

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION [UNAUDITED]
FOR SIX MONTHS ENDED 31 DECEMBER 2007

1 LEGAL STATUS AND OPERATIONS

Oil and Gas Development Company Limited (OGDCL), "the Parent Company", was incorporated on 23 October 1997 under the Companies Ordinance, 1984. The Parent Company is deemed to own all the properties, rights, assets, obligations and liabilities of Oil and Gas Development Corporation (OGDC) as on that date. The Parent Company is engaged in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities. The Parent Company is listed on all the three stock exchanges of Pakistan.

Government of Pakistan (GoP) divested 214,091,139 shares being 4.98% of its shareholding in October 2003 through an Initial Public Offering. In December 2006, GoP further divested 408,588,000 Ordinary shares being 9.5% of its shareholding through secondary offering in the form of Global Depository Shares (1 GDS = 10 Ordinary shares of the Parent Company) to international institutional investors including an offering of GDSs to certain qualified institutional buyers in the United States under Rule 144A of the Securities Act and secondary offering of Ordinary shares to local institutional investors. GDSs are listed on the London Stock Exchange. In addition, GoP also divested 21,505,000 Ordinary shares being 0.50% of its shareholding to the general public in February 2007. Accordingly, GoP owns 85.02% of the Ordinary shares of the Parent Company.

The Parent Company has a wholly owned subsidiary namely Pirkoh Gas Company (Private) Limited ("the Subsidiary Company"). The Subsidiary Company was incorporated in 1982 as a private limited company under the Companies Ordinance, 1984. It is engaged in the exploration and development of natural gas resources, including production and sale of natural gas and related activities.

The Board of Directors of the Subsidiary Company in consultation with the Privatization Commission of Pakistan has in principle approved the merger of the Subsidiary with the Parent Company.

The registered offices of both the Parent and the Subsidiary Companies, together constituting "the Group", are located at OGDCL House, Plot No. 3, F-6/G-6, Blue Area, Islamabad, Pakistan.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan. This condensed consolidated interim financial information is unaudited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.

This condensed consolidated interim financial information should be read in conjunction with annual audited consolidated financial statements for the year ended 30 June 2007. Comparative balance sheet is extracted from annual audited consolidated financial statements for the year ended 30 June 2007 whereas comparative consolidated profit and loss account, comparative consolidated statement of changes in equity and comparative consolidated cash flow statement are stated from unaudited condensed consolidated interim financial information for the six months ended on 31 December 2006.

Accounting policies, related judgments, estimates and assumptions adopted for preparation of this condensed consolidated interim financial information are the same as those applied in preparation of the annual audited consolidated financial statements for the year ended 30 June 2007.

	31 December	30 June
	2007	2007
Note	(Rupees '000)	
3 TRADE AND OTHER PAYABLES		
Creditors	77,003	290,116
Accrued liabilities	3,021,764	3,419,242
Royalty	4,031,214	2,456,542
Excise duty	112,904	105,700
General sales tax	575,436	1,371,030
Payable to joint venture partners	921,396	1,028,288
Retention money	232,330	212,766
Trade deposits	99,662	94,581
Un-paid dividend	3.1 7,527,433	2,102,291
Un-claimed dividend	99,387	65,790
Workers' profit participation fund	1,549,027	-
Advances from customers	144,052	35,756
Other payables	51,768	76,967
	<u>18,443,376</u>	<u>11,259,069</u>

3.1 This represents 1st interim dividend for the year 2007-2008 declared by the Board of Directors of the Parent Company on 25 October 2007. The due date of payment was 01 February 2008.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION [UNAUDITED]
FOR SIX MONTHS ENDED 31 DECEMBER 2007

4 CONTINGENCIES AND COMMITMENTS

- 4.1** Claims against the Parent Company as on 31 December 2007, not acknowledged as debts amounted to Rs 232.670 million (30 June 2007: Rs 232.491 million) since in the opinion of the management, there is a fairly reasonable chance that these will be decided in favour of the Parent Company.
- 4.2** At present Qadirpur Gas Price is being notified by Oil & Gas Regulatory Authority (OGRA) on the basis of a provisional discount table for High Sulphur Fuel Oil (HSFO) price upto the maximum limit of US\$ 200 per metric ton notified by Ministry of Petroleum and Natural Resources, Government of Pakistan (GoP). In terms of article 4.1(b) of Qadirpur Gas Pricing Agreement, OGDCL has taken up the matter with GoP for notification of step discounts to be used in the calculation of gas price at HSFO prices exceeding US\$ 200 per metric ton. To date no agreement has been reached on said step discounts between OGDCL and GoP. After settlement of discount issue which can not be quantified at this stage, gas prices will be adjusted with retrospective effect i.e, July 2005. Since the gas prices during the year 2005-06 were notified on the basis of existing table, therefore, there may be some adjustment pertaining to that year whenever the discount levels are finalized.
- 4.3** Capital commitments outstanding against the Parent Company as on 31 December 2007, amounted to Rs 16,509.223 million (30 June 2007: Rs 12,256.639 million). These include amounts aggregating Rs 2,749.516 million (30 June 2007: Rs 2,672.684 million) representing the Parent Company's share in the minimum work commitments related to operated/non-operated concessions.
- 4.4** Letters of credit issued by various banks on behalf of the Parent Company in ordinary course of the business, outstanding at the period end amounted to Rs 8,239.543 million (30 June 2007: Rs 4,318.176 million).
- 4.5** Certain banks have issued guarantees on behalf of the Parent Company in ordinary course of the business aggregating to Rs 104.844 million (30 June 2007: Rs 104.844 million).
- 4.6** Re-assessment proceedings for assessment years 1996-97 to 2002-03, tax years 2003 and 2004 are pending before the Taxation Officer in the light of the order of the Commissioner of Income Tax - Appeals (CIT(A)) and decision of the adjudicator appointed by both the Parent Company as well as the Federal Board of Revenue (FBR) on the issues of decommissioning cost and depletion allowance. The Parent Company is also in appeal before the Income Tax Appellate Tribunal (ITAT) for the assessment years 1996-97 to 2002-03 and tax year 2003 and 2004 which are currently pending for adjudication.

On the basis of judgment of the adjudicator and the revised assessment an amount of Rs 4,686.026 million is refundable as against the demand created by the department of Rs 346.196 million for assessment years 1992-93 to 2002-03 and tax years 2003 and 2004. The provision for taxation in the financial statements has been made in accordance with the decision of the adjudicator.

The Parent Company filed an application to FBR for resolution of the issues of decommissioning cost and depletion allowance through Alternate Dispute Resolution Committee (ADRC) for the assessment years 1996-97 to 2002-03 and tax years 2003 and 2004. The Order on ADRC recommendation has been issued by FBR where it has decided not to intervene. Accordingly, the issues involved will be settled at appellate forums.

The Additional Commissioner while invoking the provisions of section 122(5A) on the issue of depletion allowance has created a tax demand of Rs 700.177 million, Rs 957.651 million and Rs 941.968 for the tax year 2005, 2006 & 2007 respectively. The Parent Company is in the process of filing appeals against the said orders before the CIT(A).

Pending the outcome of these appeals, no provision has been made in this condensed consolidated interim financial information for the demand since in the opinion of the management, there is a fairly reasonable chance that the appeals will be decided in favour of the Parent Company in line with the adjudication orders, however, the Parent Company is contingently liable to an amount of Rs 7,921.333 million as at 31 December 2007.

- 4.7** Status of contingencies relating to pending tax assessments/re-assessments of Subsidiary Company are the same as disclosed in annual audited consolidated financial statements for the year ended 30 June 2007.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION [UNAUDITED]
FOR SIX MONTHS ENDED 31 DECEMBER 2007

		Six months ended 31 December	
	Note	2007	2006
		(Rupees '000)	
5 PROPERTY, PLANT AND EQUIPMENT			
Carrying amount at beginning of the period		20,005,480	19,561,263
Additions during the period	5.1	1,547,975	1,642,970
Book value of disposals	5.2	(1,313)	(309)
Depreciation charge for the period		<u>(1,711,831)</u>	<u>(1,615,608)</u>
Closing book value		19,840,311	19,588,316
Capital works in progress		<u>2,334,594</u>	<u>1,454,154</u>
Carrying amount at end of the period		<u><u>22,174,905</u></u>	<u><u>21,042,470</u></u>
5.1 Additions during the period			
Freehold land		1,238	10,149
Buildings, offices and roads on freehold land		44,241	8,531
Buildings, offices and roads on leasehold land		3,761	-
Plant and machinery		1,150,454	765,214
Rigs		77,893	48,962
Pipelines		94,107	313,878
Vehicles		139,336	143,825
Office and domestic equipment		22,245	17,775
Office and technical data computers		10,517	38,391
Furniture and fixture		1,428	5,107
Stores held for capital expenditure (net)		2,755	132,661
Decommissioning cost		-	158,477
		<u>1,547,975</u>	<u>1,642,970</u>
5.2 Book value of disposals during the period			
Plant and machinery		-	15
Rigs		-	17
Vehicles		1,313	277
		<u>1,313</u>	<u>309</u>
6 DEVELOPMENT AND PRODUCTION ASSETS - INTANGIBLE			
Opening book value		27,211,898	21,427,653
Additions during the period		2,142,846	3,909,950
Amortization charge for the period		<u>(2,078,156)</u>	<u>(1,904,069)</u>
Closing book value		27,276,588	23,433,534
Wells in progress		<u>3,983,624</u>	<u>1,407,462</u>
		<u><u>31,260,212</u></u>	<u><u>24,840,996</u></u>
7 EXPLORATION AND EVALUATION ASSETS			
Balance at beginning of the period		1,875,370	2,551,149
Additions in exploration and evaluation assets during the period		4,695,176	4,141,964
		6,570,546	6,693,113
Cost of dry and abandoned wells during the period		(3,069,697)	(2,238,140)
Cost of wells transferred to development and production assets during the period		(487,812)	(1,823,296)
		<u>(3,557,509)</u>	<u>(4,061,436)</u>
		3,013,037	2,631,677
Stores held for exploration and evaluation activities		3,818,368	4,151,348
Balance at end of the period		<u><u>6,831,405</u></u>	<u><u>6,783,025</u></u>

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION [UNAUDITED]
FOR SIX MONTHS ENDED 31 DECEMBER 2007

	31 December 2007	30 June 2007
	(Rupees '000)	
8 TRADE DEBTS		
Un-secured, considered good	36,102,768	28,018,145
Un-secured, considered doubtful	156,854	177,737
	<u>36,259,622</u>	<u>28,195,882</u>
Provision for doubtful debts	(156,854)	(177,737)
	<u>36,102,768</u>	<u>28,018,145</u>

8.1 Trade debts include an amount of Rs 4,406 million (30 June 2007: Rs 4,354 million) withheld by Uch Power (Private) Limited against claims for damages related to minimum supply of gas. The GoP had constituted a committee to resolve this matter and on the advice of the committee, a settlement proposal has been finalized. Management has principally agreed to the proposal.

8.2 Trade debts also include an amount of Rs 6,902 million (30 June 2007: Rs 5,379 million) which has been withheld by the refineries under the previous directive of Ministry of Petroleum and Natural Resources and represents revenue on crude oil in excess of USD 50 per barrel. On 4 December 2007, Ministry of Petroleum and Natural Resources issued another directive whereby discount on crude oil and condensate in excess of USD 50 per barrel was settled. According to the said directive, in case the net prices exceed the present ceiling limits mentioned in the respective agreements, the excess will be equally shared between the Government and Exploration and Production (E&P) Companies both for crude oil and condensate. The effect of this has been incorporated in these accounts. Further, the matter has been taken up with oil refineries for release of withheld amounts.

8.3 Also included in trade debts is an amount of Rs 2,609 million (30 June 2007: Rs 3,288 million) withheld by refineries on the direction of Directorate General of Petroleum Concessions (DGPC) pending finalization of crude oil sale agreements. Management considers this amount to be fully recoverable.

	Note	31 December 2007	30 June 2007
		(Rupees '000)	
9 OTHER FINANCIAL ASSETS			
Investments:			
At fair value through profit or loss - NIT units		271,737	279,909
Available for sale	9.1	17,289,360	18,874,050
		<u>17,561,097</u>	<u>19,153,959</u>

9.1 These represent investments in TDRs maturing in the short term and carry interest rate of 5.20% to 10.00% (30 June 2007: 5.20% to 12.15%) per annum. Included in these investments are foreign currency TDRs amounting to USD 69 million (30 June 2007: USD 65 million).

	Three months ended 31 December		Six months ended 31 December	
	2007	2006	2007	2006
	(Rupees '000)			
10 SALES- net				
Gross sales				
Crude oil	15,943,042	11,560,303	31,804,682	25,560,373
Gas	14,007,209	14,592,396	28,195,694	28,138,146
Gasoline	4,740	-	4,740	-
Kerosene oil	102,728	161,105	218,430	276,899
High speed diesel oil	98,566	140,248	200,542	248,575
Solvent oil	6,931	10,972	14,713	34,272
Naphtha	810,802	760,015	1,625,705	1,549,945
Liquefied petroleum gas	1,580,951	1,084,021	2,893,038	1,892,068
Sulphur	239,895	12,341	307,117	27,129
Other operating revenue	21,956	24,140	31,947	29,851
	<u>32,816,820</u>	<u>28,345,541</u>	<u>65,296,608</u>	<u>57,757,258</u>
Government levies				
Excise duty	(366,527)	(365,473)	(745,015)	(701,163)
Development surcharge	(20,780)	(12,643)	(40,752)	(27,803)
General sales tax	(3,534,084)	(3,605,218)	(7,688,551)	(7,351,908)
	<u>(3,921,391)</u>	<u>(3,983,334)</u>	<u>(8,474,318)</u>	<u>(8,080,874)</u>
	<u>28,895,429</u>	<u>24,362,207</u>	<u>56,822,290</u>	<u>49,676,384</u>

11 EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the period (Rupees '000)	11,693,549	10,888,668	24,093,033	22,925,360
Average number of shares outstanding during the period ('000)	4,300,928	4,300,928	4,300,928	4,300,928
Earnings per share - basic (Rupees)	<u>2.72</u>	<u>2.53</u>	<u>5.60</u>	<u>5.33</u>

There is no dilutive effect on the earnings per share of the Group.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION [UNAUDITED]
FOR SIX MONTHS ENDED 31 DECEMBER 2007

12 RELATED PARTIES TRANSACTIONS

Related parties comprise wholly owned subsidiary, associated company, Government of Pakistan, profit oriented state-controlled entities, major shareholders, directors, companies with common directorship, key management personnel and employees pension trust. Transactions with Government of Pakistan other than dividend payments, are not disclosed as the management is of the opinion that it is impracticable to disclose such transactions due to the nature of Group's business. Transactions of the Group with other related parties and balance outstanding at the period end are as follows:

	Six months ended 31 December	
	2007	2006
	(Rupees '000)	
Associated company- Mari Gas Company Limited		
Dividend income received	7,482	7,350
Related parties by virtue of common directorship and GoP holdings		
Sales of:		
Crude oil	6,299,538	25,541,755
Natural gas	20,914,972	24,832,907
Naphtha	-	1,549,945
Liquefied petroleum gas	2,683	162,238
Refined petroleum products	239,654	344,895
Naphtha handling and storage charges	-	64,918
Desalting/decanting charges paid	20,132	20,522
Crude oil transmission charges paid	-	4,090
Purchase of high BTU value gas	1,102,287	1,095,665
Pipeline rental charges	7,865	20,106
Purchase of petroleum, oil and lubricants	968,824	759,244
Insurance premium paid	215,355	282,913
Crude transportation charges paid	555,838	347,797
Purchase of stores and spares	13,577	32,340
Dividend received from NIT units	28,150	26,334
Receipts against long term receivables	424,175	424,175
Consultancy services	18,506	9,785
Dividend paid to Government of Pakistan	13,612,016	15,325,587
Receivable at 31 December	18,648,067	27,520,732
Other related parties		
Contribution to staff benefit funds	324,436	212,323
Remuneration including benefits and perquisites of chief executive	6,675	5,782
Remuneration including benefits and perquisites of executives	781,415	311,711

13 FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies are consistent with that disclosed in the annual audited consolidated financial statements for the year ended 30 June 2007.

OIL AND GAS DEVELOPMENT COMPANY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION [UNAUDITED]
FOR SIX MONTHS ENDED 31 DECEMBER 2007

14 CORRESPONDING FIGURES

For better presentation and consistency with annual audited consolidated financial statements for the year ended 30 June 2007, following figures have been reclassified in the condensed consolidated interim financial information:

Reclassification from Component	Reclassification to Component	Amount (Rupees '000)
Stores held for capital expenditure	Property, plant and equipment	810,101
Stores, spare parts and loose tools	Exploration and evaluation assets	4,151,348

15 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

15.1 The Board of Directors of the Parent Company approved interim dividend at the rate of Rs ____ per share in its meeting held on 27 February 2008.

15.2 This condensed interim consolidated financial information was authorized for issue by the Board of Directors of the Parent Company in its meeting held on 27 February 2008.

16 GENERAL

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

Chairman and Chief Executive

Director