



We are pleased to present to you the un-audited financial statements for the 2nd quarter ended December 31, 2005.

### **Financial Results**

Gross sales for the 2nd quarter amounted to Rs 4,652.4 million whereas gross sales for six months to December 31, 2005 aggregated Rs 9,314.8 million against cumulative sales for the corresponding period of Rs 7,919.6 million. The operating results in the financial statements for 2<sup>nd</sup> quarter show profit after tax of Rs 43.3 million as against Rs 15.6 million for the corresponding quarter of the previous income year. However, the cumulative profit after tax for the six months to December 31, 2005 is Rs 86.6 million against Rs 96.5 million of the corresponding period of the previous income year. Presently the shareholders are entitled to guaranteed rate of return of 30% per annum. The return to shareholders shall be 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 0.98% was provided for in the annual financial statements of the Company for the year ended June 30, 2005. Any adjustment / variance does not affect the minimum guaranteed rate of return.

### **Operating Results**

The Company continued un-interrupted gas supply throughout the period under review to all its customers namely, Engro Chemicals Pakistan Limited, Fauji Fertilizer Company Limited, Water and Power Development Authority (WAPDA) and Sui Southern Gas Co. Ltd. The gas production for the 2nd quarter ended December 31, 2005 was 43,065 million standard cubic feet (MMSCF) at an average rate of 468 MMSCF per day. The cumulative production for the six months to December 31, 2005 was 85,654 MMSCF at an average rate of 466 MMSCF per day as against the corresponding volume of gas production of 82,493 MMSCF at an average rate of 448 MMSCF per day. The increase is due to consumption of already allocated BMR quota by Fauji Fertilizer plants.

Regular maintenance of gas gathering network and production facilities was carried out as per good gas field practices and production optimization plans were followed to avoid any water coning and loss in production through effective reservoir management.

### **FUTURE CHALLENGES**

#### **Ziarat Exploratory Well-1**

With the blessing of Allah Almighty, first venture of MGCL as operator outside Mari D&P lease area proved successful. The Ziarat Exploratory well # 1 has been tested and has shown gas discovery in Dungan limestone with minimum of 6.867 MMSCF/day. It is intended to develop the discovery on a fast track basis by establishing early production facilities to bring gas on production.

#### **Mari Habib Rahi Shallow Reservoir**

Installation of compressors is essential for effective reservoir management and ultimate enhanced gas recovery from Habib Rahi Limestone reservoir of Eocene age. Post GOP approval of compression project bids were floated following press tendering procedure, tender documents were provided to technically/financially pre-qualified packagers/manufacturers. Presently technical proposals received are under evaluation and expected that purchase order will be finalized in the current year.

## Mari Goru-B Deep Reservoir

In order to bring the Mari deep gas on production which is allocated to M/s ETA and Fauji Foundation for setting up 123 MW and 175 MW combined cycle power projects respectively near Mari Field by PPIB, consultant M/s ENAR Petrotech is in final stages of compilation of study for design of production facilities for Mari deep gas. Owing to the higher concentrations of CO<sub>2</sub> contents in the gas, consultant has been advised to incorporate additional technical details relating to corrosion mitigation, liquids handling capacity at manifolds, provision of realistic estimates and selection criteria for metallurgy for surface facilities/pipelines. The report is expected to be finalized shortly.

## Exploration Activities

The Company's working interest share in onshore exploration licenses is as follows:

i)	ZIARAT EXPLORATION LICENSE	60.00%	Operator/Partner
ii)	BOLAN BLOCK-Zarghun South D&P Lease	35.00%	Operator/Partner
iii)	KARAK EXPLORATION LICENSE	100.00%	Operator
iv)	NOOR EXPLORATION LICENSE	100.00%	Operator
v)	SUJAWAL EXPLORATION LICENSE	100.00%	Operator
vi)	NAWABSHAH EXPLORATION LICENSE	15.00%	J.V. Partner
vii)	DADHAR EXPLORATION LICENSE	27.67%	J.V. Partner
viii)	HALA EXPLORATION LICENSE	35.00%	J.V. Partner
ix)	ZAMURDAN EXPLORATION LICENSE	20.00%	J.V. Partner
x)	KOHLU EXPLORATION LICENSE	40.00%	J.V. Partner
xi)	KALCHAS EXPLORATION LICENSE	40.00%	J.V. Partner
xii)	KOT SARANG EXPLORATION LICENSE	25.00%	J.V. Partner

The drafts of the Zarghun South Gas Sale Agreement and Pipeline Contribution Agreement with SSGCL have been finalized, but its execution is still pending for approval of the drafts by OGRA/DG (Gas). The Company plans to conduct geological fieldwork in Karak Block during February to March, 2006.

The Pasni and Offshore Makran Coastal Licenses have been surrendered by joint venture on December 31, 2005 i.e. on expiry of its license period since well Pasni X-1 proved to be unsuccessful.

The Nawabshah Joint Venture plans to spud its firm commitment well during first quarter of 2006 whereas the well planned in 1st quarter of 2006 by Dadhar Joint Venture has been shifted to 3rd quarter of 2006.

The Company awaits Government's approval of the farm-in deal with Tullow for acquisition of 20% and 10% in their Kohat and Bannu-west Blocks respectively against a swap farm-out of 20% and 10% interests respectively from the Company's 40% share in Kalchas and Kohlu Blocks to enable execution of Deeds of Assignment with the Government and implement the transfer of interests in these Blocks.

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

Islamabad  
February 22, 2006

Lt Gen Syed Arif Hasan HI(M) (Retd)  
Chairman



**MARI GAS COMPANY LIMITED**  
**REVIEW REPORT TO THE MEMBERS**

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We have reviewed the annexed balance sheet of Mari Gas Company Limited ("the Company") as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the ("financial statements")), for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Islamabad  
February 22, 2006

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



**MARI GAS COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2005**

		Un-audited 31.12.2005	Audited 30.06.2005
	Note	(Rupees in thousand)	
<b>SHARE CAPITAL, RESERVES AND SURPLUS</b>			
Authorized capital 250,000,000 ordinary shares of Rs 10 each		2,500,000	2,500,000
Issued, subscribed and paid up capital		367,500	367,500
General reserve		2,046	2,046
Undistributed percentage return reserve		207,749	207,749
Profit and loss account	4	2,116,549	2,029,955
		<u>2,693,844</u>	<u>2,607,250</u>
<b>LONG TERM LOAN, PROVISIONS AND DEFERRED LIABILITIES</b>			
Long term loan - secured	5	224,200	336,300
Deferred income tax		164,820	151,002
Decommissioning cost		1,366,791	1,366,791
Other deferred liabilities		82,798	85,359
		<u>1,838,609</u>	<u>1,939,452</u>
<b>CURRENT LIABILITIES</b>			
Current maturity of long term loan		224,200	224,200
Accrued and other liabilities		2,944,679	2,886,881
Income tax		344,852	272,131
		<u>3,513,731</u>	<u>3,383,212</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	6		
		<u>8,046,184</u>	<u>7,929,914</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.



**MARI GAS COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2005**

		Un-audited 31.12.2005	Audited 30.06.2005
	Note	(Rupees in thousand)	
<b>FIXED ASSETS</b>			
Property, plant and equipment	7	3,575,529	3,726,830
<b>LONG TERM LOANS AND ADVANCES</b>			
- considered good		6,800	6,646
<b>LONG TERM DEPOSITS AND PREPAYMENTS</b>			
		4,273	4,497
<b>CURRENT ASSETS</b>			
Stores and spares		152,488	153,799
Trade debts - considered good		1,090,451	954,480
Loans, advances and prepayments		235,234	116,718
Other receivables		27,202	26,979
Cash and bank balances		2,954,207	2,939,965
		4,459,582	4,191,941
		<u>8,046,184</u>	<u>7,929,914</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Lt Gen Imtiaz Shaheen (Retd)**  
Chief Executive

**Brig Aftab Ahmad (Retd)**  
Director



**MARI GAS COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2005**

	Note	Three months ended		Six months ended	
		31.12.2005	31.12.2004	31.12.2005	31.12.2004
(Rupees in thousand)					
Sales	8	4,417,213	3,641,332	8,841,027	7,425,185
Less: Development surcharge		2,971,908	2,516,506	5,965,133	5,071,114
General sales tax		606,833	512,986	1,213,957	1,030,748
Excise duty		160,731	152,920	319,737	307,698
		3,739,472	3,182,412	7,498,827	6,409,560
Sales - net		677,741	458,920	1,342,200	1,015,625
Less: Royalty		84,718	57,300	167,775	126,793
		593,023	401,620	1,174,425	888,832
Operating expenses	9	244,592	231,426	480,941	468,851
Exploration expenditure	10	264,954	53,899	500,446	74,799
		509,546	285,325	981,387	543,650
Operating profit		83,477	116,295	193,038	345,182
Other operating income		72,230	30,588	141,139	47,060
		155,707	146,883	334,177	392,242
Finance costs		11,059	7,953	25,304	17,289
Other charges		7,598	13,999	26,079	34,074
		18,657	21,952	51,383	51,363
Profit before taxation		137,050	124,931	282,794	340,879
Taxation	11	93,754	109,348	196,200	244,342
Profit for the period after taxation		43,296	15,583	86,594	96,537
Basic earnings per share - Rupees		1.18	0.42	2.36	2.63

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Lt Gen Imtiaz Shaheen (Retd)**  
 Chief Executive

**Brig Aftab Ahmad (Retd)**  
 Director



**MARI GAS COMPANY LIMITED**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2005**

	Note	31.12.2005	31.12. 2004
		(Rupees in thousand)	
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	182,266	799,011
Payment of long term loans and advances		(154)	(1,701)
Decrease in long term deposits and prepayments		224	149
Increase in deferred credits		(7,856)	(17,233)
Taxes paid		(109,661)	(98,502)
Net cash generated from operations		64,819	681,724
<b>Cash flows from investing activities</b>			
Purchases of property, plant & equipment		(43,489)	(67,324)
Proceeds from sale of property, plant & equipment		1,561	11,747
Interest received		136,125	29,266
Net cash from /(used) in investing activities		94,197	(26,311)
<b>Cash flows from financing activities</b>			
Long-term loan repaid		(112,100)	(112,100)
Finance cost paid		(25,412)	(17,026)
Dividends paid		(7,262)	(7,290)
Net cash used in financing activities		(144,774)	(136,416)
Increase in cash and cash equivalents		14,242	518,997
Cash and cash equivalents at beginning of the period		2,939,965	2,083,645
Cash and cash equivalents at end of the period		2,954,207	2,602,642

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Lt Gen Imtiaz Shaheen (Retd)**  
Chief Executive

**Brig Aftab Ahmad (Retd)**  
Director



**MARI GAS COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR SIX MONTHS ENDED DECEMBER 31, 2005**

	<u>Share capital</u>	<u>General reserve</u>	<u>Undistributed percentage return reserve</u>	<u>Profit and loss account</u>	<u>Total</u>
<b>Balance as at June 30, 2004</b>	367,500	2,046	158,127	1,830,035	2,357,708
Profit for the period	-	-	-	96,537	96,537
<b>Balance as at December 31, 2004</b>	367,500	2,046	158,127	1,926,572	2,454,245
Profit for the period	-	-	-	264,982	264,982
Dividends	-	-	-	(111,977)	(111,977)
Transferred to undistributed percentage return reserve	-	-	49,622	(49,622)	-
<b>Balance as at June 30, 2005</b>	367,500	2,046	207,749	2,029,955	2,607,250
Profit for the period	-	-	-	86,594	86,594
<b>Balance as at December 31, 2005</b>	<u>367,500</u>	<u>2,046</u>	<u>207,749</u>	<u>2,116,549</u>	<u>2,693,844</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

**Lt Gen Imtiaz Shaheen (Retd)**  
Chief Executive

**Brig Aftab Ahmad (Retd)**  
Director



**1. LEGAL STATUS AND OPERATIONS**

Mari Gas Company Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are listed on the Karachi, Lahore and Islamabad stock exchanges. 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 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. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the requirements of International Accounting Standard 34, "Interim Financial Reporting".

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2005.

**3. GAS PRICE MECHANISM**

In terms of Mari Gas Wellhead Price Agreement dated December 22, 1985 between the President of Islamic Republic of Pakistan and Mari Gas Company Limited, wellhead 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' Fund (as defined in the Agreement) after meeting specified ratios and deductibles. The return to shareholders shall 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' Fund 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 the 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 result in additional oil and gas production, the revenues generated from such additional oil or gas production shall be credited to and treated as revenue under the Agreement referred to above.

**4. PROFIT AND LOSS ACCOUNT**

The amount of Rs 2,116.549 million (June 30, 2005 : RS 2,029.955 million) represents the following:

**4.1 Undistributable balance**

The amount of Rs 2,026.354 million (June 30, 2005 : Rs 2,026.354 million) , which is not distributable, has been provided through the operation of Article II of Mari Gas Well Head Price Agreement to meet the obligations and to the extent indicated for the following:

	Generated upto June 30, 2005	Generated during the period ended Dec. 31, 2005	Total as at Dec. 31, 2005
	(Rupees in thousand)		
a) Rupee element of capital expenditure (net of depreciation/ amortization) and repayment of borrowings	1,761,583	-	1,761,583
b) Maintenance of debt service ratio	90,234	-	90,234
c) Maintenance of current ratio	174,537	-	174,537
<b>Total</b>	<b>2,026,354</b>	<b>-</b>	<b>2,026,354</b>
<b>Year ended June 30, 2005</b>	<b>1,828,308</b>	<b>198,046</b>	<b>2,026,354</b>



	31.12.2005	30.06.2005
4.2 Distributable balance	(Rupees in thousand)	
Undistributed guaranteed return	90,195	3,601
<p>This represents guaranteed profit of Rs 86.594 million (June 30, 2005: Nil) @ 30% on shareholders' fund for six months to December 31, 2005. It also includes the additional return @ 0.98% Rs 3.6 million (June 30, 2005 : Rs 3.6 million) guaranteed to shareholders on account of increased gas production for the last year.</p>		
<b>5. LONG TERM LOAN - SECURED</b>	31.12.2005	30.06.2005
	(Rupees in thousand)	
From Habib Bank Limited	448,400	560,500
Less: Amount payable within 12 months shown under current portion	224,200	224,200
	224,200	336,300
5.1 Movement in this account during the period/year is as follows:		
Opening balance	336,300	560,500
Repayment during the period/year	(112,100)	(224,200)
Closing balance	224,200	336,300
<b>6. CONTINGENCIES AND COMMITMENTS</b>		
<b>6.1 Interest on delayed payments</b>		
<p>Interest on delayed payment from WAPDA and interest on delayed payment of development surcharge to the Government as at December 31, 2005 amounted to Rs 294.774 million (June 30, 2005: Rs 271.041 million) and Rs 112.392 million (June 30, 2005: Rs 112.392 million) respectively, which will be taken into account when it is actually received / paid. However, it does not affect the current or future periods' profit after taxation which includes the return available to shareholders under the Mari Gas Wellhead Price Agreement.</p>		
<b>6.2 Other contingencies</b>	31.12.2005	30.06.2005
	(Rupees in thousand)	
(i) Indemnity bonds given to Collector of Customs against duty concessions on import of equipment and materials	374,890	374,890
(ii) Regulatory custom duty, not accepted by the Company	-	10,059



	31.12.2005	30.06.2005		
	(Rupees in thousand)			
<b>6.3 Commitments</b>				
(i) Capital expenditure				
Share in joint ventures	959,768	969,491		
Others	39,925	43,341		
	999,693	1,012,832		
(ii) Operating lease rentals due:				
Less than one year	4,781	5,070		
More than one year but less than five years	6,718	9,524		
	11,499	14,594		
	Six months ended			
	31.12.2005	31.12.2004		
	(Rupees in thousand)			
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>				
Opening book value	3,559,083	3,546,159		
Additions during the period note - 7.1	49,963	105,571		
Written down value of disposals note - 7.2	(30)	(2,353)		
Depreciation for the period	(194,762)	(187,602)		
	3,414,254	3,461,775		
Add: Capital Work In Progress	161,275	147,470		
	3,575,529	3,609,245		
<b>7.1 Additions</b>				
Land	198	-		
Building	4,562	46,938		
Roads & bridges	-	222		
Plant, machinery and equipment	24,686	39,364		
Drilling expenditure	8,191	7,814		
Computers	186	4,392		
Furniture & fixture	2,440	2,699		
Motor vehicles	9,700	4,142		
	49,963	105,571		
<b>7.2 Disposal</b>				
Building	-	118		
Plant, machinery and equipment	30	2,047		
Computer	-	42		
Furniture & fixture	-	119		
Motor vehicles	-	27		
	30	2,353		
	Three months ended			
	31.12.2005	31.12.2004		
	(Rupees in thousand)			
<b>8. SALES</b>				
<b>8.1 Gross sales (including internal consumption)</b>	4,652,386	3,932,894	9,314,855	7,919,637
Less:				
Provisional adjustment representing surplus payable to the President under the provisions of Mari Gas Wellhead Price Agreement (note 8.2)	235,173	291,562	473,828	494,452
	4,417,213	3,641,332	8,841,027	7,425,185



8.2 The provisional adjustment has been determined in accordance with the provisions of Mari Gas Wellhead Price Agreement. Final adjustment in this respect will be determined at the year end.

9. OPERATING EXPENSES	Three months ended		Six months ended	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	(Rupees in thousand)			
Salaries, wages and benefits	57,677	53,772	116,774	107,668
Employees' retirement benefits	12,230	13,339	23,022	22,768
Rent, rates and taxes	5,254	183	6,028	1,396
Lease rentals	968	827	1,953	1,960
Legal and professional services	363	240	651	709
Fuel, light, power and water	9,857	6,039	19,657	14,562
Maintenance and repairs	5,549	5,772	18,444	11,196
Insurance	8,058	7,798	16,050	15,591
Depreciation and amortization	97,919	92,405	194,763	187,602
Employees' medical and welfare	10,366	9,131	20,271	19,733
Security and other services	21,412	19,347	43,324	38,271
Travelling	685	3,140	1,283	4,735
Communications	2,245	2,572	3,883	4,918
Printing, stationary and supplies	1,593	2,174	2,783	3,736
Technical software and data purchase	1,167	-	1,349	23
Stores and spares consumed	7,412	4,769	14,689	13,217
Donations	-	40	-	140
Mobile dispensary and social welfare	22,194	7,694	26,349	11,358
Training	1,288	4,685	2,260	9,185
Goru B reservoir study	-	249	-	5,634
Advertisement	330	85	675	471
Books and periodicals	99	67	178	117
Miscellaneous	1,902	2,256	2,781	3,662
	<u>268,568</u>	<u>236,584</u>	<u>517,167</u>	<u>478,652</u>
Less: Recovery from Joint ventures	<u>23,976</u>	<u>5,158</u>	<u>36,226</u>	<u>9,801</u>
	<u>244,592</u>	<u>231,426</u>	<u>480,941</u>	<u>468,851</u>
<b>10. EXPLORATION EXPENDITURE</b>				
Share in joint ventures	256,680	42,626	481,376	54,899
Exploration department cost	13,259	12,180	25,158	25,027
	<u>269,939</u>	<u>54,806</u>	<u>506,534</u>	<u>79,926</u>
Less: Recoveries from joint ventures	<u>4,985</u>	<u>907</u>	<u>6,088</u>	<u>5,127</u>
	<u>264,954</u>	<u>53,899</u>	<u>500,446</u>	<u>74,799</u>

The Company as operator spud the Ziarat Exploratory Well #1 on September 28, 2005 which proved successful and declared the discovery on December 24, 2005. The Company as operator plans to appraise the area for future potentials.



	Three months ended		Six months ended	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	(Rupees in thousand)			
<b>11. TAXATION</b>				
Current tax	6,272	120,926	182,382	262,833
Deferred tax	87,482	(11,578)	13,818	(18,491)
	<u>93,754</u>	<u>109,348</u>	<u>196,200</u>	<u>244,342</u>

	Six months ended	
	31.12.2005	31.12.2004
	(Rupees in thousand)	
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	282,794	340,879
Adjustment for non cash charges and other items:		
Depreciation and amortization	194,763	187,602
Profit on disposal of fixed assets	(1,532)	(9,393)
Employees' retirement benefits	5,292	4,285
Interest income	(138,299)	(31,120)
Finance cost	25,304	17,289
Working capital changes (note 12.1)	(186,056)	289,469
	<u>182,266</u>	<u>799,011</u>

#### 12.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	1,311	44
Trade debts	(135,971)	(115,151)
Loans, advances and prepayments	(118,516)	(6,241)
Other receivables	1,952	(399)
	<u>(251,224)</u>	<u>(121,747)</u>
Accrued and other liabilities	65,168	411,216
	<u>(186,056)</u>	<u>289,469</u>

#### 13. 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' retirement benefit funds. Pursuant to the change in International Accounting Standard 24 "Related party Disclosures" state controlled entities that are profit oriented are no longer exempt from disclosing transactions with other state controlled entities. Accordingly, transactions of the Company with other profit oriented state controlled entities are also included in the disclosure below. Transactions with related parties are as follows:

	Six months ended	
	31.12.2005	31.12.2004
	(Rupees in thousand)	
Sale of gas to Fauji Fertilizer Company Limited	4,304,708	3,586,777
Sale of material to Oil and Gas Development Company Limited	1,125	1,845
Telephone services received from Pakistan Telecommunication Company Limited	2,087	2,183
Mobile phone service received from Pak Telecom Mobile Limited	124	-
Electricity purchased from Hyderabad Electric Supply Company Limited	3,778	2,555
Electricity purchased from Islamabad Electric Supply Company Limited	1,967	1,547
Electricity purchased from Karachi Electric Supply Company Limited	411	463
Electricity purchased from Peshawar Electric Supply Company Limited	18	16
Gas purchased from Sui Southern Gas Company Limited	23	18
Gas purchased from Sui Northern Gas Pipelines Limited	24	42
Contribution to employees' retirement benefit funds	20,682	21,175
Remuneration including benefits and perquisites of Chief Executive	1,818	1,810
Remuneration including benefits and perquisites of Directors (No of Directors 2005: 01 (2004: 01)	1,475	1,412
Remuneration including benefits and perquisites of Executives (No of Executives 2005: 65 (2004: 51)	78,624	60,277

	31.12.2005	30.06.2005
	(Rupees in thousand)	
Receivable balances with related parties are as follows:		
Fauji Fertilizers Company Limited	375,998	317,341
Oil and Gas Development Company Limited	-	1,845

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

#### 14. GENERAL

14.1 These are unaudited financial statements and being submitted as required by SECP under Section 245 of the Companies Ordinance, 1984.

14.2 Previous period figures have been re-arranged, wherever necessary, for the purpose of comparison.

#### 15. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 22, 2006 by the Board of Directors of the Company.



**Lt Gen Imliaz Shaheen (Retd)**  
Chief Executive



**Brig Aftab Ahmad (Retd)**  
Director