship	-

42. NON - ADJUSTING EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on August 20, 2020 have proposed final cash dividend for the year ended June 30, 2020 @ Rs 2.0 per share, for approval of the members in the Annual General Meeting.

43. INFORMATION RELATING TO PROVIDENT FUND

Mari Petroleum Company Limited (MPCL) Employees' Provident Fund is a defined contribution plan for benefit of employees of the Company. The details are as follows:

	Un-audited	
	2020	2019
Net assets (Rupees in thousand)	1,183,465	1,049,955
Cost of investments made (Rupees in thousand)	1,079,508	921,825
Percentage of investments made (Percentage)	91%	88%
Fair value of investments (Rupees in thousand)	1,079,508	921,825
Break-up of investments:		
Bank, term deposits and mutual funds (Rupees in thousand)	1,079,508	921,825

All investments out of Provident Fund and Gratuity Funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified for this purpose.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged / re-classified to conform to current year's presentation, where necessary.

45. GENERAL

45.1 COVID 19

During the year, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Company has taken appropriate measures to keep its personnel and assets safe and secure. The Company is continuously monitoring the situation to counter act the changed environment.

45.2 Capacity and Production

Product	Unit	Production for the year
Gas	MMSCF	249,550
Condensate	Barrels	90,428
Crude Oil	Barrels	293,120
LPG	Metric ton	21.90

Due to the nature of operations of the Company, installed capacity of above products is not relevant.

45.3 These financial statements have been authorized for issue by the Board of Directors of the Company on August 20, 2020.



Muhammad Asif
General Manager Finance/CFO



Faheem Haider
Managing Director / CEO



Ayla Majid
Director

Definition and Glossary of Terms

2D Seismic

Exploration method of sending energy waves or sound waves into the earth and recording the wave reflections to indicate the type, size, shape, and depth of subsurface rock formations. 2-D seismic provides two dimensional information.

3D Seismic

Exploration method of sending energy waves or sound waves into the earth and recording the wave reflections to indicate the type, size, shape, and depth of subsurface rock formations. 3-D seismic provides three dimensional information.

Abbreviations

AGM	Annual General Meeting
ATL	Active -Tax Payer List
B2B	Business to Business
BBLs	Barrels
BOE	Barrel of Oil Equivalent
BOQs	Bill of Quantities
BPD	Barrels Per Day
BSCF	Billion Standard Cubic Feet
BTU	British Thermal Unit
CCG	Listed Companies (Code of Corporate Governance) Regulations, 2019
CDC	Central Depository Company of Pakistan Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMS	Competency Management System
COO	Chief Operating Officer
COT	Corporate Objectives & Targets
CS	Company Secretary
CSP	Civil Service of Pakistan
CSR	Corporate Social Responsibility
D&P	Development and Production
DCO	District Coordination Officer
DGPC	Directorate General of Petroleum Concessions
DRP	Disaster Recovery Plan
DST	Drill Stem Test
E&P	Exploration and Production
EBITDA	Earnings Before Interest Taxes Depreciation and Ammoritization
EOGM	Extraordinary General Meeting
EPS	Earnings Per Share
ERM	Enterprise Risk Management
EWT	Extended Well Test

FATA	Federally Administered Tribal Areas
FCA	Fellow Chartered Accountant
G&G	Geological and Geophysical
GDS	Gas Development Surcharge
GIDC	Gas Infrastructure Development Cess
GM	General Manager
GoP	Government of Pakistan
GPA	Gas Wellhead Price Agreement
HAZOP	Hazord and Operability Study
HIA	Head of Internal Audit
HMIS	Health Management Information System
HR&R	Human Resource and Remuneration
HRL	Habib Rahi Limestone
HSE	Health, Safety and Environment
HSEQ	Health, Safety, Environment, and Quality
IASB	International Accounting Standards Board
ICAP	Institute of Chartered Accountants of Pakistan
IEA	International Energy Agency
IEE/EIA	Initial Environmental Examination / Environmental Impact Assessment
IFRS	International Financial Reporting Standards
IHRDC	International Human Resource Development Corporation
IMS	Integrated Management System
ISMS	Information Security Management System
ISO	International Standards Organization
JV	Joint Venture
KPIs	Key Performance Indicators
KPK	Khyber Pakhtunkhwa
KUFPEC	Kuwait Foreign Petroleum Exploration Company
LLIs	Long Lead Items
LPG	Liquefied Petroleum Gas

MCS	Management Control Systems
MD	Managing Director
MDU	Mari Drilling Unit
MGCL	Mari Gas Company Limited
MMSCF	Million Standard Cubic Feet
MOU	Memorandum of Understanding
MPCL	Mari Petroleum Company Limited
MSD	Mari Services Division
MSPC	Mari Seismic Data Processing Center
MSPs	Management System Procedures
MSU	Mari Seismic Unit
MW	Megawatt
NDU	National Defense Univeristy
NITL	National Investment Trust Limited
NTN	National Tax Number
OCM	Operating Committee Meeting
OGDCL	Oil & Gas Development Company Limited
OGRA	Oil and Gas Regulatory Authority
OHSAS	Occupational Health and Safety Assessment Series
P/E	Price to Earnings Ratio
PCAs	Petroleum Concession Agreement
PPEPCA	Pakistan Petroleum Exploration and Production Companies Association
PPIS	Pakistan Petroleum Information Service
PSI	Pounds Per Square Inch
PSO	Pakistan State Oil
PSX	Pakistan Stock Exchange
RCCI	Rawalpindi Chamber of Commerce and Industry

SAP	Systems, Applications and Products
SCADA	Supervisory Control and Data Acquisition
SECP	Securities and Exchange Commission of Pakistan
SML	Sui Main Limestone
SOPs	Standard Operating Procedures
SRO	Statutory Regulatory Order
SSGCL	Sui Southern Gas Company Limited
SUL	Sui Upper Limestone
TCM	Technical Committee Meeting
TD	Target Depth
TORS	Terms of Reference
TRCF	Total Recordable Case Frequency
VDI	Virtual Desktop Infrastructure

سری نمبر	فیک / ایف سی	MPCL / OGDCL کی قیمت	ایف سی
1	ماری لیٹر	100 ²	MPCL
2	زرگون ماری لیٹر	35 ²	MPCL
3	مہل ڈاک	100 ²	MPCL
4	کرک ڈاک	60 ²	MPCL
5	خوری ڈاک	65 ²	MPCL
6	گمری ڈاک	100 ²	MPCL
7	نہایت ڈاک	60 ²	MPCL
8	ہر ہڈی ڈاک	60 ²	MPCL
9	چھوڑا ڈاک	98.16 ²	MPCL
10	جس ویسٹ ڈاک	55 ²	MPCL
11	ڈاک 25	95 ²	MPCL
12	ٹوکیٹ ڈاک	60 ²	MPCL
13	میل ویسٹ ڈاک	100 ²	MPCL
14	پا ڈاک	35 ²	PPL
15	گھوڑا ڈاک	32 ²	PPL
16	نڈا ویسٹ ڈاک	25 ²	PPL
17	گوڈو ڈاک	30 ²	OGDCL
18	فٹی ڈاک	50 ²	OGDCL
19	کواٹ ڈاک	33.33 ²	OGDCL

حاصل کیا ہے۔ اس کے علاوہ، اس نے ایک ایسے ہیڈ لائن میں بھی شریکیت کی ہے جس کا عنوان "40MMSCFD خام گیس کو ٹریفک کیا جا سکتا ہے؟" تھا۔

تکمیل یافتہ، کر کے لے کر کامیاب و ناکام ہو کر

[illegible][illegible]

ایک ملے جلیں ہیں ایک قہر۔ ایک پتیلی میں گدے اور گدے پانی
PSB کو ملحق بنیں یا اس کے ساتھ رہیں کا معیار CSR سرگرمی کا حصہ ہے
سیلف ہیئرنگ، ایک ایسی بات کہ جس کا معیار کاغذی طور پر
بے سائل سے ملے گا۔ اس کے لیے اس کے لئے اس کے لئے اس کے لئے اس کے لئے
روایتی اور جدید تھیں کہ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
بے سائل سے ملے گا۔ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
ایک ملے جلیں ہیں ایک قہر۔ ایک پتیلی میں گدے اور گدے پانی
PSB کو ملحق بنیں یا اس کے ساتھ رہیں کا معیار CSR سرگرمی کا حصہ ہے
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بے سائل سے ملے گا۔ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
روایتی اور جدید تھیں کہ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
بے سائل سے ملے گا۔ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
ایک ملے جلیں ہیں ایک قہر۔ ایک پتیلی میں گدے اور گدے پانی
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بے سائل سے ملے گا۔ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
روایتی اور جدید تھیں کہ اس کے لئے اس کے لئے اس کے لئے اس کے لئے
بے سائل سے ملے گا۔ اس کے لئے اس کے لئے اس کے لئے اس کے لئے

ڈائریکٹرز رپورٹ

- میٹروپولیٹن کارپوریشن اسلام آباد کے تعاون سے اسلام آباد میں 3 وائر فائریشن چارٹس کی بحالی
اسلام آباد میں ایکسے وائر فائریشن چارٹ کی تعمیر
پاکستان سوسائٹی ہوم، اسلام آباد کی بحالی۔

ملفوظات علی گڑھ

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کوڈ-19 میں اضافہ کی کام

MPCL کو 19- کے حوالے سے بھی بڑھ چڑھ کر کام کر رہی ہے:

- ۱۲۶: ۲۸ سے ۲۰۲۰ تک ہزاروں کے بجائے ۱۰۰ ہزاروں کے سامنے بیٹھ کر سڑک کے اسیے کنارے کی تصویب
خاک کے ۱۰۰ ایکڑ (۱۵۰۰۰ مربع فٹ) میں نوک آگ، پانی، آتش، کھ اور پائے جو حقیقی صورت مند کو ان میں سرحدی حالتی دولت کے بعد تعمیر کیے گئے۔
اسلام آباد جماعت برائے اے کے بعد اسلام آباد میں قرضہ اور آگ میں غلبہ تھا جس کا کوئی ٹھکانہ نہ ہو کر شمس، صبح، شمس، صبح، صبح اور آگ کی تعمیر کی گئی۔

کاربرد گسترده

4/10/1964

MPCL ورڈ کی تشکیل نہایت اچھی اور موثر ہے جو کہ مناسب طور پر اہلیت، تعاون اور کارمہار قوں، علم اور تجربے کے مجموعے کا حامل ہے۔ بورڈ کا موجودہ احوال پانچ اسی طرف سے ہے:

کتاب نمبر	کتاب کی نام	کتاب کی نمبر
1	کتاب قرآن مجید	کتاب نمبر 1
2	کتاب حدیث	کتاب نمبر 2
3	کتاب فقہ اسلامی	کتاب نمبر 3
4	کتاب تاریخ اسلام	کتاب نمبر 4
5	کتاب سیرت النبی کریم	کتاب نمبر 5
6	کتاب احکام اسلامی	کتاب نمبر 6
7	کتاب تفسیر قرآن	کتاب نمبر 7
8	کتاب فہم القرآن	کتاب نمبر 8
9	کتاب تفسیر قرآن	کتاب نمبر 9
10	کتاب تفسیر قرآن	کتاب نمبر 10
11	کتاب تفسیر قرآن	کتاب نمبر 11
12	کتاب تفسیر قرآن	کتاب نمبر 12
13	کتاب تفسیر قرآن	کتاب نمبر 13
14	کتاب تفسیر قرآن	کتاب نمبر 14

اس وقت MPCL روزانہ آف ڈائریکٹر کیلئے 12 حضرات اور ایک خاتون پر مشتمل ہے۔

بھڑکے چٹڑ میں اور سی ای ای او کے جہدے دو علق لوگوں کے پاس ہیں

جناب و قارا احمد ملک پورہ کے چیئر مین ہیں جبکہ جناب فہیم حیدر بھٹانی کے چیئرنگ ڈائریکٹر / سی ای او ہیں۔

اے افراد جمہوری! سال کے دوران کسی بھی وقت کھلی کے ڈائریکٹرز میں شامل رہے:

الطائف جزل (ر) سہ طارق ندیم گیلانی

یعلیٰ فیست جزل (ر) اشفاق مدیم احمد
میر جزل (ر) ہادیہ اقبال نصر مرحوم
سید القدر سعید
جناب زاد میر

یہ آواز بڑھانے کی کوشش

FMPCL ہوا آف ڈائریکٹر کی کئی کے آپ بشکرا اور دیگر معاملات پر مستعد اور موثر طریقے سے نیز قابل اطلاق قوانین، قواعد اور ضوابط کے مطابق نظر رکھتا ہے۔ ہوا نے آپ بشکرا میں معاونت کے لیے چار مہینے تکلیف دہ رکھی ہیں۔ یہ مہینا اپنے اپنے دائرہ کار میں آنے والے معاملات پر غور کرتی ہیں اور حتیٰ الامکان کے لیے اپنی تعاون پروڈکٹوں کو پیش کرتی ہیں۔

آؤٹ سکی

ہورڈ کی آؤٹ کیمپلی اس وقت مندرجہ ذیل ڈائریکٹرز پر مشتمل ہے:

ردیف	نام و نام خانوادگی	محل اقامت
۱	محمد علی محمدی	تهران
۲	علیرضا محمدی	تهران
۳	علیرضا محمدی	تهران
۴	علیرضا محمدی	تهران
۵	علیرضا محمدی	تهران

میں نے

اور ذی تعلیمی کمیٹی اس وقت مندرجہ ذیل ڈائریکٹر زیر مشققتل ہے:

ردیف	نام و نام خانوادگی
۱	دکتر محمد علی محمدی
۲	دکتر سید علی محمدی
۳	دکتر سید محمد علی محمدی
۴	دکتر سید محمد علی محمدی
۵	دکتر سید محمد علی محمدی

انسانی دوساگل اور معاوضے کی کمی

ہر ذی انسانی و سائل اور معاوضے کی کمیٹی اس وقت مندرجہ ذیل انڈیکس پر مشتمل ہے:

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سرہاپہ کاری کی کھلی

اور ڈی سرمایہ کاری کمپنی اس وقت مندرجہ ذیل ڈائریکٹرز پر مشتمل ہے:

ردیف	نام خانوادگی	نام و نام خانوادگی
۱	محمد	محمد
۲	علی	علی
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