

# **Interim Financial Information (Un-audited)**

For the Six Months Ended  
December 31, 2010



**Mari Gas Company Limited**



MGCL

**Mari Gas Company Limited**

## Vision & Mission Statement

### Our Vision

Be the leader in the gas market in Pakistan by expanding and developing the gas value chain including exploration, production, transmission, extraction, processing, distribution and marketing of gas and gas related processes, products and services in order to bridge the increasing demand for gas with a view to meeting the needs of the existing and potential customers.

Exploit our hydrocarbon-based sources, when the opportunities present themselves in order to move beyond the existing gas business with a view to providing superior value to customers and others through expansion and synthesis of products and services.

### Mission

Mari Gas Company Limited will be customer-focused and competitive with a view to continue contributing meaningfully to the national economy while ensuring viability of the Company and profitable dividends to the stakeholders.

We will achieve our mission by:

- Providing uninterrupted gas supply to customers.
- Maintaining good operational practices.
- Adopting advanced technology, cost effective/efficient operations, increasing operating efficiency and adherence to high environmental standards.
- Exploring and enhancing the potential of our human resources.
- Aligning the interests of our shareholders, human resources, customers and other stakeholders to create significant business value characterized by excellent financial results, outstanding professional accomplishments and superior performance.
- Ensuring safety, reliability and a healthy environment for workers.

## Integrated Management System (IMS) Policy

To realize our strategic vision and to achieve professional excellence in Petroleum sector, we are committed to meet requirements of Integrated Management Systems for Quality, Environment and Occupational Health & Safety, consistent with internationally recognized management system standards. We are devoted to maintain 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 substantial resources for prevention of pollution and to attain best performance in occupational health and safety management.

## Contents

Board of Directors	03
Directors' Review	04
Independent Auditors' Report to the Members	09
Condensed Balance Sheet	10
Condensed Interim Profit and Loss Account	12
Condensed Interim Statement of Comprehensive Income	13
Condensed Interim Cash Flow Statement	14
Condensed Interim Statement of Changes in Equity	15
Selected Explanatory Notes to the Condensed Interim Financial Statements	16



## BOARD OF DIRECTORS

- |                                                                                                   |                 |
|---------------------------------------------------------------------------------------------------|-----------------|
| 1. LT GEN HAMID RAB NAWAZ (RETD)<br>Managing Director, Fauji Foundation                           | Chairman        |
| 2. LT GEN RAZA MUHAMMAD KHAN (RETD)<br>Managing Director, Mari Gas Co Limited                     | Chief Executive |
| 3. MR QAISER JAVED<br>Director Finance, Fauji Foundation                                          |                 |
| 4. BRIG RAHAT KHAN (RETD)<br>Director P&D, Fauji Foundation                                       |                 |
| 5. DR NADEEM INAYAT<br>Director Investment, Fauji Foundation                                      |                 |
| 6. MAJOR GENERAL ZAHID PARVEZ (RETD)<br>Director Welfare Education, Fauji Foundation              |                 |
| 7. DR NADEEM SHAFIQ MALIK<br>Financial Advisor,<br>Ministry of Petroleum & Natural Resources      |                 |
| 8. MR SHER MUHAMMAD KHAN<br>DG Petroleum Concessions<br>Ministry of Petroleum & Natural Resources |                 |
| 9. MR MOHAMMAD NAEEM MALIK<br>Managing Director, OGDCL                                            |                 |
| 10. MR MUHAMMAD RIAZ KHAN<br>GM Incharge Production, OGDCL                                        |                 |
| 11. MR BASHARAT A MIRZA<br>GM Supply Chain Management, OGDCL                                      |                 |
| 12. MR LIAQUAT ALI<br>Member MGCL, Board of Directors                                             |                 |
| 13. MR MANZOOR AHMED<br>Chief Operating Officer/EVP, NITL                                         |                 |

## COMPANY SECRETARY

MR ASSAD RABBANI

## DIRECTORS' REVIEW

We are pleased to present to you financial information for the half year ended December 31, 2010.

## FINANCIAL RESULTS

Gross sales for the 2<sup>nd</sup> quarter amounted to Rs. 7,802 million whereas gross sales for six months to December 31, 2010 aggregated to Rs 15,646 million against cumulative sales for the corresponding period of Rs 13,991 million. The increase is mainly due to increase in gas sale volume by 5.74% and increase in average selling price. The operating results in the financial information for 2<sup>nd</sup> quarter show profit after tax of Rs 257.25 million as against Rs 304.49 million for the corresponding quarter of the previous income year. The cumulative profit after tax for the six months to December 31, 2010 is Rs 529.28 million against Rs 969.27 million of the corresponding period of the previous income year. The main reason for decrease in profit is increase in operating expenses, financial charges and taxation which is partially offset by increase in other income and increase in production.

Presently the shareholders are entitled to guaranteed rate of return of 30% per annum. The return to shareholders is escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1% for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45% per annum. Accordingly, based on this arrangement under Gas Price Agreement, additional return at 4.54% has been provisionally provided for in the financial information of the Company for the half year ended December 31, 2010. Any adjustment/ variance do not affect the minimum guaranteed rate of return to the shareholders.

## OPERATIONS

The company continued un-interrupted gas supply from July 01, 2010 to December 31, 2010 to all its customers namely, Engro Fertilizer Limited, Fauji Fertilizer Company Limited, Fatima Fertilizer Company Limited, Pakistan Electric Power Company Limited (PEPCO), Foundation Power Company Daharki Limited and Sui Southern Gas Co. Ltd. The cumulative gas of 93,558 MMSCF at a daily average of 508 MMSCF and 2,088 barrel of condensate were produced from Mari Filed during the period as against 89,281 MMSCF of gas at daily average of 485 MMSCF for the corresponding period of last year as per the requirement/withdrawal of the customers. In addition, 848 MMSCF of gas, 72,151 barrel of condensate and 2,323 metric ton of LPG was produced and sold from joint ventures during this period, whereas 1,371 barrel of crude oil was sold from joint venture in the comparative period.

Regular maintenance of gas gathering network and production facilities was carried out and production optimization plans were followed as per the good oil/gas field practices, effective production and reservoir management.

## FUTURE CHALLENGES

### Commencement of Goru-B Gas Production

MGCL central & wellhead processing and gathering facilities of Mari Deep gas field including the line heaters have been commissioned and dehydrated gas is supplied to FPCDL for commissioning of their plant on as and when required basis.

The case for allocation of 50 MMSCFD gas from Goru-B for TPS, Guddu for 2-3 years basis is still pending with ministry for final decision.

### Development of Zarghun Gas Field

The Field development activity for Zarghun Gas is largely dependant on the improvement of law & order situation in the area to the level at which contractor's crew and machinery could comfortably be mobilized for site activities. Zarghun Field is already commercially a marginal field and increase in security related expenditures are further negatively affecting the project. MGCL has communicated DGPC about the possibility of not achieving 1st gas date due to security issues and for its support for getting the situation improved.

## Deployment of Rig Mari-1

Mari Rig-1 ZJ-50 was offered on rental to different E&P companies for their projects. M/s PPL has selected the rig for drilling of 2nd exploratory well in Hala Block which is expected to be spud in March, 2011.

## EXPLORATION ACTIVITIES

MGCL's working interests in exploration licenses in Pakistan and Overseas are as follows:

Sr. #	Name of Block	MGCL's Working Interest	Name of Operator
1	Ziarat Exploration License	60%	MGCL
2	Karak Exploration License	60%	MGCL
3	Sukkur Exploration License	58.8%	MGCL
4	Hanna Exploration License	40%	MGCL
5	Harnai Exploration License	40%	MGCL
6	Sujawal Exploration License	100%	MGCL
7	Ghauri Exploration License	100%	MGCL
8	Hala Exploration License	35%	PPL
9	Kohlu Exploration License	30%	OGDCL
10	Kalchas Exploration License	20%	OGDCL
11	Kohat Exploration License	20%	OGDCL
12	Bannu West Exploration License	10%	Tullow Pakistan
13	Oman 43B (Overseas Block)	25%	MOL

## Operated Blocks

### Ziarat Block

Appraisal well Khost # 3 was spud-in on December 09, 2010 to appraise the Khost Discovery area. The well was drilled down to a total depth of 930 m Base Kally Bushing (BKB) and 7" liner was successfully cemented and subsequently conventional wireline and HMI logs were conducted. Based on the interpretation of the said wireline logs and drilling data, few promising zones which might bear hydrocarbons, have been identified for testing. Presently, Drill Stem Testing to appraise the reservoir potential of the well is in progress.

A TCM/OCM was held on December 01, 2010 to discuss/approve work program and budget for 2011.

2D seismic data acquisition of 170 line km over Khost discovery area, central and southern parts of the block scheduled during 1st quarter 2011 is not likely due to non availability of FC troops as the area is volatile from security point of view. Now, it has been planned during 2nd/3rd quarters 2011 subject to the availability of adequate FC troops for security and willingness of seismic data acquisition contractor to mobilize its crew in the area. The objective of seismic data acquisition is to appraise the discovery area and to evaluate the full potential of the block.

## Karak Block

First exploratory well Halini # 1 has been spud-in on January 07, 2011. The Schlumberger Rig 25 was selected and moved to location. Mean-while the drilling services contracts were finalized. Drilling of 17 ½" hole to a target depth of 2342 m has been completed. 13% casing has been run and cemented. The well is planned to drill down to a total depth of about 6,000 m BKB with the objectives to test the hydrocarbons potential of primary reservoirs Datta, Lumshiwai and Lockhart formations along with secondary reservoirs of Samanasuk, Hangu and Sakesar formations.

In-house interpretation of reprocessed 2D seismic data is in progress to evaluate the remaining potential of the block.

A TCM/OCM was held on November 02, 2010 to discuss/approve work program and budget for 2011.

## Sukkur Block

Location for drilling of 3rd exploratory well Mian Miro # 1 has been re-stacked on ground after recent floods in the area, which demolished the originally stacked location. The well is scheduled to be spud-in during 2nd quarter, 2011, subject to the availability of drilling rig.

In order to resume the EWT operation at Koonj-1A which was suspended due to increase of H<sub>2</sub>S contents in the gas more than the acceptable level, various options were deliberated with the Joint Venture Partner. The Sukkur Joint Venture partner agreed to install Rental Amine Sweetening Unit (ASU). Installation and commissioning of Rental ASU is expected in June, 2011.

## Hanna Block

Processing of newly acquired 128 line km 2D seismic data was completed at M/s SAGeo, Islamabad. Presently, its in-house interpretation and mapping is in progress.

Based on the said seismic data interpretation and mapping, drill or drop option will be exercised during April 2011 for entering into 3rd license year by committing an exploratory well.

A TCM/OCM was held on December 01, 2010 to discuss/approve work program and budget for 2011.

## Harnai Block

The contract for acquisition of 201 line km 2D seismic data was awarded to M/s BGP, Islamabad, which was not carried out due to poor security situation in the area. Now, 2D seismic data acquisition in the block is expected to commence during 1st or 2nd quarter 2011, subject to the availability of FC troops for security and willingness of seismic data acquisition contractor to mobilize its crew in the area.

A TCM/OCM was held on December 01, 2010 to discuss/approve work program and budget for 2011.

## Sujawal Block

G&G studies are in progress to evaluate the remaining hydrocarbons potential of the block, which would help in deciding way forward to explore the hydrocarbons potential of the block.

The Company was unable to conduct three weeks duration test within the stipulated time of extension, because of recent devastating floods in the area, which destroyed the road infrastructure. Therefore, MGCL requested DGPC for grant of six months extension w.e.f. December 21, 2010 to carry out three weeks duration test and to incorporate its results for delineating the remaining hydrocarbons potential in the block. The said testing has been completed at Sujawal Well – 1 and the data is being evaluated.



## Ghuri Block

Bids for re-processing of 951 line km 2D seismic data have been invited from seven international contractors. This reprocessing will be followed by interpretation and mapping to plan future exploration activities. Assignment of MGCL's 35% working interest to PPL is in final stage of approval by DGPC.

## Non Operated Blocks

### Hala Block

JV Partners are planning to drill 2nd exploratory well during March/April 2011 and currently preparations for spud-in are in progress.

Adam discovery is under production since December 2009, which was being operated by M/s Weatherford under Build Operate and Maintain (BOM) Agreement. Subsequently, the joint venture has purchased the plant and equipment and "operation and maintenance agreement" has been continued with M/s Weatherford. The average Plant Feed remained 13 MMscfd of gas, 960 barrels/day of condensate and 40 tonnes/day of LPG during the period and sales to customers is continuing.

### Kohlu Block

ATCM/OCM was held on December 13, 2010 to discuss / approve work program / budget for 2011. Exploration activities are suspended due to the security situation.

### Kalchas Block

ATCM/OCM was held on December 13, 2010 to discuss/approve work program and budget for 2011.

Processing of newly acquired 143 line km 2D seismic data is in progress at M/s FSI, UK. However, the Operator has also carried out in-house processing of the said data.

Currently, interpretation and mapping of the in-house processed data is in progress. Operator has also planned to acquire the remaining 197 line km 2D seismic data, subject to security clearance in the area.

### Kohat Block

Extended Well Test at Sheikhan discovery is in progress.

Kohat JV Partners are also planning to spud-in 2nd committed exploratory well Jabbi # 1 during 2nd quarter 2011 for which civil works and access road has been completed.

### Bannu West Block

Exploration activities in the block are withheld due to security conditions in the area.

### Oman 43 B Block

2D seismic data acquisition of 67 line km has been completed during December 2010. Subsequently, interpretation and mapping will be carried-out to decide the drilling of the well.

In addition, contract for processing of newly acquired seismic data has been awarded to CGGVeritas.

A TCM/OCM and Joint Management Committee (JMC) meeting was held on January 31, 2011 and February 01, 2011 to discuss/approve work program and budget for 2011.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

MGCL is actively participating in the CSR activities and consider the prime responsibility to undertake CSR projects to support people and to contribute towards uplift of underdeveloped areas of the Country.

During the half year ended December 31, 2010, MGCL has spent Rs 27.2 million for flood relief activities in various part of Country. The Company is also undertaking various CSR activities in Mari D&P Lease area as per following detail:

- a. Operating the mobile dispensaries since 1987. Field dispensaries are established at ten well locations. Annual expenditure on this account is approx Rs.10 million.
- b. A maternity home at U.C Dad Leghari, made operational since 2003. Rs. 2.5 million is being spent annually.
- c. A dispensary has been constructed at well No. 8 for the treatment of Tuber Clois patients.
- d. A joint venture mega project of Pakistan Chemical & Energy Sector Skill Development Company is being established a Technical Training Centre at Daharki with approximate cost of Rs 276 million. MGCL contribution for this program is Rs. 30 million as per commitment. In this regard, an amount of Rs 8 million was also allocated to the project during the period ended December 31, 2010.

MGCL is operating several joint venture exploration blocks in all the four provinces of the Country. These JV blocks remain the focus of the company's CSR program despite many limitations. Some of our completed projects have already been handed over to the district governments as per government policy. Work on some projects in JV blocks is currently in progress.

The Company continues to pursue its evaluation of potential sedimentary basins of the country to identify new exploration areas as well as assessing prospects and negotiating terms for Company's participation in the already awarded blocks through farm-in arrangements with other companies.

For and on behalf of the Board



Lt Gen Hamid Rab Nawaz HI(M) (Retd)  
Chairman

Islamabad  
February 24, 2011

## Independent Auditors' Report on Review of Condensed Interim Financial Information to the Members of Mari Gas Company Limited

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Mari Gas Company Limited ("the Company") as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity (the interim financial information) for the half year then ended. The Company's management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2010 and 2009 have not been separately reviewed as we are required to review the cumulative figures only for the half year ended December 31, 2010.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad

February 24, 2011




M, Yousuf Adil Saleem & Co  
Chartered Accountants

**MARI GAS COMPANY LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)**  
**AS AT DECEMBER 31, 2010**

		(Un-audited)	(Audited)
	Note	<u>31.12.2010</u>	<u>30.06.2010</u>
(Rupees in thousand)			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
250,000,000 ordinary shares of Rs.10 each		<u>2,500,000</u>	<u>2,500,000</u>
Issued, subscribed and paid up capital		735,000	735,000
Undistributed percentage return reserve	4	364,205	364,205
Exploration and evaluation reserve		2,995,329	2,800,268
Profit and loss account	5	<u>5,625,567</u>	<u>5,291,353</u>
		9,720,101	9,190,826
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	6	1,510,000	1,720,000
Provision for decommissioning cost		2,603,647	2,460,885
Deferred liabilities			
Employees benefits - unfunded		<u>81,888</u>	<u>76,196</u>
		4,195,535	4,257,081
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	7	8,080,370	7,787,846
Current maturity of long term financing-secured		400,000	380,000
Provision for taxation		831,649	296,661
		9,312,019	8,464,507
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		
		<u>23,227,655</u>	<u>21,912,414</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
 Lt Gen Raza Muhammad Khan (Retd)  
 Chief Executive


		(Un-audited)	(Audited)
	Note	31.12.2010	30.06.2010
(Rupees in thousand)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	4,447,789	4,540,056
Intangible			
Development and production assets		2,975,484	3,075,836
Exploration and evaluation assets		2,995,329	2,800,268
		5,970,813	5,876,104
Long term loans and advances		3,605	2,850
Long term deposits and prepayments		10,851	10,878
Deferred taxation		1,382,311	1,072,873
		11,815,369	11,502,761
<b>CURRENT ASSETS</b>			
Stores and spares		408,738	290,262
Trade debts	10	6,446,039	6,099,654
Loans and advances		698,346	336,388
Short term prepayments		58,392	27,450
Interest accrued		17,798	44,634
Other receivables		4,695	3,960
Cash and cash equivalents		3,778,278	3,607,305
		11,412,286	10,409,653
		23,227,655	21,912,414

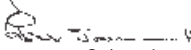
  
 Qaiser Javed  
 Director

**MARI GAS COMPANY LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2010**

	Note	Three months ended		Six months ended	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
		(Rupees in thousand)		(Rupees in thousand)	
Gross Sales to customers	11	7,801,630	6,940,181	15,645,519	13,990,800
Gas development surcharge		4,362,929	4,389,269	8,798,953	8,884,038
General sales tax		1,106,222	956,471	2,216,487	1,928,970
Excise duty		344,293	167,420	686,682	334,278
Windfall levy		61,855	-	124,774	-
Provisional adjustment as per the Mari Gas Well Head Price Agreement		359,331	(6,455)	759,452	120,960
		<u>6,234,630</u>	<u>5,506,705</u>	<u>12,586,348</u>	<u>11,268,246</u>
Sales - net		1,567,000	1,433,476	3,059,171	2,722,554
Royalty		194,604	179,185	353,617	340,319
		<u>1,372,396</u>	<u>1,254,291</u>	<u>2,705,554</u>	<u>2,382,235</u>
Operating expenses	12	703,746	456,023	1,415,906	893,805
Exploration and prospecting expenditure		113,708	99,696	167,806	148,235
		<u>817,454</u>	<u>555,719</u>	<u>1,583,712</u>	<u>1,042,040</u>
Operating profit		554,942	698,572	1,121,842	1,340,195
Finance costs	13	210,398	165,495	276,261	209,812
Workers' fund		49,085	63,711	101,210	98,444
		<u>259,483</u>	<u>229,206</u>	<u>377,471</u>	<u>308,256</u>
		295,459	469,366	744,371	1,031,939
Other income		196,906	129,499	333,690	226,823
Profit before taxation		492,365	598,865	1,078,061	1,258,762
Taxation	14	235,120	294,377	548,786	289,491
Profit after taxation		<u>257,245</u>	<u>304,488</u>	<u>529,275</u>	<u>969,271</u>
Profit for the period represents the following:					
Distributable profits		95,163	83,383	189,833	166,363
Exploration and evaluation reserve		162,082	221,105	195,061	472,630
Profit and loss account - undistributable balance		-	-	144,381	330,278
		<u>257,245</u>	<u>304,488</u>	<u>529,275</u>	<u>969,271</u>
Earnings per share - basic and dilutive			Restated		Restated
Earnings per share on the basis of distributable profit (Rupees)		1.29	1.13	2.58	2.26
Earnings per share on the basis of Profit and Loss account (Rupees)		3.50	4.14	7.20	13.19

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
 Lt Gen Raza Muhammad Khan (Retd)  
 Chief Executive

  
 Qaiser Javed  
 Director

**MARI GAS COMPANY LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2010**

	Three months ended		Six months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	(Rupees in thousand)		(Rupees in thousand)	
Profit after taxation	257,245	304,488	529,275	969,271
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	257,245	304,488	529,275	969,271

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Lt Gen Raza Muhammad Khan (Retd)  
 Chief Executive



Qaiser Javed  
 Director

**MARI GAS COMPANY LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2010**

	Note	Six Months Ended	
		31.12.2010	31.12.2009
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	15	1,023,044	2,373,995
(Increase) in long term loan and advances		(755)	(552)
(Increase)/ decrease in long term deposits and prepayments		27	(21)
Employees benefits paid - unfunded		(2,148)	(5,246)
Taxes paid		(323,236)	(308,891)
		<u>(326,112)</u>	<u>(314,710)</u>
Net cash from operating activities		696,932	2,059,285
Cash flows from investing activities			
Purchase of property, plant and equipment		(168,502)	(7,114)
Development and production assets		(71,371)	(395,418)
Exploration and evaluation assets		(195,061)	(472,630)
Interest received		254,039	178,175
Net cash used in investing activities		(180,895)	(696,987)
Cash flows from financing activities			
(Repayment)/ receipt of long term financing - secured		(190,000)	100,000
Finance cost paid		(139,234)	(97,750)
Dividends paid		(15,830)	(36,570)
Net cash used in financing activities		(345,064)	(34,320)
Increase in cash and cash equivalents		170,973	1,327,978
Cash and cash equivalents at beginning of the period		3,607,305	1,694,638
Cash and cash equivalents at end of the period		<u>3,778,278</u>	<u>3,022,616</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

  
Lt Gen Raza Muhammad Khan (Retd)  
Chief Executive

  
Qaiser Javed  
Director



**MARI GAS COMPANY LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2010**

	Share capital	General reserve	Undistributed percentage return reserve	Reserve for issuance of bonus shares	Exploration and evaluation reserve	Profit and loss account	Total
	(Rupees in thousand)						
Balance as at June 30, 2009 (audited)	367,500	2,046	638,410	-	1,951,274	5,273,492	8,232,722
Profit for the period	-	-	-	-	-	969,271	969,271
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	969,271	969,271
Exploration and evaluation reserve	-	-	-	-	472,630	(472,630)	-
Reserve for issuance of bonus shares	-	(2,046)	(365,454)	367,500	-	-	-
Bonus shares issued during the period	367,500	-	-	(367,500)	-	-	-
Balance as at December 31, 2009 (un-audited)	735,000	-	272,956	-	2,423,904	5,770,133	9,201,993
Profit for the period	-	-	-	-	-	216,683	216,683
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	216,683	216,683
Dividends	-	-	-	-	-	(227,850)	(227,850)
Undistributed percentage return reserve	-	-	91,249	-	-	(91,249)	-
Exploration and evaluation reserve	-	-	-	-	376,364	(376,364)	-
Balance as at June 30, 2010 (audited)	735,000	-	364,205	-	2,800,268	5,291,353	9,190,826
Profit for the period	-	-	-	-	-	529,275	529,275
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	529,275	529,275
Exploration and evaluation reserve	-	-	-	-	195,061	(195,061)	-
Balance as at December 31, 2010 (un-audited)	735,000	-	364,205	-	2,995,329	5,625,567	9,720,101

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Lt Gen Raza Muhammad Khan (Retd)  
Chief Executive



Director

**MARI GAS COMPANY LIMITED**  
**SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM**  
**FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2010**

**1. LEGAL STATUS AND OPERATIONS**

Mari Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan on December 04, 1984 under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The Company is principally engaged in drilling, exploration, production and sale of natural gas. The gas price mechanism is 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. The registered office of the Company is situated at 21 Mauve Area, 3rd Road, G-10/4, Islamabad.

**2. BASIS OF PREPARATION**

The condensed interim financial information have been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan. This condensed interim financial information is unaudited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges.

The condensed interim financial information does not include all of the information required for annual financial statements and therefore should be read in conjunction with the annual audited financial statements for the year ended June 30, 2010. However, the condensed interim financial information has been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2010, whereas comparative profit and loss account, condensed interim statement of comprehensive income, comparative statement of changes in equity and comparative cash flow statement are stated from unaudited condensed interim financial information for the six months ended December 31, 2009.

Accounting policies, related judgments, estimates and assumptions adopted for the preparation of these condensed interim financial information are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2010.

**3. GAS PRICE MECHANISM**

In terms of the Agreement, well head gas price for each ensuing year is determined in accordance with the principles of gas price formula set out in Article II of the Agreement. The Agreement states that the gas price will be at the minimum level to ensure that total revenues generated from sale of gas and other income are sufficient to provide a minimum return of 30%, net of all taxes, on Shareholders' Funds (as defined in the Agreement) after meeting specified ratios and deductibles. The return to shareholders is to be escalated in the event of increase in the Company's gas production beyond the level of 425 MMSCFD at the rate of 1%, net of all taxes, on Shareholders' Funds for each additional 20 MMSCFD of gas or equivalent oil produced, prorated for part thereof on annual basis, subject to a maximum of 45%.

Effective July 01, 2001, the Government has authorized the Company to incur expenditure not exceeding Rupee equivalent of US\$ 20,000,000 per annum or 30% of the Company's annual gross sales revenue as disclosed in the last audited financial statements, whichever is less, in connection with exploration and development in any concession area other than Mari Field, provided that if such exploration and development results in additional gas or equivalent oil production, the revenues generated from such additional gas or equivalent oil production shall be credited to and treated as revenue under the Agreement referred above.

**4. UNDISTRIBUTED PERCENTAGE RETURN RESERVE**

The amount held in this reserve represents the balance of the percentage return reserve on Shareholders' Funds as defined in the Agreement.

## 5 PROFIT AND LOSS ACCOUNT

The amount of Rs 5,625.567 million (June 2010: Rs 5,291.353 million) represents the following:

### 5.1 Undistributable balance

The amount of Rs 5,410.524 million (June 2010: Rs 5,266.143 million), which is not distributable has been provided through the operation of Article II of the Agreement to meet the obligations and to the extent indicated for the following:

	Generated upto June 30, 2010 (Audited)	Generated during Six months ended December 31, 2010 (Un-audited) (Rupees in thousand)	Total
a) Rupee element of capital expenditure (net of depreciation/amortization) and repayment of borrowings	5,001,372	144,381	5,145,753
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	174,537	-	174,537
	<u>5,266,143</u>	<u>144,381</u>	<u>5,410,524</u>
Year ended June 30, 2010	<u>5,266,143</u>	-	<u>5,266,143</u>
		(Un-audited) <u>31.12.2010</u>	(Audited) <u>30.06.2010</u>
		(Rupees in thousand)	

### 5.2 Distributable balance

Undistributed guaranteed return

215,043

25,210

This represents guaranteed profit of Rs 189.833 million @ 34.54% on Shareholders' Funds for six months to December 31, 2010. It also includes the additional return of Rs 25.210 million @ 3.43% guaranteed to shareholders on account of increased gas production for the year ended June 30, 2010.

	Note	(Un-audited) 31.12.2010 (Rupees in thousand)	(Audited) 30.06.2010
6. LONG TERM FINANCING - SECURED			
Loan for Mari Deep Development	6.1	1,710,000	1,900,000
Less: Current maturity		380,000	380,000
		1,330,000	1,520,000
Loan for Zargun Gas Development	6.2	200,000	200,000
Less: Current maturity		20,000	-
		180,000	200,000
		<u>1,510,000</u>	<u>1,720,000</u>

- 6.1 The Company has arranged a loan amounting to Rs. 1.9 billion against a Syndicated Term Finance Loan facility of Rs. 3.5 billion from a consortium of banks led by Bank Alfalah Limited for financing of drilling of three wells in Mari Deep, Goru B reservoirs. The mark-up is payable semi-annually in arrears on the outstanding facility amount at six months KIBOR + 1.50% per annum. The mark-up rate has been revised downward to six month KIBOR + 1.35% effective from September 15, 2010. The effective mark-up rate for the period ended December 31, 2010 was 14.10% (June 2010 14.02%). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement. The first installment due on September 15, 2010 has been paid.
- 6.2 In order to finance Zarghun Gas Field, the Company has arranged another Term Finance Loan of Rs 1,112 million from Habib Bank Limited. Out of loan amount, a sum of Rs 200 million has been disbursed till date. The mark-up is payable semi-annually in arrears on the outstanding facility amount at the average of the six months KIBOR + 1.35% per annum. The effective mark-up rate for the period ended December 31, 2010 was 14.08% (June 2010 13.90%). The loan is repayable in ten equal semi-annual installments after a grace period of 24 months from date of first disbursement. The first installment is due on August 26, 2011.

7. ACCRUED AND OTHER LIABILITIES	Note	(Un-audited)	(Audited)
		31.12.2010	30.06.2010
(Rupees in thousand)			
Gas development surcharge	7.1	5,694,729	6,038,280
General sales tax		366,032	341,118
Excise duty		114,317	56,875
Mark-up on long term financing - secured		82,017	87,752
Workers' welfare fund		390,554	348,308
Workers' profit participation fund		58,964	72,445
Employee benefits - funded		194,961	119,172
Retention and earnest money deposits		15,627	22,040
Payable to Joint venture partners		253,762	223,586
Other accrued liabilities		144,107	209,775
Unclaimed dividend		5,506	5,041
Unpaid dividend		342	16,637
Surplus payable to the President of Pakistan as per the Agreement		759,452	246,817
		<u>8,080,370</u>	<u>7,787,846</u>

- 7.1 As advised by Ministry of Petroleum and Natural Resources vide letters DGO (AC)-5 (50)/94-IA and DGO (AC)-5 (50)/95 dated March 30, 1995 and October 01, 1996 respectively, interest on delayed payment of Gas Development Surcharge amounting to Rs. 1,148.610 million (June 2010: Rs. 896.480 million) will be accounted for /paid by the Company after actual receipt of interest on delayed payments from PEPSCO (Note- 10). However, it does not affect the current period or future years' profit after taxation which includes the guaranteed return to shareholders under the Agreement.

8. CONTINGENCIES AND COMMITMENTS	Note	(Un-audited)	(Audited)
		31.12.2010	30.06.2010
		(Rupees in thousand)	
8.1	<b>Contingencies</b>		
	Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials		
		14,192	32,462
8.2	<b>Commitments</b>		
(i)	Capital expenditure		
	- Share in joint ventures	3,035,560	3,437,323
	- Others	258,829	271,812
		3,294,389	3,709,135
(ii)	Operating lease rentals due:		
	- Less than one year	16,122	19,644
	- More than one year but less than five years	25,548	31,502
		41,670	51,146
		3,336,059	3,760,281
9.	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Opening book value	3,653,056	2,492,869
	Additions during the period	95,185	1,588,842
	Written down value of disposals	-	(2,805)
	Depreciation for the period	(260,766)	(425,850)
		3,487,475	3,653,056
	Add: Capital work in progress	960,314	887,000
		4,447,789	4,540,056
9.1	<b>Additions</b>		
	Land	-	23,900
	Building	28,874	65,738
	Plant, machinery and equipment	41,387	1,359,591
	Computers	4,388	12,637
	Furniture and fixture	489	2,582
	Motor vehicles	20,047	124,394
		95,185	1,588,842
9.2	<b>Written down value of disposals</b>		
	Plant, machinery and equipment	-	(109)
	Furniture and fixture	-	(56)
	Motor vehicles	-	(2,640)
		-	(2,805)

10. TRADE DEBTS	(Un-audited)	(Audited)
	31.12.2010	30.06.2010
	(Rupees in thousand)	
Associated undertakings - considered good		
Pakistan Electric Power Company	3,259,779	4,052,435
Fauji Fertilizer Company Limited	550,892	536,090
Foundation Power Company Daharki Limited	712,496	303,623
Sui Southern Gas Company Limited	137,751	72,829
Sui Northern Gas Company Limited	38,513	14,432
Foundation Gas	72,044	60,597
Others - considered good	4,771,475	5,040,006
Engro Fertilizer Limited	228,807	208,158
Fatima Fertilizer Company Limited	791,150	540,944
Byco Petroleum Pakistan Limited	641,397	310,546
National Refinery Limited	13,210	-
	<u>6,446,039</u>	<u>6,099,654</u>

- 10.1 As advised by Ministry of Petroleum and Natural Resources vide letters DGO(AC)-5 (50)/94-IA and DGO (AC)-5(50)/95 dated March 30,1995 and October 01,1996 respectively, interest income on delayed payments from PEPCO amounting to Rs. 2,464.176 million (June 2010: Rs. 2,038.201 million) will be accounted for by the Company after it is actually received. However, it does not affect the current period or future years' profit after taxation which includes the guaranteed return to shareholders under the Agreement.

11. GROSS SALES	Note	Three months ended		Six months ended	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
		(Rupees in thousand)			
Sale of:					
Gas	11.1	7,468,564	6,932,745	14,992,199	13,981,084
Crude Oil	11.2	-	5,765	-	5,765
Less: Transportation charges		-	-	-	-
		-	5,765	-	5,765
Condensate	11.3	235,872	-	484,580	-
Less: Transportation charges		3,939	-	7,913	-
		231,933	-	476,667	-
LPG	11.4	99,131	-	171,986	-
Own Consumption		2,002	1,671	4,667	3,951
		<u>7,801,630</u>	<u>6,940,181</u>	<u>15,645,519</u>	<u>13,990,800</u>

Note	Three months ended		Six months ended	
	<u>31.12.2010</u>	<u>31.12.2009</u>	<u>31.12.2010</u>	<u>31.12.2009</u>

(Rupees in thousand)

11.1 This represents sale of gas as per detail below:

Mari Field	7,329,709	6,932,745	14,730,244	13,981,084
Sukkur block	-	-	3,079	-
Hala block	117,358	-	237,379	-
Kohat block	<u>21,497</u>	-	<u>21,497</u>	-
	<u>7,468,564</u>	<u>6,932,745</u>	<u>14,992,199</u>	<u>13,981,084</u>

11.2 This represent sale of crude oil from Ziarat block.

11.3 This represent sale of condensate as per detail below:

Mari Field	-	-	13,210	-
Hala block	<u>235,872</u>	-	<u>471,370</u>	-
	<u>235,872</u>	-	<u>484,580</u>	-

11.4 This represent sale of LPG from Hala block.

12. OPERATING EXPENSES	Note	Three months ended		Six months ended	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
		(Rupees in thousand)			
Salaries, wages and benefits		175,282	147,943	414,384	309,637
Employees benefits		34,808	22,628	69,858	46,026
Rent, rates and taxes		722	1,940	2,322	4,559
Legal and professional services		273	982	1,538	1,497
Fuel, light, power and water		11,626	14,282	26,242	29,504
Maintenance and repairs	12.1	35,801	35,444	52,665	50,105
Insurance		10,700	12,387	20,424	24,773
Depreciation		132,066	88,336	260,766	175,523
Amortization		84,683	62,191	171,725	124,322
Employees medical and welfare		32,512	19,399	58,937	46,180
Field and other services		77,923	45,637	148,388	110,518
Travelling		4,073	4,367	7,674	6,662
Communications		2,092	2,160	4,535	4,171
Printing and stationery		3,132	2,358	4,075	3,826
Office supplies		624	1,292	2,572	2,066
Technical software		1,372	1,300	13,936	1,300
Auditor's remuneration		286	427	286	427
Mobile dispensary and social welfare		8,673	16,912	48,940	22,793
Training		26,034	10,135	30,952	16,995
Reservoir study and production logging		-	7,020	-	12,156
Advertisement		67	504	113	1,041
Books and periodicals		95	67	162	130
Public relations and social activities		1,799	1,566	1,961	2,494
Directors' fee and expenses		286	400	728	980
Freight and transportation		156	29	278	445
Subscription		1,001	60	1,181	233
Sukkur block - Operating expenses		-	-	2,485	-
Hala block - Operating expenses		111,040	-	169,970	-
Kohat block - Operating expenses		2,577	-	2,577	-
Miscellaneous		804	343	875	466
		<u>760,507</u>	<u>500,109</u>	<u>1,520,549</u>	<u>998,829</u>
Less: Recoveries from joint ventures	12.2	<u>56,761</u>	<u>44,086</u>	<u>104,643</u>	<u>105,024</u>
		<u><u>703,746</u></u>	<u><u>456,023</u></u>	<u><u>1,415,906</u></u>	<u><u>893,805</u></u>



Note	Three months ended		Six months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009

(Rupees in thousand)

### 12.1 These include:

Maintenance and repairs - Plant and equipment	6,645	24,469	12,166	29,711
- Others	4,299	3,109	5,774	4,851
	<u>10,944</u>	<u>27,578</u>	<u>17,940</u>	<u>34,562</u>
Stores and spares - Plant and equipment	23,051	5,780	30,974	11,686
- Others	1,806	2,086	3,751	3,857
	<u>24,857</u>	<u>7,866</u>	<u>34,725</u>	<u>15,543</u>
	<u>35,801</u>	<u>35,444</u>	<u>52,665</u>	<u>50,105</u>

### 12.2 Break up of recoveries from joint ventures

Time write cost	40,036	32,792	80,087	84,283
Overheads	12,381	8,000	20,212	17,447
Computer and equipment support cost	4,344	3,294	4,344	3,294
	<u>56,761</u>	<u>44,086</u>	<u>104,643</u>	<u>105,024</u>

## 13. FINANCE COST

Mark up on long term financing - secured	61,677	48,549	127,460	92,785
Unwinding of decommissioning cost	142,762	106,639	142,762	106,639
Interest on WPPF	5,921	10,257	5,921	10,257
Bank charges	38	50	118	131
	<u>210,398</u>	<u>165,495</u>	<u>276,261</u>	<u>209,812</u>

## 14. TAXATION

Current tax	441,979	484,407	858,224	579,142
Deferred tax	(206,859)	(190,030)	(309,438)	(289,651)
	<u>235,120</u>	<u>294,377</u>	<u>548,786</u>	<u>289,491</u>

		Six months ended	
		<u>31.12.2010</u>	<u>31.12.2009</u>
15. CASH GENERATED FROM OPERATIONS			
		(Rupees In thousand)	
Profit before taxation		1,078,061	1,258,762
Adjustments for :			
Depreciation on property plant and equipment		260,766	175,523
Amortization of development and production assets		171,725	124,322
Employees benefits - unfunded		7,841	6,290
Interest income		(227,203)	(185,647)
Finance cost		276,261	209,812
Working capital changes	15.1	<u>(544,407)</u>	<u>784,933</u>
		<u>1,023,044</u>	<u>2,373,995</u>
15.1	Working capital changes		
	(Increase)/decrease in current assets		
	Stores and spares	(118,476)	(62,063)
	Trade debts	(346,385)	1,624,995
	Loans and advances	(361,958)	(152,293)
	Short term prepayments	(30,942)	(28,015)
	Other receivables	(735)	4,079
		<u>(858,496)</u>	<u>1,386,703</u>
	Increase/ (decrease) in accrued and other liabilities	<u>314,089</u>	<u>(601,770)</u>
		<u>(544,407)</u>	<u>784,933</u>

## 16. TRANSACTIONS WITH RELATED PARTIES

Fauji Foundation holds 40% shares of the Company, therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Other related parties comprise of associated companies, directors, major shareholders, key management personnel and employees' benefit funds and exclude relationship with the Government being a shareholder in the Company. Transactions with related parties are as follows:

	Six months ended	
	31.12.2010	31.12.2009
Sale of gas to related parties is as follows:		
	(Rupees in thousand)	
Pakistan Electric Power Company (PEPCO)	3,624,206	5,134,107
Fauji Fertilizer Company Limited	6,440,354	5,875,469
Foundation Power Company Daharki Limited	408,873	97,996
Sui Southern Gas Company Limited	243,661	5,439
Sui Northern Gas Company Limited	24,575	-
Foundation Gas	171,985	-
Contribution to employees benefit funds	65,978	42,084
Remuneration including benefits and perquisites of Chief Executive	6,819	3,725
Remuneration including benefits and perquisites of Executives No. of Executives: 114 (2009: 103)	294,369	192,478
	(Un -audited)	(Audited)
	31.12.2010	30.06.2010
Receivable balances with related parties are as follows:	(Rupees in thousand)	
Pakistan Electric Power Company (PEPCO)	3,259,779	4,052,435
Fauji Fertilizers Company Limited	550,892	536,090
Foundation Power Company Daharki Limited	712,496	303,623
Sui Southern Gas Company Limited	137,751	72,829
Sui Northern Gas Company Limited	38,513	14,432
Foundation Gas	72,044	60,597

Transactions with related parties are based on the normal commercial practices as between independent businesses.

## 17. CORRESPONDING FIGURES

The comparative figures have been re-arranged and/ or reclassified, wherever necessary, for the purpose of comparison.

## 18. GENERAL

- 18.1 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.
- 18.2 The condensed interim financial information is un-audited and is being submitted as required under Section 245 of the Companies Ordinance, 1984
- 18.3 The condensed interim financial information was authorized for issue on February 24, 2011 by the Board of Directors of the Company.

Lt Gen Raza Muhammad Khan (Retd)  
Chief Executive

Director

ISO 9001 : 2000



ISO 14001 : 2004



OHSAS 18001 : 1999



ISO/IEC 27001:2005



**Head Office**

21-Maun Aree, 3rd Road,  
Sector G-10/4, P.O. Box 1814,  
Islamabad, 44000  
UAN: 92 51 111 410 410  
TEL: 92 51 2297883-85  
FAX: 92 51 2297886

**Daharki Field Office**

Daharki, District Ghotki.  
UAN: 92 723 111 410 410  
FAX: 92 723 641038

**Karachi Liaison Office**

D-87, Block 4,  
Kalkashan Clifton  
P.O. Box 3887,  
Karachi - 75600  
UAN: 92 21 111 410 410  
FAX: 92 21 6870273

**Quetta Liaison Office**

House No 9-B, Cherman  
Housing Scheme, Chamman  
Road, Quetta - Pakistan  
Tel: 92 81-2621052, 2639790